

Tel-Instrument Electronics Corp. Reports Financial Results For Third Quarter FY 2023

East Rutherford, NJ – February 13, 2023 – Tel-Instrument Electronics Corp. (“Tel-Instrument,” “TIC,” or the “Company”) (OTCQB: TIKK), a leading designer and manufacturer of avionics test and measurement solutions, today reported a net income of \$393K (\$0.10 per basic and \$0.08 per diluted share) on revenues of \$2.3 million for the third quarter of 2023 fiscal year, ended December 31, 2022.

Notes On Third Quarter:

- Revenues for the third quarter were \$2.3 million, a 27% decline from \$3.2 million in the year ago quarter.
- Gross margin percentage declined to 38% versus 44% in the year ago quarter. This decline was mainly volume related.
- Operating expenses decreased by \$156K, a 14% decline versus the year ago quarter.
- Operating loss was \$66K as compared to an operating profit of \$293K in the year ago quarter.
- Other income (expense) was \$563K income as compared to \$51K expense in the prior year ago quarter. The third quarter results included a \$628K Employee Retention Tax Credit (“ERTC”).
- Net income was \$393K or \$0.10 per share, compared to net income of \$195K or \$0.04 per share in the year-ago quarter.
- Backlog increased to \$5.6 million at the end of the third quarter, a \$2.3 million increase from the prior quarter-end.
- Low-rate initial production of the SDR/OMNI commenced in December 2022.
- Aeroflex appeal hearing is set for March 30, 2023.

Mr. Jeffrey O’Hara, Tel-Instrument’s President and CEO commented, “This has been the fourth consecutive quarter that has been negatively impacted by parts shortages. Due to the chip shortage situation, vendor lead times have tripled to as long as nine months in some cases. This prevented us from shipping certain high dollar orders in the last quarter. We have been ordering additional components from our vendors to mitigate the impact of extended lead times. This has resulted in an inventory increase of almost \$500K since the start of the year. We expect to have sufficient parts on hand to reach normal production levels starting in the first quarter of Fiscal Year 2024 which starts in April. We also have several major contracts pending, including a large AN/USM-708 order for the F-35 program and a follow-on T-4530i order from Germany. With the commencement of SDR/OMNI shipments, we are projecting a return to solid profitability next fiscal year and strong revenue and profitability growth once we start shipping Navy CRAFT ECP Upgrade KITS.

We are extremely excited by the prospects of the SDR/OMNI which commenced initial low-rate production in December. We continue to conduct product demonstrations with the major Primes (“major customers”) and airlines. The reaction from all customers has been extremely positive. We expect to ship \$300K of these test sets in the fourth quarter. The SDR/OMNI is the only multi-purpose avionic test set in the market that meets Class 1 military environmental specification. We believe that this will be a strong competitor in both commercial and military avionic and communication test set

markets.

The CRAFT ECP contract will be critical for the Company as this is expected to generate millions of dollars of annual production revenues, starting when the engineering work is completed. The CRAFT engineering effort is a funded \$2.9 million program and is expected to take two years to complete. The next major milestone is the Critical Design Review (“CDR”) which is scheduled to take place in April 2023. This will generate almost \$700K of non-recurring engineering revenues. The Lockheed Martin F-35 MADL Test Set development program has been completed. This is expected to generate ongoing production revenues in the \$600K-\$700K range. Finally, we have been in negotiations with the U.S. Army on a software upgrade for the TS-4530A product to include new functionality such as Mode 5 Level 2B and compatibility with European CCI (“COMSEC Controlled Item”) devices. This software upgrade effort is expected to result in a funded engineering program.

The Aeroflex appeal hearing has been set for March 30, 2023 with a final decision expected this summer. We believe that we have excellent arguments to reduce or reverse the judgment. Regardless of the outcome, we look forward to resolving this case and stopping the accrual of judgment interest.”

About Tel-Instrument Electronics Corp.

Tel-Instrument is a leading designer and manufacturer of avionics test and measurement solutions for the global commercial air transport, general aviation, and government/military aerospace and defense markets. Tel-Instrument provides instruments to test, measure, calibrate, and repair a wide range of airborne navigation and communication equipment. For further information please visit our website at www.telinstrument.com .

This press release includes statements that are not historical in nature and may be characterized as “forward-looking statements,” including those related to future financial and operating results, benefits, and synergies of the combined companies, statements concerning the Company’s outlook, pricing trends, and forces within the industry, the completion dates of capital projects, expected sales growth, cost reduction strategies, and their results, long-term goals of the Company and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. All predictions as to future results contain a measure of uncertainty and, accordingly, actual results could differ materially. Among the factors which could cause a difference are: changes in the general economy; changes in demand for the Company’s products or in the cost and availability of its raw materials; the actions of its competitors; the success of our customers; technological change; changes in employee relations; government regulations; litigation, including its inherent uncertainty; difficulties in plant operations and materials; transportation, environmental matters; and other unforeseen circumstances. A number of these factors are discussed in the Company’s previous filings with the U.S. Securities and Exchange Commission. The Company disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this press release. The safe harbor for forward-looking statements contained in the Securities Litigation Reform Act of 1995 (the “Act”) protects companies from liability for their forward-looking statements if they comply

with the requirements of the Act.

