

Giga-tronics Reports an 11% Increase in Fiscal 2021 Revenue

DUBLIN, Calif., June 30, 2021 (GLOBE NEWSWIRE) -- Giga-tronics Incorporated (OTCQB: GIGA) (the "Company") today reported results for the fourth fiscal quarter and year ended March 27, 2021.

Fourth Quarter Fiscal Year 2021 versus Fourth Quarter Fiscal Year 2020 Highlights

- Revenue grew 5% to \$2.7 million for the fourth fiscal quarter ended March 27, 2021, compared to \$2.6 million in the fourth quarter of fiscal 2020.
 - Microsource filter revenue grew 54% to \$2.5 million versus \$1.7 million in the fourth quarter of fiscal 2020 which was primarily due to the impact of the mandated shutdown in March 2020 which caused approximately \$800,000 in anticipated revenue to shift into fiscal year 2021.
 - RADAR and Electronic Warfare ("RADAR/EW") test revenue was \$0.2 million versus \$0.9 million in the fourth quarter of fiscal 2020 due to lower than anticipated customer orders.
- Gross profit improved by 17% to \$0.8 million in the fourth quarter of fiscal 2021 from \$0.7 million in the fourth quarter of fiscal 2020 mainly due to increased revenue and improved gross margins in the Microsource filter business.
- Engineering expenses increased 33% primarily due to an increase in R&D personnel and consulting costs in connection with the development efforts of RADAR/EW test products.
- SG&A expenses increased by 22% due to increased personnel related expenses including higher salaries and incentive compensation, higher non-cash share-based compensation costs, and one-time legal expenses associated with an abandoned effort to acquire a developer of sole source products for the Microsource segment from a third party.
- Net loss attributable to common shareholders for the fourth quarter of fiscal 2021 increased to (\$0.8) million or (\$0.23) per basic share compared to a net loss of (\$0.7) million or (\$0.54) per basic share in the fourth quarter of fiscal 2020 primarily due to higher operating expenses.
- Adjusted EBITDA (earnings before interest, taxes, share-based compensation, depreciation, and amortization) was a loss of (\$0.6) million in the fourth quarter of fiscal 2021 compared to a loss of (\$0.4) million in the fourth quarter of fiscal 2020.

Full Year Fiscal 2021 versus Fiscal 2020 Highlights

- Revenue for the fiscal year ended March 27, 2021 grew 11% to \$13.1 million compared to \$11.8 million in fiscal year 2020.
 - Microsource filter revenue in fiscal year 2021 increased to \$9.4 million versus \$8.2 million in fiscal 2020, which was primarily due to the impact of the mandated shutdown caused by the COVID pandemic in March 2020 as described above.

- Radar/EW test revenue increased to \$3.7 million versus \$3.5 million in fiscal 2020 primarily due to new product introductions for military range applications including pilot training and field testing.
- Gross profit in fiscal year 2021 improved by 8% to \$4.9 million due primarily to the 11% increase in total revenue.
- Engineering expenses for fiscal year 2021 increased 39% primarily due to an increase in R&D personnel and consulting expenses supporting the development of new RADAR/EW test products including the COMPASS products and the Threat Emulation System (“TEmS”) products for military range applications.
- SG&A expenses for fiscal year 2021 increased by 12% primarily due to higher personnel costs, as well as legal and consulting costs as a result of an abandoned effort to acquire a developer of sole source products for the Microsource segment from a third party as described above.
- Net loss attributable to common shareholders for fiscal year 2021 was (\$0.4) million or (\$0.15) per basic share, compared to a loss of (\$2.0) million or (\$1.64) per basic share for fiscal year 2020. Net loss for fiscal 2021 includes a one-time gain of \$791,000 related to the forgiveness of the Company’s PPP loan and accrued interest which originated during the first quarter of fiscal 2021. Net loss in fiscal 2020 includes a one-time, non-cash expense of (\$1.2) million or (\$1.01) per basic share related to a cumulative deemed dividend in connection with the Company’s issuance of common shares in exchange for Series E preferred shares.
- Adjusted EBITDA for fiscal year 2021 was \$311,000 compared to \$185,000 for fiscal year 2020.

John Regazzi, Chief Executive Officer of the Company, said, “Although our RADAR/EW test revenue increased slightly in fiscal 2021, revenue was lower than initially anticipated due to the continued impact of the pandemic in fiscal 2021. During fiscal 2021 however, we made significant progress with our TEmS solution moving beyond the laboratory environment and pursuing and winning opportunities for open-air range applications for air-crew training and air-to-ground missile testing. We believe the Giga-tronics TEmS solution is very competitive in this market segment due to its lower price point, smaller size and relative ease of use. Our early success in applications for air-crew training and air-to-ground missile testing leads us to believe that we can grow our market share faster in this segment compared to laboratory settings.”

Lutz Henckels, Executive Vice President, Chief Financial Officer and Chief Operating Officer stated, “The 2021 fiscal year was characterized by operational and supply chain challenges related to the continuance of the pandemic, but we’re seeing many positive signs across our customer base as a result of the lifting of COVID-related travel restrictions, various military base re-openings and the resumption of in person meetings with both our existing customers and potential customers. We’re encouraged by the interest and orders we’ve seen for our TEmS solution in fiscal 2021 and we’re optimistic that we’ll receive follow-on orders related to on-range air-crew training and field testing throughout the country, driving growth in the EW test business in fiscal 2022.”

Earnings Conference Call

Giga-tronics will host a conference call today, June 30, 2021, at 4:30 p.m. ET to discuss the results for the fourth quarter and year ended March 27, 2021. To participate in the call, dial

(888) 517-2513 or (847) 619-6533, and enter PIN Code 8782791#. A replay of the call will subsequently be made available on the Giga-tronics website under "Investor Relations". The conference call discussion reflects management's views as of June 30, 2021.

