



Baylin Reports Strong Q2 2024 Financial Results

- ***Adjusted EBITDA⁽²⁾ grew sequentially by almost 400%.***
- ***Revenue and gross profit grew by 10% and 20%, respectively.***
- ***Baylin completed the sale of its Korean subsidiary.***

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

TORONTO, CANADA – August 7, 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 and six months ended June 30, 2024. All amounts are stated in Canadian dollars unless otherwise indicated.

“Three years ago, we started the journey to turnaround Baylin from substantial losses to profitability,” said Leighton Carroll, Baylin’s Chief Executive Officer. “We operate in intensely competitive markets and despite negative macroeconomic challenges, Baylin has been growing quarter over quarter. By building competitive advantage based on unique intellectual property, by engaging the talents of our entire team, and by delivering on a specific go to market strategy, we have seen our business had a very solid quarter. I cannot thank the employees of our business enough for the dedication and hard work.”

SECOND QUARTER SUMMARY

Continuing Operations

- Revenue of \$22.0 million in the second quarter of 2024, an increase of \$0.7 million or 3.4% compared to the second quarter of 2023. This also represents an increase of \$1.9 million or 9.9% compared to the first quarter of 2024. Compared to the same prior year period, the increase in revenue was primarily due to sales volume increase in the Wireless Infrastructure business line.
- Gross profit of \$9.2 million in the second quarter of 2024, an increase of \$0.7 million or 8.8% compared to the second quarter of 2023. This also represents an increase of \$1.5 million or 19.6% compared to the first quarter of 2024. Gross margin of 41.9% in the second quarter of 2024 compared to 39.9% in the second quarter of 2023 and compared to 38.5% in the first quarter of 2024. Compared to the same prior year period, the higher gross margin in the second quarter of 2024 was mainly due to improved product mix. Wireless Infrastructure revenue as a percentage of total revenue was higher in the second quarter of 2024 and most of its products generate higher gross margins than the other product lines.
- Adjusted EBITDA of \$2.3 million in the second quarter of 2024, an increase of \$1.2 million or 116% compared to the second quarter of 2023. This also represents an increase of \$1.8 million or 394% compared to the first quarter of 2024. Compared to the same prior year period, the increase in the second quarter of 2024 was mainly due to combination of higher revenue, higher gross margins and lower operating expenses. The second quarter of 2023 had the benefit of specific one-time government incentives which were recorded as an offset to operating expenses in that quarter.
- Net loss of \$0.1 million in the second quarter of 2024 compared to a net income of \$0.2 million in the second quarter of 2023. This also represents an increase of \$1.9 million compared to a net loss of \$2.0 million in the first quarter of 2024. The net loss in the second quarter of 2024 was primarily the net result of an operating

income of \$0.8 million offset by interest and other finance expenses as well as income tax expenses. The net income in the second quarter of 2023 was due in part to a gain on lease termination and sale of non-current assets in Vietnam as well as a favourable adjustment based on the fair market value of the convertible debentures. On a per share basis, a net loss of \$nil per share in the second quarter of 2024 compared to a net income of \$nil per share in the second quarter of 2023.

- Net debt⁽³⁾ of \$16.6 million at June 30, 2024, an increase of \$3.9 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 six months ended June 30, 2024.
- Backlog⁽⁴⁾ of \$32.6 million as at June 30, 2024 compared to \$31.2 million as at December 31, 2023. The increase was mainly due to a higher level of backlog in the Wireless Infrastructure business line as a result of an increase in demand from wireless carriers and third-party operators. Backlog increased to \$33.1 million as at July 29, 2024 as a result of an increase in new order intake across all business lines at the start of the third quarter of 2024.

Discontinued Operations (representing the Mobile and Network business line)

- Adjusted EBITDA from discontinued operations of -\$0.6 million in the second quarter of 2024 compared to -\$1.0 million in the second quarter of 2023. The reduced loss in Adjusted EBITDA from discontinued operations in the second quarter of 2024 was primarily due to an increase in gross profit as a result of higher revenue as well as a decrease in operating expenses in the M&N business line compared to the prior year period.
- Net loss from discontinued operations of \$1.5 million in the second quarter of 2024, which was largely consistent with the prior year period. The net loss from discontinued operations in the second quarter of 2024 was mainly due to an operating loss of \$1.0 million in the M&N business line. On a per share basis, a net loss of \$0.01 per share in the second quarter of 2024 compared to a net loss of \$0.02 per share in the second quarter of 2023.

