

NEWS RELEASE

NERATEL REPORTS Q1 2019 REVENUE OF S\$36.8 MILLION AND NET PROFIT OF S\$1.4 MILLION

- ***S\$37.8 million order in-take as at Q1 2019 to be progressively recognised***
- ***Made headway in cybersecurity growth vertical with S\$3.52 million contract win in April 2019***
- ***Digitisation continues to be key growth driver amidst business transformation to meet evolving customer demands***

Singapore, 9 May 2019 – Mainboard-listed Nera Telecommunications Ltd (“**NeraTel**”, 挪拉电讯, or the “**Group**”), a leading Communications and Network Solutions Provider, reported net profit of S\$1.4 million on S\$36.8 million in revenue for the three-month financial period ended 31 March 2019 (“**Q1 2019**”).

Mr. Beck Tong Hong (麦东宏), CEO of NeraTel, said, “Our business is transforming alongside the industry’s shift towards greater digitisation, and we want to capitalise on these opportunities to ensure the Group’s long-term sustainable growth. We provide critical services to many tier-one customers. It is therefore a natural move for us to respond to greater demand from these customers for solutions in complementary verticals such as cybersecurity, automation, data analytics and smart building technologies.”

“Backed by a large pool of certified engineers in the region, we are well-equipped to meet these demands, and we’re pleased to have made headway in developing these new capabilities, especially in the domains of cybersecurity and data analytics – an indication that we’re moving in the right direction. Hence, we’ll continue to strengthen our competitiveness in these areas and we expect digitisation to continue to be our key growth driver moving forward.”

NeraTel had announced in April 2019 that it has secured a S\$3.52 million contract to provide cybersecurity solutions under the Network Infrastructure (“**NI**”) business segment for a major service provider in Southeast Asia. This also marks a new customer win for the Group, alongside other strategic security-related contract wins last year.

Financial Performance

NeraTel reported an 11.4% decline in revenue to S\$36.8 million in Q1 2019 compared to S\$41.6 million in the corresponding quarter a year ago (“**Q1 2018**”) mainly due to lower revenue from both the NI and Wireless Infrastructure Network (“**WIN**”) segments. In tandem with the lower revenue, profit after tax decreased 19.7% to S\$1.4 million from S\$1.7 million across the same comparative periods.

During the quarter, the Group experienced a 25.4% dip in order in-take to S\$37.8 million, as compared to S\$50.7 million in Q1 2018. Of the total order in-take secured, S\$29.5 million or 78.0%, was contributed by the NI segment while the WIN segment contributed S\$8.3 million, or 22.0%.

The lower topline and bottomline were mainly due to customers taking a more cautious approach to capital expenditure amidst a volatile operating environment and dampened global economic outlook, as well as intense competition in the Europe, Middle East and Africa markets.

The NI segment, which continues to be the Group’s largest revenue contributor at 68.8%, saw a 10.6% decrease in revenue to S\$25.3 million in Q1 2019 mainly due to weaker performance from Service Provider markets in Malaysia and Australia. Meanwhile, the WIN segment recorded a 13.5% decrease in revenue to S\$11.5 million from the Middle East and Africa markets.

NeraTel's balance sheet remained strong with cash and bank balances of S\$19.5 million as at 31 March 2019 and net cash of S\$14.0 million. Shareholders' equity stood at S\$68.1 million at the end of the reporting period.

"While we continuously look to fine-tune the Group's business strategies to sharpen our relevance and competitiveness amidst a rapidly-changing operating environment, a gestation period is required for the identified focused growth areas to start contributing meaningfully. Nonetheless, such a transformation is necessary for our business to remain ahead of the curve and to ensure long-term sustainable growth for our shareholders," added Mr. Beck.

Outlook and Growth Strategies

The Group's business growth will continue to be driven by a global shift towards digitisation, which in turn drives the need and awareness for cybersecurity – one of the Group's identified growth verticals.

Singapore's cybersecurity spend is expected to outpace the global growth trend in 2019, increasing by 10% to reach S\$1.15 billion in 2019, up from S\$997.0 million in 2017. Meanwhile, worldwide digital security expenditure is forecasted to grow by 8.7% to US\$124.1 billion in 2019, which bodes well for NeraTel's cybersecurity thrust.

In addition, the Group is seeing increasing demand from its customers for automation solutions to reduce operating expenses and for greater operational accuracy. The network automation market is expected to expand to US\$16.9 billion by 2022, at a compounded annual growth rate of 48.7% between 2017 and 2022. Key growth drivers include the growing adoption of smart connected devices, increasing adoption of virtual and software-defined network infrastructure and the need to reduce network downtime caused by human errors¹.

¹ *Markets and markets, December 2017 – Network automation market by solution, network infrastructure, service, deployment, vertical and region – global forecast to 2022*

NeraTel has also observed the increasing prominence of data analytics amongst its customers. Data analytics aids businesses in gathering critical insights that will in turn lead to better business decision-making. More specifically, data analytics enabled by Internet-of-things devices in Smart Building projects could significantly reduce operating expenses.

Therefore, against this backdrop, to keep customers engaged and to keep NeraTel's business relevant in this rapidly-changing operating landscape, the Group will continue to strengthen its offerings in these growth areas – cybersecurity, automation and data analytics – for sustainable future growth.

About Nera Telecommunications Ltd

Established in October 1978 and listed on the SGX Mainboard since July 1, 1999, Nera Telecommunications Ltd ("**NeraTel**") is a leading Communications and Network Solutions Provider. With over 41 years of established track record, the Singapore-headquartered NeraTel has a diversified geographical presence in over 16 countries in Asia-Pacific, Europe, Middle East and Africa regions.

NeraTel provides a full suite of turnkey network and wireless solutions. Its two business segments work seamlessly to deliver cutting-edge services for the digital world:

- Network Infrastructure ("**NI**") offers a wide range of solutions, services and products to steer secure digital transformation including cloud network infrastructure, network security solutions, IP networks, optical networks and broadcast networks;
- Wireless Infrastructure Networks ("**WIN**") provides integrated wireless network services for Service Providers, ISPs, Broadcasters, Enterprises, Government organisations, as well as the Offshore and Utilities sectors.

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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