

Rakon Limited

1H26: Back in Frequency—Rebounds & Ramps

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Rakon's (RAK) 1H26 result displayed broadening growth that confirms a cyclical recovery is underway. Revenue rebounded +30% year on year to NZ\$54.2m, with gross margin expanding sharply from 37.8% to 48.8%, reflecting economies of scale. Growth was broad based, with: (1) Aerospace and Defence delivering another strong half; (2) Telecommunications rebounding, supported by meaningful AI-datacentre contributions and traditional telco recovery; and (3) Positioning returning to modest growth. Underlying EBITDA of NZ\$3.6m marks a significant turnaround from the -NZ\$7.3m loss in 1H25. Costs were well controlled—opex declined -2% despite higher volumes, reflecting the initial benefits from a transfer of production to India. FY26 EBITDA guidance of NZ\$15m–NZ\$24m was reaffirmed, with management noting sustained momentum in October. We believe 1H26 confirms a cyclical rebound, which, alongside the ramping of new products (as the Aerospace and AI-datacentre markets develop), sees our estimates lift. Our blended valuation lifts +20% on product and cyclical earnings momentum raising our DCF, with higher peer multiples also aiding the PE-based comparables component.

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	131.7	163.6	190.2	PE	n/a	34.4	12.6	8.3
Spot Valuation	NZ\$1.09 (from 0.91)	NPAT* (NZ\$m)	-5.8	5.9	16.2	24.5	EV/EBIT	n/a	27.4	9.8	6.4
Risk rating	High	EPS* (NZc)	-2.5	2.6	7.1	10.7	EV/EBITDA	91.3	11.9	6.6	4.9
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	69.9k (NZ\$48k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	3.3

What's changed?

- **Earnings:** Our underlying EBITDA estimates shift +15%/-3%/+1% across FY26/FY27/FY28 respectively.
- **Spot valuation:** Lifts +20% to NZ\$1.09 reflecting earnings revisions and a lift in peer valuations.

Aerospace and Defence is growing solidly, now with a record backlog and a recently expanded manufacturing facility in France

The Aerospace and Defence segment saw strong momentum in the first half, underpinned by high demand for low-Earth-orbit (LEO) satellite and radar system components. Revenue lifted +20% year on year to NZ\$20.1m, and strong order growth supported a multi-year contracted backlog exceeding NZ\$75m. Delivery is now the key constraint. The completion of an expansion at its French manufacturing facility adds near-term capacity, and the ongoing transfer of production to India should unlock further scale in 2H26.

Telecommunications and AI revenues driving the recovery

Telecommunications revenue recovered strongly, up +49% year on year to NZ\$25.0m, with gross margin rising to 32% (+14ppt), reversing two years of contraction. Operating leverage improved as global densification and 5G investment cycles resumed. The AI-datacentre sub-segment grew by +50% and will become a standalone segment from FY26, reflecting strong demand from tier-1 customers. This diversification signals a shift toward higher-specification demand and longer-cycle customer programmes.

Efficiency, capital, and manufacturing execution

Cost discipline remained evident, with opex declining in absolute terms and falling to 54.6% of revenue in 1H26 (1H25: 72.1%). Manufacturing transfers to India—supported by an NZ\$3.5m ECMS grant—are releasing overhead benefits while freeing NZ capacity for R&D. The transfer of an initial ~25% of production delivered ~+NZ\$2m in gross margin benefit over the half, with ~80% of NZ production expected to shift over the next 18 months. Inventory investment and higher debt utilisation reflect scaling, but sit alongside solid cash conversion. FY26 guidance remains unchanged, with strong 2H26 seasonality expected.

