



May 6, 2021

Cambium Networks CFO Commentary on First Quarter 2021 Financial Results

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

First Quarter 2021:

Income Statement:

Record GAAP revenues of \$88.5 million for the first quarter 2021 increased \$28.1 million year-over-year as a result of strong demand for Point-to-Multi-Point, Point-to-Point, and enterprise Wi-Fi solutions. Revenues for the first quarter 2021 increased by \$5.7 million compared to \$82.8 million for the fourth quarter 2020, due to higher Point-to-Multi-Point revenues from service providers continuing to scale networks due to requests for increased capacity and new product introductions, increased demand for Point-to-Point products for backhaul, and record demand for enterprise Wi-Fi solutions.

Revenues by region:

During the first quarter 2021, North America, our largest region, had record revenues and represented 61% of company revenues, compared to 51% from the prior year, and 55% during the fourth quarter 2020. North America revenues increased by 75% year-over-year, primarily due to strength in our Point-to-Multi-Point business due to demand for CBRS and robust network traffic, higher Point-to-Point business for backhaul, and stronger enterprise Wi-Fi demand. On a quarter-over-quarter basis North America grew by 20%, primarily driven by higher Point-to-Multi-Point from Service Providers, recovery in Point-to-Point business, and stronger Wi-Fi including record switching demand. EMEA, our second largest region, was flat year-over-year and decreased 13% quarter-over-quarter and represented 21% of revenues during Q1'21, 31% of revenues during Q1'20 and 26% of revenues during Q4'20. The flat year-over-year in EMEA revenues is primarily the result of higher Point-to-Multi-Point and lower Wi-Fi revenues, and the timing of shipments due to transportation delays. The quarter-over-quarter decrease in EMEA revenues primarily reflects softer Point-to-Multi-Point and Point-to-Point business due to transportation delays. CALA had record revenues and represented 12% of revenues during Q1'21, growing by 101% year-over-year and 1% quarter-over-quarter driven by higher run rate business, larger government related projects and continued recovery in the region. And APAC represented 6% of revenues during Q1'21, decreasing by 6% year-over-year and lower by 11% from Q4'20, as the region remains impacted from COVID related lockdowns and credit challenges.

GAAP gross margin for the first quarter 2021 was 49.9%, compared to 50.7% for the first quarter 2020, and 51.0% for the fourth quarter 2020.

Non-GAAP gross margin for the first quarter 2021 was 50.1%, compared to 51.0% for the first quarter 2020, and 51.2% for the fourth quarter 2020. The year-over-year decrease in non-GAAP gross margin by 90 basis points was due to product mix,

higher freight and distribution costs due to component shortages in the market, offset by the key initiatives put in place focused on cost reductions and supply chain efficiencies.

Non-GAAP gross margin in Q1'21 was 110 basis points lower quarter-over-quarter mostly the result of product mix, higher freight and distribution costs due to component shortages in the market, offset by the key initiatives put in place focused on cost reductions and supply chain efficiencies.

In Q1'21 our **non-GAAP gross profit dollars** increased by \$13.5 million compared to the prior year period to \$44.3 million and was higher by \$1.9 million sequentially.

Cost Structure:

GAAP operating expense (Research and development, sales and marketing, general and administrative, depreciation and amortization) was \$30.8 million for the first quarter 2021 compared to \$30.3 million for the first quarter 2020, and \$30.8 million for the fourth quarter 2020.

Non-GAAP operating expense was approximately \$28.8 million for the first quarter 2021, compared to \$27.8 million for the first quarter 2020 and \$29.1 million for the fourth quarter 2020. When compared to Q1'20, non-GAAP operating expense increased by approximately \$1.1 million, and decreased by \$0.3 million compared to the Q4'20. The majority of the year-over-year increase in non-GAAP operating expense was the result of increased incentive compensation due to the higher revenues. The lower sequential operating expense reflects lower discretionary spending in sales and marketing due to less trade show expenses associated with the COVID pandemic and lower R&D expenses.

