

July 28, 2015



# Giga-tronics Reports First Quarter FY 2016 Results

SAN RAMON, Calif., July 28, 2015 (GLOBE NEWSWIRE) -- Giga-tronics Incorporated (Nasdaq:GIGA) reported today net sales for the first quarter of fiscal 2016 of \$4.4 million, a 2% decrease as compared to \$4.5 million for the first quarter of fiscal 2015. The decrease in quarterly net sales was primarily due to the winding down of a \$6.2 million nonrecurring YIG engineering (NRE) order. An associated \$10.0 million multi-year YIG production order is scheduled to start shipping in the summer of 2016.

Net loss for the first quarter of fiscal 2016 was \$629,000 or \$0.10 per fully diluted common share. This compares to a net loss for the first quarter of fiscal 2015 of \$443,000, or \$0.09 per fully diluted common share. A significant portion of the increased first quarter fiscal 2016 loss was attributable to an additional \$257,000 of non-cash stock based compensation which is recorded within selling, general and administrative expenses.

Non-GAAP net loss for the first quarter of fiscal 2016 was \$189,000, or \$0.03 per fully diluted common share, compared to a non-GAAP net loss for the first quarter of fiscal 2015 of \$142,000, or \$0.03 per fully diluted common share. Non-GAAP net loss excludes non-cash expenses associated with the derivative revaluation and discount accretion of debt and warrant agreements as well as stock-based compensation (1).

Mr. John Regazzi, the Company's CEO stated, "After several years in product development, the Advanced Signal Generator has reached a milestone with our manufacturing team building the released versions. This has enabled our sales team to book new orders totaling \$522,000 in the first fiscal quarter for shipment beginning in our second quarter. Sales of this product are anticipated to improve our product gross margins in the quarters ahead."

Giga-tronics will host a conference call today at 4:30 p.m. ET to discuss the first quarter results. To participate in the call, dial (888) 424-8151 or (847) 585-4422, and enter PIN Code 9178731#. The call will also be broadcast over the internet at [www.gigatronics.com](http://www.gigatronics.com) under "Investor Relations." The conference call discussion reflects management's views as of July 28, 2015.

Giga-tronics is a publicly held company, traded on the NASDAQ Capital Market under the symbol "GIGA". Giga-tronics produces instruments, subsystems and sophisticated microwave components that have broad applications in defense electronics, aeronautics and wireless telecommunications.

This press release contains forward-looking statements concerning operating results, future orders, sales of new products, long term growth, shipments, and customer acceptance of new products. Actual results may differ significantly due to risks and uncertainties, such as: delays in customer orders for the new Advanced Signal Generation System and our ability to manufacture it, receipt or timing of future orders, cancellations or deferrals of existing or

future orders, our need for additional financing, possible delisting from trading on the NASDAQ Capital Market and moving to the OTCQB marketplace; the volatility in the market price of our common stock; and general market conditions. For further discussion, see Giga-tronics' most recent annual report on Form 10-K for the fiscal year ended March 28, 2015 Part I, under the heading "Risk Factors" and Part II, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Results of Operations".

(1) Non-GAAP net loss and non-GAAP loss per common share, differ from net loss and loss per common share determined in accordance with GAAP (Generally Accepted Accounting Principles in the United States). Non-GAAP net loss and non-GAAP loss per common share for the quarter ended June 27, 2015 exclude the effects of the revaluation of the derivative liability as well as the accretion of the discounts on debt and warrant notes entered into in March and June of 2014. These numbers also exclude the impact of Stock Based Compensation. These non-GAAP financial measures are not prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A schedule reconciling non-GAAP financial measures is included in the financial information appearing at the end of this press release. Giga-tronics utilizes both GAAP and non-GAAP financial measures to assess what it believes to be its core operating performance to evaluate and manage its internal business and to assist in making financial operating decisions. Giga-tronics believes that the inclusion of non-GAAP financial measures, together with GAAP measures, provides investors with an alternative presentation useful to investors' understanding of Giga-tronics' core operating results and trends. Additionally, Giga-tronics believes that the inclusion of non-GAAP measures, together with GAAP measures, provides investors with an additional dimension of comparability to similar companies. However, investors should be aware that non-GAAP financial measures utilized by other companies are not likely to be comparable in most cases to the non-GAAP financial measures used by Giga-tronics.

