

Spectra7 Announces Preliminary First Quarter 2019 Financial Results

Revenue up 55% Year-over-Year; Strong Momentum in Data Center Market

SAN JOSE, Calif.--(BUSINESS WIRE)--April 23, 2019--(TSX:SEV) Spectra7 Microsystems Inc. ("Spectra7" or the "Company"), a leading provider of high-performance analog semiconductor products for broadband connectivity markets, today announced preliminary selected unaudited financial results for the three month period ended March 31, 2019. Unaudited financial results for the three months ending March 31, 2019 will be released in May 2019. The information contained herein may change based on final results. Unless otherwise indicated, all amounts in this release are expressed in US dollars.

PRELIMINARY Q1 2019 RESULTS

The Company expects to report revenues of approximately \$1.4 million for the first quarter of 2019, flat versus the prior quarter and up 55% from the same quarter in 2018. The quarter's revenue was driven primarily by the continued recovery of Spectra7's core virtual reality ("VR") business as well as the ramp of new VR design wins, coupled with continued pre-production revenue from its patented active copper cable solutions for the Data Center market. Gross margin¹ as a percentage of revenue is expected to be approximately 55%, up from 53% in the prior quarter due to a richer mix of higher margin products and flat versus the year-ago quarter. Non-IFRS operating expenditures are expected to be approximately \$ 2.8 million, a slight increase from Q4 2018 and down 13% from the same quarter a year ago, due to strong operating expense discipline.

CEO COMMENTARY

"I am pleased with our Q1 performance in what is seasonally a down quarter in our industry. I am particularly encouraged by our continued design win traction in the data center market coupled with continued strong share of the VR market with industry-leading OEMs," said Spectra7 CEO Raouf Halim. "The anticipated production deployment of our data center active copper cable solutions with a major China hyperscale operator in the second half of this year, recovery in our core VR business, and continued operational discipline puts us in a strong position in 2019."

Quarterly Highlights

- Spectra7 continues to experience strong traction with its data center solutions and announced ten new customer design-ins in Q1 2019, for a total of 55 to date.
- A major China Hyperscaler Data Center Operator is on track to deploy active copper cables enabled by Spectra7 technology starting in the second half of 2019.
- A major Ethernet Switch OEM has chosen to develop their own branded active copper cables with Spectra7 embedded ICs for production shipments beginning this year.
- The Company announced that it now has key partnerships with 4 of the top 5 global cable data center interconnect companies.
- The Company showcased 25/100/200/400 Gbps data center interconnects at DesignCon and OFC in the first quarter including demonstrations with leading system OEMs such as Arista, Cisco Systems, Intel, Juniper and Mellanox.
- The Company believes it is on track to achieve significant revenue growth in the second half of the year.

The Company continues to evaluate various capital raise options, including but not limited to, a loan based on its valuable patent portfolio.

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 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, outlook, expected recovery of the VR market, revenue growth, revenue in the 2019 financial year, 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, 2018. 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.

¹ Gross margin is a non-GAAP measure. Gross margin is presented in this press release consistent with information presented in the Company's financial statements. Gross margin has been calculated by deducting manufacturing cost of sales, and provision for inventory write-downs from revenue. Management of the Company believes that providing this information allows investors to better understand the Company's historical and future financial performance.

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