

# Rakon Limited

## Tech Tailwinds Turning Tangible

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Rakon (RAK) provided a solid trading update at its ASM. First-time FY26 guidance was issued for underlying EBITDA of NZ\$15m–NZ\$24m, a meaningful lift on NZ\$9.5m in FY25 and broadly aligned with our NZ\$18.9m forecast. Management cited a recovery in Telecommunications revenue, the first material AI and Cloud sales, and progress on cost-efficiency initiatives as key drivers of the rebound. These factors have driven FY26-to-date revenue up +28% and gross margin up +700bp to 50%. Together with positive peer updates, evidence is building that a cyclical recovery is underway, supported by strong AI and Data Centre demand and continued growth in Space and Defence segments. Management also introduced an aspirational FY30 EBITDA target of NZ\$75m, +32% above our NZ\$57m forecast, reflecting growing confidence in the medium-term outlook. While we maintain our estimates given near-term alignment with guidance, our conviction is building. With greater confidence in the earnings outlook and with the cycle now clearly turning, we reduce our PE-based comparables valuation discount, raising our blended spot valuation +28% to NZ\$0.91.

NZX code	RAK	Financials: Mar/	25A	26E	27E	28E	Valuation (x)	25A	26E	27E	28E
Share price	NZ\$0.89	Rev (NZ\$m)	104.4	130.2	156.0	181.6	PE	n/a	53.8	12.0	8.5
Spot Valuation	NZ\$0.91 (from 0.71)	NPAT* (NZ\$m)	-5.8	3.8	17.0	24.1	EV/EBIT	n/a	44.1	9.4	6.6
Risk rating	High	EPS* (NZc)	-2.5	1.7	7.4	10.5	EV/EBITDA	91.3	14.2	6.4	5.0
Issued shares	229.8m	DPS (NZc)	0.0	0.0	0.0	2.1	Price / NTA	1.5	1.5	1.4	1.3
Market cap	NZ\$205m	Imputation (%)	0	0	0	100	Cash div yld (%)	0.0	0.0	0.0	2.4
Avg daily turnover		*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	3.3

### What's changed?

- **Spot valuation:** Our blended spot valuation lifts +28% to NZ\$0.91, on reducing the discount within our comparables valuation.

### FY26 outlook in line with expectations

RAK has provided FY26 underlying EBITDA guidance of NZ\$15m–NZ\$24m, up from the NZ\$9.5m reported in FY25 and in line with our expectations of NZ\$18.9m. The uplift reflects: (1) continued growth in Aerospace and Defence revenue; (2) AI and Cloud computing revenue coming online; (3) further momentum in the recovery of traditional Telecommunications revenue; and (4) progress on cost-out as the NZ-to-India manufacturing transfer nears completion. Management noted that FY26 year-to-date revenue was up +28% on FY25, and gross margin lifted +700bp to 50%. The trading update and guidance align with our forecast revenue growth of +37% and +17% in Telecommunications and Aerospace and Defence respectively, and gross margin of 55% for FY26.

### Peer momentum: SiTime guides to +40% FY25 revenue growth on AI strength

RAK's closest listed peer, SiTime (SITM), posted a strong 2Q25 on 8 August 2025, reinforcing growth trends in AI and data centres. Revenue rose +58% year-on-year to US\$69.5m. Gross margin improved to 58.2% on a higher mix of premium products. Its Communications/DC segment revenues rose +137%, Auto/Industrial/Defence grew +11%, and Consumer IoT lifted +23%. Management forecasts FY25 revenue up +40%. SiTime recently raised US\$388m, ending the quarter with US\$797m in cash.

### ASM Board voting update

ASM voting saw Brent Robinson maintain his Board seat, as expected. With independent directors Mark Bregman, Lisbeth Jacobs and Jon Raby withdrawing pre-vote, the Board appointed Dr Peter Baines and asked Lorraine Witten to remain on the board for NZX director independence compliance.

