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CRNT - Q4 2019 Ceragon Networks Ltd Earnings Call

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## PRESENTATION

**Operator**

Good day, everyone. Welcome to the Ceragon Networks Limited Fourth Quarter and Full Year 2019 Results Conference Call. Today's call is being recorded and will be hosted by Mr. Ira Palti, President and CEO of Ceragon Networks.

Today's call will include statements concerning Ceragon's prospects that are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on the current beliefs, expectations and assumptions of Ceragon's management. For examples of forward-looking statements, please refer to the forward-looking statements paragraph in our press release that was published earlier today.

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially including the risks relating to the concentration of a significant portion of Ceragon's expected business in certain geographic regions and particularly in India, where a small number of customers are expected to represent a significant portion of our revenues, including the risks of deviations from our expectations of timing and size of orders from these customers. The risk that the current slowdown in revenue from India could extend for a longer period than anticipated; the risk of delays in converting design wins into revenue; the risk of a disruption to our and our customers' business related to the outbreak and potential spread as a novel coronavirus; risks associated with any failure to effectively compete with other wireless equipment providers; the risk that the rollout of 5G services could take longer than anticipated and other risks and uncertainties detailed from time to time in Ceragon's annual report on Form 20-F and Ceragon's other filings with the Securities and Exchange Commission that represent our views only as of the date they are made and should not be relied upon as representing our views as of any subsequent date.

We do not assume any obligation to update any forward-looking statements. Ceragon's public filings are available from the Securities and Exchange Commission's website at www.sec.gov or may 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.

I will now turn the call to Mr. Ira Palti, President and CEO of Ceragon. Please go ahead, sir.

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**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

Thank you for joining us today. With me on the call is Ran Vered, our Chief Financial Officer.

I would like to introduce you also to our new Head of Investor Relations, Ms. Osi Sessler.

Since the topic of the 4G to 5G transition and the timing around it seems to be on everyone's mind, I'll begin my remarks with an overview from our perspective. The transition to 5G has begun in 2019 in a few countries around the world. In general, operators are taking small steps toward implementation by creating coverage in certain spots, focusing on broadband mobile services and experimenting with additional 5G use cases.

Meanwhile, there is still significant investment in 4G necessary to expand coverage and capacity in areas where it's lacking while preparing for the transition to 5G. Once the 5G rollout intensifies, we are likely to witness investments in two main areas to ensure adequate 5G coverage is available and to ensure that the service experience is greatly enhanced with network densification, mainly in urban areas.

In 2019, we continued to deploy many 4G projects worldwide, such as continued network expansion in LatAm as well as network densification in the cities in preparation for 5G. A 4G network expansion project in Mexico with a returning Tier 1 operator, which will help the operator prepare for the transition to 5G. In Southeast Asia, we are working on a large project to increase coverage and capacity for one of the region's largest mobile operators as well as providing them with headroom, network capacity for 5G as the country prepares for spectrum auctions. And we had a few 4G densification projects with operators in Western Europe, we're focusing on preparing for an initial 5G rollout.

The fact that we are being successful in securing new 5G design wins supports our optimistic long-term view for our future market share increasing as 5G continues to unfold.

It's also important to remember that we have a very long sales and network design cycles in our business. Vendor selection decisions may now -- may not produce orders for several quarters, and revenue will probably not begin to be recognized until a quarter or two after that.

So it can easily be a year from vendor selection to first revenue. This is an important point to keep in mind when assessing the slow pace of the 5G market and Ceragon progress.

Turning to our recent business and financial performance. I'll just note that our fourth quarter results were in line with our update on January 13. India continued to be weak compared to last year as expected, but it looks like business from this region may be stabilizing at around the 4G -- at the Q4 level. Outside of India, revenue grew sequentially in most regions. Ran will discuss the quarter and the near-term outlook in more detail.

