Q1 2019 RESULTS PRESENTATION
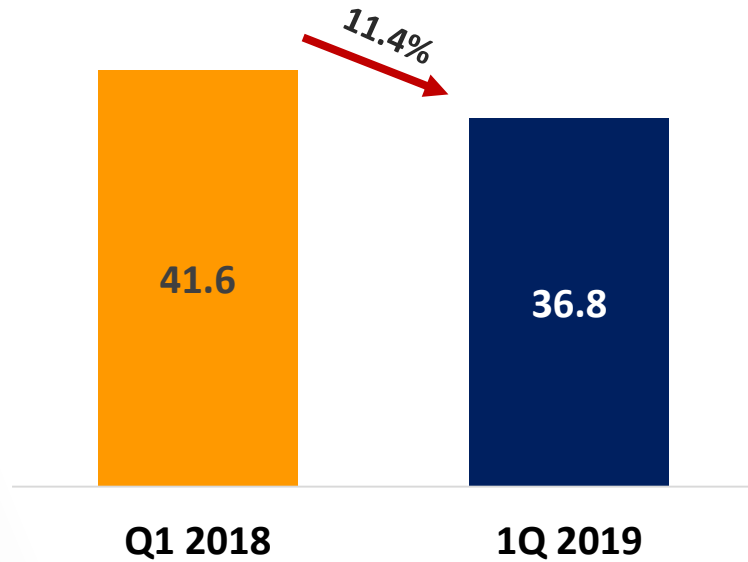
9 May 2019
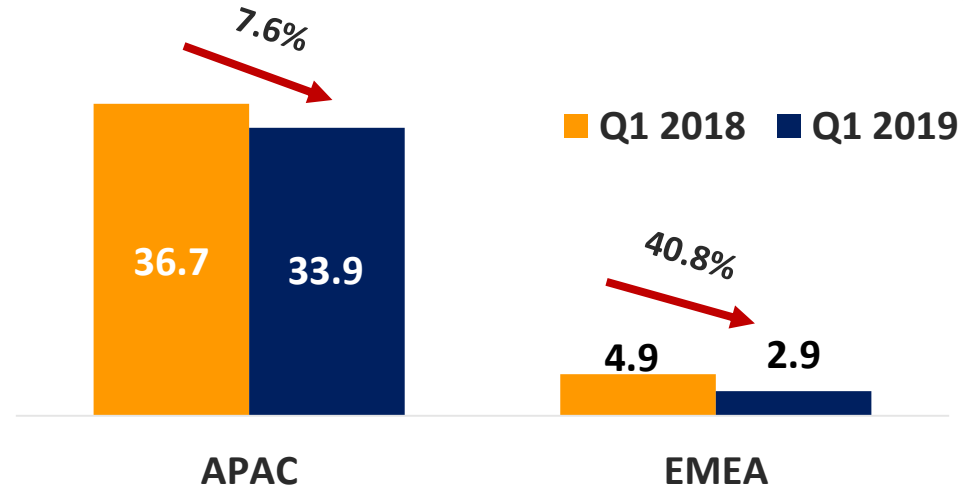
Q1 2019 FINANCIAL HIGHLIGHTS

NERA

KEY FINANCIAL HIGHLIGHTS

Revenue
(S$'m)

11.4%

Q1 2018	1Q 2019
41.6	36.8

Revenue by Geography
(S$'m)

