



November 2, 2023

Cambium Networks CFO Commentary on Third Quarter 2023 Financial Results

Note: This document should be read in conjunction with the Third Quarter 2023 Financial Results and includes a discussion of certain non-GAAP⁽¹⁾ results

Third Quarter 2023:

Income Statement:

GAAP revenues of \$43.0 million for the third quarter 2023 decreased \$38.2 million year-over-year primarily as a result of lower revenues for Enterprise products due to high channel inventories and slowing economies, and lower Point-to-Multi-Point (PMP) revenues from service providers awaiting the addition of 6 GHz spectrum, partially offset by higher Point-to-Point (PTP) revenues due to increased defense revenues. Revenues for the third quarter 2023 decreased by \$16.5 million compared to \$59.5 million for the second quarter 2023, primarily due to U.S. Federal budgetary timing issues resulting in a shortfall in defense revenues impacting the Point-to-Point business, lower Enterprise revenues as a result of economic headwinds and high channel inventories, and lower Point-to-Multi-Point revenues as a result of service providers awaiting the addition of 6 GHz spectrum, which is now expected during late Q4'23.

Revenues by region:

During the third quarter 2023, North America, our largest region, represented approximately 42% of company revenues, compared to 37% from the prior year and 67% during the second quarter 2023. North America third quarter 2023 revenues decreased by 41% year-over-year, primarily due to lower PTP revenues for defense applications, and lower demand for PMP solutions from service providers ahead of the product transition to new 6 GHz technologies, as well as lower revenues for Enterprise solutions due to high channel inventories and stock rotations. On a sequential basis, North America revenues decreased by 55%, primarily driven by lower PTP revenues from U.S. Federal budgetary timing issues resulting in a shortfall in defense revenues, lower PMP shipments as a result of the timing of the FCC's approval of 6 GHz spectrum, which is now expected during late Q4'23, and lower Enterprise revenues due to higher stock rotations and high channel inventories, and economic headwinds. EMEA, our second largest region, decreased 51% year-over-year during the third quarter 2023 and increased 111% sequentially and represented 33% of revenues during Q3'23, 36% of revenues during Q3'22 and 11% of revenues during Q2'23. The lower year-over-year revenues in EMEA are mostly related to lower Enterprise products demand due to high channel inventories, increased stock rotations, slowing European economies, and tough year-over-year comparisons, partially offset by higher PMP revenues due to increased 28 GHz cnWave 5G fixed revenues, and higher PTP revenues from defense. The quarter-over-quarter increase in EMEA revenues primarily reflect increased PMP revenues due to higher shipments of 28 GHz cnWave 5G fixed technology, increased PTP revenues due to higher defense shipments, partially offset by lower demand for Enterprise products due to high stock rotations, high channel inventories, and economic headwinds.

CALA represented 13% of revenues during Q3'23, decreasing by 36% year-over-year, and lower by 5% quarter-over-quarter. The lower year-over-year revenues in CALA was primarily driven by lower Enterprise and PMP revenues. The lower quarter-over-quarter CALA revenues primarily reflect lower Enterprise revenues. APAC represented 12% of revenues during Q2'23, decreasing by 59% year-over-year, and lower by 27% from Q2'23. The lower year-over-year revenues in the APAC region was primarily driven by weaker PMP and Enterprise revenues. The lower quarter-over-quarter APAC revenues primarily reflect lower PMP and PTP revenues, partially offset by stronger Enterprise revenues.

GAAP gross margin for the third quarter 2023 was 25.5%, compared to 50.7% for the third quarter 2022, and 49.1% for the second quarter 2023.

Non-GAAP gross margin for the third quarter 2023 was 27.7%, compared to 51.3% for the third quarter 2022, and 50.3% for the second quarter 2023. The year-over-year decrease in non-GAAP gross margin was primarily the result of higher inventory reserves, lower freight capitalization, and reduced volumes of high margin Enterprise products, partially offset by the impact of the price increase completed in November of 2022.

Non-GAAP gross margin for the third quarter 2023 of 27.7% was lower sequentially primarily due higher inventory reserves, lower freight capitalization, and reduced volumes of high margin PTP and Enterprise products, partially offset by improved operating efficiencies, as well as the impact of the price increase completed in November of 2022.

