Nera Telecommunications Ltd

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BUSINESS UPDATE FOR THE FIRST QUARTER ENDED 31 MARCH 2021

"In 2020, the Group took on a more prudent approach in the selection of our projects to minimise risks. This has led to a lower order backlog as we entered 2021. The lower opening backlog has, in turn, led to lower revenue for the first quarter of 2021. The lingering impact from the COVID-19 pandemic is expected to continue for a few more quarters, due to the high risk of multiple waves of infections and lockdowns globally. This uneven recovery will continue to weigh down on the industry and create uncertainties for the Group's outlook.

"Notwithstanding the challenging business environment, we are encouraged to have seen a gradual improvement in the Enterprise segment. Cybersecurity has also seen a sequential improvement, driven by an acceleration in digitalisation. Looking ahead, with 5G rollouts in Singapore and the region, we hope to see a gradual pick-up in the Services Provider market, where we have long-term working relationships with a large number of Tier 1 Service Providers."

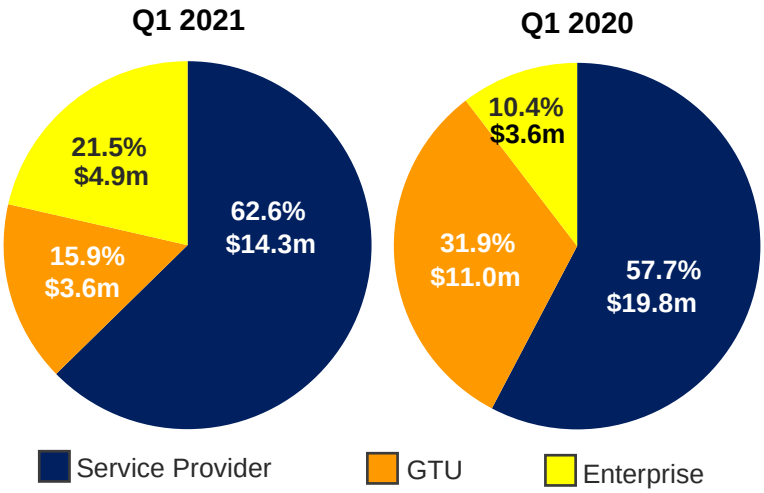
Mr. Beck Tong Hong (麦东宏), CEO of Nera Telecommunications Ltd.

Financial Highlights

Revenue Contribution by Customer Segment

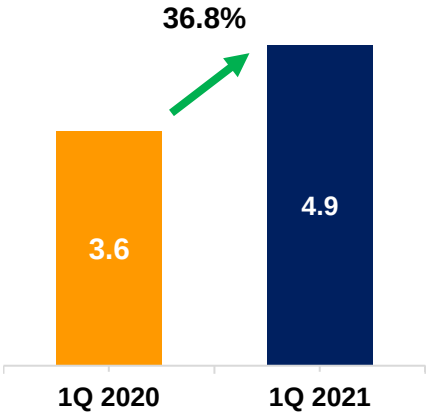
$(million)	Q1 2021	Q1 2020	% Change
Group Revenue	**22.8**	**34.4**	**(33.6)**
Government, Transport and Utilities ("**GTU**")	3.6	11.0	(66.8)
Service Provider	14.3	19.8	(27.9)
Enterprise	4.9	3.6	36.8

Revenue (By Customer Vertical)



Enterprise Segment YoY

($'m)



For the first quarter ended 31 March 2021 ("**Q1 2021**"), Nera Telecommunications Ltd's ("**NeraTel**") revenue decreased by 33.6% to $22.8 million, from $34.4 million for the first quarter ended 31 March 2020 ("**Q1 2020**") due to the slowdown in project progression in various markets.

Notably, the Group continued to make some progress in the Enterprise customer segment. For Q1 2021, revenue rose 36.8% to $4.9 million for the Enterprise division, mainly due to an increase in corporate investments in IT infrastructure to facilitate employees working from home amidst the pandemic.

