

# Announcement

To Nasdaq Copenhagen A/S and the press

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## Annual Report 2019/20

(the period 1 October 2019 – 30 September 2020)

### **RESILIENT FINANCIAL PERFORMANCE AND CONTINUED STRATEGIC PROGRESS IN 2019/20 DESPITE COVID-19**

*2019/20 developed quite differently than expected going into the financial year. The COVID-19 pandemic and the countermeasures against the pandemic around the world has resulted in global financial uncertainties which have also had an impact on RTX's markets. However, RTX's business model remains fundamentally strong, and with prudent cost management RTX managed to end the year with earnings within the original expectations despite lower than originally expected revenues.*

### **FINANCIAL HIGHLIGHTS FOR 2019/20**

RTX met the earnings guidance from the beginning of the year despite revenues being lower than originally expected due to COVID-19 and the resulting global financial uncertainty. The revenue outlook was updated during the year (on 24 August 2020) and the updated revenue outlook has been met.

- Revenue reached DKK 556 million, a decrease of 1% from DKK 560 million.
- EBITDA reached DKK 108 million, an increase of 8% from DKK 100 million.
- EBIT reached DKK 84 million, a decrease of 4% from DKK 87 million.
- EPS reached DKK 7.5 per share, a decrease of 11% from DKK 8.4.
- Cash flow from operations (CFFO) reached DKK 71 million and RTX's has a net cash position of DKK 195 million at year-end 2019/20.

Refer also to the section "Financial performance 2019/20" below.

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

*"The financial year has been quite different from what anybody could expect. However, I believe that the robust earnings performance of RTX in the past year in the face of adverse conditions around the world is a testament to the resilience of our business model, to the dedication of our employees and to our strong cooperation with customers who are global leaders in their respective industries."*

## **BEING RESILIENT WHILE CONTINUING WITH GROWTH STRATEGY**

Our target markets were impacted in different ways by COVID-19 and the resulting global uncertainty. Certain segments were positively affected. Our Healthcare segment – with products for patient monitoring in intensive care units – achieved substantial growth. Also, growing this year were our headset products into the Enterprise segment driven by increased distance working (home office). On the other hand, certain parts of our ProAudio customers and products focused on live events were negatively impacted by the countermeasures against COVID-19 during the year.

Within our Enterprise segment our customers maintained solid volume forecasts and orders for our products for a large part of the year. However, towards the end of the year these volume forecasts for Q4 were converted into orders that were smaller than forecasted by the customers. Overall, this led to 2019/20 developing quite differently than expected and to lower revenues than initially expected for the year as indicated with the updated revenue outlook on 24 August 2020.

In these times of uncertainty with the COVID-19 pandemic and increased macro-economic volatility, RTX has managed to achieve earnings (EBITDA and EBIT) within the original expectations set out at the beginning of the year. We have managed costs tightly and have among other things delayed additional headcount investments, and instead redeployed employees internally between projects to maintain full momentum of the most highly prioritized development activities both externally for our framework agreement customers and for our internal development projects.

As always, we have reassessed our growth strategy during the year. We still firmly believe that the uniform business model and go-to-market approach across our three target market segments – Enterprise, ProAudio and Healthcare – that we have been working towards over the last couple of years, remain fundamentally sound and robust. Thus, our overall growth strategy for the coming years remains intact: We deploy our wireless capabilities to create recurring revenue as an ODM/OEM supplier via long-term framework agreements with our customers in the B2B Enterprise, ProAudio and Healthcare markets.

In line with our strategy we continue to grow recurring revenues from product sales and royalties and decreasing the share of revenues from engineering services. We continue to see significant interest from both existing and potential new customers in deepening and initiating cooperation with RTX to benefit from RTX's wireless capabilities as embodied in our various product platforms. Among many other things, we have continued development activities during the year on the latest two large framework agreements to customers within Enterprise and ProAudio respectively, and we expect to launch the first products under both these agreements during 2020/21.

