



Airgain Reports Third Quarter 2020 Financial Results

SAN DIEGO--(BUSINESS WIRE)-- [Airgain, Inc. \(Nasdaq: AIRG\)](#), a leading provider of advanced antenna technologies used to enable high performance wireless networking across a broad range of devices and markets, including consumer, enterprise, and automotive, today announced GAAP net loss of \$0.3 million and GAAP EPS of \$(0.03) for the three months ended September 30, 2020 (Q3-20). The Q3-20 GAAP net loss decreased \$0.4 million from net loss of \$0.7 million for the three months ended June 30, 2020 (Q2-20). Q3-20 non-GAAP net income totaled \$0.6 million or \$0.06 per diluted share compared to non-GAAP net income of \$0.2 million or \$0.02 per diluted share in Q2-20. Adjusted EBITDA increased to \$0.7 million in Q3-20 compared to Adjusted EBITDA of \$0.3 million in Q2-20 (see note regarding "Use of Non-GAAP Financial Measures" below for further discussion of this non-GAAP measure).

"I am pleased we executed to our previous financial guidance for the third quarter and equally excited about the prospects for growth across our markets in 2021," said Airgain's Chief Executive Officer and President, Jacob Suen. "We are seeing very positive responses from prospective customers for our new product platform, AirgainConnect, which is expected to drive material growth in 2021."

Third Quarter 2020 Financial Highlights

- Sales of \$13.0 million
- Gross margin of 46.3%
- Net loss of \$0.3 million
- GAAP earnings per share of \$(0.03)
- Non-GAAP earnings per diluted share of \$0.06
- Adjusted EBITDA of \$0.7 million

Third Quarter 2020 Financial Results

Sales increased 13.7% to \$13.0 million in Q3-20 compared to \$11.4 million in Q2-20. This increase was primarily due to partial recovery from COVID-19 related revenue declines from carriers in Q2-20. Our Q3-20 sales decrease of \$0.1 million from \$13.1 million in the three months ended September 30, 2019 (Q3-19) was due to a significantly larger order of an automotive product in Q3-19, as offset by an increase in revenue from several large volume embedded antenna products in Q3-20.

Gross profit increased 11.8% in Q3-20 to \$6.0 million from \$5.4 million in Q2-20. Gross margin was 46.3% in Q3-20, which decreased from 47.1% in Q2-20 largely due to unfavorable product sales mix. Q3-20 gross margin increased 0.1% from 46.2% in Q3-19.

Total operating expenses of \$6.2 million for Q3-20 increased 4.0% compared to \$6.0 million

in Q2-20 primarily due to an increase in personnel-related expenses. Q3-20 operating expenses decreased 0.8% from \$6.3 million in Q3-19. The decrease was primarily due to lower travel expenses. Q3-20 non-GAAP operating expenses totaled \$5.5 million compared to non-GAAP operating expenses of \$5.2 million in Q2-20. Non-GAAP operating expenses for Q3-19 were \$5.6 million (see note regarding "Use of Non-GAAP Financial Measures," below for further discussion of this non-GAAP measure).

Net loss totaled \$0.3 million or \$(0.03) per share (based on 9.7 million shares) in Q3-20, compared to a net loss of \$0.7 million or \$(0.08) per share (based on 9.7 million shares) in Q2-20. The Q3-20 net loss increased \$0.1 million as compared to the Q3-19 net loss of \$0.1 million or \$(0.01) per share (based on 9.7 million shares). Q3-20 non-GAAP net income totaled \$0.6 million or \$0.06 per share (based on 10.1 million diluted shares), compared to non-GAAP net income of \$0.2 million or \$0.02 per share (based on 9.9 million diluted shares) in Q2-20. Non-GAAP net income in Q3-19 was \$0.5 million or \$0.05 per share (based on 10.0 million diluted shares) (see note regarding "Use of Non-GAAP Financial Measures" below for further discussion of this non-GAAP measure).

Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, and stock-based compensation) increased to \$0.7 million in Q3-20 compared to Adjusted EBITDA of \$0.3 million in Q2-20. The Q3-19 Adjusted EBITDA was \$0.6 million (see note regarding "Use of Non-GAAP Financial Measures" below for further discussion of this non-GAAP measure).