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TEL-INSTRUMENT ELECTRONICS CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

December 31,

2022

March 31,

2022

(unaudited)

ASSETS

Current assets:

Cash

\$

3,292,547

\$

4,949,690

Accounts receivable, net

1,270,353

1,049,040

Inventories, net

3,311,159

2,820,497

Restricted cash to support appeal bond

2,011,050

2,011,050

Prepaid expenses and other current assets

967,612

244,040

Total current assets

10,852,721

11,074,317

Equipment and leasehold improvements, net

81,921

115,338

Operating lease right-of-use assets

1,575,377

1,720,921

Deferred tax asset, net

2,584,036

2,499,587

Other long-term assets

35,109

35,109

Total assets

\$

15,129,164

\$

15,445,272

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:

Operating lease liabilities – current portion

\$

200,148

\$

194,370

Accounts payable

563,414

406,489

Deferred revenues - current portion

167,672

119,835

Accrued expenses -vacation pay, payroll and payroll withholdings

217,461

410,538

Accrued legal damages

6,291,226

6,097,273

Accrued expenses - other

270,107

174,145

Total current liabilities

7,710,028

7,402,650

Operating lease liabilities – long-term

1,375,229

1,526,551

Deferred revenues – long-term

195,814

289,071

Total liabilities

9,281,071

9,218,272

Commitments and contingencies

Stockholders' equity:

Preferred stock, 1,000,000 shares authorized, par value \$0.10 per share

Preferred stock, 500,000 shares 8% Cumulative Series A Convertible Preferred
authorized, issued and outstanding, par value \$0.10 per share

3,815,998

3,695,998

Preferred stock, 166,667 shares 8% Cumulative Series B Convertible Preferred
authorized, issued and outstanding, par value \$0.10 per share

1,187,367

1,147,367

Common stock, 7,000,000 shares authorized, par value \$0.10 per share,
3,255,887 and 3,255,887 shares issued and outstanding, respectively

325,586

325,586

Additional paid-in capital

6,797,056

7,018,353

Accumulated deficit

(6,277,914

)

(5,960,304

)

Total stockholders' equity

5,848,093

6,227,000

Total liabilities and stockholders' equity

\$

15,129,164

\$

15,445,272

TEL-INSTRUMENT ELECTRONICS CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

Three Months Ended

Nine Months Ended

December 31,

2022

December 31,

2021

December 31,
2022

December 31,
2021

Net sales

\$

2,328,254

\$

3,171,532

\$

6,594,768

\$

10,914,787

Cost of sales

1,434,547

1,763,739

4,312,405

5,824,341

Gross margin

893,707

1,407,793

2,282,363

5,090,446

Operating expenses:

Selling, general and administrative

578,077

523,966

1,613,021

1,674,618

Litigation expenses

10,860

17,145

12,102

21,545

Engineering, research, and development

370,795

574,118

1,502,534

1,950,545

Total operating expenses

959,732

1,115,229

3,127,657

3,646,708

(Loss) income from operations

(66,025

)

292,564

(845,294

)

1,443,738

Other income (expense):

Interest income

5,664

996

8,787

2,977

Other income

628,400

-

628,400

35,854

Gain on forgiveness of PPP loan

-

-

-

722,577

Interest expense – judgement

(71,016)

)

(52,490

)

(193,952

)

(156,901

)

Total other net income (expense)

563,048

(51,494

)

443,235

604,507

Income (loss) before income taxes

497,023

241,070

(402,059

)

2,048,245

Income tax expense (benefit)

104,396

46,448

(84,449

)

278,446

Net income (loss)

392,627

194,622

(317,610

)

1,769,799

Preferred dividends

(80,000

)

(80,000

)

(240,000

)

(240,000

)

Net income (loss) attributable to common shareholders

\$

312,627

\$

114,622

\$

(557,610

)

\$

1,529,799

Basic net income (loss) per common share

\$

0.10

\$

0.04

\$

(0.17

)

\$

0.47

Diluted net income (loss) per common share

\$

0.08

\$

0.04

\$

(0.17

)

\$

0.35

Weighted average shares outstanding:

Basic

3,255,887

3,255,887

3,255,887

3,255,887

Diluted

5,155,665

5,095,665

3,255,887

5,095,665