GAAP research and development expense was \$11.6 million for the first quarter 2021, compared to \$11.8 million for the first quarter 2020, and \$11.9 million for the fourth quarter 2020.

Non-GAAP research and development expense was \$11.1 million for the first quarter 2021, compared to \$10.8 million for the first quarter 2020 and \$11.4 million for the fourth quarter 2020. The higher year-over-year non-GAAP R&D reflects higher incentive compensation. Reduced regulatory costs due to timing and higher R&D tax credits reflect the lower quarter-over-quarter spend during the first quarter 2021.

GAAP sales and marketing expense was \$10.0 million for the first quarter 2021, compared to \$10.3 million for the first quarter 2020, and \$10.2 million during the fourth quarter 2020.

Non-GAAP sales and marketing expense was \$9.7 million for the first quarter 2021, compared to \$9.6 million for the first quarter 2020 and \$9.9 million for the fourth quarter 2020. The higher year-over-year non-GAAP sales and marketing expense reflects higher headcount and incentive compensation. The lower quarter-over-quarter expense reflects less spend for trade shows and other events.

GAAP general and administrative expenses were \$7.5 million for the first quarter 2021, compared to \$6.4 million for the first quarter 2020, and \$7.2 million for the fourth quarter 2020.

Non-GAAP general and administrative expenses were \$7.0 million for the first quarter 2021, compared to \$6.3 million for the first quarter 2020 and \$6.7 million for the fourth quarter 2020. The year-over-year increase reflects higher incentive compensation. The higher quarter-over-quarter G&A reflects higher incentive compensation.

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

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

GAAP operating income for the first quarter 2021 was \$13.4 million, compared to \$0.4 million for the first quarter 2020, and \$11.4 million for the fourth quarter 2020.

Non-GAAP operating income for the first quarter 2021 was \$15.5 million, compared to operating income of \$3.0 million for the first quarter 2020, and \$13.3 million for the fourth quarter 2020. Non-GAAP operating margin for Q1'21 was 17.5%, up from 5.0% for Q1'20, and 16.0% of revenues in Q4'20.

GAAP tax benefit for Q1'21 was \$7.6 million. Cambium released a valuation allowance resulting in a tax benefit.

Non-GAAP provision for income taxes was \$2.6 million or a non-GAAP effective tax rate of 18.1% in Q1'21.

GAAP net income for the first quarter 2021 was \$19.9 million, or a net earnings of \$0.70 per diluted share, compared to a loss of \$0.8 million, or a loss of \$0.03 per diluted share for the first quarter 2020, and net income for the fourth quarter 2020 of \$10.5 million, or a net earnings of \$0.38 per diluted share.

Non-GAAP net income for the first quarter 2021 was \$11.7 million, or \$0.41 per diluted share, compared to \$1.4 million, or \$0.05 per diluted share for the first quarter 2020, and \$10.7 million, or \$0.38 per diluted share for the fourth quarter 2020.

Adjusted EBITDA for the first quarter 2021 was \$16.5 million, or 18.6% of revenues, compared to adjusted EBITDA of \$4.4 million or 7.3% of revenues for the first quarter 2020, and \$13.9 million or 16.8% of revenues for the fourth quarter 2020.

Balance Sheet:

Cash totaled \$51.2 million as of March 31, 2021, \$26.7 million higher than March 31, 2020, and a decrease of \$11.3 million from December 31, 2020. The year-over-year increase in cash was due primarily to higher revenues resulting in higher earnings, and strong working capital management. The quarter-over-quarter decrease in cash was primarily the result of payment for variable compensation, an increase in accounts receivable due to supply-constraints which impacted some

shipments into later in the first quarter affecting collections, a decrease in accounts payable, and an increase in increase in pre-paid inventories as we are secure strategic supplies resulting from higher revenues, offset by improved earnings.

