

1 **Ceragon Networks Q1 FY 2024 Earnings Call Script**

2

3 May 7, 2024

4

5 **Operator**

6 Welcome to Ceragon Networks First Quarter 2024 Earnings Conference  
7 Call. At this time, all participants are in a listen-only mode. Following  
8 management's prepared remarks, we will host a question-and-answer  
9 session.

10

11 If you wish to participate and ask a question on today's call you will  
12 need to click on the "raise your hand" icon within the zoom application  
13 on your desktop or mobile device.

14

15 As a reminder, this call is being recorded. It is now my pleasure to  
16 introduce your host, Rob Fink of FNK IR.

17

18 **Rob Fink**

19 Thank you, operator, and good morning, everyone. Hosting today's call  
20 is Doron Arazi, Ceragon's Chief Executive Officer and Ronen Stein, Chief  
21 Financial Officer.

22

23 Before we start, I would like to note that certain statements made on  
24 this call, including projected financial information and other results and  
25 the company's future initiatives, future events, business outlook,  
26 development efforts and their potential outcome, anticipated progress  
27 and plans, results and timelines and other financial and accounting-  
28 related matters, constitute "forward-looking statements" within the  
29 meaning of the Securities Act of 1933, as amended and the Securities  
30 Exchange Act of 1934, as amended, and the safe-harbor provisions of  
31 the Private Securities Litigation Reform Act of 1995.

32

33 Ceragon intends forward-looking terminology, such as believes,  
34 expects, may, will, should, anticipates, plans or similar expressions to  
35 identify forward-looking statements. Such statements reflect only  
36 current beliefs, expectations, and assumptions of Ceragon's  
37 management-- actual results, performance, or achievements of  
38 Ceragon may differ materially, as they are subject to certain risks and  
39 uncertainties, which could cause Ceragon's actual results to differ  
40 materially from those projected in such forward-looking statements.  
41 Such risks and uncertainties include, but are not limited to the risks and  
42 uncertainties that are described in Ceragon's most recent Annual  
43 Report on Form 20-F and as may be supplemented from time to time in  
44 Ceragon's other filings with the SEC, including today's earlier filing of

45 the earnings PR, all of which are expressly incorporated herein by  
46 reference. Forward-looking statements relate to the date initially made,  
47 do not purport to be predictions of future events or results, and there  
48 can be no assurance that they will prove to be accurate, and Ceragon  
49 undertakes no obligation to update them.

50

51 Ceragon's public filings are available on the Securities and Exchange  
52 Commission's website at [www.sec.gov](http://www.sec.gov), and may also be obtained from  
53 Ceragon's website at [www.ceragon.com](http://www.ceragon.com).

54 Also, today's call will include certain non-GAAP numbers. For a  
55 reconciliation between GAAP and non-GAAP results, please see the  
56 table attached to the press release that was issued earlier today which  
57 is posted on the Investor Relations section of Ceragon's website.

58 I will now turn the call over to Doron. Please go ahead.

59

60

61 **Doron Arazi**

62

63 Thank you, Rob, and good morning, everyone.

64

65 This was a solid start to 2024 for Ceragon. We are executing against our  
66 strategic plan and are on pace to achieve our full year growth and  
67 profitability targets. Demand for our solutions is strong and growing in  
68 North America and India in particular, and we are expanding our  
69 presence with private network customers globally. We grew revenue  
70 year-over-year, expanded our gross profit margins and delivered  
71 another profitable quarter with positive free cash flow.

72

73 The quarter was highlighted by particularly strong booking levels. The  
74 large-scale network modernization project for a Tier 1 Operator in India  
75 was a major contributor to the higher bookings as we received  
76 significant initial orders against the agreement. We continued to  
77 generate strong bookings in North America as well, and we generated  
78 improved bookings in all other regions sequentially. The strong  
79 bookings give us visibility and optimism that we will achieve our full-  
80 year growth and profitability targets.

81

82 Our new products and solutions are serving as a catalyst for our  
83 business. As expected, our new offerings are creating higher customer  
84 interest and are starting to translate to bookings and revenue. We used  
85 Mobile World Congress as a venue to showcase our next-gen solutions.  
86 We also started delivering significant quantities of one of our new  
87 products in the first quarter.

88

89 Some of the new solutions in our portfolio, that are worth highlighting,  
90 include:

- 91 • First, our MultiHaul (Fixed Wireless Access) family of Point-to-  
92 Multipoint solutions that operate in the V-Band frequency,  
93 opening doors to diverse applications through its use of  
94 unlicensed spectrum, along with its high-capacity and short-range  
95 characteristics. These qualities are ideal for both Private Networks  
96 and Service Providers aiming to establish swift connections in  
97 confined, dense areas such as cities and campuses.
- 98
- 99 • Next, the IP-50CX, the most compact universal microwave radio in  
100 the industry. This all-outdoor radio, with its unparalleled  
101 versatility, has the capability to form the entire network, from  
102 small cells to large-scale aggregation sites, significantly simplifying

103 network architecture, reducing costs, and accelerating time to  
104 revenue.

