

# 2024 Annual meeting of shareholders



# How to Participate in Hybrid Meeting (Q&A)



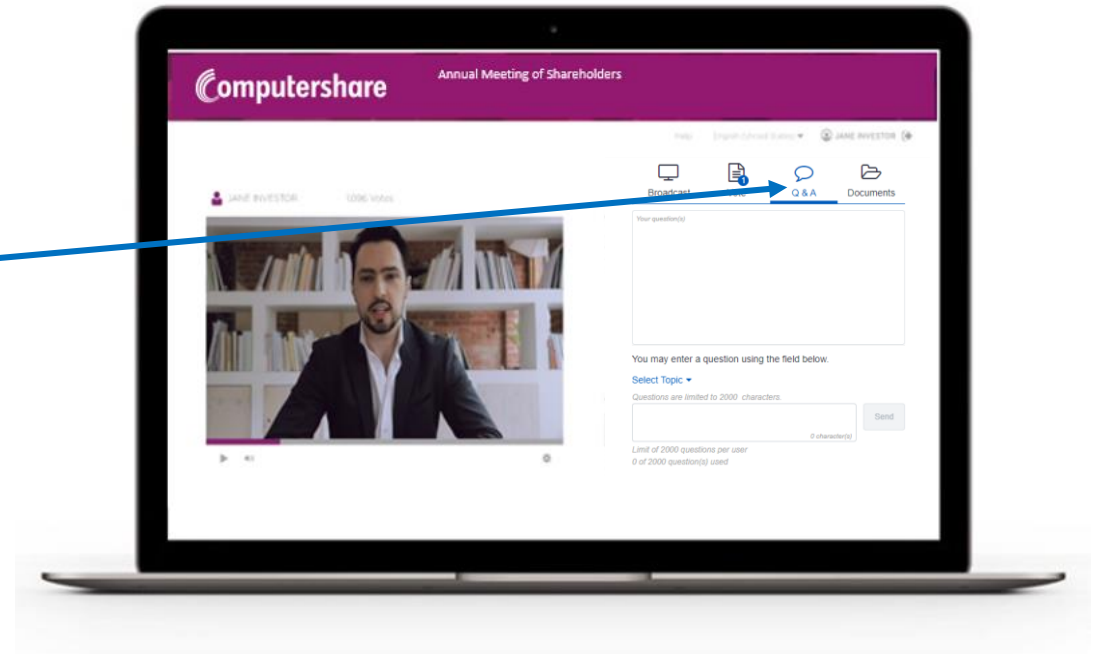
## Shareholder & Proxyholder Q&A Participation

### Written Questions:

- Questions may be submitted ahead of the meeting
- If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime
- Type your question into the field and press submit. Your question will be immediately submitted

### Help:

- Q&A tab can also be used for immediate help. If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly

