

# **Nera Telecommunications Ltd**

## **Analyst Briefing**

**Samuel Ang**  
President & CEO

**Lim Gee Kiat**  
CFO

**8<sup>th</sup> May 2014**

# Content

- Results :
  - 1Q FY14 vs 1Q FY13
- Outlook

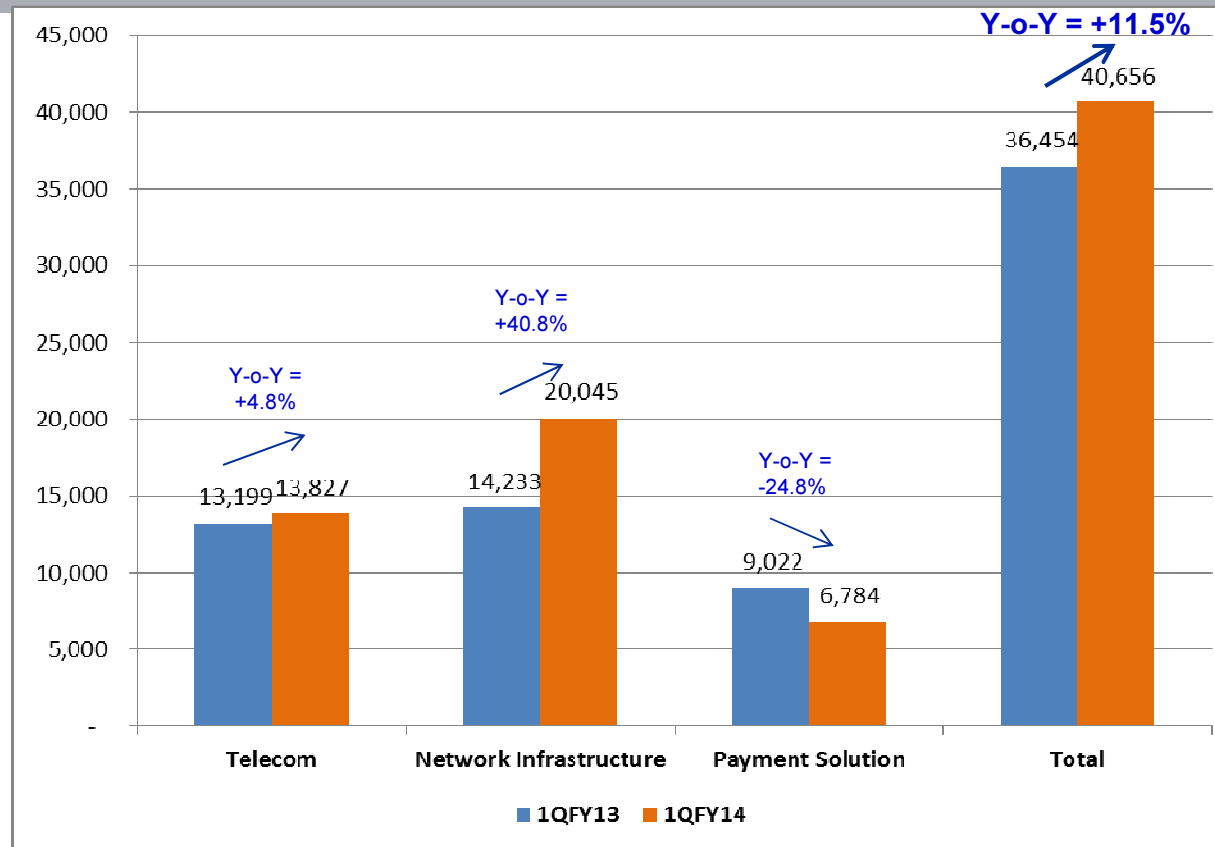
# Performances



## 1Q FY14 vs 1Q FY13

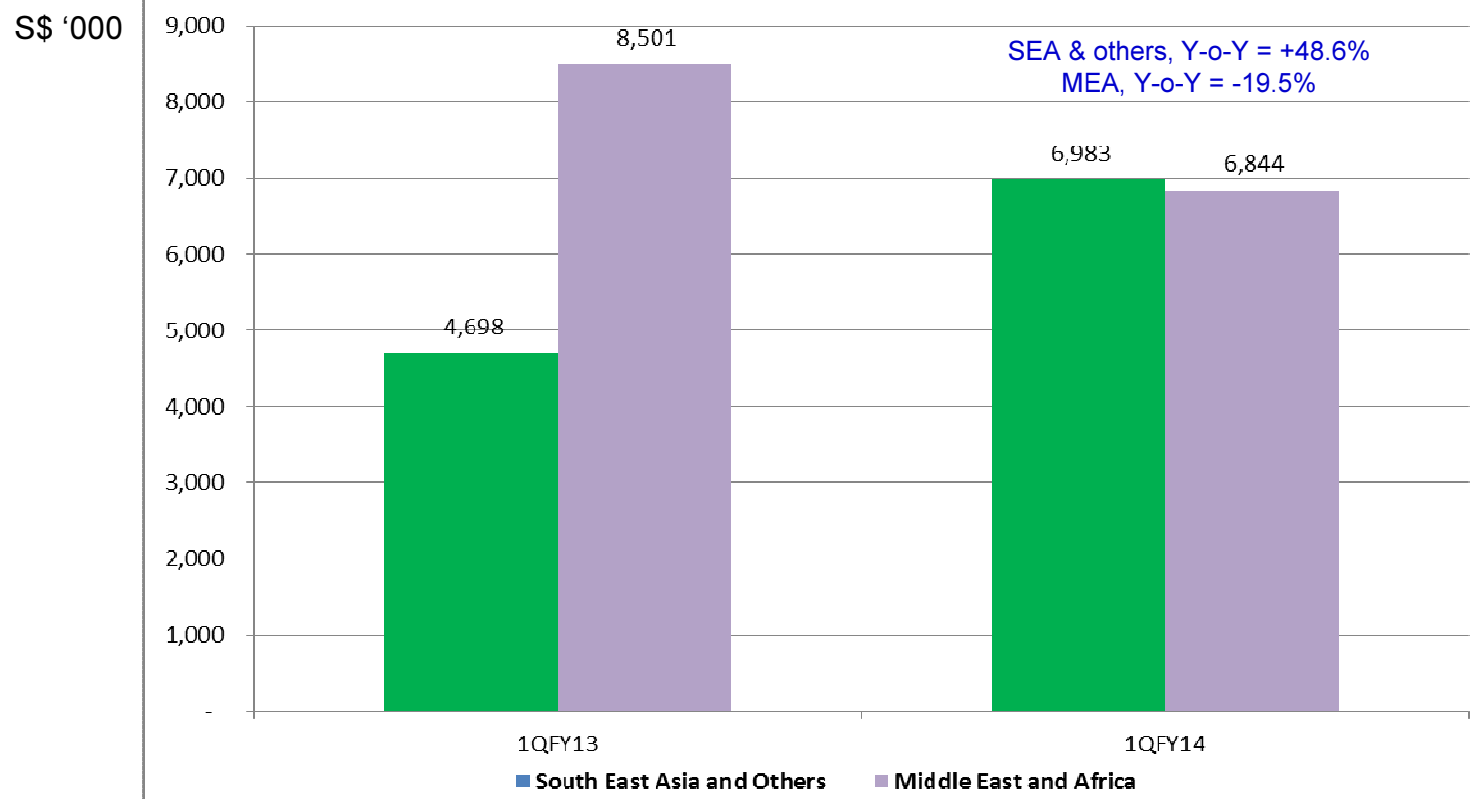
	1 <sup>st</sup> Quarter		
S\$'000	2014	2013	+/- %
<b>Turnover</b>	<b>40,656</b>	<b>36,454</b>	<b>11.5</b>
Gross profit	15,537	15,165	2.5
<i>Gross profit margin (%)</i>	<i>38.2%</i>	<i>41.6%</i>	<i>(3.4 ppt)</i>
Other operating income	370	1,058	(65.0)
Distribution and Selling expenses	(6,985)	(6,393)	9.3
Admin expenses	(2,854)	(2,615)	9.1
Other operating expenses	(72)	(17)	323.5
<b>Profit before taxation</b>	<b>5,958</b>	<b>7,368</b>	<b>(19.1)</b>
<b>Profit after taxation</b>	<b>4,599</b>	<b>5,844</b>	<b>(21.3)</b>

# Turnover



- Turnover in 1Q FY14 increased 11.5% (\$4.2 million) Y-o-Y from \$36.5 million in 1QFY13 to \$40.7 million
  - Telecom = increased 4.8% (\$6.0 million) Y-o-Y from \$13.2 million to \$13.8 million
  - Network Infrastructure = increased by 40.8% (\$5.8 million) Y-o-Y from \$14.2 million to \$20.0 million
  - Payment solution = decreased 24.8% (\$2.2 million) Y-o-Y from \$9.0 million to \$6.8 million

