SPECTRA7

Spectra7 Announces Third Quarter 2023 Financial Results

Record First 9 Months 2023 Revenue

SAN JOSE, Calif., Nov. 7, 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 its financial results for the three and nine months ended September 30, 2023. A copy of the interim consolidated financial statements for the three and nine months ended September 30, 2023 and the corresponding management's discussion and analysis (the "**MD&A**") will be available under the Company's profile on www.sedarplus.ca. Unless otherwise indicated, all dollar amounts in this press release are expressed in US dollars.

"We are excited to report third quarter revenues of $3.2 million, maintaining our record revenue pace through the first nine months of the year of $9.6 million, even with the delayed hyperscaler upgrade cycle that we believe will offer significant sales opportunities for our Active Copper Cable solutions ahead[1]. We have also maintained our cost-efficient operating structure, with non-IFRS operating expenses[2] of approximately $2.5 million for the third quarter," said Raouf Halim, Chief Executive Officer.

"We are pleased to see clear signs of progress toward leading edge 800G and 1.6TB data rate interconnects to be deployed in the most advanced implementations at our hyperscale customers. New high-growth applications, such as artificial intelligence, are increasingly sensitive to not only bandwidth demands, but also the high-power requirements of other cabling options, some of which even exceed the power required by the switch itself. Spectra7's ACC cables provide a unique solution to this challenge, reducing both the capital cost and operating cost of a hyperscale data center. We believe the ACC connectivity market opportunity is estimated to reach $1 billion by 2027[3]," said Mr. Halim.

"We are actively engaged with a major data center operator to deploy our ACC solutions in their AI clusters, and working with a range of industry players to support additional data center needs at other customers as they upgrade to next generation switches. Given our continued record sales pace, we have updated our second half revenue outlook to between $6.0 million and $6.8 million as we continue to build upon our technology leadership position in ultra-high-speed cabling for datacenters and hyperscalers[1]," said Mr. Halim.

Third quarter 2023 financial highlights

- Third quarter 2023 revenue of $3.2 million, and $9.6 million through the first nine months of 2023, compared with $2.7 million and $8.3 million in the respective 2022 periods.
- Gross margin[4] as a percentage of revenue in the third quarter was 50% compared to 55% in the same quarter in the prior year, due to certain inventory produced with additional cost during wafer shortages, and is expected to improve in the fourth quarter[1].
- Non-IFRS operating expenses[2] were $2.5 million in the third quarter, compared to $1.9 million in the same quarter in the prior year and $2.4 million in the second quarter of 2023 as the Company continues to maintain a cost-efficient operating approach.
- Basic and diluted loss per share for the third quarter was $(0.04), compared to a basic and diluted loss per share of $(0.04) in the same period of 2022.
- EBITDA[5] loss in the third quarter was $0.7 million, compared with an EBITDA loss of $0.2 million in the same period of 2022 and EBITDA loss of $0.1 million in the second quarter 2023, due to increased investment in product development to address growing market opportunities.

2H 2023 Outlook[1]

The Company anticipates revenue for the second half of 2023 to be in the range of $6.0 million to $6.8 million, updated from a range of $5.5 million to $7.0 million. The Company also anticipates maintaining its efficient operating expense structure and non-IFRS operating expenses[2] for 2H 2023 at a range of $4.5 million to $4.9 million (non-IFRS operating expenses for 1H 2023 were $4.6 million).

CFO Leave of Absence

The Company also announces that its Chief Financial Officer, Bonnie Tomei, is taking a personal leave of absence effective December 1, 2023 due to a family medical matter. The leave is expected to be for approximately three months but may be adjusted as necessary. Spectra7 expects to hire an interim CFO and does not anticipate any interruption to its ongoing business plans or outlook[1].

Notes:

[1] This is forward-looking information and is based on a number of assumptions, which include the current and anticipated customer purchase orders received, supply outlook and anticipated operational expenditures. See "Cautionary Notes".

[2] 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 expenses, 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 MD&A, which is available on SEDAR at www.sedarplus.ca, for a reconciliation to measures reported in the Company's financial statements.

[3] Spectra7 internally generated model based on 650Group silicon chipsets for Ethernet optical transceivers and active cable alternatives posted July 2023.

[4] 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 MD&A, which is available on SEDAR at www.sedarplus.ca, for a reconciliation to measures reported in the Company's financial statements.

[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 MD&A for reconciliation to measures reported in the Company's financial statements.

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.

Neither the TSX Venture Exchange nor its regulation services provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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 revenue in the second half of 2023, the expectation that gross margin will improve in Q4 2023, the expected datacenter upgrade cycle, the expected size of the ACC connectivity market by 2027, the expected orders from datacenter customers in North America, the expected implementation of ACC technology in response to increased power and data demands, and the Company's ability to maintain its efficient operating expense structure and working capital management 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 management's discussion and analysis for the year ended December 31, 2022. 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
408-770-2915
ir@spectra7.com

View original content to download multimedia:
https://www.prnewswire.com/news-releases/spectra7-announces-third-quarter-2023-financial-results-301979481.html

SOURCE Spectra7 Microsystems Inc.

View original content to download multimedia:
http://www.newswire.ca/en/releases/archive/November2023/07/c3748.html

%SEDAR: 00031105E

CO: Spectra7 Microsystems Inc.

CNW 06:30e 07-NOV-23