

Baylin Announces Financial Results for Fiscal 2020

Investor Conference Call on March 11, 2021 at 8:00 a.m. ET

TORONTO, March 10, 2021 /CNW/ - Baylin Technologies Inc. (TSX: BYL) (the "Company" or "Baylin"), a leading diversified global wireless technology company focused on research, design, development, manufacturing and sales of passive and active radio frequency products, terrestrial microwave products, and services, today announced its financial results for the three and twelve months ended December 31, 2020. All amounts are stated in Canadian dollars unless otherwise indicated.

KEY HIGHLIGHTS

Key highlights for the twelve months ended December 31, 2020 include the following:

- Revenue was \$119.7 million in fiscal 2020, a decrease of \$33.6 million or 21.9% compared to fiscal 2019.
- Continued reduction in operating expenses. Operating expenses (excluding goodwill impairment) in fiscal 2020 decreased by \$13.5 million compared to fiscal 2019.
- Adjusted EBITDA⁽²⁾ was \$6.4 million in fiscal 2020 compared to \$13.8 million in fiscal 2019.
- Completed a \$5 million private placement financing of 6.67 million units comprised of one common share and one-half of a common share purchase warrant. The net proceeds were used to repay outstanding debt and for general working capital purposes.
- Net cash as at December 31, 2020 decreased \$2.0 million from December 31, 2019 primarily due to ongoing capital expenditures to complete the new facility in Vietnam, principal and interest payments and cash taxes, offset by a decrease in non-cash working capital and proceeds from the private placement.

Key highlights for the three months ended December 31, 2020 include the following:

- Revenue was \$25.6 million in the fourth quarter of 2020, a decrease of \$4.4 million or 14.8% compared to the fourth quarter of 2019.
- Net cash as at December 31, 2020 decreased \$0.3 million from September 30, 2020 mainly due to capital expenditures, principal and interest payments, cash taxes, an increase in non-cash working capital and repayment of a portion of the Revolving Facility, offset by proceeds from the private placement. The Term Loan and Revolving Facility were reduced by \$3.9 million in the fourth quarter of 2020.

RECENT DEVELOPMENTS

The coronavirus (COVID-19) pandemic had a significant impact on revenue, sales mix and margins in 2020. Although Asia Pacific sales volumes increased in the third quarter of 2020, surpassing expectations, and fourth quarter revenue was somewhat ahead of each of the first and second quarters of 2020, new lockdown measures in North America and Europe resulted in lower Asia Pacific revenue in the fourth quarter of 2020 compared to the third quarter. Infrastructure revenue was impacted throughout 2020 by delays in small cell deployments due to site approval delays caused by municipality shutdowns and slower than expected services. Additionally, the 10-month delay in completion of the 5G C-band spectrum auction (conducted by the U.S. Federal Communications Commission) impacted both Infra-structure and Satcom revenue. We continued to

experience delays in the completion of the Massive MIMO (MMU) factory in Vietnam. Nevertheless, we expect final commissioning to be completed in the second quarter of 2021 which could put us in a position to commence production in the second half of 2021.

The cost reduction initiatives which were implemented in 2020 have resulted in a reduction of annualized expenses of approximately \$20 million. In the fourth quarter of 2020, operating expenses were \$3.8 million lower than the fourth quarter of 2019.

On February 22, 2021, the Company gave notice that it has elected to exercise its right to accelerate the expiry date of the Common Warrants to 30 days after delivery of the notice. On February 26, 2021, 67,000 Common Warrants were exercised.

SELECTED FINANCIAL INFORMATION

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

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

	Twelve Months Ended December 31,		
	2020	2019	2018
	\$	\$	\$
Revenue	119,739	153,323	136,214
Gross profit	35,401	54,939	50,841
Loss before income taxes (including goodwill impairment: 2020 - \$3,000; 2019 - \$12,693)	(17,811)	(18,601)	(10,624)
Income tax (recovery) expense	(887)	1,013	(5,180)
Net loss (including goodwill impairment: 2020 - \$3,000; 2019 - \$12,693)	(16,924)	(19,614)	(5,444)
Basic and diluted net loss per share	(\$0.42)	(\$0.49)	(\$0.13)
EBITDA ⁽¹⁾	-	(3,853)	2,733
Adjusted EBITDA ⁽²⁾ (2018 & 2019: revised to include non-cash compensation)	6,350	13,801	17,817
Current assets	58,021	64,293	79,937
Total assets	133,473	147,557	170,517
Current liabilities	36,470	36,848	35,077
Non-current liabilities	48,140	51,828	53,613
Total liabilities	84,610	88,676	88,690

The table below discloses selected financial information for the three months ended December 31, 2020 compared to the prior year period.

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

	Three Months Ended December 31,	
	2020	2019
	\$	\$
Revenue	25,591	30,029
Gross profit	6,725	10,752
Loss before income taxes (including goodwill impairment: 2020 - \$3,000; 2019 - \$12,693)	(8,282)	(14,222)
Income tax expense	1,109	427
Net loss (including goodwill impairment: 2020 - \$3,000; 2019 - \$12,693)	(9,391)	(14,649)
Basic and diluted net loss per share	(\$0.23)	(\$0.36)
EBITDA ⁽¹⁾	(3,988)	(12,682)
Adjusted EBITDA ⁽²⁾ (2019: revised to include non-cash compensation)	(445)	2,140

(1) See "Non-GAAP Measures". EBITDA refers to operating income (loss) plus depreciation and amortization.

