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**Delivering M2M**  
Around the World.

4Q and FY2008 Earnings Webcast and Conference Call

# RFM

## 4Q and FY2008 Earnings Webcast and Conference Call

**October 23, 2008**

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*This presentation contains forward-looking statements that involve risks and uncertainties. Statements of the Company's plans, objectives, expectations and intentions and statements containing terms such as "believe", "expects", "plans", "anticipates", "may" or similar terms are considered to contain uncertainty and are forward-looking statements. Similarly, statements that describe the Company's business strategy, outlook, objectives, plans or goals also are forward-looking statements and are based on information available to management at the time of such statement. Such statements are not guarantees of future performance and involve risks, uncertainties and assumptions, including risks related to the ability to integrate the acquisitions as planned, the ability to compete in the highly competitive markets, rapid changes in technologies that may displace products sold by the combined company, declining prices of networking products, the combined company's reliance on distributors, delays in product development efforts, uncertainty in consumer acceptance of the combined company's products, changes in the company's level of revenue or profitability, expectations and stability of the international business environment in which the company operates, availability and cost of raw materials and labor, loss of major customers or significant change in demand from company forecasts, projections of future performance, future financial and operating results, as well as the other risks detailed from time to time in the Company's SEC reports, including the report on Form 10-K for the year ended August 31, 2007. The company does not assume any obligation to update any information contained in this release. This disclosure speaks as of the date of its most recent posting October 23, 2008, and the Company cannot assure its accuracy after that date and does not undertake to update the disclosures contained herein.*



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### **Introduction**

We have managed our business aggressively, so that we will be optimally positioned to return to growth and profitability as the economy recovers. To do this, we have reduced costs and redeployed resources to our strongest markets. Our 4th quarter and full year results, as detailed herein, were adversely affected by non-cash charges required by generally accepted accounting principles (“GAAP”). We believe that our Non-GAAP results better reflect our underlying business strengths and the potential for profitable performance from our expanding solutions segment.



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## Agenda

- Underlying Strengths
- Strategic Actions
- Fundamental Improvements
- Significant Affects on our Balance Sheet & Income Statement
- Financial Results
- Guidance
- Recap
- Questions



## Underlying Strengths

- Solid Portfolio of Wireless Hardware Products targeted for the M2M Market
- Diverse Customer Base and Sales Channels
- Diverse markets, including Industrial and Medical, which are doing well
- Lower Cost Business Model for both Manufacturing and Support



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### Strategic Actions

- Recruited Two New Directors – Rick Herrman and Jon Ladd
- Sales Plan to Broaden Sales Channels aimed at M2M Market
- Marketing Plan to Increase Penetration in Established Key Markets
- Development / Release of Two New Products:
  - Introduction of a new short-range RFIC transceiver (TRC104) for a wide range of applications including security, active RFID, medical telemetry, computer peripherals and electronics
  - Introduction of a new line of industrial-grade 2.4 GHz wireless mesh networking products the XDM2140 RF transceiver module and the companion XG2400E gateway for the M2M Market



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### **Fundamental Improvements**

- Positive Operating Cash Flow of \$932K in 4Q'08 and \$762K for FY'08
- Near Record Annual Sales \$54.7M - Despite Current Economy
- Gross Profit Margin Improvement to 37.6% for FY'08 - Tangible Results of Cost Reduction Initiatives
- Non-GAAP 4Q'08 and FY'08 Net Income was \$122K and \$1.8M, respectively
  - Intrinsic Strength of Core M2M Hardware Business
  - Rationalized our Systems Business
  - Optimized Resources

***Positioned for Growth and Profitability***



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### **Significant Affects on our Balance Sheet & Income Statement**

- **Three Contributors to GAAP Net Loss for 4Q'08 and FY'08**
  - Impairment of Goodwill and Intangible Assets (\$15.7M)
  - Discontinued Aleier software and services Operations (\$3.2M for the Quarter and \$4.7M for the year)
  - Restructuring Expenses related to Severance, etc. (\$538K for the quarter and \$858K for the year)
- **4Q'08 Total Impact was \$19.4M**
- **FY'08 Total Impact was \$21.2M**



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## Financial Results



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### *Results from Continuing Operations*

	<b><u>4Q 2008</u></b>	<b><u>FY2008</u></b>
<b>Sales</b>	<b>\$12.4M</b>	<b>\$54.7M</b>
<b>GPM</b>	<b>36.9%</b>	<b>37.6%</b>
<b>GAAP Loss</b>	<b>(\$16.3M)</b>	<b>(\$16.2M)</b>
<b>GAAP EPS</b>	<b>(\$1.66)</b>	<b>(\$1.68)</b>
<b>Non GAAP Income</b>	<b>\$122K</b>	<b>\$1.8M</b>
<b>Non-GAAP EPS</b>	<b>\$0.01</b>	<b>\$0.17</b>

*Reconciliation of GAAP to Non-GAAP Net income and  
EPS provided in today's earnings release*

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### RFM, Inc. Statement of Operations Analysis For the Fourth Quarter Ended August 31, 2008 (\$000)