First Nine Months 2020 Financial Highlights

- Sales of \$35.7 million
- Gross margin of 46.9%
- Net loss of \$2.2 million
- GAAP earnings per share of \$(0.23)
- Non-GAAP earnings per diluted share of \$0.03
- Adjusted EBITDA of \$0.7 million

First Nine Months 2020 Financial Results

Sales decreased 16.5% to \$35.7 million in the first nine months of 2020 compared to \$42.7 million in the same nine month period a year ago. The lower sales were primarily driven by impacts from COVID-19 and a product cycle transition for several large volume embedded antenna products.

Gross profit decreased 14.3% in the first nine months of 2020 to \$16.7 million from \$19.5 million in the same nine month period a year ago. Gross margin was 46.9% in the first nine months of 2020, which increased from 45.8% in the same nine month period a year ago and is primarily due to product cost reductions.

Total operating expenses of \$18.9 million for the first nine months of 2020 decreased 1.2% compared to \$19.1 million in the same nine month period a year ago. The decrease was primarily due to lower travel expenses and tradeshow cancellations, but partially offset by an increase in engineering product development costs and personnel-related expenses. Non-GAAP operating expenses totaled \$16.5 million in the first nine months of 2020 compared to non-GAAP operating expenses of \$17.1 million in the same nine month period a year ago

(see note regarding "Use of Non-GAAP Financial Measures" below for further discussion of this non-GAAP measure).

In the first nine months of 2020 net loss totaled \$2.2 million or \$(0.23) per share (based on 9.7 million shares), compared to net income of \$0.9 million or \$0.09 per share (based on 10.1 million diluted shares) in the same nine month period a year ago. For the first nine months of 2020 non-GAAP net income totaled \$0.3 million or \$0.03 per share (based on 9.9 million diluted shares), compared to non-GAAP net income of \$2.6 million or \$0.25 per share (based on 10.1 million diluted shares) in the same nine month period a year ago (see note regarding "Use of Non-GAAP Financial Measures," below for further discussion of this non-GAAP measure).

Adjusted EBITDA decreased to \$0.7 million in the first nine months of 2020 compared to Adjusted EBITDA of \$2.9 million in the same nine month period a year ago (see note regarding "Use of Non-GAAP Financial Measures," below for further discussion of this non-GAAP measure).

Fourth Quarter 2020 Financial Outlook

- Total sales are expected to be in the range of \$12.25 million to \$13.25 million
- Gross margin is expected to be in the range of 45.5% to 46.5%
- Non-GAAP operating expense is expected to be \$5.60 million, plus or minus \$0.10 million
- Non-GAAP earnings per diluted share is expected to be \$0.03 at midpoint
- Adjusted EBITDA is expected to be \$0.41 million at midpoint

Our financial outlook for the three months ending December 31, 2020 (Q4-20), including reconciliations of GAAP net loss to non-GAAP net income, operating expense, and EPS and to adjusted EBITDA can be found at the end of this press release.

Conference Call

Airgain management will hold a conference call today Thursday, November 5, 2020, at 4:30 p.m. Eastern (1:30 p.m. Pacific) to discuss financial results for the third quarter ended September 30, 2020, and to provide an update on business conditions.

Airgain management will host the presentation, followed by a question and answer period.

Date: Thursday, November 5, 2020

Time: 4:30 p.m. Eastern (1:30 p.m. Pacific)

Please follow the below web address to register for the Third Quarter 2020 Conference Call. Upon registering, you will be provided call details with a unique ID. There will be a reminder email sent out to all registered participants.

Registration: <http://www.directeventreg.com/registration/event/5654866>

The conference call will be broadcast simultaneously and available for replay via the investor relations section of the company's [website](#).

A replay of the call is available after 7:30 p.m. Eastern on the same day through December

5, 2020.

U.S. replay dial-in: 855-859-2056 or 404-537-3406

Replay ID: 5654866

About Airgain, Inc.

Airgain is a leading provider of advanced antenna technologies used to enable high performance wireless networking across a broad range of devices and markets, including consumer, enterprise, and automotive. Combining design-led thinking with testing and development, Airgain works in partnership with the entire ecosystem, including carriers, chipset suppliers, OEMs, and ODMs. Airgain's antennas are deployed in carrier, fleet, enterprise, residential, private, government, and public safety wireless networks and systems, including set-top boxes, access points, routers, modems, gateways, media adapters, portables, digital televisions, sensors, and fleet and asset tracking devices. Airgain is headquartered in San Diego, California, and maintains design and test centers in the U.S., U.K., and China. For more information, visit airgain.com, or follow us on [LinkedIn](#) and [Twitter](#).

