



May 5, 2022

Cambium Networks CFO Commentary on First Quarter 2022 Financial Results

Note: This document should be read in conjunction with the First Quarter 2022 Financial Results and includes a discussion of certain non-GAAP⁽¹⁾ results

First Quarter 2022:

Income Statement:

GAAP revenues of \$61.9 million for the first quarter 2022 decreased \$26.6 million year-over-year as a result of lower Point-to-Multi-Point (PMP) and Point-to-Point (PTP) revenues offsetting higher demand for enterprise Wi-Fi (Wi-Fi) products. Chinese government COVID lockdowns in Shenzhen and Shanghai impacted both the manufacturing and distribution of products during the first quarter 2022, and slower demand from North American service providers. Revenues for the first quarter 2022 decreased by \$16.8 million compared to \$78.7 million for the fourth quarter 2021, primarily due to lower enterprise Wi-Fi revenues and lower PMP revenues, and to a lesser extent lower PTP revenues, due to global supply constraints and COVID lockdowns in China negatively impacting shipments of products.

Revenues by region:

During the first quarter 2022, North America, our largest region, represented 46% of company revenues, compared to 61% from the prior year and 42% during the fourth quarter 2021. North America revenues decreased by 48% year-over-year, primarily due to lower PMP and PTP shipments due to supply constraints, combined with softer demand from service providers. On a quarter-over-quarter basis, North America decreased by 15%, driven mostly by lower PMP business, and to a lesser extent lower Wi-Fi revenues and PTP business. EMEA, our second largest region, grew 9% year-over-year and decreased 22% quarter-over-quarter and represented 33% of revenues during Q1'22, 21% of revenues during Q1'21, and 33% of revenues during Q4'21. The higher year-over-year revenues in EMEA are mostly related to higher Wi-Fi revenues, offset by lower PMP revenues due to supply constraints. The quarter-over-quarter decrease in EMEA revenues primarily reflects lower enterprise Wi-Fi supply due to COVID lockdowns in China impacting revenues. CALA represented 8% of revenues during Q1'22, declining by 52% year-over-year, and 51% quarter-over-quarter. The lower year-over-year revenues in CALA was primarily driven by supply constraints decreasing PMP revenues. The quarter-over-quarter decrease in CALA revenues primarily reflects lower Wi-Fi and PMP revenues due to COVID supply constraints. APAC represented 13% of revenues during Q1'22, increasing by 60% year-over-year as the region continued to recover from Covid related lockdowns, and lower by 9% from Q4'21, as the impact from COVID related supply constraints impacted shipments of Wi-Fi and PMP products, offset by higher PTP revenues.

GAAP gross margin for the first quarter 2022 was 47.1%, compared to 49.9% for the first quarter 2021, and 43.8% for the fourth quarter 2021.

Non-GAAP gross margin for the first quarter 2022 was 47.8%, compared to 50.1% for the first quarter 2021, and 44.2% for the fourth quarter 2021. The year-over-year decrease in non-GAAP gross margin by 230 basis points was primarily the result of lower volumes, higher supplier and freight and distribution costs due to component shortages in the market.

Non-GAAP gross margin for the first quarter 2022 of 47.8% was 360 basis points higher quarter-over-quarter mostly the result of higher pricing and stronger product mix offset by lower volumes and increased freight and distribution costs.

In Q1'22 our **non-GAAP gross profit dollars** of \$29.6 million were lower by \$14.7 million compared to the prior year period and by \$5.3 million sequentially, with the reductions primarily due to lower volumes.

Cost Structure:

GAAP operating expense (Research and development, sales and marketing, general and administrative, depreciation and amortization) was \$31.4 million for the first quarter 2022 compared to \$30.8 million for the first quarter 2021, and \$31.6 million for the fourth quarter 2021.

Non-GAAP operating expense was approximately \$28.6 million for the first quarter 2022, compared to \$28.8 million for the first quarter 2021 and \$29.1 million for the fourth quarter 2021. When compared to Q1'21, non-GAAP operating expense was lower by \$0.2 million, and was lower by \$0.5 million compared to Q4'21.

