



# AML Communications, Inc.

November 2010

# Safe Harbor Statement

*This presentation contains forward-looking statements made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, the Company's views on future profitability, commercial revenues, market growth, capital requirements, and new product introductions, and are generally identified by words such as "thinks," "anticipates," "believes," "estimates," "expects," "intends," "plans," and similar words. Forward-looking statements are not guarantees of future performance and are inherently subject to uncertainties and other factors which could cause actual results to differ materially from the forward-looking statements. These factors and uncertainties include: reductions or cancellations in orders from new or existing customers; success in the design of new products; the opportunity for future orders from domestic and international customers including, in particular, defense customers; general economic conditions; the limited number of potential customers; variability in gross margins on new products; inability to deliver products as forecast; failure to acquire new customers; continued or new deterioration of business and economic conditions in the wireless communications industry; and intensely competitive industry conditions with increasing price competition. The Company refers interested persons to its most recent Annual Report on Form 10-KSB and its other SEC filings for a description of additional uncertainties and factors that may affect forward-looking statements. Forward-looking statements are based on information presently available to senior management, and the Company has not assumed any duty to update its forward-looking statements.*

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- I. Corporate Overview
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- V. Growth Opportunities



# **CORPORATE OVERVIEW**

# Market Capitalization

## Equity Market Capitalization

<b>Share Price [AMLJ.OB]</b>	<b>\$1.29</b>
ADTV (90)	11,335
Basic Shares O/S	10,805,865
Market Cap	\$13.9MM
Stockholder's Equity	\$15.9MM
<b>Trading Multiples (LTM)</b>	
Current P/E	9.94x
EV/Sales	0.63x
EV/EBITDA	3.39x
Price/Sales	0.87x
Price/Book	0.88x

Source: FactSet Research, Price & Volume a/o 11/19/2010

## Balance Sheet Highlights

- Strong Balance Sheet supports Profitable Growth (9/30/10)
  - \$4.5MM Cash
  - 3.4x Quick Ratio
  - \$9.9MM Working Capital
  - <\$0.1MM in LT Debt
  - Cash per Share: \$0.43
  - Tangible BV per Share: \$1.29
  - Book Value per Share: \$1.46
  - Proven business with a long stable future

# Company Overview

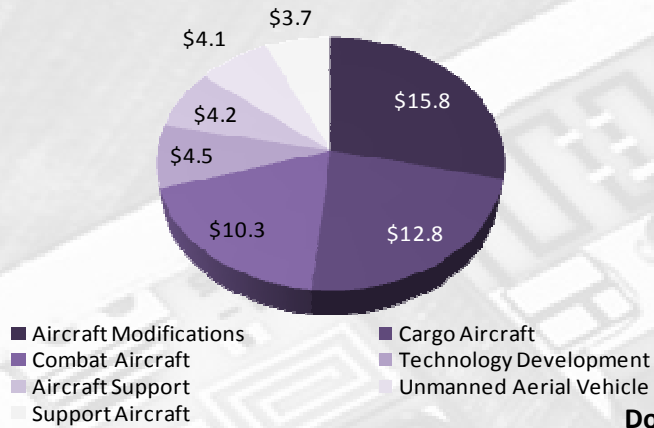
AML Communications (OTCBB:AMLJ) is a leading designer, manufacturer and marketer of **Defense Micro-Electronic Amplifiers and Subsystems**, with revenues derived from Multi-year Defense Program Contracts & Recurring Catalog Sales.

## **AML is currently position to capitalize on:**

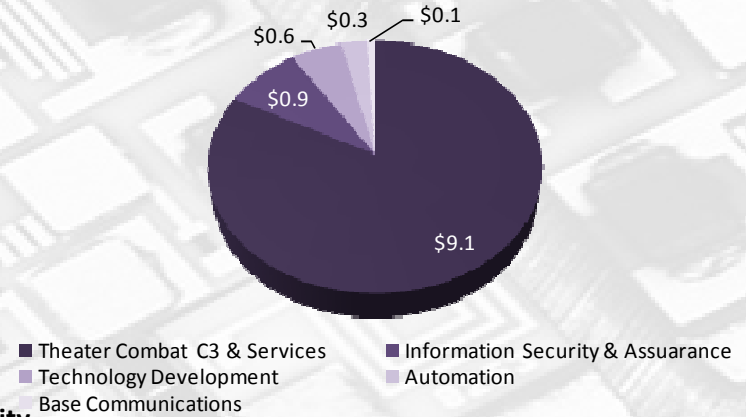
- Large, highly diversified customer base of Blue-Chip defense contractors
- Increasing need for RF Microwave components in UAV systems for Defense & Homeland Security
- Ramp up in Key Defense Programs
- Global War on Terror
- Lean Manufacturing Practices

