

Q4'22 Financial Results Conference Call Prepared Remarks 2/16/23

Intro

Peter Schuman, Vice President, Investor & Industry Analyst Relations

Thank you [Operator]. Welcome and thank you for joining us today for Cambium Networks fourth quarter and full year 2022 financial results conference call and welcome to all those joining by webcast.

Atul Bhatnagar, our President and CEO, and Andrew Bronstein, our CFO, are here for today's call. The financial results press release and CFO commentary referenced on this call are accessible on the investor page of our website and the press release has been submitted on a Form 8-K with the SEC. Certain revisions were made within operating expenses in prior periods to conform to the classifications in the current period. These revisions had no impact to operating income.

A copy of today's prepared remarks will also be available on our investor page at the conclusion of this call.

As a reminder, today's remarks, including those made during Q&A, will contain forward-looking statements about the company's outlook and expected performance. These statements are based on current expectations, forecasts, and assumptions. Risks and uncertainties could cause actual results to differ materially.

Except as required by law, Cambium Networks does not undertake any obligation to update or revise any forward-looking statements for any reason after the date of this presentation, whether as a result of new information, future developments, to conform these statements to actual results or to make changes in Cambium's expectations or otherwise. It is Cambium Networks policy to not reiterate our financial outlook. We encourage listeners to review the full list of risk factors included in the safe harbor statement in today's financial results press release.

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We will also reference both GAAP and non-GAAP financial measures and specifically note that all sequential and year-over-year comparisons reference non-GAAP numbers except where otherwise noted. A reconciliation of non-GAAP measures to GAAP is included in the appendix to today's financial results press release which can be found on the investor page of our website and in today's press release announcing our results.

Turning to the agenda...

Cambium Networks President & CEO, Atul Bhatnagar, will provide the key investment highlights for the fourth quarter and full year 2022 and Andrew Bronstein, Cambium Networks CFO, will provide a recap of the financial results for the fourth quarter and full year 2022 and present our financial outlook for the first quarter and full year 2023. Our prepared remarks will be followed by a Q&A session.

I'd now like to turn the call over to Atul....

Atul Bhatnagar, President & CEO

Thank you, Peter.

Cambium continued growth in our fourth quarter with revenues of \$84.5 million, increasing 4% sequentially, ahead of the high-end of our outlook of between \$80 to \$84 million announced during the Q3'22 quarter call. Profitability remained strong, with a gross margin of 49.6%, near the high-end of the outlook, and EPS of \$0.36, exceeding the high-end of the outlook. We had a strong finish to the year in North America, with growth in all major product categories and sequential growth for our Point-to-Multi-Point (PMP) solutions.

After record breaking results during Q3'22 that included an incremental \$5 million in switching revenues, as expected, our enterprise business returned to a normalized run rate in Q4'22.

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For full year 2022, our enterprise business grew 64% to \$109.8 million, exceeding the high-end of our original forecast. This is after growth of 67% during full year 2021. For 2023, Enterprise growth will be from a much higher base, with our initial forecast of growth for the Enterprise business of 20-30% as we continue to innovate with new Wi-Fi, switching, and cloud-based software solutions, and we continue to gain market share globally. We've grown from approximately 1,500 cumulative Wi-Fi customers at time of our IPO in mid-2019 to about 18,500 at Q4'22.

We are now at the start of the next wave of high-performance fixed wireless broadband deployments for our PMP business with the ramp of new gigabit solutions including 28 GHz cnWave 5G Fixed products, an acceleration in the growth of our 60 GHz cnWave products, and the introduction of disruptive 6 GHz PMP products during Q4'22 which delivers industry-leading price performance. Final FCC approval for outdoor use for the 6 GHz spectrum is expected around mid-year 2023, however, the FCC has already started approving Special Temporary Authority Licensing (STA) for proof-of-concept networks.

Turning to the results of the fourth quarter 2022

Looking at revenues across our product lines. Our PMP business revenues increased 14% sequentially and decreased 20% year-over-year, as service providers are beginning to move from our legacy PMP 450 products to the new gigabit technologies. We did see an acceleration of growth for our multi-gig 60 GHz cnWave solutions as service providers are gaining an understanding of how to deploy the technology at scale to take advantage of the benefits of multi-gigabit bandwidth, low-latency, and efficiency with hybrid-fiber and cable networks.