Net long-term external debt including the current portion stood at \$51.8 million at March 31, 2021, a decrease of \$19.5 million from the first quarter of 2020 as a result of paying down the term loan and repayment of the revolver, and a decrease of \$2.4 million from the fourth quarter 2020 as a result of paying down \$2.5 million scheduled principal paydown of debt.

Net accounts receivable totaled \$69.0 million at the end of the first quarter 2021, compared to net receivables \$61.6 million during the first quarter of the prior year, and \$58.1 million at the end of the fourth quarter 2020, and compared with an increase in revenues of \$28.1 million from the first quarter 2020 and an increase in revenues of \$5.7 million at the end of the fourth quarter 2020. Days Sales Outstanding for the first quarter 2021 stood at 64 days, a decrease of 22 days from the prior year as a result of strong collections, and an increase of 8 days from the fourth quarter 2020 at 56 days, which was an all-time record. Supply-constraints impacted some shipments into later in the quarter affecting collections during the first quarter 2021.

Days payable stood at 56 days at the end of the first quarter 2021, an increase of 3 days from the first quarter of the prior year, and down by 3 days from the fourth quarter 2020.

Net inventories were \$31.4 million during the first quarter 2021, a decrease of \$1.1 million year-over-year, and decreased by \$2.5 million from the fourth quarter 2020. Days Inventory Outstanding was 67 days during the first quarter 2021, down by 44 days compared to the first quarter of the prior year, and lower by 4 days from the fourth quarter 2020.

Cash Flow:

Cash used in operating activities was \$7.6 million for the first quarter 2021, compared to \$0.8 million cash used in operating activities for the first quarter 2020, and \$15.1 million cash provided by operating activities for the fourth quarter 2020.

Capital expenditures for property and equipment and software were \$1.6 million during the first quarter 2021, compared with \$1.2 million reported during the first quarter 2020, and \$1.7 million during the fourth quarter 2020.

Taking into account our current visibility, the financial outlook as of May 6, 2021 for the second quarter ending June 30, 2021 and full year ending December 31, 2021 is expected to be as follows:

Second Quarter 2021 Financial Outlook

- Revenues between \$85.0-\$90.0 million
- GAAP gross margin between 48.8%-49.8%; and non-GAAP gross margin between 49.0%-50.0%
- GAAP operating expenses between \$32.9-\$33.9 million; and non-GAAP operating expenses between \$30.2-\$31.2 million
- GAAP operating income between \$8.6-\$11.0 million; and non-GAAP operating income between \$11.4-\$13.8 million
- Interest expense, net of approximately \$1.1 million

- GAAP net income between \$6.3-\$8.0 million or between \$0.22 and \$0.27 per diluted share; and non-GAAP net income between \$8.6-\$10.3 million or between \$0.29 and \$0.35 per diluted share
- Adjusted EBITDA between \$12.4-\$14.8 million; and adjusted EBITDA margin between 14.6%-16.4%
- GAAP and non-GAAP effective tax rate of approximately 17.0%-19.0%
- Approximately 29.2 million weighted average diluted shares outstanding

Cash requirements are expected to be as follows:

- Paydown of debt: \$2.5 million scheduled debt and an additional \$19.6 million reduction in term loan principal as required by the excess cash flow provision in the term credit agreement
- Cash flow interest expense: approximately \$0.8 million
- Capital expenditures: \$2.5-\$2.9 million

Full Year 2021 Financial Outlook

- Revenues between \$345.0-\$359.0 million, increasing between 24%-29%
- Adjusted EBITDA margin between 15.0%-17.0%

