Baylin Announces Financial Results for the First Quarter of 2023 and its Sixth Consecutive Quarter of Positive Adjusted EBITDA

Investor Conference Call on May 11, 2023 at 8:00 a.m. ET

TORONTO, CANADA – **May 10, 2023** – Baylin Technologies Inc. (TSX: BYL) (the "Company" or "Baylin"), 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, today announced its financial results for the three months ended March 31, 2023. All amounts are stated in Canadian dollars unless otherwise indicated.

FIRST QUARTER SUMMARY

- Revenue of $25.1 million in the first quarter of 2023, a decrease of $5.9 million or 18.9% compared to the first quarter of 2022. The decrease was primarily due to a significant reduction in orders from its primary customer in the Mobile and Network ("M&N") business line, partially offset by stronger sales in the Wireless Infrastructure and Satcom business lines.

- Gross margin was 30.5% in the first quarter of 2023 compared to 26.0% in the first quarter of 2022 despite gross profit of $7.7 million being $0.4 million less than the first quarter of 2022. The improved gross margin resulted from a balanced product mix due to new product sales, changes in pricing strategy, and a data driven focus on contribution margin at the business line level. In the first quarter of 2023, the improvement was primarily generated by: (i) revenue recovery and favourable product mix including our new multibeam and innovative small cell antennas in the Wireless Infrastructure business line; (ii) enhanced production efficiency and favourable product mix in the Satcom business line despite supply chain constraints; and, (iii) consistent operational efficiency in the Embedded Antenna business line.

- Adjusted EBITDA(2) of $0.9 million in the first quarter of 2023, the sixth consecutive quarter of positive Adjusted EBITDA. Adjusted EBITDA increased by $0.7 million compared to the first quarter of 2022. The increase in Adjusted EBITDA was mainly due to improving gross margins through both new product sales and pricing changes, as well as a decrease of $0.9 million in operating expenses (excluding lease termination gain and impairment recovery). Adjusted EBITDA increased in the first quarter of 2023 despite the decrease in gross profit compared to the prior year period.

- Net loss of $1.2 million in the first quarter of 2023 compared to a net loss of $3.1 million in the first quarter of 2022. The net loss in the first quarter of 2023 included a lease termination gain and impairment recovery of $2.7 million as a result of completing the lease transfer of the MMU facility in Vietnam to a third party. The net loss in the first quarter of 2023 was primarily attributable to interest and other finance expenses despite having an operating income of $0.4 million. On a per share basis, a net loss of $0.01 per share in the first quarter of 2023 compared to a net loss of $0.04 per share in the first quarter of 2022.

- Net debt(3) was $22.6 million as at March 31, 2023, an increase of $1.2 million from December 31, 2022, mainly due to debt interest payments and lease payments.

- Backlog(4) was $35.2 million at March 31, 2023 and $36.4 million at April 30, 2023 compared to the backlog level of $38.1 million at December 31, 2022 and $38.2 million at March 31, 2022. The decrease was primarily due to a significant lower level of backlog in the Mobile and Network business line as a result of across-the-board production volume reductions at its principal customer.

RECENT DEVELOPMENTS

Convertible Debentures

Amendment

The Company is also announcing today a proposal to amend the terms of its 6.5% Extendible Convertible Unsecured Debentures due July 10, 2023 (the "Debentures") to (i) extend the maturity date of the Debentures from July 10, 2023 to June 30, 2026, (ii) increase the interest rate on the Debentures from 6.5% to 8.5%, effective June 30, 2023, (iii) reduce the conversion price of the Debentures from $3.85 to $1.00 per common share of the Company, and (iv) amend the definition of "Change of Control" to permit the Company's Chairman of the Board of Directors, Jeffrey C. Royer, and related parties to acquire 66 2/3% or more of the common shares of the Company without it constituting a Change of Control (the "Amendments"). The Amendments are subject to approval of the Toronto Stock Exchange (the "TSX").

The Company will be soliciting written consents (the "Consent Solicitation") and proxies (the "Proxy Solicitation", and together with the Consent Solicitation, the "Solicitation") from holders of the Debentures (the "Debentureholders") to approve the Amendments by way of extraordinary resolution (the "Extraordinary Resolution"). In the case of the Consent Solicitation, the Extraordinary Resolution will pass (and the Amendments will be approved) if the Company receives valid consents in favour of the Extraordinary Resolution representing at least 66 2/3% of all the Debentures outstanding. There is currently $5.115 million principal amount of Debentures outstanding.