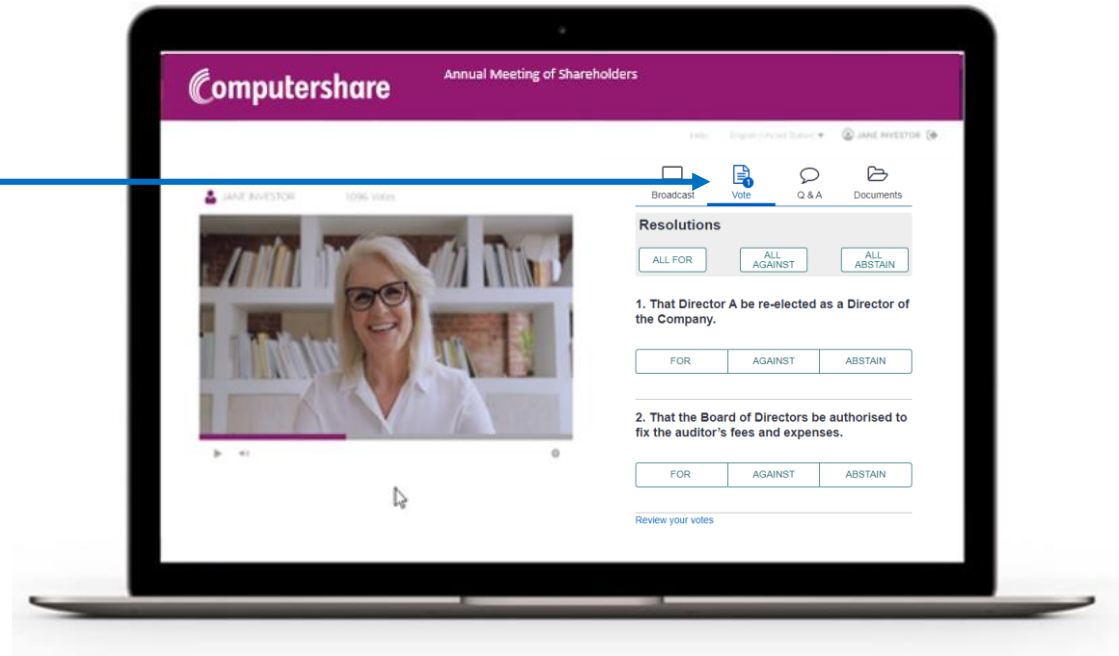


# How to Participate in Hybrid Meetings (Voting)



## Shareholder & Proxyholder Voting

- Once the voting has been opened, the resolutions and voting options will allow voting
- To vote, simply click on the Vote tab, and select your voting direction from the options shown on the screen. You can vote for all resolutions at once or by each resolution
- Your vote has been cast when the tick appears. To change your vote, select 'Change Your Vote'







