

# Half year financial results presentation FY2025

For the six months to 30 September 2024



**rakon**

27 November 2024 © Rakon Limited

# Important Notice

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## 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.

## Non-GAAP measures

All figures are presented in New Zealand dollars unless otherwise indicated. All comparisons are to the prior corresponding period (six months to 30 September 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).

# Agenda

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Sinan Altug  
Chief Executive Officer



Mark Dunwoodie  
Interim Chief Financial Officer

# Key takeaways – Half Year FY2025

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- » **Strong performance in Aerospace and defence segment** delivering revenue growth for the fourth consecutive financial half-year but offset by very tough market conditions in Telecommunications and Positioning segments.
- » **HY25 revenue down year-on-year, impacted by significantly lower demand in Telecommunications and Positioning,** leading to lower order volumes and constrained economies of scale, impacting gross margins.
- » **Cost reduction programme is advancing effectively** but balanced by R&D investments to extend technology leadership, safeguard growth, and scale production to meet robust demand for Space and AI & Cloud Infrastructure products.
- » **Telecommunications showed signs of improvement in HY25:** inventory normalisation levelling off and selective network investment globally.

# Key takeaways – continued

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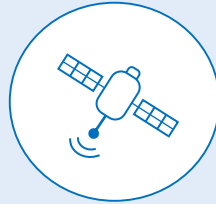


- » Rising demand for AI & Cloud Infrastructure products from leading industry players in HY25; will produce significant revenue in 1H26 and projected market size growth supports this segment becoming a core market within five years.
- » On track with accelerated schedule for the transfer of key product lines to Rakon's manufacturing centre of excellence in India; improved margins expected as production ramps up in Q4 of FY25.
- » Achieved highest revenue month for HY25 in September 2024, we anticipate this momentum will continue in 2H25, supported by improving Telecommunications orders and substantial demand for Space products.
- » Rakon expects to track in the lower half of its FY25 Underlying EBITDA<sup>1</sup> guidance of \$5m to \$15m. Strong order pipeline in Space and AI & Cloud Infrastructure is driving growth projections in the medium to long-term outlook.

# Business highlights – Half Year FY2025



Signed \$17m contract with MDA Space to supply MRO subsystems for Telesat Lightspeed satellite constellation



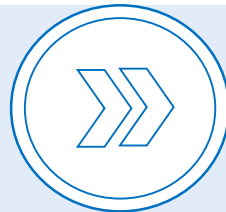
Announced a second space subsystem contract in June for a new Low-Earth orbit (LEO) satellite constellation

AI & Cloud Infrastructure products have secured orders from key industry players; significant revenue in 1H26



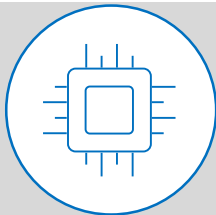
Increased production capacity for Space subsystems and AI products to support customer order growth and pipeline

Organisational transformation programme underway; Chief Transformation and Operations Officer NZ appointed



Indian facility transfers; equipment transfer completed and validated; customer qualification phase underway

Launched Rakon's ground-breaking semiconductor chip for space, MercuryR™



Rakon's next semiconductor chip, Vulcan™, on track for release and customer testing in FY25

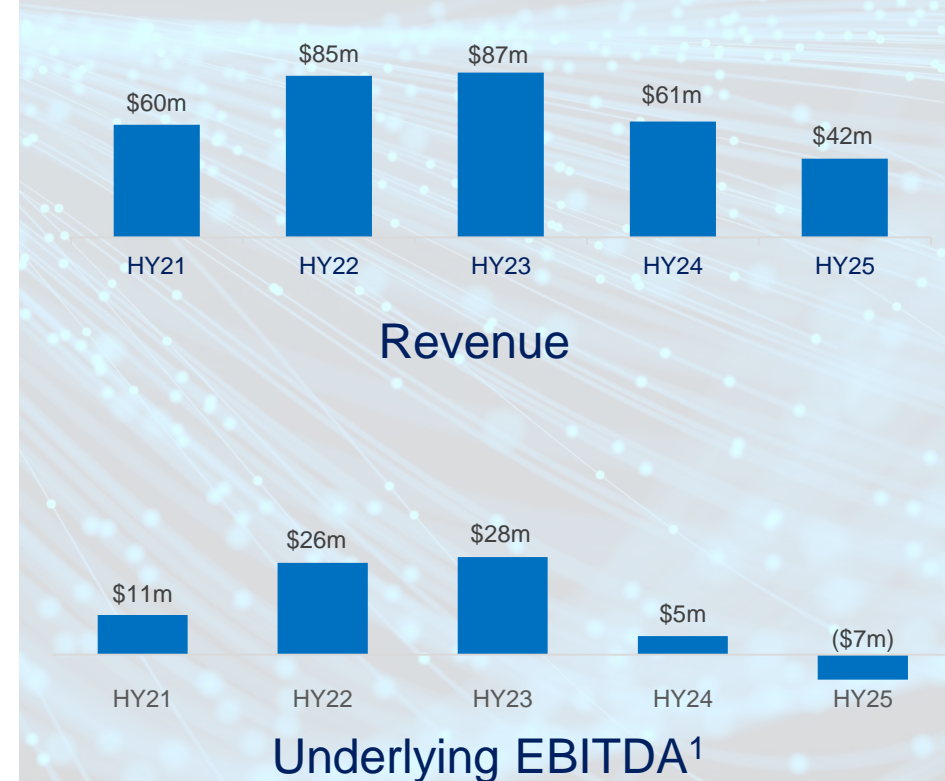
# Key financial results – Half Year FY2025

