

## **Edgewater Wireless Systems Inc.**

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### **Investor Update Call**

December 19, 2018

4:00 PM ET

#### **Executives:**

Andrew Skafel, President and CEO

Bob Harper, CFO

Lela Cocoros, Brunswick Street Advisory

Steve Andrews, Independent Board Member

#### **Analyst:**

Rob Goff, Echelon Wealth Partners

#### **Forward-Looking Statements:**

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## Presentation:

### Lela Cocoros:

- Good afternoon. I'm Lela Cocoros, marketing and communications consultant to Edgewater Wireless. Thank you for calling into today's Investor Update. Please note this is a listen-only call and that this call is being recorded. If you are joining on your laptop or other screen device you will see Edgewater's forward-looking statement disclaimer.
- The company has received several questions in advance of this call and has integrated responses within the text of the presentation. Additionally, Andrew and Bob have responded to phone calls and email messages.
- Andrew Skafel, CEO of Edgewater Wireless, will begin. Andrew?

### Andrew Skafel:

- Thank you, Lela. We have a lot to cover today, but let me start out by saying that Edgewater Wireless is at the forefront of nothing less than a revolution in WiFi<sup>1</sup>.
- The progress we've made with Kroger in the enterprise space has been hugely gratifying. We moved two Kroger specific radio cards into production in Q1'19 and Q2'19 we saw the scaling-up of our radio card module production. It's a big accomplishment for the team and we're pleased with the results. For us, it helps establish a clear path to future growth as a supplier of our silicon solutions – chipsets for use in other manufacturers products – a path that will drive the scale adoption of our technology.
- Our work with the CableLabs backed accelerator program, UpRamp continues and we're now involved with four out of the top five largest cable companies, including Mediacom, which is now one of our enterprise customers.
- And while we continue to make strides in enterprise, and since pivoting the company nearly three years ago, we have been working in stealth mode, away from the prying eyes of our multibillion-dollar competitors, on a Multi-Channel, Single Radio residential WiFi proposition.
- Our multi-channel, single radio silicon technology is the key element for cable companies and other Internet Service Providers to offer their customers – be they

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<sup>1</sup> At Edgewater Wireless, we believe the current WiFi radio architecture, which is based on using wider single channels has reached the end of its lifecycle as the 802.11AX standard is based on 80 MHz to 160 MHz wide channels. Spectrum availability, particularly in high density applications, limits the usefulness of this approach and, we believe, multiple, concurrent channels are required to deliver optimal WiFi performance. Additionally, the Institute of Electrical and Electronics Engineers (IEEE) recently published a research paper supporting multiple, narrow channels over wider channel in high density (source: Daldoul, Yousri; Meddour, Djamel-Eddine and Ksentini, Adlen IEEE 802.11ac: Effect of Channel Bonding on Spectrum Utilization in Dense Environments (Source: <https://ieeexplore.ieee.org/document/7997013>))

homes or businesses – a better WiFi experience at lower capex and opex costs. As cable companies' profits migrate from channelized video services to revenue created from video streaming – like Netflix -- and other Internet driven services, like gaming – in my house, its currently Fortnite -- , and with telecom companies hitting the gas pedal hard on 5G in 2019, we believe the industry is ripe for our type of expanded WiFi capabilities that can best distribute a multi-service network.

- The residential market overall is a tremendous opportunity for us, as IoT technology becomes increasingly commonplace within homes. According to NPR and Edison Research, one in six U.S. households - 39 million - already owns a voice activated smart speaker, a 127% increase from January 2017. And IDC's Worldwide Quarterly Smart Home Device Tracker forecasts that the global smart home products market will be nearly 1.3 billion devices by 2022, with a five-year compound annual growth rate of 20.8%.

