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Announcement

To Nasdaq Copenhagen A/S and the press

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Annual report 2021/22

(the period 1 October 2021 – 30 September 2022)

STRONG GROWTH FOR RTX IN 2021/22

Demand increased strongly in 2021/22 and led to record high revenue. Component and supply chain challenges impacted revenue and gross margin throughout the year, but there were signs of component availability improving towards the end of the financial year. RTX expects further growth for 2022/23.

FINANCIAL HIGHLIGHTS FOR 2021/22

In 2021/22, RTX exceeded the original expectations for the year. The outlook for the year was updated twice during the year and RTX met the outlook for the year as finally updated on 19 September 2022. Demand from RTX's customers has been strong in 2021/22 while supply challenges – especially component scarcity in the global electronics industry – has impacted the year negatively. However, towards the end of the financial year there are signs that the component scarcity begins to improve.

- Revenue reached DKK 663 million, an increase of 45% from DKK 457 million.
- EBITDA reached DKK 85 million, an increase of 129% from DKK 37 million.
- EBIT reached DKK 46 million, an increase of 653% from DKK 6 million.
- EPS reached DKK 4.2 per share, up from 0.4 DKK per share.
- Cash flow from operations (CFFO) were 0 in 2021/22 due to higher receivables and inventory and RTX has a net cash position of DKK 74 million at year-end 2021/22.

CEO Peter Røpke in a comment to the annual report:

"I am pleased that RTX returned to our long-term growth trajectory in 2021/22 and that we achieved our highest single year revenue ever. When I look ahead, I see many macroeconomic and geopolitical challenges and uncertainties. But I firmly believe that RTX is strongly positioned for further growth. Our business model and strategy for generating recurring revenue from the partnerships with our customers who are global leaders in their respective industries are strong foundations for realizing our future ambitions."

RETURNING TO OUR GROWTH TRACK

RTX experienced very strong demand for our products and services in 2021/22. The preceding year, 2020/21, was impacted demand-wise by COVID-19, however demand started to increase towards the end of that year. This strong demand development continued and accelerated in 2021/22 and was the basis for RTX exceeding the original revenue expectations for the year.

Demand increased in all segments. The Enterprise segment saw very strong growth especially from RTX's large framework agreement customers – both long-standing and newer framework agreement customers. In the ProAudio segment, demand for RTX's products and product solutions increased. Also, the conversion of customers and revenue from hourly-based engineering services to a recurring revenue product sales business model continued. Therefore, revenue from engineering services declined in 2021/22 in line with the strategy. RTX Healthcare segment demand and revenue also increased in 2021/22.

Since the beginning of 2021 a number of different supply chain challenges have impacted societies and businesses around the world. RTX has been no exception. A significant shortage of electronics components – especially semiconductors – has been seen. Shipping and port capacity issues as well as electricity scarcity and COVID-19 lockdowns in China have also impacted global supply chains – and also RTX's supply chain.

These supply chain challenges have impacted RTX in various ways in 2021/22. First, they have led to postponement of deliveries to customers and thus of revenue from one period into the next. The situation with postponed deliveries worsened over the first half of 2021/22 primarily due to worsened component availability. In the third quarter of 2021/22 the situation stabilized and towards the end of the financial year the situation began to improve somewhat with increased component availability. All in all, the effect on 2021/22 has been negative with a net postponement of revenue in the year, however, the improvement towards year-end provides some ground for optimism for 2022/23.

Further, the component scarcity has also impacted costs and gross margin in 2021/22. The scarcity impacts which products can be produced and thus the product mix. The tight component markets have also led to higher component prices on many components. RTX has been able to partially offset this with higher sales prices. The difficulty in securing components have also made it necessary to procure components in the spot buy market and through other channels at higher costs than list prices.

The strong growth in 2021/22 and the return to our long-term growth track have confirmed the belief we have in our strategic direction: 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.

Over the past five years we have grown revenues organically by 9% per year on average despite the challenges of COVID-19 and global supply chain impediments impacting the last three of these years. In total, this corresponds to more than 50% organic growth for the five-year period. Growth in 2021/22 has especially been fueled by our largest framework agreement customers and these customers continue to invest into joint product development activities with us. Together with our own investments into RTX products and product solutions for our three segments, these development activities create the basis for further growth for RTX.