# Defense Technology Sector

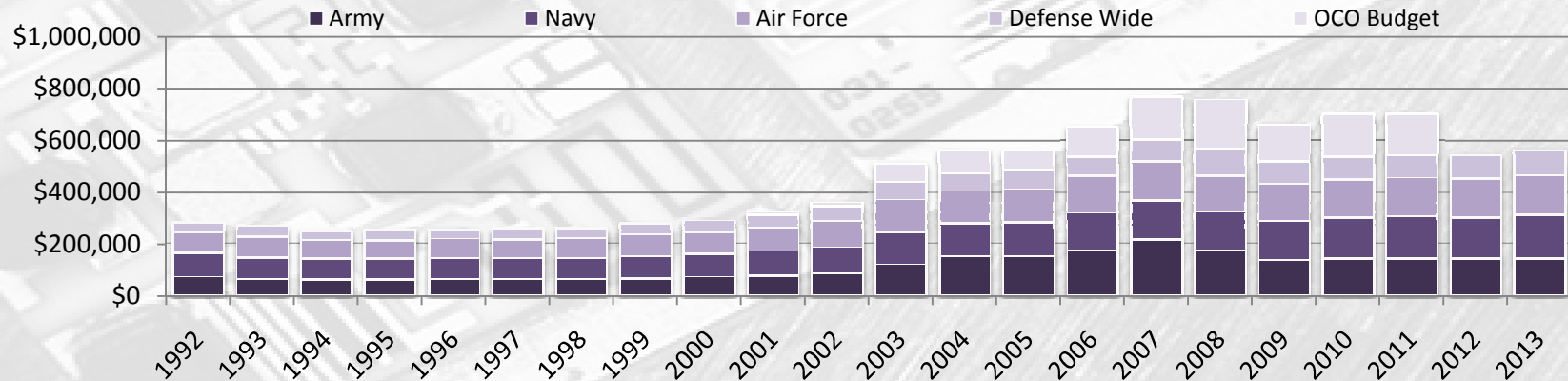
**Aircraft & Technology Procurement FY 2011 (\$ in billions)**



**Command, Control, Communications, and Computer (C4) Systems FY 2011 (\$ in billions)**



**DoD Budget Authority 1992 - 2013 by Department**  
Current \$USD in Millions



# Veteran Management Team

## AML Co-Founders and Board Members – Since 1986

- ***Jacob Inbar, President and CEO***
  - President & CEO; 1986-1999, and Since 2001
  - Former President & CEO of California Amplifier (CalAmp)
  - B.S.E.E. and MBA
- ***Tibby Mazilu, EVP of Engineering***
  - EVP Engineering; 1986 – Present
  - PhD in Electrical Engineering
- ***Ed McAvoy, EVP of Sales & Marketing***
  - EVP of Sales and Marketing; 1986 – Present
  - B.S. in Applied Engineering