The lower year-over-year and sequential operating expense is a result of lower variable compensation. The lower sequential operating expense reflects lower sales and marketing because of lower variable compensation due to the lower revenues, while R&D and G&A had modest increases due to higher wages.

GAAP research and development expense was \$12.1 million for the first quarter 2022, compared to \$11.6 million for the first quarter and the fourth quarter 2021.

Non-GAAP research and development expense was \$11.1 million for the first quarter 2022, compared to \$11.1 million for the first quarter 2021 and \$10.8 million for the fourth quarter 2021. The higher quarter-over-quarter non-GAAP R&D reflects higher wages and engineering spend for materials.

GAAP sales and marketing expense was \$10.1 million for the first quarter 2022, compared to \$10.0 million for the first quarter 2021, and \$11.1 million during the fourth quarter 2021.

Non-GAAP sales and marketing expense was \$9.5 million for the first quarter 2022, compared to \$9.7 million for the first quarter 2021 and \$10.5 million for the fourth quarter 2021. The lower year-over-year and quarter-over-quarter non-GAAP sales and marketing expense primarily reflects lower variable compensation due to lower revenues.

GAAP general and administrative expenses were \$7.7 million for the first quarter 2022, compared to \$7.5 million for the first quarter 2021, and \$7.4 million for the fourth quarter 2021.

Non-GAAP general and administrative expenses were \$7.0 million for the first quarter 2022, compared to \$7.0 million for the first quarter 2021, and \$6.7 million for the fourth quarter 2021. The quarter-over-quarter increase reflects higher wages and spend for professional services.

GAAP depreciation and amortization expenses were \$1.4 million for the first quarter 2022, compared to \$1.6 million for the first quarter 2021 and \$1.5 million for the fourth quarter 2021.

Non-GAAP depreciation and amortization expenses were \$1.0 million for the first quarter 2022, the first quarter 2021, and the fourth quarter 2021.

GAAP operating loss for the first quarter 2022 was \$2.2 million, compared to operating income of \$13.4 million for the first quarter 2021, and operating income of \$2.9 million for the fourth quarter 2021.

Non-GAAP operating income for the first quarter 2022 was \$1.0 million, compared to operating income of \$15.5 million for the first quarter 2021, and \$5.8 million for the fourth quarter 2021. Non-GAAP operating margin for Q1'22 was 1.6%, down from 17.5% for Q1'21, and 7.3% of revenues in Q4'21.

GAAP tax benefit for Q1'22 was \$1.2 million. **Non-GAAP provision for income taxes** was \$0.1 million or a non-GAAP effective tax rate of 27.7% in Q1'22.

GAAP net loss for the first quarter 2022 was \$1.6 million, or a net loss of \$0.06 per diluted share, compared to net income of \$19.9 million, or net earnings of \$0.70 per diluted share for the first quarter 2021, and net income for the fourth quarter 2021 of \$1.4 million, or a net earnings of \$0.05 per diluted share.

Non-GAAP net income for the first quarter 2022 was \$0.3 million, or \$0.01 per diluted share, compared to \$11.7 million, or \$0.41 per diluted share for the first quarter 2021, and \$4.4 million, or \$0.16 per diluted share for the fourth quarter 2021.

Adjusted EBITDA for the first quarter 2022 was \$1.9 million, or 3.1% of revenues, compared to adjusted EBITDA of \$16.5 million or 18.6% of revenues for the first quarter 2021, and \$6.7 million or 8.6% of revenues for the fourth quarter 2021.

Balance Sheet:

Cash totaled \$38.4 million as of March 31, 2022, \$12.8 million lower than March 31, 2021, due primarily to the net debt paydown of \$22.9 million, offset by earnings during the past year. The \$20.9 million decrease in cash balance from December 31, 2021, was primarily the result of a payment for annual variable compensation of \$10.2 million and a \$12.1 million decrease in accounts payable principally due to the timing of inventories payments.