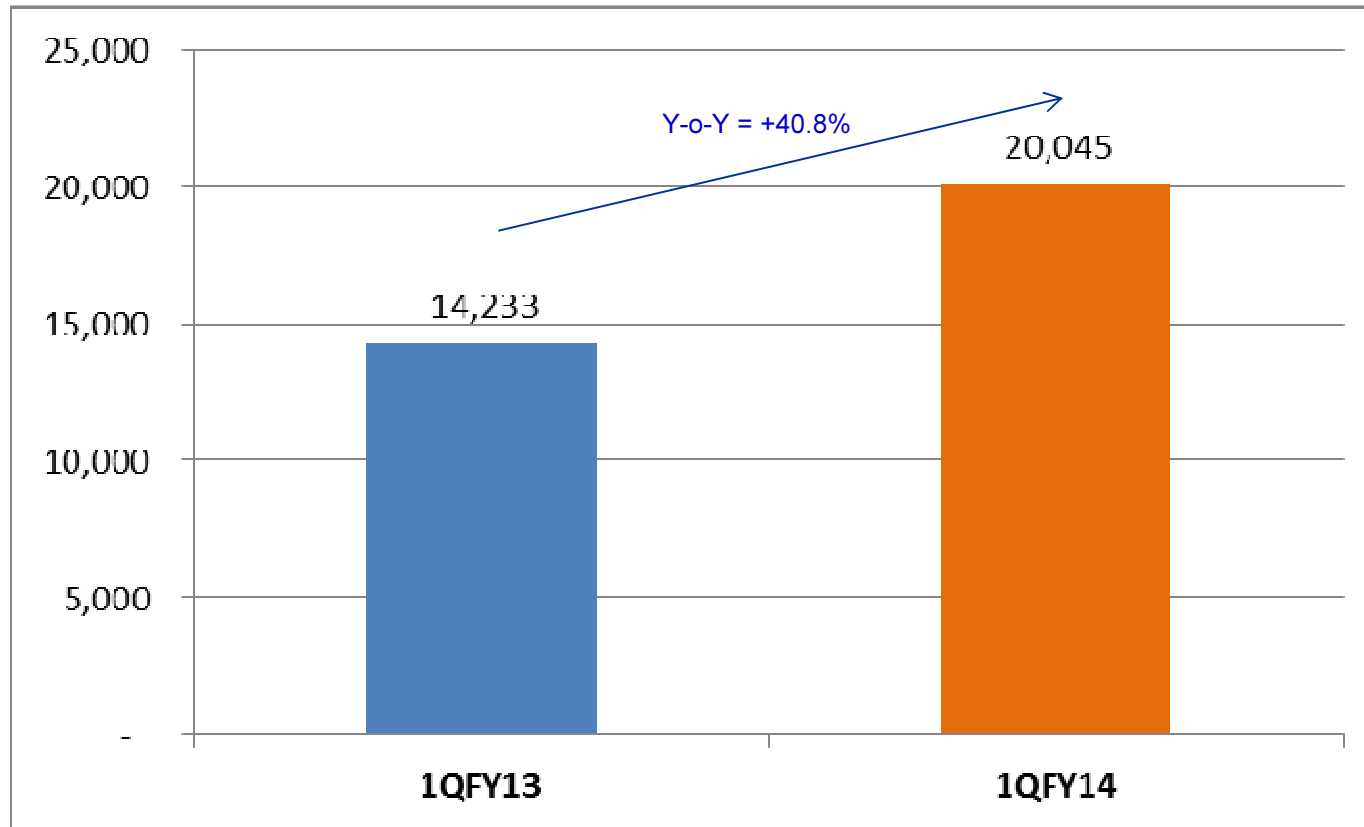
# Turnover - Telecom



- In 1QFY14, revenue growth from SEA and Others market has picked up strongly with 67.8% growth Y-o-Y, filled up the gap left by the 19.5% decline from the MEA region.
- The benefit of geographical diversification has resulted in an overall 4.8% revenue growth Y-o-Y in 1QFY14 in the Telecom Business Area.

