



February 10, 2020

Cambium Networks CFO Commentary on Fourth Quarter and Full Year 2019 Financial Results

Note: This document should be read in conjunction with the Fourth Quarter and Full Year 2019 Financial Results and includes a discussion of certain non-GAAP⁽¹⁾ results

Fourth Quarter 2019:

Income Statement:

GAAP revenues of \$64.1 million for the fourth quarter 2019 increased \$0.8 million year-over-year, the 23rd consecutive quarter of year-over-year growth, primarily as a result of 186% growth in enterprise Wi-Fi solutions, which continued to reach record revenues, and increased demand for Point-to-Point products, offset by lower Point-to-Multi-Point revenues. Revenues for the fourth quarter 2019 decreased \$1.6 million compared to \$65.7 million for the third quarter 2019, driven by a decrease in demand for Point-to-Multi-Point products as a result of a larger customer's technology transition and year-end inventory rebalancing at some European customers after four consecutive quarters of strong year-over-year growth for EMEA. The sequential decrease in Point-to-Multi-Point products was countered by 14% sequential growth in both the enterprise Wi-Fi solutions and Point-to-Point products.

For the full year 2019, GAAP revenues of \$267.0 million increased by \$25.3 million, up 10% compared to full year 2018. The annual growth was primarily driven by increased revenues in both enterprise Wi-Fi and Point-to-Multi-Point products. Enterprise Wi-Fi revenues grew 82% and Point-to-Multi-Point products increased 7% compared to calendar year 2018. The Point-to-Point products were approximately flat during full year 2019 compared to 2018.

Revenues by region:

During the fourth quarter 2019, North America, our largest region, represented 45% of company revenues, compared to 45% from the prior year, and 44% during the third quarter 2019. North America grew 3% year-over-year and was flat compared to the third quarter 2019. Europe, Middle East and Africa (EMEA), our second largest region, decreased 11% year-over-year and 12% sequentially and represented 30% of revenues during the fourth quarter 2019, decreasing from 34% of revenues from the prior year, and 33% of revenues during the third quarter 2019, due to softness in EMEA from year-end inventory rebalancing, and a result of some of our larger customers transitioning to our next generation higher-speed broadband solutions using our

Wi-Fi 6 and next generation 60 and 28GHz products. Asia Pacific (APAC) revenues increased 2% year-over-year and improved by 8% sequentially and represented 12% of company revenues. Caribbean and Latin America (CALA) represented 13% of revenues during the fourth quarter 2019, growing 32% year-over-year and increasing 3% sequentially.

GAAP gross margin for the fourth quarter 2019 was 52.0%, compared to 48.1% for the fourth quarter 2018, and 48.4% for the third quarter 2019. For the full year 2019, GAAP gross margin was 49.1%, compared to 47.8% for 2018.

Non-GAAP gross margin for the fourth quarter 2019 was 52.4%, the highest non-GAAP gross margin in two and a half years, and compared to 48.3% for the fourth quarter 2018, and 48.7% for the third quarter 2019. The year-over-year improvement in non-GAAP gross margin by 410 basis points is the result of a mix of higher margin enterprise Wi-Fi and PTP products, lower inventory reserves, and key initiatives put in place focused on cost reductions, price management, and supply chain efficiency. The improvement of 370 basis points in non-GAAP gross margin compared to the third quarter 2019 is mostly the result of mix of higher margin products and cost and supply chain efficiencies.

For the full year 2019, Non-GAAP gross margin was 49.5%, compared to 47.9% for 2018. The non-GAAP gross margin improvement for calendar 2019 reflects higher volumes, improved product and geographic mix, price management, cost reductions and supply chain efficiencies.

Cost Structure:

GAAP operating expenses (Research and development, sales and marketing, general and administrative, depreciation and amortization) were \$31.4 million for the fourth quarter 2019, compared to \$27.7 million for both the fourth quarter 2018 and the third quarter 2019.

For the full year 2019, GAAP operating expenses were \$129.9 million compared to \$109.1 million for 2018.

Non-GAAP operating expenses were \$29.3 million for the fourth quarter 2019, compared to \$27.1 million for the fourth quarter 2018 and \$26.2 million for the third quarter 2019. When compared to Q3'19, non-GAAP operating expenses increased by approximately \$3.2 million dollars. The majority of the sequential increase in non-GAAP operating expenses was primarily driven by higher R&D headcount as result of the Xirrus acquisition partially offset by savings from our restructuring activities announced on last quarter's conference call.

For the full year 2019, non-GAAP operating expenses were \$109.8 million compared to \$104.9 million for 2018.

