

# Rakon Limited

## US Liberation Day Tariffs' Impact

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Donald Trump's 'Liberation Day' tariffs on US-bound imports will have a manageable impact on Rakon's (RAK) operations. The company has stated that approximately 15%–20% of its revenue comes from direct US sales, with about 85% of this manufactured in New Zealand, 12% in France and just 3% in India. The new tariffs impose duties of 10% on New Zealand-origin goods, 20% on French/EU goods and 26% on Indian imports. This results in a charge on RAK's US shipments equivalent to about 1%–2% of the company's total revenue—a manageable headwind given its high gross margins. RAK is proactively seeking exemptions and clarification on implementation. Notably, RAK's release to the NZX did not amend its prior guidance for FY25 EBITDA of 'at the lower half of its previously announced NZ\$5m to NZ\$15m range', with FY25 concluding on 31 March 2025. We retain our NZ\$6.4m FY25 EBITDA estimate and NZ\$0.79 spot valuation.

NZX code	RAK	Financials: Mar/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$0.49	Rev (NZ\$m)	128.4	109.6	135.5	162.9	PE	24.9	n/a	13.2	5.3
Spot Valuation	NZ\$0.79	NPAT* (NZ\$m)	4.5	-3.5	8.5	21.2	EV/EBIT	36.4	n/a	10.5	4.1
Risk rating	High	EPS* (NZc)	2.0	-1.5	3.7	9.2	EV/EBITDA	9.4	28.1	5.7	3.1
Issued shares	229.8m	DPS (NZc)	0.0	0.0	0.0	1.5	Price / NTA	0.8	0.8	0.8	0.7
Market cap	NZ\$113m	Imputation (%)	100	0	0	100	Cash div yld (%)	0.0	0.0	0.0	3.1
Avg daily turnover	81.2k (NZ\$82k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	4.3

### Modest impact but likely adaptations ahead

We estimate the new US tariffs could have a negative impact of ~NZ\$1.7m–NZ\$2.3m on our FY26 NPAT estimate (which we have not yet incorporated, given the company is proactively seeking exemptions and we are seeking further clarification), before any mitigation measures are implemented. Proactive measures include seeking clarification on which RAK products qualify under existing tariff exemptions and adjusting production strategies across facilities in NZ, France and India. This may see some product manufacturing shifted back to New Zealand to minimise tariff costs. To put the potential tariff impact into context, we estimate the additional cost will be c.1%–2% of revenue post tax. While the impact on margins is notable, it remains manageable given RAK's ~46% gross margins.

### Competitive dynamics in the new tariff era

RAK has spent the past one to two years enhancing manufacturing flexibility and shifting some product lines to India—though this does not appear to include products tied to its US-based revenue. We consider it too early to determine whether moving production back to New Zealand is possible or worthwhile in offering any significant advantage under the new tariff regime. RAK's management noted that 'disruption of this scale also brings potential opportunities'. This likely reflects its New Zealand operations facing a 10% tariff (applying to ~85% of RAK's US-bound products), a significantly lower rate than countries such as Japan, which face tariffs of around 20%. This is, however, in line with RAK's French operations, which face a 20% tariff, and its Indian operations, which face a 26% tariff. This potentially positions RAK somewhat advantageously against international competitors—albeit offset to a degree by any tariff exemptions applicable across the industry, including to RAK's and its competitors' products.

### Undemanding valuation, when looking through the cycle, in a turbulent trade and operating environment

While RAK should be able to navigate the impacts of the new US tariffs, they arrive at a time when its core Telecommunications and Positioning segments are experiencing a deep and prolonged cyclical downturn. Further, RAK's higher-growth segments—such as Space and Defence and AI infrastructure—are most likely US-based, meaning the tariffs will impact them. RAK trades on 12.9x one-year forward PE, broadly in line with the median of our 22-member global peer set, but only 5.3x PE on our FY27 estimates.

