



SuperCom Reports Full Year 2020 Financial Results

*EBITDA Increased to \$2.8 million; Gross Profit Increased to 47.4%;
Cash & Restricted Cash increased to \$4 million*

Tel Aviv, Israel, April 30, 2021 – [SuperCom](#) (NASDAQ: [SPCB](#)), a global provider of secured solutions for the e-Government, IoT and Cybersecurity sectors, today reported results for the twelve months ended December 31, 2020.

Twelve-Months Ended December 31, 2020 Financial Highlights (Compared to the Prior Year Period)

- Cash and cash equivalents and restricted cash increased to \$4.0 million from \$1.2 million last year.
- Revenue decreased 29% to \$11.8 million in 2020, from \$16.5 million last year, mainly due to material impact from Covid-19 related government restrictions and limitations.
- Gross margin increased to 47.4% in 2020 from 38.5% last year.
- Operating expenses in 2020 decreased 36% to \$9.3 million from \$14.5 million last year.
- EBITDA improved to \$2.8 million in 2020 compared to an EBITDA loss of \$(0.5) million in 2019.

Recent Business Highlights:

- In response to the Covid-19 pandemic, the company underwent significant cost optimizations allowing for improvement in margins and profitability in parallel to Covid-19 related revenue declines.
- In response to the Covid-19 pandemic, the company launched a new solution, PureHealth for quarantine compliance, to help fight the spread of infectious diseases. Pilots have been sent out to various regions around the world. Global demand for this solution along with more pilots continues in 2021.
- Company won a tender with the Israeli government for its PureHealth Coronavirus (COVID-19) Quarantine Compliance Solution. This was won post a successful pilot in Israel of the solution.
- In order to support increased demand for its IoT products, the company has adjusted its manufacturing capacity to enable more flexibility and allow to scale production capacity by more than several multiples. Furthermore, the company made its global supply chain more resilient by reducing dependencies on specific suppliers and geographies.
- On February 2021, the company appoints Ordan Trabelsi as new CEO. Ordan has been with the company since May 2013 as the second US employee and grew the business in the USA to over \$10 million in annual revenues and profitability, representing over 1000% of organic growth. He has also led successful mergers and acquisitions and numerous financings for the company, including public equity offerings, private equity placements, and various credit facilities, which totaled over \$75 million in capital.
- Investment in financial team resources and improved financial reporting processes to support return to timely filings and quarterly financial reporting.
- Maintained strong relationships with existing customers across all 3 business segments reflecting high customer retention and demand for company solutions even during unexpected environments such as the global Covid-19 pandemic.

Select Announcements:

- March 2021. Launched successful PureCare quarantine enforcement pilot in Israel and won an award for a project estimated to generate over \$9M in revenues.
- December 9, 2020. Won a new electronic monitoring contract with Sheriff's office in Southeast US for SuperCom's PureTrack solution
- December 7, 2020. Won a new electronic monitoring contract in State of California
- December 3, 2020. Won a new juvenile electronic offender monitoring contract in State of Alabama
- December 1, 2020. Announced the Launch of a \$1.2 million 5 year contract with the government of Latvia in Europe for national electronic monitoring
- November 30, 2020. Secured a new electronic monitoring contract in State of Wisconsin for our PureSecurity Electronic Monitoring suite
- September 3, 2020. Converted a pilot in the Caribbean into a new contract with our PureSecurity Suite.
- March, 2020. Launched two new PureHealth solutions to battle the spread of COVID-19 via quarantine enforcement and contact tracing.

Management Commentary

"In 2020, we focused on being agile and adapting to the new challenges presented to us by the COVID-19 pandemic," said Ordan Trabelsi, CEO of SuperCom. "As government restrictions and limitations impacted our revenues and ability to fully provide our services, we adapted our operations and offerings to meet rapidly changing demands. We were pleased to see an increase in margins and profitability in parallel to a decline in revenues, representing the hard work of our operating teams to optimize costs while continuing to deliver outstanding services and solutions and win new contracts. During the past nine months, we have seen strong interest in our Pure Security solution which has resulted in several valuable contract wins. In the second half of last year, we won contracts also in the Caribbean, Latvia, State of Wisconsin, Alabama, California as well as one in the southeast United States. We expect the momentum to continue as more government customers realize the unique value of our solutions and offerings."

