



Baylin Announces Financial Results for the First Quarter of 2024

The Quarter Represents a 24% Increase in Revenue and a 36% Increase in Gross Profit compared to the Fourth Quarter of 2023

Investor Conference Call on May 9, 2024 at 8:00 a.m. ET

TORONTO, CANADA – May 8, 2024 – 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, 2024. All amounts are stated in Canadian dollars unless otherwise indicated.

FIRST QUARTER SUMMARY

Continuing Operations

- Revenue of \$20.1 million in the first quarter of 2024, an increase of \$1.3 million or 7.0% compared to the first quarter of 2023. This also represents an increase of \$3.9 million or 23.8% compared to the fourth quarter of 2023. The increase was primarily due to sales volume increase in the Embedded Antenna business line. Revenue in the first quarter of 2024 for both Embedded Antenna and Wireless Infrastructure business lines was significantly higher than in the fourth quarter of 2023. Revenue in the Satcom business line was largely consistent with the same prior year period.
- Gross profit of \$7.7 million in the first quarter of 2024, an increase of \$0.1 million compared to the first quarter of 2023. Gross margin of 38.5% in the first quarter of 2024 compared to 40.6% in the first quarter of 2023 and compared to 35.2% in the fourth quarter of 2023. Compared to the same prior year period, the lower gross margin in the first quarter of 2024 was primarily due to product mix. Wireless Infrastructure revenue as a percentage of total revenue was higher in the first quarter of 2023 and most of its products generate higher gross margins than the other product lines.
- Adjusted EBITDA⁽²⁾ of \$0.5 million in the first quarter of 2024, a decrease of \$1.1 million compared to the first quarter of 2023. This also represents an increase of \$2.6 million compared to the fourth quarter of 2023. Compared to the same prior year period, the decrease in Adjusted EBITDA in the first quarter of 2024 was due to combination of operating expenses, lower relative margins, along with not having the benefit of specific one-time government incentives. Operating expenses in the first quarter of 2023 were lower due to the recognition of the US Employee Retention Tax Credit in the amount of \$0.8 million, of which \$0.7 million was recorded as a reduction of operating expenses.
- Net loss of \$2.0 million in the first quarter of 2024 compared to a net income of \$0.9 million in the first quarter of 2023. This also represents an increase of \$4.9 million compared to a net loss of \$6.9 million in the fourth quarter of 2023. The net loss in the first quarter of 2024 was primarily due to an operating loss of \$1.4 million as well as interest and other finance expenses. The positive net income in the first quarter of 2023 was mainly due to a gain on lease termination and sale of non-current assets in the amount of \$2.7 million as a result of completing the transfer of the MMU facility lease in Vietnam. On a per share basis, a net loss of \$0.01 per share in the first quarter of 2024 compared to a net income of \$0.02 per share in the first quarter of 2023.

- Net debt⁽³⁾ from continuing operations of \$15.7 million at March 31, 2024, an increase of \$2.9 million from December 31, 2023, primarily due to an increase in working capital investment as a result of increasing sales and order backlog during the three months ended March 31, 2024.
- Backlog⁽⁴⁾ from continuing operations of \$30.3 million at March 31, 2024 compared to \$31.2 million at March 31, 2023. The decrease was mainly due to a lower level of backlog in the Satcom business line, partially offset by an increase in backlog in the Wireless Infrastructure business line as a result of new global opportunities from expansion into new markets. Backlog increased to \$33.2 million at April 29, 2024 as a result of an increase in new order intake across all business lines at the start of the second quarter of 2024.

