



August 9, 2021

## **Cambium Networks CFO Commentary on Second Quarter 2021 Financial Results**

**Note: This document should be read in conjunction with the Second Quarter 2021 Financial Results and includes a discussion of certain non-GAAP<sup>(1)</sup> results**

### **Second Quarter 2021:**

#### **Income Statement:**

**Record GAAP revenues** of \$92.7 million for the second quarter 2021 increased \$30.4 million year-over-year as a result of strong demand for Point-to-Multi-Point and enterprise Wi-Fi solutions, and an increase in Point-to-Point revenues. Revenues for the second quarter 2021 increased by \$4.2 million compared to \$88.5 million for the first quarter 2021, due to record demand for enterprise Wi-Fi solutions, higher Point-to-Multi-Point revenues from service providers continuing to scale networks due to requests for increased capacity and new product introductions, offset by lower Point-to-Point revenues.

#### **Revenues by region:**

During the second quarter 2021, North America, our largest region, had record revenues and represented 53% of company revenues, compared to 52% from the prior year, and 61% during the first quarter 2021. North America revenues increased by 52% year-over-year, primarily due to strength in our Point-to-Multi-Point business due to robust network traffic and new product introductions, record enterprise Wi-Fi demand, and higher Point-to-Point business for backhaul. On a quarter-over-quarter basis North America decreased by 9%, primarily a result of lower Point-to-Point business, softer Point-to-Multi-Point from Service Providers, offset by record enterprise Wi-Fi revenues including record switching demand. EMEA, our second largest region, grew 22% year-over-year and increased 33% quarter-over-quarter and represented 27% of revenues during Q2'21, 33% of revenues during Q2'20 and 21% of revenues during Q1'21. The higher year-over-year in EMEA revenues is primarily the result of record enterprise Wi-Fi revenues and higher Point-to-Multi-Point revenues. The quarter-over-quarter increase in EMEA revenues primarily reflects stronger Point-to-Multi-Point business, higher enterprise Wi-Fi revenues, and an increase in Point-to-Point revenues. CALA had record revenues and represented 13% of revenues during Q2'21, growing by 161% year-over-year and 16% quarter-over-quarter. The higher year-over-year revenues in CALA was driven by record enterprise Wi-Fi revenues and higher run rate business as the region continued to recover from COVID. The quarter-over-quarter increase in CALA revenues reflects record Wi-Fi revenues. And APAC represented 7% of revenues during Q2'21, increasing by 33% year-over-year and higher by 23% from Q1'21, as the region begins to cover from COVID related lockdowns.

**GAAP gross margin** for the second quarter 2021 was 49.7%, compared to 48.9% for the second quarter 2020, and 49.9% for the first quarter 2021.

**Non-GAAP gross margin** for the second quarter 2021 was 50.0%, compared to 49.2% for the second quarter 2020, and 50.1% for the first quarter 2021. The year-over-year increase in non-GAAP gross margin by 80 basis points was due to higher volumes and product mix.

**Non-GAAP gross margin** in Q2'21 was 10 basis points lower quarter-over-quarter mostly the result of higher supplier and freight and distribution costs due to component shortages in the market, offset by the key initiatives put in place focused on cost reductions and supply chain efficiencies.

In Q2'21 our **non-GAAP gross profit dollars** increased by \$15.7 million compared to the prior year period to \$46.3 million and was higher by \$2.0 million sequentially.

#### **Cost Structure:**

**GAAP operating expense** (Research and development, sales and marketing, general and administrative, depreciation and amortization) was \$31.8 million for the second quarter 2021 compared to \$25.7 million for the second quarter 2020, and \$30.8 million for the first quarter 2021.

