
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported) March 7, 2023

PCTEL, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

000-27115
(Commission
File Number)

77-0364943
(IRS Employer
Identification No.)

471 Brighton Drive
Bloomington, Illinois
(Address of Principal Executive Offices)

60108
(Zip Code)

Registrant's telephone number, including area code: (630) 372-6800

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|----------------------|---|
| Common Stock | PCTI | Nasdaq Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

The following information is intended to be furnished under Item 2.02 of Form 8-K, “Results of Operations and Financial Condition.” This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

On March 7, 2023, PCTEL, Inc. issued a press release regarding its financial results for the fourth quarter and full year ended December 31, 2022. The full text of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure

The following information is intended to be furnished under Item 7.01 of Form 8-K, “Regulation FD Disclosure”. This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

The Company previously disclosed its belief that its 2022 and 2023 dividend payments would be a return of capital for U.S. income tax purposes. The Company is updating its prior disclosure to clarify that its 2022 dividend payments were not a return of capital for U.S. income tax purposes and believes 2023 dividend payments will not be a return of capital for U.S. income tax purposes.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

99.1 [Press release dated March 7, 2023, of PCTEL, Inc. announcing its financial results for the fourth quarter and full year results ended December 31, 2022.](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 8, 2023

PCTEL, INC.

By: /s/ Kevin J. McGowan

Kevin J. McGowan, Chief Financial Officer



PCTEL Reports Fourth Quarter and Full Year 2022 Financial Results

PCTEL achieved 2022 revenues of \$99.4 million, up 13%, and gross profit margin of 46%

Strong expansion in net income and Adjusted EBITDA in the fourth quarter and fiscal year 2022

BLOOMINGDALE, Illinois – March 7, 2023 – PCTEL, Inc. (Nasdaq: PCTI) (“PCTEL” or the “Company”), a leading global provider of wireless technology solutions, today reported results for the fourth quarter and full year ended December 31, 2022.

Fourth Quarter 2022 Highlights

- Revenues of \$25.9 million, equivalent to the fourth quarter 2021
- GAAP gross profit margin of 50.3%
- GAAP net income of \$2.1 million or \$0.11 per diluted share
- Non-GAAP net income of \$3.0 million or \$0.16 per diluted share
- Adjusted EBITDA increased 21.7% year-over-year to \$3.7 million
- Launched new features in the SeeHawk™ Central cloud platform which simplifies the tracking, review and approval of public safety network coverage testing

Full Year 2022 Highlights

- Revenues of \$99.4 million were 13.2% higher compared to the prior year
- GAAP gross profit margin of 46.0%
- GAAP net income of \$2.9 million or \$0.15 per diluted share
- Non-GAAP net income of \$7.7 million or \$0.41 per diluted share
- Adjusted EBITDA increased 26.8% year-over-year to \$10.7 million
- Released multiple mission critical application products throughout the year, targeting diverse end markets including rail, electric vehicles and agriculture applications
- Streamlined sales organization to gain scale as well as support global distribution networks

David Neumann, Chief Executive Officer, commented, “I am very proud of our team’s performance in 2022, which reflected a year of sales growth driven by demand strength and strong execution through challenging macroeconomic conditions. We enjoyed numerous successes over the course of the year supported by the ongoing execution of our three-pronged growth strategy, including the launch of innovative products, expansion of our sales channels globally, and an increase in our market share by strong adoption of our integrated solutions by our customers. We released a major update to the SeeHawk™ Central cloud-based software platform to improve support for public safety testing, along with multiple new, high-reliability and mission critical products including our MultiFin 7-in-1 antenna, and CMTA antenna portfolio. Additionally, we have grown our international customer base and distribution network, particularly in the European market, expanding PCTEL’s customer reach and end market opportunities. In 2023, we look forward to growing our Company while remaining on the forefront of innovation in the wireless technology space.”