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Forward-Looking Statements

Airgain cautions you that statements in this press release that are not a description of historical facts are forward-looking statements. These statements are based on the company's current beliefs and expectations. These forward-looking statements include statements regarding the timing of launch of the first product from our AirgainConnect platform, and our Q4-20 financial outlook and prospects for growth across our markets in 2021, including AirgainConnect. The inclusion of forward-looking statements should not be regarded as a representation by Airgain that any of our plans will be achieved. Actual results may differ from those set forth in this press release due to the risk and uncertainties inherent in our business, including, without limitation: the market for our antenna products is developing and may not develop as we expect; risks related to the timing of the launch of AT&T's FirstNet network upon which our AirgainConnect products will operate; our operating results may fluctuate significantly, including based on seasonal factors, which makes future operating results difficult to predict and could cause our operating results to fall below expectations or guidance; the COVID-19 pandemic may continue to disrupt and otherwise adversely affect our operations and those of our suppliers, partners, distributors and ultimate end customers, and the overall supply chain that our antennas are used in, as well as adversely affecting the general U.S. and global economic conditions and financial markets, and, ultimately, our sales and operating results; our products are subject to intense competition, including competition from the customers to whom we sell and competitive pressures from existing and new companies may harm our business, sales, growth rates, and market share; risks associated with the performance of our products including risks associated with introducing AirgainConnect into the newly licensed Band 14 frequencies; our future success depends on our ability to develop and successfully introduce new and enhanced products for the wireless market that meet the needs of our customers, including our ability to transition to provide a more diverse solutions capability; our ability to identify and consummate strategic acquisitions and partnerships; we sell to customers who are extremely price conscious, and a few customers represent a significant portion of our sales, and if we lose any of these customers, our sales could decrease significantly; we rely on a

few contract manufacturers to produce and ship all of our products, a single or limited number of suppliers for some components of our products and channel partners to sell and support our products, and the failure to manage our relationships with these parties successfully could adversely affect our ability to market and sell our products; risks associated with ramping up and relying on a new third-party manufacturer; if we cannot protect our intellectual property rights, our competitive position could be harmed or we could incur significant expenses to enforce our rights; and other risks described in our prior press releases and in our filings with the Securities and Exchange Commission (SEC), including under the heading "Risk Factors" in our Annual Report on Form 10-K and any subsequent filings with the SEC. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and we undertake no obligation to revise or update this press release to reflect events or circumstances after the date hereof. All forward-looking statements are qualified in their entirety by this cautionary statement, which is made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Note Regarding Use of Non-GAAP Financial Measures

To supplement our condensed financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), this earnings release and the accompanying tables and the related earnings conference call contain certain non-GAAP financial measures, including adjusted earnings before interest, taxes, depreciation, amortization (Adjusted EBITDA), non-GAAP net income (loss) attributable to common stockholders (non-GAAP net income (loss)), non-GAAP earnings per (basic or diluted) share (non-GAAP EPS), and non-GAAP operating expenses. We believe these financial measures provide useful information to investors with which to analyze our operating trends and performance.

In computing Adjusted EBITDA, non-GAAP net income (loss), and non-GAAP EPS, we exclude stock-based compensation expense, which represents non-cash charges for the fair value of stock awards; other income, which includes loss on disposals and/or interest income offset by interest expense; depreciation and/or amortization; and provision for income taxes. In computing non-GAAP operating expenses we exclude stock-based compensation expense and amortization. Because of varying available valuation methodologies, subjective assumptions, and the variety of equity instruments that can impact a company's non-cash operating expenses; we believe that providing non-GAAP financial measures that exclude non-cash expense allows for meaningful comparisons between our core business operating results and those of other companies, as well as providing us with an important tool for financial and operational decision making and for evaluating our own core business operating results over different periods of time. Management considers these types of expenses and adjustments, to a great extent, to be unpredictable and dependent on a significant number of factors that are outside of our control and are not necessarily reflective of operational performance during a period.

Our Adjusted EBITDA, non-GAAP net income (loss), non-GAAP EPS, and non-GAAP operating expenses measures may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently, particularly related to non-recurring, unusual items. Our Adjusted EBITDA, non-GAAP net income (loss), non-GAAP EPS, and non-GAAP

operating expenses are not measurements of financial performance under GAAP and should not be considered as an alternative to operating or net income or as an indication of operating performance or any other measure of performance derived in accordance with GAAP. We do not consider these non-GAAP measures to be a substitute for, or superior to, the information provided by GAAP financial results. Reconciliations with specific adjustments to GAAP results and outlooks are provided at the end of this release.

