



The LGL Group, Inc.

(NYSE MKT: LGL)

Q4 2012 Earnings Report
March 28, 2013 – 10:00 a.m. ET



Safe Harbor Statement

This document includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations. These risks and uncertainties are described in more detail in The LGL Group’s filings with the Securities and Exchange Commission.

In addition, non-GAAP financial measures may be presented. Management believes the non-GAAP financial information provided is useful to investors’ understanding and assessment of our ongoing core operations and prospects for the future. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. Management uses both GAAP and non-GAAP information in evaluating and operating the business internally and as such has determined that it is important to provide this information to investors.

Publicly traded global corporation

Formed in 1917

IPO in 1946

MtronPTI subsidiary 1965



\$30 million

2012 revenue

Revenue mix

50% outside the U.S.

\$5.60

Stock price _{3/27/2013}

\$7.91

52-week high

\$14.5 million

market capitalization

\$10.1 million

cash and cash equivalents _{Dec 31, 2013}

\$2.1 billion

total annual worldwide market

LGL's subsidiary – **MtronPTI**, serves large B2B OEM clients that provide solutions to: Internet Communications Technology (ICT), Military, Aerospace and Instrumentation

Balanced Demand

- ~50% ICT infrastructure
- ~50% Military, Aerospace and Instrumentation (MAI)

High Value IP

- **Crystal technology remains core** to precision timing
- Low noise oscillator technology
- **High frequency filter capability** – RF and Microwave

Enabling Platform

- **Global footprint** – multiple US sites, international sales and supply support
- **India manufacturing** provides low cost, even for high performance product

Strong Margins

- **Margin protection** – high performance/high value/high reliability/harsh environment applications
- **Long product life cycles** with repeat revenue streams
- **Experienced supplier management** drives lower cost structure

Growth Opportunities

- Long-standing relationships with **industry leaders** (across all markets)
- **Share gain opportunities with new product development and OEM supply base consolidation**

- ➔ \$7.6M revenues
up 2.7% compared to Q4 2011
*sequentially **up 4.6%** compared to Q3 2012*
- ➔ 30.7% gross margin
up 2.8% compared to Q4 2011
*sequentially **up 6.2%** compared to Q3 2012*
- ➔ (\$0.08) loss per share; improved \$0.04 compared to Q3 2012
- ➔ \$8.7M backlog at end of Q4 2012, unchanged compared to Q3 2012
New orders soft for both ICT and MAI markets
- ➔ 0.5% *Positive EBITDA for Q4 2012*

- ➔ \$29.7M revenues
down 16.7% compared to FY 2011,
- ➔ 26.1% gross margin
down 4.1% compared to FY 2011
- ➔ (\$0.51) loss per share; down from EPS of \$0.15 in FY 2011
- ➔ \$8.7M backlog at end of Q4 2012, **up 1%** compared to Q4 2011
- ➔ (3.2%) EBITDA for FY 2012, down from 4.1% for FY 2011

Overall weak macroeconomic climate

no notable structural recovery in target markets
compounding macro factors since H2 2011: Japanese natural disaster,
U.S. budget uncertainty and sequestration, Euro crisis
major clients appear to be sitting on the sidelines
delayed microelectronics spending