Net long-term external debt including the current portion was \$29.5 million at March 31, 2022, a decrease of \$22.3 million from the first quarter of 2021 as a result of paying down \$22.9 million of the term loan during the past year, and up slightly from the fourth quarter 2021.

Net accounts receivable totaled \$64.5 million at the end of the first quarter 2022, compared to net receivables \$69.0 million during the first quarter of the prior year, and \$69.8 million at the end of the fourth quarter 2021. Days Sales Outstanding for the first quarter 2022 stood at 82 days, an increase of 18 days from the prior year as a result of higher relative sales during the last month of the first quarter 2022 and timing of collections, and an increase of 10 days from the fourth quarter 2021 due to the timing of collections to later during the quarter.

Days payable stood at 40 days at the end of the first quarter 2022, a decrease of 17 days from the first quarter of the prior year, and a decrease of 3 days from the fourth quarter 2021. The decrease was caused by both lower manufacturing in Shenzhen, and higher finished goods inventories at our Asian distribution and warehousing facility in Shanghai, both due to COVID lockdowns.

Net inventories were \$40.2 million during the first quarter 2022, an increase of \$8.8 million year-over-year, and higher by \$6.4 million from the fourth quarter 2021. Days Inventory Outstanding was 104 days during the first quarter 2022, up by 37 days compared to the first quarter of the prior year, and higher by 40 days from the fourth quarter 2021.

Cash Flow:

Cash used in operating activities was \$19.2 million for the first quarter 2022, compared to \$7.6 million cash used in operating activities for the first quarter 2021, and \$5.6 million cash provided by operating activities for the fourth quarter 2021. Cash used in operating activities in the first quarter 2022 included a payment for annual variable compensation of \$10.2 million, and a \$12.1 million decrease in accounts payable principally due to the timing of inventories payments.

Capital expenditures for property and equipment and software were \$1.8 million during the first quarter 2022, compared with \$1.6 million reported during the first quarter 2021, and \$3.4 million during the fourth quarter 2021.

Second Quarter 2022 Financial Outlook

Taking into account our current visibility, the financial outlook as of May 5, 2022, for the second quarter ending June 30, 2022, is expected to be as follows:

- Revenues between \$65.0-\$73.0 million
- GAAP gross margin between 46.9%-47.9%; and non-GAAP gross margin between 47.5%-48.5%
- GAAP operating expenses between \$33.3-\$34.3 million; and non-GAAP operating expenses between \$29.7-\$30.7 million
- GAAP operating (loss) income between (\$2.75)-\$0.7 million; and non-GAAP operating income between \$1.2-\$4.7 million
- Interest expense, net of approximately \$0.7 million

- GAAP net (loss) income between (\$2.8)-\$0.0 million or between (\$0.10) and \$0.00 per diluted share; and non-GAAP net income between \$0.4-\$3.2 million or between \$0.01 and \$0.11 per diluted share
- Adjusted EBITDA between \$2.2-\$5.8 million; and adjusted EBITDA margin between 3.4%-7.9%
- GAAP and non-GAAP effective tax rate of approximately 18.0%-20.0%
- Approximately 28.7 million weighted average diluted shares outstanding

Cash requirements are expected to be as follows:

- Paydown of debt: \$1.3 million
- Cash flow interest expense: approximately \$0.3 million
- Capital expenditures: \$1.4-\$1.6 million

Full Year 2022 Financial Outlook

- Revenues between \$280.0-\$300.0 million, decreasing between 16.6%-10.7%
- GAAP net (loss) income between (\$1.3)-\$10.3 million or between (\$0.04) and \$0.36 per diluted share; and non-GAAP net income between \$8.1-\$20.1 million or between \$0.28 and \$0.70 per diluted share
- Adjusted EBITDA margin between 6.0%-10.8%