The PTP business revenues increased a healthy 38% sequentially, while improving 39% year-over-year during Q4'22, due to higher shipments for our federal defense business in North America, as well as growth in EMEA, and CALA, using Cambium's PTP 700 mission-critical technology for fixed wireless broadband communications. Cambium has been selected to supply

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our PTP defense products to over 10 key programs of record (POR) for the Department of Defense. We expect continued strong defense shipments during 2023.

As expected, our enterprise business declined sequentially, decreasing by \$6.3 million or 17% after record revenues of \$38.3 million during Q3'22, which included the previously mentioned catch-up shipments for switching, while higher by \$6.2 million or 24% year-over-year. The year-over-year growth was driven by increased demand for our Wi-Fi 6 and 6E solutions, switching revenues, and growth in our SaaS solutions.

For the full year 2022, revenues of \$296.9 million decreased 12% from 2021. The 2022 decline was driven by our PMP products, which declined 44% from the prior year, partially offset by the growth of our enterprise business which had a record year, increasing 64% for the full year 2022, breaking the \$100 million threshold for the first time in Cambium's history, while our PTP business grew 10% compared to 2021 revenues due to the strength of our Federal defense business. It is notable that our Enterprise business represented 37% of the company revenues during calendar year 2022, compared to 20% of revenues for 2021. In the long-term, we anticipate our Enterprise and PMP businesses will each represent approximately 40% of our total revenues as we ride the new growth S-Curves, while PTP will represent the remaining 20%.

We do foresee the return to modest growth for the PMP business, driven by new product momentum in 6 GHz upon the FCC's approval, expected to drive revenue growth during the second half of the year, as well as the continued ramp of 28 GHz and 60 GHz millimeter wave solutions, and new 5 GHz and 6 GHz products for both the ePMP and PMP 450 product lines. Both 60 GHz and 28 GHz cnWave solutions have recently brought in several multi-million-dollar deals.

Looking at some notable customer wins and new product developments.

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In North America, Salt Lake City placed an order for 60 GHz cnWave connectivity as part of a smart city deployment. Cambium was selected for our portfolio breadth and ability to deliver backhaul and access with a single management platform.

A division of the third-largest cable television provider in the United States, serving 3.5 million Internet subscribers, introduced a new business service for customers through our system integration partner, FutureTech. The service utilizes Cambium's 60 GHz cnWave solution to fit between fiber and CBRS assets as part of the new private network offering for multi-gigabit connectivity.

We had a large order for 60 GHz solutions from a Canadian operator in Alberta, MCSnet, for a 60 GHz network buildout. They were attracted to our 60 GHz products as it offers gigabit speeds at a much lower total cost of ownership than fiber. They have already deployed in 12 communities so far with a goal of 44 connected communities during 2023. This is an example of where we are seeing a resurgence in our 60 GHz business after an initial period of gestation.

In the Europe, Middle East, and Africa region (EMEA), we continued to have healthy demand for our enterprise business and are winning larger projects. Cambium had a customer win with a fiber network operator in South Africa, Isizwe, for our outdoor Wi-Fi with a goal of connecting households with up to 100 Mbps and a disruptive cost model for the consumer. Isizwe aims to increase its number of homes connected from 4,500 in December 2022 to 22,000 in 2023.

In the Asia Pacific (APAC) region, we landed our first Network-as-a-Service (NaaS) win to enable rural connectivity in Sumatra, Indonesia. This first NaaS order in the region is for 500 homes and includes our Wi-Fi and cnMaestro X cloud software. This is in addition to our ePMP 3000 for fixed wireless broadband access. Upon successful deployment of this first order, we expect a larger multi-year volume agreement.

And in the Caribbean and Latin America (CALA) region, in Brazil, we partnered with Qualcomm, in collaboration with the National Telecommunications Agency (Anatel), and Telium, to demonstrate the first use of the 6 GHz band in an outdoor area in the Campo Belo

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neighborhood of São Paulo. The connection featured Cambium's outdoor Wi-Fi 6 and 6E access points, 6 GHz ePMP 4600 for fixed wireless infrastructure, cnMatrix wireless savvy switches, and cnMaestro X cloud management software. The demo became available for two months starting on December 3rd, for visitors in the surrounding area. The demo included the use of the Automated Frequency Coordination (AFC) spectrum sharing platform to ensure that there was no interference with fixed point-to-point systems existing in that region, and to demonstrate its overall speed, performance, and reliability.