In addition to but concurrently with the Consent Solicitation, the Company will also be soliciting proxies as part of the Proxy Solicitation for use in connection with a proposed meeting of Debentureholders to be held on June 20, 2023 (the "Meeting") at which Debentureholders will be asked to approve the Amendments. If the Consent Solicitation achieves the requisite level of support to approve the Amendments, the Meeting will be cancelled. If not, the Company will proceed with the Meeting. At the Meeting, the Extraordinary Resolution will pass (and the Amendments will be approved) if the Company receives the favourable votes of holders of at least 66 2/3% of the principal amount of the Debentures present in person or represented by proxy at the Meeting.

The Company has retained Kingsdale Advisors to act as information and solicitation agent for the Solicitation. The Company will be arranging to send to Debentureholders a solicitation statement and related materials in connection with the Solicitation and the Meeting. The Company will issue a press release to advise when these materials have been filed under the Company's profile on SEDAR at www.sedar.com.

Payment of Convertible Debentures in Common Shares at Maturity

The Debentures mature on July 10, 2023 (the "Maturity Date"). In addition to payment in cash, the Company has the right to repay the Debentures in its common shares at 95% of their market price at the Maturity Date (the "Common Share Repayment Right"). The Company intends to exercise the Common Share Repayment Right and elect to repay the principal amount of the Debentures on the Maturity Date by issuing common shares to Debentureholders, as it is permitted to do under the terms of the Debentures, rather than repay the Debentures in cash, subject to receipt of any required regulatory approvals, including the TSX. The number of common shares to be issued would be equal to the principal amount of the Debentures then outstanding divided by 95% of the current market price of the common shares (which would be calculated based on the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending five days before the Maturity Date).

The Common Share Repayment Right is effectively conditional on the outcome of the Solicitation. If the Extraordinary Resolution is passed and the Amendments become effective before the Maturity Date, the Common Share Repayment Right will not occur and will be withdrawn.

If the Extraordinary Resolution is not passed, the Company will proceed with the Common Share Repayment Right and repay the Debentures in common shares in accordance with the terms of the Debentures.

Private Placement of Common Shares

The Company's principal shareholder, 2385796 Ontario Inc. (the "Principal Shareholder"), a corporation over which our Chairman of the Board of Directors, Jeffery C. Royer, exercises control and direction over investment decisions, has agreed to subscribe on a private placement basis for common shares of the Company, subject to a maximum number of 8,000,000 common shares and maximum proceeds to the Company of $4 million. The common shares will be issued at a price based on the 5-day volume-weighted average trading price of the common shares on the TSX. Subject to TSX approval, the private placement is expected to close around May 22, 2023. The proceeds from the private placement will be used to fund working capital in the business, including for use in the Mobile and Network business line. The Principal Shareholder and a related party currently hold approximately 58% of our outstanding common shares. Assuming the private placement results in the issuance of 8,000,000 common shares, the Principal Shareholder and related party would hold approximately 61.8% of our outstanding common shares after giving effect to the private placement.

Credit Facilities

Canadian Credit Facility

In May 2023, the Company and its lenders (Royal Bank of Canada and HSBC Bank Canada) agreed to further amendments to the Company's credit facilities, among others, to change the minimum liquidity covenant. The Company is now required to maintain minimum liquidity of $3 million until May 31, 2023 and $4 million thereafter until maturity of the credit facilities.

China Credit Facility

The Company's Chinese subsidiary is arranging a new 30 million Chinese Yuan multiple-tranche secured credit facility with Bank of Ningbo. The facility, which will be secured by the subsidiary's building, will replace the 17 million Chinese Yuan secured facility with Shanghai Pudong Development Bank and increase liquidity by approximately $2.5 million.