7.6%

■ Q1 2018 ■ Q1 2019

40.8%

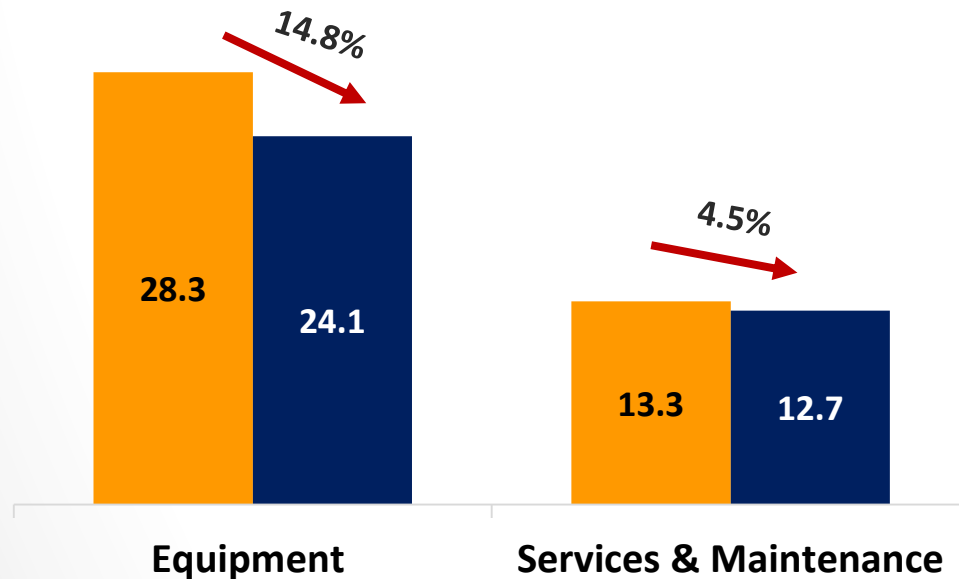| APAC		EMEA	
36.7	33.9	4.9	2.9

- The decrease in revenue was largely from Malaysia and Middle East and Africa markets while higher revenue from Indonesia and Philippines partially offset the impact
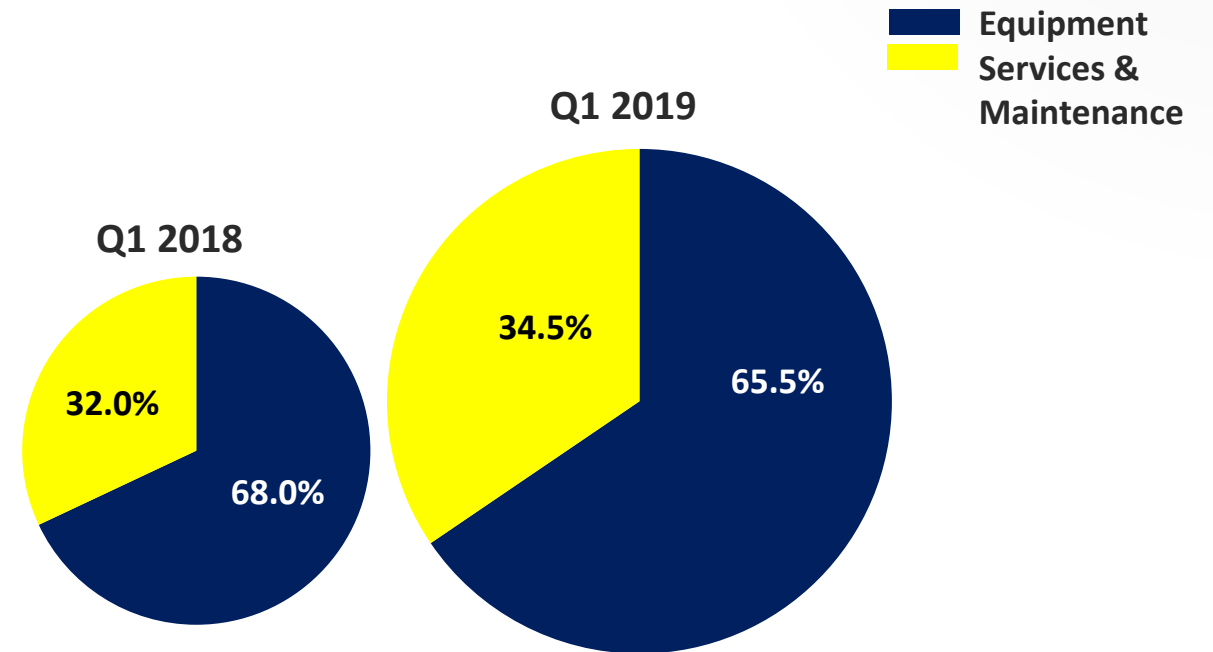
NERA

