



July 8, 2015

## DragonWave Reports First Quarter Fiscal Year 2016 Results

OTTAWA, CANADA -- (Marketwired) -- 07/08/15 -- 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 2016. 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 2016 was \$26.3 million, compared with \$43.7 million in the fourth quarter of fiscal year 2015 and \$28.8 million in the first quarter of fiscal year 2015. Revenue from the Nokia channel represented 52% of revenue in the first quarter of this fiscal year, versus 46% in the fourth quarter of fiscal year 2015 and 61% in first quarter of fiscal year 2015.

Gross profit in the first quarter of fiscal year 2016 was 21.1%, compared with 19.4% in the fourth quarter of fiscal year 2015 and 20.5% in the first quarter of fiscal year 2015.

Net loss attributable to shareholders in the first quarter of fiscal year 2016 was (\$6.0) million or (\$0.08) per basic and diluted share. This compares to a net loss attributable to shareholders of (\$2.3) million or (\$0.03) per basic and diluted share in the fourth quarter of fiscal year 2015 and (\$6.6) million or (\$0.11) per basic and diluted share in the first quarter of fiscal year 2015.

Key achievements in the quarter include:

- DragonWave Harmony Enhanced solution selected for 3G/4G network in India;
- Scaled the manufacturing run rate of our Harmony Enhanced product in response to strong market demand;
- Received additional multi-million dollar turnkey purchase orders from pan-India broadband service provider;
- Received first small-cell order for another Tier 1 North American carrier; and
- Small cell trial activity is increasing with fifteen active trials worldwide.

"We are pleased with the increased demand as we move into our second quarter. Momentum is such that we anticipate revenue growth of between 30% and 60% in Q2 relative to Q1. From a full year outlook perspective, the start to the year has not been as strong as expected, but we anticipate solid growth in the second half," said DragonWave President and CEO, Peter Allen.

Cash and cash equivalents totaled \$18.9 million at the end of the first quarter of fiscal year 2016, compared to \$23.7 million at the end of the fourth quarter of fiscal year 2015.

### **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 9, 2015.

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

### **About DragonWave**

DragonWave® 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 is located in Ottawa, Ontario, with sales locations in Europe, Asia, the Middle East and North America. For more information, visit <http://www.dragonwaveinc.com>.

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### **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 growth opportunities and the potential benefits of, and demand for, DragonWave's products, as well as our expectations regarding Q2 and full year FY2016 revenues. 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. Our guidance on Q2 revenue is subject to assumptions, including the timing of orders from our principal channel partner. Our outlook on full year FY2016 revenues is also subject to assumptions, including the progression of roll-outs with two Tier 1 mobile operators, levels of ongoing demand from our principal channel partner, and the capacity of our supply chain to scale to meet demand.

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 8, 2015 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](http://www.sedar.com) and [www.sec.gov](http://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.

### **CONSOLIDATED BALANCE SHEETS**

*Expressed in US \$000's except share amounts  
(Unaudited)*

	<b>As at May 31, 2015</b>	<b>As at February 28, 2015</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	18,908	23,692
Trade receivables	35,925	48,626
Inventory	35,133	24,294
Other current assets	4,708	5,834
Deferred tax asset	61	61
	<b>94,735</b>	<b>102,507</b>
<b>Long Term Assets</b>		
Property and equipment	4,671	4,322
Deferred tax asset	1,473	1,485
Deferred financing cost	5	18
Intangible assets	776	794
Goodwill	11,927	11,927
	<b>18,852</b>	<b>18,546</b>
<b>Total Assets</b>	<b>113,587</b>	<b>121,053</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	37,506	40,163

Deferred revenue	858	830
Capital lease obligation	583	514
	<b>38,947</b>	41,507
<b>Long Term Liabilities</b>		
Debt facility	33,700	32,400
Other long term liabilities	990	1,139
Warrant liability	717	1,239
	<b>35,407</b>	34,778
<b>Shareholders' equity</b>		
Capital stock	220,968	220,952
Contributed surplus	8,661	8,388
Deficit	(181,875)	(175,921)
Accumulated other comprehensive loss	(9,618)	(9,618)
<b>Total Shareholders' equity</b>	<b>38,136</b>	43,801
Non-controlling interests	1,097	967
<b>Total Equity</b>	<b>39,233</b>	44,768
<b>Total Liabilities and Equity</b>	<b>113,587</b>	<b>121,053</b>
Shares issued & outstanding	75,315,330	75,290,818

**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	<b>Three months ended</b>	
	<b>May 31,</b>	<b>May 31,</b>
	<b>2015</b>	<b>2014</b>
<b>REVENUE</b>	<b>26,340</b>	28,771
Cost of sales	<b>20,791</b>	22,885
Gross profit	<b>5,549</b>	5,886
<b>EXPENSES</b>		
Research and development	<b>3,885</b>	4,265
Selling and marketing	<b>3,244</b>	3,365
General and administrative	<b>3,834</b>	4,426
	<b>10,963</b>	12,056
<b>Loss before amortization of intangible assets and other items</b>	<b>(5,414)</b>	(6,170)
Amortization of intangible assets	<b>(183)</b>	(309)
Accretion expense	<b>(71)</b>	(40)
Interest expense	<b>(531)</b>	(425)
Gain on change in estimate	<b>-</b>	101
Fair value adjustment - warrant liability	<b>522</b>	150
Foreign exchange (loss) gain	<b>(80)</b>	121
<b>Loss before income taxes</b>	<b>(5,757)</b>	(6,572)
Income tax expense	<b>67</b>	95
<b>Net Loss</b>	<b>(5,824)</b>	(6,667)
Net (Income) Loss Attributable to Non-Controlling Interest	<b>(130)</b>	35
<b>Net Loss attributable to shareholders</b>	<b>(5,954)</b>	(6,632)
<b>Net loss per share</b>		
Basic	<b>(0.08)</b>	(0.11)
Diluted	<b>(0.08)</b>	(0.11)
<b>Weighted Average Shares Outstanding</b>		

Basic	<b>75,298,537</b>	58,194,153
Diluted	<b>75,298,537</b>	58,194,153

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