But to set a stage for a more detailed discussion of what's happening in each region, I'll just note that outside of India, revenue in 2019 grew almost 11% while our served market in those regions of the world did not experience anything close to double-digit growth in 2019. This means we are gaining market share, which is a key component of our strategy in addition to capitalizing on the growth in the market from the transition to 5G.

Turning to a yearly view of the regions, we'll begin with India. In case some of you haven't kept up with the developments we have been discussing for the past year, what we have seen in India throughout 2019 was: operators slowing down 4G network investments in anticipation of spending a lot of money in the 5G spectrum auction as well as the associated network investments; the lack of profitability and heavy debt burdens among most of the large operators in India even after consolidation and restructure became an even more serious issue when the decision by the Supreme Court in India resulted in 2 of the 3 largest operators owing enormous fees to the government, which would make their participation in 5G spectrum auctions problematic.

Currently, we're appealing to the government for some sort of a relief from the financial burden, but nothing has been settled. On the positive side, despite the relative slowdown, operators must continue to expand the 4G networks. In the U.S., we have seen a slowdown as the merger between T-Mobile and Sprint, both very strong customers of ours was further delayed as the companies await final approvals, a merger which the company's view is essential for 5G deployment. As both companies continue to deploy 4G and launch 5G in additional markets, we will continue to be a significant player in that rollout.

In the shorter term however, and throughout most of 2019, the delayed decision on the merger negatively affected the company's ordering patterns.

In Latin America, during the year, we began deployment of a multiyear large new digital divide project with Orocom in Peru. This project has been moving well, but a little bit slower than expected. Elsewhere in the region, we continued significant 4G expansions with a long-time customer across countries in the Southern Cone as well as began network densification in cities in preparation for 5G.

In Mexico, we began 4G expansion project with a returning Tier 1 operator in the country, which will help this operator prepare the transition to 5G as well. In Southeast Asia, we further increased our presence in the 4G market. Here, we took additional market share with our proven capabilities, invest network deployment with our all-outdoor products and our network design and rollout services. Our ability to increase coverage and capacity quickly enables a fast pace of subscriber acquisition for one of the region's largest mobile operators.

In Europe we had a few 4G densification projects with several operators in Western Europe who had been focusing on enhancing subscriber experience in cities with initial 5G rollout, and for that purpose deploy our new millimeter wave products to generate significantly higher network capacity.

Demand for our technology and solutions resides not only within the global telco sector.

We see significant opportunities serving mission-critical private networks, such as public safety and first responder agencies, defense, utilities, oil and gas industry, mining and more. You're already familiar with the Orocom project in Peru, where we are bridging the digital wide.

In Western Europe, we executed a project with a national government where we upgraded their network, providing high-speed connectivity between branches nationwide. We see additional opportunities in these vertical markets, driven by our technology solutions and comprehensive services portfolio from network design to implementation. Both carrier and vertical markets are extremely competitive and the company with the best product doesn't automatically win, but we believe our technology leadership is an important factor in making sure we are consistently on the short list for final vendor selection.

We were the first to introduce multi-core technologies, which provide new ways to deploy wireless backhaul more cost effectively and faster. We were the first to introduce compact multi-carrier all-outdoor solutions, which eliminate the complexity operators struggle with when attempting to acquire new sites as they strive to expand and densify networks.

We are developing the next generation of chipsets, which will enable far broader, flexible ways to utilize spectrum across all microwave and millimeter-wave bands. This will allow us to take a significant role in 5G deployments globally. And when coupled with our unique approach to network disaggregation, will enable our customers to roll out 5G even faster.

The IP-50 platform, which we announced in 2019 is part of our approach to network disaggregation and is designed to support any 5G network. We are already receiving excellent reactions from our customers, some already deploying these products and others are awarding us new 5G design wins based on this new product platform because it provides flexible ways to deploy wireless backhaul and fronthaul, which we call in short, hauling, in support of all 5G use cases across existing and novel 5G network architectures. It provides the broadest choice of spectrum options to deliver unlimited network growth. Our chipset investment will deliver spectrum choices up to 200 gigahertz with capacities reaching 100 gigabits per second over the year, which will cater for every 5G scenario.

