

Announcement

To Nasdaq Copenhagen A/S and the press

Nørresundby, Denmark, 25 January 2024

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Interim report for Q1 2023/24

(the period 01.10.2023 - 31.12.2023)

Q1 shows a challenging start of the year, as expected. However, RTX reached a significant milestone with the signing of a strategic agreement in the Healthcare Segment.

"In Q1, RTX reached a significant milestone with the signing of a strategic collaboration agreement, which can enable significant growth in the Healthcare segment of 100-200% by 2025-26. During Q1, RTX also experienced the consequences of high product inventory levels at our customers leading to low order intake and revenue. This is as expected and in line with what we communicated in our annual report in November 2023. We gradually see improvement in product demand, and we maintain strong relations with our large global customers, who have a long-term commitment and show continued interest in developing new business with RTX. As already communicated, 2023/24 will be a challenging year, but we believe business will gradually improve during the year, and we maintain our outlook for the year as communicated in the annual report for 2022/23."

Peter Røpke, CEO

THE BUSINESS ENVIRONMENT OF RTX OVER THE PAST YEARS

The past three years have witnessed changes in our customers' businesses. Challenges such as COVID-related production restrictions, component shortages, the surge in remote work, and volatile order horizons from 3 to 18 months have reshaped the market dynamics. As previously described RTX has actively faced these challenges during the past years, securing components, growing revenue for both RTX and fulfilling customer orders have enabled them to either maintain or expand their market reach.

Now, our customers are now typically placing orders for existing products with a 3-months horizon. Thereby, we are returning to the normal ordering lead time, which was found prior to 2020. For new products the commitment has a longer horizon as RTX business model entails joint development and integration with customers. In our efforts to understand the future market and demand we are in close contact with our existing key customers, who amount for up to 80% of our revenue. Long-term, our customers' confidence remains strong in the product range, with no products declared End-of-Life (EOL) and a continuous demand for development of new features and integrations. However, the reorder visibility remains on 3-5 months allowing customers to optimize their inventory and still deliver on time and quality.

HIGHLIGHTS Q1 2023/24

The financial result of Q1 is disappointing, as expected. It reflects the changes in the business environment of RTX, but it is also a consequence of the strong Q4 of the financial year 2022/23. For RTX the top ten customers represent the majority of the total revenue. Consequently, timing of the delivery of individual orders can heavily influence the result between quarters, as often highlighted.

Net revenue in Q1 2023/24 reached DKK 81.9 million. As expected, we see an extraordinarily low revenue, where customers have postponed reordering in their effort to reduce inventory and working capital towards year end.

In addition to the above, we are exposed to a weaker USD exchange rate compared to last year. The majority of our revenue and direct production costs are in USD. Adjusted for the exchange rate effect compared to last year, the fx corrected revenue amounts to DKK 85.3 million.

Gross profit in Q1 2023/24 reached DKK 31.9 million, which is 68.6% below last year. RTX has large customers with a broad portfolio of products with different gross margins, and therefore the mix sold in the quarter heavily impacts the gross profit. The gross profit for Q1 2023/24 is impacted by the low overall revenue and a product mix which represents a below average gross margin.

Gross margin in Q1 2023/24 reached 38.9%, which is 6.9 percentage points below full year 2022/23. The gross margin for Q1 2023/24 is impacted by revenue mix of products. During the next quarters of 2023/24, we expect a positive development of gross margin from product mix combined with our efforts to improve individual gross margin per product.

EBITDA in Q1 2023/24 was DKK -30.5 million, 172.5% below last year. The result is impacted by the significantly lower revenue and gross margin. During the end of 2023, cost reduction initiatives were taken, which we expect to see the impact of in financial Q3 2023/24.

EBIT in Q1 2023/24 amounted to DKK -41.2 million, as depreciation was in line with previous periods.

Cash flows from operations (CFFO) in Q1 2023/24 was DKK -18.6 million. This is a result of lower revenue combined with reduction in working capital.

