

## Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23

### **Intro**

#### **Peter Schuman, Vice President, Investor & Industry Analyst Relations**

Thank you [Jules]. Welcome and thank you for joining us today for Cambium Networks first quarter 2023 financial results conference call and welcome to all those joining by webcast.

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

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

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

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

## Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23

included in the safe harbor statement in today's financial results press release and our most recent SEC filings, including our most recent Form 10-K.

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

### **Turning to the agenda...**

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

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

### **Atul Bhatnagar, President & CEO**

Thank you, Peter.

In the first quarter of 2023, revenues grew 25% year-over-year fueled primarily by our Enterprise business, our largest product line, which grew 130% year-over-year. Our gross margin, EBITDA, and profitability remained very strong and exceeded the top end of our guidance, which is a testament both to the competitive differentiation of our products, and our team's laser focus on controlling costs. We have built a broad portfolio of differentiated products as well as an efficient operating cost structure, providing us with the profitability to take advantage of the market trends and invest in new products.

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

Cambium's first quarter 2023 revenues of \$77.4 million were slightly above the mid-point of our outlook of between \$74 to \$80 million announced during the Q4'22 financial results call.

Margins and profitability remained strong, with a gross margin of 52.1%, above the high-end of the outlook, and EPS of \$0.24, also above the high-end of the outlook.

Our Point-to-Point (PTP) results were affected by the timing a large defense deal discussed during our last earnings call, which we now expect to ship in the second quarter.

Within our Point-to-Multi-Point (PMP) solutions, which includes upcoming releases of new innovative products, including advancements in our 28GHz cnWave 5G fixed products, 60GHz cnWave products, and with the final approval of our 6 GHz ePMP 4600 product - we anticipate PMP revenues accelerating in the second half of 2023. Further, late in Q2 we expect to release our exciting new Fiber product, Cambium Fiber - which is powered by our cnMaestro network software, enabling network convergence from a single pane of glass. I will discuss Cambium Fiber in more detail later in this call.

### **Turning to the results of the first quarter 2023**

Looking at revenues across our product lines.

Our enterprise revenues grew 11% sequentially, and increased by 130% year-over-year, as growth was driven by increased supply and strong demand for our Wi-Fi 6 and 6E solutions.

Our PTP revenues decreased by 15% sequentially, while improving 22% year-over-year. We continue to expect strong defense shipments during 2023 as we are engaged in an increasing number of global defense programs of record (POR).

As expected, our PMP business revenues decreased sequentially, lower by 25% quarter-over-quarter, and 28% year-over-year, as service providers are moving from our current generation of PMP 450 products to the new gigabit technologies including 6 GHz upon the FCC's approval, which is expected to drive PMP revenue growth during the second half of the year. We expect an increase in revenues from 28 GHz and 60 GHz millimeter wave solutions, and new 5 GHz and 6

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

GHz products for both the ePMP and new PMP 450v product lines during the second half of calendar 2023.

### **Looking at some notable customer wins and new product developments.**

In North America, we had an additional win with Nextlink for 6 GHz ePMP to meet RDOF requirements ahead of the formal FCC approval. A service provider in the Midwest selected PTP 850 for a next-generation broadband deployment. We were selected for our superior capacity, ease of deployment, and product reliability. We continue to do well in the enterprise education vertical with a win at a mid-Atlantic medical school which included Wi-Fi and switching. This will be an end-to-end Cambium solution; and we were selected for our simple management, ease of deployment, and superior economic value proposition.

In the Europe, Middle East, and Africa region (EMEA) - in Italy, we displaced a competitor with a Cambium ONE Network win at ERG, a renewable energy company that provides wind and solar plants across Europe, for connectivity with a range of Cambium products including our PTP, ePMP, Wi-Fi, and switching solutions. We won this deal due to our strong portfolio of outdoor solutions with compatibility across the entire network, and the ability to manage the network with a single pane of glass.

In England, we won a 60 GHz cnWave deal with Voneus Broadband, one of the largest rural broadband providers in the country, rolling out high-bandwidth internet to enhance the lives of rural communities.

In the Asia Pacific (APAC) region, we landed a sizeable Network-as-a-Service (NaaS) deal for urban connectivity in Perth, Australia with Pentanet. This NaaS order is for our 28 GHz cnWave™ 5G Fixed to connect homes in the region and includes our cnMaestro X cloud software. The 5G service will increase Pentanet's service offering and capacity, increasing its ability to service and add more users at a higher data rate. The multi-year deal amounts in total to approximately \$4 million dollars.