It provides the industry's first open wireless hauling solution by disaggregating network software from hardware to enable better network economics, operational efficiencies and accelerate network development. In short, take full advantage of what 5G can offer.

Our technological leadership was validated during the year when we announced the 5G-related joint development agreement with NEC, one of the other large player in this market. This is a testament to the superiority of our technology in the market. This joint work is built from the R&D work we have done so far on next-generation technologies and will be embedded in our new 5G future chipset and products. In order to maintain this leadership, we plan to continue to invest in chipsets and technologies, which provide our customers with first-to-market advantages and give us a unique design-to-cost advantage.

To summarize, we have a unique value proposition that enables our customers to unlock their 5G potential with flexible wireless hauling at their pace. 5G has opened a world of new business opportunities as well as network challenges for our customers.

It's our role to supply them with a smooth and fast transition to 5G, while keeping costs down. We do this by offering flexible, innovative 5G hauling solutions with open network capabilities that enable our customers to realize the full potential of 5G by giving them the ability to do more with less. 5G won't automatically make us grow and succeed, but it affords us the opportunity to help customers succeed in ways they've never had to consider before and be rewarded with a higher share of the available business.

Now I'd like to turn the call over to Ran to discuss the financial slide in more detail. Ran?

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**Ran Vered** - *Ceragon Networks Ltd. - CFO*

Thank you, Ira. Since you have all seen the press release, I'll just highlight some of the significant aspects of the results.

First, I'd like to put 2019 into some context from a financial perspective. At the beginning of 2019, we expected some softening in the business from India for the simple reason that it had been so strong for so long that a pause would be consistent with general patterns we have seen carrier deployments. Also, it was time for the operators in India to begin to look towards upcoming 5G spectrum auctions. As Ira summarized a moment ago, the biggest factor that caused our actual revenue for 2019 to be below our target was the dramatic slowdown in India, causing revenue from India to decline over 60% year-over-year, a much larger drop than we had expected.

Meanwhile, some offsetting momentum we might have enjoyed from the U.S. was stalled along with the T-Mobile-Sprint merger decision. After being generally flat for 3 years, we thought 2019 would see an uptrend, which turned out to be very small. Nevertheless, the improvement we had seen in 2017 and 2018 in some other regions, such as Latin America and Asia Pacific continued in 2019 so that, excluding India, we grew almost 11% in the rest of the world. So if you are looking for a simple explanation for what happened in 2019, the answer is that the slowdown in India significantly offset the growth in other regions.

Adjusting for lower-than-expected volume, our gross margin for 2019 was in line with expectations. We were able to maintain our gross margin above 34%, excluding the impact of the one-time inventory write-off in Q4. This was achieved mainly due to our continuous focus on managing our costs and not compromising on this margin.

With respect to operating expenses, we were able to maintain our 5G investment at an aggressive level in 2019 by shifting resources to our next-generation chip. Variable compensation and commissions were lower, in line with the revenue decline, so sales and marketing was below the level of 2018.

General and administrative expenses included a onetime receivable write-off in Q4, but even excluding the onetime items, G&A was higher in 2019, mainly due to spending on strategic initiatives earlier in the year. Altogether, operating expenses were about $1 million in 2019 versus 2018.

With our strong focus on stringent control of operating expenses, we are determined to keep our overall OpEx for 2020 at about the same level in 2019 or slightly higher. However, you should think about it in the context of higher R&D spending to support our 5G leadership, with slightly higher sales and marketing, offset by significantly lower general and administrative expenses.

Before getting into more details about the outlook for this year, I'd like to go over a few points regarding Q4 results. Revenue in the fourth quarter was $71.3 million towards the low end of our quarterly revenue run rate of $70 million to $75 million. Regionally, Latin America improved sequentially, mainly due to a catch-up on our project in Peru, which had experienced a delay during Q3. After an unusually strong quarter in Q3, the APAC region returned to revenue level more typical of recent quarters. The U.S. and Europe remained stable and weakness in revenue from India offset the improvements elsewhere. To illustrate the point, India accounted for only 16% of total revenue in Q4.

