



March 16, 2017

Frequency Electronics, Inc. Announces Third Quarter Fiscal Year 2017 Results

MITCHEL FIELD, N.Y., March 16, 2017 (GLOBE NEWSWIRE) -- Frequency Electronics, Inc. (NASDAQ:FEIM) reported revenues for the third quarter of fiscal 2017, which ended January 31, 2017, of \$12.8 million as compared to \$13.5 million in the same quarter of fiscal 2016. Revenues for the first nine months of fiscal 2017 were \$38.1 million compared to \$46.1 million recorded in the same period of the prior year.

The Company recorded an operating loss of \$946,000 for the quarter ended January 31, 2017, compared to an operating profit of \$272,000 in the third quarter of fiscal 2016. Operating loss for the first nine months of fiscal year 2017 was \$3.1 million compared to an operating profit of \$1.3 million in the first nine months of fiscal year 2016.

Net income for the third quarter of fiscal 2017 was \$338,000 or \$0.04 per diluted share compared to \$282,000 or \$0.03 per diluted share for the third quarter of the prior year. For the year to date, net loss was \$1.4 million or (\$0.16) per diluted share, compared to net income of \$1.1 million or \$0.12 per diluted share.

Commenting on these results and the business outlook, Chairman of the Board Joel Girsky said:

"FEI was nominally profitable this past quarter due to tax benefits. We did not achieve the operating profit we anticipated primarily because of continued postponements and delays in new satellite orders. We expect increasing profit in our current fourth quarter ending April 30th, 2017 and remain confident the cost reductions implemented to date have taken hold and will bear fruit going forward.

"At last week's Satellite Industry Conference, a major customer of ours compared the current prolonged pause in worldwide commercial geostationary communication satellite purchases to the steep decline last experienced in 2004. The report identified three factors driving order postponements: 1. Business plans are being reworked in response to the prospect of large low-orbit constellations along with dynamic technological innovations, for both of which FEI is taking aggressive steps to contribute, participate and prosper. 2. Significant launch delays aggravate the problem, over which FEI has no control. 3. Financing orders has been the third problem, exemplified by Ex-im Bank's political inability to fund, which capability we believe will be restored in the near future.

"FEI's high operating leverage is clearly demonstrated in our recent financial results. That leverage provides large benefits from typical sized satellite orders when increased revenues are realized.

"A record backlog at FEI-Zyfer addresses FEI's large target market in command, control and communications security. The backlog combines unique FEI and FEI-Zyfer proprietary technology enabling state of the art affordable solutions to critical security issues.

"FEI-Elcom Tech is expected to generate profit in this current quarter substantially offsetting operating losses in the prior nine months.

"During the balance of this fiscal year we will continue to focus on expanding markets. We are actively negotiating steps to phase out of the wire-line, copper based, network infrastructure business area which is no longer a factor in our anticipated future growth."

Fiscal 2017 Selected Financial Metrics and Other Items:

- 1 For the nine months ended January 31, 2017, satellite payload revenues both US Government/DOD and Commercial were \$16.8 million and accounted for approximately 44% of consolidated revenues compared to \$26.9 million and 58% of consolidated revenues for the same prior year period, a \$10.1 million decline.
- 1 For the nine months ended January 31, 2017, sales for U.S. Government/DOD, non-space end use were \$12.9 million and accounted for approximately 34% of consolidated revenues compared to \$10.8 million and 23% of revenues for the same period last year.
- 1 For the nine months ended January 31, 2017, sales for Network Infrastructure and other applications were \$8.4 million comparable to the \$8.5 million for the same period last year.

- l Gross margin rate for the nine months ended January 31, 2017 decreased to 31.4% as compared to 34.0% during the nine months of the same period last year. The decline in gross margin rate resulted primarily from a decrease in sales and a higher cost product mix.
- l Research and development expense for the nine months ended January 31, 2017 was \$5.1 million compared \$4.4 million during the same period in the prior year. During intervals of lower customer shipments the company allocated increased available engineering resources to R&D projects.
- l Backlog at January 31, 2017 was \$42.2 million up from \$31.7 million at year end of the prior fiscal year.

Investor Conference Call

As previously announced, the Company will hold a conference call to discuss these results on Thursday, March 16, 2017, at 10:30 AM 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 April 15, 2017. The archived call may also be retrieved at 1-877-660-6853 (domestic) or 1-201-612-7415 (international) using Conference ID #: 13657711.

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

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

	Nine Months ended		Quarter Ended	
	January 31,		January 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(unaudited)			
	(in thousands except per share data)			
Revenues	\$38,118	\$46,182	\$12,796	\$13,498
Cost of Revenues	26,167	30,459	9,071	8,773

Gross Margin	11,951	15,723	3,725	4,725
Selling and Administrative	9,893	10,067	3,296	3,151
Research and Development	5,147	4,395	1,375	1,302
Operating (Loss) Profit	(3,089)	1,261	(946)	272
Interest and Other, Net	305	743	96	30
(Loss) Income before Income Taxes	(2,784)	2,004	(850)	302
Income Tax Provision	(1,392)	900	1,188	20
Net (Loss) Income	<u>\$ (1,392)</u>	<u>\$ 1,104</u>	<u>\$ 338</u>	<u>\$ 282</u>

Net (Loss) Income per Share:

Basic	<u>\$ (0.16)</u>	<u>\$ 0.13</u>	<u>\$ 0.04</u>	<u>\$ 0.03</u>
Diluted	<u>\$ (0.16)</u>	<u>\$ 0.12</u>	<u>\$ 0.04</u>	<u>\$ 0.03</u>
Average Shares Outstanding				
Basic	<u>8,780</u>	<u>8,723</u>	<u>8,797</u>	<u>8,736</u>
Diluted	<u>8,780</u>	<u>8,948</u>	<u>8,980</u>	<u>8,925</u>

Frequency Electronics, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

January 31, April 30,
2016 2016
(unaudited) (audited)
(in thousands)

ASSETS

Cash & Marketable Securities	\$ 10,689	\$ 17,193
Accounts Receivable	7,587	9,000
Costs and Estimated Earnings in Excess of Billings, net	9,210	12,377
Inventories	41,169	41,278
Other Current Assets	7,042	4,463
Property, Plant & Equipment	14,766	13,072
Other Assets	22,336	22,831
	<u>\$ 112,799</u>	<u>\$120,214</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	\$ 6,441	\$ 8,758
Long-term debt	-	6,000
Other Long-term Obligations	13,214	12,104
Stockholders' Equity	93,144	93,352
	<u>\$ 112,799</u>	<u>\$120,214</u>

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