

Q4'21 Financial Results Conference Call Prepared Remarks 2/17/22

Intro

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

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

Atul Bhatnagar, our President and CEO, and Stephen Cumming, our CFO, are here for today's call. The financial results press release and CFO commentary referenced on this call are accessible on the investor page of our website and the press release has been submitted on a Form 8-K with the SEC. A copy of today's prepared remarks will also be available on our investor page at the conclusion of this call.

As a reminder, today's remarks, including those made during Q&A, will contain forward-looking statements about the company's outlook and expected performance. These statements are based on current expectations, forecasts, and assumptions. Risks and uncertainties could cause actual results to differ materially.

Except as required by law, Cambium Networks does not undertake any obligation to update or revise any forward-looking statements for any reason after the date of this presentation, whether as a result of new information, future developments, to conform these statements to actual results or to make changes in Cambium's expectations or otherwise. It is Cambium Networks policy to not reiterate our financial outlook. We encourage listeners to review the full list of risk factors included in the safe harbor statement in today's financial results press release.

We will also reference both GAAP and non-GAAP financial measures and specifically note that all sequential and year-over-year comparisons reference non-GAAP numbers except where otherwise noted. A reconciliation of non-GAAP measures to GAAP is included in the appendix

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to today's financial results press release which can be found on the investor page of our website and in today's press release announcing our results.

Turning to the agenda...

Cambium Networks President & CEO, Atul Bhatnagar, will provide the key investment highlights for the fourth quarter and full year 2021 and Stephen Cumming, Cambium Networks CFO, will provide a recap of the financial results for the fourth quarter and full year 2021 and present our financial outlook for the first quarter and full year 2022. Our prepared remarks will be followed by a Q&A session.

I'd now like to turn the call over to Atul....

Atul Bhatnagar, President & CEO

Thank you, Peter.

Demand and backlog remained strong due to the continued need for expansion of broadband wireless communications networks and a strong rebound in enterprise Wi-Fi shipments. We experienced an incremental improvement with supply chain challenges and are winning more sizeable enterprise deals while taking market share during Q4'21. For calendar year 2021, our enterprise business grew 67%, well ahead of our original forecast of 40-60% growth announced during our Q4'20 financial results conference call last February. We achieved our overall results without the full benefit of the price increases and surcharges which continue to layer into our financial results over the next few quarters. We are still facing supply chain challenges within our industry although things seemed to have bottomed and are expected to improve incrementally over the next few quarters as we have adjusted to the new normal which includes expedite fees, extended lead times, as well as increased freight expenses.

Demand remained strong. We exited the fourth quarter 2021 with backlog up 7% quarter-over-quarter and 16% year-over-year.

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We are at the forefront of the next wave of high-performance wireless broadband technology with our millimeter wave solutions. Our new 28 GHz 5G multi-gigabit fixed wireless products are expected to be released during the first quarter. We presently have 8 POCs for our 28 GHz cnWave going on in four continents.

Our 60 GHz cnWave products are changing the way fixed wireless is viewed by customers and expands our serviceable available market bringing a standards based multi-gigabit fixed wireless solution using licensed and unlicensed spectrum to network operators serving residential, urban and enterprise markets.

Cambium's enterprise solutions bring sophisticated cost-effective multi-gigabit Wi-Fi, wireless savvy switching, premium software solutions, and subscription services to our customers and the results have been outstanding during 2021. We had a breakthrough quarter for the Wi-Fi business, with record revenues of \$25.8 million, which grew 140% sequentially and 136% year-over-year during Q4'21. To put this in perspective, Wi-Fi represented a third of company revenues during the fourth quarter 2021, the previous record was 20% of revenues during the second quarter 2021.

We are winning as a result of Cambium's attractive cost of ownership which makes our fixed wireless solutions a compelling choice for wireless infrastructure projects around the world. With increased government spending on infrastructure projects accelerating over the next few years, and our commitment to deliver cost-effective and scalable multi-gigabit solutions to local communities and distributed enterprises around the globe, Cambium will be a winner over the next several years with its cloud managed wireless fabric solution extending from a few meters to over a hundred kilometers-all done wirelessly.

Turning to the results of the fourth quarter 2021

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Revenues of \$78.7 million came in above the outlook of \$73.5 million to \$77.5 million announced during the Q3'21 earnings call. The supply constrained environment mainly affected shipments of fixed wireless products and limited further upside to our fourth quarter results. The enterprise market had a strong rebound in Q4'21 as supply constraints began to ease. We were able to opportunistically purchase chips on the secondary market at higher prices.