Fourth Quarter & Full Year 2022 Financial Summary

| Summary Financials | Q4'22 | Q4'21 | Change | FY'22 | FY'21 | Change |
|-------------------------|----------|----------|---------|----------|----------|----------|
| Revenue (000's) | \$25,922 | \$26,008 | (0.3%) | \$99,428 | \$87,807 | 13.2% |
| Gross Profit Margin % | 50.3% | 45.9% | 440 bps | 46.0% | 46.1% | (10 bps) |
| Adjusted EBITDA (000's) | \$3,741 | \$3,074 | 21.7% | \$10,725 | \$8,458 | 26.8% |

| | | | | | | |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| GAAP Diluted EPS | \$0.11 | \$0.02 | \$0.09 | \$0.15 | \$0.01 | \$0.14 |
| Non-GAAP Diluted EPS | \$0.16 | \$0.12 | \$0.04 | \$0.41 | \$0.27 | \$0.14 |

Fourth quarter 2022 revenues were \$25.9 million, equivalent to the fourth quarter 2021. Fourth quarter 2022 antennas and industrial IoT device revenue was \$16.4 million, a decrease of 14.2% year-over-year, partially due to high customer inventory levels. Fourth quarter 2022 Test & Measurement revenue was \$9.9 million, an increase of 37.7% year-over-year due to higher revenues for 5G products in the U.S. Fiscal 2022 revenues were \$99.4 million, an increase of 13.2% compared to \$87.8 million in fiscal 2021. The increase in revenue for fiscal 2022 was driven by double-digit growth in both segments. Fiscal 2022 Antennas and IoT Devices revenue was \$69.7 million, an increase of 10.5% year-over-year. Fiscal 2022 Test & Measurement revenue was \$30.6 million, an increase of 18.9% year-over-year.

Fourth quarter 2022 GAAP gross profit margin was 50.3%, compared to 45.9% in the fourth quarter of 2021. The higher gross profit margin was due to a higher mix of Test & Measurement products. Fiscal 2022 gross profit margin was 46.0%, compared to 46.1% in fiscal 2021.

Adjusted EBITDA in the fourth quarter increased to \$3.7 million compared to \$3.1 million in the fourth quarter of 2021. Adjusted EBITDA in fiscal 2022 increased to \$10.7 million compared to \$8.5 million in fiscal 2021.

Fourth quarter 2022 GAAP net income was \$2.1 million or diluted earnings per share of \$0.11 compared to GAAP net income of \$0.3 million or \$0.02 per share in the fourth quarter of 2021. A reversal of allowances related to deferred income taxes contributed \$0.02 per share during the fourth quarter 2022. Non-GAAP net income was \$3.0 million, or \$0.16 diluted earnings per share, compared to \$2.1 million or \$0.12 per share in the fourth quarter of 2021.

Fiscal 2022 GAAP net income was \$2.9 million or diluted earnings per share of \$0.15 compared to GAAP net income of \$0.2 million or \$0.01 per share during fiscal 2021. A reversal of allowances related to deferred income taxes contributed \$0.04 per share during the full year 2022. Non-GAAP net income was \$7.7 million, or \$0.41 diluted earnings per share, compared to \$5.0 million or \$0.27 per share during fiscal 2021.

Cash, cash equivalents and investments were \$30.0 million as of December 31, 2022, a decrease of approximately \$0.8 million as compared to December 31, 2021.

First Quarter 2023 Outlook

The following ranges represent PCTEL's current expectations for the first quarter 2023 based upon available data and estimates.

- **Revenue:** \$22.0 million to \$23.0 million
- **Non-GAAP Gross Margin:** 47% to 48%
- **Non-GAAP EPS:** \$0.05 to \$0.07

Kevin McGowan, Chief Financial Officer, explained, "We are pleased with the underlying strength with which we exited the fourth quarter and progress into 2023. Our leading wireless technology solutions enable us to serve customers in the utilities, rail, 5G and public safety sectors, supporting critical applications that require reliable connectivity. For the first quarter of 2023, we anticipate lower sequential revenue due to typical seasonality effects; however, we maintain a positive outlook for the remainder of the year. Our healthy balance sheet provides us with the financial flexibility to support the growth of our business and execution of our strategy."

