

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
September 30, 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 ☒ No

Common stock outstanding as of September 30, 1995: 2,569,920

PAGE 2

GIGA-TRONICS INCORPORATED

INDEX

PART I - FINANCIAL INFORMATION

Page No.

ITEM 1 Financial Statements:

Balance Sheets as of September 30, 1995
(unaudited) and March 25, 1995 3

Statements of Operations, three months
and six months ended September 30, 1995 and
September 24, 1994 (unaudited) 4

Statements of Cash Flows, six months ended

September 30, 1995 and September 24, 1994
(unaudited) 5

Notes to Unaudited Financial Statements 6

ITEM 2 Management's Discussion and Analysis of
Operations and Financial Condition 7

PART II - OTHER INFORMATION

ITEM 1

TO 3 Not Applicable

ITEM 4 Submission of Matters to a Vote of
Security Holders 8

ITEM 5 Not Applicable

ITEM 6 Exhibits and Reports on Form 8-K

(a) Exhibits

(11) Computation of Net Earnings and
Common Share Equivalents 9

(27) Financial Data Schedule 11

(b) Reports on Form 8-K

Not Applicable

SIGNATURES 10

<TABLE>

PAGE 3

<CAPTION>

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

September 30, 1995 March 25, 1995

(Unaudited)

<S>

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Current Assets:

Cash and cash equivalents	\$ 4,314	\$ 2,137
Investments	3,661	3,631
Trade accounts receivable	3,467	3,524
Inventories, net	5,195	6,701
Prepaid expenses	332	588
Deferred income taxes	858	868

Total current assets	17,827	17,449
----------------------	--------	--------

Property and Equipment:

Machinery and equipment	6,252	6,095
Office furniture and fixtures	411	411
Leasehold improvements	88	93

Gross cost property and equipment	6,751	6,599
Less accumulated depreciation and amortization	(4,638)	(4,212)

Net property and equipment	2,113	2,387
Patents and licenses	1,870	2,150

Other assets	180	239
	-----	-----
Total assets	\$21,990	\$22,225
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 1,145	\$ 1,477
Accrued commissions	344	318
Accrued expenses	667	745
Accrued payroll and benefits	580	778
Accrued warranty	444	417
Accrued earnout payable	393	472
Income taxes payable	71	--
	-----	-----
Total liabilities	3,644	4,207
Shareholders' Equity:		
Convertible preferred stock of no par value.		
Authorized 1,000,000 shares; no shares		
outstanding at September 30, 1995 and March 25, 1995	--	--
Common stock of no par value. Authorized		
40,000,000 shares; issued and outstanding		
2,569,920 shares at September 30, 1995		
and March 25, 1995	7,748	7,773
Unrealized loss on investments	(57)	(77)
Retained earnings	10,655	10,322
	-----	-----
Total shareholders' equity	18,346	18,018
	-----	-----
Total liabilities and shareholders' equity	\$21,990	\$22,225
	=====	=====

See accompanying notes to financial statements.

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PAGE 4

GIGA-TRONICS INCORPORATED STATEMENTS OF OPERATIONS (Unaudited) (In thousands, except per share data)

<CAPTION>

	Three Months Ended		Six Months Ended	
	Sept. 30, 1995	Sept. 24, 1994	Sept. 30, 1995	Sept. 24, 1994
	-----	-----	-----	-----
	<C>	<C>	<C>	<C>
Net sales	\$ 6,212	\$ 5,606	\$12,473	\$11,153
Cost of sales	\$ 3,898	\$ 3,503	\$ 7,874	6,845
	-----	-----	-----	-----
Gross profit	2,314	2,103	4,599	4,308
Product development		625		1,285
Selling, general and administrative		1,411		2,863
	-----	-----	-----	-----
Operating expenses	2,036	1,858	4,148	3,812
Net operating income	278	245	451	496
Other income	73	--	145	--
Amortization of intangibles	(140)	(140)	(280)	(279)
Interest income, net	76	52	128	87

Earnings before income taxes	287	157	444	304
Provision for income taxes	72	55	111	109
Net earnings	\$ 215	\$ 102	\$ 333	\$ 195
Earnings per share of common stock	\$ 0.08	\$ 0.04	\$ 0.13	\$ 0.08
Weighted average common and common equivalent shares outstanding	2,648	2,570	2,648	2,570

See accompanying notes to financial statements.

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PAGE 5

GIGA-TRONICS INCORPORATED
STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

<CAPTION>

	Six Months Ended	
	Sept. 30, 1995	Sept. 24, 1994
Cash flows provided from (used by) operations:		
Net earnings as reported	\$ 333	\$ 195
Adjustments to reconcile net earnings to net cash provided from (used by) operating activities	2,043	(905)
	2,376	(710)
Cash flows used by investing activities:		
Re-purchase of common stock	(25)	--
Investment purchases, net	(10)	31
Additions to property and equipment	(164)	(390)
Net cash used by investing activities	(199)	(359)
Increase (decrease) in cash and cash equivalents	2,177	(1,069)
Beginning cash and cash equivalents	2,137	2,680
Ending cash and cash equivalents	\$ 4,314	\$ 1,611

</TABLE>

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 six month period ending September 30, 1995 was \$40,000.
- (3) Non-cash investing activities:

The Company incurred an unrealized gain of \$20,000 on investments held available for sale during the six month period ending September 30, 1995.

