

## Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21

### Intro

#### **Peter Schuman, Sr. Director, Investor & Industry Analyst Relations**

Thank you [Romela]. Welcome and thank you for joining us today for Cambium Networks second quarter 2021 financial results conference call and welcome to all those joining by webcast.

Atul Bhatnagar, our President and CEO, and Stephen Cumming, 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. 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 included in the safe harbor statement in today's financial results press release.

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...**

## Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21

Cambium Networks President & CEO, Atul Bhatnagar, will provide the key investment highlights for the second quarter 2021 and Stephen Cumming, Cambium Networks CFO, will provide a recap of the financial results for the quarter and our financial outlook for the third quarter and calendar year 2021. 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.

Cambium's business remained strong as the expansion of broadband wireless communications networks continued, and our vision as a high-performance, yet affordable, global infrastructure leader was well-received during Q2'21. Cambium hit two significant milestones as a standalone company during the second quarter 2021. The first achievement was shipping our 10 millionth radio. The second accomplishment was breaking the \$90 million revenue barrier in a quarter for the first time, after only breaking the \$80 million revenue barrier in Q4'20 and reaching the \$70 million threshold for the first time during Q3'20.

Cambium's momentum continued to build during Q2'21 with our new multi-gigabit product introductions ramping, increased interest in fixed wireless broadband solutions as performance matches that of fiber, and the attractive cost of ownership of our solutions making Cambium a compelling choice for wireless infrastructure projects around the world for many new emerging applications. We see increased government spending on infrastructure products accelerating this trend over the next few years as broadband is a lifeline to connect local communities and distributed enterprises around the globe. If it can be a wireless solution, it will be a wireless solution--because of ease of installation and operations, speed of service enablement, along with affordability.

Cambium had a breakthrough quarter for our Enterprise Wi-Fi business, with revenues for that business significantly exceeding our expectations during the second quarter 2021, reaching record revenues of \$18.3 million, increasing by 139% year-over-year and improving by 51% sequentially. We experienced strength across many verticals, including education, public Wi-Fi, and a recovery in the hospitality

## **Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21**

vertical. Even more importantly, we benefitted from service providers increasingly adopting our complete multi-gigabit wireless fabric solutions consisting of fixed wireless broadband, enterprise Wi-Fi and wireless savvy switching, combined with our cloud-based cnMaestro software solutions to manage the network.

Cambium is at the start of a new era of end-to-end wireless speeds equivalent to that of fiber, with our multi-gigabit wireless fabric delivering fiber's performance and reliability at a fraction of the cost and enabling exciting new applications. Customers are adopting our 60 GHz cnWave solution to extend fiber networks with reduced capital expense, accelerating time to revenue, and improving their ROI. In addition, fiber operators are using 60 GHz cnWave to seamlessly cross streets and railroad crossings, and traverse physical obstacles without the hassles of permits, trenching, and other limitations encountered with legacy wired networks.

Around the time of our next earnings call, our forthcoming fixed millimeter wave 5G 28 GHz cnWave will further expand our serviceable available market (SAM) as both new and existing customers demand higher broadband performance at the edge of their networks. Network upgrades are multi-year events, and we are at the intersection of the need for powerful, emerging high-speed networks and the introduction of Cambium's leading edge, cost-effective technology. Together with significant government funding as nations want to bridge the digital divide and achieve digital equity, we expect fixed wireless networks to continue to provide meaningful growth for many years to come. Cambium will be a significant beneficiary of these new infrastructure builds.

### **Turning to the results of the second quarter 2021**

We achieved record revenues of \$92.7 million, above the high-end of our outlook. Record non-GAAP diluted EPS of \$0.45 also exceeded the high-end of our outlook of between \$0.29 and \$0.35 per diluted share. We delivered these excellent results in a supply constrained environment where many of our employees and partners continued working remotely during the COVID pandemic.

Looking at revenues across our different product lines. Our Point-to-Multi-Point (PMP) business had record revenues, increasing 3% sequentially and up 47% year-over-year, as we continued to see strong momentum in network traffic, increased demand for CBRS solutions, and broadening interest in our new

## Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21

product introductions as we expand our portfolio of solutions offering industry-leading spectral efficiency, scalability, reliability, and attractive economics for our customers.

As expected, the Point-to-Point (PTP) business was lower, decreasing 20% sequentially during Q2'21, due to timing of shipments for Federal products, while improving 12% year-over-year on higher demand for backhaul. Q3'21 tends to be a stronger quarter for our Federal business.

