HY24 financial results and business update

Six months to 30 September 2023

Agenda

Sinan Altug
Chief Executive Officer

Drew Davies
Chief Financial Officer

Key highlights and core market performance

Sinan Altug, CEO

HY24 highlights

Balancing efficiency and investment for sustainable growth

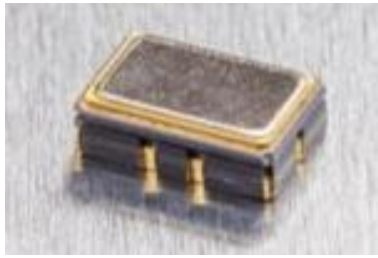
H1 revenue reflects industry-wide challenges (Telco; Positioning) and reduced earnings due to non-recurring costs

Space and Defence outperforming; record revenue and strong order book into FY25 and beyond

Continued focus on cost control and driving efficiency

Continuing to invest in growth strategy and initiatives ($8.9m for R&D in HY24)

Continuing to gain market share; design win rate at all time high



On track to deliver FY24 strategic milestones; key initiatives on schedule

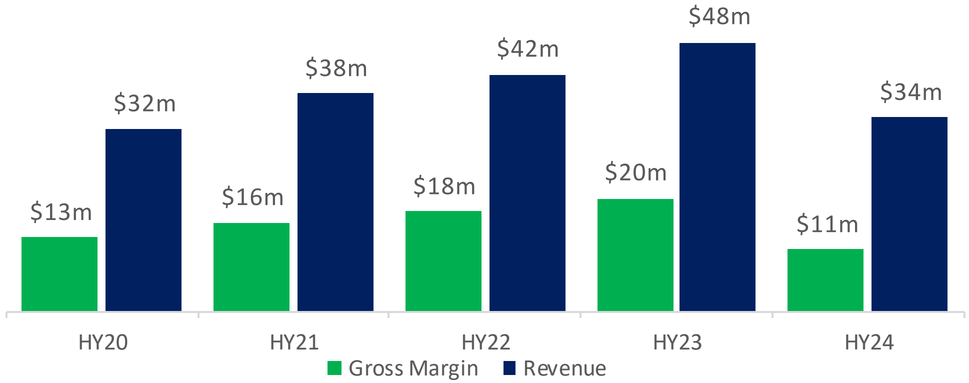
Telecommunications

Recovery taking longer than anticipated; design win rate at record high

HY24

- Revenue down 28% to $34.2m; continuing to grow market share but H1 revenue impacted by temporary downturn and inventory normalisation
- Gross margin down 46% to $10.9m; reflecting one-off costs associated with workforce restructuring, production ramp-up at new India facility and lower volumes impacting economies of scale
- Design win rate at an all-time high, increased 33% YoY (conversion rate over 90%), including for next generation projects like O-RAN and edge computing

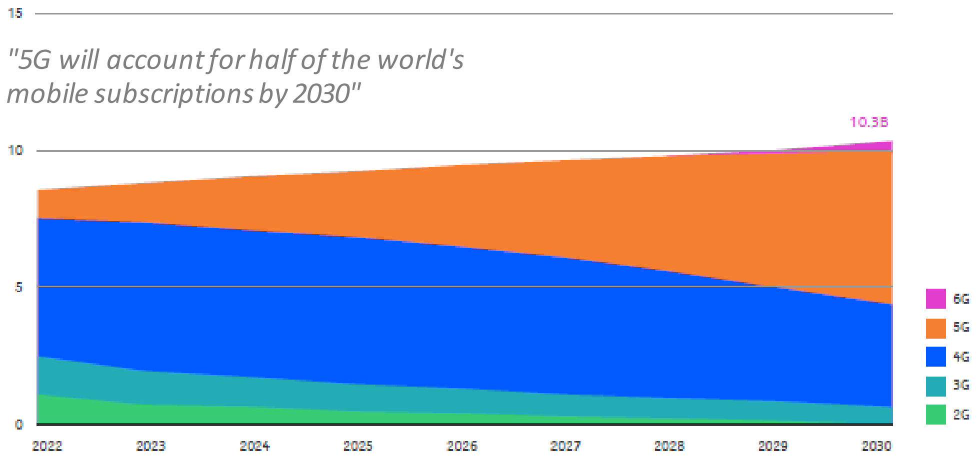
Revenue and Gross Margin (NZD)