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 reasonably foreseeable; 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, including statements concerning our expected next quarter revenues, net income and cash. 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 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2022. 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; the impact of the global shortage of certain components including semiconductor chipsets; the constraint in global

shipping and logistics; risks presented by the global COVID-19 pandemic, including new or continued government shutdowns such as the recent shutdowns in China that caused some of our manufacturing operations as well as our third-party logistics and warehousing provider to shutdown, which has and could continue to significantly disrupt our manufacturing, supply chain, sales and other operations and negatively impact our financial results; our inability to predict and respond to emerging technological trends and network operators' changing needs; the impact of the tensions between Russia and Ukraine, which have resulted in our cessation of sales to Russia, Belarus and select regions of Ukraine, and may continue to disrupt our sales and product design activities in these regions; 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 political tensions among the U.S. and China; 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)

	Three months ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Revenues	\$ 61,896	\$ 78,710	\$ 88,515
Cost of revenues	32,730	44,196	44,345
Gross profit	29,166	34,514	44,170
<i>Gross margin</i>	<i>47.1%</i>	<i>43.8%</i>	<i>49.9%</i>
Operating expenses			
Research and development	12,102	11,627	11,603
Sales and marketing	10,148	11,091	10,040
General and administrative	7,665	7,425	7,529
Depreciation and amortization	1,446	1,464	1,595
Total operating expenses	31,361	31,607	30,767
Operating (loss) income	(2,195)	2,907	13,403
<i>Operating margin</i>	<i>-3.5%</i>	<i>3.7%</i>	<i>15.1%</i>
Interest expense, net	497	1,061	1,140
Other expense, net	77	35	42
(Loss) income before income taxes	(2,769)	1,811	12,221
(Benefit) provision for income taxes	(1,201)	384	(7,639)
Net (loss) income	\$ (1,568)	\$ 1,427	\$ 19,860
(Loss) earnings per share			
Basic	\$ (0.06)	\$ 0.05	\$ 0.76
Diluted	\$ (0.06)	\$ 0.05	\$ 0.70
Weighted-average number of shares outstanding to compute (loss) earnings per share			
Basic	26,749,675	26,655,437	26,115,615
Diluted	26,749,675	28,313,291	28,517,713
Share-based compensation included in costs and expenses:			
Cost of revenues	\$ 57	\$ 44	\$ 19
Research and development	1,022	851	517
Sales and marketing	627	561	295
General and administrative	714	677	579
Total share-based compensation expense	\$ 2,420	\$ 2,133	\$ 1,410

CAMBIUM NETWORKS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)

(Unaudited)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 38,397	\$ 59,291
Accounts receivable, net of allowance of \$735 and \$683	64,506	69,773
Inventories, net	40,210	33,777
Recoverable income taxes	468	860
Prepaid expenses	12,741	12,170
Other current assets	5,130	4,718
Total current assets	161,452	180,589
Noncurrent assets		
Property and equipment, net	10,732	10,490
Software, net	6,433	5,867
Operating lease assets	5,399	5,899
Intangible assets, net	10,357	10,777
Goodwill	9,842	9,842
Deferred tax assets, net	8,978	7,604
Other noncurrent assets	1,150	1,200
TOTAL ASSETS	\$ 214,343	\$ 232,268
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 16,543	\$ 28,241
Accrued liabilities	25,016	21,948
Employee compensation	6,875	16,601
Current portion of long-term external debt, net	3,138	2,489
Deferred revenues	6,964	6,880
Other current liabilities	6,273	5,981
Total current liabilities	64,809	82,140
Noncurrent liabilities		
Long-term external debt, net	26,351	26,965
Deferred revenues	5,647	5,363
Noncurrent operating lease liabilities	3,574	4,112
Other noncurrent liabilities	1,554	1,551
Total liabilities	101,935	120,131
Shareholders' equity		
Share capital; \$0.0001 par value; 500,000,000 shares authorized at March 31, 2022 and December 31, 2021; 26,825,097 outstanding at March 31, 2022 and 26,735,183 outstanding at December 31, 2021	3	3
Additional paid in capital	126,437	124,117
Treasury shares, at cost, 175,107 shares at March 31, 2022 and 156,907 shares at December 31, 2021	(4,321)	(3,906)
Accumulated deficit	(8,946)	(7,378)
Accumulated other comprehensive loss	(765)	(699)
Total shareholders' equity	112,408	112,137
TOTAL LIABILITIES AND EQUITY	\$ 214,343	\$ 232,268

