

## NEWS RELEASE

### NERATEL REPORTS NET PROFIT OF S\$7.8 MILLION ON TURNOVER OF S\$166.9 MILLION FOR FY2018

- *NI and WIN segments secure S\$126.6 million and S\$50.8 million of order in-take respectively*
- *Leveraging on a wide range of opportunities arising from cybersecurity and digitisation through proprietary solutions*
- *Proposes final dividend of 1.5 cents per share, translating to total dividends of 2.5 cents per share for FY2018*

**Singapore, 1 March 2019** – Mainboard-listed Nera Telecommunications Ltd (“**NeraTel**”, 挪拉电讯, or the “**Group**”), a leading Communications and Network Solutions Provider, announced today that the Group’s net profit held steady at S\$7.8 million for the full year ended 31 December 2018 (“**FY2018**”) as compared to the restated S\$7.8 million in the previous corresponding period (“**FY2017**”). Turnover was a 14% dip to S\$166.9 million for FY2018, from a restated S\$194.1 million for FY2017.

During the year, the Group applied the new Singapore Financial Reporting Standards (International) 15 Revenue from Contracts with Customers (“**SFRS (I) 15**”). SFRS (I) 15 introduced specific requirements on identification of performance obligations and the recognition of revenue based on satisfaction of the performance obligations, as well as the requirement to combine customer contracts that are interrelated.

In addition, under the new contract cost guidance, contract costs are expensed as incurred unless they qualify to be capitalised as an asset or they relate to incremental cost to obtain or fulfil the contracts. The Group and the Company have applied the changes in accounting policies retrospectively, to each reporting year presented, using full retrospective approach. As such, the comparative 2017 figures in this announcement are not comparable to those previously announced.

Mr. Beck Tong Hong (麦东宏), CEO of NeraTel, said, “We are encouraged to receive repeat contracts from prominent customers, such as major government entities and key telecommunications services providers for both our NI and WIN segments for FY2018.

“The repeat contracts bear testament to our strong client relationships developed over the years. Notwithstanding a weakening of our WIN business in the Middle East and Africa markets, we remain focused on delivering effective and tailored solutions for our customers by leveraging on our integrated value chain.”

In FY2018, the Group continued to experience a healthy level of demand from its customers having secured approximately S\$177.4 million of order in-take. Of the total order in-take secured, S\$126.6 million or 71.4%, was contributed by the Network Infrastructure (“NI”) segment while the Wireless Infrastructure Network (“WIN”) segment contributed S\$50.8 million, or 28.6%.

## **Financial Performance**

Lower order in-take from the Middle East and Africa markets as well as delays in project completion for both the NI and WIN segments resulted in a turnover of S\$166.9 million for FY2018, a 14% decrease from a restated S\$194.1 million for FY2017.

The NI segment, which continues to be the Group’s largest turnover contributor at 66.6%, saw a 8.3% decrease in turnover to S\$111.2 million in FY2018 mainly due to weaker performance from Service Provider markets in Australia and the Philippines, partially offset by higher contributions from Myanmar and Pakistan. Meanwhile, the WIN segment recorded a 23.5% decrease in sales to S\$55.7 million from the Middle East and Africa markets, partially offset by higher turnover from Singapore and the Philippines.

Gross profit decreased 5.1% to S\$42.9 million in FY2018 from S\$45.2 million in FY2017. Driven by a positive net movement for warranty provision and higher margin projects recognised, gross profit margin improved to 25.7% from 23.3% over the same period.

Total operating expenses decreased by 7.0% to S\$31.6 million in FY2018 from S\$34.0 million in FY2017, mainly due to prudent expense management. FY2018 operating profit of S\$11.4 million was down 4.3% from S\$11.9 million in FY2017.

Correspondingly, NeraTel recorded a net profit of S\$7.8 million for FY2018, consistent with FY2017.

Turnover for the three-month period ended 31 December 2018 (“**Q4 2018**”) was 20.4% lower at S\$45.8 million as compared to a restated S\$57.6 million for the previous corresponding period (“**Q4 2017**”). Both segments registered weaker turnover, with NI recording a turnover of S\$30.4 million, representing a 13.6% decline, while turnover was 31.3% lower at S\$15.4 million for WIN. Q4 2018 net profit was 5.0% higher at S\$1.4 million compared to a restated S\$1.5 million in Q4 2017.

NeraTel’s balance sheet remained strong with cash and bank balances of S\$21.6 million as at 31 December 2018 and net cash of S\$16.1 million. Shareholders’ equity stood at S\$66.7 million at the end of the reporting period.

### **Proposed 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 a final one-tier tax exempt dividend of 1.5 Singapore cents per share, which will be paid on 27 May 2019.

Including the interim one-tier tax exempt cash dividend of 1.0 Singapore cent per share paid on 7 September 2018, the collective dividends will amount to 2.5 Singapore cents per share for FY2018.

The proposed final dividend will be subject to shareholders’ approval at NeraTel’s upcoming FY2018 Annual General Meeting.

## **Outlook and Growth Strategies**

Amidst the ongoing wave of digitisation, the Group has identified several new growth opportunities, namely, cybersecurity, data analytics, and automation. Digitisation has been a major growth driver for many well-established economies over the past few years, while emerging economies are also following suit.

In line with the progress of digitisation, there has been an increase in the awareness of the importance of cybersecurity in Singapore and the region because of a number of high profile cyber breaches. The nation'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.

Mr Beck added, "We have identified digitisation as our key growth driver. We will leverage on our capabilities to develop and offer comprehensive end-to-end solutions, particularly in the domain of cybersecurity, data analytics, and automation, to address the growing demand for these business solutions."

In Singapore, the government remains committed to driving the industry transformation with new grants set aside as part of the five-year Research, Innovation, and Enterprise 2020 plan. Launched in Budget 2017, the SMEs Go Digital programme has supported around 4,000 SMEs in adopting pre-approved digital solutions. Going forward, the programme will be expanded to more sectors and offer SMEs a wider range of cost-effective pre-approved solutions<sup>1</sup>.

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<sup>1</sup> Ministry of Finance, 18 February 2019 – Budget 2019 Building A Strong, United Singapore

“Additionally, we will also leverage on the disruptive impact of the Internet of Things to strengthen our offerings in new synergistic business verticals such as data centre/cloud, wireless technologies and smart building solutions. At the same time, we will look to strengthen our recurring income streams with a focus on services and maintenance contracts that offer healthier margins,” commented Mr Beck.

### **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 and the Middle East and North 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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