

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

Commission File Number: 001-38952

CAMBIUM NETWORKS CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Cayman Islands

(State or other jurisdiction of
incorporation or organization)

c/o Cambium Networks, Inc.

3800 Golf Road, Suite 360

Rolling Meadows, Illinois 60008

(Address of principal executive offices, including zip code)

Not Applicable

(I.R.S. Employer
Identification No.)

(345) 943-3100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|-------------------------------------|----------------------|---|
| Ordinary shares, \$0.0001 par value | CMBM | Nasdaq Global Market |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input checked="" type="checkbox"/> | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2022, the registrant had 27,035,371 shares of ordinary shares, \$0.0001 par value per share, outstanding.

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Note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, forward-looking statements may be identified by terms such as “may,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, they should not be relied upon as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- the impact of continued shutdowns related to COVID-19;
- the impact of the invasion of Ukraine by Russia and related sanctions imposed on Russia, Belarus and certain regions of Ukraine;
- the impact of geopolitical actions, including growing tensions between the U.S. and China;
- the impact of constraints on logistics and shipping due to labor shortages, container shortages or other constraints;
- the impact of continued shortages in supply of key components used in the manufacture of our products;
- the unpredictability of our operating results;
- our inability to predict and respond to emerging technological trends and network operators' changing needs;
- the impact of competitive pressures on the development of new products;
- the impact of actual or threatened health epidemics and other outbreaks including the impact of the COVID-19 pandemic;
- our limited or sole source suppliers' inability to acquire or produce third-party components to build our products and the impact of supply shortages, extended lead times or changes in supply of components and other parts required to manufacture our products;
- our reliance on third-party manufacturers, which subjects us to risks of product delivery delays and reduced control over product costs and quality;
- our reliance on distributors and value-added resellers for the substantial majority of our sales;
- the inability of our third-party logistics and warehousing providers to deliver products to our channel partners and network operators in a timely manner;
- our inability to forecast demand with our suppliers and the risk of excess inventory;
- our ability to maintain appropriate inventory levels and purchase commitments;
- our distributors' and channel partners' inability to attract new network operators or sell additional products to network operators that currently use our products;
- the technological complexity of our products, which may contain undetected hardware defects or software bugs or subject our products to the risks of ransomware or malware or other cyber attacks;
- our channel partners' inability to effectively manage inventory of our products, timely resell our products or estimate expected future demand;
- credit risk of our channel partners, which could adversely affect their ability to purchase or pay for our products;
- our inability to maintain an effective system of internal controls, produce timely and accurate financial statements or comply with applicable regulations;
- our reliance on the availability of third-party licenses;
- risks associated with international sales and operations including risks caused by political tensions;
- current or future unfavorable economic conditions, both domestically and in foreign markets; and

- our inability to obtain intellectual property protections for our products.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events or otherwise.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Cambium Networks Corporation
Condensed Consolidated Balance Sheets
(in thousands, except for share and per share data)

| | December 31, 2021 | September 30, 2022 (unaudited) |
|--|----------------------|--------------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 59,291 | \$ 44,859 |
| Receivables, net of allowances of \$683 and \$634 | 69,773 | 84,352 |
| Inventories, net | 33,777 | 50,641 |
| Recoverable income taxes | 860 | 299 |
| Prepaid expenses | 12,170 | 8,088 |
| Other current assets | 4,718 | 5,816 |
| Total current assets | 180,589 | 194,055 |
| Noncurrent assets | | |
| Property and equipment, net | 10,490 | 11,054 |
| Software, net | 5,867 | 7,772 |
| Operating lease assets | 5,899 | 4,548 |
| Intangible assets, net | 10,777 | 9,548 |
| Goodwill | 9,842 | 9,842 |
| Deferred tax assets, net | 7,604 | 9,593 |
| Other noncurrent assets | 1,200 | 1,035 |
| TOTAL ASSETS | \$ 232,268 | \$ 247,447 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 28,241 | \$ 28,167 |
| Accrued liabilities | 21,948 | 27,312 |
| Employee compensation | 16,601 | 6,475 |
| Current portion of long-term external debt, net | 2,489 | 3,155 |
| Deferred revenues | 6,880 | 8,226 |
| Other current liabilities | 5,981 | 6,853 |
| Total current liabilities | 82,140 | 80,188 |
| Noncurrent liabilities | | |
| Long-term external debt, net | 26,965 | 25,090 |
| Deferred revenues | 5,363 | 8,201 |
| Noncurrent operating lease liabilities | 4,112 | 2,558 |
| Other noncurrent liabilities | 1,551 | 1,589 |
| Total liabilities | 120,131 | 117,626 |
| Shareholders' equity | | |
| Share capital; \$0.0001 par value; 500,000,000 shares authorized at December 31, 2021 and September 30, 2022; 26,892,082 shares issued and 26,735,175 outstanding at December 31, 2021 and 27,216,120 shares issued and 27,016,104 outstanding at September 30, 2022 | 3 | 3 |
| Additional paid in capital | 124,117 | 133,158 |
| Treasury shares, at cost, 156,907 shares at December 31, 2021 and 200,016 shares at September 30, 2022 | (3,906) | (4,723) |
| Accumulated (deficit) earnings | (7,378) | 2,811 |
| Accumulated other comprehensive loss | (699) | (1,428) |
| Total shareholders' equity | 112,137 | 129,821 |
| TOTAL LIABILITIES AND EQUITY | \$ 232,268 | \$ 247,447 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Cambium Networks Corporation
Condensed Consolidated Statements of Operations
(in thousands, except for share and per share data)
(unaudited)

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|--|---|-----------------|--|------------------|
| | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> |
| Revenues | \$ 75,920 | \$ 81,200 | \$ 257,144 | \$ 212,392 |
| Cost of revenues | 39,900 | 40,034 | 130,862 | 108,621 |
| Gross profit | 36,020 | 41,166 | 126,282 | 103,771 |
| Operating expenses | | | | |
| Research and development | 12,082 | 11,747 | 36,302 | 34,425 |
| Sales and marketing | 9,938 | 10,767 | 29,696 | 31,494 |
| General and administrative | 6,640 | 7,186 | 22,065 | 22,936 |
| Depreciation and amortization | 1,548 | 1,506 | 4,707 | 4,486 |
| Total operating expenses | 30,208 | 31,206 | 92,770 | 93,341 |
| Operating income | 5,812 | 9,960 | 33,512 | 10,430 |
| Interest expense, net | 752 | 514 | 3,208 | 1,418 |
| Other expense (income), net | 88 | 165 | 209 | (129) |
| Income before income taxes | 4,972 | 9,281 | 30,095 | 9,141 |
| Provision (benefit) for income taxes | 355 | (154) | (5,899) | (1,048) |
| Net income | \$ 4,617 | \$ 9,435 | \$ 35,994 | \$ 10,189 |
| Earnings per share | | | | |
| Basic | \$ 0.17 | \$ 0.35 | \$ 1.37 | \$ 0.38 |
| Diluted | \$ 0.16 | \$ 0.34 | \$ 1.25 | \$ 0.36 |
| Weighted-average number of shares outstanding to compute net earnings per share | | | | |
| Basic | 26,540,843 | 26,977,155 | 26,342,113 | 26,855,395 |
| Diluted | 28,639,177 | 27,979,575 | 28,705,677 | 27,939,728 |
| Share-based compensation included in costs and expenses: | | | | |
| Cost of revenues | \$ 39 | \$ 56 | \$ 108 | \$ 163 |
| Research and development | 834 | 1,241 | 2,193 | 3,274 |
| Sales and marketing | 540 | 696 | 1,374 | 1,901 |
| General and administrative | 663 | 855 | 1,909 | 2,447 |
| Total share-based compensation | \$ 2,076 | \$ 2,848 | \$ 5,584 | \$ 7,785 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Cambium Networks Corporation
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|-----------------|--|-----------------|
| | 2021 | 2022 | 2021 | 2022 |
| Net income | \$ 4,617 | \$ 9,435 | \$ 35,994 | \$ 10,189 |
| Other comprehensive loss | | | | |
| Foreign currency translation adjustment | (38) | (283) | (122) | (729) |
| Comprehensive income | <u>\$ 4,579</u> | <u>\$ 9,152</u> | <u>\$ 35,872</u> | <u>\$ 9,460</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Cambium Networks Corporation
Condensed Consolidated Statements of Shareholders' Equity
(in thousands)
(unaudited)

Three Months Ended September 30, 2021

| | Share Capital | | Additional paid in capital | Treasury shares | Accumulated deficit | Accumulated other comprehensive loss | Total shareholders' equity |
|---|---------------|-------------|----------------------------|-------------------|---------------------|--------------------------------------|----------------------------|
| | Shares | Amount | | | | | |
| Balance at June 30, 2021 | 26,503 | \$ 3 | \$ 117,521 | \$ (3,276) | \$ (13,422) | \$ (648) | \$ 100,178 |
| Net income | — | — | — | — | 4,617 | — | 4,617 |
| Share-based compensation | — | — | 1,886 | — | — | — | 1,886 |
| Issuance of vested shares | 34 | — | — | — | — | — | — |
| Treasury shares withheld for net settlement | (11) | — | — | (387) | — | — | (387) |
| Share options exercised | 113 | — | 1,196 | — | — | — | 1,196 |
| Foreign currency translation | — | — | — | — | — | (38) | (38) |
| Balance at September 30, 2021 | <u>26,639</u> | <u>\$ 3</u> | <u>\$ 120,603</u> | <u>\$ (3,663)</u> | <u>\$ (8,805)</u> | <u>\$ (686)</u> | <u>\$ 107,452</u> |

Nine Months Ended September 30, 2021

| | Share Capital | | Additional paid in capital | Treasury shares | Accumulated deficit | Accumulated other comprehensive loss | Total shareholders' equity |
|---|---------------|-------------|----------------------------|-------------------|---------------------|--------------------------------------|----------------------------|
| | Shares | Amount | | | | | |
| Balance at December 31, 2020 | 26,035 | \$ 3 | \$ 109,837 | \$ (1,090) | \$ (44,799) | \$ (564) | \$ 63,387 |
| Net income | — | — | — | — | 35,994 | — | 35,994 |
| Share-based compensation | — | — | 5,061 | — | — | — | 5,061 |
| Issuance of ordinary shares under ESPP | 39 | — | 1,164 | — | — | — | 1,164 |
| Issuance of vested shares | 195 | — | — | — | — | — | — |
| Treasury shares withheld for net settlement | (55) | — | — | (2,573) | — | — | (2,573) |
| Share options exercised | 425 | — | 4,541 | — | — | — | 4,541 |
| Foreign currency translation | — | — | — | — | — | (122) | (122) |
| Balance at September 30, 2021 | <u>26,639</u> | <u>\$ 3</u> | <u>\$ 120,603</u> | <u>\$ (3,663)</u> | <u>\$ (8,805)</u> | <u>\$ (686)</u> | <u>\$ 107,452</u> |

Three Months Ended September 30, 2022

| | Share Capital | | Additional paid in capital | Treasury shares | Accumulated (deficit) earnings | Accumulated other comprehensive loss | Total shareholders' equity |
|---|---------------|-------------|----------------------------|-------------------|--------------------------------|--------------------------------------|----------------------------|
| | Shares | Amount | | | | | |
| Balance at June 30, 2022 | 26,964 | \$ 3 | \$ 130,430 | \$ (4,512) | \$ (6,624) | \$ (1,145) | \$ 118,152 |
| Net income | — | — | — | — | 9,435 | — | 9,435 |
| Share-based compensation | — | — | 2,615 | — | — | — | 2,615 |
| Issuance of vested shares | 47 | — | — | — | — | — | — |
| Treasury shares withheld for net settlement | (12) | — | — | (211) | — | — | (211) |
| Share options exercised | 17 | — | 113 | — | — | — | 113 |
| Foreign currency translation | — | — | — | — | — | (283) | (283) |
| Balance at September 30, 2022 | <u>27,016</u> | <u>\$ 3</u> | <u>\$ 133,158</u> | <u>\$ (4,723)</u> | <u>\$ 2,811</u> | <u>\$ (1,428)</u> | <u>\$ 129,821</u> |

Nine Months Ended September 30, 2022

| | Share Capital | | Additional paid in capital | Treasury shares | Accumulated (deficit) earnings | Accumulated other comprehensive loss | Total shareholders' equity |
|---|---------------|-------------|----------------------------|-------------------|--------------------------------|--------------------------------------|----------------------------|
| | Shares | Amount | | | | | |
| Balance at December 31, 2021 | 26,735 | \$ 3 | \$ 124,117 | \$ (3,906) | \$ (7,378) | \$ (699) | \$ 112,137 |
| Net income | — | — | — | — | 10,189 | — | 10,189 |
| Share-based compensation | — | — | 7,073 | — | — | — | 7,073 |
| Issuance of ordinary shares under ESPP | 87 | — | 1,606 | — | — | — | 1,606 |
| Issuance of vested shares | 193 | — | — | — | — | — | — |
| Treasury shares withheld for net settlement | (43) | — | — | (817) | — | — | (817) |
| Share options exercised | 44 | — | 362 | — | — | — | 362 |
| Foreign currency translation | — | — | — | — | — | (729) | (729) |
| Balance at September 30, 2022 | <u>27,016</u> | <u>\$ 3</u> | <u>\$ 133,158</u> | <u>\$ (4,723)</u> | <u>\$ 2,811</u> | <u>\$ (1,428)</u> | <u>\$ 129,821</u> |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Cambium Networks Corporation
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

| | Nine Months ended September 30, | |
|--|--|------------------|
| | 2021 | 2022 |
| Cash flows from operating activities: | | |
| Net income | \$ 35,994 | \$ 10,189 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 2,526 | 2,874 |
| Amortization of software and intangible assets | 2,720 | 2,750 |
| Amortization of debt issuance costs | 663 | 229 |
| Share-based compensation | 5,584 | 7,785 |
| Deferred income taxes | (6,424) | (1,987) |
| Provision for inventory excess and obsolescence | (684) | 1,719 |
| Other | (176) | (94) |
| Change in assets and liabilities: | | |
| Receivables | (12,489) | (9,436) |
| Inventories | 5,857 | (18,583) |
| Prepaid expenses | (1,103) | 4,054 |
| Accounts payable | (7,110) | (347) |
| Accrued employee compensation | (1,786) | (10,159) |
| Accrued liabilities | (128) | 286 |
| Other assets and liabilities | 951 | 3,640 |
| Net cash provided by (used in) operating activities | <u>24,395</u> | <u>(7,080)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (4,197) | (3,242) |
| Purchase of software | (2,591) | (3,441) |
| Net cash used in investing activities | <u>(6,788)</u> | <u>(6,683)</u> |
| Cash flows from financing activities: | | |
| Repayment of term loan | (24,572) | (1,312) |
| Issuance of ordinary shares under ESPP | 833 | 1,127 |
| Taxes paid from shares withheld | (2,254) | (760) |
| Proceeds from share option exercises | 4,541 | 362 |
| Net cash used in financing activities | <u>(21,452)</u> | <u>(583)</u> |
| Effect of exchange rate on cash | (31) | (86) |
| Net decrease in cash | (3,876) | (14,432) |
| Cash, beginning of period | 62,472 | 59,291 |
| Cash, end of period | <u>\$ 58,596</u> | <u>\$ 44,859</u> |
| Supplemental disclosure of cash flow information: | | |
| Income taxes paid | \$ 573 | \$ 908 |
| Interest paid | \$ 1,828 | \$ 497 |

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Cambium Networks Corporation
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Business and significant accounting policies

Business

Cambium Networks Corporation (“Cambium” or “Cambium Networks” or the “Company”), incorporated under the laws of the Cayman Islands, is a holding company whose principal operating entities are Cambium Networks, Ltd. (UK), Cambium Networks, Inc. (USA), and Cambium Networks Private Limited (India). On October 28, 2011, Cambium acquired the point-to-point (“PTP”) and point-to-multi-point (“PMP”) businesses from Motorola Solutions, Inc. in an acquisition funded by investment funds affiliated with Vector Capital and Cambium Networks became the renamed entity subsequent to the acquisition. Cambium Networks completed an initial public offering of its ordinary shares and listed its ordinary shares on The NASDAQ Global Market in June 2019.

