



Baylin Announces Financial Results for the First Quarter of 2022

Investor Conference Call on May 12, 2022 at 8:00 a.m. ET

TORONTO, CANADA – May 11, 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 months ended March 31, 2022. All amounts are stated in Canadian dollars unless otherwise indicated.

FIRST QUARTER SUMMARY

- **Revenue of \$31.0 million in the first quarter of 2022, an increase of \$7.5 million or 32.0% compared to the first quarter of 2021.** The increase was primarily due to stronger sales across all the business lines despite chipset shortages and supply chain issues which continue to affect the Company. Revenue in the first quarter of 2021 was negatively impacted by the COVID-19 pandemic, supply chain disruptions, and chipset shortages.
- **Gross profit of \$8.1 million in the first quarter of 2022, an increase of \$4.5 million or 124.0% compared to the first quarter of 2021.** Gross margin was 26.0% in the first quarter of 2022 compared to 15.3% in the first quarter of 2021. Gross margin was mainly impacted by improved product mix attributable to both changes in pricing strategy as well as a data driven focus on contribution margin at the business line level. The increase in gross margin in the first quarter of 2022 included improved gross margins generated by: (i) the Asia Pacific business line including positive gross margin earned on the consumer facing product, which had earned a negative margin in the prior year period; (ii) the Satcom business line due to strong revenue recovery compared to the prior year period; and, (iii) growth in the Embedded Antenna business line.
- **Adjusted EBITDA⁽²⁾ of \$0.2 million in the first quarter of 2022, the second consecutive quarter of positive Adjusted EBITDA.** Adjusted EBITDA in the first quarter of 2022 was an increase of \$2.5 million compared to the first quarter of 2021. The increase in Adjusted EBITDA was primarily due to the overall increase in revenue and gross profit discussed above, partially offset by higher operating expenses. \$1.9 million in government COVID-19 stimulus was received in the first quarter of 2021 and was accounted for as a reduction to cost of sales and operating expenses in that quarter. No funds were received in the first quarter of 2022, thereby showing a higher level of expenses on a relative basis.
- **Backlog⁽³⁾ was \$39.0 million at April 30, 2022 and \$38.2 million at March 31, 2022 due to higher levels of backlog in the Satcom and Infrastructure business lines.** Backlog at March 31, 2022 increased by \$17.7 million or 86.2% from March 31, 2021 as a result of improved marketing, business development and sales activities.
- Net loss of \$3.1 million in the first quarter of 2022 compared to net loss of \$8.5 million in the first quarter of 2021. The net loss in the first quarter of 2022 was primarily due to an operating loss partially offset by an income tax recovery. On a per share basis, there was a net loss of \$0.04 per share in the first quarter of 2022 compared to a net loss of \$0.17 per share in the first quarter of 2021.
- Net cash was \$2.3 million as at March 31, 2022, a decrease of \$6.6 million from December 31, 2021, primarily due to an increase in non-cash working capital, an operating loss and principal and interest payments.

RECENT DEVELOPMENTS

○ **Product Development**

During 2022 to date, we have made the following important announcements.

Galtronics USA

- achieved full approval by a Tier 1 North American carrier to sell its DAS, in-building, stadium and venue infrastructure products throughout the United States; Galtronics USA is now fully approved by all three of the largest US carriers for in-building installations;
- received a substantial purchase order (over \$0.7 million) from a US carrier for its macro antennas to be used in the carrier's LTE upgrade; these antennas are a comparatively lightweight solution that can support growing capacity and throughput requirements; and,
- received the first in a series of expected purchase orders from a Smart City Solutions Provider, which has partnered with a Tier 1 US carrier to deploy our small cell antennas on streetlights to help accelerate the carrier's 5G roll-out across the United States.

Satcom

- awarded a multi-year contract to supply SSPA (Solid State Power Amplifiers) systems to a US-based sports video broadcast company, which will be integrated into a fleet of hundreds of mobile satellite communication trucks for the purpose of broadcasting live sporting events;
- awarded a multi-year contract from a major Latin American customer to supply SSPAs for a military RADAR system; and,
- received a substantial order from a major telecom operator for over 100 SSPA systems and over 100 frequency converters for a network that provides communication links between schools, post offices and other US state government facilities, many of which are in the rural United States.

○ **Credit Facility**

In March 2022, the Company and its lenders (Royal Bank of Canada and HSBC Bank Canada) agreed to amend the Credit Agreement to extend the maturity date of the credit facilities from March 29, 2022 to September 30, 2022. This will provide the Company with additional time either to renew the existing credit facilities when they mature or to find alternative credit facilities. The Company is currently in discussions with several prospective lenders and advisors for that purpose.

○ **MMU Facility**

In March 2022, we announced that, as a result of the assessment of the long-term options for our massive multiple input multiple output product ("MMU") facility in Vietnam, we determined to liquidate the assets of the facility and apply the sales proceeds in repayment of the Vietnam Loan. We are continuing to seek buyers for the equipment and tenants for the facility.