Performance for six months to 30 September 2025 NZ\$m	HY25	HY24	YoY % change change	
Revenue	41.7	61.3	-19.6	-32%
Gross profit	15.7	26.1	-10.4	-40%
Gross margin %	37.8%	42.6%	-4.8%	
Operating expenses	30.0	28.8	+1.2	+4%
Net profit after tax	(10.4)	0.5	-10.9	n/a
Underlying EBITDA <sup>1</sup>	(7.3)	5.3	-12.6	n/a
Capital expenditure	6.9	7.3	-0.4	-5%
Operating cash flow	8.3	7.3	+1.0	+14%

Financial Position	Sep-24	Sep-23	Variance	% change
Cash and cash equivalents	15.8	17.9	-2.1	-12%
Debt <sup>2</sup>	-5.6	-4.5	-1.1	-24%
Inventory	51.5	60.0	-8.5	-14%

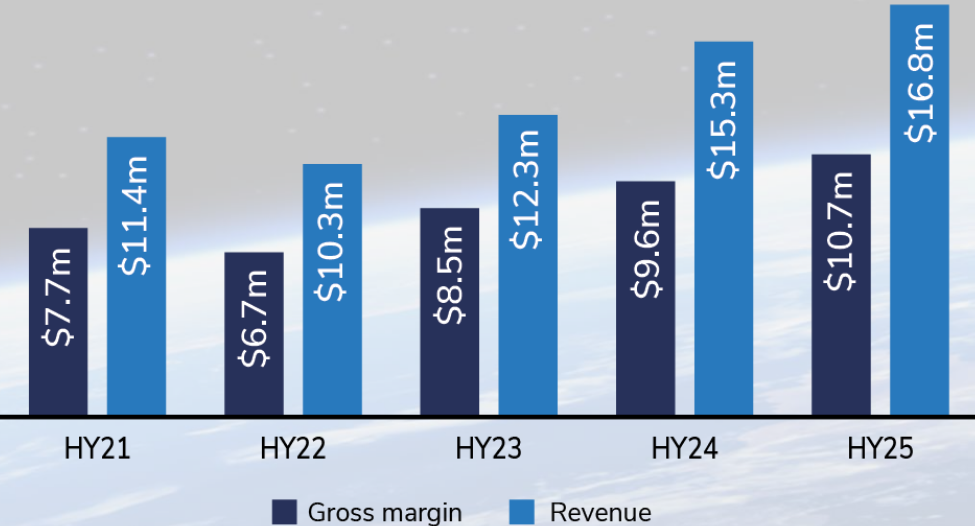
<sup>1</sup> Refer to note 4 of the FY2024 audited consolidated financial statements for an explanation of how 'Non-GAAP Financial Information' is used, including a definition of 'Underlying EBITDA'