**Non-GAAP operating expense** was approximately \$28.8 million for the second quarter 2021, compared to \$24.1 million for the second quarter 2020 and \$28.8 million for the first quarter 2021. When compared to Q2'20, non-GAAP operating expense increased by approximately \$4.7 million, and was flat compared to Q1'21. The majority of the year-over-year increase in non-GAAP operating expense was the result of increased R&D expenses, and higher sales and marketing spend from more headcount to support the higher revenues. The flat sequential operating expense reflects higher headcount and spending for R&D, offset by lower sales and marketing and general and administrative expenses.

**GAAP research and development expense** was \$12.6 million for the second quarter 2021, compared to \$9.3 million for the second quarter 2020, and \$11.6 million for the first quarter 2021.

**Non-GAAP research and development expense** was \$11.8 million for the second quarter 2021, compared to \$8.9 million for the second quarter 2020 and \$11.1 million for the first quarter 2021. The higher year-over-year and quarter-over-quarter non-GAAP R&D reflects additional headcount and increased spending on new technologies including 28 GHz cnWave.

**GAAP sales and marketing expense** was \$9.7 million for the second quarter 2021, compared to \$8.0 million for the second quarter 2020, and \$10.0 million during the first quarter 2021.

**Non-GAAP sales and marketing expense** was \$9.2 million for the second quarter 2021, compared to \$7.8 million for the second quarter 2020 and \$9.7 million for the first quarter 2021. The higher year-over-year non-GAAP sales and marketing expense reflects higher headcount and increased marketing spend for trade shows and other events. The lower quarter-over-quarter expense reflects lower variable compensation.

**GAAP general and administrative expenses** were \$7.9 million for the second quarter 2021, compared to \$6.6 million for the second quarter 2020, and \$7.5 million for the first quarter 2021.

**Non-GAAP general and administrative expenses** were \$6.9 million for the second quarter 2021, compared to \$6.3 million for the second quarter 2020 and \$7.0 million for the first quarter 2021. The year-over-year increase reflects increased headcount. The lower quarter-over-quarter expense reflects timing of spend on IT projects.

**GAAP depreciation and amortization expenses** were \$1.6 million for the second quarter 2021, compared to \$1.7 million for the second quarter 2020 and \$1.6 million for the first quarter 2021.

**Non-GAAP depreciation and amortization expenses** were \$1.0 million for the second quarter 2021, compared to \$1.1 million for the second quarter 2020 and \$1.0 million for the first quarter 2021.

**GAAP operating income** for the second quarter 2021 was a record \$14.3 million, compared to \$4.8 million for the second quarter 2020, and \$13.4 million for the first quarter 2021.

**Non-GAAP operating income** for the second quarter 2021 was a record \$17.5 million, compared to operating income of \$6.5 million for the second quarter 2020, and \$15.5 million for the first quarter 2021. Non-GAAP operating margin for Q2'21 was 18.9%, up from 10.4% for Q2'20, and 17.5% of revenues in Q1'21.

**GAAP tax provision for Q2'21** was \$1.4 million.

**Non-GAAP provision for income taxes** was \$3.6 million or a non-GAAP effective tax rate of 21.7% in Q2'21. The higher tax rate reflects increased income in higher tax jurisdictions.

**GAAP net income** for the second quarter 2021 was \$11.5 million, or a net earnings of \$0.40 per diluted share, compared to net income of \$3.3 million, or net earnings of \$0.13 per diluted share for the second quarter 2020, and net income for the first quarter 2021 of \$19.9 million, or a net earnings of \$0.70 per diluted share, which included a \$7.6 million tax benefit.

**Non-GAAP net income** for the second quarter 2021 was a record \$12.9 million, or \$0.45 per diluted share, compared to \$4.3 million, or \$0.16 per diluted share for the second quarter 2020, and \$11.7 million, or \$0.41 per diluted share for the first quarter 2021.

**Adjusted EBITDA** for the second quarter 2021 was a record \$18.4 million, or 19.9% of revenues, compared to adjusted EBITDA of \$7.7 million or 12.3% of revenues for the second quarter 2020, and \$16.5 million or 18.6% of revenues for the first quarter 2021.

