



**VERSAR**

## NEWS RELEASE

FOR IMMEDIATE RELEASE

November 7, 2013

### **VERSAR, INC. ANNOUNCES FIRST QUARTER FISCAL 2014 RESULTS**

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**Springfield, VA – November 7, 2013** – Versar, Inc. (NYSE MKT: VSR) today announced financial results for the fiscal first quarter ended September 27, 2013.

Gross revenue for the first quarter of fiscal year 2014 was \$29.1 million, an increase of 30% compared to \$22.4 million during the first quarter of the last fiscal year. The increase was attributable to a combination of Versar's acquisition of Geo-Marine, Inc. (GMI); continued activity associated with its ongoing contract with the U.S. Army Corps of Engineers (USACE) for construction support services in Afghanistan; and the ramp up of the Company's performance based remediation (PBR) work for the U.S. Air Force in New England and the Great Lakes Region. The Company reported net income of \$659,000, or \$0.07 per share on a fully diluted basis, compared to net income of \$845,000 or \$0.09 per share on a fully diluted basis for the first quarter last year, which included a loss of \$0.01 from discontinued operations.

During the quarter, Versar acquired Geo-Marine, Inc., a company with approximately \$20 million in annual revenues, which provides engineering design, construction management, environmental planning and programming, and other services in support of a wide range of government, industry, and commercial clients. Key long-term clients include the U.S. Navy, the U.S. Air Force and the U.S. Army Corps of Engineers. Geo-Marine is expected to be accretive to earnings in year one and adds contracted backlog of \$15 million.

As of September 27, 2013, Versar recorded funded backlog of approximately \$136 million, an increase of 26% compared to \$108 million of funded backlog at the end of fiscal year 2013.

Versar closed the fiscal first quarter 2014 with a cash balance of approximately \$5.6 million and stockholders' equity of \$38.5 million.

Tony Otten, CEO of Versar said, "We are pleased to report strong revenue growth with improved sequential gross margin performance, continued profitability and increased backlog during the first quarter. We've added several new contracts subsequent to the close of the quarter, including two new task orders for our USACE contract in Afghanistan valued cumulatively at \$30.5 million, as well as a program management support contract from the General Services Administration valued at up to \$5.4 million and a task order contract from Fairfax County, Virginia for engineering consulting services with an annual maximum capacity of \$1.5 million."

Mr. Otten continued, "Our integration of GMI is progressing well and we are confident that their technical capabilities and established customer base will enable us to expand our reach in terms of clients, technical capabilities and geography. With our solid balance sheet, we believe we are well positioned to drive organic growth and to pursue our acquisition strategy."

#### **Conference Call:**

For more information, please contact Investor Relations at:

6850 Versar Center

Springfield, VA 22151

703.642.6706

Fax: 703.642.6825

[www.versar.com](http://www.versar.com)

The Company will hold a conference call at 2:00 PM Eastern Time today, Thursday, November 7 to discuss the Company's operational performance and financial results for its quarter ended September 27, 2013.

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, replays will be available on Versar's website, [www.versar.com](http://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 a number of web sites, including the corporate web sites, [www.versar.com](http://www.versar.com), [www.geomet.com](http://www.geomet.com), [www.viap.com](http://www.viap.com), [www.dtaps.com](http://www.dtaps.com), [www.adventenv.com](http://www.adventenv.com), [www.charronconsulting.com](http://www.charronconsulting.com), and [www.ppsgb.com](http://www.ppsgb.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 29, 2012, 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**

For more information, please contact Investor Relations at:

6850 Versar Center      Springfield, VA 22151      703.642.6706      Fax: 703.642.6825      [www.versar.com](http://www.versar.com)

Condensed Consolidated Balance Sheets  
(In thousands, except share amounts)

	As of	
	September 27, 2013	June 28, 2013
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 5,644	\$ 8,728
Accounts receivable, net	33,553	29,342
Inventory	1,109	1,225
Prepaid expenses and other current assets	2,050	1,074
Deferred income taxes	1,987	2,314
Income tax receivable	1,512	1,764
Total current assets	45,855	44,447
Property and equipment, net	2,446	2,108
Deferred income taxes, non-current	706	622
Goodwill	9,420	7,515
Intangible assets, net	3,025	1,798
Other assets	1,142	887
Total assets	\$ 62,594	\$ 57,377
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 11,687	\$ 10,788
Accrued salaries and vacations	2,974	3,042
Other current liabilities	4,009	3,304
Notes payable, current	1,978	333
Total current liabilities	20,648	17,467
Notes payable, non-current	875	333
Deferred income taxes	1,067	849
Other long-term liabilities	1,483	1,104
Total liabilities	24,073	19,753
Commitments and contingencies		-
Stockholders' equity		
Common stock, \$.01 par value; shares authorized; 9,907,954 shares issued and 9,619,320 shares outstanding as of September 27, 2013;	99	99
9,849,773 shares issued and 9,579,753 shares outstanding as of June 28, 2013		
Capital in excess of par value	29,940	29,758
Retained earnings	10,025	9,366
Treasury stock, at cost	(1,318)	(1,224)
Accumulated other comprehensive loss; foreign currency translation	(225)	(375)
Total stockholders' equity	38,521	37,624
Total liabilities and stock holders' equity	\$ 62,594	\$ 57,377

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**VERSAR, INC. AND SUBSIDIARIES**  
Condensed Consolidated Statements of Income  
(Unaudited-in thousands, except per share amounts)

	For the Three Months Ended	
	September 27, 2013	September 28, 2012
GROSS REVENUE	\$ 29,120	\$ 22,396
Purchased services and materials, at cost	14,410	7,696
Direct costs of services and overhead	<u>11,758</u>	<u>11,228</u>
GROSS PROFIT	2,952	3,472
Selling, general and administrative expenses	1,870	1,925
Other expenses	<u>-</u>	<u>-</u>
OPERATING INCOME	1,082	1,547
OTHER (INCOME) EXPENSE		
Interest (income)	-	(1)
Interest expense	<u>25</u>	<u>24</u>
INCOME BEFORE INCOME TAXES, from continuing operations	1,057	1,524
Income tax expense	<u>398</u>	<u>581</u>
NET INCOME FROM CONTINUING OPERATIONS	659	943
Loss from discontinued operations, net of tax benefit of \$61	<u>-</u>	<u>(98)</u>
NET INCOME	<u>\$ 659</u>	<u>\$ 845</u>
NET INCOME (LOSS) PER SHARE-BASIC and DILUTED		
Continuing operations	\$ 0.07	0.10
Discontinued operations	<u>-</u>	<u>(0.01)</u>
NET INCOME PER SHARE-BASIC and DILUTED	<u>\$ 0.07</u>	<u>\$ 0.09</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING-BASIC	<u>9,585</u>	<u>9,392</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING-DILUTED	<u>9,694</u>	<u>9,424</u>

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