

NERA TELECOMMUNICATIONS LTD

ANALYSTS' BRIEFING

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 - 1Q FY16 vs 1Q FY15
- Outlook



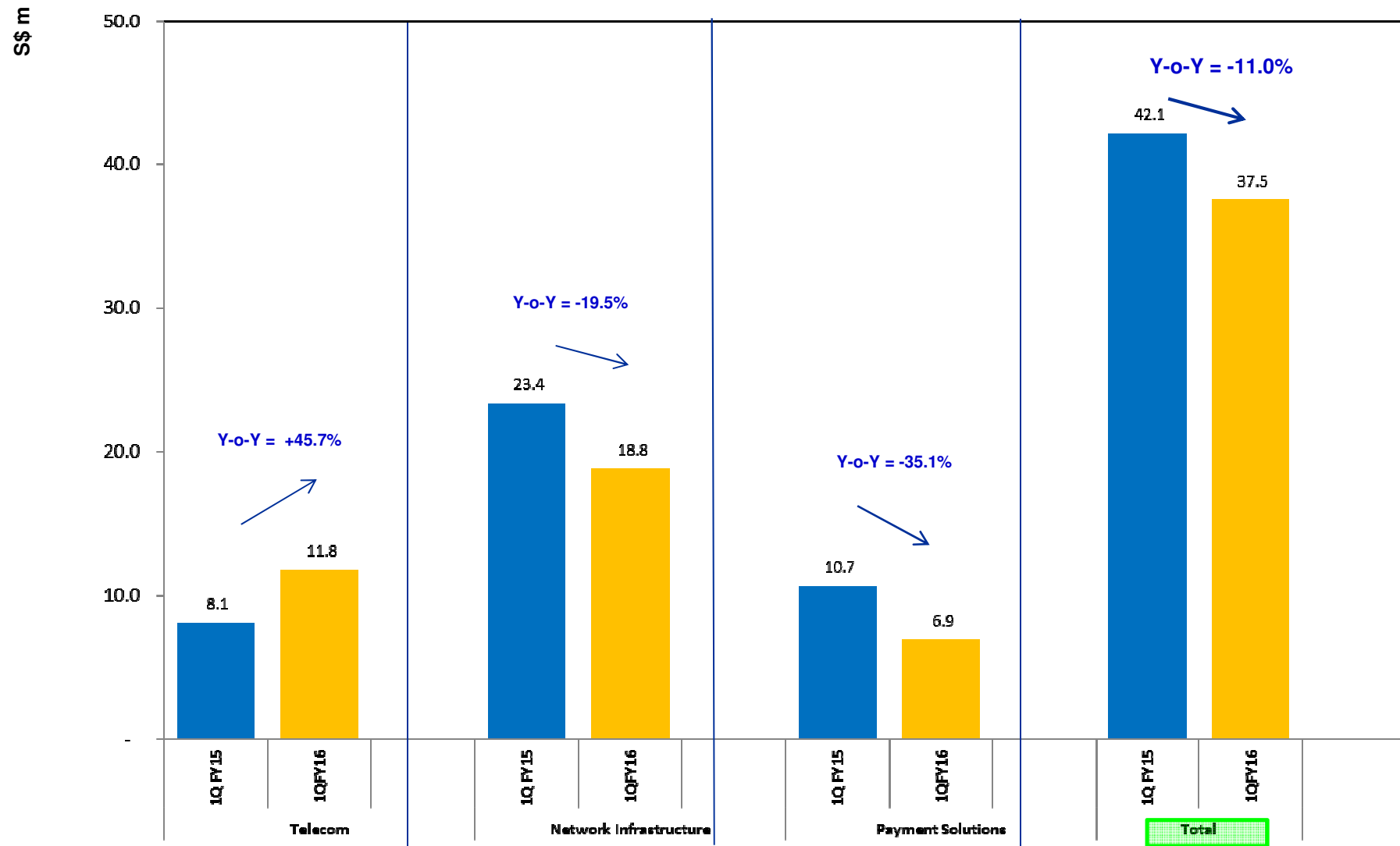
Financial performance summary



Nera Telecommunications Ltd

		Group		
		Qtr 1 2016 S\$'000	Qtr 1 2015 S\$'000	Increase/ (Decrease) %
	Note			
Turnover		37,491	42,105	(11.0)
Cost of sales		(24,712)	(28,001)	(11.7)
Gross profit		12,779	14,104	(9.4)
Other operating income		242	291	(16.8)
Distribution and selling expenses		(6,829)	(6,804)	0.4
Administrative expenses		(2,610)	(2,985)	(12.6)
Other operating expenses		(348)	(261)	33.3
Profit from operations		3,234	4,345	(25.6)
Financial expenses		(224)	(91)	146.2
Financial income		5	16	(68.8)
Profit before tax		3,015	4,270	(29.4)
Tax		(985)	(1,224)	(19.5)
Profit after tax		2,030	3,046	(33.4)