GAAP research and development expenses were \$12.1 million for the fourth quarter 2019, compared to \$10.0 million for the fourth quarter 2018 and \$9.9 million for the third quarter 2019.

For the full year 2019, GAAP research and development expenses were \$47.7 million compared to \$38.9 million for 2018.

Non-GAAP research and development expense was \$11.6 million for the fourth quarter 2019, compared to \$10.0 million for the fourth quarter 2018 and \$9.6 million for the third quarter 2019.

For the full year 2019, non-GAAP research and development expenses were \$41.9 million compared to \$38.9 million for 2018.

GAAP sales and marketing expenses were \$11.4 million for both the fourth quarter 2019 and fourth quarter 2018, and \$1.1 million higher than the third quarter 2019 as a result of higher trade show and partners events marketing expenses. Our fourth quarter results are typically affected by higher trade show and partners marketing events.

For the full year 2019, GAAP sales and marketing expenses were \$46.3 million compared to \$42.7 million for 2018.

Non-GAAP sales and marketing expenses were \$10.9 million for the fourth quarter 2019, compared to \$11.4 million for the fourth quarter 2018 and \$10.0 million for the third quarter 2019.

For the full year 2019, non-GAAP sales and marketing expenses were \$41.7 million compared to \$42.7 million for 2018.

GAAP general and administrative expenses were \$5.9 million for the fourth quarter 2019, compared to \$4.6 million for the fourth quarter 2018 and \$6.0 million for the third quarter 2019.

For the full year 2019, GAAP general and administrative operating expenses were \$30.1 million compared to \$18.8 million for 2018.

Non-GAAP general and administrative expenses were \$5.6 million for the fourth quarter 2019, compared to \$4.6 million for the fourth quarter 2018 and \$5.6 million for the third quarter 2019. The year-over-year increase is a result of transitioning to a public company.

For the full year 2019, non-GAAP general and administrative operating expenses were \$21.9 million compared to \$18.8 million for 2018.

GAAP depreciation and amortization expenses were \$1.9 million for the fourth quarter 2019, compared to \$1.6 million for the fourth quarter 2018 and \$1.4 million for the third quarter 2019.

For the full year 2019, GAAP depreciation and amortization expenses were \$5.9 million compared to \$8.8 million for 2018.

Non-GAAP depreciation and amortization expenses were \$1.3 million for the fourth quarter 2019, compared to \$1.0 million for both the fourth quarter 2018 and the third quarter 2019.

For the full year 2019, non-GAAP depreciation and amortization expenses were \$4.3 million compared to \$4.6 million for 2018.

GAAP operating income for the fourth quarter 2019 was \$1.9 million, compared to \$2.8 million during the fourth quarter 2018, and \$4.1 million for the third quarter 2019.

Full year 2019 GAAP operating income of \$1.3 million compared to \$6.4 million during 2018.

Non-GAAP operating income for the fourth quarter 2019 was \$4.3 million, compared to \$3.5 million for the fourth quarter 2018, and \$5.8 million for the third quarter 2019. Non-GAAP operating margin was 6.6%, up from 5.5% for Q4'18, and down from 8.8% of revenues in Q3'19.

Non-GAAP operating income was \$22.3 million or 8.3% of revenues for **full year 2019**, compared to \$10.8 million or 4.5% of revenues during 2018.

GAAP tax provision for Q4'19 was \$1.2 million. **Non-GAAP provision for income taxes** was \$289 thousand dollars or a non-GAAP effective tax rate of 11.3% in Q4'19.

For full year 2019, the GAAP tax provision was \$10.3 million. The **non-GAAP income tax provision for full year 2019** was \$2.1 million or a non-GAAP effective tax rate of 14.7 %.

GAAP net loss for the fourth quarter 2019 was \$1.0 million, or a net loss of \$0.04 per diluted share, compared to net income of \$0.7 million, or \$0.05 per diluted share for the fourth quarter 2018, and net income of \$2.0 million, or \$0.08 per diluted share for the third quarter 2019.

GAAP net loss for full year 2019 was \$17.6 million, or a loss of \$0.89 per diluted share, compared to GAAP net loss of \$1.5 million, or a loss of \$0.11 per diluted share for full year 2018.

Non-GAAP net income for the fourth quarter 2019 was \$2.3 million, or \$0.09 per diluted share, compared to \$0.9 million, or \$0.07 per diluted share for the fourth quarter 2018, and \$3.7 million, or \$0.15 per diluted share for the third quarter 2019.

Full year 2019 non-GAAP net income was \$12.1 million or \$0.47 per diluted share, compared to \$1.9 million, or \$0.14 per diluted share for 2018.