FY24 and beyond

- Gross margin normalising at historical levels
- Design wins for latest products positions Rakon to secure a high share of next-generation application orders
- Tier 1 customers see recovery taking longer than early 2024, but still confident in deployment of delayed investment for next stage of 5G network build-out
- Nokia 'Global network traffic 2030 report' forecasts 5G subscriptions will reach 5.6 billion by 2030 (approx. 50% of total subscriptions)

Global mobile subscriptions (by technology) (Bn)



Source: Nokia Global Network Traffic 2030 report

Positioning

Market remains constant in H1; early signs of recovery

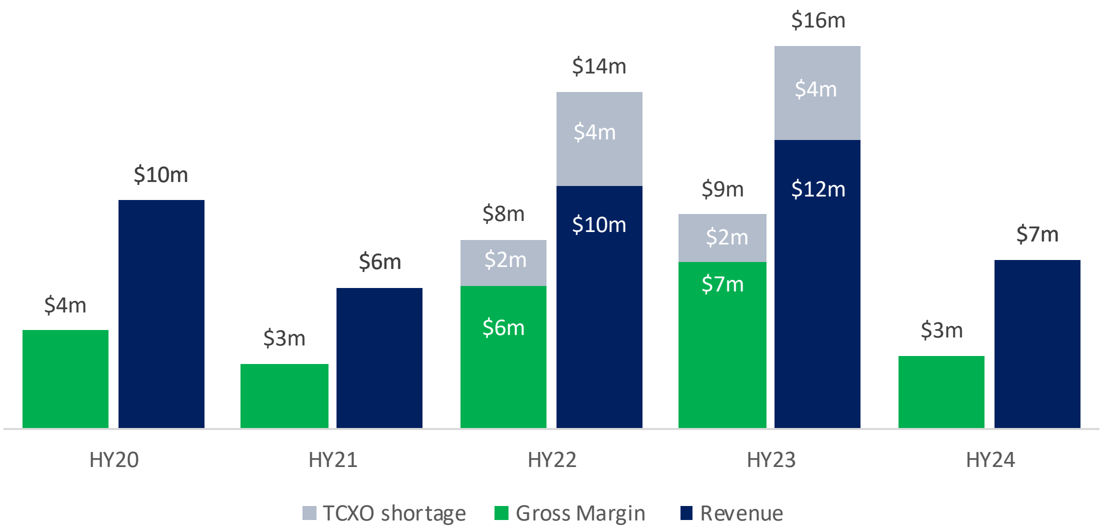
HY24

- Revenue down 56% to $7.2m; H1 performance as expected
- Customers drawing down stockpiled inventories – particularly for higher gross margin 'Precise Positioning' segment
- Gross margin down 67% to $3.1m; end of TCXO chip shortage one-off business impacted YoY gross margin

FY24 and beyond

- Working alongside customers to manage current inventory drawdown; seeing signs of recovery and increasing order volumes
- Focus remains on 'Precise Positioning' with efforts to stabilise pricing and margins

Revenue and Gross Margin (NZD)