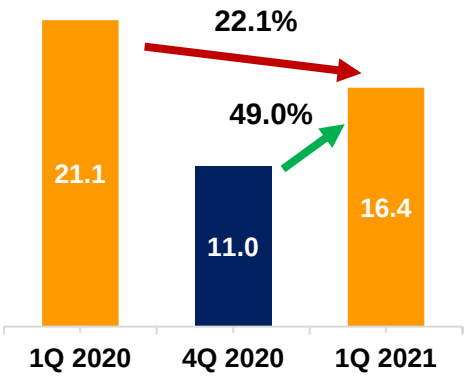
Order Intake by Customer Segment

$(million)	Q1 2021	Q1 2020	(%)	Q4 2020	Q1 2021 vs Q4 2020 (%)
Total Order Intake	**27.0**	**40.4**	**(33.1)**	**21.1**	**27.9**
Government, Transport and Utilities ("**GTU**")	0.9	14.6	(93.7)	4.7	(80.7)
Service Provider	16.4	21.1	(22.1)	11.0	49.0
Enterprise	9.7	4.7	105.4	5.4	81.1

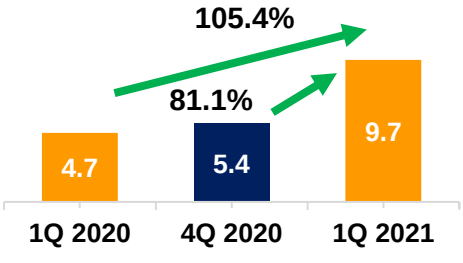
NeraTel recorded total order intake of $27.0 million in Q1 2021, a decrease of 33.1% from $40.4 million in Q1 2020. This is in line with the general slowdown in a majority of the Group's markets and also as a result of the Group's conservative approach in the selection of new projects amid the COVID-19 pandemic.

Our customer diversification strategy continues to bear fruit. The Enterprise segment saw improvements on both a year-on-year as well as a sequential basis. Order intake rose 105.4% to $9.7 million in Q1 2021, up from $4.7 million in Q1 2020. Sequentially, order intake increased 81.1% to $9.7 million in Q1 2021, from $5.4 million in Q4 2020. Service Provider's order intake lifted sequentially by 49.0% to $16.4 million in Q1 2021, from $11.0 million in Q4 2020. With 5G rollout, we expect the Service Provider market to pick-up gradually.

Service Provider
($'m)



Enterprise
($'m)



Cybersecurity Expected to Grow

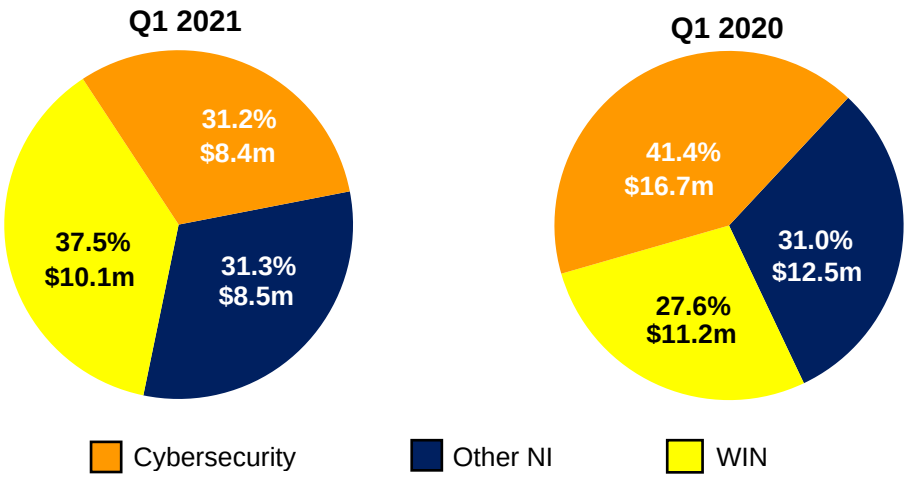
$(million)	Q1 2021	Q1 2020	(%)	Q4 2020	Q1 2021 vs Q4 2020 (%)
Total Order Intake	**27.0**	**40.4**	**(33.1)**	**21.1**	**27.9**
Security	8.4	16.7	(49.5)	4.9	70.7

By business line, the Group's Security business continued to gain traction sequentially from the last quarter, registering order intake growth of 70.7% from $4.9 million in Q4 2020, to $8.4 million in Q1 2021.