Revenue overview



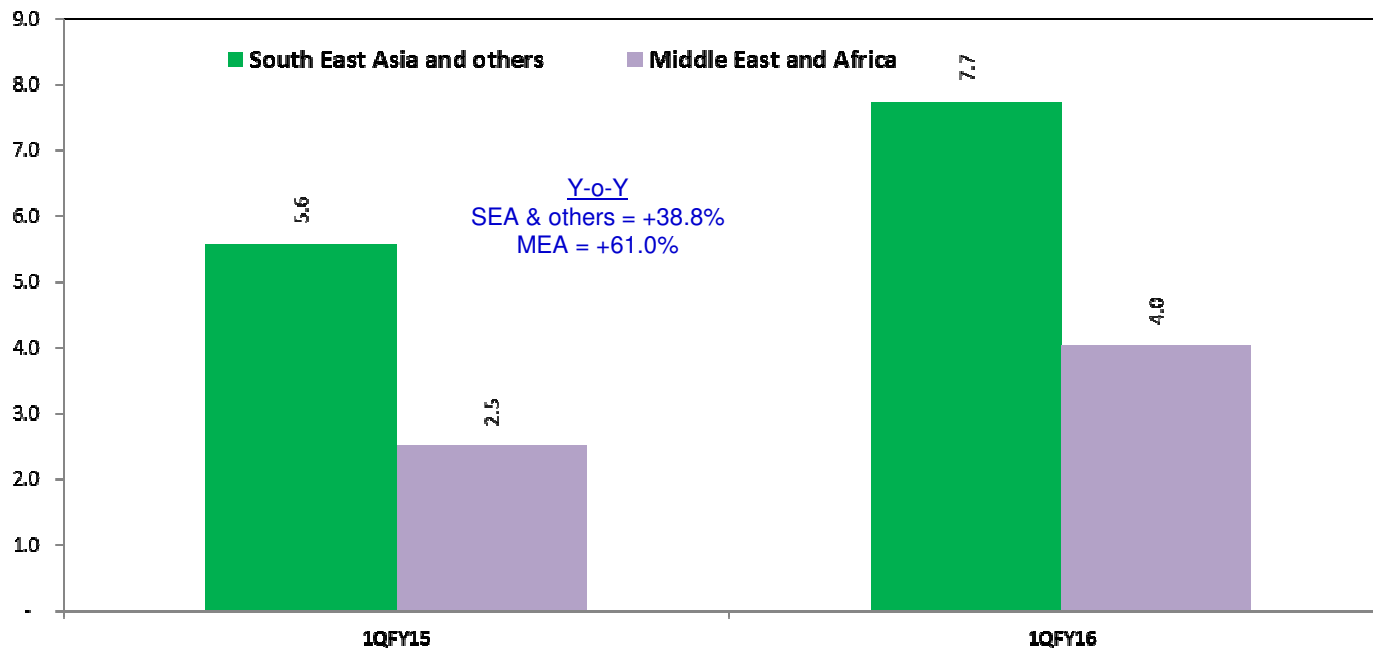
Revenue – Overall group



1Q FY16

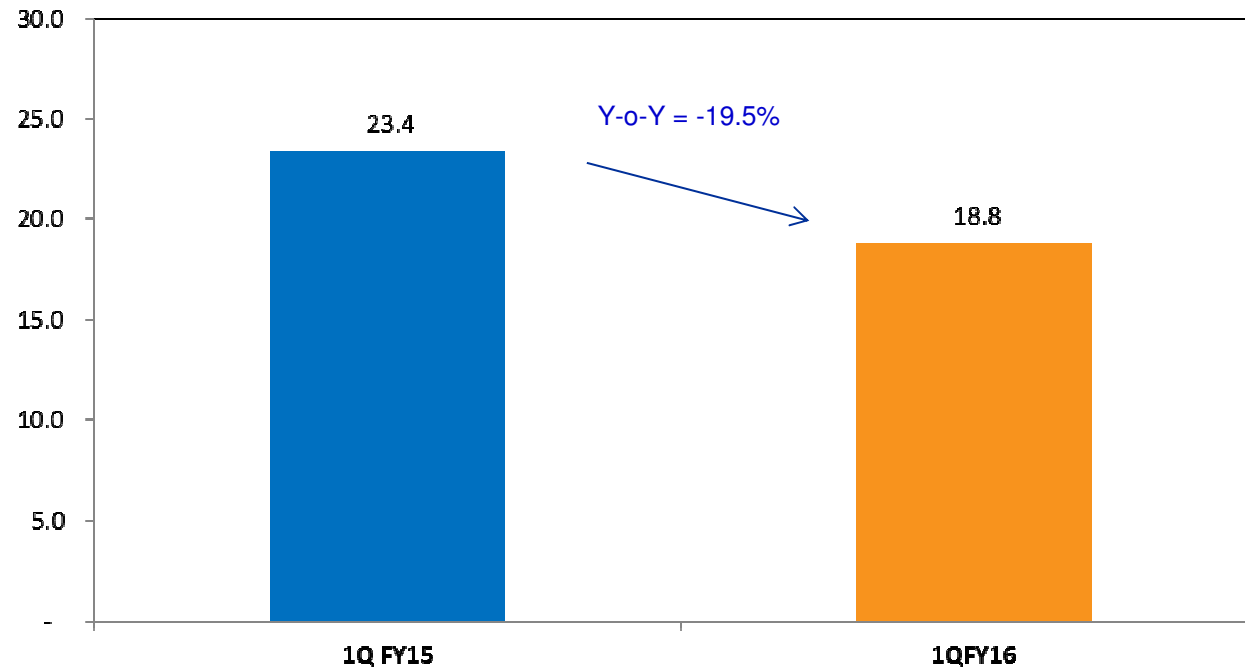
- Revenue in 1Q FY16 declined 11.0% (\$4.6m) y-o-y from \$42.1m to \$37.5m
 - Telecom - increased 45.7% (\$3.7m) y-o-y from \$8.1m to \$11.8m
 - Network Infrastructure - declined 19.5% (\$4.6m) y-o-y from \$23.4m to \$18.8m
 - Payment Solutions - declined 35.1% (\$3.8m) y-o-y from \$10.7m to \$6.9m

