

Use of Non-GAAP Financial Measures

To provide investors with additional information regarding our financial results, this shareholder letter contains "Non-GAAP financial measures" under the rules of the SEC. Our Adjusted EBITDA is a Non-GAAP measure that represents earnings (loss) before income taxes, interest (income) and other, change in fair value of the convertible preferred stock purchase option liability, write-off of deferred financing costs, interest expense, amortization of stock-based compensation, amortization of intangibles, depreciation expense, amortization of cost to fulfill assets, estimated contract settlement costs, settlement of intellectual property litigation, acquisition plan expenses, restructuring costs, COVID-19 related costs, strategic emerging technology costs (for next-generation satellite technology), facility exit costs, former CEO transition costs, proxy solicitation costs, strategic alternatives analysis expenses and other. Our definition of Adjusted EBITDA may differ from the definition of EBITDA or Adjusted EBITDA used by other companies and therefore may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA is also a measure frequently requested by our investors and analysts. We believe that investors and analysts may use Adjusted EBITDA, along with other information contained in our SEC filings, in assessing our performance and comparability of our results with other companies. Our Non-GAAP measures reflect the GAAP measures as reported, adjusted for certain items as described below and also excludes the effects of our outstanding convertible preferred stock. These Non-GAAP financial measures have limitations as an analytical tool as they exclude the financial impact of transactions necessary to conduct our business, such as the granting of equity compensation awards, and are not intended to be an alternative to financial measures prepared in accordance with GAAP. These measures are adjusted as described in the reconciliation of GAAP to Non-GAAP in the tables below, but these adjustments should not be construed as an inference that all of these adjustments or costs are unusual, infrequent or non-recurring. Non-GAAP financial measures should be considered in addition to, and not as a substitute for or superior to, financial measures determined in accordance with GAAP. Investors are advised to carefully review the GAAP financial results that are disclosed in our SEC filings. We have not quantitatively reconciled our fiscal 2022 Adjusted EBITDA target to the most directly comparable GAAP measure because items such as stock-based compensation, adjustments to the provision for income taxes, amortization of intangibles and interest expense, which are specific items that impact these measures, have not yet occurred, are out of our control, or cannot be predicted. For example, quantification of stock-based compensation expense requires inputs such as the number of shares granted and market price that are not currently ascertainable. Accordingly, reconciliations to the Non-GAAP forward looking metrics are not available without unreasonable effort and such unavailable reconciling items could significantly impact our financial results.

	Three months ended		Nine months ended		Fiscal
	April 30,		April 30,		Year
	2022	2021	2022	2021	2021
Reconciliation of GAAP Net (Loss) Income to Adjusted EBITDA:					
Net (loss) income	\$ (25,000)	792,000	\$ (27,883,000)	(80,843,000)	\$(73,480,000)
(Benefit from) provision for income taxes	(771,000)	316,000	(6,100,000)	(2,078,000)	(1,500,000)
Interest (income) and other	(449,000)	(276,000)	(260,000)	(276,000)	(139,000)
Change in fair value of convertible preferred stock purchase option liability	(302,000)	—	(1,004,000)	—	—
Interest expense	981,000	1,518,000	3,576,000	5,233,000	6,821,000
Amortization of stock-based compensation	1,071,000	1,204,000	3,975,000	3,190,000	9,983,000
Amortization of intangibles	5,349,000	5,310,000	16,047,000	15,671,000	21,020,000
Depreciation	2,482,000	2,274,000	7,057,000	7,283,000	9,379,000
Amortization of cost to fulfill assets	233,000	—	233,000	—	—
Acquisition plan expenses	—	5,267,000	—	99,807,000	100,292,000
Former CEO transition costs	—	—	13,554,000	—	—
Proxy solicitation costs	—	—	11,248,000	—	—
Restructuring costs	1,600,000	594,000	4,038,000	1,195,000	2,782,000
COVID-19 related costs	115,000	416,000	1,144,000	576,000	1,046,000
Strategic emerging technology costs	912,000	315,000	912,000	315,000	315,000
Adjusted EBITDA	<u>\$11,196,000</u>	<u>17,730,000</u>	<u>\$ 26,537,000</u>	<u>50,073,000</u>	<u>\$ 76,519,000</u>

Reconciliations of Comtech's GAAP consolidated operating (loss) income, net (loss) income attributable to common stockholders and net (loss) income per diluted common share to the corresponding Non-GAAP measures are shown in the tables below. Non-GAAP net (loss) income attributable to common stockholders and Non-GAAP EPS reflect Non-GAAP provisions for income taxes based on year-to-date results, as adjusted for the Non-GAAP reconciling items included in the tables below. We evaluate our Non-GAAP effective income tax rate on an ongoing basis, and it can change from time to time. Our Non-GAAP effective income tax rate can differ materially from our GAAP effective income tax rate.

