

August 14, 2018



Giga-tronics Reports Results for the First Quarter FY 2019

DUBLIN, Calif., Aug. 14, 2018 (GLOBE NEWSWIRE) -- Giga-tronics Incorporated (OTCQB:GIGA) (the "Company") reported today revenues for the first fiscal quarter ended June 30, 2018 of \$3.1 million, a \$1.1 million or 53% increase as compared to \$2.0 million for the first quarter of fiscal 2018. Effective April 1, 2018, the Company adopted the required Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended (commonly referred to as ASC 606), which changed the way the Company recognizes revenue for certain contracts. The financial results for the three months ended June 30, 2018 presented in this news release have been adjusted to reflect the new methods of accounting. Of the \$1.1 million increase in first quarter fiscal 2019 revenues over the comparable prior year period, 56% was due to the Company's required adoption of ASC 606 with the remaining amount primarily attributable to increased Microsource RADAR filter sales in the first quarter of fiscal 2019 over 2018. Net sales for the Company's Giga-tronics business unit were \$129,000, a 57% decrease from \$297,000 in the first quarter of fiscal 2018. The decrease was due to lower ASG product shipments.

Net loss for the first quarter of fiscal 2019 was \$287,000, or \$0.03 per fully diluted common share, compared to \$1.3 million, or \$0.13 for the first quarter of fiscal 2018. The decrease in net loss was due to significantly improved gross margins of 43% in the first quarter of fiscal 2019 compared to 23% in the first quarter of fiscal 2018 due to the increased revenues described above (including the impact of the adoption of ASC 606) as well as a decrease in operating expenses of 15% or \$247,000 in the first quarter of fiscal 2019 over fiscal 2018. Engineering expenses decreased \$77,000, primarily due to a decrease in personnel related expenses due to lower headcount. Selling, general and administrative expenses decreased by \$170,000 primarily due a decrease in headcount and personnel related expenses, a decrease in bonuses and commissions, and lower lease and facilities cost as a result of the Company's relocation to a smaller facility in Dublin, California during May 2017.

John Regazzi, CEO of Giga-tronics, said, "The Company is now focused solely on the EW segment of the defense market where we believe we have greater chances for improved future revenue growth and higher gross margins than with our prior 'commodity' product lines. The major elements are in place now to achieve profitability in FY19 ending March 31, 2019."

Lutz Henckels, Executive Vice President and Interim Chief Financial Officer, stated, "Our operating expenses have been significantly reduced over the past two fiscal years and we've strengthened our sales team along with changing our sales strategy for our Advanced Signal Generation and Analysis ('ASGA') system from component sales to total solution sales."

Mr. Henckels continued, "With the sole source Microsource RADAR filter business, which achieved \$2.9M in revenue during the first quarter of fiscal 2019, the Company has a solid revenue foundation for fiscal 2019. Orders and sales of the Company's ASGA product

platform are anticipated to show growth in fiscal 2019 because our new sales approach.”

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) 517-2470 or (630) 827-6818, and enter PIN Code 5758887#. 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 August 14, 2018.

Giga-tronics is a publicly held company, traded on the OTCQB Capital Market under the symbol "GIGA". Giga-tronics produces YIG (Yttrium, Iron, Garnet) tuned oscillators, RADAR filters, and microwave synthesizers for use in military defense applications as well as sophisticated test and measurement equipment primarily used in electronic warfare test & emulation applications.

This press release contains forward-looking statements concerning operating results, future orders, and sales of new products, shippable backlog within a year, long term growth and margin, expected shipments, product line sales, and customer acceptance of new products. Actual results may differ significantly due to risks and uncertainties, such as: uncertainty as to the company's ability to continue as a going concern; delays in customer orders for the new ASG 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; results of pending or threatened litigation; 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 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."

GIGA-TRONICS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share data)	June 30, 2018	March 31, 2018
Assets		
Current assets:		
Cash and cash-equivalents	\$ 748	\$ 1,485
Trade accounts receivable, net of allowance of \$8 and \$8, respectively	458	364
Inventories, net	3,438	5,487
Prepaid expenses and other current assets	792	87
Total current assets	<u>5,436</u>	<u>7,423</u>
Property and equipment, net	760	833
Other long term assets	175	175
Total assets	<u><u>\$ 6,371</u></u>	<u><u>\$ 8,431</u></u>
Liabilities and shareholders' equity		
Current liabilities:		
Line of credit	\$ 552	\$ 552
Current portion of long term debt, net of discount and issuance costs	1,523	1,447
Accounts payable	756	996

Accrued payroll and benefits	413	343
Deferred revenue	257	3,374
Deferred rent	62	58
Capital lease obligations	40	40
Deferred liability related to asset sale	51	52
Other current liabilities	959	947
Total current liabilities	<u>4,613</u>	<u>7,809</u>
Long term deferred rent	411	429
Long term obligations - capital lease	50	62
Total liabilities	<u>5,074</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 June 30, 2018 and March 31, 2018 issued and outstanding

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Series B, C, D - designated 19,500 shares; 18,533.31 shares at June 30, 2018 and March 31, 2018 issued and outstanding; (liquidation preference of \$3,540 at June 30, 2018 and March 31, 2018)

2,911 2,911

Series E- designated 60,000 shares; 53,400 shares at June 30, 2018 and 43,800 shares at March 31, 2018 issued and outstanding; (liquidation preference of \$2,003 at June 30, 2018 and \$1,643 at March 31, 2018)

907 702

Common stock of no par value;

Authorized - 40,000,000 shares; 10,418,953 shares at June 30, 2018 and 10,312,653 at March 31, 2018 issued and outstanding

25,272 25,200

Accumulated deficit

(27,793) (28,682)

Total shareholders' equity

1,297 131

Total liabilities and shareholders' equity

\$ 6,371 \$ 8,431

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

	Three Month Periods Ended	
	June 30, 2018	June 24, 2017
(In thousands, except per share data)		
Revenue	\$ 3,050	\$ 1,991
Cost of goods and services	1,744	1,525
Gross margin	<u>1,306</u>	<u>466</u>

Operating expenses:

Engineering	375	452
Selling, general and administrative	1,001	1,171
Total operating expenses	<u>1,376</u>	<u>1,623</u>
Operating loss	(70)	(1,157)
Interest expense:		
Interest expense, net	(127)	(79)
Interest expense from accretion of loan discount	(50)	(22)
Total interest expense, net	<u>(177)</u>	<u>(101)</u>
Loss before income taxes	(247)	(1,258)
Provision for income taxes	40	—
Net loss	<u>\$ (287)</u>	<u>\$ (1,258)</u>
Loss per common share – basic	\$ (0.03)	\$ (0.13)
Loss per common share – diluted	\$ (0.03)	\$ (0.13)

Weighted average common shares used in per share calculation:

Basic	10,419	9,715
Diluted	10,419	9,715

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Source: Giga-tronics Incorporated