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

Cautionary Note Regarding Forward-Looking Statements

This document contains certain forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact contained in this document, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this document are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this document and are subject to a number of risks, uncertainties and assumptions including those described in the "Risk factors" section of our 2020 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2021. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include: the unpredictability of our operating results; and the impact of the global shortage of certain components including semiconductor chipsets; our inability to predict and respond to emerging technological trends and network operators' changing needs; risks presented by the global COVID-19 pandemic, which could significantly disrupt our manufacturing, sales and other operations and negatively impact our financial results; our reliance on third-party manufacturers, which subjects us to risks of product delivery delays and reduced control over product costs and quality; our reliance on distributors and value-added resellers for the substantial majority of our sales; the inability of our third-party logistics and warehousing providers to deliver products to our channel partners and network

operators in a timely manner; the quality of our support and services offerings; our or our distributors' and channel partners' inability to attract new network operators or sell additional products to network operators that currently use our products; the technological complexity of our products, which may contain undetected hardware defects or software bugs; our channel partners' inability to effectively manage inventory of our products, timely resell our products or estimate expected future demand; our inability to manage our growth and expand our operations; unpredictability of sales and revenues due to lengthy sales cycles; our inability to maintain an effective system of internal controls, produce timely and accurate financial statements or comply with applicable regulations; our reliance on the availability of third-party licenses; risks associated with international sales and operations; current or future unfavorable economic conditions, both domestically and in foreign markets; and our inability to obtain intellectual property protections for our products.

Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events or otherwise.

CAMBIUM NETWORKS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATION
(In thousands, except share and per share amounts)
(Unaudited)

	Three months ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Revenues	\$ 88,515	\$ 82,805	\$ 60,429
Cost of revenues	44,345	40,568	29,797
Gross profit	44,170	42,237	30,632
<i>Gross margin</i>	<i>49.9%</i>	<i>51.0%</i>	<i>50.7%</i>
Operating expenses			
Research and development	11,603	11,862	11,814
Sales and marketing	10,040	10,152	10,304
General and administrative	7,529	7,176	6,446
Depreciation and amortization	1,595	1,601	1,695
Total operating expenses	30,767	30,791	30,259
Operating income	13,403	11,446	373
<i>Operating margin</i>	<i>15.1%</i>	<i>13.8%</i>	<i>0.6%</i>
Interest expense, net	1,140	1,197	1,345
Other expense (income), net	42	411	(216)
Income (loss) before income taxes	12,221	9,838	(756)
(Benefit) provision for income taxes	(7,639)	(668)	82
Net income (loss)	\$ 19,860	\$ 10,506	\$ (838)
Earnings (loss) per share			
Basic	\$ 0.76	\$ 0.41	\$ (0.03)
Diluted	\$ 0.70	\$ 0.38	\$ (0.03)
Weighted-average number of shares outstanding to compute earnings (loss) per share			
Basic	26,115,615	25,775,954	25,677,179
Diluted	28,517,713	27,582,283	25,677,179
Share-based compensation included in costs and expenses:			
Cost of revenues	\$ 19	\$ 16	\$ 17
Research and development	517	413	368
Sales and marketing	295	254	232
General and administrative	579	48	194
Total share-based compensation expense	\$ 1,410	\$ 731	\$ 811