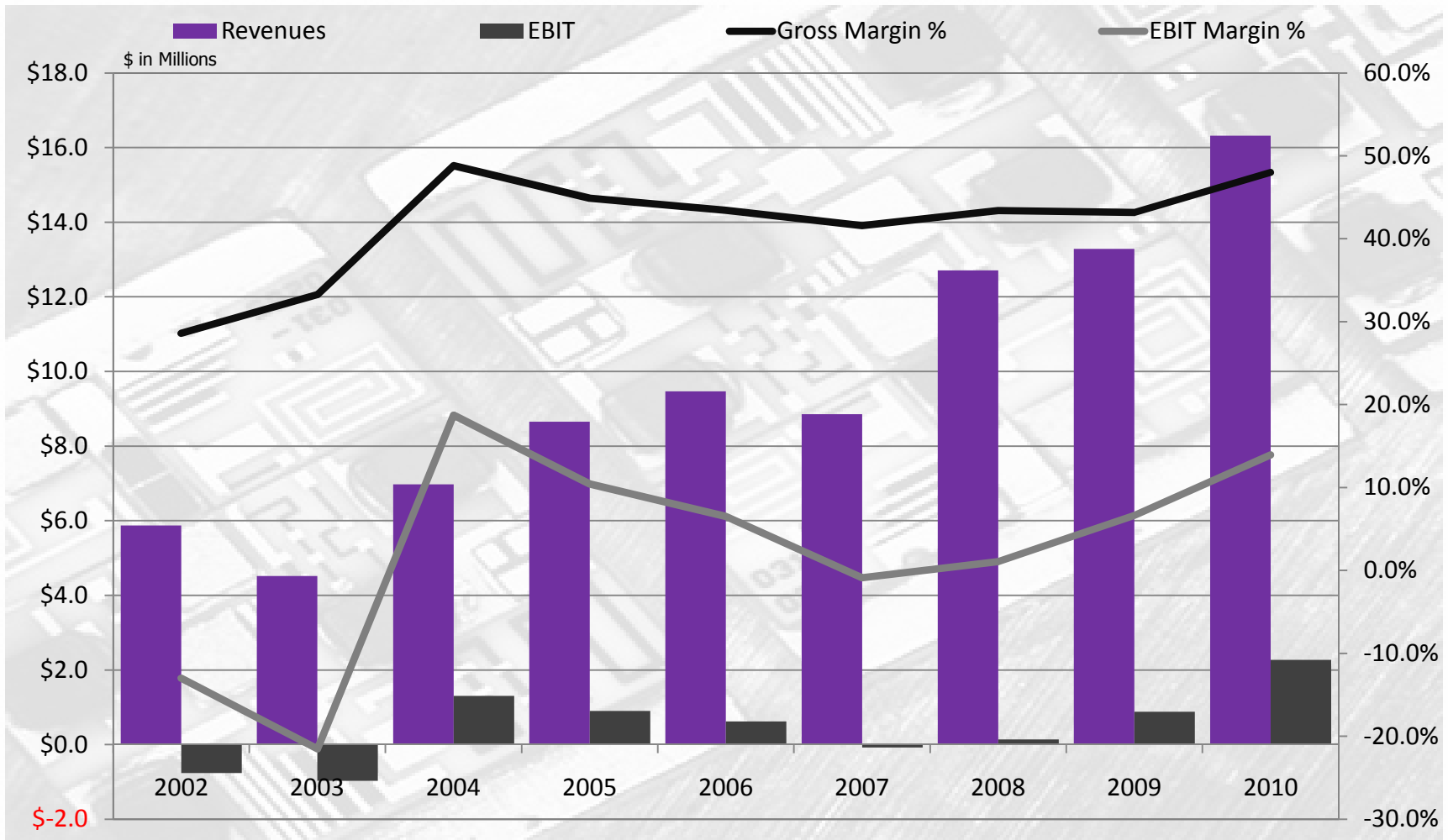


# FINANCIAL PERFORMANCE

# Financial Highlights

- Profitable for 13 consecutive quarters
- Catalog sales provide source of increasing military program sales
- Gross margins increased to 50% in Q1-FY11 vs. 41% year ago on higher sales, efficiencies
- 3-year double digit growth in revenue and operating profit
- \$8 million backlog as of Nov. 30, 2010
- Record High Revenues and EBITDA:
  - \$16.7MM Revenues (6/30/10 – LTM)
  - \$3.5MM EBITDA (6/30/10 – LTM)

