

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Giga-tronics Incorporated (GIGA)



JOHN R. REGAZZI has been Chief Executive Officer and a Director of Giga-tronics Incorporated since April 2006. Prior to joining Giga-tronics in June 2001 as the Vice President of Engineering, Mr. Regazzi spent 22 years with Hewlett-Packard/Agilent in a wide range of design, product development and technology leadership positions. He has served as R&D Project Manager, R&D Section Manager and Solutions Architect. Mr. Regazzi holds a BSEE from Rutgers University and an MSEE from Lehigh University.



PATRICK J. LAWLOR has been Vice President, Finance, Chief Financial Officer and Secretary of Giga-tronics Incorporated since February 2007. He was previously a Consultant to PDL BioPharma, Inc, and from 2000 to 2004 he was the Vice President, Chief Financial Officer at SaRonix, LLC, a \$90 million private company with international facilities. From 1998 to 1999 he was the Chief Financial Officer with Aerojet Fine Chemicals, LLC, a \$65 million subsidiary of GenCorp, and from 1996 to 1997 he was the Vice President of Finance with Systems Chemistry, Inc. Prior to that, Mr. Lawlor spent 23 years with Westinghouse Electric Corporation, where he rose through numerous positions among various divisions, with his final position as Vice President of Finance and Controller. He attended Northeastern University in Boston, Massachusetts, where he received his BSBA degree in Management. He received an MBA degree in Finance from Drexel University in Philadelphia, Pennsylvania.

TWST: What is Giga-tronics?

Mr. Regazzi: Giga-tronics was founded in 1980 as a startup. Many of the key people came from a company called Systron Donner Corp., a test and measurement company. So the roots of Giga-tronics go way back in the test and measurement area. The initial product was a frequency synthesizer. There was some very successful business done with the United States Navy, and that's really what launched the company. Giga-tronics went public in 1983, and has over the years acquired a number of related products, such as other synthe-

sizer product lines from Fluke and our power measurement products from Wavetek. In the mid- to late 1990s, we acquired a number of other businesses; one was ASCOR Inc., which develops switching products, and another one was Microsource Inc., a microwave component supplier. That basically makes up the company as it is today. Along the way, there were some other acquisitions, but we have divested those to date. Right now, the company has completed a consolidation of its operations into two facilities in San Ramon and Santa Rosa, California, and we are roughly \$20 million in annual revenue.

TWST: If we were speaking 12 or 18 months ago, what was the list of things to do for Giga-tronics? What did you accomplish?

Mr. Regazzi: Twelve to 18 months ago, we were operating as three separate divisions and the company was coming off a decline in its business, posting rather severe losses. The agenda at that time was to get back to profitability and the path we chose was to consolidate our operations, which was a major undertaking. I would say the biggest accomplishment was creating a single leadership team rather than having three separate independent organizations.

TWST: As investors track and assess your performance, what are the key metrics or events they should be focused on? What should matter to the investor? What matters to you?

Mr. Lawlor: There are really two metrics: earnings and orders. After restructuring, we needed to be profitable and that would be one of the benchmarks that should be used to ensure that we are on course. Also, we beefed up the sales organization, and we should watch our orders to ensure that we're meeting that performance and growing.

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TWST: What is the business focus at this point? As you've consolidated those three areas, do they work together? Is it a synthesis?

Mr. Regazzi: Yes, we are evolving in that direction. Up until this time, there were three separate agendas and the businesses were run rather independently. For example, the instrument operation was not really taking advantage of the expertise in our component division, and by pulling things together now we are taking advantage of those synergies. The switching business is being promoted now along with the instrument business, trying to promote total solutions. As new development is going on, the component groups are aiming at the needs of our instruments. We are getting much better synergy.

TWST: What is the financial snapshot at this point, the balance sheet and P&L? What are the strengths? What are you focused on for improvement? Are there funding needs to address?

Mr. Lawlor (CFO): We have gone through a series of losses the past couple of years and subsequent to the restructuring, we have turned the corner. We have been profitable for the past couple of quarters, and we expect that trend to continue. Now our focus has been turned to orders and the front end of the business. We've just recently hired a VP of Sales and Marketing, who has very strong ties to Asia. We believe that that is one of our weakest areas, so that's where we want to address some of our attentions. The company currently has no debt. It has a very good working capital ratio of almost 4:1. And we have a line of credit in place sufficient for us to continue to grow.

TWST: Introduce us to your top-level management team, two or three of your key individuals including yourselves.

