



November 3, 2022

Cambium Networks CFO Commentary on Third Quarter 2022 Financial Results

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

Third Quarter 2022:

Income Statement:

GAAP revenues of \$81.2 million for the third quarter 2022 increased \$5.3 million year-over-year as a result of strong demand for Enterprise (Wi-Fi) and higher Point-to-Point (PTP) revenues, offset by lower Point-to-Multi-Point (PMP) revenues primarily due lower demand from service providers ahead of a product transitions to new technologies. Revenues for the third quarter 2022 increased by \$11.9 million compared to \$69.3 million for the second quarter 2022, due to record Enterprise revenues offset by lower PMP and slightly lower PTP revenues.

Revenues by region:

During the third quarter 2022, North America, our largest region, represented 37% of company revenues, compared to 48% from the prior year and 45% during the second quarter 2022. North America revenues decreased by 18% year-over-year, primarily due to lower PMP due to softer demand from service providers ahead of product transition to new 6 GHz technologies, partially offset by improved supply and healthy demand for both Enterprise solutions and PTP for defense applications. On a quarter-over-quarter basis, North America decreased by 3%, driven by lower PMP and Enterprise business, partially offset by higher PTP revenues for defense. EMEA, our second largest region, increased 25% year-over-year and grew 38% quarter-over-quarter and represented 36% of revenues during Q3'22, and 31% of revenues during Q3'21 and Q2'22. The higher year-over-year revenues in EMEA are mostly related to increased Enterprise revenues, offset by lower PMP demand due to a technology transition to new 28 GHz cnWave 5G fixed technology. The quarter-over-quarter increase in EMEA revenues primarily reflects record demand and improved supply for Enterprise products, including record switching revenues, offset by lower PMP and PTP revenues. CALA represented 11% of revenues during Q3'22, increasing by 12% year-over-year, and higher by 12% quarter-over-quarter. The higher year-over-year revenues in CALA was primarily driven by higher Enterprise revenues, partially offset by lower PMP revenues. The quarter-over-quarter increase in CALA revenues primarily reflects higher Enterprise revenues, offset by lower PMP and PTP revenues. APAC represented 16% of revenues during Q3'22, increasing by 62% year-over-year as the region continued to recover from Covid related lockdowns, and higher by 45% from Q2'22, improving in both instances primarily as a result of improved supply benefitting Enterprise and PMP revenues.

GAAP gross margin for the third quarter 2022 was 50.7%, compared to 47.4% for the third quarter 2021, and 48.3% for the second quarter 2022.

Non-GAAP gross margin for the third quarter 2022 was 51.3%, compared to 47.8% for the third quarter 2021, and 48.9% for the second quarter 2022. The year-over-year increase in non-GAAP gross margin by 350 basis points was primarily the result of a higher volumes and increased mix of Enterprise and PTP revenues for defense.

Non-GAAP gross margin for the third quarter 2022 of 51.3% was 240 basis points higher quarter-over-quarter mostly the result of a higher volumes, increased pricing, improved product mix of Enterprise and PTP for defense, and lower freight costs.

In Q3'22 our **non-GAAP gross profit dollars** of \$41.6 million were higher by \$5.4 million compared to the prior year period, and higher by \$7.8 million sequentially, resulting from higher volumes and improved mix.

Cost Structure:

GAAP operating expense (Research and development, sales and marketing, general and administrative, depreciation and amortization) was \$31.2 million for the third quarter 2022 compared to \$30.2 million for the third quarter 2021, and \$30.8 million for the second quarter 2022.

Non-GAAP operating expense was approximately \$27.9 million for the third quarter 2022, compared to \$27.6 million for the third quarter 2021 and \$27.5 million for the second quarter 2022. When compared to Q3'21, non-GAAP operating expense was higher by \$0.2 million and was up by \$0.3 million compared to Q2'22.

The higher year-over-year operating expense was primarily the result of higher sales and marketing due to increased travel, increased G&A for professional services and IT, offset by lower R&D expense due to variable compensation. The higher sequential non-GAAP operating expenses reflect increased R&D related to the timing of expenditures for materials, and higher sales and marketing increased primarily because of higher promotional materials, offset by lower G&A for professional services quarter-over-quarter.

GAAP research and development expense was \$11.7 million for the third quarter 2022, compared to \$12.1 million for the third quarter 2021 and \$10.6 million for the second quarter 2022.