As previously mentioned, we had another record quarter for our enterprise Wi-Fi business, growing 51% sequentially and increasing 139% year-over-year during Q2'21, due to strong growth of Wi-Fi 6 solutions, and record revenues and attach rates for our wireless-savvy cnMatrix enterprise switching products. This is also the first time in Cambium's history that Wi-Fi revenues reached 20% of company revenues.

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

In North America, at a pre-qualification event for the U.S. Olympic trials, Cambium's PMP 450 CBRS solution, featuring our PMP 450b high gain Customer Premise Equipment, was used to backhaul through trees for our new outdoor Wi-Fi 6 product. The guest Wi-Fi network covered the entire perimeter of the track & field area and performed flawlessly. 157 devices connected to the Wi-Fi network that could not get cell reception at the venue due to the mobile network being down mid-event.

We won a large new service provider in Vancouver, British Columbia using PMP 450m and PMP 450b for residential broadband access. They selected Cambium for our superior total cost of ownership and quality.

In enterprise Wi-Fi, the hospitality market is recovering nicely, and we had a win at a five-star resort in Hawaii, the Halekulani, for our XV2-2 Wi-Fi 6 product. Cambium was selected for coverage of rooms, indoor spaces, and the outdoor pool areas with our new XV2-2T0. We won the deal over a larger competitor as a result of our superior total cost of ownership including our secure cloud management cnMaestro X platform, and the ability to provide a range of different use cases.

Cambium's first mover status for the FCC's 3.5 GHz CBRS spectrum continued to benefit sales of our PMP 450 products and our CBRS SAS service in both the U.S. and its territories. Our PMP 450m system featuring cnMedusa massive MU-MIMO technology enables service providers to rapidly enhance their

## **Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21**

networks using the CBRS frequency bands to provide high-performance broadband service to business and residential subscribers.

In late July Cambium announced we have deployed over 100,000 fixed wireless broadband devices utilizing CBRS frequency licenses. As of today's call, we now have over 103,000 devices managed by our CBRS SAS service, an increase of approximately 14% since we reported last quarter.

In addition to our industry-leading CBRS PMP 450 platform, we now offer a fixed LTE platform for CBRS, the 3 GHz cnRanger, for those customers that require standards-based platforms. We are differentiated among alternative LTE choices because of cnRanger's operational simplicity and lower total cost of ownership versus our competition. The 3 GHz cnRanger platform joins the previously introduced 2.5 GHz cnRanger solution.

In the Europe, Middle East, and Africa region (EMEA), strategic wins from Q2 include:

Vodafone, one of Italy's top network operators, selected Cambium for a smart city project in the Basilicata region to receive a full wireless fabric deployment. Cambium was selected for outdoor public access to 130 municipalities and the deployment included the use of our ePMP Force 300, cnPilot and Wi-Fi 6 access points, and cnMatrix enterprise switches. We beat out a larger competitor and were selected for our superior performance in outdoors areas. As part of the project we recruited, certified, and onboarded an important new system integrator.

In Germany we had numerous enterprise wins in the education market with deployments in the Frankfurt, Stadt Lingen, Landkreis Vulkaneifel, and Tuttlingen school districts.

In Africa, our wireless fabric strategy is paying off with a sizable order from a large multi-national operator with a win in Nigeria for our PMP 450m, enterprise Wi-Fi 6 and cnMatrix switches, and our cnMaestro X fabric management software. The project is with the country's largest national carrier to deploy indoor and outdoor Wi-Fi plus switching to the nation's largest countrywide bank, with over 500 offices being connected by Cambium's wireless fabric.

In the APAC region, we had a large enterprise win in Korea with our new outdoor Wi-Fi 6 product, the XV2-2T0, in the city of Gangneung. We won this business against two larger competitors as a result of Cambium's performance and value.

## **Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21**

In Japan, we received a substantial order for outdoor Wi-Fi from a large multi-national hamburger chain for their drive-thru service.

And in India, we had an enterprise Wi-Fi win at the Atal tunnel. The Atal tunnel is the world's longest tunnel above 10,000 feet and has a total length of over 6 miles. The tunnel operator deployed Cambium Wi-Fi access points to create a mesh network. The mesh network connects all video cameras and IP phones. Several OEM brands were tested in the difficult conditions and Cambium's Wi-Fi was selected as the best due to its greater range, stability, and robustness.