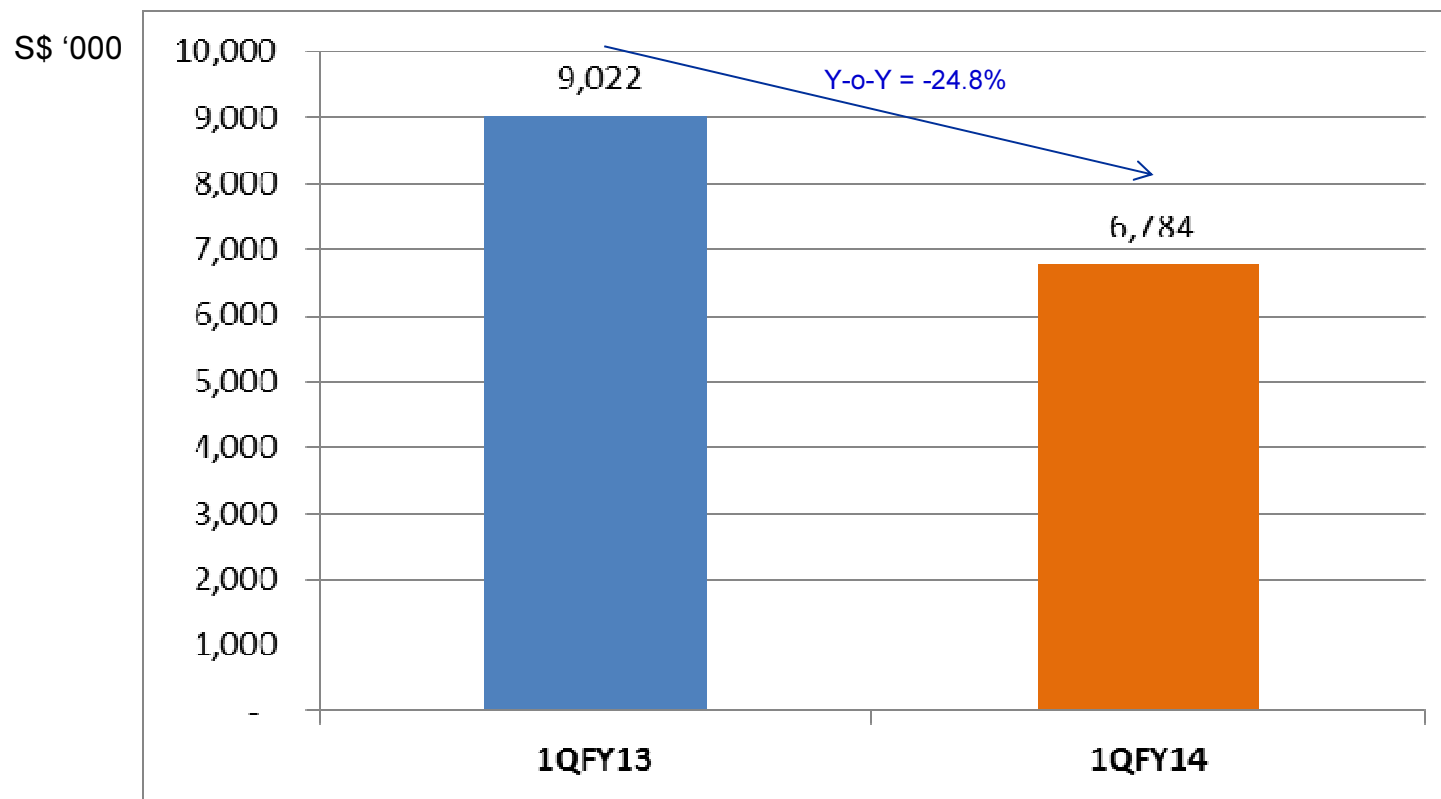
# Turnover – Network Infrastructure

S\$ '000



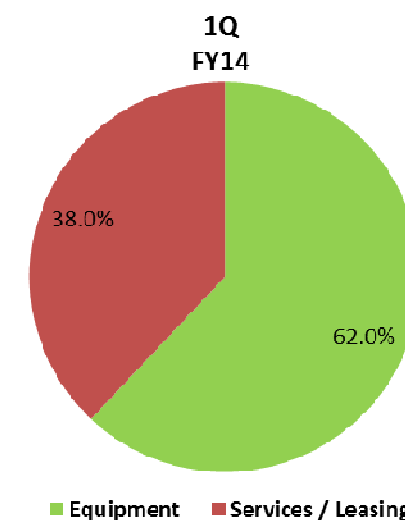
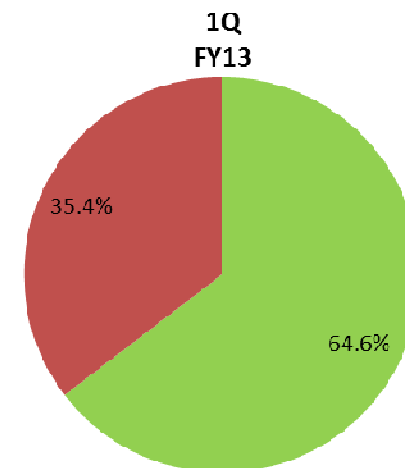
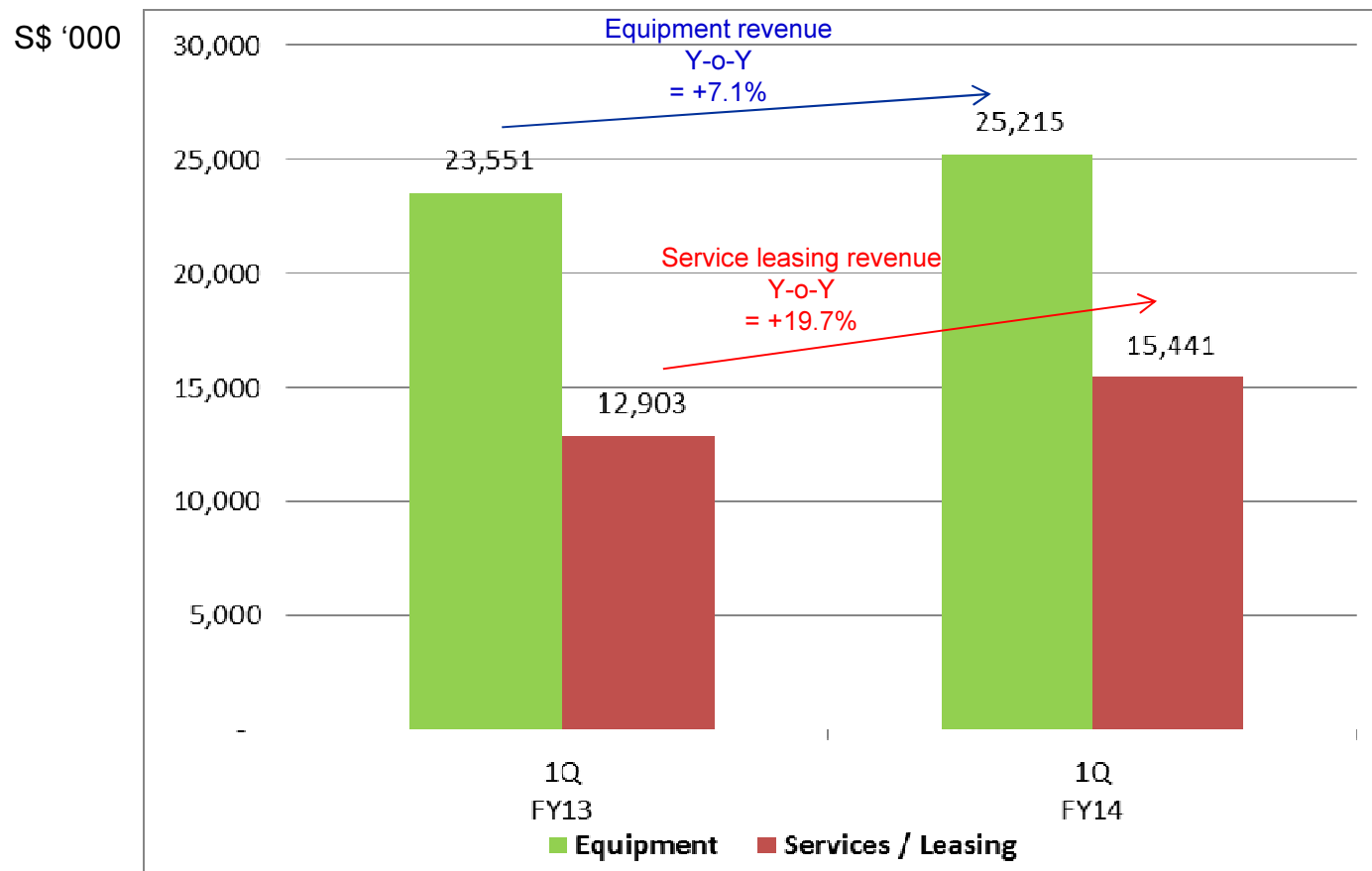
- 1QFY14 revenue contribution from Network Infrastructure segment had seen a strong increase of 40.8% Y-o-Y.
- This mainly resulted from higher sales of network equipment to the Service Provider market sector, followed by the Government, Transport and Utilities market sector.

# Turnover – Payment Solution



- Revenue for Payment Solutions business area decreased by 24.8% y-o-y from \$9.0 million to \$6.8 million in 1QFY14.
- All the decline in revenue was from low hardware equipment sales and not from the leasing / service related revenue within the PS business segment.

