



Baylin Announces Financial Results for the First Quarter of 2020

Investor Conference Call on June 17, 2020 at 8:00 a.m. ET

TORONTO, CANADA – June 16, 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 months ended March 31, 2020. All amounts are stated in Canadian dollars unless otherwise indicated.

QUARTERLY HIGHLIGHTS

Key highlights for the three months ended March 31, 2020 include the following:

- Revenue was \$26.9 million in the first quarter of 2020, a decrease of \$12.1 million or 31.0% compared to the first quarter of 2019. In the first quarter of 2019, Asia Pacific was awarded several “one-time” platforms from a major customer that were not expected to be repeated in the first quarter of 2020. Taking that into consideration, the vast majority of the remaining revenue shortfall in the first quarter of 2020 was due to the COVID-19 outbreak. The initial stages of the pandemic had a disruptive effect on each of the Company’s lines of business in February and March: (i) Asia Pacific’s revenue was impacted, initially caused by supply chain shortages in China and then by lower consumer demand due to commercial store lockdowns in Europe and North America; (ii) Wireless Infrastructure and Embedded Antenna’s revenues were impacted by delayed shipments in China during the government mandated extension of the Lunar New Year holiday; and, (iii) Satcom generated lower revenue due to less demand from its commercial customers, which was somewhat offset by strength of emergency services and military customers.
- Gross profit was \$8.6 million in the first quarter of 2020, a decrease of \$5.7 million compared to the first quarter of 2019. Gross margin⁽³⁾ was 31.9% in the first quarter of 2020 compared to 36.7% in the first quarter of 2019. Gross margin was negatively impacted by the significant decrease of sales volumes in the first quarter of 2020. Asia Pacific’s gross margin was lower than anticipated as the smartphones that were sold in the quarter were primarily less expensive models and the antennas in these models generate a lower gross margin than the flagship models.
- Adjusted EBITDA⁽²⁾ was \$0.6 million in the first quarter of 2020 compared to \$4.1 million in the first quarter of 2019. The decrease of Adjusted EBITDA was primarily due to the lower revenue and gross margin somewhat offset by lower operating expenses. Labour expenses in China were inflated relative to volumes because of a ban on layoffs during the re-start period after the Lunar New Year holiday. The impact of this layoff ban resulted in labour variances over a 4-week period.
- Net cash at March 31, 2020 decreased from December 31, 2019 due to capital expenditures, debt servicing and cash taxes, offset by a decrease in non-cash working capital.

RECENT DEVELOPMENTS

The COVID-19 outbreak has been unsettling; however, despite the government shutdowns, the Company and all of its subsidiaries worldwide have remained open for business throughout the entire period to date. The company has had no reported cases of COVID-19 by any of its employees in any country. The Company has filed for and received government stimulus related to COVID-19 relief including reduced corporate social insurance premiums in China, forgivable government loans in the United States under the Paycheck Protection Program and wage subsidies in Canada under the Canada Emergency Wage Subsidy.

The Company's credit agreement with Royal Bank of Canada and HSBC Bank Canada (collectively, the "Lenders") has been amended. The Lenders have waived compliance with the financial covenants as at March 31, 2020, have modified the financial covenants for the second and third quarters of 2020 and have given the Company an option to defer the scheduled principal repayments on the term loan on June 30, 2020 and September 30, 2020.

"We appreciate the flexibility and support shown by our lenders", stated Michael Wolfe, Baylin's Chief Financial Officer. "This has been an unusual time, and their continued willingness to work with us cooperatively as we navigate our way through the uncertainty brought about by the COVID-19 pandemic demonstrates the strength of our relationship", added Mr. Wolfe.

SELECTED FINANCIAL INFORMATION

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

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

	Three Months Ended March 31,		Year Ended
	2020	2019	December 31,
	\$	\$	2019
			\$
Revenue	26,942	39,033	153,323
Gross profit	8,599	14,331	54,939
Loss before income taxes	(3,270)	(5,432)	(18,601)
Income tax expense (recovery)	(809)	469	1,013
Net loss	(2,461)	(5,901)	(19,614)
Basic and diluted net loss per share	(\$0.06)	(\$0.19)	(\$0.49)
EBITDA ⁽¹⁾	(195)	3,029	(3,853)
Adjusted EBITDA ⁽²⁾ (2019: revised to include non-cash compensation)	555	4,098	13,801
Current assets	64,963	78,337	64,293
Total assets	151,996	171,595	147,557
Current liabilities	63,732	44,950	36,848
Non-current liabilities	28,768	50,496	51,828
Total liabilities	92,500	95,446	88,676

(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 months ended March 31, 2020 and corresponding management's discussion and analysis (the "MD&A") are available under the Company's profile on SEDAR at www.sedar.com.

OUTLOOK

Management continues to monitor the COVID-19 situation closely and continues to take measures to mitigate the effect of the outbreak on the Company and its business.

All of the Company's business lines have recently seen an increase in sales orders and planning for the second half of the year appears robust, in particular the mobile business has a much-improved forecast due to pent up demand in this sector during the lockdown and the re-opening of cellular stores. As a result, management expects higher revenue in each of the remaining quarters in 2020 compared to the first quarter of 2020.

The higher quarterly revenue combined with the expense reductions implemented in the third and fourth quarters of 2019 and the further expense reductions implemented in March 2020, are expected to result in improved profitability for the balance of the year. One third of the March 2020 annualized cost reductions of \$6.5 million were initially expected to be permanent, however, management now expects the permanent cost reductions will be closer to two thirds.

The Massive MIMO Unit factory construction in Vietnam has been delayed due to travel restrictions. This in turn has meant that critical equipment suppliers could not finalize installations and equipment calibrations and customers had to postpone final manufacturing certification audits. As a result, management does not expect production to begin until the fourth quarter of this year, contingent on the Vietnam airport opening on the currently scheduled date of July 1, 2020.

"While it has been a challenging time for the Company, I believe that we are weathering these turbulent times exceptionally well in spite of the complexities we have faced", stated Randy Dewey, Baylin's President and Chief Executive Officer. "While we expect continued challenges in the months ahead, we are optimistic that our financial results in the second half of 2020 will positively reflect the actions we have taken and the significant efforts we have made over the last three quarters", added Mr. Dewey.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on June 17, 2020 at 8:00 a.m. (ET) to discuss its financial results for the three months ended March 31, 2020. 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: June 17, 2020
Time: 8:00 a.m. (ET)
Dial-in Number: 888-231-8191 or 647-427-7450
Conference ID#: 8668607

Webcast: https://produceredition.webcasts.com/starthere.jsp?ei=1290177&tp_key=25bdb7dc92

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 under the Company's profile on SEDAR 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.