In the Caribbean and Latin America (CALA) region, we had a record-breaking quarter, with revenues exceeding \$12 million for the first time, including record enterprise revenues for the region.

We had a large enterprise win with the Ministry of Telecom in Peru. Cambium partnered with a satellite communications provider to deliver Wi-Fi connectivity to over 1,300 rural sites in the Amazonia Region to provide connectivity for primary education and rural health care centers. We won this project based on our reputation and the reliability of our enterprise Wi-Fi and switching products, plus the functionality of our cnMaestro cloud management software.

Now that the pandemic is easing in the CALA region, the hospitality industry is recovering. We are seeing extraordinary acceptance of our enterprise solutions throughout the region. Some enterprise wins include the Hotel Regatta in Cartagena, Colombia, Hotel Mocawa in Quindio, Colombia, and in the Mayan Riviera of Mexico, Tulum, two different boutique resorts Ana y José Spa and the Hip Hotel & Spa.

In addition, Telesur, the largest service provider in Suriname, has deployed our PMP 450i in the jungles of Guyana to provide broadband solutions for the oil & gas industry.

### **Turning to new product introductions since our previous quarterly update.**

During this Fall we expect to have two significant new product introductions. First, our Wi-Fi 6E product will bring even more performance benefits including the availability of up to 1.2 GHz of new clean spectrum in the 6 GHz band. With up to seven 160 MHz channels, Wi-Fi 6E delivers improved performance, increased capacity, and lower latency that enables a new set of high density use cases.

## **Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21**

Cambium expertise and history with multi-radio AP designs enables us to deliver differentiated Wi-Fi 6E products.

We start betas in Q3 for our highly anticipated 28 GHz cnWave 5G NR fixed wireless product for early adopters of the technology with POCs this Fall and shipments in Q4. We have approximately 30 customers requesting gear for 28 GHz cnWave trials, and have received firm orders from one of our distributors to support a specific network operator. Cambium's 28 GHz cnWave provides high-capacity, scalable residential access, backhaul for outdoor Wi-Fi access points, 4G and 5G small-cells, and video surveillance networks, at a lower total cost of ownership than fiber. Our highly reliable and rapidly deployable 28 GHz cnWave products feature multi-user MIMO, beamforming, and stays up to date for next generation performance enhancements with Cambium's cnMaestro X cloud software. Interest in our 28 GHz cnWave products remains very high and customer activity remains strong ahead of availability. This product paves the way for fixed 5G wireless leadership from Cambium.

During this Fall we will commence extensive field trials and proof-of-concept deployments in advance of expected commercial shipments in the fourth quarter with product revenues ramping during calendar 2022.

We remain very positive on the global use of 60 GHz cnWave solutions and see many new use cases developing from a variety of customers around the globe. Cambium's 60 GHz cnWave for millimeter wavelengths makes it possible to provide a city with high-speed broadband access by utilizing existing street furniture such as streetlamps, traffic lights and utility poles. As a result, it can be deployed faster and more cost efficiently than wired networks. As we have previously mentioned, 60 GHz opens up new markets for Cambium due to its performance and versatility.

We had a sizeable win with our 60 GHz cnWave technology with Pentanet, a rapidly growing high-speed service provider in Western Australia which is a favorite choice among gaming enthusiasts. Pentanet is using our 60 GHz cnWave to backhaul for homes and businesses. Cambium is helping to transform the city of Perth to gigabit speeds throughout the city.

In EMEA, we expect the government of France to approve formal use of 60 GHz band during Q3'21. More broadly across the EMEA region we see countries opening access to 60 GHz. Also in the EMEA

## Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21

region, a large service provider in Nigeria, a provider of affordable broadband connectivity to Africa's underserved populations, has selected our 60 GHz cnWave to backhaul Wi-Fi in more urban areas.

Finally, in North America we have secured a trial network utilizing 60 GHz cnWave from a nationwide cable operator for fiber extensions to enterprise customers. We anticipate the first networks being deployed in Southern California later this year.

Looking at new developments in our PTP microwave product lines. During Q3 we will be releasing the new PTP 850C with 224 MHz wideband channel supporting 11, 18, and 23 GHz frequencies. The wideband version is backward compatible with the prior narrowband version of the product. Wider channels provide a key benefit of additional capacity for customers.

Turning to our cnMaestro™ Cloud software, our end-to-end cloud-powered connectivity solution to manage the network from a single pane of glass. The cnMaestro™ Cloud software continued to experience strong user growth. Total devices under cloud management in Q2'21 totaled over 616,600, an increase of 7% from Q1'21, and up 36% year-over-year.