#### **Balance Sheet:**

**Cash** totaled \$51.4 million as of June 30, 2021, \$14.0 million higher than June 30, 2020, due primarily to higher net income, strong working capital management, offset by the paydown of \$27.1 million of debt. The \$0.2 million increase in cash balance from March 31, 2021, primarily reflects strong net income and includes a paydown of \$19.6 million debt. Our intended \$2.5

million scheduled principal paydown of debt occurred on July 1st due to a delay processing by the bank and will be reflected in our third quarter 2021 financial results.

**Net long-term external debt including the current portion** stood at \$32.7 million at June 30, 2021, a decrease of \$26.2 million from the second quarter of 2020 as a result of paying down the term loan, and a decrease of \$19.1 million from the first quarter 2021 as a result of paying down \$19.6 million in term loan principal as required by the excess cash flow provision in the term credit agreement.

**Net accounts receivable** totaled \$80.6 million at the end of the second quarter 2021, compared to net receivables \$51.3 million during the second quarter of the prior year, and \$69.0 million at the end of the first quarter 2021, and compared with an increase in revenues of \$30.4 million from the second quarter 2020 and an increase in revenues of \$4.2 million from the end of the first quarter 2021. Days Sales Outstanding for the second quarter 2021 stood at 72 days, a decrease of 6 days from the prior year as a result of strong collections, and an increase of 8 days from the first quarter 2021 at 64 days due to more sales in the last month of the second quarter 2021.

**Days payable** stood at 59 days at the end of the second quarter 2021, an increase of 2 days from the second quarter of the prior year, and up by 3 days from the first quarter 2021.

**Net inventories** were \$28.4 million during the second quarter 2021, a decrease of \$1.7 million year-over-year, and lower by \$3.0 million from the first quarter 2021. Days Inventory Outstanding was 58 days during the second quarter 2021, down by 32 days compared to the second quarter of the prior year, and lower by 9 days from the first quarter 2021.

#### **Cash Flow:**

**Cash provided by operating activities** was \$20.1 million for the second quarter 2021, compared to \$26.2 million cash provided by operating activities for the second quarter 2020, and \$7.6 million cash used in operating activities for the first quarter 2021.

**Capital expenditures for property and equipment and software** were \$2.0 million during the second quarter 2021, compared with \$0.8 million reported during the second quarter 2020, and \$1.6 million during the first quarter 2021.

Taking into account our current visibility, the financial outlook as of August 9, 2021 for the third quarter ending September 30, 2021 and full year ending December 31, 2021 is expected to be as follows:

#### **Third Quarter 2021 Financial Outlook**

- Revenues between \$88.0-\$92.0 million
- GAAP gross margin between 48.3%-49.3%; and non-GAAP gross margin between 48.5%-49.5%
- GAAP operating expenses between \$33.6-\$34.6 million; and non-GAAP operating expenses between \$30.9-\$31.9 million

- GAAP operating income between \$8.9-\$10.8 million; and non-GAAP operating income between \$11.8-\$13.6 million
- Interest expense, net of approximately \$1.0 million
- GAAP net income between \$7.1-\$8.5 million or between \$0.25 and \$0.29 per diluted share; and non-GAAP net income between \$8.6-\$9.8 million or between \$0.30 and \$0.34 per diluted share
- Adjusted EBITDA between \$12.7-\$14.6 million; and adjusted EBITDA margin between 14.4%-15.8%
- GAAP effective tax rate of approximately 11.0-13.0%; and non-GAAP effective tax rate of approximately 20.0%-22.0%
- Approximately 29.0 million weighted average diluted shares outstanding

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

- Paydown of debt: \$2.5 million scheduled debt and an additional \$2.5 million due to timing from second quarter 2021 payment.
- Cash flow interest expense: approximately \$1.0 million
- Capital expenditures: \$2.0-\$2.5 million