Adjusted EBITDA for the fourth quarter 2019, was \$5.3 million or 8.2% of revenues, compared to adjusted EBITDA of \$4.5 million or 7.2% of revenues for the fourth quarter 2018, and \$6.8 million or 10.3% of revenues for the third quarter 2019.

Full year 2019 adjusted EBITDA was \$26.2 million or 9.8% of revenues, compared to \$15.3 million or 6.3% of revenues for the full year 2018. We are committed to continuing to drive our Adj. EBITDA expansion to our target model of 18-19% of revenues of revenues over the next few years.

Balance Sheet:

Cash totaled \$19.3 million as of December 31, 2019, \$14.9 million higher than December 31, 2018, and an increase of \$0.4 million from September 30, 2019. The increase in cash balance for the fourth quarter 2019 from the third quarter 2019 was primarily the result of stronger working capital management as a result of a \$3.8 million increase in payables, improved inventories, offset by a \$2.7 million performance payment for the Xirrus Wi-Fi assets, and a \$2.4 million paydown of debt.

Long-term external debt including the current portion stood at \$63.6 million at December 31, 2019, a decrease of \$39.4 million from the fourth quarter of 2018 and \$2.2 million lower than the third quarter 2019 as a result of the debt paydown.

Net accounts receivable totaled \$58.6 million at the end of the fourth quarter 2019, compared to net receivables \$60.4 million during the fourth quarter of the prior year, and \$59.8 million at the end of the third quarter 2019. Days Sales Outstanding for the fourth quarter stood at 78 days, a decrease of 1 day from the prior year and an increase of 4 days from the third quarter 2019.

Days payable stood at 59 days at the end of the fourth quarter 2019, an increase of 6 days from the fourth quarter of the prior year, and up 19 days from the third quarter 2019.

Net inventories were \$41.7 million during the fourth quarter 2019, an increase of \$11.0 million year-over-year, and a decrease of \$0.3 million from the third quarter 2019, as we take actions to reduce inventories due to a technology transition. Days Inventory Outstanding increased in the fourth quarter 2019 to 129 days compared to 85 days during the fourth quarter of the prior year and increased from 110 days during the third quarter 2019. Our intent is to reduce inventory days back to our target range of between 80 and 90 days within the next few quarters.

Cash Flow:

Cash provided by operating activities was \$6.1 million for the fourth quarter 2019, due primarily to stronger working capital management, compared to cash used in operating activities of \$5.7 million for the fourth quarter 2018, and \$11.8 million cash used in operating activities for the third quarter 2019.

For the full year 2019, cash provided by operating activities was \$3.6 million. If we exclude the one-time IPO expenses of \$8.6 million for 2019, operating cash for the full year 2019 would be approximately \$12.2 million, compared to cash used in operating activities of \$10.4 million during calendar 2018.

Capital expenditures for property and equipment and software were \$0.5 million during the fourth quarter 2019, compared with \$2.4 million reported during the fourth quarter 2018, and \$1.0 million during the third quarter 2019.

For the full year 2019, capital expenditures were \$3.9 million.

First Quarter 2020 Financial Outlook

Taking into account our current visibility, the financial outlook as of February 10, 2020 for the first quarter ending March 31, 2020 and full year 2020 is expected to be as follows:

- GAAP revenues between \$56.0-\$60.0 million
- GAAP gross margin between 48.6%-50.2%; and non-GAAP gross margin between 49.0%-50.5%
- GAAP operating (loss)income between (\$1.5)-\$0.5 million; and non-GAAP operating income between \$0.0-\$2.0 million
- GAAP net loss between \$3.0-\$1.4 million or between \$0.12 and \$0.05 per diluted share; and non-GAAP net (loss)income between (\$1.2)-\$0.4 million or between (\$0.05) and \$0.02 per diluted share
- Adjusted EBITDA between \$1.1-\$3.1 million; and adjusted EBITDA margin between 2.0%-5.2%
- GAAP taxes between 19.0%-21.0%; and a non-GAAP effective tax rate of approximately 17.0%-19.0%
- Approximately 25.6 million weighted average diluted shares outstanding

Cash requirements are expected to be as follows:

- Paydown of debt: \$2.5 million
- Interest expense: approximately \$1.1 million
- Capital expenditures: \$1.0-\$1.3 million
- Pre-tax restructuring charges \$0.8-\$0.9 million

Full Year 2020 Financial Outlook

- GAAP revenues between \$262.0-\$272.0 million
- Adjusted EBITDA margin between 10.0%-12.0%

Cambium Networks is taking additional steps in connection with its previously announced corporate restructuring to continue to better align our cost structure with current economic conditions and position the company to achieve long-term targets and operating growth. The additional restructuring will only affect personnel, including contract employees, and is expected to be complete by the end of 2020. We expect to incur between \$1.2-\$1.4 million dollars of additional restructuring charges mainly consisting of severance costs over the first three quarters of 2020.