### **Looking at our Channel**

In Q2'21, we expanded our channel presence by adding over 590 net new channel partners sequentially, and over 2,340 net new channel partners year-over-year, which represents an increase of approximately 6% sequentially and 29% year-over-year.

Cambium added some new larger distribution partners during the second quarter, including in North America, we recently added ScanSource as a distributor, and in the Middle East we added Ingram Micro as a distribution partner for a wide variety of wireless connectivity solutions.

This Fall we plan to return with our presence at the largest WISP trade show of the year, WISPAPALOOZA 2021, held in mid-October in Las Vegas. The annual convention will provide up to date information on Cambium's latest hardware, software, and services. We will also have our next set of Cambium Connections online webinars for our end customers and partner community throughout the various geos in September.

I will now turn the call over to Stephen for a review of our Q2'21 financial results and Q3'21 outlook.

### **Stephen Cumming-CFO**

## **Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21**

Thanks Atul.

Cambium had record revenues of \$92.7 million for Q2'21, above the high-end of our outlook of \$85-\$90 million. This is the first-time in the company's history we have broken the \$90 million revenue barrier. Revenues increased by 5% quarter-over-quarter and were up 49% year-over-year. We achieved these outstanding results despite the supply-chain constraints affecting the entire industry.

On a sequential basis for Q2'21, revenues were higher by \$4.2 million. The higher revenues were driven by record shipments of our PMP products, which grew 3% sequentially, due to service providers continuing to scale networks, higher shipments of our new multi-gigabit products, and record revenues for our Enterprise Wi-Fi solutions, which grew 51% quarter-over-quarter, driven by higher shipments of our new Wi-Fi 6 products, and record shipments of our cloud-savvy switching products.

### **Looking at revenues by geographies**

North America, our largest region, represented 53% of company revenues, compared to 61% during Q1'21. On a sequential basis, as expected North America had a softer quarter with revenues declining 9%, driven by lower PTP and PMP demand from Service Providers, offset by stronger enterprise Wi-Fi revenues. EMEA, our second largest region, increased 33% sequentially, primarily reflecting stronger PMP and robust enterprise Wi-Fi revenues, and represented 27% of revenues during Q2'21, compared to 21% of revenues during Q1'21. CALA had another record quarter, its fourth consecutive quarter of growth, increasing by 16% quarter-over-quarter driven by a significant number of customer wins and the continued recovery in that region, and represented 13% of sales during Q2'21. APAC increased 23% sequentially and represented 7% of revenues during Q2'21, compared to 6% of revenues for Q1'21.

Moving to our gross margin. Non-GAAP gross margin of 50.0% increased by 80 basis points compared to Q2'20. The year-over-year increase in non-GAAP gross margin was primarily the result of higher volumes and mix.

On a sequential basis, non-GAAP gross margin in Q2'21 of 50.0% was 10 basis points lower than Q1'21. The lower quarter-over-quarter non-GAAP gross margin was the result of higher freight and distribution costs due to component shortages in the market.

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

## **Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21**

Non-GAAP operating expenses (Research and development, sales and marketing, general and administrative, and depreciation and amortization) in Q2'21 increased by \$4.7 million dollars when compared to Q2'20, and stood at \$28.8 million, or 31.1% of revenues.

The majority of the year-over-year increase in non-GAAP operating expenses was a result of higher R&D resulting from increased spending on upcoming technologies and higher sales and marketing due to increased headcount to support higher revenues.

When compared to Q1'21, non-GAAP operating expenses were flat during Q2'21. Quarter-over-quarter our R&D spend went up due to increased headcount and spend on upcoming technologies while Sales & Marketing and General & Administrative expenses were lower.

Record non-GAAP operating margin was 18.9%, up from 10.4% during Q2'20, and 17.5% of revenues in Q1'21.

We had another good quarter of profitability, with record Adjusted EBITDA for Q2'21 at \$18.4 million or 19.9% of revenues, compared to \$7.7 million or 12.3% of revenues for Q2'20, and compared to \$16.5 million or 18.6% of revenues for Q1'21.

We see continued leverage in our business and remain committed to driving our Adjusted EBITDA to our target model of 18 to 19% of revenues. While we are presently exceeding our target operating model in certain metrics, we view these metrics on a consistent annual basis and will re-evaluate our targets when appropriate.

