



Vecima Networks Inc.

Q3FY23 Investor Fact Sheet

TSX: VCM * Recent Share Price: \$22.75 * 52-Week Range: \$14.30 - \$23.03 * Shares Outstanding: 24.3M * Market Cap: \$552.9M

Vecima Networks Inc. (TSX: VCM) is leading the global evolution to the multi-gigabit, content-rich networks of the future. Our talented people deliver future-ready software, services, and integrated platforms that power broadband and video streaming networks, monitor and manage transportation, and transform experiences in homes, businesses, and everywhere people connect. We help our customers evolve their networks with cloud-based solutions that deliver ground-breaking speed, superior video quality, and exciting new services to their subscribers. There is power in connectivity - it enables people, businesses, and communities to grow and thrive.



| Video and Broadband Solutions | Content Delivery and Storage | Telematics |
|---|---|--|
| <p>Includes platforms that process data from the cable network and deliver high-speed internet connectivity to homes over cable and fiber, as well as adapt video services to formats suitable to be consumed on televisions in commercial properties</p> | <p>Includes solutions and software, under the MediaScale™ brand, for service providers and content owners that focus on ingesting, producing, storing, delivering and streaming video for live linear, Video on Demand (VOD), network Digital Video Recorder (nDVR) and time-shifted services over the internet</p> | <p>Provides fleet managers with the key information and analytics they require to optimally manage their mobile and fixed assets under the Contigo and Nero Global Tracking brands</p> |

Our Strategy

Our growth strategy focuses on the development of our core technologies, including next-generation platforms such as our Entra DAA platform, as well as our IP video storage and distribution technologies being sold and deployed under the MediaScale brand within the Content Delivery and Storage segment. We will continue to pursue profitable growth both organically and when appropriate, through value-enhancing strategic acquisitions.

Highlights for Q3FY23

Corporate

- New quarterly revenue record of \$78.3M, Gross Profit of \$34.1M, EPS of \$0.18, and Adjusted EBITDA of \$11.7M

Video and Broadband Solutions (VBS)

- Delivered record performance of \$64.8M, up 75% YoY
- Deployments of next-generation Entra DAA products rose to a record \$62.7M, up 104% YoY

Content Delivery and Storage (CDS)

- Undertook a major IPTV expansion with a top 10 U.S. cable operator, growing the network footprint to give a larger subscriber base access to state-of-the-art live, on-demand, and cloud DVR streaming services
- Supported record traffic experienced by operators using our MediaScale streaming platform during Super Bowl LVII, delivering 100% uptime performance

Telematics

- Achieved best quarter to date for new moveable asset customers and significantly increased the number of moveable assets monitored to over 40,000 units, an over 266% increase over the last eight quarters
- Achieved strong gross margin percentage of 65.1%

Financial Results (C\$ in millions except percentage and per-share data)

| | Q3FY23 | Q2FY23 | Q3FY22 |
|-------------------------------|----------|---------|--------|
| Revenue | \$78.3 | \$76.2 | \$50.9 |
| Gross Margin | 43.5% | 47.3% | 47.1% |
| Net Income | \$4.5 | \$8.1 | \$3.0 |
| Earnings Per Share * | \$0.18 | \$0.35 | \$0.13 |
| Adjusted EBITDA ** | \$11.7 | \$15.8 | \$8.1 |
| Cash and Cash Equivalents *** | \$(12.3) | \$(8.1) | \$10.6 |

*Based on weighted average number of shares outstanding.

**Adjusted EBITDA is a non-IFRS measure. For reconciliation of adjusted EBITDA to the most directly comparable financial measure calculated in accordance with IFRS, please see Vecima's most recently filed Management's Discussion and Analysis, which is available on SEDAR at www.sedar.com and on the Company's website at www.vecima.com.

***Cash and Cash Equivalents is net of the revolving line of credit balance reflected in the Company's Consolidated Financial Statements.

Outlook

Around the globe, MSOs are upgrading their cable, fiber, and IPTV networks to expand capacity, respond to increasing competition, and meet customers' expectations for faster speeds and enhanced services. With an industry-leading portfolio of DAA, commercial video and IPTV solutions, Vecima is providing our rapidly growing base of customers with the tools and solutions to expand their capacity and network offerings. **In our Video and Broadband Solutions segment**, we continue to expect our next-generation DAA cable and fiber access products to be a major driver of further long-term growth for Vecima. We also anticipate full-year fiscal 2023 revenue will well exceed the 50% growth we achieved in fiscal 2022. With an industry leading portfolio of DAA Cable and Fiber Access solutions and expanding relationships with a large number of cable operators worldwide, we anticipate significant year-over-year sales growth from our Entra family products in fiscal 2023, 2024 and beyond. However, we note that the macro environment is in transition, from the very recent major constraints in the supply chain, to the current landscape, where vendors that have managed the supply chain highly effectively, like Vecima, have fulfilled strong deliveries of products to fuel customers' ongoing major network upgrade projects. Over the coming quarters we anticipate that customers' focus will temporarily shift from building up their product pipelines, to managing their DAA rollout logistics and working through existing inventories. This is likely to lead to short-term softness in product deliveries to customers prior to an expected return to growth driven by new programs and deployments, as well as a normalization of customer demand, in calendar 2024. We continue to be focused on navigating the current supply and inventory dynamics, while leveraging our unparalleled portfolio of cable and fiber access solutions, our strong working capital position to support customer deployments, and our growing global reach to capture additional market share and expand our lead in the vast new DAA market. We are still in the early stages of broad industry DAA adoption and continue to see a significant long-term growth runway ahead for Vecima. We are revising our targeted gross margin percentage to 45% to 49% to reflect the expected product mix profile in our Entra cable and fiber access product lines as the DAA market further scales. We expect that in the next several quarters that gross margin will trend slightly below or in the lower end of this range while elevated expedite costs from past supply chain constraints remain within our cost of goods sold as materials transition from the balance sheet to product deliveries. In the same timeframe, the market and product mix continues to shift to higher volume, lower margin cable access products as expected and Vecima's planned transition to the correspondingly lower gross margin profile and resultant modelling of operating expenses for targeted bottom line performance is under way. Commercial Video sales, which include TerraceQAM and Terrace Family products, are expected to remain lower year-over-year as customers transition to next-generation solutions and as a portion of our Commercial Video solutions become DAA-driven and are accounted for as part of Entra family sales. **In our Content Delivery and Storage segment**, demand for our IPTV and open caching solutions continues to increase as IPTV customers initiate network expansions. We anticipate a strong finish to fiscal 2023, culminating in low double-digit year-over-year sales growth for our CDS segment this year. We continue to see robust future growth potential as IPTV gains momentum and our newer open caching solutions become an important driver of CDS performance. **In the Telematics segment**, we anticipate incremental growth in demand from the fleet tracking market, along with continued gradual growth in demand for our asset tracking services. Overall, we remain highly confident in Vecima's ability to capture the major and multi-year opportunities we see in the compelling DAA and IPTV markets.

*Certain statements in this fact sheet may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. For additional details on Forward-Looking Information or for further details on Vecima's Fiscal 2023 Outlook, please refer to Vecima's most recently filed Management's Discussion and Analysis, which is available on SEDAR at www.sedar.com and on the Company's website at www.vecima.com.

Executive Team:

Sumit Kumar,
President and CEO

Dale Booth,
CFO

Dean Rockwell,
Executive Vice-President

Clay McCreery,
Chief Operating Officer

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Manufacturing Facility:
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Saskatoon, SK, Canada

Corporate Information
Employees: 642