

Q1'21 Financial Results Conference Call Prepared Remarks

5/6/21

Intro

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

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

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

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

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

We will also reference both GAAP and non-GAAP financial measures and specifically note that all sequential and year-over-year comparisons reference non-GAAP numbers except where otherwise noted. A reconciliation of non-GAAP measures to GAAP is included in the appendix to today's financial results press release which can be found on the investor page of our website and in today's press release announcing our results.

Turning to the agenda...

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

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

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

Atul Bhatnagar, President & CEO

Thank you, Peter.

The momentum continued to build for Cambium's business as our vision as a high-performance, yet affordable global wireless infrastructure leader for broadband communications accelerated during the first quarter 2021. During the last week in January, Cambium Networks shipped our 9 millionth radio since becoming a standalone company. Interest in Fixed Wireless Broadband solutions is becoming mainstream as performance matches that of fiber and the attractive cost of ownership for our solutions make Cambium a competitive and economically superior solution for wireless infrastructure projects around the world propelled by increased government spending. Fixed Wireless Broadband is a critically important networking infrastructure to connect our local communities. If it can be a wireless solution, it will be a wireless solution-because of ease of installation and operations.

We are at the start of a new era of end-to-end wireless speeds equivalent to that of fiber. Our multi-gigabit wireless fabric can deliver fiber's performance and reliability at a fraction of the cost. Our recently launched 60 GHz cnWave solution is shipping in volume with increasing demand, and our forthcoming Fixed 5G 28 GHz millimeter wave products with proof of concept arriving during the middle of 2021 and Fall for volume shipments will further accelerate this trend as we reach new customers and enter new markets demanding higher broadband performance at the edge of the network. For the first-time in Cambium's history, we will purposefully compete in urban markets in a meaningful way as existing networks upgrade infrastructure and new high-speed networks proliferate with more cost-effective technology provided by Cambium Networks.

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

Cambium's significant new product introductions combined with increased government funding around the world will benefit our financial results for many years into the future.

Turning to the results of the first quarter 2021

We achieved record revenues of \$88.5 million, above the high-end of our outlook of between \$81-\$85 million. Non-GAAP diluted EPS of \$0.41 also exceeded the high-end of our outlook of between \$0.30 and \$0.34 per diluted share. We delivered these outstanding results as we have transformed Cambium into a more agile company as we continue to work remotely during the COVID pandemic.

Taking a look at revenues across our different product lines. Within our Point-to-Multi-Point (PMP) business, we had record revenues, increasing 7% sequentially and up 66% year-over-year as we continued to see strong momentum in network traffic, increased demand for our CBRS solutions, and solid demand for new product introductions. We believe we are taking share from both larger and smaller competitors as we expand our portfolio of solutions offering industry leading spectral efficiency, scalability, quality, reliability, and attractive economics for our customers.

The Point-to-Point (PTP) business had better than anticipated results during Q1'21, growing 4% quarter-over-quarter, while improving 33% year-over-year on higher demand for backhaul.

We had record results for our enterprise Wi-Fi business, which continued to recover from COVID, growing 11% sequentially and increasing 6% year-over-year during Q1'21, due to the expanded growth of Wi-Fi 6 solutions, and record revenues for our cloud-savvy cnMatrix enterprise switching products.

Looking at some notable customer wins and new product developments.

In North America, we had multiple wins for our new 60 GHz cnWave solutions. Alaska Communications, a service provider, is planning to offer up to 1 Gig speeds to select residential locations in Anchorage and Fairbanks. Cambium's solution was selected to work in conjunction with the existing fiber networks where new fiber construction is cost prohibitive, and Cambium's technology allows for delivery of service to neighborhoods more quickly. Also in Alaska, Cambium won a residential deployment at a military base using our 60 GHz cnWave technology.

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

Within our PTP business, a large service provider delivering high-speed internet and voice services to six states in the Midwest and Southwest selected our PTP 850 as they seek to expand and fortify their network.

One of the larger RDOF winners, which is a new customer for Cambium, is building out their commercial network with the use of Cambium's PMP 450m and our ePMP technology. The customer selected Cambium for our superior performance, reliability, and the ability to scale with their business.