By contrast, India accounted for well over 40% of total revenue in the first half of 2018. What we find encouraging, as Ira mentioned, is that India appears to be stabilizing at around the level of Q4. And while we don't currently see a major improvement in 2020, we don't expect a further substantial decline either.

We are assuming we will stay at a quarterly run rate in the vicinity of $12 million on average, but we must continue to remind you that India has a tendency to have a very lumpy order patterns. We had only one above 10% customer in the fourth quarter, which was one of the operators in India.

GAAP gross margin in the fourth quarter was 31.7%, which included a onetime inventory write-off of $2 million. Non-GAAP gross margin in Q4 was 31.3%, including the inventory write-off. Excluding the onetime item, non-GAAP gross margin was 34.1%, reflecting the more favorable geographic mix of revenue. Our GAAP operating expenses for the fourth quarter were $24.8 million, higher than expected, mainly due to the impact of the onetime provision related to a longtime customer experiencing financial difficulties. Non-GAAP OpEx in Q4 was $24.4 million, and excluding the onetime item, non-GAAP OpEx was $23.1 million, still slightly higher than our previous range.

Looking ahead, in the first half of 2020, we will probably see OpEx in the range of $21 million to $22 million, with it continuing to rise in the second half to be above $22 million per quarter.

As mentioned a moment ago, we believe we can avoid having a large increase in OpEx in 2020. A transition year from the revenue side, but we also believe we must continue to invest aggressively in our next-generation technology. So we're doing our best to offset the increase in R&D with reductions in other expenses to the maximum extent possible.

Financial expenses and others for the quarter were higher than previous quarters during 2019. We expect that Q1 2020 financial expenses will return to its regular level. Non-GAAP tax expenses in Q4 are higher than Q3 as expected, mainly due to taxes from previous years in a few countries, offset by a decrease of current taxes.

Our GAAP loss per share in the fourth quarter of 2019 was $0.05 per diluted share versus net income per diluted share of $0.14 in the fourth quarter of 2019 (sic) [2018]. This very large swing relates to the fact that in Q4 2018, we recorded income on the tax line, primarily due to the need to record a tax asset of $7.2 million on our balance sheet that reflects tax benefits, we anticipate as a result of utilizing our NOLs against taxable income in the future. As you know, net income in Q4 2019 includes $3.3 million of onetime items, which exaggerates the difference even more.

Our non-GAAP loss per share in the fourth quarter was $0.06 per diluted share, including the one-time items. Excluding one-time items, our non-GAAP loss per share in the fourth quarter was $0.02 per share.

Turning to the balance sheet. Receivables decreased to $118.5 million, with DSO of 151 days. This is an improvement compared to Q3, mainly because of strong collection. Inventories decreased from Q3 by approximately $5.6 million to $62.1 million. This is a continued effort to reduce our inventory levels that were unusually high due to our preparation for the fast delivery to certain customers. We are continuing to focus on bringing down inventories as quickly as possible and on aggressive working capital management, including collection efforts.

Cash increased by $3.4 million to $23.9 million at the end of Q4. We reduced our borrowings under the revolving credit agreement by $2.8 million to $14.6 million. We also improved collections, but not as much as we expected, mainly because of delays in 2 customers in Africa and APAC. Since year-end, we have been successful in collecting some of these amounts so the achievement of this goal will become apparent on the Q1 financial statements.

In Q4, we generated positive cash flow from operations of $8.6 million as expected. With our strong collections since year-end, we expect to generate strong positive cash flow in Q1, and we are aiming to continue the repayment of our outstanding balance under our revolving credit agreement.

Turning to the near-term outlook. Our bookings in the fourth quarter were lower than expected, since the fourth quarter is usually a strong booking quarter. With lower short-term demand from a customer in Africa and no end in sight to the slowdown in India, our book-to-bill ratio was below 1. This means that 2020 is off to a slow start.