About Giga-tronics Incorporated

Giga-tronics is a publicly held company, traded on the OTCQB Capital Market under the symbol "GIGA". Giga-tronics produces RADAR filters and Microwave Integrated Components for use in military defense applications as well as sophisticated RADAR/EW test products primarily used in electronic warfare test & emulation applications.

Forward Looking Statements

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", or "will" occur. Forward-looking statements include, among others, those concerning future product developments, future prospects, future operating results (including, for example, future revenue, growth, expenses, margin and profitability), growth in market share, product competitiveness and expected and potential sales to customers. 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 the Company's ability to successfully manufacture its RADAR/EW test products; to identify customer needs and to design and implement new features; the timely receipt of components from third-party suppliers; the receipt or timing of future orders for products or services and cancellations or deferrals of existing or future orders; the adequacy of the Company's capital resources; the Company's ability to manage expenses; the results of pending or threatened litigation; the Company's ability to successfully implement its business plan; the Company's need to modify its business plan as a result of these or other risks; the volatility in the market price of the Company's common stock; and the circumstances relating to the COVID-19 pandemic and governmental responses. 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 27, 2021 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 filings the Company may make with the SEC.

GIGA-TRONICS INCORPORATED CONSOLIDATED BALANCE SHEETS

(In thousands except share data)

	March 27, 2021	March 28 ,2020
Assets		
Current assets:		
Cash	\$ 736	\$ 657
Trade accounts receivable, net of allowance of \$3 and \$8, respectively	801	932
Inventories, net	3,601	3,261
Prepaid expenses	100	107
Unbilled receivable	1,120	2,102
Total current assets	6,358	7,059
Property and equipment, net	455	508
Right-of-use asset	865	1,183
Other long-term assets	169	176
Total assets	\$ 7,847	\$ 8,926

Liabilities and shareholders' equity

Current liabilities:		
Accounts payable	\$ 1,044	\$ 803
Loans payable, net of discounts and issuance costs	683	1,320
Accrued payroll and benefits	446	300
Deferred revenue	7	159
Lease obligations	445	426
Other current liabilities	279	364
Total current liabilities	2,904	3,372
Other non-current liabilities	6	119
Long term lease obligations	690	1,135
Total liabilities	3,600	4,626

Commitments and Contingencies

Shareholders' equity:

Preferred stock; no par value: 1,000,000 Authorized shares	—	—
Series A convertible preferred stock: 250,000 shares designated; 0 shares issued and outstanding at March 27, 2021 and March 28, 2020		
Series B, C, D convertible preferred stock: 19,500 designated shares;		
17,782 shares issued and outstanding at March 27, 2021 and March 28, 2020;		
(liquidation preference of \$3,367 at March 27, 2021 and March 28, 2020)	2,745	2,745
Series E convertible preferred stock: 100,000 designated shares;		

9,200 shares issued and outstanding at March 27, 2021 and March 28, 2020;		
(liquidation preference of \$345 at March 27, 2021 and March 28, 2020)	177	177
Common stock; no par value; Authorized – 13,333,333 shares; 2,635,856 shares issued and outstanding at March 27, 2021 and March 28, 2020	32,306	31,952
Accumulated deficit	(30,981)	(30,574)
Total shareholders' equity	4,247	4,300
Total liabilities and shareholders' equity	\$ 7,847	\$ 8,926

GIGA-TRONICS INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share data)

	Three Month Periods Ended		Twelve Month Periods Ended	
	March 27, 2021	March 28, 2020	March 27, 2021	March 28, 2020
Goods	\$ 180	\$ 945	\$ 3,670	\$ 3,521
Services	2,548	1,658	9,382	8,247
Total revenue	2,728	2,603	13,052	11,768
Cost of revenue	1,898	1,892	8,111	7,180
Gross profit	830	711	4,941	4,588
	30%	27%	38%	39%
Operating expenses:				
Engineering	605	455	2,153	1,552
Selling, general and administrative	1,041	852	3,873	3,469
Total operating expenses	1,646	1,307	6,026	5,021
Operating loss	(816)	(596)	(1,085)	(433)
Gain on extinguishment of PPP Loan	—	—	791	—
Interest expense, net	(12)	(67)	(97)	(252)
Loss before income taxes	(828)	(663)	(391)	(685)
Provision for income taxes	—	—	2	2
Net loss	<u>\$ (828)</u>	<u>\$ (663)</u>	<u>\$ (393)</u>	<u>\$ (687)</u>
Deemed dividend on Series E shares	(4)	(3)	(14)	(94)
Cumulative dividends on Series E shares	—	—	—	(1,245)

Net loss attributable to common shareholders	<u>\$ (832)</u>	<u>\$ (666)</u>	<u>\$ (407)</u>	<u>\$ (2,026)</u>
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Adjusted EBITDA Reconciliation

Depreciation & Amortization	59	77	253	315
Stock-based compensation	149	72	354	303
Interest & tax	-	-	99	256
Interest and dividends	16	68	—	(1,335)
Adjusted EBITDA	<u>\$ (608)</u>	<u>\$ (447)</u>	<u>\$ 313</u>	<u>\$ 185</u>

Income (loss) per common share – basic	<u>\$ (0.23)</u>	<u>\$ (0.54)</u>	<u>\$ (0.15)</u>	<u>\$ (1.64)</u>
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Weighted average shares used in per share calculation:

Basic	2,636	1,232	2,626	1,232
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Source: Giga-tronics Incorporated