Non-GAAP fully diluted EPS of \$0.16 was within the outlook announced during the Q3'21 earnings call of between \$0.11 and \$0.17 per diluted share.

Looking at revenues across our different product lines. Our Point-to-Multi-Point (PMP) business revenues decreased 26% sequentially and 31% year-over-year, due to global supply constraints negatively impacting shipments of products. We continued to see strong momentum in network traffic, increased demand for CBRS solutions, and broadening interest in our new product introductions. We expect the component shortages to continue to improve, although gradually, during the first half of calendar year '22.

The Point-to-Point (PTP) business improved by 10% sequentially during Q4'21, with component shortages limiting shipments of certain products, although we had higher shipments for Federal products, while year-over-year revenues decreased 9% due to lower shipments for backhaul products compared to a very strong prior-year period.

Our enterprise Wi-Fi business had a break-through quarter with record revenues of \$25.8 million--our previous record for Wi-Fi was \$18.3 million during Q2'21. We were fortunate to have improved supply conditions and pent-up demand, with Wi-Fi increasing 140% sequentially, and higher by 136% year-over-year during Q4'21 although supply constraints remain. This is an indication of the strong potential of the Wi-Fi business for Cambium Networks. Demand remains very healthy for our enterprise Wi-Fi and wireless savvy switching solutions and we continue to win larger and more diverse customers in this end market all over the world as customers adopt our next generation leading-edge Wi-Fi 6 and 6E solutions.

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For the full year 2021, revenues of \$335.9 million increased 21% from 2020. The 2021 growth was primarily driven by our Point-to-Multi-Point and enterprise Wi-Fi solutions, which both grew double-digit percentages over the previous year. For the full year 2021, our PMP products grew 19% and enterprise Wi-Fi grew 67%, while the Point-to-Point products increased 1% compared to calendar year 2020.

Looking at some notable customer wins and new product developments.

In North America, we had several competitive wins aided by government funding. A service provider in Texas ripped and replaced a competitor's gear with Cambium's PMP 450m technology. A second service provider with a new focus on Fixed Wireless in rural Western New York State replaced Huawei equipment with Cambium's PMP 450 with the aid of government funding.

Within our industrial customer base, a North American railroad operator selected our PTP 820 for its range, throughput performance, small footprint, and superior reliability.

Also in the transportation space, Buckeye Mountain, a leading system integrator of communications solutions to the railroad and intermodal industries, has integrated Cambium Networks' fixed wireless and outdoor Wi-fi technology into their Rapid Deploy family of connectivity solutions. As ports and rail yards deal with unprecedented supply chain issues, communications reliability is vitally important. We also see 60 GHz cnWave as an emerging application at railyards and railways for communications across rail tracks to avoid trenching fiber to cross railroad tracks.

We had one of our first Wi-Fi 6E wins with a university in Texas. Not only did they select over 1,000 Cambium access points to cover the indoor and outdoor areas of the classrooms and dorms, but they selected our ultra-high-density radios for their auditorium and public areas. They also chose our 60 GHz cnWave to backhaul the Wi-Fi for their stadium areas.

Cambium's first mover status for the FCC's 3.5 GHz CBRS spectrum continued to benefit our PMP 450 products and our CBRS SAS service in both the U.S. and its territories. As of today's

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call, we now have over 129,000 devices managed by our CBRS SAS service, an increase of over 12% since we reported last quarter and an increase of approximately 93% year-over-year.

In the Europe, Middle East, and Africa region (EMEA), recent strategic wins since our last call include:

In France, one of the largest restaurant chains in the country, servicing 600 various quick service restaurants, selected Cambium's Wi-Fi 6 and switching. The deal is a sizeable one, and we beat out several larger competitors. Our Wi-Fi performance superiority is propelling us forward in competitive wins.

We had several wins in the enterprise hospitality vertical in Germany and Italy. These resorts in the northern hemisphere are upgrading their Wi-Fi for both the guest rooms and convention areas during the off-peak season. Cambium's quality, affordability, support, and relationships with partners are some of the reasons why we are winning over these customers.

The APAC region had record revenues; Wi-Fi bookings were also very robust. We received a major enterprise order for over 7,000 access points from Worldlink Nepal for outdoor Wi-Fi.

We had our first win with a large telco Managed Service Provider (MSP) in Japan for our Wi-Fi business. The project involved connectivity for schools and hospitals and featured our Wi-Fi 6 product. This opens the door for future opportunities as the Japanese market is dominated by larger telecom MSPs and we won this project over a larger competitor.