In Q3'23 our **non-GAAP gross profit dollars** of \$11.9 million were lower by \$29.7 million compared to the prior year period resulting primarily from lower volumes of higher margin Enterprise products and higher inventory reserves and lower freight capitalization, and lower by \$18.0 million sequentially mostly due to lower revenues and less mix of higher margin PTP and Enterprise products.

Cost Structure:

GAAP operating expense (Research and development, sales and marketing, general and administrative, depreciation and amortization) was \$33.1 million for the third quarter 2023 compared to \$31.2 million for the third quarter 2022, and \$31.9 million for the second quarter 2023.

Non-GAAP operating expense was approximately \$27.4 million for the third quarter 2023, compared to \$27.9 million for the third quarter 2022, and \$28.3 million for the second quarter 2023. When compared to Q3'22, non-GAAP operating expenses decreased by \$0.4 million. The lower year-over-year operating expense was primarily the result of lower sales & marketing expense for variable compensation as a result of lower revenues, and lower marketing spend, partially offset by increased wages due to inflationary salary increases effective January 1, 2023.

The \$0.9 million sequential decrease in non-GAAP operating expenses for the third quarter 2023 primarily reflects lower headcount and variable compensation in sales and marketing due to lower revenues, partially offset by higher G&A due to professional services. We are beginning to see the effects of restructuring on payroll expenses which will continue into Q4 2023.

GAAP research and development expense was \$13.2 million for the third quarter 2023, compared to \$12.6 million for the third quarter 2022 and \$13.0 million for the second quarter 2023.

Non-GAAP research and development expense was \$11.5 million for the third quarter 2023, compared to \$11.4 million for the third quarter 2022, and \$11.4 million for the second quarter 2023. The year-over-year increase is primarily related to higher headcount. The higher sequential expense is primarily related to higher spend on engineering materials.

GAAP sales and marketing expense was \$9.7 million for the third quarter 2023, compared to \$11.0 million for the third quarter 2022, and \$11.5 million during the second quarter 2023.

Non-GAAP sales and marketing expense was \$8.7 million for the third quarter 2023, compared to \$10.3 million for the third quarter 2022 and \$10.8 million for the second quarter 2023. The lower year-over-year non-GAAP sales and marketing expense primarily reflects lower headcount partially offset by higher wages. The lower quarter-over-quarter non-GAAP sales and marketing expense primarily reflects lower headcount and less variable compensation.

GAAP general and administrative expenses were \$8.7 million for the third quarter 2023 compared to \$6.1 million for the third quarter 2022, and \$5.8 million for the second quarter 2023.

Non-GAAP general and administrative expenses were \$6.1 million for the third quarter 2023, compared to \$5.0 million for the third quarter 2022, and \$4.9 million for the second quarter 2023. The increase in G&A on a sequential and year-over-year basis primarily reflects higher professional services.

GAAP depreciation and amortization expenses were \$1.5 million for the third quarter 2023, compared to \$1.5 million for the third quarter 2022, and \$1.6 million for the second quarter 2023.

Non-GAAP depreciation and amortization expenses were \$1.2 million for the third quarter 2023, compared to \$1.1 million for the third quarter 2022 and \$1.2 million for the second quarter 2023.

GAAP operating loss for the third quarter 2023 was \$22.1 million, compared to operating income of \$10.0 million for the third quarter 2022, and operating loss of \$2.7 million for the second quarter 2023.

Non-GAAP operating loss for the third quarter 2023 was \$15.5 million, compared to operating income of \$13.8 million for the third quarter 2022, and operating income of \$1.6 million for the second quarter 2023. Non-GAAP operating margin for Q3'23 was negative (36.1)%, down from 17.0% for Q3'22, and up from 2.8% of revenues in Q2'23.

GAAP tax provision for Q3'23 was \$3.4 million. **Non-GAAP tax benefit** was \$4.1 million or a non-GAAP effective tax rate of 25.5% in Q3'23. The non-GAAP tax benefit is a result of an operating loss and excludes the effect of a valuation allowance recorded against tax assets for the cumulative loss related to our UK operation.

GAAP net loss for the third quarter 2023 was \$26.2 million, or a net loss of \$0.95 per diluted share, compared to net income of \$9.4 million, or net earnings of \$0.34 per diluted share for the third quarter 2022, and net loss of \$2.6 million, or a net loss of \$0.10 per diluted share for the second quarter 2023.