Cambium Networks Corporation and its wholly owned subsidiaries provide fixed wireless broadband and enterprise solutions that work for businesses, communities and cities worldwide. Cambium Networks’ radios are deployed to connect people, places and things with a unified wireless fabric that spans multiple standards and frequencies of fixed wireless and Wi-Fi, all managed centrally via the cloud. The Company’s solutions are deployed in networks by service providers, enterprises, industrial and government connectivity solutions in urban, suburban and rural environments.

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Cambium Networks Corporation and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated. The condensed consolidated financial statements as of September 30, 2022, and for the three-month and nine-month periods ended September 30, 2021 and 2022, and the related notes are unaudited. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements, and, in the opinion of management, reflect all adjustments, which comprise only normal recurring adjustments necessary to state fairly the Company’s financial position as of September 30, 2022 and results of operations for the three-month and nine-month periods ended September 30, 2021 and 2022 and cash flows for the nine-month periods ended September 30, 2021 and 2022. The condensed consolidated balance sheet as of December 31, 2021 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) have been condensed or omitted. The condensed consolidated financial statements contained herein should be read in conjunction with the consolidated financial statements and related notes thereto for the year ended December 31, 2021 included in the Company’s annual report on Form 10-K and filed with the SEC on February 24, 2022. The results of operations for the three-month and nine-month periods ended September 30, 2022 are not necessarily indicative of the operating results to be expected for the full year.

Update to Significant Accounting Policies

There have been no material changes to the Company’s significant accounting policies disclosed in the 2021 Form 10-K, Part II, Item 8.

Note 2. Balance sheet components

Inventories, net

Inventories, net consisted of the following (in thousands):

| | <u>December 31,</u> <u>2021</u> | <u>September 30,</u> <u>2022</u> (unaudited) |
|-------------------------------------|------------------------------------|--|
| Finished goods | \$ 31,991 | \$ 44,893 |
| Raw materials | 7,353 | 11,962 |
| Gross inventory | <u>39,344</u> | <u>56,855</u> |
| Less: Excess and obsolete provision | <u>(5,567)</u> | <u>(6,214)</u> |
| Inventories, net | <u>\$ 33,777</u> | <u>\$ 50,641</u> |

Accrued liabilities

Accrued liabilities consisted of the following (in thousands):

| | December 31, 2021 | September 30, 2022 (unaudited) |
|-----------------------------|----------------------|--------------------------------------|
| Accrued goods and services | \$ 12,278 | \$ 12,880 |
| Accrued inventory purchases | 2,218 | 2,053 |
| Accrued customer rebates | 7,355 | 12,065 |
| Other | 97 | 314 |
| Accrued liabilities | <u>\$ 21,948</u> | <u>\$ 27,312</u> |

Accrued warranty

Provisions for warranty claims are primarily related to our hardware products and are recorded at the time products are sold. The change to accrued warranty was as follows (in thousands):

| | Year ended December 31, 2021 | Nine months ended September 30, 2022 (unaudited) |
|---|------------------------------------|---|
| Beginning balance | \$ 1,714 | \$ 1,731 |
| Fulfillment of assumed acquisition warranty | (216) | (53) |
| Provision increase (decrease), net | 233 | 7 |
| Ending balance | <u>\$ 1,731</u> | <u>\$ 1,685</u> |

At September 30, 2022, \$1.2 million is included in Other current liabilities and \$0.5 million is included in Other noncurrent liabilities on the Company's condensed consolidated balance sheet.

Note 3. Property and equipment

Property and equipment, net consisted of the following (in thousands):

| | Useful Life | December 31, 2021 | September 30, 2022 (unaudited) |
|--------------------------------|--------------|----------------------|--------------------------------------|
| Equipment and tooling | 3 to 5 years | \$ 29,621 | \$ 32,097 |
| Computer equipment | 3 to 5 years | 3,835 | 4,438 |
| Furniture and fixtures | 10 years | 844 | 823 |
| Leasehold improvements | 2 to 3 years | 457 | 475 |
| Total cost | | <u>34,757</u> | <u>37,833</u> |
| Less: Accumulated depreciation | | <u>(24,267)</u> | <u>(26,779)</u> |
| Property and equipment, net | | <u>\$ 10,490</u> | <u>\$ 11,054</u> |

Total depreciation expense was \$0.8 million and \$1.0 million for the three-month periods ended September 30, 2021 and 2022, respectively and \$2.5 million and \$2.9 million for the nine-month period ended September 30, 2021 and 2022, respectively.

Note 4. Software

Software consisted of the following (in thousands):

| | Useful Life | December 31, 2021 | | | September 30, 2022 | | |
|--|--------------|-----------------------|--------------------------|-----------------|--------------------------------------|---|----------------------------|
| | | Gross carrying amount | Accumulated amortization | Net balance | Gross carrying amount (unaudited) | Accumulated amortization (unaudited) | Net balance (unaudited) |
| Acquired and Software for internal use | 3 to 7 years | \$ 15,855 | \$ (14,907) | \$ 948 | \$ 15,884 | \$ (15,272) | \$ 612 |
| Software marketed for external sale | 3 years | 7,164 | (2,245) | 4,919 | 10,543 | (3,383) | 7,160 |
| Total | | \$ 23,019 | \$ (17,152) | \$ 5,867 | \$ 26,427 | \$ (18,655) | \$ 7,772 |

Amortization of acquired and internal use software is computed using the straight-line method over an estimated useful life of generally three to seven years. Amortization expense recognized on acquired and internal use software is reflected in depreciation and amortization in the condensed consolidated statements of operations. Amortization expense was \$0.1 million and \$0.1 million for the three-month periods ended September 30, 2021 and 2022, respectively, and \$0.5 million and \$0.4 million for the nine-month periods ended September 30, 2021 and 2022, respectively.

Amortization expense recognized on software to be sold or marketed externally was \$0.2 million and \$0.4 million for the three-month periods ended September 30, 2021 and 2022, respectively, and \$0.5 million and \$1.1 million for the nine-month periods ended September 30, 2021 and 2022, respectively, and is included in cost of revenues on the condensed consolidated statements of operations.

Based on capitalized software assets at September 30, 2022, estimated amortization expense in future fiscal years is as follows (unaudited and in thousands):

| Year ending December 31, | Acquired and internal use software | Software marketed for external use | Total |
|---------------------------|------------------------------------|------------------------------------|-----------------|
| 2022 (October - December) | \$ 80 | \$ 442 | \$ 522 |
| 2023 | 244 | 2,749 | 2,993 |
| 2024 | 130 | 2,400 | 2,530 |
| 2025 | 82 | 1,436 | 1,518 |
| 2026 | 70 | 133 | 203 |
| Thereafter | 6 | — | 6 |
| Total amortization | \$ 612 | \$ 7,160 | \$ 7,772 |

Note 5. Goodwill and Intangible Assets

When the Company acquired the trade assets of Motorola Solutions, Inc.'s wireless point-to-point and point-to-multi-point businesses in 2011, the transaction generated goodwill and certain intangible assets. The goodwill associated with this transaction was recorded by Cambium Networks Corporation and allocated to Cambium Networks, Ltd. and Cambium Networks, Inc. using a revenue and asset allocation method. Although goodwill has been allocated to two operating subsidiaries, the Company operates as one operating segment and one reporting unit and therefore, goodwill is reported, and impairment testing performed, at the Cambium Networks Corporation consolidated level.

There was no change in the carrying amount of goodwill during the three-month period ended September 30, 2022 (unaudited).

The Company tests goodwill and intangible assets for impairment annually on December 31 and more frequently if impairment indicators exist. Accordingly, the Company performs quarterly qualitative assessments of significant events and circumstances such as a reporting unit's historical and current results, assumptions regarding future performance, strategic initiatives and overall economic factors, including the impact of the current global outbreak of the coronavirus (or COVID-19) and macro-economic developments, to determine the existence of potential indicators of impairment and assess if it is more likely than not that the fair value of the reporting unit or intangible asset is less than their carrying value. If indicators of impairment are identified, a quantitative impairment test is performed.

Qualitative assessments for the quarter did not indicate the existence of impairment indicators. Based on the operating results for the nine-month period ended September 30, 2022 and other considerations, the Company believes that it is more likely than not that the enterprise value for its one reporting unit and the fair value of intangibles is still greater than their carrying values. Accordingly, no goodwill impairment indicators were present at September 30, 2022 that would necessitate an interim impairment assessment.

The useful life, gross carrying value, accumulated amortization, and net balance for each major class of definite-lived intangible assets at each balance sheet date were as follows (in thousands):

| | Useful Life | December 31, 2021 | | | September 30, 2022 | | |
|------------------------|--------------|-----------------------|--------------------------|------------------|--------------------------------------|---|----------------------------|
| | | Gross carrying amount | Accumulated amortization | Net balance | Gross carrying amount (unaudited) | Accumulated amortization (unaudited) | Net balance (unaudited) |
| Unpatented technology | 3 - 7 years | \$ 14,660 | \$ (14,555) | \$ 105 | \$ 14,660 | \$ (14,660) | \$ — |
| Customer relationships | 5 - 18 years | 19,300 | (8,628) | 10,672 | 19,300 | (9,752) | 9,548 |
| Patents | 7 years | 11,300 | (11,300) | — | 11,300 | (11,300) | — |
| Trademarks | 10 years | 5,270 | (5,270) | — | 5,270 | (5,270) | — |
| Total | | \$ 50,530 | \$ (39,753) | \$ 10,777 | \$ 50,530 | \$ (40,982) | \$ 9,548 |

Intangible assets are amortized over their expected useful life and none are expected to have a significant residual value at the end of their useful life. Intangible assets amortization expense was \$0.6 million and \$0.4 million for the three-month periods ended September 30, 2021 and 2022, respectively, and \$1.7 million and \$1.2 million for the nine-month periods ended September 30, 2021 and 2022, respectively.

Based on capitalized intangible assets as of September 30, 2022, estimated amortization expense amounts in future fiscal years are as follows (unaudited and in thousands):

| Year ending December 31, | Amortization |
|---------------------------|-----------------|
| 2022 (October - December) | \$ 374 |
| 2023 | 1,498 |
| 2024 | 1,498 |
| 2025 | 1,498 |
| 2026 | 1,498 |
| Thereafter | 3,182 |
| Total amortization | \$ 9,548 |

Note 6. Debt

As of September 30, 2022, the Company had \$28.7 million outstanding under its current term loan facility and \$0.0 million outstanding under its revolving credit facility. The Company has available \$45.0 million under its revolving credit facility (unaudited).

The following table reflects the current and noncurrent portions of the external debt facilities at December 31, 2021 and September 30, 2022 (in thousands):

| | December 31, 2021 | September 30, 2022 (unaudited) |
|---|----------------------|--------------------------------------|
| Term loan facility | \$ 30,000 | \$ 28,688 |
| Less debt issuance costs | (546) | (443) |
| Total debt | 29,454 | 28,245 |
| Less current portion of term facility | (2,625) | (3,281) |
| Current portion of debt issuance costs | 136 | 126 |
| Total long-term external debt, net | \$ 26,965 | \$ 25,090 |

Secured credit agreement

The Company is currently operating under its credit agreement entered into on November 17, 2021 with Bank of America ("BofA Credit Agreement") which provides for the provisions of loans and other financial accommodations in an aggregate principal amount of up to \$75.0 million in the form of (i) a five-year term loan facility (the "Term Facility") in the amount of \$30.0 million and (ii) a five-year revolving credit facility (the "Revolving Facility") in the amount of \$45.0 million, including a \$5.0 million sublimit for the issuance of letters of credit and a \$5.0 million sublimit for swingline loans. On November 17, 2021, the Company borrowed \$30.0 million as a Eurodollar Rate loan. Both the Term Facility and the Revolving Facility mature on November 17, 2026.

Interest accrues on the outstanding principal amount of the Term and Revolving Facilities on a quarterly basis and is equal to a base rate equal rate per annum determined by reference to the 1-month, 3-month or 6-month US Dollar LIBOR rate as selected by the Company, plus an applicable margin between 1.75% to 2.25% as determined by the Company's performance as measured by the consolidated leverage ratio. At September 30, 2022, the applicable margin was 1.75% and the effective interest rate on the term loan was 5.15%. In addition to paying interest on the outstanding principal under the term loan facility, the Company is required to pay a quarterly commitment fee on the unutilized commitments under the revolving credit facility ranging from 0.20% to 0.25% as determined by the Company's performance as measured by the consolidated leverage ratio. The commitment fee was 0.20% at September 30, 2022. The Company is also required to pay letter of credit fees on the maximum amount available to be drawn under all outstanding letters of credit in an amount equal to the applicable margin on LIBOR-based borrowings under the revolving credit facility on a per annum basis, payable in arrears, as well as fronting fees for the issuance of letters of credit and agency fees.

Under the BofA Credit Agreement, commencing on March 31, 2022, the Company began making quarterly principal payments of \$0.7 million, with the remaining principal due on maturity on November 17, 2026. The Company is required to pay interest quarterly on the outstanding balance. The Company is permitted to voluntarily reduce the unutilized portion of the commitment amount and repay outstanding loans under the BofA Credit Agreement at any time without premium or penalty.

Maturities on the external debt outstanding at September 30, 2022 is as follows (unaudited and in thousands):

| Year ending December 31, | | |
|---------------------------------|-----------|---------------|
| 2022 (October - December) | \$ | 1,313 |
| 2023 | | 2,625 |
| 2024 | | 2,625 |
| 2025 | | 2,625 |
| 2026 | | 19,500 |
| Total | \$ | 28,688 |

Borrowings under the BofA Credit Agreement are secured by a first-priority lien on substantially all of the Company's assets, the equity interests in certain of the Company's subsidiaries, and any intercompany debt. The Credit Agreement contains certain customary affirmative and negative covenants that are usual and customary for companies with similar credit ratings. As of September 30, 2022, the Company was in compliance with all affirmative and negative covenants (unaudited).