While we are satisfied with the growth in both revenue and earnings in 2021/22, we have seen the gross margin decline. Part of this is as planned. As we have moved from our previous business model which included selling hourly based engineering services to the current model focusing on generating recurring revenue from product sales via long-term framework agreements, the gross margin declines solely for accounting reasons. The main costs of engineering services are the salaries of engineers which are part of capacity costs and not part of cost of goods sold. Another reason for the declining gross margin in 2021/22 is the tight electronics component supply markets where the costs for securing components have risen significantly. An important focus area for RTX in the coming years will therefore be to ensure a normalization of component costs as the supply-demand balance in the component markets also becomes more normal.

CAPITAL ALLOCATION AND DISTRIBUTIONS TO SHAREHOLDERS

The guiding principle for the policy on capital allocation and structure of RTX is to (i) maintain sufficient financial flexibility to realize RTX's strategic objectives including investments into growth opportunities as well as balance sheet robustness needed for long term framework agreements and needed to support operations, while at the same time (ii) ensuring a financial structure maximizing the return for our shareholders. Thus, any excess capital after the funding of growth opportunities and after ensuring such robustness should be returned to shareholders. RTX targets a net liquidity position (total cash funds plus current securities less any bank debt) of approximately 25-30% of revenues. However, interim deviations to the target cash level can occur depending on specific growth opportunities or other operational or strategic considerations.

At the end of 2021/22, the net liquidity position of RTX corresponds to 11% of revenue and is thus lower than the target ratio primarily due to increased working capital. During 2021/22, inventories and receivables have increased to secure growth and as result of growth. Inventories have helped to ensure better component availability and have thus helped to secure the growth in 2021/22 while higher receivables are a result of the revenue growth. Over the coming financial years, the net liquidity ratio is expected to be brought back to the target position via the cash generated by RTX operations.

To proceed with caution, the Board of Directors will recommend to the Annual General Meeting on 26 January 2023 that no dividends be distributed based on the financial year 2021/22. However, at the Annual General Meeting, the Board of Directors will seek a new authorization to conduct share buy-backs when the current authorization expires during January 2023 so that the Board of Directors can initiate a share buyback program during 2022/23 if the circumstances warrant this.

OUTLOOK FOR 2022/23

Revenue is expected to grow and reach DKK 700-760 million in 2022/23. EBITDA is expected to be DKK 85-105 million and EBIT is expected to be DKK 45-65 million in 2022/23.

The outlook is based on a strong order book going into the year and an expectation of a partial normalization of the global electronics component shortages seen since 2021. The main uncertainty for the year will be the impact of macroeconomic volatility and potential recessions on customer demand and inventory replenishment. Specifically, the outlook is based on the following main assumptions:

- While macroeconomic uncertainty is assumed to be high in the outlook for 2022/23 and also have some impact on RTX, it is not assumed that it will lead to larger decreases in customer demand 2022/23.
- Improved product availability compared to 2021/22 with a partial normalization of the global component shortages and other supply chain challenges seen in 2021/22.
- RTX growth mainly driven by product sales and mainly to existing customers. The revenue mix will therefore shift towards product sales which in turns impacts gross margin.
- Stable USD/DKK currency exchange rates in line with the mid-November level.
- No impact on product availability due to geopolitical upheaval or COVID-19 related lockdowns and no major demand impact from COVID-19 lockdowns.
- No other material changes in competitive situation, market landscape etc.
- Component and logistic costs overall are not assumed to increase as the effects of inflationary pressures are expected to be neutralized by lower costs for securing components through spot buys and a price normalization for certain electronics components.
- Higher capacity costs are expected due to inflationary pressures and due to investments into e.g. product management, sourcing, and specialized R&D capabilities.

For a more thorough description of assumptions regarding the outlook and other forward-looking statements, please refer to pages 20-21 of the Annual Report 2021/22.

As the normalization of the supply situation and thus improved product availability is expected to continue in the beginning of 2022/23, the revenue and earnings distribution over 2022/23 is not expected to be backloaded as it has been in recent years.

RTX A/S

PETER THOSTRUP	**PETER RØPKE**
Chair	President & CEO

Investor and analysts meeting

RTX Management is available for meetings with investors and analysts in relation to the Annual Report. Meetings can be booked via Danske Bank per e-mail to lomo@danskebank.dk.

Enquiries and further information:
Overleaf: Summary financial performance 2021/22

The Annual Report 2021/22 can be found via:
https://www.rtx.dk/en/investors/downloads/financial-reports/

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FINANCIAL PERFORMANCE 2021/22

The RTX Group revenue increased by 45% and reached DKK 663 million in 2021/22, (2020/21: DKK 457 million). The post-pandemic normalization of demand continued in 2021/22 and the order book developed stronger than originally expected. Revenue was negatively impacted by the global electronics component shortage and supply chain impediments affecting the global flow of goods. However, the situation began to improve towards the end of the financial year. The US dollar strengthened over 2021/22 and contributed to the growth – FX corrected growth was 30%.

