



PCTEL Reports First Quarter Financial Results

May 6, 2021

BLOOMINGDALE, Ill.--(BUSINESS WIRE)--May 6, 2021-- PCTEL, Inc. (Nasdaq: PCTI) announced its results for the first quarter ended March 31, 2021.

Highlights

- **Revenue of \$17.7 million in the first quarter**, 1.1% higher compared to the first quarter 2020.
- **Gross profit margin of 47.1% in the first quarter**, up 0.2% compared to the gross profit margin in the first quarter 2020. The gross profit percentage in the first quarter reflects a higher gross profit margin for test and measurement products, offsetting a lower gross margin percentage for antennas and Industrial IoT devices.
- **GAAP net loss per diluted share of \$0.04 in the first quarter** which was the same as first quarter 2020.
- **Non-GAAP net income and adjusted EBITDA are metrics the Company uses to measure its core earnings.** A reconciliation of those non-GAAP measures to our GAAP financial statements is provided later in the press release.
 - **Non-GAAP net income per diluted share of (\$0.00) in the first quarter** compared to Non-GAAP net income per diluted share of \$0.01 in the first quarter 2020.
 - **Adjusted EBITDA as a percent of revenue of 3.8% in the first quarter** which was the same as first quarter 2020.
- **\$40.6 million of cash and investments (including long-term investments) and no debt at March 31, 2020 compared to \$41.0 million and no debt at December 31, 2020.**

“Our antenna business was stable and the test and measurement products continue to perform very well as we address 5G deployments and emerging public safety opportunities,” said David Neumann, PCTEL’s CEO. “As we announced on May 3rd, we’re excited about our recent acquisition of Smarteq Wireless AB, a leading European supplier of antennas for vehicular, energy and Industrial IoT applications (“Smarteq”). Smarteq’s product wins for Industrial IoT, EV charging stations and vehicles complement our recent antenna design wins in utilities, 5G and metering. “We expect market conditions and the demand for our antenna, IoT device and scanner products to improve through the year as global economies recover.”

CONFERENCE CALL / WEBCAST

PCTEL’s management team will discuss the Company’s results today at 4:30 p.m. ET. The call can be accessed by dialing (888) 506-0062 (United States/Canada) or (973) 528-0011 (International), PIN number: **988748**. The call will also be webcast at <https://investor.pctel.com/news-events/webcasts-events>.

REPLAY: A replay will be available for two weeks after the call on either the website listed above or by calling (877) 481-4010 (United States /Canada), or (919) 882-2331 (International), PIN number: **40774**.

About PCTEL

PCTEL is a leading global provider of wireless technology, including purpose-built [Industrial IoT devices](#), [antenna systems](#), and [test and measurement solutions](#). Trusted by our customers for over 25 years, we solve complex wireless challenges to help organizations stay connected, transform, and grow.

For more information, please visit our website at <https://www.pctel.com/>.

PCTEL Safe Harbor Statement

This press release and our related comments in our earnings conference call contain “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Specifically, the statements about the Company’s expectations regarding the impact of the COVID-19 pandemic; our future financial performance; growth of our antenna solutions and Industrial IoT and test and measurement businesses; the impact of the acquisition of Smarteq on the Company’s ability to offer additional products, expand in the European market, and generate revenue; the impact of our transition plan for manufacturing inside and outside China; the anticipated demand for certain products including those related to public safety, Industrial IoT, 5G and intelligent transportation; and the anticipated growth of public and private wireless systems are forward-looking statements. These statements are based on management’s current expectations and actual results may differ materially from those projected as a result of certain risks and uncertainties, including the disruptions to the Company’s workforce, operations, supply chain and

customer demand caused by the COVID-19 pandemic and impact of the pandemic on the Company's results of operations, financial condition and stock price; the impact of data densification and IoT on capacity and coverage demand; the impact of 5G; customer demand and growth generally in the Company's defined market segments, including demand from customers in China; the Company's ability to integrate Smarteq, expand its European presence and benefit from additional antenna and Industrial IoT product offerings; the impact of the uncertainty regarding renewal of our lease of our Tianjin, China manufacturing premises; the impact of tariffs on certain imports from China; and the Company's ability to grow its business and create, protect and implement new technologies and solutions. These and other risks and uncertainties are detailed in PCTEL's Securities and Exchange Commission filings. These forward-looking statements are made only as of the date hereof, and PCTEL disclaims any obligation to update or revise the information contained in any forward-looking statement, whether as a result of new information, future events or otherwise.