## Chair's address

Lorraine Witten



# Our Board



**LORRAINE WITTEN**  
Chair and Independent director



**KEITH WATSON**  
Independent director



**KEITH OLIVER**  
Independent director



**BRENT ROBINSON**  
Executive director



**JUNG MENG (JM) TSENG**  
Director

# Agenda

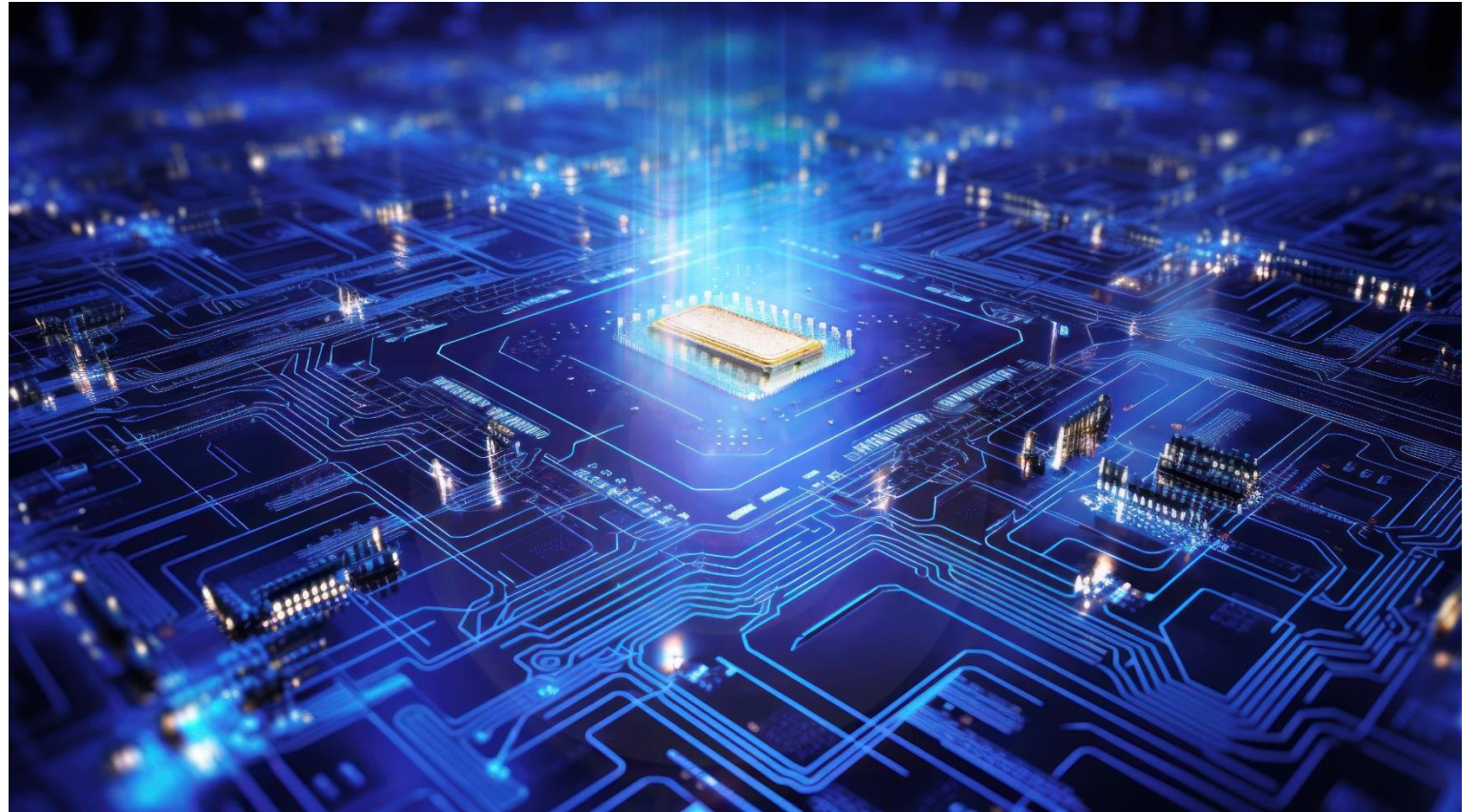
Chair's address

Chief Executive's review

Shareholders' questions

Resolutions

General business



# Clear strategy to increase shareholder value



GROW OUR  
CORE BUSINESS



MAINTAIN PRODUCT  
AND TECHNOLOGY  
LEADERSHIP



EXPAND INTO  
NEW MARKETS



DELIVER WORLD  
CLASS  
MANUFACTURING



ORGANISATIONAL  
TRANSFORMATION

STRATEGIC ACQUISITIONS SUPPORTING GROWTH STRATEGY (PAUSED)



# FY24 business highlights



Highest ever Space and defence revenue. Top 3 player for Rakon's Space subsystem products



Launch of AI computing hardware product range for emerging core market



Continuing focus on cost control and driving efficiency



# FY24 key financials and capital management



## REVENUE

\$128.0m

▼ \$52.3m -29%

## OPERATING EXPENSES

\$59.5m

▲ \$0.7m +1%

## INVENTORY

\$54.9m

▼ \$7.7m -12%

## CAPEX

\$17.0m

▼ \$1.7m -9%

## NET PROFIT AFTER TAX

\$4.5m

▼ \$18.7m -81%

## OPERATING CASHFLOW

\$17.8m

▲ \$6.7m +60%

## CASH AND CASH EQUIVALENTS

\$17.8m

▼ \$3.9m -18%

Dividend not declared for FY24

2-3 year HSBC Facility  
Up to approx. \$47m

# Takeover process recap

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## Comprehensive process

- Receipt of confidential Proposal (7 Dec 2023) for an indicative price of \$1.70 per share
- Established Independent Board Committee; appointed expert legal and investment banking advisers
- Due diligence process undertaken over five months, subject to strict confidentiality controls
- Strategy and value review: Board identified, risk-assessed and considered various relevant options under different transaction alternatives, as well as status quo
- Process-end (19 June 2024) due to potential complexities encountered during due diligence for which the parties were unable to reach a suitable resolution
- Thousands of hours of Board and management time was involved in the process. Total one-off costs associated with the proposal: \$2.85 million
- Enabled in-depth review and confirmation of Rakon's strategy, as well as business processes, documents, compliance and governance

# Summary



- Continued strategic focus on growing multiple strong, balanced verticals – creating diversity and resilience for the business, long term, and diversifying revenue to provide increased protection through the cycle
- Continuing to navigate through market uncertainty in Telecoms and Positioning
- AI hardware and Space segments are expected to continue growth
- Ongoing efficiency initiatives driving further cost savings
- Confident in the fundamental growth drivers supporting our core markets



# Chief Executive's address

Sinan Altug





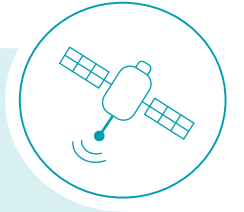
# FY24: Focused on efficiency + growth in Space and AI



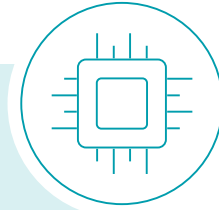
Highest ever Space segment revenue.  
Cyclical slowdown impacting  
Telecommunications and Positioning



New contract positions Rakon as a Top  
3 player in Space Subsystems



Launch of MercuryX product range for  
AI and cloud data centres



Consistent market share gains and near  
100% design win rate on targeted projects



