Nera Telecommunications Ltd

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BUSINESS UPDATE FOR THE THIRD QUARTER/NINE MONTHS ENDED 30 SEPTEMBER 2021

"The Group has seen a gradual uptick in order intake with the progressive global economic reopening. This will have a positive effect on our business, as most countries have adopted a "living with COVID" strategy. We are also encouraged to see more opportunities and leads from all three business segments. During the quarter, we secured a contract of approximately $6.0 million to provide Fibre-to-the-Home infrastructure network equipment for a major service provider in South East Asia as demand for work-from-home arrangements remains high."

"Looking ahead, we will continue to leverage on our strong track record in providing multi-domain technological solutions to prudently explore opportunities, especially in the domains of Cybersecurity and 5G."

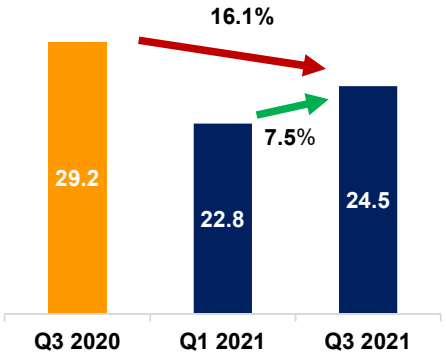
Mr. Beck Tong Hong (麦东宏), CEO of Nera Telecommunications Ltd

Financial Highlights

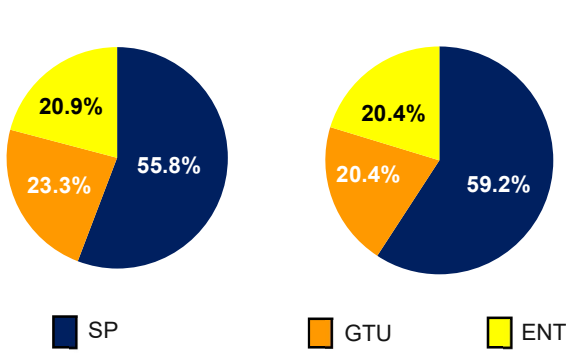
YoY Revenue Contribution by Customer Segment

$(million)	*Q3 2020*	*Q3 2021*	*% Change*	*9M 2020*	*9M 2021*	*% Change*
Group Revenue	***29.2***	***24.5***	***(16.1)***	***95.6***	***67.8***	***(29.1)***
*Government, Transport and Utilities ("**GTU**")*	*6.8*	*5.0*	*(26.5)*	*23.7*	*12.2*	*(48.5)*
*Service Provider ("**SP**")*	*16.3*	*14.5*	*(11.0)*	*58.3*	*41.2*	*(29.3)*
*Enterprise ("**ENT**")*	*6.1*	*5.0*	*(18.0)*	*13.6*	*14.4*	*5.9*

Revenue
($'m)



Revenue (By Customer Vertical)



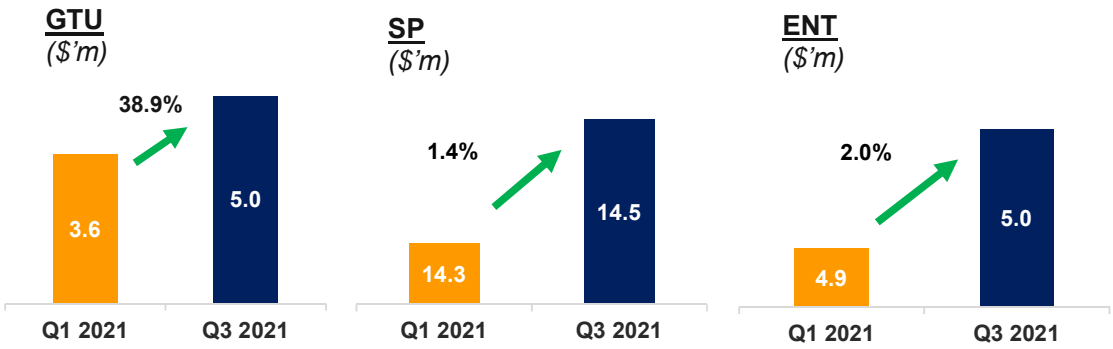
For the third quarter ended 30 September 2021 ("**Q3 2021**"), Nera Telecommunications Ltd's ("**NeraTel**") revenue decreased by 16.1% to $24.5 million, from $29.2 million for the third quarter ended 30 September 2020 ("**Q3 2020**"). This is due to the Group's prudent and selective approach, undertaken since 2020 to minimise risks, which led to a drop in the Group's opening order backlog for 2021. This has consequently resulted in lower revenue, extending to Q3 2021. A slowdown of project progression across the majority of the Group's geographical markets as a result of the ongoing COVID-19 pandemic also contributed to the revenue dip. For the nine months ended 30 September 2021 ("**9M 2021**"), revenue declined 29.1% to $67.8 million as compared to $95.6 million for the same period last year ("**9M 2020**").