**Full Year 2021 Financial Outlook**

- Revenues between \$357.0-\$365.0 million, increasing between 28%-31%
- GAAP effective tax rate of approximately negative 10.0%-12.0%; and non-GAAP effective tax rate of approximately 20.0%-22.0%
- Adjusted EBITDA margin between 16.0%-18.0%

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

**Cautionary Note Regarding Forward-Looking Statements**

*This document 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 2020 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2021, and most recent Quarterly Report on Form 10-Q filed on May 7, 2021. 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; and the impact of the global shortage of certain components including semiconductor chipsets; our inability to predict and respond to emerging technological trends and network operators' changing needs; risks presented by the global COVID-19 pandemic, which could significantly disrupt our manufacturing, sales and other operations and negatively impact our financial results; 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 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 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; 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, 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**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except share and per share amounts)  
(Unaudited)

	<b>Three months ended</b>		
	<u>June 30, 2021</u>	<u>March 31, 2021</u>	<u>June 30, 2020</u>
Revenues	\$ 92,709	\$ 88,515	\$ 62,254
Cost of revenues	46,617	44,345	31,782
<b>Gross profit</b>	<u>46,092</u>	<u>44,170</u>	<u>30,472</u>
<i>Gross margin</i>	49.7%	49.9%	48.9%
<b>Operating expenses</b>			
Research and development	12,617	11,603	9,299
Sales and marketing	9,718	10,040	8,035
General and administrative	7,896	7,529	6,625
Depreciation and amortization	1,564	1,595	1,700
<b>Total operating expenses</b>	<u>31,795</u>	<u>30,767</u>	<u>25,659</u>
<b>Operating income</b>	<u>14,297</u>	<u>13,403</u>	<u>4,813</u>
<i>Operating margin</i>	15.4%	15.1%	7.7%
Interest expense, net	1,316	1,140	1,525
Other expense (income), net	79	42	(22)
<b>Income before income taxes</b>	<u>12,902</u>	<u>12,221</u>	<u>3,310</u>
Provision (benefit) for income taxes	1,385	(7,639)	(2)
<b>Net income</b>	<u>\$ 11,517</u>	<u>\$ 19,860</u>	<u>\$ 3,312</u>
<b>Earnings per share</b>			
Basic	\$ 0.44	\$ 0.76	\$ 0.13
Diluted	\$ 0.40	\$ 0.70	\$ 0.13
<b>Weighted-average number of shares outstanding to compute earnings per share</b>			
Basic	<u>26,365,207</u>	<u>26,115,615</u>	<u>25,683,289</u>
Diluted	<u>28,909,348</u>	<u>28,517,713</u>	<u>25,789,830</u>
<b>Share-based compensation included in costs and expenses:</b>			
Cost of revenues	\$ 50	\$ 19	\$ 18
Research and development	842	517	422
Sales and marketing	539	295	243
General and administrative	667	579	257
<b>Total share-based compensation expense</b>	<u>\$ 2,098</u>	<u>\$ 1,410</u>	<u>\$ 940</u>

**CAMBIUM NETWORKS CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share information)

(Unaudited)

