NERA

1H 2022
Results
Presentation

12 August 2022

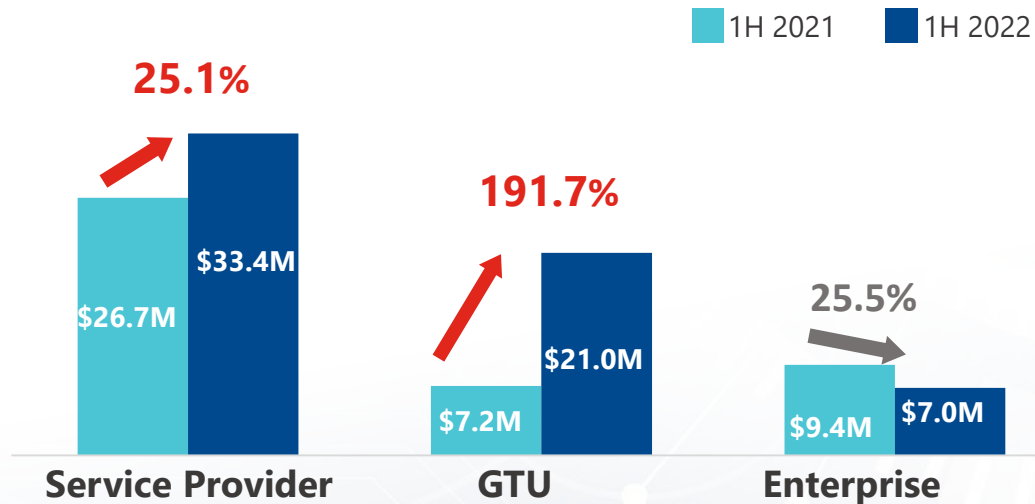# Financial Highlights

Revenue

Total Revenue

1H 2022	**$61.4M**
1H 2021	**$43.3M**

41.7%
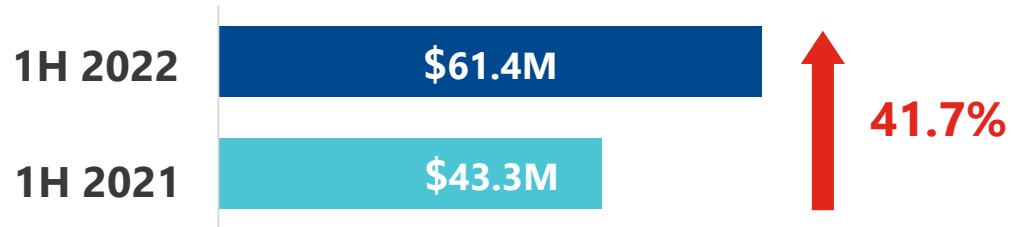
Revenue by Customer Sector

Legend: 1H 2021 ▪ 1H 2022

25.1%

191.7%

25.5%

Service Provider: $26.7M → $33.4M

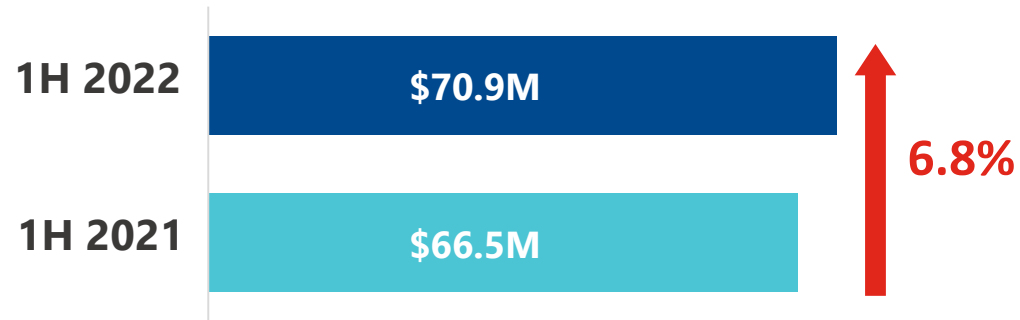GTU: $7.2M → $21.0M

Enterprise: $9.4M → $7.0M

- Revenue increased by 41.7% year-on-year driven by strong opening order backlog from both business segments and healthy volume of order intake registered in 1H 2022. The timely delivery of our solutions to our customers in close collaboration with our technology partners also contributed to the higher revenue recorded in 1H 2022.
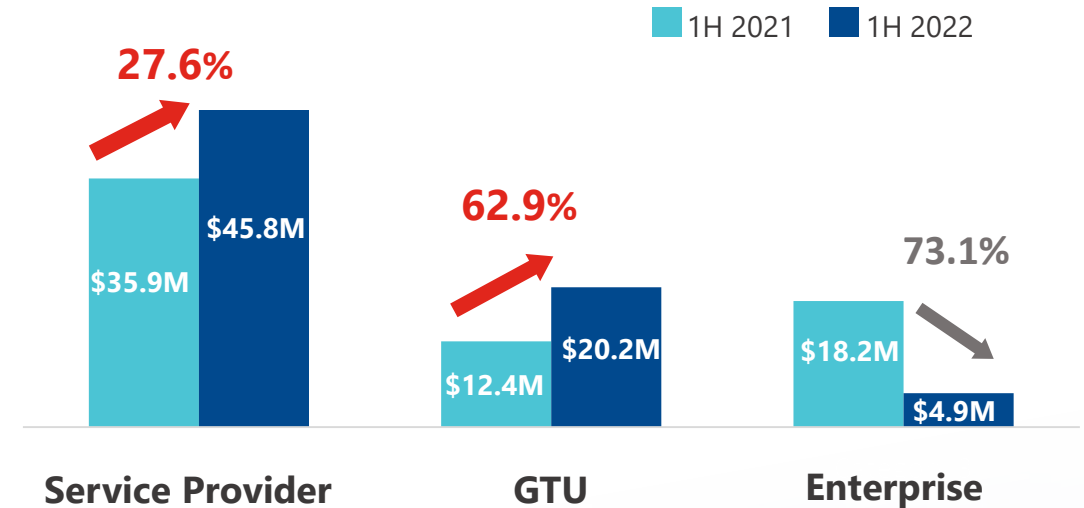
- Higher revenue contribution from Government, Transport and Utility ("GTU") and Service Provider ("SP") sectors in 1H 2022 as a result of the Group's refined strategy to engage with these two segments targeting their system upgrades and expansions.

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Order Intake

Total Order Intake

1H 2022: $70.9M
1H 2021: $66.5M
6.8%

Order Intake by Customer Sector

Legend: 1H 2021 | 1H 2022

Service Provider: $35.9M → $45.8M, 27.6%
GTU: $12.4M → $20.2M, 62.9%
Enterprise: $18.2M → $4.9M, 73.1%

- Healthy volume of order intake recorded in 1H 2022 with a 6.8% increase year-on-year.

- Continual surging demand from SP and GTU sectors as a result of the opening of markets from APAC and EMEA.

- With 5G rollout on track in the longer term, we anticipate SP and GTU sectors will continue to grow moving forward.

Key Highlights

S$'m	1H 2022	1H 2021	Change (%)
Revenue	**61.4**	43.3	41.7