QoQ Growth in Revenue (Q1 2021 vs Q2 2021 vs Q3 2021)

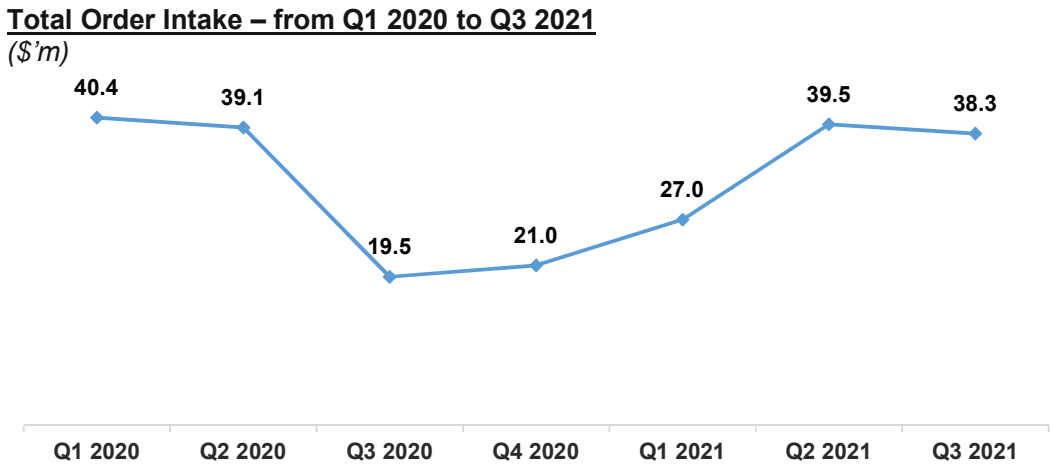
$(million)	*Q1 2021*	*Q2 2021*	*Q3 2021*	*Q1 vs Q3 (%)*
Group Revenue	***22.8***	***20.5***	***24.5***	***7.5***
*Government, Transport and Utilities ("**GTU**")*	*3.6*	*3.6*	*5.0*	*38.9*
*Service Provider ("**SP**")*	*14.3*	*12.4*	*14.5*	*1.4*
*Enterprise ("**ENT**")*	*4.9*	*4.5*	*5.0*	*2.0*

It is noteworthy that for the first quarter ended 31 March 2021 ("**Q1 2021**") to Q3 2021, the Group has made good progress across all three key segments – the Government, Transport and Utilities ("**GTU**") division, as well as the Enterprise ("**ENT**") and the Service Provider ("**SP**") customer segments. In general, business sentiment has improved as the COVID-19 related movement restrictions have eased in many of the countries that the Group operates in. This has led to an improvement of the Group's revenue on a sequential basis.

Revenue rose 38.9% to $5.0 million in Q3 2021 for the GTU segment, up from $3.6 million in the three months ended 31 March 2021 ("**Q1 2021**"). For the SP segment, revenue rose 1.4% to $14.5 million, whilst ENT increased 2.0% to $5.0 million over the same period. The growth across all three business segments also reaffirms the success of NeraTel's customer diversification efforts, which continue to yield results.



Order Intake by Customer Segment



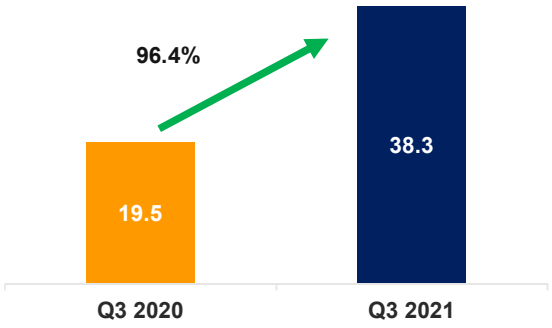
Moreover, NeraTel's quarterly order intake has been gradually improving from a low of $19.5 million in Q3 2020 to $38.3 million in Q3 2021. This is in tandem with a steady rise in opportunities following the progressive reopening of economies, and as the hybrid business model continues to be the default mode of work.

