

NEWS RELEASE

NERATEL RECORDS REVENUE OF S\$43.3 MILLION IN 1H2021

- ***Net loss of S\$2.2 million with prolonged global pandemic affecting a majority of the Group's geographical markets***
- ***Order intake of S\$66.5 million to be progressively recognised***
- ***Enterprise segment sees strong 47.5% uptick in order intake year-on-year, with strong demand from banking sector***
- ***The Group continues to position itself to pursue Cybersecurity and 5G-related opportunities***

Singapore, 13 August 2021 – Mainboard-listed Nera Telecommunications Ltd (“**NeraTel**”, 挪拉电讯, or the “**Group**”), a leading Communications and Network Solutions Provider, reported revenue of S\$43.3 million and a net loss of S\$2.2 million for the half year financial period ended 31 December 2021 (“**1H2021**”).

Mr. Beck Tong Hong (麦东宏), CEO of NeraTel, said, “The prolonged global pandemic, exacerbated by the more contagious COVID-19 delta variant, has negatively affected our business across a majority of our geographical markets. We have seen a slowdown in project progression as a result of the strict movement restrictions in several countries.”

“Customers have also taken a more cautious approach towards capex spending to preserve cash. Additionally, our prudent, selective approach, which we have taken since 2020 to minimise risks, has also contributed to a drop in the Group’s opening order backlog for 2021. This has consequently resulted in lower revenue for the first half of 2021. We are also experiencing delivery delays from our vendors due to the global semiconductor shortage, which has also contributed to the lower revenue.”

“Overall, while economies are gradually recovering, growth is likely to remain below pre-pandemic levels. This will continue to create uncertainties in the Group’s outlook. We will continue to exercise prudence to navigate this challenging operating environment, which is expected to persist for at least a few more quarters. We will also continue to build-up our internal capabilities and position ourselves well to prudently look into strategic opportunities in the domain of Cybersecurity and 5G.”

Financial Performance

NeraTel’s 1H2021 revenue decreased 34.8% to S\$43.3 million from S\$66.4 million in the corresponding period a year ago (“**1H2020**”) due mainly to strict controls on movement implemented in various countries. This led to a slowdown in project progression across a majority of the Group’s geographical markets.

As part of the Group’s customer diversification efforts, the Group reported a 25.3% increase in revenue contributions from the Enterprise segment to S\$9.4 million for 1H2021, from S\$7.5 million in 1H2020, reaffirming NeraTel’s efforts in growing the banking sector.

1H2021 gross profit fell 35.3% to S\$9.2 million, from S\$14.2 million in 1H2020, mainly in line with the drop in revenue in 1H2021. As for gross profit margin, this dipped marginally by 0.2 percentage points to 21.2% in 1H2021, from 21.4% as compared to 1H2020.

Other income for 1H2021 stood at S\$0.3 million, as compared to S\$2.0 million in 1H2020, which was mainly due to a decrease in government grants and lower foreign exchange gain. Total operating expenses for 1H2021 decreased by 6.6%, or S\$0.8 million as compared to 1H2020, mainly due to lower distribution and selling expenses and administrative expenses.

Due to the above, the Group incurred a net loss of S\$2.2 million in 1H2021, from a net profit of S\$3.4 million in 1H2020.

NeraTel's balance sheet remained healthy with cash and cash equivalents of S\$21.3 million as at 30 June 2021. Shareholders' equity stood at S\$61.9 million at the end of the reporting period.

Outlook

Amid the prolonged COVID-19 pandemic, customers have adopted a prudent approach towards cash preservation and reduced their capital expenditure spending to brace for uncertainty.

The global semiconductor shortage, which resulted from a confluence of factors including the COVID-19 pandemic and US-China Trade War, has also impacted the Group's order intake. The Group's supply chain has been affected as semiconductor deliveries from vendors have been delayed.

In 1H2021, NeraTel secured approximately S\$66.5 million in order intake, which marked a 16.3% decrease compared to 1H2020. The reduced order intake is reflective of the disruptions and challenges faced by the Group, as customers reduce their capital expenditure amid an increasingly uncertain macroeconomic environment.

However, in the long term, the outlook and growth of the 5G infrastructure and enterprise market remains positive¹. Likewise, the 5G infrastructure market is expected to reach \$80.06 billion by 2027, growing at a CAGR of 71.0% during the forecast period, 2020 to 2027². 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.

¹ J.P. Morgan Research – [The Future of 5G Adoption](#), 24 May 2021

² [Fortune Business Insights – 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™](#)

The Group is actively positioning itself appropriately to pursue 5G-related opportunities with Service Providers, including the upgrading of existing IP infrastructure, fronthaul and backhaul networks; providing cybersecurity products and solutions as well as offering network planning, consultancy, RF benchmarking and optimisation services to operators and main contractors.

NeraTel will continue to adopt a conservative approach and will be more selective with the projects it chooses to undertake. The Group will also simultaneously look for 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/>

ISSUED ON BEHALF OF	:	Nera Telecommunications Ltd
BY	:	Citigate Dewe Rogerson Singapore Pte Ltd 105 Cecil Street #09-01 The Octagon Singapore 069534
CONTACT	:	Ms Dolores Phua / Mr Justin Chan at telephone
DURING OFFICE HOURS	:	6589-2383 / 6589-2371
EMAIL	:	AllCDRSGNeraTel@citigatedewerogerson.com