**Rakon Limited (RAK)**
**Market Data (NZ\$)**

Priced as at 05 Apr 2025	0.49
52 week high / low	1.33 / 0.59
Market capitalisation (NZ\$m)	112.6

**Key WACC assumptions**

Risk free rate	5.00%
Equity beta	1.45
WACC	12.8%
Terminal growth	2.0%

Profit and Loss Account (NZ\$m)	2023A	2024A	2025E	2026E	2027E
Revenue	180.7	128.4	109.6	135.5	162.9
<b>Normalised EBITDA</b>	<b>41.1</b>	<b>10.9</b>	<b>3.9</b>	<b>19.8</b>	<b>36.5</b>
Depreciation and amortisation	(7.8)	(8.1)	(8.6)	(9.0)	(9.0)
<b>Normalised EBIT</b>	<b>33.3</b>	<b>2.8</b>	<b>(4.7)</b>	<b>10.8</b>	<b>27.5</b>
Net interest	(0.5)	(0.1)	(0.7)	(0.7)	(0.5)
Associate income	(1.5)	(2.3)	0.8	1.3	1.3
Tax	(8.1)	4.2	1.2	(2.8)	(7.2)
Minority interests	0	0	0	0	0
<b>Normalised NPAT</b>	<b>23.2</b>	<b>4.5</b>	<b>(3.5)</b>	<b>8.5</b>	<b>21.2</b>
Abnormals/other	0	0	0	0	0
<b>Reported NPAT</b>	<b>23.2</b>	<b>4.5</b>	<b>(3.5)</b>	<b>8.5</b>	<b>21.2</b>
Normalised EPS (cps)	10.1	2.0	(1.5)	3.7	9.2
DPS (cps)	1.5	0	0	0	1.5

Growth Rates	2023A	2024A	2025E	2026E	2027E
Revenue (%)	4.1	-29.0	-14.6	23.7	20.2
EBITDA (%)	-18.3	-73.4	-64.4	>100	84.6
EBIT (%)	-19.5	-91.6	n/a	n/a	>100
Normalised NPAT (%)	-29.9	-80.6	n/a	n/a	>100
Normalised EPS (%)	-29.9	-80.6	n/a	n/a	>100
Ordinary DPS (%)	n/a	-100.0	n/a	n/a	n/a

Cash Flow (NZ\$m)	2023A	2024A	2025E	2026E	2027E
<b>EBITDA</b>	<b>41.1</b>	<b>10.9</b>	<b>3.9</b>	<b>19.8</b>	<b>36.5</b>
Working capital change	(18.2)	2.8	7.8	(2.5)	(8.2)
Interest & tax paid	(10.5)	(3.6)	0.5	(3.5)	(7.7)
Other	(1.3)	6.6	0.8	1.3	1.3
<b>Operating cash flow</b>	<b>11</b>	<b>16.8</b>	<b>13.0</b>	<b>15.0</b>	<b>21.9</b>
Capital expenditure	(18.7)	(15.6)	(14.4)	(7.1)	(7.8)
(Acquisitions)/divestments	0	0	0	0	0
Other	(2.5)	(2.1)	(2.1)	(2.2)	(2.2)
<b>Funding available/(required)</b>	<b>(10.1)</b>	<b>(0.9)</b>	<b>(3.6)</b>	<b>5.7</b>	<b>11.9</b>
Dividends paid	0	(2.9)	0	0	(2.3)
Equity raised/(returned)	0	0	0	0	0
<b>(Increase)/decrease in net debt</b>	<b>(10.1)</b>	<b>(3.9)</b>	<b>(3.6)</b>	<b>5.7</b>	<b>9.6</b>

Balance Sheet (NZ\$m)	2023A	2024A	2025E	2026E	2027E
Working capital	84.1	81.3	73.4	75.9	84.2
Fixed assets	34.4	40.1	45.5	42.8	40.9
Intangibles	7.7	10.8	13.2	16.0	18.6
Right of use asset	3.4	6.2	9.2	7.3	5.4
Other assets	26.0	25.3	25.3	25.3	25.3
<b>Total funds employed</b>	<b>155.6</b>	<b>163.7</b>	<b>166.7</b>	<b>167.3</b>	<b>174.4</b>
Net debt/(cash)	(16.5)	(11.2)	(7.6)	(13.4)	(22.9)
Lease liability	2.5	5.0	7.8	5.7	3.4
Other liabilities	12.7	10.7	10.7	10.7	11.8
Shareholder's funds	156.9	159.3	155.8	164.4	182.1
Minority interests	0	0	0	0	0
<b>Total funding sources</b>	<b>155.6</b>	<b>163.7</b>	<b>166.7</b>	<b>167.3</b>	<b>174.4</b>

\* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend\*\* Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at [www.forsythbarr.co.nz/corporate-news-events/cesg-report](http://www.forsythbarr.co.nz/corporate-news-events/cesg-report)

**Spot valuation (NZ\$)**

DCF	0.79
PE driven comparables valuation	0.86
	0.72

**DCF valuation summary (NZ\$m)**

Total firm value	228
(Net debt)/cash	8
Less: Capitalised operating leases	-29
Value of equity	207

