



Baylin Announces Financial Results for the Third Quarter of 2023

Investor Conference Call on November 9, 2023 at 8:00 a.m. ET

TORONTO, CANADA – November 8, 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 nine months ended September 30, 2023. All amounts are stated in Canadian dollars unless otherwise indicated.

THIRD QUARTER SUMMARY

- Revenue of \$23.5 million in the third quarter of 2023, a decrease of \$6.5 million or 21.5% compared to the third quarter of 2022. The decrease was primarily due to production volume reductions in the M&N, Embedded Antenna and Wireless Infrastructure business lines, partially offset by stronger sales in the Satcom business line.
- Gross margin was 31.2% in the third quarter of 2023 compared to 26.4% in the third quarter of 2022, despite gross profit of \$7.3 million being \$0.6 million less than the third 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 third quarter of 2023, the improvement was mainly generated by: (i) stronger revenue recovery in the Satcom business line; (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 -\$0.8 million in the third quarter of 2023, a decrease of \$0.9 million compared to the third quarter of 2022. The decrease in Adjusted EBITDA was primarily 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 \$3.4 million in the third quarter of 2023 compared to a net loss of \$4.9 million in the third quarter of 2022. The net loss in the third quarter of 2023 was mainly attributable to an operating loss of \$2.8 million. On a per share basis, a net loss of \$0.04 per share in the third quarter of 2023 compared to a net loss of \$0.06 per share in the third quarter of 2022.
- Net debt⁽³⁾ was \$26.4 million as at September 30, 2023, an increase of \$5.0 million from December 31, 2022, mainly due to an increase in non-cash working capital, debt interest payments and lease payments.
- Backlog⁽⁴⁾ was \$32.4 million at September 30, 2023 compared to \$38.1 million at December 31, 2022 and \$37.4 million at September 30, 2022. The decrease was primarily due to a lower level of backlog in all the business lines, particularly in the Mobile and Network (“M&N”) business line as a result of across-the-board production volume reductions at its principal customer.

RECENT DEVELOPMENTS

Products

Multibeam Antennas

The Company, through its principal US subsidiary, Galtronics USA, Inc., continued to market and sell its patented multibeam antennas, building on its earlier successes in North America by placing antennas with wireless carriers and systems integrators across Europe. The antennas are uniquely able to handle large scale events and venues in a cost-effective manner for wireless carriers. Additionally, they offer comparable performance to lens-type technology at a more economical price point and provide beam stability across frequency bands to ensure a better user experience.

Artemis Lunar Space Mission

The Company's principal Canadian subsidiary, Advantech Wireless Technologies Inc. ("Advantech"), delivered Solid State Power Amplifiers ("SSPA") for use by the United States NASA space agency Artemis lunar mission. These amplifiers will be used to communicate from NASA's earth star ports to the lunar modules as they are traveling in deep space to the moon.

Ka-Band Solid State Power Amplifiers

Advantech launched a new Ka-band SSPA product line based on the Genesis platform. This is not only the first major new product led by engineering in Kirkland, Quebec, but it also filled a gap within Advantech's product line for SSPAs. We believe this opens up new opportunities in markets where Advantech was previously unable to bid or compete.

Credit Facilities

In August 2023, the Company's Vietnamese subsidiary, Galtronics Vietnam Dai Dong Company Limited ("GTD"), completed the full repayment of its secured loan from HSBC Vietnam. The loan originated in October 2020 and established a credit facility in favour of GTD in Vietnamese Dong currency equivalent (the "Vietnam Loan") to partially fund a factory which ultimately never went into production. The Vietnam Loan, established for \$3.2 million, was fully repaid at maturity on August 18, 2023, and thereby eliminates any further credit obligations in Vietnam.

In September 2023, the Company agreed with its lenders, Royal Bank of Canada and HSBC Bank Canada, to further amendments to the Credit Agreement governing our Credit Facilities, including an extension to the maturity date of the Term Loan from September 29, 2023 to December 31, 2023 and the maturity date of the Revolving Facility from September 29, 2023 to March 31, 2024.

Recapitalization - Rights Offering

As part of management's continuing efforts to recapitalize and improve the Company's balance sheet, the Company intends to proceed with a rights offering (the "Rights Offering") under which shareholders will receive rights (the "Rights") to acquire common shares of the Company. The number of common shares available for subscription and the subscription price payable on exercise of the Rights, as well as the timing of the Rights Offering and other terms, will be determined and announced at the time of commencement of the Rights Offering, which is expected in the near future.

The Company's largest shareholder, 2385796 Ontario Inc. (the "Principal Shareholder"), which holds approximately 58.6% of the common shares currently outstanding, has expressed its support for and agreement to participate in the Rights Offering.

