



Baylin Announces Financial Results for the Second Quarter of 2022

Investor Conference Call on August 11, 2022 at 8:00 a.m. ET

TORONTO, CANADA – August 10, 2022 – Baylin Technologies Inc. (TSX: BYL) (the “Company” or “Baylin”), a diversified global wireless technology company focused on research, design, development, manufacture and sales of passive and active radio frequency products, satellite communications products, and supporting services, today announced its financial results for the three and six months ended June 30, 2022. All amounts are stated in Canadian dollars unless otherwise indicated.

SECOND QUARTER SUMMARY

- **Revenue of \$30.1 million in the second quarter of 2022, an increase of \$8.5 million or 39.4% compared to the second quarter of 2021.** The increase was primarily due to stronger sales across all the business lines despite continuing supply chain disruptions, chipset shortages and the COVID-19 pandemic, which also negatively impacted revenue in the prior year period.
- **Gross profit of \$9.0 million in the second quarter of 2022, an increase of \$12.5 million compared to a gross loss of \$3.5 million in the second quarter of 2021.** Gross margin was 29.9% in the second quarter of 2022 compared to -16.4% in the second quarter of 2021. Gross margin was primarily impacted by improved product mix attributable to both changes in pricing strategy and a data driven focus on contribution margin at the business line level. The improved gross margin in the second quarter of 2022 was mainly generated by: (i) stronger gross margin in the Wireless Infrastructure business line compared to the second quarter of 2021; (ii) consistent growth in the Embedded Antenna and Satcom business lines; and, (iii) improvements to the gross margin earned by the Asia Pacific business line through operating and financial efficiencies.
- **Adjusted EBITDA⁽²⁾ of \$0.3 million in the second quarter of 2022, the third consecutive quarter of positive Adjusted EBITDA.** Adjusted EBITDA in the second quarter of 2022 was an increase of \$13.0 million compared to negative \$12.7 million in the second quarter of 2021. The increase in Adjusted EBITDA was mainly due to the overall increase in revenue and gross profit discussed above and a decrease in operating expenses compared to the prior year period.
- Backlog⁽⁴⁾ was \$38.9 million at July 31, 2022 and \$37.7 million at June 30, 2022, primarily due to a higher level of backlog in the Satcom business line compared to the backlog at December 31, 2021. Backlog at June 30, 2022 was an increase of \$12.7 million or 51.0% compared to the backlog at June 30, 2021 as a result of improved marketing, business development and sales activities.
- Net loss of \$4.3 million in the second quarter of 2022 compared to a net loss of \$33.9 million in the second quarter of 2021. The net loss in the second quarter of 2022 was primarily due to an operating loss of \$3.2 million, interest expenses as well as income tax expenses. The net loss in the second quarter of 2021 included a goodwill impairment charge of \$15.9 million. On a per share basis, there was a net loss of \$0.05 per share in the second quarter of 2022 compared to a net loss of \$0.64 per share in the second quarter of 2021.
- Net debt⁽³⁾ was \$21.4 million as at June 30, 2022, an increase of \$9.1 million from December 31, 2021, mainly due to an increase in non-cash working capital, capital expenditures and interest payments.

RECENT DEVELOPMENTS

Product Development

In July 2022, the Company announced that its Galtronics subsidiary had been selected to provide embedded antenna solutions for an innovative US Computer Networking Hardware Company to provide a wireless solution to a Major US Telecommunications Service Provider. Galtronics was awarded a multi-year contract and has shipped more than \$0.5 million in product, year to date. Galtronics will provide the antennas for a 5G mobile hotspot solution which allows service provider's users to utilize a 5G internet connection with multi-gigabit speeds at home and on the move.

In June 2022, the Company announced that the Satcom business line had received a purchase order of over \$1.5 million for amplifiers from a major maritime service provider. The amplifiers will be installed on cruise ships to enable connectivity for passengers and crew.