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

Cambium will also provide wireless connectivity for the 2023 Southeast Asian Games in May. This win is significant as Cambium displaced two Chinese competitors.

And in the Caribbean and Latin America (CALA) region, Pemex, Mexico's large state-owned oil & gas company, selected Cambium's PTP products to upgrade their field operations communications, and voice and data to regional offices using our newest generation of unlicensed technology to increase bandwidth capacity.

### **Turning to upcoming product introductions and developments since our previous quarterly update.**

In the Enterprise market, Cambium announced our high-performance outdoor Wi-Fi 6 and 6E tri-band solution received Trade Agreement Act-compliance (TAA), and is now available for both national governments including civil, law enforcement, national security agencies, and the defense market. This will be the first time Cambium can sell Wi-Fi solutions to the sizeable U.S. government and defense market.

Our enterprise business continues to expand with both new products and the ability to reach new customers and markets.

Within our fixed wireless portfolio, Cambium announced that broadband service providers currently operating our PMP 450 fixed wireless infrastructure can boost throughput speeds to their customers without replacing equipment. The latest innovative software improvements make it easy for service providers to offer over 100 Mbps services per subscriber using existing equipment to increase capacity and reduce network latency during peak periods. Also, new antenna options can increase range by 30% or more to offer 100 Mbps services to customers who were previously out of reach. With these recent improvements, service providers can maximize their investment in existing access points and subscriber modules by boosting performance with a software upgrade.

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

During past earnings calls we have spoken at length about Cambium's new 6 GHz solution, the ePMP 4600, enabling the delivery of gigabit data rates to the edge of the network. The FCC is now engaged with test houses on the Automated Frequency Coordination (AFC) process, with the expected FCC approval later this summer. The next transformational product to be released late this summer will be our next generation of the PMP 450 platform, Cambium's workhorse solution used by thousands of networks globally, with the new PMP 450v. The PMP 450v operates between 5.15 to 7.125 GHz in a single platform and features 4X4 MU-MIMO, and 1.5 Gigabits of capacity. The product is backward and forward-compatible and as a software defined radio, future-proof with the next generation of PMP 450 line of products offering a step function in performance.

This summer we will have a significant new product launch with our first ever fiber product named Cambium Fiber, offering network convergence from a single pane of glass management. Cambium Fiber offers the most advanced Passive Optical Network (PON) technology for a complete end-to-end solution. The solutions for service providers offer a combo XGS PON 8 Port OLT and 16 Port OLT with ONTs for both indoor and outdoor use. The solutions are managed via cnMaestro X, our converged single pane of glass addressing both wireless and fiber management. The solutions also enable service providers and enterprises to go from fiber to wireless to Wi-Fi routers, all within a single pane of glass. Interest in the product is extremely high with our initial target market of our current installed fixed wireless broadband customer base - enabling network convergence and ease of procurement from our channels.

Looking at our cnMaestro™ Cloud software - total devices under cloud management in Q1'23 was over 928,000, an increase of over 3% from Q4'22, and up 17% year-over-year.

### **Turning to our Channel**

In Q1'23, we expanded our channel presence by adding approximately 500 net new channel partners sequentially, and over 1,700 net new channel partners year-over-year, which represents an increase of approximately 4% sequentially and over 15% year-over-year. In March, we held a

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

well-attended executive Managed Service Provider (MSP) event at our San Jose, California office to facilitate future revenue growth during 2023. We continue to expand our reach into new customers around the world, particularly for our Enterprise business.

I will now turn the call over to Andrew for a review of our Q1'23 financial results and outlook for Q2'23 and full year 2023.

### **Andrew Bronstein-CFO**

Thanks Atul.

Cambium reported revenues of \$77.4 million for Q1'23. Revenues decreased by 8% quarter-over-quarter and increased by 25% year-over-year. As a reminder, Q1'22 revenue was impacted by severe supply shortages and a lockdown in China due to COVID.

On a sequential basis for Q1'23, revenues were lower by \$7.1 million. The lower revenues were primarily the result of lower PMP and PTP revenues, partially offset by continued growth in Enterprise revenues. Revenues of \$77.4 million increased by \$15.5 million year-over-year primarily due to improved supply, partially offset by lower PMP revenues due to less demand from service providers, ahead of the ramp of product transitions to new gigabit technologies. We have seen PMP channel inventory decline in the first quarter, which is reflective of the channel anticipating our new 6 GHz product.

