



Baylin Announces Financial Results for the Third Quarter of 2019

Investor Conference Call on November 6, 2019 at 8:00 a.m. ET

TORONTO, CANADA – November 5, 2019 – Baylin Technologies Inc. (TSX: BYL) (the "Company" or "Baylin"), a leading, diversified, global wireless technology management company focused on research, design, development, manufacturing and sales of passive and active radio frequency products and services, today announced its financial results for the three and nine months ended September 30, 2019. All amounts are stated in Canadian dollars unless otherwise indicated.

QUARTERLY HIGHLIGHTS

Key highlights for the three months ended September 30, 2019 include the following:

- Revenue was \$36.4 million in the third quarter of 2019, a decrease of \$1.8 million or 4.6% compared to the third quarter of 2018. The decrease was primarily due to weaker sales for Embedded Antenna and Wireless Infrastructure products compared to the third quarter of 2018, somewhat offset by higher revenue from Asia Pacific products and higher combined revenue from Advantech Wireless and Alga Microwave products compared to the third quarter of 2018.
- Gross profit was \$12.2 million in the third quarter of 2019, a decrease of \$3.9 million compared to the third quarter of 2018. Gross margin⁽³⁾ was 33.5% in the third quarter of 2019 compared to 42.3% in the third quarter of 2018. Gross margin was negatively impacted in the third quarter of 2019 by sales mix – Asia Pacific revenue as a percentage of total revenue was higher than anticipated, however, its products generate lower gross margins than the other product lines.
- Adjusted EBITDA⁽²⁾ in the third quarter of 2019 was \$1.2 million compared to \$7.1 million in the third quarter of 2018. The non-recurring items in the third quarter of 2019 amounted to \$0.4 million and were comprised primarily of expenses related to consulting fees paid to Advantech Wireless Inc. (the consulting agreement will not be extended after it expires on December 31, 2019) and the legal fees for a corporate reorganization of an inactive part of the Galtronics business. A portion of the decrease in Adjusted EBITDA in the third quarter of 2019 is due to a payment received in the third quarter of 2018 of approximately \$1.8 million as a result of an indemnity claim made by the Company against the portion of the cash purchase price being held in escrow pursuant to the terms of the Advantech Wireless asset purchase agreement. This amount was included as an offset against G&A expenses in the third quarter of 2018.
- Net cash at September 30, 2019 decreased from June 30, 2019 primarily due to capital expenditures, interest expense, a term loan principal repayment and cash taxes offset somewhat by a decrease in non-cash working capital and an increase in the revolving credit facility.

"We announced in September that financial results for the third quarter of 2019 would not meet expectations. Challenging industry dynamics have continued to soften demand from several of our primary customers. In addition, the decision to invest in massive MIMO production in our new facility in Vietnam resulted in expenses in the third quarter of 2019 that were not anticipated in the 2019 budget. Additionally, our Infrastructure Group has seen a softening in its business with its tier one telco customers experiencing a delay and/or reduction in capital expenditures until 2020 as well as a postponement of a significant base station project", stated Randy Dewey, Baylin's President and Chief Executive Officer.

“We are pleased with the progress that we have made to rectify the legacy issues of Advantech Wireless that existed at the time we acquired the business. Although these issues continue to have a negative impact on profitability, we believe most of them are now behind us. We stand by our previously stated goals for cost synergies and we are seeing accelerated revenue opportunities in adjacent markets where Advantech has not traditionally participated”, added Mr. Dewey.

“We completed the sale of our Kirkland, Quebec facility in October 2019. The proceeds, \$7.1 million, were used to pay down the Company’s revolving credit facility”, stated Michael Wolfe, Baylin’s Chief Financial Officer. “We have signed a long-term lease and will continue to operate in the facility”, added Mr. Wolfe.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company is summarized below for the periods indicated:

(in \$000's except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue	36,430	38,189	123,294	100,205
Gross profit	12,212	16,168	44,187	39,778
Loss before income taxes	(567)	(1,104)	(4,379)	(4,931)
Income tax expense	151	695	586	1,183
Net loss	(718)	(1,799)	(4,965)	(6,114)
Basic and diluted net loss per share	(\$0.02)	(\$0.05)	(\$0.12)	(\$0.16)
EBITDA ⁽¹⁾	824	4,774	8,829	5,255
Adjusted EBITDA ⁽²⁾	1,223	7,100	10,475	11,435
Current assets	77,786	78,777	77,786	78,777
Total assets	173,457	166,903	173,457	166,903
Current liabilities	50,838	33,328	50,838	33,328
Non-current liabilities	49,300	53,926	49,300	53,926
Total liabilities	100,138	87,254	100,138	87,254

(1) See “Non-GAAP Measures”. EBITDA refers to earnings before interest, income taxes, depreciation and amortization.