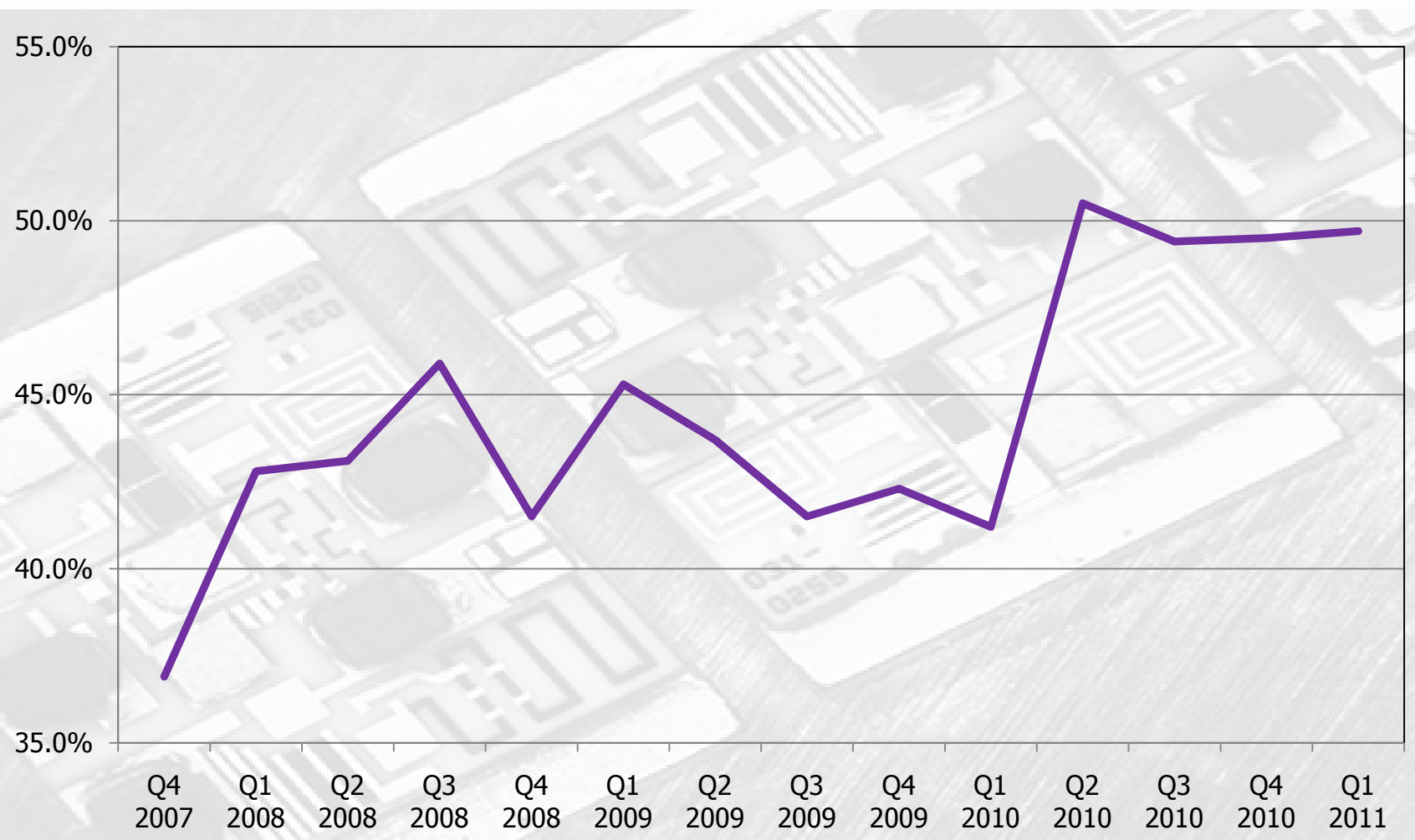
# Historical Financial Performance: YoY



# Income Statement

FYE March, 31	2006	2007	2008	2009	2010
(\$ in 000's)	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Net Sales	\$ 9,466	\$ 8,854	\$ 12,711	\$ 13,288	\$ 16,317
Cost of Goods Sold	5,354	5,171	7,195	7,549	8,485
<b>GROSS PROFIT</b>	<b>4,112</b>	<b>3,683</b>	<b>5,516</b>	<b>5,739</b>	<b>7,832</b>
Operating Expenses	3,483	3,761	5,380	4,857	5,559
<b>OPERATING INCOME</b>	<b>618</b>	<b>(78)</b>	<b>136</b>	<b>882</b>	<b>2,273</b>
Non-Operating Income/(Expense)	(3)	(25)	(183)	467	(58)
<b>PRE-TAX INCOME</b>	<b>615</b>	<b>(103)</b>	<b>(47)</b>	<b>1,349</b>	<b>2,215</b>
Income Tax Expense/(Benefit)	(1,630)	(1,662)	(1,755)	390	737
Minority Interest			464		
<b>CONSOLIDATED NET INCOME</b>	<b>\$ 2,245</b>	<b>\$ 1,559</b>	<b>\$ 2,172</b>	<b>\$ 959</b>	<b>\$ 1,478</b>

# Gross Profit Margin: Quarterly



# Strong Balance Sheet



## Balance Sheet as of 9/30/2010

- \$18.7 million in total assets
- \$4.5 million in cash
- Stockholders' equity \$15.9 million

FYE March, 31	(\$ in 000's)	2008	2009	2010
<b>Assets</b>				
Cash and cash equivalents		\$ 1,205	\$ 1,581	\$ 3,327
Accounts receivable, net		2,303	2,367	3,148
Inventories, net		2,873	3,290	3,498
Note receivable		5	7	4
Prepaid expenses		164	189	218
Deferred tax asset—current		831	867	1,277
<b>Total Current Assets</b>		<b>\$ 7,381</b>	<b>\$ 8,301</b>	<b>\$ 11,472</b>
Property and equipment, net		2,678	2,084	1,883
Deferred tax asset – Non current		3,633	3,916	2,931
Intangible Assets:		3,096	2,097	1,868
Deposits		43	33	42
<b>Total Assets</b>		<b>\$ 16,831</b>	<b>\$ 16,431</b>	<b>\$ 18,196</b>

# Strong Balance Sheet



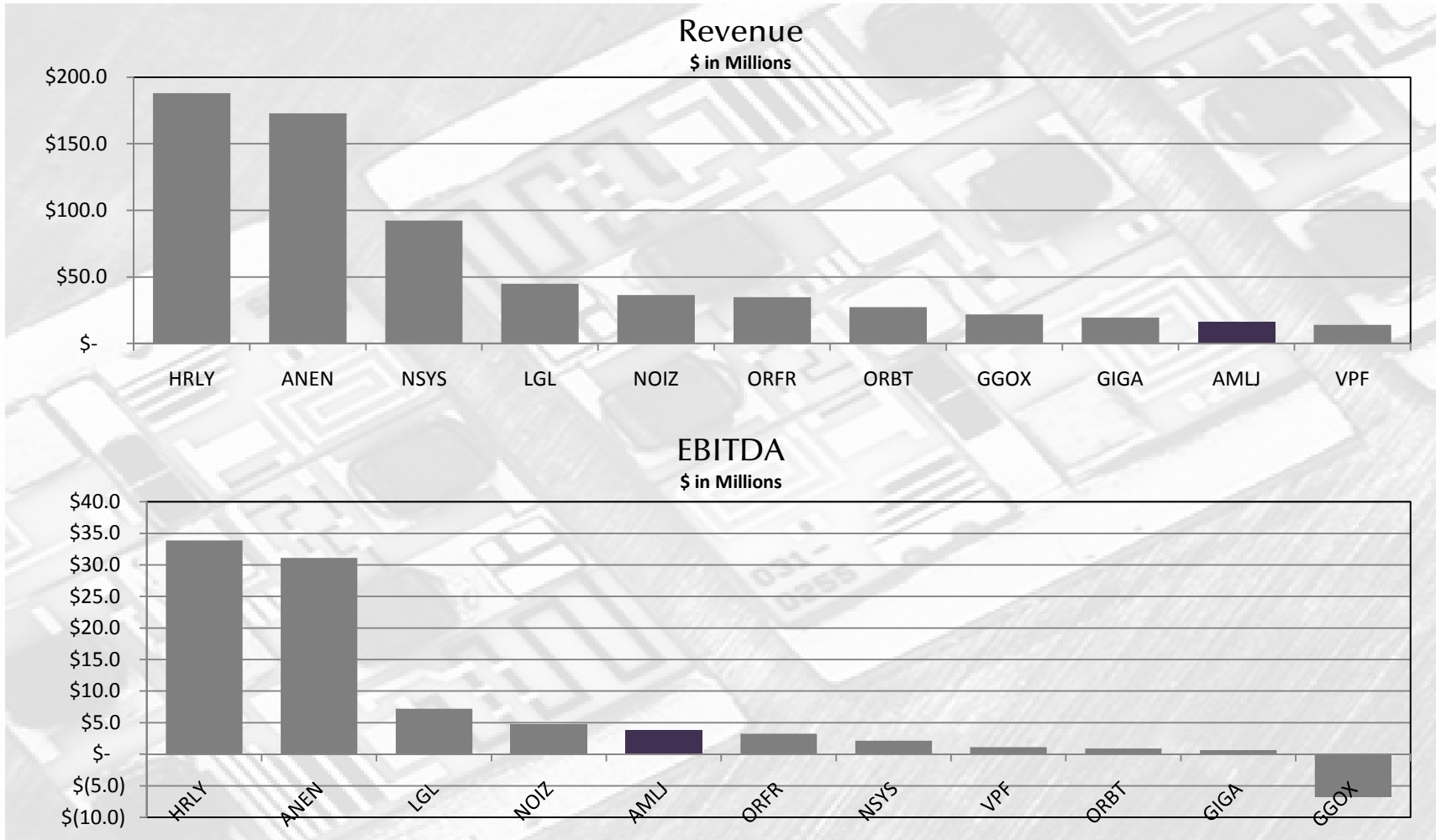
Share Repurchase Program announced May 2009