Space and Defence

Record revenue and performing ahead of expectations

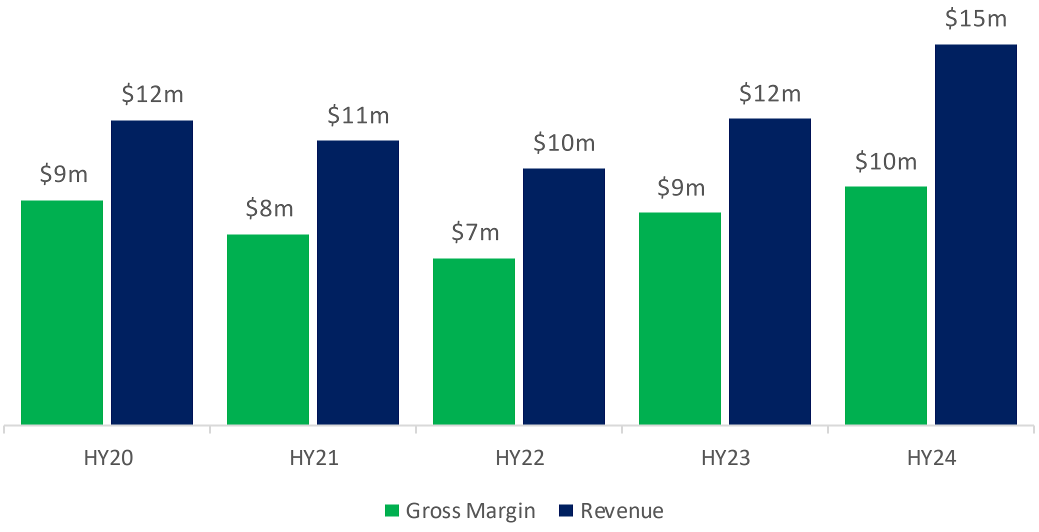
HY24

- Highest ever revenue, up 24% to $15.3m; increase across all sub-segments – Space, NewSpace and Defence
- Gross margin up 12% to $9.6m; expect this trend to continue through the expansion of our Space product portfolio
- Expanded Space product portfolio has tripled Rakon's addressable market for NewSpace subsystems to an estimated $250m

FY24 and beyond

- H2 revenue to benefit from seasonal delivery orders
- Strong order book extending beyond FY25
- High customer interest in NewSpace subsystem products, eg - GNSS receivers and MROs (Master Reference Oscillator)
- In next 6-12 months, targeting contract wins/design-ins for large LEO (Low Earth Orbit) satellite constellations

Revenue and Gross Margin (NZD)



HY24 financial overview

Drew Davies, CFO

HY24 EBITDA performance in line with expectations

Reflects industry wide challenges and non-recurring costs

Revenue
$61.3m
▼ $25.9m -30%

Operating expenses
$28.8m
▲ $0.5m +1.6%

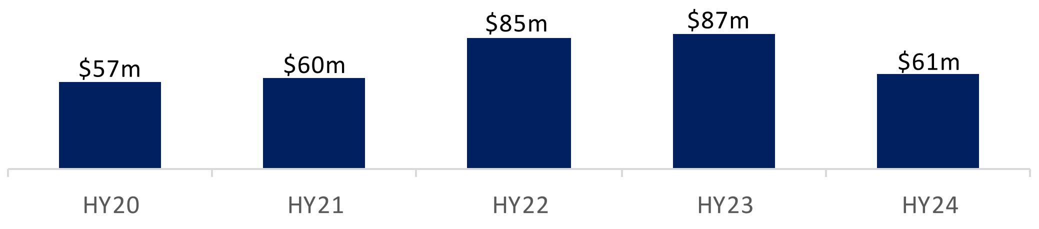
Capex
$7.3m
▼ $2.4m -25%

Gross Margin
$26.1m
▼ $17.4m -40%

Underlying EBITDA[1]
$5.3m
▼ $22.8m -81%

Operating cash flow
$7.3m
▲ $7.3m n/a%

Revenue



Underlying EBITDA[1]

[1] Refer to note 4 of the FY2023 audited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA'

HY24 key financial results

Performance for the year to 30 September NZ$m	HY24	HY23	variance	% change
Revenue	61.3	87.2	-25.9	-30%
Gross profit	26.1	43.5	-17.4	-40%
Gross margin %	42.6%	49.9%	-7.3 ppts	
Operating expenses	28.8	28.3	+0.5	+2%
Net profit after tax	0.5	16.0	-15.5	-97%
Underlying EBITDA[1]	5.3	28.1	-22.8	-81%
Capital expenditure	7.3	9.7	-2.4	-25%
Operating cash flow	7.3	0.0	+7.3	n/a

Financial Position				
Cash and cash equivalents	17.9	25.7	-7.9	-31%
Debt[2]	4.5	7.3	-2.9	-39%
Inventory	60.0	72.0	-12.1	-17%

- Revenue: down 30% YoY (down 20% YoY excluding prior year one-off chip shortage revenue)
  - Drop primarily due to lower Telecommunications and Positioning orders; offset by 24% growth in Space and Defence
- Gross Margin % reduction attributable to one-off and temporary costs incurred, driven by:
  - Reduced production in India during move into new manufacturing facility
  - Workforce restructuring labour costs
- Operating expenses of $28.8m relatively flat YoY, despite high inflationary pressures and increased strategic investment in R&D
- Inventory down 17% YoY as we continue to focus on inventory management optimisation

