



VERSAR

NEWS RELEASE

FOR IMMEDIATE RELEASE

May 8, 2015

VERSAR, INC. ANNOUNCES RECORD REVENUES FOR THIRD QUARTER FISCAL 2015

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Springfield, VA – May 8, 2015 – Versar, Inc. (NYSE MKT: VSR) today announced financial results for the fiscal third quarter and nine months ended March 27, 2015.

Financial Results

Gross revenue for the third quarter of fiscal year 2015 increased 41% to \$39.8 million, compared to revenues of \$28.2 million during the third quarter of the last fiscal year. Sequentially, revenues increased 16% as compared to the second quarter of fiscal 2015. Gross margins improved to 8%, compared to 5% in the same prior year quarter. Net income for the quarter was \$262,000 or \$0.03 per share compared to a net loss of \$131,000 or a loss of \$0.01 per share in the same period of fiscal 2014. In the third quarter of 2014, net income included \$0.01 from discontinued operations and (\$0.02) from continued operations.

Revenues for the nine months ending March 27, 2015 increased 21% to \$103.5 million compared to revenues of \$85.4 million in the same prior year period. Gross margin for the first nine months of 2015 was 9%, consistent with gross margin for the first nine months of 2014. Net income for the first nine months of fiscal 2015 was \$453,000 or \$0.05 per share compared to net income of \$627,000 or \$0.07 per share in the first nine months of fiscal 2014. In the first nine months of 2014, net income included \$0.03 from discontinued operations and \$0.04 from continued operations.

Tony Otten, CEO of Versar, said, “This was a strong quarter for the Company, as demonstrated by record revenues, improved margins and greater profitability. Our revenue performance in the quarter was driven by increased activity related to our Dover Air Force Base contract. As we’ve mentioned previously, we anticipate activity on that contract to accelerate through 4Q15 and into 1Q16, the period when seasonal weather patterns are more favorable for construction. We also saw a positive revenue impact this quarter coming from contracts we won as a result of the expanded capabilities contributed by our Waller acquisition. We are executing well and saw growth across our three core businesses and our funded backlog remains solid at \$228 million, with a substantial pipeline. We’ve established our reputation as a reliable partner who can get tough jobs done in difficult settings and our customizable capabilities are enhancing our visibility and recognition in the marketplace, leading to increased opportunities.”

Increased Funded Backlog

As of March 27, 2015, Versar recorded funded backlog of approximately \$228 million, an increase of 100% compared to \$114 million of funded backlog at the end of fiscal year 2014.

During the quarter, the Company’s joint venture with Johnson Controls was awarded \$6.1 million in design/build/repair task orders for electrical, water transmission and compressed air

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systems at the Kaena Point Satellite Tracking Station, Hawaii and at Laughlin Air Force Base, Texas, as well as a \$2 million contract to provide design/build construction services for upgrades and repairs at Camp Arifjan, Kuwait.

Following the close of the quarter, the joint venture was awarded a \$7 million contract to provide design/build construction services for repairs of the Blue Brick buildings at the Kuwait Naval base. Also subsequent to the close of the quarter, Versar was awarded a General Services Administration contract, valued at \$4.5 million, for ongoing facility support of the U.S. Army Reserve 88th Regional Support Command in the Northwest Region of the U.S., as well as an \$11 million contract from the U.S. Army Corps of Engineers for continued work at Joint Base Lewis-McChord and Yakima Training Center.

“The acquisitions we’ve completed over the past eighteen months have enhanced our portfolio of customized solutions and strengthened our market position. We believe we are well aligned for continued momentum securing contracts and adding customers with the expectation of improved revenues and profitability for the balance of fiscal 2015,” Mr. Otten concluded.

Conference Call:

The Company will hold a conference call at 2:00 PM Eastern Time today, Friday, May 8, to discuss the Company’s operational performance and financial results for the fiscal third quarter and nine months ended March 27, 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 corporate web sites, www.versar.com, and www.versarpps.com, and www.jmwaller.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 27, 2014, 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	
	March 27, 2015 (Unaudited)	June 27, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,122	\$ 9,674
Accounts receivable, net	39,296	25,983
Inventory, net	1,406	1,294
Prepaid expenses and other current assets	2,389	1,303
Deferred income taxes	2,083	2,254
Income tax receivable	2,139	2,325
Total current assets	<u>48,435</u>	<u>42,833</u>
Property and equipment, net	2,195	2,389
Deferred income taxes, non-current	563	533
Goodwill	15,808	8,073
Intangible assets, net	4,874	2,930
Other assets	1,092	1,003
Total assets	<u>\$ 72,967</u>	<u>\$ 57,761</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 19,671	\$ 11,272
Accrued salaries and vacation	2,796	2,912
Other current liabilities	1,746	3,568
Notes payable, current	1,932	958
Total current liabilities	<u>26,145</u>	<u>18,710</u>
Notes payable, non-current	7,600	156
Other long-term liabilities	1,070	1,110
Total liabilities	<u>34,815</u>	<u>19,976</u>
Commitments and contingencies		
Stockholders' equity		
Common stock \$.01 par value; 30,000,000 shares authorized; 10,124,548 shares issued and 9,802,387 shares outstanding as of March 27, 2015, 9,849,773 shares issued and 9,708,107 shares outstanding as of June 27, 2014.		
	101	100
Capital in excess of par value	30,695	30,393
Retained earnings	9,484	9,032
Treasury stock, at cost	(1,453)	(1,396)
Accumulated other comprehensive loss; foreign currency translation	(675)	(344)
Total stockholders' equity	<u>38,152</u>	<u>37,785</u>
Total liabilities and stockholders' equity	<u>\$ 72,967</u>	<u>\$ 57,761</u>

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

	For the Three Months Ended		For the Nine Months Ended	
	March 27, 2015	March 28, 2014	March 27, 2015	March 28, 2014
GROSS REVENUE	\$ 39,785	\$ 28,225	\$ 103,533	\$ 85,383
Purchased services and materials, at cost	22,330	14,322	51,588	43,091
Direct costs of services and overhead	14,083	12,458	42,516	34,687
GROSS PROFIT	3,372	1,445	9,429	7,605
Selling, general and administrative expenses	2,749	2,258	8,365	7,418
Other operating income	-	(327)	-	(327)
OPERATING INCOME (LOSS)	623	(486)	1,064	514
OTHER EXPENSE				
Interest income	(1)	(1)	(1)	(14)
Interest expense	134	36	332	103
INCOME (LOSS) BEFORE INCOME TAXES, from continuing operations	490	(521)	733	425
Income tax expense (benefit)	228	(301)	280	63
NET INCOME (LOSS) from continuing operations	\$ 262	\$ (220)	\$ 453	\$ 362
Income from discontinued operations, net of tax expense of \$105	-	89	-	265
NET INCOME (LOSS)	262	(131)	453	627
NET INCOME (LOSS) PER SHARE-BASIC and DILUTED				
Continuing operations	\$ 0.03	\$ (0.02)	\$ 0.05	\$ 0.04
Discontinued operations	-	0.01	-	0.03
NET INCOME PER SHARE-BASIC and DILUTED	\$ 0.03	\$ (0.01)	\$ 0.05	\$ 0.07
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING-BASIC	9,802	9,702	9,761	9,645
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING-DILUTED	9,808	9,702	9,775	9,703

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