KEY FINANCIAL HIGHLIGHTS

Revenue (By Nature)
(S$'m)

▮ Q1 2018 ▮ Q1 2019

Equipment
- 28.3 (Q1 2018)
- 24.1 (Q1 2019)
- ↘ 14.8%

Services & Maintenance
- 13.3 (Q1 2018)
- 12.7 (Q1 2019)
- ↘ 4.5%

Breakdown (By Nature)

▮ Equipment ▮ Services & Maintenance

Q1 2018
- 68.0%
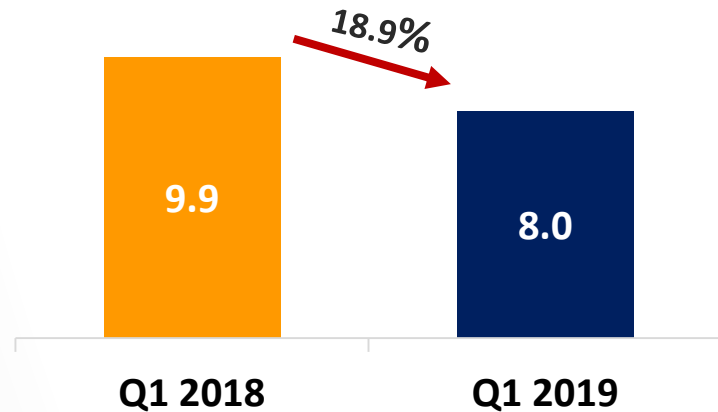- 32.0%

Q1 2019
- 65.5%
- 34.5%

Strengthening recurring income streams by encouraging customers to take on services & maintenance contracts
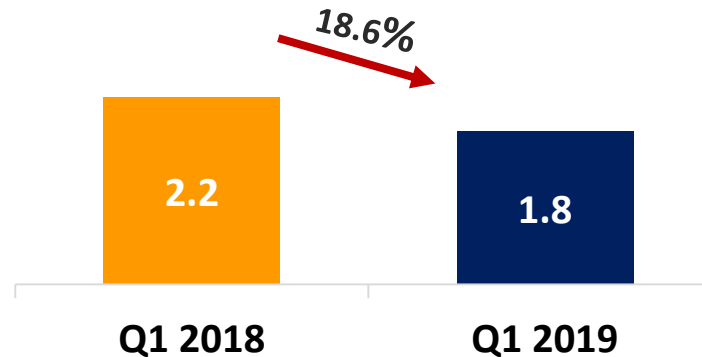
4

NERA

KEY FINANCIAL HIGHLIGHTS

Gross Profit
(S$'m)

18.9%

Q1 2018: 9.9
Q1 2019: 8.0

Profit Before Tax
(S$'m)

18.6%

Q1 2018: 2.2
Q1 2019: 1.8

Net Profit
(S$'m)

