



26 May 2022

AUDITED RESULTS FOR THE FULL YEAR TO 31 MARCH 2022

## Rakon reports record earnings performance, EBITDA up 132%

### Highlights:

- **Revenue \$172.0m (FY21<sup>1</sup>: \$128.3m)**
- **Underlying EBITDA<sup>2</sup> more than doubles to \$54.4m (FY21: \$23.5m)**
- **Net profit after tax \$33.1m (FY21: \$9.6m)**
- **Sustained core market growth, particularly 5G and industrial positioning**
- **Significant new opportunities captured from worldwide chip shortage**
- **Record delivery despite global supply chain disruptions and materials shortages**
- **New dividend policy announced**

All amounts are in New Zealand Dollars

Rakon (NZX.RAK) today announced record earnings for the 12 months to 31 March 2022, on the back of continued strong growth in global demand for its industry-leading frequency control and timing solutions.

Total revenue for the financial year rose 34% to \$172.0 million (FY21: \$128.3m). Gross margin improvements, combined with largely unchanged overheads, drove a 132% increase in Underlying EBITDA to \$54.4m (FY21: \$23.5m), which is slightly above the latest guidance of \$49-\$53m. Net profit after tax increased by 244% to \$33.1m (FY21: \$9.6m).

Rakon Chair Lorraine Witten said: "This performance is the outcome of many years of hard work to strengthen our foundations and position the company for future growth. The challenges of Covid-19 have accelerated technological transformation, and these in turn have highlighted the advantages of Rakon's 50-year pedigree in technology innovation, our operating agility and our strong customer relationships."

Chief Executive Officer Sinan Altug acknowledged the efforts of Rakon's global team in delivering the company's best-ever earnings performance.

"This has been a year of tremendous progress for Rakon. We have scaled up significantly to meet strong core market growth as well as new opportunities stemming from worldwide chip shortages. Thanks to the efforts of our highly dedicated team, we have continued to deliver to our customers around the world through the significant challenges of Delta and Omicron, raw material shortages and global supply chain disruptions."

### Financial and market performance

Rakon's revenue uplift was driven primarily by continued demand growth in 5G telecommunications networks and industrial and precision positioning applications, in addition to the opportunities created by worldwide chip shortages. The telecommunications segment generated revenue of \$86.2m, 12% higher than last year, and comprising 50% of the company's total revenue. The company was able to convert the additional chip shortage opportunities into \$30.8m of revenue.

Gross profit rose 53% to \$90.1m (FY21: \$58.9m). A shift in the product mix towards new higher margin

<sup>1</sup> All comparisons are against the prior corresponding period (FY21) unless otherwise stated

<sup>2</sup> Refer to Note 5 of the FY2022 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

products increased the average gross margin percentage to 52% against last year's 46%. Our response to the chip shortages added \$18.4m of gross margin.

Operating expenses remained stable at \$49.3m, with increases in labour costs and other overheads offset by factors such as reduced travel. Operating cash flow for the period was strong at \$30.2m, 51% ahead of last year.

Rakon's balance sheet has continued to strengthen, with total assets increasing by 29% to \$199.9m, and the lift in earnings contributing to a 30% increase in equity since March 2021. The company had \$23.2m in net cash at balance date, against last year's \$5.0m.

## **Operations and Covid-19**

Mr Altug said the increased demand for Rakon's products was largely fulfilled by increased capacity in the New Zealand manufacturing operation, which lifted its average monthly throughput by 60%. "This is a fantastic achievement, given the Covid-19 and supply chain headwinds faced by our New Zealand team through the year. Likewise, we saw exceptional resilience and adaptability from our Indian and French operations despite a number of Covid-19 outbreaks and similar supply chain issues."

He said raw material supply has remained tight, resulting in extended lead times and price increases. "Capacity constraints, allocations and rising prices from suppliers unfortunately remain the norm, and we continue to work hard to mitigate risks around procurement of materials and actively manage higher levels of inventory."

Rakon's global manufacturing operations were largely able to continue throughout the year despite Covid-19 outbreaks, restrictions and remote working requirements.

