

May 30, 2019



Giga-tronics Reports Results for FY 2019 and a Substantial Increase in Revenues and Gross Margins along with positive Operating and Net Income for the Fourth Quarter of FY 2019

DUBLIN, Calif., May 30, 2019 (GLOBE NEWSWIRE) -- Giga-tronics Incorporated (OTCQB: GIGA) (the "Company") reported net revenue for the fourth fiscal quarter ended March 30, 2019 of \$3.5 million, a 50% increase as compared to \$2.3 million for the same period of fiscal 2018. The increase in fourth quarter net revenue versus the prior year period was primarily due to \$1.6 million in shipments to the United States Navy for the Company's Real-Time Threat Emulation System.

Net revenue for the full fiscal year ended March 30, 2019 was \$11.1 million, an increase of \$1.3 million or 14%, compared to \$9.8 million for the fiscal year ended March 31, 2018. Microsource (see "Services") experienced a \$2.1 million or 31% sales increase in fiscal 2019 which was primarily due to higher RADAR filter product sales and the impact of the adoption of ASC 606, which was partially offset by a \$792,000 or 27% decrease in Advanced Signal Generation and Analysis product sales (see "Goods") compared to the prior year.

Effective April 1, 2018, the Company adopted the required Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (commonly referred to as ASC 606), which changed the way the Company recognizes service revenue for certain contracts. The financial results for the fourth fiscal quarter and year ended March 30, 2019 presented in this news release reflect the new methods of accounting. This change has resulted in earlier revenue recognition as compared to the legacy method under which the Company recognized revenue upon shipment.

Operating income for the fourth quarter of fiscal 2019 was \$230,000 compared to an operating loss of \$420,000 for the fourth quarter of fiscal 2018, an increase of \$650,000. Net income for the fourth quarter of fiscal 2019 was \$43,000 or \$0.00 per fully diluted share compared to a net loss attributable to common shareholders for the fourth quarter of fiscal 2018 of \$1.0 million or \$0.10 per fully diluted share.

Operating loss for the fiscal year ended March 30, 2019 was \$288,000 compared to an operating loss of \$3,134,000 for the prior fiscal year, a reduction of \$2.8 million. Net loss for the fiscal year ended March 30, 2019 was \$1.0 million compared to a net loss attributable to common shareholders of \$3.7 million for the fiscal year ended March 31, 2018. On an earnings per share basis, fiscal 2019 loss was \$0.10 per fully diluted common share compared to \$0.38 per fully diluted common share in fiscal 2018.

The significant increase in the operating income for the fourth quarter of fiscal 2019 versus the fourth quarter of fiscal 2018 reflects the Company's continued progress towards improving its overall gross margin percentage and reducing operating expenses. The significant decrease in net loss for fiscal year 2019 compared to fiscal year 2018 was primarily due to the increase in net revenue as well as significantly improved gross margins of 42% in fiscal 2019 compared to 28% in fiscal 2018, and reduced operating expenses in 2019 by 15% compared to fiscal 2018.

John Regazzi, CEO of the Company said, "We are very pleased to see the positive impact to our bottom line resulting from the various changes we've implemented over the past few years. Cost cutting measures including moving to a smaller facility, hiring talented personnel with direct EW experience and re-focusing the organization toward selling solutions are three key factors in our successful business turnaround. Simultaneously, all the effort by our financial team to maintain our liquidity during these times has now positioned the Company to better realize the greater long-term opportunities for revenue growth and improved gross margins that we believe the RADAR/EW test and evaluation market offers compared to the Company's original general purpose test equipment marketplace."

Mr. Regazzi added, "We will continue to focus our attention to growing both our Microsource and RADAR/EW test and evaluation businesses and we look forward to our Advanced Signal Generation and Analysis platform becoming a larger part of our future revenue growth and profitability during fiscal 2020 and beyond."

Lutz Henckels, Executive Vice President and Chief Financial Officer stated, "In fiscal 2019 we focused on turning Giga-tronics' business around, achieving quarterly profitability by fiscal year's end, and removing concerns regarding our liquidity. Actions taken included, among others, raising additional funding through a Series E preferred stock

financing together with restructuring our \$1.5 million loan agreement with Partners For Growth; changing and enhancing our senior management team in all major disciplines including the areas of sales, operations, engineering, and finance; further reducing our operating expenses and overall cost structure; restructuring and re-focusing our sales team towards selling our RADAR/EW product line as a complete RADAR/EW test solution; and developing a fiscal year 2020 operating plan that anticipates profitability for fiscal 2020.”

Dr. Henckels added, “Now that we have turned around the Company’s financial picture, our primary focus in fiscal 2020 is to deliver revenue growth, profitability and improve shareholder value. As part of this focus, we recently leased a small office in New Hampshire and hired a few key engineers there from the Military Aerospace industry. We also plan to introduce new test solutions based on our ASGA platform and improve the performance and capabilities of existing solutions. We further expect to pay off our remaining PFG debt during the fiscal year and continue strengthening our financial position.”

