Ceragon Networks Q3 FY 2025 Earnings Call Script

November 11, 2025

Operator

Welcome to Ceragon Networks Third 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, please 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 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.

Ceragon delivered a solid third quarter, reflecting the resilience of our operations, strengthening demand across key markets, and continued progress against our strategic roadmap. Visibility improved meaningfully during the quarter, with greater clarity around customer spending plans and project timing. That visibility has continued to strengthen in recent weeks, giving us confidence in our outlook for the remainder of this year and, more importantly, optimism for growth in 2026.

Revenue for the quarter was $85.5 million, above our expectations. Non-GAAP gross margin of 35.0% remained high, and non-GAAP EPS was $0.02 but was negatively impacted by a $0.02 foreign exchange fluctuation related to a project in India. Excluding this effect, EPS would have been approximately $0.04. Importantly, we generated free cash flow of $3.3 million, further demonstrating the strength and resilience of our business model.

From a technology and market perspective, we are increasingly benefiting from the same structural forces reshaping communications networks globally. The investment in AI is growing, from data centers to 5G infrastructure, and this is driving the need for high-capacity, low-latency connectivity. This demand is cascading outward—from the core to the metro, and ultimately to the wireless edge.

Our addressable market continues to grow, driven by two key challenges our customers face: network capacity and network resiliency. These two factors are being amplified by the growth of AI and increasingly data-intensive applications. Ceragon’s capabilities, especially our E-band and innovative point-to-multipoint offerings, provide tangible solutions to address these challenges, and in our opinion creating incremental opportunities for us and giving us durable tailwinds for future growth.

Our carrier customers need to add capacity, especially as data traffic continues to grow and as they attempt to gain market share in the fixed wireless access market. AI is also playing a major role in this increased demand, predominantly for enterprise connectivity. Ceragon’s advanced E-band solutions enable operators to replace or significantly augment legacy microwave deployments to increase capacity in an efficient and cost-effective way. As we noted in a recent press release, we recently completed three proof-of-concept E-band deployments with Tier-1 operators and a leading ISP using auto-aligning antennas and estabilizers, demonstrating our ability to boost network capacity, extend reach beyond standard E-band solutions, accelerate deployment, and lower total cost of ownership.

At the same time, operators are placing greater emphasis on network resilience. Fiber alone cannot ensure continuity. Global operators are dealing with many fiber cuts and are looking for wireless transport to ensure flexibility and redundancy and to maximize network uptime.

And finally, operators are also exploring ways to support more subscribers. This includes fixed wireless access in residential areas and enterprise connectivity solutions requiring higher bandwidth. Some operators are conducting trials involving our 60GHz technology, which provides fiber-like capacity over short distances with fast and economical deployment.

Private networks face similar capacity and resiliency challenges. The use of AI, industrial automation, and advanced video security applications all demand higher bandwidth and greater reliability. Ceragon's 60Ghz point-to-multipoint platform addresses both requirements and is increasingly being used in smart-city and enterprise environments. A notable example is the rollout of phase one of a large smart city project in Latin America, which has the potential to generate approximately 7-8 million dollars of recurring revenue over multiple years.

Another example involves an industry-leading global ecommerce company in the U.S. that is re-evaluating its video-security connectivity architecture. Its existing network is expensive, bandwidth-limited, and dependent on public infrastructure that cannot meet its reliability and latency requirements. Ceragon’s 60 GHz solution offers a cost-efficient, rapidly deployable, and secure alternative that delivers fiber-like performance without the complexity or expense of fiber builds. We have already received an order for the initial deployment covering several dozen facilities, and successful execution could pave the way for substantial expansion across hundreds of additional sites.

Increasingly, our private network achievements are end-to-end solutions. Just recently, we were awarded, as a prime contractor, two projects in the U.S. that involve deployments of private 5G and WiFi technologies to create comprehensive end-to-end solutions.

On the managed services and digital twin front, yesterday we announced a contract with a major Colombian mobile operator that showcases our ability to provide end-to-end managed services in multi-vendor environments, using our network digital twin for predictive maintenance. This win underscores Ceragon’s expanding capabilities in network reliability and integration, and our pipeline includes additional opportunities that can potentially increase our managed services business meaningfully.

In general, our new innovative products and service offerings which are driven by the convergence of our core and recently acquired capabilities open for us many new opportunities beyond traditional backhaul.

I am also proud of our ability to generate positive free cashflow even under top-line pressure. This underscores the resilience of our model and operational discipline. Importantly, our balance sheet remains solid, enabling us the flexibility to pursue additional potential acquisitions, supported by the continued confidence and long-term relationship with our bank consortium.

Turning to a regional overview:

North America again led our growth, delivering record revenue and booking of orders in the quarter including E2E. This was primarily driven by accelerating deployments of a major Tier-1 customer. Additionally, we see growing engagement across carriers, ISPs, and private networks.

In India, revenue was flat compared with Q2. Importantly, visibility has increased as order flow from a major carrier whose purchasing activity had previously been paused has resumed. We are optimistic that this renewed activity with this carrier will continue and potentially accelerate once their debt issue is resolved. We also see other opportunities that can potentially drive significantly higher revenue than current levels in 2026. For example, we are pursuing a sizeable RFP from another major carrier in India, and if successful, this could provide meaningful incremental revenue in 2026.

