



Baylin Announces Financial Results for Fiscal 2022

Investor Conference Call on March 9, 2023 at 8:00 a.m. ET

TORONTO, CANADA – March 8, 2023 – 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 twelve months ended December 31, 2022. All amounts are stated in Canadian dollars unless otherwise indicated.

FISCAL YEAR SUMMARY

- **Revenue of \$120.9 million in fiscal 2022, an increase of \$18.4 million or 17.9% compared to fiscal 2021.** The increase was primarily due to stronger sales across all the North American business lines in fiscal 2022 despite continuing supply chain disruptions, chipset shortages and the COVID-19 pandemic, which also negatively impacted revenue in the prior fiscal year.
- **Gross profit of \$32.9 million in fiscal 2022, an increase of \$17.8 million or 117.8% compared to \$15.1 million in fiscal 2021. Gross margin was 27.2% in fiscal 2022 compared to 14.7% in fiscal 2021.** The improved 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. In fiscal 2022 the improvement was mainly generated by: (i) strong revenue recovery in the Embedded Antenna business line; (ii) operating and financial efficiencies in the Asia Pacific business line; and, (iii) consistent growth in the Wireless Infrastructure and Satcom business lines.
- **Adjusted EBITDA⁽²⁾ of \$1.2 million in fiscal 2022, an increase of \$16.0 million compared to negative \$14.8 million in fiscal 2021.** The increase in Adjusted EBITDA was mainly due to the overall increase in revenue and gross profit discussed above, partially offset by an increase of \$1.3 million in operating expenses (excluding non-current asset impairment) compared to the prior fiscal year.
- Backlog⁽⁴⁾ was \$38.1 million at December 31, 2022, an increase of \$1.6 million compared to the backlog at December 31, 2021. The increase was mainly attributable to a higher level of backlog in the Satcom and Wireless Infrastructure business lines as a result of improved marketing, business development and sales activities.
- Net loss of \$16.9 million in fiscal 2022 compared to a net loss of \$67.4 million in fiscal 2021. The net loss in fiscal 2022 was primarily due to an operating loss of \$12.4 million, interest expenses and other finance expenses. The net loss in fiscal 2021 included non-current asset impairments of \$26.0 million and a \$7.1 million reduction in the carrying value of deferred tax assets. On a per share basis, a net loss of \$0.21 per share in fiscal 2022 compared to a net loss of \$1.09 per share in fiscal 2021.
- Net debt⁽³⁾ was \$21.4 million at December 31, 2022, an increase of \$9.1 million compared to the net debt at December 31, 2021, mainly due to an increase in non-cash working capital, capital expenditures and interest payments.

FOURTH QUARTER SUMMARY

- Revenue of \$29.8 million in the fourth quarter of 2022, an increase of \$2.6 million or 9.5% compared to the fourth quarter of 2021. The increase was mainly due to stronger sales in the Embedded Antenna business line, which was attributable to increased demand from new customers for home networking products.
- Gross profit of \$7.9 million in the fourth quarter of 2022, a decrease of \$0.9 million compared to the fourth quarter of 2021. Gross margin was 26.7% in the fourth quarter of 2022 compared to 32.3% in the fourth quarter of 2021. The higher gross margin in the fourth quarter of 2021 was primarily due to the impact of an inventory provision release of \$1.6 million in the Satcom business line.
- Adjusted EBITDA of \$0.6 million in the fourth quarter of 2022, the fifth consecutive quarter of positive Adjusted EBITDA. Adjusted EBITDA was a decrease of \$0.3 million compared to the fourth quarter of 2021. The decrease in Adjusted EBITDA was mainly due to the decrease in gross profit discussed above, partially offset by a decrease of \$0.7 million in operating expenses (excluding non-current asset impairment) compared to the prior year period.
- Net loss of \$4.6 million in the fourth quarter of 2022 compared to a net loss of \$20.1 million in the fourth quarter of 2021. The net loss in the fourth quarter of 2022 was primarily due to an operating loss of \$3.0 million, interest expenses as well as income tax expenses. The net loss in the fourth quarter of 2021 included a non-current asset impairment provision of \$10.1 million. On a per share basis, a net loss of \$0.06 per share in the fourth quarter of 2022 compared to a net loss of \$0.26 per share in the fourth quarter of 2021.

RECENT DEVELOPMENTS

Product Sales

Both Galtronics and Satcom received significant order for new products.

In early January 2023, Galtronics received orders for over \$1 million for its innovative multibeam antenna on behalf of a major North American carrier. These orders followed the announcement in September 2022 that Galtronics had expanded its multibeam antenna portfolio with the addition of three new products. The new products all use patent pending beam-tracking stability technology, which makes them ideal solutions for stadium, venue, and special event deployments. Galtronics expects that the demand for mobile bandwidth will continue to grow as the need for high speed, high-density, ultra-fast cellular connections at stadiums, venues, airports, and other high traffic locations will only increase over time.

In late November 2022, Satcom received combined orders for its Summit II power amplifier systems of approximately \$6.7 million, one for a large-scale western government program and the other for a deep space communication application for a European client. The Summit II system is a precursor to Summit III, a new solid-state power amplifier platform ("SSPA") for satellite communications called Genesis. 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.

Vietnam MMU Facility

On February 28, 2023, the Company announced that its Vietnamese subsidiary, Galtronics Vietnam Dai Dong Co., Ltd. ("GTD"), had completed the transfer of the lease of its MMU facility in Vietnam to a third party, which has assumed responsibility for GTD's obligations under the lease. The facility was originally intended to be an MMU antenna contract manufacturing facility, but never became operational, in part due to the COVID-19 pandemic. The original term of the lease ran until May 29, 2029. The rental and related costs associated with the lease over its remaining term were expected to total approximately \$2.7 million. The transfer of the lease substantially completes the liquidation of GTD's assets other than a test chamber for which we continue to conduct a sales process.