Discontinued Operations (representing the Mobile and Network business line)

- Adjusted EBITDA from discontinued operations of close to \$nil in the first quarter of 2024, an increase of \$0.7 million compared to the first quarter of 2023. The increase in Adjusted EBITDA was mainly due to an increase in gross profit as a result of improved product mix in the Mobile and Network (“M&N”) business line compared to the prior year period.
- Net loss from discontinued operations of \$0.8 million in the first quarter of 2024 compared to a net loss of \$2.0 million from discontinued operations in the first quarter of 2023. The net loss from discontinued operations in the first quarter of 2024 was mainly due to an operating loss of \$0.2 million as well as other finance expenses in the M&N business line. On a per share basis, a net loss of \$0.01 per share in the first quarter of 2024 compared to a net loss of \$0.03 per share in the first quarter of 2023.

RECENT DEVELOPMENTS

Products

In April 2024, the Company announced that its subsidiary, Advantech Wireless Technologies Inc., had received an award from Artemis - NASA’s Lunar Exploration and Colonization Initiative to supply high-power solid state power amplifier (“SSPA”) ground station systems to support the Artemis program. Artemis is a multi-phased program to explore the moon, with the goal of establishing the first long-term presence on the moon. Advantech’s SSPAs are designed to operate between the earth and moon over cislunar frequencies and are specifically engineered to fit in the interior of large-aperture, full motion antennas as part of NASA’s drive to segregate their near space operations (between the earth’s surface and two kilometres away) from their deep space operations.

The Company also announced that its subsidiary, Galtronics USA, Inc., had completed a two-month retrofit of Salt Lake City International Airport with its leading high-capacity panel antennas. The airport services over 25 million travellers a year making its significant capacity and throughput requirements a challenge. The antennas deal with this challenge by offering antennas with optimized radiation patterns with optimum range coverage and low interference.

Galtronics was also selected to supply Distributed Antenna System (DAS) antennas for an upgrade to improve coverage and capacity inside London’s Heathrow Airport. This represents the Company’s first non-North American airport award.

Intellectual Property Infringement Claim

Advantech Wireless Technologies Inc. has recently brought an application in Superior Court in Montreal, Quebec for the issuance of an injunction and damages against 12209454 Canada Inc. (cob as Nextt Microwave), a company controlled by Mr. Frank Panarello, a former employee of Alga Microwave Inc. (“Alga”, a predecessor of Advantech), and against Mr. Michael Perelshtein, also a former employee of Alga. The application alleges infringement of Advantech’s intellectual property through the use of Advantech’s drawings of certain of its proprietary products, which the defendants used to sell transceivers identical to those of Advantech.

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,								
	2024	2023	Change	Change					
	\$	\$	\$	%					
Profit and Loss									
Revenue	20,053	18,745	1,308	7.0%					
Gross profit	7,722	7,618	104	1.4%					
Gross margin	38.5%	40.6%	(2.1%)	N/A					
Net income (loss) from continuing operations	(1,972)	864	(2,836)	N/A					
Net loss from discontinued operations	(786)	(2,030)	1,244	(61.3%)					
Net loss	(2,758)	(1,166)	(1,592)	> 100.0%					
Basic and diluted net income (loss) per share from continuing operations	(\$0.01)	\$0.02	(\$0.03)	N/A					
Basic and diluted net loss per share from discontinued operations	(\$0.01)	(\$0.03)	\$0.02	(66.7%)					
Basic and diluted net loss per share	(\$0.02)	(\$0.01)	(\$0.01)	100.0%					
EBITDA from continuing operations	(671)	3,327	(3,998)	N/A					
EBITDA from discontinued operations	281	(1,006)	1,287	N/A					
EBITDA⁽¹⁾	(390)	2,321	(2,711)	N/A					
Adjusted EBITDA from continuing operations	460	1,585	(1,125)	(71.0%)					
Adjusted EBITDA from discontinued operations	(43)	(708)	665	(93.9%)					
Adjusted EBITDA⁽²⁾	417	877	(460)	(52.5%)					
	As at	As at	Change	Change	As at	As at	Change	Change	
	March	March			March	December			
	31, 2024	31, 2023	\$	\$	31, 2024	31, 2023	\$	\$	
	\$	\$	\$	\$	\$	\$	\$	\$	
	%	%	%	%	%	%	%	%	
Balance Sheet and Other**									
Current assets - Continuing operations	38,335	49,730	N/A	N/A	38,335	35,346	2,989	8.5%	
Current assets - Assets held for sale	9,576	402	N/A	N/A	9,576	7,885	1,691	21.4%	
Total current assets	47,911	50,132	N/A	N/A	47,911	43,231	4,680	10.8%	
Total assets	63,978	72,702	(8,724)	(12.0%)	63,978	59,710	4,268	7.1%	
Current liabilities - Continuing operations	43,291	66,197	N/A	N/A	43,291	38,941	4,350	11.2%	
Current liabilities - Liabilities related to assets held for sale	10,628	-	N/A	N/A	10,628	8,854	1,774	20.0%	
Total current liabilities	53,919	66,197	N/A	N/A	53,919	47,795	6,124	12.8%	
Total liabilities	65,943	75,854	(9,911)	(13.1%)	65,943	59,746	6,197	10.4%	
Net debt⁽³⁾ from continuing operations	15,689	23,219	(7,530)	(32.4%)	15,689	12,787	2,902	22.7%	
Backlog⁽⁴⁾ from continuing operations	30,336	33,942	(3,606)	(10.6%)	30,336	31,156	(820)	(2.6%)	

