

## NEWS RELEASE

### NERATEL REPORTS 1H 2019 NET PROFIT OF S\$2.7 MILLION ON S\$70.2 MILLION REVENUE

- ***S\$78.3 million order in-take as at 1H 2019 to be progressively recognised***
- ***Digitisation continues to be key growth driver amidst business transformation to meet evolving customer demands***

**Singapore, 14 August 2019** – Mainboard-listed Nera Telecommunications Ltd (“**NeraTel**”, 挪拉电讯, or the “**Group**”), a leading Communications and Network Solutions Provider, reported revenue of S\$70.2 million and net profit of S\$2.7 million for the six-month financial period ended 30 June 2019 (“**1H 2019**”).

Mr. Beck Tong Hong (麦东宏), CEO of NeraTel, said, “Amidst a challenging operating environment, we are seeing traction in our key business strategies that will be our roadmap for sustainable future growth. Fueled by an increased awareness on the importance of cybersecurity and increasingly stringent government regulations, we are seeing healthy demand for our cybersecurity business. We are also seeing an increase in contribution from the government-related customer segment.”

“Moving forward, we expect to see a pick-up in the non-Service Provider customer segments, as we continue to diversify our customer base. In addition to encouraging customers to take up service & maintenance contracts that will bolster our recurring income streams, we are concurrently tapping these strong customer relationships to upsell cybersecurity products.”

## Financial Performance

NeraTel's 1H 2019 revenue decreased 21.1% to S\$70.2 million from S\$89.0 million in the corresponding period a year ago ("**1H 2018**") due to weaker contributions from both the Network Infrastructure ("**NI**") and Wireless Infrastructure Network ("**WIN**") segments. A slowdown in the capital expenditure spending from the Group's largest service provider customer segment contributed to the lower topline.

In tandem with the lower revenue, gross profit for the period slid 14.6% to S\$18.3 million from S\$21.5 million recorded in 1H 2018. Notwithstanding the lower gross profit, gross profit margin increased to 26.1% in 1H 2019 from 24.1% in 1H 2018 due to higher margin from service revenue.

NeraTel's balance sheet remained strong with cash and bank balances of S\$12.4 million as at 30 June 2019 and a net cash position of S\$0.5 million. Shareholders' equity stood at S\$64.6 million at the end of the reporting period.

The Group reported a 29.7% decrease in revenue for the three-month period ended 30 June 2019 ("**Q2 2019**") to S\$33.3 million from S\$47.4 million a year ago ("**Q2 2018**") due mainly to lower order in-take from the Service Provider customer segment. Net profit across the same comparative periods declined 58.5% to S\$1.3 million from S\$3.1 million.

## Proposed Interim Dividend

In line with NeraTel's commitment to enhance shareholder value while preserving sufficient resources to pursue long-term sustainable growth, the Group has proposed an interim one-tier tax exempt dividend of 0.5 Singapore cent per share.

## Transformation In Progress

NeraTel continues in its efforts to seek growth for its identified verticals – Cybersecurity, Automation and Data Analytics – that will continue to be driven by a global shift towards digitisation.

While total order in-take had decreased 20.0% to S\$78.3 million in 1H 2019, the NI segment continues to be the main contributor at 72.9% of total order in-take or S\$57.1 million. The remaining 27.1% is contributed by the WIN segment.

The Group has started to gain traction in its new growth areas, particularly for the cybersecurity business. NeraTel is able to harness its strengths – one of the largest team of certified engineers in Asia, strong customer relationships and familiarity with its customers' network and requirements – to increase the sales of its comprehensive range of security offerings and offer differentiated and tailored solutions to its customers.

This corresponds to a 16.1% compounded annual growth rate (“**CAGR**”) projected for global cybersecurity spending between 2017 and 2026, with expectations to reach US\$365.3 billion in 2026.

The lower order in-take reflects the headwinds faced in the Service Provider customer segment, which contributed 53.1% of total order in-take in 1H 2019, lower than the 71.9% in 1H 2018. In line with its intention to broaden its customer mix, NeraTel has seen an increase in the proportion of contracts contributed by the GTU customer segment to 35.7% in 1H 2019 compared to only 11.2% in 1H 2018. With increased demand for business digitisation and transformation, the Group hopes to further expand the non-Service Provider customer segment.

The Group is also seeing increasing demand from its customers for automation solutions to reduce operating expenses and for greater operational accuracy. Global big data and business analytics solutions are expected to grow at a CAGR of 13.2% to US\$274.3 billion in 2022, while network automation is projected to grow at a CAGR of 48.7% to US\$16.9 billion in 2022.

While the Group is upselling new products and services to its customers, it also hopes to increase the number of customers on Service & Maintenance contracts to strengthen recurring income streams.

Concurrently, NeraTel remains on the lookout for synergistic M&A opportunities to gain new capabilities as well as access to new customers and geographical markets as it continues to set its sights on the Group's long-term sustainable growth to sharpen its competitive niche and enhance shareholder value.

### **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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