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 51,397	\$ 62,472
Accounts receivable, net of allowance of \$777 and \$919	80,638	58,114
Inventories, net	28,393	33,962
Recoverable income taxes	2,356	1,420
Prepaid expenses	3,736	4,143
Other current assets	3,975	5,024
<b>Total current assets</b>	<b>170,495</b>	<b>165,135</b>
<b>Noncurrent assets</b>		
Property and equipment, net	8,510	7,535
Software, net	4,366	3,438
Operating lease assets	4,516	5,083
Intangible assets, net	11,792	12,895
Goodwill	9,842	9,842
Deferred tax assets, net	7,155	1,537
Other noncurrent assets	391	288
<b>TOTAL ASSETS</b>	<b>\$ 217,067</b>	<b>\$ 205,753</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 30,092	\$ 30,859
Accrued liabilities	19,978	20,160
Employee compensation	11,323	14,911
Current portion of long-term external debt, net	12,156	29,201
Deferred revenues	6,247	6,471
Other current liabilities	6,313	6,009
<b>Total current liabilities</b>	<b>86,109</b>	<b>107,611</b>
<b>Noncurrent liabilities</b>		
Long-term external debt, net	20,507	24,957
Deferred revenues	5,084	4,448
Noncurrent operating lease liabilities	3,244	3,332
Deferred tax liabilities, net	9	9
Other noncurrent liabilities	1,936	2,009
<b>Total liabilities</b>	<b>116,889</b>	<b>142,366</b>
<b>Shareholders' equity</b>		
Share capital; \$0.0001 par value; 500,000,000 shares authorized at December 31, 2020 and June 30, 2021; 26,034,629 outstanding at December 31, 2020 and 26,503,019 shares outstanding at June 30, 2021	3	3
Additional paid in capital	117,521	109,837
Treasury shares, at cost, 136,035 shares at June 30, 2021 and 92,146 shares at December 31, 2020	(3,276)	(1,090)
Accumulated deficit	(13,422)	(44,799)
Accumulated other comprehensive loss	(648)	(564)
<b>Total shareholders' equity</b>	<b>100,178</b>	<b>63,387</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 217,067</b>	<b>\$ 205,753</b>



**CAMBIUM NETWORKS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	Three Months Ended		
	June 30, 2021	March 31, 2021	June 30, 2020
<b>Cash flows from operating activities:</b>			
Net income	\$ 11,517	\$ 19,860	\$ 3,312
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,751	1,720	1,853
Amortization of debt issuance costs	440	137	136
Share-based compensation	2,098	1,410	940
Deferred income taxes	748	(6,367)	(88)
Provision for inventory excess and obsolescence	(60)	(709)	695
Other	14	(31)	(27)
Change in assets and liabilities:			
Receivables	(10,881)	(11,700)	11,639
Inventories	3,102	3,236	1,713
Prepaid expenses	3,500	(3,099)	289
Accounts payable	5,295	(6,777)	3,565
Accrued employee compensation	2,565	(6,003)	1,851
Other assets and liabilities	49	761	347
Net cash provided by (used in) operating activities	<u>20,138</u>	<u>(7,562)</u>	<u>26,225</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(1,150)	(814)	(489)
Purchase of software	(801)	(798)	(279)
Net cash used in investing activities	<u>(1,951)</u>	<u>(1,612)</u>	<u>(768)</u>
<b>Cash flows from financing activities:</b>			
Repayment of term loan	(19,572)	(2,500)	(2,500)
Repayment of revolver debt	—	—	(10,000)
Issuance of ordinary shares	833	—	—
Taxes paid related to net share settlement of equity awards	(622)	(1,563)	(6)
Proceeds from share option exercises	1,374	1,971	—
Net cash used in financing activities	<u>(17,987)</u>	<u>(2,092)</u>	<u>(12,506)</u>
Effect of exchange rate on cash	15	(24)	—
Net increase (decrease) in cash	215	(11,290)	12,951
Cash, beginning of period	51,182	62,472	24,493
Cash, end of period	<u>\$ 51,397</u>	<u>\$ 51,182</u>	<u>\$ 37,444</u>
<b>Supplemental disclosure of cash flow information:</b>			
Income taxes paid	\$ 287	\$ 92	\$ 272
Interest paid	\$ 631	\$ 773	\$ 1,096

**CAMBIUM NETWORKS CORPORATION**  
**SUPPLEMENTAL FINANCIAL INFORMATION**  
(In thousands)  
(Unaudited)

**REVENUES BY PRODUCT TYPE**

	Three Months Ended		
	June 30, 2021	March 31, 2021	June 30, 2020
Point-to-Multi-Point	\$ 59,796	\$ 57,799	\$ 40,564
Point-to-Point	14,066	17,476	12,602
Wi-Fi	18,297	12,123	7,640
Other	550	1,117	1,448
Total Revenues	<u>\$ 92,709</u>	<u>\$ 88,515</u>	<u>\$ 62,254</u>