Gross Profit	**14.0**	9.2	51.9
Gross Profit Margin (%)	**22.8**	21.2	1.6 pt.
Total Operating Expenses	**11.7**	11.3	3.5
Profit / (Loss) Before Tax	**1.0**	(2.0)	nm
Net Profit / (Loss) After Tax	**0.8**	(2.2)	nm
Net Profit Margin(%)	**1.3**	(5.0)	nm
Basic & Fully Diluted EPS (SGD cents)	**0.2**	(0.6)	nm

- Year-on-Year, 1H 2022 revenue rose 41.7% to $61.4 million driven by higher revenue contributions from both business segments with strong opening order backlog.

- Gross profit margin in 1H 2022 improved by 1.6% to 22.8%, with a 52.2% increase in gross profit to $14.0 million.

- Profit before tax of $1.0 million in 1H 2022, an increase of $3.0 million as compared to the preceding year. The increase in profit before tax in 1H 2022 was mainly contributed by higher revenue and higher gross profit booked and partially offset by the negative unrealised foreign exchange loss impact of $1.34 million.

- The Group recorded a $0.8 million net profit after tax in 1H 2022 as compared to a net loss of $2.2 million in 1H 2021 with the booking of profit before tax.

Key Financial Position

The Group maintained a healthy with a strong financial as at 30 June 2022

$'m	30 Jun 2022	31 Dec 2021
Current Assets	**138.0**	142.9
Current Liabilities	**97.5**	104.6
Net Current Assets	**40.4**	38.3
Total Assets	**145.8**	152.0
Total Liabilities	**98.1**	105.5
Total Borrowings	**23.0**	32.0
Cash & Bank Balances	**19.9**	23.5
Net (Debt) / Cash	**78.2**	82.0
NAV / Share (SGD cents)	**13.2**	12.9

Outlook & Strategies

Macro Outlook

Global Outlook

- Telecommunication Market size was valued at USD1,638.78 Million in 2021, and it is expected to reach a value of USD 2,346.69 Billion by 2028, at a CAGR of 4.95 % over the forecast period (2022–2028).