(Sources – speakers <https://techcrunch.com/2018/01/12/39-million-americans-now-own-a-smart-speaker-report-claims/> worldwide <https://www.idc.com/getdoc.jsp?containerId=prUS44361618> )

- Worldwide telecom companies will launch the much anticipated 5G services in the next 2 to 3 years. Although, constrained to a degree by available spectrum, this disruptive technology could challenge the 70% WiFi/30% mobile balance that currently exists. 5G is being billed as fix all solution offering greater performance, capacity, lower latency and better response to interference. The WBA, whose members include the likes of Comcast and British Telecom, believe the most scaleable path forward involves a combination of 5G – for outdoor 'mobiltiy' coverage – and WiFi for indoor coverage. WiFi is being positioned as the foundation of 5G services – which is why seamless, secure handover between cellular and WiFi networks is so important as large operators are incented to shift traffic from expensive licensed spectrum to the unlicensed WiFi spectrum. Significantly, Edgewater's multi channel silicon technology similarly provides a robust competitor in support of WiFi with even greater capacity/performance, minimal latency, and stronger security improved response to interference.
- Edgewater's silicon MCSR technology is truly the only path forward in a soon-to-be 5G world that is both effective (better organized for fewer delays, more security and increased reliability) and efficient (fewer access points, lower CapEx and OpEx).
- Everything we have done over the past 2½ years has helped contribute to our progress. Our experiences with EION and Zinwave taught us much about packaging our products and refining our OEM/ODM modules, which in turn helped us establish a clear path to volume – putting our chipsets into other vendor's products --, and subsequently sell our solutions to Kroger. Our participation in the UpRamp accelerator program brought us to the attention of the cable industry, where we're now involved with the top companies and making serious headway, selling our enterprise solutions to Mediacom and working

alongside global industry giants toward the residential WiFi market. This has significantly raised our visibility in the industry overall, as well as the potential to convert them to Edgewater Wireless customers.

- The volume of residential broadband connections is a staggering 110 million in the US alone, representing at least one WiFi access point per connection. You'll be hearing more about this "Residential Revolution" we're leading early next year, so stay tuned.
- We consider 2018 to be the year Edgewater evolved to become a more sophisticated and effective operation. With the push to 5G coinciding with our residential push in 2019, we are positioned well to disrupt the incumbent WiFi network design that's been in place for 20 years. The revolution has arrived.
- We had a very active second quarter.
  - **Approved vendors status with Mediacom Communications.** Entering into the reporting period, we were awarded Approved Vendor Status with Mediacom, the 5<sup>th</sup> largest Cable Operator in the USA. This is a significant milestone that further validates our innovative technology, puts us alongside an established, incumbent vendor and positions us for growth in the upcoming quarters. Our work with Mediacom, in the Enterprise WiFi space, also establishes our foothold in the \$21.1B market. Our expected activity with Mediacom has shifted to the current quarter due to the impacts of Hurricane Michael on the Florida Panhandle.
  - **The closing of both tranches of our \$1.8 million private placement financing** - The proceeds from this financing enabled us to begin scaling manufacturing and production capabilities focused our engineering and product development; and provided working capital and operating expenses. The round also saw us expand our shareholder base to include a number of technology funds and sophisticated technology-focused investors.
  - **The latest enhancements to our aera™ Fluid MX controller.** The story here is twofold: First, as the application, the ability of this product to now manage and control hundreds or even thousands of MCSR-powered access points. This will help drive adoption of our chipsets in access points for both home and business markets. And second, the ability of this product to enhance our aera™ product line by delivering industry-leading features and functionality.
  - **The resounding success of the working group provisioning demo and elevated visibility at the Wireless Broadband Alliance's Wireless Global Congress.** Edgewater Wireless was part of a WBA working group that included Comcast, Nokia, Global Reach and BSG Wireless that demonstrated a handoff from a mobile network to a WiFi network, seamlessly and securely without user

intervention. With the coming of 5G, we are working alongside the giants and disruptors of the industry, who are developing applications on our chipsets. This is a huge accomplishment in driving adoption of our MCSR technology. The demo was accompanied by a speaking slot, where I emphasized the evolution of WiFi from the legacy single channel/single lane approach to a multi-channel, multi-lane approach based on our MCSR architecture.