Mr. Leighton Carroll, CEO of the Company, commented, "Our Principal Shareholder has indicated its support for the Rights Offering, which reflects its continued financial commitment to our business. Moreover, several members of our board and I personally intend to take part in the Rights Offering. We all believe in this business and what we are building."

SELECTED FINANCIAL INFORMATION

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

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	Change	Change	2023	2022	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Profit and Loss								
Revenue	23,526	29,967	(6,441)	(21.5%)	73,924	91,075	(17,151)	(18.8%)
Gross profit	7,337	7,902	(565)	(7.2%)	23,208	24,973	(1,765)	(7.1%)
Gross margin	31.2%	26.4%	4.8%	N/A	31.4%	27.4%	4.0%	N/A
Net loss	(3,364)	(4,861)	1,497	(30.8%)	(5,773)	(12,242)	6,469	(52.8%)
Basic and diluted net loss per share	(\$0.04)	(\$0.06)	\$0.02	(33.3%)	(\$0.07)	(\$0.15)	\$0.08	(53.3%)
EBITDA ⁽¹⁾	(1,444)	(679)	(765)	>100.0%	1,287	(1,471)	2,758	N/A
Adjusted EBITDA ⁽²⁾	(789)	92	(881)	N/A	170	639	(469)	(73.4%)
	As at	As at	Change	Change	As at	As at	Change	Change
	September 30, 2023	September 30, 2022	\$	%	September 30, 2023	December 31, 2022	\$	%
	\$	\$	\$	%	\$	\$	\$	%
Balance Sheet and Other								
Current assets	48,695	54,744	(6,049)	(11.0%)	48,695	50,453	(1,758)	(3.5%)
Total assets	68,959	80,811	(11,852)	(14.7%)	68,959	74,384	(5,425)	(7.3%)
Current liabilities	64,976	62,857	2,119	3.4%	64,976	65,505	(529)	(0.8%)
Non-current liabilities	8,874	17,305	(8,431)	(48.7%)	8,874	12,139	(3,265)	(26.9%)
Total liabilities	73,850	80,162	(6,312)	(7.9%)	73,850	77,644	(3,794)	(4.9%)
Net debt ⁽³⁾	26,419	21,513	4,906	22.8%	26,419	21,437	4,982	23.2%
Backlog ⁽⁴⁾	32,408	37,406	(4,998)	(13.4%)	32,408	38,067	(5,659)	(14.9%)

(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 nine months ended September 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 business challenges facing the Company during the second quarter continued in the third quarter of 2023, resulting in lower revenue, gross margin and Adjusted EBITDA compared to the second quarter and interrupting the Company's run of seven consecutive quarters of positive Adjusted EBITDA. We expect the remainder of the year will be similarly challenging. While our overall performance continues to be significantly negatively affected by the results of our M&N business line, we are also experiencing softness in our Embedded Antenna and Wireless Infrastructure business lines. Satcom's performance remains in line with expectations.

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, increased material costs due to inflationary pressures and the effect of high interest rates remain an issue for our business. These factors are expected to affect our volume of orders and revenue as well as causing pushouts of orders from customers. We expect these conditions will continue for the remainder of 2023. As a result of these continuing challenges, particularly in M&N business line, we expect that our principal performance measures of revenue and Adjusted EBITDA for 2023 will be below the corresponding amounts for 2022 offset by an improvement in gross margin.

Embedded Antenna Business Line

The Embedded Antenna business line is currently being impacted by lower volumes driven by the macroeconomic environment, as well as 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 materially higher improvements in gross margin but on lower revenue 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 stadium deployments. 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 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, this has been of benefit to the business in 2023 and we expect it will continue into 2024. We further 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. Importantly, the Genesis line are consistent in architecture, meaning they will allow the business to simplify supply chain over time and thereby improve efficiencies in manufacturing. 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.

We continue to see opportunities for growth in sales for military and other government-related uses, which represents the balance of this business line, as many western countries continue to maintain high levels of defence and scientific 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. 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 continuing 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, which has made consumers in major markets such as North America hesitant to upgrade their devices, as well as competitive pressures faced by the customer. Global shipments of smartphones are expected to experience a year-over-year decline in 2023 and to be the lowest in many years. 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 M&N business. We have hired a new President and we continue to focus on 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. Finally, the M&N's business largest customer for mobile devices has publicly stated that they expect to see improving demand in 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 November 9, 2023 at 8:00 a.m. (ET) to discuss its financial results for the three and nine months ended September 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: November 9, 2023

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

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

Conference ID#: 62200684

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/415WTJe>

Webcast: This call is also on webcast and can be accessed at: <https://app.webinar.net/y4LxGW8EgWJ>

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 macro-economic environment on our business, increased material costs due to inflationary pressures, higher interest rates, the outlook for our business lines, particularly M&N, and other disruptions on their financial performance, and the intention to proceed with a rights offering and the timing of the offering, as well as the intention of the Principal Shareholder to participate in the offering. 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 the 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.