Valuation Ratios	2023A	2024A	2025E	2026E	2027E
EV/Sales (x)	0.5	0.8	1.0	0.8	0.7
EV/EBITDA (x)	2.3	9.4	28.1	5.7	3.1
EV/EBIT (x)	2.9	36.4	n/a	10.5	4.1
PE (x)	4.8	24.9	n/a	13.2	5.3
Price/NTA (x)	0.8	0.8	0.8	0.8	0.7
Free cash flow yield (%)	-8.9	-0.8	-3.2	5.1	10.5
Adj. free cash flow yield (%)	7.7	13.0	9.6	11.4	17.4
Net dividend yield (%)	3.1	0.0	0.0	0.0	3.1
Gross dividend yield (%)	4.3	0.0	0.0	0.0	4.3

Capital Structure	2023A	2024A	2025E	2026E	2027E
Interest cover EBIT (x)	64.1	21.1	n/a	16.3	60.3
Interest cover EBITDA (x)	79.1	82.3	5.7	30.0	79.9
Net debt/ND+E (%)	-11.7	-7.6	-5.2	-8.9	-14.4
Net debt/EBITDA (x)	n/a	n/a	n/a	n/a	n/a

Key Ratios	2023A	2024A	2025E	2026E	2027E
Return on assets (%)	16.1	1.4	-2.4	5.2	12.5
Return on equity (%)	14.8	2.8	-2.2	5.2	11.6
Return on funds employed (%)	11.2	2.2	-1.7	4.2	9.9
EBITDA margin (%)	22.8	8.5	3.6	14.6	22.4
EBIT margin (%)	18.4	2.2	-4.3	7.9	16.9
Capex to sales (%)	10.3	12.2	13.2	5.3	4.8
Capex to depreciation (%)	286	250	193	93	106
Imputation (%)	100	100	0	0	100
Pay-out ratio (%)	15	0	0	0	16

Segment Revenue (NZ\$m)	2023A	2024A	2025E	2026E	2027E
Telecommunications	101.6	66.9	47.5	63.1	79.5
Positioning	33.8	13.9	11.4	13.1	14.4
Space and Defence	28.9	36.8	43.1	51.2	60.5
IoT, Emerging and Other	17.0	10.5	7.3	7.7	8.1
Other revenues	-1.0	0.4	0.4	0.4	0.4
<b>Total Revenue</b>	<b>180.4</b>	<b>128.4</b>	<b>109.6</b>	<b>135.5</b>	<b>162.9</b>

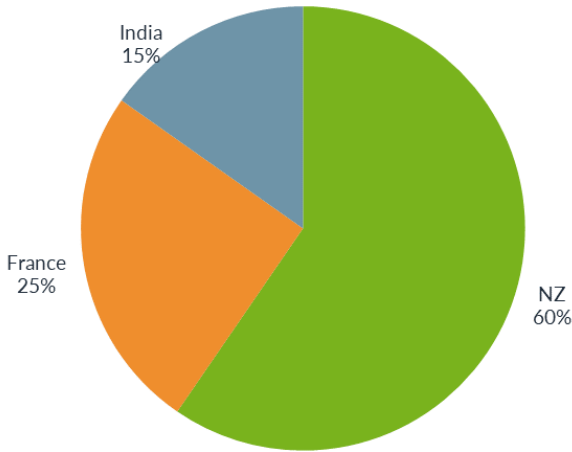
Segment Gross Margin (%)	2023A	2024A	2025E	2026E	2027E
Telecommunications	42.3	33.8	27.0	33.0	40.0
Positioning	53.5	44.4	45.0	45.0	47.0
Space and Defence	68.0	65.2	66.0	65.0	64.0
IoT, Emerging and Other	47.7	49.1	49.0	49.0	49.0

Segment Gross Margin (NZ\$m)	2023A	2024A	2025E	2026E	2027E
Telecommunications	42.9	22.6	12.8	20.8	31.8
Positioning	18.1	6.2	5.1	5.9	6.8
Space and Defence	19.7	24.0	28.4	33.3	38.7
IoT, Emerging and Other	8.1	5.2	3.6	3.8	4.0

"Underlying EBITDA" (NZ\$m)	2023A	2024A	2025E	2026E	2027E
Underlying EBITDA estimates	42.2	13.5	6.4	23.4	40.2