Turning to upcoming product introductions since our previous quarterly update.

While the industry is excited about the future availability of new 6 GHz spectrum to enable the delivery of gigabit data rates to the edge of the network and awaits FCC approval, Cambium also continues to push the envelope with affordable new 5 GHz solutions with our ePMP 4500 featuring 8X8 MU-MIMO, and over 3 Gigabits of capacity with up to 80 MHz channels, and enables non-line-of-sight to select subscribers. The ePMP 4500 is a powerful and transformative product which we expect will penetrate the market due to its high performance and affordability compared to other alternatives in the market, especially to take market share from our competition in the service providers space, ahead of the FCC's approval of 6 GHz spectrum.

Looking at our cnMaestro™ Cloud software, our end-to-end cloud-powered connectivity solution to manage the network from a single pane of glass. The cnMaestro Cloud software continued to experience strong user growth. Total devices under cloud management in Q4'22 was over 898,000, an increase of over 4% from Q3'22, and up 21% year-over-year.

Turning to our Channel

In Q4'22, we expanded our channel presence by adding over 425 net new channel partners sequentially, and over 1,300 net new channel partners year-over-year, which represents an increase of over 3% sequentially and 11% year-over-year. We continued to expand our reach into new customers around the world.

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I will now turn the call over to Andrew for a review of our Q4'22 and full year '22 financial results and Q1'23 and full year '23 outlook.

Andrew Bronstein-CFO

Thanks Atul.

Cambium reported revenues of \$84.5 million for Q4'22. Revenues increased by 4% quarter-over-quarter and increased by 7% year-over-year.

On a sequential basis for Q4'22, revenues were higher by \$3.3 million. The higher revenues were primarily the result of increased PTP revenues for defense products, and an increase in PMP products as a result of our 60 GHz cnWave and ePMP products, while enterprise solutions decreased after a record Q3'22 which included a \$5 million catch-up in switching revenues due to supply chain shortages in previous quarters.

For the full year 2022, revenues of \$296.9 million decreased by \$39.0 million, or 12% compared to the full year 2021. The decrease is a result of lower PMP revenues which declined by \$89.8 million or 44% compared to 2021 due to product transitions to the next generation 6 GHz and 28 GHz cnWave™ 5G Fixed solutions. We had record Enterprise revenues of \$109.8 million during 2022, which grew by \$42.9 million, or 64% compared to 2021. And our PTP revenues increased by \$6.3 million to \$67.1 million, or an improvement of 10% compared to full year 2021, due to strong demand for our defense products.

Moving to our gross margin. Our non-GAAP gross margin of 49.6% was better than anticipated, increasing by 540 basis points compared to Q4'21. The year-over-year increase in our non-GAAP gross margin was the result of higher volumes and a greater mix of higher margin enterprise and PTP products and lower freight costs.

On a sequential basis, non-GAAP gross margin was lower by 170 basis points compared to Q3'22. The lower quarter-over-quarter non-GAAP gross margin in Q4'22 was the result of a higher mix of lower margin PMP products, and as expected, a decline in Enterprise switching revenues, offset in part by higher PTP revenues and higher component inventory costs.

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In Q4'22 our non-GAAP gross profit dollars of \$41.9 million increased by \$7.1 million compared to the prior year due to higher volumes and improved mix of PTP and enterprise products, and lower shipping costs, and increased by \$276 thousand dollars sequentially, mostly a result of higher revenues, offset in part by higher component costs due to inflation.

For the full year 2022, non-GAAP gross margin improved by 130 basis points to 49.5%, compared to 48.2% for 2021, due to an improved mix of our higher margin enterprise and PTP product lines. Our longer-term goal remains a consistent non-GAAP gross margin target of 51-52% on an annual basis.

Non-GAAP operating expenses, including amortization, in Q4'22 decreased by \$348 thousand dollars when compared to Q4'21, and stood at \$28.7 million, or 34.0% of revenues. The decrease in operating expenses compared to the prior year period was primarily due to lower variable compensation and tight controls around headcount, offset by higher sales & marketing costs related to travel and trade shows, and higher wages, while R&D remained flat.

