



Baylin Announces Financial Results for the Second Quarter of 2021 and \$10 Million Private Placement

Investor Conference Call on August 12, 2021 at 8:00 a.m. ET

TORONTO, CANADA – August 11, 2021 – 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, terrestrial microwave products, and services, today announced its financial results for the three and six months ended June 30, 2021. All amounts are stated in Canadian dollars unless otherwise indicated.

SECOND QUARTER SUMMARY

- Announced industry veteran Leighton Carroll as the new Chief Executive Officer.
- Launched the Summit II advanced solid state power amplifier product line for high power applications for the satellite industry.
- Received technical approval for two macro tower antennas for use by a major US wireless carrier – a first for the Company.
- Revenue was \$21.6 million in the second quarter of 2021, a decrease of \$9.0 million or 29.4% compared to the second quarter of 2020.
- Wrote down to zero the remaining goodwill of \$15.9 million related to the Company’s 2018 acquisitions.
- Wrote off \$5.5 million in unusable inventory related to the Company’s 2018 acquisitions.
- Net cash as at June 30, 2021 decreased by \$3.0 million from December 31, 2020 mainly due to operating losses and principal and interest payments, offset by proceeds from the exercise of common share purchase warrants issued in December 2020, drawdown of the loan from the Company’s credit facility in Vietnam and a decrease in non-cash working capital.
- Conversion of 70% of the Company’s outstanding convertible debentures reduced debt by \$12.1 million and annual interest burden by \$0.8 million.

RECENT DEVELOPMENTS

New Chief Executive Officer

On June 7, 2021, the Company announced the appointment of Leighton Carroll as the new Chief Executive Officer. Mr. Carroll brings over 25 years of experience in telecommunications, holding progressively senior positions within AT&T, including as leader of significant business units where he consistently beat performance targets for his businesses. Since leaving AT&T he has worked in the telecommunications infrastructure sector, running two separate businesses. In each case he was able to grow those companies significantly through customer diversification, service growth, and through successful M&A. Throughout his career, Mr. Carroll has demonstrated strong corporate leadership and the ability to achieve significant revenue and customer growth, increasing value for stakeholders.

"I am thrilled to join the team at Baylin. While the company has been through a challenging period and has certainly been impacted by the COVID-19 pandemic, a few things are very clear to me. Baylin and its operating companies have solid products customers need, terrific engineering and manufacturing capabilities, and great people. With the support of the board and our investors I am confident that our best days lay in front of us," said Mr. Carroll.

"Leighton is a terrific choice as CEO for Baylin," said Mr. Jeffrey Royer, Chairman. "Leighton's track record of building and growing businesses in telecommunications is strong, including extensive North American and international experience. He also successfully grew two businesses built on satellite technology. I am excited to see what the team can accomplish under his leadership."

Private Placement

The Company has entered into an engagement letter dated August 11, 2021 with Paradigm Capital Inc., as lead agent, on behalf of a syndicate of agents (collectively, the "Agents"), in connection with a proposed best efforts private placement financing (the "Offering") of 11,112,000 common shares of the Company (the "Common Shares") at a price of \$0.90 per Common Share for total proceeds of approximately \$10 million. The Company has granted the Agents an option to sell up to an additional 15% of the number of Common Shares offered pursuant to the base Offering to cover over-allotments. As part of the Offering, the Company has entered into a separate agreement with 2385796 Ontario Inc. (the "Insider"), the Company's largest shareholder, under which the Insider has agreed to support the Offering by agreeing to purchase Common Shares with a purchase price equal to the lesser of: (i) \$10 million (subject to increase by the amount (if any) of the over-allotment option); and, (ii) the difference between the full amount of the Offering and the aggregate purchase price paid by all other investors (if any) in the Offering. Accordingly, the Company is assured of receiving at least \$10 million in proceeds from the Offering, subject to receipt of applicable regulatory approvals and satisfaction of other customary closing conditions, including listing of the Common Shares on the Toronto Stock Exchange (the "TSX"). Jeffrey C. Royer, Chairman of the Board of Directors of the Company, exercises control and direction over investment decisions of the Insider. The Company is relying on the "financial hardship" exemption available to it under the rules of the TSX to permit the Insider to purchase more than 10% of the 62,447,014 common shares of the Company currently outstanding without the Company having to obtain disinterested shareholder approval. The Offering is expected to close on or about September 1, 2021.