Another significant win for Cambium was with an NFL City in the Southeast for a smart city project. The city selected Cambium's 60 GHz cnWave for Wi-Fi backhaul and our cnPilot e700 for outdoor community Wi-Fi access. Cambium was selected by the customer for our cnMaestro wireless fabric network management, reliability, scalability, superior performance, and value.

In Enterprise, a large MSP based out of the Northeast, selected Cambium's cnMatrix switching products for deployment in an assisted living and healthcare facilities. Cambium was selected for its simple, reliable, and secure cloud management platform as well as policy-based automation.

Cambium's first mover status for the FCC's 3.5 GHz CBRS spectrum continued to have momentum for the sales of our PMP 450 products and our SAS service in both the U.S. and its territories. Our full end-to-end solutions include high-performance radios, over the air CBRS upgrades, and cloud-based software solutions. In April, we released software updates for support of priority access licenses (PAL), multi-grant support once they come online--providing another layer of differentiation from competing LTE solutions. Further enhancements to our CBRS platform will occur in June including optimized alternative channel algorithms.

As of today's call, we now have over 90,000 devices managed by our CBRS SAS service, an increase of over 19% since we reported last quarter.

In the Europe, Middle East, and Africa region (EMEA), strategic wins from Q1 include:

In Spain, we have a few larger wins to share. One of Spain's and Portugal's leading nationwide fiber and mobile network operators selected Cambium to launch their high-speed broadband services across the interior of Spain and Portugal, where deploying fiber is cost prohibitive. They selected our PMP 450m and enterprise switches, as well as cnMaestro X. This is the first sale to a nationwide carrier of cnMaestro

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

X since the product's release in Q4'20. Also in Spain, we are seeing a gradual recovery in the hospitality market and have closed a high-profile enterprise Wi-Fi win at a five-star luxury resort, the Marbella Club Resort, on the Mediterranean coast. The resort selected Cambium's full suite of hospitality solutions to deliver high-speed wireless connectivity across the resort to cover guest rooms, outdoor recreation areas, and high-density conference facilities using our cnPilot Wi-Fi, wireless aware cnMatrix switching technology, all managed by our cnMaestro software solution.

In the UK, we had another high-profile win for both our 60 GHz cnWave solutions and Cambium's enterprise Wi-Fi solutions at WiFinity—the UK's leading managed service provider of connectivity solutions for recreational holiday parks. WiFinity will deploy Cambium's 60 GHz cnWave to provide high-speed connectivity for guests at multiple holiday parks in the UK. In-country staycations are popular this year due to travel restrictions between countries.

Cambium continues its leadership position deploying public Wi-Fi solutions across the European Union as part of the EU's WiFi4EU initiative, having already secured over 1,500 municipalities under the EU's WiFi4EU program. The very successful government sponsored WiFi4EU program was extended by an additional 6 months. Approximately 800-900 municipalities in Europe still have not yet used their vouchers.

In the Middle East, Saudi Aramco, the world's largest petroleum company, awarded Cambium its first project to backhaul oil wellheads and security data for its production operations.

In Africa, the Orange Group's Ivory Coast operating entity selected Cambium to upgrade its high-speed broadband network. The win displaced one of our closest competitors with the selection of our ePMP Force-200 technology due to ePMP's superior performance and Cambium's superior technical support.

In the APAC region, we had a sizeable enterprise Wi-Fi 6 win at the Melbourne Convention and Exhibition Center which is replacing end of life of a major Wi-Fi vendor with Cambium's XV3-8 access points to establish connectivity of their back-office operations. Cambium was already powering Wi-Fi in their front office areas including the conference rooms and exhibition areas. Now the convention center is fully deploying Cambium in their front and back-office operations. Altogether 250 AP's will be in operation.

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

In New Zealand, Stratenet, a large WISP with coverage across the country, decided to transition from a close competitor to Cambium. We are now deploying the first project in the northern part of the country funded by the New Zealand Government's Rural Broadband Initiative to provide high speed internet to the under-served areas. In the first phase Stratenet is deploying Cambium equipment to connect over 550 residential customers. Cambium was selected for overall cost of ownership, performance and scalability.