<sup>2</sup> Excluding NZ IFRS 16



# Aerospace and defence

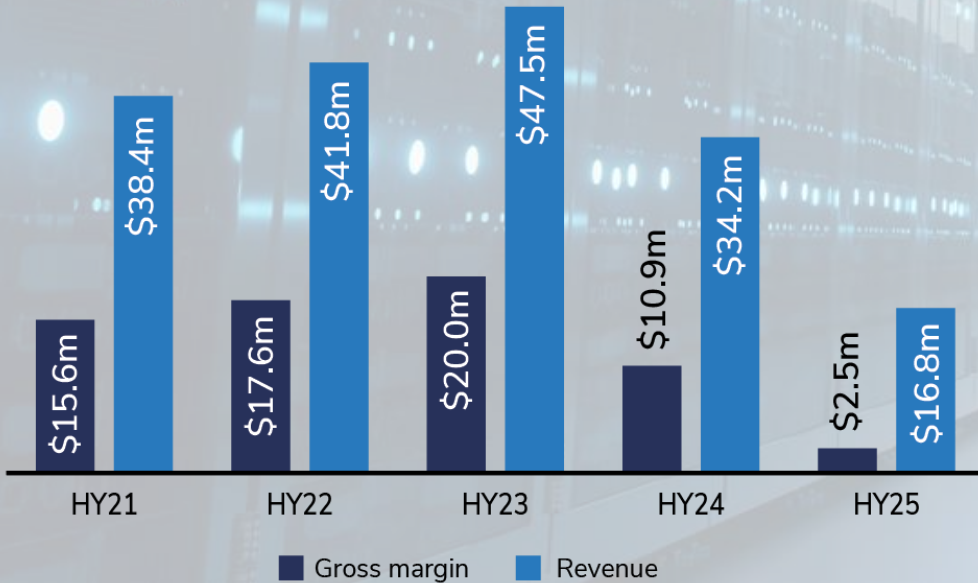
- Continued growth (up 10% YoY) in Aerospace and defence, driven by strong order book for Space business and steady order levels in defence
- High demand for Space subsystem products is a key growth driver, including orders from the two announced contracts to supply subsystems for LEO satellite constellations
- Gross margin up YoY for past four years due to expansion of our Space product portfolio into higher margin products





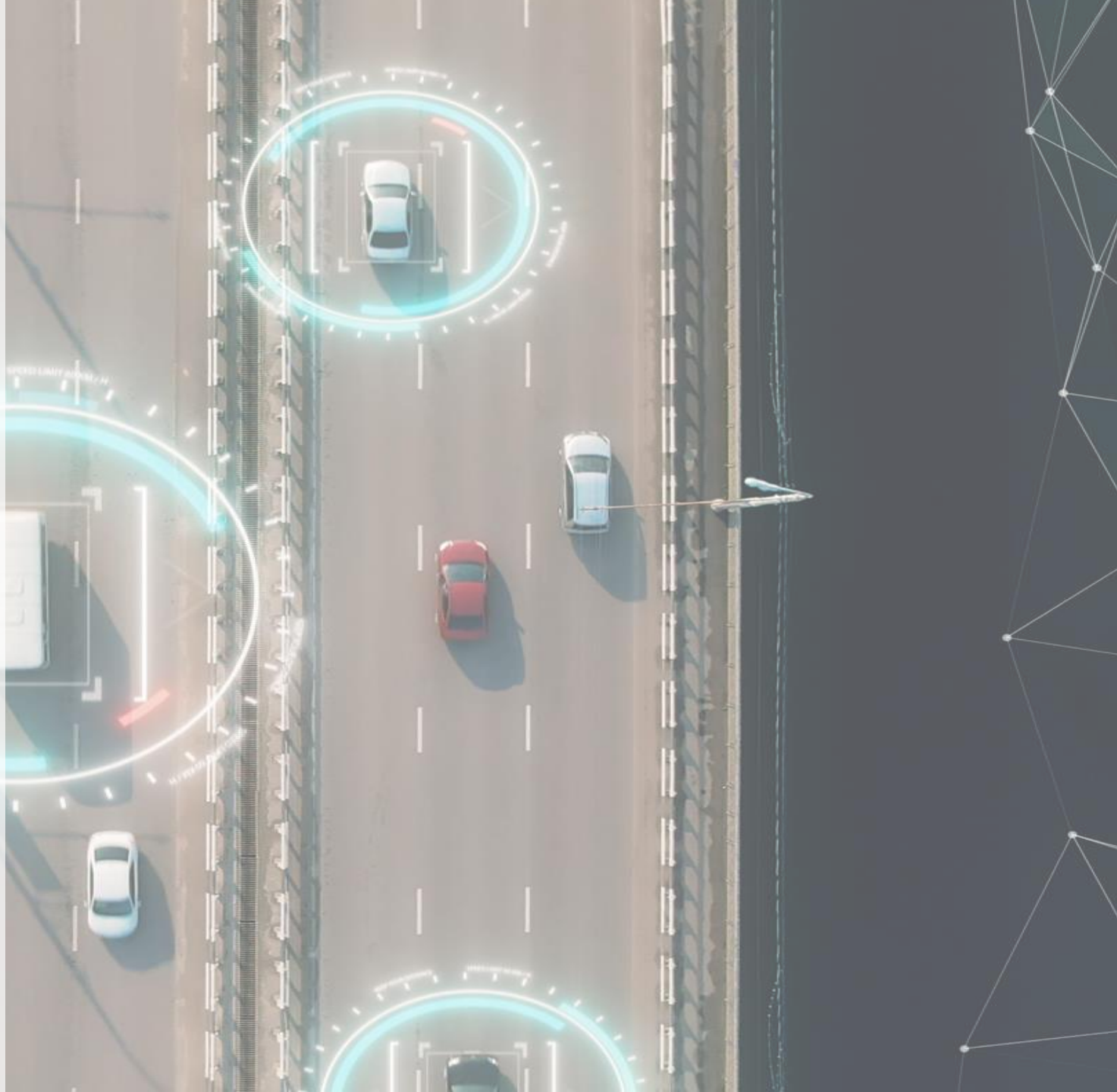
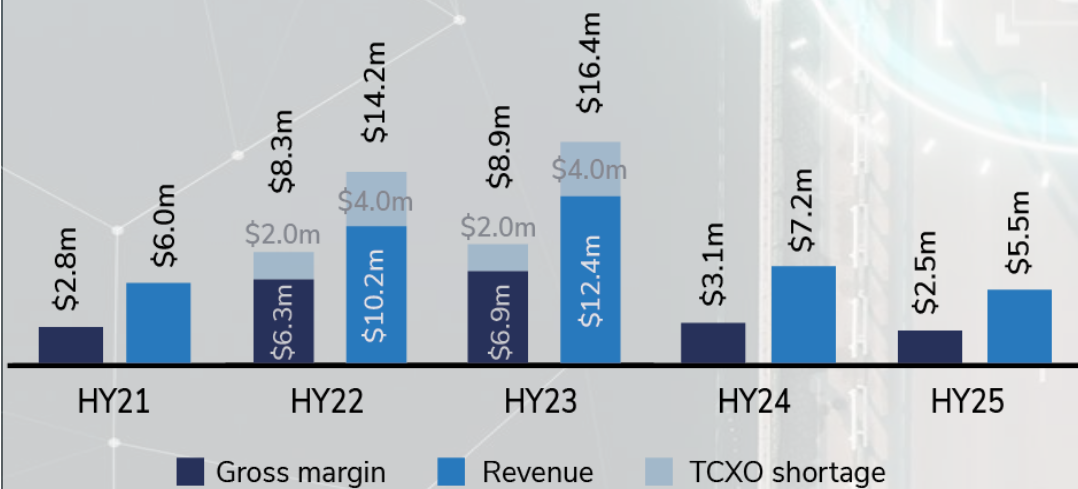
# Telecommunications