Moving to our gross margin. Our non-GAAP gross margin of 52.1% was better than anticipated and one of the best quarterly gross margins in our history, increasing by approximately 430 basis points compared to Q1'22. The year-over-year increase in our non-GAAP gross margin was the result of higher volumes and a greater mix of higher margin enterprise and PTP products, as well as the initial impact of the price increase completed in November of 2022.

On a sequential basis, our non-GAAP gross margin increased by approximately 250 basis points compared to Q4'22. The higher quarter-over-quarter non-GAAP gross margin in Q1'23 was the result of an improved mix of higher margin Enterprise products, improved efficiencies, and the initial impact from our November 2022 price increase.

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

In Q1'23 our non-GAAP gross profit dollars of \$40.3 million increased by \$10.7 million compared to the prior year due to higher volumes and an improved mix of enterprise and PTP products, and decreased by \$1.6 million sequentially.

Our longer-term goal remains a consistent non-GAAP gross margin target of 51-52% on an annual basis.

Non-GAAP operating expenses, including amortization, in Q1'23 increased by \$2.3 million when compared to Q1'22, and stood at \$30.9 million, or 39.9% of revenues. The increase in operating expenses compared to the prior year period was primarily due to higher headcount in R&D and increasing wages due to inflation.

When compared to Q4'22, non-GAAP operating expenses increased by approximately \$2.2 million during Q1'23. The increase in operating expenses is due to inflationary salary increases effective January 1, 2023, and a quarter-over-quarter increase in R&D due to higher staffing costs for development work on new products, as well as an increase in variable compensation. We will continue to maintain our strong cost control discipline, including a recently enacted hiring freeze - with only critical positions now open for hire - to further control our operating costs and to protect our profitability.

Our non-GAAP operating margin for Q1'23 was 12.2%, up from 1.6% during Q1'22, and down from 15.6% of revenues in Q4'22.

Non-GAAP net income for Q1'23 was \$6.8 million, or \$0.24 per diluted share, above the high-end of our previous outlook of between \$0.14 to \$0.23 per diluted share, and compared to \$300 thousand dollars, or \$0.01 per diluted share for Q1'22, and non-GAAP net income of \$10.3 million, or \$0.36 per diluted share during Q4'22.

The higher non-GAAP net income compared to the prior year period was primarily due to higher revenues and gross profit dollars, while as expected, lower net income compared to the prior quarter's results was primarily a result of lower revenues and higher operating expenses.



## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

Adjusted EBITDA for Q1'23 was \$10.4 million or 13.4% of revenues, compared to \$1.9 million or 3.1% of revenues for Q1'22, and compared to \$14.3 million or 16.9% of revenues for Q4'22.

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

### **Moving to cash flow**

Cash used in operating activities was \$6.0 million for Q1'23 and compares to cash used in operating activities of \$19.2 million for Q1'22, and cash provided by operating activities of \$4.0 million for Q4'22. During Q1'23 cash was used to increase inventories and materials to support new products and the expected increase in defense shipments, and to allow for greater product availability and lower lead times for our customers. In addition, accounts receivable increased mainly as a result of the timing of revenues. While we expect to continue increasing inventories in Q2'23 as we ramp up for new product introductions, we do expect improved cash generation during the full-year 2023 as we improve the linearity of orders and shipments, and as revenues increase from new products in the second half of the year.

### **Turning to the Balance Sheet**

Cash totaled \$38.7 million as of March 31, 2023, a decrease of \$9.5 million from Q4'22. The sequential decrease in cash primarily reflects changes in working capital driven by higher inventory and accounts receivable. As a reminder, in addition to our strong cash balance, we have a \$45 million revolver with Bank of America which remains undrawn.

Net inventories of \$68.3 million in Q1'23 increased by \$11.3 million from Q4'22 and were higher by \$28.1 million year-over-year. Inventories were higher sequentially because of the timing of shipments for Defense products in the PTP business, higher availability of components and finished goods in order to reduce customer lead times, and an increase in inventories for the expected ramp of new product introductions during the second half of calendar year 2023.