"Furthermore, we were able to adapt and offer new solutions to meet the changing needs of our customers, faced with the challenges of Covid-19 as well, and offered our PureHealth quarantine compliance solution, which has also seen demand and received confirmation as an effective tool to help manage the spread of COVID-19 through enforcing home quarantine of people traveling to different regions. In March of this year, following a successful pilot, we won a tender with the Israeli Ministry of Health to provide the government with our turn-key solution for quarantine enforcement of all non-vaccinated travelers entering the country," continued Ordan.

"In 2021, together with our enhanced cash position, new product offerings and gradual release of covid-19 limitations, we are seeing increased activity in our target markets and are poised to continue offering innovative solutions and grow our customer footprint in the coming years," concluded Ordan.

Conference Call

The company will hold a conference call today (April 30, 2020) at 8:30 a.m. Eastern time (3:30 p.m. Israel time) to discuss these results and financial outlook.

SuperCom management will host the call, followed by a questions and answers period.

Date: Friday, April 30, 2021

Time: 8:30 a.m. Eastern time (5:30 a.m. Pacific time)
U.S. toll-free: 877-407-8133
Israel toll-free: 180-940-6247
International: 201-689-8040

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization.

About SuperCom

Since 1988, SuperCom has been a global provider of traditional and digital identity solutions, providing advanced safety, identification and security solutions to governments and organizations, both private and public, throughout the world. Through its proprietary e-government platforms and innovative solutions for traditional and biometrics enrollment, personalization, issuance and border control services, SuperCom has inspired governments and national agencies to design and issue secure Multi-ID documents and robust digital identity solutions to its citizens and visitors. SuperCom offers a unique all-in-one field-proven RFID & mobile technology and product suite, accompanied by advanced complementary services for various industries including healthcare and homecare, security and safety, community public safety, law enforcement, electronic monitoring, livestock monitoring, and building and access automation. For more information, visit www.supercom.com.

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Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Statements preceded or followed by or that otherwise include the words “believes”, “expects”, “anticipates”, “intends”, “projects”, “estimates”, “plans”, and similar expressions or future or conditional verbs such as “will”, “should”, “would”, “may” and “could” are generally forward-looking in nature and not historical or current facts. These forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from the statements made. Examples of these statements include, but are not limited to, statements regarding business and economic trends, the anticipated effects of the COVID-19 outbreak on travel and physical locations, the levels of consumer, business and economic confidence generally, the duration of the COVID-19 outbreak and severity of such outbreak, the pace of recovery following the COVID-19 outbreak, the effect on our supply chain, our ability to implement cost containment and business recovery strategies and resulting anticipated impact of such outbreak on our business, financial condition and results of operations; the adverse effects of the COVID-19 outbreak on our business or the market price of our ordinary shares, and other risks and uncertainties described in the forward looking statements and in the section captioned “Risk Factors” in our Annual Report on Form 20-F for the year ended December 31, 2019, filed with the U.S. Securities and Exchange Commission (the “SEC”) on November 27, 2020, our reports on Form 6-K filed from time to time with the SEC and our other filings with the SEC. Except as required by law, we not undertake any obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this press release

Use of Non-GAAP Financial Information

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), this release of operating results also contains non-GAAP financial measures, which SuperCom believes are the principal indicators of the operating and financial performance of its business. Management believes the non-GAAP financial measures provided are useful to investors' understanding and assessment of the Company's on-going core operations and prospects for the future, as the charges eliminated are not part of the day-to-day business or reflective of the core operational activities of the Company. Management uses these non-GAAP financial measures as a basis for strategic decisions, forecasting

future results and evaluating the Company's current performance. However, such measures should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Reconciliation of the non-GAAP measures to the most comparable GAAP measures are provided in the schedules attached to this release.