CONFERENCE CALL / WEBCAST

PCTEL's management team will discuss the Company's results today at 4:30 p.m. ET. The call will also be webcast at <https://investor.pctel.com/news-events/webcasts-events>. The call can also be accessed by dialing (888) 506-0062 (United States/Canada) or (973) 528-0011 (International), access code: **209567**.

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), access code: **47628**.

About PCTEL

PCTEL is a leading global provider of wireless technology solutions, including purpose-built Industrial IoT devices, antenna systems, and test and measurement products. Trusted by our customers for over 29 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 our future financial performance; growth of our antenna and Industrial IoT product line and our test & measurement product line through execution of our three growth strategies; the ability of the Company to continue to innovate new products for its product lines; the impact of development and adoption of wireless solutions in the public safety, rail, logistics, agriculture, utilities, and electric vehicle markets on our revenue generation; our ability to expand our product lines in the European market and through distribution channels; the anticipated demand for certain products, including those related to public safety, industrial IoT, 5G (e.g., the *Gflex*); 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 higher than expected inflation; an economic recession in the Americas or globally; the disruptions to the Company's workforce, operations, supply chain and customer demand caused by the pandemic and the impact of the pandemic and ensuing supply chain disruption 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; the Company's ability to access the government market and create demand for its products; the Company's ability to expand its European presence and benefit from additional antenna and Industrial IoT product offerings from Smarteq; 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, Gflex®, HBflex, and SeeHawk are trademarks or registered trademarks of PCTEL, Inc. © 2023 PCTEL, Inc. All rights reserved.

PCTEL Company Contacts

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CFO

PCTEL Investor Relations Contact

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

| | December 31, 2022 | December 31, 2021 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 7,736 | \$ 8,192 |
| Short-term investment securities | 22,254 | 22,562 |
| Accounts receivable, net of allowances of \$132 and \$64 at December 31, 2022 and December 31, 2021, respectively | 18,853 | 18,905 |
| Inventories, net | 18,918 | 13,691 |
| Prepaid expenses and other assets | 1,861 | 1,747 |
| Total current assets | 69,622 | 65,097 |
| Property and equipment, net | 10,004 | 11,949 |
| Goodwill | 5,935 | 6,334 |
| Intangible assets, net | 1,045 | 1,579 |
| Other noncurrent assets | 3,269 | 2,438 |
| TOTAL ASSETS | \$ 89,875 | \$ 87,397 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Accounts payable | \$ 4,648 | \$ 5,360 |
| Accrued liabilities | 12,605 | 11,117 |
| Total current liabilities | 17,253 | 16,477 |
| Long-term liabilities | 3,624 | 3,999 |
| Total liabilities | 20,877 | 20,476 |
| Stockholders' equity: | | |
| Common stock, \$0.001 par value, 50,000,000 shares authorized at December 31, 2022 and December 31, 2021, respectively, and 18,748,529 and 18,238,030 shares issued and outstanding at December 31, 2022 and December 31, 2021 | 19 | 18 |
| Additional paid-in capital | 128,370 | 123,998 |
| Accumulated deficit | (57,941) | (56,735) |
| Accumulated other comprehensive loss | (1,450) | (360) |
| Total stockholders' equity | 68,998 | 66,921 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 89,875 | \$ 87,397 |

