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Rakon announces realignment of manufacturing and R&D activities

Rakon has announced plans for a significant step in the realigning of its global business taking advantage of its scale manufacturing plants in India and China. The impact of this plan is expected to deliver permanent cost reductions and margin improvements of $10 million per annum, with 70% of that result in place by April 2013.

Rakon CEO, Brent Robinson said the realignment would enable the NZ facility to concentrate more heavily on the company's growing R&D and new product development, but would inevitably result in staff cuts in NZ.

"We are making changes across our global business as we continue to build a globally competitive platform capable of meeting fast-growing demand within our target markets, with the resulting cost improvements clearly a benefit to Rakon and its shareholders."

One year on from the opening of its manufacturing facility in Chengdu, China, Rakon intends to boost its capacity there, transferring some of its crystal manufacturing capacity from Auckland. Brent Robinson said the company had been building its scale manufacturing platforms in India and China for some years, acknowledging their economies of scale and lower labour costs. "At the same time we have been focussing and transitioning our NZ, UK and French businesses to spearhead new product development, manufacture of high performance and value products and early stage of volume products."

"Our platform in China is now firmly established, with a strong local team well supported by the experience and expertise of our team in NZ. The Chengdu facility is running very well and performing as we expected. It has confirmed our belief that now is the right time to make further adjustments to the business which will allow us to perform as we know we can."

"The move also allows us to capitalise on significant global growth in demand for smart wireless devices. Our teams in China and NZ are also working collaboratively on a number of initiatives to reduce cost and improve productivity to further boost returns from this business."

However as a result of the shift of crystal manufacturing capacity and a review of project activity and priorities there will be a reduction in the number of employees in NZ. Up to 60 of Rakon's 430 NZ employees are likely to lose their jobs as a result of the change.

Brent Robinson said he regretted that the dynamics of the global market meant the NZ team was impacted by this change.

"Whilst it is very positive that Rakon is increasing market share in our target markets, we have to be realistic and accept it is not possible to sustain labour intensive elements of manufacturing activity in NZ for such globally competitive markets.

We will continue to manufacture temperature compensated crystal oscillators (TCXOs) in NZ using our automated and proprietary manufacturing processes along with other high performance products. NZ also continues as the Head Office for the Rakon Group and will remain our largest R&D facility as well as providing technical leadership for our Chinese facility."

Rakon is also further expanding capacity in India to meet demand and realigning its activities in the UK, France and also across its global sales team resulting in improved margins for the Group.

Mr Robinson noted all of the personnel changes will be progressively implemented over the next few months.

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More information:

Stephen Westwood
571-9323