[Tables to follow]

SUPERCOM LTD.
CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands)

	December 31, 2020	December 31, 2019
	Audited	Audited
CURRENT ASSETS		
Cash and cash equivalents	3,137	110
Restricted bank deposits	815	1,100
Trade receivable, net	12,427	13,047
Patents	5,283	5,283
Other accounts receivable and prepaid expenses	876	961
Inventories, net	2,404	2,646
Total current assets	24,942	23,147
LONG-TERM ASSETS		
Severance pay funds	531	362
Deferred tax long term	204	510
Customer Contracts	1,250	1,824
Software and other IP	2,677	3,474
Other Asset, net	2,343	2,767
Goodwill	7,026	7,026
Property & equipment, net	1,371	894
Total long-term assets:	15,402	16,857
Total Assets	40,344	40,004

CURRENT LIABILITIES

Short-term loans and other	7,204	445
Trade payables	2,860	3,541
Employees and payroll accruals	2,627	3,229
Related parties	1,749	305
Accrued expenses and other liabilities	4,393	4,667
Deferred revenues ST	766	1,332
Short-term liability for future earn-out	-	794

Total current liabilities	<u>19,599</u>	<u>14,313</u>
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LONG-TERM LIABILITIES

Long-term bank loan	14,952	14,187
Accrued severance pay	656	579
Related Parties	-	2,383
Deferred tax liability	170	-
Deferred revenues	49	210

Total long-term liabilities	<u>15,827</u>	<u>17,359</u>
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SHAREHOLDERS' EQUITY:

Ordinary shares	1,397	1,116
Additional paid-in capital	88,853	84,680
Accumulated deficit	(85,331)	(77,464)

Total shareholders' equity	<u>4,919</u>	<u>8,332</u>
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Total liabilities and equity	<u>40,344</u>	<u>40,004</u>
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SUPERCOM LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(U.S. dollars in thousands)

	Twelve months ended December 31,	
	2020	2019
	Audited	Audited
REVENUES	11,770	16,475
COST OF REVENUES	(6,189)	(10,127)
GROSS PROFIT	5,581	6,348
OPERATING EXPENSES:		
Research and development	2,386	3,971
Selling and marketing	1,721	3,526
General and administrative	4,074	5,389
Other expense (income), net	1,149	1,635
Total operating expenses	9,330	14,521
OPERATING LOSS	(3,749)	(8,173)
FINANCIAL EXPENSES, NET	(4,113)	(3,289)
LOSS BEFORE INCOME TAX	(7,862)	(11,462)
INCOME TAX EXPENSE	(5)	(43)
NET LOSS FOR THE PERIOD	(7,867)	(11,505)

SUPERCOM LTD.
Reconciliation Table of GAAP to Non-GAAP Figures and EBITDA to Net Income
(U.S. dollars in thousands)

	Twelve months ended December 31,	
	2020	2019
	Unaudited	Unaudited
GAAP gross profit	5,581	6,348
Amortization of Software and IP	605	188
Stock-based compensation expenses	84	-
Non-GAAP gross profit	6,270	6,536
 GAAP Operating Loss	 (3,749)	 (8,173)
Amortization of Software and IP, Customer Contracts and Brand	2,930	3,780
Stock-based compensation expenses	211	144
One time inventory write off	150	469
Foreign Currency Loss	897	937
Allowance for doubtful debt	2,001	1,920
 Non-GAAP operating profit(loss)	 2,440	 (923)

GAAP net Loss	(7,867)	(11,505)
Amortization of Software and IP, Customer Contracts and Brand	2,930	3,780
Stock-based compensation expenses	211	144
One time inventory write off	150	469
Foreign Currency Loss	897	937
Income tax expense(benefit)	5	43
Allowance for doubtful debt	2,001	1,920
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Non-GAAP net Loss	(1,673)	(4,212)
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NET LOSS FOR THE PERIOD	(7,867)	(11,505)
Income tax expense (benefit)	5	43
Financial expenses (income), net	4,113	3,289
Depreciation and Amortization	3,265	4,176
One time inventory write off	150	469
Stock-based compensation expenses	211	144
Foreign Currency Loss	897	937
Allowance for doubtful debt	2,001	1,920
EBITDA *	2,775	(527)
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* *EBITDA* is a non-GAAP financial measure generally defined as earnings before interest, taxes, depreciation and amortization.