19.7%
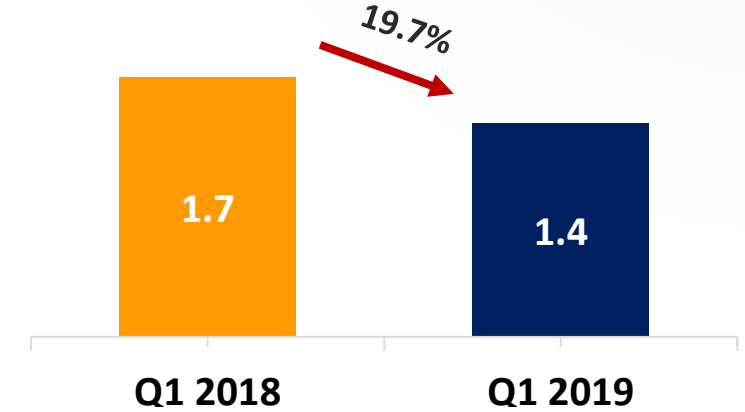
Q1 2018: 1.7
Q1 2019: 1.4
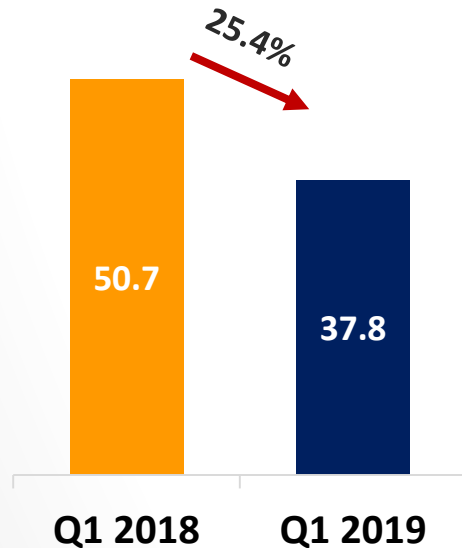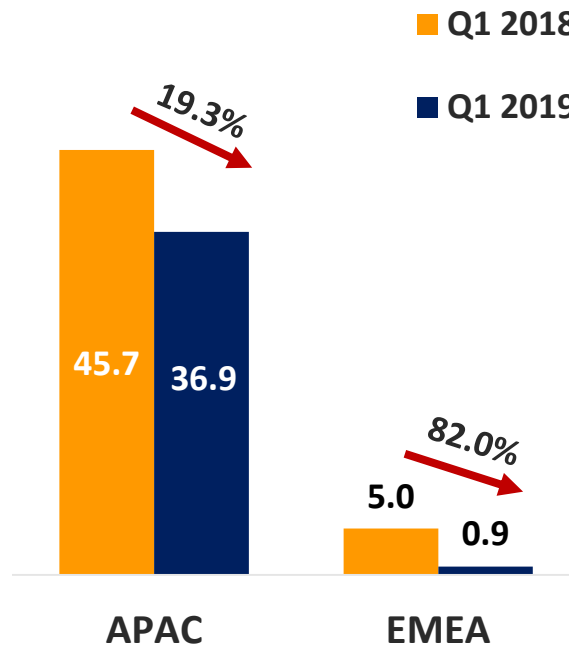
- Q1 2019 gross profit decreased in tandem with the lower revenue
- Other operating income for Q1 2019 rose 99.0% to S$0.2 million from S$0.1 million in Q1 2018 due to a one-off foreign exchange gain
- The lower profit before tax and net profit recorded in Q1 2019 was mainly due to lower gross profit, partially offset by lower operating expenses

NERA

KEY FINANCIAL HIGHLIGHTS

Total Order In-Take
(S$'m)

Order In-Take by Geography
(S$'m)

- ■ Q1 2018
- ■ Q1 2019

25.4%

Q1 2018	Q1 2019
50.7	37.8

19.3%

82.0%

APAC		EMEA	
45.7	36.9	5.0	0.9

Recent Contracts

Apr 2019: S$3.5m NI contract to manage cyber crime monitoring hub, including professional services, for a major service provider in South East Asia

Nov 2018: S$7.8m worth of NI contract to supply, install, commission and managed services of a Wi-Fi Infrastructure network for a major Government entity in Southeast Asia

Aug 2018: S$11.8m worth of NI contracts to provide NI equipment and maintenance for a leading service provider in Southeast Asia

Jul 2018: S$3.2m contract to supply microwave links to a government entity in the Middle East (WIN)