Credit Agreement

The Company and its lenders (Royal Bank of Canada and HSBC Bank Canada) have agreed to further amendments to the Company's Credit Agreement dated March 29, 2019. These amendments include a waiver of compliance with the Fixed Charge Coverage Ratio as at June 30, 2021, change to the manner in which the Fixed Charge Coverage Ratio is calculated for the quarters ending September 30 and December 31, 2021, so that the twelve month calculation period commences July 1, 2021 on a cumulative basis, removal of the minimum EBITDA covenant and increase in the minimum Liquidity covenant from \$7 million to \$10 million. The Company's lenders have also agreed to waive the obligation to apply the net proceeds from the Offering to repay debt provided that the proceeds are deposited in an account with one of the lenders not later than September 1, 2021. A copy of the amendments will be available under the Company's SEDAR profile on www.sedar.com.

Asia Pacific Group

In late 2020, the Asia Pacific business line was contracted by a major customer to produce an antenna and its housing for use in a consumer product. This represented an opportunity to diversify into a new product category. However, the product suffered from significant production quality issues, resulting in low yields and high customer returns, and we reported a loss of \$2.0 million in the first quarter of 2021. At that time, we announced that we would cease further production and ship a small number of remaining antennas over the next few months. While there were declining production volumes in the second quarter of 2021, there was a further loss of \$2.0 million, principally related to return shipments from the first quarter of 2021 and quality issues in inventory as at the end of the second quarter. Since our earlier announcement, our customer has asked us to continue production until the program ends later in 2021, albeit at lower volumes than in the first quarter. We are continuing discussions with our customer to minimize the impact while securing other profitable businesses in 2021, and importantly in 2022. The Asia Pacific business line was also affected during the second quarter of 2021 by lower gross margins⁽³⁾, which was mainly due to lower production of higher-margin LDS (laser direct structuring) and higher production of lower-margin MFA (multi-functional) antennas.

SELECTED FINANCIAL INFORMATION

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue	21,622	30,629	45,082	57,571
Gross profit (loss)	(3,549)	9,678	48	18,277
Loss before income taxes	(33,981)	(4,090)	(42,425)	(7,360)
Income tax expense (recovery)	(46)	617	(28)	(192)
Net loss	(33,935)	(4,707)	(42,397)	(7,168)
Basic and diluted net loss per share	(\$0.64)	(\$0.12)	(\$0.83)	(\$0.18)
EBITDA ⁽¹⁾	(29,887)	1,905	(32,603)	1,710
Adjusted EBITDA ⁽²⁾	(12,721)	2,658	(14,978)	3,213
Current assets	48,087	68,535	48,087	68,535
Total assets	102,127	152,011	102,127	152,011
Current liabilities	57,794	45,307	57,794	45,307
Non-current liabilities	22,544	52,189	22,544	52,189
Total liabilities	80,338	97,496	80,338	97,496

(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 six months ended June 30, 2021 and corresponding management's discussion and analysis (the "MD&A") are available under the Company's SEDAR profile on www.sedar.com.

OUTLOOK

The Company's business continues to face challenges brought about by the COVID-19 pandemic and expects that these will continue for the balance of 2021. However, we expect second-half revenue and Adjusted EBITDA to show an improvement over the first half. Travel restrictions are continuing to hamper some business development activities.

MMU Facility

Our MMU facility in Vietnam continues to experience delays in the final commissioning and approval of the facility, in part due to the effect of COVID-19 related travel restrictions, which has prevented engineers from outside Vietnam travelling to Vietnam to complete the installation and inspection of testing equipment. Over the course of the 18-month plus delay, our customer's sales of their MMU product have softened significantly. This has led to lower forecasts through mid-year 2022 as well as a redesign of the product by our customer to reduce complexity and their cost structure. We now do not expect the facility to be production-ready until some time in 2022, and in light of market conditions and changes to the product design, we will be assessing the long-term strategic options for this facility over the next two quarters.