105

- 106 • Finally, there is the IP-50EX, an ultra-compact, high-capacity E-  
107 Band radio which is ideally suited for a variety of use cases,  
108 especially when small size and low OPEX are priorities.

109

110 As I'm sure you know, MWC is the largest, most influential connectivity  
111 event in our industry. Our goals at MWC were to demonstrate our  
112 technology, communicate our mmW solution, which is the industry's  
113 broadest, and also demonstrate our recent advances in Microwave and  
114 Millimeter wave transport and fixed wireless access. We achieved each  
115 of these goals.

116

117 We had a record number of face-to-face meetings with customers and  
118 prospects, received great affirmations of our upcoming next-gen  
119 technology and received strong indications that we are well aligned  
120 with market needs. We provided an industry-first LIVE demonstration  
121 of the capabilities of our soon-to-be 100 Gbps E-Band link, that is based  
122 on our new System on a Chip with great feedback.

123

124 We also showcased our end-to-end Private Networks offerings, with a  
125 unique display of our Broadband Luminaires that integrate Gigabit-  
126 Speed wireless connectivity into lighting infrastructure to enable smart  
127 city connectivity. Visitors to our booth learned about our Professional  
128 and Managed Services offering and saw a demonstration of our  
129 Ceragon Digital Twin solution and how it optimizes networks for  
130 reduced costs and improved user experiences.

131

132 As it relates to private networks, we made particular strides in the  
133 energy sector during the quarter. We signed new deals serving the  
134 energy industry across multiple regions, with an aggregate deal value of  
135 nearly \$10 million. These energy sector agreements underscore the  
136 pivotal role we play in advancing digital transformation within the  
137 energy industry, facilitating the goal of network operators to achieve  
138 higher capacity at reduced costs.

139

140 In the second half of 2023, we expanded our Talent Center approach to  
141 better-position Ceragon for profitable growth. In addition to our  
142 existing and very successful talent centers in Israel and Romania, we  
143 have now opened two new talent centers, one in Bangalore, India and  
144 another in Asuncion, Paraguay. The primary goal of these talent centers

145 is to improve our access to the talent market, as well as to support our  
146 long-term targets of growth and expanded operating margins.

147

148 I'd now like to provide an overview of our Q1 highlights by region.

149 Noting that on today's call we will focus primarily on activities in North  
150 America and India, the two regions that have, and we expect will  
151 continue to have, the greatest impact on our results in the near term.

152

153 **In North America**, revenue was \$28.9 million. We continue to maintain  
154 our presence with large carriers and other major customers.

155 Specifically, we saw significant demand from large ISPs for Siklu's  
156 millimeter-wave solutions. The headwinds service providers face have  
157 been well-documented, and capex spending by large networks has  
158 been more volatile. We continue to navigate these challenges better  
159 than many in the space, though it has reduced our line-of-sight to  
160 converting bookings to revenue and elongated our sales cycles  
161 somewhat. In private networks, we've made important first steps in a  
162 few new accounts, receiving initial orders, and we expect the number  
163 of new customers to increase in Q2. Also, our expanded marketing  
164 initiatives in North America are just now accelerating and we hope to  
165 start seeing the fruits of these investments later this year.

166



167 In **India**, revenue was \$26 million with record bookings, again, related  
168 to the large agreement we disclosed last quarter as well as high value  
169 of orders received from one of our longstanding customers. We  
170 continue to expect delivery and deployment of the new customer  
171 orders to begin in the second quarter, and deployment is expected to  
172 take approximately two years, with about 75% of the project value  
173 expected to be recognized during this timeframe.

174

175 Clearly, we continue to be successful in India and North America, and  
176 this is facilitating our growth and profitability.

177

178 With that, I'll turn the call over to Ronen Stein, our CFO, to discuss the  
179 results in more detail. Ronen, over to you.

180

181

182 **Ronen Stein**

183

184 Thank you Doron, and good morning, everyone.

185

186 As Doron outlined, the first quarter represented a solid start to the year  
187 for Ceragon.

188

189 To help you understand the results, I will be referring primarily to non-  
190 GAAP financials. For more information regarding our use of non-GAAP  
191 financial measures, including reconciliations of these measures, we  
192 refer you to today's press release.

193

194 Let me now review the actual results:

195

196 **Revenues** were \$88.5 million, up 6% from \$83.4 million in Q1 2023.

