SPECTRA7

Spectra7 Announces Preliminary Fourth Quarter and Annual Financial Results for the Year Ended December 31, 2022

2022 Revenue Expected to Be Up Approximately 106% Year-Over-Year

SAN JOSE, Calif., Jan. 18, 2023 /CNW/ -- (TSXV:SEV) (OTCQB:SPVNF) Spectra7 Microsystems Inc. ("**Spectra7**" or the "**Company**"), a leading provider of high-performance analog semiconductor products for broadband connectivity markets, today announced preliminary selected and unaudited financial results and a business update for the three months ended December 31, 2022, and its initial outlook for Q1 2023. Unless otherwise indicated, all dollar amounts in this press release are expressed in US dollars.

- Preliminary fourth quarter revenue of $3.0 million, up approximately 14% year-over-year[1]
- Preliminary revenue for 2022 of $11.3 million, up approximately 106% compared to $5.5 million in the previous year[1]
- Preliminary fourth quarter gross margin[2] as a percentage of revenue in the fourth quarter increased to in excess of 58%[1]
- Preliminary fourth quarter non-IFRS operating expenses[3] were $1.9 million, flat from $1.9 million year-over-year while the Company continues to control its spending. [1]
- Based on current order trends and a high backlog, Spectra7 expects revenue for the first quarter of 2023 to be in the range of $3.0 million to $3.2 million. [4]

"We had a very strong 2022, doubling our revenue year over year to approximately $11.3 million, led by our AR/VR products and early ramp in hyperscale product sales with key datacenter customers. This enabled the Company to approach EBITDA[5] break-even in the fourth quarter," said Raouf Halim, Chief Executive Officer. "Our visibility into 2023 has improved significantly as we start the new year with a high order backlog from a growing list of end customers. We also expect supply availability to improve steadily throughout 2023. Coupled with growth in our datacenter customer orders, we expect to achieve EBITDA[5] profitability in the year ahead."[4]

Preliminary fourth quarter 2022 revenue results[1]

The Company expects to report revenue of approximately $3.0 million for the fourth quarter of 2022, compared with $2.7 million in the third quarter of 2022 and $2.6 million in the fourth quarter of 2021. This represents an increase of approximately 11% from the prior quarter and approximately 14% year-over-year.

Gross margin[2] as a percentage of revenue in the fourth quarter is forecasted to be in excess of 58% compared with 55% in the third quarter of 2022 and 59% in the fourth quarter of 2021. Non-IFRS operating expenses[3] are expected to be $1.9 million[4] as the Company continues to focus on its production ramp to meet rapidly growing demand from its data center customers. Third quarter 2022 non-IFRS operating expenses were $1.9 million.

The Company expects EBITDA[5] loss in the fourth quarter of 2022 to be approximately $80,000, improving from $201,000 EBITDA[5] loss in the third quarter of 2022 and in line with its goal to become EBITDA positive in 2023. EBITDA[5] loss in the fourth quarter of 2021 was $147,000.

Following its customary reporting timeline, Spectra7 anticipates releasing its audited annual financial results for the year ended December 31, 2022 on or before the applicable regulatory deadline of May 1, 2023.

NOTES:

[1] All information herein is subject to change based on the reported audited annual financial results, expected to be reported no later than May 1, 2023.
[2] Gross margin is a non-GAAP measure which is computed as revenue less cost of sales divided by revenue. Refer to "Revenue and Gross Margin" in the Company's interim MD&A for the three and nine months ended September 30, 2022, which is available on SEDAR at www.sedar.com (the "**Interim MD&A**"), for reconciliation to measures reported in the Company's financial statements in the previous quarter. A reconciliation to measures reported in the Company's audit annual financial statements for the year ended December 31, 2022 will be provided in the Company's annual MD&A.
[3] Non-IFRS operating expenses is a non-GAAP measure which includes research and development, sales and marketing, general and administrative expenses and depreciation and amortization for capital equipment and right-of-use assets and excludes share-based compensation expense, non-recurring termination costs, interest and related financing costs, change in fair value of warrant liabilities, foreign exchange gain/loss and gain/loss from property and equipment disposal. Refer to "Non-GAAP Measures" in the Interim MD&A for reconciliation to measures reported in the Company's financial statements in the previous quarter. A reconciliation to measures reported in the Company's audit annual financial statements for the year ended December 31, 2022 will be provided in the Company's annual MD&A.
[4] This is forward-looking information and is based on a number of assumptions which includes the current and anticipated customer purchase orders received, supply outlook and anticipated operational expenditures. See "Cautionary Notes".
[5] 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. Refer to "Non-GAAP Measures" in the Interim MD&A for reconciliation to measures reported in the Company's financial statements in the previous quarter. A reconciliation to measures reported in the Company's audit annual financial statements for the year ended December 31, 2022 will be provided in the Company's annual MD&A.

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 a design center in Cork, Ireland and a technical support location in Dongguan, China. For more information, please visit www.spectra7.com.

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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, the Company's expected Q4 revenue, non-IFRS operating expense and EBITDA results, expectation for 2022 revenue, revenue improvement and supply availability, the Company's expectation regarding product demand and revenue in 2023, and the Company's strategy, 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 information form for the year ended December 31, 2021. 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.

For more information, please contact:

Matt Kreps
Darrow Associates
214-597-8200
ir@spectra7.com

Spectra7 Microsystems Inc.
Bonnie Tomei
Chief Financial Officer
669-212-1089
ir@spectra7.com

Spectra7 Microsystems Inc.
John Mitchell
Public Relations
650-269-3043
pr@spectra7.com

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