Q2/1H 2019 RESULTS PRESENTATION

14 August 2019
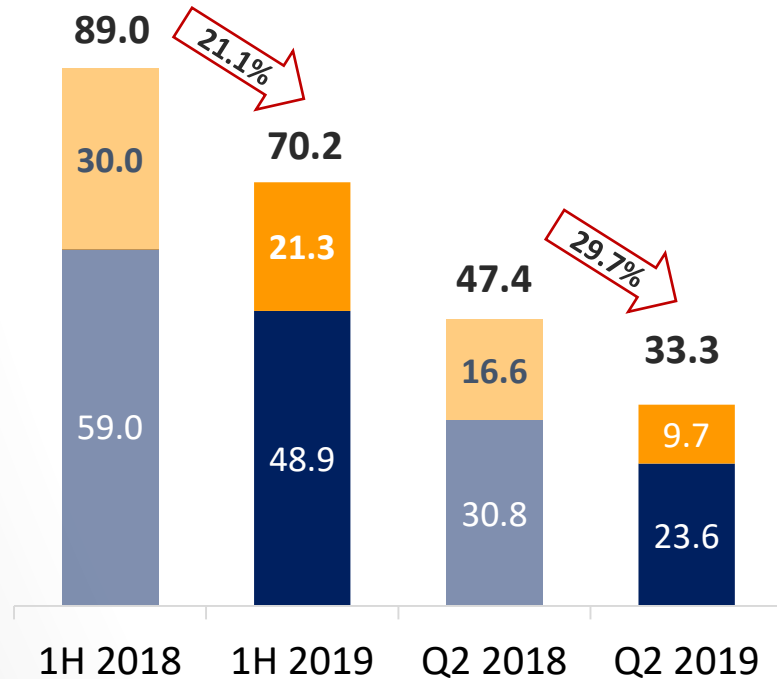
FINANCIAL HIGHLIGHTS

KEY FINANCIAL HIGHLIGHTS
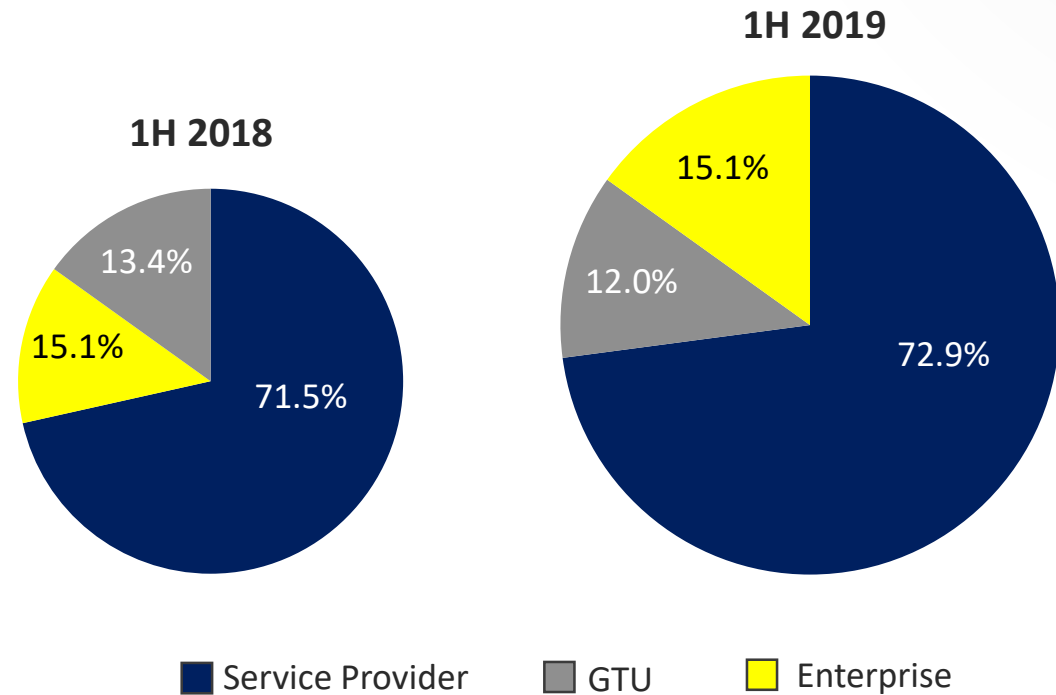
Revenue
(S$'m)