Cambium Networks financial outlook does not include the potential impact of any possible future financial transactions, pending legal matters, or other transactions. Accordingly, Cambium Networks only includes such items in the company's financial outlook to the extent they are reasonably certain; however, actual results may differ materially from the outlook.

Cautionary Note Regarding Forward-Looking Statements

This release contains certain forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact contained in this document, 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, you can identify forward-looking statements 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 document 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 document and are subject to a number of risks, uncertainties and assumptions including those described in the "Risk factors" section of our third quarter Form 10-Q filed with the Securities and Exchange Commission. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements 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 unpredictability of our operating results; our inability to predict and respond to emerging technological trends and network operators' changing needs; 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; the quality of our support and services offerings; our expectations regarding outstanding litigation; our or our distributors' and channel partners' inability to attract new network operators or sell additional products to network operators that currently use our products; the difficulty of comparing or forecasting our financial results on a quarter-by-quarter basis due to the seasonality of our business; our limited or sole source suppliers' inability to produce third-party components to build our products; the technological complexity of our products, which may contain undetected hardware defects or software bugs; 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 manage our growth and expand our operations; unpredictability of sales and revenues due to lengthy sales cycles; our inability to maintain an effective system of internal controls, remediate our material weakness, 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; current or future unfavorable economic conditions, both domestically and in foreign markets; and our inability to obtain intellectual property protections for our products.

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.

CAMBIUM NETWORKS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATION
(In thousands, except share and per share amounts)
(unaudited)

	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Revenues	\$ 64,062	\$ 65,703	\$ 63,309	\$ 267,028	\$ 241,762
Cost of revenues	30,767	33,871	32,838	135,799	126,267
Gross profit	33,295	31,832	30,471	131,229	115,495
<i>Gross margin</i>	<i>52.0%</i>	<i>48.4%</i>	<i>48.1%</i>	<i>49.1%</i>	<i>47.8%</i>
Operating expenses					
Research and development	12,126	9,895	10,034	47,692	38,917
Sales and marketing	11,445	10,363	11,368	46,253	42,658
General and administrative	5,936	5,996	4,640	30,125	18,804
Depreciation and amortization	1,901	1,449	1,609	5,858	8,765
Total operating expenses	31,408	27,703	27,651	129,928	109,144
Operating income	1,887	4,129	2,820	1,301	6,351
<i>Operating margin</i>	<i>2.9%</i>	<i>6.3%</i>	<i>4.5%</i>	<i>0.5%</i>	<i>2.6%</i>
Interest expense	1,402	2,105	2,234	8,076	8,113
Other expense	295	61	93	546	550
Income (loss) before income taxes	190	1,963	493	(7,321)	(2,312)
Provision (benefit) for income taxes	1,239	3	(251)	10,280	(799)
Net (loss) income	\$ (1,049)	\$ 1,960	\$ 744	\$ (17,601)	\$ (1,513)
(Loss) income per share					
Basic and diluted	\$ (0.04)	\$ 0.08	\$ 0.05	\$ (0.89)	\$ (0.11)
Weighted-average number of shares outstanding to compute net (loss) income per share					
Basic and diluted	25,635,050	25,634,417	13,600,411	19,732,956	13,600,411
Share-based compensation included in costs and expenses:					
Cost of revenues	\$ 15	\$ 14	\$ —	\$ 211	\$ —
Research and development	301	199	—	5,363	—
Sales and marketing	204	374	—	4,185	—
General and administrative	270	241	—	7,937	—
Total share-based compensation expense	\$ 790	\$ 828	\$ —	\$ 17,696	\$ —