Airgain, Inc.
Unaudited Condensed Balance Sheets
(in thousands, except per share data)

	September 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 35,795	\$ 13,197
Short-term investments	2,184	21,686
Trade accounts receivable	4,182	7,656
Inventory	1,077	1,193
Prepaid expenses and other current assets	1,469	1,361
Total current assets	44,707	45,093
Property and equipment, net	2,323	2,126
Goodwill	3,700	3,700
Customer relationships, net	2,748	3,110
Intangible assets, net	574	687
Other assets	197	10
Total assets	\$ 54,249	\$ 54,726
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 3,078	\$ 3,838
Accrued bonus	1,220	1,385
Accrued liabilities and other	1,653	1,536
Total current liabilities	5,951	6,759
Deferred tax liability	44	52
Deferred rent obligation under operating lease	190	11
Total liabilities	6,185	6,822
Stockholders' equity:		
Common stock and additional paid-in capital, par value \$0.0001, 200,000 shares authorized; 10,302 shares issued and 9,768 shares outstanding at September 30, 2020; and 10,146 shares issued and 9,681 shares outstanding at December 31, 2019	99,597	96,623
Treasury stock, at cost: 534 shares and 465 shares at September 30, 2020, and December 31, 2019, respectively	(5,267)	(4,659)
Accumulated other comprehensive income	1	8
Accumulated deficit	(46,267)	(44,068)
Total stockholders' equity	48,064	47,904
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 54,249	\$ 54,726

Airgain, Inc.
Unaudited Condensed Statements of Operations
(in thousands, except per share data)

	Three months ended			Nine months ended	
	September	June 30,	September	September 30,	
	30,	2020	30,	2020	2019
		2020	2019		
Sales	\$	13,010	\$ 11,446	\$	35,672
Cost of goods sold		6,981	6,052		18,924
Gross profit		6,029	5,394		16,748
Operating expenses:					
Research and development		2,231	2,224		6,873
Sales and marketing		1,559	1,379		4,477
General and administrative		2,439	2,389		7,506
Total operating expenses		6,229	5,992		18,856
Income (loss) from operations		(200)	(598)		(2,108)
Other expense (income):					
Interest income, net		(23)	(47)		(194)
Other expense		—	11		11
Total other income		(23)	(36)		(183)
Income (loss) before income taxes		(177)	(562)		(1,925)
Provision for income taxes		84	174		274
Net income (loss)	\$	(261)	\$ (736)	\$	(2,199)
Net income (loss) per share:					
Basic	\$	(0.03)	\$ (0.08)	\$	(0.23)
Diluted	\$	(0.03)	\$ (0.08)	\$	(0.23)
Weighted average shares used in calculating income (loss) per share:					
Basic		9,710	9,683		9,694
Diluted		9,710	9,683		10,083

Airgain, Inc.
Unaudited Condensed Statements of Cash Flows
(in thousands)

	Nine months ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (2,199)	\$ 863
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	348	373
Loss on disposal of property and equipment	11	—
Amortization	475	491
Amortization of premium (discounts) on investments, net	49	(248)
Stock-based compensation	1,956	1,605
Deferred tax liability	(8)	—
Changes in operating assets and liabilities:		
Trade accounts receivable	3,474	(1,551)
Inventory	116	86
Prepaid expenses and other assets	(120)	(500)
Accounts payable	(756)	305
Accrued bonus	(165)	(674)
Accrued liabilities and other	296	125
Net cash provided by operating activities	<u>3,477</u>	<u>875</u>
Cash flows from investing activities:		
Purchases of available-for-sale securities	(753)	(30,080)
Maturities of available-for-sale securities	20,199	29,520
Purchases of property and equipment	(560)	(1,045)
Net cash provided by (used in) investing activities	<u>18,886</u>	<u>(1,605)</u>
Cash flows from financing activities:		
Repurchases of common stock	(608)	(799)
Proceeds from issuance of common stock, net	1,018	779
Net cash provided by (used in) financing activities	<u>410</u>	<u>(20)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	22,773	(750)
Cash, cash equivalents, and restricted cash; beginning of period	13,197	13,621
Cash, cash equivalents, and restricted cash; end of period	<u>\$ 35,970</u>	<u>\$ 12,871</u>
Supplemental disclosure of cash flow information:		
Taxes paid	\$ 137	\$ 54
Supplemental disclosure of non-cash investing and financing activities:		
Accrual of property and equipment	\$ —	\$ 4
Cash and cash equivalents	\$ 35,795	\$ 12,871
Restricted cash included in other assets	175	—
Total cash, cash equivalents, and restricted cash	<u>\$ 35,970</u>	<u>\$ 12,871</u>