(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) post business 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 acquisition; e) impairment of fixed and intangible assets (including goodwill) following 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; h) M&A expenses; and, i) 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.

** Balance Sheet as at March 31, 2024 and December 31, 2023 reflects the reclassification of all assets and liabilities of the M&N business line into "Assets held for sale" and "Liabilities related to assets held for sale", respectively. Such assets and liabilities are classified as current. Balance Sheet as at March 31, 2023 does not reflect such reclassification, which makes the comparison against the current quarter-end results not applicable (except for "Total assets" and "Total liabilities").

A copy of the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024 and corresponding management's discussion and analysis (the "MD&A") are available under the Company's profile on SEDAR+ at www.sedarplus.ca.

OUTLOOK

A number of the Company's financial measures from continuing operations in the first quarter of 2024 improved sequentially, quarter over quarter, compared to the fourth quarter of 2023. Revenue increased by 24% (\$20.1 million compared to \$16.1 million) and gross profit increased by 36% (\$7.7 million compared to \$5.7 million). Gross margin improved by 3.3 percentage points (38.5% compared to 35.2%). This led to a return to positive Adjusted EBITDA of \$0.5 million in the first quarter of 2024. The Embedded Antenna and Wireless Infrastructure business lines were particularly strong, rebounding in the first quarter of 2024 from lower sales volumes in the fourth quarter of 2023. Despite a moderate decrease in revenue, due to a particularly strong sales effort in the fourth quarter of 2023, Satcom achieved higher gross profit and gross margin, a testament to improving product mix and production efficiencies. We expect the second quarter performance of our continuing operations to be similarly strong. Although our business continues to be negatively affected by the M&N business line, its first quarter results were also an improvement over the previous quarter.

We continue to prioritize product mix, emphasizing products that generate higher margins and gross profit, with a view to maintaining and growing Adjusted EBITDA. The macroeconomic environment and the effect of high interest rates remain an issue for our business, which, in the short-term could continue to affect our volume of orders and revenue, as well as causing pushouts of orders from customers. Nevertheless, we expect the recent improvements across our operating business lines to continue in the second quarter of 2024.

The Company is continuing its efforts to replace its revolving credit facility with an asset-based loan, the structure of which would be more conducive to an operating business such as ours. With a recapitalized balance sheet as a result of the term loan being fully repaid from net proceeds of the rights offering and private placement of preferred shares, annual debt service costs are materially lower, which would allow the Company to re-invest any excess cashflow in the business.

