



Baylin Announces Financial Results for the Third Quarter of 2022

Investor Conference Call on November 10, 2022 at 8:00 a.m. ET

TORONTO, CANADA – November 9, 2022 – Baylin Technologies Inc. (TSX: BYL) (the “Company” or “Baylin”), a diversified global wireless technology company focused on research, design, development, manufacture, and sale of passive and active radio frequency products, satellite communications products, and supporting services, today announced its financial results for the three and nine months ended September 30, 2022. All amounts are stated in Canadian dollars unless otherwise indicated.

THIRD QUARTER SUMMARY

- Revenue of \$30.0 million in the third quarter of 2022, a decrease of \$0.2 million (0.8%) compared to the third quarter of 2021. The decrease was primarily due to weaker sales in the Asia Pacific business line, which was adversely affected by production volume reductions at the Asia Pacific’s largest customer. The decrease was partially offset by stronger sales in the Embedded Antenna business line, which was mainly attributable to increased demand from new customers for home networking products.
- **Gross profit of \$7.9 million in the third quarter of 2022, an increase of \$1.6 million (25.8%) compared to the third quarter of 2021. Gross margin was 26.4% in the third quarter of 2022 compared to 20.8% in the third quarter of 2021.** The improvement in gross margin resulted from a balanced product mix due to both changes in pricing strategy and a data driven focus on contribution margin at the business line level, which in the third quarter of 2022 was primarily generated by: (i) operating and financial efficiencies in the Asia Pacific business line; and, (ii) consistent growth in the Embedded Antenna business line.
- **Adjusted EBITDA⁽²⁾ of \$0.1 million in the third quarter of 2022, the fourth consecutive quarter of positive Adjusted EBITDA.** Adjusted EBITDA was \$0.8 million higher compared to negative \$0.7 million in the third quarter of 2021. The increase in Adjusted EBITDA was mainly due to the increase in gross profit discussed above, partially offset by an increase in operating expenses compared to the prior year period.
- Backlog⁽⁴⁾ was \$37.4 million at September 30, 2022, primarily due to a higher level of backlog in the Satcom and Asia Pacific business lines compared to the backlog at December 31, 2021. Backlog at September 30, 2022 was an increase of \$8.0 million (27.3%) compared to the backlog at September 30, 2021 as a result of improved marketing, business development and sales activities.
- Net loss of \$4.9 million in the third quarter of 2022, which was comparable to the net loss in the third quarter of 2021. Net loss in the third quarter of 2022 was primarily due to an operating loss of \$3.4 million, interest expenses as well as income tax expenses. On a per share basis, a net loss of \$0.06 per share in the third quarter of 2022 compared to a net loss of \$0.07 per share in the third quarter of 2021.
- Net debt⁽³⁾ was \$21.5 million at September 30, 2022, an increase of \$9.2 million from December 31, 2021, primarily due to an increase in non-cash working capital, capital expenditures and interest payments.

RECENT DEVELOPMENTS

Product Development

In September 2022, Galtronics announced that it had expanded its multibeam antenna portfolio with the addition of three new products. The new products cover multiple spectrum bands, enabling Galtronics to sell to all major US and Canadian wireless carriers. These products build on its first multibeam antenna, which has been successfully deployed by a Tier 1 US carrier throughout the United States over the past 18 months. The new products all use patent pending beam-tracking stability technology, which makes them ideal solution for stadium, venue, and special event deployments.

Also in September 2022, Advantech Wireless announced the release of Genesis, a new solid-state power amplifier platform ("SSPA") for satellite communications. The Genesis family of SSPAs provides high-end features that are unique to this product line, including a modular platform, streamlined manufacturability, and ease of serviceability. The platform runs on proprietary internal communications architecture, amplifiers can be linked together enabling amplifiers to operate more powerfully without the need for an outboard logic controller.

Credit Facility

In September 2022, the Company and its lenders (Royal Bank of Canada and HSBC Bank Canada) agreed to further amendments to the Credit Agreement, among others, to extend the maturity date of the Company's credit facilities for a further year from September 30, 2022 to September 29, 2023.