Newer technologies (ex. 4G/LTE) taking longer to coalesce

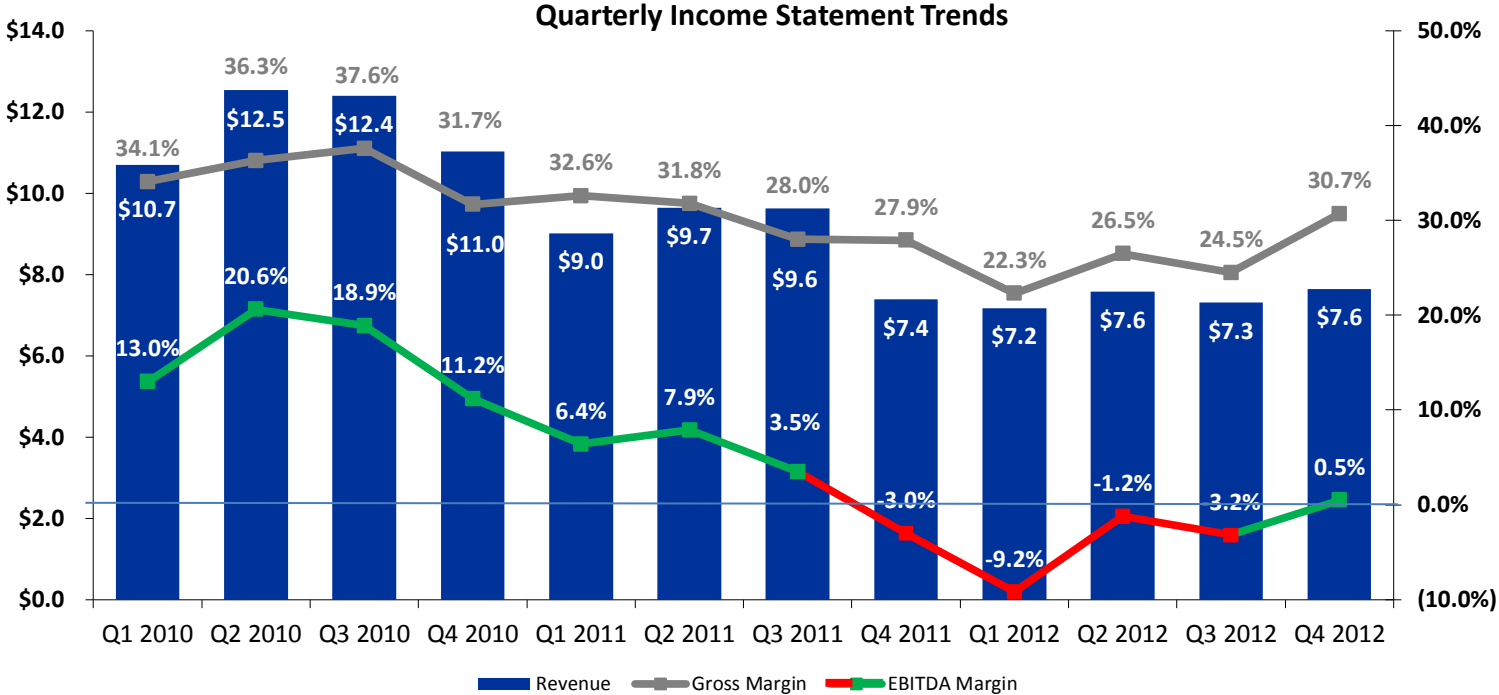
further delaying orders

Key competitors impacted as well

believe we've held share; gained in some

Strong operating leverage

close oversight of costs, reduced public company and administrative costs



Capital Position as of:

	12/31/2012	9/30/2012
Total Assets	\$ 29.6M	\$ 30.0M
Net Working Capital	16.6M	16.4M
Cash-Adjusted Working Capital	7.2M	7.3M
Cash and Cash Equivalents	10.1M	11.0M
Total Debt	1.3M	1.6M
Shareholders' Equity	24.6M	24.7M

- Cash and cash equivalents of **\$3.90 per share** at 12/31/2012
- Cash-adjusted working capital of **\$2.78 per share** at 12/31/2012
- Book value of **\$9.48 per share** at 12/31/2012

