SPECTRA7

Spectra7 Announces Fourth Quarter and Annual Financial Results For The Year Ended December 31, 2017

The Company Reports Accelerating Momentum in Data Center Solutions

SAN JOSE, Calif. and TORONTO, March 06, 2018 -- (TSX:SEV) Spectra7 Microsystems Inc. (“Spectra7” or the “Company”), a leading provider of high-performance analog semiconductor products for broadband connectivity markets, today announced its audited financial results for the year ended December 31, 2017. A copy of the audited consolidated financial statements for the 12-months ended December 31, 2017 prepared in accordance with International Financial Reporting Standards and the corresponding management’s discussion and analysis (“MD&A”) will be available under the Company’s profile on www.sedar.com. All amounts are in US dollars unless otherwise noted.

2017 Financial and Operational Summary

- Revenue for the year ended December 31, 2017 was $10.6 million as compared to $8.6 million in the previous year, representing a 23% increase.
- Gross margin[i] as a percentage of revenue for the year ended December 31, 2017 remained strong at 58%, consistent with gross margin percentage of 58% in the previous year.
- EBITDA[ii] improved to a loss of approximately $6.0 million from a loss of approximately $8.1 million in 2016.
- The Company added three new executive team members; Gerald Hamilton as Senior Vice President of Worldwide Sales, Antony Ng Yukshing as Vice President of Operations, and Darren Ma as Chief Financial Officer.
- Closed an aggregate of CAD $6.0 million bought deal public offering and private placement equity financings in June/July 2017.
- The Company successfully expanded its corporate headquarters by moving from Palo Alto, California to San Jose, California. The new facility provides upgraded engineering facilities and reduced operating costs.

Q4 2017 Financial Summary

- Revenue for Q4 2017 was approximately $2.9 million, representing a 45% increase over the prior quarter and 16% over the same period in the prior year.
- Gross margin in Q4 2017 was 55%, approximately flat sequentially and down from 60% over the same period in the prior year.
- Supply constraints experienced in Q3 2017 were resolved in the fourth quarter.
- A $1.6M non-cash impairment charge was taken for goodwill accrued in connection with the acquisition of RedMere Technology Limited in February 2013. The Company continues to see strong adoption of its active copper cable products within its core markets.

Update on Data Center Market Traction

- The Company continues to experience strong traction with its data center solutions and announced six new customer design-ins in Q4 2017.
- The Company showcased 100/200/400 Gbps data center interconnects at DesignCon 2018.
- The Company announced key partnerships with three major data center interconnect suppliers including Foxconn Interconnect Technology Ltd., Luxshare-ICT Inc., and Amphenol ICC.
- With increased prototype revenue in the Q4 2017, the Company remains on track for production revenue ramp in the second half of 2018.

Highlights Subsequent to Year End

- Closed a CAD $15.3 million bought deal convertible debenture public offering in January 2018.

- Paid off $6.5M senior secured term loan.
- Announced new AR/VR/MR products and reference designs for mobile tethered head mounted displays at CES 2018.

CEO Commentary

"I am pleased with Spectra7's performance in 2017 and the strong Q4 results to end the year," said Spectra7 CEO Raouf Halim. "This year, we proved our technology leadership in the active copper cable market, announcing several tier one customers in our core VR, AR and MR markets. Moving forward, we are very well positioned in the data center market with the early acceptance and market traction of our innovative GaugeChanger Plus™ technology".

Outlook

Based upon the meetings and sampling requests the Company had for its data center solutions at the DesignCon 2018 industry show, management continues to believe that its data center revenue will begin to ramp up in 2018.

Given revenue today is largely derived from consumer-focused markets, investors should expect some weakness in the first quarter of 2018 following the strong holiday season. The Company anticipates stronger sales of MR and VR solutions in the second half of the year. In addition, third-party estimates[iii] for the Company's core markets suggest growth will continue over the long-term regardless of seasonality.

ABOUT SPECTRA7 MICROSYSTEMS INC.

Spectra7 Microsystems Inc. is a high-performance analog semiconductor company delivering unprecedented bandwidth, speed and resolution to enable disruptive industrial design for leading electronics manufacturers in virtual reality, augmented reality, mixed reality, data centers and other connectivity markets. Spectra7 is based in San Jose, California with design centers in Markham, Ontario, Cork, Ireland, and Little Rock, Arkansas. For more information, please visit www.spectra7.com.

CAUTIONARY NOTES

Certain statements contained in this press release constitute "forward-looking statements". All statements other than statements of historical fact contained in this press release, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, proposed acquisitions, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to the risk factors discussed in the Company's annual MD&A for the year ended December 31, 2017. Management provides forward-looking statements because it believes they provide useful information to investors when considering their investment objectives and cautions investors not to place undue reliance on forward-looking information. Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this press release and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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[i] Gross margin is a non-GAAP measure. Refer to "Revenue and Gross Margin" in the Company's annual MD&A for the year ended December 31, 2017 for reconciliation to measures reported in the Company's financial statements.

[ii] EBITDA or earnings before interest, tax, depreciation, and amortization is a non-GAAP measure. EBITDA excludes share-

based compensation, amortization, depreciation, interest, and tax expenses.
[iii] BCC Research – “Virtual Reality Technologies: Global Market to 2022” Published: February 2018
Research and Markets – “Augmented Reality and Mixed Reality Market: Outlook and Forecasts 2018-2023” Published January 2018
Zion Market Research – “Virtual Reality (VR) Market by Hardware and Software for (Consumer, Commercial, Enterprise, Medical, Aerospace and Defense, Automotive, Energy and Others) Global Industry Perspective, Comprehensive Analysis and Forecast, 2016 – 2022” Published: August 2017
Market Insights Reports – “Global Virtual Reality Market Outlook 2024: Global Opportunity And Demand Analysis, Market Forecast, 2016-2024” Published September 2017