



Baylin Announces Financial Results for the Third Quarter of 2020

Investor Conference Call on November 12, 2020 at 8:00 a.m. ET

TORONTO, CANADA – November 11, 2020 – Baylin Technologies Inc. (TSX: BYL) (the “Company” or “Baylin”), a leading, diversified, global wireless technology 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, 2020. All amounts are stated in Canadian dollars unless otherwise indicated.

QUARTERLY HIGHLIGHTS

Key highlights for the three months ended September 30, 2020 include the following:

- Second consecutive quarter over quarter improvement in revenue, gross profit, EBITDA⁽¹⁾ and Adjusted EBITDA⁽²⁾.

	Three Months Ended		
	September 30, 2020	June 30, 2020	March 31, 2020
	\$	\$	\$
Revenue	36,577	30,629	26,942
<i>% Increase</i>	19.4%	13.7%	
Gross profit	10,399	9,678	8,599
<i>% of Revenue</i>	28.4%	31.6%	31.9%
EBITDA ⁽¹⁾	2,278	1,905	(195)
Adjusted EBITDA ⁽²⁾	3,582	2,658	555

- The decrease in gross margin⁽³⁾ in the third quarter of 2020 compared to the second quarter of 2020 was due to product mix.
- Continued reduction in operating expenses. Operating expenses in the third quarter of 2020 decreased by \$3.3 million compared to the third quarter of 2019.
- Net cash as at September 30, 2020 decreased from December 31, 2019 due to ongoing capital expenditures to complete the new facility in Vietnam, debt servicing and cash taxes, offset by a decrease in non-cash working capital.

RECENT DEVELOPMENTS

Revenue and EBITDA have increased quarter-over-quarter in 2020. We have continued to feel the impact of the coronavirus (COVID-19) pandemic in our margins and sales mix. In particular, Infrastructure and Satcom sales volumes in the third quarter of 2020 were softer than expected with Asia Pacific revenue surpassing the third quarter expectations. COVID-19 impacted Infrastructure revenue with the delays in small cell site approvals due to municipality shutdowns and slower than expected services. Additionally, the 5G C-band spectrum auction delay impacted both Infrastructure and Satcom revenue. We continue to experience delays in the completion of the Massive MIMO (MMU) factory in Vietnam, but recently we have the chamber specialist scheduled to go to the facility in the first quarter of 2021 to finish the final calibration.

Management is continuing to focus on securing new long-term contracts and reducing costs in order to drive profitability. The cost reduction initiatives implemented over the last year have resulted in reduced expenses of approximately \$10 million. In the third quarter of 2020, operating expenses were \$3.3 million lower than the third quarter of 2019. Management expects to implement further operating expense reductions over the next four quarters which should show improvements in financial performance in the fourth quarter of 2020 and through 2021.

SELECTED FINANCIAL INFORMATION

The table below discloses selected financial information for the periods indicated.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	36,577	36,430	94,148	123,294
Gross profit	10,399	12,212	28,676	44,187
Loss before income taxes	(2,169)	(567)	(9,529)	(4,379)
Income tax expense (recovery)	(1,804)	151	(1,996)	586
Net loss	(365)	(718)	(7,533)	(4,965)
Basic and diluted net loss per share	(\$0.01)	(\$0.02)	(\$0.18)	(\$0.12)
EBITDA ⁽¹⁾	2,278	824	3,988	8,829
Adjusted EBITDA ⁽²⁾ (2019: revised to include non-cash compensation)	3,582	1,442	6,795	11,661
Current assets	67,860	77,786	67,860	77,786
Total assets	151,292	173,457	151,292	173,457
Current liabilities	48,110	50,838	48,110	50,838
Non-current liabilities	49,146	49,300	49,146	49,300
Total liabilities	97,256	100,138	97,256	100,138

(1) See "Non-GAAP Measures". EBITDA refers to operating income (loss) plus depreciation and amortization.

(2) See "Non-GAAP Measures". Adjusted EBITDA refers to EBITDA plus the sum of: a) acquisition expenses, fair value step up of inventory acquired as part of an acquisition, expenses for litigation relating to acquisition agreements, expenses relating to planned restructuring post an acquisition, impairment on fixed and intangible assets (including goodwill) post an acquisition; b) expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions; c) corporate re-organization expenses; and, d) non-cash compensation.

(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, 2020 and corresponding management's discussion and analysis (the "MD&A") are available under the Company's profile on SEDAR at www.sedar.com.

OUTLOOK

The Embedded Antenna business line is expected to continue to perform well with gross margin expected to improve in the first quarter of 2021 due to a capital investment which will automate a portion of the manufacturing process of one of its highest volume products. The increase in consumer demand for Wi-Fi 6 products coupled with recent large platform wins in this market have this division expecting growth for 2021. Furthermore, we have moved into the automotive antenna market, resulting in two long-term automotive contracts that are expected to start in mid-2021.