Non-GAAP research and development expense was \$10.5 million for the third quarter 2022, compared to \$11.2 million for the third quarter 2021 and \$9.6 million for the second quarter 2022. The lower year-over-year R&D expense was due to the lower variable compensation due to slower hiring, and the higher sequential operating expense is related to the timing of R&D materials expenditures.

GAAP sales and marketing expense was \$10.8 million for the third quarter 2022, compared to \$9.9 million for the third quarter 2021, and \$10.6 million during the second quarter 2022.

Non-GAAP sales and marketing expense was \$10.1 million for the third quarter 2022, compared to \$9.4 million for the third quarter 2021 and \$9.8 million for the second quarter 2022. The higher year-over-year and quarter-over-quarter non-GAAP sales and marketing expense primarily reflects higher travel, wages and promotional material costs.

GAAP general and administrative expenses were \$7.2 million for the third quarter 2022, compared to \$6.6 million for the third quarter 2021, and \$8.1 million for the second quarter 2022.

Non-GAAP general and administrative expenses were \$6.2 million for the third quarter 2022, compared to \$6.0 million for the third quarter 2021, and \$7.0 million for the second quarter 2022. The increase in G&A year-over-year reflects higher wages, professional and IT services. The decrease in G&A compared to the second quarter 2022 reflect lower professional services.

GAAP depreciation and amortization expenses were \$1.5 million for the third quarter 2022, compared to \$1.5 million for both the second quarter 2021 and the second quarter 2022.

Non-GAAP depreciation and amortization expenses were \$1.1 million for the third quarter 2022, compared to \$1.0 million for the third quarter 2021 and \$1.1 million for the second quarter 2022.

GAAP operating income for the third quarter 2022 was \$10.0 million, compared to \$5.8 million for the third quarter 2021, and \$2.7 million for the second quarter 2022.

Non-GAAP operating income for the third quarter 2022 was \$13.8 million, compared to operating income of \$8.7 million for the third quarter 2021, and \$6.3 million for the second quarter 2022. Non-GAAP operating margin for Q3'22 was 17.0%, up from 11.4% for Q3'21, and up from 9.1% of revenues in Q2'22.

GAAP tax benefit for Q3'22 was \$0.2 million. **Non-GAAP provision for income taxes** was \$1.8 million or a non-GAAP effective tax rate of 14.0% in Q3'22.

GAAP net income for the third quarter 2022 was \$9.4 million, or a net earnings of \$0.34 per diluted share, compared to \$4.6 million, or net earnings of \$0.16 per diluted share for the third quarter 2021, and \$2.3 million, or a net earnings of \$0.08 per diluted share.

Non-GAAP net income for the third quarter 2022 was 11.3 million, or \$0.40 per diluted share, compared to \$6.7 million, or \$0.23 per diluted share for the third quarter 2021, and \$5.0 million, or \$0.18 per diluted share for the second quarter 2022.

Adjusted EBITDA for the third quarter 2022 was \$14.7 million, or 18.2% of revenues, compared to adjusted EBITDA of \$9.6 million or 12.6% of revenues for the third quarter 2021, and \$7.8 million or 11.3% of revenues for the second quarter 2022.

Balance Sheet:

Cash totaled \$44.9 million as of September 30, 2022, \$13.7 million lower than September 30, 2021, due primarily to higher inventories and the paydown of debt, offset by earnings. Cash was lower by \$1.1 million compared to June 30, 2022.

Net long-term external debt including the current portion was \$28.2 million at September 30, 2022, a decrease of \$2.0 million from the third quarter of 2021 as a result of paying down the term loan during the past year, and down \$0.6 million from the second quarter 2022 due to a scheduled debt payment.

Net accounts receivable totaled \$84.4 million at the end of the third quarter 2022, compared to net receivables of \$70.6 million during the third quarter of the prior year, and \$79.5 million at the end of the second quarter 2022. Days Sales Outstanding for the third quarter 2022 stood at 80 days, an increase of 4 days from the prior year, and down 7 days from the second quarter 2022 due to improved linearity of shipments during the quarter.

Days payable stood at 44 days at the end of the third quarter 2022, a decrease of 3 days from the third quarter of the prior year, and a decrease of 17 days from the second quarter 2022. The sequential decrease was caused by timing of payments to manufacturing partners.

Net inventories were \$50.6 million during the third quarter 2022, an increase of \$21.9 million year-over-year, and higher by \$3.2 million from the second quarter 2022. Days Inventory Outstanding was 113 days during the third quarter 2022, up by 47 days compared to the third quarter of the prior year, and higher by 1 day from the second quarter 2022. The increase in inventories primarily reflect anticipated higher demand for Federal products during the remainder of calendar year 2022 and 2023.