Credit Facility

In July 2022, the Company and its lenders (Royal Bank of Canada and HSBC Bank Canada) agreed to a further amendment to the Credit Agreement to reduce the minimum liquidity the Company is required to maintain from \$10 million to \$7.5 million. The Company believes that this will provide additional flexibility to invest in working capital and inventory, in particular in order to actively manage supply chain challenges and long lead times, and to support deliveries against historically high backlog levels.

MMU Facility

In May 2022, the Company announced that it would be liquidating the equipment in its massive multiple input multiple output product ("MMU") facility in Vietnam and applying the proceeds in repayment of the Vietnam Loan. The Company then retained a firm specializing in asset liquidations to assist in the liquidation process. During the past several weeks, the Company and the firm have been conducting a sales process for the equipment, which is currently ongoing.

SELECTED FINANCIAL INFORMATION

The table below discloses selected financial information for the three and six months ended June 30, 2022 compared to the prior year period.

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022	2021	Change	Change	2022	2021	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Revenue	30,134	21,622	8,512	39.4%	61,108	45,082	16,026	35.5%
Gross profit (loss)	9,015	(3,549)	12,564	N/A	17,071	48	17,023	> 100.0%
Loss before income taxes	(4,071)	(33,981)	29,910	(88.0%)	(7,948)	(42,425)	34,477	(81.3%)
Income tax expense (recovery)	237	(46)	283	N/A	(567)	(28)	(539)	> 100.0%
Net loss	(4,308)	(33,935)	29,627	(87.3%)	(7,381)	(42,397)	35,016	(82.6%)
Basic and diluted net loss per share	(\$0.05)	(\$0.64)	\$0.59	(92.2%)	(\$0.09)	(\$0.83)	\$0.74	(89.2%)
EBITDA ⁽¹⁾	(546)	(29,887)	29,341	(98.2%)	(792)	(32,603)	31,811	(97.6%)
Adjusted EBITDA ⁽²⁾	323	(12,721)	13,044	N/A	547	(14,978)	15,525	N/A
Current assets	54,344	48,087	6,257	13.0%	54,344	48,087	6,257	13.0%
Total assets	81,751	102,127	(20,376)	(20.0%)	81,751	102,127	(20,376)	(20.0%)
Current liabilities	59,395	57,794	1,601	2.8%	59,395	57,794	1,601	2.8%
Non-current liabilities	17,505	22,544	(5,039)	(22.4%)	17,505	22,544	(5,039)	(22.4%)
Total liabilities	76,900	80,338	(3,438)	(4.3%)	76,900	80,338	(3,438)	(4.3%)
Net debt ⁽³⁾	21,354	24,437	(3,083)	(12.6%)	21,354	24,437	(3,083)	(12.6%)
Backlog ⁽⁴⁾	37,702	24,961	12,741	51.0%	37,702	24,961	12,741	51.0%

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

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

(3) See "Non-IFRS Measures". Net debt refers to total bank indebtedness less cash and cash equivalents.

(4) See "Non-IFRS Measures". Backlog refers to the value of unfulfilled purchase orders placed by customers.

A copy of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2022 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 financial performance continued to improve, with a third consecutive quarter of positive Adjusted EBITDA, and improved gross margins in the second quarter of 2022 compared to the prior year period. Nevertheless, challenges exacerbated by the COVID-19 pandemic persist: in particular, material shortages and increased material costs due to supply chain disruptions are causing delays in both the production and the delivery of our products and are causing push-outs of orders from our customers. We had expected that these disruptions would begin to ease over the second half of 2022, but now anticipate that they are likely to continue into the fourth quarter of the year. The ongoing war in Ukraine and the risk of additional COVID-related lockdowns in China could continue to exacerbate the supply chain disruption. Despite these continuing challenges, we expect that the second half of 2022 will be similar in both revenue and Adjusted EBITDA to the first half of 2022.