Continuing focus on cost control and  
driving efficiency



Continued delivery of 3-year growth plan



# FY24: Key market performance overview



### Space and defence

FY24 REVENUE

**\$37m**

▲ UP 27%

GROSS MARGIN

**65%**

### Telecommunications

FY24 REVENUE

**\$67m**

▼ DOWN 34%

GROSS MARGIN

**34%**

### Positioning

FY24 REVENUE

**\$14m**

▼ DOWN 59%

GROSS MARGIN

**44%**

# FY24: financial performance snapshot



Revenue

**\$128.0m**

▼ \$52.3m -29%

Gross Margin

**\$57.9m**

▼ \$30.9m -35%

Underlying EBITDA<sup>1</sup>

**\$13.5m**

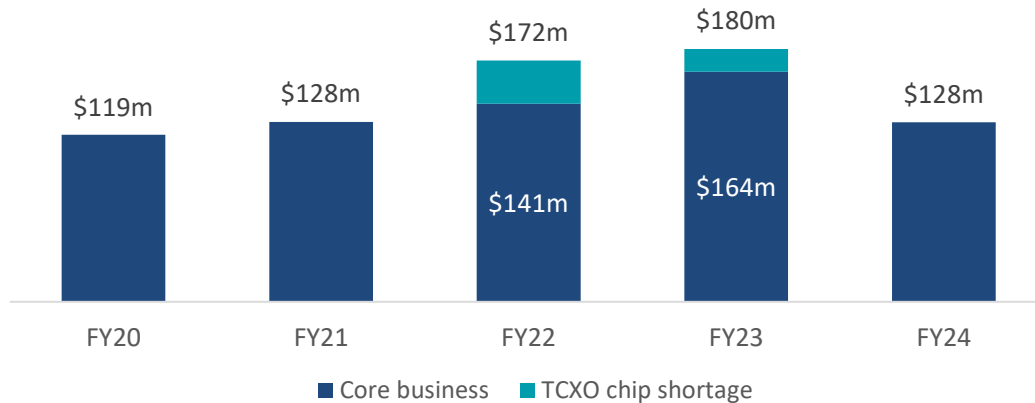
▼ \$28.7m -68%

Operating cash flow

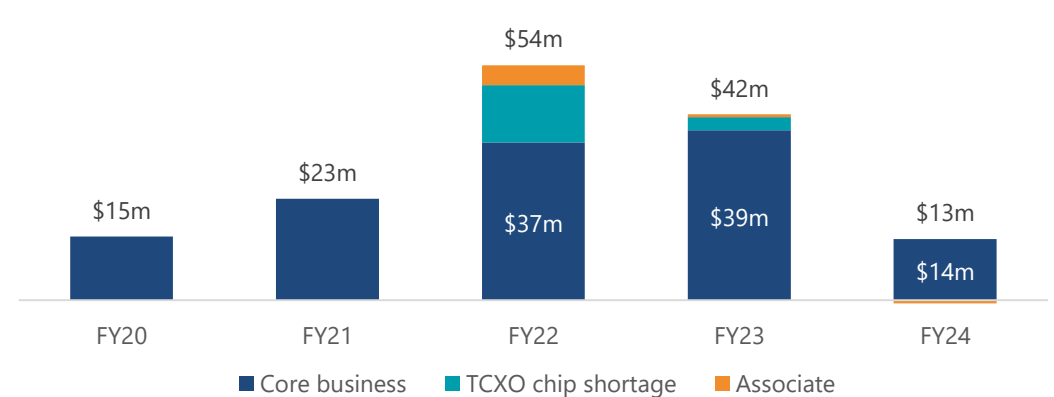
**\$17.8m**

▲ \$6.7m +60%

Revenue (\$m)



Underlying EBITDA<sup>1</sup> (\$m)



<sup>1</sup> Refer to note 4 of the FY2024 audited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA'

# Delivering greater efficiency for global operations



- Ongoing focus on optimising our business and ensuring that Rakon is set up for the future, ensuring all key expenditures across the board contribute to Rakon's growth strategy
- Optimisation of manufacturing cost structures includes an accelerated schedule for Indian facility production of key NZ / France product lines. Anticipate realisation of benefits from improved margins when volume ramped up in Q4
- Operating expenses (excluding acquisition proposal costs) fell \$1.5m to \$57.3m reflecting efficiency initiatives
- Global workforce numbers down 13% year-on-year; ensuring workforce count is within optimal levels for cost of production while positioning the business to capture greater efficiency from its global operations
- Continued focus on optimising inventory led to -\$7.7m overall decline (-12%) year-on-year, and will continue to drive reductions



