



The LGL Group, Inc.

(NYSE MKT: LGL)

Q2 2013 Earnings Report
August 13, 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



\$29 million

TTM annual revenue Jun 30, 2013

Revenue mix

49% outside the U.S.

\$6.05

Stock price 8/12/2013

\$6.05

52-week high

\$15.8 million

Market capitalization

\$9.1 million

Cash and cash equivalents Jun 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**

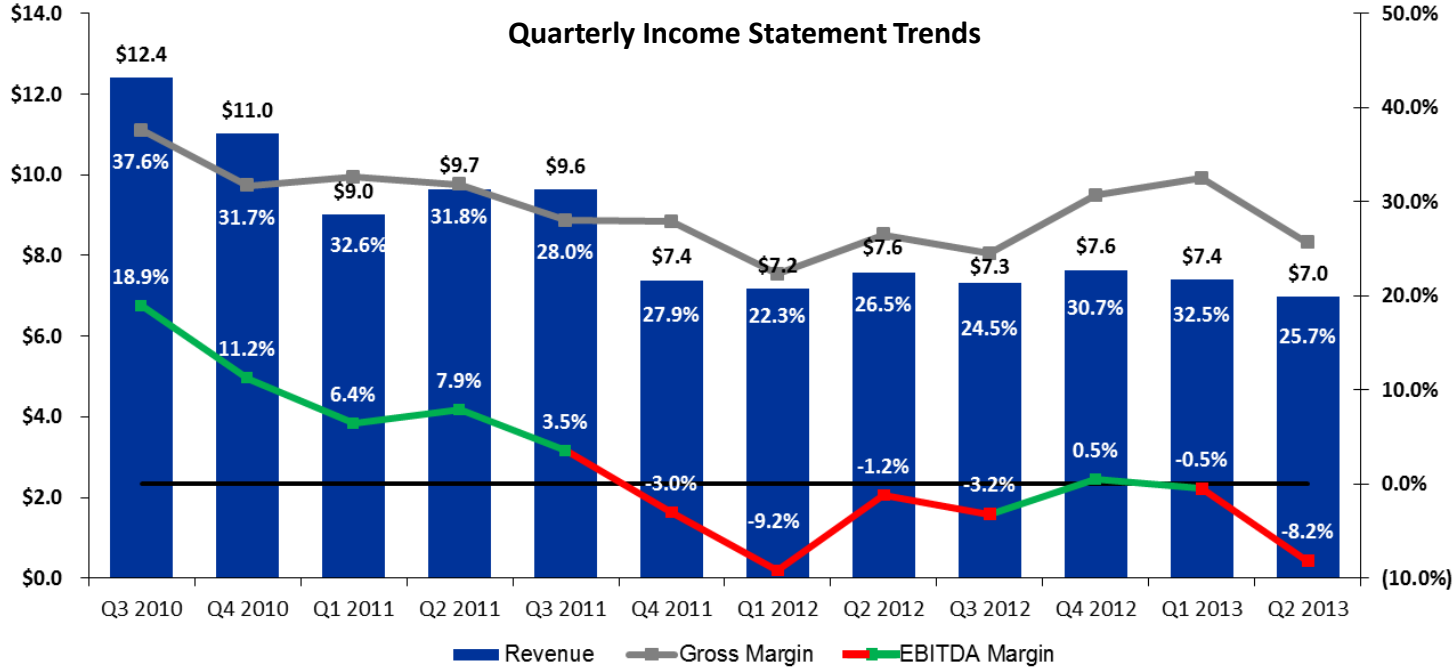
- **Margin protection** – high performance/high value/high reliability/harsh environment applications
- **Long product life cycles** with repeat revenue streams
- **Experienced supplier management** drives lower cost structure