Jul 2018: S$8.5m contract awarded by leading service provider in Southeast Asia for provision of internet service infrastructure (NI)

NERA

FINANCIAL POSITION

S$'m	Q1 2019	Q1 2018	Change (%)
Revenue	36.8	41.6	(11.4)
Gross Profit	8.0	9.9	(18.9)
Gross Profit Margin (%)	21.8	23.8	(2.0) *ppt*
Total Operating Expenses	6.4	7.7	(16.8)
Net Profit After Tax	1.4	1.7	(19.7)
Net Profit Margin (%)	3.8	4.2	(0.4) *ppt*
Basic and Fully Diluted EPS (SGD cents)	0.38	0.48	(20.8)

NERA

FINANCIAL POSITION

S$'m	31 March 2019	31 December 2018
Current Assets	162.5	152.4
Current Liabilities	101.0	91.5
Net Current Assets	61.5	60.9
Total Assets	173.6	158.5
Total Liabilities	105.5	91.8
Total Borrowings	5.5	5.5
Cash and Bank Balances	19.5	21.6
Net Cash	14.0	16.1
NAV/Share (SGD cents)	18.80	18.42

NERA

OUTLOOK & STRATEGIES

NERA
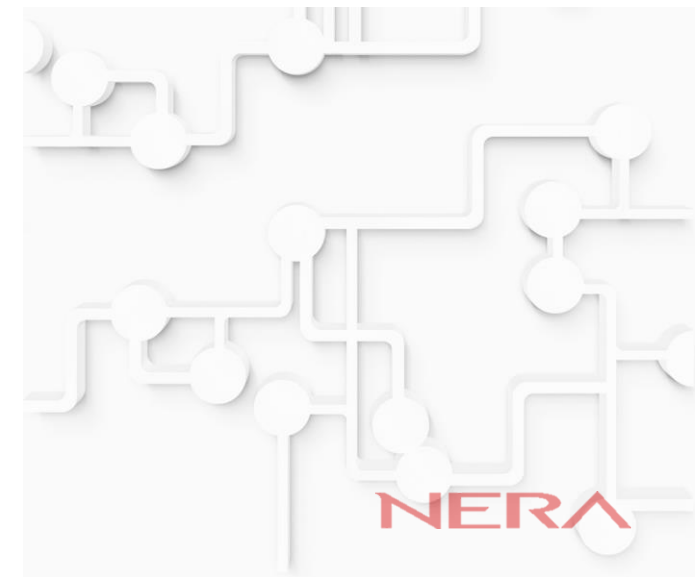
OUTLOOK – CHALLENGES

US-China Trade Tensions

- According to the IMF's World Economic Outlook (WEO), April 2019, the global growth is projected to slow from 3.6% in 2018 to 3.3% in 2019, before returning to 3.6% in 2020

- Growth for 2018 was revised down by 0.1 percentage point relative to the October 2018 WEO, reflecting weakness in the second half of the year, and the forecasts for 2019 and 2020 are now marked down by 0.4 percentage point and 0.1 percentage point, respectively

Declining Margins in Traditional Business

- Traditional businesses such as the hardware sales of radios and IP switches and routers are facing downward trends - thinning margins due to intense competition

Delay in 5G Roll-out

- Singapore plans to start rolling out 5G mobile network technology by 2020

- Due to the indicated timeline, Service Providers may not be committing to a substantial CAPEX in 2019

- Additionally, there is a risk of 5G being rolled out at a slower pace than expected due to the lack of consumer applications that require the technology

High Competition - Europe, the Middle East and Africa

- High level of competition in the region over the past year, particularly by large international firms, such as HuaWei

- Service providers delayed technology adoption

- Steep Nigerian Naira depreciation over the US dollar

NERA

Global Digital Transformation

A Digital Transformation Initiative research by the World Economic Forum has identified **7** key technologies that are expected to have the most impact among the industries analysed

