

1 **Ceragon Networks Q4 FY 2024 Earnings Call Script**

2

3 February 11, 2025

4

5 **Operator**

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

10

11 If you wish to participate and ask a question on today’s call you will need
12 to click on the “raise your hand” icon within the zoom application on your
13 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 the
31 Private Securities Litigation Reform Act of 1995.

32

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

38

39 Such statements reflect current expectations, and assumptions of
40 Ceragon's management-- actual results may differ materially, as they are
41 subject to certain risks and uncertainties, which could cause actual
42 results to differ materially from those projected in our forward-looking
43 statements. These risks and uncertainties include, but are not limited to:
44 The effects of the evolving nature of the war situation in Israel and the

45 related evolving regional conflicts; the effects of global economic trends,
46 including recession, rising inflation, rising interest rates, commodity price
47 increases and fluctuations, commodity shortages and exposure to
48 economic slowdown; risks associated with the recent acquisition of End
49 2 End Technologies; risks associated with delays in the transition to 5G
50 technologies and in the 5G rollout; risks relating to the concentration of
51 our business on a limited number of large mobile operators and the fact
52 that the significant weight of their ordering, compared to the overall
53 ordering by other customers, coupled with inconsistent ordering
54 patterns, could negatively affect us; risks resulting from the volatility in
55 our revenues, margins and working capital needs; disagreements with
56 tax authorities regarding tax positions that we have taken could result in
57 increased tax liabilities; the high volatility in the supply needs of our
58 customers, which from time to time lead to delivery issues and may lead
59 to us being unable to timely fulfil our customer commitments; and such
60 other risks, uncertainties and other factors that could affect our results
61 of operation, as further detailed in Ceragon's most recent Annual Report
62 on Form 20-F, as published on March 21, 2024, as well as other
63 documents that may be subsequently filed by Ceragon from time to time
64 with the Securities and Exchange Commission.

65

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

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

74

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

79

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

81

82 **Doron Arazi**

83

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

85

86 This was a record year for Ceragon financially, achieving record operating
87 profit on the highest revenue levels since 2012. Importantly, we made
88 significant progress in our strategy to expand our TAM and diversify our
89 revenue streams. To remind everyone, our growth strategy consists of
90 three pillars: focusing on mmW products that are expected to be the
91 fastest growing part in the wireless transport market, increasing our
92 market share in private networks of end-to-end solutions and increasing
93 our recurring revenue primarily by helping our customers in network
94 operation and optimization. Let me highlight some of the achievements
95 in this regard:

96

- 97 • We grew our annual revenue during 2024 by more than 13% even
98 as the wireless transport market, according to industry analysts,
99 declined more than 10% YoY
- 100 • About half of that growth was organic and the balance was
101 contributed by the Siklu acquisition
- 102 • We grew our bookings from private networks by more than 50%

103 • And, we secured additional recurring revenue from managed
104 services worth approximately \$7M ARR which is more than 30% of
105 our current ARR. These additional revenues are expected to have
106 gradual impact on our recurring revenue in 2025 and 2026.

107

108 Simultaneously, we continued to execute against our product roadmap,
109 extending our technological lead:

110 • We introduced the IP-50CX, enabling us to win a significant new
111 business and take market share in India

112 • We have introduced the new mmW series - IP-50EX -- that we
113 believe is the best price performance mmW product in the industry
114 as demonstrated by the recent indication of demand for the IP-
115 50EXA product in India and in other markets

116 • On that same front we have finished the tests of our proprietary
117 Neptune chip successfully, and have been developing the first
118 25Gbs in a single box – our IP 100E -- that once again is expected to
119 be the best price performance product in the industry, enabling us
120 to also provide a Multiband solution in a split-mount configuration
121 of 29Gbps, likely the highest in our space.

122 • And finally, on the mmW, we have launched the new product
123 version of Siklu By Ceragon product, the 8020, that many Siklu by
124 Ceragon customers have been waiting for.

- 125 • During 2024 we also started developing a new split mount product
126 after many years of focusing primarily on an all-outdoor solution –
127 this product can address the needs of a large part of the market
128 including private networks that still prefers split mount products
129 and we expect it to be commercially available within the first half
130 of 2025
- 131 • On the SW front we have introduced the Smart activation key, that
132 enables more flexibility and ease of use of different features and
133 configurations of our products opening the door for SaaS business
134 models. We have recently seen an increased interest in our
135 encryption features due to the increased threats of cyber-attacks.
136 This can drive higher SW revenue for us from both our install-base
137 and future purchases; Our Smart Activation Key can make this
138 feature even easier to use.

139

140 With these achievements, we enter 2025 in a strong competitive
141 position. I believe our position is the strongest it has been since I became
142 CEO. We are making our strides and seeing the signals of success tied to
143 the continued execution of our strategy.

144

145 The recent acquisition of E2E Technologies is another attestation of our
146 determination to pursue the private network market organically and

147 inorganically. The two acquisitions completed over the last 14 months
148 improve our ability to compete in this domain. I firmly believe that we
149 can continue increasing our market share significantly. The dynamics of
150 the private network market results in projects shifting from quarter-to-
151 quarter, and this impacts our visibility on revenue until we reach a critical
152 mass of projects in our backlog.