Capital position strong

investing in organic opportunities,
joint venture/M&A

Retained all major clients

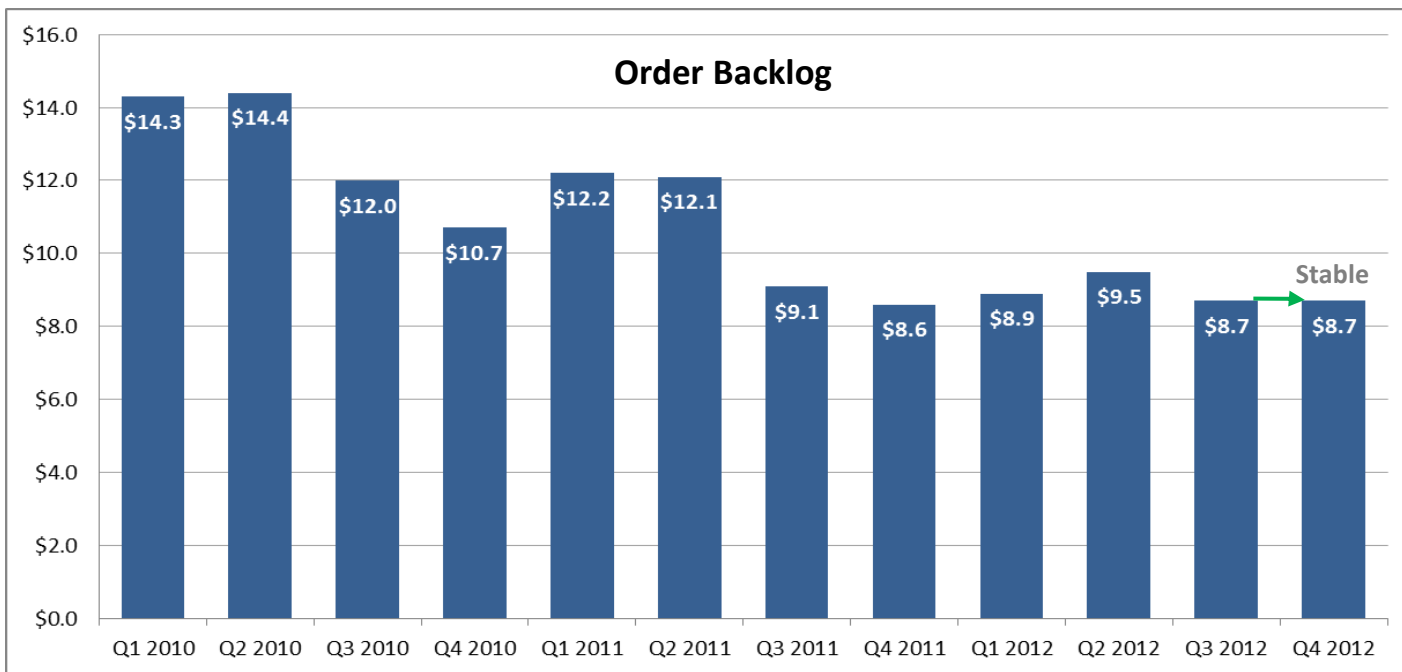
despite decline in their overall orders

Key components in major clients' systems

very "sticky" with high switching costs

Strong position in Commercial Avionics

Industry predicting double digit growth





GAAP to Non-GAAP Reconciliation

Reconciliation of earnings before taxes (GAAP) to EBITDA (non-GAAP)

(000's except percentages)	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Revenue	\$ 10,701	\$ 12,535	\$ 12,397	\$ 11,023	\$ 9,020	\$ 9,646	\$ 9,629	\$ 7,387	\$ 7,174	\$ 7,582	\$ 7,307	\$ 7,643
Earnings (loss) before taxes (GAAP)	1,094	2,275	2,067	1,042	380	540	91	(444)	(859)	(326)	(461)	(198)
Add: interest expense (income)	105	112	71	16	12	29	41	27	27	28	23	11
Add: depreciation and amortization	189	192	202	174	187	190	208	199	169	204	203	229
EBITDA (Non-GAAP)	\$ 1,388	\$ 2,579	\$ 2,340	\$ 1,232	\$ 579	\$ 759	\$ 340	\$ (218)	\$ (663)	\$ (94)	\$ (235)	\$ 42
EBITDA as % of revenue	13.0%	20.6%	18.9%	11.2%	6.4%	7.9%	3.5%	-3.0%	-9.2%	-1.2%	-3.2%	0.5%

Computation of adjusted working capital

(000's)	9/30/2012	12/31/2012
Accounts receivable, net	\$ 4,049	\$ 4,350
Inventory, net	5,434	5,349
Less: accounts payable	(2,178)	(2,452)
Adjusted working capital	\$ 7,305	\$ 7,247

The Company uses non-GAAP additional measures of operating results, net earnings and earnings per share adjusted to exclude certain costs, expenses, gains and losses we believe appropriate to enhance an overall understanding of our past financial performance and also our prospects for the future. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of the underlying operational results and trends and our marketplace performance. For example, the non-GAAP results are an indication of our baseline performance before gains, losses or other charges that are considered by management to be outside of our core business segment operational results. The presentation of this additional information is not meant to be considered in isolation or as a substitute for net earnings or diluted earnings per share prepared in accordance with generally accepted accounting principles in the United States.

- Major clients reporting market softness for equipment purchases
- Repeat orders from existing contracts sluggish
- + **Strong new product revenue stream across core business**
- + **Solid working capital position**
- + **Margins and operating efficiencies remain favorable**

Growth Drivers for 2013

- ⇒ **Organic growth from new products:** software-defined radio and 4G/LTE
- ⇒ **Repeat orders with clients serving Commercial Avionics market**
- ⇒ **India sales opportunities/operations investments**
- ⇒ IP investments in **modules/subsystems**
- ⇒ Joint venture/M&A



Investment Considerations



Strong capital position
Experienced management team
JV/M&A opportunities



~50 years experience
Blue chip clients
Diverse markets
World-class team

Quality certified, low cost worldwide manufacturing
Industry leading technology, reliability, convenience, support



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