Revenue – Telecom segment



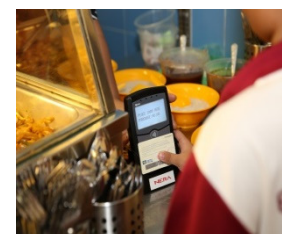
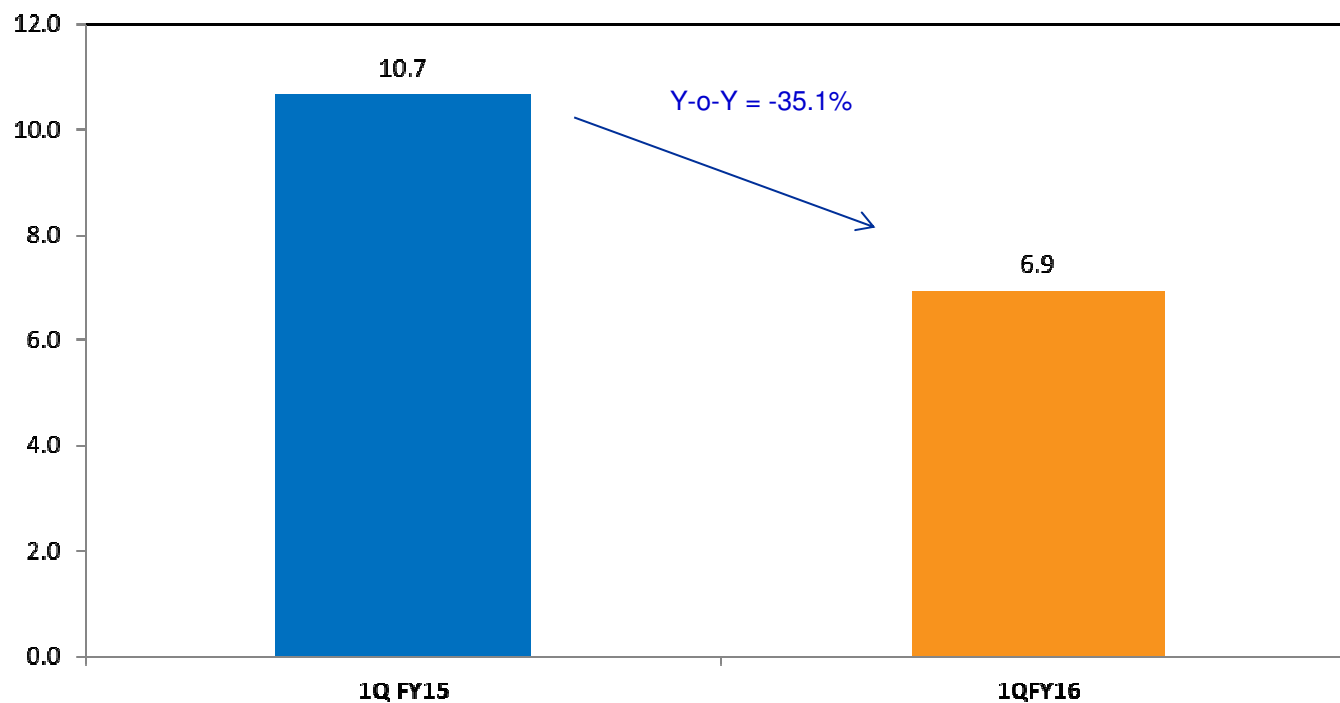
- In 1Q FY16, Telecom segment revenue from SEA & others region increased Y-o-Y at 38.8% (\$2.2m).
- In 1Q FY16, Telecom segment revenue from Middle East and Africa region increased Y-O-Y at 61.0% (\$1.5m).
- As a result, total Telecom segment revenue increased 45.7% Y-o-Y for 1Q FY2016 from \$8.1m to \$11.8m.