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):

	September 30, 1995	March 25, 1995
	-----	-----
Raw materials	\$ 2,272	\$ 2,489
Work-in-process	2,217	3,347
Finished goods	706	865
	-----	-----
	\$ 5,195	\$ 6,701
	=====	=====

PAGE 7

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF OPERATIONS AND FINANCIAL CONDITION

THREE MONTHS AND SIX MONTHS ENDED SEPT. 30, 1995 AND

SEPT. 24, 1994

Net sales for the three month and six month periods ended September 30, 1995 increased 11% (\$606,000) and 12% (\$1,320,000), respectively, compared to the same periods last year. The change resulted mostly from an increase in shipments of microwave signal generator products.

Gross profit for the current three month and six month periods increased 10% (\$211,000) and 7% (\$291,000), respectively, compared to the same periods last year. The increase was primarily due to higher sales volume, offset somewhat by unfavorable product mix.

Operating expenses for the three and six month periods increased 10% (\$178,000) and 9% (\$336,000), respectively, compared to prior year periods. The increases are due to higher advertising costs, sales commissions, and administrative expenses for both periods. Higher product development costs contributed only to the increase for the six month period.

Other income for the quarter was primarily due to the sale of certain fixed assets. For the six month period, income was also derived from an insurance claim recovery.

Significant other income is not expected to continue in the last two quarters.

Operating income for the current three month and six month periods were \$278,000 and \$451,000, respectively, compared to \$245,000 and \$496,000 for the same periods last year. The negligible favorable change for three months, and unfavorable change for six months, was due to higher operating expenses and unfavorable product mix offsetting increased sales volume.

Earnings before income taxes for the current three month and six month periods were \$215,000 and \$333,000, respectively, compared to \$102,000 and \$195,000 for the same periods last year. The change was favorably affected by sales volume, other income and interest income, offset somewhat by unfavorable product mix and higher operating expenses.

Orders for the three month and six month periods ending September 30, 1995 were lower than the same periods last year. The backlog of unfilled orders as of September 30, 1995 are somewhat higher than the same period last year.

FINANCIAL CONDITION

The Company maintains a strong financial position, with working capital of \$14,183,000 and a ratio of current assets to current liabilities of 4.9 at September 30, 1995. The Company continues to fund all of its working capital needs from cash flow provided from operations. Cash provided from operations for the six month period ended September 30, 1995 was \$2,376,000. Management believes that cash reserves and investments remain adequate to meet anticipated operating needs.

During the six month period, the Company spent \$164,000 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.

PAGE 8

PART II, Item 4

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(A) Annual Meeting of Stockholders was held on August 8, 1995.

(B) The vote for the nominated Directors was as follows:

Nominee	In Favor	Withheld
George H. Bruns, Jr.	2,347,001	5,435
James A. Cole	2,347,001	5,435
Edward D. Sherman	2,346,901	5,535
Robert C. Wilson	2,347,001	5,435

(C) Other matters voted upon at the meeting were as follows:

- (1) Ratification of the selection of Peat Marwick LLP as independent public accountants for fiscal year 1996 was approved as follows:

	No. of Votes on Proposal -----	% of Votes Cast -----
For	2,348,266	99.8%
Against	4,100	0.2%
Abstain	70	--
	-----	----
Total	2,352,436	100.0%

Non-voted Shares = 217,484

<TABLE>

PAGE 9

EXHIBIT II

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.

<CAPTION>

	Three Months Ended -----		Six Months Ended -----		
	Sept. 30, 1995 -----	Sept. 24, 1994 -----	Sept. 30, 1995 -----	Sept. 24, 1994 -----	
Weighted average number of common shares outstanding:					
<S>	<C>	<C>	<C>	<C>	
Common stock outstanding		2,570	2,570	2,570	2,570
Common stock equivalents		78	0	78	0
	-----	-----	-----	-----	
	2,648	2,570	2,648	2,570	
	=====	=====	=====	=====	
Net earnings	\$ 215	\$ 102	\$ 333	\$ 195	
	=====	=====	=====	=====	
Net earnings per share of common stock		\$ 0.08	\$ 0.04	\$ 0.13	\$ 0.08
		=====	=====	=====	=====

</TABLE>

PAGE 10

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: 10/16/95 /s/ GEORGE H. BURNS, JR.

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

Date: 10/16/95 /s/ GREGORY L. OVERHOLTZER

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

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