Net interest expense, including bank charges and amortization of debt issuance costs on the external debt, was \$0.7 million and \$0.5 million for the three-month periods ended September 30, 2021 and 2022, respectively, and \$3.2 million and \$1.4 million for the nine-month periods ended September 30, 2021 and 2022, respectively. The nine-month period ended September 30, 2021 included \$0.3 million of additional amortization of debt issuance costs associated with the excess cash flow payment of \$19.6 million made in the second quarter of 2021.

Expected Discontinuation of LIBOR

In July 2017, the United Kingdom's Financial Conduct Authority, or FCA, which regulates LIBOR, announced it will no longer compel banks to submit rates for the calculation of LIBOR after 2021. On December 31, 2021, the 1-week and 2-month US Dollar LIBOR ceased, but the remaining five US Dollar LIBOR tenors (overnight and 1-month, 3-month, 6-month and 12-month) will not cease until June 30, 2023. The base interest rate on the Company's BofA Credit Agreement may be determined by reference to the 1-month, 3-month or 6-month US Dollar LIBOR rate, as selected by the Company. The BofA Credit Agreement matures on November 17, 2026, which is subsequent to the cessation of all tenors of the US Dollar LIBOR rate.

The Company is evaluating the potential impact of the transition from LIBOR as an interest rate benchmark to other potential alternative reference rates, including SOFR. Eurodollar loans under the BofA Credit Agreement are currently indexed to the Eurodollar Rate (the rate equivalent to LIBOR). The BofA Credit Agreement contemplates the discontinuation of LIBOR and provides that a benchmark replacement rate shall be determined by reference to other applicable rates and additionally allows for the

Company to switch to a Base Rate Loan, as defined in the BofA Credit Agreement. The Company will continue to actively assess the related opportunities and risks involved in this transition.

Note 7. Employee benefit plans

The Company's employee benefit plans currently consist of a retirement plan in the United States and a separate defined contribution plan in the UK. The Company does not offer any other postretirement benefit plans, such as retiree medical and dental benefits or deferred compensation agreements to its employees or officers.

U.S. plan

U.S. employees that satisfy certain eligibility requirements, including requirements related to age and length of service, are eligible to participate in the Cambium Networks, Inc. 401(k) Plan. The plan is intended to qualify as a tax-qualified 401(k) plan so that contributions to the 401(k) plan, and income earned on such contributions, are not taxable to participants until withdrawn or distributed from the 401(k) plan. Under the 401(k) plan, each employee is fully vested in his or her deferred salary contributions. Employee contributions are held and invested by the plan's trustee as directed by participants. Under the Cambium Networks, Inc. 401(k) Plan, the Company matches 100% of employee contributions to the 401(k) plan up to a maximum amount of 4% of eligible wages, which matching contributions are subject to vesting in equal annual increments over two years of service. All contributions, including the Company match, are made in cash. Contributions made by the Company under the Cambium Networks, Inc. 401(k) Plan were \$0.2 million and \$0.2 million for the three-month periods ended September 30, 2021 and 2022, respectively, and \$1.0 million and \$1.2 million for the nine-month periods ended September 30, 2021 and 2022, respectively.

UK plan

UK employees who satisfy certain eligibility requirements are eligible to participate in the Cambium Networks Ltd. Stakeholder Pension Scheme, which is a qualified defined contribution plan. Employees are eligible to participate on the first of the month following receipt of their enrollment form, and eligible employees are automatically enrolled in the plan at a default employee contribution rate of 3% of eligible compensation and a company contribution rate of 5% of the employee's basic salary. The Company contribution rate increases by 1% for each additional 1% that the employee contributes up to a maximum of 7%. Company matching contributions vest immediately and employees are always vested in their own contributions. All contributions, including the Company match, are made in cash and deposited in the participant's account each pay period. The total contributed by the Company under this plan was \$0.1 million and \$0.1 million for the three-month periods ended September 30, 2021 and 2022, respectively, and \$0.3 million and \$0.3 million for the nine-month periods ended September 30, 2021 and 2022, respectively.

Note 8. Other expense (income), net

Net other expense (income) changed from expense of \$0.1 million for the three-month period ended September 30, 2021 to expense of \$0.2 million for the three-month period ended September 30, 2022. Net other expense (income) changed from expense of \$0.2 million for the nine-month period ended September 30, 2021 to income of \$0.1 million for the nine-month period ended September 30, 2022. Other expense (income), net represents foreign exchange gains and losses.

Note 9. Share-based compensation

2019 Share incentive plan

In June 2019, the Company's Board of Directors adopted, and its shareholders approved, the 2019 Share Incentive Plan ("2019 Plan"). The 2019 Plan provides for the grant of incentive share options, nonqualified share options, share appreciation rights, restricted share awards ("RSAs"), restricted share units ("RSUs"), other share-based awards and performance awards. The share reserve under the 2019 Plan is automatically increased on the first day of each fiscal year, beginning with the fiscal year ended December 31, 2020 and continuing until, and including, the fiscal year ending December 31, 2029. The number of shares added annually is equal to the lowest of 1,320,000 shares, 5% of the number of the Company's shares outstanding on the first day of such fiscal year, or an amount determined by the Board of Directors. On February 25, 2022, the Company registered 1,320,000 additional shares that may be issued under the 2019 Plan.

The Company's employees, officers, directors, consultants, and advisors are eligible to receive awards under the 2019 Plan. Incentive share options, however, may only be granted to its employees.

The following table summarizes changes in the number of shares available for grant under the Company's equity incentive plans during the nine-month period ended September 30, 2022 (unaudited):

| | Number of shares |
|--|------------------|
| Available for grant at December 31, 2021 | 1,853,240 |
| Added to 2019 Share Incentive Plan | 1,320,000 |
| RSUs granted | (402,546) |
| Options granted | (963,000) |
| Shares withheld in settlement of taxes and/or exercise price | 43,109 |
| Expirations | 8,799 |
| Forfeitures | 115,493 |
| Available for grant at September 30, 2022 | <u>1,975,095</u> |

Share-based compensation

The following table shows total share-based compensation expense for the three-month and nine-month periods ended September 30, 2021 and 2022 (unaudited and in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2021 | 2022 | 2021 | 2022 |
| Cost of revenues | \$ 39 | \$ 56 | \$ 108 | \$ 163 |
| Research and development | 834 | 1,241 | 2,193 | 3,274 |
| Sales and marketing | 540 | 696 | 1,374 | 1,901 |
| General and administrative | 663 | 855 | 1,909 | 2,447 |
| Total share-based compensation expense | <u>\$ 2,076</u> | <u>\$ 2,848</u> | <u>\$ 5,584</u> | <u>\$ 7,785</u> |

For the three-month periods ended September 30, 2021 and 2022, the Company recorded corresponding income tax benefits of \$0.6 million and \$0.3 million, respectively, and for the nine-month periods ended September 30, 2021 and 2022, the Company recorded corresponding tax benefits of \$3.0 million and \$0.8 million, respectively.

As of September 30, 2022, the Company estimates the pre-tax unrecognized compensation expense of \$25.0 million, net of estimated forfeitures, related to all unvested share-based awards, including share options and restricted share units will be recognized through the third quarter of 2026. The Company expects to satisfy the exercise of share options and future distributions of shares for restricted share units by issuing new ordinary shares that have been reserved under the 2019 Plan.

The Company uses the Black-Scholes option pricing model to estimate the fair value of share options. The Company utilized a forfeiture rate of 8.2% during the nine-month period ended September 30, 2022 for estimating the forfeitures of share options and restricted share units granted.

Share options

Share options typically have a contractual term of ten years from grant date and typically vest over a four-year period. The following is a summary of option activity for the Company's share incentive plans for the nine-month period ended September 30, 2022 (unaudited):

| | Options | Weighted average exercise price | Weighted Average remaining contractual term (years) | Aggregate intrinsic value |
|---|------------------|--|---|---------------------------------|
| Outstanding at December 31, 2021 | 2,797,992 | \$ 12.64 | 7.9 | \$ 38,295,799 |
| Options granted | 963,000 | \$ 15.61 | — | \$ — |
| Options exercised | (44,119) | \$ 8.20 | — | \$ — |
| Options expired | (8,799) | \$ 14.77 | — | \$ — |
| Options forfeited | (85,958) | \$ 8.53 | — | \$ — |
| Outstanding at September 30, 2022 | <u>3,622,116</u> | \$ 13.58 | 7.6 | \$ 15,206,759 |
| Options exercisable at September 30, 2022 | <u>1,833,090</u> | \$ 12.10 | 6.5 | \$ 9,925,892 |
| Options vested and expected to vest at September 30, 2022 | <u>3,547,231</u> | \$ 13.56 | 7.5 | \$ 14,940,070 |

At September 30, 2022, the aggregate intrinsic value of options exercisable under the Company's share incentive plans was \$9.9 million. The Company had 44,119 options exercised during the nine-month period ended September 30, 2022.

At September 30, 2022, there was \$13.7million in unrecognized pre-tax share-based compensation expense, net of estimated forfeitures, related to unvested share option awards. The unrecognized share-based compensation expense is expected to be recognized through the third quarter of 2026.

The fair value of options granted are estimated on the date of grant using the Black-Scholes option pricing model. The fair value of share options is being amortized on a straight-line basis over the requisite service period of the awards. The fair value of share options is estimated using the following weighted-average assumptions (unaudited):

| | Nine Months Ended September 30, | |
|---|---------------------------------|---------|
| | 2021 | 2022 |
| Expected dividend yield | — | — |
| Risk-free interest rate | 1.14% | 2.96% |
| Weighted-average expected volatility | 50.9% | 72.9% |
| Expected term (in years) | 6.5 | 5.5 |
| Weighted average grant-date fair value per share of options granted | \$ 21.36 | \$ 9.94 |

Restricted shares

Restricted shares typically vest over a four-year period. The following is a summary of restricted shares activity for the Company's share incentive plan for the nine-month period ended September 30, 2022 (unaudited):

| | Units | Weighted average grant date fair value |
|-----------------------------------|----------------|---|
| RSU balance at December 31, 2021 | 547,343 | \$ 22.47 |
| RSUs granted | 402,546 | \$ 15.14 |
| RSUs vested | (192,690) | \$ 22.99 |
| RSUs forfeited | (29,535) | \$ 23.70 |
| RSU balance at September 30, 2022 | <u>727,664</u> | \$ 18.23 |

During the nine-month period ended September 30, 2022, 402,546 RSUs were granted under the Company's 2019 Share Incentive Plan and 192,690 RSUs vested. The Company withheld 43,109 of those shares to pay the employees' portion of the minimum payroll withholding taxes.

As of September 30, 2022, there was \$11.3 million in unrecognized pre-tax compensation expense, net of estimated forfeitures, related to unvested restricted share units. The unrecognized compensation expense is expected to be recognized through the third quarter of 2026.

Employee share purchase plan

In June 2019, the Company's Board of Directors adopted, and its shareholders approved, the Employee Share Purchase Plan ("ESPP"). The ESPP was effective on June 25, 2019, and the initial offering period of six-months commenced on January 1, 2021. The current offering period of six months commenced on July 1, 2022 and runs through December 31, 2022. The purchase price of the shares is 85% of the lower of the fair market value of the Company's ordinary shares on the first trading day of the offering period and the purchase date. The ESPP includes an annual increase to the shares available for sale on the first day of each fiscal year beginning in 2020, equal to the lesser of: 275,000 shares, 1% of the outstanding shares as of the last day of the immediately preceding fiscal year, or such other amount as the administrator may determine. The Company registered 267,352 additional shares on February 25, 2022.

For the three-month periods ended September 30, 2021 and 2022, the Company recognized \$0.2 million and \$0.2 million, respectively, of share-based compensation expense related to the ESPP. For the nine-month periods ended September 30, 2021 and 2022, the Company recognized \$0.5 million and \$0.7 million, respectively, of share-based compensation expense related to the ESPP. There were 39,061 shares issued under the ESPP during the six-month offering period that ended on June 30, 2021 and 87,229 shares issued under the ESPP during the six-month offering period that ended on June 30, 2022.

Note 10. Share capital - shares

The following table reflects the share capital activity (unaudited):

| | Number of shares | Par value (in thousands) | |
|--|---------------------|-----------------------------|----------|
| Balance at December 31, 2021 | 26,735,175 | \$ | 3 |
| Issuance of ordinary shares under employee share purchase plan | 87,229 | | — |
| Issuance of vested shares | 192,690 | | — |
| Share options exercised | 44,119 | | — |
| Shares withheld for net settlement of shares issued | (43,109) | | — |
| Balance at September 30, 2022 | <u>27,016,104</u> | <u>\$</u> | <u>3</u> |

As of September 30, 2022, no dividends have been declared or paid.

Note 11. Earnings per share

Basic net earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during the period. Diluted net earnings per share is computed by giving effect to all potentially dilutive ordinary share equivalents outstanding for the period. For purposes of this calculation, share options, RSUs, RSAs, and ESPP awards are considered to be ordinary share equivalents but are excluded from the calculation of diluted earnings per share when including them would have an anti-dilutive effect. The following table sets forth the computation of basic and diluted net earnings per share (unaudited and in thousands, except for share and per share data):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------|---------------------------------|------------|
| | 2021 | 2022 | 2021 | 2022 |
| Numerator: | | | | |
| Net income | \$ 4,617 | \$ 9,435 | \$ 35,994 | \$ 10,189 |
| Denominator: | | | | |
| Basic weighted average shares outstanding | 26,540,843 | 26,977,155 | 26,342,113 | 26,855,395 |
| Dilutive effect of share option awards | 1,785,873 | 755,196 | 1,968,804 | 840,828 |
| Dilutive effect of restricted share units and restricted share awards | 312,459 | 242,443 | 382,951 | 235,509 |
| Dilutive effect of employee share purchase plan | 2 | 4,781 | 11,809 | 7,996 |
| Diluted weighted average shares outstanding | 28,639,177 | 27,979,575 | 28,705,677 | 27,939,728 |
| Net earnings per share, basic | \$ 0.17 | \$ 0.35 | \$ 1.37 | \$ 0.38 |
| Net earnings per share, diluted | \$ 0.16 | \$ 0.34 | \$ 1.25 | \$ 0.36 |

Note 12. Income taxes

The Company's provision for income taxes is based upon the estimated annual tax rate for the year applied to federal, state and foreign income. The Company recorded a provision for income taxes of \$0.4 million and a benefit for income taxes of \$0.2 million for the three-month periods ended September 30, 2021 and 2022, with an effective tax rate of 7.1% and (1.7)%, respectively. In the three-month period ended September 30, 2021, the effective tax rate of 7.1% was different from the statutory rate of 21.0%, primarily due to tax benefits arising on employee restricted share vesting and option exercises. For the three-month period ended September 30, 2022, the Company's effective tax rate of (1.7)% was different from the statutory rate of 21.0%, primarily due to Foreign Derived Intangible Income, tax benefits arising on Research and Development tax credits, and changes to excess tax benefits on share-based compensation.