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

Based on the results in 2019/20, the solidity and the cash position of RTX as well as management's expectations for the future, the Board of Directors recommends an unchanged dividend level of DKK 2.50 per share be adopted at the Annual General Meeting in January 2021.

The share buy-back programme of RTX was suspended in March 2020 solely as a precautionary measure due to the global uncertainty created by the COVID-19 and the subsequent lockdowns. However, the Board of Directors has now decided to re-start share buy-backs. The new share buy-

back programme will be executed during the period 25 November 2020 to 30 September 2021 for an amount up to DKK 50 million (cf. company announcement 38/2020).

### **OUTLOOK FOR THE 2020/21 FINANCIAL YEAR**

Given the underlying growth from RTX's strategic direction and framework agreements but effected in the near-term by the global uncertainty due to COVID-19, revenue of DKK 545-600 million is expected for 2020/21.

With the continued high global volatility leading to a more uncertain revenue outlook, RTX expects to continue a cautious cost management in 2020/21, and with a focus on the development activities with the highest revenue growth potential for RTX. The investments in RTX platforms and products via capitalized R&D costs over the latest years are expected to lead to increased amortizations which are expected to impact EBIT in 2020/21. EBITDA in 2020/21 is thus expected between DKK 95-120 million and EBIT in 2020/21 is expected between DKK 63-90 million.

The outlook assumes that the impact of COVID-19 on global markets will gradually decrease over the financial year and thus that any extensive lockdowns affecting major European and North American markets cease during Q2 of 2020/21. Also, the outlook is based on continued stable supply chains and global flows of goods. Further, the outlook is based on the current global political and macro-economic environment and on current FX rates, in particular the USD/DKK exchange rate.

As the impact from the global macroeconomic development from COVID-19 is expected to be strongest in the beginning of 2020/21, and as product deliveries from the newest Enterprise and ProAudio framework agreements are expected to begin from Q2, the revenue and earnings distribution over 2020/21 is expected to be significantly backloaded towards the second half of the year. Especially, Q1 is expected to be impacted with significantly lower revenues and earnings than in recent years.

### **LONG-TERM FINANCIAL AMBITIONS**

In last year's Annual Report for 2018/19, RTX announced long-term financial ambitions for growth and earnings for the three-year period from the end of 2018/19 up until and including the financial year 2021/22. While RTX's growth strategy with increased recurring revenue from an increasing number of large ODM-type framework agreements remains intact, the global economic volatility and uncertainty caused by the COVID-19 pandemic impacts the time frame for realizing the ambitions. Therefore, the ambitions remain unchanged, however, the last year of the ambitions is now the financial year 2022/23 – i.e. a "parallel shift" of the ambitions of one year. Thus, RTX's longer-term financial ambitions are:

- Organic revenue growth: Based on the strategy of deploying RTX's 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 from 2019/20 up to and including the fiscal year 2022/23.
- EBITDA margin: Given the long-term revenue growth ambitions and given the leverage effect of increased recurring revenue on the scalability of human resources and other costs, it is the ambition of RTX to achieve an EBITDA margin of 18-20% by the completion of the fiscal year 2022/23.

Regarding assumptions related to the long-term financial ambitions, please refer to page 21 of the Annual Report 2019/20.

RTX A/S

**PETER THOSTRUP**

Chairman

**PETER RØPKE**

CEO

***Investor and analysts meeting***

*On Wednesday, 25 November 2020 at 8.30 am, RTX will hold a conference call for investors and analysts and comment on the Annual Report. To register for the conference call please e-mail [lomo@danskebank.dk](mailto:lomo@danskebank.dk). On Friday 27 November 2020 from 9.00 am, RTX will hold investor and analyst meetings by appointment at Danske Bank, Holmens Kanal 12, Copenhagen. For appointments please e-mail [lomo@danskebank.dk](mailto:lomo@danskebank.dk).*

***Enquiries and further information:***

*Overleaf: Summary financial performance 2019/20*

*The Annual Report 2019/20 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 2019/20

RTX Group revenue amounted to DKK 556 million in 2019/20, which was a small decrease of 1% (2018/19: DKK 560 million). FX corrected growth was also -1%. Lockdowns in response to the COVID-19 pandemic and the global macro-economic uncertainty stemming from the pandemic impacted the growth rate and has temporarily slowed RTX's growth journey.