# Turnover – Breakdown by nature



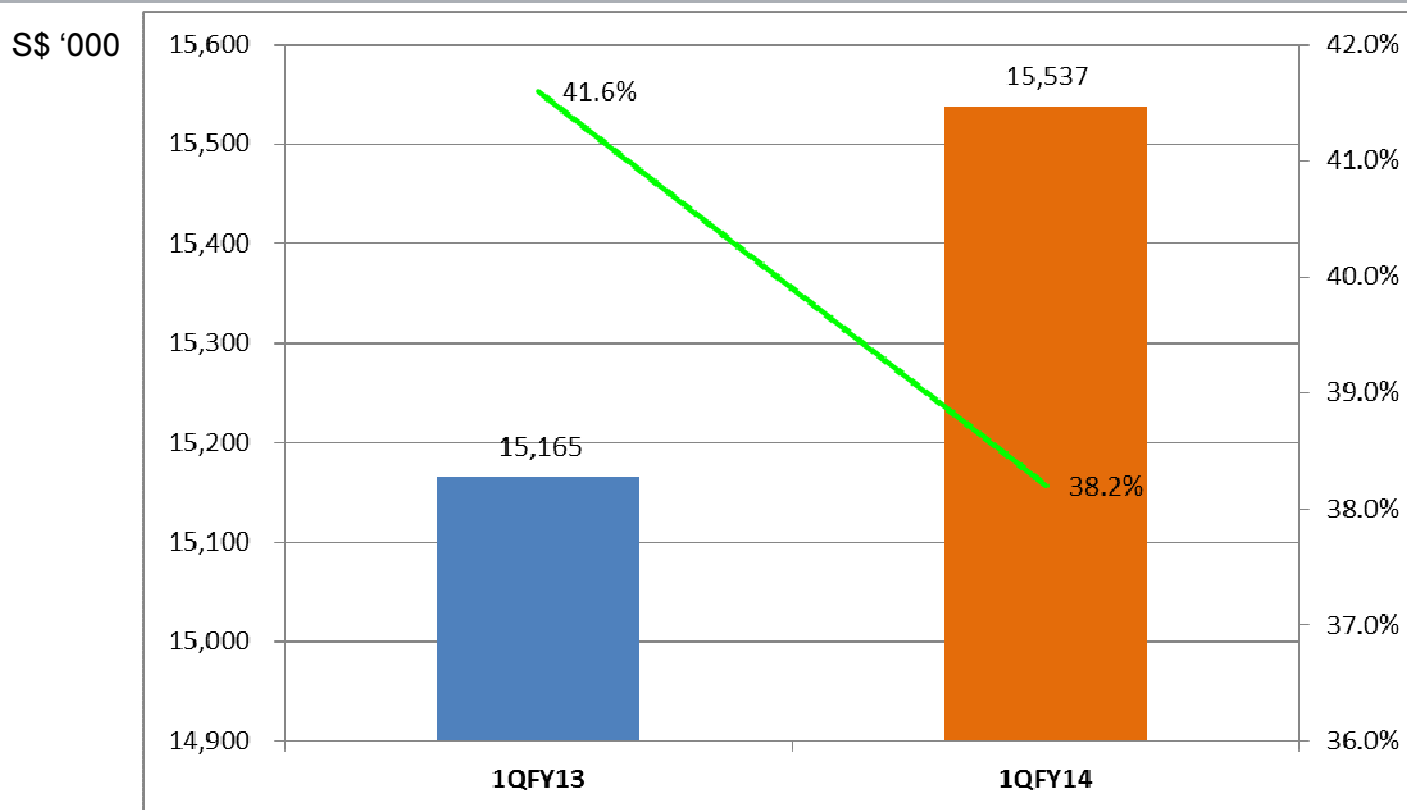
- Revenue contribution from service and terminal leasing revenue has increase +19.7% in 1QFY14, out pace the 7.1% increase from the Equipment revenue growth.

# Building a resilient revenue model



- **Several pillars of revenue sources**
  - Telecommunications – Wireless Infrastructure Network, Satellite Communications
  - Network Infrastructure
  - Payment solutions
- **Geographical expansion / diversification into new emerging markets**
  - South East Asia, Middle East, Africa, especially Nigeria, Libya, Indo-China (Myanmar, Vietnam)
- **Increase contribution from service and leasing revenue**
  - Maintenance services
  - POS terminal / IT solution rental revenues
- **Increase the number of segments within the existing business units with new capabilities**
  - In-building solutions
  - Software defined networks

# Gross Profit, GP Margin



- Gross profit for 1QFY14 increased 2.5% y-o-y from \$15.2 million to \$15.5 million due to higher revenue. However, gross profit margin dropped from 41.6% in 1QFY13 to 38.2% in 1QFY14.
- The decrease in gross profit margin is a combination effect of different sales mix in product, lower GP margin in Network Infrastructure business segment, and mitigated by certain projects realised higher profit margin upon their completion and higher services and leasing income.

# Other income, Operating Expenses



## **Other operating income**

- Y-o-Y, other operating income for 1QFY14 decreased by 65.0% (\$0.7 million). This was mainly due to lower accounts receivable collection fee. In 1Q 2013, there was also an exchange gain of \$0.3 million.

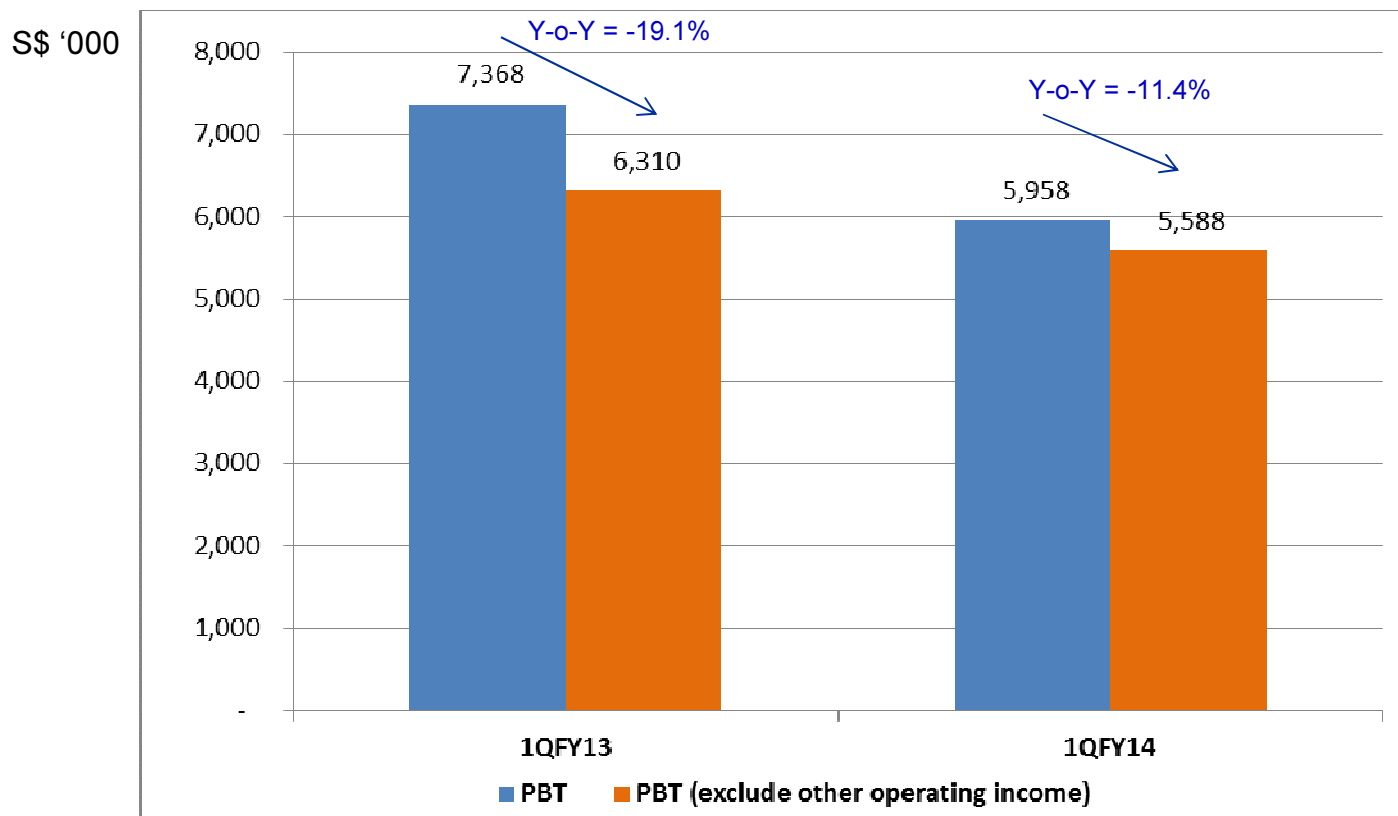
## **Distribution and Selling expenses**