### **Moving to cash flow**

Cash provided by operating activities was \$20.1 million for the second quarter 2021. The quarter-over-quarter increase in cash was primarily the result of strong earnings, an increase in accounts payable, and a reduction in inventories, offset by an increase in accounts receivable.

This compares to \$26.2 million of net cash flow provided by operating activities for the second quarter 2020, and cash used in operating activities of \$7.6 million for the first quarter 2021.

Non-GAAP net income for Q2'21 was a record \$12.9 million, or \$0.45 per diluted share, compared to \$4.3 million, or \$0.16 per diluted share for Q2'20, and non-GAAP net income of \$11.7 million or \$0.41

## **Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21**

per diluted share for Q1'21. The higher non-GAAP net income compared to both the prior year period and prior quarter was primarily due to higher revenues and gross profit dollars, demonstrating improved leverage in our operating model.

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

Cash totaled \$51.4 million as of Q2'21, an increase of \$200 thousand dollars from Q1'21. The sequential increase in cash primarily reflects strong net income and includes a \$19.6 million reduction in term loan principal as required by the excess cash flow provision in the term credit agreement.

Our intended \$2.5 million scheduled principal paydown of debt occurred on July 1<sup>st</sup> due to a delay processing by the bank and will be reflected in our third quarter financial results.

Net inventories of \$28.4 million in Q2'21 decreased by \$1.7 million year-over-year and were lower by \$3.0 million from Q1'21. While the supply chain remains an ongoing challenge, we are working to increase our inventory position over the next few quarters to support the growth in our business.

### **In Summary**

We continued to see sequential growth and record profitability, solid cash flows from operations, with good execution, in what was a very supply constrained quarter. The visibility and predictability in our business remains strong as we enter new product cycles, and we expect increased government funding for our broadband business as we exit calendar 2021. We are gaining scale, improving our operational efficiency, and making excellent progress on achieving our long-term target operating model.

### **Moving to the Third Quarter 2021 Financial Outlook**

Please note that 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 our financial outlook to the extent they are reasonable; however, actual results may differ materially from the outlook.

**Considering our current visibility as of August 9, 2021, our Q3'21 financial outlook is expected to be as follows:**

- Revenues between \$88.0 to \$92.0 million
- non-GAAP gross margin between 48.5% to 49.5%
- non-GAAP operating expenses between \$30.9 to \$31.9 million
- non-GAAP operating income between \$11.8 to \$13.6 million

## Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21

- Interest expense, net of approximately \$1.0 million
- non-GAAP net income between \$8.6 to \$9.8 million or between \$0.30 to \$0.34 per diluted share
- Adjusted EBITDA between \$12.7 to \$14.6 million; and adjusted EBITDA margin between 14.4% to 15.8%
- non-GAAP effective tax rate of approximately 20.0% to 22.0%
- and approximately 29.0 million weighted average diluted shares outstanding

### Turning to our cash requirements:

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

### Looking at the Full Year 2021 Financial Outlook

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

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

### Atul Bhatnagar, President & CEO

We continued to deliver impressive growth as we overcame global supply chain challenges and made excellent progress on our goal of long-term topline growth in the mid-teens and adjusted EBITDA in the upper teens as a percentage of revenues. We have multiple growth drivers for 2021 and beyond including our gigabit wireless products such as enterprise Wi-Fi 6, 60 GHz, and our upcoming 28 GHz millimeter wave solutions for Fixed 5G wireless, as well as our software-as-a-service cnMaestro X solution. Cambium continues to work diligently with different governments, enterprises, and agencies to help bridge the digital divide using our advanced wireless fabric solutions. We expect increased scale should benefit our operating results, and we remain focused on judiciously managing our costs, while continuing to invest in future innovative products to maintain our technology edge.

## **Q2'21 Financial Results Conference Call Prepared Remarks 8/9/21**

Finally, I'd like to show my appreciation for our employees, partners, and customers for another great quarter of results in these unprecedented times.

This concludes our prepared remarks.

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

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

### **Peter Schuman-Sr. Director, Investor Relations – Closing Statement**

Thank you [Romela]. During Q3'21 Cambium Networks will be presenting and meeting virtually with investors on August 11<sup>th</sup> at the Oppenheimer Technology, Internet & Communications Conference, September 1<sup>st</sup> at the Jefferies Semiconductor, IT Hardware & Communications Infrastructure Summit, and September 9<sup>th</sup> at the Deutsche Bank Technology Conference. 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.