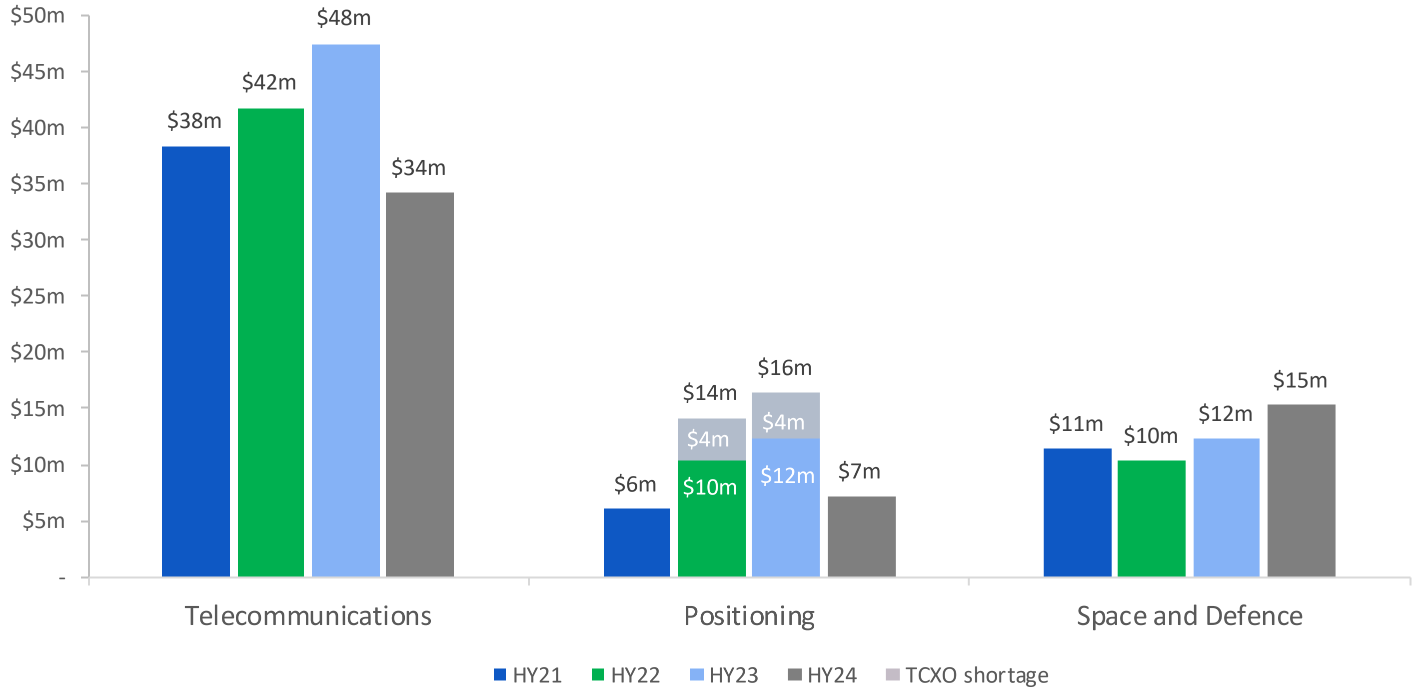
Hedging NZD/USD	FY24	FY25	FY26
% of net exposures covered by hedging	74%	45%	6%
average rate of cover	0.6460	0.6150	0.6098

[1] 99% of revenue is non-NZD currencies (mostly USD) with more significant exposure NZD/USD. Hedging covers up to 36 months exposure on a net basis.
[2] excluding NZ IFRS 16

Revenue from core markets

Impacted by Global Telco and Positioning markets and completion of one-off chip shortage contracts