- ■ Wireless Infrastructure Network (WIN)
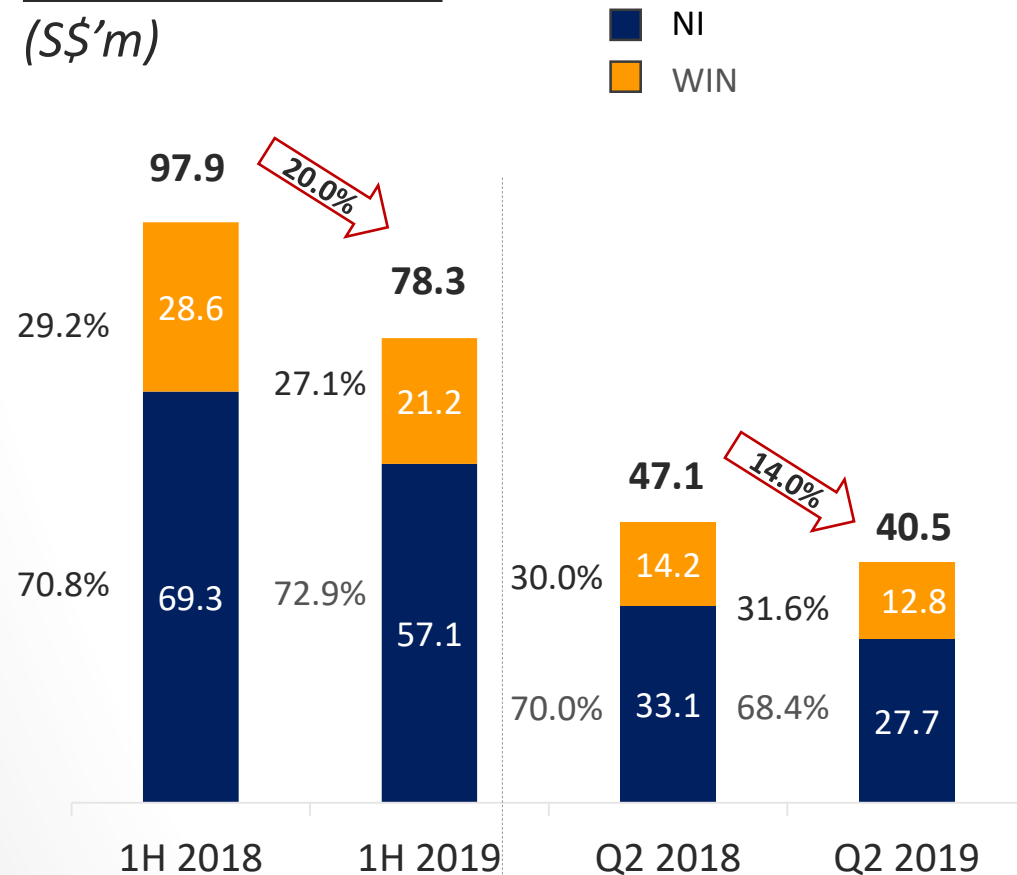- ■ Network Infrastructure (NI)

Revenue bar chart:

	1H 2018	1H 2019	Q2 2018	Q2 2019
Total	89.0	70.2	47.4	33.3
WIN	30.0	21.3	16.6	9.7
NI	59.0	48.9	30.8	23.6

(21.1% decline 1H 2018 → 1H 2019; 29.7% decline Q2 2018 → Q2 2019)

