



The LGL Group, Inc.

(NYSE MKT: LGL)

Q3 2013 Earnings Report
November 14, 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



\$28 million

TTM annual revenue Sep 30, 2013

Revenue mix

49% outside the U.S.

\$5.83

Stock price 11/13/2013

\$6.52

52-week high

\$15.1 million

market capitalization 11/13/2013

\$9.4 million

cash and cash equivalents Sep 30, 2013

\$2.1 billion

total annual worldwide market

LGL's subsidiary – **MtronPTI**, serves large B2B OEM clients that provide solutions to:
Internet Communications Technology, and Aerospace and Defense

**Balanced
Demand**

- **65% Aerospace and Defense (Aero/Defense)**
- **35% Internet Communications Technology (ICT)**

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**



Q3 2013 Results

| Q3 2013 | YTD 2013 | Trend |
|----------|----------|---|
| \$6.1M | \$20.5M | Revenue: down 17% compared to Q3 2012; down 7% compared to September YTD 2012 |
| 22.4% | 27.2% | Gross Margin: down 2.1% compared to Q3 2012; up 2.7% compared to September YTD 2012 |
| (\$0.46) | (\$0.89) | Pre-Tax Loss per Share: down \$0.28 compared to Q3 2012; down \$0.26 compared to September YTD 2012 |
| \$8.4M | | Backlog at Q3 2013: down by 7% sequentially vs. Q2 2013 |
| (15.4%) | (7.6%) | EBITDA: down for Q3 2013 compared to Q2 2013 on lower revenue; down compared to September YTD 2012 |
| \$0.2M | (\$0.1M) | Cash from Operations: generated cash from operations during Q3 2013 on strong collections and inventory reduction |

Overall weak macroeconomic climate

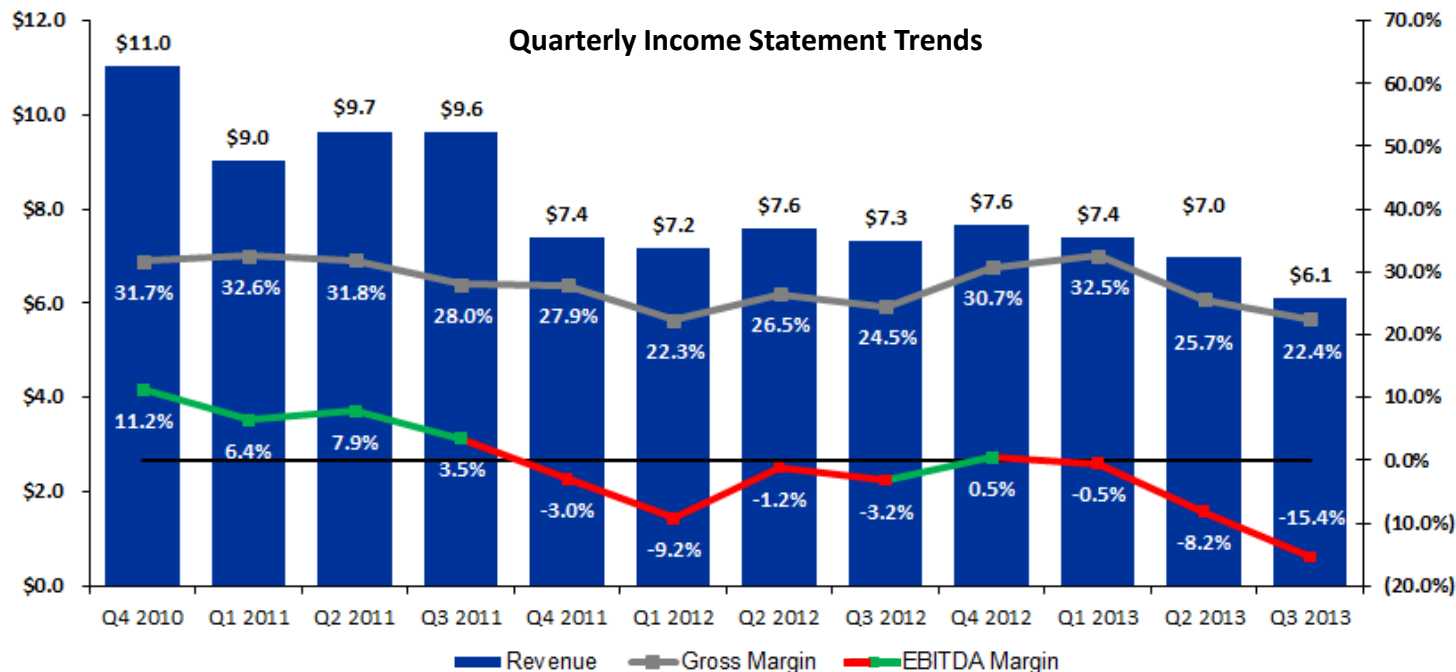
no notable structural recovery in target markets
compounding macro factors since H2 2011: Japanese natural disaster,
U.S. budget uncertainty and sequestration, Euro crisis
cautious infrastructure spending patterns