"The commitment of our teams has been exceptional," said Mr Altug. "While our 1000 employees worldwide had freedom of choice around vaccinations, 99.5% were fully vaccinated, vastly reducing transmission risk on our sites. With strict protocols and a strong health and safety culture, we successfully avoided workplace outbreaks and at no time during the year was more than 10% of our manufacturing workforce absent."

## **Innovation**

Rakon invested \$13.1m in research and development, focused primarily on the development of new ASIC<sup>3</sup> semiconductor chips and their associated products, the new XMEMS<sup>®</sup> nanotechnology, and a new suite of NewSpace products for Low Earth Orbit (LEO) satellites. Mr Altug said solid progress had been made in each of these areas.

"Each new family of products pushes the boundaries of performance in respect of speed, precision, stability and resilience. We are particularly excited about the results we are achieving from products using our new XMEMS<sup>®</sup> nanotechnology. These products are delivering next-generation performance, and we are looking forward to the release of multiple XMEMS<sup>®</sup> based product families this year."

## **Dividend**

Rakon today also announced a new dividend policy<sup>4</sup>. Ms Witten said the policy articulates Rakon's aspirations as a growth company and confirms its intentions to maintain a strong balance sheet to ensure opportunities can be captured while risks are managed.

Under the policy, Directors will determine at least annually whether to declare a dividend, having regard to all relevant information including Rakon's current and expected operating results, its near and medium-term operational cash requirements, its plans for organic and strategic investment in growth and

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<sup>3</sup> ASIC stands for Application Specific Integrated Circuit, referring to a customised semiconductor chip

<sup>4</sup> Rakon's new dividend policy can be found on the Rakon website



expansion, current and foreseeable debt levels, interest rates, market and economic conditions and any applicable funding or banking requirements.

After reviewing Rakon's capital requirements in light of the three-year strategic plan and rapid growth environment, Directors have determined that the FY22 cash surplus should be fully allocated to support planned growth and capital expenditure requirements, and therefore no dividend will be paid for the 2022 financial year.

Ms Witten said: "We are pleased to provide clarity about how the company will apply future cash surpluses. Specifically, the company intends to prioritise the use of cash surpluses towards capital investment, acquiring skills and R&D projects that deliver our strategic growth objectives."

## Outlook

Looking ahead, Mr Altug said Rakon's strong forward order book continues to be driven by growth in our core markets.

"We are excited to see significant market opportunities for Rakon in future years and want to accelerate product development. We are increasing our capacity in New Zealand and India to support this growth and look forward to the completion of Rakon India's new Bengaluru facility towards the end of FY23. While we expect the impacts of Covid-19, supply chain disruptions, materials shortages and cost inflation to be ongoing, these risks will continue to be closely and proactively managed."

"We will continue with deliberate investments in R&D for XMEMS® nanotechnology, ASIC semiconductor chips and NewSpace. The global roll-out of 5G is expected to continue for a good part of this decade, expanding as 5G millimetre wave networks pave the way for more data-heavy applications and as datacentres further enter the ecosystem. Demand for industrial and precise positioning applications is continuing to rise. The exciting NewSpace market continues to gain momentum, along with the whole ecosystem surrounding it."

"These opportunities, together with a strong development pipeline, new proprietary chips in the works and new XMEMS® nanotechnology provide a very positive outlook for Rakon."

-Ends-

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## About Rakon

Rakon is a global high technology company and a world leader in its field. The company designs and manufactures advanced frequency control and timing solutions. Its three core markets are Telecommunications, Positioning and Space and Defence. Rakon's products are found at the forefront of communications where speed and reliability are paramount. Its products create extremely accurate electric signals which are used to generate radio waves and synchronise time in the most demanding communication applications.

Rakon has three manufacturing plants, six research and development centres, and sixteen customer support offices worldwide. Founded in Auckland in 1967, Rakon is proud of its New Zealand heritage. It is a public company listed on the New Zealand stock exchange, NZX, ticker code RAK.