Revenue Contribution By Customer Segment

1H 2018
- Service Provider: 71.5%
- GTU: 13.4%
- Enterprise: 15.1%

1H 2019
- Service Provider: 72.9%
- GTU: 12.0%
- Enterprise: 15.1%

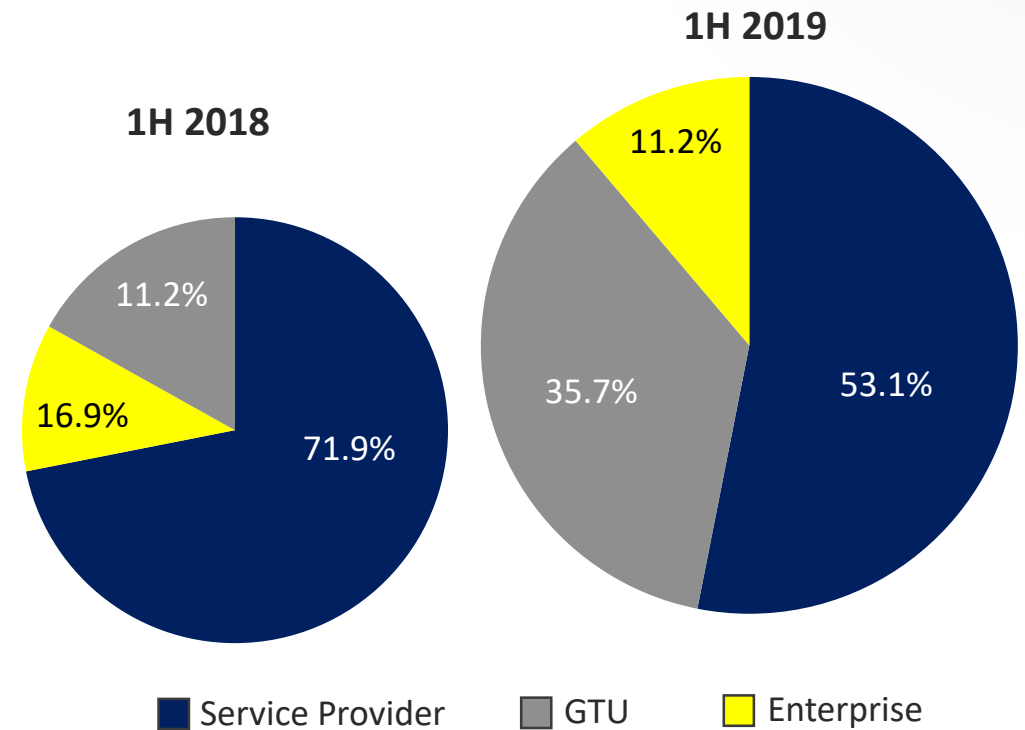■ Service Provider   ■ GTU   ■ Enterprise

