

## NEWS RELEASE

### NERATEL RECORDS FY 2020 NET PROFIT OF \$3.8 MILLION ON \$131.1 MILLION REVENUE

- ***Achieved profitability amidst difficult operating environment***
- ***Order intake of \$120.0 million to be progressively recognised***
- ***Continued growth in opportunities in Cybersecurity with 26.6% uptick in order intake***
- ***The Group is actively positioning itself appropriately to pursue 5G-related opportunities with Service Providers***
- ***To navigate prudently amidst macro uncertainties***
- ***Proposes final dividend of 0.5 cents per share for FY 2020***

**Singapore, 1 March 2021** – Mainboard-listed Nera Telecommunications Ltd (“NeraTel”, 挪拉电讯, or the “Group”), a leading Communications and Network Solutions Provider, reported revenue of \$131.1 million and net profit of \$3.8 million for the full year financial period ended 31 December 2020 (“FY 2020”).

Mr. Beck Tong Hong (麦东宏), CEO of NeraTel, said, “We are pleased to report a set of stable results as the global economy continues to be impacted by the effects of the pandemic. As part of our efforts to further minimise risk amid this uncertain period, the Group has adopted a more prudent approach in choosing the projects to undertake. Consequently, this contributed to a drop in the Group’s order intake in FY 2020. Moving forward, the Group will continue to exercise prudence as we expect this difficult operating environment to persist for at least a few more quarters.”

“We will also continue our efforts in building our internal capabilities as we prepare for opportunities brought on by digitalisation and the ‘new normal’ of hybrid work arrangements. Apart from focusing on Cybersecurity in the near to medium term, the Group will also prudently look into higher quality or strategic opportunities, for example, in the domain of 5G.”

## Financial Performance

NeraTel's FY 2020 revenue decreased 9.2% to \$131.1 million from \$144.4 million in the corresponding period a year ago ("FY 2019") due mainly to movement restrictions implemented in various countries amidst the global pandemic, which had an impact on the delivery of projects to customers.

As part of the Group's customer diversification efforts, the Group reported a 7.4% increase in revenue contributions from the Government, Transport and Utilities ("GTU") segment to \$31.6 million, from \$29.4 million in FY 2019, which further reaffirms NeraTel's efforts in growing this sector.

FY 2020 gross profit fell 9.1% to \$29.8 million, from \$32.8 million in FY 2019, mainly in line with the drop in revenue in FY 2020, as well as an absence of provision for contract assets relating to a project in the Philippines in FY 2019. As for gross profit margin, this held steady at 22.8% in FY 2020, an increase of 0.1 percentage point as compared to FY 2019. Excluding the provision for contract assets in FY 2019, the gross profit margin edged down slightly by 1.4 percentage points from 24.2% in FY 2019 to 22.8% in FY 2020.

Other income for FY 2020 stood at \$1.1 million, as compared to \$0.1 million in FY 2019, which was mainly due to the receipt of government grants, partially offset by unfavourable impact from net foreign exchange loss. Total operating expenses for FY 2020 decreased by 9.2%, or \$2.5 million as compared to FY 2019, mainly due to lower distribution and selling expenses, partially offset by an increase in administrative expenses.

Due to the above, FY 2020 net profit decreased 4.7% to \$3.8 million, from \$3.9 million in FY 2019.

NeraTel's balance sheet remained healthy with cash and cash equivalents of \$23.1 million as at 31 December 2020. Shareholders' equity stood at \$66.3 million at the end of the reporting period.

## **Proposed Dividend**

In line with NeraTel's commitment to reward loyal shareholders whilst preserving sufficient resources to pursue long-term sustainable growth amidst the pandemic, the Group has proposed a final one-tier tax exempt dividend of 0.5 Singapore cents per share.

The proposed final dividend will be subject to shareholders' approval at NeraTel's upcoming FY 2020 Annual General Meeting.

## **Outlook**

Due to the global pandemic, most of the countries where the Group has operations were adversely affected by movement control restrictions and most customers adopted a prudent approach towards cash preservation, and as a result, reduced their capital expenditure spending.

In FY 2020, NeraTel recorded a slowdown of total order intake of approximately \$120.0 million, a \$33.8 million or 22.0% decrease, from \$153.8 million in FY 2019, which reflected on the disruptions and challenges faced by the Group amidst the pandemic.

It is noteworthy that despite the challenging conditions, the Group saw an uptick in its Cybersecurity segment, which recorded a 26.6% increase in FY 2020 order intake to \$35.3 million, from \$27.9 million recorded in FY 2019, driven by an acceleration in digitalisation.

New technology applications such as the Internet-of-Things (IoT), cloud computing and Software-as-a-Service (SaaS) present new forms of cyber threat, which would require more sophisticated solutions. In addition, due to the widespread adoption of work from home arrangements, there has also been an increase in demand for secured network solutions. Companies have therefore been increasing their IT security budgets. All these have contributed to the increase in the Group's order intake for cybersecurity.

The global market for 5G is expected to reach US\$667.9 billion by 2026, growing at a CAGR of 122.3% from 2021 to 2026<sup>1</sup>. More specifically, demand for 5G infrastructure within the 5G global market has also risen as a result of advances in technology, and this demand is projected to reach US\$58.2 billion by 2025, growing at a CAGR of 95.8% from 2018 to 2025<sup>2</sup>. In ASEAN, Singapore is expected to be the first to launch 5G in 2020, followed by Vietnam, the Philippines, Malaysia, and Thailand<sup>3</sup>. The Group is actively positioning itself appropriately to pursue 5G-related opportunities with Service Providers, including 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.

Moving forward, the ongoing pandemic as well as geo-political tensions will continue to cast uncertainty over NeraTel's business outlook and in response, NeraTel will continue to adopt a conservative approach and be more selective on the projects it chooses to undertake. At the same time, the Group will also look at opportunities to improve its cash flow as well as optimise its working capital.

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<sup>1</sup> *Valuates Reports – 5G technology market size is expected to reach USD667.90 billion by 2026, PRNewswire, 19 February 2020*

<sup>2</sup> *Valuates Reports – 5G infrastructure market size to reach USD58.17 billion by 2025, PRNewswire, 9 June 2020*

<sup>3</sup> *Kearney, 2019 – 5G in ASEAN: reigniting growth in enterprise and consumer markets*

## **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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