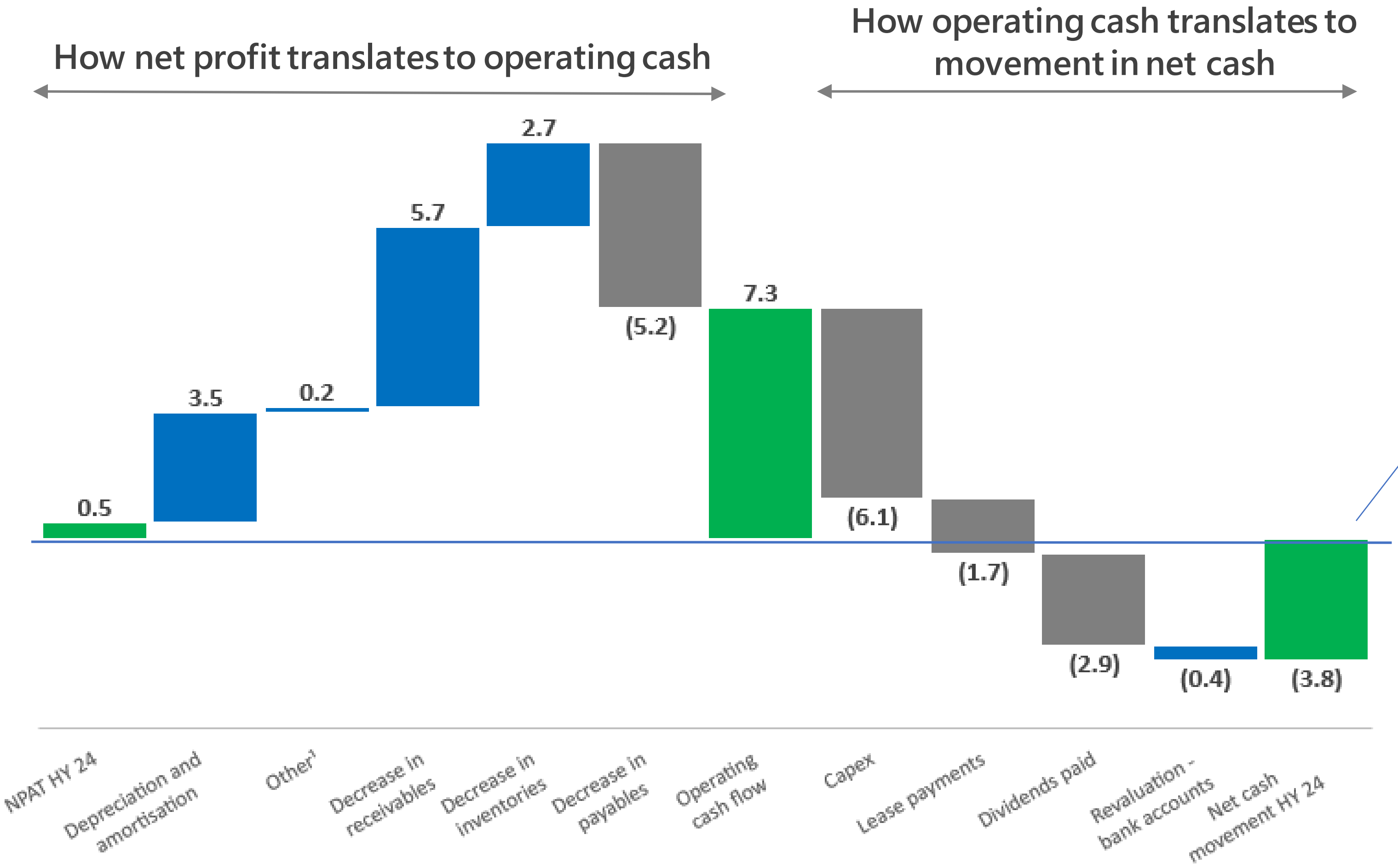
H1 revenue by core market (HY21-HY24)



- As anticipated, slower customer inventory drawdown impacted Telecommunications and Positioning
- Telecommunications down 28%, also reflects drop in orders as a result of deferred 5G Network deployments by carriers globally
- Positioning down 56%; also reflects completion of one-off chip shortage Positioning revenue (HY23: $4m)
- Space and Defence revenue grew 24% YoY reflecting increased demand across core products

How net profit translates to net cash movement

Inventory management and investment for growth impacting cash position



Other[1] – non-cash items including unrealised foreign exchange, share of net profits of associate (Timemaker), employee share-based expense, and movements in other provisions

Net cash

$13.4m

- Decrease in receivables reflects reduction in Telecommunications revenue
- Focus on reducing inventory (lower supply chain risks and transfer from former sites to new India facility completed)
- Operating cash up due to decreasing inventory balances as we optimise inventory sell-through
- Capex includes completion of India facility to enable transition from former sites
- Net dividends paid in August 2023: $2.9m