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

	March 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	\$ 51,182	\$ 62,472
Accounts receivable, net of allowance of \$874 and \$919	69,027	58,114
Inventories, net	31,435	33,962
Recoverable income taxes	2,637	1,420
Prepaid expenses	7,238	4,143
Other current assets	3,827	5,024
Total current assets	165,346	165,135
Noncurrent assets		
Property and equipment, net	7,891	7,535
Software, net	3,932	3,438
Operating lease assets	4,625	5,083
Intangible assets, net	12,343	12,895
Goodwill	9,842	9,842
Deferred tax assets, net	7,904	1,537
Other noncurrent assets	336	288
TOTAL ASSETS	\$ 212,219	\$ 205,753
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 24,487	\$ 30,859
Accrued liabilities	20,803	20,160
Employee compensation	9,418	14,911
Current portion of long-term external debt, net	29,026	29,201
Deferred revenues	6,237	6,471
Other current liabilities	5,493	6,009
Total current liabilities	95,464	107,611
Noncurrent liabilities		
Long-term external debt, net	22,769	24,957
Deferred revenues	4,553	4,448
Noncurrent operating lease liabilities	3,042	3,332
Deferred tax liabilities, net	9	9
Other noncurrent liabilities	1,981	2,009
Total liabilities	127,818	142,366
Shareholders' equity		
Share capital; \$0.0001 par value; 500,000,000 shares authorized at December 31, 2020 and March 31, 2021; 26,034,629 outstanding at December 31, 2020 and 26,298,501 shares outstanding at March 31, 2021	3	3
Additional paid in capital	113,067	109,837
Treasury shares, at cost, 133,025 shares at March 31, 2021 and 92,146 shares at December 31, 2020	(3,101)	(1,090)
Accumulated deficit	(24,939)	(44,799)
Accumulated other comprehensive loss	(629)	(564)
Total shareholders' equity	84,401	63,387
TOTAL LIABILITIES AND EQUITY	\$ 212,219	\$ 205,753

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

	Three Months Ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Cash flows from operating activities:			
Net income (loss)	\$ 19,860	\$ 10,506	\$ (838)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Depreciation and amortization	1,720	1,763	1,845
Amortization of debt issuance costs	137	137	137
Share-based compensation	1,410	731	811
Deferred income taxes	(6,367)	(388)	(162)
Provision for inventory excess and obsolescence	(709)	(37)	357
Other	(31)	(31)	165
Change in assets and liabilities:			
Receivables	(11,700)	(4,766)	(2,172)
Inventories	3,236	(4,871)	8,698
Prepaid expenses	(3,099)	(100)	1,217
Accounts payable	(6,777)	5,922	(8,546)
Accrued employee compensation	(6,003)	5,803	547
Other assets and liabilities	761	413	(2,850)
Net cash (used in) provided by operating activities	<u>(7,562)</u>	<u>15,082</u>	<u>(791)</u>
Cash flows from investing activities:			
Purchase of property and equipment	(814)	(975)	(1,053)
Purchase of software	(798)	(738)	(157)
Cash paid for acquisition	—	—	(334)
Net cash used in investing activities	<u>(1,612)</u>	<u>(1,713)</u>	<u>(1,544)</u>
Cash flows from financing activities:			
Proceeds from issuance of revolver debt	—	—	10,000
Repayment of term loan	(2,500)	(2,500)	(2,500)
Taxes paid related to net share settlement of equity awards	(1,563)	(27)	52
Proceeds from share option exercises	1,971	1,465	—
Net cash (used in) provided by financing activities	<u>(2,092)</u>	<u>(1,062)</u>	<u>7,552</u>
Effect of exchange rate on cash	(24)	45	(70)
Net (decrease) increase in cash	(11,290)	12,352	5,147
Cash, beginning of period	62,472	50,120	19,346
Cash, end of period	<u>\$ 51,182</u>	<u>\$ 62,472</u>	<u>\$ 24,493</u>
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 92	\$ 606	\$ 149
Interest paid	\$ 773	\$ 860	\$ 1,117

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

REVENUES BY PRODUCT CATEGORY

	Three Months Ended		
	March 31, 2021	December 31, 2020	March 31, 2020
Point-to-Multi-Point	\$ 57,799	\$ 53,828	\$ 34,867
Point-to-Point	17,476	16,756	13,110
Wi-Fi	12,123	10,920	11,481
Other	1,117	1,301	971
Total Revenues	<u>\$ 88,515</u>	<u>\$ 82,805</u>	<u>\$ 60,429</u>

REVENUES BY REGION

	Three Months Ended		
	March 31, 2021	December 31, 2020	March 31, 2020
North America	\$ 54,195	\$ 45,183	\$ 31,035
Europe, Middle East and Africa	18,690	21,509	18,744
Caribbean and Latin America	10,515	10,397	5,230
Asia Pacific	5,115	5,716	5,420
Total Revenues	<u>\$ 88,515</u>	<u>\$ 82,805</u>	<u>\$ 60,429</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, (viii) restructuring expenses, (ix) and non-recurring legal 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 and restructuring expenses and 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, 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 December 2020 of 2,500,000 ordinary shares held by Vector Capital. Cambium Networks did not raise any additional capital in the offering and the expenses are excluded as not part of continuing operations.