Airgain, Inc.
(in thousands, except per share data)

Unaudited Reconciliation of GAAP to non-GAAP Net Income (Loss)

	Three months ended			Nine months ended	
	September 30,	June 30,	September 30,	September 30,	
	2020	2020	2019	2020	2019
Net income (loss)	\$ (261)	\$ (736)	\$ (135)	\$ (2,199)	\$ 863
Stock-based compensation expense	634	654	549	1,956	1,605
Amortization	153	158	163	475	491
Other income	(23)	(36)	(183)	(183)	(558)
Provision for income taxes	84	174	113	274	165
Non-GAAP net income attributable to common stockholders	<u>\$ 587</u>	<u>\$ 214</u>	<u>\$ 507</u>	<u>\$ 323</u>	<u>\$ 2,566</u>
Non-GAAP net income per share:					
Basic	<u>\$ 0.06</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.27</u>
Diluted	<u>\$ 0.06</u>	<u>\$ 0.02</u>	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.25</u>
Weighted average shares used in calculating non-GAAP income per share:					
Basic	<u>9,710</u>	<u>9,683</u>	<u>9,711</u>	<u>9,694</u>	<u>9,678</u>
Diluted	<u>10,069</u>	<u>9,857</u>	<u>10,041</u>	<u>9,929</u>	<u>10,083</u>

Unaudited Reconciliation of GAAP to non-GAAP Operating Expenses

	Three months ended			Nine months ended	
	September 30,	June 30,	September 30,	September 30,	
	2020	2020	2019	2020	2019
Operating expenses	\$ 6,229	\$ 5,992	\$ 6,280	\$ 18,856	\$ 19,076
Stock-based compensation expense	(634)	(654)	(549)	(1,956)	(1,605)
Amortization	(121)	(124)	(130)	(376)	(392)
Non-GAAP operating expenses	<u>\$ 5,474</u>	<u>\$ 5,214</u>	<u>\$ 5,601</u>	<u>\$ 16,524</u>	<u>\$ 17,079</u>

Unaudited Reconciliation of Net Income (Loss) to Adjusted EBITDA

	Three months ended			Nine months ended	
	September 30,	June 30,	September 30,	September 30,	
	2020	2020	2019	2020	2019
Net income (loss)	\$ (261)	\$ (736)	\$ (135)	\$ (2,199)	\$ 863
Stock-based compensation expense	634	654	549	1,956	1,605
Depreciation and amortization	259	278	268	823	864
Interest income, net	(23)	(47)	(183)	(194)	(558)
Provision for income taxes	84	174	113	274	165
Adjusted EBITDA	<u>\$ 693</u>	<u>\$ 323</u>	<u>\$ 612</u>	<u>\$ 660</u>	<u>\$ 2,939</u>

Q4 Projections

**Reconciliations of GAAP Net Loss to Non-GAAP Net Income, Operating
Expense, and EPS and to Adjusted EBITDA
For the Three Months Ended December 31, 2020
(in millions, except per share data)**

Net Loss Reconciliation	
GAAP net loss	\$ (0.49)
Stock-based compensation	0.63
Amortization	0.15
Interest income, net	(0.02)
Provision for income taxes	0.03
Non-GAAP net income	<u>\$ 0.30</u>

Adjusted EBITDA Reconciliation	
GAAP net loss	\$ (0.49)
Stock-based compensation	0.63
Depreciation and amortization	0.26
Interest income, net	(0.02)
Provision for income taxes	0.03
Adjusted EBITDA	<u>\$ 0.41</u>

Operating Expense Reconciliation:	
GAAP operating expenses	\$ 6.35
Stock-based compensation	(0.63)
Amortization	(0.12)
Non-GAAP operating expenses	<u>\$ 5.60</u>

EPS Reconciliation ⁽¹⁾ :	
GAAP EPS	\$ (0.05)
Stock-based compensation	0.06
Amortization	0.02
Interest income, net	—
Provision for income taxes	—
Non-GAAP EPS	<u>\$ 0.03</u>

(1) Amounts are based on 9.8 million basic and 10.1 million diluted shares outstanding.

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