RECENT DEVELOPMENTS

Products

In May 2024, Advantech Wireless Technologies Inc. (“Advantech”) received an \$8.2 million order for its ultra-high power Summit II Solid State Power Amplifier System. The order was placed by a major US defence contractor for use in a NATO government specific application. The Summit systems, produced by Advantech in its Kirkland, Quebec facility, feature a soft-fail redundant architecture based on our proprietary CAN Bus operating system.

In July 2024, the Company’s Embedded Antenna business line received a multi-year, multi-million dollar award for a 4G/5G antenna solution. It was selected by a US computer networking company to provide this solution for the networking company’s mobile customer premise equipment product, which will be available to consumers through multiple US Tier 1 carriers as well as a Tier 1 carrier outside the United States.

Sale of the Mobile and Network Business

On July 9, 2024, the Company announced that it had entered into an agreement (the “Transfer Agreement”) with a Korean strategic acquirer, under which the Company agreed to sell Galtronics Korea Co., Ltd. (“GTK”) and Galtronics Vietnam Company Limited (“GTV”). The Company has completed the sale of GTK to the strategic acquirer. Subject to receipt of required regulatory approvals, the Company expects to complete the sale of GTV during the third quarter of 2024. Upon the sale of GTV, the Company will no longer be in the Mobile and Network business.

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,			
	2024	2023	Change	Change	2024	2023	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Profit and Loss								
Revenue	22,035	21,307	728	3.4%	42,088	40,052	2,036	5.1%
Gross profit	9,238	8,492	746	8.8%	16,960	16,110	850	5.3%
Gross margin	41.9%	39.9%	2.0%	N/A	40.3%	40.2%	0.1%	N/A
Net income (loss) from continuing operations	(132)	218	(350)	N/A	(2,104)	1,082	(3,186)	N/A
Net loss from discontinued operations	(1,457)	(1,461)	4	(0.3%)	(2,243)	(3,491)	1,248	(35.7%)
Net loss	(1,589)	(1,243)	(346)	27.8%	(4,347)	(2,409)	(1,938)	80.4%
Basic and diluted net income (loss) per share from continuing operations	(\$0.00)	\$0.00	(\$0.00)	N/A	(\$0.02)	\$0.02	(\$0.04)	N/A
Basic and diluted net loss per share from discontinued operations	(\$0.01)	(\$0.02)	\$0.01	(50.0%)	(\$0.01)	(\$0.05)	\$0.04	(80.0%)
Basic and diluted net loss per share	(\$0.01)	(\$0.02)	\$0.01	(50.0%)	(\$0.03)	(\$0.03)	\$0.00	0.0%
EBITDA from continuing operations	1,514	1,094	420	38.4%	843	4,421	(3,578)	(80.9%)
EBITDA from discontinued operations	(580)	(684)	104	(15.2%)	(299)	(1,690)	1,391	(82.3%)
EBITDA⁽¹⁾	934	410	524	> 100.0%	544	2,731	(2,187)	(80.1%)
Adjusted EBITDA from continuing operations	2,273	1,050	1,223	> 100.0%	2,733	2,635	98	3.7%
Adjusted EBITDA from discontinued operations	(580)	(968)	388	(40.1%)	(623)	(1,676)	1,053	(62.8%)
Adjusted EBITDA⁽²⁾	1,693	82	1,611	> 100.0%	2,110	959	1,151	> 100.0%
	As at	As at			As at	As at		
	June 30,	June 30,	Change	Change	June 30,	December	Change	Change
	2024	2023			2024	31, 2023		
	\$	\$	\$	%	\$	\$	\$	%
Balance Sheet and Other**								
Current assets - Continuing operations	37,044	49,267	N/A	N/A	37,044	35,346	1,698	4.8%
Current assets - Assets held for sale	8,581	400	N/A	N/A	8,581	7,885	696	8.8%
Total current assets	45,625	49,667	N/A	N/A	45,625	43,231	2,394	5.5%
Total assets	60,993	70,643	(9,650)	(13.7%)	60,993	59,710	1,283	2.1%
Current liabilities - Continuing operations	41,296	63,522	N/A	N/A	41,296	38,955	2,341	6.0%
Current liabilities - Liabilities related to assets held for sale	10,547	-	N/A	N/A	10,547	8,854	1,693	19.1%
Total current liabilities	51,843	63,522	N/A	N/A	51,843	47,809	4,034	8.4%
Total liabilities	64,728	72,940	(8,212)	(11.3%)	64,728	59,746	4,982	8.3%
Net debt⁽³⁾ from continuing operations	16,641	23,725	(7,084)	(29.9%)	16,641	12,787	3,854	30.1%
Backlog⁽⁴⁾ from continuing operations	32,603	32,275	328	1.0%	32,603	31,156	1,447	4.6%

