



Baylin Announces Financial Results for Fiscal 2019

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

- Revenue for the twelve months ended December 31, 2019 was \$153.3 million, an increase of 12.6% over the prior year.
- Gross profit grew to \$54.9 million in fiscal 2019, compared to \$50.8 million in fiscal 2018.

TORONTO, CANADA – March 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 twelve months ended December 31, 2019. All amounts are stated in Canadian dollars unless otherwise indicated.

Key highlights for the twelve months ended December 31, 2019 include the following:

- Revenue grew to \$153.3 million in fiscal 2019, an increase of \$17.1 million or 12.6% compared to fiscal 2018. The increase was primarily attributable to higher revenue from Asia Pacific and Satcom products somewhat offset by lower sales for Embedded Antenna and Wireless Infrastructure products compared to fiscal 2018.
- Gross profit was \$54.9 million in fiscal 2019, an increase of \$4.1 million over fiscal 2018. Gross margin⁽³⁾ was 35.8% in fiscal 2019 compared to 37.3% in fiscal 2018. Gross margin was negatively impacted in fiscal 2019 by sales mix – Asia Pacific revenue as a percentage of total revenue was higher than anticipated and its products generate lower gross margin than the other product lines.
- Adjusted EBITDA⁽²⁾ was \$12.5 million in fiscal 2019 compared to \$15.3 million in fiscal 2018. Adjustments to EBITDA in fiscal 2019 amounted to \$16.3 million and were comprised primarily of expenses related to a goodwill impairment charge, consulting fees paid to Advantech Wireless Inc. (the consulting agreement expired on December 31, 2019 and was not extended), the closure of the Galtronics' New Jersey office, legal fees related to the ongoing litigation with the vendors of Advantech Wireless, severance related to the permanent headcount reduction at Advantech Wireless and professional fees for a corporate reorganization of an inactive part of the Galtronics business.
- Net cash at December 31, 2019 decreased from December 31, 2018 primarily due to repayment of a portion of the Crown Capital Fund IV, LP loan, capital expenditures, debt servicing, cash taxes, an earnout payment related to the Alga Acquisition, settlement of stock options and an increase in non-cash working capital.

Key highlights for the three months ended December 31, 2019 include the following:

- Revenue was \$30.0 million in the fourth quarter of 2019, a decrease of \$6.0 million or 16.6% compared to the fourth quarter of 2018. The decrease was primarily due to lower sales for Asia Pacific and Embedded Antenna products somewhat offset by higher revenue from Wireless Infrastructure and Satcom products compared to the fourth quarter of 2018.
- Gross profit was \$10.8 million in the fourth quarter of 2019, a decrease of \$0.3 million compared to the fourth quarter of 2018. Gross margin was 35.8% in the fourth quarter of 2019, an increase

of five percentage points compared to 30.7% in the fourth quarter of 2018. Gross margin was positively impacted in the fourth quarter of 2019 by the improvement in sales mix – Asia Pacific revenue as a percentage of total revenue was lower compared to the prior year period.

- Adjusted EBITDA was \$2.0 million in the fourth quarter of 2019 compared to \$3.9 million in the fourth quarter of 2018.
- In the fourth quarter of 2019, as a result of the annual goodwill impairment test, a goodwill impairment charge of \$12.7 million was recorded related to the Company's 2018 acquisitions. Net loss in the fourth quarter of 2019, including the goodwill impairment charge, was \$14.6 million compared to net income of \$0.7 million in the fourth quarter of 2018.
- Net cash at December 31, 2019 decreased from September 30, 2019 primarily due to interest and principal payments and capital expenditures.

"The issues that the Company faced in the third quarter of 2019, which were previously reported, continued to have an impact in the fourth quarter. While we remain convinced that the issues are transitory, we are focused on improving financial performance and we implemented cost reduction initiatives in the fourth quarter of 2019 that resulted in a decrease in operating expenses⁽⁴⁾ of \$2.2 million in the fourth quarter compared to the third quarter", stated Randy Dewey, Baylin's President and Chief Executive Officer.

"In the fourth quarter of 2019, we reduced the Company's revolving credit facility by \$4.1 million and decreased total debt by \$5.6 million", stated Michael Wolfe, Baylin's Chief Financial Officer. "Our cash balances combined with our available credit facilities are expected to provide the Company with sufficient liquidity to continue to make investments in all areas of the business and to meet all financial obligations", added Mr. Wolfe.

"Since the closing of the acquisitions of Advantech and Alga, we have experienced a number of challenges dealing with ongoing, historical legacy issues, an industry wide shortage of a key component and integrating the two businesses. As a result, we have a more prolonged path to achieving the financial performance that we believe these two businesses are capable of generating. We, therefore, have concluded that the recoverable amount of the cash generating unit ("CGU") which has been determined by a value-in-use calculation using a discount cash flow model for Advantech and Alga is less than the carrying value, resulting in a goodwill impairment charge", stated Mr. Dewey.