- Continued weakness globally in Telecommunications segment (down -51% YoY) leading to low order volumes and reduced revenue
- Lower gross margin driven by inefficiencies of lower production levels
- Maintained market share and design win rate for latest products, ensuring a high share of next-generation application orders



# Positioning

- Positioning market revenue (down 23% YoY) affected by lower demand and customer inventory normalisation
- Lower gross margin driven by inefficiencies of lower production levels
- Share in the Precise Positioning business remains strong. Continued heavy competition in Consumer business ensures that near-term focus remains on maximising Precise Positioning orders and market share



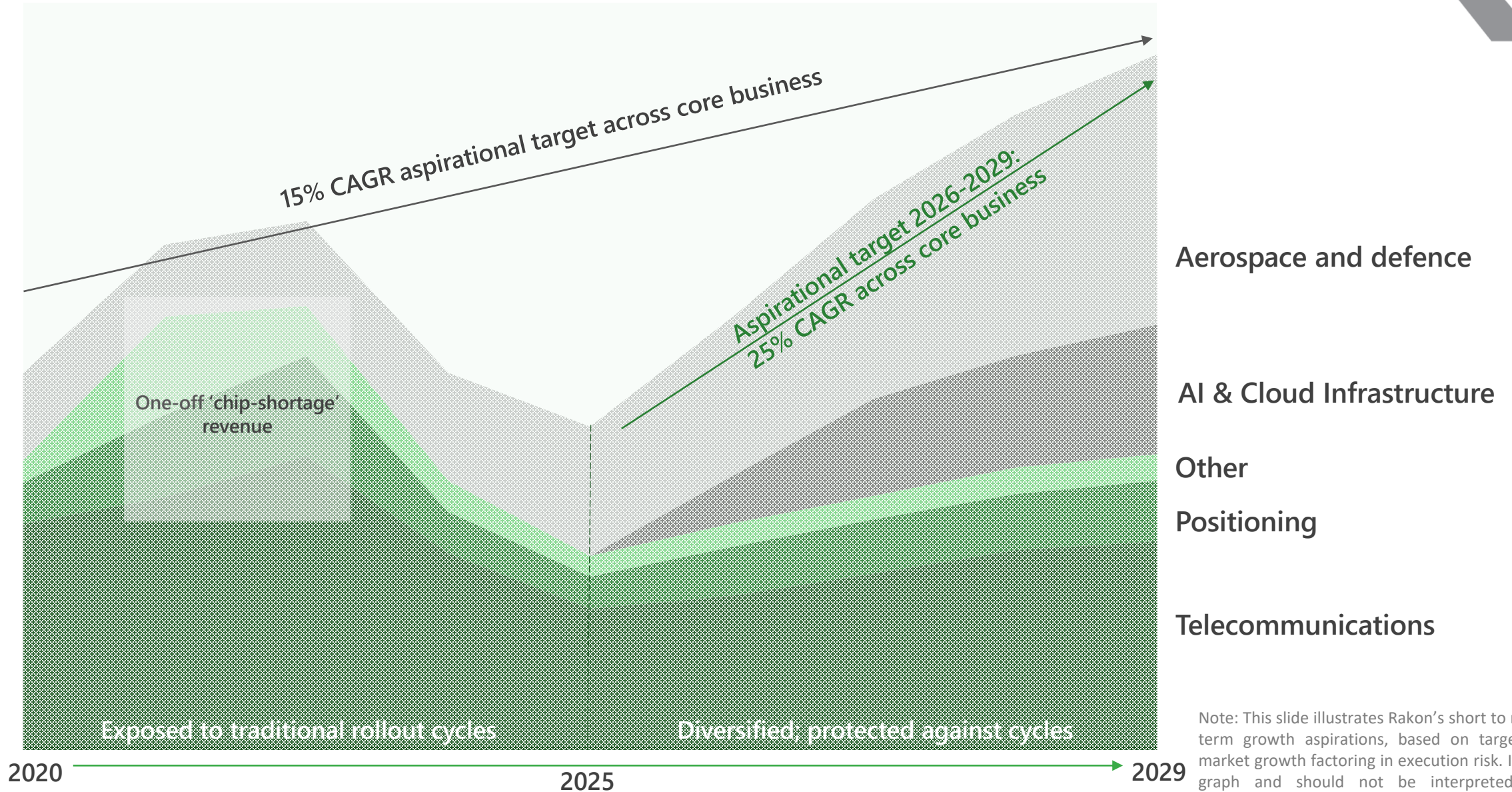
# Careful working capital management and investing for growth

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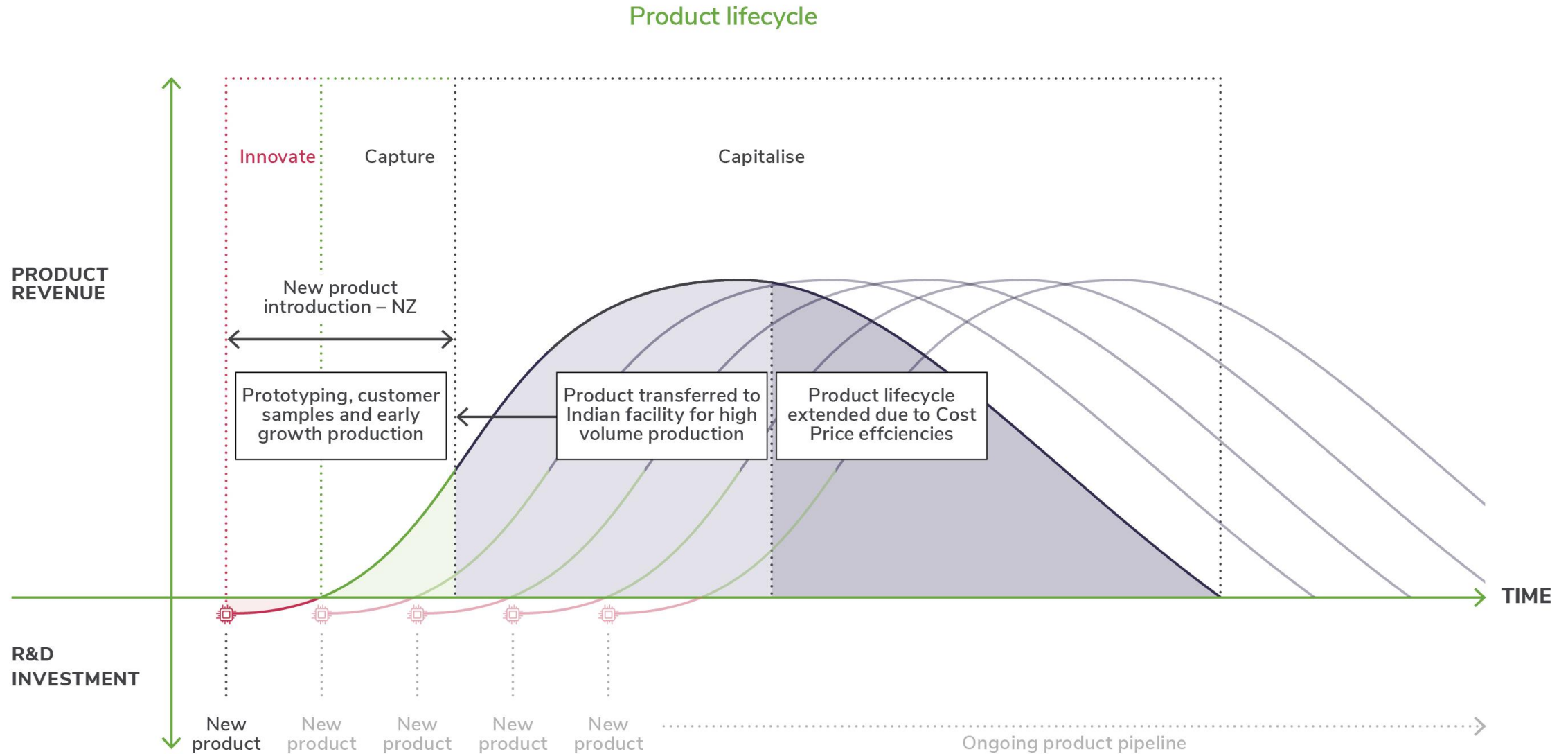
- » Continued focus on working capital management including an \$8.5m reduction in total Inventory balances.
- » Capex and Opex reductions balanced with protecting growth path, including investments for R&D and product transfers to India, and ramping up production capacity to meet demand for Space and AI & Cloud Infrastructure products
- » Optimisation of manufacturing cost structures to capture greater efficiency
  - Accelerated schedule for Indian facility production of key products is on track
  - Anticipate realisation of greater Cost of Sales efficiencies from Indian facility as production ramps at the start of CY2025
- » Production utilisation levels – workforce count was reduced by 22%, year on year, in response to the lower revenue environment, optimising cost of production while still retaining necessary capabilities for growth plan
- » Good net cash position and strong balance sheet; HSBC debt facilities undrawn at HY25