In addition, Q1 is typically a seasonally slower quarter for us. Therefore, we expect to be well below the low end of our recent average quarterly revenue run rate of $70 million to $75 million. For the remaining quarters of 2020, we continue to expect an average quarterly revenue run rate of $70 million to $75 million, and we expect growth for 2020 as a whole compared to 2019.

We also expect a more favorable geographic mix in 2020, leading to higher gross margin compared to 2019. Therefore, based on our assumptions for quarterly revenue run rate, product mix and operating expenses, we continue to expect 2020 to be a profitable year.

As many companies in our space, our outlook for the coming months is clouded by the effects of the outbreak of the novel coronavirus in Asia and particular in China. Our supply chain could be significantly impacted and our customers could be negatively affected. However, as the impact is too early to determine, we have not addressed it in our forward-looking statements.

To summarize, and as Ira said, despite recent developments, we are taking the long view and continuing to invest in major programs because our future road map is an important aspect of adding new design wins that will turn to revenue next year and beyond. We are the strongest company in wireless backhaul, and we expect to maintain that position throughout the transition to 5G and beyond.

Now I would like to open the call for questions. Operator?

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) And first in line George Iwanyc with Oppenheimer.

**George Michael Iwanyc** - *Oppenheimer & Co. Inc., Research Division - Associate*

Ira, when you look at the full year outlook and the chance of growing, can you give us a bit of -- a bit more on the visibility into the second half of the year and the puts and takes? Do you need much of a 5G contribution to have that growth? Or is the base primarily being driven by 4G at this point?

**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

The base, as I said on the call, is still being driven mainly by 4G deployment in around most of the world. But if I need to look at the growth, we will need some of the 5G design wins towards the second half to start showing -- I won't say a very large number, but start showing numbers which will contribute mainly towards Q3 and Q4 to the base of the 4G deployments.

Looking at the timing at this point from what we see on our 5G design wins, this is a high -- very high possibility that some of those will be turning already into early deployments. We do not, on the other hand, expect what I would call massive rollouts at that point to drive on top of the base. This is more of a 2021 type of phenomena, where it will start replacing 4G types of rollouts that we see today.

**George Michael Iwanyc** - *Oppenheimer & Co. Inc., Research Division - Associate*

And can you give us a bit of color on the competitive dynamic and specifically from -- in IP-50 positioning, how do you feel that you're going to pick up share? Are you going to make the chipset available to any potential customers? Or are you also looking at any OEM agreements at equipment level?

**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

In general, let's first understand that the IP-50 family is a product towards the customers and the network and the deployment. And from a competitive positioning in between, those product capabilities, disaggregation and others, we think we have an advantage in the market versus the other solutions that are available today, especially in all-outdoor quick-to-deploy type of configurations that we will take to share.

The new chipset will come online as products only in 2021. It's target towards the very high end of the 5G and design-to-cost initiatives in 5G scenarios. And that chipset will drive the product at that point in time. We are looking on a continual basis in, as you have seen sharing technologies and joint development, as we announced this year with NEC and some of the other competitors and looking at -- OEM-ing our products with other players within the market.

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**George Michael Iwanyc** - *Oppenheimer & Co. Inc., Research Division - Associate*

And last question for me. When -- if the growth doesn't materialize in the second half of the year, would you be in a position to maybe keep that spending closer to the $20 million to $21 million? Or is it structurally your anticipation it would be over that $22 million type of number at the end of the year, even if growth isn't materializing yet this year?

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**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

You're asking a hard question. If you ask me, yes, if it won't -- growth won't materialize, I'd probably have to look at what we can do. Although the built-in right now is heavily related to our R&D activities of new products and especially around the fact that we are toward -- our chipsets design cycle towards the end of it. And the end of is more heavily burdened with all sorts of expenses.

So in that cycle, probably the second half and some of it is almost built in into where we are. While we expect that when we go into 2021 because again of the R&D cycles and mainly on the chipset, the expense -- the OpEx level will start coming down quite rapidly.

