

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 for the period ended  
June 24, 1995, or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 for the transition period  
from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-12719

GIGA-TRONICS INCORPORATED  
(Exact name of Registrant as specified in its charter)

California 94-2656341  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

4650 Norris Canyon Road, San Ramon, CA 94583  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (510) 328-4650

Indicate by check mark whether the registrant (1) has filed all  
reports required to be filed by Sections 13 or 15(d) of the  
Securities Exchange Act of 1934 during the preceding 12 months  
(or for such shorter period that the registrant was required to  
file such reports), and (2) has been subject to such filing  
requirements for the past 90 days.

Yes / X / No / /

Common stock outstanding as of June 24, 1995: 2,569,920

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GIGA-TRONICS INCORPORATED

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#### (b) Reports on Form 8-K

Not Applicable

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### GIGA-TRONICS INCORPORATED BALANCE SHEETS (In thousands, except share data) ASSETS

<CAPTION>

	June 24, 1995	March 25, 1995
	(Unaudited)	
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	\$ 3,458	\$ 2,137
Investments	3,659	3,631
Trade accounts receivable	3,016	3,524
Inventories, net	5,887	6,701
Prepaid expenses	581	588
Deferred income taxes	859	868
Total current assets	17,460	17,449
Property and Equipment:		
Machinery and equipment	6,166	6,095
Office furniture and fixtures	411	411
Leasehold improvements	88	93
Gross cost property and equipment	6,665	6,599
Less accumulated depreciation and amortization	(4,431)	(4,212)
Net property and equipment	2,234	2,387
Patents and licenses	2,009	2,150
Other assets	204	239
Total assets	\$ 21,907	\$ 22,225

# LIABILITIES AND SHAREHOLDERS' EQUITY

## Current Liabilities:

Accounts payable	\$ 1,108	\$ 1,477
Accrued commissions	421	318
Accrued expenses	661	745
Accrued payroll and benefits	618	778
Accrued warranty	432	417
Accrued earnout payable	472	472
Income taxes payable	40	--

Total liabilities	<u>3,752</u>	<u>4,207</u>
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## Shareholders' Equity:

Convertible preferred stock of no par value.

Authorized 1,000,000 shares; no shares  
outstanding at June 24, 1995 and March 25, 1995

Common stock of no par value. Authorized

40,000,000 shares; issued and outstanding  
2,569,920 shares at June 24, 1995 and March 25, 1995

	7,773	7,773
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Unrealized loss on investments	(58)	(77)
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Retained earnings	10,440	10,322
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Total shareholders' equity	<u>18,155</u>	<u>18,018</u>
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Total liabilities and shareholders' equity	<u>\$ 21,907</u>	<u>\$ 22,225</u>
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See accompanying notes to financial statements.

</TABLE>

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<TABLE>

## GIGA-TRONICS INCORPORATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share data)

<CAPTION>

### Three Months Ended

	June 24, 1995	June 25, 1994
--	------------------	------------------

<S>	<C>	<C>
Net sales	\$ 6,261	\$ 5,547
Cost of sales	3,976	3,342
Gross profit	<u>2,285</u>	<u>2,205</u>
Product development	660	571
Selling, general and administrative	1,452	1,383
Operating expenses	<u>2,112</u>	<u>1,954</u>
Net operating income	173	251
Other income	72	--
Amortization of intangibles	(140)	(139)
Interest income, net	52	35
Earnings before income taxes	<u>157</u>	<u>147</u>
Provision for income taxes	39	54
Net earnings	<u>\$ 118</u>	<u>\$ 93</u>

Earnings per share of common stock	\$ 0.05	\$ 0.04
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Weighted average common and common equivalent shares outstanding	2,620	2,570
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See accompanying notes to financial statements.

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GIGA-TRONICS INCORPORATED  
STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)

<CAPTION>

	Three Months Ended	
	June 24, 1995	June 25, 1994
<S>	<C>	<C>
Cash flows provided from (used by) operations:		
Net earnings as reported	\$ 118	\$ 93
Adjustments to reconcile net earnings to net cash provided from (used by) operating activities	1,277	(430)
	1,395	(337)
Cash flows used by investing activities:		
Investment purchases, net	(9)	(470)
Additions to property and equipment	(65)	(202)
Net cash used by investing activities	(74)	(672)
Increase (decrease) in cash and cash equivalents	1,321	(1,009)
Beginning cash and cash equivalents	2,137	2,680
Ending cash and cash equivalents	\$ 3,458	\$ 1,671

Supplementary disclosure of cash flow information:

- (1) No cash was paid for interest in the periods indicated.
- (2) Cash paid for income taxes in the three month period ending June 24, 1995 was \$ 0.
- (3) Non-cash investing activities:  
The Company incurred an unrealized gain of \$19,000 on investments held available for sale.