## Rakon Limited (RAK)

### Market Data (NZ\$)

Priced as at 22 Aug 2025	0.89
52 week high / low	Retrieving... / Retrieving...
Market capitalisation (NZ\$m)	204.5

### Key WACC assumptions

Risk free rate	5.00%
Equity beta	1.20
WACC	13.0%
Terminal growth	2.0%

### Profit and Loss Account (NZ\$m)

	2024A	2025A	2026E	2027E	2028E
Revenue	128.4	104.4	130.2	156.0	181.6
<b>Normalised EBITDA</b>	<b>11.0</b>	<b>2.2</b>	<b>14.8</b>	<b>33.0</b>	<b>42.2</b>
Depreciation and amortisation	(8.1)	(9.8)	(10.0)	(10.3)	(10.0)
<b>Normalised EBIT</b>	<b>2.9</b>	<b>(7.6)</b>	<b>4.8</b>	<b>22.7</b>	<b>32.2</b>
Net interest	(0.2)	(0.8)	(1.2)	(1.3)	(1.2)
Associate income	(2.6)	1.3	1.5	1.5	1.6
Tax	4.2	1.3	(1.3)	(5.8)	(8.5)
Minority interests	-	-	-	-	-
<b>Normalised NPAT</b>	<b>4.3</b>	<b>(5.8)</b>	<b>3.8</b>	<b>17.0</b>	<b>24.1</b>
Abnormals/other	-	-	-	-	-
<b>Reported NPAT</b>	<b>4.3</b>	<b>(5.8)</b>	<b>3.8</b>	<b>17.0</b>	<b>24.1</b>
Normalised EPS (cps)	1.9	(2.5)	1.7	7.4	10.5
DPS (cps)	-	-	-	-	2.1

### Growth Rates

	2024A	2025A	2026E	2027E	2028E
Revenue (%)	-29.0	-18.7	24.7	19.8	16.4
EBITDA (%)	-73.2	-79.7	>100	>100	28.0
EBIT (%)	-91.4	n/a	n/a	>100	42.0
Normalised NPAT (%)	-81.7	n/a	n/a	>100	41.5
Normalised EPS (%)	-81.7	n/a	n/a	>100	41.5
Ordinary DPS (%)	-100.0	n/a	n/a	n/a	n/a

### Cash Flow (NZ\$m)

	2024A	2025A	2026E	2027E	2028E
<b>EBITDA</b>	<b>11.0</b>	<b>2.2</b>	<b>14.8</b>	<b>33.0</b>	<b>42.2</b>
Working capital change	3.0	10.6	(2.4)	(7.2)	(7.0)
Interest & tax paid	(4.0)	(1.2)	(2.5)	(7.2)	(9.7)
Other	8.0	(2.7)	-	-	-
<b>Operating cash flow</b>	<b>18</b>	<b>9.0</b>	<b>9.9</b>	<b>18.7</b>	<b>25.6</b>
Capital expenditure	(17.0)	(17.0)	(13.1)	(9.7)	(10.4)
(Acquisitions)/divestments	-	-	-	-	-
Other	(1.9)	(2.2)	(2.2)	(2.3)	(2.3)
<b>Funding available/(required)</b>	<b>(0.9)</b>	<b>(10.1)</b>	<b>(5.5)</b>	<b>6.7</b>	<b>12.9</b>
Dividends paid	(2.9)	-	-	-	(2.3)
Equity raised/(returned)	-	-	-	-	-
<b>(Increase)/decrease in net debt</b>	<b>(3.8)</b>	<b>(10.1)</b>	<b>(5.5)</b>	<b>6.7</b>	<b>10.6</b>