Rakon Limited (RAK)

Market Data (NZ\$)

Priced as at 30 Nov 2025	0.89
52 week high / low	0.92 / 0.41
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	131.7	163.6	190.2
Normalised EBITDA	11.0	2.2	17.7	31.9	42.7
Depreciation and amortisation	(8.1)	(9.8)	(10.0)	(10.3)	(10.1)
Normalised EBIT	2.9	(7.6)	7.6	21.5	32.6
Net interest	(0.2)	(0.8)	(1.2)	(1.3)	(1.1)
Associate income	(2.6)	1.3	1.5	1.5	1.6
Tax	4.2	1.3	(2.0)	(5.6)	(8.6)
Minority interests	-	-	-	-	-
Normalised NPAT	4.3	(5.8)	5.9	16.2	24.5
Abnormals/other	-	-	-	-	-
Reported NPAT	4.3	(5.8)	5.9	16.2	24.5
Normalised EPS (cps)	1.9	(2.5)	2.6	7.1	10.7
DPS (cps)	-	-	-	-	2.1

Growth Rates	2024A	2025A	2026E	2027E	2028E
Revenue (%)	-29.0	-18.7	26.1	24.2	16.3
EBITDA (%)	-73.2	-79.7	>100	80.3	33.9
EBIT (%)	-91.4	n/a	n/a	>100	51.5
Normalised NPAT (%)	-81.7	n/a	n/a	>100	51.0
Normalised EPS (%)	-81.7	n/a	n/a	>100	51.0
Ordinary DPS (%)	-100.0	n/a	n/a	n/a	n/a

Cash Flow (NZ\$m)	2024A	2025A	2026E	2027E	2028E
EBITDA	11.0	2.2	17.7	31.9	42.7
Working capital change	3.0	10.6	(2.2)	(1.1)	5.9
Interest & tax paid	(4.0)	(1.2)	(3.2)	(6.8)	(9.7)
Other	8.0	(2.7)	-	-	-
Operating cash flow	18	9.0	12.3	24.0	38.9
Capital expenditure	(17.0)	(17.0)	(13.2)	(9.9)	(10.6)
(Acquisitions)/divestments	-	-	-	-	-
Other	(1.9)	(2.2)	(2.2)	(2.3)	(2.3)
Funding available/(required)	(0.9)	(10.1)	(3.1)	11.8	26.0
Dividends paid	(2.9)	-	-	-	(2.3)
Equity raised/(returned)	-	-	-	-	-
(Increase)/decrease in net debt	(3.8)	(10.1)	(3.1)	11.8	23.7

Balance Sheet (NZ\$m)	2024A	2025A	2026E	2027E	2028E
Working capital	81.3	70.7	72.8	73.9	68.0
Fixed assets	40.1	41.5	42.3	39.5	37.6
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
Total funds employed	164.3	172.9	178.2	178.8	173.4
Net debt/(cash)	(11.2)	(2.9)	0.2	(11.6)	(35.3)
Lease liability	5.8	7.5	5.2	3.0	0.6
Other liabilities	10.9	13.8	13.8	13.8	16.4
Shareholder's funds	158.8	154.6	159.0	173.7	191.7
Minority interests	-	-	-	-	-
Total funding sources	164.3	172.9	178.2	178.8	173.4

* 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

Spot valuation (NZ\$)

DCF	0.91
PE driven comparables valuation	1.27

DCF valuation summary (NZ\$m)

Total firm value	238
(Net debt)/cash	3
Less: Capitalised operating leases	-32
Value of equity	209

Valuation Ratios	2024A	2025A	2026E	2027E	2028E
EV/Sales (x)	1.5	2.0	1.6	1.3	1.1
EV/EBITDA (x)	17.7	91.3	11.9	6.6	4.9
EV/EBIT (x)	67.9	n/a	27.4	9.8	6.4
PE (x)	48.1	n/a	34.4	12.6	8.3
Price/NTA (x)	1.4	1.5	1.5	1.4	1.3
Free cash flow yield (%)	-0.5	-5.0	-1.5	5.8	12.7
Adj. free cash flow yield (%)	7.9	3.3	4.9	10.6	17.9
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	6.3	16.9	30.5
Interest cover EBITDA (x)	56.1	2.7	14.6	25.0	39.9
Net debt/ND+E (%)	-7.6	-1.9	0.1	-7.2	-22.6
Net debt/EBITDA (x)	n/a	n/a	0.0	n/a	n/a