Focused on efficiency and investment

Ongoing cost savings will improve resilience and competitiveness

Workforce efficiencies

- HY24: global workforce numbers >10% below business plan; proactive initiatives ensure workforce count is within optimal levels for cost of production while retaining right capabilities to continue execution of growth plan
- Incurred restructuring costs in H1 with reductions in manufacturing operations personnel in New Zealand

New India facility operational

- New Bengaluru manufacturing facility complete and operational late in H1; will drive more Cost of Sales efficiencies as production ramps up

Operational Expense management

- Proactively looking at all expense categories and association with revenue and future growth objectives
- G&A expenses down slightly YoY – continued focus on efficiency and automation initiatives globally to offset inflationary pressures

Inventory management

- Continued focus on optimising inventory led to $12m overall decline YoY and will continue to drive reductions

Operational efficiencies / Future planning

- Ongoing process to streamline operations globally, ensuring all key expenditures across the board contribute to Rakon's growth strategy
- Optimisation of manufacturing cost structures includes accelerated schedule for India facility production of select NZ/France product lines

Updated FY24 Underlying EBITDA guidance

- HY24 Underlying EBITDA performed in line with July Market Update
- H2 macroeconomic conditions more challenging than forecast:
  - Telecommunications market impacted by longer inventory corrections and deferred 5G deployment
  - Positioning market continues to be impacted by inventory corrections
  - Space and Defence H2 outlook is strong, reflecting strong order book and seasonal delivery orders
- Risk higher than the $10m (implied Underlying EBITDA of $16m-$24m) indicated in July market update
  - Now expect FY24 Underlying EBITDA between $13m-$19m
- Board anticipates level of dividend sustainable through current macroeconomic pressures and three-year growth plan

Strategy and outlook

Sinan Altug, CEO

A clear growth strategy to build long term value

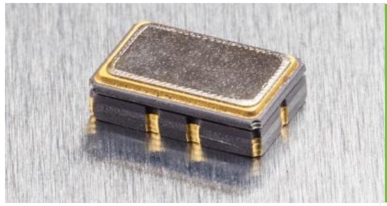
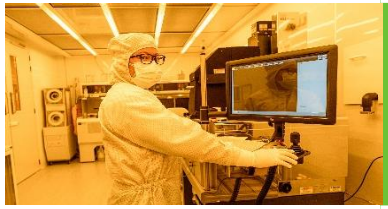
Diversifying and growing market share, revenue and margins in high growth markets

GROW OUR CORE BUSINESS	MAINTAIN PRODUCT AND TECHNOLOGY LEADERSHIP	EXPAND INTO NEW MARKETS	DELIVER WORLD CLASS MANUFACTURING
Telco market leadership – products using proprietary technologies Space and Defence – market access in North America Precision industrial Positioning applications New technology design-in	Rakon semiconductor chips – accelerate time-to-market XMEMS® – deliver next generation products and performance Space and Defence – move upward into equipment and subsystems	NewSpace Cloud computing Autonomous vehicles A.I. Targeting key customer partnerships in new markets	Global Manufacturing Roadmap Manufacturing capacity and capability expansion Advanced supply chain management XMEMS® nanotechnology volume manufacturing

STRATEGIC AQUISITIONS SUPPORTING GROWTH STRATEGY

Continued delivery of 3-year growth roadmap

Strategic investments to deliver long-term value for shareholders

		FY 2023	FY 2024	FY 2025
	**NEW MANUFACTURING FACILITY IN INDIA**	• Construction completed • Fitout / capacity expansion • Existing manufacturing transfer	• India facility transfer of select NZ products • India facility transfer of select NewSpace products	• India facility transfer of select Space subsystems
	**RAKON DESIGNED SEMICONDUCTOR CHIPS**	• Substantial increase in R&D and chip design capability • Release of Niku™ next generation chip	• Launch of enhanced MercuryX™ • Chip based product revenue growing to over 60%	• Chip based product revenue growing • Release of Vulcan™ next generation chip
	**XMEMS® NANOTECHNOLOGY MANUFACTURING**	• Continued investment in XMEMS® capability • Release of initial XMEMS® based products	• Volume production of XMEMS® • XMEMS® products qualified into key 5G platforms	• Leadership in targeted market segments • Expansion into other product categories
	**NEWSPACE BUSINESS**	• R&D and supply chain investment • Strategic relationships established	• Recognised player in the NewSpace ecosystem • Significant orders secured	• Become a top 3 player in subsystems • Delivery of orders