In the nine-month periods ended September 30, 2021 and 2022, the Company recorded a tax benefit of \$5.9 million and \$1.0 million, respectively, with an effective income tax rate of (19.6)% and (11.5)%, respectively. For the nine-month period ended September 30, 2021 the effective income tax rate of (19.6)% was different from the statutory rate of 21%, primarily due to the release of a valuation allowance against the loss carryforwards in the Company's UK entity and tax benefits arising on employee restricted share vesting and option exercises. For the nine-month period ended September 30, 2022, the effective income tax rate of (11.5)% was different from the statutory rate of 21%, primarily due to tax benefits arising on Research and Development tax credits, Foreign Derived Intangible Income, the revaluing of certain UK deferred tax assets at a higher future tax rate, and changes to excess tax benefits on share-based compensation.

The Company reviews the likelihood that it will realize the benefit of its deferred tax assets and, therefore, the need for a valuation allowance on a quarterly basis.

In the first quarter of 2021, management concluded that all of the valuation allowance on the Company's UK entity's deferred tax assets was no longer needed. This was primarily due to a 12-quarter cumulative income through the first quarter of 2021 and the forecast of future taxable income. Accordingly, management recognized in 2021 a non-recurring tax benefit of \$7.7 million related to the valuation allowance reversal. As of September 30, 2022, the Company continues to believe it is more likely than not that the net deferred tax assets will be realized by its UK entity.

Note 13. Commitments and contingencies

In accordance with ASC 460, *Guarantees*, the Company recognizes the fair value for guarantee and indemnification arrangements it issues or modifies, if these arrangements are within the scope of the interpretation. In addition, the Company must continue to monitor the conditions that are subject to the guarantees and indemnifications in order to identify if a loss has incurred. If the Company determines it is probable that a loss has occurred, then any such estimated loss would be recognized under those guarantees and indemnifications and would be recognized in the Company's condensed consolidated statements of operations and corresponding condensed consolidated balance sheets during that period.

Indemnification

The Company generally indemnifies its customers against claims brought by a third party to the extent any such claim alleges that the Company's product infringes a patent, copyright or trademark or violates any other proprietary rights of that third party. The maximum potential amount of future payments the Company may be required to make under these indemnification agreements is not estimable.

The Company indemnifies its directors and officers and select key employees, including key employees serving as directors or officers of the Company's subsidiaries, for certain events or occurrences, subject to certain limits, while the director or officer is or was serving at the Company's request in such capacity. The term of the indemnification period is for the director's or officer's term of service. The Company may terminate the indemnification agreements with its directors, officers or key employees upon the termination of their services as directors or officers of the Company or its subsidiaries, or the termination of activities for which indemnification has been provided, but termination will not affect claims for indemnification related to events occurring prior to the effective date of termination. The maximum amount of potential future indemnification is unlimited; however, the Company has a director and officer insurance policy that limits its exposure. The Company believes the fair value of these indemnification agreements is minimal.

Purchase commitments with contract manufacturers and suppliers

We purchase components from a variety of suppliers and use contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, we enter into agreements with contract manufacturers and suppliers that allow them to procure inventory based upon criteria as defined by us, such as forecasted demand. The Company may be liable to purchase excess product or aged material from our suppliers following reasonable mitigation efforts.

Warranties

The Company offers a standard warranty on its products, with the term depending on the product, and records a liability for the estimated future costs associated with potential warranty claims. The Company's responsibility under its standard warranty is the repair or replacement of in-warranty defective product, or to credit the purchase price of the defective product, at its discretion, without charge to the customer. The Company's estimate of future warranty costs is largely based on historical experience factors including product failure rates, material usage, and service delivery cost incurred in correcting product failures. The standard warranty is included in either Other current liabilities or Other noncurrent liabilities on its condensed consolidated balance sheets, depending on the time period covered by the warranty. The Company also offers an extended warranty for purchase that represents a future performance obligation for the Company. The extended warranty is included in deferred revenues (both current and noncurrent) on the condensed consolidated balance sheets and recognized on a straight-line basis over the term of the extended warranty. The warranty costs are reflected in the Company's condensed consolidated statements of operations within cost of revenues.

Legal proceedings

Third parties may from time to time assert legal claims against the Company. The Company records accruals for loss contingencies to the extent that it concludes it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. The Company evaluates, on a regular basis, developments in legal proceedings and other matters that could cause a change in amounts recorded. Due to the inherent uncertainty involving legal matters, the ultimate resolution could differ from amounts recorded. There is no pending or threatened legal proceedings to which the Company is a party, that in the Company's opinion, is likely to have a material adverse effect on its financial condition or results of operations.

Note 14. Segment information

The Company's chief operating decision maker ("CODM") is its Chief Executive Officer. The Company's CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company determined that it operates as one operating segment and one reporting unit.

Note 15. Revenues from contracts with customers

Revenues consist primarily of revenues from the sale of hardware products with essential embedded software. Revenues also include limited amounts for software products, extended warranty on hardware products and subscription services. Substantially all products are sold through distributors and other channel partners, such as resellers and systems integrators.

The Company recognizes revenue to reflect the transfer of control of promised products or services to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for products or services.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The Company identifies its distinct performance obligations under each contract. A performance obligation is a promise in a contract to transfer a distinct product or service to the customer. Hardware products with essential embedded software, software products, and purchased extended warranty on hardware products have been identified as separate and distinct performance obligations.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring products or services to a customer. An adjustment to revenue is made to adjust the transaction price to exclude the consideration related to products expected to be returned. The Company records an asset at the carrying amount of the estimated stock returns and a liability for the estimated amount expected to be refunded to the customer. The transaction price also excludes other forms of consideration provided to the customer, such as volume-based rebates and co-operative marketing allowances.

The Company recognizes revenue when, or as, it satisfies a performance obligation by transferring control of a promised product or service to a customer. Revenue from hardware products with essential embedded software is recognized when control of the asset is transferred, which is typically at the time of shipment. Revenue from perpetual license software is recognized at the point in time that the customer is able to use or benefit from the software. Extended warranty on hardware products is a performance obligation that is satisfied over time, beginning on the effective date of the warranty period and ending on the expiration of the warranty period. The Company recognizes revenue on extended warranties on a straight-line basis over the warranty period. Revenue from software subscriptions is recognized ratably over the term in which the services are provided and the performance obligation is satisfied.

The Company enters into revenue arrangements that may consist of multiple performance obligations, such as hardware products and extended warranty. The Company allocates the transaction price to each performance obligation on a relative standalone selling price basis for each distinct product or service in the contract. The best evidence of standalone selling price is the observable price of a product or service when the Company sells that product or service separately in similar circumstances and to similar customers. If a standalone selling price is not directly observable, the Company estimates the transaction price allocated to each performance obligation using the expected costs plus a margin approach.

Disaggregation of revenues

Revenues by product category were as follows (unaudited and in thousands, except percentages):

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|----------------------|----------------------------------|--------------|------------------|--------------|---------------------------------|--------------|-------------------|--------------|
| | 2021 | | 2022 | | 2021 | | 2022 | |
| Point-to-Multi-Point | \$ 50,144 | 66 % | \$ 26,090 | 32 % | \$ 167,739 | 65 % | \$ 85,285 | 40 % |
| Point-to-Point | 13,890 | 18 % | 15,409 | 19 % | 45,432 | 18 % | 45,807 | 21 % |
| Enterprise | 10,734 | 14 % | 38,330 | 47 % | 41,154 | 16 % | 77,852 | 37 % |
| Other | 1,152 | 2 % | 1,371 | 2 % | 2,819 | 1 % | 3,448 | 2 % |
| Total Revenues | <u>\$ 75,920</u> | <u>100 %</u> | <u>\$ 81,200</u> | <u>100 %</u> | <u>\$ 257,144</u> | <u>100 %</u> | <u>\$ 212,392</u> | <u>100 %</u> |

In the above table, the Company has renamed the Wi-Fi product category to Enterprise to more accurately represent the products and services included in this product category, which includes Wi-Fi, switching and software subscriptions.

The Company's products are predominately sold through third-party distributors, and distributed through a third-party logistics provider with facilities in the United States, Netherlands and China. The Company has determined the geographical distribution of product revenues based upon the ship-to destinations specified by its distributor customers.

Revenues by geography were as follows (unaudited and in thousands, except percentages):

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|--------------------------------|----------------------------------|-------|-----------|-------|---------------------------------|-------|------------|-------|
| | 2021 | | 2022 | | 2021 | | 2022 | |
| North America | \$ 36,564 | 48 % | \$ 30,086 | 37 % | \$ 140,105 | 54 % | \$ 89,547 | 42 % |
| Europe, Middle East and Africa | 23,414 | 31 % | 29,263 | 36 % | 67,047 | 26 % | 70,876 | 34 % |
| Caribbean and Latin America | 7,993 | 11 % | 8,935 | 11 % | 30,660 | 12 % | 21,979 | 10 % |
| Asia Pacific | 7,949 | 10 % | 12,916 | 16 % | 19,332 | 8 % | 29,990 | 14 % |
| Total Revenues | \$ 75,920 | 100 % | \$ 81,200 | 100 % | \$ 257,144 | 100 % | \$ 212,392 | 100 % |

Contract balances

The following table summarizes contract balances as of December 31, 2021 and September 30, 2022 (in thousands):

| | December 31, 2021 | September 30, 2022 (unaudited) |
|---|----------------------|--------------------------------------|
| Trade accounts receivable, net of allowance for credit losses | \$ 68,788 | \$ 83,679 |
| Deferred revenue - current | 6,880 | 8,226 |
| Deferred revenue - noncurrent | 5,363 | 8,201 |
| Refund liability | \$ 2,516 | \$ 3,051 |

Deferred revenue consists of amounts due or received from customers in advance of the Company satisfying performance obligations under contractual arrangements. Deferred revenue is classified as current or noncurrent based on the timing of when revenue will be recognized. The changes in deferred revenue were due to normal timing differences between the Company's performance and the customers' payment.

The refund liability is the estimated amount expected to be refunded to customers in relation to product exchanges made as part of the Company's stock rotation program and returns that have been authorized, but not yet received by the Company. It is included within Other current liabilities in the condensed consolidated balance sheets.

Receivables and concentration of credit risk

Trade accounts receivable represents amounts for which the Company has an unconditional right to payment. Amounts are in accordance with contractual terms and are recorded at face amount less an allowance for credit losses. The Company establishes an allowance for credit losses to present the net amount of accounts receivable expected to be collected. The allowance is determined by using the loss-rate method, which requires an estimation of loss rates based upon historical loss experience adjusted for factors that are relevant to determining the expected collectability of accounts receivables. Some of these factors include macroeconomic conditions that correlate with historical loss experience, delinquency trends, aging behavior of receivables and credit and liquidity indicators for individual customers.

The Company considers the credit risk of all customers and regularly monitors credit risk exposure in its trade receivables. The Company's standard credit terms with its customers are generally net 30 to 60 days. The Company had one customer representing more than 10% of trade receivables at December 31, 2021 and one customer representing more than 10% of trade receivables at September 30, 2022.

Remaining performance obligations

Remaining performance obligations represent the revenue that is expected to be recognized in future periods related to performance obligations included in a contract that are unsatisfied, or partially satisfied, as of the end of a period. As of December 31, 2021, deferred revenue (current and noncurrent) of \$12.2 million represents the Company's remaining performance obligations, of which \$6.9 million is expected to be recognized within one year, with the remainder to be recognized thereafter. As of September 30, 2022, deferred revenue (current and noncurrent) of \$16.4 million represents the Company's remaining performance obligations, of which \$8.2 million is expected to be recognized within one year, with the remainder to be recognized thereafter (unaudited).

Revenue recognized during the three-month and nine-month periods ended September 30, 2022 which was previously included in deferred revenues as of December 31, 2021 was \$1.5 million and \$5.7 million, respectively, compared to \$1.8 million and \$5.4 million of revenue recognized during the three-month and nine-month periods ended September 30, 2021, respectively, which was previously included in deferred revenues as of December 31, 2020 (unaudited).

Cost to obtain a contract

Sales commissions are incremental costs of obtaining a contract. The Company has elected to recognize these expenses as incurred, as the amortization period of these costs is one year or less.

Note 16. Leases

The Company has operating leases for offices, vehicles and equipment. Leases with a term of 12 months or less are not recorded on the consolidated balance sheets and are expensed on a straight-line basis over the lease term.

Right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Company's lease payments are typically fixed or contain fixed escalators. The Company's leases typically include certain lock-in periods and renewal options to extend the lease, but does not consider options to extend the lease it is not reasonably certain to exercise. The Company elected the practical expedient to not separate the lease and non-lease components of its leases and currently has no leases with options to purchase the leased property.

The components of lease expense were as follows and are included in general and administrative expense (unaudited and in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------|----------------------------------|---------------|---------------------------------|-----------------|
| | 2021 | 2022 | 2021 | 2022 |
| Operating lease cost | \$ 630 | \$ 580 | \$ 1,981 | \$ 1,781 |
| Short-term lease cost | 82 | 99 | 222 | 352 |
| Variable lease costs | 125 | 171 | 354 | 461 |
| Total lease expense | <u>\$ 837</u> | <u>\$ 850</u> | <u>\$ 2,557</u> | <u>\$ 2,594</u> |

Supplemental balance sheet information related to leases were as follows (in thousands, except lease term and discount rate):

| | Balance Sheet Caption | December 31, 2021 | September 30, 2022 (unaudited) |
|--|--|-------------------|-----------------------------------|
| Operating leases: | | | |
| Operating lease assets | Operating lease assets | \$ 5,899 | \$ 4,548 |
| Current lease liabilities | Other current liabilities | \$ 2,116 | \$ 2,001 |
| Noncurrent lease liabilities | Noncurrent operating lease liabilities | \$ 4,112 | \$ 2,558 |
| Weighted average remaining lease term (years): | | | |
| Operating leases | | 3.35 | 2.78 |
| Weighted average discount rate: | | | |
| Operating leases | | 6.15% | 6.12% |

Supplemental cash flow information related to leases were as follows (unaudited and in thousands):

| | Nine Months Ended September 30, | |
|--|--|-------------|
| | 2021 | 2022 |
| Supplemental cash flow information: | | |
| Cash paid for amounts included in the measurement of lease liabilities | \$ 1,976 | \$ 1,783 |

The Company's current lease terms range from one to four years and may include options to extend the lease by one to four years.

Remaining maturities on lease liabilities as of September 30, 2022 is as follows (unaudited and in thousands):

| | Operating leases |
|---|-------------------------|
| 2022 (October - December) | \$ 611 |
| 2023 | 2,093 |
| 2024 | 1,086 |
| 2025 | 783 |
| 2026 | 374 |
| Thereafter | — |
| Total lease payments | 4,947 |
| Less: interest | 388 |
| Present value of lease liabilities | \$ 4,559 |

As of September 30, 2022, the Company does not have any leases that have not yet commenced.

Note 17. Related party transactions

The Company follows ASC 850, *Related Party Disclosures*, for the identification of related parties and disclosure of related party transactions. A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal.

For the three-month and nine-month periods ended September 30, 2021 and 2022, the Company did not have any related party transactions to disclose (unaudited).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition and results of operation should be read in conjunction with the consolidated financial statements and related notes thereto of Cambium Networks Corporation ("Cambium", "we", "our", or "us") included elsewhere in this Quarterly Report on Form 10-Q and with the financial statements and related notes and Management's Discussion and Analysis in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed February 24, 2022. Results for the three-month and nine-month periods ended September 30, 2022 are not necessarily indicative of the results that may be expected for any period in the future.

