



May 8, 2023

## **Cambium Networks CFO Commentary on First Quarter 2023 Financial Results**

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

### **First Quarter 2023:**

#### **Income Statement:**

**GAAP revenues** of \$77.4 million for the first quarter 2023 increased \$15.5 million year-over-year primarily as a result of higher revenues for Enterprise and Point-to-Point (PTP) products, partially offset by lower Point-to-Multi-Point (PMP) revenues due to less demand from service providers ahead of the ramp of product transitions to new technologies. Revenues for the first quarter 2023 decreased by \$7.1 million compared to \$84.5 million for the fourth quarter 2022, due lower PMP and PTP revenues, partially offset by higher Enterprise revenues.

#### **Revenues by region:**

During the first quarter 2023, North America, our largest region, represented 61% of company revenues, compared to 46% from the prior year and 52% during the fourth quarter 2022. North America first quarter 2023 revenues increased by 68% year-over-year, primarily due to improved supply and healthy demand for Enterprise solutions, increased revenues PTP for defense applications and backhaul, and higher demand for PMP solutions from service providers ahead of product transition to new 6 GHz technologies. On a sequential basis, North America revenues increased by 7%, primarily driven by growth in Enterprise revenues, offset by lower revenues for PTP for defense due to the timing of shipments. EMEA, our second largest region, decreased 3% year-over-year during the first quarter 2023 and decreased 1% sequentially and represented 25% of revenues during Q1'23, and 33% of revenues during Q1'22 and 24% of revenues during Q4'22. The lower year-over-year revenues in EMEA are related to lower PMP demand due to a technology transition to new 28 GHz cnWave 5G fixed technology, partially offset by higher Enterprise and PTP revenues. The quarter-over-quarter decrease in EMEA revenues primarily reflects lower PMP and PTP revenues, partially offset by higher demand for Enterprise products. CALA represented 5% of revenues during Q1'23, decreasing by 28% year-over-year, and was lower by 60% quarter-over-quarter. The lower year-over-year revenues in CALA was primarily driven by less Enterprise revenues. The lower quarter-over-quarter CALA revenues reflect lower PMP, PTP, and Enterprise revenues due to due to seasonality and fewer large projects. APAC represented 8% of revenues during Q1'23, decreasing by 21% year-over-year, and lower by 41% from Q4'22. The lower year-over-year revenues in the APAC region was primarily driven by weaker PMP and PTP revenues, partially offset by higher Enterprise revenues. The lower quarter-over-quarter APAC revenues primarily reflect lower PMP and Enterprise revenues due to slowing economies.

**GAAP gross margin** for the first quarter 2023 was 51.2%, compared to 47.1% for the first quarter 2022, and 49.0% for the fourth quarter 2022.

**Non-GAAP gross margin** for the first quarter 2023 was 52.1%, compared to 47.8% for the first quarter 2022, and 49.6% for the fourth quarter 2022. The year-over-year increase in non-GAAP gross margin by 432 basis points was primarily the result of a higher volumes and increased mix of Enterprise products, and higher revenues for PTP for defense, and a decrease in revenues for lower margin PMP products, as well as the initial impact of the price increase completed in November of 2022.

**Non-GAAP gross margin** for the first quarter 2023 of 52.1% was 248 basis points higher sequentially mostly due to increased mix of higher margin Enterprise products, a decrease in lower margin PMP revenues and improved efficiencies, as well as the initial impact of the price increase completed in November of 2022.

In Q1'23 our **non-GAAP gross profit dollars** of \$40.3 million were higher by \$10.7 million compared to the prior year period resulting from higher volumes and improved mix, and lower by \$1.6 million sequentially mostly due to lower revenues.

#### **Cost Structure:**

**GAAP operating expense** (Research and development, sales and marketing, general and administrative, depreciation and amortization) was \$34.1 million for the first quarter 2023 compared to \$31.4 million for the first quarter 2022, and \$31.9 million for the fourth quarter 2022.

**Non-GAAP operating expense** was approximately \$30.9 million for the first quarter 2023, compared to \$28.6 million for the first quarter 2022, and \$28.7 million for the fourth quarter 2022. When compared to Q1'22, non-GAAP operating expenses increased by \$2.3 million. The higher year-over-year operating expense was primarily the result of higher headcount in R&D and sales & marketing, increased wages due to inflationary salary increases effective January 1, 2023, and increased variable compensation for R&D.