Deliverables post three-year growth plan

Focused investment with high ROI to grow market share, revenue and margins

3 year growth plan investments

Focused investment into strategic initiatives, including $8.9m R&D in HY24 (HY23: $8.5m)

Return on investment

Return on investments range from 100% -175%

Plan already delivering value

Expanded Serviceable Addressable market by 10% in 12 months to $3.7 billion

Rate of design wins at all-time high

Highest ever Space and Defence revenue, and growing substantially

Tripled Space opportunities, to an estimated $250 million

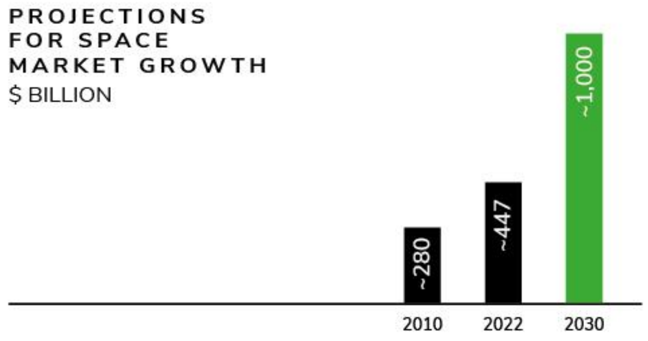
What we expect to deliver following 3-year plan

- Targeting 15% annual revenue growth
- Improved economies of scale and higher margins
- Diversifying revenue providing increased protection through the cycles
- Grow Serviceable Addressable Market by over $1.5 billion to almost $5 billion

Space and NewSpace: continuing to outperform

Established in high-growth NewSpace segment; strong order book beyond FY25

- 40-year legacy of working with leading space agencies NASA, ISRO and ESA
- Now established in the fast growing NewSpace and Low Earth Orbit (LEO) satellite ecosystem
- Highest order book over 12-month period; expect this growth to continue
- GNSS Receiver product used in earth observation satellite launched in April 2023; released two new GNSS Receivers in November 2023
- Focused on expanding into new geographies and moving up the value chain, developing more complex subsystems



Source: McKinsey & Company: 'A giant leap for the space industry' January 2023

"The space market... has grown to approximately $447 billion—up from $280 billion in 2010—and could grow to $1 trillion by 2030"

AI: emerging core market for Rakon

Delivering substantial benefits in next 12-18 months

- Rakon's tech and products ideally suited for overcoming the synchronisation challenges that datacentres face with AI workloads
- Launched latest semiconductor chip, Niku™, in October 2023, which lays foundation for Rakon's AI computing hardware product portfolio
- Working with leading players in AI hardware to enable the next generation platforms
- Projecting tangible substantial benefits (design wins, collaborations and potential revenue growth) in next 12-18 months

Recently launched Rakon-designed semiconductor chip, Niku™, which lays the foundations for our AI computing product portfolio

In next 10 years Generative AI market predicted to grow to US$1.3 trillion

Source: Bloomberg Intelligence

In next six years AI infrastructure market predicted to reach US$400b

Source: Data Bridge Market Research / WSJ

Summary

Underlying growth drive to capture and maximise significant growth

- Telecommunications market challenging in the short-term with inventory corrections and deferred 5G capex investment by wireless network operators
- Positioning remains challenged due to inventory correction, starting to see signs of recovery
- Space and Defence market outperforming expectations
- Continuing to grow market share - winning new customers and highest ever rate of design wins
- Continued focus on efficiency initiatives driving annualised cost savings and improving future resilience and competitiveness
- Continued execution of 3-year growth plan focused on growing market share, revenue and margins

Q&A

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Although management and directors may indicate and believe that the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised.

