



September 14, 2016

## **Frequency Electronics, Inc. Announces First Quarter Fiscal Year 2017 Results**

MITCHEL FIELD, N.Y., Sept. 14, 2016 (GLOBE NEWSWIRE) -- Frequency Electronics, Inc. (NASDAQ:FEIM) reported revenues for the first quarter of fiscal 2017, which ended July 31, 2016, of \$12.7 million as compared to \$16.7 million in the same quarter of fiscal 2016. The Company recorded operating loss of \$796,000 for the quarter ended July 31, 2016, compared to an operating profit of \$941,000 in the first quarter of fiscal 2016. Net loss for the first quarter of fiscal 2017 was \$706,000 or (\$0.08) per diluted share compared to net income of \$891,000 or \$0.10 per diluted share for the first quarter of the prior year.

Commenting on the Company's performance and business outlook, Chairman of the Board Joel Girsky said: "Profit in the satellite business area was not sufficient to offset operating losses at the Company's subsidiaries, in particular Gillam-FEI in Belgium and FEI-Elcom. Since the end of the previous quarter FEI-Elcom has received orders with initial funding aggregating over \$1 million on two long term military programs which hold the promise of large increases in revenue and profitability for this business unit. As previously announced, management is working to rationalize subsidiary operations as quickly and cost-effectively as possible. Backlog rose again continuing the trend from Q3 and year end of fiscal 2016. Our principal customers continue to predict a substantial pick-up in program releases later this calendar year. Accordingly we anticipate increases in satellite payload contract awards as well as secure communications revenues going forward this fiscal year."

### **Selected Fiscal 2017 Financial Metrics and Other Items**

- | Revenues from commercial and U.S. Government satellite payload programs decreased approximately \$3.2 million compared to the same period of fiscal 2016. Commercial and U.S. Government satellite payload programs accounted for approximately 50% of consolidated revenues, compared to 55% in the prior year.
- | Sales for U.S. Government/DOD, non-space end use accounted for more than 25% of consolidated revenues compared to 20% of revenues for the same quarter of last year. We anticipate sales in this business area to remain at or above current levels during the balance of the year.
- | Total revenues from combined U.S. Government space and non-space programs accounted for more than half of consolidated revenues, based on current backlog and anticipated new booking trend we expect this level to be maintained or increased over the remainder of fiscal year 2017.
- | Gross margin rate for the quarter ended July 31, 2016 decreased to 32.4% as compared to 33.8% during the fourth quarter of fiscal 2016 and to 34.6% during the first quarter of last year. The first quarter gross margin and operating profit was affected by the decrease in sales resulting in an increase of unabsorbed overhead, additionally the product mix included a higher component cost relating to a multi-year low margin contracts expected to be completed in this fiscal year.
- | Research and development expense rose to \$1.6 million in the first quarter particularly with respect to affordable secure communication products. Increased sales orders incorporating results of those efforts are expected in this current second quarter bookings.
- | Backlog at the end of the quarter was \$36 million up from \$32 million at year end and \$22 million at the end of the preceding quarter of fiscal 2016.

### **Investor Conference Call**

As announced on September 13, 2016, the Company will hold a conference call to discuss these results on Monday, September 19, 2016, at 1:30 PM Eastern Time. Investors and analysts may access the call by dialing 1-877-407-9205. International callers may dial 1-201-689-8054. Ask for the Frequency Electronics conference call.

The call will be archived on the Company's website through October 18, 2016. The archived call may also be retrieved at 1-877-481-4010 (domestic) or 1-919-882-2331 (international) using Conference ID #: 13645536.

### **About Frequency Electronics**

Frequency Electronics, Inc. is a world leader in the design, development and manufacture of high precision timing, frequency control and synchronization products for space and terrestrial applications. Frequency's products are used in satellite payloads and in other commercial, government and military systems including C4ISR markets, missiles, UAVs, aircraft, GPS, secure radios, energy exploration and wireline and wireless communication networks. Frequency has received over 100 awards of excellence for achievements in providing high performance electronic assemblies for over 150

space and DOD programs. The Company invests significant resources in research and development and strategic acquisitions world-wide to expand its capabilities and markets.

Frequency's Mission Statement: "Our mission is to provide precision time and low phase noise frequency generation systems from 1 Hz to 46 GHz, for space and other challenging environments."

Subsidiaries and Affiliates: Gillam-FEI provides expertise in network synchronization and monitoring; FEI-Zyfer provides GPS and secure timing ("SAASM") capabilities for critical military and commercial applications; FEI-Asia provides cost effective manufacturing capabilities; FEI-Elcom Tech provides added resources for state-of-the-art RF microwave products. Frequency's Morion affiliate supplies high-quality, cost effective oscillators and components. Additional information is available on the Company's website: [www.frequencyelectronics.com](http://www.frequencyelectronics.com)

**Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995:**

The Statements in this press release regarding the future constitute "forward-looking" statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, inability to integrate operations and personnel, actions by significant customers or competitors, general domestic and international economic conditions, consumer spending trends, reliance on key customers, continued acceptance of the Company's products in the marketplace, competitive factors, new products and technological changes, product prices and raw material costs, dependence upon third-party vendors, competitive developments, changes in manufacturing and transportation costs, the availability of capital, and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission. By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this release.

**Frequency Electronics, Inc. and Subsidiaries  
Condensed Consolidated Statement of Operations**

	Quarter Ended July 31,	
	2016	2015
	(unaudited)	
	(in thousands except per share data)	
Revenues	\$ 12,708	\$ 16,680
Cost of Revenues	8,594	10,907
Gross Margin	4,114	5,773
Selling and Administrative	3,326	3,685
Research and Development	1,584	1,147
Operating (Loss) Profit	(796)	941
Interest and Other, Net	50	650
(Loss) Income before Income Taxes	(746)	1,591
Income Tax (Benefit) Provision	(40)	700
Net (Loss) Income	<u>\$ (706)</u>	<u>\$ 891</u>
Net (Loss) Income per Share:		
Basic	<u>\$ (0.08)</u>	<u>\$ 0.10</u>
Diluted	<u>\$ (0.08)</u>	<u>\$ 0.10</u>
Average Shares Outstanding		
Basic	<u>8,762</u>	<u>8,706</u>
Diluted	<u>8,762</u>	<u>8,984</u>

## Condensed Consolidated Balance Sheets

	July 31, 2016	April 30, 2016
	(unaudited)	
	(in thousands)	

### **ASSETS**

Cash & Marketable Securities	\$ 15,597	\$ 17,193
Accounts Receivable	9,518	9,000
Costs and Estimated Earnings in Excess of Billings, net	12,044	12,377
Inventories	42,582	41,278
Other Current Assets	4,935	4,463
Property, Plant & Equipment	13,430	13,072
Other Assets	22,405	22,831
	<u>\$ 120,511</u>	<u>\$ 120,214</u>

### **LIABILITIES AND STOCKHOLDERS' EQUITY**

Current Liabilities	\$ 9,119	\$ 8,758
Long-term debt	6,000	6,000
Other Long-term Obligations	12,741	12,104
Stockholders' Equity	92,651	93,352
	<u>\$120,511</u>	<u>\$ 120,214</u>

Contact information: Martin Bloch, President, Chief Executive Officer  
TELEPHONE: (516) 794-4500  
WEBSITE: [www.frequencyelectronics.com](http://www.frequencyelectronics.com)