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

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

Acquisition and integration costs consist of legal and professional fees relating to the acquisition of Xirrus. Cambium Networks excludes these expenses since they result from an event that is outside the ordinary course of continuing operations.

One-time charges associated with the completion of an acquisition include items such as contract termination costs, severance and other acquisition-related restructuring costs; costs incurred in connection with integration activities; and legal and accounting costs. Cambium Networks excludes these expenses since they result from an event that is outside the ordinary course of continuing operations.

Restructuring expenses consist primarily of severance costs for employees which are not related to future operating expenses. Cambium Networks excludes these expenses since they result from an event that is outside the ordinary course of continuing operations. Excluding these charges permits more accurate comparisons of Cambium Networks ongoing business results.

Our non-GAAP tax adjustments include the tax impacts from share-based compensation expense including excess or decremental tax benefits available to the company that are recorded when incurred and impacts from the company's income tax valuation allowance initially recognized in the quarter ended June 30, 2019 and as reversed in the quarter ended March 31, 2021. Cambium Networks excludes these amounts to more closely approximate the company's ongoing effective tax rate after adjusting for one-time or unique reoccurring items. The associated non-GAAP effective tax rate is also applied to the gross amount of non-GAAP adjustments for purposes of calculating non-GAAP net income in total and on a per-share basis. This approach is designed to enhance the ability of investors to understand the company's tax expense on its current operations, provide improved modeling accuracy, and substantially reduce fluctuations caused by GAAP adjustments which may not reflect actual cash tax expense.

Non-GAAP fully weighted basic and diluted shares are shown as outstanding during the entire period presented and include dilutive shares, if their effect to earnings per share is dilutive. We also use non-GAAP fully weighted basic and diluted shares to provide more comparable per-share results across periods.

These non-GAAP financial measures do not replace the presentation of our GAAP financial results and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP. There are limitations in the use of non-GAAP measures, because they do not include all the expenses that must be included under GAAP and because they involve the exercise of judgment concerning exclusions of items from the comparable non-GAAP financial measure. In addition, other companies may use other measures to evaluate their performance, or may calculate non-GAAP measures differently, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. We present a “Reconciliation of GAAP Financial Measures to Non-GAAP Financial Measures” in the tables below.

The following table reconciles net income (loss) 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, 2021	December 31, 2020	March 31, 2020
Net income (loss)	\$ 19,860	\$ 10,506	\$ (838)
Interest expense, net	1,140	1,197	1,345
(Benefit) provision for income taxes	(7,639)	(668)	82
Depreciation and amortization	1,720	1,763	1,845
EBITDA	15,081	12,798	2,434
Share-based compensation	1,410	731	811
Secondary offering expenses	—	381	—
Restructuring expense	—	—	1,152
Adjusted EBITDA	<u>\$ 16,491</u>	<u>\$ 13,910</u>	<u>\$ 4,397</u>
Adjusted EBITDA Margin	18.6%	16.8%	7.3%

The following table reconciles all other GAAP to non-GAAP financial measures (in thousands):