Key Ratios	2024A	2025A	2026E	2027E	2028E
Return on assets (%)	1.4	-3.5	3.4	9.0	12.5
Return on equity (%)	2.7	-3.8	3.7	9.3	12.8
Return on funds employed (%)	2.0	-2.8	2.7	7.1	9.8
EBITDA margin (%)	8.6	2.1	13.4	19.5	22.4
EBIT margin (%)	2.2	-7.3	5.8	13.2	17.1
Capex to sales (%)	13.3	16.2	10.0	6.0	5.6
Capex to depreciation (%)	272	199	152	113	127
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	63.6	85.9	103.0
Positioning	13.9	10.9	12.3	12.9	13.3
Space and Defence	36.8	42.4	49.9	58.6	67.4
Other	10.5	4.9	5.1	5.4	5.7
Other revenues	-1.0	0.8	0.8	0.8	0.8
Total Revenue	127.1	104.4	131.7	163.6	190.2

Segment Gross Margin (%)	2024A	2025A	2026E	2027E	2028E
Telecommunications	33.8	25.6	40.3	42.0	43.0
Positioning	44.4	46.2	50.0	47.0	47.0
Space and Defence	65.2	64.6	62.5	61.5	60.5
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	25.6	36.1	44.3
Positioning	6.2	5.0	6.2	6.1	6.3
Space and Defence	24.0	27.4	31.2	36.0	40.8
Other	5.2	0.6	0.6	0.6	0.7

"Underlying EBITDA" (NZ\$m)	2024A	2025A	2026E	2027E	2028E
Underlying EBITDA estimates	13.4	9.5	21.7	36.0	47.0

1H26 results review

RAK's 1H26 result highlighted a broad-based recovery from the 1H25 lows. Revenue lifted +30% year on year to NZ\$54.2m, underpinned by double-digit growth across all segments. Gross margin expanded a full +11pp to 48.8%, reflecting: (1) higher utilisation and economies of scale; (2) an improved product mix; and (3) the first tangible benefits from the company's India-based manufacturing transfer. Underlying EBITDA lifted to NZ\$3.6m (1H25: -NZ\$7.3m), underpinned by improved operational leverage, with opex down -2% to NZ\$29.6m despite increased volumes. The operational reset executed through FY25—restructuring, cost realignment, and early-stage India transfers—is now improving operating leverage to the upside. Cash conversion remained strong, while inventory and debt utilisation increased modestly to support scaling.

Segmental trends were solid:

- **Aerospace and Defence:** Delivered another strong half, with revenue up +20% to NZ\$20.1m at a 63% gross margin (1H25: 64%). Order growth in components for LEO satellites and constellations supported a strong multi-year forward pipeline exceeding NZ\$75m.
- **Telecommunications:** Revenue rebounded +49% to NZ\$25.0m as network densification and 5G FWA deployments resumed. Gross margin improved to 42% (1H25: 15%), reflecting improved operating leverage as demand returned. RAK expects the segment to return to moderate growth in FY26. AI and datacentre sub-segment revenues lifted +50% and will be reported as a separate market segment from the reporting of RAK's FY26 results.
- **Positioning:** Recovered off a low base, with revenue rising +14% to NZ\$6.3m. Gross margin improved to 51% (1H25: 45%), aided by stable volumes in precise positioning products. Emerging opportunities are being pursued in autonomous vehicle applications.

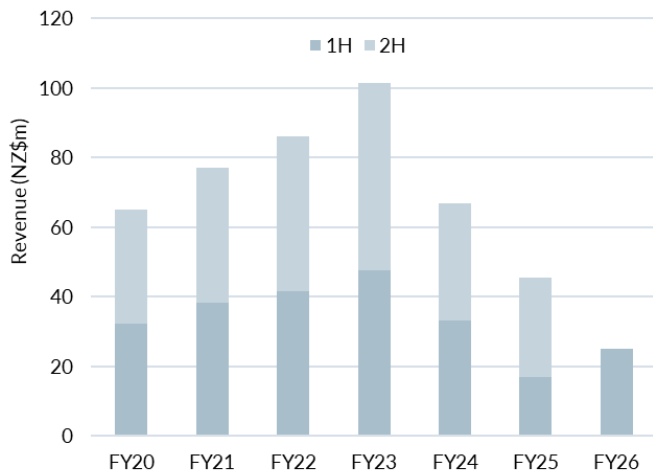
Figure 1. Result summary (NZ\$m)

