



Fellow Shareholders,

2022 was an outstanding year for RF Industries and I am very proud of what our team accomplished in transforming our company for sustained growth in the years ahead. Even though we encountered the challenges of inflation, higher interest rates and lingering supply chain disruptions in 2022, we made significant headway in executing our five-year strategy to shift our business to a higher margin value proposition while still growing our traditional core business that generates strong cash flow.



Strong Growth and Disciplined Execution Delivered Record Performance

We delivered record annual sales of \$85.3 million, which was a 48% increase over last year and a high mark in our company's history. Our gross profit margin expanded significantly throughout the year, with a standout fourth quarter of 31%. Our year-over-year adjusted EBITDA also increased 143% to \$6.6 million.

Fully integrating our acquisition of Microlab was a highlight of 2022, and it made a strong impact on our annual results by contributing \$15 million to product sales in the eight months following the transaction close. Importantly, we financed this acquisition with cash and low-interest rate debt and with no dilution to our shareholders. Since acquiring Microlab, we have meaningfully paid down debt from our free cash flow. Managing capital well is a cornerstone of our business success and the completion of this acquisition was no exception.

These are impressive numbers for one year. But what's equally impressive is that we've nearly quadrupled our size in five years – during a global pandemic, supply chain shortages and turbulent markets. Plus, our core business has grown organically for five consecutive years. These positive results reflected the disciplined execution of our plan including our strategic shift to higher value products and solutions, our focus on managing expenses in an inflationary environment, and our commitment to balancing organic growth with strategic acquisitions.

Bolstered Our Strong Customer Value Proposition Through Product Expansion

Our customers count on us for quality products, inventory availability and speed. We are a highly reliable partner, and we make it easy for our customers to work with us. Our growth plan, whether it's organic growth or through acquisitions, is to provide more of the bill of materials of interconnect

products for telecom, wireless and industrial customer applications. The continued expansion of our product offering allows customers to buy more from RF Industries across multiple product categories. It also helps them reduce complexity and supply chain costs, while procuring the products they need to complete jobs quickly.

Our RF family of products, including coaxial jumpers and fiber optic jumpers, is recognized for its consistent high quality, and we are committed to innovating new products that meet the evolving and mission-critical needs of our customers. Our OptiFlex™ hybrid fiber solutions, for example, deliver the optimal solutions for wireless carriers seeking to upgrade existing infrastructure to 5G technology. This is just one of many products that have technical and intellectual property advantages that go well beyond commoditized solutions. These systems were developed by Cables Unlimited, one of our two brands that have qualified for the coveted Corning Assembly House Connection Gold Program, the highest standard for fiberoptic cable production.

Our Microlab acquisition was a big step forward in strengthening our signal distribution capabilities with proprietary patented technology. Microlab gives us access to distribution and deployment of in-building DAS (distributed antenna systems), wireless base stations and small cell networks. These product lines will continue to produce significant project opportunities in stadiums and other key applications. Our Schrofftech brand of solutions offers energy efficient cooling/temperature control and filtration systems for telecom shelters, outdoor enclosures and battery/power rooms. We also retrofit existing communications equipment infrastructure for capacity upgrades and thermal efficiencies through Direct Air Cooling (DAC) systems for wireless base stations and remote equipment shelters, supporting our customers' green initiatives and energy cost savings programs by eliminating toxic chemicals and decreasing air conditioning costs up to 75%. We are excited about the state-of-the-art solutions these products bring to the marketplace.

Positioned To Deliver Long-Term Growth and Returns

Our executive team is passionate about driving growth and creating value for all of our stakeholders. We are a mix of industry veterans, who bring valuable experience from larger companies in our space, and trusted colleagues who have worked well together in the past. We also have a tremendous Board of Directors, who are totally aligned with our strategy and are dedicated to strong corporate governance. Five out of six board members are independent, and they bring sophisticated financial expertise, risk management and industry experience to the table.

We have a long runway for growth, and we will continue to deploy our strong cash flow from operations and capital resources prudently to fund growth initiatives that strengthen our competitive position and create value for our shareholders. At the end of 2022, we had built a healthy \$28 million backlog that gave us some considerable visibility going into 2023. As I write this letter, we have already completed our first quarter of 2023 during which we encountered a shift in backlog deliveries. Most of the delayed shipments were related to the rollout of 4G and 5G technologies by wireless carriers. Like many companies everywhere, these customers are re-thinking their capital expenditure plans based on persistent inflation, higher cost of capital and an economic slowdown.

We have been through these cycles before, most recently during the COVID pandemic, when wireless carriers pulled back on certain infrastructure investments. That said, it does not diminish the need for wireless carriers to meet the connectivity and speed demands of their customers with 4G and 5G buildouts. Granted, these delays are very frustrating, but we are confident that the carriers will resume their infrastructure deployments. They are already running from behind and their businesses models require them to stay on the sharp edge of competition or lose valuable customers. We are now slowly starting to see project-related orders flow through and expect them to accelerate in the second half of 2023.

Quarter to quarter, our business has always been lumpy—it's the nature of projects and ordering and fulfillment patterns. Regardless, RF Industries serves all Tier-1 wireless carriers, and this presents a significant opportunity to capture greater market share and to realize our vision of being at the forefront of the wireless industry.

As mentioned earlier, we are very excited about the potential of our higher-value products, such as Optiflex™ hybrid fiber, Direct Air Cooling (DAC) and integrated small cell shrouds for the wireless buildout. DAC has broad applications across many industries and both Small Cell and DAC products are next-generation technology products with compelling value propositions.

We also will continue to improve margins by reducing redundancies during 2023. The consolidation of our two West Coast facilities into a single San Diego location will be completed in early Summer and we are accelerating our plan to consolidate some of our East Coast operations in New Jersey. This will allow us to take advantage of economies of scale, reduce overhead costs and better serve our East Coast customers. With these moves, we will be well positioned to continue providing the high-quality products and services our customers expect from us while also improving overall profitability.

Finally, we recently conducted research to understand more about the relationship customers have with our products and the relative importance of our RF family of brands. Based on our findings, we will introduce a new brand architecture this year that will unify our house of brands and create touch points for our customers to connect with each brand to the RF reputation for quality products and service. This will evolve our go-to-market strategy as we enter new adjacencies and industries.

I am both excited and confident in our ability to continue creating value for our shareholders well into the future, and I would like to take this opportunity to thank our employees for their hard work and dedication. Fiscal `22 was a transformative year for RF Industries, and we are just beginning to scratch the surface of what is to come.

Sincerely,

A handwritten signature in black ink, appearing to read 'RD I', written in a cursive style.

Robert Dawson
President and CEO