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**Operator**

(Operator Instructions) And we'll go to Alex Henderson with Needham.

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**Alexander Henderson** - *Needham & Company, LLC, Research Division - Senior Analyst*

So Ira, I really wanted to talk about that chip design cycle time. Clearly, taping down and getting these chips out for the next generation of your product is critical, and no question you should do everything you can on that front. But it's also expensive. Can you talk a little bit about how you see the R&D between 1H and 2H for anticipating the tape down and shipment of those to the fab in the back half? I would think that the expenses would be considerably higher in the back half of the year.

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**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

I think Ran gave the indication. We do expect the second half to be a little bit higher on the OpEx. And if we're talking about '20, '21 in the first half, talking about '22 and above for the second half, this takes into most of the activities into account while we do the final steps around the chipset and the tape-out.

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**Alexander Henderson** - *Needham & Company, LLC, Research Division - Senior Analyst*

Okay. So the spending in the first half has another variable, which is hard for us to forecast. So your G&A, if I modeled it correctly here, jumped up quite a bit in the December quarter. Can you level set that for us? Are we dropping from $6.8 million down to, say, $5 million-ish kind of number in the G&A? What's going on there?

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**Ran Vered** - *Ceragon Networks Ltd. - CFO*

Alex, it's Ran. So I do expect that the G&A level will actually returning more in the Q3 level, which is roughly $4.5 million to maximum $5 million. So we had the write-off of the AR, as I discussed in my prepared remarks, and some other year-end items, some of it related to the departure of executives. So we do expect that Q1 will return to normal, which means the spending as it was in Q3 '19, roughly $4.5 million.

**Alexander Henderson** - *Needham & Company, LLC, Research Division - Senior Analyst*

I see. Okay. And then could you just talk a little bit about what your full year tax line ought to look like? I mean, it's -- it seems like while you're turning to profitability or sustaining profitability, that it's at the barest minimum levels. So I would think your tax line would come down year-over-year.

**Ran Vered** - *Ceragon Networks Ltd. - CFO*

So actually, most of our tax is related to the taxes we are paying outside of Israel, and the fact that our tax base would need to keep some profits in the countries that will work in abroad, and I do expect that 2020 to be at the same level as it was -- and I'm talking about non-GAAP, as it was in 2019 and in previous years as such. Keep in mind that we are still not profitable from tax perspective in Israel, and this is why we generated the tax assets back in 2019, and we'll continue to forecast that we're going to utilize these tax assets, but most of our tax expenses related to the taxes that we are paying outside of Israel, and I do not expect any change to that going forward.

**Alexander Henderson** - *Needham & Company, LLC, Research Division - Senior Analyst*

So it's still around $2.5 million or so for the year?

**Ran Vered** - *Ceragon Networks Ltd. - CFO*

Yes.

**Alexander Henderson** - *Needham & Company, LLC, Research Division - Senior Analyst*

And then just on the interest line. You obviously had a little bit of a spike sequentially up to a little over $2 million in that line from $1.5 million. Should we be at the $2 million level or should we revert it back to the $1.5 million level?

**Ran Vered** - *Ceragon Networks Ltd. - CFO*

No. No. It's going to -- it's a year-end item, and you should expect it to go down to the $1.5 million level as we had in the previous quarters.

**Alexander Henderson** - *Needham & Company, LLC, Research Division - Senior Analyst*

I see. Okay. Great. Now just if I could, on the operational side. Obviously, 5G is well out there. But pre-5G builds -- 4G builds that are pre-5G setup look like they are starting to develop. So is that going to help you deliver a little bit of an acceleration in non-India environments? Obviously, 11% is pretty damn good, but is there some chance for that to accelerate a little bit as a result of the shift in the emphasis to anticipate the 5G within the 4G networks?