**GIGA-TRONICS INCORPORATED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

<b>(In thousands, except share data)</b>	<b>June 27, 2015</b>	<b>March 28, 2015</b>
<b>Assets</b>		
Current assets:		
Cash and cash-equivalents	\$ 1,004	\$ 1,170
Trade accounts receivable, net of allowance of \$45 and \$45, respectively	2,620	2,354
Inventories, net	3,789	3,365
Prepaid expenses and other current assets	337	373
Total current assets	<u>7,750</u>	<u>7,262</u>
Property and equipment, net	672	718
Other long term assets	69	74
Total assets	<u><u>\$ 8,491</u></u>	<u><u>\$ 8,054</u></u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Line of credit	\$ 500	\$ —
Current portion of long term debt	808	811
Accounts payable	1,834	973

Accrued payroll and benefits	576	678
Deferred revenue	820	1,127
Deferred rent	132	127
Capital lease obligations	46	69
Other current liabilities	377	501
Total current liabilities	<u>5,093</u>	<u>4,286</u>
Long term loan and warrant debt, net of discounts	296	392
Derivative liability-at estimated fair value	315	252
Long term obligations - deferred rent	78	111
Long term obligations - capital lease	54	58
Total liabilities	<u>5,836</u>	<u>5,099</u>

Shareholders' equity:

Convertible preferred stock of no par value;

Authorized - 1,000,000 shares

Series A - designated 250,000 shares; no shares at June 27, 2015

and March 28, 2015 issued and outstanding

— —

Series B, C, D - designated 19,500 shares; 18,533.31 shares at June 27, 2015 and March 28, 2015 issued and outstanding; (liquidation preference of \$3,540 at June 27, 2015 and March 28, 2015)

2,911 2,911

Common stock of no par value;

Authorized - 40,000,000 shares; 6,725,281 shares at June 27, 2015

and 6,706,065 at March 28, 2015 issued and outstanding

20,304 19,975

Accumulated deficit

(20,560 ) (19,931 )

Total shareholders' equity

2,655 2,955

Total liabilities and shareholders' equity

\$ 8,491 \$ 8,054

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

(In thousands, except per share data)	Three Months Ended	
	June 27, 2015	June 28, 2014
<b>Net sales</b>	\$ 4,375	\$ 4,508
Cost of sales	<u>2,647</u>	<u>2,670</u>
<b>Gross margin</b>	<u>1,728</u>	<u>1,838</u>
Operating Expenses:		
Engineering	746	929
Selling, general and administrative	<u>1,455</u>	<u>1,027</u>
Total operating expenses	<u>2,201</u>	<u>1,956</u>
<b>Operating loss</b>	(473 )	(118 )

Loss on adjustment of derivative liability to fair value	(63 )	(193 )
Other (expense)	—	(2 )
Interest expense:		
Interest expense, net	(51 )	(59 )
Interest expense from accretion of loan and warrant debt discounts	(42 )	(24 )
Total interest expense	(93 )	(83 )
<b>Loss before income taxes</b>	(629 )	(396 )
Provision for income taxes	—	47
<b>Net loss</b>	<b>\$ (629 )</b>	<b>\$ (443 )</b>

**Loss per common share – basic** \$ (0.10 ) \$ (0.09 )

**Loss per common share – diluted** \$ (0.10 ) \$ (0.09 )

**Weighted average shares used in per share calculation:**

Basic 6,251 5,113

Diluted 6,251 5,113

**RECONCILIATION OF NET LOSS TO NON-GAAP NET LOSS**  
(In thousands, except per share data)

	Three Months Ended	
	June 27, 2015	June 28, 2014
<b>Net loss</b>	\$ (629 )	\$ (443 )
Adjustments to reconcile net loss to non-GAAP net loss:		
Stock based compensation expense	335	84
Loss on adjustment of derivative liability to fair value	63	193
Accretion of loan and warrant debt discounts	42	24
<b>Non-GAAP net loss</b>	<b>\$ (189 )</b>	<b>\$ (142 )</b>