See accompanying notes to financial statements.

GIGA-TRONICS INCORPORATED  
NOTES TO FINANCIAL STATEMENTS

## (1) Basis of Presentation

The financial statements included herein have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. For further information, refer to the financial statements and footnotes thereto, included in the Annual Report on Form 10-K, filed with the Securities and Exchange Commission for the year ended March 25, 1995.

## (2) Inventories (unaudited)

Inventories consist of the following (in thousands):

	June 24, 1995	March 25, 1995
	-----	-----
Raw materials	\$ 2,313	\$ 2,489
Work-in-process	2,777	3,347
Finished goods	797	865
	-----	-----
	\$ 5,887	\$ 6,701
	=====	=====

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF OPERATIONS AND FINANCIAL CONDITION

## THREE MONTHS ENDED JUNE 24, 1995 AND JUNE 25, 1994

Net sales for the three month period ended June 24, 1995 increased 12.9% (\$714,000) compared to the same period last year. The change resulted mostly from an increase in shipments of RF signal generator products.

Gross profit for the three month period increased by only 3.6% (\$80,000) compared to the same period last year due to higher sales volume being offset by unfavorable product margins.

Operating expenses for the three month period increased 8.1% (\$158,000) compared to the same period last year. The increase was primarily attributable to higher product development expense and administrative expense.

Other income was comprised primarily of an insurance claim recovery.

Earnings before income taxes for the three month period increased 6.8% (\$10,000) compared to the same period last year. The change was primarily due to the other income and higher sales volume, offset by increased operating expenses and unfavorable product margins. Management is focused on the improvement of gross profit as a percentage of sales for the balance of fiscal 1996.

For the three month period ended June 24, 1995, the level of new

bookings and the backlog of unfilled orders decreased somewhat from the unusually high levels at year-end.

#### FINANCIAL CONDITION

The Company maintains a strong financial position, with working capital of \$13,708,000 and a ratio of current assets to current liabilities of 4.7 at June 24, 1995. The Company continues to fund all of its working capital needs from cash flow provided from operations. Cash provided from operations for the three month period ended June 24, 1995 was \$1,395,000. Management believes that cash reserves and investments remain adequate to meet anticipated operating needs.

During the three month period, the Company spent \$65,000 on new manufacturing and test equipment and other capital items. The Company will continue to invest in capital items that support growth and new product development, raise productivity and improve quality. Historically, the Company has satisfied its cash needs internally for both operating and capital expenses, and management expects to continue to do so.

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[See Exhibit 11.]

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#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GIGA-TRONICS INCORPORATED  
(Registrant)

Date: 7/27/95      /s/ George H. Bruns, Jr.

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George H. Bruns, Jr.  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

Date: 7/27/95      /s/ Gregory L. Overholtzer

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Gregory L. Overholtzer  
Vice President, Finance and Chief  
Financial Officer  
(Principal Accounting Officer)

EXHIBIT 11

PART II, Item 6

COMPUTATION OF NET EARNINGS PER SHARE AND  
COMMON SHARE EQUIVALENTS

(Unaudited)

(In thousands, except per share data)

Earnings per share were computed using the weighted average number of shares outstanding plus, when dilutive, incremental shares issuable upon exercise of outstanding options under the treasury stock method.

<TABLE>

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	Three Months Ended	
	June 24, 1995	June 25, 1994
<S>	<C>	<C>
Weighted average number of common shares outstanding:		
Common stock outstanding	2,570	2,570
Common stock equivalents	50	0
	<u>2,620</u>	<u>2,570</u>
	=====	=====
Net earnings	\$ 118	\$ 93
	<u>=====</u>	<u>=====</u>
Net earnings per share of common stock	\$ 0.05	\$ 0.04
	<u>=====</u>	<u>=====</u>

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