Revenue – Network Infrastructure



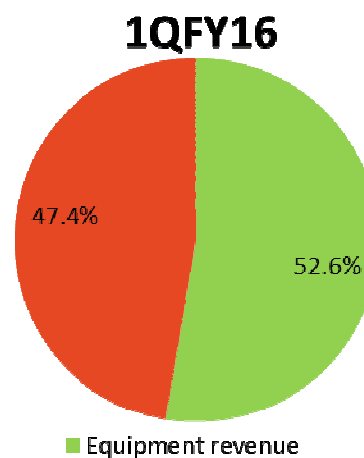
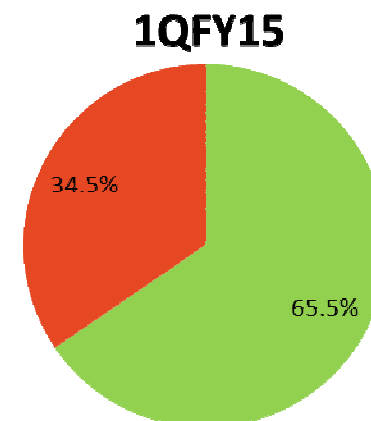
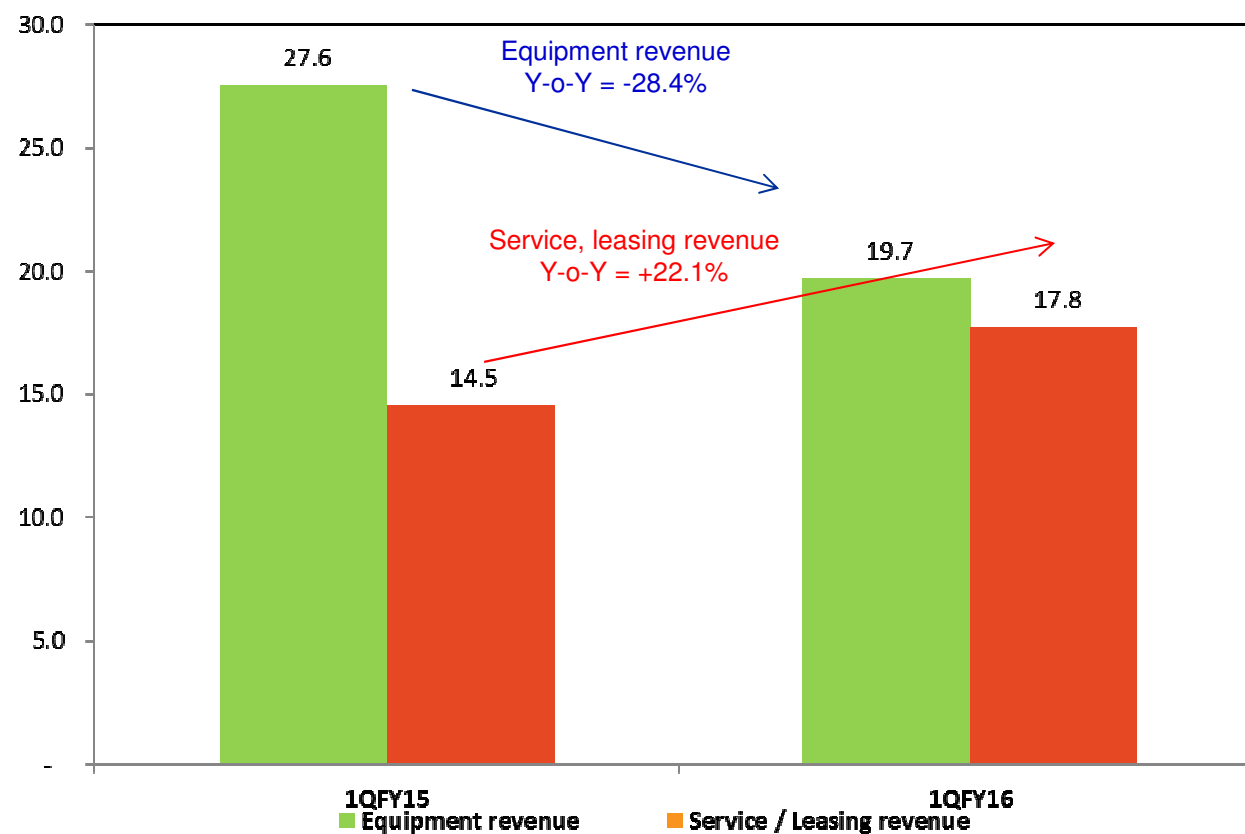
- Revenue contribution for 1Q FY16 from Network Infrastructure business area declined 19.5% (\$4.6m) Y-o-Y.
- The lower revenue for 1Q FY16 was mainly due to lower sales of network equipment to the Service Provider market. There was a delay in a significant order from a customer and also a pull back in project implementation due to slow payment by a customer.