197 Our strongest regions in terms of revenues for the quarter were **North**  
198 **America** and **India** with \$28.9 and \$26.0 million, respectively, in line  
199 with the continuous strong demand we see in these regions. Our third  
200 strongest region in terms of revenues was **EMEA** with \$14.9 million.

201

202 We had two customers in the first quarter that contributed more than  
203 10% of our revenues.

204

205 **Gross profit** for the first quarter on a non-GAAP basis was \$32.5 million,  
206 an increase of 14.7% compared to \$28.4 million in Q1 2023. Our non-  
207 GAAP gross margin was 36.7% compared with gross margin of 34.0% in  
208 Q1 2023. We continued to achieve high gross margins mainly as North  
209 America becomes the strongest region in terms of revenue, with record  
210 quarterly revenues and product mix continued to be favorable, while

211 we keep costs under control. Our gross margins may continue to  
212 fluctuate from quarter to quarter, due to changes in product and  
213 regional mix.

214

215 As for our **operating expenses**:

216

217 In general, this quarter's operating expenses fully include the Siklu  
218 acquisition impact.

219

220 **Research & Development** expenses for the first quarter on a non-GAAP  
221 basis were \$8.7 million, up from \$7.7 million in Q1 2023. As a  
222 percentage of revenue, our R&D expenses were 9.8% in the first  
223 quarter compared to 9.2% in the first quarter last year.

224

225 **Sales & Marketing expenses** for the first quarter on a non-GAAP basis  
226 were \$10.7 million, up from \$9.8 million in Q1 2023. As a percentage of  
227 revenue, sales and marketing expenses were 12.1% in the first quarter  
228 compared to 11.8% in the first quarter last year.

229

230 **General and Administrative expenses** for the first quarter on a non-  
231 GAAP basis were \$5.5 million, compared to \$5.0 million in Q1 2023. As

232 a percentage of revenues, G&A expenses were 6.3% in the first quarter  
233 compared to 5.9% in the first quarter last year.

234

235 I'd note that our GAAP operating expenses include restructuring  
236 expenses, associated with organizational changes, the establishment of  
237 the two new centers of excellence Doron mentioned earlier, as well as  
238 integration costs related to Siklu. These charges are backed out of our  
239 non-GAAP operating expenses.

240

241 **Operating income** for the first quarter on a non-GAAP basis was \$7.6  
242 million compared with \$5.9 million for Q1 2023. As a percentage of  
243 revenues, non-GAAP operating income was 8.6% in the first quarter  
244 compared to 7.1% in the first quarter last year.

245

246 **Financial and Other Expenses** for the first quarter on a non-GAAP basis  
247 were \$2.3 million.

248 **Our tax expenses** for the first quarter on a non-GAAP basis were \$0.5  
249 million.

250

251 **Net income** for the first quarter on a non-GAAP basis was \$4.7 million,  
252 or \$0.05 per diluted share, compared to \$3.6 million, or \$0.04 per  
253 diluted share for Q1 2023.

254

255 As for our **balance sheet**:

256

257 Our **cash position** at the end of the first quarter was \$28.8 million,  
258 compared to \$28.2 million at the end of 2023. Short-term loans were  
259 \$30.5 million compared to \$32.6 million as of December 31, 2023. We  
260 believe we have cash and facilities that are sufficient for our operations  
261 and working capital needs.

262

263 Our **inventory** at the end of Q1 2024 was \$61.0 million, down from the  
264 \$68.8 million at the end of December 2023. The reduction is mainly as  
265 our efforts during 2023 to streamline inventory levels following the  
266 improvement in components availability have materialized. We  
267 continue to monitor inventory levels, taking into consideration the  
268 improvements in availability of components and expected changes in  
269 demand.

270

271 Our **trade receivables** are at \$97.4 million, as compared to \$104.3  
272 million at the end of December 2023.

273

274 Our DSO now stands at 101 days.

275

276 As for our **cashflow**:

277

278 Net cash flow generated **by operations and investing activities** in Q1  
279 was \$2.4 million.

280

281 We are reiterating our full-year outlook. For 2024, we expect revenue  
282 of \$385 million to \$405 million, representing growth of 11% to 17%  
283 compared to 2023. This guidance includes the contribution from Siklu.  
284 Non-GAAP operating margins are targeted to be at least 10% at the  
285 mid-point of the revenue guidance. As a result, we expect increased  
286 non-GAAP profit and positive free cash flow for the full year of 2024.

287

288 With that, I now open the call for your questions. Operator?

289

### 290 **Doron's Closing Remarks**

291

292 As I said, this was an encouraging quarter and a solid start to the year  
293 for Ceragon. We are executing against our growth strategy and  
294 capturing market share. We believe that we are well positioned to  
295 achieve self-sustaining cash flows as we execute our growth strategy.

296

297 I look forward to updating you further on our next quarterly call.

298

299 Have a good day everyone.