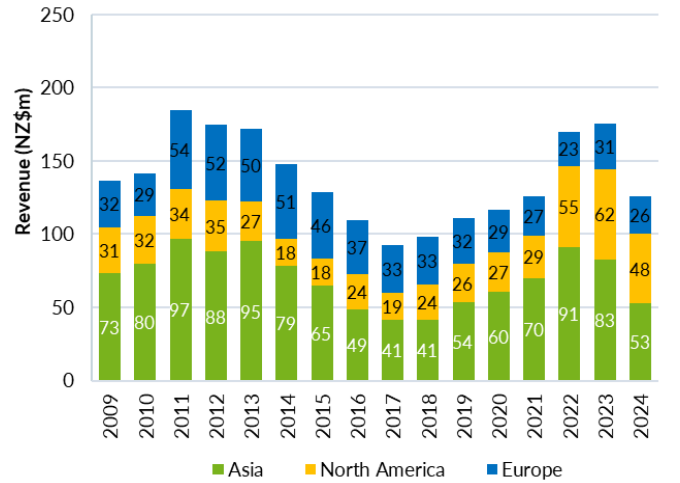
## Key charts

Figure 1. RAK—Global manufacturing split of revenues (1H25)



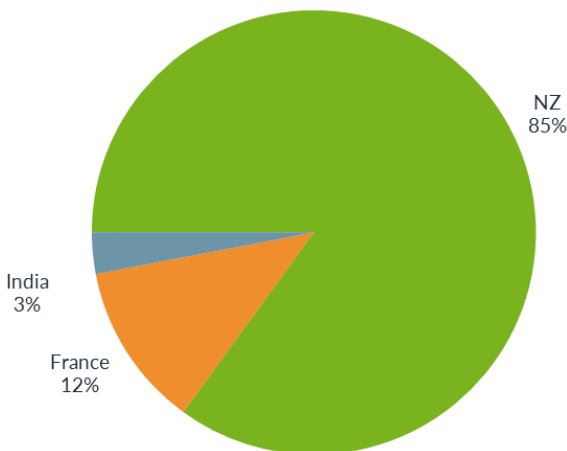
Source: Company data, Forsyth Barr analysis

Figure 2. RAK—Regional revenue split



Source: Company data, Forsyth Barr analysis

Figure 3. RAK—US manufacturing split of revenues



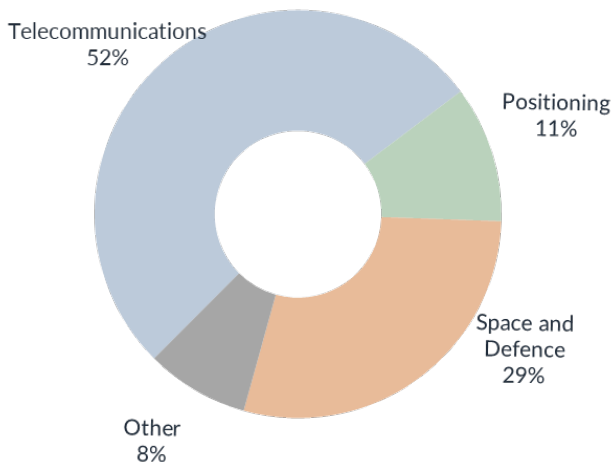
Source: Company data, Forsyth Barr analysis

Figure 4. We estimate new tariffs could have a -NZ\$1.7m to -NZ\$2.3m impact on RAK's FY26 NPAT, all else equal at the low point of the cycle

Source of US revenue	Percentage of US revenue	Tariff rate	Tariff on Revenue	Tariff on Revenue
			Low (US 15% of rev.)	High (US 20% of rev.)
NZ	85%	10%	1.7	2.3
France	12%	20%	0.5	0.6
India	3%	26%	0.2	0.2
<b>Total tariffs</b>			<b>2.4</b>	<b>3.1</b>
<b>After tax</b>			<b>1.7</b>	<b>2.3</b>
<b>FY26E NPAT</b>			<b>8.5</b>	<b>8.5</b>
<b>Impact</b>			<b>-20%</b>	<b>-27%</b>

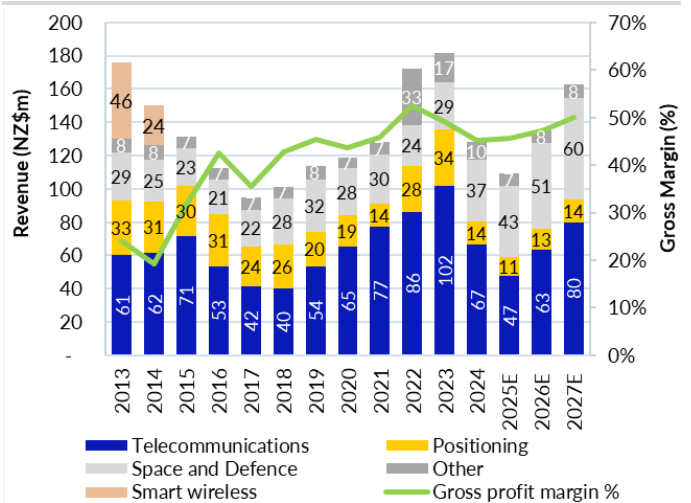
Source: Company, various sources, Forsyth Barr analysis