Overview

We provide fixed wireless broadband and enterprise solutions for wireless internet, wireline, fiber, and mobile network operators who deliver connectivity services to residential consumers, including in remote locations, as well as to mid-sized enterprises in connectivity dependent industries such as hospitality, education and logistics. We also serve local, state and federal government agencies worldwide in support of public access and services. Finally, we enable connectivity for outdoor industrial processes as well as national defense organizations and applications.

Increasing demand for, and dimensionality of connectivity solutions are top challenges for network operators, particularly in today's staffing constrained economy. Our integrated network solution makes connectivity as easy and efficient as possible. We converge an array of elements such as indoor and outdoor Wi-Fi access points, edge switching and fixed wireless broadband solutions spanning a wide range of unlicensed and licensed radio frequencies, through a single cloud-based or on-premises network management system. The management system includes a growing list of network intelligence services that enables operation of one efficient and secure network. The solutions leverage industry standards making them both affordable and complementary to many existing technologies. Our multi-gigabit fixed wireless infrastructure can be a compelling alternative or complement to traditional fiber as well as a mobile-based fixed wireless infrastructure.

Cambium Networks' integrated network includes radios, switches, appliances, and services. Our embedded proprietary radio frequency (RF) technology and software includes intelligent radios, smart antennas, RF algorithms, and wireless-aware switches. These capabilities give network operators the flexibility to adapt to and optimize their network for changing environments. The cloud-based or on-premises network management software has open, application programming interfaces, or APIs, that facilitate the addition of new services to the network, sourced from Cambium Networks or third parties. For example, Cambium Networks recently released a Quality of Experience, or QoE, appliance and software as a service (SaaS) solution that enables broadband operators to customize network performance based on end user needs. All Cambium Networks solutions are backed by our global organization that provided support services tailored to meet the business needs of our customers.

We were formed in 2011 when Cambium Networks acquired the Point-to-Point, or PTP, and Point-to-Multi-Point, or PMP, businesses from Motorola Solutions. Prior to the acquisition, Motorola Solutions had invested over a decade in developing the technology and intellectual property assets that formed the foundation of our business, having launched the Canopy PMP business in 1999 and having acquired the Orthogon Systems PTP business in 2006. Following the acquisition, we renamed the business Cambium Networks, and we leveraged the technology to continue to develop and offer an extensive portfolio of reliable, scalable and secure enterprise-grade fixed wireless broadband PTP and PMP platforms, Wi-Fi, switching, and IIoT solutions.

We offer our fixed wireless broadband and enterprise solutions in three product categories:

- **PTP:** We offer PTP solutions designed to operate in licensed and unlicensed spectrum from 220 MHz to 6.05 GHz and in licensed spectrum from 6-38 and 71-86 GHz. In addition, our PTP 700 operates in NATO Band IV from 4.4-5.9 GHz, as well as in the 7 GHz and 8 GHz bands, and meets stringent federal operating, performance and security standards. The mainstay of our backhaul offering is the PTP 670 for commercial applications and the PTP 700 for defense and national security applications. In addition, our PTP 820 and PTP 850 series offer carrier-grade microwave backhaul in licensed spectrum, and our PTP 550 offers price-performance leadership in spectral efficiency in sub-6 GHz unlicensed spectrum. In addition to dedicated point-to-point platforms, as technology has evolved, solutions have developed that, while principally supporting point-to-multi-point architectures, also support point-to-point applications, including the 60 GHz cnWave v3000 Client Node, the new 60 GHz cnWave v2000 and 60 GHz Bridge-in-a-Box, and the ePMP Force 425. Revenues from these

products are included in the PMP product category in our revenues by product category reporting, as that is their primary application.

- **PMP:** Our PMP portfolio ranges from our top-of-the-line PMP 450 series to our ePMP solutions for network operators that need to optimize for both price and performance to our cnReach family of narrow-bandwidth connectivity products for industrial communications. The PMP 450 series is optimized for performance in high-density and demanding physical environments, and includes the PMP 450m with integrated cnMedusa massive multi-user multiple input multiple output, or MU-MIMO, technology. The PMP 450 product line also supports the FCC's Citizen Broadband Radio Service, or CBRs. PMP provides a high-quality platform at a more affordable price for less demanding environments. The ePMP 3000 supports 4x4 MU-MIMO and is complemented by a broad portfolio of ePMP Force 300 and the new ePMP 4500 subscriber radios. The FCC and other regulatory bodies around the world have begun to release the 6 GHz band, ranging from 5825 MHz to 7125 MHz, to unlicensed us in indoor and outdoor applications. We have commenced development on both the PMP 450 and the ePMP platform to take advantage of this new spectrum offering. cnRanger, our Fixed LTE solution, operates in the 2 GHz (Bands 38, 40, 41) and 3 GHz (Bands 42, 43, 48). Like the PMP 450 platform, the 3 GHz cnRanger solution supports the CRBS service, while the 2 GHz bands support the FCC's Educational Broadband Service, or EBS, classification. cnReach products enable IIoT applications, such as supervisory control and data acquisition, or SCADA, processes in the oil and gas, electric utility, water, railroad and other industrial settings. In the fourth quarter of 2020, we began shipping our 60 GHz solution, cnWave, which enables Gbps networking using the 60 GHz band. We commenced commercial shipment of our fixed 5G platform, 28 GHz cnWave, operating from 24.25 to 29.50 GHz, encompassing the 3GPP 5G channels N257, N258 and N261 in March of 2022. In the fourth quarter of 2022, we expect to introduce the ePMP 4600 platform, operating in the 6 GHz band being opened by the FCC, and other regulatory bodies around the world. Broad adaptation in the U.S. is dependent on the FCC approving Automatic Frequency Coordination (AFC) services for commercial use, which we do not expect to occur until sometime in 2023.
- **Enterprise:** Our Wi-Fi category has been renamed Enterprise to more accurately represent the products and services being offered in this product category, which includes Wi-Fi access points, switching, XMS and cnMaestro cloud-based management. Our Enterprise portfolio includes our cnPilot cloud-managed Wi-Fi solutions, our cnMatrix cloud-managed wireless-aware switching solution, and our Wi-Fi 6 portfolio of Wi-Fi 6 access points which support cnMaestro and cnMaestro X, and Xirrus XMS management. cnPilot is for indoor and outdoor enterprise, small business, and home applications and offers a range of Wi-Fi access points and RF technology that enable network optimization based on desired geographic coverage and user density. cnMatrix provides the intelligent interface between wireless and wired networks. cnMatrix's policy-based configuration accelerates network deployment, mitigates human error, increases security, and improves reliability. Xirrus has a portfolio of high-performance enterprise Wi-Fi access points and cloud-based subscription services. In June 2020, we introduced our first Wi-Fi 6 access point, the XV3-8, which supports both cnPilot and Xirrus solutions. In January 2021, we announced our XE series, which incorporates Wi-Fi 6E, support of the 6 GHz band, and we commenced shipment in the first quarter of 2022. Additional Wi-Fi 6 access points are under development and will be released through the end of 2022. In the first quarter of 2021, we introduced and began shipping the cnMatrix TX 2020R-P. The TX 2020R-P is the first in a series of switches designed specifically to support PMP and PTP fixed wireless broadband networks, incorporating the cnMatrix enterprise-class feature set and incorporating additional features and services pertinent to network operators deploying fixed wireless broadband networks. The TX 2012R-P was introduced in April of 2021 and with the December 2021 introduction of the TX 2028RF-P, we have a comprehensive portfolio of switches to support our range of PMP and PTP network operators, complimenting the EX-series intended to support enterprise Wi-Fi networks.

We generate the majority of our sales through our global channel distribution network, including, as of September 30, 2022, approximately 170 distributors that we sell to directly, together with over 12,000 value added resellers and system integrators supplied by these distributors for further sales to end-users. Our channel partners provide lead generation, pre-sales support and product fulfillment, and with professional services for network design, installation, commissioning and on-going field support. Although we fulfill sales almost exclusively through our channel partners, through our global sales team we engage directly with network operators in our key vertical markets including service providers, enterprises, industrials, defense and national security entities, and state and local governments. Our sales team responds to bids or requests for quotes, typically in collaboration with a channel partner. Our distributors carry inventory of our products for resale, and generally have stock rotation rights only if they simultaneously place an off-setting new order for product. As such, we generally recognize revenue from sales to distributors on a sell-in basis, and manage our finished goods inventory to plan for distributor demand.

We outsource production of our products to third-party manufacturers, who are responsible for purchasing and maintaining inventory of components and raw materials and, in certain cases, we resell third-party products on a white-label basis. We believe that this approach gives us the advantages of relatively low capital investment and significant flexibility in scheduling production, managing inventory levels and providing a comprehensive solution to meet network operator demand. The majority of our products are delivered to us at one of three distribution hubs, where we have outsourced the warehousing and delivery of our products to a third-party logistics provider and from which we manage worldwide fulfillment.

Trends impacting our business

Component shortages and increased freight costs

We are seeing improved availability of components. We still have some pockets of significant constraint. There are signals that lead-times will be decreasing in 2023, however, at this time, they are still at the highest we have ever seen, and they are impacting our ability to timely react to changing demand from our customers, if needed. Shortages and long lead-times on components has and may continue to have an adverse effect on our ability to meet customer orders, and are resulting in increased component and delivery costs while significantly improved from previous quarters. Shortages in this context are expected throughout 2023. We have also experienced price increases in base commodities, impacting component pricing generally. Current inflationary pressures and the cost of the high dollar might lead to future component price increases. These component shortages and increases in costs have impacted, and are expected to continue to impact, our sales and revenues, gross margins and net income. In addition, if we are required to continue to make prepayments to our suppliers to procure inventory, this could further reduce working capital.

Logistics challenges remain. The geopolitical and COVID-19 dynamics are having an on-going impact on the relevant freight availability and costs. Logistics and freight costs have stabilized and are decreasing in certain areas. There is high variability by freight mode and by lane and we expect this to remain in 2023. The use of expedited freight modes has increased our cost of revenues, resulting in a decrease in our gross margins, and is expected to continue in the short term as a result of component shortages.

COVID-19

The impact of the COVID-19 pandemic, and the disruption to our business and operations as well as the operations of our customers and suppliers continues to ease. The extent of any continued impact of the COVID-19 pandemic on our operational and financial performance will depend on future developments, including the duration, severity and spread of the pandemic, new government shutdowns particularly in China, and related restrictions on travel and transportation and other actions that may be taken by governmental authorities in the future, and the impact to the business of our suppliers or customers, all of which are uncertain and cannot be predicted.

Impact of war in Ukraine

As a result of the invasion of Ukraine by Russia, and the subsequent sanctions imposed by the governments of the United States, England and the European Union, among others, against Russia, Belarus, the Donetsk People's Republic (DNR) and Luhansk People's Republic (LNR) regions of Ukraine (to complement the existing sanctions in Crimea), certain Russian banks and certain named individuals, the Company has ceased the sale of its products, services and technology in these regions, and closed our operations and terminated our employees in Russia, resulting in an adverse impact to our revenues and operations. To date, our outsourced product development in Ukraine continues. However, if the sanctions continue or increase, or if tensions with Russia escalate, the Company may continue to experience general business uncertainty that negatively impacts demand in several of our markets and may adversely impact our product development, as well as the business of our suppliers or customers, all of which are uncertain and cannot be predicted.

Financial results for the three-month period ended September 30, 2022

- Total revenue was \$81.2 million, an increase of 6.6% year-over-year
- Gross margin was 50.7%
- Total costs of revenues and operating expenses were \$71.2 million
- Operating income was \$9.7 million
- Net income was \$9.4 million

Basis of presentation

Revenues

Our revenues are generated primarily from the sale of our products, which consist of hardware with essential embedded software. Our revenues also include limited amounts for software products, extended warranty on hardware products and subscription services. We generally recognize product revenues at the time of shipment, provided that all other revenue recognition criteria have

been met. Revenues are recognized net of estimated stock returns, volume-based rebates and cooperative marketing allowances that we provide to distributors. We recognize subscription services revenue ratably over the term in which services are provided and our performance obligation is satisfied. We provide a standard warranty on our hardware products, with the term depending on the product, and record a liability for the estimated future costs associated with potential warranty claims. In addition, we also offer extended warranties for purchase and represents a future performance obligation for us. The extended warranty is included in deferred revenues and is recognized on a straight-line basis over the term of the extended warranty.

Cost of revenues and gross profit

Our cost of revenues is comprised primarily of the costs of procuring finished goods from our third-party manufacturers, third-party logistics and warehousing provider costs, freight costs and warranty costs. We outsource our manufacturing to third-party manufacturers located primarily in Mexico, China, Israel and Taiwan. Cost of revenues also includes costs associated with supply operations, including personnel related costs, provision for excess and obsolete inventory, third-party license costs and third-party costs related to services we provide. Cost of revenues also includes share-based compensation expense and the amortization of capitalized development costs on software marketed for sale.

Gross profit has been and will continue to be affected by various factors, including changes in product mix. The margin profile of products within each of our core product categories can vary significantly depending on the operating performance, features and manufacturer of the product. Gross margin will also vary as a function of changes in pricing due to competitive pressure, our third-party manufacturing and other production costs, cost of shipping and logistics, provision for excess and obsolete inventory and other factors. We expect our gross margins will fluctuate from period to period depending on the interplay of these various factors.

Operating expenses

We classify our operating expense as research and development, sales and marketing, and general and administrative expense. Personnel costs are the primary component of each of these operating expense categories, which consist of personnel costs, such as salaries, sales commissions, benefits, bonuses and share-based compensation expense. In addition, we separate depreciation and amortization in their own category.

Research and development

In addition to personnel-related costs, research and development expense consists of costs associated with design and development of our products, product certification, travel and recruiting. We generally recognize research and development expense as incurred. For certain of our software projects under development, we capitalize the development cost during the period between determining technological feasibility of the product and commercial release. We amortize the capitalized development cost upon commercial release, generally over three years, which is included in cost of revenues. We typically do not capitalize costs related to the development of first-generation product offerings as technological feasibility generally coincides with general availability of the software. For the remainder of 2022, we expect research and development costs to increase as we increase the size of our research and development organization and continue to invest in our future products and services.

Sales and marketing

In addition to personnel costs for sales, marketing, service and product line management personnel, sales and marketing expense consists of our training programs, trade shows, marketing programs, promotional materials, demonstration equipment, national and local regulatory approval on our products, travel and entertainment, and recruiting. For the remainder of 2022, we expect sales and marketing expense to continue to increase as COVID restrictions are further lifted and we increase the size of our sales, marketing, service, and product line management organization in support of our growth, conduct and attend in person marketing events, and, in particular, as we continue to expand our global distribution network.

General and administrative

In addition to personnel costs, general and administrative expense consists of professional fees, such as legal, audit, accounting, information technology and consulting costs, insurance, facilities and other supporting overhead costs. We expect general and administrative expense to remain flat as we continue to enforce several initiatives to conserve cash and improve profitability.

Depreciation and amortization

Depreciation and amortization expense consist of depreciation related to fixed assets such as computer equipment, furniture and fixtures, and testing equipment, as well as amortization related to acquired and internal use software and definite lived intangibles.