And in Malaysia, one of the largest oil & gas companies in the region selected Cambium's intelligent positioners with our PTP 450i for connectivity between oil rigs and oil tankers.

In the Caribbean and Latin America (CALA) region, Cambium had a solid quarter with record bookings.

We had a strong enterprise quarter with an education win in Brazil for 1,600 schools in the State of São Paulo. Cambium's outdoor access points were selected versus several larger competitors due to our superior performance and total cost of ownership for the customer. Brazil represents a

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large opportunity to expand our enterprise business and we are making tremendous progress in the country.

We had a win with our 60 GHz and Wi-Fi combo for a major port in the CALA region to provide coverage across a facility in days. The maritime port facility found that mobile cellular service did not perform adequately in an environment where metal containers were moved and stacked on a continual basis. After deploying Cambium fixed wireless and Wi-Fi technology, the port experienced consistent connectivity and higher data throughput. Our partner is expanding their deployment to cover four additional ports and equip two container ships.

Turning to new product introductions since our previous quarterly update.

We officially launched our first Wi-Fi 6E products, the XE-series, which triples the available spectrum for Wi-Fi usage including utilization up to 1.2 GHz of new clean spectrum in the 6 GHz band. The Wi-Fi 6E solution is a compatible solution with existing Wi-Fi 6 networks and enables customers to upgrade to 6 GHz when they are ready without a price premium.

We continued with extensive field trials and proof-of-concept deployments for our new 28 GHz cnWave 5G NR fixed wireless product with a formal launch during Q1'22 and revenues beginning to ramp during calendar 2022. Interest and demand from service providers is very high for this long sought-after product which uses millimeter wave for fixed wireless access in areas where it's not possible to use either fiber or traditional mobile technologies like 4G or 5G. Our 28 GHz cnWave solution will include a mandatory software attach with cnMaestro X, our cloud-based network management platform to support service delivery, and Cambium Care for software maintenance and upgrades.

One of our key goals for 2022 is to build a strong foundation for our software and subscription services business, which delivers customer stickiness, recurring revenue, and accretive margin. We are building a sustainable subscription business through three principal initiatives.

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First, cnMaestro Essentials provides important core services valued by all of our enterprise and fixed wireless customers; and cnMaestro X provides enhanced services, functionality, and ecosystem integrations for a fee basis. We continue to invest in cnMaestro X for enterprise and fixed wireless broadband network administration through organic development and ecosystem integration including mandatory attach rates on certain products.

Second, through the development and introduction of new products that are subscription first by design. During Q1'22 we expect to launch our new Quality of Experience (QoE) service. QoE provides visibility and network traffic optimization in real-time to mitigate congestion and control network traffic. This feature will be increasingly important to high-bandwidth multi-gigabit networks across wired and wireless platforms.

Network operators subscribing to Cambium's QoE can optimize the average revenue per user (ARPU) and improve customer satisfaction. QoE allows network administrators to confidently offer higher service level agreements (SLAs) at targeted higher ARPU subscribers. Additional products are anticipated in the second half of 2022 to accelerate Annual Recurring Revenue.

Third, we are aligning, training, and incentivizing our internal go-to-market team, and more importantly our more than 10,000 global partners, to effectively position and sell our subscription services. Having conducted business in approximately 170 countries in 2021, it is critical that we harness the local knowledge, skill, and presence, of our channel partners to advance our subscription services business.

Looking at our cnMaestro™ Cloud software, our end-to-end cloud-powered connectivity solution to manage the network from a single pane of glass. The cnMaestro™ Cloud software continued to experience strong user growth. Total devices under cloud management in Q4'21 were over 744,300, an increase of 4% from Q3'21, and up 42% year-over-year.

The expansion and growth of our subscription services will be a multi-year journey for Cambium. In the coming quarters we will provide investors metrics to measure our progress.

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Looking at our Channel

In Q4'21, we expanded our channel presence by adding over 530 net new channel partners sequentially, and over 2,160 net new channel partners year-over-year, which represents an increase of approximately 5% sequentially and 24% year-over-year.

I will now turn the call over to Stephen for a review of our Q4'21 financial results and Q1'22 and full year '22 outlook.

Stephen Cumming-CFO

Thanks Atul.

Cambium had revenues of \$78.7 million for Q4'21. Revenues increased by 4% quarter-over-quarter and decreased by 5% year-over-year.

The global supply constraints continued to impact shipments of our Point-to-Multi-Point and Point-to-Point products, while we had better than anticipated supply of Wi-Fi chips, enabling a record-breaking quarter for our enterprise Wi-Fi business which had significant pent-up demand and we opportunistically managed to obtain supply in the secondary market, increasing revenues by 140% sequentially and 136% year-over-year.