The \$2.2 million sequential increase in non-GAAP operating expenses for the first quarter 2023 reflect higher staffing costs and variable compensation related to R&D work on new products, increased G&A due to higher wages, while sales and marketing decreased due to lower variable compensation.

**GAAP research and development expense** was \$14.3 million for the first quarter 2023, compared to \$12.9 million for the first quarter 2022 and \$12.9 million for the fourth quarter 2022.

**Non-GAAP research and development expense** was \$13.0 million for the first quarter 2023, compared to \$11.9 million for the first quarter 2022 and \$11.6 million for the fourth quarter 2022. The year-over-year and sequential increases are related to higher staffing, wages, and variable compensation related to development work on new products.

**GAAP sales and marketing expense** was \$11.7 million for the first quarter 2023, compared to \$10.4 million for the first quarter 2022, and \$12.1 million during the fourth quarter 2022.

**Non-GAAP sales and marketing expense** was \$11.0 million for the first quarter 2023, compared to \$9.8 million for the first quarter 2022 and \$11.4 million for the fourth quarter 2022. The higher year-over-year non-GAAP sales and marketing expense primarily reflects higher wages and increased travel and discretionary spending for the return to in-person events. The lower quarter-over-quarter non-GAAP sales and marketing expense reflects lower variable compensation.

**GAAP general and administrative expenses** were \$6.7 million for the first quarter 2023 compared to \$6.5 million for the first quarter 2022, and \$5.4 million for the fourth quarter 2022.

**Non-GAAP general and administrative expenses** were \$5.8 million for the first quarter 2023, compared to \$5.8 million for the first quarter 2022, and \$4.5 million for the fourth quarter 2022. The increase in G&A on a sequential basis reflects higher wages, variable compensation and increased IT expenses.

**GAAP depreciation and amortization expenses** were \$1.5 million for the first quarter 2023, compared to \$1.4 million for the first quarter 2022, and \$1.5 million for the fourth quarter 2022.

**Non-GAAP depreciation and amortization expenses** were \$1.1 million for the first quarter 2023, compared to \$1.0 million for the first quarter 2022 and \$1.1 million for the fourth quarter 2022.

**GAAP operating income** for the first quarter 2023 was \$5.6 million, compared to a GAAP operating loss of \$2.2 million for the first quarter 2022, and operating income of \$9.5 million for the fourth quarter 2022.

**Non-GAAP operating income** for the first quarter 2023 was \$9.4 million, compared to operating income of \$1.0 million for the first quarter 2022, and \$13.2 million for the fourth quarter 2022. Non-GAAP operating margin for Q1'23 was 12.2%, up from 1.6% for Q1'22, and down from 15.6% of revenues in Q4'22.

**GAAP tax expense** for Q1'23 was \$0.5 million. **Non-GAAP provision for income taxes** was \$1.9 million or a non-GAAP effective tax rate of 21.4% in Q1'23.

**GAAP net income** for the first quarter 2023 was \$4.3 million, or a net earnings of \$0.15 per diluted share, compared to a net loss of \$1.6 million, or net loss of \$0.06 per diluted share for the first quarter 2022, and net income of \$10.0 million, or a net earnings of \$0.35 per diluted share for the fourth quarter 2022.

**Non-GAAP net income** for the first quarter 2023 was \$6.8 million, or \$0.24 per diluted share, compared to \$0.3 million, or \$0.01 per diluted share for the first quarter 2022, and \$10.3 million, or \$0.36 per diluted share, for the fourth quarter 2022.

**Adjusted EBITDA** for the first quarter 2023 was \$10.4 million, or 13.4% of revenues, compared to adjusted EBITDA of \$1.9 million or 3.1% of revenues for the first quarter 2022, and \$14.3 million, or 16.9% of revenues for the fourth quarter 2022.

#### **Balance Sheet:**

**Cash** totaled \$38.7 million as of March 31, 2023, \$0.3 million higher than March 31, 2022, due primarily to higher earnings, partially offset by higher inventories and receivables, and the paydown of debt. Cash was lower by \$9.5 million compared to December 31, 2022, due primarily to higher inventories and receivables, and the paydown of debt.

**Net long-term external debt including the current portion** was \$27.0 million at March 31, 2023, a decrease of \$2.5 million from the first quarter of 2022 as a result of paying down the term loan during the past year, and down \$0.6 million from the fourth quarter 2022 due to a scheduled debt payment.

