Ceragon Networks Q2 FY 2025 Earnings Call Script

August 6, 2025

Operator

Welcome to Ceragon Networks Second Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. Following management's prepared remarks, we will host a question-and-answer session.

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

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

Rob Fink

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

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

Ceragon intends forward-looking terminology, such as "may", "plans", "anticipates", "believes", "estimates", "targets", "expects", "intends", "potential" or the negative of such terms, or other comparable terminology, although not all forward-looking statements contain these identifying words.

Such statements reflect current expectations, and assumptions of Ceragon's management-- actual results may differ materially, as they are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected in our forward-looking statements. These risks and uncertainties include, but are not limited to:

Company's forward-looking forecasts, with respect to which there is no assurance that such forecasts will materialize; Company's ability to future plan, business, marketing and product strategies on the forecasted evolution of the market developments, such as market and territory trends, future use cases, business concepts, technologies, future demand, and necessary inventory levels; The effects of the evolving nature of the war situation in Israel and the related evolving regional conflicts; the effects of global economic trends, including recession, rising inflation, rising interest rates, commodity price increases and fluctuations, commodity shortages and exposure to economic slowdown; risks associated with integration and deployment of acquired businesses; risks associated with delays in the transition to 5G technologies and in the 5G rollout; risks relating to the concentration of our business on a limited number of large mobile operators and the fact that the significant weight of their ordering, compared to the overall ordering by other customers, coupled with inconsistent ordering patterns, could negatively affect us; risks resulting from the volatility in our revenues, margins and working capital needs; disagreements with tax authorities regarding tax positions that we have taken could result in increased tax liabilities; the high volatility in the supply needs of our customers, which from time to time lead to delivery issues and may lead to us being unable to timely fulfil our customer commitments; and such other risks, uncertainties and other factors that could affect our results of operation, as further detailed in Ceragon's most recent Annual Report on Form 20-F, as published on March 25, 2025, as well as other documents that may be subsequently filed by Ceragon from time to time with the Securities and Exchange Commission.

Forward-looking statements relate to the date initially made, and they are not predictions of future events or results, and there can be no assurance that they will prove to be accurate, and Ceragon undertakes no obligation to update them.

Ceragon's public filings are available on the Securities and Exchange Commission's website at www.sec.gov, and may also be obtained from Ceragon's website at www.ceragon.com.

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

With that I will now turn the call over to Doron – Doron the call is yours

Doron Arazi

Thank you, Rob, and good morning, everyone.

On the surface, Ceragon's second quarter revenue was below expectations, but this is primarily tied to a single region - India - and is largely being driven by one key customer that is navigating well-publicized financial challenges. This has temporarily halted this customer's order activity and limited near-term visibility as paths forward are not yet established. Based on what we know today, we expect that this will just be a timing issue, with market demand and our share of the market essentially unchanged.

Beneath that headline, I believe the Ceragon story is far more encouraging, reflecting the substantial improvements we have made in our business over the past two years, as well as the benefits of continued innovation in our solutions. We delivered $0.03 in non-GAAP earnings per share and maintained healthy operating margins, even in the face of the disruption in India, a clear demonstration of the operational strength, cost discipline, and resilience we've built into Ceragon.

At the same time our broader momentum continues to build. In fact, the second quarter was an encouraging period for Ceragon, with our differentiated technology demonstrating meaningful capabilities that we believe outpaces our competitors. These durable competitive advantages are actively positioning us for new opportunities and use cases that can drive incremental revenue and market share gains across multiple geographies. Customer needs and market trends are aligning with our technological roadmap. We're proving our value through field trials and proof-of-concept engagements, and this is beginning to fuel potential growth in our pipeline and bookings in real time.

This dynamic is especially evident in North America, where our recently introduced technologies are proving applicable to both service provider carriers and private network operators alike.

In fact, during the second quarter we secured a multi-million dollar project as a "preferred vendor" for a new major, tier-1 carrier in North America. This project leverages Siklu technology to introduce a new product, demonstrating our ability to deliver differentiated value through capabilities that, in our opinion, our competitors are far from introducing.

We are also expanding interest in such products across North America and other regions. While still early, we believe this new carrier engagement, as well as this new product could unlock substantial new business and contribute to incremental share gains with other service providers in one of the world's most strategic communications markets.