- The top 10 telecommunications companies in the world are all based in North America and Asia. These companies generated a combined total revenue of USD 835 billion in 2017, which is nearly 60% of the total global telecommunication market revenue.

- Global telecommunication market is expected to continue its strong growth in the coming years, providing ample opportunities for companies that are able to capitalise on the trends driving this expansion.

Macro Outlook

Singapore Outlook

- [Singapore](#) has one of the most mature and competitive telecommunications markets in the world. Singapore is a world leader in telecommunications, with a progressive regulatory environment and a highly competitive market. It continues to promote itself as an information technology hub, driven by innovation.

- In 2021, the Singaporean telecommunications market represents 1.94% of Singapore's GDP, a proportion in line with other developed countries. The government has completed the rollout of its Next-Generation National Broadband Network (NGNBN). This is a hybrid network based on a combination of fibre-to-the-home (FTTH) and wireless infrastructure and continues to form the basis of the government's broadband strategy and implementation.

- Singapore sees 5G as the backbone of a wide range of technological advances including autonomous vehicles, smart cities and Internet of Things. Industry reports projected an increase in Capex spend throughout 2022 alone by installing more 5G base stations across all cities, ramping up Singapore's 5G rollout island-wide and consolidating its 5G network leadership in terms of speeds and availability in the country.

Trends & Areas of Growth

5G Connectivity

According to ResearchAndMarkets.com's
Global 5G Technology Markets 2022-2030 Report:

- Over 50% of all new applications will be designed for 5G optimisation by 2027.

- The combination of 5G and edge computing will lead a revolution in application development.

- One of the most important markets for 5G will be private wireless enterprise and industrial networks.

- The leading region for 5GNR based applications will be APAC followed by North America (primarily the United States).

- 5G will drive the need for many OSS/BSS upgrades on the part of communication service providers to keep pace with OTT service providers.
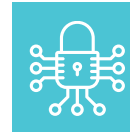
Cybersecurity

While the widespread adoption of 5G offers many benefits, it also creates new security concerns and challenges. As operators have taken steps to evaluate and minimize threats arising from 5G and software-centric networks in their own organizations, they are in a unique position to offer 5G security services to enterprises seeking to deploy their own advanced wireless networks.

5G Connectivity

Expanding Global & Regional Adoption	Over 70% of countries/ regions have invested in 5G technologies as of October 2021. The investment from 469 operators worldwide ranges from trials to licenses acquisition and network deployment. This trend is expected to continual till 6G comes into play in the next decade.
Increasing Variety of 5G Devices	The number of announced 5G devices continues to rise and grew by 24.2% over the last quarter of 2021 (GSA report).
Network of the Future	5G will cover about 60% of the world's population by 2026, with 5G networks carrying more than half of the world's smartphone traffic (Ericsson report).
Opportunity in Augmented Reality (AR)	4G can still deliver AR, but 5G enhances it. An Ericsson research report shows that 5G users spend two hours more per week using cloud gaming and one hour more on AR apps compared with 4G users.
Varying Global Regulations and Requirements	5G regulatory requirements vary at national, international and industrial vertical levels. The rapid expansion of 5G product categories brings about new challenges when seeking to meet safety, security, connectivity, interoperability and performance requirements.

>US$80.06B

5G infrastructure Market(Globally)(2027F)

70.0% CAGR (2020-2027F)

The Group is actively positioning itself appropriately to pursue 5G-related opportunities with Service Providers.
These opportunities include the upgrading of existing IP infrastructure, fronthaul and backhaul networks; providing cybersecurity products as well as offering network planning, consultancy, RF benchmarking and optimisation services to operators and main contractors