- Authorized repurchase up to 1 million shares
- 58,000 shares repurchased as of November 16, 2010

No FX Issues – All Sales Denominated in U.S. Dollars

FYE March, 31	(\$ in 000's)	2008	2009	2010
<b>Liabilities &amp; Stockholders Equity</b>				
Line of credit		874	496	132
Accounts payable		1,312	854	832
Current portion of LT Debt		57	58	110
Accrued Expenses		1,086	901	1,266
<b>Total Current Liabilities</b>		<b>\$ 3,329</b>	<b>\$ 2,309</b>	<b>\$ 2,340</b>
Long term notes payable		606	594	581
Other		532	-	126
<b>Total Liabilities</b>		<b>\$ 4,467</b>	<b>\$ 2,903</b>	<b>\$ 3,047</b>
Common stock, \$0.01 par value		104	106	107
Capital in excess of par value		13,831	14,034	14,203
Retained earnings (Accumulated deficit)		(1,571)	(612)	866
Treasury stock				(27)
<b>Total Stockholders Equity</b>		<b>\$ 12,364</b>	<b>\$ 13,528</b>	<b>\$ 15,149</b>
<b>Total Liabilities &amp; Stockholders Equity</b>		<b>\$ 16,831</b>	<b>\$ 16,431</b>	<b>\$ 18,196</b>