Second, we're cultivating significant increased interest in our Point to Multipoint solution. This technology has been demonstrated and validated in multiple proof of concept projects, both in North America and Europe, serving a wide range of use cases across private networks and CSP domains. These successful evaluations have enabled us to advance into more detailed discussions with potential customers and discuss early-stage commercial engagements.

The Point to Multipoint platform acquired through our Siklu transaction continues to prove its value – particularly in private network applications but increasingly with other customers as well. Given Siklu's financial position at the time of acquisition, we expected to address areas of underinvestment, and we acted quickly to stabilize and strengthen the product. We are now beginning to see the returns from that effort, with growing momentum and expanding business potential.

Importantly, the Point to Multipoint technology is particularly well suited for smart city applications. As a chosen partner, we are currently involved in a multi-year project in one of Latin America's largest cities under a connectivity-as a-service model. Should this project mature to its full extent, it could represent recurring annual revenue of $7-8 million for a minimum of 5 years.

In our traditional business, our IP-50EXP solution is gaining significant traction as a leading traditional microwave solution alternative. The IP-50EXP delivers millimeter wave-like capacity over traditional microwave distances. This high-power product, combined with an auto align antenna, enables customers to replace microwave deployments at a significantly lower total cost of ownership and in many cases, even higher bandwidth.

We are also participating in multiple RFPs for traditional backhauling projects using our latest CX, EX and IP-50GP product families, in EMEA and Latin America. These projects support network modernization efforts aimed at increasing capacity. Our new products' exceptional price performance ratio is increasing our chances to win business from customers who we hadn't worked with in several years – demonstrating, yet again, our ability to capture and recapture market share with our industry-leading technology.

We are driving demand globally, but in Q2 North America remained a standout. Excluding E2E contribution, both bookings and revenue in North America exceeded $20 million.

Balancing these exciting developments are short-term headwinds we’re experiencing in India—our largest market—and it’s important to address those directly.

Revenue from customers in India was $24.8 million, a decrease of 30% year-over-year. As I mentioned, one customer’s well-publicized financial challenges impacted a project we are involved in and this project stalled. At this point, it is hard to predict whether and when it will resume, although we believe the situation is a timing issue and expect a favorable resolution in the future. Additionally, some other projects with other Indian carriers are progressing at a slower pace than our original expectations. However, we are bidding on a new opportunity in India that could add significant incremental business for us in 2026 and beyond. We continue to pursue more opportunities with new products, including without limitations, leveraging Siklu's technology.

To summarize, our market share in India is expected to remain intact and we still see this region as a long-term contributor to our business growth.

Zooming out, the variety of opportunities in front of Ceragon is the strongest I can recall. While near-term visibility remains limited, we are seeing positive and accelerating signals of success across our portfolio. Our strategy is resonating, our commercial traction is expanding and our technology is opening doors to further penetrate markets, enter new segments and reach new customers.

Most importantly, the bottom-line results we reported today reflect the meaningful improvements we have made to our business over the past several years, enabling us to continue investments in our strategic initiatives even at times when revenue is low. As a result, we remain confident in our ability to translate future growth into stronger earnings and sustained value creation.

I'd now like to turn the call over to Ronen Stein, our CFO, to discuss the financial results in more detail. Ronen, over to you.

Ronen Stein

Thank you Doron, and good morning, everyone.

The second quarter was impacted by revenue headwinds in India, as Doron described, with improving strength in North America and continued progress against our strategy to create sustainable profitability.

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

Let me now review the second quarter results.

Revenue for the second quarter was $82.3 million, down 14.4% from $96.1 million in the second quarter of 2024. **North America** was the strongest region in terms of revenue and contributed $26.8 million. **India** contributed $24.8 million in Q2 2025 and was the second strongest region.

We had two customers in the second quarter that contributed at least 10% of our revenue.

Gross profit in the second quarter on a non-GAAP basis was $29.0 million, which was down 14.2% from $33.8 million in Q2 2024. Our non-GAAP gross margin was 35.2%, unchanged from the prior year period. The sustained gross margin, even on lower revenue, was mainly attributable to our success in North America.

Moving on to operating expenses… I'd note that we have now consolidated E2E into our results, impacting total operating expenses.