- Steve Andrews, one of our Board of Directors members will speak about the significance of the WBA on the call shortly.
  - **Organizational maturity.** In continuing our focus on building a world-class organization and strengthening our communications to both the industry and the market, we began our engagement with Brunswick Street Advisory. Lela Cocoros, its owner and principal and who is moderating today's call, has held senior executive positions at Tele-Communications, Inc; AT&T Broadband and NBC Corporate, and she has consulted for clients including Liberty Global, J-COM in Tokyo, Mediamorph and AlcaCruz.
  - **Partnering with Wesley Clover Services – Europe.** Entering into the reporting period, we also kicked off our partnership with WCS – Europe and at the end of the summer period, they began their marketing efforts by participating in a number of regional events.
- And now, I'd like to invite Steve Andrews to share his thoughts. I'm delighted to have Steve on our board. As background, Steve has been Managing Director of Products and Services, Fixed and Mobile at British Telecom – a key part of the Innovation Portfolio was WiFi – and has subsequently been a Board Member and Board Chair working with Private Equity funds and as an advisor to the industry.

**Steve Andrews:**

- *Thank you Andrew*
- *Good day everyone.*
- *In my short 4-5 Mins I would like to give you my perspective, having had a lot of experience in the industry, on three important aspects of Edgewater's business*
  1. *Firstly, where Edgewater Wireless fits in the market.*
  2. *Second, why what Edgewater Wireless addresses is important for Customers, TelCos and Equipment Vendors*
  3. *Third, some key steps that I believe are important to be successful in this market*

- *Before I do this I will give you some context by explaining my background and experience in Telecom.*
- *I was 25+ years at BT as an Executive in various roles; eg. building telecom and internet businesses in Europe, Global networks and IT and in my last six years from 2003 I was head of Consumer and Business Products, a 7Bn portfolio. WiFi was a key innovation within BT and I was instrumentally involved in purchasing millions of WiFi access points which is where Edgewater Wireless business fits. I am now a Board Member on companies and Industry Advisor.*
- *You will have heard mentioned a few times the Wireless Broadband Alliance where I am a Board Advisor. Back in 2003 I was involved as a Founder for BT along with a few other global TelCo Partners.*
- *Its mission is to improve the Customer experience of WiFi globally by bringing together the industry, starting with roaming between providers and on to other challenges such as no connections, hard to log on and service challenges.*
- *Its Board comprises significant TelCos/Cable Cos and Equipment Vendors; AT&T, Boingo, Cisco, Comcast, Intel, NTT (Japan), Orange (France), BT, Liberty Global and Korea Telecom. The members are all Senior Executives who have WiFi as a Part of their responsibilities. These are colleagues of mine who we can and are , Andrew and I, communicating with regarding Edgewater Wireless.*
- *The organisation now has over 100 members, with events often over 500+ attendees and together serve over 2Bn Customers. Also the WBA work closely with partner organisations such as the CableLabs.*
- *Taking the 3 points.*
- ***Where Edgewater Wireless fits in the market.***
  - *Edgewater Wireless Technology fits anywhere where there is a large amount of devices that cause service issues. Public venues and stadiums, Enterprises and increasingly Consumers homes where the number of devices is increasing rapidly. When I first joined the Board of Edgewater the focus was toward venues and Enterprises. Now we can also see the opportunity in the very large Consumer market.*
- ***My second point, Why what Edgewater Wireless are addressing is important for Customers, TelCos and Equipment vendors***
  - *Customers are increasingly experiencing problems with Wifi and this builds frustration . Services not working. eg Video or music, connection difficult, drop outs etc. This affects Telcos and Cable Cos costs with more service calls and*

*engineer visits. Edgewater Wireless is focussed on solving these issues with its products.*

- *Coming to the third point. **Some key steps that I believe are important to be successful in this market***
  - *This will not be overnight, but we must prove to those serving end customers that we are key to their success. TelCos, Cable Cos and end Customers. eg Enterprises..*
  - *We need to prove through trials and tests that we have a great products and technology that they need.*
  - *When they put their proposals together for new WiFi access points to vendors our goal is that our features or technology are included.*
  
  - *Engage with key vendors of WiFi equipment and chip makers. Prove our capability through trials so they can include Edgewater Wireless technology solutions.*
  
- *Influence the industry in parallel like through the WBA and other bodies*
  
- *I hope this gives you a better perspective of the opportunities*
  
- *Back to Andrew*

**Andrew Skafel:**

- Thank you very much, Steve. We appreciate your industry expertise and support. Now, I'll hand it off to Bob Harper to review the second quarter financials.