CAMBIUM NETWORKS CORPORATION
RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		
	March 31, 2021	December 31, 2020	March 31, 2020
GAAP gross profit	\$ 44,170	\$ 42,237	\$ 30,632
Share-based compensation expense	19	16	17
Amortization of capitalized software costs	125	163	150
Non-GAAP gross profit	<u>\$ 44,314</u>	<u>\$ 42,416</u>	<u>\$ 30,799</u>
Non-GAAP gross margin	50.1%	51.2%	51.0%
GAAP research and development expense	\$ 11,603	\$ 11,862	\$ 11,814
Share-based compensation expense	517	413	368
Restructuring expense	—	—	639
Non-GAAP research and development expense	<u>\$ 11,086</u>	<u>\$ 11,449</u>	<u>\$ 10,807</u>
GAAP sales and marketing expense	\$ 10,040	\$ 10,152	\$ 10,304
Share-based compensation expense	295	254	232
Restructuring expense	—	—	513
Non-GAAP sales and marketing expense	<u>\$ 9,745</u>	<u>\$ 9,898</u>	<u>\$ 9,559</u>
GAAP general and administrative expense	\$ 7,529	\$ 7,176	\$ 6,446
Share-based compensation expense	579	48	194
Secondary offering expenses	—	381	—
Non-GAAP general and administrative expense	<u>\$ 6,950</u>	<u>\$ 6,747</u>	<u>\$ 6,252</u>
GAAP depreciation and amortization	\$ 1,595	\$ 1,601	\$ 1,695
Amortization of acquired intangibles	552	552	551
Non-GAAP depreciation and amortization	<u>\$ 1,043</u>	<u>\$ 1,049</u>	<u>\$ 1,144</u>
GAAP operating income	\$ 13,403	\$ 11,446	\$ 373
Share-based compensation expense	1,410	731	811
Secondary offering expenses	—	381	—
Amortization of capitalized software costs	125	163	150
Amortization of acquired intangibles	552	552	551
Restructuring expense	—	—	1,152
Non-GAAP operating income	<u>\$ 15,490</u>	<u>\$ 13,273</u>	<u>\$ 3,037</u>
GAAP pre-tax income (loss)	\$ 12,221	\$ 9,838	\$ (756)
Share-based compensation expense	1,410	731	811
Secondary offering expenses	—	381	—
Amortization of capitalized software costs	125	163	150
Amortization of acquired intangibles	552	552	551
Restructuring expense	—	—	1,152
Non-GAAP pre-tax income	<u>\$ 14,308</u>	<u>\$ 11,665</u>	<u>\$ 1,908</u>
GAAP (benefit) provision for income taxes	\$ (7,639)	\$ (668)	\$ 82
Valuation allowance impacts	(7,816)	(352)	—
Tax rate change	—	(925)	—
Tax impacts of share vesting	(1,975)	—	3
Tax effect of Non-GAAP adjustments, using non-GAAP ETR	(417)	(365)	(533)
All other discrete items	(19)	—	61
Non-GAAP provision for income taxes	<u>\$ 2,588</u>	<u>\$ 974</u>	<u>\$ 551</u>
Non-GAAP ETR	18.1%	8.4%	28.9%
GAAP net income (loss)	\$ 19,860	\$ 10,506	\$ (838)
Share-based compensation expense	1,410	731	811
Secondary offering expenses	—	381	—
Amortization of capitalized software costs	125	163	150
Amortization of acquired intangibles	552	552	551
Restructuring expense	—	—	1,152
Non-GAAP adjustments to tax	(9,810)	(1,277)	64
Tax effect of Non-GAAP adjustments, using non-GAAP ETR	(417)	(365)	(533)
Non-GAAP net income	<u>\$ 11,720</u>	<u>\$ 10,691</u>	<u>\$ 1,357</u>
Non-GAAP fully weighted basic shares	26,299	26,035	25,680
Non-GAAP fully weighted diluted shares	28,887	27,934	25,680
Non-GAAP net income per Non-GAAP basic share	<u>\$ 0.45</u>	<u>\$ 0.41</u>	<u>\$ 0.05</u>
Non-GAAP net income per Non-GAAP diluted share	<u>\$ 0.41</u>	<u>\$ 0.38</u>	<u>\$ 0.05</u>