	1H25	1H26	Change
Revenue	41.7	54.2	+30%
Cost of sales	(25.9)	(27.8)	+7%
Gross Profit	15.7	26.5	+68%
Other operating income	0.0	0.1	n/a
Selling and marketing costs	(6.0)	(5.9)	-1%
Research and development	(7.9)	(7.2)	-8%
General and administration	(16.2)	(16.4)	+1%
Total operating expenses	(30.0)	(29.6)	-2%
Other gains/(losses) – net	(1.5)	(1.1)	-24%
Operating profit	(15.8)	(4.1)	-74%
Finance income	0.2	0.2	-26%
Finance costs	(0.5)	(0.6)	+28%
Share of net profits of associates	0.9	0.6	-40%
Profit before income tax	(15.1)	(4.0)	-74%
Income tax expense	4.7	1.0	-78%
Net profit after tax for the period	(10.4)	(3.0)	-72%
Profit before income tax	(15.1)	(4.0)	-74%
Depreciation and amortisation	(4.3)	(5.1)	+20%
Finance costs – net	(0.2)	(0.4)	+93%
Adjustments (associates, tax, depreciation)	(1.0)	(1.2)	+22%
Other non-cash items	(2.3)	(0.8)	-65%
Underlying EBITDA	(7.3)	3.6	n/a

Source: Company, Forsyth Barr analysis

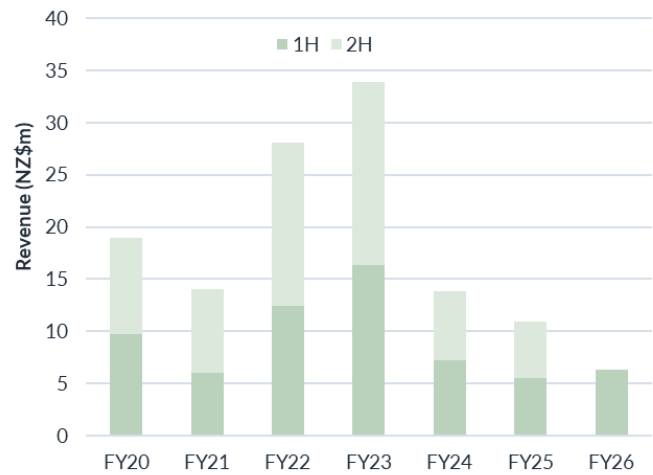
1H26 segment charts

Figure 2. RAK—Telecommunications revenues (half years)



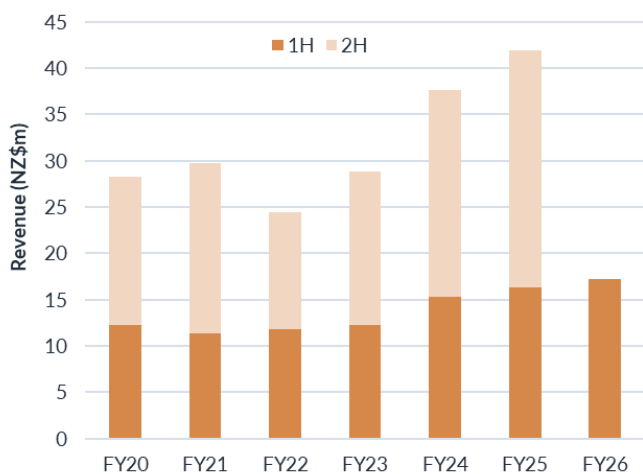
Source: Company, Forsyth Barr analysis

Figure 3. RAK—Positioning revenues (half years)