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

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Cash flows from operating activities:			
Net (loss) income	\$ (1,568)	\$ 1,427	\$ 19,860
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization of software and intangible assets	1,790	1,731	1,720
Amortization of debt issuance costs	77	467	137
Share-based compensation	2,420	2,133	1,410
Deferred income taxes	(1,373)	359	(6,367)
Provision for inventory excess and obsolescence	52	695	(709)
Other	81	(31)	(31)
Change in assets and liabilities:			
Receivables	6,152	1,315	(11,700)
Inventories	(6,485)	(5,683)	3,236
Prepaid expenses	(578)	(6,931)	(3,099)
Accounts payable	(12,109)	4,400	(6,777)
Accrued employee compensation	(10,276)	3,671	(6,003)
Other assets and liabilities	2,592	2,012	761
Net cash (used in) provided by operating activities	<u>(19,225)</u>	<u>5,565</u>	<u>(7,562)</u>
Cash flows from investing activities:			
Purchase of property and equipment	(714)	(2,062)	(814)
Purchase of software	(1,068)	(1,316)	(798)
Net cash used in investing activities	<u>(1,782)</u>	<u>(3,378)</u>	<u>(1,612)</u>
Cash flows from financing activities:			
Proceeds from issuance of term loan	—	29,812	—
Repayment of term loan	—	(30,678)	(2,500)
Payment of debt issuance costs	—	(1,220)	—
Issuance of ordinary shares	—	923	—
Taxes paid related to net share settlement of equity awards	(42)	(562)	(1,563)
Proceeds from share option exercises	146	266	1,971
Payments to extinguish debt	—	(42)	—
Net cash provided by (used in) financing activities	<u>104</u>	<u>(1,501)</u>	<u>(2,092)</u>
Effect of exchange rate on cash	<u>9</u>	<u>9</u>	<u>(24)</u>
Net (decrease) increase in cash	(20,894)	695	(11,290)
Cash, beginning of period	59,291	58,596	62,472
Cash, end of period	<u>\$ 38,397</u>	<u>\$ 59,291</u>	<u>\$ 51,182</u>
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 116	\$ 206	\$ 92
Interest paid	\$ 95	\$ 234	\$ 773

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

REVENUES BY PRODUCT TYPE

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
Point-to-Multi-Point	\$ 30,926	\$ 37,017	\$ 57,799
Point-to-Point	14,714	15,329	17,476
Wi-Fi	15,508	25,779	12,123
Other	748	585	1,117
Total Revenues	<u>\$ 61,896</u>	<u>\$ 78,710</u>	<u>\$ 88,515</u>

REVENUES BY REGION

	Three Months Ended		
	March 31, 2022	December 31, 2021	March 31, 2021
North America	\$ 28,321	\$ 33,386	\$ 54,195
Europe, Middle East and Africa	20,332	26,035	18,690
Caribbean and Latin America	5,084	10,314	10,515
Asia Pacific	8,159	8,975	5,115
Total Revenues	<u>\$ 61,896</u>	<u>\$ 78,710</u>	<u>\$ 88,515</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.

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.

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 (loss) 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		
	March 31, 2022	December 31, 2021	March 31, 2021
Net (loss) income	\$ (1,568)	\$ 1,427	\$ 19,860
Interest expense, net	497	1,061	1,140
(Benefit) provision for income taxes	(1,201)	384	(7,639)
Depreciation and amortization of software and intangible assets	1,790	1,731	1,720
EBITDA	(482)	4,603	15,081
Share-based compensation	2,420	2,133	1,410
Adjusted EBITDA	\$ 1,938	\$ 6,736	\$ 16,491
Adjusted EBITDA Margin	3.1%	8.6%	18.6%