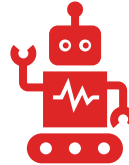Artificial intelligence

Autonomous vehicles

Big data analytics and cloud

Custom manufacturing and 3D printing

Internet of Things and connected devices

Robots and drones

Social media and platforms

Estimated to deliver around US$100 trillion in value to business and society over the next decade

NERA

Embracing Digitalisation

- New initiatives and expansion of existing schemes worth S$1 billion to help local companies build deep capabilities

- Cybersecurity market in Singapore was estimated at slightly less than US$500 million in 2017 and is expected to grow to reach US$889 million in 2022 with a 15% CAGR

- The AI market (includes a wide range of technologies used to analyse, organise, access and provide advisory services based on a range of unstructured information) in Singapore has the potential to become a US$960 million market in 2022 and US$16 billion by 2030 with a CAGR of 42.2%.

- Singapore's IoT market size is estimated to be US$1.1 billion in 2022 at a CAGR of 20% from 2017 to 2022

- Start Digital initiative launched in January 2019 for new SMEs to start their business right with foundational and competitively-priced digital solutions

- Increasing focus on guiding SMEs to adopt digital technology to improve productivity and efficiency

Other Favourable Developments

Significant progress in government-led initiative, Digital Defence as Singapore's sixth pillar of Total Defence

Mobile service trial in 2019

5G roll-out by 2020

80% of buildings to be certified by 2030

Sources:
Ministry of Finance – Budget 2019 – Fostering a Caring and Inclusive Society
Infocomm Media Development Authority, November 2018 – Services And Digital Economy Technology Roadmap
Infocomm Media Development Authority, 4 March 2019 – Factsheet SMEs Go Digital
Infocomm Media Development Authority, 11 September 2018 – Full speed ahead for Singapore's digital transformation

OUTLOOK - IDENTIFIED BUSINESS VERTICALS

Cybersecurity

>US$**248.3B**

Cybersecurity spending
(2023F)

10.2%

CAGR
(2018 - 2023F)

Data Analytics

US$**27.0B**

Regional big data and business analytics services
(2022F)

15.1%

CAGR
(2017 - 2022F)

Automation

>US$**16.9B**

Network Automation Market
(2022F)

48.7%

CAGR (2016 - 2022F)

NERA

A LEADER IN ENABLING TECHNOLOGIES

NeraTel's Competitive Strengths

Extensive regional reach and scale of operations

Over 4 decades of excellent track record

One of the largest team of certified engineers in Asia

Comprehensive technology solutions

Enabling Our Customers

Value Creation: Through comprehensive solutions

Addressing Business Risk: Protect systems and networks to prevent the disruption of business operations

Competitive Edge: Uncover valuable insights through data analytics

Reduce Operating Costs: Automate processes to reduce the reliance on manpower

NERA

DIGITISATION: A NEW GROWTH CHAPTER

Synergistic Business Segments to Deliver Cutting-edge Solutions

Cybersecurity
Secure digital assets to reduce the risk of losses arising from cybersecurity breaches