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

### **In Summary**

Cambium's first quarter results were strong. We had a near-record gross margin and Adjusted EBITDA and EPS were both above the high-end of our outlook. We continue to see improvement in the supply chain environment resulting in shorter lead times for customers. While managing the supply of components during COVID was especially challenging - as many components were in short supply and lead times tripled to 12-18 months - our investment in inventory has reduced our product lead times to almost pre-COVID levels. We plan to continue to invest in inventory related to new product introductions and expect to generate cash from operations and increase cash balances during the full-year 2023.

### **Moving to the Second Quarter and Full Year 2023 Financial Outlook**

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

**Considering our current visibility as of today, our Q2'23 financial outlook is expected to be as follows:**

- Revenues between \$72.0 to \$80.0 million, representing growth of approximately 4% to 15% year-over-year, and down slightly from Q1'23 due to sluggish global economies - while our defense business remains strong.
- non-GAAP gross margin between 50.3%-51.8%
- non-GAAP operating expenses between \$30.3 million to \$31.3 million
- and non-GAAP operating income between \$5.9 to \$10.1 million
- Interest expense, net of approximately \$600 thousand dollars, and
- non-GAAP net income between \$4.2 million to \$7.6 million dollars or net income per diluted share between \$0.15 to \$0.27

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

- Adjusted EBITDA between \$6.9 to \$11.1 million dollars; and adjusted EBITDA margin between 9.6% to 13.9%
- A non-GAAP effective income tax rate of approximately 17% to 21.0%
- Approximately 28.6 million weighted average diluted shares outstanding

### **Cash requirements are expected to be as follows:**

- Paydown of debt: \$700 thousand dollars,
- Cash interest: approximately \$500 thousand dollars, and
- Capital expenditures: \$1.5 to \$2.5 million,

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

- Revenues between \$327.0 to \$337.0 million, representing approximately 10% to 14% growth.
- non-GAAP gross margin approximately 50.9%
- non-GAAP net income between \$33.7 to \$36.0 million dollars or net income per diluted share of between \$1.18 to \$1.26
- Adjusted EBITDA margin between 14.8% to 15.5%

For the year, capital expenditures are expected to be approximately \$13-\$16 million dollars, mainly driven by an expansion in our R&D labs and equipment, and software costs in connection with new products.

Overall, while we are being more conservative with our revenue guidance to reflect the current risks in the global economy, our EPS guidance increased slightly, as we have proactively taken steps to reduce costs through incremental cost controls, including a hiring freeze except for critical positions, and improving the gross margin.

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

**Atul Bhatnagar, President & CEO**

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

Cambium is at the cusp of a new phase of growth. We have made continuous progress in the development of new products including our 28 GHz cnWave™ 5G Fixed, 60 GHz cnWave, and we are getting closer to FCC approval of affordable 6 GHz fixed wireless PMP solutions which will accelerate growth of the PMP business during the second half of 2023. We are adding our first ever exciting new fiber products during Q2 - offering network convergence, and our Enterprise business remains strong, led by Wi-Fi 6 and 6E. Our PTP based defense business continues to have robust growth and diversify globally, and we expect strong growth in Q2 and 2023 for defense.

Our vision of the Cambium ONE Network with an integrated converged, highly differentiated fabric is becoming a reality, resonating well with customers by providing ease of deployment, scalability of networks, and lower total cost of ownership as the world deploys next-generation high-performance converged broadband networks.

We delivered a strong quarter of financial results with outstanding gross margin based on our technical differentiation and a diverse portfolio of products, delivering excellent profitability, and our balance sheet remains strong. We remain focused on judiciously managing our costs, improving our operations, continuing to invest in innovative products to maintain our technological edge, and expect increased scale during the second half of '23 which will benefit our future operating results.

Finally, I'd like to show my appreciation for our employees, partners, and customers and look forward to a prosperous 2023.

This concludes our prepared remarks.

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

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

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

## **Q1'23 Financial Results Conference Call Prepared Remarks 5/8/23**

Thank you [Jules]. During Q2'23 Cambium Networks will be meeting with investors virtually this Thursday, May 11<sup>th</sup> at the Oppenheimer Annual Emerging Growth Conference, and will present and meet investors in person on May 23rd at the J.P. Morgan Global TMT Conference in Boston. In the meantime, you are always welcome to contact our Investor Relations Department at (847) 264-2188 with any questions that arise.

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