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

| | Three Months Ended December 31, | | Year Ended December 31, | |
|------------------------------------|------------------------------------|---------------|----------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| REVENUES | \$ 25,922 | \$ 26,008 | \$ 99,428 | \$ 87,807 |
| COST OF REVENUES | 12,884 | 14,063 | 53,695 | 47,329 |
| GROSS PROFIT | 13,038 | 11,945 | 45,733 | 40,478 |
| OPERATING EXPENSES: | | | | |
| Research and development | 3,050 | 3,604 | 12,833 | 13,358 |
| Sales and marketing | 3,837 | 3,829 | 14,747 | 13,327 |
| General and administrative | 4,119 | 3,216 | 14,517 | 12,444 |
| Amortization of intangible assets | 62 | 76 | 263 | 210 |
| Restructuring expenses | 0 | 841 | 1,309 | 900 |
| Total operating expenses | 11,068 | 11,566 | 43,669 | 40,239 |
| OPERATING INCOME | 1,970 | 379 | 2,064 | 239 |
| Other income (expense), net | 102 | (37) | 431 | (47) |
| INCOME BEFORE INCOME TAXES | 2,072 | 342 | 2,495 | 192 |
| (Benefit) Expense for income taxes | 22 | 22 | (374) | 39 |
| NET INCOME | <u>\$ 2,050</u> | <u>\$ 320</u> | <u>\$ 2,869</u> | <u>\$ 153</u> |
| Net Income per Share: | | | | |
| Basic | 0.11 | 0.02 | 0.16 | 0.01 |
| Diluted | 0.11 | 0.02 | 0.15 | 0.01 |
| Weighted Average Shares: | | | | |
| Basic | 18,265 | 17,899 | 18,150 | 18,017 |
| Diluted | 18,576 | 17,930 | 18,529 | 18,122 |

PCTEL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

| | Years Ended December 31, | |
|---|--------------------------|------------------------|
| | 2022 | 2021 |
| Operating Activities: | | |
| Net income | \$ 2,869 | \$ 153 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,811 | 3,027 |
| Intangible asset amortization | 336 | 267 |
| Stock-based compensation | 3,988 | 2,921 |
| Loss on disposal of property and equipment | 1 | 113 |
| Restructuring costs | (291) | 353 |
| Bad debt provision | 85 | (44) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (275) | (896) |
| Inventories | (5,533) | (2,481) |
| Prepaid expenses and other assets | 153 | 531 |
| Deferred tax assets | (909) | 0 |
| Accounts payable | (605) | 14 |
| Income taxes payable | 430 | 3 |
| Other accrued liabilities | 1,127 | 1,417 |
| Deferred revenue | (39) | 295 |
| Net cash provided by operating activities | <u>4,148</u> | <u>5,673</u> |
| Investing Activities: | | |
| Capital expenditures | (809) | (2,330) |
| Purchases of investments | (25,993) | (25,928) |
| Redemptions/maturities of short-term investments | 26,301 | 38,588 |
| Cash paid for acquisition, net of cash acquired | 0 | (6,277) |
| Net cash (used in) provided by investing activities | <u>(501)</u> | <u>4,053</u> |
| Financing Activities: | | |
| Proceeds from issuance of common stock | 797 | 840 |
| Payment of withholding tax on stock-based compensation | (412) | (786) |
| Principal payments on finance leases | (61) | (73) |
| Purchase of common stock from repurchase program | 0 | (3,193) |
| Cash dividends | (4,075) | (4,034) |
| Net cash used in financing activities | <u>(3,751)</u> | <u>(7,246)</u> |
| Net (decrease) increase in cash and cash equivalents | (104) | 2,480 |
| Effect of exchange rate changes on cash | (352) | (49) |
| Cash and cash equivalents, beginning of period | 8,192 | 5,761 |
| Cash and Cash Equivalents, End of Period | <u><u>\$ 7,736</u></u> | <u><u>\$ 8,192</u></u> |

PCTEL, INC.
REVENUE AND GROSS PROFIT BY PRODUCT LINE (unaudited)
Reconciliation of GAAP Gross Profit percentage to Non-GAAP Gross Profit percentage
(in thousands)