Non-GAAP net loss for the third quarter 2023 was \$12.1 million, or \$0.44 per diluted share, compared to net income of \$11.3 million, or earnings of \$0.40 per diluted share for the third quarter 2022, and net income of \$0.9 million, or earnings of \$0.03 per diluted share for the second quarter 2023.

Adjusted EBITDA for the third quarter 2023 was a loss of \$14.4 million, or (33.5)% of revenues, compared to adjusted EBITDA of \$14.7 million or 18.2% of revenues for the third quarter 2022, and \$2.8 million, or 4.7% of revenues for the second quarter 2023.

Balance Sheet:

Cash totaled \$27.5 million at September 30, 2023, \$17.3 million lower than September 30, 2022, due primarily to lower net income, and an increase in inventories, partially offset by a reduction in receivables. Cash was lower by \$4.4 million compared to June 30, 2023, due primarily to lower net income, capital expenditures, and income taxes.

Net external debt including the current portion was \$25.8 million at September 30, 2023, a decrease of \$2.5 million from the third quarter of 2022 as a result of paying the scheduled principal payments during the past year, and down \$0.6 million from the second quarter 2023 due to the scheduled principal payment.

Net accounts receivable totaled \$60.4 million at the end of the third quarter 2023, compared to net receivables of \$84.4 million at the end of the third quarter of the prior year, and \$86.8 million at the end of the second quarter 2023. Days Sales Outstanding for the first quarter 2023 stood at 106 days, an increase of 26 days from the prior year, and down 8 days from the second quarter 2023.

Days payable stood at 49 days at the end of the third quarter 2023, an increase of 4 days from the third quarter of the prior year, and lower by 3 days from the second quarter 2023. The year-over-year increase and sequential decrease were caused by the timing of invoices and payments to manufacturing partners.

Net inventories were \$79.8 million during the third quarter 2023, an increase of \$29.1 million year-over-year, and lower by \$2.6 million from the second quarter 2023. Days Inventory Outstanding was 236 days during the third quarter 2023, up by 123 days compared to the third quarter of the prior year, and up by 4 days from the second quarter 2023. The year-over-year increase in inventories primarily reflects lower than anticipated demand for Enterprise products, and the sequential decrease in inventories primarily reflects lower fixed wireless inventories during the third quarter 2023.

Cash Flow:

Cash used in operating activities was \$0.2 million for the third quarter 2023, compared to cash provided by operating activities of \$2.2 million for the third quarter 2022, and cash used in operating activities of \$4.5 million for the second quarter 2023.

Capital expenditures for property and equipment and software were \$3.3 million during the third quarter 2023, compared with \$2.4 million reported during the third quarter 2022, and \$2.5 million during the second quarter 2023.

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.

Fourth Quarter 2023 Financial Outlook

Taking into account our current visibility, the financial outlook as of November 2, 2023, for the fourth quarter ending December 31, 2023, is expected to be as follows:

- Revenues between \$45.0-\$50.0 million
- GAAP gross margin between 36.3%-43.3%; and non-GAAP gross margin between 38.0%-45.0%
- GAAP operating expenses between \$29.8-\$30.8 million; and non-GAAP operating expenses between \$25.7-\$26.7 million
- GAAP net loss between \$8.0-\$11.5 million or a net loss between \$0.29 and \$0.41 per diluted share; and non-GAAP net loss between \$4.0-\$7.5 million or a net loss between \$0.14 and \$0.27 per diluted share

Cautionary Note Regarding Forward-Looking Statements

This release 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.

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 2022 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2023, and Form 10-Qs filed on May 9, 2023, and August 2, 2023. 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; our inability to predict and respond to emerging technological trends and network operators’ changing needs; the impact of political tensions between the United States and other countries such as the war between Russia and Ukraine, tensions with China and the evolving events in Israel and Gaza; the strength of the dollar and the impact on the cost of our products globally; current or future unfavorable economic conditions, both domestically and in our foreign markets, including the risk of a global or localized recession; our inability to predict and respond to emerging technological trends and network operators’ changing needs; the impact of competitive pressures on the development of our new products; the impact of actual or threatened health epidemics and other outbreaks; our limited or sole source suppliers’ inability to acquire or produce third-party components to build our products and the impact of supply shortages, extended lead times or changes in supply or cost of components needed to manufacture our products; our ability to effectively forecast demand or manage our inventory, including our channel inventory, which may cause us to record write-downs for excess or obsolete inventory; 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; 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 or subject our products to the risks of ransomware or malware or other cyber-attack; our channel partners’ inability to effectively manage inventory of our products, timely resell our products or estimate expected future demand; and current or future unfavorable economic conditions, both domestically and in foreign markets.