Newer technology (e.g. IEEE 1588, 4G/LTE, backhaul) spending delayed

Notable competitive price pressure

affecting both ICT and Aero/Defense

Key competitors impacted as well



Capital Position as of:

| | 9/30/2013 | 6/30/2013 |
|-------------------------------|-----------|-----------|
| Total Assets | \$ 22.6M | \$ 23.7M |
| Net Working Capital | 13.9M | 14.9M |
| Cash-Adjusted Working Capital | 6.6M | 7.5M |
| Cash and Cash Equivalents | 9.4M | 9.1M |
| Total Debt | 1.1M | 0.9M |
| Shareholders' Equity | 18.7M | 19.8M |

- Cash and cash equivalents of **\$3.63 per share** at 09/30/2013
- Cash-adjusted working capital of **\$2.53 per share** at 09/30/2013
- Book value of **\$7.20 per share** at 09/30/2013
- Repurchased 3,730 shares during Q3 2013 at average price of \$5.74 per share

Capital position strong

organic investments (client service, ERP, website, capacity and capabilities)
joint venture/M&A

R&D investments in target markets

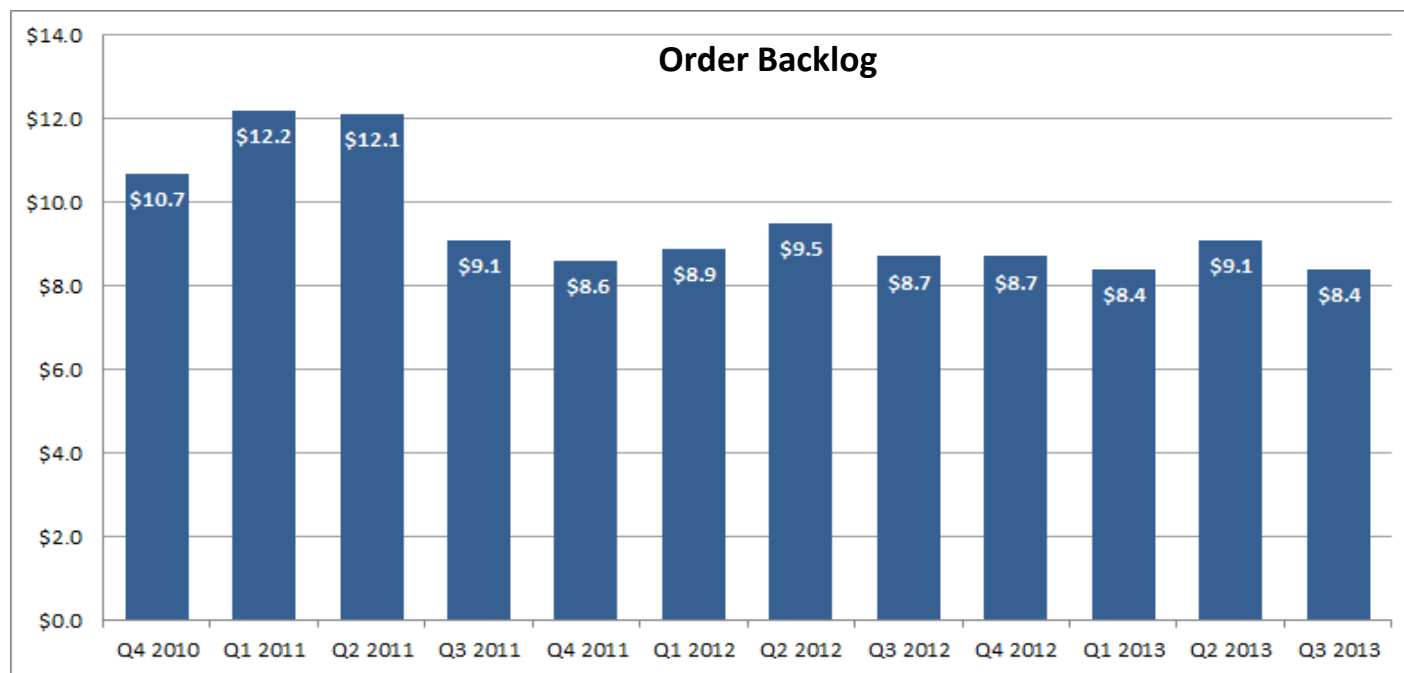
software-defined radio, low noise radar, harsh environment timing