Revenue – Payment Solutions



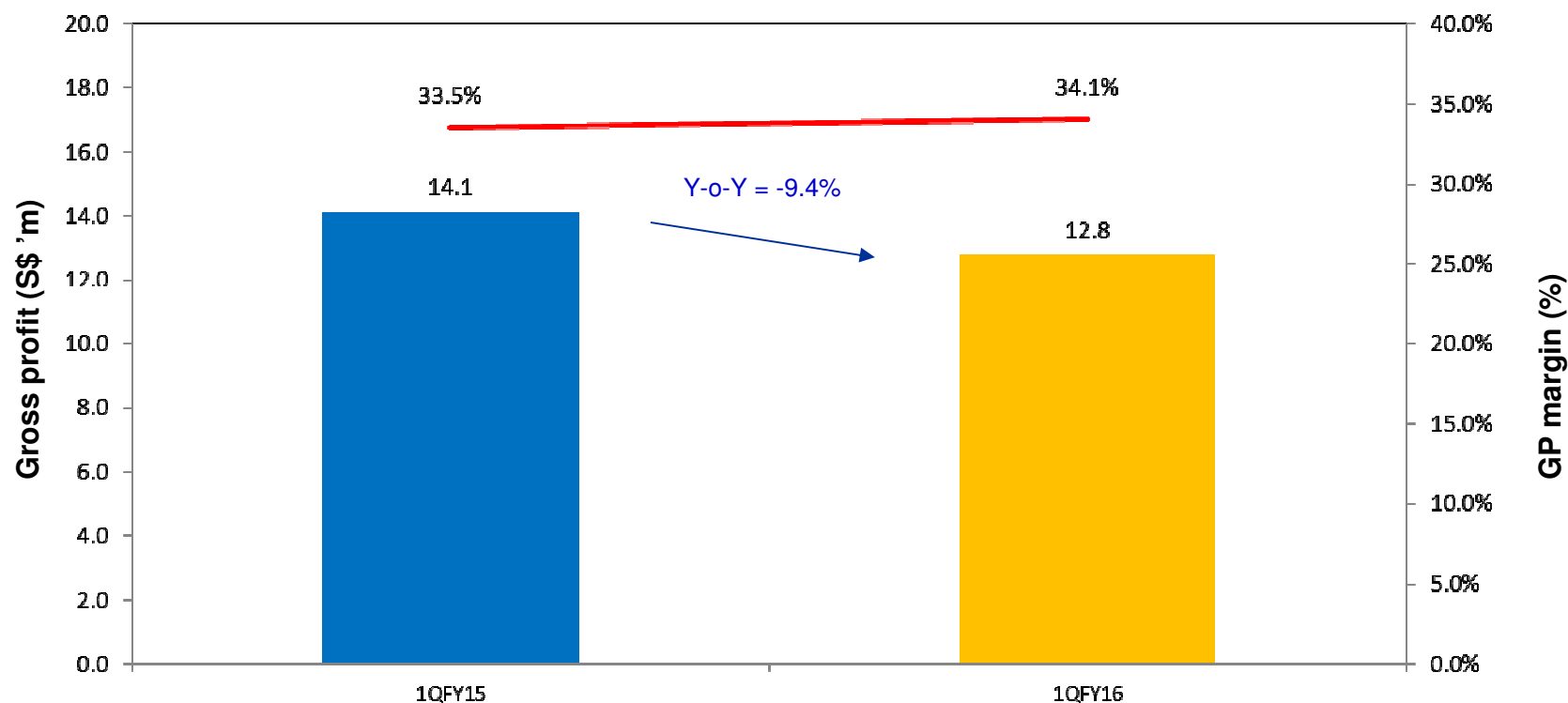
- For 1Q FY16, revenue contribution for Payment Solutions business area declined Y-o-Y at 35.1% (\$3.8m).
- The decline was mainly due to lower sale of point-of-sale terminals in Thailand.

