



## **Baylin Announces Financial Results for the Second Quarter of 2020**

**Investor Conference Call on August 13, 2020 at 8:00 a.m. ET**

**TORONTO, CANADA – August 12, 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 six months ended June 30, 2020. All amounts are stated in Canadian dollars unless otherwise indicated.

### **QUARTERLY HIGHLIGHTS**

Key highlights for the three months ended June 30, 2020 include the following:

- Challenges related to COVID-19 continued to impact the Company in the second quarter of 2020, however, as governments continued to lift restrictions on commercial activity, revenue in the second quarter of 2020 increased by 13.7% compared to the first quarter of 2020. In addition, expense reductions implemented in March 2020 resulted in an increase in operating income in the second quarter of 2020 compared to the first quarter of 2020.
- Revenue was \$30.6 million in the second quarter of 2020, a decrease of \$17.2 million or 36.0% compared to the second quarter of 2019. Similar to the first quarter of 2019, in the second quarter of 2019, Asia Pacific was awarded several “one-time” platforms from a major customer that were not expected to be repeated in the second quarter of 2020. Taking that into consideration, the vast majority of the remaining revenue shortfall in the second quarter of 2020 was due to the COVID-19 pandemic.
- Gross profit was \$9.7 million in the second quarter of 2020, a decrease of \$8.0 million compared to the second quarter of 2019. Gross margin<sup>(3)</sup> was 31.6% in the second quarter of 2020 compared to 36.9% in the second quarter of 2019. Gross margin was negatively impacted by the significantly lower sales volumes in the second quarter of 2020 compared to the prior year period. 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<sup>(2)</sup> was \$2.7 million in the second quarter of 2020 compared to \$6.1 million in the second quarter of 2019. The decrease of Adjusted EBITDA was primarily due to the lower revenue and gross margin somewhat offset by lower operating expenses.
- Net cash at June 30, 2020 decreased from December 31, 2019 due to ongoing capital expenditures to complete the new facility in Vietnam and debt servicing, offset by a decrease in non-cash working capital.

### **RECENT DEVELOPMENTS**

While the COVID-19 outbreak continues to impact the broader economy, that has caused some reduced and delayed spending by some of the Company’s customers. However, Asia Pacific has seen exceptional recovery in product volumes from the first quarter to the second quarter of 2020 and has experienced similar momentum in the first half of the third quarter.

Although we reported the delay in the re-opening of the Vietnam airport to September 2020, we have recommenced construction efforts on our new Massive MIMO factory, and we are back on track to commence production in the fourth quarter of this year.

As previously reported, the Company's credit agreement with Royal Bank of Canada and HSBC Bank Canada (collectively, the "Lenders") was amended. The Company agreed to and was in compliance with a minimum Adjusted EBITDA covenant for the trailing twelve months ended June 30, 2020. All other amended financial and other covenants were met. The Company had the option to defer the June 30, 2020 principal repayment of US \$750,000 on the term loan and elected to defer the payment.

## SELECTED FINANCIAL INFORMATION

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	30,629	47,831	57,571	86,864
Gross profit	9,678	17,644	18,277	31,975
Income (loss) before income taxes	(4,090)	1,620	(7,360)	(3,812)
Income tax expense (recovery)	617	(34)	(192)	435
Net income (loss)	(4,707)	1,654	(7,168)	(4,247)
Basic and diluted net income (loss) per share	(\$0.12)	\$0.04	(\$0.18)	(\$0.11)
EBITDA <sup>(1)</sup>	1,905	4,976	1,710	8,005
Adjusted EBITDA <sup>(2)</sup> (2019: revised to include non-cash compensation)	2,658	6,121	3,213	10,219
Current assets	68,535	84,518	68,535	84,518
Total assets	152,011	179,103	152,011	179,103
Current liabilities	45,307	53,579	45,307	53,579
Non-current liabilities	52,189	51,512	52,189	51,512
Total liabilities	97,496	105,091	97,496	105,091

(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 and six months ended June 30, 2020 and corresponding management's discussion and analysis (the "MD&A") are available under the Company's profile on SEDAR at [www.sedar.com](http://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.

"In the first half of 2020, Asia Pacific revenue was the most impacted of our product lines from COVID-19 due to the stark decline in global smartphone sales as a result of commercial store closures. We have seen significant improvement as commercial cellular stores began to re-open across North America and Europe starting in May 2020, and we expect this to continue through the second half of 2020", stated Randy Dewey, Baylin's President and Chief Executive Officer.

The Company expects to see a continuing improvement across its business lines during the remainder of the year as governments continue to lift restrictions on commercial activities, leading to higher expected revenue in the second half of 2020 compared to the first half; however, there remains significant uncertainty how quickly this will occur for each of the business lines.

## INVESTOR CONFERENCE CALL

Baylin will hold a conference call on August 13, 2020 at 8:00 a.m. (ET) to discuss its financial results for the three and six months ended June 30, 2020. The call will be hosted by Randy Dewey, President and Chief Executive Officer and Michael Wolfe, Chief Financial Officer. All interested parties are invited to participate using the dial-in details provided below.

**Date:** August 13, 2020  
**Time:** 8:00 a.m. (ET)  
**Dial-in Number:** 888-231-8191 or 647-427-7450  
**Conference ID#:** 4464778

**Webcast:** [https://produceredition.webcasts.com/starthere.jsp?ei=1290181&tp\\_key=4b3f9fc7f4](https://produceredition.webcasts.com/starthere.jsp?ei=1290181&tp_key=4b3f9fc7f4)

## 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 levels of liquidity for future business and to meet financial obligations, 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](http://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.baylitech.com](http://www.baylitech.com) or contact Investor Relations: [investor.relations@baylitech.com](mailto:investor.relations@baylitech.com).