- Y-o-Y, the distribution and selling expenses for 1QFY14 increased 9.3% (\$0.6 million).
- The increase was mainly due to higher payroll and related costs, inclusion of operating expenses from the new wholly owned subsidiary in Malaysia acquired in April 2013, full quarter consolidation of expenses from Nigeria subsidiary that was incorporated in Feb 2013 and start up cost in Myanmar.

## **Administrative expenses**

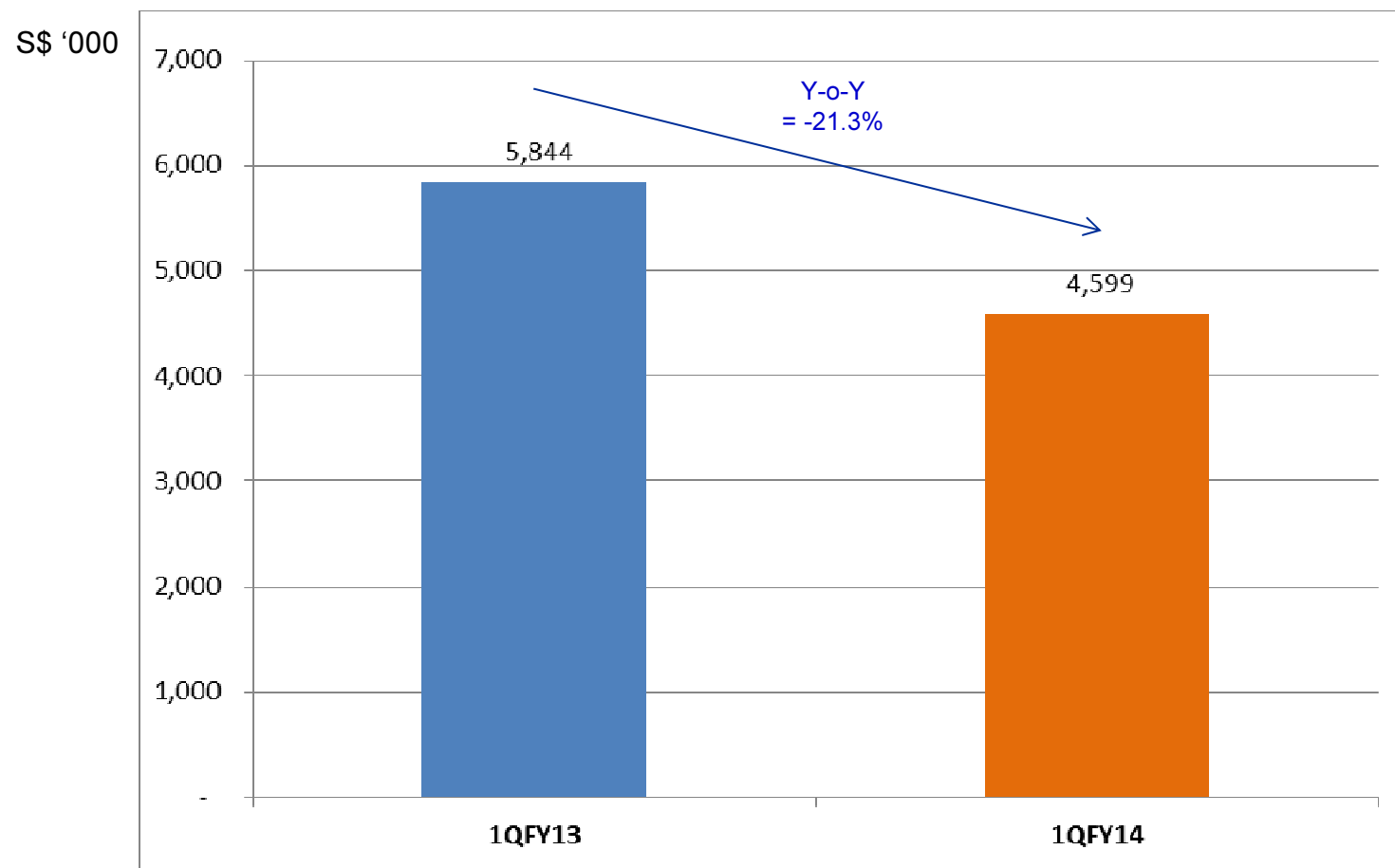
- Y-o-Y, the administrative expenses for 1QFY14 increased by 9.1% (\$0.2 million)
- The increase was mainly due to inclusion of operating expenses from the new wholly owned subsidiary in Malaysia acquired in April 2013.