OUTLOOK FOR 2023/24

RTX maintains the outlook for the financial year 2023/24 as communicated on 13 November 2023 and in our annual report for 2022/23, with revenue of DKK 580-630 million, EBITDA of DKK 45-60 million and EBIT of DKK 5-20 million.

Revenue for 2023/24: 80% of revenue is expected to come from existing products, and 20% from new product and module launches. RTX financial Q1 shows revenue of DKK 81.9 million and we foresee Q2 to reach revenue between DKK 120-130 million based on the current order book and delivery plan. With the slow H1, the outlook for H2 reflects a stepwise return to a normalized production and delivery pattern, where Q4 is anticipated to be the strongest quarter. We only expect to approach a fully normalized run rate of product sales by the end of 2023/24, and it will vary from customer to customer.

Gross margin dynamics are influenced by the product mix. The Q1 delivery of low-margin products is expected to be balanced by higher-margin products in the remaining quarters.

Capacity costs for 2023/24 are expected to end lower than for 2022/23. This is a result of cost controlling measures implemented by management in Q1 2023/24 and expected to be maintained throughout the year. The impact of the efforts will be most evident in H2 2023/24.

Inventory, comprising components, finished goods, and goods in transit, will see a reduction during the rest of the financial year 2023/24 as revenue grows and inflow of components has stopped. The absolute size of the inventory reduction depends on development in revenue.

During the past years, the electronic industry has experienced extraordinary supply chain challenges, but we are now in a situation where we see a high level of channel stocking at our customers. Our customers are working to reduce their stock levels and working capital, and this combined with a normalized order horizon of 3 months compared to 18 months, has resulted in customers postponing new product orders. All our customers express continued belief in the product we have jointly developed and expect demand to pick up as stock reaches a normalized level.

STRATEGIC AMBITION

30 November 2023, RTX signed a firm agreement with a large global Healthcare company on a strategic collaboration to bring to market a new generation of wireless infrastructure for patient monitoring solutions for the hospital Healthcare sector. This partnership is expected to result in new product announcements from the second half of 2024 and revenue increase in the segment of 100-200% by 2025/26.

LONG-TERM AMBITION

We believe in reaching the long-term ambition in 2025/26 of revenue above DKK 1 billion and EBITDA margin above 16%. We base this on a combination of returning to normalized revenue patterns in all 3 segments, combined with new product launches, which are currently under development together with key customers. Finally, the newly signed contract in Healthcare is expected to significantly contribute to the growing the revenue and reaching our ambition.

Looking at our 3 segments we see a normalized annual revenue of existing products of DKK 600-700 million. Enterprise segment is characterized by long-term cooperation with large global customers. ProAudio is characterized by cooperation with key global players in the segment and growth in customer base. Healthcare has always been the smallest segment, but the segment where we expect the highest growth rates in the long term. With the contract signed in November 2023, we now have the possibility to reach customers in the Healthcare segment, which was previously not possible. With the new agreement we now have access to all relevant IP rights, and therefore RTX can approach more customers.

All in all, the 2025/26 ambition reflects a normalized revenue in the existing business, combined with continuous product introduction with existing global customers, establishment of cooperation with new customers and high growth in Healthcare as a consequence of the strategic effort and contract signed.

SHARE BUYBACK

Based on the revised capital policy announced on 29 August 2023, RTX announced on 30 November 2023, that RTX would initiate a share buyback program of up to DKK 20 million during 2023/24. By the end of Q1 2023/24, 45,236 shares had been purchased under the Safe Harbour Program at a value of DKK 3.2 million, and the program continues up to the announced DKK 20 million under the regulations of Safe Harbour and RTX's capital policy.

RTX A/S

PETER THOSTRUP

Chair

PETER RØPKE

President and CEO

Investor and analyst conference call

On Friday, 26 January 2024 at 11.00 am CET, RTX will hold a conference call for investors and analysts hosted by Danske Bank. In this conference call, the Company's management will comment on the interim report for the first quarter of the financial year 2023/24.

To register for the conference call, please e-mail vonh@danskebank.dk.

Enquiries and further information:

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