



July 13, 2016

DragonWave Reports First Quarter Fiscal Year 2017 Results

OTTAWA, CANADA--(Marketwired - July 13, 2016) - DragonWave Inc. (TSX:DWI)(NASDAQ:DRWI) a leading global supplier of packet microwave radio systems for mobile and access networks, today announced financial results for the first quarter of fiscal year 2017. All figures are in U.S. dollars and were prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

Revenue for the first quarter of fiscal year 2017 was \$12.5 million, compared with \$12.0 million in the fourth quarter of fiscal year 2016. Revenue from the Nokia channel represented 38% in the first quarter of this fiscal year, versus 47% in the fourth quarter of the prior fiscal year.

Gross profit before inventory provisions was 31.0% in the first quarter of fiscal year 2017, compared to 22.3% in the fourth quarter of fiscal year 2016. There were no inventory provisions taken in the first quarter of fiscal year 2017, while there was a \$3.2 million inventory provision taken in the fourth quarter of fiscal year 2016.

See "Non-GAAP Financial Measures" below for the most directly comparable measure to gross profit before inventory provisions when calculated in accordance with GAAP and presented in DragonWave's financial statements.

Operating expenses were reduced by \$0.3 million from \$7.6 million in the fourth quarter of fiscal year 2016 to \$7.3 million in the first quarter of the current fiscal year.

Net loss attributable to shareholders in the first quarter of fiscal year 2017 was (\$4.1) million or (\$1.23) per basic and diluted share. This compares to a net loss attributable to shareholders of (\$9.1) million or (\$3.02) per basic and diluted share in the fourth quarter of fiscal year 2016.

"Growth in our direct channel revenue and margin reflect the first results from the implementation of our renewal strategy to introduce new products and focus on higher margin regions." said DragonWave President & CEO, Peter Allen. "We continue to expect near term projects within our existing customer base to add to our North American foundation."

Cash and cash equivalents totaled \$4.0 million at the end of the first quarter of fiscal year 2017, compared to \$4.3 million at the end of the fourth quarter of fiscal year 2016.

Webcast and Conference Call Details:

The DragonWave management team will discuss the results on a webcast and conference call beginning at 8:30 a.m. Eastern Time on July 14, 2016.

The live webcast and presentation slides will be available at the Investor Relations section of the DragonWave website at: <http://investor.dragonwaveinc.com/events.cfm>

An archive of the webcast will be available at the same link.

Conference call dial-in numbers:

Toll-free North America Dial-in: (877) 312-9202

International Dial-in: (408) 774-4000

CONSOLIDATED BALANCE SHEETS

Expressed in US \$000's except share amounts

(Unaudited)

	As at May 31, 2016	As at February 29, 2016

Assets		
Current Assets		
Cash and cash equivalents	3,951	4,277
Trade receivables	15,000	18,986
Inventory	23,312	22,702
Other current assets	2,184	2,777

	44,447	48,742
Long Term Assets		
Property and equipment	3,402	3,702
Intangible assets	569	623

	3,971	4,325
Total Assets	48,418	53,067

Liabilities		
Current Liabilities		
Debt facility	18,867	22,152
Accounts payable and accrued liabilities	23,120	23,832
Deferred revenue	1,404	1,944

Deferred tax liability	267	294
Warrant liability	122	117

	43,780	48,339
 Long Term Liabilities		
Deferred revenue	464	498
Warrant liability	929	3

	1,393	501
 Commitments		
 Shareholders' equity		
Capital stock	223,969	221,128
Contributed surplus	9,450	9,235
Deficit	(222,325)	(218,225)
Accumulated other comprehensive loss	(9,618)	(9,618)

Total Shareholders' equity	1,476	2,520
 Non-controlling interests	1,769	1,707

Total Equity	3,245	4,227
 Total Liabilities and Equity	48,418	53,067

Shares issued & outstanding	3,620,567	3,020,069
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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Expressed in US \$000's except share and per share amounts

(Unaudited)

	Three months ended	
	May 31,	May 31,
	2016	2015
REVENUE		
Hardware and other	8,622	23,564
Services	3,923	2,776
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	12,545	26,340
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COST OF SALES		
Hardware and other	6,719	18,750
Services	1,934	1,746
Inventory provision	-	295
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	8,653	20,791
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Gross profit	3,892	5,549
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EXPENSES