Figure 5. RAK—Revenue by division (FY24)



Source: Company data, Forsyth Barr analysis

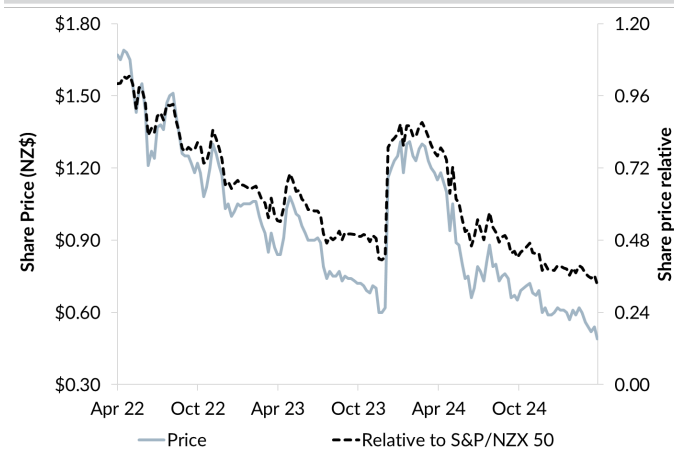
Figure 6. RAK—Divisional revenue stack and gross margin (%)



Source: Company data, Forsyth Barr analysis

## Additional data

**Figure 7. Share price performance**



Source: LSEG, Forsyth Barr analysis

**Figure 8. Substantial shareholders**

Shareholder	Latest Holding
Brent Robinson	15.4%
Siward Crystal Technology	12.2%
Wairahi	6.1%

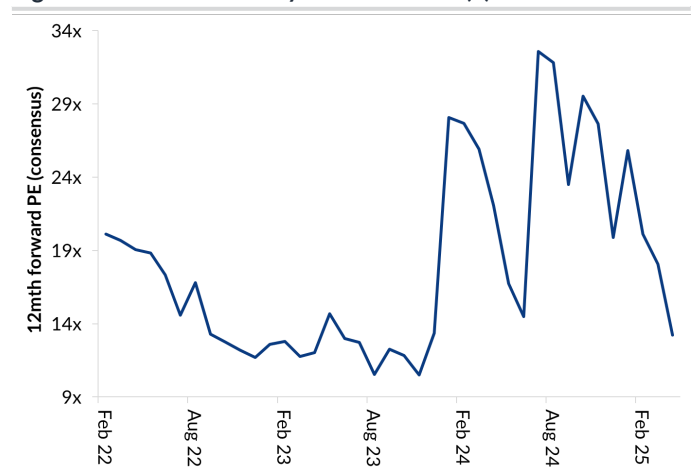
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

**Figure 9. International valuation comparisons using consensus data (one and two year forward)**

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld
				1yr	2yr	1yr	2yr	1yr	2yr	
Rakon	RAK NZ	NZ\$0.49	NZ\$113	12.9x	5.3x	5.7x	3.1x	10.3x	4.1x	0.0%
TXC	3042 TT	TWD94.50	TWD32,413	13.5x	n/a	7.4x	n/a	10.5x	n/a	6.0%
Sitime	SITM US	US\$127.40	US\$3,006	73.7x	46.9x	>75x	53.1x	>75x	39.9x	0.0%
Microchip Technology	MCHP US	US\$40.71	US\$21,895	32.8x	16.3x	19.9x	12.2x	25.8x	14.9x	4.7%
Daishinku	6962 T	¥501.00	¥16,102	13.6x	n/a	4.5x	n/a	12.5x	n/a	5.7%
Nihon Dempa Kogyo	6779 T	¥701.00	¥16,213	4.9x	n/a	3.5x	n/a	6.0x	n/a	5.0%
Seiko Epson	6724 JP	¥2119.00	¥791,602	10.9x	10.0x	4.4x	4.1x	8.0x	7.3x	3.7%

Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

**Figure 10. Consensus one year forward PE (x)**



Source: LSEG, Forsyth Barr analysis, NOTE: Data excluded when PE<0x or >75x

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