In the Caribbean and Latin America (CALA) region, we had a record-breaking quarter, with revenues at \$10.5 million, the second consecutive quarter that the region has exceeded \$10 million in revenues.

We had another large deal in Colombia this quarter with a tier-one service provider, as two different system integrators selected Cambium using both our ePMP technology for the fixed wireless backhaul portion of the project to connect remote locations, and Cambium's enterprise Wi-Fi solutions, including cnMatrix switches, were selected for access at those sites. The operator, who has recently acquired significant new access spectrum, is expanding its capacity and coverage nationwide to bridge the digital divide. We won this project based on our reputation plus the functionality of cnMaestro cloud management software.

In Panama, Cable Onda, owned by Tigo-Millicom, purchased a significant number of 3 GHz PMP 450 CPEs to service its expanding customer base in that country.

Finally, we won the first phase of a public safety project with the State of Veracruz, in Mexico. The state government plans to deploy 50,000 surveillance cameras using our PTP 670 for transport and PMP 450i for access. Cambium was selected because of the performance of our PMP 450i and our reputation as a leading provider of solutions being used by numerous high-profile video surveillance systems in Mexico.

Looking at new products since our previous quarterly update.

During the middle of this year we expect to have two significant new product introductions. First, our outdoor Wi-Fi 6 product, the XV2-2T, will be released this summer. Outdoor Wi-Fi is an increasingly relevant market in a number of verticals, and Cambium has a particular strength in this market given our strong heritage in outdoor resilient radios.

Second, our highly anticipated 28 GHz cnWave 5G product will be available for POCs around the time of our next quarterly earnings call. Initially, customers in the EMEA region will be our primary focus for

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

our Fixed 5G products. Our 28 GHz cnWave provides high-capacity, scalable residential access, backhaul for outdoor Wi-Fi access points, 4G and 5G small-cells, and video surveillance networks, at a lower total cost of ownership than fiber. Utilizing the licensed 28 GHz band, which runs from 24 to 29 GHz spectrum, Cambium has the benefits of the 5G NR standard, yet features the benefits of Cambium's fixed wireless products using our software defined radio architecture including ease of use and deployment, reliability, and management with our single pane of glass. Interest in our 28 GHz cnWave products remains high and customer activity remains strong ahead of availability. Cambium received its first volume orders for its new 28 GHz cnWave product platform from a major service provider in EMEA.

We will have more details regarding this product during our third quarter earnings conference call.

Also in our PMP and PTP product lines, Cambium's 60 GHz cnWave for millimeter wavelengths makes it possible to provide a city with high-speed broadband access by utilizing existing street furniture such as streetlamps, traffic lights and utility poles. As a result, it can be deployed faster and more cost efficiently than fiber broadband. We have several high-profile POCs in the Silicon Valley that have selected Cambium to deploy gigabit backhaul within their cities.

We are seeing traditional fiber operators, such as Alaska Communications, deploying hybrid networks using cnWave to extend fiber to customer premises, accelerating time to revenue at lower operating and capital costs. We are very bullish on 60 GHz cnWave solutions and have a time to market advantage over our nearest competitors.

We continue to experience strong growth in accounts utilizing cnMaestro™ Cloud software, our end-to-end cloud-powered connectivity solution to manage the entire network from a single pane of glass. Total devices under cloud management in Q1'21 totaled approximately 577,900, an increase of 10% from Q4'20, and up 40% year-over-year.

Turning to the Channel

In Q1'21, we expanded our channel presence by adding over 560 net new channel partners sequentially, and over 2,280 net new channel partners year-over-year, which represents an increase of approximately 6% sequentially and 31% year-over-year.

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

Our first ever global virtual event, called Cambium Connections, was held on February 24th and 25th for our end customer and partner community. We had more than 2,700 people from over 130 countries registered, and the event was successful at attracting both new and existing customers as we shared our vision of where the industry is headed over the next few years. A replay of the event can be found on YouTube.