### Balance Sheet (NZ\$m)

	2024A	2025A	2026E	2027E	2028E
Working capital	81.3	70.7	73.1	80.3	87.2
Fixed assets	40.1	41.5	42.2	39.2	37.2
Intangibles	10.8	19.9	24.5	29.1	33.6
Right of use asset	7.0	9.1	6.9	4.7	2.4
Other assets	25.0	31.8	31.8	31.8	31.8
<b>Total funds employed</b>	<b>164.3</b>	<b>172.9</b>	<b>178.4</b>	<b>185.0</b>	<b>192.3</b>
Net debt/(cash)	(11.2)	(2.9)	2.5	(4.1)	(14.7)
Lease liability	5.8	7.5	5.2	3.0	0.6
Other liabilities	10.9	13.8	13.8	13.8	16.3
Shareholder's funds	158.8	154.6	156.9	172.4	190.1
Minority interests	-	-	-	-	-
<b>Total funding sources</b>	<b>164.3</b>	<b>172.9</b>	<b>178.4</b>	<b>185.0</b>	<b>192.3</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	0.72
PE driven comparables valuation	1.11

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

Total firm value	193
(Net debt)/cash	3
Less: Capitalised operating leases	-31
Value of equity	165

### Valuation Ratios

	2024A	2025A	2026E	2027E	2028E
EV/Sales (x)	1.5	2.0	1.6	1.4	1.2
EV/EBITDA (x)	17.7	91.3	14.2	6.4	5.0
EV/EBIT (x)	67.9	n/a	44.1	9.4	6.6
PE (x)	48.1	n/a	53.8	12.0	8.5
Price/NTA (x)	1.4	1.5	1.5	1.4	1.3
Free cash flow yield (%)	-0.5	-5.0	-2.7	3.3	6.3
Adj. free cash flow yield (%)	7.9	3.3	3.7	8.0	11.4
Net dividend yield (%)	0.0	0.0	0.0	0.0	2.4
Gross dividend yield (%)	0.0	0.0	0.0	0.0	3.3

### Capital Structure

	2024A	2025A	2026E	2027E	2028E
Interest cover EBIT (x)	14.6	n/a	4.0	17.1	27.2
Interest cover EBITDA (x)	56.1	2.7	12.3	24.9	35.7
Net debt/ND+E (%)	-7.6	-1.9	1.6	-2.5	-8.4
Net debt/EBITDA (x)	n/a	n/a	0.2	n/a	n/a

### Key Ratios

	2024A	2025A	2026E	2027E	2028E
Return on assets (%)	1.4	-3.5	2.2	9.6	12.6
Return on equity (%)	2.7	-3.8	2.4	9.9	12.7
Return on funds employed (%)	2.0	-2.8	1.7	7.5	9.8
EBITDA margin (%)	8.6	2.1	11.4	21.2	23.3
EBIT margin (%)	2.2	-7.3	3.7	14.5	17.7
Capex to sales (%)	13.3	16.2	10.1	6.2	5.7
Capex to depreciation (%)	272	199	151	111	125
Imputation (%)	0	0	0	0	100
Pay-out ratio (%)	0	0	0	0	20

### Segment Revenue (NZ\$m)

	2024A	2025A	2026E	2027E	2028E
Telecommunications	66.9	45.4	62.5	78.1	93.7
Positioning	13.9	10.9	11.4	12.0	12.3
Space and Defence	36.8	42.4	49.9	58.6	67.4
Other	10.5	4.9	5.6	6.5	7.5
Other revenues	-1.0	0.8	0.8	0.8	0.8
<b>Total Revenue</b>	<b>127.1</b>	<b>104.4</b>	<b>130.2</b>	<b>156.0</b>	<b>181.6</b>

### Segment Gross Margin (%)

	2024A	2025A	2026E	2027E	2028E
Telecommunications	33.8	25.6	33.0	40.0	40.0
Positioning	44.4	46.2	46.0	47.0	47.0
Space and Defence	65.2	64.6	64.6	64.6	63.6
Other	49.1	11.7	11.7	11.7	11.7