**Net accounts receivable** totaled \$98.2 million at the end of the first quarter 2023, compared to net receivables of \$64.5 million at the end of the first quarter of the prior year, and \$89.3 million at the end of the fourth quarter 2022. Days Sales Outstanding for the first quarter 2023 stood at 98 days, an increase of 16 days from the prior year, and up 18 from the fourth quarter 2022.

**Days payable** stood at 55 days at the end of the first quarter 2023, an increase of 15 days from the first quarter of the prior year, and up 10 days from the first quarter 2022. The increase was caused by the timing of payments to manufacturing partners.

**Net inventories** were \$68.3 million during the first quarter 2023, an increase of \$28.1 million year-over-year, and higher by \$11.3 million from the fourth quarter 2022. Days Inventory Outstanding was 154 days during the first quarter 2023, up by 50

days compared to the first quarter of the prior year, and higher by 39 day from the fourth quarter 2022. The increase in inventories primarily reflects anticipated higher demand for Federal and Enterprise products, and new product introductions for 2023.

#### **Cash Flow:**

**Cash used in operating activities** was \$6.0 million for the first quarter 2023, compared to cash used in operating activities of \$19.2 million for the first quarter 2022, and cash provided by operating activities of \$4.0 million for the fourth quarter 2022.

**Capital expenditures for property and equipment and software** were \$3.1 million during the first quarter 2023, compared with \$1.8 million reported during the first quarter 2022, and \$2.6 million during the fourth quarter 2022.

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.

#### **Second Quarter 2023 Financial Outlook**

Taking into account our current visibility, the financial outlook as of May 8, 2023, for the second quarter ending June 30, 2023, is expected to be as follows:

- Revenues between \$72.0-\$80.0 million, up approximately 4%-15% year-over-year
- GAAP gross margin between 49.4%-50.9%; and non-GAAP gross margin between 50.3%-51.8%
- GAAP operating expenses between \$33.5-\$34.5 million; and non-GAAP operating expenses between \$30.3-\$31.3 million
- GAAP operating income between \$2.1-\$6.2 million; and non-GAAP operating income between \$5.9-\$10.1 million
- Interest expense, net of approximately \$0.6 million
- GAAP net income between \$1.2-\$4.8 million or between \$0.04 and \$0.17 per diluted share; and non-GAAP net income between \$4.2-\$7.6 million or between \$0.15 and \$0.27 per diluted share
- Adjusted EBITDA between \$6.9-\$11.1 million; and adjusted EBITDA margin between 9.6%-13.9%
- GAAP effective tax rate of approximately 11.0%-15.0%; and non-GAAP effective tax rate of approximately 17.0%-21.0%
- Approximately 28.6 million weighted average diluted shares outstanding

#### **Cash requirements are expected to be as follows:**

- Paydown of debt: \$0.7 million
- Cash interest expense: approximately \$0.5 million
- Capital expenditures: \$1.5-\$2.5 million

#### **Full Year 2023 Financial Outlook**

- Revenues between \$327.0-\$337.0 million, increasing between approximately 10%-14%
- GAAP gross margin approximately 50.1%; and non-GAAP gross margin approximately 50.9%

- GAAP net income between \$22.8-\$26.0 million or between \$0.80 and \$0.91 per diluted share; and non-GAAP net income between \$33.7-\$36.0 million or between \$1.18 and \$1.26 per diluted share
- Adjusted EBITDA margin between 14.8%-15.5%