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PCTEL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in thousands, except share data)

	March 31,	December 31,
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 12,796	\$ 5,761
Short-term investment securities	24,805	30,582
Accounts receivable, net of allowances of \$90 and \$113 at March 31, 2021 and December 31, 2020, respectively	14,610	16,601
Inventories, net	9,719	9,984
Prepaid expenses and other assets	1,543	1,685
Total current assets	63,473	64,613
Property and equipment, net	12,056	12,505
Long-term investment securities	2,963	4,640
Goodwill	3,332	3,332
Other noncurrent assets	2,425	2,441
TOTAL ASSETS	\$ 84,249	\$ 87,531
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 2,297	\$ 4,430
Accrued liabilities	8,045	7,316
Total current liabilities	10,342	11,746
Long-term liabilities	4,262	4,387
Total liabilities	14,604	16,133
Stockholders' equity:		
Common stock, \$0.001 par value, 50,000,000 shares authorized at March 31, 2021 and December 31, 2020, respectively, and 18,518,515 and 18,429,350 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	19	18
Additional paid-in capital	127,174	128,250
Accumulated deficit	(57,550)	(56,888)
Accumulated other comprehensive income	2	18
Total stockholders' equity	69,645	71,398
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 84,249	\$ 87,531

PCTEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except per share data)

Three Months Ended

	March 31,	
	2021	2020
REVENUES	\$ 17,707	\$ 17,506
COST OF REVENUES	9,369	9,291
GROSS PROFIT	8,338	8,215
OPERATING EXPENSES:		
Research and development	3,194	3,029
Sales and marketing	2,763	3,142
General and administrative	3,076	2,802
Amortization of intangible assets	0	33
Restructuring expenses	0	87
Total operating expenses	9,033	9,093
OPERATING LOSS	(695)	(878)
Other income, net	39	198
LOSS BEFORE INCOME TAXES	(656)	(680)
Expense for income taxes	6	8
NET LOSS	<u>\$ (662)</u>	<u>\$ (688)</u>

Net Loss per Share:

Basic	\$ (0.04)	\$ (0.04)
Diluted	\$ (0.04)	\$ (0.04)

Weighted Average Shares:

Basic	18,070	18,207
Diluted	18,070	18,207

Cash dividend per share	\$ 0.055	\$ 0.055
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PCTEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2021	2020
Operating Activities:		
Net loss	\$ (662)	\$ (688)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	742	748
Intangible asset amortization	0	144
Stock-based compensation	618	562
Loss on disposal of property and equipment	3	7
Restructuring costs	(15)	63
Bad debt provision	(11)	18
Changes in operating assets and liabilities:		
Accounts receivable	1,999	3,432
Inventories	259	760
Prepaid expenses and other assets	215	470
Accounts payable	(2,061)	737
Income taxes payable	6	8
Other accrued liabilities	554	(2,011)

Deferred revenue	7	39
Net cash provided by operating activities	<u>1,654</u>	<u>4,289</u>
Investing Activities:		
Capital expenditures	(354)	(1,516)
Purchase of investments	(5,953)	(9,918)
Redemptions/maturities of short-term investments	13,407	13,866
Net cash provided in investing activities	<u>7,100</u>	<u>2,432</u>
Financing Activities:		
Proceeds from issuance of common stock	8	59
Payment of withholding tax on stock-based compensation	(659)	(1,106)
Principle payments on finance leases	(16)	(20)
Purchase of common stock from repurchase program	(31)	(2,000)
Cash dividends	(1,011)	(1,032)
Net cash used in financing activities	<u>(1,709)</u>	<u>(4,099)</u>
Net increase in cash and cash equivalents	7,045	2,622
Effect of exchange rate changes on cash	(10)	(54)
Cash and cash equivalents, beginning of period	5,761	7,094
Cash and Cash Equivalents, End of Period	<u>\$ 12,796</u>	<u>\$ 9,662</u>

PCTEL, INC.