Revenue – Breakdown by nature



- Revenue contribution from service and leasing revenue increased 22.1% Y-o-Y for 1Q FY16.
- Revenue contribution from equipment sales declined 28.4% Y-o-Y for 1Q FY16.

Gross Profit, GP Margin



- In 1Q FY16, gross profit declined 9.4% from \$14.1m to \$12.8m as a result of lower turnover.
- Gross profit margin (“GP margin”) improved slightly Y-o-Y from 33.5% to 34.1%., mainly due to lower proportion of equipment sales.

Other income, Operating Expenses

Other operating income

The lower other operating income for 1Q FY 2016 was mainly due to lower suppliers' incentive rebates, partially offset by higher government grant.

Distribution and Selling expenses

- Distribution and selling expenses increased slightly by 0.4% Y-o-Y mainly due higher provision made for doubtful debts partially offset by lower payroll and related costs.

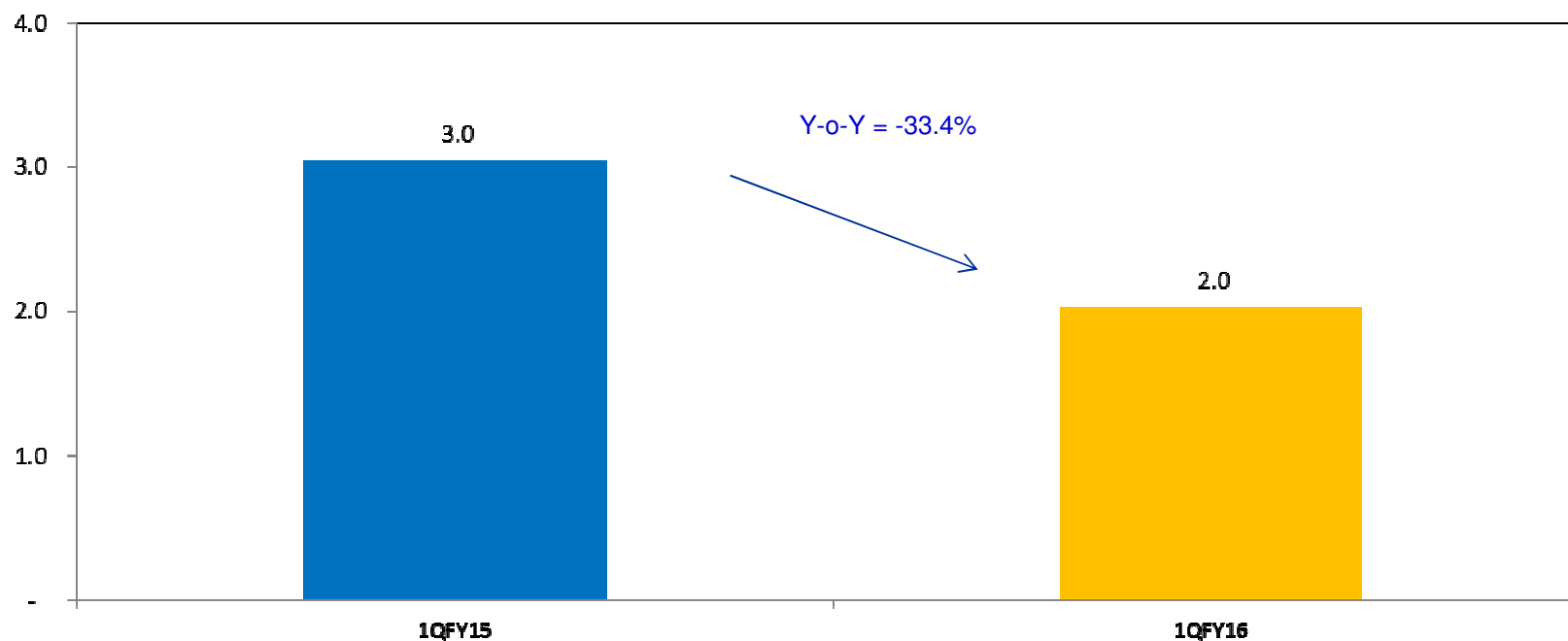
Administrative expenses

- Administrative expenses declined 12.6% (\$0.4 million) Y-o-Y mainly due to lower payroll and related costs.

Other expenses

- Higher other operating expenses for 1Q FY 2016 was mainly due to higher exchange loss, arising from the weakening of United States Dollar.