Satcom Group

The commercial side of the Satcom business line, which represents a majority of its business, continues to feel the effects of the downturn due to the impact of COVID-19. Although there are clear signs of recovery, we expect capital spending by our commercial customers will remain constrained for the remainder of 2021 until a more sustained recovery becomes evident. Similarly, the recently completed C-band spectrum auction in the United States will eventually open up opportunities with the satellite operators once they receive incentive payments and once their C-band spectrum has been cleared. However, those payments will not be made until the blocks of spectrum are allocated to the successful bidders in the auction. For that

reason, any benefit to the Satcom business line from the build-out of the related infrastructure is not expected to begin to be realized at the earliest until the beginning of 2022.

We expect sales for military and other government-related uses, which represents the balance of Satcom's business, will remain firm during the third quarter and to the end of 2021. Although we experienced a delay in the launch of our new Ultra High-Power Summit II solid state power amplifiers, with the first deliveries in June 2021, the launch of the Summit II has demonstrated this product's unique competitive differentiation. We believe there is no other platform in the market that can deliver the capabilities of our Summit II and that over time it will open up significant opportunities. Overall, we expect revenue of the Satcom business line to be stronger in the second half of 2021 as certain industries start to invest as the world comes out of the COVID-19 pandemic.

Wireless Infrastructure Group

The Wireless Infrastructure business line has been adversely affected by the delayed timing of in-building and small cell deployments due to the COVID-19 impact and increases in freight costs due to supply chain constraints. We expect these constraints will lessen over the second half of 2021 as economies, particularly in the United States, continue to open up, and be reflected in higher revenue.

Embedded Antenna Group

The Embedded Antenna business line was a stable performer in the first half of 2021. Despite a significant chipset shortage, which impacted its customers' build schedules and forecasts, resulting in lower volumes and revenue, this business line is expected to improve in the second half of 2021 based on increased availability of global chipsets.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on August 12, 2021 at 8:00 a.m. (ET) to discuss its financial results for the three and six months ended June 30, 2021. The call will be hosted by Leighton Carroll, President and Chief Executive Officer, Cliff Gary, Vice President Finance and Daniel Kim, Executive Vice President of Corporate Development. All interested parties are invited to participate using the dial-in details provided below.

Date: August 12, 2021
Time: 8:00 a.m. (ET)
Dial-in Number: 888-664-6392 or 416-764-8659
Conference ID#: 28959644

Webcast: https://produceredition.webcasts.com/starthere.jsp?ei=1427576&tp_key=99cf27b2ad

FORWARD-LOOKING STATEMENTS

This press release includes forward-looking information and forward-looking statements (together, "forward-looking statements") within the meaning of applicable securities laws. They are not statements of historical fact. Rather, forward-looking statements are disclosure regarding conditions, developments, events or financial performance that we expect or anticipate may or will occur in the future including, among other things, information or statements concerning our objectives and strategies to achieve those objectives, statements with respect to management's beliefs, estimates, intentions and plans, and statements concerning anticipated future circumstances, events, expectations, operations, performance or results. Forward-looking statements can be identified generally by the use of forward-looking terminology, such as "anticipate", "believe", "could", "should", "would", "estimate", "expect", "forecast", "indicate", "intend", "likely", "may", "outlook", "plan", "potential", "project", "seek", "target", "trend" or "will" or the negative or other variations of these words or other comparable words or phrases and is intended to identify forward-looking statements, although not all forward-looking statements contain these words.

The forward-looking statements in this press release include statements concerning the continuing effect of the COVID-19 pandemic on our business, the outlook for our business lines otherwise, timing of new products and revenue, and timing of commencement of production from our new factory in Vietnam. The

completion and timing of the Offering is subject to a number of conditions, including that all approvals for the Offering will be received, that no material change in Baylin's operations or the markets for its services prior to closing of the Offering and completion of satisfactory due diligence. Forward-looking information and statements are based on certain assumptions and estimates made by us in light of the experience and perception of historical trends, current conditions, expected future developments, including projected growth in sales of passive and active radio frequency and terrestrial microwave products and services, and other factors we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such assumptions and estimates will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the risk factors discussed in the Company's most recent Annual Information Form, which is available under the Company's profile on SEDAR at www.sedar.com. All the forward-looking statements made in this press release are qualified by these cautionary statements and other cautionary statements or factors in this press release. There can be no assurance that the actual results or developments will be realized or, even if substantially realized, 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. is a leading diversified global wireless technology company. Baylin focuses on research, design, development, manufacturing and sales of passive and active radio frequency products, terrestrial microwave 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.