# Updated strategy to build long-term value



## GROW OUR CORE BUSINESS

Telco market leadership – products using proprietary technologies

Space and defence – market access in North America

Precision industry  
Positioning applications  
New technology design-in



## MAINTAIN PRODUCT AND TECHNOLOGY LEADERSHIP

Rakon semiconductor chips – accelerate time-to-market

XMEMS® – deliver next generation products and performance

Space – diversified product range including higher value chain equipment and subsystems



## EXPAND INTO NEW MARKETS

Space - LEO satellite constellations

AI computing hardware / AI Factories and advanced data centres

Autonomous vehicles

Targeting key customer partnerships in new markets



## DELIVER WORLD CLASS MANUFACTURING

Accelerated plan for enabling global capability and volume manufacturing of key products

Advanced supply chain management

XMEMS® nanotechnology volume manufacturing



## ORGANISATIONAL TRANSFORMATION

Reconfigure global operations to align with strategic growth priorities





Optimise organisational capabilities and capacity to scale for growth

Drive efficiency initiatives across global organisational structure and processes

**STRATEGIC ACQUISITIONS SUPPORTING GROWTH STRATEGY (PAUSED)**

# Growth roadmap



		FY 2023	FY 2024	FY 2025
	<b>NEW MANUFACTURING FACILITY IN INDIA</b>	<ul style="list-style-type: none"> <li>Construction completed ✓</li> <li>Fitout / capacity expansion ✓</li> <li>Existing manufacturing transfer ✓</li> </ul>	<ul style="list-style-type: none"> <li>Transfer of select NZ products ✓</li> <li>Transfer of select NewSpace products ✓</li> </ul>	<ul style="list-style-type: none"> <li>Transfer of select Space subsystems</li> </ul>
	<b>RAKON DESIGNED SEMICONDUCTOR CHIPS</b>	<ul style="list-style-type: none"> <li>Substantial increase in R&amp;D and chip design capability ✓</li> <li>Release of Niku™ next generation chip ✓</li> </ul>	<ul style="list-style-type: none"> <li>Launch of enhanced MercuryX™ ✓</li> <li>AI computing products generating revenue ✓</li> <li>Chip based product revenue growing to over 60% ✓</li> </ul>	<ul style="list-style-type: none"> <li>Chip based product revenue growing</li> <li>Release of Vulcan™ next generation chip</li> </ul>
	<b>XMEMS® NANOTECHNOLOGY MANUFACTURING</b>	<ul style="list-style-type: none"> <li>Continued investment in XMEMS® capability ✓</li> <li>Release of initial XMEMS® based products ✓</li> </ul>	<ul style="list-style-type: none"> <li>Volume production of XMEMS® ✓</li> <li>XMEMS® products qualified into key 5G platforms ✓</li> </ul>	<ul style="list-style-type: none"> <li>Leadership in targeted market segments</li> <li>Expansion into other product categories</li> </ul>
	<b>NEWSPACE BUSINESS</b>	<ul style="list-style-type: none"> <li>R&amp;D and supply chain investment ✓</li> <li>Strategic relationships established ✓</li> </ul>	<ul style="list-style-type: none"> <li>Recognised player in the NewSpace ecosystem ✓</li> <li>Significant orders secured ✓</li> </ul>	<ul style="list-style-type: none"> <li>Become a top 3 player in subsystems ✓</li> <li>Delivery of orders</li> </ul>

# Addressable market projections – core markets

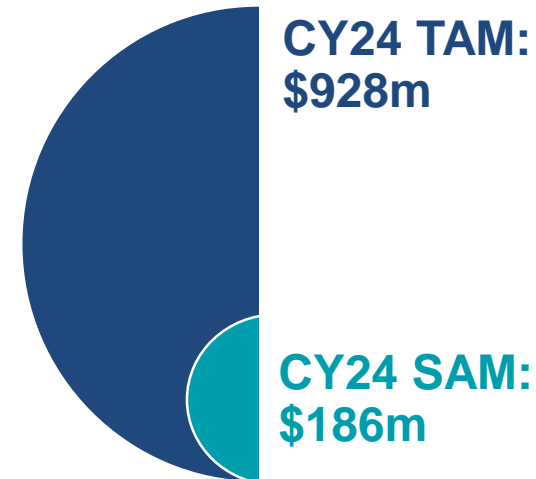
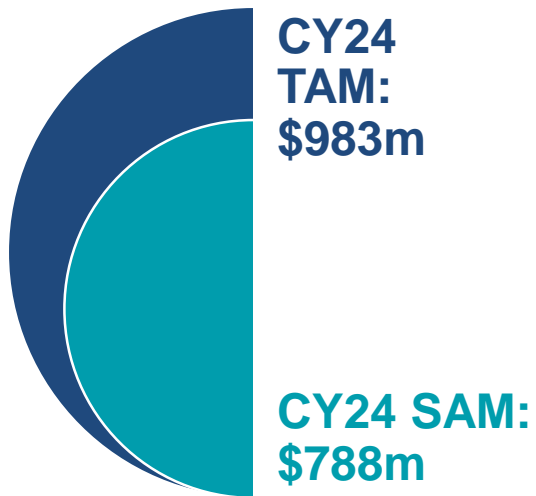