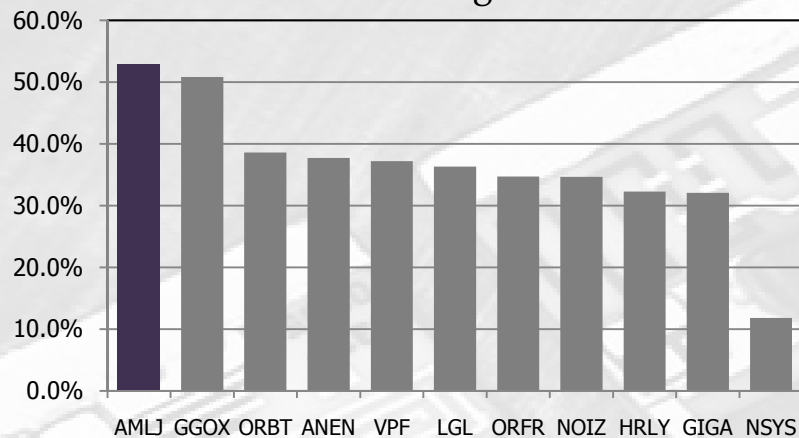
# Competitive Landscape



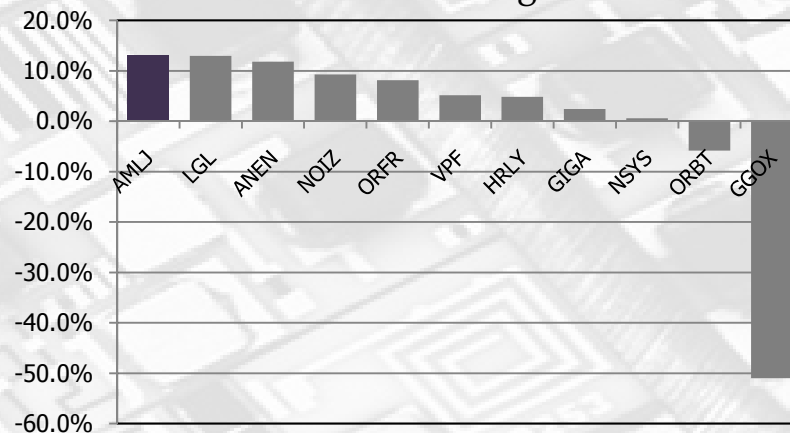
Source: FactSet, LTM a/o Sept. 30, 2010

# Competitive Landscape (Cont.)

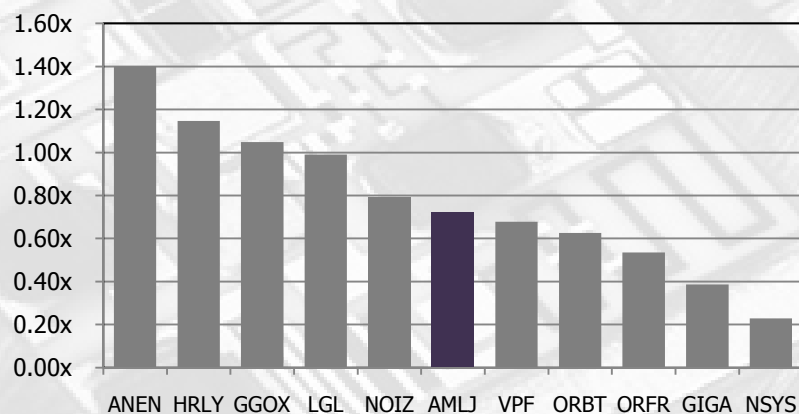
### Gross Margin



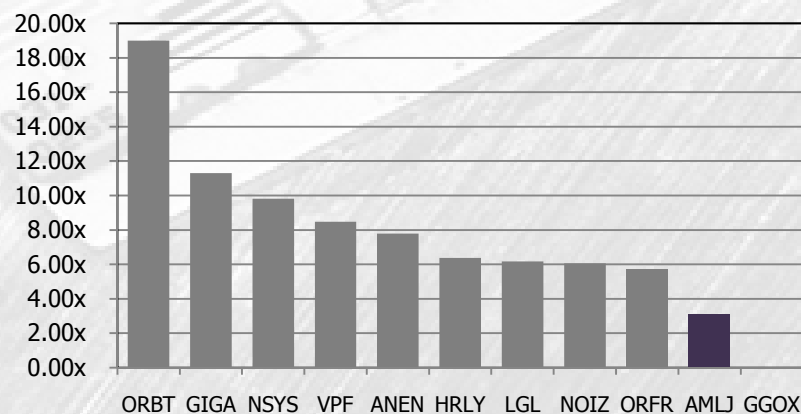
### EBITDA Margin



### EV / Revenues



### EV / EBITDA



Source: FactSet, LTM a/o Sept. 30, 2010

# Financial Outlook

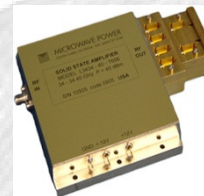
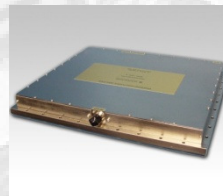
- Growing of major long-term program contracts offer high margins
- Catalog sales offer opportunity for increasing revenue base
- Quarterly revenue of \$3MM+ jumped to \$4.0MM in mid-2010
- Company in development on 8 prime defense contractor programs with opportunity for \$14MM in incremental annual revenue for 3 – 5 years
- International markets offer added revenue opportunity
- Continued investment in manufacturing automation drives capacity and margins



# MARKETS & CUSTOMERS

# Core Technology Platform

- Solid-state Microwave Power Amplifiers
  - Frequencies of 1 to 40 GHz, with
  - Output Power from 10mW to 500W
- Low-noise Amplifiers & Control Products
  - Frequencies ranging from 50KHz to 26GHz
- Integrated Assemblies from 1 to 40GHz



# AML Competitive Advantages

- Long standing relationships with prime customers
  - Well-respected niche supplier both in the U.S. and overseas
  - Established reputation for quality and reliability
- Vertically Integrated
  - Product Definition, Design, Manufacturing and Marketing
  - Ensures Supply Chain Efficiency, Quality Control, Robust Margins
- State of the art technology and manufacturing processes
  - Extensive knowledge of microwave integrated circuits (IC's)
  - Proprietary Microwave Monolithic Ceramic Circuits (MMCC) technology
- Well diversified across business lines, customer and geography

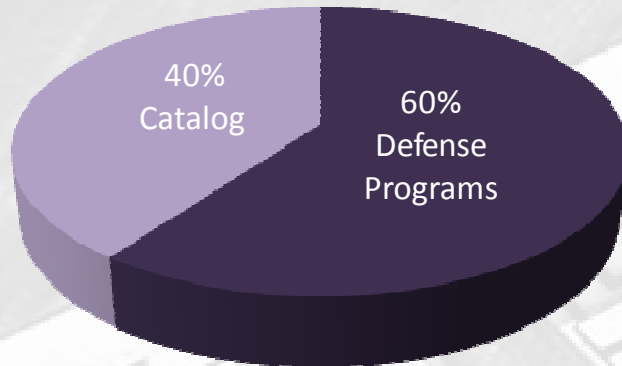
## Diversified, Blue-Chip Customer Base

Over the years AML Communications has built long standing relationships with some of the world's leading Prime Defense Contractors. What sets AML apart from their competition is the company's sterling quality and reputation amongst its customers.

**Key Prime Defense Customers include:**

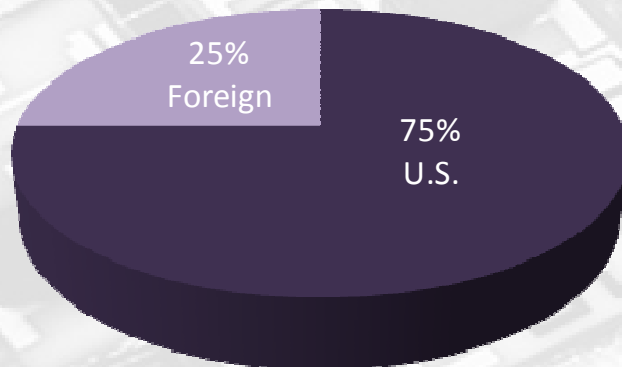
The logo for BAE SYSTEMS, consisting of the words "BAE SYSTEMS" in white, uppercase, sans-serif font on a red rectangular background.The logo for BOEING, featuring a stylized blue "B" symbol followed by the word "BOEING" in blue, uppercase, sans-serif font.The logo for ITT, featuring a yellow and orange geometric symbol followed by the letters "ITT" in black, uppercase, sans-serif font.The logo for L3 communications, featuring a red circle with a white "L3" inside, and the word "communications" in black, lowercase, sans-serif font below it.The logo for LOCKHEED MARTIN, featuring the words "LOCKHEED MARTIN" in blue, uppercase, sans-serif font, followed by a stylized blue star symbol.The logo for NORTHROP GRUMMAN, featuring the words "NORTHROP GRUMMAN" in blue, uppercase, sans-serif font, with a blue underline below the text.The logo for Raytheon, featuring the word "Raytheon" in a bold, orange, sans-serif font.The logo for Rockwell Collins, featuring the words "Rockwell Collins" in black, sans-serif font, with "Rockwell" on the top line and "Collins" on the bottom line.The logo for THALES, featuring the word "THALES" in a bold, blue, sans-serif font.