SELECTED FINANCIAL INFORMATION

The table below discloses selected financial information for the three months ended March 31, 2022 compared to the prior year period.

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

	Three Months Ended March 31,			
	2022	2021	Change	Change
	\$	\$	\$	%
Revenue	30,974	23,460	7,514	32.0%
Gross profit	8,056	3,597	4,459	124.0%
Loss before income taxes	(3,877)	(8,444)	4,567	(54.1%)
Income tax expense (recovery)	(804)	18	(822)	(4566.7%)
Net loss	(3,073)	(8,462)	5,389	(63.7%)
Basic and diluted net loss per share	(\$0.04)	(\$0.17)	\$0.13	(76.5%)
EBITDA ⁽¹⁾	(246)	(2,716)	2,470	(90.9%)
Adjusted EBITDA ⁽²⁾	224	(2,257)	2,481	(109.9%)
Current assets	60,713	61,261	(548)	(0.9%)
Total assets	89,993	133,629	(43,636)	(32.7%)
Current liabilities	63,225	55,647	7,578	13.6%
Non-current liabilities	17,921	34,346	(16,425)	(47.8%)
Total liabilities	81,146	89,993	(8,847)	(9.8%)
Backlog ⁽³⁾	38,216	20,529	17,687	86.2%

(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". 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 months ended March 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

Despite our improved financial performance in the first quarter of 2022, the Company's business continues to face challenges brought about by the COVID-19 pandemic, in particular material shortages and increased material costs due to supply chain disruptions, which are causing delays in both productions and deliveries of our products as well as push-outs of orders from our customers. Although we expect these disruptions will begin to ease over the second half of 2022, the possibility remains that the ongoing war in Ukraine and COVID-related lockdowns in China could exacerbate supply chain disruptions in the near term. Despite these continuing challenges, we continue to expect that 2022 will show improvements in both revenue and Adjusted EBITDA over 2021.

We continue to monitor the war in Ukraine and its effect on our business. Although our direct exposure to customers in Russia and Ukraine is minimal, the conflict there may indirectly impact our business given the sanctions imposed on Russia, particularly in terms of supply chain and commodity prices. While it is difficult to definitively quantify the impact these sanctions will have on our business, thus far the impacts have been manageable.

Asia Pacific Business Line

We are continuing with our plan to conduct a review of Asia Pacific's product portfolio with a view to right-sizing its product mix. This product rationalization is intended to improve the contribution margin of this business line, even if it is at the expense of foregoing additional revenue. Nevertheless, we do expect stronger revenue growth over 2021.

Embedded Antenna Business Line

We expect the Embedded Antenna business line will continue to show considerable strength into the third quarter of 2022, with growth in both revenue and volume, due in part to demand from new customers for home networking products. This continues the increase in revenue and volume from the second half of 2021 and the first quarter of 2022, despite the global chipset shortages which impacted customers' build schedules and forecasts. The Embedded Antenna business line continues to demonstrate a strong order

book despite the supply chain challenges, although some of the strength may reflect pre-purchases by customers to build a supply of stock.

Wireless Infrastructure Business Line

The Wireless Infrastructure business line has achieved a historically high level of backlog as at April 30, 2022, which is expected to contribute to stronger revenue in the first half of 2022 compared to the first half of 2021. We expect that DAS deployments will strengthen, particularly for use in stadiums and as people return to working in offices, throughout 2022. New Multibeam BSAs and new innovative small cell antennas from Galtronics will come to market in the second half of 2022, opening new opportunities to drive sales with wireless carriers.

Satcom Business Line

The commercial side of the Satcom business line has shown clear signs of recovery with capital spending by our commercial customers continuing the momentum seen in the fourth quarter of 2021. The C-band spectrum auction in the United States is starting to open up opportunities with satellite operators as they receive first incentive payments tied to the clearing of C-Band spectrum. Given the capital build cycles of these operators and others in the Satcom ecosystem, we continue to expect the benefit to the Satcom business line from the build-out of the related C-band infrastructure to begin in the second half of 2022.

We expect sales for military and other government-related uses, which represents the balance of Satcom business, to continue and potentially increase in late 2022 as many western countries have dramatically increased defense spending. Moreover, we expect to launch multiple technology upgrades within our product portfolio over the course of the calendar year.

Overall, we expect revenue of the Satcom business line to be stronger in 2022 as certain industries make investments in technology upgrades needed for enhancing remote broadband capabilities. The Satcom business line continues to show a strong and growing order book but continues to face supply chain constraints, chipset shortages, and component delays.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on May 12, 2022 at 8:00 a.m. (ET) to discuss its financial results for the three months ended March 31, 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: May 12, 2022
Time: 8:00 a.m. (ET)
Dial-in Number: 888-664-6392 or 416-764-8659
Conference ID#: 83644709

Webcast: https://produceredition.webcasts.com/starthere.jsp?ei=1527774&tp_key=2ff35b22b8

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 supply chain and other disruptions and the growth in our backlog, the refinancing of our credit facilities and the closure of our MMU facility in Vietnam. 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 2 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.