CAMBIUM NETWORKS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Current assets		
Cash	\$ 19,346	\$ 4,441
Accounts receivable, net of allowance	58,628	60,389
Inventories, net	41,670	30,710
Recoverable income taxes	—	679
Prepaid expenses	5,323	3,465
Other current assets	4,350	5,889
Total current assets	<u>129,317</u>	<u>105,573</u>
Noncurrent assets		
Property and equipment, net	8,314	7,965
Software, net	3,395	3,944
Operating lease assets	6,872	—
Intangible assets, net	15,100	8,493
Goodwill	8,552	8,060
Deferred tax assets, net	592	8,022
TOTAL ASSETS	<u>\$ 172,142</u>	<u>\$ 142,057</u>
LIABILITIES AND EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 25,214	\$ 23,710
Accrued liabilities	15,034	18,263
Employee compensation	4,652	4,377
Current portion of long-term external debt	9,454	8,836
Payable to Sponsor	—	5,582
Deferred revenues	7,430	2,770
Other current liabilities	6,084	2,761
Total current liabilities	<u>67,868</u>	<u>66,299</u>
Noncurrent liabilities		
Long-term external debt	54,158	94,183
Deferred revenues	4,852	1,541
Noncurrent operating lease liabilities	5,335	—
Other noncurrent liabilities	—	605
Total liabilities	<u>132,213</u>	<u>162,628</u>
Shareholders' equity (deficit)		
Share capital; \$0.0001 par value; 500,000,000 shares authorized at December 31, 2018 and December 31, 2019; 77,179 shares issued and outstanding at December 31, 2018 and 25,727,937 issued and 25,636,812 outstanding at December 31, 2019	3	-
Additional paid in capital	104,773	772
Capital contribution	—	24,651
Treasury shares, at cost, 0 shares at December 31, 2018 and 91,125 shares at December 31, 2019	(1,094)	—
Accumulated deficit	(63,374)	(45,773)
Accumulated other comprehensive loss	(379)	(221)
Total shareholders' equity (deficit)	<u>39,929</u>	<u>(20,571)</u>
TOTAL LIABILITIES AND EQUITY (DEFICIT)	<u>\$ 172,142</u>	<u>\$ 142,057</u>

CAMBIUM NETWORKS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended		
	December 31, 2019	September 30, 2019	December 31, 2018
Cash flows from operating activities:			
Net (loss) income	\$ (1,049)	\$ 1,960	\$ 744
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,046	1,568	1,688
Amortization of debt issuance costs	136	663	151
Share-based compensation	790	828	-
Deferred income taxes	(97)	(9)	(799)
Other	(95)	(31)	62
Change in assets and liabilities:			
Receivables	(31)	2,423	(3,503)
Inventories	1,028	(1,977)	(556)
Accounts payable	3,753	(6,223)	(1,805)
Accrued employee compensation	(329)	(1,394)	(134)
Other assets and liabilities	(7)	(9,609)	(1,504)
Net cash provided by (used in) operating activities	<u>6,145</u>	<u>(11,801)</u>	<u>(5,656)</u>
Cash flows from investing activities:			
Purchase of property and equipment	(467)	(828)	(1,778)
Purchase of software	(72)	(157)	(670)
Cash paid for acquisition	(2,666)	(2,000)	—
Net cash used in investing activities	<u>(3,205)</u>	<u>(2,985)</u>	<u>(2,448)</u>
Cash flows from financing activities:			
Proceeds from issuance of term loan	—	—	9,962
Proceeds from issuance of revolver debt	—	—	38
Repayment of term loan	(2,375)	(23,087)	(1,125)
Repayment of revolver debt	—	(10,000)	—
Payment of debt issuance costs	—	(128)	(396)
Proceeds from initial public offering, net of underwriters commission and fees and payment of deferred offering costs	(181)	(3,428)	—
Taxes paid related to net share settlement of equity awards	—	(802)	—
Net cash (used in) provided by financing activities	<u>(2,556)</u>	<u>(37,445)</u>	<u>8,479</u>
Effect of exchange rate on cash	12	(65)	(89)
Net increase (decrease) in cash	396	(52,296)	286
Cash, beginning of period	18,950	71,246	4,155
Cash, end of period	<u>\$ 19,346</u>	<u>\$ 18,950</u>	<u>\$ 4,441</u>
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 270	\$ 1,076	\$ 1,074
Interest paid	\$ 1,185	\$ 1,371	\$ 2,507
Significant non-cash activities:			
Issuance of shares for unreturned capital and accumulated yield	\$ —	\$ —	\$ —
Deferred offering costs included in accrued liabilities	\$ —	\$ 179	\$ —

CAMBIUM NETWORKS CORPORATION
SUPPLEMENTAL FINANCIAL INFORMATION
(In thousands)
(unaudited)

REVENUES BY PRODUCT TYPE

	Three Months Ended			Year Ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Point-to-Multi-Point	\$ 33,244	\$ 38,856	\$ 41,289	\$ 156,157	\$ 146,621
Point-to-Point	18,178	15,976	17,405	71,618	71,678
Wi-Fi	11,521	10,141	4,034	35,678	19,571
Other	1,119	730	581	3,575	3,892
Total Revenues	<u>\$ 64,062</u>	<u>\$ 65,703</u>	<u>\$ 63,309</u>	<u>\$ 267,028</u>	<u>\$ 241,762</u>