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,			
	2023	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**
Profit and Loss				
Revenue	**25,127**	30,974	(5,847)	(18.9%)
Gross profit	**7,665**	8,056	(391)	(4.9%)
Gross margin	**30.5%**	26.0%	4.5%	N/A
Net loss	**(1,166)**	(3,073)	1,907	(62.1%)
Basic and diluted net loss per share	**($0.01)**	($0.04)	$0.03	(75.0%)
EBITDA(1)	**2,321**	(246)	2,567	N/A
Adjusted EBITDA(2)	**877**	224	653	> 100.0%

	As at March 31, 2023	**As at March 31, 2022**	**Change**	**Change**	**As at March 31, 2023**	**As at December 31, 2022**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Balance Sheet and Other								
Current assets	**50,132**	60,713	(10,581)	(17.4%)	**50,132**	50,453	(321)	(0.6%)
Total assets	**72,702**	89,993	(17,291)	(19.2%)	**72,702**	74,384	(1,682)	(2.3%)
Current liabilities	**66,197**	63,225	2,972	4.7%	**66,197**	65,505	692	1.1%
Non-current liabilities	**9,657**	17,921	(8,264)	(46.1%)	**9,657**	12,139	(2,482)	(20.4%)
Total liabilities	**75,854**	81,146	(5,292)	(6.5%)	**75,854**	77,644	(1,790)	(2.3%)
Net debt(3)	**22,589**	17,373	5,216	30.0%	**22,589**	21,437	1,152	5.4%
Backlog(4)	**35,181**	38,216	(3,035)	(7.9%)	**35,181**	38,067	(2,886)	(7.6%)

(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 unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023 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 six consecutive quarters of positive Adjusted EBITDA and consistently improved gross margins since the first quarter of 2022. The North American business lines continue to perform well generally but overall performance is being negatively affected by the results of our Mobile and Network business line. We continue to prioritize product mix, emphasizing products that generate higher margins and gross profit, with a view to maintaining and growing Adjusted EBITDA, even at the expense of higher revenue. The macroeconomic environment, shortages in materials and increased material costs due to supply chain challenges and chipset shortages remain an issue for our business. 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 continue to expect that our 2023 results will be generally 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

We continue to expect the Embedded Antenna business line will perform strongly in 2023 although at slightly reduced levels from 2022, 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, in part, due to continued positive momentum in request for proposals and ongoing bidding activity.

Wireless Infrastructure Business Line

We expect the Wireless Infrastructure business line will continue to perform strongly in 2023 with improvements in both revenue and Adjusted EBITDA compared to 2022. We expect that Stadium and DAS deployments will strengthen, particularly for use in stadiums and other venues requiring in-building wireless. We also expect that our new higher margin multibeam and innovative antenna portfolio will open up new global opportunities to drive sales with wireless carriers and third party operators who operate wireless mobile networks for their customers.

Mobile and Network Business Line

The Mobile and Network business line continues to face significant challenges due to large production volume reductions at its principal customer. Those reductions reflect a contraction in this customer's smartphone market in 2023, due in part to the global economic slowdown and continuing inflation, as well as competitive pressures faced by the customer. Management took steps to limit the adverse effect this has had on the business by reducing or eliminating operating and other costs. Management has also been working to diversify the M&N business in order to reduce its dependency on its principal customer. We expect to benefit from additional revenue-generating Network projects as well as begin to see a recovery in the Mobile business in the second half of 2023. In the meantime, management continues to seek financial support for the business in South Korea and elsewhere and to evaluate the Company's various options for the business, including a determination of whether it should remain part of the Company's core long-term strategy.

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 this business line, will continue and potentially increase in 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.

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 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. In order to alleviate some of the production backlog in our Kirkland, Quebec facility, we are starting production of high-power amplifiers in our State College, Pennsylvania facility.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on May 11, 2023 at 8:00 a.m. (ET) to discuss its financial results for the three months ended March 31, 2023. 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:	May 11, 2023
Time:	8:00 a.m. (ET)
Dial-in Number:	888-664-6392 or 416-764-8659
Conference ID#:	54226823
Rapid Connect:	To instantly join the conference call by phone, please use the following URL to easily register and be connected into the conference call automatically: https://emportal.ink/3LS6Cib
Webcast:	This call is also on webcast and can be accessed at: https://app.webinar.net/OV1weGPa0bq

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 effect of the macroeconomic environment on our business, the outlook for our business lines, including the effect of shortages in materials and 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.