The revenue realized in 2021/22 exceeded the original expectations and the revenue outlook was therefore upgraded twice during 2021/22. A strong demand situation and order book especially in the Enterprise segment were key reasons behind the higher than expected revenue. Towards the end of the financial year, a stronger than expected delivery performance driven by a beginning improvement in the situation with component scarcity also contributed to the revenue realized.

In the beginning of the year, the supply situation with component scarcity worsened which caused increases in postponed revenue from one quarter into the next. As mentioned earlier, the situation improved later in the financial year. All in all, revenue of approx. DKK 65 million was postponed from 2021/22 into 2022/23 – an increase from approx. DKK 45 million postponed from 2020/21 into 2021/22 and therefore a net negative impact of approx. DKK 20 million on revenue in 2021/22.

RTX revenue in the Enterprise segment amounted to DKK 493 million and increased by 60% over last year (2020/21: DKK 308 million). The significant growth is due to strong demand for RTX products and solutions in the segment and is especially driven by strong growth among the large framework agreement customers. Corrected for the FX impact of the stronger US dollar, revenue in 2021/22 increased by 44%.

In the ProAudio segment, RTX posted revenue of DKK 114 million – an increase of 11% (2020/21: DKK 102 million). Recurring revenue from product sales increased in the segment after the COVID-19 pandemic while revenue from one-off engineering services declined in line with the strategy to focus on generating recurring revenue. Corrected for the stronger US dollar, the two opposite developments in revenue from product sales and engineering services combined to yield a close to flat revenue development with FX corrected revenue growth of -4%.

Healthcare revenue increased by 20% to DKK 56 million in 2021/22 (2020/21: DKK 47 million). The growth is driven by growth in revenue from the full ODM products and secondarily from the wireless modules supplied by RTX in the segment. FX corrected revenue growth was 10%.

Driven by the higher revenue in 2021/22, the gross profit of RTX increased to DKK 309 million (2020/21: DKK 239 million). The gross margin in 2021/22 was 46.6% compared to 52.3% in the previous financial year. The gross margin development is impacted by the revenue mix with a lower share of revenue from engineering services, which is as planned given the Group's strategy to focus on generating recurring revenue from product sales.

Further, the gross margin is impacted by the tight component markets in 2021/22 with scarcity on especially semiconductors but also on other electronics components. These tight component markets have impacted the realized product mix given the specific component shortages in the year, and they have caused higher component costs in the year both via higher general prices and via higher costs for securing components through e.g. spot buys. Finally, the tight component markets have also led to customers paying for the additional costs to secure certain components, however such additional payments yield approximately zero margin for RTX.

Capacity costs (staff costs and other external expenses) amounted to DKK 240 million in 2021/22 – an increase from DKK 227 million in 2020/21. The average total headcount of 282 in 2021/22 was close to 286 in 2020/21. Employee bonus costs are higher in 2021/22 than last year where no bonusses were earned due to the financial performance. External costs for development work assisted by hired-in consultants (as freelancers or via outsourcing to e.g. Eastern Europe) increased in 2021/22 to add R&D capacity in tight recruiting markets. Compared to last year, costs for utilities increased and there were additional costs for a new RTX website. Also, costs for travel and fairs began to normalize somewhat in 2021/22 after COVID-19.

During 2021/22, RTX has continued to invest in the development of product platforms and solutions for the various segments – including, for instance, cloud-based deployment and administration tools, ProAudio product platforms, updated Enterprise handsets and product development for the Healthcare segment.

RTX earnings increased substantially in 2021/22 driven by the revenue growth. EBITDA increased by 129% to DKK 85 million (2020/21: DKK 37 million) corresponding to an EBITDA margin of 12.9% (2020/21: 8.2%). EBIT increased by 653% to DKK 46 million (2020/21: DKK 6 million) also impacted by the higher depreciation and amortization as a result of the increased in-house development of products and product platforms over the latest years.

Cash flow from operations (CFFO) in 2021/22 were impacted by increased working capital with increased receivables due to the revenue growth and with significantly increased inventories. The higher inventories are due to higher finished goods inventory with more goods in transit towards customers and due to higher component buffer stocks for key components where possible due to the tight component markets. The higher earnings and the higher working capital largely cancelled each other out and yielded CFFO of DKK 0 million in 2021/22 (2020/21: DKK 45 million).