Business Communications, serving the Enterprise market segment, posted revenue of DKK 382 million (2018/19: DKK 387 million), essentially a flat development with a growth of -1%. Revenue from Enterprise headsets, which is a recent adjacency expansion, increased whereas revenue from Enterprise handset and base stations decreased slightly. Aggregate revenue from the five large framework agreements, with products in the market, increased slightly in the year, while revenue from smaller customers decreased during the year. FX corrected revenue growth was -2%.

Design Services, serving the ProAudio and Healthcare market segments, realized unchanged revenue of DKK 174 million (2018/19: DKK 174 million). Revenue from the Healthcare segment increased by 61% driven by increased demand for continuous patient monitoring systems and by RTX's strategy to convert product sales into full ODM products thereby capturing a larger share of the value-add in the value chain. Revenue from the ProAudio segment decreased by 12%. ProAudio revenue from engineering services decreased while recurring revenues from product sales and royalties increased in line with RTX's strategy. However, the increase in product sales was smaller than expected at the start of the year due to the effect of COVID-19 on parts of the ProAudio market especially serving live events. Also, FX corrected revenue was unchanged.

The Group realized gross profit of DKK 309 million in 2019/20 corresponding to a decrease of 2% (2018/19: DKK 317 million). The gross margin amounted to 55.6% in 2019/20 compared to 56.6% last year due to the product mix realized and a lower share of revenue from engineering services.

Due to the uncertainty created by the COVID-19 pandemic and with the revenue level thus being below initial expectations, the capacity cost base was managed especially carefully during the year. This led to capacity costs (staff costs and other external expenses) amounting to DKK 230 million in 2019/20 corresponding to a decrease of 2% (2018/19: DKK 233 million). In response to the increased uncertainty, additional headcount investments were postponed, and instead employees were redeployed internally to maintain full momentum on the development activities with the highest revenue growth potential for RTX. Therefore, the headcount has been relatively stable throughout 2019/20 and the increase in the average number of FTEs to 292 FTEs in 2019/20 compared to 277 FTEs in 2018/19 is primarily due to the full-year effect of new hires during 2018/19. The number of employees at year-end 2019/20 (including employees hired-in) increased slightly to 294 FTEs (2018/19: 289 FTEs).

Additionally, various external spend has been kept at a relatively low level – e.g. travels, fairs, external assistance etc. Finally, capacity costs decreased due to the implementation of IFRS 16 regarding capitalization of leasing costs in 2019/20, which decreases other external costs while increasing depreciations and interest costs (refer to note 1 to the financial statements in the Annual Report).

During the year, RTX continued to invest in Enterprise headsets focusing on wireless models. Moreover, RTX invested in an advanced cloud-based deployment tool for Enterprise products as well

as the product platforms in the ProAudio segment for Mics & Stage, Intercom and Conference products and solutions.

EBITDA increased by 8% to DKK 108 million in 2019/20 (2018/19: DKK 100 million). Compared to last year, EBITDA was positively impacted by lower net capacity costs (i.e. after capitalized development projects) and negatively impacted by lower gross profit. EBIT decreased by 4% to DKK 84 million in 2019/20 (2018/19: DKK 87 million) impacted by increased depreciations due to IFRS 16 (capitalization of leasing costs) and due to increased level of amortization as a result of the increased in-house development of products and product platforms over the latest years. EBITDA is positively impacted by the implementation of IFRS 16 in 2019/20, while EBIT to a very small degree is positively impacted by IFRS 16 implementation (refer to note 1 to the financial statements in the Annual Report).

RTX continued to realize positive cash flow from operations (CFFO) in 2019/20 with CFFO of DKK 71 million (2018/19: DKK 108 million). The cash flow from operations is positively affected by the solid earnings performance and negatively impacted by working capital fluctuations due to the timing of sales in Q4 of 2019/20.