Finally, I'm proud to say Cambium Networks was recently voted by the members of the Wireless ISP Association (WISPA) as the Manufacturer of the Year. I would like to thank our customers and partners for this honor.

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

Stephen Cumming-CFO

Thanks Atul.

Cambium had record revenues of \$88.5 million for Q1'21, above the high-end of our outlook of \$81-\$85 million. Revenues increased by 7% quarter-over-quarter and were up 46% year-over-year.

On a sequential basis for Q1'21, revenues were higher by \$5.7 million. The higher revenues were driven by record shipments of our PMP products, which grew 7% sequentially, due to service providers continuing to scale networks driven by requests for increased capacity, higher demand for CBRS compatible solutions, CARES Act and CAF2 funding, and higher shipments of our new multi-gigabit products. Our Point-to-Point revenues performed better than expected, growing 4% sequentially due to increased demand for backhaul. Enterprise Wi-Fi solutions reached a new record, and grew 11% quarter-over-quarter, driven by higher shipments of our new Wi-Fi 6 products and record shipments of our cloud-savvy switching products.

Looking at revenues by geographies

North America, our largest region, represented 61% of company revenues, compared to 55% during Q4'20. North America had a record quarter with revenues growing 20% on a sequential basis, driven by PMP from Service Providers, a recovery in PTP, and strong Wi-Fi including record revenues of our switching products. EMEA, our second largest region, decreased 13% sequentially, primarily reflecting softer PMP and PTP revenues as a result of the timing of shipments, and represented 21% of revenues

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

during Q1'21, and 26% of revenues during Q4'20. CALA had another record quarter, growing by 1% quarter-over-quarter driven by significant number of customer wins and the continued recovery in that region, and represented 12% of sales during Q1'21. APAC decreased 11% sequentially and represented 6% of revenues during Q1'21, compared to 7% of revenues for Q4'20.

Moving to our gross margin. Non-GAAP gross margin of 50.1% decreased by 90 basis points compared to Q1'20. The year-over-year decrease in non-GAAP gross margin was primarily the result of mix and higher freight and distribution costs due to component shortages in the market.

On a sequential basis, non-GAAP gross margin in Q1'21 of 50.1% was 110 basis points lower than Q4'20. The lower quarter-over-quarter non-GAAP gross margin was the result of product mix and higher freight and distribution costs due to component shortages in the market.

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

Non-GAAP operating expenses (Research and development, sales, and marketing, general and administrative, and depreciation and amortization) in Q1'21 increased by \$1.1 million dollars when compared to Q1'20, and stood at \$28.8 million, or 32.6% of revenues.

The majority of the year-over-year increase in non-GAAP operating expenses was a result of higher G&A expense and R&D resulting from increased incentive compensation due to the higher revenues.

When compared to Q4'20, non-GAAP operating expenses decreased by approximately \$0.3 million dollars. The quarter-over-quarter decrease reflects lower R&D from the timing of regulatory costs, higher R&D tax credits, and lower Sales & Marketing expenses resulting from less spend for trade shows and other events.

Non-GAAP operating margin was a record 17.5%, up from 5.0% during Q1'20, and increased from 16.0% of revenues in Q4'20.

We had another excellent quarter of profitability, with Adjusted EBITDA for Q1'21 at a record \$16.5 million or 18.6% of revenues, compared to \$4.4 million or 7.3% of revenues for Q1'20, and up from \$13.9 million or 16.8% of revenues for Q4'20.

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

We see continued leverage in our business and remain committed to driving our Adjusted EBITDA to our target model of 18-19% of revenues.

Moving to cash flow

Cash used in operating activities was \$7.6 million for the first quarter 2021. The quarter-over-quarter decrease in cash was primarily the result of payment for variable compensation, an increase in accounts receivable as we had delays in receiving key components thereby impacting the timing of shipments of final goods and delaying collections, a decrease in accounts payable, and an increase in pre-paid inventories as we secure strategic supplies resulting from higher revenues, offset by improved earnings.

This compares to \$0.8 million of net cash flow used by operating activities for the first quarter 2020, and \$15.1 million net cash flow provided by operating activities for the fourth quarter 2020.