Embedded Antenna Business Line

The Embedded Antenna business line had a very strong first quarter of 2024, following unfavourable macroeconomic conditions in 2023, particularly in the fourth quarter, which resulted in materially lower sales volumes, a result that was reflected industrywide. These conditions are not likely to reoccur in 2024 and we expect to see a recovery in demand for embedded products, including as service providers shift from Wi-Fi 6 to Wi-Fi 7. Although we are unlikely to see the same relative improvement in performance in the second quarter of 2024, we expect the Embedded Antenna business line will continue to perform better in 2024 than in 2023. Its performance depends on the ability of the home networking, public safety and automotive markets to remain resilient in the face of the economic pressures. The number of active bids for 2024 projects remains at a very strong level for the business.

Wireless Infrastructure Business Line

The Wireless Infrastructure business line also had a very strong first quarter of 2024 compared to the fourth quarter of 2023, building on the sales success of its higher margin multibeam and innovative small cell antennas as well as the strong pace of stadium and airport 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 continuing to expand into new markets, particularly in areas in Europe, where we have not previously had sales. Although we experienced some pull-back on spending by wireless carriers and infrastructure customers broadly in the fourth quarter of 2023, we expect to continue to grow and take market share by focusing on our unique competitive advantages. We also expect to see increased spending by carriers on small cells in 2024, which will drive further volumes for the business. Based on our current assessment, we expect Wireless Infrastructure to show improved performance in 2024 over 2023.

Satcom Business Line

The Satcom business line continues to see consistent demand for its products, supported by strong capital spending by its customers.

Satcom benefited from the capital build cycles of satellite operators and others in the Satcom ecosystem in 2023. We saw that major programmatic opportunities continued to be resilient, particularly for high powered amplifiers, and we expect this will continue in 2024. We are seeing softness in the commercial lower power market, but given our focus on higher power opportunities, we expect the business to continue to demonstrate resiliency in 2024. Our Genesis and Summit lines of solid-state power amplifiers are generating sales from clients due to the

improvements in performance, monitoring, and failover they provide over our older technology and products of our competitors. Importantly, these new amplifiers are consistent in architecture, meaning they will allow the business to simplify supply chain requirements over time and thereby improve efficiencies in manufacturing.

We continue to see opportunities for growth in sales for military and other government-related uses as many western countries continue to maintain high levels of defense and scientific spending. Given the technology upgrades within our product portfolio, we expect to continue our strong sales volumes while we work to improve our overall margin attainment.

Overall, we expect revenue and Adjusted EBITDA in 2024 will be stronger than 2023. The Satcom business line continues to demonstrate a strong order book with improving margins. Improving production efficiencies in our facilities in order to address the backlog and improve overall revenue attainment remains an important priority, particularly in our Kirkland, Quebec, facility. In order to alleviate some of the production backlog in that 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, particularly on the revenue side. Although its principal customer had a strong first quarter in its smartphone business, after suffering a contraction in 2023, it was led by a particular model for which M&N is not an antenna supplier. In addition, M&N was unable to benefit from another project for its customer due to quality control issues related to another supplier to the project.

Management has been taking steps to limit the adverse effect this has had on the M&N business. We continue to focus on reducing or eliminating operating and other costs while work is done to diversify the revenue base. M&N has been awarded other revenue-generating projects, but several have been hampered by the adverse economic environment in the Korean market, and any resulting benefit is not likely to be seen until the second half of 2024.

In the meantime, the Company is continuing its efforts to sell the business.

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on May 9, 2024 at 8:00 a.m. (ET) to discuss its financial results for the three months ended March 31, 2024. 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: May 9, 2024

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

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

Conference ID#: 02294336

Rapid Connect: To 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/3TafiEe>

Webcast: This call is also on webcast and can be accessed at: <https://app.webinar.net/M8pVORaJ7Ka>

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, higher interest rates, the outlook for our business lines, particularly M&N, and other disruptions to their financial performance. Forward-looking 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.