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, 2023	June 30, 2023	September 30, 2022
Revenues	\$ 43,046	\$ 59,542	\$ 81,200
Cost of revenues	32,087	30,300	40,034
Gross profit	10,959	29,242	41,166
<i>Gross margin</i>	<i>25.5%</i>	<i>49.1%</i>	<i>50.7%</i>
Operating expenses			
Research and development	13,151	13,008	12,609
Sales and marketing	9,675	11,528	11,033
General and administrative	8,688	5,836	6,058
Depreciation and amortization	1,545	1,573	1,506
Total operating expenses	33,059	31,945	31,206
Operating (loss) income	(22,100)	(2,703)	9,960
<i>Operating margin</i>	<i>-51.3%</i>	<i>-4.5%</i>	<i>12.3%</i>
Interest expense, net	620	579	514
Other expense, net	63	64	165
(Loss) income before income taxes	(22,783)	(3,346)	9,281
Provision (benefit) for income taxes	3,417	(704)	(154)
Net (loss) income	\$ (26,200)	\$ (2,642)	\$ 9,435
(Loss) earnings per share			
Basic	\$ (0.95)	\$ (0.10)	\$ 0.35
Diluted	\$ (0.95)	\$ (0.10)	\$ 0.34
Weighted-average number of shares outstanding to compute (loss) earnings per share			
Basic	27,619,281	27,432,705	26,977,155
Diluted	27,619,281	27,432,705	27,979,575
Share-based compensation included in costs and expenses:			
Cost of revenues	\$ 45	\$ 59	\$ 56
Research and development	1,037	1,388	1,241
Sales and marketing	597	728	696
General and administrative	1,166	887	855
Total share-based compensation expense	\$ 2,845	\$ 3,062	\$ 2,848

Certain reclassifications were made within operating expenses in prior periods to conform to the current period. These reclassifications had no impact to operating income.

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

	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	\$ 27,529	\$ 48,162
Accounts receivable, net of allowance of \$734 and \$577	60,444	89,321
Inventories, net	79,764	57,068
Recoverable income taxes	982	117
Prepaid expenses	8,810	11,857
Other current assets	9,643	6,464
Total current assets	187,172	212,989
Noncurrent assets		
Property and equipment, net	11,365	11,271
Software, net	11,804	8,439
Operating lease assets	4,257	4,011
Intangible assets, net	8,050	9,173
Goodwill	9,842	9,842
Deferred tax assets, net	12,494	12,782
Other noncurrent assets	880	955
TOTAL ASSETS	\$ 245,864	\$ 269,462
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	\$ 24,849	\$ 31,284
Accrued liabilities	20,690	28,042
Employee compensation	5,333	7,394
Current portion of long-term external debt, net	3,173	3,158
Deferred revenues	8,791	8,913
Other current liabilities	15,988	8,429
Total current liabilities	78,824	87,220
Noncurrent liabilities		
Long-term external debt, net	22,588	24,463
Deferred revenues	9,731	8,617
Noncurrent operating lease liabilities	2,793	2,170
Other noncurrent liabilities	1,705	1,619
Total liabilities	115,641	124,089
Shareholders' equity		
Share capital; \$0.0001 par value; 500,000,000 shares authorized at September 30, 2023 and December 31, 2022; 27,661,860 outstanding at September 30, 2023 and 27,313,273 outstanding at December 31, 2022	3	3
Additional paid in capital	149,165	138,997
Treasury shares, at cost, 255,569 shares at September 30, 2023 and 209,461 shares at December 31, 2022	(5,600)	(4,922)
Accumulated (deficit) earnings	(11,744)	12,822
Accumulated other comprehensive loss	(1,601)	(1,527)
Total shareholders' equity	130,223	145,373
TOTAL LIABILITIES AND EQUITY	\$ 245,864	\$ 269,462