# Short to medium-term growth aspirations



Note: This slide illustrates Rakon's short to medium-term growth aspirations, based on targeted key market growth factoring in execution risk. It is not a graph and should not be interpreted as an indication of future revenue levels or profitability.

# Innovate, Capture, Capitalise: Extending the product lifecycle



# FY25 growth milestones



## FY2025 milestones



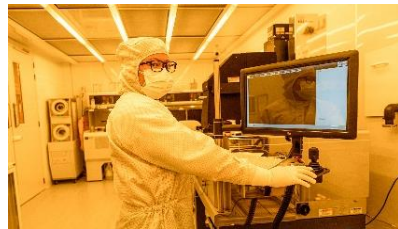
**MANUFACTURING FACILITY IN INDIA**

Transfer of select NZ telecommunications and France space subsystem products



**RAKON DESIGNED SEMICONDUCTOR CHIPS**

Chip based product revenue growing to over 60%  
Release of Vulcan™ next generation chip



**XMEMS® NANOTECHNOLOGY MANUFACTURING**

Leadership in targeted market segments  
Expansion into other product categories



**NEWSPACE BUSINESS**

Become a top 3 player in subsystems [Achieved in FY24]  
Delivery of orders

## FY2026-2028

**ICC AND ORGANISATIONAL TRANSFORMATION**

**TECHNOLOGY LEADERSHIP AND PRODUCT PIPELINE**

**AI AND CLOUD INFRASTRUCTURE**

**AEROSPACE PRODUCTS AND SUBSYSTEMS**



# Core markets outlook

■ Total Addressable Market (TAM)  
■ Serviceable Addressable Market (SAM)

## Aerospace and defence

- 2H25 revenue to benefit from seasonal delivery orders; strong Space order book extending beyond FY25
- Continued high customer interest in space subsystem products; targeting additional contract wins/design-ins for large LEO satellite constellations



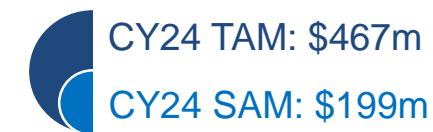
## Telecommunications

- Based on feedback from largest customers, product orders are expected to stabilise YoY during 2H25, driven by selective network infrastructure investment from global network operators
- Network investment activity: North American market improving; selective investment by European operators; 3 of 4 largest operators in India have recently announced billion dollar network investments



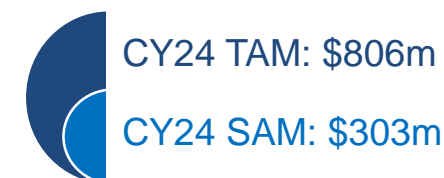
## Positioning

- Expect revenue to remain flat; increased competition is driving down price but overall volumes steady
- Rakon has a good position in the high-end Precise Positioning business and is maintaining market share