Key components in major clients' systems

very "sticky" with high switching costs

Strong position in Commercial Avionics

Industry experiencing double-digit growth





GAAP to Non-GAAP Reconciliation

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

| (000's except percentages) | Q4 2010 | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 |
|-------------------------------------|-----------------|---------------|---------------|---------------|-----------------|-----------------|----------------|-----------------|--------------|----------------|-----------------|-----------------|
| Revenue | \$ 11,023 | \$ 9,020 | \$ 9,646 | \$ 9,629 | \$ 7,387 | \$ 7,174 | \$ 7,582 | \$ 7,307 | \$ 7,643 | \$ 7,398 | \$ 6,965 | \$ 6,098 |
| Earnings (loss) before taxes (GAAP) | 1,042 | 380 | 540 | 91 | (444) | (859) | (326) | (461) | (198) | (296) | (829) | (1,199) |
| Add: interest expense (income) | 16 | 12 | 29 | 41 | 27 | 27 | 28 | 23 | 11 | 19 | 10 | 4 |
| Add: depreciation and amortization | 174 | 187 | 190 | 208 | 199 | 169 | 204 | 203 | 229 | 240 | 248 | 254 |
| EBITDA (Non-GAAP) | \$ 1,232 | \$ 579 | \$ 759 | \$ 340 | \$ (218) | \$ (663) | \$ (94) | \$ (235) | \$ 42 | \$ (37) | \$ (571) | \$ (941) |
| EBITDA as % of revenue | 11.2% | 6.4% | 7.9% | 3.5% | -3.0% | -9.2% | -1.2% | -3.2% | 0.5% | -0.5% | -8.2% | -15.4% |

Computation of adjusted working capital

| (000's) | 6/30/2013 | 9/30/2013 |
|---------------------------------|-----------------|-----------------|
| Accounts receivable, net | \$ 3,960 | \$ 3,278 |
| Inventory, net | 5,325 | 4,825 |
| Less: accounts payable | (1,739) | (1,538) |
| Adjusted working capital | \$ 7,546 | \$ 6,565 |

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.

- Several of our major clients reporting market softness for equipment purchases
- Repeat orders from existing contracts sluggish and under price pressure
- + **Strong new product revenue stream across core business**
- + **Solid working capital position**
- + **Positive cash from operations during Q3 2013**
- + **Margins and operating efficiencies remain favorable**

Growth Drivers

- ⇒ **Organic growth from new products:** software-defined radio and avionics
- ⇒ **Repeat orders and share gains with Aero/Defense clients**
- ⇒ **India sales opportunities/operations investments**
- ⇒ IP investments in **modules/subsystems**
- ⇒ Joint venture/M&A

- ⇒ **Frequency control products industry is undergoing change**
- ⇒ **Many key competitors have formally announced strategic action**
- ⇒ **Competitive announcements include:**
 - spin-offs
 - restructuring
 - asset sales
 - good will write downs
- ⇒ **Commercial product lines under notable pricing pressures**
- ⇒ **Macro economic factors present, creating uncertainty**



- 6/13/2013** Press release announcing external acquisition interest, formation of Strategic Committee; warrant dividend announced
- 7/17/2013** Warrant dividend terms finalized
- 8/7/2013** Warrants begin active trading on NYSE MKT
- 10/7/2013** Announces Michael Ferrantino, Sr. joins as Vice Chairman of LGL and Chairman of MtronPTI
- 10/17/2013** Management initiates strategic restructuring plan to reduce structural costs by at least 10% during Q4 2013, expects one-time charge of \$0.6M-0.8M in Q4

Strategic review process is ongoing



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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