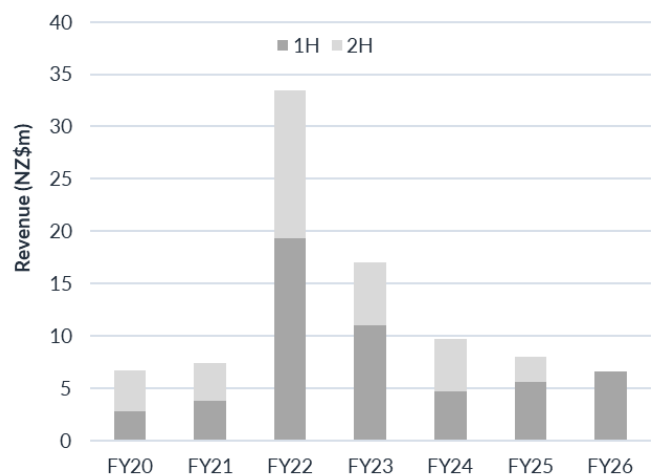
Source: Company, Forsyth Barr analysis

Figure 4. RAK—Space and Defence revenues (half years)



Source: Company, Forsyth Barr analysis

Figure 5. RAK—Other revenues (half years)



Source: Company, Forsyth Barr analysis

Earnings revisions

We make a number of revisions to our estimates following RAK's 1H26 result. We lift our revenue estimates +1%/+5%/+5% across FY26/FY27/FY28 respectively, reflecting: (1) a seasonally strong 2H26 to come; (2) increased confidence in a sustained cyclical recovery over the medium term; and (3) a reported strong pipeline of contracted work. We recalibrate our FY26 cost-of-sales assumptions to reflect a higher-than-expected 1H26 gross margin of 48.8%, while decreasing our medium-term gross margin track, reflecting elevated initial costs as AI and datacentre production comes online at scale. We make a number of changes to our operating expenses due to: (1) modestly higher than anticipated operating expenses in 1H26, driven by higher-than-expected sales and administration expenses; and (2) increased resourcing over the medium term as production ramps up to meet elevated demand. On balance, our underlying EBITDA forecasts shift +15%/-3%/+1% across FY26/FY27/FY28 respectively. We remain within management guidance for FY26 underlying EBITDA of NZ\$15m to NZ\$24m, but now move toward the top end of the range.

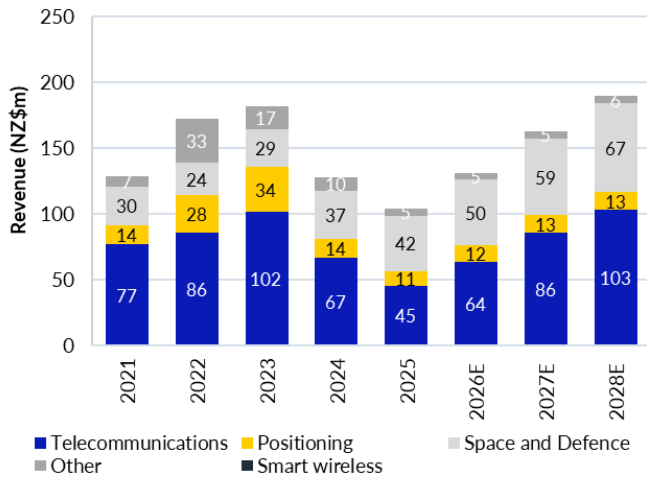
Figure 6. Earnings revisions (NZ\$m)