Cash Flow:

Cash provided by operating activities was \$2.2 million for the third quarter 2022, compared to \$11.8 million cash provided by operating activities for the third quarter 2021, and \$10.0 million for the second quarter 2022.

Capital expenditures for property and equipment and software were \$2.4 million during the third quarter 2022, compared with \$3.2 million reported during the third quarter 2021, and \$2.5 million during the second quarter 2022.

Fourth Quarter 2022 Financial Outlook

Taking into account our current visibility, the financial outlook as of November 3, 2022, for the fourth quarter ending December 31, 2022, is expected to be as follows:

- Revenues between \$80.0-\$84.0 million
- GAAP gross margin between 48.1%-49.1%; and non-GAAP gross margin between 48.7%-49.7%
- GAAP operating expenses between \$33.7-\$34.7 million; and non-GAAP operating expenses between \$30.6-\$31.6 million
- GAAP operating income between \$4.8-\$6.5 million; and non-GAAP operating income between \$8.4-\$10.2 million
- Interest expense, net of approximately \$0.5 million

- GAAP net income between \$3.9-\$5.4 million or between \$0.14 and \$0.19 per diluted share; and non-GAAP net income between \$6.6-\$7.8 million or between \$0.23 and \$0.27 per diluted share
- Adjusted EBITDA between \$9.5-\$11.3 million; and adjusted EBITDA margin between 11.9%-13.4%
- GAAP effective tax rate of approximately 10.0%-12.0%; and non-GAAP effective tax rate of approximately 17.0%-20.0%
- Approximately 28.5 million weighted average diluted shares outstanding

Cash requirements are expected to be as follows:

- Paydown of debt: \$0.7 million
- Cash interest expense: approximately \$0.4 million
- Capital expenditures: \$2.0-\$2.2 million

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, and most recent Quarterly Report on Form 10-Q filed on August 5, 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		
	September 30, 2022	June 30, 2022	September 30, 2021
Revenues	\$ 81,200	\$ 69,296	\$ 75,920
Cost of revenues	40,034	35,857	39,900
Gross profit	41,166	33,439	36,020
<i>Gross margin</i>	<i>50.7%</i>	<i>48.3%</i>	<i>47.4%</i>
Operating expenses			
Research and development	11,747	10,576	12,082
Sales and marketing	10,767	10,579	9,938
General and administrative	7,186	8,085	6,640
Depreciation and amortization	1,506	1,534	1,548
Total operating expenses	31,206	30,774	30,208
Operating income	9,960	2,665	5,812
<i>Operating margin</i>	<i>12.3%</i>	<i>3.8%</i>	<i>7.7%</i>
Interest expense, net	514	407	752
Other (income) expense, net	165	(371)	88
Income before income taxes	9,281	2,629	4,972
(Benefit) provision for income taxes	(154)	307	355
Net income	\$ 9,435	\$ 2,322	\$ 4,617
Earnings per share			
Basic	\$ 0.35	\$ 0.09	\$ 0.17
Diluted	\$ 0.34	\$ 0.08	\$ 0.16
Weighted-average number of shares outstanding to compute earnings per share			
Basic	26,977,155	26,836,853	26,540,843
Diluted	27,979,575	27,588,772	28,639,177
Share-based compensation included in costs and expenses:			
Cost of revenues	\$ 56	\$ 50	\$ 39
Research and development	1,241	1,011	834
Sales and marketing	696	578	540
General and administrative	855	878	663
Total share-based compensation expense	\$ 2,848	\$ 2,517	\$ 2,076