Surging Need for Cybersecurity Upgrades

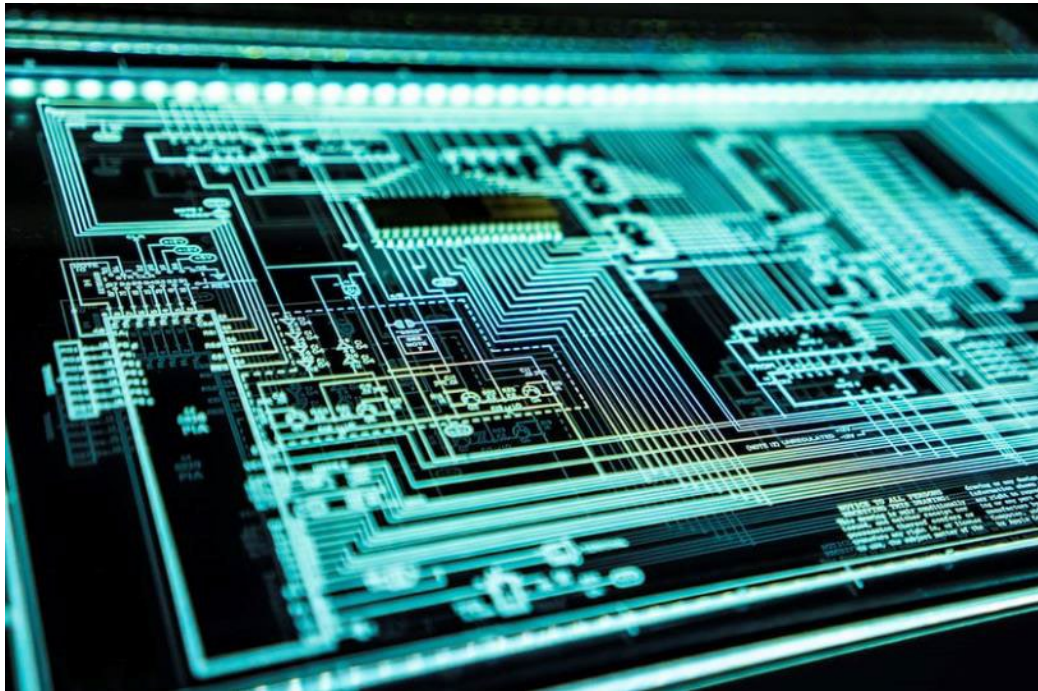**The need to reassess cybersecurity and risk management in the 5G era**

Key Cybersecurity Trends for 2022:

- **Rising ransomware threats**: Total ransomware payments reported by banks were $590 million by first half 2021. This figure is only expected to increase by the end of 2022.

- **The Meteoric Growth of Security-as-a-Service**: Instead of building ground-up firewall solutions, an increasing number of companies are now opting for Security-as-a-Service options tailored for the needs of the organization.

- **Geo-Targeted Phishing Attacks**: Currently, phishing scams are the biggest threat that the IT industry faces. Millions fall for these elaborate scams, where cybercriminals use different methods to execute all kinds of scams, from elaborate business email compromise schemes to injecting malicious URLs in emails.

- **Multi-Factor Authentication ("MFA") Becomes a Standard**: MFA ensures that organizations can better protect their employees' data and control access. Whenever a person signs in, they must also enter a verification code, which is sent through an authenticator app, or to their registered phone number.

- **IoT Vulnerabilities**: IoT vulnerabilities pose a unique challenge, since they're used for specific purposes. The communication protocols used to connect with different devices also expose the network to software bugs or vulnerabilities, increasing the potential for harmful attacks if proper security steps aren't taken.

- **Cybersecurity Regulations Likely to Get Stricter:** As the world moves to remote models of work, companies and governments alike are doubling down on cybersecurity. We can expect cybersecurity regulations to get stricter with time, especially as decentralization of access becomes the norm.

Surging Need for Cybersecurity Upgrades

The need to reassess cybersecurity and risk management in the 5G era

- The sheer volume of data, devices, and policy changes may necessitate leveraging artificial intelligence and machine learning (which introduce additional risk sources) to decentralize and automate areas like security policy configuration, compliance monitoring, and threat and vulnerability detection.

- As a result, many operators may have to reassess, reimagine, and reinvent their security management programs in response to these 5G security challenges.

- But new threats go beyond cyber. 5G adoption also introduces new enterprise vendors, alliances, and ecosystem partners, creating new dependencies and third-party risks to manage.

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The Group has been working alongside the above development with our core GTU, SP and ENT segments at an early stage, from cost assessment, infrastructure planning, software updates, training and pipeline planning. Meanwhile, NeraTel is equipped with the core strength and successful project showcases to lead in this transformation. Contribution from ENT sector has been lagging due to internal resourcing constraints. The Group is expecting better performances from ENT in 2H 2022.

Core Competence

Over four decades of established track record

Trusted brand with long-standing customer base

Solid operations over 12 countries with a primary focus in Southeast Asia

Holistic and comprehensive suite of industry-leading products and service offerings

Certified and highly-qualified engineers, project management professionals and consultant, one of the largest pool of talents in the region

Truly turnkey solutions

NERA

1H 2022
Results
Presentation

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