



Baylin Announces Financial Results for the Second Quarter of 2023 and its Seventh Consecutive Quarter of Positive Adjusted EBITDA

Investor Conference Call on August 10, 2023 at 8:00 a.m. ET

TORONTO, CANADA – August 9, 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 and six months ended June 30, 2023. All amounts are stated in Canadian dollars unless otherwise indicated.

SECOND QUARTER SUMMARY

- Revenue of \$25.3 million in the second quarter of 2023, a decrease of \$4.8 million or 16.1% compared to the second quarter of 2022. The decrease was primarily due to a significant reduction in orders from our principal customer in the Mobile and Network (“M&N”) business line, partially offset by stronger sales in the Embedded Antenna and Satcom business lines.
- Gross margin was 32.5% in the second quarter of 2023 compared to 29.9% in the second quarter of 2022, despite gross profit of \$8.2 million being \$0.8 million less than the second quarter of 2022. The improved gross margin resulted from a balanced product mix due to sales from newly launched products, changes in pricing strategy, and a data driven focus on contribution margin at the business line level. In the second quarter of 2023, the improvement was primarily generated by: (i) stronger revenue recovery in the Satcom business line despite supply chain constraints; (ii) favourable product mix, including new multibeam and innovative antenna portfolio in the Wireless Infrastructure business line; and, (iii) consistent operational efficiency in the Embedded Antenna business line.
- Adjusted EBITDA⁽²⁾ of \$0.1 million in the second quarter of 2023, the seventh consecutive quarter of positive Adjusted EBITDA. Adjusted EBITDA decreased by \$0.2 million compared to the second quarter of 2022. The decrease in Adjusted EBITDA was mainly due to the decrease in gross profit as a result of lower revenue, partially offset by the decrease in operating expenses compared to the prior year period.
- Net loss of \$1.2 million in the second quarter of 2023 compared to a net loss of \$4.3 million in the second quarter of 2022. The net loss in the second quarter of 2023 was primarily attributable to an operating loss of \$1.3 million. On a per share basis, a net loss of \$0.01 per share in the second quarter of 2023 compared to a net loss of \$0.05 per share in the second quarter of 2022.
- Net debt⁽³⁾ was \$23.6 million as at June 30, 2023, an increase of \$2.1 million from December 31, 2022, primarily due to debt interest payments and lease payments.
- Backlog⁽⁴⁾ was \$34.5 million at June 30, 2023 compared to \$38.1 million at December 31, 2022 and \$37.7 million at June 30, 2022. The decrease was mainly due to a significantly lower level of backlog in M&N business as a result of across-the-board production volume reductions at its principal customer.

RECENT DEVELOPMENTS

Products

Multibeam Antennas

We have had several notable successes over the past three months with the placement of patented multibeam antennas by our Galtronics subsidiary at various events and venues, including:

- Circuit Gilles-Villeneuve in Montreal, for the 2023 Formula 1 Canadian Grand Prix/Grand Prix du Canada;
- The “Greatest Outdoor Show on Earth”, the 2023 Calgary Stampede;
- Throughout Lisbon, Portugal for the Pope’s visit earlier in August to celebrate World Youth Day;
- Phoenix Park in Dublin, Ireland for the Bord Bia Bloom festival, one of Ireland’s largest events;
- Slane Castle, near Dublin, Ireland, for a Harry Styles concert; and,
- Various concert venues in locations around Rome and Milan, Italy.

Our multibeam antennas are capable of handling high capacity and highspeed throughput in dense customer environments.

Ka-Band Amplifiers

In July 2023, our Advantech Wireless Technologies subsidiary launched a new family of Ka-band solid state power amplifiers (SSPA) and block up converters (SSPB), badged as the K-2 Series. These SSPAs and SSPBs are based on a novel, ground-up design that employs the latest in Gallium Nitride device technology to deliver the highest RF performance of any amplifier in its class.

The K-2 Series is the first major product led by Advantech’s Quebec-based engineering team and is based on Advantech’s Genesis platform.

Private Placement of Common Shares

On May 26, 2023, the Company completed a private placement of 8,000,000 common shares to its principal shareholder, 2385796 Ontario Inc., a corporation over which our Chairman, Jeffery C. Royer, exercises control and direction over investment decisions. The proceeds of \$3.12 million are being used to fund working capital in the business, including for use in the M&N business line.

China Credit Facility

The Company’s Chinese subsidiary arranged a new 30 million Chinese Yuan multiple tranche credit facility with Bank of Ningbo. The facility, which is secured by the subsidiary’s building, replaced a 17 million Chinese Yuan secured facility with Shanghai Pudong Development Bank.

