

## NEWS RELEASE

### NERATEL REPORTS FY2019 NET PROFIT OF S\$4.4 MILLION ON S\$144.4 MILLION REVENUE

- ***S\$153.8 million order in-take as at FY2019 to be progressively recognised***
- ***Continues to strengthen capabilities and maintain a strong focus on ASEAN markets***
- ***To pursue adjacent growth verticals and grow the government, transport and utilities customer segment***
- ***Proposes final dividend of 0.5 cents per share, translating to total dividends of 1.0 cent per share for FY2019***

**Singapore, 29 February 2020** – Mainboard-listed Nera Telecommunications Ltd (“**NeraTel**”, 挪拉电讯, or the “**Group**”), a leading Communications and Network Solutions Provider, reported revenue of S\$144.4 million and net profit of S\$4.4 million for the full year financial period ended 31 December 2019 (“**FY2019**”).

Mr. Beck Tong Hong (麦东宏), CEO of NeraTel, said, “Industry-wide challenges persisted during the year, especially in the Group’s key customer segment - the service provider markets. That said, our focus on diversifying our customer base has made good progress, with higher contract orders from the government, transport and utilities (“**GTU**”) sector. We will remain focused on our ongoing strategy to build a balanced and diversified customer base with a stronger focus on this sector. We will also continue to enhance our existing capabilities and pursue identified new verticals such as cybersecurity, with the aim of broadening our product and service offerings. In view of the challenges ahead, we are also placing an emphasis on building up our recurring income streams through Service & Maintenance contracts from existing and new customers.”

## Financial Performance

NeraTel's FY2019 revenue decreased 13.3% to S\$144.4 million from S\$166.5<sup>1</sup> million in the corresponding period a year ago ("**FY2018**") due to weaker contributions from both the Network Infrastructure ("**NI**") and Wireless Infrastructure Network ("**WIN**") segments, as a result of a slowdown in the capital expenditure spending from the service provider markets, the Group's largest customer segment.

As a result of the lower revenue, gross profit for the period fell 21.7% to S\$32.8 million from S\$41.9 million recorded in FY2018. Notwithstanding the lower gross profit, gross profit margin held steady at a healthy level of 22.7% in FY2019. Mainly in line with lowered revenue, net profit dipped 30.5% to S\$4.4 million from S\$6.3<sup>1</sup> million over the same period.

NeraTel's balance sheet remained healthy with cash and bank balances of S\$10.7 million as at 31 December 2019. Shareholders' equity stood at S\$64.2 million at the end of the reporting period.

The Group reported a 2.7% increase in revenue for the three-month period ended 31 December 2019 ("**Q4 2019**") to S\$47.7 million from S\$46.4 million a year ago ("**Q4 2018**") due mainly to higher order in-take from the GTU customer segment. Net profit across the same comparative periods fell 55.5% to S\$0.6 million from S\$1.4 million.

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<sup>1</sup> The results of FY2018 have been adjusted to reflect the return of dividend by a preference shareholder of a foreign subsidiary, which was previously reported as revenue. The return of dividend has been deemed as a contribution by a preference shareholder of a foreign subsidiary.

## **Proposed Dividends**

In line with NeraTel's commitment to enhance shareholder value whilst preserving sufficient resources to pursue long-term sustainable growth, the Group has proposed a final one-tier tax exempt dividend of 0.5 Singapore cents per share, which will be paid on 26 May 2020.

Including the interim one-tier tax exempt cash dividend of 0.5 Singapore cents per share paid on 10 September 2019, the collective dividends will amount to 1.0 Singapore cent per share for FY2019.

The proposed final dividend will be subject to shareholders' approval at NeraTel's upcoming FY2019 Annual General Meeting.

## **Staying Focused on Key Competencies**

The slowdown of total order in-take, which decreased 13.3% to S\$153.8 million in FY2019, was largely a result of industry-wide challenges. The NI segment continues to be the main contributor at 74.8% of total order in-take or S\$115.1 million. The remaining 25.2% or S\$38.7 million was contributed by the WIN segment.

The lower order in-take reflects the headwinds faced in the service provider customer segment, as the Group's customers in this segment continue to operate in a highly competitive environment. NeraTel's efforts to diversify its customer base and broaden its revenue streams has paid off with a growing proportion of contracts contributed by the GTU customer segment, which accounted for 27.0% of the total order in-take in FY2019 compared to only 14.3% in FY2018.

The Group aims to increase revenue contribution from Service & Maintenance contracts to strengthen its recurring income streams. As part of NeraTel's growth strategy, the Group will continue to enhance its capabilities to increase the sales of its comprehensive range of security offerings and expand its differentiated and tailored solutions to reach out to a wider pool of customers.

Concurrently, NeraTel continues to set its sights on the Group's long-term sustainable growth to sharpen its competitive niche and enhance shareholder value, while maintaining a strong focus on core markets in the ASEAN region where the Group has an established track record.

### **About Nera Telecommunications Ltd**

Established in October 1978 and listed on the SGX Mainboard since 1 July 1999, Nera Telecommunications Ltd ("**NeraTel**") is a leading Communications and Network Solutions Provider. With over four decades of established track record, the Singapore-headquartered NeraTel has a diversified geographical presence in over 16 countries in the Asia-Pacific, Europe, Middle East and Africa regions.

Supported by one of the largest team of certified engineers in Asia, NeraTel provides a full suite of turnkey network and wireless solutions – ranging from network security solutions, cloud network infrastructure to wireless network services – delivering cutting-edge services for the digital world. NeraTel serves a wide range of industries including telecommunications, enterprises, government organisations, transportation and utilities, amongst many others.

With its comprehensive range of customisable solutions, NeraTel empowers its customers to enhance their business processes and deliver new innovative services and business models.

For more details, please visit: <http://www.nera.net/>

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ISSUED ON BEHALF OF	:	Nera Telecommunications Ltd
BY	:	Citigate Dewe Rogerson Singapore Pte Ltd 105 Cecil Street #09-01 The Octagon Singapore 069534
CONTACT	:	Ms Dolores Phua / Mr Joey Ho at telephone
DURING OFFICE HOURS	:	6534-5122
EMAIL	:	<a href="mailto:dolores.phua@citigatedewerogerson.com">dolores.phua@citigatedewerogerson.com</a> / <a href="mailto:joey.ho@citigatedewerogerson.com">joey.ho@citigatedewerogerson.com</a>

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