Research and development	2,109	4,233
Selling and marketing	2,021	3,244
General and administrative	3,131	3,486
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	7,261	10,963
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Loss before other items	(3,369)	(5,414)
Amortization of intangible assets	(90)	(183)
Accretion expense	(35)	(71)
Interest expense	(382)	(531)
Warrant issuance expenses	(92)	-
Fair value adjustment - warrant liability	244	522
Foreign exchange loss	(152)	(80)
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Loss before income taxes	(3,876)	(5,757)
Income tax expense	162	67
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Net loss and comprehensive loss	(4,038)	(5,824)
Net income attributable to non-controlling interest	(62)	(130)
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Net loss and comprehensive loss attributable to shareholders	(4,100)	(5,954)
Net loss and comprehensive loss per share		

Basic and diluted	(1.23)	(1.98)
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Weighted average shares outstanding

Basic and diluted	3,346,378	3,011,941
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About DragonWave

DragonWave(R) is a leading provider of high-capacity packet microwave solutions that drive next-generation IP networks. DragonWave's carrier-grade point-to-point packet microwave systems transmit broadband voice, video and data, enabling service providers, government agencies, enterprises and other organizations to meet their increasing bandwidth requirements rapidly and affordably. The principal application of DragonWave's products is wireless network backhaul, including a range of products ideally suited to support the emergence of underlying small cell networks. Additional solutions include leased line replacement, last mile fiber extension and enterprise networks. DragonWave's corporate headquarters are located in Ottawa, Ontario, with sales locations in Europe, Asia, the Middle East and North America. For more information, visit <http://www.dragonwaveinc.com>.

DragonWave(R), Horizon(R) and Avenue(R) are registered trademarks of DragonWave Inc.

Non-GAAP Financial Measures

This press release contains certain information that is not consistent with financial measures prescribed under GAAP. We break out "Gross profit before inventory provisions" as this measure allows management to evaluate our operational performance and compare to prior periods more effectively. "Gross profit before inventory provisions" does not have any standardized meaning prescribed by GAAP, it is therefore unlikely to be comparable to similar measures presented by other issuers and is not designed to replace other measures of financial performance or the statement of operations as an indicator of performance. This measure should not be considered in isolation or as a substitute for other measures of performance calculated according to GAAP. We believe that it is useful to compare gross profit results without the impact of inventory provisions, since our inventory provisions generally relate to technical obsolescence and excess due to market changes. We believe this non-GAAP measure also provides investors with a better ability to understand our operational performance. We calculate "Gross profit before inventory provisions" consistently over each fiscal period.

The most directly comparable GAAP measure presented in our consolidated financial statements for the three months ended May 31, 2016 to "Gross profit before inventory provisions" is "Gross profit".

Forward-Looking Statements

Certain statements in this release constitute forward-looking statements or forward-looking information as defined by applicable securities laws. Forward-looking statements include statements as to DragonWave's forward opportunities and the potential benefits of, and demand for: DragonWave's products; DragonWave's strategy and ability to execute on that strategy; and the outcome of DragonWave's restructuring efforts. These statements are subject to certain assumptions, risks and uncertainties, including our view of the relative position of DragonWave's products compared to competitive offerings in the industry, and our ongoing efforts to manage our cash flows.

Forward-looking statements are provided to help external stakeholders understand DragonWave's expectations as of the date of this release and may not be appropriate for other purposes. Readers are cautioned not to place undue reliance on such statements. DragonWave's actual results, performance, achievements and developments may differ materially from the results, performance, achievements or developments expressed or implied by such statements, as a result of the risks identified above as well as other risks identified in our publicly filed documents. Material risks and uncertainties relating to our business are described under the heading "Risks and Uncertainties" in the MD&A dated July 13, 2016 and in the Company's Annual Information Form and other public documents filed by DragonWave with Canadian and United States securities regulatory authorities, which are available at www.sedar.com and www.sec.gov, respectively. DragonWave assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

FOR FURTHER INFORMATION PLEASE CONTACT:

Investor Contact:

Peter Allen

President & CEO

DragonWave Inc.

investor@dragonwaveinc.com

+1-613-599-9991 ext 2222

Media Contact:

Nadine Kittle

Marketing Communications

DragonWave Inc.

nkittle@dragonwaveinc.com

+1-613-599-9991 ext 2262

Media Contact:

Becky Obbema

Interprose Public Relations (for DragonWave)

Becky.Obbema@interprosepr.com

Tel: +1-408-778-2024

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