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

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
Cash flows from operating activities:			
Net (loss) income	\$ (26,200)	\$ (2,642)	\$ 9,435
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization of software and intangible assets	2,294	2,222	1,930
Amortization of debt issuance costs	81	79	76
Share-based compensation	2,845	3,062	2,848
Deferred income taxes	3,612	(1,805)	(694)
Provision for inventory excess and obsolescence	4,577	(276)	1,587
Other	155	69	(88)
Change in assets and liabilities:			
Receivables	22,457	9,165	(5,506)
Inventories	(1,993)	(13,739)	(4,786)
Prepaid expenses	(772)	2,734	(4,116)
Accounts payable	(5,156)	134	(137)
Accrued employee compensation	(527)	(931)	759
Other assets and liabilities	(1,619)	(2,593)	851
Net cash (used in) provided by operating activities	(246)	(4,521)	2,159
Cash flows from investing activities:			
Purchase of property and equipment	(1,125)	(667)	(974)
Purchase of software	(2,185)	(1,796)	(1,440)
Net cash used in investing activities	(3,310)	(2,463)	(2,414)
Cash flows from financing activities:			
Repayment of term loan	(656)	(657)	(656)
Issuance of ordinary shares under ESPP	—	1,102	—
Taxes paid related to net share settlement of equity awards	(219)	(285)	(231)
Proceeds from share option exercises	6	105	113
Net cash (used in) provided by financing activities	(869)	265	(774)
Effect of exchange rate on cash	(24)	1	(41)
Net decrease in cash	(4,449)	(6,718)	(1,070)
Cash, beginning of period	31,978	38,696	45,929
Cash, end of period	\$ 27,529	\$ 31,978	\$ 44,859
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 1,120	\$ 2,639	\$ 486
Interest paid	\$ 474	\$ 468	\$ 213

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

REVENUES BY PRODUCT CATEGORY

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
Point-to-Multi-Point	\$ 23,596	\$ 26,734	\$ 26,090
Point-to-Point	15,809	25,074	15,409
Enterprise	2,499	6,420	38,330
Other	1,142	1,314	1,371
Total Revenues	\$ 43,046	\$ 59,542	\$ 81,200

REVENUES BY REGION

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
North America	\$ 17,768	\$ 39,526	\$ 30,086
Europe, Middle East and Africa	14,274	6,769	29,263
Caribbean and Latin America	5,726	6,015	8,935
Asia Pacific	5,278	7,232	12,916
Total Revenues	\$ 43,046	\$ 59,542	\$ 81,200

(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 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) one-time costs, and (vii) 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 and restructuring 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, nonrecurring legal expenses, 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 expenses are excluded. Management may issue different types of awards, including share options, restricted share awards and restricted share units, 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.

Amortization of acquired intangibles includes customer relationships and is 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. Non-GAAP results exclude the effect of a valuation allowance recorded against tax assets for the cumulative loss related to our UK operation. Cambium Networks excludes these amounts to more closely approximate the company's ongoing effective tax rate after adjusting for one-time or unique non-recurring items. The associated non-GAAP effective tax rate is also applied to the gross amount of non-GAAP adjustments for the purpose 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 on 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, 2023	June 30, 2023	September 30, 2022
Net (loss) income	\$ (26,200)	\$ (2,642)	\$ 9,435
Interest expense, net	620	579	514
Provision (benefit) for income taxes	3,417	(704)	(154)
Depreciation and amortization of software and intangible assets	2,294	2,222	1,930
EBITDA	(19,869)	(545)	11,725
Share-based compensation	2,845	3,062	2,848
Restructuring and other nonrecurring expenses	2,602	256	168
Adjusted EBITDA	<u>\$ (14,422)</u>	<u>\$ 2,773</u>	<u>\$ 14,741</u>
Adjusted EBITDA Margin	-33.5%	4.7%	18.2%