	April 30, 2022					
	Three months ended			Nine months ended		
	Operating (Loss) Income	Net (Loss) Income Attributable to Common Stockholders	Net (Loss) Income per Diluted Common Share*	Operating Loss	Net Loss Attributable to Common Stockholders	Net Loss per Diluted Common Share*
Reconciliation of GAAP to Non-GAAP Earnings:						
GAAP measures, as reported	\$ (566,000)	\$ (1,680,000)	\$ (0.06)	\$ (31,671,000)	\$ (36,417,000)	\$ (1.37)
Adjustments to reflect redemption value of convertible preferred stock	—	1,655,000	0.06	—	8,534,000	0.32
Former CEO transition costs	—	—	—	13,554,000	12,959,000	0.49
Proxy solicitation costs	—	—	—	11,248,000	8,671,000	0.33
Restructuring costs	1,600,000	1,128,000	0.04	4,038,000	3,103,000	0.12
COVID-19 related costs	115,000	90,000	—	1,144,000	897,000	0.03
Strategic emerging technology costs	912,000	690,000	0.03	912,000	690,000	0.03
Change in fair value of convertible preferred stock purchase option liability	—	(302,000)	(0.01)	—	(1,004,000)	(0.04)
Net discrete tax expense (benefit)	—	166,000	0.01	—	(335,000)	(0.01)
Non-GAAP measures	<u>\$ 2,061,000</u>	<u>\$ 1,747,000</u>	<u>\$ 0.06</u>	<u>\$ (775,000)</u>	<u>\$ (2,902,000)</u>	<u>\$ (0.11)</u>
	April 30, 2021					
	Three months ended			Nine months ended		
	Operating Income	Net Income	Net Income per Diluted Share*	Operating (Loss) Income	Net (Loss) Income	Net (Loss) Income per Diluted Share*
Reconciliation of GAAP to Non-GAAP Earnings:						
GAAP measures, as reported	\$ 2,350,000	\$ 792,000	\$ 0.03	\$ (77,964,000)	\$ (80,843,000)	\$ (3.12)
Acquisition plan expenses	5,267,000	4,661,000	0.18	99,807,000	96,379,000	3.70
Restructuring costs	594,000	526,000	0.02	1,195,000	1,058,000	0.04
COVID-19 related costs	416,000	368,000	0.01	576,000	510,000	0.02
Strategic emerging technology costs	315,000	279,000	0.01	315,000	279,000	0.01
Interest expense	—	—	—	—	1,043,000	0.04
Net discrete tax expense (benefit)	—	189,000	0.01	—	(592,000)	(0.02)
Non-GAAP measures	<u>\$ 8,942,000</u>	<u>\$ 6,815,000</u>	<u>\$ 0.26</u>	<u>\$ 23,929,000</u>	<u>\$ 17,834,000</u>	<u>\$ 0.69</u>

	Fiscal Year 2021		
	Operating (Loss) Income	Net (Loss) Income	Net (Loss) Income per Diluted Share*
Reconciliation of GAAP to Non-GAAP Earnings:			
GAAP measures, as reported	\$ (68,298,000)	\$ (73,480,000)	\$ (2.86)
Acquisition plan expenses	100,292,000	93,273,000	3.60
Restructuring costs	2,782,000	2,132,000	0.08
COVID-19 related costs	1,046,000	847,000	0.03
Strategic emerging technology costs	315,000	255,000	0.01
Interest expense	—	910,000	0.04
Net discrete tax benefit	—	(1,575,000)	(0.06)
Non-GAAP measures	<u>\$ 36,137,000</u>	<u>\$ 22,362,000</u>	<u>\$ 0.86</u>

* Per share amounts may not foot due to rounding. In addition, due to the GAAP net loss for the respective periods, Non-GAAP EPS for: the three months ended April 30, 2022 was computed using 27,225,000 weighted average diluted shares outstanding; the nine months ended April 30, 2021 was computed using 26,016,000 weighted average diluted shares outstanding; and the fiscal year ended July 31, 2021 was computed using the 25,885,000 weighted average diluted shares outstanding.

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