### Segment Gross Margin (NZ\$m)

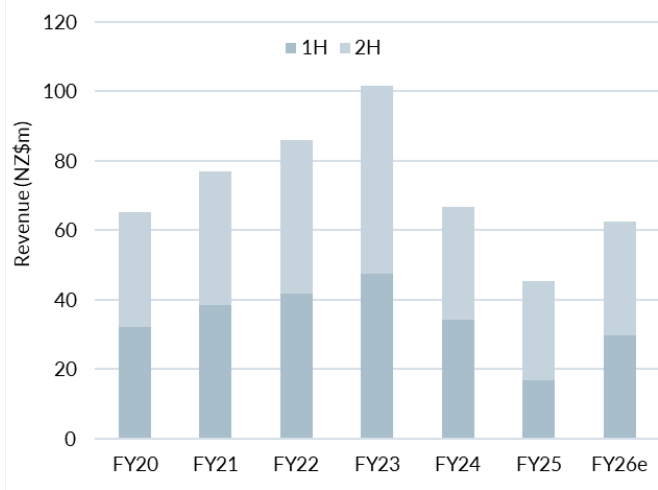
	2024A	2025A	2026E	2027E	2028E
Telecommunications	22.6	11.6	20.6	31.2	37.5
Positioning	6.2	5.0	5.3	5.6	5.8
Space and Defence	24.0	27.4	32.2	37.8	42.8
Other	5.2	0.6	0.7	0.8	0.9

### "Underlying EBITDA" (NZ\$m)

	2024A	2025A	2026E	2027E	2028E
Underlying EBITDA estimates	13.4	9.5	18.9	37.2	46.5

