

# Announcement

To Nasdaq Copenhagen A/S and the press

Nørresundby, 26 November 2019

Announcement no. 62/2019

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## Annual Report 2018/19

(the period 01.10.2018 - 30.09.2019)

### CONTINUING PROFITABLE GROWTH IN FY 2018/19

*2018/19 was another year of profitable growth for RTX. Both revenue and earnings developed positively. The implementation of RTX's strategy continues to drive growth. RTX ramped-up activities and sales from the two significant framework agreements signed in 2017/18 and continued to grow recurring revenues from product sales in the ProAudio market. Further, the foundation for continued growth was laid by signing new significant framework agreements – one in the Enterprise market and one in the ProAudio market – during Q4 of 2018/19.*

### FINANCIAL HIGHLIGHTS FOR 2018/19

Both revenue and earnings surpassed the expectations as set out at the beginning of the financial year and delivered on the expectations upgraded during the financial year.

- Revenue reached DKK 560 million, an increase of 18% from DKK 475 million.
- EBITDA reached DKK 100 million, an increase of 21% from DKK 83 million.
- EBIT reached DKK 87 million, an increase of 16% from DKK 75 million.
- EPS reached DKK 8.4 per share, an increase of 19% from DKK 7.0.
- Cash flow from operations (CFFO) reached DKK 108 million, an increase of 13% from DKK 96 million.

Refer also to the section "Financial performance 2018/19" below.

### **CEO Peter Røpke in a comment to the annual report:**

*"We have been developing and refining RTX's growth strategy for a number of years – and we are pleased to see the execution of our strategy resulting in profitable double-digit growth.*

*The ramp-up under the framework agreements signed in 2017/18 will continue. Additionally, we are pleased that we have signed two further framework agreements – one within Enterprise and one within ProAudio – towards the end of 2018/19, confirming the trust our customers have in our wireless capabilities and laying the basis for further growth."*

## **GROWTH STRATEGY EXECUTION**

In 2018/19, RTX continued the implementation of our strategy. Building on our unique capabilities within shortrange digital wireless technology and focusing on selected B2B market segments, we aim to continue our profitable growth trajectory in all our business areas. We plan to accomplish this by increasing recurring revenues and thereby strengthen resource scalability through increasing product sales to large customers through framework agreements. In 2018/19, we again took important steps in this strategic direction, and we believe the further implementation of the strategy will continue to yield profitable growth. As part of this strategy we also continued to invest in in-house developed products and technologies such as the business headset programme, new ranges of wireless handsets and base stations, as well as the unique Sheerlink™ technology which will be used in products for the ProAudio market.

Towards the end of Q4 2018/19, RTX signed two new framework agreements for ODM product supply development and delivery. One agreement within the Enterprise market and one agreement within the ProAudio market.

The new Enterprise framework agreement includes RTX handsets and base stations integrated with our customer's solutions. Our customer is a leading global brand in the Enterprise market turning to the DECT technology for their wireless IP telephony solutions. Development of the products is ongoing throughout 2019/20, after which the agreement will enter the ramp-up phase.

Similarly, the new framework agreement within the ProAudio market includes product development and the subsequent product supply of modules to be used in conference solutions by a large international brand. The tailoring of RTX's conference platform to this solution is ongoing through 2019/20, after which this agreement will also enter the ramp-up phase.

## **DIVIDENDS AND SHARE BUY-BACK**

Based on the positive results in 2018/19, the solid capital structure of RTX and Management's expectations for the future, the Board of Directors recommends a dividend of DKK 2.50 per share be adopted at the Annual General Meeting in January 2020. This is an increase in dividends of 25% per share compared to the previous financial year.

Additionally, the Board of Directors has decided to initiate a further share buy-back programme to commence upon completion of the current programme under execution as announced in company announcement 61/2019. This further share buy-back programme will be executed during the period 1 January 2020 to 30 June 2020 for an amount up to DKK 20 million.

## **OUTLOOK FOR THE 2019/20 FINANCIAL YEAR**

RTX expects revenue between DKK 620-650 million, EBITDA between DKK 105-120 million and EBIT between DKK 75-90 million for 2019/20. Especially EBIT should be seen in the light of an increased investment level in RTX products and platforms over the previous years to support the strategic direction towards increased recurring revenue.

The above outlook is based on IFRS 16 implemented into the accounting principles. Also, the outlook is based on the expectations that especially the market sensitive macroeconomic elements across the globe will remain reasonably stable at the current level and conditions meaning that

RTX's current business environment will remain largely intact. Further, it is based on expected exchange rates for FY 2019/20 and is especially sensitive to the USD exchange rate.

