



Full Year and Fourth Quarter 2024 Conference Call

Thursday, March 20, 2025

10:00 A.M. ET

Speaker Dial-In Information

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Conference ID **14930**

Operator

Good morning, ladies and gentlemen, and welcome to the Baylin Technologies Full Year and Fourth Quarter 2024 Financial Results Conference Call. At this time, all lines are in listen-only mode.

Following the presentation, we will conduct a question-answer session.

If at any time during this call you require immediate assistance, please press *, 0 for the Operator.

This call is being recorded on Thursday, March 20th, 2025.

I'll now turn the call over to Kelly Myles, Director of Marketing and Investor Relations of Baylin Technologies. Please go ahead.

Kelly Myles, Speaker

Hello and welcome everyone. Thank you for joining the call this morning to review our Full Year and Fourth Quarter 2024 Financial Results . On the call today from Baylin are Leighton Carroll, Chief Executive Officer; and Cliff Gary, Chief Financial Officer. We will be available for questions at the end of the presentation.

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Before we begin, let me make it clear that our comments today may include forward-looking statements and information, and answers to questions, that could imply future expectations about the prospects and financial performance of the

business for 2025 and beyond, and could include the use of non-IFRS measures. These statements are subject to risks, uncertainties, and assumptions. Accordingly, actual performance could differ materially from statements made or information provided today so you should not place undue reliance on them. We also do not intend to update forward-looking statements or information except as required by law. I ask that you read our legal disclaimers and explanation of the use of non-IFRS measures and refer you to the risks and assumptions outlined in our public disclosures, in particular, the sections entitled “Forward Looking Statements” and “Risk Factors” in our Annual Information Form for the year ended December 31, 2024, and our other filings, which are available on SEDARplus. [PAUSE]

Our full year and Q4 2024 results were released after market close yesterday. The press release, financial statements, MD&A and Annual Information Form are available on SEDARplus as well as our website at baylintech.com. [PAUSE]

I would now like to turn the call over to Leighton. [PAUSE]

Leighton Carroll, Speaker

Thank you, [Kelly]. [PAUSE]

As always, I would like to thank the employees of Baylin for their incredible hard work during these extremely unusual times. We have indeed continued to improve as a company through their efforts.

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The current global trade landscape continues to present challenges, with tariffs and the threat of reciprocal tariffs creating turbulence across key markets, including the U.S., Canada, China, and other regions. Shifting trade policies and ongoing negotiations have led to significant market volatility and uncertainty. While some tariffs have been in place for years, recent policy changes and new trade measures have added further complexity to the environment. We will have been actively monitoring developments closely and will continue to adjust our strategies accordingly to navigate in an effort to mitigate the impact to Baylin as far as possible.

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On July 9, 2024, we announced that we had agreed to sell Galtronics Korea Co., Ltd. (“GTK”) and Galtronics Vietnam Company Limited (“GTV”) to a Korean strategic acquirer. The sale of GTK was completed on 30 July 2024 and on 27 December 2024 we completed the sale of GTV. A \$4.6 million gain on disposal has been recognized and included in discontinued operations. I’d like to thank the team in GTK and GTV again for their dedication and commitment to the business and wish them and the new ownership well.

Satcom’s softer performance from Q3 2024 continued into Q4, largely driven by market dynamics with lower industry volumes and slower government

opportunities due to the recent change in the US administration. As a result of these conditions a non-cash impairment charge of \$2.6 million was booked in the quarter.

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Our North American Galtronics businesses continued the same strong sales and margin trends evident in Q3 to deliver another strong profitable result in Q4.

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The Wireless Infrastructure business line has been performing very well, despite North American infrastructure capital spend being at its lowest level in years. We have taken advantage of our focused strategy and and have undoubtedly captured d market share.

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Our Embedded Antenna business also delivered solid results its order backlog attained a record level at the end of the year, which has only strengthened recently.

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For the full year the group saw an improvement in gross margin from 38.9% in the prior year to 41.1% in 2024 with gross profit increasing 21.1% to 34.4 million. Infrastructure and Embedded saw significant double digit year on year growth in revenue compared to the prior year. On an adjusted EBITDA basis our continuing

operations went from negative \$0.2 million in 2023 to positive \$5.4 million in 2024. Our cash generated by continuing operations was positive \$0.8m in 2024 compared to negative \$3.6 million in 2023. These metrics highlight the continued improvements in core operational business activities.