SELECTED FINANCIAL INFORMATION

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

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

	Twelve Months Ended December 31,		
	2019	2018	2017
	\$	\$	\$
Revenue	153,323	136,214	91,642
Gross profit	54,939	50,841	28,345
Loss before income taxes (2019: including goodwill impairment \$12,693)	(18,601)	(10,624)	(3,773)
Income tax expense (recovery)	1,013	(5,180)	436
Net loss (2019: including goodwill impairment \$12,693)	(19,614)	(5,444)	(4,209)
Basic and diluted net loss per share	(\$0.49)	(\$0.13)	(\$0.17)
EBITDA ⁽¹⁾	(3,853)	2,733	2,306
Adjusted EBITDA ⁽²⁾	12,482	15,293	4,954
Current assets	64,293	79,937	64,666
Total assets	147,557	170,517	84,882
Current liabilities	36,848	35,077	26,873
Non-current liabilities	51,828	53,613	2,183
Total liabilities	88,676	88,690	29,056

The table below discloses selected financial information for the three months ended December 31, 2019 compared to the prior year period.

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

	Three Months Ended December 31,	
	2019	2018
	\$	\$
Revenue	30,029	36,009
Gross profit	10,752	11,063
Loss before income taxes (2019: including goodwill impairment \$12,693)	(14,222)	(5,693)
Income tax expense (recovery)	427	(6,363)
Net income (loss) (2019: including goodwill impairment \$12,693)	(14,649)	670
Basic and diluted net income (loss) per share	(\$0.36)	\$0.02
EBITDA ⁽¹⁾	(12,682)	(2,522)
Adjusted EBITDA ⁽²⁾	2,007	3,858

(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; and, c) expenses relating to corporate re-organization.

(3) See "Non-GAAP Measures". Gross margin refers to gross profit divided by revenue.

(4) Refers to operating expenses before depreciation, amortization and adjustments to EBITDA.

A copy of the Company's consolidated financial statements for the three and twelve months ended December 31, 2019 and corresponding management's discussion and analysis (the "MD&A") are available under the Company's SEDAR profile on www.sedar.com.

OUTLOOK

The issues the Company faced in the third and fourth quarters of 2019, specifically a combination of expenses incurred to build our new factory in Vietnam (that were not anticipated in the 2019 budget), softer demand from several of our primary customers due to changes in their capital expenditure plans, and slower progress in addressing legacy issues at Advantech Wireless, are expected to continue to impact the Company through the end of the second quarter of 2020. Management believes these issues are transitory. We continue to focus on improving financial performance, including through further cost reduction initiatives. In the first and second quarters of 2019, we reduced annual expenses by approximately \$2.5 million. That reduction, combined with cost reductions implemented in the third and fourth quarters of 2019, and, current initiatives, once fully implemented, are expected to decrease costs by over \$8.0 million annually of which approximately \$6.0 million are operating expenses with the balance being expenses included in cost of sales.

Like many other companies doing business in China, the coronavirus (COVID-19) outbreak has had a disruptive effect on our business. Although our manufacturing facility in Wuxi, China was delayed in reopening after Chinese New Year, it reopened on February 10, 2020 following approval of the local authorities. We are currently operating at a reduced rate and face some labour shortages, although we expect substantially all our employees to be back at work by the end of March 2020. Our customers and suppliers are also facing disruptions. All this has affected Wireless Infrastructure and Embedded Antenna sales. Asia Pacific sales have also been affected because other smartphone component suppliers in Vietnam have faced shortages of materials from China. To date, Satcom sales have not been affected. The virus has also resulted in a delay in the installation of a test chamber in our Vietnamese factory, which will affect the timing of final certification as well as the commencement of volume production of Massive MIMO antennas, previously expected to begin in the second quarter of 2020.

We continue to monitor the situation closely and are taking measures to mitigate the effect of the outbreak on our business. At this stage, it is too early to tell the full extent of the impact, given the uncertainty around containment of the virus (both in China and elsewhere) and how much our mitigation efforts will minimize the financial impact, however, it could have a material impact on our operations and operating results in China and other countries where we do business.

“While it has been a challenging time for the Company and we have further work to do to address the issues we are currently facing, we are confident that we will be able to capitalize on the many opportunities that we are working on”, stated Mr. Dewey.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on March 12, 2020 at 8:00 a.m. (ET) to discuss its financial results for the three and twelve months ended December 31, 2019. 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: March 12, 2020
Time: 8:00 a.m. (ET)
Dial-in Number: 888-231-8191 or 647-427-7450
Conference ID#: 1275618

Webcast: <https://event.on24.com/wcc/r/2170083/D5ADB4BF667631EBC0D3E35559AEA6A5>

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 outbreak in China and elsewhere, the timing of Massive MIMO antenna production in the Company's new factory in Vietnam, expected cost savings, expected levels of liquidity for future business and to meet financial obligations, the Company's ability to achieve organizational efficiencies, 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 on the Company's profile 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.