| | Three Months Ended December 31, 2022 | | | | Year Ended December 31, 2022 | | | |
|-----------------------------------|--------------------------------------|-----------------------------|-----------|---------------|-------------------------------------|-----------------------------|-----------|---------------|
| | Antennas and Industrial IoT Devices | Test & Measurement Products | Corporate | Total | Antennas and Industrial IoT Devices | Test & Measurement Products | Corporate | Total |
| REVENUES | \$ 16,352 | \$ 9,867 | \$ (297) | \$ 25,922 | \$ 69,662 | \$ 30,565 | \$ (799) | \$ 99,428 |
| GROSS PROFIT | \$ 5,858 | \$ 7,194 | \$ (15) | \$ 13,037 | \$ 23,293 | \$ 22,660 | \$ (220) | \$ 45,733 |
| GAAP GROSS PROFIT % | 35.8 % | 72.9 % | | 50.3 % | 33.4 % | 74.1 % | | 46.0 % |
| Non-GAAP adjustments: | | | | | | | | |
| Amortization of inventory step-up | 0.0 % | 0.0 % | | 0.0 % | 0.0 % | 0.0 % | | 0.0 % |
| Amortization of intangible assets | 0.1 % | 0.0 % | | 0.1 % | 0.1 % | 0.0 % | | 0.1 % |
| Stock compensation expenses | 0.3 % | 0.2 % | | 0.2 % | 0.2 % | 0.2 % | | 0.2 % |
| Non-GAAP GROSS PROFIT % | 36.2 % | 73.1 % | | 50.6 % | 33.8 % | 74.3 % | | 46.3 % |

| | Three Months Ended December 31, 2021 | | | | Year Ended December 31, 2022 | | | |
|-----------------------------------|--------------------------------------|-----------------------------|-----------|---------------|-------------------------------------|-----------------------------|-----------|---------------|
| | Antennas and Industrial IoT Devices | Test & Measurement Products | Corporate | Total | Antennas and Industrial IoT Devices | Test & Measurement Products | Corporate | Total |
| REVENUES | \$ 19,054 | \$ 7,164 | \$ (210) | \$ 26,008 | \$ 63,025 | \$ 25,704 | \$ (922) | \$ 87,807 |
| GROSS PROFIT | \$ 6,454 | \$ 5,535 | \$ (44) | \$ 11,945 | \$ 21,031 | \$ 19,592 | \$ (145) | \$ 40,478 |
| GAAP GROSS PROFIT % | 33.9 % | 77.3 % | | 45.9 % | 33.4 % | 76.2 % | | 46.1 % |
| Non-GAAP adjustments: | | | | | | | | |
| Amortization of inventory step-up | 0.4 % | 0.0 % | | 0.3 % | 0.8 % | 0.0 % | | 0.6 % |
| Amortization of intangible assets | 0.1 % | 0.0 % | | 0.1 % | 0.1 % | 0.0 % | | 0.1 % |
| Stock compensation expenses | 0.1 % | 0.4 % | | 0.3 % | 0.2 % | 0.6 % | | 0.3 % |
| Non-GAAP GROSS PROFIT % | 34.5 % | 77.7 % | | 46.6 % | 34.4 % | 76.8 % | | 47.0 % |

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

This schedule reconciles the Company's GAAP gross profit percentage to its Non-GAAP gross profit percentage. 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 adjustments on this schedule consist of amortization of intangible assets and stock compensation expenses.

Reconciliation of GAAP to Non-GAAP results (unaudited)

(in thousands except per share information)

Reconciliation of GAAP operating income to Non-GAAP operating income

| | Three Months Ended December | | Year Ended December 31, | |
|---|------------------------------------|-----------------|--------------------------------|-----------------|
| | 31, | | | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Operating Income | \$ 1,970 | \$ 379 | \$ 2,064 | \$ 239 |
| (a) Add: | | | | |
| Amortization of inventory step-up to fair value | 0 | 78 | 0 | 493 |
| Amortization of intangible assets | | | | |
| -Cost of revenues | 17 | 21 | 73 | 57 |
| -Operating expenses | 62 | 76 | 263 | 210 |
| Restructuring expenses | 0 | 841 | 1,309 | 900 |
| Stock compensation expenses: | | | | |
| -Cost of revenues | 56 | 82 | 213 | 268 |
| -Research and development | 160 | 159 | 632 | 543 |
| -Sales & marketing | 152 | 199 | 845 | 658 |
| -General & administrative | 613 | 451 | 2,298 | 1,452 |
| Acquisition related expenses | 131 | 18 | 217 | 611 |
| | <u>1,191</u> | <u>1,925</u> | <u>5,850</u> | <u>5,192</u> |
| Non-GAAP Operating Income | <u>\$ 3,161</u> | <u>\$ 2,304</u> | <u>\$ 7,914</u> | <u>\$ 5,431</u> |
| % of revenue | 12.2% | 8.9% | 8.0% | 6.2% |