## Aerospace (Space and defence)

## AI Computing infrastructure

## Telecommunications

## Positioning



"CAPTURE"

"COMMAND"

# Delivering on our strategy for Space



- Awarded satellite subsystem contract with industry leader in May 2024, followed up by a second subsystem contract win in June
- Contract wins make Rakon a Top-3 global supplier for our space subsystems
- Released several new products in FY24, including new GNSS (Global Navigation Satellite System) receivers, MROs (Master Reference Oscillators), and ultra-stable oscillators
- In August, we launched Mercury-R, a new semiconductor chip designed for our space oscillator products



**The market for commercial satellites is set to triple, from \$4 billion in 2023 to \$12 billion in 2035**

*World Economic Forum/McKinsey – Future of Space Economy Paper, April 2024*



**Industry estimates of new satellites launched by 2030 range between around 20,000 to 50,000**

*Quilty Space, Dec 2023  
US Government Accountability Office, Sep 2022*





# Next core market: AI hardware / computing infrastructure



- Rakon's technology and products are ideally suited for overcoming the synchronisation challenges that datacentres face with AI workloads
- Working with leading players in AI hardware to enable the next generation platforms for new 'AI Factory' data centres
- Launched our next generation semiconductor chip Niku in 2023, and enhanced MercuryX in 2024, creating foundation for new AI computing hardware product lines
- These products are already generating revenue; expect this to increase significantly over the next 5 years



**AI deployments will push the data center physical infrastructure market over [USD]\$50 billion by 2028**

*Dell'Oro Data Center Physical Infrastructure 5-Year Forecast Report, 2024*



# FY25 Guidance and core market outlook



## Guidance

- FY25 Underlying EBITDA<sup>1</sup> is expected to be in the range of \$5-15 million for the financial year to 31 March 2025
- Growth in Space and AI hardware segments, offset by a slow recovery in Telecommunications and Positioning

## Outlook by market

- Space and defence: strong order book for FY25; significant opportunity in satellite constellations
- AI computing hardware: rapidly growing, expected to rival telecom revenue within the next 5 years
- Telecommunications: market weakness continuing; potential stabilization expected in H2 FY25
- Positioning: Inventory correction ongoing; strong position in high-end precise positioning segment

# Summary



- Rakon is at an inflection point with Space and AI markets set to drive substantial new revenue streams.
- Short-term outlook remains suppressed, with the economic downturn for both telecommunications and positioning
- Space and defence is continuing to grow with a solid Space order book for FY25. Rakon in a strong position to secure future wins from other targeted contracts
- High design rate win provides confidence in continued market share growth
- Continued focus on efficiency initiatives driving annualised cost savings and improving future resilience and competitiveness
- Delivery of 3-year growth plan will improve revenue and margins and, importantly, diversify revenue to provide increased protection through the cycle
- We are well positioned to benefit when Telecom and Positioning markets recover and to continue momentum in Space and AI hardware

# Shareholder questions



# Resolutions





# Ordinary resolution



Resolution 1:

That the directors be authorised to fix the fee and expenses of Rakon's auditor, for the following year.

# General business & shareholder questions





**rakon**

[www.rakon.com](http://www.rakon.com)

# Disclaimer



This presentation contains not only a review of operations, but also some forward looking statements about Rakon Limited and the environment in which the company operates. Because these statements are forward looking, Rakon Limited's actual results could differ materially.

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.

Media releases, management commentary and investor presentations are available on the company's website and contain additional information about matters which could cause Rakon Limited's performance to differ from any forward looking statements in this presentation. Please read this presentation in the wider context of material previously published by Rakon Limited.

All figures are presented in New Zealand dollars unless otherwise indicated. All comparisons are to the prior corresponding period (twelve months to 31 March 2023) unless otherwise noted. Refer to note 4 of the FY2024 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).