# Revenue Diversification



- **Major Defense Programs: 60% of Revenues**

- Sole Source provider on 70% of Program sales
- Customers are global, Prime Defense Contractors
- Long Term, Multi-Year Program Contracts
- Higher Gross Margins: 45 – 50%
- 1-5 year gestation period from concept to design to prototype
- Typical Programs of 3 - 20 Year production life



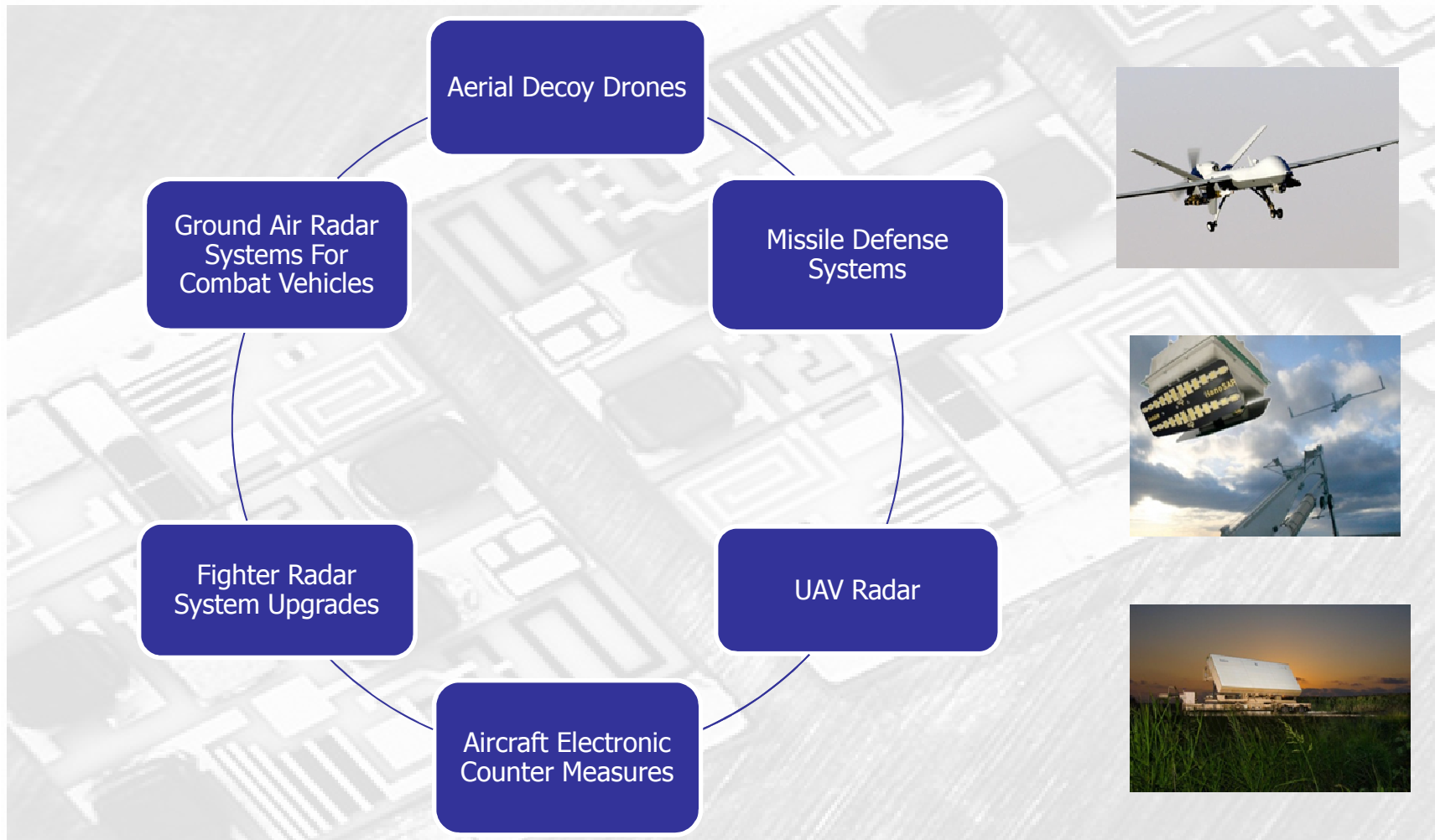
- **Catalog Sales: 40% of Revenues**

- Over 2,000+ products and growing
- Stable source of cash flow
- No 10% customers, largest are 2% - 3%
- Average bookings at \$500,000 to \$600,000 a month
- Product prices range from \$500 to \$2,500
- Biggest Source of New Customers
  - Introductions to Larger Program Opportunities
- Sales are handled by inside and third-party sales reps
  - 8 in U.S., 12 in Foreign Markets