	FY25A Reported	FY26E			FY27E			FY28E		
		Old	New	Change	Old	New	Change	Old	New	Change
Revenue	103.7	129.4	130.9	+1%	155.2	162.8	+5%	180.8	189.4	+5%
Cost of sales	(59.0)	(70.6)	(67.4)	-5%	(79.7)	(84.0)	+5%	(93.8)	(97.4)	+4%
Gross Profit	44.7	58.8	63.5	+8%	75.5	78.8	+4%	87.0	92.0	+6%
Selling and marketing costs	(12.4)	(10.9)	(12.1)	+11%	(10.6)	(12.4)	+17%	(11.1)	(13.0)	+17%
Research and development	(11.7)	(14.9)	(14.4)	-3%	(15.5)	(16.3)	+5%	(16.3)	(17.0)	+5%
General and administration	(30.9)	(29.0)	(30.1)	+4%	(27.5)	(29.4)	+7%	(28.2)	(30.1)	+7%
Total operating expenses	(55.0)	(54.8)	(56.7)	+3%	(53.6)	(58.1)	+8%	(55.6)	(60.2)	+8%
Other gains/(losses)-net	2.0	-	-	n/a	-	-		-	-	n/a
Operating profit	(7.6)	4.8	7.6	+60%	22.7	21.5	-5%	32.2	32.6	+1%
Finance income	0.5	0.3	0.3	n/a	0.2	0.2	n/a	0.4	0.4	n/a
Finance costs	(1.3)	(1.5)	(1.5)	n/a	(1.5)	(1.5)	n/a	(1.5)	(1.5)	n/a
Share of net profits of associates	1.3	1.5	1.5	+0%	1.5	1.5	+0%	1.6	1.6	+0%
Profit before income tax	(7.1)	5.1	7.9	+57%	22.9	21.8	-5%	32.6	33.1	+2%
Income tax expense	1.3	(1.3)	(2.0)	+57%	(5.8)	(5.6)	-5%	(8.5)	(8.6)	+2%
Net profit for the period	(5.8)	3.8	5.9	+57%	17.0	16.2	-5%	24.1	24.5	+2%
Profit before income tax	(7.1)	5.1	7.9	+57%	22.9	21.8	-5%	32.6	33.1	+2%
Depreciation and amortisation	9.8	10.0	10.0	+0%	10.3	10.3	+0%	10.0	10.1	+0%
Finance costs – net	0.8	1.2	1.2	n/a	1.3	1.3	n/a	1.2	1.1	n/a
Adjustments for associate share of interest, tax and depreciation	2.2	2.4	2.4	+0%	2.4	2.4	+0%	2.5	2.5	+0%
Other non-cash items	3.7	0.2	0.2	n/a	0.2	0.2	n/a	0.2	0.2	n/a
Underlying EBITDA	9.5	18.9	21.7	+15%	37.2	36.0	-3%	46.5	47.0	+1%

Source: Forsyth Barr analysis

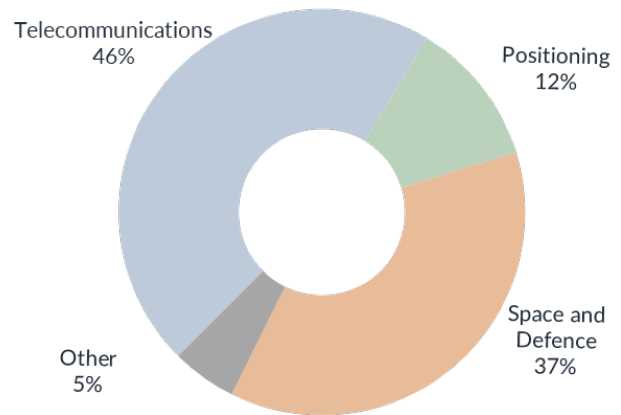
Key charts

Figure 7. RAK—Divisional revenue stack and gross margin (%)



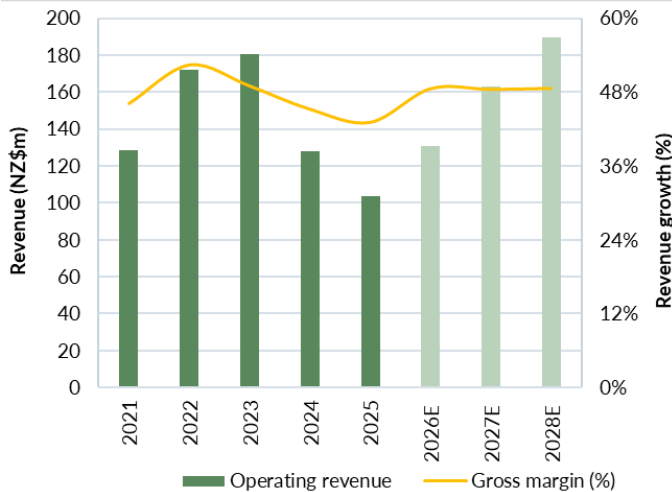
Source: Company, Forsyth Barr analysis

Figure 8. RAK—Revenue by division (1H26)



