Spectra7 Announces Financial Results for First Quarter 2024

Subsequently Closed C$10.7 Million in New Capital in May 2024

Eliminated C$11.7 Million in Convertible Debt

SAN JOSE, Calif., May 30, 2024 /CNW/ -- (TSXV:SEV) (OTCQB:SPVNF) Spectra7 Microsystems Inc. ("**Spectra7**" or the "**Company**"), a leader in high-performance analog semiconductors for broadband connectivity markets, such as AI networks, hyperscale data centers, and AR/VR, today announced its financial results for the three months ended March 31, 2024. A copy of the interim consolidated financial statements for the three months ended March 31, 2024, 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.

First quarter 2024 financial highlights

- First quarter 2024 revenue was $0.8 million, increased from $0.3 million in the fourth quarter 2023 and decreased from $3.1 million in the first quarter 2023.
- Gross margin[1] was 41%, compared to 57% in the preceding quarter and 63% in the prior year first quarter.
- Non-IFRS operating expenses[2] were $2.1 million, decreased from $3.5 million in the fourth quarter 2023 and $2.2 million in the first quarter 2023.
- Basic and diluted loss per share for the first quarter 2024 was $(0.06), compared with a basic and diluted loss per share of $(0.11) in the fourth quarter 2023 and $(0.03) in the first quarter 2023.
- EBITDA[3] loss for the first quarter was $1.4 million, compared with an EBITDA loss of $3.2M for the fourth quarter 2023 and an EBITDA loss of $70,000 in the first quarter 2023.

Subsequent to the first quarter end, the Company completed a non-brokered private placement of units for C$10.7 million in gross proceeds. Additionally, the Company amended its C$11.7 million of existing debentures to provide the Company with the right to convert such debentures into equity securities at its option at any time prior to maturity. The Company effected the forced conversion of the debentures on May 15, 2024, effectively eliminating the Company's long-term debt.

Spectra7 remains focused on advancing to commercial orders from top global datacenter customers for its active copper cable products, expected in the second half of 2024.[4]

"We are pleased to have strengthened our balance sheet and eliminated our long term debt in support of our growth plans," said Raouf Halim, Chief Executive Officer.

NOTES:

[1] 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 and the table below, for reconciliation to measures reported in the Company's interim financial statements.

The table below sets forth the details of revenue and gross margin for the three months ended March 31, 2024 and March 31, 2023.

	Three Months Ended March 31, (In thousands)			
	2024	2023	Change	
	$	$	$	%
Revenue	816	3,134	(2,318)	(74 %)
Cost of sales	483	1,172	(689)	(59 %)
Gross profit	333	1,963	(1,629)	(83 %)
Gross margin %	*41 %*	*63 %*	*(22 %)*	

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

	in thousands							
	2022			**2023**				**2024**
	Jun 30	**Sep 30**	**Dec 31**	**Mar 31**	**Jun 30**	**Sep 30**	**Dec 31**	**Mar 31**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Total expenses - IFRS	**3,331**	**2,936**	**3,210**	**3,053**	**3,330**	**3,086**	**4,479**	**2,575**
Share-based compensation	646	567	469	541	486	288	334	182
Interest on lease obligation of right-of-use assets	5	4	3	1	4	4	3	1
Accretion expense	389	463	425	370	389	411	493	538
Other income	(12)	-	-	-	(12)	(30)	(9)	-
Foreign exchange gain	57	(9)	354	(72)	57	(110)	143	(211)
Non-IFRS operating expenses	**2,246**	**1,911**	**1,959**	**2,212**	**2,407**	**2,523**	**3,515**	**2,065**

	in thousands							
	2022			**2023**				**2024**
	Jun 30	**Sep 30**	**Dec 31**	**Mar 31**	**Jun 30**	**Sep 30**	**Dec 31**	**Mar 31**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Research and development, net of investment tax credits and including amortization of licenses	1,158	985	928	995	1,195	1,409	1,154	1,040
Sales and marketing	258	224	280	269	252	271	325	279
General and administrative	875	635	684	881	891	762	1,947	657
Depreciation of right-of-use assets	113	60	60	60	60	60	60	60
Depreciation of property and equipment	10	7	8	8	8	21	28	28
Non-IFRS operating expenses	**2,414**	**1,911**	**1,959**	**2,212**	**2,407**	**2,523**	**3,515**	**2,065**

[3] 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 and the table below for reconciliation to measures reported in the Company's interim financial statements.

	in thousands							
	2022			**2023**				**2024**
	Jun 30	**Sep 30**	**Dec 31**	**Mar 31**	**Jun 30**	**Sep 30**	**Dec 31**	**Mar 31**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Net loss	(1,586)	(1,461)	(1,231)	(1,090)	(1,275)	(1,500)	(4,315)	(2,242)
Depreciation of right-of-use assets	113	60	60	60	60	60	60	60
Depreciation of property and equipment	10	7	8	8	8	21	28	28
Depreciation expense - COGS	18	31	35	35	30	31	31	32
Amortization - intangible assets	145	137	55	76	105	90	179	167
Share-based compensation	646	567	469	541	486	288	334	182
Interest on lease obligation of right-of-use assets	5	4	3	1	4	4	3	1
Accretion expense	232	463	425	370	389	411	493	538
Other income	-	-	-	-	(12)	(30)	(9)	-
Foreign Tax	-	-	(216)	-	-	-	(119)	-
Foreign exchange gain	34	(9)	354	(72)	57	(110)	143	(211)
Extingushment of original convertible debt	-	-	-	-	-	-	-	-
Other income	(217)	-	-	-	-	-	-	-
EBITDA	**(600)**	**(201)**	**(38)**	**(70)**	**(148)**	**(734)**	**(3,172)**	**(1,445)**

[4] This is forward-looking information and is based on a number of assumptions. See "Cautionary Notes," below.

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 anticipated increase in commercial orders in the second half of 2024 for its datacenter products, which is dependent on the success of various sampling efforts currently underway; 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, 2023. 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, Managing Director
Darrow Associates Investor Relations
mkreps@darrowir.com
214-597-8200

Spectra7 Microsystems Inc.
Dave Mier
Interim Chief Financial Officer
925-858-7011
ir@spectra7.com

View original content to download multimedia:
https://www.prnewswire.com/news-releases/spectra7-announces-financial-results-for-first-quarter-2024-302159933.html

SOURCE Spectra7 Microsystems Inc.

View original content to download multimedia: http://www.newswire.ca/en/releases/archive/May2024/30/c4458.html

%SEDAR: 00031105E

CO: Spectra7 Microsystems Inc.

CNW 17:00e 30-MAY-24