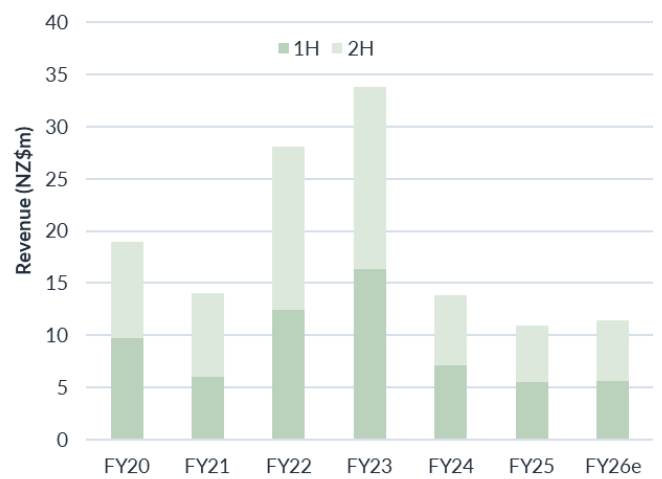
## Charts of Interest

**Figure 1. RAK—Telecommunications revenues (half years)**



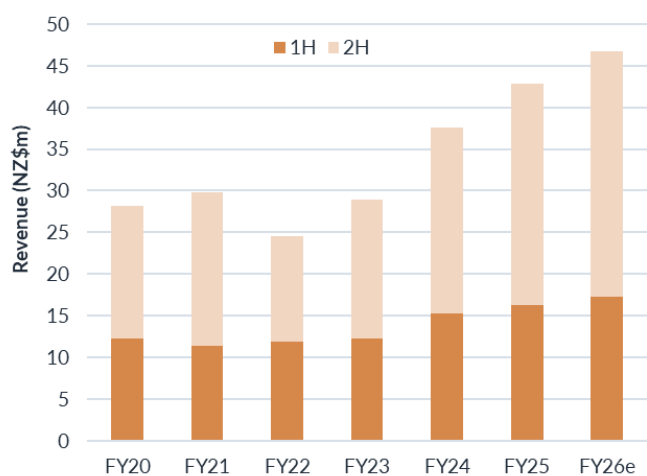
Source: Company, Forsyth Barr analysis

**Figure 2. RAK—Positioning revenues (half years)**



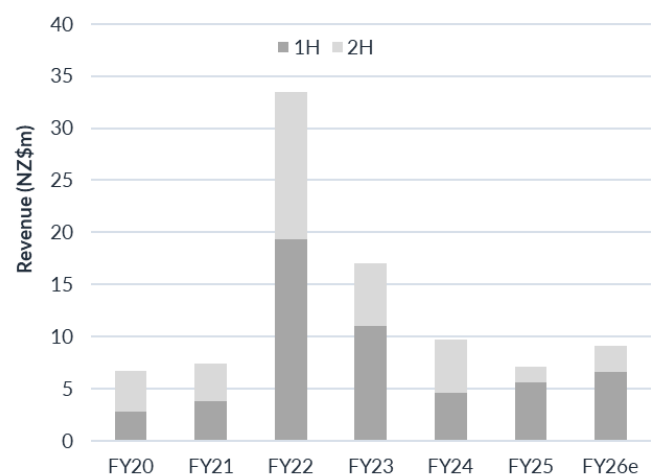
Source: Company, Forsyth Barr analysis

**Figure 3. RAK—Aerospace and Defence revenues (half years)**



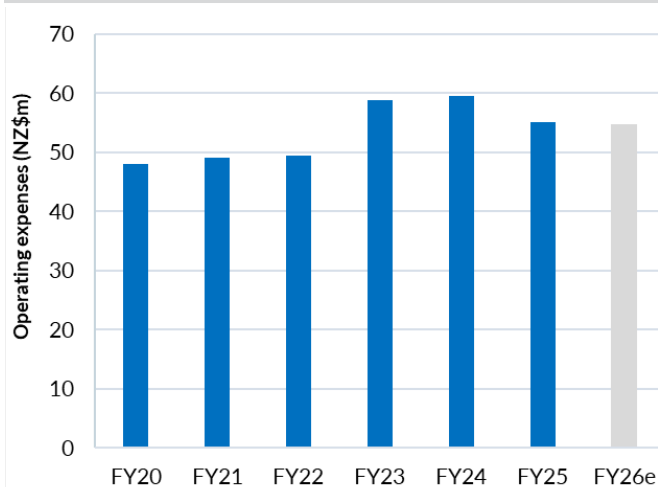
Source: Company, Forsyth Barr analysis

**Figure 4. RAK—Other revenues (half years)**



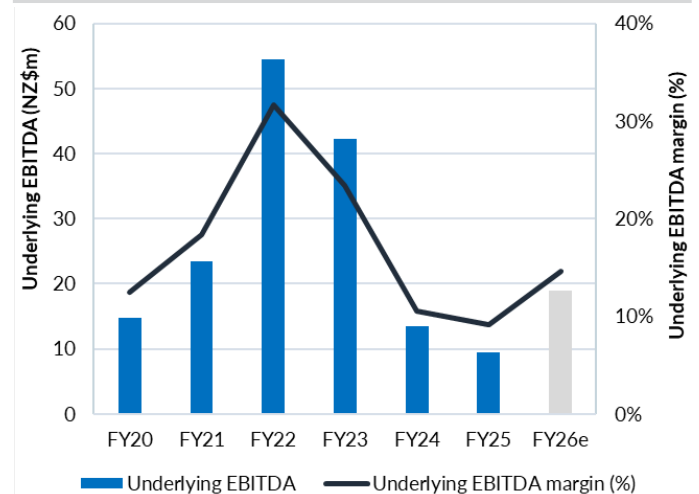
Source: Company, Forsyth Barr analysis

**Figure 5. RAK—Operating expenses**



Source: Company, Forsyth Barr analysis

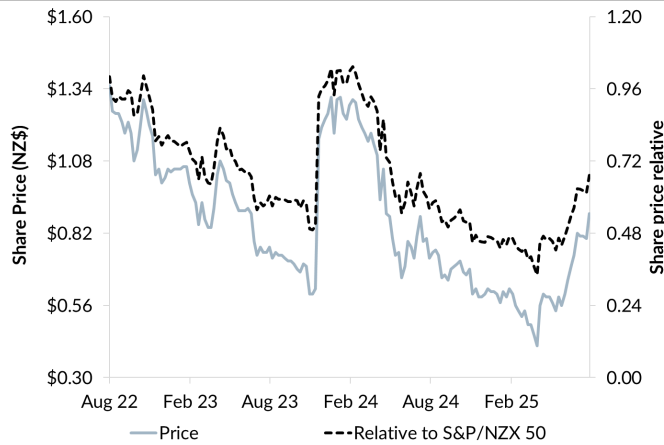
**Figure 6. RAK—Underlying EBITDA**



Source: Company, 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%

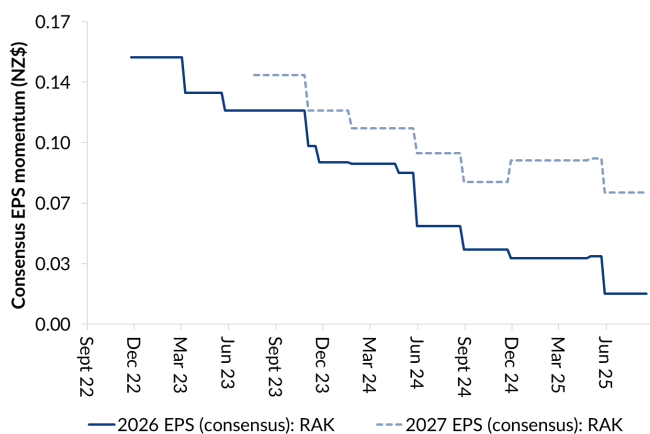
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