Work remains to be done as we need to generate more cash from operations, continue with cost optimization, and secure longer term credit facilities, all of which we are underway.

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Despite all the uncertainty our Backlog from continuing operations remained consistent with the prior quarter end at \$30.2 million at December 31, 2024.

Cliff Gary, our CFO will now comment on our Fourth Quarter and full-year results.

Cliff Gary – Speaker

Thank you, Leighton. **[PAUSE]**

Prior to discussing the Fourth Quarter and Full Year 2024 results and financial position I would like to address some important disclosure in our statements. We have noted a material uncertainty related to going concern arising from the

outstanding court order for the return to the escrow agent of \$1.8 million plus interest and the negotiation with our current lender of a new credit facility to replace the current one, which matures on 31 March 2025. We are actively addressing both issues. If we are unable to settle the new agreement before its maturity on March 31, 2025, we expect to enter into 30-day extension with our lender in order to provide sufficient time to settle and sign the new credit agreement.

Revenue of \$20.8 million in the fourth quarter of 2024 represented an increase of \$4.7 million or 28.9% compared to the fourth quarter of 2023. The increase in revenue was due to sales growth experienced in the Embedded Antenna and Wireless Infrastructure business lines.

Gross profit of \$7.9 million in the fourth quarter of 2024, an increase of \$2.2 million or 38.8% compared to the fourth quarter of 2023. This improvement was not only related to revenue increases but also an improvement in gross margin. Gross margin of 37.9% in the fourth quarter of 2024 improved 2.7% from 35.2% in the fourth quarter of 2023. The higher gross margin in the fourth quarter of 2024 was

primarily attributable to stronger revenue and favourable product mix being caused by increases the Wireless Infrastructure business line.

Adjusted EBITDA of \$1.8 million in the fourth quarter of 2024 was an increase of \$3.8 million compared to negative \$2.0 million in the fourth quarter of 2023. The increase in Adjusted EBITDA in the fourth quarter of 2024 was mainly due to the increase in revenue and gross profit as discussed above and a reclassification of \$2.0 million from cash based to share based compensation.

A net loss of \$4.9 million in the fourth quarter of 2024 included a \$2.6 million impairment charge and compares to a net loss of \$6.9 million in the fourth quarter of 2023.

Discontinued Operations (representing the Mobile and Network business line)

Adjusted EBITDA from discontinued operations of -\$0.4 million in the fourth quarter of 2024 compared to -\$0.7 million in the fourth quarter of 2023.

Despite the negative Adjusted EBITDA, discontinued operations generated net income of \$3.7 million in the fourth quarter of 2024 mainly attributable to a gain

on disposal of the business line of \$4.6 million. This compared to a net loss of \$1.1 million from discontinued operations in the fourth quarter of 2023.

Turning to the full year result.

Revenue of \$83.6 million in fiscal 2024, represented an increase of \$10.5 million or 14.4% compared to fiscal 2023. Consistent with the fourth quarter, the increase was due to sales volume increases in the Embedded Antenna and Wireless Infrastructure business lines compared to the prior fiscal year.

Gross profit of \$34.4 million in fiscal 2024 representing a gross margin of 41.1%, was an increase of \$6.0 million or 21.1% compared to fiscal 2023. The increase was primarily due to increased revenue and higher gross margins from the Wireless Infrastructure business line.

Adjusted EBITDA of \$5.4 million in fiscal 2024, an increase of \$5.6 million compared to \$0.2 million in fiscal 2023. The increase was due to a combination of stronger revenue, higher gross margin as discussed and continued control of operating expenses.

Net loss of \$8.5 million in fiscal 2024 compared to a net loss of \$8.2 million in fiscal 2023. The net loss in fiscal 2024 included an impairment charge of \$2.6 million for the Satcom business line, interest and other finance expenses, as well as an unfavourable adjustment of \$1.5 million based on the fair market value of the Company's convertible debentures.

Cash generated from operating activities was \$0.8 million for the twelve months ended December 31, 2024, an increase of \$4.4 million compared to \$3.6 million outflow during the twelve months ended December 31, 2023. The increase was mainly due to a combination of stronger operating performance and less interest paid as a result of lower debt.

I'll now turn the call back to Leighton.

Leighton Carroll - Speaker

Thank you, Cliff.

The Company delivered strong financial performance in fiscal 2024, with substantial increases in revenue, gross profit, Adjusted EBITDA and cash from operations as compared to fiscal 2023. Both Embedded Antenna and Wireless

Infrastructure exceeded expectations while our Satcom business was flat year over year.