Asia Pacific Business Line

Revenue in the second quarter of 2022 was adversely affected by across-the-board production volume reductions at Asia Pacific's largest customer, due in part to worsening economic conditions and expected softening in consumer spending. Management of the Asia Pacific business line was able to limit the effect of lower revenue by proactively managing operating costs. We are continuing to conduct reviews of Asia Pacific's product portfolio to improve its product mix. The objective of these reviews is to improve the contribution margin of this business line, even if it means foregoing additional revenue. We expect revenue and Adjusted EBITDA for the second half of 2022 to be comparable to the first half of the year.

Embedded Antenna Business Line

The Embedded Antenna business line continued to show considerable strength in the second quarter of 2022, with growth in both revenue and volumes, due in part to demand from new customers for home networking products, as well as stronger Adjusted EBITDA and improved gross margins. This continues the improvement in financial performance of the Embedded Antenna business line over the past 12 months, despite intermittent COVID-19 lockdowns in China and global chipset shortages which have impacted customers' build schedules and forecasts. We do, however, expect the second half of 2022 to be modestly lower in volumes, albeit with continuing profitability.

Wireless Infrastructure Business Line

The Wireless Infrastructure business line had a strong second quarter, with growth in both revenue and gross margins. We expect that DAS deployments will strengthen, particularly for use in stadiums and in building wireless throughout 2022. New multibeam BSAs and new innovative small cell antennas from Galtronics will come to market in the second half of 2022, opening new opportunities to drive sales with wireless carriers. We expect the third quarter of 2022 to be lower in revenue than the second quarter, with the fourth quarter returning to normal levels.

Satcom Business Line

The commercial side of the Satcom business line continues to demonstrate consistent demand with capital spending by our customers continuing the momentum seen in the first quarter of 2022. Given the capital build cycles of Satellite operators and others in the Satcom ecosystem, we continue to expect the benefit to the Satcom business line for the remainder of the year.

Sales for military and other government-related uses, which represents the balance of Satcom business line, will continue and potentially increase in late 2022, as many western countries have dramatically increased their defense spendings. Moreover, we expect to launch multiple technology upgrades within our product portfolio by the fourth quarter of 2022.

Overall, we expect revenue and Adjusted EBITDA of the Satcom business line to be consistent in the second half of 2022 compared with the first half of the year. The Satcom business line continues to demonstrate a strong order book but continues to face supply chain constraints, chipset shortages and

component delays. We are taking steps to improve production efficiencies in our facilities in order to address the backlog and improve overall revenue attainment.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on August 11, 2022 at 8:00 a.m. (ET) to discuss its financial results for the three and six months ended June 30, 2022. The call will be hosted by Leighton Carroll, Chief Executive Officer, Dan Nohdomi, 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: August 11, 2022
Time: 8:00 a.m. (ET)
Dial-in Number: 888-664-6392 or 416-764-8659
Conference ID#: 31684593
Webcast: <https://app.webinar.net/2oI8NrpBrxA>

FORWARD-LOOKING INFORMATION AND STATEMENTS

This press release includes forward-looking information and forward-looking statements (together, "forward-looking statements") within the meaning of applicable securities laws. Forward-looking statements 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, including the effect of supply chain and other disruptions and the growth in our backlog, the refinancing of our credit facilities and the closure of our MMU facility in Vietnam. 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 satellite communications products, and supporting 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 any forward-looking statements.

NON-IFRS MEASURES

This press release includes a number of measures that are not prescribed by International Financial Reporting Standards ("IFRS") 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 business activities. While management of the Company believes that non-IFRS measures provide 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 IFRS. See "Non-IFRS Measures" on page 2 of the MD&A for further information.

ABOUT BAYLIN

Baylin Technologies Inc. is a diversified global wireless technology company. Baylin focuses on the research, design, development, manufacture and sales of passive and active radio frequency products, satellite communications products, and supporting services.

For further information, please visit www.baylintech.com.