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, 2023	June 30, 2023	September 30, 2022
GAAP gross profit	\$ 10,959	\$ 29,242	\$ 41,166
Share-based compensation expense	45	59	56
Amortization of capitalized software costs	750	648	424
Restructuring expense	152	—	—
Non-GAAP gross profit	<u>\$ 11,906</u>	<u>\$ 29,949</u>	<u>\$ 41,646</u>
Non-GAAP gross margin	27.7%	50.3%	51.3%
GAAP research and development expense	\$ 13,151	\$ 13,008	\$ 12,609
Share-based compensation expense	1,037	1,388	1,241
Restructuring and other nonrecurring expense	630	256	—
Non-GAAP research and development expense	<u>\$ 11,484</u>	<u>\$ 11,364</u>	<u>\$ 11,368</u>
GAAP sales and marketing expense	\$ 9,675	\$ 11,528	\$ 11,033
Share-based compensation expense	597	728	696
Restructuring and other nonrecurring expenses	350	—	—
Non-GAAP sales and marketing expense	<u>\$ 8,728</u>	<u>\$ 10,800</u>	<u>\$ 10,337</u>
GAAP general and administrative expense	\$ 8,688	\$ 5,836	\$ 6,058
Share-based compensation expense	1,166	887	855
Restructuring and other nonrecurring expenses	1,470	—	168
Non-GAAP general and administrative expense	<u>\$ 6,052</u>	<u>\$ 4,949</u>	<u>\$ 5,035</u>
GAAP depreciation and amortization	\$ 1,545	\$ 1,573	\$ 1,506
Amortization of acquired intangibles	375	375	390
Non-GAAP depreciation and amortization	<u>\$ 1,170</u>	<u>\$ 1,198</u>	<u>\$ 1,116</u>
GAAP operating (loss) income	\$ (22,100)	\$ (2,703)	\$ 9,960
Share-based compensation expense	2,845	3,062	2,848
Amortization of capitalized software costs	750	648	424
Amortization of acquired intangibles	374	375	390
Restructuring and other nonrecurring expenses	2,602	256	168
Non-GAAP operating (loss) income	<u>\$ (15,529)</u>	<u>\$ 1,638</u>	<u>\$ 13,790</u>
GAAP pre-tax (loss) income	\$ (22,783)	\$ (3,346)	\$ 9,281
Share-based compensation expense	2,845	3,062	2,848
Amortization of capitalized software costs	750	648	424
Amortization of acquired intangibles	374	375	390
Restructuring and other nonrecurring expenses	2,602	256	168
Non-GAAP pre-tax (loss) income	<u>\$ (16,212)</u>	<u>\$ 995</u>	<u>\$ 13,111</u>
GAAP provision (benefit) for income taxes	\$ 3,417	\$ (704)	\$ (154)
Valuation allowance impacts	5,292	—	—
Tax rate change	119	(147)	(8)
Tax impacts of share vesting	80	18	—
Tax effect of Non-GAAP adjustments	(1,314)	(868)	(766)
All other discrete items	3,373	200	(1,216)
Non-GAAP (benefit) provision for income taxes	<u>\$ (4,133)</u>	<u>\$ 93</u>	<u>\$ 1,836</u>
Non-GAAP ETR	25.5%	9.4%	14.0%
GAAP net (loss) income	\$ (26,200)	\$ (2,642)	\$ 9,435
Share-based compensation expense	2,845	3,062	2,848
Amortization of capitalized software costs	750	648	424
Amortization of acquired intangibles	374	375	390
Restructuring and other nonrecurring expenses	2,602	256	168
Non-GAAP adjustments to tax	8,864	71	(1,224)
Tax effect of Non-GAAP adjustments	(1,314)	(868)	(766)
Non-GAAP net (loss) income	<u>\$ (12,079)</u>	<u>\$ 902</u>	<u>\$ 11,275</u>
Non-GAAP fully weighted basic shares	<u>27,662</u>	<u>27,603</u>	<u>27,016</u>
Non-GAAP fully weighted diluted shares	<u>27,744</u>	<u>28,279</u>	<u>27,916</u>
Non-GAAP net income per Non-GAAP basic share	<u>\$ (0.44)</u>	<u>\$ 0.03</u>	<u>\$ 0.42</u>
Non-GAAP net income per Non-GAAP diluted share	<u>\$ (0.44)</u>	<u>\$ 0.03</u>	<u>\$ 0.40</u>

Certain revisions were made within operating expenses in prior periods to conform to the current period. These revisions had no impact to operating income.