## **LONG-TERM FINANCIAL AMBITIONS**

RTX longer-term financial ambitions are:

- Organic revenue growth: Based on our strategy of deploying our wireless wisdom in selected B2B target markets for growth via recurring revenues and based on execution of existing and new framework agreements, it is the ambition of RTX to grow revenues organically by an average of 13-16% p.a. in the period up to and including the fiscal year 2021/22.
- EBITDA margin: With our long-term revenue growth ambitions, and with the leverage effect on the scalability of our resources from increased recurring revenues, it is the ambition of RTX to achieve an EBITDA margin of 18-20% by the completion of the fiscal year 2021/22. This ambition reflects inclusion of the effect of the implementation of IFRS 16 regarding leasing.

Regarding assumptions related to the long-term financial ambitions, please refer to page 17 of the Annual Report 2018/19.

RTX A/S

**PETER THOSTRUP**

Chairman

**PETER RØPKE**

CEO

### ***Investor and analysts meeting***

*On Friday, 29 November 2019 at 9 am, RTX will hold a meeting for investors and analysts at ABG Sundal Collier, Forbindelsesvej 12, 2100 Copenhagen. At this meeting, the Company's management will comment on the Annual Report for 2018/19. To register for the meeting, please e-mail [invitations@abgsc.dk](mailto:invitations@abgsc.dk).*

### ***Enquiries and further information:***

*Overleaf: Summary financial performance 2018/19*

*The Annual Report 2018/19 can be found via:*

*<https://www.rtx.dk/en/investors/downloads/financial-reports/>*

*CEO Peter Røpke, tel +45 96 32 23 00*

*RTX's homepage: [www.rtx.dk](http://www.rtx.dk)*

**FINANCIAL PERFORMANCE 2018/19**

RTX realized Group revenue of DKK 560 million in 2018/19 corresponding to an increase of 18% (2017/18: DKK 475 million) and surpassing the original guidance from the beginning of the financial year and delivering on the guidance that was upgraded during the financial year. FX corrected growth was 12% compared to last year. Both business units contributed positively to the revenue growth based on the successful implementation of the Group's growth strategy. Further, revenue was positively impacted by the implementation of IFRS 15 slightly advancing the point in time for revenue recognition in some situations.

Business Communications achieved revenue growth of 19% to DKK 387 million (2017/18: DKK 325 million) driven both by continued growth within wireless IP telephony for Enterprise customers and by the adjacency expansion into Enterprise headsets. The large framework agreements announced in 2017/18 contributed to the growth. FX corrected revenue growth was 12%. Design Services posted revenue of DKK 174 million equivalent to a growth of 15% (2017/18: DKK 150 million) mainly driven by increased recurring revenues from ODM product sales and royalties primarily in the ProAudio segment with only a smaller increase in revenue from customer financed projects (engineering revenues). FX corrected revenue growth was 12%.

Our revenue growth translated into increasing gross profit of DKK 317 million in 2018/19 representing an increase of 20% (2017/18: DKK 265 million). The gross margin increased to 56.6% in 2018/19 compared to 55.7% last year due to the product mix realized and a higher share of royalty income partly offset by a higher share of product sales relative to customer financed projects.

The increase in activity level also leads to increased capacity costs reaching DKK 233 million in 2018/19 (2017/18: DKK 198 million), an increase of 18%. The higher capacity costs are mainly driven by ramping-up capacity in order to execute the new major framework agreements announced during 2017/18, and by continuing to build the organization and the infrastructure necessary for further growth. Therefore, the average number of FTEs increased to 277 in 2018/19 (2017/18: 246) including employees hired-in.

During 2018/19, RTX continued to invest in B2B headsets and IP telephony product development for the Enterprise market and in various modules and software related to the Sheerlink™ product platform in ProAudio. The continued high level of R&D activities reflects the strategic decision to develop products in-house to further strengthen our position within our target business areas and to increase recurring revenue from product sales and royalties.

The revenue growth achieved in 2018/19 continued to be profitable and therefore led to increased operating earnings. EBITDA increased by 21% to DKK 100 million (2017/18: DKK 83 million) while EBIT increased by 16% to DKK 87 million (2017/18: DKK 75 million). EBIT is impacted by the increased level of amortization due to the increased in-house development of products and product platforms over the latest years. The increased operating earnings also translated into increasing Earnings per Share of DKK 8.4 in 2018/compared to 7.0 last year.

RTX continued to realize positive cash flow from operations (CFFO) of DKK 108 million in 2018/19 (2017/18: DKK 96 million). Cash flow from operations is positively affected by the solid earnings performance.