- Revenue declined YOY due to lower contributions from both business segments, resulting mainly from lower order in-take from the Service Provider customer segment
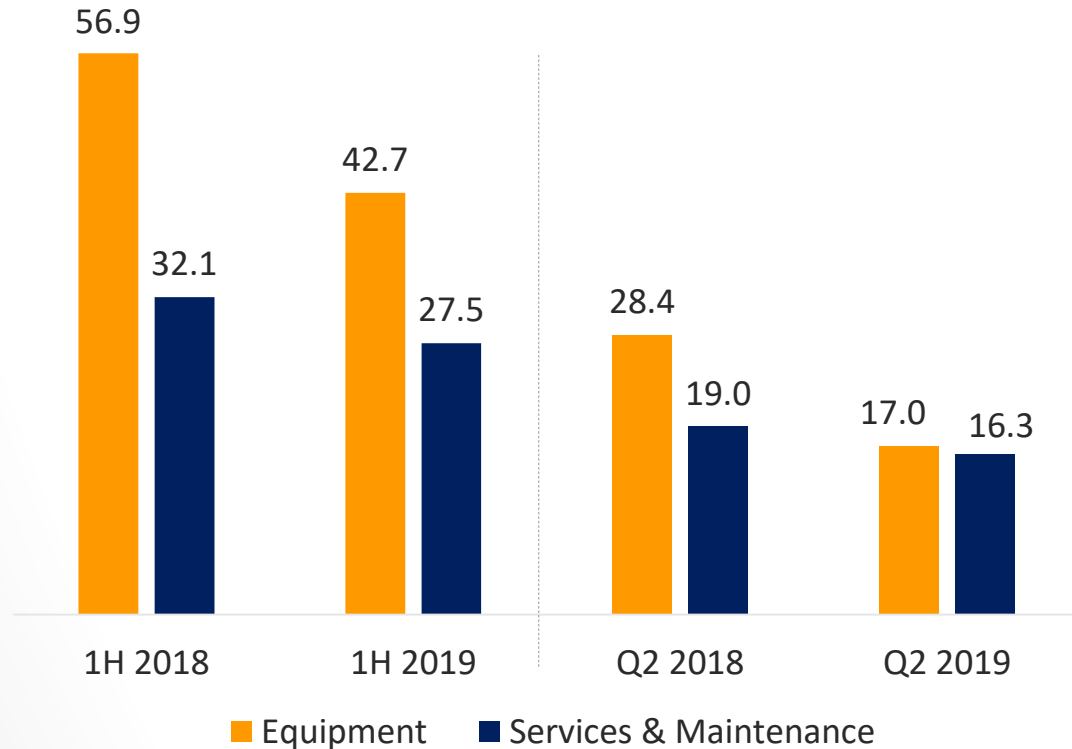
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KEY FINANCIAL HIGHLIGHTS

Total Order In-Take
(S$'m)

- ■ NI
- ■ WIN

97.9

20.0%

78.3

29.2% — 28.6

70.8% — 69.3

27.1% — 21.2

72.9% — 57.1

47.1

14.0%

40.5

30.0% — 14.2

70.0% — 33.1

31.6% — 12.8

68.4% — 27.7

1H 2018   1H 2019   Q2 2018   Q2 2019

Total Order In-Take By Customer Segment

1H 2018

- 11.2%
- 16.9%
- 71.9%

1H 2019

- 11.2%
- 35.7%
- 53.1%

■ Service Provider   ■ GTU   ■ Enterprise

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KEY FINANCIAL HIGHLIGHTS

Revenue (By Nature)
(S$'m)

	Equipment	Services & Maintenance
1H 2018	56.9	32.1
1H 2019	42.7	27.5
Q2 2018	28.4	19.0
Q2 2019	17.0	16.3

■ Equipment   ■ Services & Maintenance

Breakdown (By Nature)

1H 2018
- Equipment: 63.9%
- Services & Maintenance: 36.1%

1H 2019
- Equipment: 60.9%
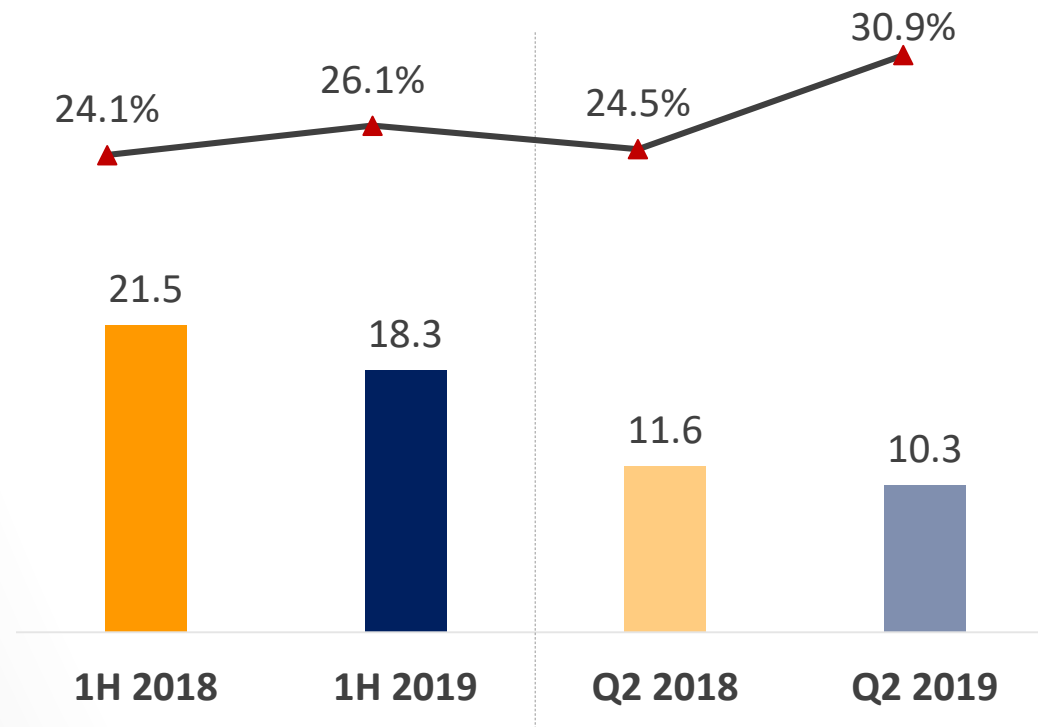- Services & Maintenance: 39.1%