**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

I think what you're saying is right on the dot, that's what we are seeing. 4G in most places, or there's a mixture between 4G for 4G purposes only and 4G as an anticipation for 5G and densifying increasing capacity and densification as people prepare for 5G. It's a mixture. Most of the 4G deployments we see in what I would call developed places is in anticipation for 5G where we see sometimes, for example, in Europe, a lot of use of millimeter wave with very high capacities out there.

I do expect a that type of slow growth and 11% is not that slow, but around those numbers outside of India to continue, and that's why we are focusing a little bit of an increase in revenues into 2020, which is based -- basically in India staying flat and continual growth outside of India.

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**Alexander Henderson** - *Needham & Company, LLC, Research Division - Senior Analyst*

So then my last question, if I could. Clearly, India has been horrific after being wonderful. Obviously, the pressures that occurred in the back half of the year with the court rulings, the pull forward of the 5G license timing is pressuring 4Q and into 1Q. When do you see that starting to not just stabilize, but start to revert to a little bit healthier growth? Clearly, the traffic growth in India is still very strong. So I would think at some point, India will have to get back on the growth curve. Is that a 2- or 3-quarter kind of phenomenon? Or is it -- is that something that, at this point, you just write-off until the '21, '22 time frame?

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**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

Very hard to predict. But let's start what you're saying, which you are right. The operators in India didn't stop deploying. Let's remember, we are still focusing significant number out of India for this year with the customers. I just returned end of last week from India with discussions with all our customers and all of them are talking about densifying, increasing capacity, solving bottlenecks within the network because the network usage is increasing as they move forward.

At this point, I will refrain from predicting when the shift will happen again. Probably, my guess is outside of 2020 into 2021 as numbers jump there. But again, it's very, very early to tell because the dynamics are so much on the political-operator government side. That's a relationship which is very hard to predict as well as talking to a lot of people in India last week. And one of the questions, okay, when is 5G auctions, for example. I think I got more answers than the people I talked to. If in dates, then between very now and then to much later. The only thing I will say is that all the operators are looking in deploying 5G tests or trials within this year in India.

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**Operator**

And next, we'll go to the line of Gunther Karger with Discovery Group.

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**Gunther Karger** - *Discovery Group Inc. - Analyst*

Question has to do with the USA market. And recently, there's been utterances and comments on the Trump administration regarding the buy of USA products at the expense of no longer buying Huawei and other products in that area of the world. Ceragon, being an Israeli company, I don't know where you produce most of your products, you do have a USA office. And the question is, how does Ceragon stand in this emerging policy, even though it may be temporary?

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**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

Let's remember that in general, that trend is more on the edge of do not buy Chinese or Huawei products in most of the places. So we are benefiting from that trend in different places around the world. There are 2 deals that we have won over, significant one in this year, which come from that trend of mainly the U.S. government pushing a lot of places around the world into buying non-Chinese or mainly not buy Huawei equipment.

On the other side, I will caution because of that, I've seen Huawei and some of the other Chinese vendors being in other areas, being very, very aggressive. And there's just the other side of that, I've seen the deal in one of the other areas, where one of the Chinese vendors went out to all measures to push us out from the customers and became a lot more aggressive than usual.

On that trend, at this point, if you ask me, yes, we are benefiting in some places but we are hurting in other places. In general, it stays almost neutral. Let's remember with everything that goes forwards and backwards on that, we do believe that outside of India, we gained market share. While in

India, we maintained, although at a much lower level, our market share of the Indian market. So overall, we are gaining market share versus the other vendors in our space.

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**Operator**

And Mr. Palti, with no further questions in queue, I'll turn it back to you if you have any closing comments.

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**Ira Palti** - *Ceragon Networks Ltd. - President, CEO & Director*

I'd like to thank you all for participating in the call with us. If anyone has further questions, please feel free to contact us, contact myself, contact Ran, contact Osi and we'll be happy to entertain one-on-one discussions on the way we look forward on our results. Thank you for joining us today.

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**Operator**

Ladies and gentlemen, that does conclude your conference for today. Thank you for your participation. You may now disconnect.

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