### **Cautionary Note Regarding Forward-Looking Statements**

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

*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 section of our 2022 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 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; the impact of the global shortage of certain components including semiconductor chipsets; the constraint in global shipping and logistics; 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 and tensions with China; 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; 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		
	March 31, 2023	December 31, 2022	March 31, 2022
Revenues	\$ 77,401	\$ 84,507	\$ 61,896
Cost of revenues	37,741	43,138	32,730
<b>Gross profit</b>	<b>39,660</b>	<b>41,369</b>	<b>29,166</b>
<i>Gross margin</i>	<i>51.2%</i>	<i>49.0%</i>	<i>47.1%</i>
<b>Operating expenses</b>			
Research and development	14,262	12,874	12,942
Sales and marketing	11,670	12,148	10,429
General and administrative	6,667	5,422	6,544
Depreciation and amortization	1,496	1,475	1,446
<b>Total operating expenses</b>	<b>34,095</b>	<b>31,919</b>	<b>31,361</b>
<b>Operating income (loss)</b>	<b>5,565</b>	<b>9,450</b>	<b>(2,195)</b>
<i>Operating margin</i>	<i>7.2%</i>	<i>11.2%</i>	<i>-3.5%</i>
Interest expense, net	597	559	497
Other expense, net	154	15	77
<b>Income (loss) before income taxes</b>	<b>4,814</b>	<b>8,876</b>	<b>(2,769)</b>
Provision (benefit) for income taxes	538	(1,135)	(1,201)
<b>Net income (loss)</b>	<b>\$ 4,276</b>	<b>\$ 10,011</b>	<b>\$ (1,568)</b>
<b>Earnings (loss) per share</b>			
Basic	\$ 0.16	\$ 0.37	\$ (0.06)
Diluted	\$ 0.15	\$ 0.35	\$ (0.06)
<b>Weighted-average number of shares outstanding to compute earnings (loss) per share</b>			
Basic	27,341,013	27,109,926	26,749,675
Diluted	28,452,855	28,273,786	26,749,675
<b>Share-based compensation included in costs and expenses:</b>			
Cost of revenues	\$ 56	\$ 56	\$ 57
Research and development	1,269	1,258	1,022
Sales and marketing	700	702	627
General and administrative	850	879	714
<b>Total share-based compensation expense</b>	<b>\$ 2,875</b>	<b>\$ 2,895</b>	<b>\$ 2,420</b>

*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)

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 38,696	\$ 48,162
Accounts receivable, net of allowance of \$540 and \$577	98,207	89,321
Inventories, net	68,333	57,068
Recoverable income taxes	122	117
Prepaid expenses	10,792	11,857
Other current assets	7,557	6,464
<b>Total current assets</b>	<u>223,707</u>	<u>212,989</u>
<b>Noncurrent assets</b>		
Property and equipment, net	11,521	11,271
Software, net	9,309	8,439
Operating lease assets	4,709	4,011
Intangible assets, net	8,799	9,173
Goodwill	9,842	9,842
Deferred tax assets, net	14,301	12,782
Other noncurrent assets	876	955
<b>TOTAL ASSETS</b>	<u>\$ 283,064</u>	<u>\$ 269,462</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 29,537	\$ 31,284
Accrued liabilities	31,657	28,042
Employee compensation	6,991	7,394
Current portion of long-term external debt, net	3,160	3,158
Deferred revenues	8,761	8,913
Other current liabilities	13,667	8,429
<b>Total current liabilities</b>	<u>93,773</u>	<u>87,220</u>
<b>Noncurrent liabilities</b>		
Long-term external debt, net	23,837	24,463
Deferred revenues	8,666	8,617
Noncurrent operating lease liabilities	2,723	2,170
Other noncurrent liabilities	1,529	1,619
<b>Total liabilities</b>	<u>130,528</u>	<u>124,089</u>
<b>Shareholders' equity</b>		
Share capital; \$0.0001 par value; 500,000,000 shares authorized at March 31, 2023 and December 31, 2022; 27,397,342 outstanding at March 31, 2023 and 27,313,273 outstanding at December 31, 2022	3	3
Additional paid in capital	142,009	138,997
Treasury shares, at cost, 220,929 shares at March 31, 2023 and 209,461 shares at March 31, 2023	(5,133)	(4,922)
Accumulated earnings	17,098	12,822
Accumulated other comprehensive loss	(1,441)	(1,527)
<b>Total shareholders' equity</b>	<u>152,536</u>	<u>145,373</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 283,064</u>	<u>\$ 269,462</u>