**REVENUES BY REGION**

	Three Months Ended		
	June 30, 2021	March 31, 2021	June 30, 2020
North America	\$ 49,346	\$ 54,195	\$ 32,454
Europe, Middle East and Africa	24,943	18,690	20,424
Caribbean and Latin America	12,152	10,515	4,653
Asia Pacific	6,268	5,115	4,723
Total Revenues	<u>\$ 92,709</u>	<u>\$ 88,515</u>	<u>\$ 62,254</u>

## **<sup>(1)</sup>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.

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. 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) nonrecurring legal expenses, (v) share-based compensation expense, (vi) secondary offering expenses, (vii) one-time acquisition costs, and (viii) 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 nonrecurring legal expenses since this is one-time in nature and does not reflect our ongoing operations. 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, restructuring expenses and secondary offering 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, non-GAAP effective tax rate and non-GAAP net income are used as a supplement to our unaudited condensed 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, restructuring expenses and secondary offering expenses, write-down of debt issuance costs upon prepayment of debt 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 are excluded. 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.

Nonrecurring legal expenses include settlements of existing or threatened litigation. Secondary offering expenses were incurred by Cambium Networks associated with the registration and sale in June 2021 of 2,000,000 ordinary shares held by Vector Capital and during December 2020 of 2,500,000 ordinary shares held by Vector Capital. Cambium Networks did not raise any additional capital in the offering and the expenses are excluded as not part of continuing operations.

Amortization of acquired intangibles includes customer relationships, unpatented technology, patents, software, and trademarks, and are excluded since these are not indicative of continuing operations.

Amortization of capitalized software costs include capitalized research and development activities amortized over their useful life and included in cost of revenues and are excluded since these are not indicative of continuing operations.

Acquisition and integration costs consist of legal and professional fees relating 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 include 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 consist primarily 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 and impacts from the company's income tax valuation allowance initially recognized in the quarter ended June 30, 2019 and as reversed in the quarter ended March 31, 2021. Cambium Networks excludes these amounts to more closely approximate the company's ongoing effective tax rate 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 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		
	June 30, 2021	March 31, 2021	June 30, 2020
Net income	\$ 11,517	\$ 19,860	\$ 3,312
Interest expense, net	1,316	1,140	1,525
Provision (benefit) for income taxes	1,385	(7,639)	(2)
Depreciation and amortization	1,751	1,720	1,853
EBITDA	15,969	15,081	6,688
Share-based compensation	2,098	1,410	940
Secondary offering expenses	376	—	—
Xirrus one-time acquisition charges	—	—	30
Restructuring expense	—	—	9
Adjusted EBITDA	\$ 18,443	\$ 16,491	\$ 7,667
Adjusted EBITDA Margin	19.9%	18.6%	12.3%

