



VERSAR

NEWS RELEASE

FOR IMMEDIATE RELEASE

November 5, 2015

VERSAR, INC. ANNOUNCES FIRST QUARTER FISCAL 2016 RESULTS

Offices
Headquarters
Springfield, VA

Springfield, VA – November 5, 2015 – Versar, Inc. (NYSE MKT: VSR) today announced financial results for the fiscal first quarter ended September 25, 2015.

Financial Results

Inside the U.S.

Gross revenue for the first quarter of fiscal year 2016 increased 52% to \$44.9 million, compared to revenues of \$29.6 million during the first quarter of the last fiscal year. Gross margins decreased to 5%, compared to 9% in the same prior year quarter, primarily due to product mix and approximately \$200,000 in one-time expenses related to the Company's acquisition of Johnson Controls Security Systems (JCSS), now known as Versar Security Systems (VSS). Net loss for the quarter was \$431,000 or (\$0.04) per share compared to a net loss of \$89,000 or a loss of (\$0.01) per share in the same period of fiscal 2015.

Aiea, HI

Atlanta, GA

Boise, ID

Chandler, AZ

Charleston, SC

Columbia, MD

Denver, CO

Dulles, VA

El Paso, TX

Germantown, MD

Hampton, VA

Plano, TX

San Antonio, TX

Tony Otten, CEO of Versar, said, "We delivered strong revenue growth in the first quarter of fiscal 2016 and are well positioned for enhanced profitability as we move into the balance of the fiscal year. The substantial revenue growth was primarily driven by our Dover Air Force Base contract, a strategically important project for us as we broaden the Company's portfolio of capabilities for our customers. This construction project has lower margins than the balance of our revenue and affected overall gross margins, as we discussed during our year-end earnings call in September. Importantly, the first quarter is typically our least profitable quarter as we focus on bid proposals at the end of the government's fiscal year. That said, we continued to manage our expenses prudently during the quarter as reflected by our relatively flat SG&A."

Outside the U.S.

Baghdad, Iraq

Kabul, Afghanistan

Clark, Philippines

Milton Keynes, UK

Misawa Air Base, Japan

Mr. Otten continued, "Our funded backlog of \$225 million as of October 1, 2015 is 26% higher than the funded backlog on June 26, 2015. The mix of this backlog includes higher margin business due to our improved business development capabilities as well as our acquisition of JCSS, which closed just after the end of the quarter. JCSS is an excellent acquisition for us, bringing new, high margin, classified construction capabilities. Our pipeline is substantial as marketplace recognition of our expanded capabilities and demand for our customized solutions remain strong."

Funded Backlog

As of September 25, 2015, Versar recorded funded backlog of approximately \$157 million, as compared to \$179 million of funded backlog at the end of fiscal year 2015. Versar's fiscal first quarter closed before the Government's fiscal year end of September 30, 2015, thus the first quarter did not include additional funded awards received during the last five days of September 2015. The Company's funded backlog as of October 1, 2015 was \$225 million, including Government awards and backlog from its acquisition of JCSS.

For more information, please contact Investor Relations at:

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www.versar.com

During the quarter, the Company's joint venture with Johnson Controls Federal Systems was awarded a \$2.5 million contract from the Air Force Civil Engineer Center to provide construction services at Mountain Home Air Force Base in Idaho.

"We believe that our broadened capabilities and proven reputation for providing customized solutions in difficult terrains and challenging locations positions us well to drive continued revenue growth, improved margins and a return to profitability as we move through Fiscal 2016," Mr. Otten concluded.

Conference Call:

The Company will hold a conference call at 2:00 PM Eastern Time today, Thursday, November 5, to discuss the Company's operational performance and financial results for the fiscal first quarter ended September 25, 2015.

The dial in number for the US and Canada is toll free, 877-407-8033. The international dial in number is 201-689-8033. Participants should call in a few minutes before 2:00 PM Eastern Time. For those unable to attend the conference call, a replay will be available on Versar's website, www.versar.com

VERSAR, INC., headquartered in Springfield, Virginia, is a publicly-traded global project management company providing sustainable value-oriented solutions to government and commercial clients in the construction management, environmental services, munitions response, and professional services market areas.

VERSAR operates the following web sites, www.versar.com and www.versarpps.com.

This news release contains forward-looking information. The forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be significantly impacted by certain risks and uncertainties described herein and in Versar's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended June 26, 2015, as updated from time to time in the Company's periodic filings. The forward-looking statements are made as of the date hereof and Versar does not undertake to update its forward-looking statements.

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VERSAR, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(In thousands, except share amounts)

	As of	
	September 25, 2015 (Unaudited)	June 26, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 396	\$ 2,109
Accounts receivable, net	47,580	57,171
Inventory, net	1,227	1,188
Prepaid expenses and other current assets	2,508	1,540
Deferred income taxes	1,396	1,366
Income tax receivable	915	2,373
Total current assets	54,022	65,747
Property and equipment, net	2,042	2,084
Deferred income taxes, non-current	441	414
Goodwill	16,066	16,066
Intangible assets, net	4,388	4,643
Other assets	252	252
Total assets	\$ 77,211	\$ 89,206
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 23,211	\$ 35,852
Accrued salaries and vacation	2,499	3,332
Line of Credit	1,770	-
Other current liabilities	653	1,114
Notes payable, current	3,329	2,313
Total current liabilities	31,462	42,611
Notes payable, non-current	5,375	5,835
Other long-term liabilities	1,446	1,390
Total liabilities	38,283	49,836
Stockholders' equity		
Common stock \$.01 par value; 30,000,000 shares authorized; 10,132,673 shares issued and 9,808,832 shares outstanding as of September 25, 2015, 10,128,923 shares issued and 9,805,082 shares outstanding as of June 26, 2015.		
Capital in excess of par value	101	101
Retained earnings	30,889	30,798
Treasury stock, at cost	10,010	10,439
Accumulated other comprehensive loss; foreign currency translation	(1,460)	(1,460)
Total stockholders' equity	(612)	(508)
Total liabilities and stockholders' equity	38,928	39,370
	\$ 77,211	\$ 89,206

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VERSAR, INC. AND SUBSIDIARIESConsolidated Statements of Operations
(in thousands, except per share amounts)

	For the Three Months Ended	
	September 25, 2015	September 26, 2014
GROSS REVENUE	\$ 44,905	\$ 29,586
Purchased services and materials, at cost	29,767	12,228
Direct costs of services and overhead	12,826	14,752
GROSS PROFIT	2,312	2,606
Selling, general and administrative expenses	2,854	2,691
OPERATING INCOME (LOSS)	(542)	(85)
OTHER EXPENSE		
Interest expense	175	57
LOSS BEFORE INCOME TAXES	(717)	(142)
Income tax expense (benefit)	(286)	(53)
NET LOSS	(431)	(89)
NET INCOME PER SHARE-BASIC and DILUTED	\$ (0.04)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING-BASIC	9,808	9,711
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING-DILUTED	9,808	9,711

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