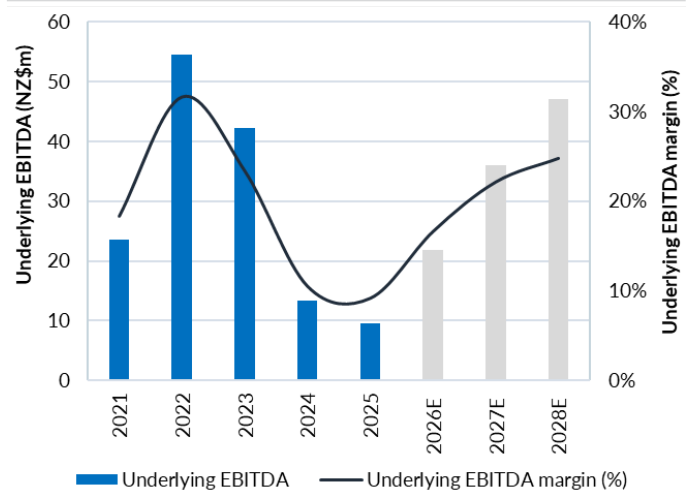
Source: Company, Forsyth Barr analysis

Figure 9. RAK—Revenues (NZ\$m)



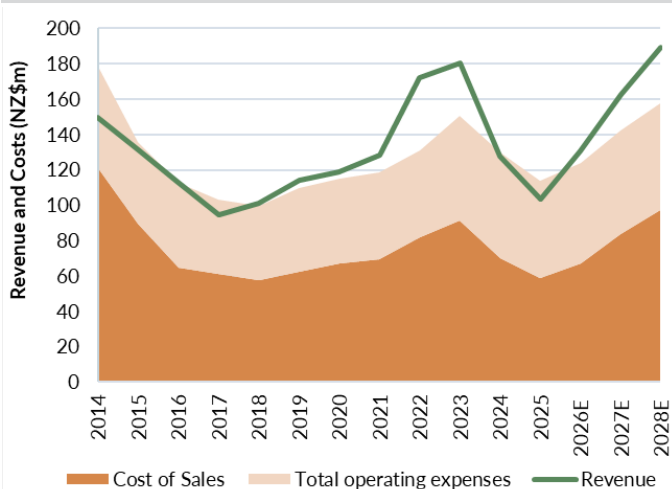
Source: Company, Forsyth Barr analysis

Figure 10. RAK—Underlying EBITDA



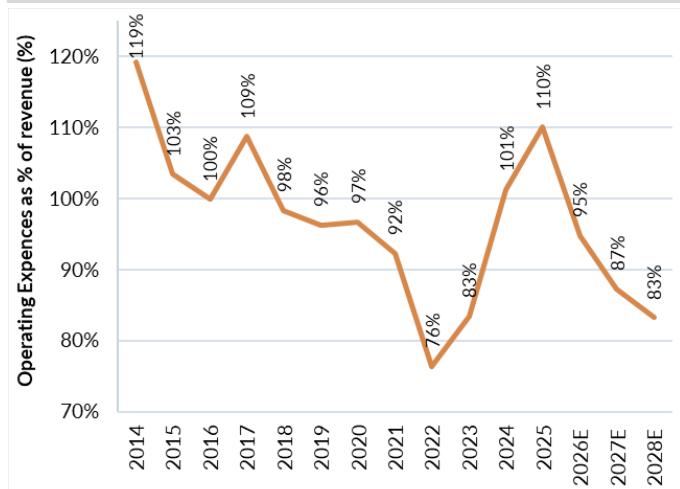
Source: Company, Forsyth Barr analysis

Figure 11. RAK—Operating leverage



Source: Company, Forsyth Barr analysis

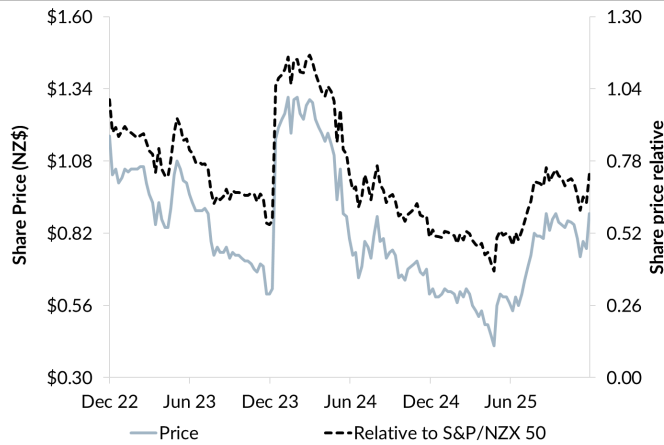
Figure 12. RAK—Total operating expenses as % of revenue



Source: Company, Forsyth Barr analysis

Additional data

Figure 13. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 14. Substantial shareholders

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

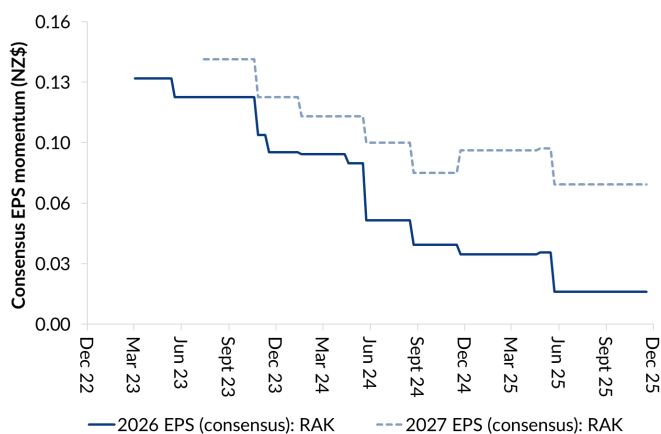
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 15. 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\$0.89	NZ\$205	16.2x	9.8x	8.1x	5.6x	13.1x	7.6x	0.0%