When compared to Q3'22, non-GAAP operating expenses increased by approximately \$850 thousand dollars. Quarter-over-quarter sales and marketing expenses increased primarily because of higher wages and sales accelerators related to our enterprise business, and increased trade show and travel expenditures, while R&D increased as a result of higher staffing costs related to development work on new products, and G&A decreased due to tight cost controls.

For the full year 2022, non-GAAP operating expenses decreased by \$1.6 million and stood at \$112.7 million, compared to \$114.3 million for 2021. The lower non-GAAP operating expenses during 2022 reflect less variable compensation, offset by higher wages due to inflation. We will continue to maintain our strong cost controls.

Non-GAAP operating margin for Q4'22 was 15.6%, up from 7.3% during Q4'21, and down from 17.0% of revenues in Q3'22.

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For the full year 2022, non-GAAP operating margin was 11.6% compared to 14.1% for 2021, primarily reflecting lower revenues and less scale resulting in fewer gross profit dollars, despite an improved mix of revenues.

Non-GAAP net income for Q4'22 was \$10.3 million, or \$0.36 per diluted share, above our previous outlook of between \$0.23 to \$0.27 per diluted share, and compared to \$4.4 million, or \$0.16 per diluted share for Q4'21, and non-GAAP net income of \$11.3 million, or \$0.40 per diluted share during Q3'22.

The higher non-GAAP net income compared to the prior year period was primarily due to higher gross profit dollars, while lower net income compared to the prior quarter's results was primarily a result of higher sales & marketing expenses.

For the full year 2022, non-GAAP net income was \$26.9 million or \$0.94 per diluted share, compared to \$35.6 million or \$1.26 per diluted share in 2021.

Adjusted EBITDA for Q4'22 was \$14.3 million or 16.9% of revenues, compared to \$6.7 million or 8.6% of revenues for Q4'21, and compared to \$14.7 million or 18.2% of revenues for Q3'22.

The full year 2022 adjusted EBITDA was \$38.8 million or 13.1% of revenues, compared to \$51.2 million or 15.3% of revenues for the full year 2021.

Our operating model remains solid. We remain committed to consistently driving our Adjusted EBITDA to our long-term target of 18-19% of revenues.

Moving to cash flow

Cash provided by operating activities was \$4.0 million for Q4'22, and compares to \$5.6 million for Q4'21, and \$2.2 million for Q3'22. Cash flow was negatively impacted as we increased inventories and materials to support new products and to take advantage of supply chain

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opportunities for the anticipated growth of our business, and we increased accounts receivables as a result of higher revenues.

Turning to the Balance Sheet

Cash totaled \$48.2 million as of December 31, 2022, an increase of \$3.3 million from Q3'22.

The sequential increase in cash primarily reflects collections on higher revenues and changes in working capital.

Net inventories of \$57.1 million in Q4'22 increased by approximately \$23.3 million year-over-year, while increasing \$6.4 million from Q3'22. Inventories were higher sequentially because of an increase in inventories as we continued to grow our business and take advantage of supply chain opportunities. The increased level of inventories reflects anticipated higher demand for Federal products, Enterprise solutions, and the ramp of new PMP products during the second half of calendar year 2023.

In Summary

The fourth quarter played out better than anticipated. As predicted, our PMP business grew sequentially. Our gross margin remained strong. We continue to see improvement in our supply chain environment. Our backlog remains solid, and we are at the start of new product cycles.

During 2023, we expect to gain scale, improve operational efficiency, and make significant progress toward achieving our long-term target operating model. As expected, while the supply chain continues to improve, there are still areas of component shortages in certain products, and longer lead times as compared to pre-Covid levels.

Moving to the First Quarter and Full Year 2023 Financial Outlook

Cambium Networks financial outlook does not include the potential impact of any possible future financial transactions, acquisitions, pending legal matters, or other transactions.