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\$0.80	NZ\$184	20.5x	9.5x	9.0x	5.4x	16.7x	7.5x	0.0%
TXC	3042 TT	TWD88.20	TWD30,252	14.7x	n/a	6.8x	n/a	10.7x	n/a	5.5%
Sitime	SITM US	US\$221.60	US\$5,762	>75x	54.2x	56.4x	39.8x	>75x	54.0x	0.0%
Microchip Technology	MCHP US	US\$66.76	US\$36,029	35.1x	23.0x	22.6x	17.0x	30.1x	20.6x	2.8%
Daishinku	6962 T	¥595.00	¥19,123	23.1x	12.5x	6.3x	5.5x	18.5x	13.3x	4.7%
Nihon Dempa Kogyo	6779 T	¥902.00	¥20,862	10.2x	8.2x	5.1x	4.4x	10.3x	8.5x	3.4%
Seiko Epson	6724 JP	¥1906.00	¥712,030	12.6x	10.7x	4.9x	4.6x	9.7x	8.3x	4.0%

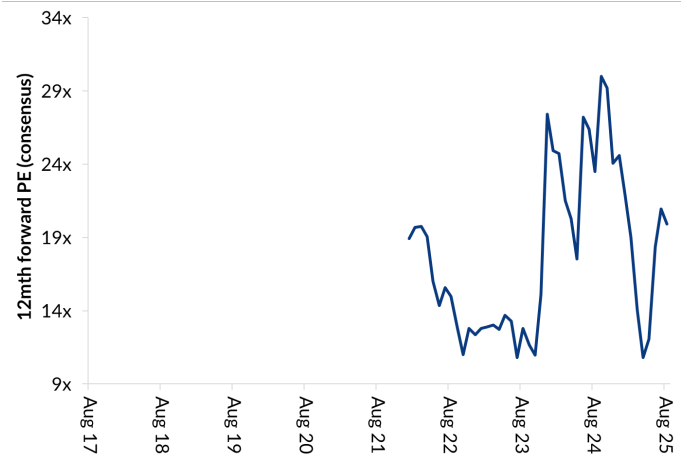
Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

Figure 10. Consensus EPS momentum (NZ\$)



Source: Bloomberg, Forsyth Barr analysis

Figure 11. Consensus one year forward PE (x)



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

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