Research and Development expenses in Q2 2025 on a non-GAAP basis were $7.2 million, down from $8.2 million in Q2 2024. As a percentage of revenue, R&D expenses on a non-GAAP basis were 8.8% in the second quarter versus 8.5% in the prior-year period.

Sales & Marketing expenses on a non-GAAP basis in the second quarter were $11.1 million, up from $11.0 million in Q2 2024. As a percentage of revenue, sales and marketing expenses on a non-GAAP basis were 13.5% in the second quarter as compared to 11.5% in the second quarter of 2024.

General and Administrative expenses on a non-GAAP basis for the second quarter were $5.9 million, as compared to $1.4 million in Q2 2024. Keep in mind that our G&A last year included the impact of a $4 million benefit related to an initial collection from a $12 million debt settlement agreement reached with a South American customer, for which we accounted a credit-loss at the end of 2022. As a percentage of revenue, G&A expenses on a non-GAAP basis were 7.2% in Q2 2025 versus 1.5% in the year-ago period.

Operating income on a non-GAAP basis for the second quarter was $4.7 million versus operating income of $13.1 million in Q2 2024. The absence of the $4 million credit loss recovery benefit I mentioned earlier, combined with lower gross profit, was the primary factor for the decline in operating income year-over-year.

Financial and other expenses on a non-GAAP basis in the second quarter were $1.7 million, an improvement from $2.6 million in the prior year period. The change was positively impacted by favorable exchange rate changes and lower interest expenses.

Our **tax expenses** on a non-GAAP basis for the second quarter were $0.6 million.

Non-GAAP Net Income for Q2 2025 was $2.5 million, or $0.03 per diluted share, versus non-GAAP net income of $9.9 million, or $0.11 per diluted share, in Q2 2024.

Moving over to our **balance sheet**:

Our **cash position** at June 30, 2025 was $29.2 million, down from $35.3 million at the end of 2024, primarily due to cash payments made in Q1 in connection with the acquisition of E2E amounting to $6.6 million, net of acquired cash. Short term loans were $20.5 million at the end of the second quarter, down from $25.2 million at the end of 2024. Thus, our net cash position was approximately $8.7 million, as opposed to $10.1 million at December 31, 2024, again, largely due to the acquisition of E2E offset mainly by a positive free cash flow in Q2. We believe we have cash and facilities that are sufficient for our operations and working capital needs.

I'd note that we generated $6.1 million in free cash flow, enabling us to reduce our debt in Q2 despite significant, short-term revenue headwinds. This speaks to the progress we have made in our business model.

Inventory at the end of the second quarter was $59.9 million, essentially unchanged from $59.7 million at the end of 2024.

Our **trade receivables** at the end of the second quarter were $124.1 million, versus $149.6 million at the end of December 2024.

Our DSO now stands at 119 days.

Looking at our Statements of **Cash Flow:**

Net cash flow used **by operations and investing activities** in Q2 2025 was $6.1 million.

I'd like to now turn the call back over to Doron to provide a summary and review our outlook:

Doron

Thanks, Ronen. Before we open the call for questions, I want to briefly summarize the key takeaways and update our outlook.

Q2 highlighted the strength of the foundation we've built, as we delivered non-GAAP profitability and generated free cash flow despite the revenue headwinds, while advancing our strategic roadmap.

Traction across regions is growing and our technology is opening new doors across both service provider and private network segments.

Our strategy has not changed, and challenges primarily in India do not necessitate changes. We are on the right path, positioned to navigate these timing issues while expanding our strategic position globally.

Turning now to our outlook–

Our visibility this quarter has been adversely impacted, primarily by dynamics in India as discussed. As a result, we are not currently in a position to reaffirm our prior guidance or provide an updated range. That said, we believe this is a matter of timing.

In the meantime, this has placed greater weight on individual projects in other regions—some of which were expected to contribute meaningfully to our revenue and are currently delayed. Importantly, we strongly believe we have not lost market share, in India or globally. In fact, we are expanding our opportunity set, particularly in North America, primarily due to technological leadership delivering stronger radio performance at a lower total cost of ownership.

Looking ahead, we assume second-half revenue to be roughly in line with the first half. Based on this assumption, we believe we can deliver non-GAAP profit, and generate cash, while continuing to invest in our strategic pillars: advanced wireless connectivity solutions, private networks, and managed services.

With that, I'll now open the call for questions.