CAMBIUM NETWORKS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)
(Unaudited)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	\$ 44,859	\$ 59,291
Accounts receivable, net of allowance of \$634 and \$683	84,352	69,773
Inventories, net	50,641	33,777
Recoverable income taxes	299	860
Prepaid expenses	8,088	12,170
Other current assets	5,816	4,718
Total current assets	194,055	180,589
Noncurrent assets		
Property and equipment, net	11,054	10,490
Software, net	7,772	5,867
Operating lease assets	4,548	5,899
Intangible assets, net	9,548	10,777
Goodwill	9,842	9,842
Deferred tax assets, net	9,593	7,604
Other noncurrent assets	1,035	1,200
TOTAL ASSETS	\$ 247,447	\$ 232,268
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 28,167	\$ 28,241
Accrued liabilities	27,312	21,948
Employee compensation	6,475	16,601
Current portion of long-term external debt, net	3,155	2,489
Deferred revenues	8,226	6,880
Other current liabilities	6,853	5,981
Total current liabilities	80,188	82,140
Noncurrent liabilities		
Long-term external debt, net	25,090	26,965
Deferred revenues	8,201	5,363
Noncurrent operating lease liabilities	2,558	4,112
Other noncurrent liabilities	1,589	1,551
Total liabilities	117,626	120,131
Shareholders' equity		
Share capital; \$0.0001 par value; 500,000,000 shares authorized at September 30, 2022 and December 31, 2021; 27,016,014 outstanding at September 30, 2022 and 26,735,175 outstanding at December 31, 2021	3	3
Additional paid in capital	133,158	124,117
Treasury shares, at cost, 200,016 shares at September 30, 2022 and 156,907 shares at December 31, 2021	(4,723)	(3,906)
Accumulated earnings (deficit)	2,811	(7,378)
Accumulated other comprehensive loss	(1,428)	(699)
Total shareholders' equity	129,821	112,137
TOTAL LIABILITIES AND EQUITY	\$ 247,447	\$ 232,268

CAMBIUM NETWORKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
Cash flows from operating activities:			
Net income	\$ 9,435	\$ 2,322	\$ 4,617
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of software and intangible assets	1,930	1,904	1,775
Amortization of debt issuance costs	76	76	86
Share-based compensation	2,848	2,517	2,076
Deferred income taxes	(694)	80	(805)
Provision for inventory excess and obsolescence	1,587	80	85
Other	(88)	(87)	(159)
Change in assets and liabilities:			
Receivables	(5,506)	(10,082)	10,092
Inventories	(4,786)	(7,312)	(481)
Prepaid expenses	(4,116)	8,748	(1,504)
Accounts payable	(137)	11,899	(5,628)
Accrued employee compensation	759	(642)	1,652
Other assets and liabilities	851	483	13
Net cash provided by operating activities	<u>2,159</u>	<u>9,986</u>	<u>11,819</u>
Cash flows from investing activities:			
Purchase of property and equipment	(974)	(1,554)	(2,233)
Purchase of software	(1,440)	(933)	(992)
Net cash used in investing activities	<u>(2,414)</u>	<u>(2,487)</u>	<u>(3,225)</u>
Cash flows from financing activities:			
Repayment of term loan	(656)	(656)	(2,500)
Issuance of ordinary shares under ESPP	—	1,127	—
Taxes paid related to net share settlement of equity awards	(231)	(487)	(69)
Proceeds from share option exercises	113	103	1,196
Net cash (used in) provided by financing activities	<u>(774)</u>	<u>87</u>	<u>(1,373)</u>
Effect of exchange rate on cash	(41)	(54)	(22)
Net (decrease) increase in cash	<u>(1,070)</u>	<u>7,532</u>	<u>7,199</u>
Cash, beginning of period	45,929	38,397	51,397
Cash, end of period	<u>\$ 44,859</u>	<u>\$ 45,929</u>	<u>\$ 58,596</u>
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 486	\$ 306	\$ 194
Interest paid	\$ 213	\$ 189	\$ 424

CAMBIUM NETWORKS CORPORATION
SUPPLEMENTAL FINANCIAL INFORMATION

(In thousands)
(Unaudited)

REVENUES BY PRODUCT CATEGORY

	Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
Point-to-Multi-Point	\$ 26,090	\$ 28,269	\$ 50,144
Point-to-Point	15,409	15,684	13,890
Enterprise	38,330	24,014	10,734
Other	1,371	1,329	1,152
Total Revenues	<u>\$ 81,200</u>	<u>\$ 69,296</u>	<u>\$ 75,920</u>

REVENUES BY REGION

	Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
North America	\$ 30,086	\$ 31,140	\$ 36,564
Europe, Middle East and Africa	29,263	21,281	23,414
Caribbean and Latin America	8,935	7,960	7,993
Asia Pacific	12,916	8,915	7,949
Total Revenues	<u>\$ 81,200</u>	<u>\$ 69,296</u>	<u>\$ 75,920</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 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 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.

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.