# Profit before tax & scenario analysis



- With the combine effect of higher gross profit, lower other operating income, higher operating expenses, PBT for 1QFY14 decreased by 19.1% y-o-y.
- Excluding other operating income, the core PBT for 1QFY14 decreased by 11.4% y-o-y.

# Profit after tax

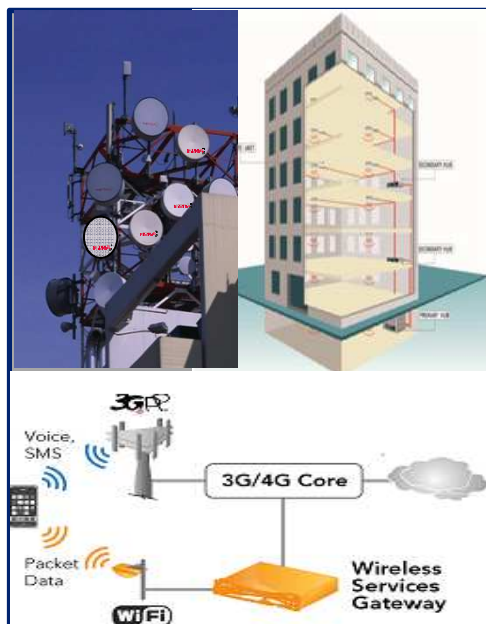


- PAT for 1QFY14 decreased by 21.3% y-o-y.

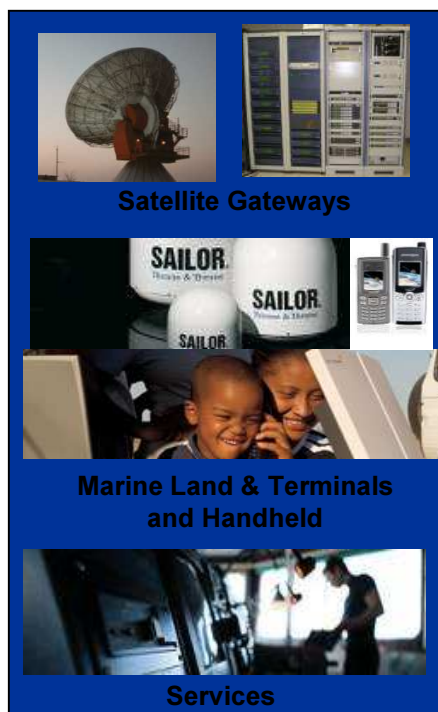
- **Strong balance sheet with zero debt**
- **Warranty provision, abt. S\$5.2m**
- **Strong cash position, abt. S\$41.7m**
  - + strong cash generated from operating activities = S\$3.1m
  - about S\$0.8m on capex, majority for POS terminals leasing business

# Outlook

# TELECOMMUNICATIONS SEGMENT



**Wireless Infrastructure Networks (WIN)**



**Satellite Communications**

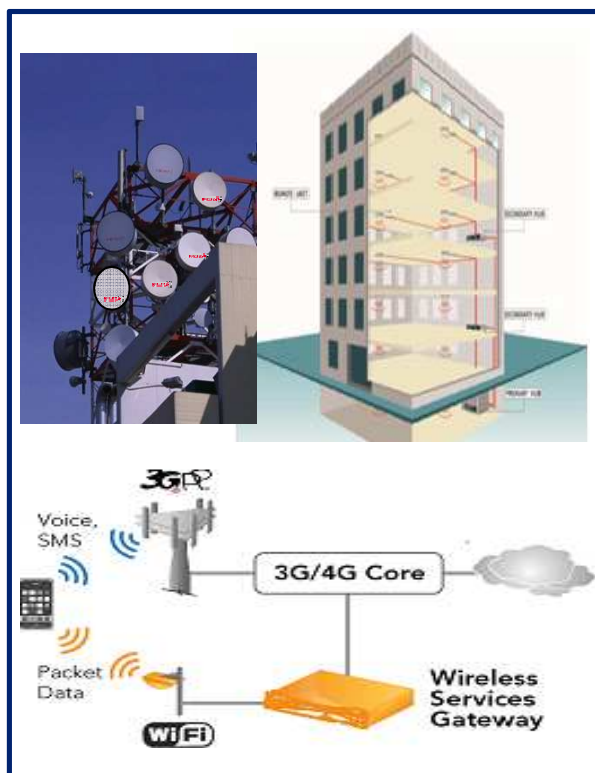
The Telecommunications business segment comprises two business areas : Wireless Infrastructure Networks ('WIN') and Satellite Communications ("Satcom").

In Q1 2014, the Group's Wireless Infrastructure Networks business area secured approximately \$19.2 million in order in-take, an increase of 8.3% compared \$17.7 million in Q1 2013 as a result of higher order in-take from Asia Pacific customers.

# TELECOMMUNICATIONS

## BA : Wireless Infrastructure Networks (“WIN”)

### Wireless Infrastructure Networks



- The demand for mobile broadband services will continue to rise and mobile operators will require to continue to expand their networks to meet their customers' needs as well as regulatory service standards.
- The Group believes it has comprehensive wireless products and solutions namely point-to-point trunk and access radios, point-to-multi-point radios, coverage solutions, wifi 3G data offload and performance networks that will help operators to lower their capex and opex. The Group also promotes various wireless solutions to the non-mobile customers such as defence, broadcasting and utilities markets.
- Competition in the wireless infrastructure network market remains intense. In some markets, uncertainties in spectrum and licensing regulations are causing the mobile operators to be cautious in their capital investments.

## TELECOMMUNICATIONS BA : Satellite Communications

### Satellite Communications

- The Group will continue to offer a range of land, marine and handheld satellite terminals to Satellite Operators, ISP, Broadcasters, Government, Oil / Gas / Maritime and Enterprises market sectors. To streamline the wireless business, the Satcom business has been merged into WIN business area.



Satellite Gateways



Marine Land & Terminals  
and Handheld



Services

# INFOCOMM BUSINESS SEGMENT



## Infocomm Network Infrastructure



The Infocomm business segment comprises two business areas, namely Network Infrastructure and Payment Solutions.