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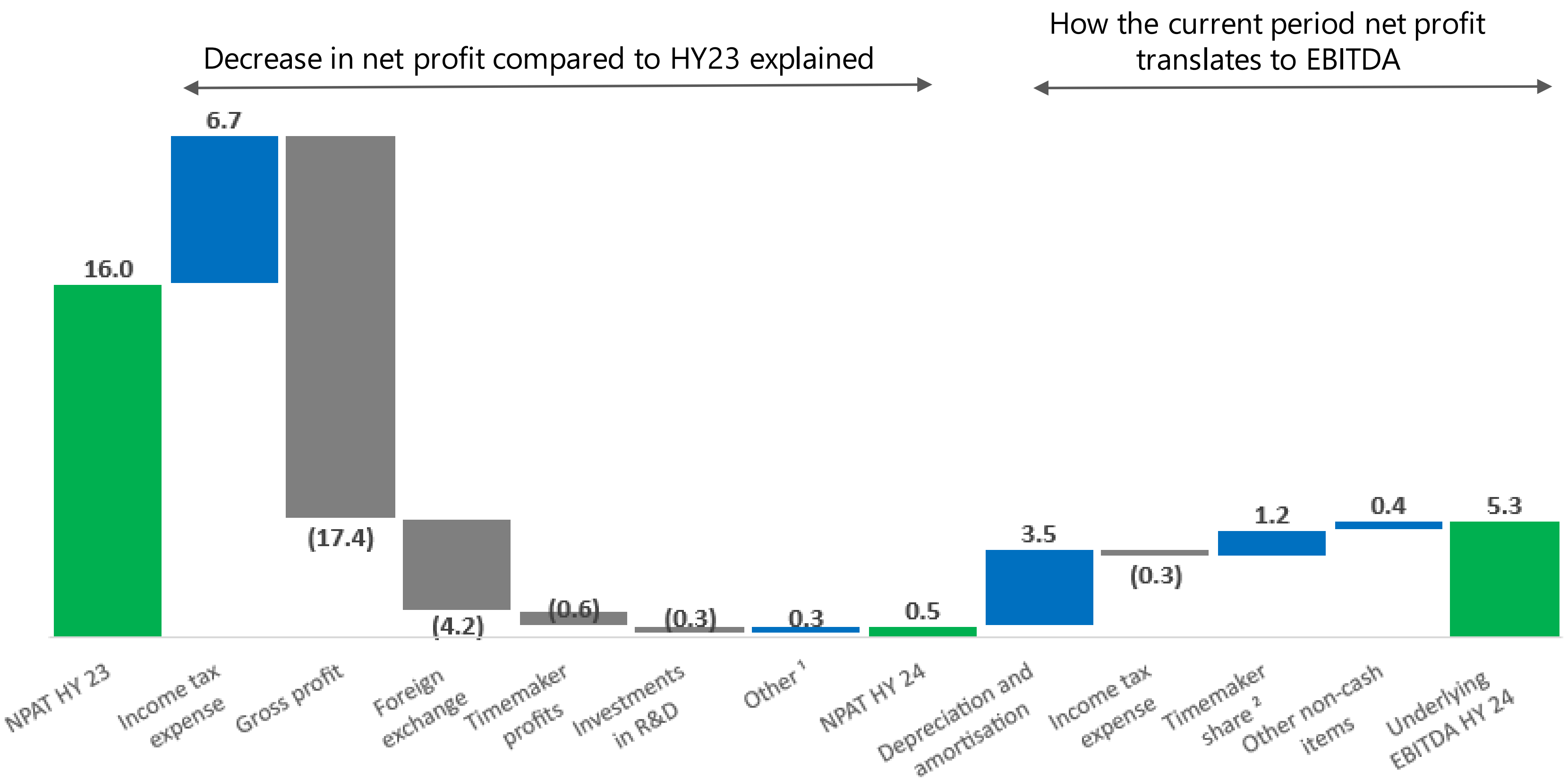
All figures are presented in New Zealand dollars unless otherwise indicated. All comparisons are to the prior corresponding period (six months to 30 September 2022) unless otherwise noted. Refer to note 4 of the FY2023 audited consolidated financial statements for an explanation of how ‘Non-GAAP Financial Information’ is used, including a definition of ‘Underlying EBITDA’ and reconciliation to net profit after tax (NPAT).

Appendix

Net profit and Underlying EBITDA explained

Financial result reflects investment for growth and inflationary pressures



Other[1] - include movement in finance cost, other operating income, general administration expenses, sales & marketing expenses, & balance of other (losses)/gains – net

Timemaker share[2] - adjustment for Timemaker share of interest, tax and depreciation