YoY Growth in Order Intake for all Three Business Segments

$(million)	*Q3 2020*	*Q3 2021*	*YoY (%)*	*9M 2020*	*9M 2021*	*YoY%*
Total Order Intake	***19.5***	***38.3***	***96.4***	**98.9**	***104.8***	***6.0***
*Government, Transport and Utilities ("**GTU**")*	*4.7*	*17.7*	*276.6*	*26.8*	*30.0*	*11.9*
*Service Provider ("**SP**")*	*9.7*	*15.3*	*57.7*	*54.7*	*51.2*	*(6.4)*
*Enterprise ("**ENT**")*	*5.1*	*5.3*	*3.9*	*17.4*	*23.6*	*35.6*

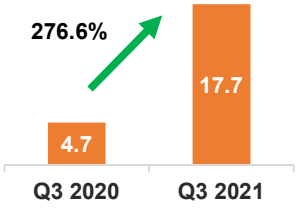
Overall, NeraTel's total order intake of $38.3 million in Q3 2021 represents an increase of 96.4% YoY.

Total Order Intake – Q3 YoY
($'m)

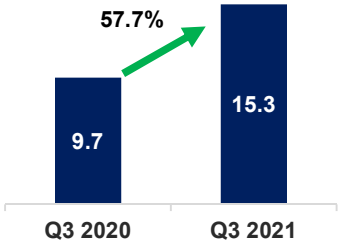


GTU order intake rose significantly by 276.6% to $17.7 million, up from $4.7 million, as this domain continues to gain significant traction with accelerated digitalisation. The SP segment rose 57.7% to $15.3 million in Q3 2021, an increase from $9.7 million in Q3 2020. With 5G rollout on track in the longer term, the SP market is expected to continue its growth momentum. The Group's ENT segment rose 3.9% on a YoY basis to $5.3 million in Q3 2021, mainly due to an increase in corporate investments from financial institutions for IT infrastructure to facilitate employees working-from-home amidst the pandemic.

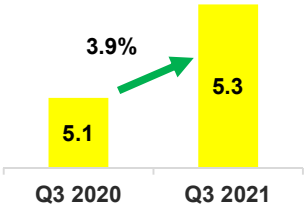
GTU
($'m)



SP
($'m)



ENT
($'m)



Correspondingly, year-to-date, Enterprise order intake rose by $6.2 million or 35.6% to $23.6 million for 9M 2021 as compared to $17.4 million for 9M 2020. GTU order intake for 9M 2021 has also increased by $3.2 million or 11.9% YoY as this segment continues to gain grounds with the wider adoption of digitalisation.

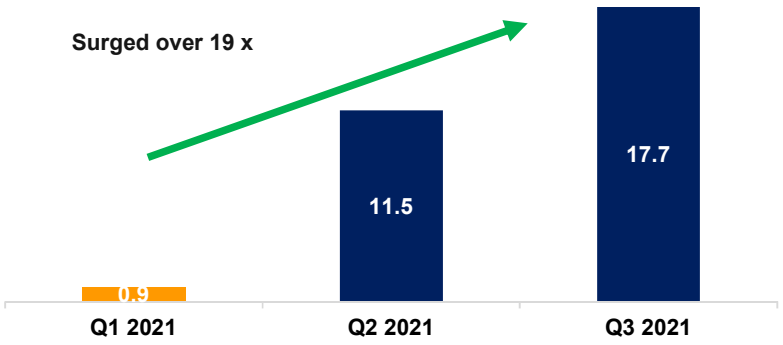
QoQ Growth in Order Intake

Total Order Intake by Business Segment – from Q1 2021 to Q3 2021
($'m)

$(million)	*Q1 2021*	*Q2 2021*	*Q3 2021*	*Q1 vs Q3 (%)*
Total Order Intake	***27.0***	***39.5***	***38.3***	***41.9***
*Government, Transport and Utilities ("**GTU**")*	*0.9*	*11.5*	*17.7*	*Over 19 x*
*Service Provider ("**SP**")*	*16.4*	*19.5*	*15.3*	*(6.7)*
*Enterprise ("**ENT**")*	*9.7*	*8.5*	*5.3*	*(45.4)*

By business vertical, the GTU segment is notable in its significant growth in order intake progressively. This segment saw a 19-time surge to $17.7 million for Q3 2021, as compared to $0.9 million for Q1 2021.