■ Equipment
■ Services & Maintenance
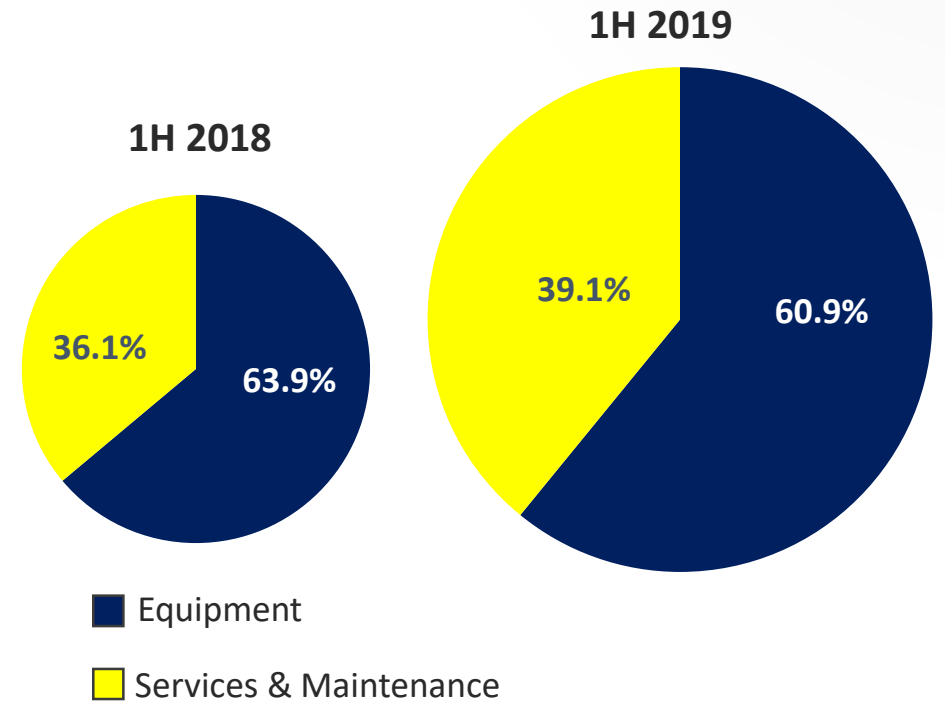
Encouraging customers to take on services & maintenance contracts to bolster recurring income streams