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As we navigate a challenging business environment, our focus remains clear: driving profitability and generating positive cash flow to strengthen our financial position. Despite macroeconomic headwinds, we continue to execute disciplined cost management, operational efficiencies, and strategic initiatives that support long-term growth and sustainability. I am confident that our focused approach will position us for success.

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Now I would like to speak about our businesses and what is going on within each.

Embedded Antenna Business Line

We expect Embedded Antenna will continue to perform strongly in 2025, although at levels slightly below those in 2024. Revenue is expected to be higher but customer workflow delays and could affect revenue attainment. The number of active bids for new projects remains at a strong level. The Embedded Antenna

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business closed 2024 with a record high level of backlog, which has grown further as at the end of February 2025.

Wireless Infrastructure Business Line

In 2025, Wireless Infrastructure expects continuing strong sales of its higher margin multibeam and innovative small cell antennas as well as stadium deployments throughout the year. We are continuing to leverage the competitive advantages that these products afford in order to open up new global opportunities and 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 Europe and Mexico, where we have not previously had sales.

Although there remains a risk of spending cutbacks by carriers and third-party operators, we expect to see further spending on multibeam and small cell antennas continue in 2025, which will drive higher sales volumes for the business. Based on our current assessment, we expect fiscal 2025 to reflect improvements in revenue, gross profit and Adjusted EBITDA over 2024 – which was already a strong year. We do anticipate some impact from recent tariffs, and are working to minimize the implications for gross profit attainment.

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Satcom Business Line

Satcom expects to generate lower revenue in 2025 compared to 2024 mainly due to a reduction in demand for its products, particularly its specialized custom engineered products, such as high-powered amplifiers for use in military, government, and broadcast applications. Satcom’s revenue may also be negatively affected by US tariffs.

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We continue to see softness in the commercial lower power market, but broadcast applications remain solid. 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 expect to see continued opportunities for military and other government-related uses as many western countries continue to maintain high levels of defence and scientific spending. Conversely, the new US government administration and the Department of Government Efficiency activities may cause some delay in orders due to uncertainty with our customers.

Tariffs

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And finally, I'm sure you're all interested in knowing how the recent US tariffs on Canada and China are going to affect our business, assuming they are implemented as threatened.

The Embedded Antenna business line is not expected to be affected directly by the increase in the China tariff. Although its products are manufactured in our facility in China, they are shipped from China to contract manufacturers elsewhere in Asia for embedding in the final products of those contract manufacturers. This has been our experience with the previous US tariffs levied on imports from China starting in 2018. However, there remains a risk that the additional tariffs could impact future order volumes for Embedded Antenna's products.

Wireless Infrastructure's products are also manufactured in our facility in China with some in Vietnam. The finished products are then purchased by Galtronics USA for delivery to customers in various jurisdictions, including the United States. We are in working with our US customers, and have implemented measures to help mitigate the effect of the China tariff.

In the case of Satcom, most of its products are produced in Canada, of which a significant proportion - between 40% and 50% annually - is delivered to customers

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in the United States. The Company is assessing various options to avoid or mitigate the effect of the Canada tariff, which may include a change in the structure and operation of its business, and other measures, so that its products remain competitive in the US market. We are also working to ensure our products manufactured in Quebec are USMCA compliant with the recent executive order, thereby being exempt from tariffs. Nevertheless, the Canada tariff could result in delays of existing order fulfillments, and reduced new orders for Satcom's products. This could cause Satcom's revenue to be lower than plan due to reduced sales.

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It's too early yet to know the impact the tariffs may have on our business as the situation has been very fluid. We are working to avoid or mitigate their effect as much as is practical.

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We remain committed to achieving further growth and profitability in our core businesses. At this stage of our journey, the recapitalization of our balance sheet has strengthened our financial position, enabling us to capitalize on the foundation we've built in product development and our go-to-market strategy. The

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financial performance attained in 2024, particularly in comparison to 2023, demonstrates that our efforts are bearing fruit.

We operate in highly competitive markets, and despite broader macroeconomic challenges, Baylin has demonstrated growth.

By leveraging our unique intellectual property, harnessing the talent of our team, and executing a focused go-to-market strategy, we continue to deliver stronger results and build our competitive advantage.

I cannot thank the employees of our business enough for the dedication and hard work.

That concludes our formal remarks. Operator, we would be pleased to take questions.

Potential Qs from Analysts: