

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 December 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 Identification No.)  
incorporation or organization)

4650 Norris Canyon Road, San Ramon, CA  
(Address of principal executive offices) 94583  
(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	<input checked="" type="checkbox"/>	No
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Common stock outstanding as of December 30, 1995: 2,569,920

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GIGA-TRONICS INCORPORATED

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Not Applicable

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## GIGA-TRONICS INCORPORATED

## BALANCE SHEETS

(In thousands, except share data)

## ASSETS

December 30, 1995    March 25, 1995  
(Unaudited)

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Cash and cash equivalents	\$ 5,761	\$ 2,137
Investments	3,685	3,631
Trade accounts receivable	3,191	3,524
Inventories, net	4,871	6,701
Prepaid expenses	288	588
Deferred income taxes	850	868
	-----	-----
Total current assets	18,646	17,449

Property and Equipment:

Machinery and equipment	6,392	6,095
Office furniture and fixtures	413	411
Leasehold improvements	97	93
	-----	-----
Gross cost property and equipment	6,902	6,599
Less accumulated depreciation and amortization	(4,861)	(4,212)
	-----	-----
Net property and equipment	2,041	2,387
Patents and licenses	1,730	2,150
Other assets	165	239
	-----	-----
Total assets	\$22,582	\$22,225
	=====	=====

#### LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 1,397	\$ 1,477
Accrued commissions	355	318
Accrued expenses	696	745
Accrued payroll and benefits	593	778
Accrued warranty	459	417
Accrued earnout payable	393	472
Income taxes payable	57	--
	-----	-----
Total liabilities	3,950	4,207
Shareholders' Equity:		
Convertible preferred stock of no par value.		
Authorized 1,000,000 shares; no shares		
outstanding at December 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 December 30, 1995		
and March 25, 1995	7,748	7,773
Unrealized loss on investments	(41)	(77)
	10,925	10,322
	-----	-----
Total shareholders' equity	18,632	18,018
	-----	-----
Total liabilities and shareholders' equity	\$22,582	\$22,225
	=====	=====

</TABLE>

See accompanying notes to financial statements.

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

	Three Months Ended		Nine Months Ended	
	-----		-----	
<S>	<C>	<C>	<C>	<C>
	Dec. 30,	Dec. 24,	Dec. 30,	Dec. 24,
	1995	1994	1995	1994
	-----	-----	-----	-----

Net sales	\$ 6,171	\$ 5,853	\$18,644	\$17,006
Cost of sales	\$ 3,907	\$ 3,555	\$11,781	\$10,400
	-----	-----	-----	-----
Gross profit	2,264	2,298	6,863	6,606
Product development	556	681	1,841	1,877
Selling, general and administrative	1,306	1,352	4,169	3,968
	-----	-----	-----	-----
Operating expenses	1,862	2,033	6,010	5,845
Net operating income	402	265	853	761
Other income	7	--	152	--
Amortization of intangibles	(140)	(140)	(420)	(419)
Interest income, net	91	48	219	135
	-----	-----	-----	-----
Earnings before income taxes	360	173	804	477
Provision for income taxes	90	44	201	153
	-----	-----	-----	-----
Net earnings	\$ 270	\$ 129	\$ 603	\$ 324
	=====	=====	=====	=====
Earnings per share of common stock	\$ 0.10	\$ 0.05	\$ 0.23	\$ 0.13
	=====	=====	=====	=====
Weighted average common and common equivalent shares outstanding	2,648	2,570	2,648	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)

	Nine Months Ended	
	-----	-----
	Dec. 30,	Dec. 24,
	1995	1994
	-----	-----
<S>	<C>	<C>
Cash flows provided from (used by) operations:		
Net earnings as reported	\$ 603	\$ 324
Adjustments to reconcile net earnings to		
net cash provided from (used by) operating activities	3,380	(406)
	-----	-----
	3,983	(82)
Cash flows used by investing activities:		
Re-purchase of common stock	(25)	--
Investment sales/(purchases), net	(18)	52
Additions to property and equipment	(316)	(464)
	-----	-----

Net cash used by investing activities	(359)	(412)
Increase (decrease) in cash and cash equivalents	3,624	(494)
Beginning cash and cash equivalents	2,137	2,680
Ending cash and cash equivalents	<u>\$ 5,761</u>	<u>\$ 2,186</u>

</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 nine month period ending December 30 1995 was \$145,000.
- (3) Non-cash investing activities:

The Company incurred an unrealized gain of \$36,000 (after-tax effect) on investments held available for sale during the nine month period ending December 30, 1995.

See accompanying notes to financial statements.

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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):

	December 30, 1995	March 25, 1995
	-----	-----
Raw materials	\$ 1,834	\$ 2,489
Work-in-process	2,449	3,347
Finished goods	588	865
	-----	-----
	<u>\$ 4,871</u>	<u>\$ 6,701</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
-----  
OF OPERATIONS AND FINANCIAL CONDITION  
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Net sales for the three month and nine month periods ended December 30, 1995 increased 5% (\$318,000) and 10% (\$1,638,000), 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 nine month periods decreased 1% (\$34,000) and increased 4% (\$257,000), respectively, compared to the same periods last year. The change was primarily due to higher sales volume, offset somewhat by unfavorable product mix and additional inventory reserves for the current nine month period. For the current three month period, the unfavorable change in product mix more than offset the increase in sales volume.

Operating expenses for the three and nine month periods decreased 8% (\$171,000) and increased 3% (\$165,000), respectively, compared to prior year periods. The changes are due to higher advertising costs, offset somewhat by lower selling, administrative and product development expenses for the current nine month period. For the current three month period, the lower expenses more than offset the advertising costs.

Other income for the current nine month period was primarily due to the sale of certain fixed assets, and an insurance claim recovery. Significant other income is not expected in the fourth quarter.

Operating income for the current three month and nine month periods were \$402,000 and \$853,000, respectively, compared to \$265,000 and \$761,000 for the same periods last year. The favorable change for the quarter was due to increased sales volume and lower operating expenses for the quarter, offset somewhat by unfavorable product mix. The favorable change for the nine month period was due to higher sales volume, offset somewhat by unfavorable product mix and higher operating expenses.

Earnings before income taxes for the current three month and nine month periods were \$270,000 and \$603,000, respectively, compared to \$129,000 and \$324,000 for the same periods last year. The change was favorably affected by sales volume, other income and interest income, offset somewhat by operating income factors noted above.

Orders for the three month period ended December 30, 1995 were higher than the same period last year, while orders for the nine month period were lower than the same period last year. The backlog of unfilled orders as of December 30, 1995 are somewhat higher than the same period last year.

## FINANCIAL CONDITION

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The Company maintains a strong financial position, with working capital of \$14,696,000 and a ratio of current assets to current liabilities of 4.7 at December 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 nine month period ended December 30, 1995 was \$3,983,000. Management believes that cash reserves and investments remain adequate to meet anticipated operating needs.

During the nine month period, the Company spent \$316,000 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.

<TABLE>

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>

<S>	Three Months Ended		Nine Months Ended	
	<C>	<C>	<C>	<C>
	Dec. 30, 1995	Dec. 24, 1994	Dec. 30, 1995	Dec. 24, 1994
	-----	-----	-----	-----
Weighted average number of common shares outstanding:				
Common stock outstanding		2,570	2,570	2,570
Common stock equivalents		78	0	78
	-----	-----	-----	-----
	2,648	2,570	2,648	2,570
	=====	=====	=====	=====
Net earnings	\$ 270	\$ 129	\$ 603	\$ 324
	=====	=====	=====	=====
Net earnings per share of common stock	\$ 0.10	\$ 0.05	\$ 0.23	\$ 0.13
	=====	=====	=====	=====

</TABLE>

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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: 1/16/96

GEORGE H. BRUNS, JR.

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

Date: 1/16/96

GREGORY L. OVERHOLTZER

-----  
Gregory L. Overholtzer  
Vice President, Finance and

Chief Financial Officer  
(Principal Accounting Officer)



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