Notes:

(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 June 30, 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 June 30, 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 and six months ended June 30, 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 second quarter of 2024 continued to improve, quarter over quarter, compared to the first quarter of 2024. Revenue increased by 9.9% (\$22.0 million compared to \$20.1 million) and gross profit increased by 19.6% (\$9.2 million compared to \$7.7 million). Gross margin improved by 3.4 percentage points (41.9% compared to 38.5%). This led to a stronger positive Adjusted EBITDA of \$2.3 million from continuing operations in the second quarter of 2024 compared to \$0.5 million in the first quarter of 2024. The improvement was mainly driven by the Wireless Infrastructure business line, which showed increased strength across all financial metrics, including revenue, gross profit and Adjusted EBITDA. The Embedded Antenna and Satcom business lines maintained their strong performance from the first quarter of 2024.

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 continuing 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 results from our continuing operations to remain positive during the third quarter and for the rest of 2024.

Embedded Antenna Business Line

The Embedded Antenna business line again had a strong second quarter of 2024, substantially in-line with its performance in the first quarter. The unfavourable macroeconomic conditions, principally due to an oversupply of finished goods, that led to lower sales volumes at the end of 2023 have not occurred this year. Moreover, demand for a new public safety product launched in the fourth quarter of 2023 has exceeded expectations in 2024. We expect the Embedded Antenna business line will continue to perform strongly for the remainder of 2024, despite expected seasonally affected lower sales in the third quarter. Results are dependent on the home networking, public safety and automotive markets remaining resilient in the face of 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 had a very strong second quarter of 2024, building on its success in the first quarter, with a continuing high volume of sales of its higher margin multibeam and innovative small cell antennas and further stadium and airport deployments. We are leveraging the competitive advantages that these products afford to 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 there remains a risk of spending cutbacks by carriers, we expect to see further spending on small cells in 2024, which will drive further sales volumes for the business. Based on our current assessment, we expect the full-year results to reflect a marked improvement over 2023, despite likely lower revenue in the second half of 2024 compared to the first six months.

Satcom Business Line

The Satcom business line continues to see consistent demand for its products, supported by strong capital spending by its customers, particularly for high powered amplifiers used in military, government, and broadcast applications.

Major programmatic opportunities continue to be resilient, particularly for high powered amplifiers, although awards remain lumpy. We continue to see softness in the commercial lower power market, particularly in the maritime and airplane sectors, but broadcast applications remain solid. 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 gross profit 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.

Mobile and Network (formerly, Asia Pacific) Business Line

The M&N business line continues to face significant challenges. The second quarter saw a further reduction in revenue over the first quarter, as a result of lower sales volumes in two of its principal customer's mobile phones for which M&N supplies the antennas. In addition, M&N was unable to benefit from another program opportunity for its customer due to issues related to the ultimate finished goods producer on 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 until the divestiture is complete.

In July 2024, the Company announced that it had reached agreement to sell the M&N business (see "Recent Developments - Sale of the Mobile and Network Business").

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on Thursday, August 8, 2024 at 8:00 a.m. (ET) to discuss its financial results for the three and six months ended June 30, 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: August 8, 2024
Time: 8:00 a.m. (ET)
Dial-in Number: (+1) 800-836-8184 or (+1) 289-819-1350
Conference ID#: 81373
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://empportal.ink/4cNGhgq>
Webcast: This call is also on webcast and can be accessed at: <https://app.webinar.net/4ZIXmaEmAeO>

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 outlook for our business and the expected completion of the sale of GTV. 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 statement.

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.