Our backlog and end demand remained strong, with backlog increasing by 7% quarter-over-quarter and 16% year-over-year.

On a sequential basis for Q4'21, revenues were higher by \$2.8 million. The higher revenues were primarily the result of record demand for enterprise Wi-Fi solutions and higher Point-to-Point revenues driven by our federal business and increased demand for backhaul products, offset by lower Point-to-Multi-Point revenues due to global supply constraints negatively impacting shipments of products.

Moving to our gross margin. Non-GAAP gross margin of 44.2% decreased by 700 basis points compared to Q4'20. The year-over-year decrease in non-GAAP gross margin was the result of

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lower revenues and increased component costs, as well as higher freight and distribution costs caused by expedited shipping.

On a sequential basis, non-GAAP gross margin was 360 basis points lower than Q3'21. The lower quarter-over-quarter non-GAAP gross margin was also the result of higher component costs and increased freight and distribution costs offset by a richer mix of Wi-Fi business. Our previously announced price increases began to help offset some gross margin degradation during the latter part of Q4'21. We believe we will continue to see sequential improvements to gross margin during calendar 2022 from both the benefits of the actions we have already taken and increased scale in our business as we progress through the year. The full impact of both the price increases will be realized during the second half of 2022.

In Q4'21 our non-GAAP gross profit dollars of \$34.8 million decreased by \$7.6 million compared to the prior year due to lower volumes and were lower by \$1.5 million dollars sequentially.

For the full year 2021, non-GAAP gross margin declined by 210 basis points to 48.2%, compared to 50.3% for 2020 due to higher component costs and increased freight and distribution costs. Our longer-term goal remains an annual non-GAAP gross margin target of 51-52%.

Non-GAAP operating expenses (Research and development, sales and marketing, general and administrative, and depreciation and amortization) in Q4'21 decreased by approximately \$100 thousand dollars when compared to Q4'20, and stood at \$29.1 million, or 36.9% of revenues. Year-over-year we had increased sales and marketing expenses due to higher headcount and the return to in person trade shows and customer meetings offset by lower R&D spending, while G&A remained flat.

When compared to Q3'21, non-GAAP operating expenses increased by \$1.4 million during Q4'21. Quarter-over-quarter sales and marketing increased as a result of higher headcount and

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the return of in person events, including WISPAPALOOZA--a significant fixed wireless trade show, partially offset by lower R&D spend due to lower engineering material costs.

For the full year 2021, non-GAAP operating expenses increased by \$7.6 million and were at \$114.3 million compared to \$106.7 million for 2020. The higher non-GAAP operating expenses during 2021 reflect the increased headcount in Sales and Marketing to support higher revenues and more spend on R&D resulting from new technologies. We did a good job controlling G&A with only a modest increase in expenses.

Non-GAAP operating margin for Q4'21 was 7.3%, down from 16.0% during Q4'20, and 11.4% of revenues in Q3'21.

For the full year 2021, non-GAAP operating margin was 14.1% compared to 12.0% for 2020, primarily reflecting higher revenues.

Adjusted EBITDA for Q4'21 was \$6.7 million or 8.6% of revenues, compared to \$13.9 million or 16.8% of revenues for Q4'20, and compared to \$9.6 million or 12.6% of revenues for Q3'21.

Full year 2021 adjusted EBITDA was \$51.2 million or 15.3% of revenues, compared to \$37.4 million or 13.4% of revenues for the full year 2020. This represents a 190-basis point improvement for full year 2021 and a 37% increase in Adjusted EBITDA dollars.

With the current supply constraints, we temporarily lost some operating leverage in our business, although we remain committed to driving our Adjusted EBITDA to our target model of 18-19% of revenues.

Moving to cash flow

Cash provided by operating activities was \$5.6 million for the fourth quarter 2021. The cash from operating activities included a \$7.0 million pre-payment to a contract manufacturer to secure incremental supply.

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Cash flow from operations compares to \$15.1 million of net cash flow provided by operating activities for the fourth quarter 2020, and \$11.8 million for the third quarter 2021.

For the full year 2021, operating cash flow was \$30.0 million, compared to \$56.9 million during calendar 2020, with the decrease largely reflecting higher receivables and pre-payments to secure inventories.

Non-GAAP net income for Q4'21 was \$4.4 million, or \$0.16 per diluted share, compared to \$10.7 million, or \$0.38 per diluted share for Q4'20, and non-GAAP net income of \$6.7 million, or \$0.23 per diluted share for Q3'21. The lower non-GAAP net income compared to both the prior year period and prior quarter's results was primarily due to the lower revenues impacting gross profit dollars, and higher component and shipping costs.