GTU – Order Intake QoQ (Q1 2021 vs Q2 2021 vs Q3 2021)
($'m)



This growth in order intake for the GTU segment more than offset the decreases in both the SP and ENT segments.

Cybersecurity Expected to Grow

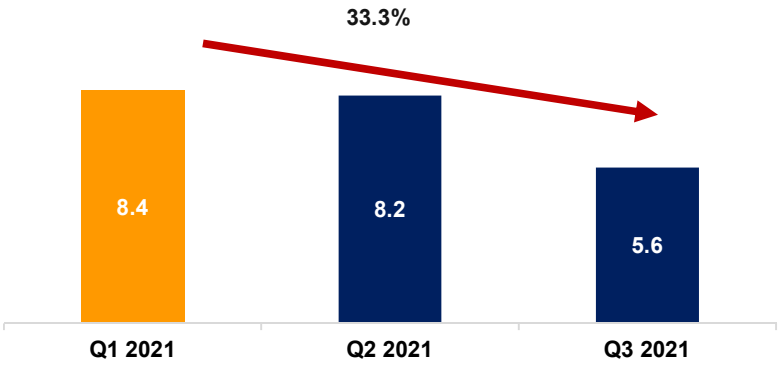
Cybersecurity – Order Intake QoQ (Q1 2021 vs Q2 2021 vs Q3 2021)
($'m)

$(million)	*Q1 2021*	*Q2 2021*	*Q3 2021*	*Q1 vs Q3 (%)*
Cybersecurity	*8.4*	*8.2*	*5.6*	*(33.3)*

By business line, on a QoQ basis, order intake for the Group's Security business has declined 33.3% to $5.6 million in Q3 2021 from $8.4 million in Q1 2021, mainly due to lower order intake closure in Q3 2021.

However, this business still contributed about 14.6% of the Group's total order intake for Q3 2021. Demand for cybersecurity solutions brought on by digitalisation and hybrid work arrangements remains strong.

Cybersecurity – Order Intake QoQ (Q1 2021 vs Q2 2021 vs Q3 2021)
($'m)



Outlook

The spread of the more contagious COVID-19 Delta variant, which has resulted in an unexpected surge in cases globally even in highly vaccinated communities, will likely continue to create uncertainties for the Group's business outlook. In addition, it remains uncertain as to how the virus might evolve and whether there will be a spread of more contagious variants, resulting in sharp increases in cases. The Group also expects to continue to see the negative effects of the global semiconductor shortage, with delivery delays.

Nonetheless, as vaccination rates improve, countries where the Group operates in are slowly, but gradually, re-opening their economies. As more countries open up and shift towards "living with the virus", this will have a positive effect on the Group's operations. The Group has experienced a gradual recovery to its business with an uptick in both revenue and order intake. The Group has also seen increased opportunities and leads especially from the ENT and GTU segments as countries move towards treating COVID as endemic.

In the long term, the outlook and growth of the 5G infrastructure related business remains positive. The 5G infrastructure market is expected to reach $80.06 billion by 2027, growing at a CAGR of 71.0% during the forecast period, 2021 to 2027[1]. Additionally, new technology applications such as the Internet-of-Things (IoT), cloud computing and Software-as-a-Service (SaaS) will present new forms of cyber threats, which would require more sophisticated solutions.

The Group will continue to actively position itself appropriately to pursue 5G-related and Cybersecurity opportunities in all the countries where it has operations. At the same time, NeraTel will continue to look at opportunities to improve cash flow as well as optimise its working capital so that the Group is appropriately positioned for future growth.

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[1] *Fortune Business Insights, 23 June 2021 – 5G Infrastructure Market to Reach $80.06 Billion by 2027; Rising Demand for Seamless Connectivity will Provide Impetus to Market Growth, says Fortune Business Insights™*

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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