Profit after tax



- PAT for 1Q 2016 registered a decline of 33.4% YOY mainly due to lower gross profit from lower revenue, higher exchange loss and interest expenses, partially offset by lower taxes.

Financial Positions

- **Borrowings**

- As of 31 March 2016, long term and short term loans are \$12.8m and \$3.3m respectively.

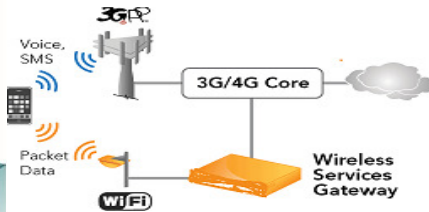
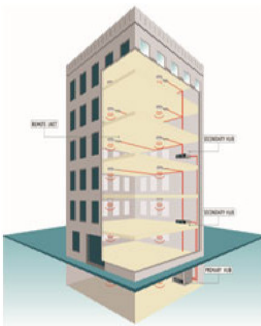
- **Warranty provision, approximately \$2.1m**

- **Cash position of \$17.7m as of 31 March 2016**

In Q1 2016, the Group generated negative cashflow of \$1.1 million from operating activities mainly due to higher working capital requirement. In addition, there were capital expenditures of \$1.9 million, resulting in the decrease of \$3.0 million in cash and cash equivalent for the quarter.



Nera Telecommunications - Overall

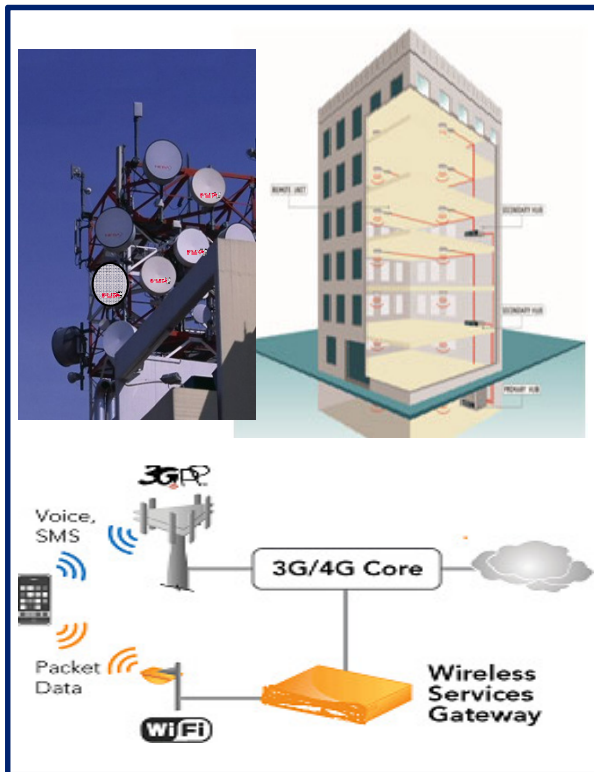


- In 1Q FY16, the Group secured a total of approximately \$70.2 million in order intake, an increase of 21.9% compared with \$57.6 million in Q1 2015 as a result of significant orders received from the Infocomm business segment