Non-GAAP loss per common share-basic \$ (0.03 ) \$ (0.03 )

Non-GAAP loss per common share- diluted \$ (0.03 ) \$ (0.03 )

**Shares used in the calculation of non-GAAP loss per share:**

Basic 6,251 5,113

Diluted 6,251 5,113

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

Three Month Periods Ended

(In thousands, except per share data)	June 27, 2015	March 28, 2015	December 27, 2014	September 27, 2014
<b>Net sales</b>	\$ 4,375	\$ 4,325	\$ 4,509	\$ 5,110
Cost of sales	2,647	2,344	2,637	2,794
<b>Gross margin</b>	1,728	1,981	1,872	2,316
Operating expenses:				
Engineering	746	647	672	962
Selling, general and administrative	1,455	1,382	1,133	1,241
Total operating expenses	2,201	2,029	1,805	2,203
<b>Operating income/(loss)</b>	(473 )	(48 )	67	113
Gain / (loss) on adjustment of derivative liability to fair value	(63 )	(17 )	107	103
Other (expense) income	—	(1,232 )	—	—
Interest expense:				
Interest expense, net	(51 )	(55 )	(62 )	(78 )
Interest expense from accretion of loan and warrant debt discounts	(42 )	(38 )	(45 )	(45 )
Total interest expense	(93 )	(93 )	(107 )	(123 )
<b>Income/(loss) before income taxes</b>	(629 )	(1,390 )	67	93
Provision for income taxes	—	—	—	—
<b>Net income/(loss)</b>	<u>\$ (629 )</u>	<u>\$ (1,390 )</u>	<u>\$ 67</u>	<u>\$ 93</u>
<b>Earnings/(loss) per common share – basic</b>	\$ (0.10 )	\$ (0.25 )	\$ 0.01	\$ 0.01
<b>Earnings/(loss) per common share – diluted</b>	\$ (0.10 )	\$ (0.25 )	\$ 0.01	\$ 0.01
<b>Weighted average common shares used in per share calculation:</b>				
Basic	6,251	5,616	5,208	5,178
Diluted	6,251	5,616	5,463	5,720

**RECONCILIATION OF NET INCOME/(LOSS) TO NON-GAAP NET INCOME/(LOSS)**

(In thousands, except per share data)

Three Month Periods Ended

	June 27, 2015	March 28, 2015	December 27, 2014	September 27, 2014
--	------------------	-------------------	----------------------	--------------------------

<b>Net income/(loss)</b>	<u>\$ (629 )</u>	<u>\$ (1,390 )</u>	<u>\$ 67</u>	<u>\$ 93</u>
Adjustments to reconcile net income/(loss) to non-GAAP net income/(loss):				
Warrant charge expense	—	1,232	—	—
Stock based compensation expense	335	282	234	227
(Gain) / loss on adjustment of derivative liability to fair value	63	17	(107 )	(103 )
Accretion of loan and warrant debt discounts	<u>42</u>	<u>38</u>	<u>45</u>	<u>45</u>
<b>Non-GAAP net income/(loss)</b>	<u><u>\$ (189 )</u></u>	<u><u>\$ 179</u></u>	<u><u>\$ 239</u></u>	<u><u>\$ 262</u></u>
Non-GAAP earnings/(loss) per common share-basic	\$ (0.10 )	\$ 0.03	\$ 0.03	\$ 0.04
Non-GAAP earnings/(loss) per common share- diluted	\$ (0.10 )	\$ 0.03	\$ 0.03	\$ 0.03
Shares used in the calculation of non-GAAP earnings/(loss) per share:				
Basic	6,251	5,616	5,208	5,178
Diluted	6,251	5,616	5,463	5,720

Steven D. Lance  
Vice President of Finance/Chief Financial Officer  
slance@gigatronics.com  
(925) 302-1056



Source: Giga-tronics Incorporated