REVENUES BY REGION

	Three Months Ended			Year Ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
North America	\$ 29,113	\$ 29,032	\$ 28,202	\$ 122,565	\$ 108,884
Europe, Middle East and Africa	19,217	21,749	21,535	85,930	75,503
Caribbean and Latin America	8,240	8,008	6,234	31,767	29,833
Asia Pacific	7,492	6,914	7,338	26,766	27,542
Total Revenues	<u>\$ 64,062</u>	<u>\$ 65,703</u>	<u>\$ 63,309</u>	<u>\$ 267,028</u>	<u>\$ 241,762</u>

⁽¹⁾Use of non-GAAP (Adjusted) Financial Measures

In addition to providing financial measurements based on generally accepted accounting principles in the United States (GAAP), we provide additional financial metrics that are not prepared in accordance with GAAP (non-GAAP), including Adjusted EBITDA, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income and non-GAAP operating margin, non-GAAP pre-tax income, non-GAAP provision for income taxes, non-GAAP net income, and non-GAAP fully weighted basic and diluted shares. Management uses these non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes, to measure executive compensation and to evaluate our financial performance. We believe that these non-GAAP financial measures help us to identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in the calculations of the non-GAAP financial measures.

Accordingly, we believe that these financial measures reflect our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business and provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects. Excluding these non-GAAP measures eliminate the variability caused by share-based compensation as a result of the variety of equity awards used by other companies and the varying methodologies and assumptions used, the variability caused by purchase accounting and provide a more relevant measure of operating performance. Although the calculation of non-GAAP financial measures may vary from company to company, our detailed presentation may facilitate analysis and comparison of our operating results by management and investors with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results in their public disclosures. These non-GAAP financial measures are discussed below.

Adjusted EBITDA is defined as net income as reported in our consolidated statements of income excluding the impact of (i) interest expense (income), net; (ii) income tax provision (benefit); (iii) depreciation and amortization expense; (iv) Sponsor fees associated with advisory services, and (v) share-based compensation expense (v) share-based compensation expense, (vi) one-time acquisition costs, and (vii) restructuring expenses. EBITDA is widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortization expense). We adjust EBITDA to also exclude Sponsor fees, in order to eliminate the impact on reported performance caused by these fees, which are related to our past ownership structure. We adjust EBITDA for share-based compensation expense which is a non-cash expense that varies in amount from period to period and is dependent on market forces that are often beyond Cambium Networks control. As a result, management

excludes this item from Cambium Networks internal operating forecasts and models. We also adjust EBITDA to exclude one-time acquisition costs and restructuring expenses as these relate to events outside of the ordinary course of continuing operations and to provide a more accurate comparison of our ongoing business results.

Non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income and non-GAAP operating margin, and non-GAAP net income are used as a supplement to our unaudited consolidated financial statements presented in accordance with GAAP. We believe these non-GAAP measures are the most meaningful for period to period comparisons because they exclude the impact of share-based compensation expense, amortization of acquired intangibles, and amortization of capitalized software costs as we do not consider these costs and expenses to be indicative of our ongoing operations.

- Share-based compensation expense and associated employment taxes paid. Management may issue different types of awards, including share options, restricted share awards and restricted share units, as well as awards with performance or other market characteristics, and excludes the associated expense in this non-GAAP measure. Share-based compensation expense is a non-cash expense that varies in amount from period to period and is dependent on market forces that are often beyond Cambium Networks control while the associated employment taxes are cash-based expenses that vary in amount from period-to-period and are dependent on market forces as well as jurisdictional tax regulations that are often beyond Cambium Networks control. In addition, in the three-month period ended June 30, 2019, Cambium Networks incurred a one-time share-based compensation expense of \$16.1 million in connection with (i) the recognition of deferred share-based compensation expense and (ii) the issuance of 2,172,000 share options, each upon the completion of our initial public offering as well as employment taxes paid by Cambium Networks in conjunction with the settlement of deferred share-based compensation into ordinary shares.
- Amortization of acquired intangibles includes customer relationships, unpatented technology, patents, software, and trademarks.
- Amortization of capitalized software costs include capitalized research and development activities amortized over their useful life and included in cost of revenues.
- Debt amortization costs associated with the extinguishment of long-term debt. Cambium Networks excludes these expenses from non-GAAP income since they result from an event that is outside the ordinary course of continuing operations.
- Acquisition and integration costs consist of legal and professional fees relations to the acquisition of Xirrus. Cambium Networks excludes these expenses since they result from an event that is outside the ordinary course of continuing operations.
- One-time charges associated with the completion of an acquisition including items such as contract termination costs, severance and other acquisition-related restructuring costs; costs incurred in connection with integration activities; and legal and accounting costs. Cambium Networks excludes

these expenses since they result from an event that is outside the ordinary course of continuing operations.