Provision for income taxes

Our provision for income taxes consists primarily of income taxes in the jurisdictions in which we conduct business. As we have expanded our international operations, we have incurred additional foreign tax expense, and we expect this to continue. Management assesses our deferred tax assets in each reporting period, and if it is determined that it is not more likely than not to be realized, we will record a valuation allowance in that period.

Results of operations

The following table presents the consolidated statements of operations, as well as the percentage relationship to total revenues for items included in our consolidated statements of operations (in thousands):

| (in thousands) | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------------------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| | 2021 | 2022 | 2021 | 2022 |
| Statements of Operations Data: | | | | |
| Revenues | \$ 75,920 | \$ 81,200 | \$ 257,144 | \$ 212,392 |
| Cost of revenues | 39,900 | 40,034 | 130,862 | 108,621 |
| Gross profit | 36,020 | 41,166 | 126,282 | 103,771 |
| Operating expenses | | | | |
| Research and development | 12,082 | 11,747 | 36,302 | 34,425 |
| Sales and marketing | 9,938 | 10,767 | 29,696 | 31,494 |
| General and administrative | 6,640 | 7,186 | 22,065 | 22,936 |
| Depreciation and amortization | 1,548 | 1,506 | 4,707 | 4,486 |
| Total operating expenses | 30,208 | 31,206 | 92,770 | 93,341 |
| Operating income | 5,812 | 9,960 | 33,512 | 10,430 |
| Interest expense, net | 752 | 514 | 3,208 | 1,418 |
| Other expense (income), net | 88 | 165 | 209 | (129) |
| Income before income taxes | 4,972 | 9,281 | 30,095 | 9,141 |
| Provision (benefit) for income taxes | 355 | (154) | (5,899) | (1,048) |
| Net income | <u>\$ 4,617</u> | <u>\$ 9,435</u> | <u>\$ 35,994</u> | <u>\$ 10,189</u> |
| | | | | |
| | Three months ended September 30, | Three months ended September 30, | Nine months ended September 30, | Nine months ended September 30, |
| | 2021 | 2022 | 2021 | 2022 |
| Percentage of Revenues: | | | | |
| Revenues | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of revenues | 52.6% | 49.3% | 50.9% | 51.1% |
| Gross margin | 47.4% | 50.7% | 49.1% | 48.9% |
| Operating expenses | | | | |
| Research and development | 15.9% | 14.5% | 14.1% | 16.2% |
| Sales and marketing | 13.1% | 13.3% | 11.6% | 14.8% |
| General and administrative | 8.7% | 8.8% | 8.6% | 10.8% |
| Depreciation and amortization | 2.0% | 1.8% | 1.8% | 2.2% |
| Total operating expenses | 39.7% | 38.4% | 36.1% | 44.0% |
| Operating income | 7.7% | 12.3% | 13.0% | 4.9% |
| Interest expense, net | 1.0% | 0.6% | 1.2% | 0.7% |
| Other expense (income), net | 0.1% | 0.3% | 0.1% | (0.1)% |
| Income before income taxes | 6.6% | 11.4% | 11.7% | 4.3% |
| Provision (benefit) for income taxes | 0.5% | (0.2)% | (2.3)% | (0.5)% |
| Net income | <u>6.1%</u> | <u>11.6%</u> | <u>14.0%</u> | <u>4.8%</u> |

Comparison of three-month period ended September 30, 2021 to the three-month period ended September 30, 2022

Revenues

| (dollars in thousands) | Three months ended September 30, | | Change | |
|------------------------|----------------------------------|-----------|----------|------|
| | 2021 | 2022 | \$ | % |
| Revenues | \$ 75,920 | \$ 81,200 | \$ 5,280 | 7.0% |

Revenues increased \$5.3 million, or 7.0%, to \$81.2 million for the three-month period ended September 30, 2022 from \$75.9 million for the three-month period ended September 30, 2021, with the largest increase in our enterprise product category driven by improved supply along with increased demand for our switching products mostly offset by lower demand in our point-to-multi-point products driven by a product transition to new gigabit technologies in our product portfolio. Revenues benefited from the increase in the number of our channel partners, which consists of over 12,000 channel partners as of September 30, 2022.

Revenues by product category

| (dollars in thousands) | Three months ended September 30, | | Change | |
|------------------------------------|----------------------------------|-----------|-------------|---------|
| | 2021 | 2022 | \$ | % |
| Point-to-Multi-Point | \$ 50,144 | \$ 26,090 | \$ (24,054) | (48.0)% |
| Point-to-Point | 13,890 | 15,409 | 1,519 | 10.9% |
| Enterprise | 10,734 | 38,330 | 27,596 | 257.1% |
| Other | 1,152 | 1,371 | 219 | 19.0% |
| Total revenues by product category | \$ 75,920 | \$ 81,200 | \$ 5,280 | 7.0% |

Point-to-Multi-Point

Our PMP revenues decreased \$24.1 million, or 48.0%, from the three-month period ended September 30, 2021 to 2022, and represented 66% and 32% of our total revenues over the same periods, respectively. Decreases in point-to-multi-point revenues in North America and Europe, Middle East, Africa drove most of the decline due to decreased demand for certain products due to product transition to new gigabit technologies in our product portfolio.

Point-to-Point

PTP revenues increased \$1.5 million, or 10.9%, from the three-month period ended September 30, 2021 to 2022 mostly driven by increased revenues in North America as a result of increased demand from the federal government.

Enterprise

Enterprise revenues increased \$27.6 million, or 257.1%, from the three-month period ended September 30, 2021 to 2022. Our Wi-Fi product category has been renamed Enterprise to more accurately represent the products and services included in this product category. Enterprise revenues improved in all regions driven by increased demand and improved supply with increased revenues mostly from Wi-Fi 6 and switching products.

Revenues by geography

| (dollars in thousands) | Three months ended September 30, | | Change | |
|-----------------------------|----------------------------------|-----------|------------|---------|
| | 2021 | 2022 | \$ | % |
| North America | \$ 36,564 | \$ 30,086 | \$ (6,478) | (17.7)% |
| Europe, Middle East, Africa | 23,414 | 29,263 | 5,849 | 25.0% |
| Caribbean and Latin America | 7,993 | 8,935 | 942 | 11.8% |
| Asia Pacific | 7,949 | 12,916 | 4,967 | 62.5% |
| Total revenues by geography | \$ 75,920 | \$ 81,200 | \$ 5,280 | 7.0% |

Revenues increased in Europe, Middle East, Africa, Caribbean and Latin America and Asia Pacific regions with decreased revenues in North America from the three-month period ended September 30, 2021 to September 30, 2022. Europe, Middle East, Africa revenues increased \$5.8 million, or 28.0%, mostly related to higher enterprise revenues due to improved supply and increased demand partially offset by lower PMP revenues due to lower demand and product transition to new gigabit technologies in our product portfolio. Caribbean and Latin America revenues increased \$0.9 million, or 11.8%, mostly due to higher enterprise revenues due to improved supply and increased demand and higher PTP revenues partially offset by lower PMP revenues driven by lower demand. Asia Pacific revenues increased \$5.0 million, or 62.5%, mostly due to higher enterprise revenues due to increased demand along with higher PMP revenues. North America revenues decreased \$6.5 million, or 17.7%, primarily due to lower PMP revenues driven by lower demand due to a product transition to new gigabit technologies in our product portfolio, partially offset by higher Wi-Fi revenues mostly due to improved supply and increased demand and higher PTP revenues driven by an increase in demand by the federal government.

Cost of revenues and gross margin

| (dollars in thousands) | Three months ended September 30, | | Change | |
|------------------------|----------------------------------|-----------|--------|---------|
| | 2021 | 2022 | \$ | % |
| Cost of revenues | \$ 39,900 | \$ 40,034 | \$ 134 | 0.3% |
| Gross margin | 47.4% | 50.7% | | 330 bps |

Cost of revenues increased \$0.1 million, or 0.3%, to \$40.0 million for the three-month period ended September 30, 2022 from \$39.9 million for the three-month period ended September 30, 2021. The increase in cost of revenues was primarily due to increased revenues partially offset by decreased production costs due to decreases in component charges as a result of increased availability of components.

Gross margin increased to 50.7% for the three-month period ended September 30, 2022 from 47.4% for the three-month period ended September 30, 2021. The increase reflects increased revenues from higher margin products and the impact of price increases along with lower production costs due to improvements in component availability reducing component costs. In addition, the increase in gross margin reflects lower logistics costs as rates for all transportation modes have decreased, offset by the increase in our excess and obsolescence reserve.

Operating expenses

| (dollars in thousands) | Three months ended September 30, | | Change | |
|-------------------------------|----------------------------------|-----------|----------|--------|
| | 2021 | 2022 | \$ | % |
| Research and development | \$ 12,082 | \$ 11,747 | \$ (335) | (2.8)% |
| Sales and marketing | 9,938 | 10,767 | 829 | 8.3% |
| General and administrative | 6,640 | 7,186 | 546 | 8.2% |
| Depreciation and amortization | 1,548 | 1,506 | (42) | (2.7)% |
| Total operating expenses | \$ 30,208 | \$ 31,206 | \$ 998 | 3.3% |

Research and development

Research and development expense decreased \$0.3 million, or 2.8%, to \$11.7 million for the three-month period ended September 30, 2022 from \$12.1 million for the three-month period ended September 30, 2021. As a percentage of revenues, research and development expenses decreased to 14.5% in 2022 from 15.9% in 2021 over the same period. The decrease in research and development expense was primarily due to \$0.8 million lower corporate bonus expense due to lower financial performance, \$0.4 million lower engineering material costs due to timing of purchases and \$0.4 million higher capitalized software cost due to increases in projects eligible for capitalization partially offset by \$0.5 million higher outside services expense and \$0.3 million higher homologation and regulatory expense due to the increase and timing of projects along with \$0.4 million higher share-based compensation expense and \$0.1 million of higher staff-related costs.

Sales and marketing

Sales and marketing expense increased \$0.8 million, or 8.3%, to \$10.8 million for the three-month period ended September 30, 2022 from \$9.9 million for the three-month period ended September 30, 2021. As a percentage of revenues, sales and marketing expense increased to 13.3% in 2022 from 13.1% in 2021 over the same period. The increase in sales and marketing expense was primarily due to \$0.3 million higher travel-related spend as restrictions on travel and in person conferences imposed by the COVID-19

pandemic continue to lessen in parts of the world, \$0.3 million higher sales incentive plan expense along with \$0.2 million higher share-based compensation expense.

General and administrative

General and administrative expense increased \$0.5 million, or 8.2%, to \$7.2 million for the three-month period ended September 30, 2022 from \$6.6 million for the three-month period ended September 30, 2021. As a percentage of revenues, general and administrative expense increased to 8.8% in 2022 from 8.7% in 2021 over the same period. The increase in general and administrative expense was primarily due to \$0.3 million higher professional fees, \$0.2 million higher share-based compensation expense, \$0.2 million nonrecurring expenses related to strategic initiatives and \$0.1 million higher travel-related spend mostly offset by \$0.4 million lower corporate bonus expense due to lower financial performance.

Depreciation and amortization

Depreciation and amortization expense remained flat from the three-month period ended September 30, 2021 to the three-month period ended September 30, 2022.

Interest expense, net

| (dollars in thousands) | Three months ended September 30, | | Change | |
|------------------------|----------------------------------|--------|----------|---------|
| | 2021 | 2022 | \$ | % |
| Interest expense, net | \$ 752 | \$ 514 | \$ (238) | (31.6)% |

Interest expense decreased \$0.2 million, or 31.6%, to \$0.5 million for the three-month period ended September 30, 2022 from \$0.8 million for the three-month period ended September 30, 2021. The decrease was primarily due to a reduction in the interest rate on the term loan and lower bank charges.

Other expense, net

| (dollars in thousands) | Three months ended September 30, | | Change | |
|------------------------|----------------------------------|--------|--------|-------|
| | 2021 | 2022 | \$ | % |
| Other expense, net | \$ 88 | \$ 165 | \$ 77 | 87.5% |

Other expense, net changed from expense of \$0.1 million for the three-month period ended September 30, 2021 to expense of \$0.2 million for the three-month period ended September 30, 2022, primarily due to foreign currency fluctuations.

Provision for income taxes

| (dollars in thousands) | Three months ended September 30, | | Change | |
|--------------------------------------|----------------------------------|----------|----------|----------|
| | 2021 | 2022 | \$ | % |
| Provision (benefit) for income taxes | \$ 355 | \$ (154) | \$ (509) | (143.4)% |
| Effective income tax rate | 7.1% | (1.7)% | | |

Our benefit for income taxes was \$0.2 million for the three-month period ended September 30, 2022 and a provision for income taxes of \$0.4 million for the three-month period ended September 30, 2021. The effective income tax rates were (1.7)% and 7.1% over the same periods, respectively, and reflect the application of our expected annual tax rate to pre-tax results for each of the periods as well as discrete tax impacts that arise during the periods. In the three-month period ended September 30, 2021, the effective income tax rate of 7.1% was different from the statutory rate of 21.0% primarily due to tax benefits arising on employee restricted share vesting and option exercises. In the three-month period ended September 30, 2022, our effective income tax rate of (1.7)% was different from the statutory rate of 21.0% primarily due to Foreign Derived Intangible Income, tax benefits arising on Research and Development tax credits, and changes to excess tax benefits on share-based compensation.

Comparison of nine-month period ended September 30, 2021 to the nine-month period ended September 30, 2022

Revenues

| (dollars in thousands) | Nine months ended September 30, | | Change | |
|------------------------|---------------------------------|------------|-------------|---------|
| | 2021 | 2022 | \$ | % |
| Revenues | \$ 257,144 | \$ 212,392 | \$ (44,752) | (17.4)% |

Revenues decreased \$44.7 million, or 17.4%, to \$212.4 million for the nine-month period ended September 30, 2022 from \$257.1 million for the nine-month period ended September 30, 2021, with the largest decrease in our point-to-multi-point product category. Revenues for the nine-month period ended September 30, 2022 were negatively impacted by global supply and distribution constraints affecting the procurement and shipment of products, namely the lockdowns in Shenzhen and Shanghai by the Chinese government to combat increased incidences of COVID-19, which closed our distribution and warehousing facility and some of our manufacturing facilities during the first and second quarter of 2022. Both of these restrictions were lifted, and our revenues have improved during the third quarter of 2022, especially within our enterprise product category. Although revenues decreased, we continue to increase the number of channel partners, which consists of over 12,000 channel partners as of September 30, 2022.

Revenues by product category

| (dollars in thousands) | Nine months ended September 30, | | Change | |
|------------------------------------|---------------------------------|------------|-------------|---------|
| | 2021 | 2022 | \$ | % |
| Point-to-Multi-Point | \$ 167,739 | \$ 85,285 | \$ (82,454) | (49.2)% |
| Point-to-Point | 45,432 | 45,807 | 375 | 0.8% |
| Enterprise | 41,154 | 77,852 | 36,698 | 89.2% |
| Other | 2,819 | 3,448 | 629 | 22.3% |
| Total revenues by product category | \$ 257,144 | \$ 212,392 | \$ (44,752) | (17.4)% |

Point-to-Multi-Point

Our PMP revenues decreased \$82.5 million, or 49.2%, from the nine-month period ended September 30, 2021 to 2022, and represented 65% and 40% of our total revenues over the same periods, respectively. Decreases in point-to-multi-point revenues in both North America and Europe, Middle East and Africa drove most of the decline as supply constraints and distribution challenges during the first half of the year negatively impacted our ability to procure and ship product along with lower demand from service providers due to a product transition to new gigabit technologies in our product portfolio.