On a year-on-year basis, order intake for Security business has declined by 49.5% to $8.4 million in Q1 2021 from $16.7 million in Q1 2020, mainly as the previous year included a one-off sizeable $5.6 million contract from the government sector.

It is noteworthy that, as a result of putting more focus on Cybersecurity, this business now contributes about 30.1% of our Group's total revenue as at 31 March 2021. We continue to see demand from the market for cybersecurity solutions brought on by digitalisation and hybrid work arrangements. As businesses increase their expenditure on cybersecurity to better protect against more sophisticated cyber-attacks, we are optimistic that our cybersecurity business will continue to grow in contributions to our total revenue in the next few years.

Order Intake (By Nature)



Weathering the COVID-19 Pandemic – Build Resilience and Enhance Competencies

Despite the global vaccination effort, the COVID-19 crisis has persisted and even worsened in various countries such as India and Indonesia. As such, the Group will continue to exercise caution and implement the necessary precautionary measures.

- **Contain Costs** – NeraTel's group-wide efficiency and cost reduction initiatives have borne fruit, with lowered staff related costs. The Group has also taken steps to maintain adequate cash reserves through extracting cost savings, where possible.

- **Working Capital Management** – Optimisation of working capital and improving NeraTel's cash flow through better management of accounts receivables and accounts payables.

- **Build Competencies** – The Group continues to hire judiciously only for strategic positions. Staff are encouraged to participate in online training especially in new business areas such as Cybersecurity and Automation.

- **Leverage on Opportunities brought about by accelerated digitalisation** – The Group continues to prepare for opportunities brought on by the COVID-19 pandemic, as remote working, be it wholly or partially, continues to be the default mode for businesses and organisations in Singapore and globally. As such, companies need to strengthen their cybersecurity capabilities on distributed networks and cloud-based platforms to prevent security breaches. Additionally, as cyber threats become more sophisticated and businesses become increasingly reliant on cloud computing, companies will need to bolster their cybersecurity budgets to protect themselves from the ever-evolving threats. NeraTel will push forward with the expansion of our Cybersecurity business to address the growing security concerns.

- **5G Deployment** – The rollout of 5G networks in Singapore and the region will present further opportunities for NeraTel, with the deployment of networks. 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.

Outlook & Strategies

The outlook for 2021 remains uncertain as the COVID-19 situation continues to worsen amid a spike in cases in various countries and more infectious mutations spreading. Furthermore, mobility restrictions imposed to combat COVID-19 continue to hinder the recovery of the economy, causing difficulties for the Group's operations.

Several geographical markets where the Group operates in, such as Malaysia, Thailand, the Philippines and Indonesia, as well as other countries in the EMEA region, have imposed lockdowns and movement restrictions. The Philippines implemented a lockdown in metropolitan Manila and four nearby provinces which has been extended to May 14 as COVID-19 cases passed the 1 million mark. Likewise, Indonesia continues to maintain a partial lockdown nationwide.

There was also a reduction in capex spending for most of Neratel's customers as they took on a more conservative capital management approach in preserving cash flow due to the uncertain economic conditions. The increased adoption of 5G networks globally will have a positive effect on the Group's future business in the medium to long term. The Group is actively positioning itself to pursue 5G-related opportunities globally. Over the years, the Group has built up a wide range of products, solutions and services that would be required for the 5G network rollout. These include products such as routers and switches; fronthaul and backhaul solutions; microwave radios and optical network equipment.

The rollout of 5G networks will also contribute to higher demand for cybersecurity solutions. The Group intends to address these demands by offering a full suite of services, such as next generation firewalls, state-of-the-art information security and event management solutions.

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

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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