Mr. Regazzi: I will start with myself. I've spent 22 years with Hewlett-Packard and Agilent, working as an engineer and then moving into a management role, where I was responsible for synthesizers and microwave signal generation products. In mid 2001, I joined Giga-tronics as their Engineering Manager and was immediately able to help out with important technical issues. And because I knew a lot about the products and the industry, I was also able to help the business out in a broader way. I've ended up helping lead the company now as their Chief Executive Officer. A key person who is helping me accomplish that is Mr. Patrick Lawlor and I will let him describe his background.

Mr. Lawlor: I have been with Westinghouse for 23 years and culminated with being a VP of Finance for one of their divisions. Subsequent to that, I've been VP Finance or CFO for Systems Chemistry, Aerojet Fine Chemicals, SaRonix and now with Giga-tronics. I've had a considerable amount of M&A-type work within those companies and for PDL BioPharma.

Mr. Regazzi: Thinking about the key people who I would like to introduce to you, one of them is Mr. Jeffrey Lum. He is heading up our switching business. He started more than 30 years ago, working on high-speed oscilloscopes, and it's a very interesting story. While selling his product, he was many times accused by customers of having deficiencies in his oscilloscopes but it turned out his customers were having problems with their switching sys-

tems. He ended up migrating over to the switching business and he has had a very successful career in that environment for a long time. He is very familiar with switching solutions and with his customer's problems. He has been a key person in leading that business for us. We're looking forward to growing that and we believe it will be a big component of our future growth.

The second individual who I would like to introduce is Mr. Cheng Qu who is a native of Shanghai, China, although he is an American citizen at this point. He has been in the country about 17 years. He was educated in Shanghai as a software engineer and he has spent time in the US with NOKIA and NEC in Texas before joining Giga-tronics in 2000. The reason he is very key is that more and more of the value of our products is now embodied in the firmware and software within our products. A real focus for us in the future is to emphasize the software more as part of our product offering. Mr. Qu has helped me build a strong embedded firmware and Windows-based software engineering team here within this hardware company. We're looking forward to improved growth and margins based upon having more software as part of our products.

TWST: What historically has been the shareholder base with Giga-tronics? Has that base undergone any recent changes?

Mr. Lawlor: No, our shareholder base has been relatively stable, with a low institutional profile and with many long-term holders of our stock. In the past two years our stock has fluctuated from a high of \$7 down to the \$1 range and currently it is around \$2.

TWST: In your discussions with the investment community, are there any recurring questions or misperceptions? Is the Giga-tronics story understood?

Mr. Regazzi: I would start by describing what the perception is today. We're viewed as a mature company. We have been in business 27 years. We haven't grown substantially. We've basically been focused on the defense market. I think most of that is relatively accurate. I think the most overlooked things are that we actually have a broader product offering than synthesizers and power meters. The names of Microsource and ASCOR are not as well known as Giga-tronics. So we're moving toward promoting the company under one name as opposed to three separate names. I also think the investment community doesn't realize that we build and market components as well. We have all of these things to help our growth in addition to our instruments.

TWST: What is the agenda at this point? If you look out over the next 12 to 24 months, what are the priorities? What would make that time frame a success?

Mr. Lawlor: John has restructured the organization and put in an ERP system that will help us focus the business. Currently, we have two of the three companies under the new ERP system and

the third one should be completed in March 2008. We think that this will create efficiencies for us both in operations and order taking. We will more easily be able to generate synergistic sales from one of our companies to another. They can pull the other company's products through the sales channel.

TWST: As you have gone through this process, have you identified areas where additional M&A might be beneficial to Giga-tronics? Are there potentially areas to build on or to add from outside?

Mr. Regazzi: Yes. The company's traditional products have attributes that appeal mostly to the defense community. So over the years, Giga-tronics has acquired products to get us more into commercial markets. We have achieved some success there with our Power Measurement product line. If we get involved in more M&A, it would be to fill in the gaps we have in our product offerings and try to get more things that can help us address the commercial markets rather than defense only.

TWST: What today compels investors to review Giga-tronics and include it not only as part of their current portfolios but also as part of their longer-term investment strategies?

Mr. Regazzi: I have a vision of test and measurement products as peripherals to a computer rather than as autonomous appliances. This will allow us to focus maximum effort on the measurement science contribution while leveraging the full computing advances available through the PC. The resulting test assets exhibit higher performance in automatic systems than their box counterparts and reduce the incremental acquisition cost of complex measurements. This will position our company to sell solutions and software in addition to our traditional hardware components, switching and instruments.

TWST: Thank you.

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