REVENUE AND GROSS PROFIT BY PRODUCT LINE (unaudited)
(in thousands)

	<u>Three Months Ended March 31, 2021</u>			
	<u>Antennas & Industrial IoT Devices</u>	<u>Test & Measurement Products</u>	<u>Corporate</u>	<u>Total</u>
	REVENUES	\$11,723	\$6,205	(\$221)
GROSS PROFIT	\$3,747	\$4,588	\$3	\$8,338
GROSS PROFIT %	32.0%	73.9%		47.1%

	<u>Three Months Ended March 31, 2020</u>			
	<u>Antennas & Industrial IoT Devices</u>	<u>Test & Measurement Products</u>	<u>Corporate</u>	<u>Total</u>
	REVENUES	\$11,460	\$6,083	(\$37)
GROSS PROFIT	\$3,918	\$4,297	\$0	\$8,215
GROSS PROFIT %	34.2%	70.6%		46.9%

The Corporate column includes the elimination of intercompany revenues between Antennas and Industrial IoT Devices and Test & Measurement Products and other licensing revenues.

Reconciliation of GAAP to non-GAAP Results (unaudited)
(in thousands except per share information)

Reconciliation of GAAP operating loss to non-GAAP operating loss

	<u>Three Months Ended March 31,</u>	
	<u>2021</u>	<u>2020</u>

Operating Loss	(\$695)	(\$878)
(a) Add:		
Amortization of intangible assets		
-Cost of revenues	0	111
-Operating expenses	0	33
Restructuring	0	87
Stock Compensation:		
-Cost of revenues	69	72
-Engineering	142	137
-Sales & marketing	160	150
-General & administrative	247	203
	<u>618</u>	<u>793</u>
Non-GAAP Operating Loss	<u>(\$77)</u>	<u>(\$85)</u>
% of revenue	-0.4%	-0.5%

Reconciliation of GAAP net loss to non-GAAP net (loss) income

	<u>Three Months Ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Net Loss	(\$662)	(\$688)
Adjustments:		
(a) Non-GAAP adjustments to operating loss	618	793
Income Taxes	9	(1)
	<u>627</u>	<u>792</u>
Non-GAAP Net (Loss) Income	<u>(\$35)</u>	<u>\$104</u>
Non-GAAP (Loss) Income per Share:		
Basic	(\$0.00)	\$0.01
Diluted	(\$0.00)	\$0.01
Weighted Average Shares:		
Basic	18,070	18,207
Diluted	18,070	18,207

This schedule reconciles the Company's GAAP operating income to its non-GAAP operating loss. The Company believes that presentation of this schedule provides meaningful supplemental information to both management and investors that is indicative of the Company's core operating results and facilitates comparison of operating results across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results as well as for internal planning and forecasting purposes. These non-GAAP measures should not be viewed as a substitute for the Company's GAAP results.

The adjustments to GAAP operating loss (a) consist of stock compensation expense and amortization of intangible assets. The adjustments to GAAP net loss include the non-GAAP adjustments to operating loss as well as adjustments for (b) non-cash income tax expense.

PCTEL, Inc.

Reconciliation of GAAP operating loss to Adjusted EBITDA

(unaudited, in thousands)

	<u>Three Months Ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Operating Loss	(\$695)	(\$878)

Add:

Depreciation and amortization	742	748
Intangible amortization	0	144
Restructuring expenses	0	87
Stock compensation expenses	618	562
Adjusted EBITDA	\$665	\$663
% of revenue	3.8%	3.8%

This schedule reconciles the Company's GAAP operating loss to Adjusted EBITDA. The Company believes that this schedule provides meaningful supplemental information to both management and investors that is indicative of the Company's core operating results and facilitates comparison of operating results across reporting periods. The Company uses Adjusted EBITDA when evaluating its financial results as well as for internal planning and forecasting purposes. Adjusted EBITDA should not be viewed as a substitute for the Company's GAAP results.

Adjusted EBITDA is defined as net income before interest, income taxes, depreciation and amortization. The adjustments on this schedule consist of depreciation, amortization of intangible assets, and stock compensation expenses

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