Giga-tronics will host a conference call today at 4:30 p.m. ET to discuss the fourth quarter results. To participate in the call, dial (888) 517-2470 or (630) 827-6818, and enter PIN Code 5551934#. The call will also be broadcast over the internet at www.gigatronics.com under "Investor Relations." The conference call discussion reflects management's views as of May 30, 2019.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this press release, other than statements of historical facts, are forward-looking statements. Generally, forward- looking statements and information can be identified by the use of forward-looking terminology such as “expects” or “anticipates”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would” or occur. Forward-looking statements include those concerning future operating results, future orders, and future revenue, shippable backlog within a year, long term growth and margin, expected shipments, and customer acceptance of new products. Forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company and its management, are inherently uncertain. Factors that may cause actual results to differ materially from current expectations include delays in customer orders for the ASGS and our ability to manufacture it; receipt or timing of future orders for other products, cancellations or deferrals of existing or future orders; ; Company’s need for additional financing; the Company’s ability to manage costs; the results of pending or threatened litigation; the Company’s ability to successfully implement its business plan; the Company’s ability to pay off or refinance existing debt, the Company’s need to modify its business plan as a result of these or other risks; the volatility in the market price of our common stock; and general market conditions. You should not place undue reliance on any forward-looking statements, which are made as of the date of this press release. The Company undertakes no obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements. For further discussion, see the Company’s most recent annual report on Form 10-K for the fiscal year ended March 31, 2018 Part I, under the heading "Risk Factors" and Part II, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and those in other public files the Company may make with the SEC.

Contact:
Lutz Henckels
CFO
lhenckels@gigatronics.com
(925) 328-4650 ext. 4698

GIGA-TRONICS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share data)	March 30, 2019	March 31, 2018
Assets		
Current assets:		
Cash and cash-equivalents	\$ 878	\$ 1,485
Trade accounts receivable, net of allowance of \$8 and \$8, respectively	568	364
Inventories, net	2,734	5,487
Prepaid expenses and other current assets	1,354	87
Total current assets	<u>5,534</u>	<u>7,423</u>
Property and equipment, net	569	833
Other long-term assets	<u>176</u>	<u>175</u>

Total assets	<u>\$ 6,279</u>	<u>\$ 8,431</u>
Liabilities and shareholders' equity		
Current liabilities:		
Line of credit	\$ —	\$ 552
Loan payable, net of discounts and issuance costs	1,781	1,447
Accounts payable	747	996
Accrued payroll and benefits	476	343
Deferred revenue	—	3,374
Deferred rent	74	58
Capital lease obligations	41	52
Deferred liability related to asset sale	40	40
Other current liabilities	754	947
Total current liabilities	<u>3,913</u>	<u>7,809</u>
Other long term liabilities	172	—
Long term deferred rent	358	429
Long term obligations - capital lease	21	62
Total liabilities	<u>4,464</u>	<u>8,300</u>
Shareholders' equity:		
Convertible preferred stock of no par value; Authorized - 1,000,000 shares Series A - designated 250,000 shares; no shares at March 30, 2019 and March 31, 2018 issued and outstanding	—	—
Series B, C, D - designated 19,500 shares; 18,533.31 shares at March 30, 2019 and March 31, 2018 issued and outstanding; (liquidation preference of \$3,540 at March 30, 2019 and March 31, 2018)	2,911	2,911
Series E- designated 100,000 shares; 98,400 shares at March 30, 2019 and 43,800 shares at March 31, 2018 issued and outstanding; (liquidation preference of \$3,690 at March 30, 2019 and \$1,643 at March 31, 2018)	1,895	702
Common stock of no par value; Authorized - 40,000,000 shares; 11,360,511 shares at March 30, 2019 and 10,312,653 at March 31, 2018 issued and outstanding	25,557	25,200
Accumulated deficit	(28,548)	(28,682)
Total shareholders' equity	<u>1,815</u>	<u>131</u>
Total liabilities and shareholders' equity	<u>\$ 6,279</u>	<u>\$ 8,431</u>

GIGA-TRONICS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Month Periods Ended		Twelve Month Periods Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
(In thousands except per share data)				
Net revenue				
Goods	\$ 1,707	\$ 93	\$ 2,123	\$ 2,915
Services	1,818	2,251	9,025	6,885
Total revenue	<u>3,525</u>	<u>2,344</u>	<u>11,148</u>	<u>9,800</u>
Cost of sales	2,058	1,367	6,425	7,064
Gross profit	<u>1,467</u>	<u>977</u>	<u>4,723</u>	<u>2,736</u>
	42 %	42 %	42 %	28 %

Operating expenses:				
Engineering	284	481	1,304	1,794
Selling, general and administrative	953	916	3,707	4,076
Total operating expenses	<u>1,237</u>	<u>1,397</u>	<u>5,011</u>	<u>5,870</u>
Operating income (loss)	230	(420)	(288)	(3,134)
Gain/(loss) on adjustment of warrant liability to fair value	—	105	—	172
Gain on sale of product line	—	—	—	324
Interest expense, net	(187)	(134)	(713)	(461)
Income (loss) before income taxes	43	(449)	(1,001)	(3,099)
Provision for income taxes	—	—	42	2
Net income (loss)	<u>\$ 43</u>	<u>\$ (449)</u>	<u>\$ (1,043)</u>	<u>\$ (3,101)</u>
Deemed dividend on Series E shares	—	(557)	—	(557)
Net income (loss) attributable to common shareholders	<u>\$ 43</u>	<u>\$ (1,006)</u>	<u>\$ (1,043)</u>	<u>\$ (3,658)</u>
Income (loss) per common share – basic	\$ 0.00	\$ (0.10)	\$ (0.10)	\$ (0.38)
Income (loss) per common share – diluted	\$ 0.00	\$ (0.10)	\$ (0.10)	\$ (0.38)
Weighted average shares used in per share calculation:				
Basic	10,775	9,738	10,775	9,738
Diluted	23,337	9,738	10,775	9,738



Source: Giga-tronics Incorporated