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		
	June 30, 2021	March 31, 2021	June 30, 2020
<b>GAAP gross profit</b>	\$ 46,092	\$ 44,170	\$ 30,472
Share-based compensation expense	50	19	18
Amortization of capitalized software costs	187	125	153
<b>Non-GAAP gross profit</b>	<u>\$ 46,329</u>	<u>\$ 44,314</u>	<u>\$ 30,643</u>
<b>Non-GAAP gross margin</b>	50.0%	50.1%	49.2%
<b>GAAP research and development expense</b>	\$ 12,617	\$ 11,603	\$ 9,299
Share-based compensation expense	842	517	422
Restructuring expense	—	—	(5)
<b>Non-GAAP research and development expense</b>	<u>\$ 11,775</u>	<u>\$ 11,086</u>	<u>\$ 8,882</u>
<b>GAAP sales and marketing expense</b>	\$ 9,718	\$ 10,040	\$ 8,035
Share-based compensation expense	539	295	243
Restructuring expense	—	—	(9)
<b>Non-GAAP sales and marketing expense</b>	<u>\$ 9,179</u>	<u>\$ 9,745</u>	<u>\$ 7,801</u>
<b>GAAP general and administrative expense</b>	\$ 7,896	\$ 7,529	\$ 6,625
Share-based compensation expense	667	579	257
Secondary offering expenses	376	—	—
Xirus one-time acquisition charges	—	—	30
Restructuring expense	—	—	23
<b>Non-GAAP general and administrative expense</b>	<u>\$ 6,853</u>	<u>\$ 6,950</u>	<u>\$ 6,315</u>
<b>GAAP depreciation and amortization</b>	\$ 1,564	\$ 1,595	\$ 1,700
Amortization of acquired intangibles	551	552	551
<b>Non-GAAP depreciation and amortization</b>	<u>\$ 1,013</u>	<u>\$ 1,043</u>	<u>\$ 1,149</u>
<b>GAAP operating income</b>	\$ 14,297	\$ 13,403	\$ 4,813
Share-based compensation expense	2,098	1,410	940
Secondary offering expenses	376	—	—
Amortization of capitalized software costs	187	125	153
Amortization of acquired intangibles	551	552	551
Xirus one-time acquisition charges	—	—	30
Restructuring expense	—	—	9
<b>Non-GAAP operating income</b>	<u>\$ 17,509</u>	<u>\$ 15,490</u>	<u>\$ 6,496</u>
<b>GAAP pre-tax income</b>	\$ 12,902	\$ 12,221	\$ 3,310
Share-based compensation expense	2,098	1,410	940
Secondary offering expenses	376	—	—
Amortization of capitalized software costs	187	125	153
Amortization of acquired intangibles	551	552	551
Xirus one-time acquisition charges	—	—	30
Write-down of debt issuance costs upon prepayment of debt	338	—	—
Restructuring expense	—	—	9
<b>Non-GAAP pre-tax income</b>	<u>\$ 16,452</u>	<u>\$ 14,308</u>	<u>\$ 4,993</u>
<b>GAAP provision (benefit) for income taxes</b>	\$ 1,385	\$ (7,639)	\$ (2)
Valuation allowance impacts	—	(7,816)	(404)
Tax impacts of share vesting	(1,414)	(1,975)	—
Tax effect of Non-GAAP adjustments, using non-GAAP ETR	(710)	(417)	(337)
All other discrete items	(61)	(19)	—
<b>Non-GAAP provision for income taxes</b>	<u>\$ 3,570</u>	<u>\$ 2,588</u>	<u>\$ 739</u>
<b>Non-GAAP ETR</b>	21.7%	18.1%	14.8%
<b>GAAP net income</b>	\$ 11,517	\$ 19,860	\$ 3,312
Share-based compensation expense	2,098	1,410	940
Secondary offering expenses	376	—	—
Amortization of capitalized software costs	187	125	153
Amortization of acquired intangibles	551	552	551
Xirus one-time acquisition charges	—	—	30
Write-down of debt issuance costs upon prepayment of debt	338	—	—
Restructuring expense	—	—	9
Non-GAAP adjustments to tax	(1,475)	(9,810)	(404)
Tax effect of Non-GAAP adjustments, using non-GAAP ETR	(710)	(417)	(337)
<b>Non-GAAP net income</b>	<u>\$ 12,882</u>	<u>\$ 11,720</u>	<u>\$ 4,254</u>
<b>Non-GAAP fully weighted basic shares</b>	<u>26,503</u>	<u>26,299</u>	<u>25,684</u>
<b>Non-GAAP fully weighted diluted shares</b>	<u>28,939</u>	<u>28,887</u>	<u>25,791</u>
<b>Non-GAAP net income per Non-GAAP basic share</b>	<u>\$ 0.49</u>	<u>\$ 0.45</u>	<u>\$ 0.17</u>
<b>Non-GAAP net income per Non-GAAP diluted share</b>	<u>\$ 0.45</u>	<u>\$ 0.41</u>	<u>\$ 0.16</u>