

November 8, 2018



Giga-tronics Reports Results for the Second Quarter FY 2019

DUBLIN, Calif., Nov. 08, 2018 (GLOBE NEWSWIRE) -- Giga-tronics Incorporated (OTCQB: GIGA) (the "Company") reported today revenues for the second fiscal quarter ended September 29, 2018 of \$2.7 million, a \$438,000 or 20% increase as compared to \$2.2 million for the second quarter of fiscal 2018. Net sales for the six-month period ended September 29, 2018 were \$5.7 million, an increase of 35% compared to \$4.2 million for the six-month period ended September 30, 2017. 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 six months ended September 29, 2018 presented in this news release reflect the new methods of accounting. The increases for both periods were primarily due to the Company's required adoption of ASC 606 with the remaining amount attributable to increased Microsource RADAR filter sales in the second quarter and first half of fiscal 2019 over 2018.

Net loss for the second quarter of fiscal 2019 was \$282,000, or \$0.03 per fully diluted common share, compared to a net loss of \$1.1 million, or \$0.11 per fully diluted common share for the second quarter of fiscal 2018. Net loss for the six month period ended September 29, 2018 was \$569,000, or \$0.06 per fully diluted common share, compared to a net loss of \$2.3 million, or \$0.24 per fully diluted common share for the first half of fiscal 2018. The decreases in net loss for both periods were primarily due to significantly improved gross margins of 42% in both the second quarter and first half of fiscal 2019 compared to 22% in the second quarter and first half of fiscal 2018 due to the increased revenues described above (including the impact of the adoption of ASC 606) as well as a decreases in operating expenses of 17% or \$262,000 in the second quarter and 16% or \$509,000 in the first half of fiscal 2019 over fiscal 2018. Engineering expenses decreased primarily due to a decrease in personnel related expenses due to lower headcount. Selling, general and administrative expenses decreased primarily due a decrease in headcount and personnel related expenses as well as a decrease in bonuses and commissions.

John Regazzi, CEO of Giga-tronics said, "I'm very grateful that our Microsource business was capable of carrying the Company this quarter while we await anticipated sales orders and shipments of our Advanced Signal Generation and Analysis platform which we believe will be an integral part of our future revenue growth."

Lutz Henckels, Executive Vice President and Interim Chief Financial Officer stated, "Our sales in the first and second quarter of this fiscal year were from the Microsource RADAR filter business only. These sales allowed the Company to achieve a breakeven EBITDA in the second quarter of fiscal 2019."

Mr. Henckels continued, "Orders and sales of the Company's ASGA product platform are anticipated to materialize in the second half of fiscal 2019 because of our new sales

approach and our new sales team. We expect to achieve profitability by the end of fiscal 2019, and to strengthen our financial position as a result of these anticipated sales. In order to allow the Company to execute on its ASGA sales strategy, we may seek to raise additional capital through further equity or debt financing."

Giga-tronics will host a conference call today at 4:30 p.m. ET to discuss the second quarter results. To participate in the call, dial (888) 517-2470 or (630) 827-6818, and enter PIN Code 9583857#. 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 November 8, 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 future revenues and operating results, anticipated orders, long term growth and margin, expected shipments, and product line sales. 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; 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)	September 29, 2018	March 31, 2018
Assets		
Current assets:		
Cash and cash-equivalents	\$ 512	\$ 1,485
Trade accounts receivable, net of allowance of \$8 and \$8, respectively	747	364
Inventories, net	3,211	5,487
Prepaid expenses and other current assets	1,069	87
Total current assets	<u>5,539</u>	<u>7,423</u>
Property and equipment, net	691	833
Other long-term assets	175	175
Total assets	<u>\$ 6,405</u>	<u>\$ 8,431</u>
Liabilities and shareholders' equity		
Current liabilities:		
Line of credit	\$ 552	\$ 552

Loan payable, net of discount and issuance costs	1,608	1,447
Accounts payable	841	996
Accrued payroll and benefits	367	343
Deferred revenue	—	3,374
Deferred rent	65	58
Capital lease obligations	46	52
Deferred liability related to asset sale	40	40
Other current liabilities	923	947
Total current liabilities	4,442	7,809
Long term deferred rent	393	429
Long term obligations - capital lease	41	62
Total liabilities	4,876	8,300

Shareholders' equity:

Convertible preferred stock of no par value;

Authorized - 1,000,000 shares

Series A - designated 250,000 shares; no shares at September 29, 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 September 29, 2018 and March 31, 2018 issued and outstanding; (liquidation preference of \$3,540 at September 29, 2018 and March 31, 2018)

2,911 2,911

Series E- designated 70,000 shares; 70,000 shares at September 29, 2018 and 43,800 shares at March 31, 2018 issued and outstanding; (liquidation preference of \$2,625 at September 29, 2018 and \$1,643 at March 31, 2018)

1,278 702

Common stock of no par value;

Authorized - 40,000,000 shares; 10,939,011 shares at September 29, 2018

and 10,312,653 at March 31, 2018 issued and outstanding

25,415 25,200

Accumulated deficit

(28,075) (28,682)

Total shareholders' equity

1,529 131

Total liabilities and shareholders' equity

\$ 6,405 \$ 8,431

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

	Three Month Periods Ended	
	September 29,	September 30,
(In thousands, except per share data)	2018	2017
Revenue	\$ 2,680	\$ 2,242
Cost of goods and services	1,554	1,755
Gross profit	1,126	487

Operating expenses:		
Engineering	343	409
Selling, general and administrative	900	1,096
Total operating expenses	1,243	1,505
Operating loss	(117)	(1,018)
Gain on adjustment of warrant liability to fair value	—	60
Interest expense:		
Interest expense, net	(109)	(88)
Interest expense from accretion of loan discount	(54)	(33)
Total interest expense, net	(163)	(121)
Loss before income taxes	(280)	(1,079)
Provision for income taxes	2	2
Net loss	<u>\$ (282)</u>	<u>\$ (1,081)</u>
Loss per common share – basic	\$ (0.03)	\$ (0.11)
Loss per common share – diluted	\$ (0.03)	\$ (0.11)
Weighted average common shares used in per share calculation:		
Basic	10,546	9,791
Diluted	10,546	9,791

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Source: Giga-tronics Incorporated