- Restructuring expenses primarily consist of severance costs for employees which are not related to future operating expenses. Cambium Networks excludes these expenses since they result from an event that is outside the ordinary course of continuing operations. Excluding these charges permits more accurate comparisons of Cambium Networks ongoing business results.

Our non-GAAP tax adjustments include the tax impacts from share-based compensation expense including excess or decremental tax benefits available to the company that are recorded when incurred, one-time and ongoing impacts from the company's valuation allowance recognized in the quarter ended June 30, 2019, and one-time tax impacts from share-based compensation expense incurred upon the completion of our initial public offering as noted above. Cambium Networks excludes these amounts to more closely approximate the company's ongoing effective tax rate (ETR) after adjusting for one-time or unique reoccurring items. The associated non-GAAP effective tax rate is also applied to the gross amount of non-GAAP adjustments for purposes of calculating non-GAAP net income in total and on a per-share basis. This approach is designed to enhance the ability of investors to understand the company's tax expense on its current operations, provide improved modeling accuracy, and substantially reduce fluctuations caused by GAAP adjustments which may not reflect actual cash tax expense.

Non-GAAP fully weighted basic and diluted shares are shown as outstanding during the entire period presented and include dilutive shares, if their effect to earnings per share is dilutive. We also use non-GAAP fully weighted basic and diluted shares to provide more comparable per-share results across periods.

These non-GAAP financial measures do not replace the presentation of our GAAP financial results and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP. There are limitations in the use of non-GAAP measures, because they do not include all the expenses that must be included under GAAP and because they involve the exercise of judgment concerning exclusions of items from the comparable non-GAAP financial measure. In addition, other companies may use other measures to evaluate their performance, or may calculate non-GAAP measures differently, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. We present a "Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures" in the tables below.

The following table reconciles net income (loss) to Adjusted EBITDA, the most directly comparable financial measure, calculated and presented in accordance with GAAP (in thousands):

CAMBIUM NETWORKS CORPORATION
SUPPLEMENTAL SCHEDULE OF NON-GAAP ADJUSTED EBITDA

(In thousands)
(unaudited)

	Three months ended			Year ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Net (loss) income	\$ (1,049)	\$ 1,960	\$ 744	\$ (17,601)	\$ (1,513)
Interest expense, net	1,402	2,105	2,234	8,076	8,113
Provision (benefit) for income taxes	1,239	3	(251)	10,280	(799)
Depreciation and amortization	2,046	1,568	1,689	6,367	9,018
EBITDA	3,638	5,636	4,416	7,122	14,819
Share-based compensation	915	966	—	17,959	—
Sponsor management fee	—	—	125	250	500
Xirus one-time acquisition charges	74	168	—	242	—
Restructuring expense	644	—	—	644	—
Adjusted EBITDA	<u>\$ 5,271</u>	<u>\$ 6,770</u>	<u>\$ 4,541</u>	<u>\$ 26,217</u>	<u>\$ 15,319</u>
Adjusted EBITDA Margin	8.2%	10.3%	7.2%	9.8%	6.3%

The following table reconciles all other GAAP to non-GAAP financial measures (in thousands):

CAMBIUM NETWORKS CORPORATION
RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES
(in thousands, except per share data)
(unaudited)