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

	Three Months Ended		
	March 31, 2023	December 31, 2022	March 31, 2022
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 4,276	\$ 10,011	\$ (1,568)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Depreciation and amortization of software and intangible assets	2,095	1,972	1,790
Amortization of debt issuance costs	75	75	77
Share-based compensation	2,875	2,895	2,420
Deferred income taxes	(1,519)	(3,202)	(1,373)
Provision for inventory excess and obsolescence	1,336	2,024	52
Other	(231)	(31)	81
Change in assets and liabilities:			
Receivables	(8,973)	(3,470)	6,152
Inventories	(12,601)	(8,451)	(6,485)
Prepaid expenses	1,069	(3,768)	(578)
Accounts payable	(1,474)	3,114	(12,109)
Accrued employee compensation	(584)	1,293	(10,276)
Other assets and liabilities	7,697	1,564	2,592
Net cash (used in) provided by operating activities	<u>(5,959)</u>	<u>4,026</u>	<u>(19,225)</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(1,569)	(1,332)	(714)
Purchase of software	(1,537)	(1,230)	(1,068)
Net cash used in investing activities	<u>(3,106)</u>	<u>(2,562)</u>	<u>(1,782)</u>
<b>Cash flows from financing activities:</b>			
Repayment of term loan	(656)	(657)	—
Issuance of ordinary shares under ESPP	—	839	—
Taxes paid related to net share settlement of equity awards	(148)	(226)	(42)
Proceeds from share option exercises	387	1,872	146
Net cash (used in) provided by financing activities	<u>(417)</u>	<u>1,828</u>	<u>104</u>
Effect of exchange rate on cash	16	11	9
Net (decrease) increase in cash	(9,466)	3,303	(20,894)
Cash, beginning of period	48,162	44,859	59,291
Cash, end of period	<u>\$ 38,696</u>	<u>\$ 48,162</u>	<u>\$ 38,397</u>
<b>Supplemental disclosure of cash flow information:</b>			
Income taxes paid	\$ 204	\$ 438	\$ 116
Interest paid	\$ 412	\$ 310	\$ 95

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

**REVENUES BY PRODUCT CATEGORY**

	Three Months Ended		
	March 31, 2023	December 31, 2022	March 31, 2022
Point-to-Multi-Point	\$ 22,292	\$ 29,656	\$ 30,926
Point-to-Point	18,008	21,276	14,714
Enterprise	35,656	31,992	15,508
Other	1,445	1,583	748
Total Revenues	<u>\$ 77,401</u>	<u>\$ 84,507</u>	<u>\$ 61,896</u>

**REVENUES BY REGION**

	Three Months Ended		
	March 31, 2023	December 31, 2022	March 31, 2022
North America	\$ 47,593	\$ 44,350	\$ 28,321
Europe, Middle East and Africa	19,708	20,007	20,332
Caribbean and Latin America	3,685	9,244	5,084
Asia Pacific	6,415	10,906	8,159
Total Revenues	<u>\$ 77,401</u>	<u>\$ 84,507</u>	<u>\$ 61,896</u>



## **<sup>(1)</sup>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 and secondary offering expenses as these relate to events outside of the ordinary course of continuing operations and to provide a more accurate comparison of our ongoing business results.

Non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income and non-GAAP operating margin, non-GAAP effective tax rate and non-GAAP net income are used as a supplement to our unaudited condensed consolidated financial statements presented in accordance with GAAP. We believe these non-GAAP measures are the most meaningful for period-to-period comparisons because they exclude the impact of share-based compensation expense, restructuring expenses and secondary offering expenses, nonrecurring legal expenses, write-down of debt issuance costs upon prepayment of debt, amortization of acquired intangibles, and amortization of capitalized software costs as we do not consider these costs and expenses to be indicative of our ongoing operations.

Share-based compensation expense and associated employment taxes paid are excluded. Management may issue different types of awards, including share options, restricted share awards and restricted share units, and excludes the associated expense in this non-GAAP measure. Share-based compensation expense is a non-cash expense that varies in amount from period to period and is dependent on market forces that are often beyond Cambium Networks control while the associated employment taxes are cash-based expenses that vary in amount from period-to-period and are dependent on market forces as well as jurisdictional tax regulations that are often beyond Cambium Networks control.

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

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

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

Our non-GAAP tax adjustments include the tax impacts from share-based compensation expense including excess or decremental tax benefits available to the company that are recorded when incurred. Cambium Networks excludes these amounts to more closely approximate the company's ongoing effective tax rate after adjusting for one-time or unique non-recurring items. The associated non-GAAP effective tax rate is also applied to the gross amount of non-GAAP adjustments for the 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 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		
	March 31, 2023	December 31, 2022	March 31, 2022
Net income (loss)	\$ 4,276	\$ 10,011	\$ (1,568)
Interest expense, net	597	559	497
Provision (benefit) for income taxes	538	(1,135)	(1,201)
Depreciation and amortization of software and intangible assets	2,095	1,972	1,790
<b>EBITDA</b>	<b>7,506</b>	<b>11,407</b>	<b>(482)</b>
Share-based compensation	2,875	2,895	2,420
<b>Adjusted EBITDA</b>	<b>\$ 10,381</b>	<b>\$ 14,302</b>	<b>\$ 1,938</b>
Adjusted EBITDA Margin	13.4%	16.9%	3.1%