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,			
	2023	2022	Change	Change	2023	2022	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
<i>Profit and Loss</i>								
Revenue	25,271	30,134	(4,863)	(16.1%)	50,398	61,108	(10,710)	(17.5%)
Gross profit	8,206	9,015	(809)	(9.0%)	15,871	17,071	(1,200)	(7.0%)
Gross margin	32.5%	29.9%	2.6%	N/A	31.5%	27.9%	3.6%	N/A
Net loss	(1,243)	(4,308)	3,065	(71.1%)	(2,409)	(7,381)	4,972	(67.4%)
Basic and diluted net loss per share	(\$0.01)	(\$0.05)	\$0.04	(80.0%)	(\$0.03)	(\$0.09)	\$0.06	(66.7%)
EBITDA ⁽¹⁾	410	(546)	956	N/A	2,731	(792)	3,523	N/A
Adjusted EBITDA ⁽²⁾	82	323	(241)	(74.6%)	959	547	412	75.3%
	As at	As at	Change	Change	As at	As at	Change	Change
	June 30,	June 30,	Change	Change	June 30,	December	Change	Change
	2023	2022	\$	%	2023	31, 2022	\$	%
<i>Balance Sheet and Other</i>								
Current assets	49,667	54,344	(4,677)	(8.6%)	49,667	50,453	(786)	(1.6%)
Total assets	70,643	81,751	(11,108)	(13.6%)	70,643	74,384	(3,741)	(5.0%)
Current liabilities	63,522	59,395	4,127	6.9%	63,522	65,505	(1,983)	(3.0%)
Non-current liabilities	9,418	17,505	(8,087)	(46.2%)	9,418	12,139	(2,721)	(22.4%)
Total liabilities	72,940	76,900	(3,960)	(5.1%)	72,940	77,644	(4,704)	(6.1%)
Net debt ⁽³⁾	23,551	21,354	2,197	10.3%	23,551	21,437	2,114	9.9%
Backlog ⁽⁴⁾	34,456	37,702	(3,246)	(8.6%)	34,456	38,067	(3,611)	(9.5%)

- (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 and six months ended June 30, 2023 and corresponding management’s discussion and analysis (the “MD&A”) are available under the Company’s profile on SEDAR+ at www.sedarplus.ca.

OUTLOOK

The Company has now achieved seven consecutive quarters of positive Adjusted EBITDA and has consistently improved gross margins since the first quarter of 2022. This, despite a continuing difficult business environment. We had expected financial performance in the second quarter to be weaker than the first, and the most challenging quarter of the year, but we now expect the third quarter will be similarly challenging. Although the North American business lines continue to perform well generally, our overall performance is being significantly negatively affected by the results of our M&N 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 macro-economic 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 pushouts of orders from customers. We had expected these disruptions would begin to ease in the first half of 2023, but now anticipate that they will continue for the remainder of 2023. The ongoing war in Ukraine could continue to exacerbate supply chain disruptions. As a result of these continuing challenges, particularly in our M&N business line, we now expect that our 2023 results will be below our 2022 results for revenue and Adjusted EBITDA.

Embedded Antenna Business Line

The Embedded Antenna business line is currently being impacted by lower volumes driven by the macro-economic environment, as well as slightly lower margins caused by changes in product mix. We expect the Embedded Antenna business line will continue to perform reasonably well in 2023 but at reduced levels from 2022, which was an exceptionally strong year. Its performance depends on the ability of the home networking, public safety and automotive markets to remain resilient in the face of the economic slowdown and inflationary pressures. The number of active bids for 2024 projects is, however, at a record level for the business.

Wireless Infrastructure Business Line

We expect the Wireless Infrastructure business line will continue its performance for the remainder of 2023 with small improvements in revenue but materially higher Adjusted EBITDA compared to 2022. This reflects the sales success of our higher margin multibeam and innovative small cell antennas as well as the strong pace of DAS and stadium deployments, particularly for use in stadiums and other venues requiring in-building wireless. We expect that our new higher margin multibeam and innovative small cell antennas will open up new global opportunities to drive sales with wireless carriers and third-party operators who operate wireless mobile networks for their customers. We are seeing some pull-back on spending by wireless carriers and infrastructure customers broadly but have managed to grow and take market share by focusing on our unique competitive advantages. We do expect to see carriers begin spending on small cells by 2024, which will drive further volumes for the business.

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 at the end 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. However, there are indications that satellite internet access through low earth orbit satellites provided by satellite installation constellations is having a disruptive effect on some services provided by our customers, particularly in the cruise and maritime industries. In addition, the interest rate environment is having an impact on expenditures by some commercial satcom companies.

Sales for military and other government-related uses, which represents the balance of this business line, will continue and potentially increase during the second half of 2023, as many western countries continue to maintain high levels of defence spending. We have recently completed multiple technology upgrades within our product portfolio, which are expected to generate additional sales.

Overall, we expect revenue and Adjusted EBITDA in 2023 will be stronger than 2022. 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 have begun production of high-power amplifiers in our State College, Pennsylvania facility.

Mobile and Network (formerly, Asia Pacific) Business Line

The M&N business line continues to face significant challenges due to large production volume reductions at its principal customer. Those reductions reflect a contraction in the customer's smartphone market, due in part to the global economic slowdown and continuing inflation, as well as competitive pressures faced by the customer. Global shipments of smartphones are expected to experience a year-over-year decline in 2023. The customer is also facing weaker demand for its other products such as tablets, smart watches, and other wirelessly connected devices.

Management has been taking steps to limit the adverse effect this has had on the business by reducing or eliminating operating and other costs. We have also been working to diversify its revenue base, but other potential revenue-generating projects have been hampered by the adverse economic environment, and any resulting benefit is not likely to be seen until 2024.

Given these ongoing challenges, management is continuing to evaluate its various options for the business, including whether it should remain part of the Company's core long-term strategy.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on August 10, 2023 at 8:00 a.m. (ET) to discuss its financial results for the three and six months ended June 30, 2023. The conference call will be hosted by Leighton Carroll, Chief Executive Officer and Dan Nohdomi, Chief Financial Officer. All interested parties are invited to participate using the dial-in details provided below.

Date: August 10, 2023

Time: 8:00 a.m. (ET)

Dial-in Number: 888-664-6392 or 416-764-8659

Conference ID#: 59787852

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/lbpzRNvRw2r>

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, particularly M&N, shortages in materials and increased material costs and supply chain and other disruptions on their financial performance, production delays, and reduced spending by our customers. 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.sedarplus.ca. 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.