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. 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		
	September 30, 2022	June 30, 2022	September 30, 2021
Net income	\$ 9,435	\$ 2,322	\$ 4,617
Interest expense, net	514	407	752
(Benefit) provision for income taxes	(154)	307	355
Depreciation and amortization of software and intangible assets	1,930	1,904	1,775
EBITDA	11,725	4,940	7,499
Share-based compensation	2,848	2,517	2,076
Restructuring and other nonrecurring expenses	168	343	—
Adjusted EBITDA	\$ 14,741	\$ 7,800	\$ 9,575
Adjusted EBITDA Margin	18.2%	11.3%	12.6%

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		
	September 30, 2022	June 30, 2022	September 30, 2021
GAAP gross profit	\$ 41,166	\$ 33,439	\$ 36,020
Share-based compensation expense	56	50	39
Amortization of capitalized software costs	424	370	227
Non-GAAP gross profit	<u>\$ 41,646</u>	<u>\$ 33,859</u>	<u>\$ 36,286</u>
Non-GAAP gross margin	51.3%	48.9%	47.8%
GAAP research and development expense	\$ 11,747	\$ 10,576	\$ 12,082
Share-based compensation expense	1,241	1,011	834
Non-GAAP research and development expense	<u>\$ 10,506</u>	<u>\$ 9,565</u>	<u>\$ 11,248</u>
GAAP sales and marketing expense	\$ 10,767	\$ 10,579	\$ 9,938
Share-based compensation expense	696	578	540
Restructuring and other nonrecurring expenses	—	166	—
Non-GAAP sales and marketing expense	<u>\$ 10,071</u>	<u>\$ 9,835</u>	<u>\$ 9,398</u>
GAAP general and administrative expense	\$ 7,186	\$ 8,085	\$ 6,640
Share-based compensation expense	855	878	663
Restructuring and other nonrecurring expenses	168	177	—
Non-GAAP general and administrative expense	<u>\$ 6,163</u>	<u>\$ 7,030</u>	<u>\$ 5,977</u>
GAAP depreciation and amortization	\$ 1,506	\$ 1,534	\$ 1,548
Amortization of acquired intangibles	390	419	551
Non-GAAP depreciation and amortization	<u>\$ 1,116</u>	<u>\$ 1,115</u>	<u>\$ 997</u>
GAAP operating income	\$ 9,960	\$ 2,665	\$ 5,812
Share-based compensation expense	2,848	2,517	2,076
Amortization of capitalized software costs	424	370	227
Amortization of acquired intangibles	390	419	551
Restructuring and other nonrecurring expenses	168	343	—
Non-GAAP operating income	<u>\$ 13,790</u>	<u>\$ 6,314</u>	<u>\$ 8,666</u>
GAAP pre-tax income	\$ 9,281	\$ 2,629	\$ 4,972
Share-based compensation expense	2,848	2,517	2,076
Amortization of capitalized software costs	424	370	227
Amortization of acquired intangibles	390	419	551
Restructuring and other nonrecurring expenses	168	343	—
Non-GAAP pre-tax income	<u>\$ 13,111</u>	<u>\$ 6,278</u>	<u>\$ 7,826</u>
GAAP (benefit) provision for income taxes	\$ (154)	\$ 307	\$ 355
Tax rate change	(8)	(54)	—
Tax impacts of share vesting	—	—	(519)
Tax effect of Non-GAAP adjustments	(766)	(730)	(571)
All other discrete items	(1,216)	(150)	280
Non-GAAP provision for income taxes	<u>\$ 1,836</u>	<u>\$ 1,187</u>	<u>\$ 1,165</u>
Non-GAAP EIR	14.0%	18.9%	14.9%
GAAP net income	\$ 9,435	\$ 2,322	\$ 4,617
Share-based compensation expense	2,848	2,517	2,076
Amortization of capitalized software costs	424	370	227
Amortization of acquired intangibles	390	419	551
Restructuring and other nonrecurring expenses	168	343	—
Non-GAAP adjustments to tax	(1,224)	(204)	(239)
Tax effect of Non-GAAP adjustments	(766)	(730)	(571)
Non-GAAP net income	<u>\$ 11,275</u>	<u>\$ 5,037</u>	<u>\$ 6,661</u>
Non-GAAP fully weighted basic shares	<u>27,016</u>	<u>26,964</u>	<u>26,639</u>
Non-GAAP fully weighted diluted shares	<u>27,916</u>	<u>27,586</u>	<u>28,636</u>
Non-GAAP net income per Non-GAAP basic share	<u>\$ 0.42</u>	<u>\$ 0.19</u>	<u>\$ 0.25</u>
Non-GAAP net income per Non-GAAP diluted share	<u>\$ 0.40</u>	<u>\$ 0.18</u>	<u>\$ 0.23</u>