The Satcom business line has seen a significant increase in military proposals and contract wins to new and existing customers for large opportunities that are expected to commence shipments in early 2021. The launch of our new Summit Series II has achieved early success and our first system is expected to be delivered in the first quarter of 2021 with other awards to be delivered afterwards.

The Company has seen continuing financial improvements across its business lines, however, there remains uncertainty due to the COVID-19 pandemic. The Asia Pacific business line had a very strong third quarter of 2020, however, the COVID-19 lockdowns in Europe in the fourth quarter of 2020 have impacted cellular stores, resulting in a decline in the order book for this quarter.

Although COVID-19 is continuing to have an impact on financial results in the fourth quarter of 2020 which will likely result in a softer quarter than the third quarter of 2020, we nevertheless expect the financial performance in the second half of 2020 to be better than the first half.

Year to date, the Wireless Infrastructure business line has been impacted from COVID-19. While activity with customers has been steadily improving, with a lot of planning for 2021 taking place, it is causing some delays in product deliveries in the fourth quarter of 2020. The outlook for 2021 with this business line has improved significantly for three major reasons:

- 1) The new 5G spectrum auction will be concluded by the U.S. Federal Communications Commission in December 2020;
- 2) 2020 projects that were delayed but are now scheduled for 2021; and,
- 3) The new carrier supplier status win for small cells for which revenue is expected to commence in the first quarter of 2021.

The recent development of the chamber specialist scheduled to start the final commissioning at the new Vietnam factory in the first quarter of 2021 could put us on track to commence operations in the second quarter of 2021. Although MMU industry volumes were affected by COVID-19 and the delayed C-band auction in the U.S., it is expected that volumes will recover to historic highs starting in the second half of 2021.

To summarize, while the impact of the COVID-19 pandemic is expected to create near-term volatility in our business, particularly the fourth quarter of 2020, the long-term outlook for Baylin is robust:

- **Wi-Fi 6** | Next generation Wi-Fi 6 brings new technology, and therefore has expanded our opportunities with existing and new customers. Additionally, we have secured automotive contracts with two key OEMs and we expect these long-life programs to begin volume production in the second half of 2021. Combined, these wins should accelerate organic growth of our Embedded Antenna products.
- **5G and C-Band** | The reallocation of C-band from satellite operators to telecom providers towards 5G spectrum is driving an unprecedented product refresh across both Satcom (C-band filters) and Infrastructure (small cell, base station and distributed antenna systems).
- **Small Cell** | While small cell deployments stalled in the U.S. due to COVID-19, this industry is expected to trend steadily upward beginning in 2021 through to 2025. Now, having secured a second large carrier, we expect our Infrastructure products to enjoy more robust growth and less volatility in deployments.
- **Base Station** | After years of investment and an expanding product portfolio, our base station product group continues to gain significant traction with customers.
- **Satcom** | Our Summit II Solid State Power Amplifier (SSPA) system continues to drive new opportunities:
 - A previously announced 5G backhaul program is expected to move into volume production beginning in 2021;
 - A recently announced multi-year agreement to supply a major system integrator is likewise expected to move into volume production beginning in 2021;
 - Finally, new low-earth orbit (LEO) constellations are being deployed by several large global players. These constellations will require a significant investment in new technologically advanced ground infrastructure, for which our Summit II SSPA is well suited.
- **MMU** | Due to COVID-19, many field operations for MMU deployments were shut down completely by many governments in 2020. A recent study from Allied Market Research forecasts a robust 35% CAGR from US\$1.9 billion in 2020 to US\$15.8 billion in 2027.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on November 12, 2020 at 8:00 a.m. (ET) to discuss its financial results for the three and nine months ended September 30, 2020. 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 12, 2020
Time: 8:00 a.m. (ET)
Dial-in Number: 888-231-8191 or 647-427-7450
Conference ID#: 2184306

Webcast: https://produceredition.webcasts.com/starthere.jsp?ei=1290186&tp_key=e8634b70ea

FORWARD-LOOKING STATEMENTS

Certain statements contained in this press release constitute “forward-looking information and 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 information or 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 effect on the Company and its customers and suppliers of the COVID-19 pandemic, the timing of completion of the Company’s new factory in Vietnam and timing and amount of any expected future revenue from that factory, the timing and amount of expected improvements in revenue, expected opportunities for new business, the timing and amount of expected cost reduction initiatives, 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 11, 2020 which is available under the Company’s profile on SEDAR 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 leading, diversified, global wireless technology 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 or contact Investor Relations: investor.relations@baylintech.com.