**Growth
Opportunities**

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

- ➔ \$7.0M Revenue
down 8.1% compared to Q2 2012
*sequentially **down 3.2%** compared to Q1 2013*
- ➔ 25.7% Gross margin
down 0.8% compared to Q2 2012
*sequentially **down 6.8%** compared to Q1 2013*
- ➔ (\$0.32) Pre-tax net loss per share; unfavorable compared to Q2 2012 due to revenue decrease, change in product mix
- ➔ (\$1.91) Net loss per share; increased loss driven by one-time non-cash charge of (\$1.59) per share valuation allowance on deferred tax assets
- ➔ \$9.1M Backlog at end of Q2 2013, **up 9%** sequentially compared to Q1 2013
Growth in Aero/Defense market; new orders soft for ICT

- ➔ \$14.4M Revenue
down 2.7% compared to H1 2012
- ➔ 29.2% Gross margin
up 4.8% compared to H1 2012
- ➔ (\$0.43) Pre-tax net loss per share; **up \$0.03 per share** compared to H1 2012
- ➔ \$9.1M Backlog at end of Q2 2013, **up 9%** sequentially compared to Q1 2013
Stronger activity in Aero/Defense market; new orders soft for ICT
- ➔ (4.2%) ***EBITDA improved 0.9%*** for H1 2013 compared to H1 2012



Capital Position as of:	6/30/2013	3/31/2013
Total Assets	\$ 23.7M	\$ 28.9M
Net Working Capital	14.9M	16.6M
Cash-Adjusted Working Capital	7.5M	8.2M
Cash and Cash Equivalents	9.1M	9.3M
Total Debt	0.9M	1.4M
Shareholders' Equity	19.8M	24.6M

- Cash and cash equivalents of **\$3.50 per share** at 06/30/2013
- Cash-adjusted working capital of **\$2.90 per share** at 06/30/2013
- Book value of **\$7.60 per share** at 06/30/2013

Capital position strong

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

R&D investments in target markets

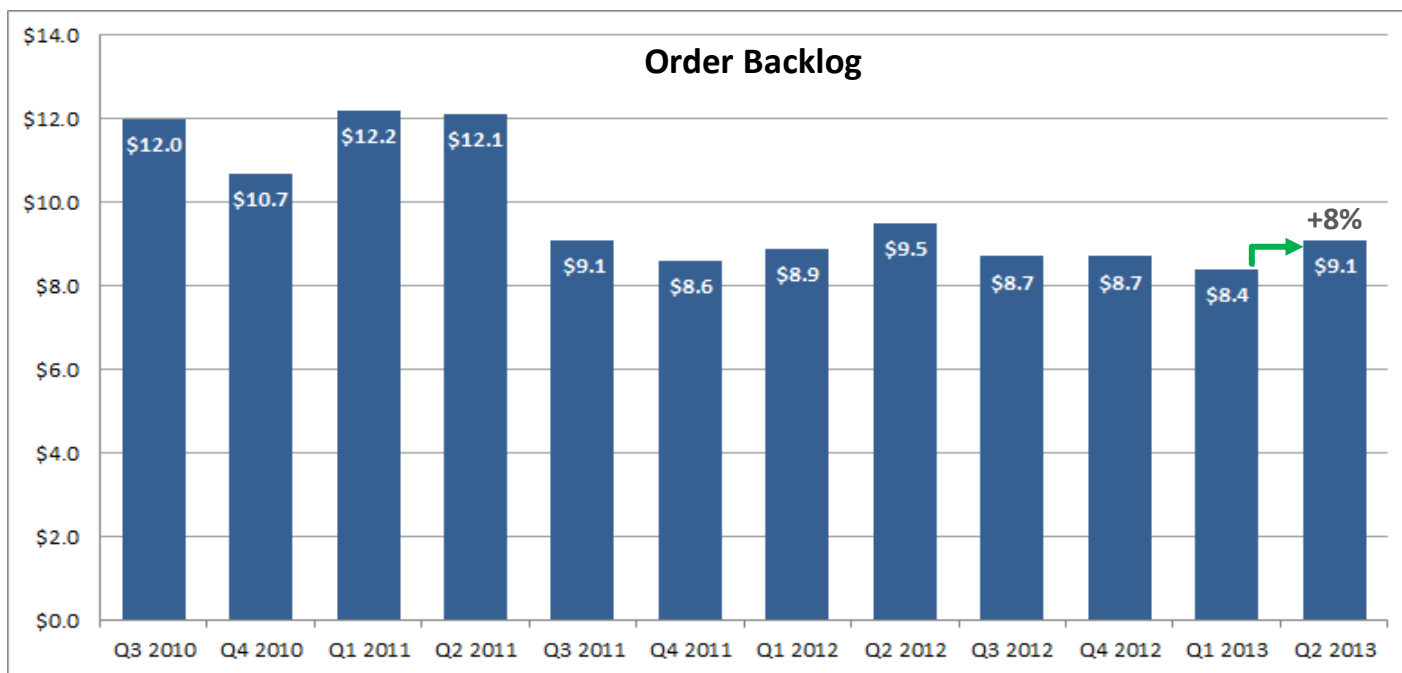
software-defined radio, low noise radar, harsh environment timing