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KEY FINANCIAL HIGHLIGHTS
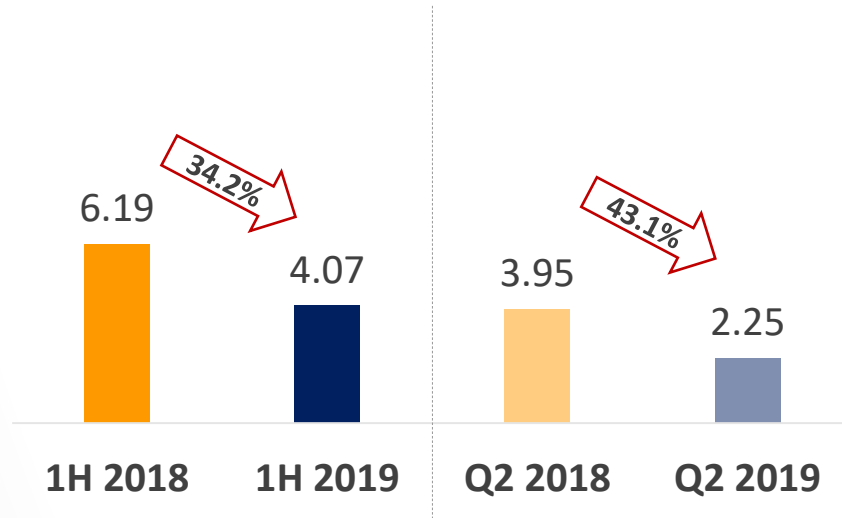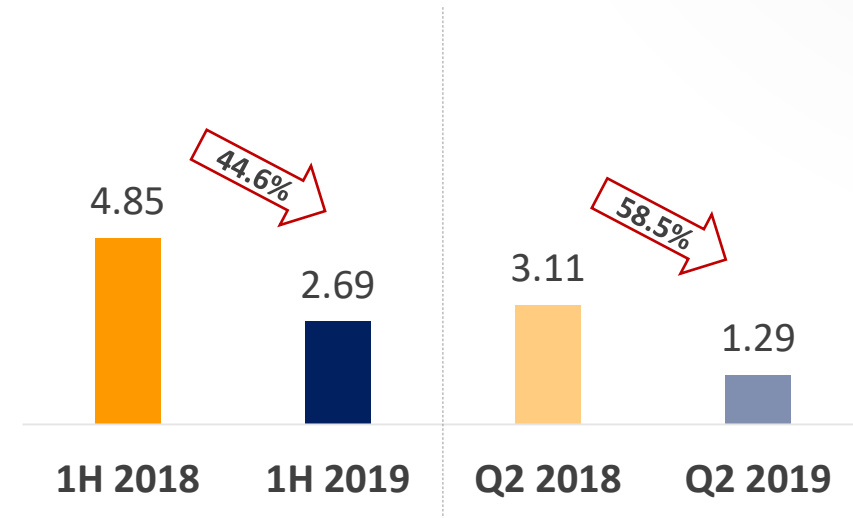
Gross Profit/Gross Profit Margin
(S$'m)

- Lower gross profit YOY mainly due to lower revenue
- Gross profit margin improved YOY with higher services revenue

Improved gross profit margins due to enhanced product mix

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KEY FINANCIAL HIGHLIGHTS

Profit Before Tax
(S$'m)

34.2%

6.19

4.07

43.1%

3.95

2.25

1H 2018   **1H 2019**   **Q2 2018**   **Q2 2019**

Net Profit
(S$'m)

44.6%

4.85

2.69

58.5%

3.11

1.29

1H 2018   **1H 2019**   **Q2 2018**   **Q2 2019**

- The decrease in profit before tax ("PBT") was attributable to lower gross profit in tandem with lower revenue, and partially offset the impact of lower operating expenses
- Lower net profit mainly due to lower PBT and the differences in tax assessment and tax estimates made in prior years for foreign subsidiaries

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FINANCIAL POSITION

S$'m	Q2 2019	Q2 2018	Change (%)	1H 2019	1H 2018	Change (%)
Revenue	**33.34**	47.41	(29.7)	**70.18**	89.01	(21.2)
Gross Profit	**10.31**	11.59	(11.1)	**18.33**	21.47	(14.6)
Gross Profit Margin (%)	**30.9**	24.5	6.4 *pt*	**26.1**	24.1	2.0 *pt*
Total Operating Expenses	**8.02**	7.72	3.9	**14.32**	15.42	(7.1)
Net Profit After Tax	**1.29**	3.11	(58.5)	**2.69**	4.86	(44.6)
Net Profit Margin (%)	**3.9**	6.6	(2.7) *pt*	**3.8**	5.4	(1.6) *pt*
Basic and Fully Diluted EPS (SGD cents)	**0.36**	0.86	(58.1)	**0.74**	1.34	(44.8)