Outside of North America and India, results were generally stable, and increased opportunities in EMEA and Latin America give us higher confidence for 2026, even if revenue and bookings were modestly softer for the quarter in some regions.

In summary, the third quarter marked continued progress in executing our strategy with increasing opportunities in both CSPs and Private Networks segments. As near-term visibility has improved, we feel more confident about our $340 million revenue projection for 2025. With business volumes recovering and a mix shift toward a more active North American market, we see continued opportunity for profitability expansion. Our financial discipline, combined with ongoing investment in our strategic initiatives, positions us to translate future top-line growth into meaningful EPS improvement as we move into 2026.

With that, I'll now turn the call over to our CFO, Ronen Stein, to review the financial results in greater detail.

Ronen Stein

Thank you Doron, and good morning, everyone.

As Doron described, we delivered solid revenue in the third quarter, particularly in North America. We continue to translate incremental revenue into higher profitability and sustainable cash generation, demonstrating the earnings power of our business model.

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 third quarter results.

Revenue for the third quarter was $85.5 million, down 16.7% from $102.7 million in the third quarter of 2024. **North America** was the strongest region in terms of revenue and contributed $36.0 million including E2E. **India** contributed $24.4 million in Q3 2025 and was the second strongest region.

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

Gross profit in the third quarter on a non-GAAP basis was $29.9 million, which was down 15.1% from $35.2 million in Q3 2024. Our non-GAAP gross margin was 35.0%, up slightly from the prior year period. The gross margin strength was mainly attributable to our success in North America.

Moving on to operating expenses, I'd again note that we have consolidated E2E into our results since February 2025, impacting also total operating expenses.

Research and Development expenses in Q3 2025 on a non-GAAP basis were $6.8 million, down from $8.6 million in Q3 2024. As a percentage of revenue, R&D expenses on a non-GAAP basis were 7.9% in the third quarter versus 8.4% in the prior-year period.

Sales & Marketing expenses on a non-GAAP basis in the third quarter were $12.0 million, up from $10.4 million in Q3 2024. As a percentage of revenue, sales and marketing expenses on a non-GAAP basis were 14.1% in the third quarter as compared to 10.1% in the third quarter of 2024, mainly due to our increased business in North America and our continuous strategic investments.

General and Administrative expenses on a non-GAAP basis for the third quarter were $5.8 million, as compared to $0.4 million in Q3 2024. Keep in mind that our G&A last year included the impact of a $5.1 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 6.8% in Q3 2025 versus 0.4% in the year-ago period.

Operating income on a non-GAAP basis for the third quarter was $5.3 million versus operating income of $15.8 million in Q3 2024. The decline in operating income year-over-year was impacted by the absence of the $5.1 million credit loss recovery benefit, along with the reduction in gross profit as mentioned before.

Financial and other expenses on a non-GAAP basis in the third quarter were $2.8 million, compared to $1.2 million in the third quarter last year. As mentioned by Doron, the increase was negatively impacted mainly by a $1.5 million foreign exchange fluctuation related to a project in India. However, the quarterly average foreign exchange fluctuation impact in 2025 is currently lower than the 2024 average.

Our **tax expenses** on a non-GAAP basis for the third quarter were $0.7 million.

Non-GAAP Net Income for Q3 2025 was $1.7 million, or $0.02 per diluted share, versus non-GAAP net income of $14.1 million, or $0.16 per diluted share, in Q3 2024. Without the negative impact of the foreign exchange rate, Q3 2025 non-GAAP EPS would have been $0.02 higher, or $0.04 per diluted share.

Moving over to our **balance sheet**:

Our **cash position** on September 30, 2025 was $43.0 million, up from $35.3 million at the end of 2024. Short-term loans were $31.0 million at the end of the third quarter, compared to $25.2 million at the end of 2024. Thus, our net cash position was approximately $12.0 million, as opposed to $10.1 million on December 31, 2024, reflecting strong free cash flow in Q2 and Q3, partially offset by the acquisition of E2E. We believe we have cash and facilities that are sufficient for our operations and working capital needs.

I'd note that we generated $3.3 million in free cash flow in the third quarter. This speaks to the progress we have made in our business model.

Inventory at the end of the third quarter was $58.4 million, down slightly from $59.7 million at the end of 2024. We continue to carefully monitor our inventory levels.

Our **trade receivables** at the end of the third quarter were $111.9 million, versus $149.6 million at the end of December 2024.

Our DSO now stands at 112 days.

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

Net cash flow generated **by operations and investing activities** in Q3 2025 was $3.3 million.

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

Doron

Thanks, Ronen.

I am encouraged by the continued progress we’re making strategically. The combination of our innovation and the capabilities gained through prior acquisitions has strengthened Ceragon’s competitive edge. Our solutions deliver high-throughput and low latency that are crucial for today’s AI – driven environment demand.

Our strong Financials enable continued cash generation, investments in R&D and sales & marketing and funding strategic acquisitions. We are well-positioned for continued success.

Turning now to our outlook–

With improving visibility, we have greater confidence today in our ability to achieve our target of $340 million in full-year revenue for 2025. Importantly, our momentum is increasing, and we are looking to 2026 with even greater optimism.

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