153

154 On the managed services front, we had a few recent successes that are
155 reflected in our increased committed ARR and make us much more
156 optimistic about this path of growth. We have seen increasing interest
157 in the market for full turn-key deals where we are expected to design,
158 deliver, deploy and manage the performance of our products over
159 periods that can range between 5 to 10 years. We expect to continue
160 this approach even if it impacts our growth pace in the short run.

161

162 Ceragon has been outperforming the market in 2024, and we expect to
163 continue to outperform the market in 2025. That said, data from
164 analysts as well as other companies' performance in the
165 telecommunication technology space suggest that the CSP market has
166 been soft for at least a year. Recently, some of the companies,
167 especially in the RAN and Fiber domain, are reporting on signs of
168 potential recovery. RAN and Fiber deployments typically come before

169 wireless transport deployments, serving as a leading indicator of
170 growth for us. In 2024, Ceragon outperformed the industry in this
171 respect due to being the vendor of choice in particular parts of the
172 market, primarily in India and NA, yet we are not immune to the global
173 market trends. But, with the huge progress we have made with our
174 offerings, we are very well positioned to benefit from a recovery in the
175 industry.

176
177

178 To summarize, I am very optimistic about our long-term direction. 2025
179 is indeed starting with low visibility but can also turn into another
180 successful year for Ceragon if CSP market recovers and subject to the
181 pace of success in private networks . As we navigate this period, I
182 continue to believe that Ceragon is well-positioned, and we expect to
183 continue to outperform the market.

184

185 I'd now like to provide an overview of our Q4 highlights by region.

186

187 **In North America**, revenue was \$13.4 million. This reflects the lower
188 levels of bookings we had in Q3, as previously discussed, and into Q4. We
189 saw a nice uptick in bookings in Q4 and we expect another sequential
190 growth in Q1 of 2025. This trend reinforces our confidence that lower

191 bookings in Q3 were reflective of timing issues, not demand. We also see
192 opportunities for deployment of our encryption capabilities as Cyber
193 Security is getting more attention.

194

195 In **India**, revenue was \$55.5 million, an all-time record quarter for
196 Ceragon, exceeding the \$50.5 million reported in the third quarter, our
197 previous record. We have been shipping and deploying equipment
198 related to several projects in India, including the new customer we won
199 in Q4 2023. These deployments are supporting customers in both the
200 expansion of 4G and 5G networks.

201

202 During the last few months, we have finished negotiations of the
203 commercial terms with two of our customers securing our market share
204 with a potential for a certain increase on account of competition. We
205 have started receiving orders for delivery in 2025 based on the new
206 commercial terms and we expect more orders in the coming quarters for
207 both our Microwave and E-Band products. Importantly, our IP50EXA has
208 generated significant traction, being most probably the best price
209 performance product in our space.

210

211 Our strong relationship with one of our customers and their trust in us
212 and its appreciation of our strong technological capabilities are opening

213 for us more opportunities that are beyond our core domain and current
214 roadmap. While these opportunities are in the initial exploration phase,
215 they are another attestation to our strong position in India.

216

217 In our **Asia Pacific region**, we finished the year strong, winning business
218 that included significant Siklu By Ceragon products. This was primarily in
219 the point to multipoint access solutions for municipality projects which
220 included managed services following deployment. We also were
221 awarded a project worth approximately \$20M in collaboration with a
222 tower company to provide capacity as a service to certain
223 communications service providers as well as a ~\$3.5M win in the Energy
224 domain. We expect to have final agreements signed by the first half of
225 2025, as our pipeline in APAC continues to improve.

226

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

229

230 **Ronen Stein**

231

232 Thank you Doron, and good morning, everyone.

233

234 Q4 2024 was another successful quarter, closing 2024 with 13.5%
235 revenue growth year-over-year and more than 10% in non-GAAP
236 operating profit, even when eliminating an approximately \$9.1 million
237 benefit related to collection on account of a debt settlement agreement
238 from a South American customer. While further strengthening our
239 financial position and increasing our operating leverage, we have
240 invested organically and inorganically in positioning ourselves better in
241 the fastest growing segments of now more diversified markets.

242

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

247

248 Let me now review the fourth quarter results:

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250 **Revenues** for the fourth quarter were \$106.9 million, up 18.3% from
251 \$90.4 million in Q4 2023. Our strongest regions in terms of revenues for
252 the quarter were **India** and **EMEA** with \$55.5 and \$16.2 million,
253 respectively, followed by **North America**.

254

255 We had three customers in the fourth quarter that contributed more
256 than 10% of our revenues.

257

258 **Gross profit** for the fourth quarter on a non-GAAP basis was \$36.7
259 million, an increase of 15.5% compared to \$31.8 million in Q4 2023. Our
260 non-GAAP gross margin was 34.3% compared with gross margin of 35.1%
261 in Q4 2023. We continued to achieve this gross margin despite the
262 change in regional revenue mix. We achieved this by increasing
263 revenues, continuous focus on improving product costs and maintaining
264 control over our fixed costs. Our gross margins may continue to fluctuate
265 from quarter to quarter, due to changes in volumes and revenue mix.