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		
	March 31, 2022	December 31, 2021	March 31, 2021
GAAP gross profit	\$ 29,166	\$ 34,514	\$ 44,170
Share-based compensation expense	57	44	19
Amortization of capitalized software costs	344	267	125
Non-GAAP gross profit	<u>\$ 29,567</u>	<u>\$ 34,825</u>	<u>\$ 44,314</u>
Non-GAAP gross margin	47.8%	44.2%	50.1%
GAAP research and development expense	\$ 12,102	\$ 11,627	\$ 11,603
Share-based compensation expense	1,022	851	517
Non-GAAP research and development expense	<u>\$ 11,080</u>	<u>\$ 10,776</u>	<u>\$ 11,086</u>
GAAP sales and marketing expense	\$ 10,148	\$ 11,091	\$ 10,040
Share-based compensation expense	627	561	295
Non-GAAP sales and marketing expense	<u>\$ 9,521</u>	<u>\$ 10,530</u>	<u>\$ 9,745</u>
GAAP general and administrative expense	\$ 7,665	\$ 7,425	\$ 7,529
Share-based compensation expense	714	677	579
Non-GAAP general and administrative expense	<u>\$ 6,951</u>	<u>\$ 6,748</u>	<u>\$ 6,950</u>
GAAP depreciation and amortization	\$ 1,446	\$ 1,464	\$ 1,595
Amortization of acquired intangibles	420	464	552
Non-GAAP depreciation and amortization	<u>\$ 1,026</u>	<u>\$ 1,000</u>	<u>\$ 1,043</u>
GAAP operating (loss) income	\$ (2,195)	\$ 2,907	\$ 13,403
Share-based compensation expense	2,420	2,133	1,410
Amortization of capitalized software costs	344	267	125
Amortization of acquired intangibles	420	464	552
Non-GAAP operating income	<u>\$ 989</u>	<u>\$ 5,771</u>	<u>\$ 15,490</u>
GAAP pre-tax (loss) income	\$ (2,769)	\$ 1,811	\$ 12,221
Share-based compensation expense	2,420	2,133	1,410
Amortization of capitalized software costs	344	267	125
Amortization of acquired intangibles	420	464	552
Write-off of debt issuance costs and extinguishment fees upon payment of debt	—	426	—
Non-GAAP pre-tax income	<u>\$ 415</u>	<u>\$ 5,101</u>	<u>\$ 14,308</u>
GAAP (benefit) provision for income taxes	\$ (1,201)	\$ 384	\$ (7,639)
Valuation allowance impacts	—	(86)	(7,816)
Tax rate change	(929)	—	—
Tax impacts of share vesting	—	464	(1,975)
Tax effect of Non-GAAP adjustments	(637)	(658)	(417)
All other discrete items	250	(61)	(19)
Non-GAAP provision for income taxes	<u>\$ 115</u>	<u>\$ 725</u>	<u>\$ 2,588</u>
Non-GAAP ETR	27.7%	14.2%	18.1%
GAAP net (loss) income	\$ (1,568)	\$ 1,427	\$ 19,860
Share-based compensation expense	2,420	2,133	1,410
Amortization of capitalized software costs	344	267	125
Amortization of acquired intangibles	420	464	552
Write-off of debt issuance costs and extinguishment fees upon payment of debt	—	426	—
Non-GAAP adjustments to tax	(679)	317	(9,810)
Tax effect of Non-GAAP adjustments	(637)	(658)	(417)
Non-GAAP net income	<u>\$ 300</u>	<u>\$ 4,376</u>	<u>\$ 11,720</u>
Non-GAAP fully weighted basic shares	<u>26,825</u>	<u>26,735</u>	<u>26,299</u>
Non-GAAP fully weighted diluted shares	<u>28,172</u>	<u>28,214</u>	<u>28,887</u>
Non-GAAP net income per Non-GAAP basic share	<u>\$ 0.01</u>	<u>\$ 0.16</u>	<u>\$ 0.45</u>
Non-GAAP net income per Non-GAAP diluted share	<u>\$ 0.01</u>	<u>\$ 0.16</u>	<u>\$ 0.41</u>