For the full year 2021, non-GAAP net income was \$35.6 million or \$1.26 per diluted share, and represented a 48% increase for the year, compared to \$24.1 million or \$0.86 per diluted share in 2020.

Turning to the Balance Sheet

Cash totaled \$59.3 million as of Q4'21, an increase of \$700 hundred thousand dollars from Q3'21. The sequential increase in cash primarily reflects positive net income partially offset by the pre-payment of \$7 million for inventories.

During Q4'21 we re-financed our outstanding debt of \$30.2 million at a significantly lower interest rate of approximately 2.2% per annum, compared with our prior term loan which had an interest rate of 5.3%. Additionally, we increased our total borrowing capacity by \$34 million to \$75 million which will further allow us to grow our business. Since becoming a public company we have decreased our debt and improved our capital structure and have positioned the company to support our future growth.

Net inventories of \$33.8 million in Q4'21 decreased by approximately \$200 thousand dollars year-over-year while increasing by \$5.0 million from Q3'21. Inventories were higher

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sequentially because of an increase in component inventory. While the supply chain remains an ongoing challenge, we are working to increase our inventory position during 2022 to help support the growth of our business.

In Summary

The fourth quarter played out roughly as anticipated with scarcity and higher component costs from some of our supply-chain partners while our price increases are now layering in with the full benefit expected by the second half 2022. Our order book remained strong, we are at the start of new product cycles, and we expect a tailwind from increased government funding in our wireless broadband and federal business during the second half of calendar 2022.

Once the supply issues are resolved, we expect to re-gain scale, improve operational efficiency, and make significant progress to achieving our long-term target operating model.

Moving to the First Quarter and Full Year 2022 Financial Outlook

Considering our current visibility as of February 17, 2022, our Q1'22 financial outlook is expected to be as follows:

- Revenues between \$77.5 to \$81.5 million
- non-GAAP gross margin between 44.4% to 45.9%
- non-GAAP operating expenses between \$30.2 million to \$31.2 million
- and non-GAAP operating income between \$4.2 to \$6.2 million dollars
- Interest expense, net of approximately \$700 thousand dollars, and
- non-GAAP net income between \$2.9 to \$4.4 million dollars or net income between \$0.10 to \$0.15 per diluted share

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- Adjusted EBITDA between \$5.2 to \$7.2 million dollars; and adjusted EBITDA margin between 6.7% to 8.8%
- A non-GAAP effective tax rate of approximately 18.0% to 20.0%
- Approximately 28.3 million weighted average diluted shares outstanding

Cash requirements are expected to be as follows:

- Paydown of debt: \$700 hundred thousand dollars
- Cash flow interest expense: approximately \$300 thousand dollars
- Capital expenditures: \$1.6 to \$1.8 million

Full Year 2022 Financial Outlook is expected to be as follows:

- Revenues between \$355.0 to \$365.0 million, increasing between approximately 5.7% to 8.7%
- non-GAAP net income between \$35.5 to \$39.5 million dollars or net income between \$1.23 to \$1.36 per diluted share
- Adjusted EBITDA margin between 14.0% to 16.0%

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

Atul Bhatnagar, President & CEO

Cambium remains very well positioned for 2022 with multiple growth drivers including our multi-gigabit wireless products such as enterprise Wi-Fi 6 and 6E, wireless savvy switching products, 60 GHz cnWave, and our new 28 GHz millimeter wave solutions for Fixed 5G, new 6 GHz fixed wireless solutions arriving later in 2022, a reinvigorated federal business, as well as our software-as-a-service solutions. We expect increased scale should benefit our future operating results, and we remain focused on judiciously managing our costs, while continuing to invest in innovative products to maintain our technology edge.

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Finally, Cambium was named as one of the best places to work as a large company in the Chicago area. The evaluation recognizes employers who have created a diverse, equitable and inclusive culture that support employees — no matter if they're in the office or at home. We also got named by Forbes as number 22 on their list of the best top 100 small cap companies for 2022. I'd like to show my appreciation for our employees, partners, and customers for their resolve during these unprecedented times.

This concludes our prepared remarks.

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

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

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

Thank you [Carmen]. During Q1'22 Cambium Networks will be presenting and meeting with investors on March 8th at the JMP Securities Conference, and on March 15th at the Roth Annual Conference. In the meantime, you are always welcome to contact our Investor Relations Department at (847) 264-2188 with any questions that arise.

Thank you for joining us and this concludes today's call.