SELECTED FINANCIAL INFORMATION

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

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

	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2022	2021	Change	Change	2022	2021	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Profit and Loss								
Revenue	29,785	27,196	2,589	9.5%	120,860	102,494	18,366	17.9%
Gross profit	7,938	8,782	(844)	(9.6%)	32,911	15,112	17,799	> 100.0%
Gross margin	26.7%	32.3%	(5.6%)	N/A	27.2%	14.7%	12.5%	N/A
Net loss	(4,635)	(20,125)	15,490	(77.0%)	(16,877)	(67,420)	50,543	(75.0%)
Basic and diluted net loss per share	(\$0.06)	(\$0.26)	\$0.20	(76.9%)	(\$0.21)	(\$1.09)	\$0.88	(80.7%)
EBITDA ⁽¹⁾	(504)	(10,050)	9,546	(95.0%)	(1,975)	(43,875)	41,900	(95.5%)
Adjusted EBITDA ⁽²⁾	606	864	(258)	(29.9%)	1,245	(14,796)	16,041	N/A
					As at	As at		
					December	December	Change	Change
					31, 2022	31, 2021		
					\$	\$	\$	%
Balance Sheet and Other								
Current assets					50,453	61,086	(10,633)	(17.4%)
Total assets					74,384	93,033	(18,649)	(20.0%)
Current liabilities					65,505	66,711	(1,206)	(1.8%)
Non-current liabilities					12,139	14,541	(2,402)	(16.5%)
Total liabilities					77,644	81,252	(3,608)	(4.4%)
Net debt ⁽³⁾					21,437	12,295	9,142	74.4%
Backlog ⁽⁴⁾					38,067	36,444	1,623	4.5%

(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 consolidated financial statements for the three and twelve months ended December 31, 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 has now achieved five consecutive quarters of positive Adjusted EBITDA and consistently higher quarter over quarter gross margins in fiscal 2022 compared to fiscal 2021 other than in the fourth quarter of 2022. Nevertheless, the Company continues to face challenges brought about by macroeconomic environment, shortages in materials and increased material costs due to supply chain challenges and chipset shortages. These factors are expected to continue to cause delays in both the production and the delivery of our products as well as push-outs of orders from customers. We had expected that these disruptions would begin to ease over the second half of 2022, but now anticipate that they will continue into the first half of 2023. The ongoing war in Ukraine could continue to exacerbate supply chain disruptions. As a result of these continuing challenges, we expect 2023 to be somewhat consistent with 2022 results for revenue and Adjusted EBITDA in spite of the growth in the Company's backlog of purchase orders and improving margins.

Embedded Antenna Business Line

The Embedded Antenna business line had a very strong year in 2022 in which it made a significant contribution to the overall business and recorded record-high revenue and operating profit. We expect this business line will continue to perform strongly in 2023 although at a slightly reduced level from 2022. The results in 2022 were affected by customers pre-purchasing products to build a supply of stock in order to avoid supply chain disruptions. This is not expected to be repeated in 2023, reflecting more normalized purchasing patterns. We expect the home networking, public safety and automotive markets to remain resilient despite the economic slowdown and inflationary pressures.

Wireless Infrastructure Business Line

The Wireless Infrastructure business line is expected to continue to perform strongly in 2023 with improvements in both revenue and Adjusted EBITDA compared to 2022. We expect that DAS deployments will strengthen, particularly for use in stadiums and other venues requiring in-building wireless, and we expect that our new multibeam and innovative small cell antennas will open up new opportunities to drive sales with wireless carriers and third party operators who operate wireless mobile networks for their customers.

Asia Pacific Business Line

We expect 2023 will be extremely challenging for the Asia Pacific business line due to significant production volume reductions at its principal customer. Those reductions reflect a contraction in this customer's smartphone market in 2023, due in part to global economic slowdown and continuing inflation, as well as competitive pressures faced by the customer. Although the Asia Pacific business line expects to benefit from several new programs in 2023, those programs are not expected to generate any meaningful revenue until the second half of 2023. In the meantime, management is looking to reduce or eliminate operating and other costs, evaluating strategic alternatives, and working on potential financial support for the business in South Korea.

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 fourth quarter of 2022. Given the capital build cycles of satellite operators and others in the Satcom ecosystem, we expect this will continue to benefit the business in 2023. We expect that 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 first half of 2023, as many western countries have dramatically increased their defence spending. We have recently completed multiple technology upgrades within our product portfolio, which are expected to generate additional sales.

Overall, we expect revenue and Adjusted EBITDA in the first half of 2023 will be stronger than the second half of 2022. The Satcom business line continues to demonstrate a strong order book with improving margins, but production continues to be affected by supply chain constraints, chipset shortages and component delays. In particular, there is currently an acute shortage of field-effect transistors, an electronic component used to boost signals in amplifier products. The continued lack of availability of these transistors could have a material adverse impact on production and financial performance. In the meantime, 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 March 9, 2023 at 8:00 a.m. (ET) to discuss its financial results for the three and twelve months ended December 31, 2022. The conference 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: March 9, 2023
Time: 8:00 a.m. (ET)
Dial-in Number: 888-390-0608 or 416-764-8630
Conference ID#: 26221978
Webcast: <https://app.webinar.net/M6RglbePNVr>

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. For further information, see "Non-IFRS Measures" on page 3 of the MD&A.

ABOUT BAYLIN

Baylin Technologies Inc. is a diversified global wireless technology company focused 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.