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,			
	2022	2021	Change	Change	2022	2021	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Profit and Loss								
Revenue	29,967	30,216	(249)	(0.8%)	91,075	75,298	15,777	21.0%
Gross profit	7,902	6,282	1,620	25.8%	24,973	6,330	18,643	> 100.0%
Gross margin	26.4%	20.8%	5.6%	N/A	27.4%	8.4%	19.0%	N/A
Net loss	(4,861)	(4,898)	37	(0.8%)	(12,242)	(47,295)	35,053	(74.1%)
Basic and diluted net loss per share	(\$0.06)	(\$0.07)	\$0.01	(14.3%)	(\$0.15)	(\$0.84)	\$0.69	(82.1%)
EBITDA ⁽¹⁾	(679)	(1,222)	543	(44.4%)	(1,471)	(33,825)	32,354	(95.7%)
Adjusted EBITDA ⁽²⁾	92	(682)	774	N/A	639	(15,660)	16,299	N/A
	As at	As at	Change	Change	As at	As at	Change	Change
	September 30, 2022	September 30, 2021	\$	%	September 30, 2022	December 31, 2021	\$	%
	\$	\$	\$	%	\$	\$	\$	%
Balance Sheet and Other								
Current assets	54,744	57,104	(2,360)	(4.1%)	54,744	61,086	(6,342)	(10.4%)
Total assets	80,811	110,166	(29,355)	(26.6%)	80,811	93,033	(12,222)	(13.1%)
Current liabilities	62,857	45,745	17,112	37.4%	62,857	61,852	1,005	1.6%
Non-current liabilities	17,305	36,903	(19,598)	(53.1%)	17,305	19,400	(2,095)	(10.8%)
Total liabilities	80,162	82,648	(2,486)	(3.0%)	80,162	81,252	(1,090)	(1.3%)
Net debt ⁽³⁾	21,513	15,243	6,270	41.1%	21,513	12,295	9,218	75.0%
Backlog ⁽⁴⁾	37,406	29,393	8,013	27.3%	37,406	36,444	962	2.6%

(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 nine months ended September 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

Despite continuing supply chain constraints, the Company achieved a fourth consecutive quarter of positive Adjusted EBITDA and gross margins improved in the third quarter of 2022 compared to the prior year period. Nevertheless, challenges brought about by COVID lockdowns in China, material shortages and increased material costs due to supply chain disruptions, and chipset shortages have caused delays in both the production and the delivery of our products and are causing push-outs of some 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 will continue at least until the end of the year and likely into the first quarter of 2023. The ongoing war in Ukraine and the risk of additional COVID lockdowns in China could continue to exacerbate the supply chain disruptions. As a result of these continuing challenges, we now expect the fourth quarter of 2022 to continue to see challenges in further revenue and Adjusted EBITDA growth.

Asia Pacific Business Line

Revenue in the third quarter of 2022 was adversely affected by across-the-board production volume reductions at Asia Pacific's largest customer, due in part to worsening global economic conditions and 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 goal 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 fourth quarter of 2022 will be comparable to the third quarter.

Embedded Antenna Business Line

The Embedded Antenna business line continued to show considerable strength in the third 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 higher gross margins over the second quarter of 2022. This continues the improvement in financial performance of this business line over the past 12 months, despite intermittent COVID lockdowns in China and global chipset shortages which have impacted customers' build schedules and forecasts. We expect the fourth quarter of 2022 to be modestly lower than the third quarter in volumes and Adjusted EBITDA, which is in line with the seasonality of the business, albeit with continuing profitability.

Wireless Infrastructure Business Line

The Wireless Infrastructure business line had a weaker third quarter of 2022 in both revenue and Adjusted EBITDA. Historically, sales in September and October tend to be lower than other parts of the year. We expect that DAS deployments will strengthen, particularly for use in stadiums and in in-building wireless in the remainder of the year and into 2023. We expect the new multibeam BSAs and innovative small cell antennas from Galtronics will open up new opportunities to drive sales with wireless carriers; however, we expect the fourth quarter of 2022 to be modestly lower than the third quarter before returning to more normal levels in the first quarter of 2023.

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 this business line for the remainder of the year. We expect our new Genesis line of solid-state power amplifiers will generate significant interest from commercial clients, particularly those in the aviation and maritime industries.

Sales for military and other government-related uses, which represents the balance of the Satcom business line, will continue and potentially increase in the fourth quarter of 2022, as many western

countries have dramatically increased their defense spending. We recently completed multiple technology upgrades within our product portfolio, which are expected to generate additional sales.

Overall, we expect revenue and Adjusted EBITDA of the Satcom business line to improve in the fourth quarter of 2022 compared to each of the first three quarters 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 continue to take 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 November 10, 2022 at 8:00 a.m. (ET) to discuss its financial results for the three and nine months ended September 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: November 10, 2022
Time: 8:00 a.m. (ET)
Dial-in Number: 888-664-6392 or 416-764-8659
Conference ID#: 34345514
Webcast: <https://app.webinar.net/nBOGkOzXMVP>

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 increased material costs and supply chain and other disruptions on their financial performance and the growth in our backlog. 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 3 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 sale of passive and active radio frequency products, satellite communications products, and supporting services.

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