(2) See “Non-GAAP Measures”. Adjusted EBITDA refers to operating income (loss) plus depreciation and amortization plus non-recurring items.

(3) See “Non-GAAP Measures”. Gross margin refers to gross profit divided by revenue.

A copy of the Company’s unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2019 and corresponding management’s discussion and analysis (the “MD&A”) are available under the Company’s SEDAR profile on www.sedar.com.

OUTLOOK

Management believes that the issues faced in the third quarter of 2019 will continue to impact the Company for the balance of the year and into the first quarter of 2020. While management believes the issues are transitory, management is focused on improving financial performance including cost reduction initiatives that are expected to decrease costs by over \$4 million annually.

Management expects gross margin to increase in the fourth quarter of 2019 and through 2020, returning to historical levels as the Infrastructure and Embedded Antenna revenue recovers and the Advantech Wireless and Alga Microwave revenue continues to grow.

Management continues to be optimistic about the acceleration of new programs, new contract wins and new major 5G massive MIMO opportunities.

The Company is continuing to invest in high growth areas and entering into new markets.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on November 6, 2019 at 8:00 a.m. (ET) to discuss its financial results for the three and nine months ended September 30, 2019. The call will be hosted by Randy Dewey, President and Chief Executive Officer, Michael Wolfe, Chief Financial Officer and Daniel Kim, Executive

Vice President of Corporate Development. All interested parties are invited to participate using the dial-in details provided below.

Date: November 6, 2019
Time: 8:00 a.m. (ET)
Dial-in Number: 888-231-8191 or 647-427-7450
Conference ID#: 6693762

Webcast: <https://event.on24.com/wcc/r/1924935/A6B97A9F852608008CB3CC0F6BB13EB1>

FORWARD-LOOKING STATEMENTS

Certain statements contained in this press release constitute "forward-looking statements" that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of the Company, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as "expects," "anticipates," "believes," "intends," "estimates," "predicts," "potential," "targeted," "plans," "possible" and similar expressions, or statements that events, conditions or results "will," "may," "could" or "should" occur or be achieved. The forward-looking statements in this press release include, but are not limited to, statements regarding the Company's expected product pipeline, plans to expand the Company's business into new markets, the Company's ability to achieve organizational efficiencies, and other statements regarding the Company's plans, objectives and expectations. These statements reflect the Company's current views regarding future events and operating performance and are based on information currently available to the Company as of the date of this press release. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Those assumptions and risks include, but are not limited to, the Company's ability to successfully allocate capital as needed and to develop new products, as well as the fact that the Company's results of operations and business outlook are subject to significant risk, volatility and uncertainty. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to the risk factors discussed in the Company's Annual Information Form dated March 13, 2019 which is available on the Company's profile at www.sedar.com. All of the forward-looking statements made in this press release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. Unless required by applicable securities law, the Company does not intend and does not assume any obligation to update these forward-looking statements.

NON-GAAP MEASURES

This press release includes a number of measures that are not prescribed by Canadian generally accepted accounting principles ("GAAP") and as such may not be comparable to similar measures presented by other companies. We believe these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and interested parties to evaluate financial performance and our ability to incur and service debt to support our business activities. While management of the Company believes that non-GAAP measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP. See "Non-GAAP Measures" on page 2 of the MD&A for further information.

ABOUT BAYLIN

Baylin Technologies Inc. (TSX: BYL) is a diversified leading global wireless technology management company. Baylin focuses on research, design, development, manufacturing and sales of passive and active radio-frequency products and services. Baylin aspires to meet its customers' needs and anticipate the direction of the market. For further information, please visit www.baylintech.com.

For further information please contact Investor relations: investor.relations@baylintech.com