Point-to-Point

PTP revenues increased \$0.4 million, or 0.8%, from the nine-month period ended September 30, 2021 to 2022 mostly driven by increased demand for backhaul products in Asia Pacific and Caribbean and Latin America offset by lower demand in North America. PTP revenues benefitted from increased demand from the federal government in North America.

Enterprise

Enterprise revenues increased \$36.7 million, or 89.2%, from the nine-month period ended September 30, 2021 to 2022. Our Wi-Fi product category has been renamed Enterprise to more accurately describe the products and services being included in this product category. Enterprise revenues were driven by increased demand for Wi-Fi 6/6E and switching products, with the largest increase in revenues in Europe, Middle East and Africa. Enterprise revenues are improving after being negatively impacted in the first half of 2022 due to component shortages and the lockdowns in China impacting our ability to procure and ship product.

Revenues by geography

| (dollars in thousands) | Nine months ended September 30, | | Change | |
|-----------------------------|---------------------------------|------------|-------------|---------|
| | 2021 | 2022 | \$ | % |
| North America | \$ 140,105 | \$ 89,547 | \$ (50,558) | (36.1)% |
| Europe, Middle East, Africa | 67,047 | 70,876 | 3,829 | 5.7% |
| Caribbean and Latin America | 30,660 | 21,979 | (8,681) | (28.3)% |
| Asia Pacific | 19,332 | 29,990 | 10,658 | 55.1% |
| Total revenues by geography | \$ 257,144 | \$ 212,392 | \$ (44,752) | (17.4)% |

Revenues decreased in North America and Caribbean and Latin America regions, with increased revenues in Asia Pacific and Europe, Middle East, Africa from the nine-month period ended September 30, 2021 to September 30, 2022. North America revenues decreased \$50.6 million, or 36.1%, primarily due to lower PMP revenues driven by lower demand from service providers, mostly due to a technology transition, and supply and distribution challenges from China in the first half of the year along with lower PTP revenues driven by lower demand for backhaul products offset by increased sales to the federal government. This decrease was partially offset by higher enterprise revenues due to increased demand for Wi-Fi 6/6E and switching products. Caribbean and Latin America revenues decreased \$8.7 million, or 28.3%, mostly due to lower PMP and enterprise revenues driven by decreased demand and supply and distribution constraints in the first half of the year. Asia Pacific revenues increased \$10.7 million, or 55.1%, driven by higher enterprise revenues as a result of increased supply and increased and larger sales along with higher PMP and PTP revenues. Europe, Middle East, Africa revenues increased \$3.8 million, or 5.7%, driven by higher enterprise revenues due to increased demand and new product introductions partially offset by lower PMP revenues due to a technology transition.

Cost of revenues and gross margin

| (dollars in thousands) | Nine months ended September 30, | | Change | |
|------------------------|---------------------------------|------------|-------------|----------|
| | 2021 | 2022 | \$ | % |
| Cost of revenues | \$ 130,862 | \$ 108,621 | \$ (22,241) | (17.0)% |
| Gross margin | 49.1% | 48.9% | | (20) bps |

Cost of revenues decreased \$22.2 million, or 17.0%, to \$108.6 million for the nine-month period ended September 30, 2022 from \$130.9 million for the nine-month period ended September 30, 2021. The decrease in cost of revenues was primarily due to decreased revenues but was impacted by higher production costs during the first half of 2022 due to increases in component charges as a result of component shortages and increases in component costs and in freight and logistics charges as a result of cost increases due to container shortages, use of other distribution, shipment and transportation modes, and increases in costs by logistics and freight providers to meet the high global demand. These impacts were partially offset by price increases and increases in Wi-Fi device and software subscription revenues.

Gross margin decreased slightly to 48.9% for the nine-month period ended September 30, 2022 from 49.1% for the nine-month period ended September 30, 2021. The decrease reflects higher production costs due to increases in component charges as a result of component shortages and increases in component costs, and higher logistics costs to meet demand, including costs of alternative distribution, shipment and transportation modes as a result of government shutdowns in China experienced in the first half of 2022 partially offset by improvements due to price increases and increases in revenues on higher margin products.

Operating expenses

| (dollars in thousands) | Nine months ended September 30, | | Change | |
|-------------------------------|---------------------------------|-----------|------------|--------|
| | 2021 | 2022 | \$ | % |
| Research and development | \$ 36,302 | \$ 34,425 | \$ (1,877) | (5.2)% |
| Sales and marketing | 29,696 | 31,494 | 1,798 | 6.1% |
| General and administrative | 22,065 | 22,936 | 871 | 3.9% |
| Depreciation and amortization | 4,707 | 4,486 | (221) | (4.7)% |
| Total operating expenses | \$ 92,770 | \$ 93,341 | \$ 571 | 0.6% |

Research and development

Research and development expense decreased \$1.9 million, or 5.2%, to \$34.4 million for the nine-month period ended September 30, 2022 from \$36.3 million for the nine-month period ended September 30, 2021. As a percentage of revenues, research and development expenses increased to 16.2% in 2022 from 14.1% in 2021 over the same period. The decrease in research and development expense was primarily due to \$3.8 million lower corporate bonus expense due to lower financial performance along with \$0.5 million higher capitalized software costs due to increase in projects eligible for capitalization and \$0.2 million lower engineering project material costs. The decrease was partially offset by \$1.1 million higher share-based compensation expense, \$0.6 million higher staffing-related spend due to increased headcount, \$0.6 million higher contractor costs, \$0.2 million higher travel-related costs and \$0.1 million higher homologation and regulatory testing expense.

Sales and marketing

Sales and marketing expense increased \$1.8 million, or 6.1%, to \$31.5 million for the nine-month period ended September 30, 2022 from \$29.7 million for the nine-month period ended September 30, 2021. As a percentage of revenues, sales and marketing expense increased to 14.8% in 2022 from 11.6% in 2021 over the same period. The increase in sales and marketing expense was primarily due to \$0.9 million higher payroll-related costs, mostly due to merit increases, along with \$0.5 million higher share-based compensation expense and \$0.2 million severance expense related to restructuring activities in Russia. The increase was also driven by \$0.8 million higher travel-related spend and \$0.3 million higher trade show and marketing-related spend as restrictions on travel and conferences imposed by the COVID-19 pandemic continue to lessen in parts of the world, \$0.1 million higher homologation and regulatory testing expense and \$0.1 million higher software subscription fees. These increases were partially offset by \$1.4 million lower corporate bonus and sales incentive plan expense due to lower financial performance.

General and administrative

General and administrative expense increased \$0.9 million, or 3.9%, to \$22.9 million for the nine-month period ended September 30, 2022 from \$22.1 million for the nine-month period ended September 30, 2021. As a percentage of revenues, general and administrative expense increased to 10.8% in 2022 from 8.6% in 2021 over the same period. The increase in general and administrative expense was primarily due to \$0.6 million higher payroll-related costs, mostly driven by \$0.2 million nonrecurring severance recognized in the second quarter of 2022, along with \$0.5 million increase in share-based compensation expense. The remainder of the increase was driven by \$0.7 million higher professional services fees, \$0.3 million higher business tax expense, and \$0.3 million higher IT expense, mostly for subscription licenses for company-wide headcount increases. These increases were mostly offset by \$1.7 million lower corporate bonus expense due to lower financial performance.

Depreciation and amortization

Depreciation and amortization expense decreased \$0.2 million, or 4.7%, to \$4.5 million for the nine-month period ended September 30, 2022 from \$4.7 million for the nine-month period ended September 30, 2021. The decrease in depreciation and amortization was primarily driven by the amortization of finite-lived intangibles being fully amortized in the fourth quarter of 2021 offset by slightly higher depreciation on new assets placed in service.

Interest expense, net

| (dollars in thousands) | Nine months ended September 30, | | Change | |
|------------------------|---------------------------------|----------|------------|---------|
| | 2021 | 2022 | \$ | % |
| Interest expense, net | \$ 3,208 | \$ 1,418 | \$ (1,790) | (55.8)% |

Interest expense decreased \$1.8 million, or 55.8%, to \$1.4 million for the nine-month period ended September 30, 2022 from \$3.2 million for the nine-month period ended September 30, 2021. The decrease was primarily due to a reduction in the interest rate and lower principal balance on the term loan. The nine-month period ended September 30, 2021 also included \$0.3 million of additional amortization of debt issuance costs as a result of the \$19.6 million excess cash flow payment made in May 2021.

Other expense (income), net

| (dollars in thousands) | Nine months ended September 30, | | Change | |
|-----------------------------|---------------------------------|----------|----------|----|
| | 2021 | 2022 | \$ | % |
| Other expense (income), net | \$ 209 | \$ (129) | \$ (338) | nm |

Other expense (income), net changed from expense of \$0.2 million for the nine-month period ended September 30, 2021 to income of \$0.1 million for the nine-month period ended September 30, 2022, primarily due to foreign currency fluctuations.

Benefit for income taxes

| (dollars in thousands) | Nine months ended September 30, | | Change | |
|---------------------------|---------------------------------|------------|----------|---------|
| | 2021 | 2022 | \$ | % |
| Benefit for income taxes | \$ (5,899) | \$ (1,048) | \$ 4,851 | (82.2)% |
| Effective income tax rate | (19.6)% | (11.5)% | | |

Our benefit for income taxes was \$1.0 million for the nine-month period ended September 30, 2022 and \$5.9 million for the nine-month period ended September 30, 2021. The effective income tax rates were (11.5)% and (19.6)% over the same periods, respectively, and reflect the application of our expected annual tax rate to pre-tax results for each of the periods as well as discrete tax impacts that arise during the period. For the nine-month period ended September 30, 2021, the effective income tax rate of (19.6)% was different from the statutory rate of 21.0% primarily due to the release of a valuation allowance against the loss carryforwards in the Company's UK entity, resulting in recognition of tax benefit, and tax benefits arising on employee restricted share vesting and option exercises. For the nine-month period ended September 30, 2022, the effective income tax rate of (11.5)% was different from the statutory rate of 21.0% primarily due to tax benefits arising on Research and Development tax credits, Foreign Derived Intangible Income, the revaluing of certain UK deferred tax assets at a higher future tax rate, and changes to excess tax benefits on share-based compensation.

Liquidity and Capital Resources

As of September 30, 2022, we had a cash balance of \$44.9 million. Our primary liquidity needs are: (i) to fund normal operating expenses; (ii) to meet interest and principal requirements of our outstanding indebtedness; and (iii) to fund capital expenditures. We believe these needs will be satisfied over at least the next 12 months using existing cash and using cash flow generated by our operations. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, the timing and extent of spending to support development efforts, the timing of new product introductions, market acceptance of our products and overall economic conditions. We expect to regularly assess market conditions and may take measures, including raising additional equity or incurring additional debt if and when our board of directors determines that doing so is in our best interest.

Cash Flows

The following table sets forth summarized cash flow data for the periods indicated (in thousands):

Cash flows from operating activities

| | Nine months ended September 30, | |
|---|---------------------------------|------------|
| | 2021 | 2022 |
| Cash provided by (used in) operating activities | \$ 24,395 | \$ (7,080) |
| Cash used in investing activities | \$ (6,788) | \$ (6,683) |
| Cash used in financing activities | \$ (21,452) | \$ (583) |

Net cash provided by operating activities for the nine-month period ended September 30, 2021 of \$24.4 million consisted primarily of net income of \$36.0 million, an increase in deferred tax assets of \$6.4 million, adjustments for depreciation and amortization and other impacts of \$5.0 million, share-based compensation expense of \$5.6 million, and changes in operating assets and liabilities that resulted in net cash outflows of \$15.8 million. The changes in operating assets and liabilities consisted primarily of a \$12.5 million increase in accounts receivable as a result of higher sales in 2021, a \$7.1 million decrease in accounts payable related to timing of purchases and payments, \$1.8 million decrease in accrued employee compensation primarily due to the payment of the 2020 corporate bonus net of the accrual for 2021 corporate bonus and sales incentive plan accruals, and a \$1.1 million increase in prepaid expenses mostly driven by the payment of the directors' and officers' insurance policy in the third quarter of 2021. This was partially offset by a \$5.9 million decrease in inventories due to higher sales in the first three quarters of 2021 and the impact of the global component shortage on the costs to procure inventory and \$0.8 million increase in cash provided by all other assets and liabilities, mostly driven by the increase in deferred revenues offset by the net increase in our directors' and officers' insurance policy.

Net cash used in operating activities for the nine-month period ended September 30, 2022 of \$7.1 million consisted of net income of \$10.6 million, share-based compensation expense of \$7.8 million and adjustments for depreciation and amortization and other non-cash impacts of \$7.5 million, an increase in deferred tax assets of \$2.0 million and changes in operating assets and liabilities that resulted in net cash outflows of \$31.0 million. The changes in operating assets and liabilities consisted primarily of a \$18.6 million increase in inventories due to management's plan to build inventory in response to supply chain constraints and higher revenue expectation in the fourth quarter of 2022, a \$10.2 million decrease in accrued variable compensation primarily due to the payment of the 2021 corporate bonus net of the 2022 corporate bonus accrual and \$9.4 million increase in accounts receivable reflecting the impact of higher sales and timing of collections. These uses of cash were partially offset by \$4.0 million lower prepaid expenses, mostly as a result of decrease vendor prepayments to procure inventory, and \$3.5 million increase in cash provided by all other assets and liabilities, mostly driven by the increase in deferred revenues.

Cash flows from investing activities

Our investing activities for all periods presented consisted of capital expenditures for property, equipment and software in support of the growth of our business.

Cash flows from financing activities

During the nine-month period ended September 30, 2021, net cash used of \$21.5 million was primarily due to both the \$19.6 million excess cash flow mandatory prepayment in the second quarter of 2021, along with the \$5.0 million scheduled principal payments due under the prior Silicon Valley Bank term loan facility and \$2.2 million for taxes paid from shares withheld in net settlement of taxes due on vesting of restricted shares issued to our employees, offset by proceeds received of \$4.5 million from the exercise of share options and \$0.8 million for the issuance of ordinary shares under our Employee Share Purchase Program.

During the nine-month period ended September 30, 2022, net cash used of \$0.6 million was primarily due to \$1.3 million repayment of principal due under the term loan facility with Bank of America and \$0.8 million for taxes paid from shares withheld in net settlement of taxes due on vesting of restricted shares issued to our employees partially offset by proceeds received of \$1.1 million for the issuance of ordinary shares under our Employee Share Purchase Program and proceeds received of \$0.4 million from the exercise of share options.