266

267 As for our **operating expenses**:

268

269 In general, operating expenses in 2024 fully include the impact of the
270 Siklu acquisition at the end of 2023 and thus impact the comparison to
271 2023 operating expenses.

272

273 **Research & Development** expenses for the fourth quarter on a non-
274 GAAP basis were \$8.8 million, up from \$7.7 million in Q4 2023. As a
275 percentage of revenue, our R&D expenses were 8.2% in the fourth
276 quarter compared to 8.5% in the fourth quarter last year.

277

278 **Sales & Marketing expenses** for the fourth quarter on a non-GAAP basis
279 were \$10.6 million, up from \$10.2 million in Q4 2023. As a percentage of
280 revenue, sales and marketing expenses were 9.9% in the fourth quarter
281 compared to 11.3% in the fourth quarter last year.

282

283 **General and Administrative expenses** for the fourth quarter on a non-
284 GAAP basis were \$5.1 million, compared to \$6.1 million in Q4 2023. As a
285 percentage of revenues, G&A expenses were 4.8% in the fourth quarter
286 compared to 6.7% in the fourth quarter last year.

287

288 **Operating income** for the fourth quarter on a non-GAAP basis was \$12.2
289 million compared with \$7.8 million for Q4 2023. As a percentage of
290 revenues, non-GAAP operating income was 11.4% in the fourth quarter
291 compared to 8.6% in the fourth quarter last year.

292

293 **Financial and Other Expenses** for the fourth quarter on a non-GAAP
294 basis were \$3.5 million negatively impacted by foreign exchange
295 fluctuations and the strengthening of the US dollar versus several
296 currencies, offset by a continuous reduction in interest expenses.

297

298 **Our tax expenses** for the fourth quarter on a non-GAAP basis were \$1.0
299 million.

300

301 **Net income** for the fourth quarter on a non-GAAP basis was \$7.7 million,
302 or \$0.09 per diluted share, compared to \$3.7 million, or \$0.04 per diluted
303 share for Q4 2023.

304

305 Turning to the full-year results,

306

307 **Revenues** were \$394.2 million, up 13.5% from \$347.2 million in 2023.

308

309 **Gross profit** for 2024 on a non-GAAP basis was \$138.2 million, an
310 increase of 14.3% compared to \$120.9 million in 2023. Our non-GAAP
311 gross margin was 35.1% compared with gross margin of 34.8% in 2023.

312

313 **Operating income** for the year on a non-GAAP basis was \$48.8 million an
314 all time record, compared with \$29.0 million for 2023. As a percentage
315 of revenues, non-GAAP operating income was 12.4% for the year
316 compared to 8.4% last year.

317

318 **Net income** for the year on a non-GAAP basis was \$36.4 million, or \$0.41
319 per diluted share, compared to \$16.7 million, or \$0.20 per diluted share
320 for 2023.

321

322 As for our **balance sheet**:

323

324 Our **cash position** at the end of the year was \$35.3 million, compared to
325 \$28.2 million at the end of 2023. Short-term loans were \$25.2 million
326 compared to \$32.6 million as of December 31, 2023. We had a net
327 positive cash position of \$10.1 million compared to a negative net cash
328 position of \$4.4 million at December 31, 2023. We believe we have cash
329 and facilities that are sufficient for our operations and working capital
330 needs.

331

332 Our **inventory** at the end of 2024 was \$59.7 million, down from \$68.8
333 million at the end of December 2023. The reduction is mainly related to
334 our continued efforts since 2023 to streamline inventory levels following
335 the improvement in components availability, and substantial shipments
336 to India.

337

338 Our **trade receivables** at the end of 2024 are at \$149.6 million, as
339 compared to \$104.3 million at the end of December 2023, reflecting the
340 growth of our business in India.

341

342 Our DSO now stands at 139 days.

343

344 As for our **cashflow**:

345

346 Net cash flow generated **by operations and investing activities** in 2024
347 was \$8.6 million.

348

349 Turning to our 2025 outlook ...

350

351 We expect 2025 revenues to be between \$390 million to \$430 million
352 inclusive of E2E acquisition.

353

354 We expect non-GAAP operating margins of at least 10% even at the low
355 end of our revenue range as we continue improving our cost structure
356 and look carefully at our expenses, especially in times like these of lower
357 visibility. We also expect to increase our free cashflow compared to 2024
358 levels.

359

360

361

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

363

364 **Doron's Closing Remarks**

365

366 As we enter 2025, following our achievements in 2024, our long-term
367 outlook and confidence has only grown. We remain focused on
368 executing on our strategy towards achieving our stated long-term
369 revenue and profitability targets.

370

371 In the near-term, visibility is limited, hence we are prudent with our
372 projections.

373

374 Longer-term, we continue to move toward our target of \$500 million in
375 annual revenues. We believe that the pieces are in place for us to achieve
376 this level of scale, from a combination of organic growth as well as
377 strategic acquisitions.

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

379

380 Have a good day everyone.