TXC	3042 TT	TWD84.50	TWD28,983	13.4x	13.5x	7.0x	6.7x	10.4x	10.2x	5.5%
Sitime	SITM US	US\$289.29	US\$7,551	70.0x	49.0x	53.8x	40.3x	>75x	46.5x	0.0%
Microchip Technology	MCHP US	US\$52.57	US\$28,411	25.0x	16.7x	17.3x	13.3x	21.8x	15.4x	3.5%
Daishinku	6962 JP	¥569.00	¥18,287	15.5x	10.6x	5.1x	4.4x	14.7x	13.1x	5.0%
Nihon Dempa Kogyo	6779 JP	¥962.00	¥22,250	9.0x	7.4x	4.6x	3.9x	9.5x	7.7x	3.5%
Seiko Epson	6724 JP	¥1939.00	¥724,358	12.4x	11.1x	4.9x	4.7x	9.8x	8.8x	3.9%

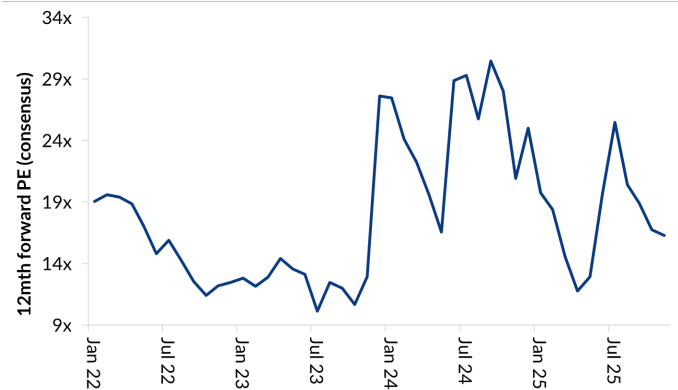
Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

Figure 16. Consensus EPS momentum (NZ\$)



Source: Bloomberg, Forsyth Barr analysis

Figure 17. Consensus one year forward PE (x)



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

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