Automation
Achieve operational efficiencies whilst reducing human error

Data Analytics
Identify insights to enable swift-decision making process

Service Providers

Governments

Transport

Utilities

Enterprises
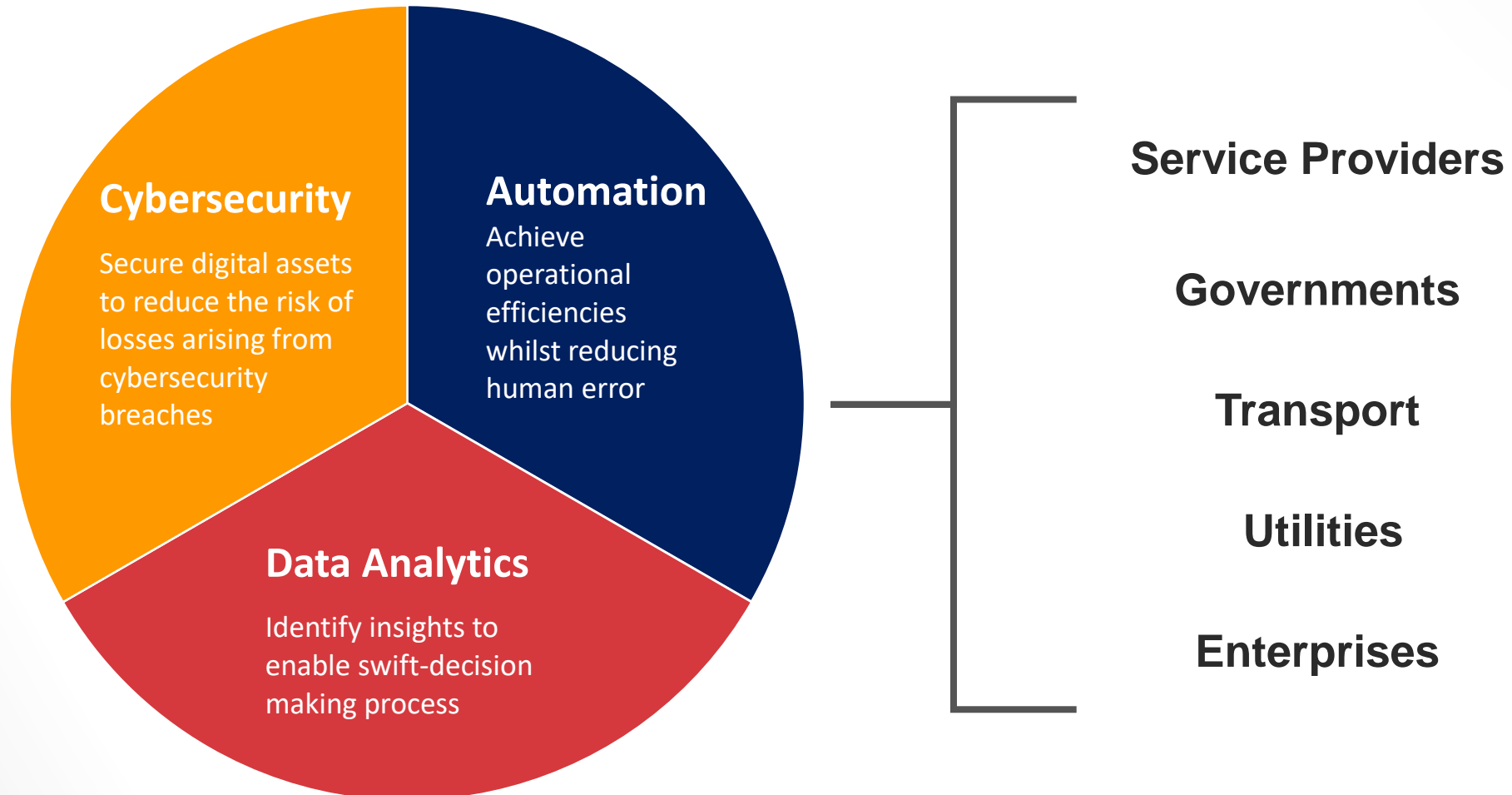
NERA

BUILDING A REGIONAL NETWORK

NeraTel's Future Network

MYANMAR (Yangon)

VIETNAM (Hanoi)

THAILAND (Bangkok)

PHILIPPINES (Manila)

MALAYSIA (Kuala Lumpur)

SINGAPORE

INDONESIA (Jakarta)

Outside of ASEAN

PAKISTAN (Islamabad)

AUSTRALIA (Sydney)

- Focus on deepening penetration within existing markets in ASEAN

- Establishing presence in new markets in the region

- Identified potential new opportunities in Indochina

NERA

Q1 2019 RESULTS PRESENTATION

THANK YOU