Considering our current visibility as of today, our Q1'23 financial outlook is expected to be as follows:

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- Revenues between \$74.0 to \$80.0 million, representing growth of approximately 20% to 29% year-over-year, and a decrease of between 5% to 12% sequentially, due in part to seasonality in our PMP business and slowing world economies, while our defense business in PTP remains strong.
- non-GAAP gross margin between 49.2% to 50.8%
- non-GAAP operating expenses between \$30.6 million to \$31.6 million
- and non-GAAP operating income between \$5.8 to \$9.0 million
- Interest expense, net of approximately \$600 thousand dollars, and
- non-GAAP net income between \$4.1 million to \$6.8 million dollars or net income per diluted share between \$0.14 to \$0.23
- Adjusted EBITDA between \$6.8 to \$10.0 million dollars; and adjusted EBITDA margin between 9.2% to 12.5%
- A non-GAAP effective income tax rate of approximately 17% to 21.0%
- Approximately 28.9 million weighted average diluted shares outstanding

Cash requirements are expected to be as follows:

- Paydown of debt: \$700 thousand dollars,
- Cash interest: approximately \$400 thousand dollars, and
- Capital expenditures: \$3.0 to \$4.0 million,

Full Year 2023 Financial Outlook is expected to be as follows:

- Revenues between \$327.0 to \$345.0 million, representing approximately 10% to 16% growth
- non-GAAP gross margin approximately 50.0%
- non-GAAP net income between \$33.9 to \$36.4 million dollars or net income per diluted share of between \$1.17 to \$1.25

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- Adjusted EBITDA margin between 14.5% to 15.0%
- For the year, capital expenditures are expected to be approximately \$14-\$18 million dollars, mainly driven by an expansion in our R&D labs and equipment, and software costs in connection with new products.

I will now turn the call back to Atul for some closing remarks.

Atul Bhatnagar, President & CEO

We delivered a solid quarter of results with increased revenues, excellent profitability, a strong balance sheet, significant new product introductions, and a return to growth for our PMP business driven by 60 GHz cnWave, 28 GHz cnWave™ 5G Fixed, and the launch of affordable 6 GHz fixed wireless PMP solutions. Our Enterprise business remains strong, led by Wi-Fi 6 and 6E, wireless savvy switching products, and an increased offering of our software-as-a-service solutions and excellent onboarding of new large managed service providers. We expect the Enterprise business to grow between 20 and 30 percent during calendar year '23. The Cambium ONE Network integrated wireless fabric has become a reality, providing customers ease of deployment, scalability of networks, and lower total cost of ownership as the world deploys next-generation high-performance wireless broadband networks. During 2022, we diversified and made our business more resilient.

We remain focused on judiciously managing our costs, improving our operations, continuing to invest in innovative products to maintain our technology edge, and expect increased scale will benefit our future operating results.

As we look to 2023, our 6 GHz, 28 GHz cnWave 5G Fixed technology, millimeter wave products, and upcoming fiber products, will expand our markets and continue to propel Cambium in the fixed wireless broadband market. Our defense business is expected to continue growing as national security has become a global issue. And our reach into Managed Service Providers and Multi-Dwelling Units will broaden and strengthen our Enterprise business and position us for continued strong growth. We will expand our software and services offerings and

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add even more features, security, and functionality into our flagship cnMaestro platform. Our focus will be on solutions that our customers want, keeping a keen eye on how our products mesh with customer applications and network automation. Cambium has now graduated from building just radios to delivering an exceptional customer experience through our extensive broadband solutions that brings delight and confidence.

Given the humanitarian crisis unfolding in Turkey last week, Cambium is contributing wireless broadband solutions in the country for connectivity to loved ones to support the citizens and relief workers in the hardest hit areas.

I'd like to show my appreciation for our employees, partners, and customers for their resilience as we returned to growth during the second half of calendar 2022.

This concludes our prepared remarks.

So, with that, I'd like to turn the call over to the [Operator] and begin the Q&A session.

Operator: We will now open the call for your questions.

Peter Schuman-Vice President, Investor & Industry Analyst Relations – Closing Statement

Thank you [Operator]. During Q1'23 Cambium Networks will be presenting and meeting with investors on March 7th at the JMP Securities Technology Conference, and on March 14th at the ROTH Annual Conference. In the meantime, you are always welcome to contact our Investor Relations Department at (847) 264-2188 with any questions that arise.

Thank you for joining us and this concludes today's call.