## AI & Cloud Infrastructure

- Product orders secured from key industry players; expect significant revenue in 1H26
- Segment on track to become a new core market within five years



# Summary

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- » Strong performance and continued year on year growth in Aerospace and defence offset by some of the toughest market conditions Rakon has seen in Telecommunications and Positioning segments.
- » Rising demand for AI & Cloud Infrastructure products from leading industry players in HY25; supports this segment becoming a new core market within five years
- » Cost reduction programme is advancing effectively but balanced by R&D investments to extend technology leadership and safeguard growth trajectories in Space business and AI & Cloud Infrastructure segment.
- » Telecommunications showed signs of improvement in HY25: inventory normalisation levelling off and selective network investment globally; anticipate this will continue in 2H25
- » Expect to be in the lower half of FY25 Underlying EBITDA<sup>1</sup> guidance of \$5m to \$15m.
- » 2026 to 2029 aspirational core business CAGR target of 25%, driven by Space and AI & Cloud Infrastructure growth, and return of Telecommunications orders.



# Shareholder questions



End of presentation. Thank you for attending.

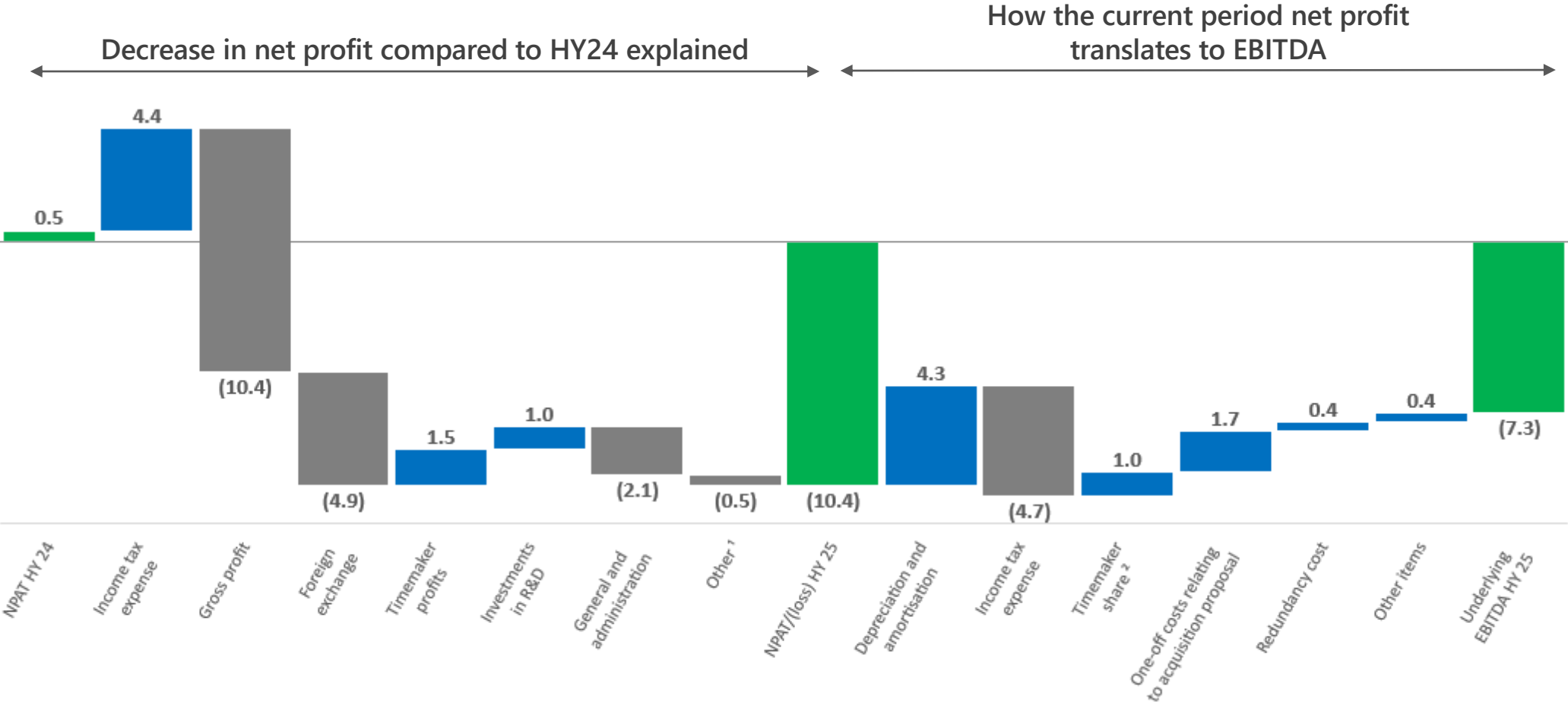
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# Appendix