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, 2023	December 31, 2022	March 31, 2022
<b>GAAP gross profit</b>	\$ 39,660	\$ 41,369	\$ 29,166
Share-based compensation expense	56	56	57
Amortization of capitalized software costs	599	497	344
<b>Non-GAAP gross profit</b>	<u>\$ 40,315</u>	<u>\$ 41,922</u>	<u>\$ 29,567</u>
<b>Non-GAAP gross margin</b>	52.1%	49.6%	47.8%
<b>GAAP research and development expense</b>	\$ 14,262	\$ 12,874	\$ 12,942
Share-based compensation expense	1,269	1,258	1,022
<b>Non-GAAP research and development expense</b>	<u>\$ 12,993</u>	<u>\$ 11,616</u>	<u>\$ 11,920</u>
<b>GAAP sales and marketing expense</b>	\$ 11,670	\$ 12,148	\$ 10,429
Share-based compensation expense	700	702	627
<b>Non-GAAP sales and marketing expense</b>	<u>\$ 10,970</u>	<u>\$ 11,446</u>	<u>\$ 9,802</u>
<b>GAAP general and administrative expense</b>	\$ 6,667	\$ 5,422	\$ 6,544
Share-based compensation expense	850	879	714
<b>Non-GAAP general and administrative expense</b>	<u>\$ 5,817</u>	<u>\$ 4,543</u>	<u>\$ 5,830</u>
<b>GAAP depreciation and amortization</b>	\$ 1,496	\$ 1,475	\$ 1,446
Amortization of acquired intangibles	374	374	420
<b>Non-GAAP depreciation and amortization</b>	<u>\$ 1,122</u>	<u>\$ 1,101</u>	<u>\$ 1,026</u>
<b>GAAP operating income (loss)</b>	\$ 5,565	\$ 9,450	\$ (2,195)
Share-based compensation expense	2,875	2,895	2,420
Amortization of capitalized software costs	599	497	344
Amortization of acquired intangibles	374	374	420
<b>Non-GAAP operating income</b>	<u>\$ 9,413</u>	<u>\$ 13,216</u>	<u>\$ 989</u>
<b>GAAP pre-tax income (loss)</b>	\$ 4,814	\$ 8,876	\$ (2,769)
Share-based compensation expense	2,875	2,895	2,420
Amortization of capitalized software costs	599	497	344
Amortization of acquired intangibles	374	374	420
<b>Non-GAAP pre-tax income</b>	<u>\$ 8,662</u>	<u>\$ 12,642</u>	<u>\$ 415</u>
<b>GAAP provision (benefit) for income taxes</b>	\$ 538	\$ (1,135)	\$ (1,201)
Tax rate change	28	118	(929)
Tax impacts of share vesting	(99)	(221)	—
Tax effect of Non-GAAP adjustments	(770)	(753)	(637)
All other discrete items	(472)	(2,598)	250
<b>Non-GAAP provision for income taxes</b>	<u>\$ 1,851</u>	<u>\$ 2,319</u>	<u>\$ 115</u>
<b>Non-GAAP EIR</b>	21.4%	18.3%	27.7%
<b>GAAP net income (loss)</b>	\$ 4,276	\$ 10,011	\$ (1,568)
Share-based compensation expense	2,875	2,895	2,420
Amortization of capitalized software costs	599	497	344
Amortization of acquired intangibles	374	374	420
Non-GAAP adjustments to tax	(544)	(2,701)	(679)
Tax effect of Non-GAAP adjustments	(770)	(753)	(637)
<b>Non-GAAP net income</b>	<u>\$ 6,811</u>	<u>\$ 10,323</u>	<u>\$ 300</u>
<b>Non-GAAP fully weighted basic shares</b>	<u>27,397</u>	<u>27,313</u>	<u>26,825</u>
<b>Non-GAAP fully weighted diluted shares</b>	<u>28,314</u>	<u>28,605</u>	<u>28,172</u>
<b>Non-GAAP net income per Non-GAAP basic share</b>	<u>\$ 0.25</u>	<u>\$ 0.38</u>	<u>\$ 0.01</u>
<b>Non-GAAP net income per Non-GAAP diluted share</b>	<u>\$ 0.24</u>	<u>\$ 0.36</u>	<u>\$ 0.01</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.*