Non-GAAP net income for Q1'21 was a record \$11.7 million, or \$0.41 per diluted share, compared to \$1.4 million, or \$0.05 per diluted share for Q1'20 and non-GAAP net income of \$10.7 million, or \$0.38 per diluted share for Q4'20. The higher non-GAAP net income compared to the prior year period was primarily due to higher revenues and gross profit dollars, demonstrating improved leverage in our operating model. The increase in non-GAAP net income compared to Q4'20 was primarily attributable to higher revenues and gross profit dollars as we efficiently scale our business.

Turning to the Balance Sheet

Cash totaled \$51.2 million as of Q1'21, a decrease of \$11.3 million from Q4'20. The sequential decrease in cash was primarily the result of payment for variable compensation, an increase in accounts receivable due to supply constraints affecting linearity of shipments, a decrease in accounts payable, and an increase in pre-paid inventories as we secure strategic supply to support the growth of the business, offset by improved earnings.

Net inventories of \$31.4 million in Q1'21 decreased by \$1.1 million year-over-year and decreased by \$2.5 million from Q4'20. Given the rapid growth in revenues and low inventory levels, we expect a modest increase in inventories over the next few quarters.

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

In Summary

We are within line-of-sight of achieving our long-term target operating model by accelerating growth, gaining scale, and improving our operational efficiency. Our results demonstrate the tremendous operating leverage we have in our business.

We continue to have improved visibility and predictability into our business. Given the global semiconductor shortages, we remain supply constrained, which we expect to impact our sequential growth during Q2'21.

Moving to the Second Quarter 2021 Financial Outlook

Please note that Cambium Networks financial outlook does not include the potential impact of any possible future financial transactions, acquisitions, pending legal matters, or other transactions.

Accordingly, Cambium Networks only includes such items in our financial outlook to the extent they are reasonable; however, actual results may differ materially from the outlook.

Considering our current visibility as of May 6, 2021, our Q2'21 financial outlook is expected to be as follows:

- Revenues between \$85.0-\$90.0 million
- non-GAAP gross margin between 49.0%-50.0%
- non-GAAP operating expenses between \$30.2 to \$31.2 million
- non-GAAP operating income between \$11.4 to \$13.8 million
- Interest expense, net of approximately \$1.1 million
- non-GAAP net income between \$8.6 to \$10.3 million or between \$0.29 and \$0.35 per diluted share
- Adjusted EBITDA between \$12.4 to \$14.8 million; and adjusted EBITDA margin between 14.6% to 16.4%
- non-GAAP effective tax rate of approximately 17.0% to 19.0%
- Approximately 29.2 million weighted average diluted shares outstanding

Turning to our cash requirements:

- 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.

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

- Cash flow interest expense: approximately \$0.9 million
- Capital expenditures: \$2.5 - \$2.9 million.

Looking at the Full Year 2021 Financial Outlook

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

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

Atul Bhatnagar, President & CEO

We continue to strive to achieve our goal of long-term topline growth in the mid-teens and adjusted EBITDA in the upper teens as a percentage of revenues which we are presently delivering. Cambium has multiple revenue drivers to reach these goals including our new gigabit wireless products such as enterprise Wi-Fi 6, 60 GHz and in the middle of this year 28 GHz millimeter wave solutions for Fixed 5G wireless. We expect the continued adoption of CBRS compatible solutions, and we can now add software-as-a-service to the list of growth drivers for 2021 with the inclusion of our cnMaestro X solution. Our profitability should benefit from increased scale in our business, while we judiciously manage our costs, although we will continue to fuel new investments in R&D to maintain our technology edge.

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

This concludes our prepared remarks.

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

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

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

Q1'21 Financial Results Conference Call Prepared Remarks 5/6/21

Thank you [Abigail]. During Q2'21 Cambium Networks will be presenting and meeting virtually with investors on May 18, at the Needham Virtual Technology & Media Conference; May 26 at the J.P. Morgan Global Technology, Media and Communications Conference; May 27 at the Barrington Research Virtual Spring Investment Conference; and May 28 with Raymond James Virtual Bus Tour. 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.