**Bob Harper:**

- Thank you, Andrew:
- Good Afternoon:
  1. Our private placement which raised \$1.85 million in August and September resulted in dilution of only 7.87% for existing shareholders.
  2. Revenue in the quarter totaled \$127.9 thousand an increase of 65 % on a sequential quarter over quarter basis and 484 % from the same quarter a year earlier.
  3. Gross margin totaled 25.9%, a slight increase from the 25.6% achieved in 2019 Q1 but a substantial increase on the 9.6% achieved in the same quarter a year earlier.
  4. Expenses for the quarter climbed to \$714.9 thousand in the quarter from 2019 Q1 \$522.6 thousand but represented a substantial improvement over expenses of \$1.1 million in 2018 Q2.

5. Loss for the Quarter amounted to \$714.9 thousand down significantly from the \$1.1 million recorded in the same period a year earlier.
  6. Trade accounts receivable management improved during the quarter, reaching 30.7 days outstanding on annualized revenue in 2019 Q2 from 98.2 days outstanding on annualized revenue in 2019 Q1.
  7. Our working capital deficiency improved to \$151 K in Q2 from \$1,224 K at the end of Q1 and \$749 K at our 30 APR 18 Fiscal Year end, resulting in a substantial improvement in our Current Ratios to 0.90 from 0.40 in 2019 Q1 and 0.52 in 2018 Q2 respectively, demonstrating substantial improvement in our liquidity.
- By these significant measures, your development stage company is transitioning into a highly disciplined production enterprise capable of satisfying the needs of repeat customers.

**Lela Cocoros:**

- Thanks, Bob. Back to Andrew now for closing comments.

**Andrew Skafel:**

- Since we pivoted less than three years ago to focus on the emerging high density market, we are a completely new company.
- In a short period of time, we've launched *eight* revolutionary products at the forefront of the industry and we're disrupting billion dollar incumbents on a path to secure a global leadership position. With a growing number of validations from the likes of Kroger, CableLabs, UpRamp, Mediacom and recently, Comcast and Nokia, the momentum is building.
- As compared with other companies like us, a fabless semi-conductor company, our speed to industry notoriety and acceptance has been nothing shy of extraordinary, aided by visionary leaders in multiple industries. Our inclusion in the CableLabs UpRamp program, our win in the highly competitive retail vertical, and our collaboration with industry giants in the incubation, validation and demonstration of new and powerful industry standards proves that our technology is ripening at the right time and in the right place.
- Each validation strengthens our story as we execute on our vision to become the next global standard for WiFi — and focus on maximizing shareholder value. We thank you for your continued support and encouragement.



**Lela Cocoros:**

- We would like to open the floor to questions. We have one from Rob Goff from Echelon Wealth Partners.

**Rob Goff:**

- What is the significance of the aera™ Fluid MX controller?

**Andrew Skafel:**

- Thank you Rob. Applications, like the Fluid MX Controller, drive growth for our chipset business – making our chipsets more easily used and feature rich for large OEM customers as they incorporate them into their products for use in the enterprise and residential markets.
- The Fluid MX Controller is a critical element to control / manage and monitor 100's or 1,000's of Access Points at a time – and integrating the features / functionality makes a stronger sales proposition – especially, when they are developed in concert with customers like Mediacom
- Look for us to continue the theme of application development – particularly, when they are supported only by our MCSR technology.

**Rob Goff:**

- What's in store for 2019?

**Andrew Skafel:**

- Look for continued progress in the cable space as we build on our success with Mediacom.
- And most importantly, look for our push into the residential space.

**Lela Cocoros:**

- This concludes this presentation. On behalf of Edgewater Wireless, thank you very much for joining us today and for your continued support. Have a good evening.