(2) See "Non-GAAP Measures". Adjusted EBITDA refers to EBITDA plus the sum of: a) acquisition expenses, fair value step up of inventory acquired as part of an acquisition, expenses for litigation relating to acquisition agreements, expenses relating to planned restructuring post an acquisition, impairment on fixed and intangible assets (including goodwill) post an acquisition; b) expenses to permanently close/relocate a facility, shut down a line of business, eliminate positions; c) corporate re-organization expenses; and, d) non-cash compensation.

(3) See "Non-GAAP Measures". Gross margin refers to gross profit divided by revenue.

A copy of the Company's consolidated financial statements for the three and twelve months ended December 31, 2020 and corresponding management's discussion and analysis (the "MD&A") are available under the Company's SEDAR profile on www.sedar.com.

OUTLOOK

Although COVID-19 is continuing to have an impact on our financial results in the first quarter of 2021, which we expect will result in a comparable quarter to the fourth quarter of 2020, we

nevertheless remain optimistic that financial results will improve in 2021.

The outlook for the Wireless Infrastructure business line has improved significantly for several reasons:

1. Completion of the 5G spectrum auction in December 2020, which will spur new investments across our carrier partners;
2. Several projects delayed in 2020 are now scheduled for 2021;
3. New carrier supplier status wins for small cells for which revenue is expected to commence in the first quarter of 2021; and,
4. BSA wins with a tier one North American carrier.

The outlook for the Asia Pacific business line for 2021 has also improved due to pent up demand across numerous consumer segments resulting from the COVID-19 lockdowns in North America and Europe in 2020. Furthermore, Asia Pacific has secured additional key model wins with its key customers and likewise has aggressively pushed into other product segments such as wearables, tablets and laptops.

The Embedded Antenna business line is expected to continue to perform well in 2021 with gross margin expected to improve in the first quarter of 2021 due to a capital investment which will automate a portion of the manufacturing process of one of its highest volume products. The increase in consumer demand for Wi-Fi 6 products, coupled with recent large platform wins in this market, have this business expecting growth for 2021. Furthermore, we have moved into the automotive antenna market, resulting in two long-term automotive contracts that are expected to start in mid-2021.

The Satcom business line has seen a significant increase in military proposals and contract wins to new and existing customers for large opportunities that are expected to commence shipments in early 2021. The launch of our new Summit Series II solid state power amplifier has achieved early success with a key customer win, and our first system is on track to be delivered in the first quarter of 2021, with other awards expected to be delivered soon afterwards. We believe that there is no other platform in the market that can deliver the capabilities of our Summit Series II and that it will open up multi-million dollar opportunities in both our traditional GEO domain and the rapidly emerging LEO constellations.

CHIEF FINANCIAL OFFICER

Michael Wolfe, the Company's Chief Financial Officer, will be leaving the Company to pursue other opportunities. He will remain in his current role for the time being in order to ensure an orderly transition of his responsibilities.

Randy Dewey, President and Chief Executive Officer, said: "It has been a tremendous pleasure working with Michael. He has been a key member of the management team and will be missed. I wish him all the best in the future."

INVESTOR CONFERENCE CALL

Baylin will hold a conference call on March 11, 2021 at 8:00 a.m. (ET) to discuss its financial results for the three and twelve months ended December 31, 2020. The call will be hosted by Randy Dewey, President and Chief Executive Officer, Michael Wolfe, Chief Financial Officer and Daniel Kim, Executive Vice President of Corporate Development. All interested parties are invited to participate using the dial-in details provided below.

Date: March 11, 2021
Time: 8:00 a.m. (ET)
Dial-in Number: 888-231-8191 or 647-427-7450
Conference ID#: 8946747

FORWARD-LOOKING STATEMENTS

This press release includes forward-looking information and forward-looking statements (together, "forward-looking statements") within the meaning of applicable securities laws. They are not statements of historical fact. Rather, they 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 continuing effect of the COVID-19 pandemic on our business, the outlook for our business lines otherwise, timing of new products and revenue, and timing of commencement of production from our new factory in Vietnam. 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 terrestrial microwave products and 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.sedar.com. 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 these forward-looking statements.

NON-GAAP MEASURES

This press release includes a number of measures that are not prescribed by Canadian generally accepted accounting principles ("GAAP") 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 our business activities. While management of the Company believes that non-GAAP measures are 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 GAAP. See "Non-GAAP Measures" on page 2 of the MD&A for further information.

ABOUT BAYLIN

Baylin Technologies Inc. is a leading diversified global wireless technology company. Baylin focuses

on research, design, development, manufacturing and sales of passive and active radio frequency products, terrestrial microwave products, and services. Baylin aspires to meet its customers' needs and anticipate the direction of the market. For further information, please visit www.baylintech.com.

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