# Net profit and underlying EBITDA explained

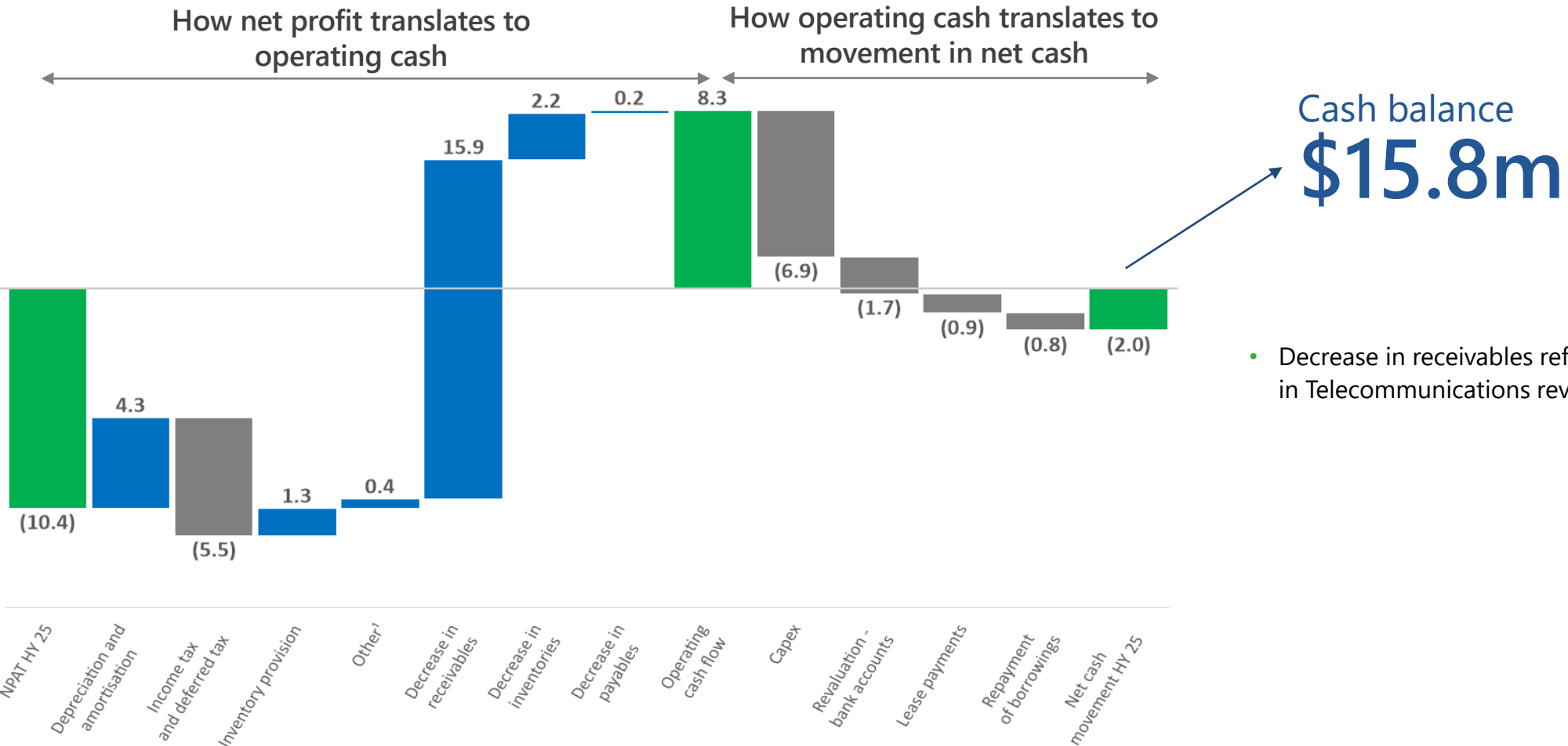


1. Include movement in finance cost, balance of operating expenses, other operating income, foreign exchange gains & net finance cost  
 2. Adjustment for Timemaker share of interest, tax and depreciation

# How net profit translates to net cash movement



Inventory management and investment for growth impacting cash position



- Decrease in receivables reflects reduction in Telecommunications revenue

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

# 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



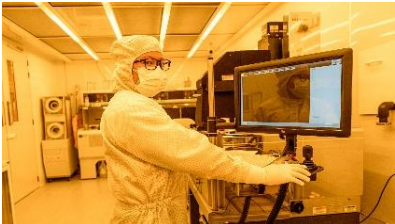

Optimise organisational capabilities and capacity to scale for growth

Drive efficiency initiatives across global organisational structure and processes

**STRATEGIC ACQUISITIONS SUPPORTING GROWTH STRATEGY**

# FY23-FY25 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>