	Three Months Ended			Year Ended	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
GAAP gross profit	\$ 33,295	\$ 31,832	\$ 30,471	\$ 131,229	\$ 115,495
Share-based compensation expense	15	14	—	211	—
Amortization of capitalized software costs	145	119	80	509	253
Restructuring expense	117	—	—	117	—
Non-GAAP gross profit	<u>\$ 33,572</u>	<u>\$ 31,965</u>	<u>\$ 30,551</u>	<u>\$ 132,066</u>	<u>\$ 115,748</u>
Non-GAAP gross margin	52.4%	48.7%	48.3%	49.5%	47.9%
GAAP research and development expense	\$ 12,126	\$ 9,895	\$ 10,034	\$ 47,692	\$ 38,917
Share-based compensation expense	426	337	—	5,626	—
Restructuring expense	131	—	—	131	—
Non-GAAP research and development expense	<u>\$ 11,569</u>	<u>\$ 9,558</u>	<u>\$ 10,034</u>	<u>\$ 41,935</u>	<u>\$ 38,917</u>
GAAP sales and marketing expense	\$ 11,445	\$ 10,363	\$ 11,368	\$ 46,253	\$ 42,658
Share-based compensation expense	204	374	—	4,185	—
Restructuring expense	362	—	—	362	—
Non-GAAP sales and marketing expense	<u>\$ 10,879</u>	<u>\$ 9,989</u>	<u>\$ 11,368</u>	<u>\$ 41,706</u>	<u>\$ 42,658</u>
GAAP general and administrative expense	\$ 5,936	\$ 5,996	\$ 4,640	\$ 30,125	\$ 18,804
Share-based compensation expense	270	241	—	7,937	—
Xirus one-time acquisition charges	74	168	—	242	—
Restructuring expense	34	—	—	34	—
Non-GAAP general and administrative expense	<u>\$ 5,558</u>	<u>\$ 5,587</u>	<u>\$ 4,640</u>	<u>\$ 21,912</u>	<u>\$ 18,804</u>
GAAP depreciation and amortization	\$ 1,901	\$ 1,449	\$ 1,609	\$ 5,858	\$ 8,765
Amortization of acquired intangibles	593	424	596	1,603	4,199
Non-GAAP depreciation and amortization	<u>\$ 1,308</u>	<u>\$ 1,025</u>	<u>\$ 1,013</u>	<u>\$ 4,255</u>	<u>\$ 4,566</u>
GAAP operating income	\$ 1,887	\$ 4,129	\$ 2,820	\$ 1,301	\$ 6,351
Share-based compensation expense	915	966	—	17,959	—
Amortization of capitalized software costs	145	119	80	509	253
Amortization of acquired intangibles	593	424	596	1,603	4,199
Xirus one-time acquisition charges	74	168	—	242	—
Restructuring expense	644	—	—	644	—
Non-GAAP operating income	<u>\$ 4,258</u>	<u>\$ 5,806</u>	<u>\$ 3,496</u>	<u>\$ 22,258</u>	<u>\$ 10,803</u>
GAAP pre-tax income (loss)	\$ 190	\$ 1,963	\$ 493	\$ (7,321)	\$ (2,312)
Share-based compensation expense	915	966	—	17,959	—
Amortization of capitalized software costs	145	119	80	509	253
Amortization of acquired intangibles	593	424	596	1,603	4,199
Xirus one-time acquisition charges	74	168	—	242	—
Write-down of debt issuance costs upon prepayment of debt	—	527	—	527	—
Restructuring expense	644	—	—	644	—
Non-GAAP pre-tax income	<u>\$ 2,561</u>	<u>\$ 4,167</u>	<u>\$ 1,169</u>	<u>\$ 14,163</u>	<u>\$ 2,140</u>
GAAP provision (benefit) for income taxes	\$ 1,239	\$ 3	\$ (251)	\$ 10,280	\$ (799)
Valuation allowance impacts	1,361	—	(112)	9,599	(112)
Tax impacts of share vesting	277	—	—	2,807	—
Tax effect of share-based compensation expense, amortization of acquired intangibles, Xirus one-time acquisition, restructuring expense using non-GAAP ETR	(688)	(531)	(137)	(4,295)	(859)
All other discrete items	—	85	(239)	85	(104)
Non-GAAP provision for income taxes	<u>\$ 289</u>	<u>\$ 449</u>	<u>\$ 237</u>	<u>\$ 2,085</u>	<u>\$ 276</u>
Non-GAAP ETR	11.3%	10.8%	20.3%	14.7%	12.9%
GAAP net (loss) income	\$ (1,049)	\$ 1,960	\$ 744	\$ (17,601)	\$ (1,513)
Share-based compensation expense	915	966	—	17,959	—
Amortization of capitalized software costs	145	119	80	509	253
Amortization of acquired intangibles	593	424	596	1,603	4,199
Xirus one-time acquisition charges	74	168	—	242	—
Write-down of debt issuance costs upon prepayment of debt	—	527	—	527	—
Restructuring expense	644	—	—	644	—
Non-GAAP adjustments to tax	1,638	85	(351)	12,490	(216)
Tax effect of share-based compensation expense, amortization of acquired intangibles, Xirus one-time acquisition charges, restructuring expense using non-GAAP ETR	(688)	(531)	(137)	(4,295)	(859)
Non-GAAP net income	<u>\$ 2,272</u>	<u>\$ 3,718</u>	<u>\$ 932</u>	<u>\$ 12,078</u>	<u>\$ 1,864</u>
Non-GAAP fully weighted basic and diluted shares	<u>25,637</u>	<u>25,634</u>	<u>13,600</u>	<u>25,637</u>	<u>13,600</u>
Non-GAAP net income per Non-GAAP fully weighted basic and diluted shares	<u>\$ 0.09</u>	<u>\$ 0.15</u>	<u>\$ 0.07</u>	<u>\$ 0.47</u>	<u>\$ 0.14</u>