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FINANCIAL POSITION

S$'m	30 June 2019	31 December 2018
Current Assets	149.46	152.38
Current Liabilities	89.93	91.52
Net Current Assets	59.53	60.86
Total Assets	158.95	158.50
Total Liabilities	94.34	91.83
Total Borrowings	11.90	5.50
Cash and Bank Balances	12.36	21.56
Net Cash	0.46	16.06
NAV/Share (SGD cents)	17.85	18.42

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OUTLOOK & STRATEGIES

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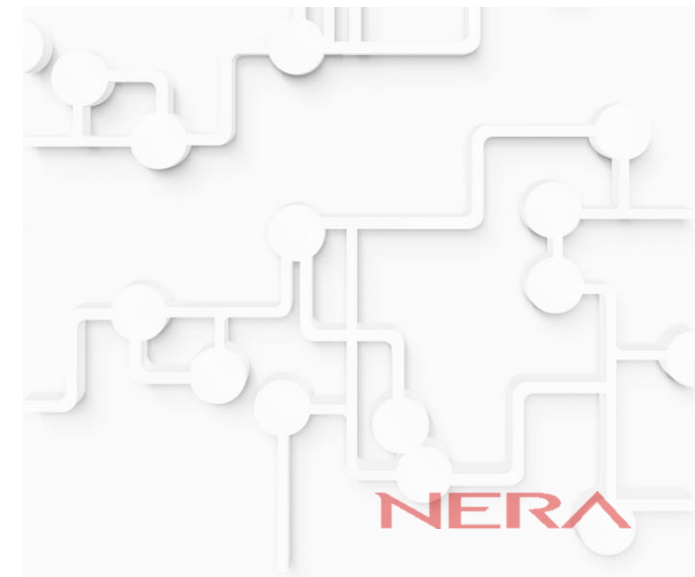
OUTLOOK – IDENTIFIED BUSINESS VERTICALS

Cybersecurity

>US$**365.3B**

Cybersecurity spending
(2026F)

16.1%

CAGR
(2017 - 2026F)

Data Analytics

US$**274.3B**

Global big data and business analytics solutions
(2022F)

13.2%

CAGR
(2018 - 2022F)

Automation

>US$**16.9B**

Network Automation Market
(2022F)

48.7%

CAGR (2016 - 2022F)

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OUTLOOK – CYBERSECURITY

DEMAND DRIVERS

- Increased frequency of cyberattacks
- Rising internet penetration and proliferation of smart devices and advent of advanced technology like Internet of Things ("IoT")
- Growing business digitisation and transformation and migration to cloud increases vulnerability to cyberattacks
- Stringent government regulations

NERATEL GAINING TRACTION

- Profitable cybersecurity business with healthy margins
- Capitalising on current customer base – Customers have a strong preference for a vendor who is already familiar with their network
- Comprehensive range of cybersecurity products and services; backed by strong pool of domain experts to offer differentiated solutions to clients

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KEY STRATEGIES

Capitalise Digitisation Wave for New Growth Areas	Optimise Customer Base	Reap Synergies Across Businesses	Enhance Product Mix	Inorganic Growth
• **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	• Reduce reliance on Service Providers • Diversify and expand customer base in other segments	• Upsell/Cross sell products and services to customers (e.g. security products) • Drive growth for identified new verticals – Cybersecurity/ Automation/Data Analytics	• Bolster recurring income streams by encouraging customers to take on Service & Maintenance contracts	• Keep a look out for synergistic M&A opportunities to gain new capabilities and access to customers/ geographical markets – particularly in the identified new growth areas

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Q2/1H 2019 RESULTS PRESENTATION
THANK YOU