Key components in major clients' systems

very "sticky" with high switching costs

Strong position in Commercial Avionics

Industry predicting double digit growth





GAAP to Non-GAAP Reconciliation

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

(000's except percentages)	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Revenue	\$ 12,397	\$ 11,023	\$ 9,020	\$ 9,646	\$ 9,629	\$ 7,387	\$ 7,174	\$ 7,582	\$ 7,307	\$ 7,643	\$ 7,398	\$ 6,965
Earnings (loss) before taxes (GAAP)	2,067	1,042	380	540	91	(444)	(859)	(326)	(461)	(198)	(296)	(829)
Add: interest expense (income)	71	16	12	29	41	27	27	28	23	11	19	10
Add: depreciation and amortization	202	174	187	190	208	199	169	204	203	229	240	250
EBITDA (Non-GAAP)	\$ 2,340	\$ 1,232	\$ 579	\$ 759	\$ 340	\$ (218)	\$ (663)	\$ (94)	\$ (235)	\$ 42	\$ (37)	\$ (569)
EBITDA as % of revenue	18.9%	11.2%	6.4%	7.9%	3.5%	-3.0%	-9.2%	-1.2%	-3.2%	0.5%	-0.5%	-8.2%

Computation of adjusted working capital

(000's)	3/31/2013	6/30/2013
Accounts receivable, net	\$ 4,479	\$ 3,960
Inventory, net	5,460	5,325
Less: accounts payable	(1,737)	(1,739)
Adjusted working capital	\$ 8,202	\$ 7,546

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 and under price pressure
- Client demand in ICT market segment has been soft
- + **Strong new product revenue stream across core business**
- + **Solid working capital position; generated cash from operations in Q2 2013**
- + **Margins and operating efficiencies remain favorable**

Growth Drivers for 2013

- ⇒ **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**

- ⇒ **Several key competitors have formally announced strategic actions**
 - Spin-offs
 - Restructuring
 - Sale of assets
 - Goodwill write-downs

- ⇒ **Commercial product lines are under notable pricing pressure**

- ⇒ **Macroeconomic effects continue to create uncertainty**

June 13, 2013

- Announced that LGL has received interest regarding acquisition of portions of MtronPTI
- Announced Special Committee of the LGL Board of Directors and strategic review process
- Announced warrant dividend to stockholders
- Announced intent to continue stock repurchase program, replacement of shelf registration

July 17, 2013

- Announced finalized terms of warrant dividend, increasing stockholder value
- Announced consideration of options to streamline operational support for certain business segments, or possibility of discontinuing or segmenting some or all of MtronPTI's operations

August 6, 2013

- Warrants are distributed to stockholders of record as of 7/29/2013
- Warrants are listed separately on NYSE MKT on 8/7/2013

Board of Directors is exploring strategic options



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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