Debt

As of September 30, 2022, we had \$28.7 million outstanding on our term credit facility and had \$45.0 million available under our revolving credit facility with Bank of America. The effective interest rate on the term credit facility at September 30, 2022 was 5.15%. Scheduled quarterly principal payments of \$0.7 million commenced on March 31, 2022 under the facility. Our term loan facility matures on November 17, 2026, at which time the outstanding principal will be due. Refer to Note 7 – Debt, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information.

Contractual Obligations and Commercial Commitments

For the three-month period ended September 30, 2022, there has been no material change to the contractual obligations and commercial commitments disclosed in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Off-balance sheet arrangements

We do not engage in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as variable interest entities, structured finance, or special purpose entities, as part of our ongoing business. Accordingly, our operating results, financial condition and cash flows are not subject to off-balance sheet risks.

Significant Accounting Estimates

Our consolidated financial statements and the related notes thereto are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expense and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions and any such differences may be material. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

During the three-month period ended September 30, 2022, there were no significant changes to our critical accounting policies and estimates. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended December 31, 2021, filed on February 24, 2022, for a more complete discussion of our critical accounting policies and estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Excluding the impact of changes in interest rates and the uncertainty in the global financial markets, there have been no material changes to our market risk for the three-month period ended September 30, 2022. We conduct business in all parts of the world and are thereby exposed to market risks related to fluctuations in foreign currency exchange rates. The U.S. dollar is the single largest currency in which our revenue contracts are denominated. Any decline in the value of local foreign currencies against the U.S. dollar results in our products and services being more expensive to a potential foreign customer. In those instances where our goods and services have already been sold, receivables may be more difficult to collect. Additionally, in jurisdictions where the revenue contracts are denominated in U.S. dollars and operating expenses are incurred in the local currency, any decline in the value of the U.S. dollar will have an unfavorable impact to operating margins. We have not entered into any foreign currency hedging transactions. We do not purchase or hold any derivative financial instruments for speculation or arbitrage.

We do not hold any cash in any investment accounts and all cash is deposited with financial institutions that management believes are of high credit quality. The Company's cash consists primarily of U.S. dollar denominated demand accounts.

We had \$28.7 million of debt outstanding on our term loan facility and \$0.0 million of debt outstanding on our revolving credit facility as of September 30, 2022 under our BofA Credit Agreement. The Company is exposed to interest rate risk from fluctuations in the US Dollar London Interbank Offered Rate, or LIBOR, that is a component of the interest rate used to calculate interest expense on the debt. Interest accrues on the outstanding principal amount of the term loan on a quarterly basis and is equal to the selected rate per annum determined by reference to the 1-month, 3-month or 6-month US Dollar LIBOR rate as selected by the Company, plus an applicable margin between 1.75% and 2.25% as determined by our financial performance as measured by the consolidated leverage ratio. At September 30, 2022, the applicable margin was 1.75% and the effective interest rate on the term loan was 5.15%. A hypothetical 100-basis point increase in interest rates, and assuming a constant applicable margin, would result in an additional \$0.3 million in interest expense related to the external debt per year.

In July 2017, the head of the United Kingdom Financial Conduct Authority, or FCA, which regulates LIBOR, announced it will no longer compel banks to submit rates for the calculation of LIBOR after 2021. On December 31, 2021, the 1-week and 2-month US Dollar LIBOR rates ceased, but the remaining five US Dollar LIBOR tenors (overnight, 1-month, 3-month, 6-month and 12-month) will not cease until June 30, 2023. The Company's current term loan with Bank of America was borrowed as a Eurodollar loan which is indexed to the Eurodollar Rate (the rate equal to LIBOR). The BofA Credit Agreement matures on November 17, 2026, which is after the cessation of all tenors of the US Dollar LIBOR rate. The BofA Credit Agreement contemplates the discontinuation of LIBOR and provides that a benchmark replacement rate shall be determined by reference to other applicable rates and additionally allows the Company to switch to a Base Rate loan, as defined in the BofA Credit Agreement. The Company will continue to actively assess the related opportunities and risks involved in this transition.

For a discussion of current market conditions resulting from the business shut downs and other restrictions resulting from government efforts to combat the impact of the COVID-19 pandemic, refer to Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and to Part II, Item 1A, "Risk Factors".

There have been no other material changes in our market risk since December 31, 2021.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended, or the Exchange Act), as of September 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures are effective at a reasonable assurance level.

Changes in internal control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on effectiveness of controls and procedures

None.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Third parties may from time to time assert legal claims against us. Our industry is characterized by vigorous protection and pursuit of intellectual property rights. A number of companies hold a large number of patents that may cover technology necessary to our products. We have in the past received and expect to continue to receive claims by third parties that we infringe their intellectual property rights. In the opinion of management, we believe we have established adequate accruals pursuant to U.S. generally accepted accounting principles for any expected future liability with respect to pending lawsuits, claims and proceedings, where the nature and extent of any such liability can be reasonably estimated based on presently available information. However, there can be no assurance that the final resolution of any existing or future lawsuits, claims or proceedings will not have a material adverse effect on our business, results of operations, financial conditions, or cash flows.

For additional information, see Note 14 – Commitments and contingencies in the Notes to the Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q and Part I, Item 3. Legal Proceedings in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Item 1A. Risk Factors.

There have been no material changes to the risk factors as disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 except as discussed below. Additional risk and uncertainties, including risks and uncertainties not presently known to us, or that we currently deem immaterial, could also have an adverse effect on our business, financial condition and/or results of operations.

The invasion of Ukraine by Russia and the resulting sanctions by governments against Russia, Belarus and certain regions of Ukraine could adversely affect our business, financial condition and results of operations.

On February 24, 2022, Russia invaded Ukraine, following its February 21, 2022, recognition of the Donetsk People's Republic (DNR) and the Luhansk People's Republic (LNR). As a result of Russia's military action in the region, the United States, the United Kingdom, the European Union, Canada, Switzerland, and Japan among other countries, have imposed several sanctions against Russia, Belarus, the DNR and LNR regions of the Ukraine (to complement the existing sanctions in Crimea), certain Russian banks and certain named individuals. Although we cannot predict the length, impact or outcome of the ongoing military conflict in Ukraine, the conflict may lead to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as increase in cyberattacks and espionage.

As a result of the sanctions imposed by the United States, United Kingdom and European Union, including sanctions imposing additional export restrictions on select products, we are no longer able to sell or distribute our products or services to the DNR, LNR or Crimea regions of Ukraine, have ceased the sale or distribution of products and the provision of service, to Russia or Belarus, closed our operations and terminated our employees in Russia. We cannot predict how long these restrictions will continue. These actions will have an adverse impact on our revenues and results of operations. In addition, the situation is rapidly evolving, and additional sanctions, export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries may be imposed. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations.

In addition, we retain contractors in Ukraine to provide engineering design services for select products. If these contractors are unable to continue providing such engineering design services, our ability to release new or enhanced products may be adversely impacted, curtailed or delayed. If we are unable to release new or updated versions of these products, our sales may be adversely impacted, we may be unable to keep up with advances in technology or functionality, and we may lose customers to competitors who are able to release technologically advanced products, which could adversely affect our business, financial condition and results of operations.

We face risks related to actual or threatened health epidemics and other outbreaks, which could significantly disrupt our manufacturing, sales and other operations.

Our business has been and may continue to be adversely impacted by the effects of a widespread outbreak of contagious disease, such as COVID-19. The COVID-19 pandemic has and could continue to impact our supply operations; for example, due to recent outbreaks of COVID-19 in China, regions where we manufacture some of our products in China were shut down in early 2022,

reopening in the second quarter, causing an inability to manufacture our products and a reduction in the capacity of our supply chain during the shutdown. In addition, closures by the Chinese government in Shanghai over the same period resulted in closures of our third-party logistics and warehousing supplier, adversely impacting our ability to ship product in the first quarter, that did not ease until early in the second quarter. These shutdowns in China have, and if imposed again in the future, may adversely impact our revenues, business, financial condition and results of operations. If continued shutdowns cause any of our suppliers to cease operating, we may have to move production to an alternate supplier, and as a result, we have sought and may continue to seek alternate sources of supply which may be more expensive, unavailable or may result in delays in shipments to us and from our supply chain and subsequently to our customers. In addition, constraints on supply operations as a result of COVID-19 have resulted and could continue to result in component part shortages due to global capacity constraints. These restrictions and shortages have and may in the future cause lead times for our products to increase, making it difficult to meet demand.

In an effort to halt the outbreak of COVID-19, if China or other governments place renewed significant restrictions on travel, leading to extended business closures, such as the recent closures at our third-party manufacturers in China, our business will be adversely impacted. Our suppliers and third-party manufacturers could continue to be disrupted by worker absenteeism, quarantines, office and factory closures, and shutdowns could continue to lead to disruptions to ports and other shipping infrastructure, or other travel or health-related restrictions and such restrictions could spread to other locations where we outsource manufacture or distribution of our products if the virus and its variants continues to spread or resurge. Our supply chain operations have been and could continue to be affected or curtailed by the outbreak of COVID-19.

Any future pandemic could have a similar impact on our supply chain, which would adversely affect our business, operations and customer relationships. We may need to seek alternate sources of supply which may be more expensive, unavailable or may result in delays in shipments to us from our supply chain and subsequently to our customers. Further, if our distributors' or end user customers' businesses are similarly affected, they might delay or reduce purchases from us, which could adversely affect our results of operations.

In addition, freight and logistics constraints caused in part by restrictions imposed by governments to combat the COVID-19 pandemic, as well as container, trucking and carriage shortages, have resulted in the past and may in the future result in increased costs and constrained available transport, for us and our channel partners.

The extent to which the COVID-19 pandemic or any other pandemic will impact our business and financial results going forward will be dependent on future developments such as the length and severity of the crisis, the potential resurgence of COVID-19 or other pandemic and its variants in the future, future government actions in response to the crisis, the acceptance and effectiveness of the COVID-19 vaccines and the overall impact of the COVID-19 pandemic on the global economy and capital markets, among many other factors, all of which remain highly uncertain and unpredictable. We cannot at this time quantify or forecast the business impact of COVID-19, and there can be no assurance that the COVID-19 pandemic or other health crisis will not have a material and adverse effect on our business, financial results and financial condition.

We require third-party components, including components from limited or sole source suppliers, to build our products. The unavailability of these components has and could continue to substantially disrupt our ability to manufacture our products and fulfill sales orders.

We rely on third-party components to build our products, and we generally rely on our third-party manufacturers to obtain the components necessary for the manufacture of our products. If we underestimate our requirements or our third-party suppliers are not able to timely deliver components, our third-party manufacturers may have inadequate materials and components required to produce our products. This could result in an interruption in the manufacture of our products, delays in shipments and deferral or loss of revenues.

We have in the past and may again in the future experience shortages in available supply of required components, as well as an increase in the costs of components particularly semiconductor-related components and including components provided by Qualcomm. Foundries have experienced capacity shortages and have responded by allocating existing supply among their customers, including us. This capacity shortage has resulted in supply shortages that have caused increased lead times for many of our products and an increase in cost to manufacture our products. In addition, a global increase in demand for bandwidth has resulted in additional demand for products such as ours. Unpredictable price increases for such components has also occurred and may continue. We and our third-party manufacturers generally rely on purchase orders rather than long-term contracts with suppliers of required components. As a result, our third-party manufacturers have not been able to secure sufficient components, or at reasonable prices or of acceptable quality to build our products in a timely manner, adversely impacting our ability to meet demand for our products, and these constraints are expected to continue. As a result, we have and may need to continue to build inventory in response to component shortages, increasing our costs and our use of cash. In addition, if our component suppliers cease manufacturing needed components,

we could be required to redesign our products to incorporate components from alternative sources or designs, a process which would cause significant delays in the manufacture and delivery of our products.

During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, we entered into agreements with contract manufacturers and suppliers that allow them to procure inventory based upon criteria defined by us, such as forecasted demand, or establish the parameters defining our requirements. We have in the past and may continue to be liable to purchase excess produced or aged material from our suppliers, following reasonable mitigation efforts, if our forecast exceeds supply needs, increasing our costs, which could adversely impact our results of operations.

We currently depend on a limited number of suppliers for several critical components for our products, and in some instances, we use sole or single source suppliers for our components to simplify design and fulfillment logistics. Many of these components are also widely used in other product types. Shortages, such as those we are currently experiencing, are possible and our ability to predict the availability of such components may be limited. In the event of a shortage or supply interruption from our component suppliers, we or our third-party manufacturers may not be able to develop alternate or second sources in a timely manner, on commercially reasonable terms or at all, and the development of alternate sources may be time-consuming, difficult and costly. Suppliers allocating their existing short supplies may allocate an insufficient quantity of supplies to us which would result in delays in lead times for manufacture of our products and our inability to timely meet customer demand for our products. Any resulting failure or delay in shipping products could result in lost revenues and a material and adverse effect on our operating results.

We outsource manufacturing to third-party manufacturers operating outside of the U.S., subjecting us to risks of international operations.

Our third-party manufacturers predominantly operate outside of the U.S. causing us to face risks to our business based on changes in tariffs, trade barriers, export regulations, political conditions and contractual restrictions. For example, our cost of goods in the Wi-Fi and switch products, as well as most of our ePMP products, has been adversely affected by U.S. tariffs on goods produced for us in China and later imported into the United States. Our products manufactured in China and elsewhere have and may continue to be adversely affected by the outbreak of diseases such as COVID-19, as a result of government shutdowns or other restrictions on our manufacturing processes by our third-party manufacturers in China as well as on our third party logistics and warehousing supplier, impacting our ability to distribute products from our distribution centers. Products that we have manufactured for us in China, Mexico, and elsewhere may also be subject to any uncertainty of trade relations between such countries and the United States, which could cause the cost of our products manufactured there to rise, or result in our inability to continue to manufacture in such country. These constraints may result in a need to find alternative sources of manufacture, which could result in the delay of manufacture and supply of our products, increase our cost of manufacture, and cause a delay in our shipments to customers and a delay or cancellation of orders. If tensions between the United States and China increase, or if the United States or the United Kingdom or other countries impose restrictions or sanctions on our ability to do business in China or elsewhere, our ability to manufacture and distribute our products and our future operating results and financial condition could be materially adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

We have filed the exhibits listed on the accompanying Exhibit Index, which is incorporated herein by reference.

EXHIBIT INDEX

| Exhibit Number | Description |
|-----------------------|---|
| 31.1* | Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

* Filed herewith.

+ Indicates management contract or compensatory plan

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cambium Networks Corporation

Date: November 4, 2022

By: _____ /s/ ATUL BHATNAGAR
Atul Bhatnagar
President and Chief Executive Officer

Date: November 4, 2022

By: _____ /s/ ANDREW BRONSTEIN
Andrew Bronstein
Chief Financial Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Atul Bhatnagar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cambium Networks Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

By: _____ /s/ ATUL BHATNAGAR

Atul Bhatnagar
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew Bronstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cambium Networks Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

By: _____ /s/ ANDREW BRONSTEIN

**Andrew Bronstein
Chief Financial Officer**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cambium Networks Corporation (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2022

By: _____ /s/ ATUL BHATNAGAR

Atul Bhatnagar
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cambium Networks Corporation (the "Company") on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2022

By: _____
/s/ ANDREW BRONSTEIN
Andrew Bronstein
Chief Financial Officer