Infocomm Network Infrastructure



BA : Wireless Infrastructure Networks (“WIN”)



- In Q1 2016, the Group's Telecom business segment secured approximately \$24.8 million in order in-take, a decline of 10.5% compared to \$27.7 million in Q1 2015 as a result of lower orders from customers in Middle East partially offset by higher orders received from customers in Asia Pacific.
- The Group believes that Mobile Operators will continue to invest in their mobile network infrastructure in terms of increasing capacity, expanding their coverage and adding new capabilities to meet consumer demand for high speed broadband data and video services as well as regulatory requirements and compliances.
- Competition in the wireless infrastructure network market remains intense among global equipment vendors.
- The Group will focus on providing a comprehensive and competitive wireless solutions such as point-to-point and point-to-multi-point radio solutions, radio access networks, mobile coverage, wifi 3G data offload and performance networks that will help Operators to lower their capex and opex.

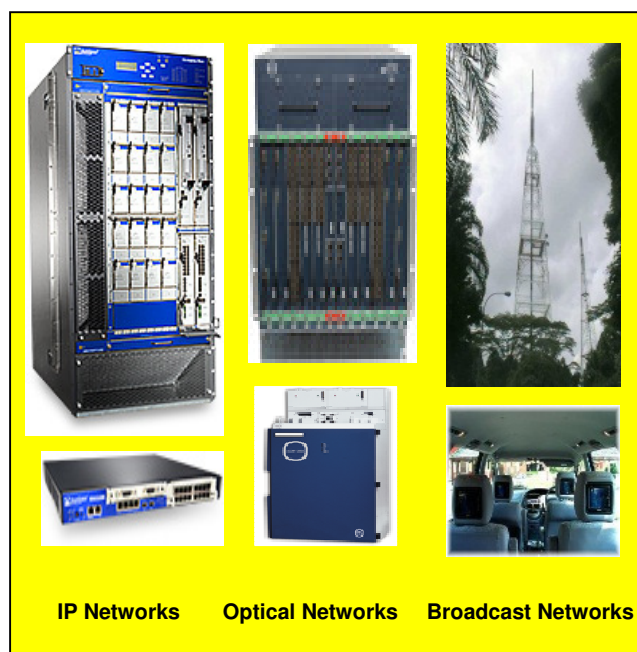
INFOCOMM BUSINESS SEGMENT



- The Infocomm business segment comprises two business areas, namely Network Infrastructure and Payment Solutions.
- The Group's Infocomm business segment recorded a significant increase in order intake of 51.8% from Q1 2015 of \$29.9 million to \$45.4 million in Q1 2016 due mainly to a very strong order intake from the Network Infrastructure business area.

INFOCOMM

BA : Network Infrastructure



- In Q1 2016, the Group's Network Infrastructure business area managed to secure approximately \$34.8 million in order in-take, a significant increase of 92.4% compared to \$18.1 million in Q1 2015. This resulted from higher orders of network equipment and broadcast systems received from Service Providers in Indonesia, Singapore and Australia.
- Competition in the network infrastructure business remains high and fragmented with many local system integrators partnering various global network equipment vendors to offer networking products and services.
- The Group believes demand for network infrastructure products, solutions and services will continue as a result of rapid increase in internet traffic and services, data, video content and security threats.
- The Group will focus on providing IP, Optical, Broadcast, Cloud, Data Centers and Security network infrastructure products and solutions to three main targeted verticals, namely Service Providers, Enterprises and Government, Transport and Utilities.

INFOCOMM BA : Payment Solutions



- In Q1 2016, the Group's Payment Solutions business area managed to secure approximately \$10.6 million in order in-take, a decrease of 10.4% compared to \$11.8 million in Q1 2015 as a result of lower orders of point-of-sale ('POS') terminals from customers in the Philippines.
- Growth in the payment solutions business is driven by demand for POS terminals to support the increase in spending and transactions, the use of plastic cards for payments, government cashless initiatives, banks' outsourcing trends, security, industry standards and regulatory compliances
- Competition in the POS market remains high and fragmented. The Group will continue to focus on providing secured end-to-end electronic payment infrastructure, comprising of front end POS terminals to back end hosting and value added services to banks and financial institutions, retailers and transport organisations.

Order in-take summary



Nera Telecommunications Ltd