Reconciliation of GAAP net income to Non-GAAP net income

| | Three Months Ended December | | Year Ended December 31, | |
|--|------------------------------------|-----------------|--------------------------------|-----------------|
| | 31, | | | |
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Net Income | \$ 2,050 | \$ 320 | \$ 2,869 | \$ 153 |
| Adjustments: | | | | |
| (a) Non-GAAP adjustments to operating income | 1,191 | 1,925 | 5,850 | 5,192 |
| (b) Income Taxes | (239) | (159) | (1,042) | (392) |
| | <u>952</u> | <u>1,766</u> | <u>4,808</u> | <u>4,800</u> |
| Non-GAAP Net Income | <u>\$ 3,002</u> | <u>\$ 2,086</u> | <u>\$ 7,677</u> | <u>\$ 4,953</u> |
| Non-GAAP Income per Share: | | | | |
| Basic | \$ 0.16 | \$ 0.12 | \$ 0.42 | \$ 0.27 |
| Diluted | \$ 0.16 | \$ 0.12 | \$ 0.41 | \$ 0.27 |
| Weighed Average Shares: | | | | |
| Basic | 18,265 | 17,899 | 18,150 | 18,017 |
| Diluted | 18,576 | 17,930 | 18,529 | 18,122 |

This schedule reconciles the Company's GAAP operating income to its Non-GAAP operating income. 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 income (a) consist of stock compensation expense, amortization of intangible assets, restructuring expenses, and acquisition related expenses. The adjustments to GAAP net income include the Non-GAAP adjustments to operating income as well as adjustments for (b) non-cash income tax expense.

PCTEL, INC.
Reconciliation of GAAP operating expenses to Non-GAAP operating expenses (unaudited)
(in thousands)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|------------------------------------|---------------------------------|------------------------|-------------------------|-------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| GAAP operating expenses | \$ 11,068 | \$ 11,566 | \$ 43,669 | \$ 40,239 |
| Stock compensation expenses | (925) | (809) | (3,775) | (2,653) |
| Amortization of intangible assets | (62) | (76) | (263) | (210) |
| Restructuring expenses | 0 | (841) | (1,309) | (900) |
| Acquisition related expenses | (131) | (18) | (217) | (611) |
| Non-GAAP Operating expenses | <u>\$ 9,950</u> | <u>\$ 9,822</u> | <u>\$ 38,105</u> | <u>\$ 35,865</u> |

This schedule reconciles the Company's GAAP operating expenses to its Non-GAAP operating expenses. 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 adjustments on this schedule consist of amortization of intangible assets, stock compensation expenses, restructuring expenses, and acquisition related expenses.

PCTEL, Inc.
Reconciliation of GAAP operating income to adjusted EBITDA (unaudited)
(in thousands)

| | <u>Three Months Ended December 31,</u> | | <u>Year Ended December 31,</u> | |
|---|--|-----------------|--------------------------------|-----------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Operating income | \$ 1,970 | \$ 379 | \$ 2,064 | \$ 239 |
| Add: | | | | |
| Amortization of inventory step-up to fair value | 0 | 78 | 0 | 493 |
| Depreciation and amortization | 580 | 770 | 2,811 | 3,027 |
| Intangible amortization | 79 | 97 | 336 | 267 |
| Restructuring expenses | 0 | 841 | 1,309 | 900 |
| Stock compensation expenses | 981 | 891 | 3,988 | 2,921 |
| Acquisition related expenses | 131 | 18 | 217 | 611 |
| Adjusted EBITDA | <u>\$ 3,741</u> | <u>\$ 3,074</u> | <u>\$ 10,725</u> | <u>\$ 8,458</u> |
| % of revenue | 14.4% | 11.8% | 10.8% | 9.6% |

This schedule reconciles the Company's GAAP operating income 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 and extraordinary expenses. The adjustments on this schedule consist of depreciation, amortization of intangible assets, stock compensation expenses, restructuring expenses, and acquisition related expenses.