The Group's Infocomm business segment managed to secure approximately \$37.7 million of order intake in Q1 2014 compared to \$39.1 million in Q1 2013.

## Infocomm Payment Solutions



# INFOCOMM

## BA : Network Infrastructure



### Network Infrastructure

- In Q1 2014, the Group's Network Infrastructure business area managed to secure approximately \$27.4 million in order in-take, an increase of 4.7% compared to \$26.2 million in Q1 2013. The improvement in order in-take are mainly from customers outside Singapore.
- The Group will continue to focus on providing IP, Optical and Broadcast network infrastructure products and solutions to meet our various customers' business objectives and targeting at three key market verticals, namely Service Providers, Enterprises and Government, and Transport and Utilities.
- The Group believes that as a result of rapid rise in internet traffic, web services, mobility and security threats, its customers will need to continue to secure, expand and upgrade their networks to enable them to provide more competitive and new services and also as to meet more stringent regulatory compliances.
- Competition in the Network Infrastructure business area remains high and fragmented with many local resellers, distributors and system integrators partnering various network equipment manufacturers or vendors. Some global network equipment vendors are also engaging directly with customers.

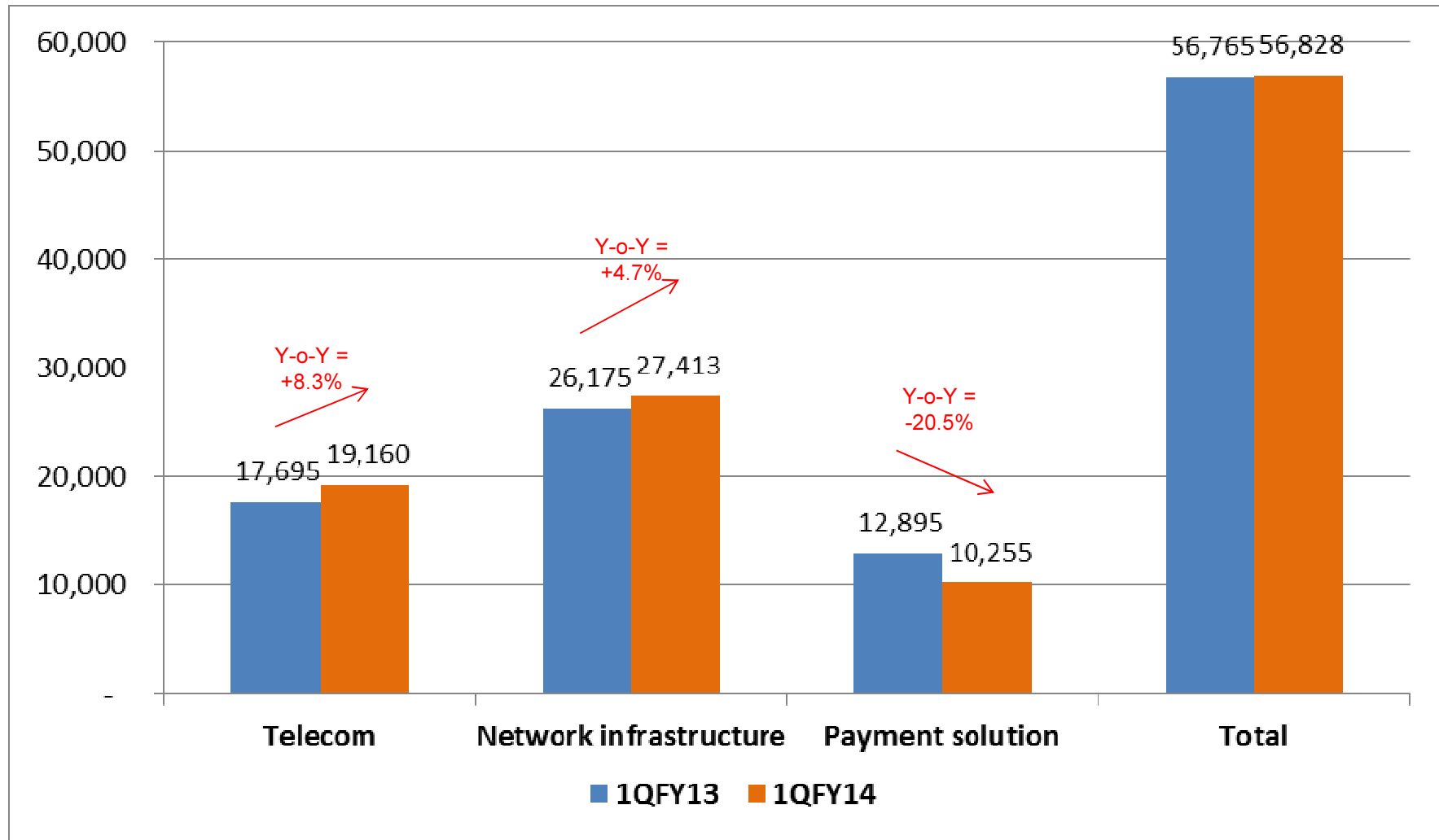
## INFOCOMM BA : Payment Solutions



### Payment Solutions

- In Q1 2014, the Group's Payment Solutions business area managed to secure approximately \$10.3 million in order in-take, a decrease of 20.5% compared to \$12.9 million in Q1 2013 as a result of delays in the tender award.
- The Group believes that growth in the payment business is driven by increase in spending and transactions, increase in the use of plastic card payments, various government initiatives to go cashless, outsourcing trends as well as regulatory standards and compliances..
- The Group will continue to focus on providing secured end-to-end electronic payment infrastructure, a variant of point-of-sale ("POS") terminals, services and outsourcing business models to banks, financial institutions, payment service providers, retailers, telcos, healthcare and transport organisations.
- Competition in the POS market remains high and fragmented with many local resellers. There are also new market entrance offering alternative payment methods.

# Order in-take summary



THANK  
YOU