# PLATFORMS & PROGRAMS

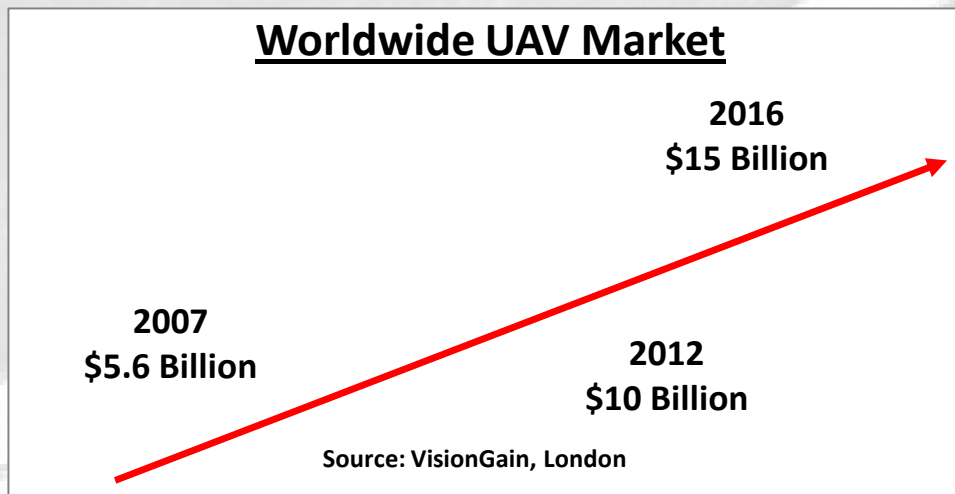
# Defense Programs – Diverse Sectors



# Market Opportunity: War on Terror

- Electronic Warfare (EW) is a long-term, rapidly growing sector
- Requires unconventional tactics, advanced technology, guided weaponry and electronic counter measures
- Large and fast-growing addressable electronic defense market includes:
  - Unmanned Aerial Vehicles (UAVs): Ops, Surveillance and Decoys
  - Cheaper than piloted aircraft or cruise missiles
  - Radar Systems:
    - UAV, missile systems, combat vehicles, fighter aircraft
  - ISR:
    - Detecting, identifying, and countering enemy forces
  - Situational Awareness:
    - Force protection protects U.S. troops and reduces collateral damage

# Market Opportunity: UAV Systems



*“UAVs are a key element in the intelligence, surveillance, and reconnaissance (ISR) portion of this revolution, and they are expanding into other missions as well with the advent of hunter-killer UAVs.”*

- Steve Zaloga, Senior Industry Analyst  
The Teal Group, Washington D.C.

*“UA systems have proven vital components in supporting the global war on terror, particularly in Afghanistan and Iraq. They have also been able to provide real-time data and imagery to the warfighters while decreasing the risk to human life.”*

- Darren Corbiere, Industry Analyst  
Frost & Sullivan, Washington D.C.

# AML Leading Program: MALD™

## Raytheon's Miniature Air Launched Decoy (MALD™)

Is a low-cost, air-launched programmable craft that accurately duplicates the combat flight profiles and signatures of U.S. and allied aircraft. In addition to protecting valuable aircraft the MALD™ offers counter air operations to neutralize air defense systems that pose a threat to U.S. and Allied Pilots.

Raytheon selected AML Communications as a sole supplier of mission critical components because of its history of quality, engineering and on-time delivery.

### MALD™ Family

#### MALD

- Payload is the signature augmentation system to decoy radar systems.

#### MALD-J

- Adds jamming capabilities to the decoy payload.

#### MALDV™

- Removes the ADM-160 payload and is cargo capable.

#### Hammer

- Repackages MALD™ to enable vertical and surface launch applications.



# Program Profile: STARLite™

## Northrop Grumman's STARLite™

Small, lightweight SAR/GMTI radar used for supporting tactical operations.

STARLite™ is now under contract to the U.S. Army for its ERMP MQ-1C Sky Warrior UAS and MQ-8B Fire Scout FCS Class IV UAS programs.

Northrop Grumman tapped AML Communications to be a supplier on the program because of the high quality amplifiers they have supplied to them on past projects.





# **GROWTH OPPORTUNITIES**

# Defense Programs: New Contracts

- 5-year “MALD”, UAV long term agreement (LTA) with Raytheon has entered production
  - AML is sole source provider
  - Yearly production expected at \$5.5 Mill/year for 4 years
  - Other UAV programs pending or in development stage
- \$3.7 million order in July 10
- \$2.2 million order in July 09
- \$220,000 pre-production order in Oct. 08



# Defense Programs: Pipeline

- AML is currently in the early stages of development on 8 prime defense contractor programs
  - If initiated/awarded, the programs will offer up to \$14 million in incremental sales annually for 3 – 5 years



# AML Growth Strategy

- Capture increasing share of high-growth defense electronic market
- Increase penetration into overseas markets
- Continue to grow catalog products library
- Leverage catalog customer base to drive custom orders, defense program contracts
- Continue to build upon FY09 manufacturing automation initiative that increased capacity and efficiency; widening gross margins from low to high 40s
- Pursue strategic, profitable niche acquisitions at \$5MM to \$20MM

## Key Takeaways

- Track record of solid growth and profitability
- Highly experienced executive team to drive and manage growth
- Large and growing market opportunity
- Diversified base of blue-chip defense customers
- Sole source on 70% of defense program sales
- Dominant UAV radar subsystems niche
- Well-positioned to participate in additional prime defense programs

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