	Grand Total	Less: Discontinued Operations GAAP	Leaves: Continuing Operations		
			GAAP	Less: Non-GAAP Adjustments	Equals: Non GAAP
<b>Sales</b>	\$12,570	\$186	\$12,384	\$0	\$12,384
<b>Cost of Sales</b>	8,209	393	7,816	13	7,803
<b>Gross Profit</b>	4,361	(207)	4,568	(13)	4,581
<b>%</b>	34.7%	-111.3%	36.9%	0.0%	36.9%
<b>Operating Expenses:</b>					
<b>Normal</b>	5,479	814	4,665	403	4,262
<b>Impairment</b>	17,528	1,874	15,654	15,654	0
<b>Restructuring</b>	781	243	538	538	0
<b>Total Op. Expenses</b>	23,788	2,931	20,857	16,595	4,262
<b>Operating Income</b>	(19,427)	(3,138)	(16,289)	(16,608)	319
<b>Non-Operating/Taxes</b>	(54)	(43)	(11)	186	(197)
<b>Net Income/(Loss)</b>	(\$19,481)	(\$3,181)	(\$16,300)	(\$16,422)	\$122

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### RFM, Inc. Statement of Operations Analysis For the Year Ended August 31, 2008 (\$000)

	Less: Discontinued Operations GAAP		Leaves: Continuing Operations		
	Grand Total	GAAP	GAAP	Less: Non-GAAP Adjustments	Equals: Non GAAP
Sales	\$56,103	\$1,442	\$54,661	\$0	\$54,661
Cost of Sales	35,479	1,380	34,099	59	34,040
Gross Profit	20,624	62	20,562	(59)	20,621
%	36.8%	4.3%	37.6%	0.0%	37.6%
Operating Expenses:					
Normal	22,399	2,594	19,805	1,601	18,204
Impairment	17,541	1,874	15,654	15,654	0
Restructuring	1,088	243	858	858	0
Total Op. Expenses	41,028	4,711	36,317	18,113	18,204
Operating Income	(20,404)	(4,649)	(15,755)	(18,172)	2,417
Non-Operating/Taxes	(485)	(42)	(443)	186	(629)
Net Income/(Loss)	(\$20,889)	(\$4,691)	(\$16,198)	(\$17,986)	\$1,788

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### Detailed 4Q'08 Sales Performance

- Wireless Solutions Group Sales were \$6.0M, representing 48% of Total Sales – this was up 8% sequentially and down 8% comparatively, holding steady in this economic environment
  - Module Sales totaled \$3.2M (up 28% sequentially & down 10% comparatively). Medical and industrial applications up sequentially, one individual project completed causing a decline comparatively
  - Virtual Wire and RFIC Sales were \$2.8M (down 9% sequentially & 5% comparatively). Medical strong. Consumer tracking application down sequentially, AMR down comparatively



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### Indicators of Progress for Wireless Solutions

- Continued strength in medical applications:
  - Design win for medical implant application
  - Increased Medical telemetry sales for major medical provider
- Strong sales for European GPS applications
- Module design win for a cold chain temperature monitoring system for transportation companies
- Two new products launched
- Expanding our Sales Channels with Value Added Resellers

***Positioned for Growth and Profitability***



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### Detailed 4Q08 Sales Performance

- Wireless Components Group Sales were \$6.4M, representing 52% of Total Sales – affected by the current economy
  - Filter Sales totaled \$4.1M (down 14% sequentially & 19% comparatively). SDAR & Telecom affected by economy
  - Low Power Components Sales were \$1.5M (flat sequentially & down 36% comparatively). Mature products stabilizing at these levels
  - Frequency Control Sales were \$0.8M (down 16% sequentially & up 28% comparatively). Erratic demand from CEMs, niche applications

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### Additional Financial Details

- **Gross Profit Margin Improvement**
  - 36.9% for 4Q'08 and 37.6% for FY'08
  - Compared to 35.3% for 4Q'07 and 31.7% for FY'07
  - Improvements due to Cost Reduction Initiatives
- **Operating Expenses Decreased to \$4.7M in 4Q'08** (Net of Restructuring & Impairment Expenses)
  - 4Q'08 Down 13% from 4Q'07
  - FY'08 Down 5% from FY'07
  - Both were the Result of Cost Reduction Initiatives

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### **Balance Sheet** (Compared to trailing 3Q'08)

- Cash on Hand was \$1.3M (compared to \$1.2M)
- Accounts Receivable were \$8.4M (down \$1.7M) (Sales lower plus very linear shipments in Q4)
- Inventory totaled \$9.5M (up \$516K) (Finished goods increase will be worked off during Fiscal 2009)
- Intangible Assets decreased \$18.1M (due to impairments)
- Current Liabilities totaled \$9.2M (up \$841K) (Increased payables offsetting inventory increase & severance accrual)
- Long Term Liabilities totaled \$8.4M (Down \$844K) (Paid down Bank Debt)

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### Sufficient Liquidity

- Cash on Hand was \$1.3M
- Bank Credit Facility Availability was \$1.4M
- Positive Operating Cash Flow:
  - 4Q'08 = \$932K
  - FY'08 = \$762K
- Amended Bank Credit Facility through CY2010

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### **Guidance**

Given the current economic environment and the uncertainties the major industries our products serve are facing, we are suspending our practice of providing guidance. We believe guidance in this climate is extraordinarily difficult and could be potentially, but unintentionally misleading, and is therefore not in the best interest of the Company and its shareholders. We will assess re-initiating guidance in the future.

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### Recap

- Complicated Quarter and Year Results but the Company is Better Positioned
  - Lower Cost Business Model
  - Focused on Core Wireless Hardware Business Based on our Strategic Strengths for M2M Market
- Non-GAAP Net Income and Improving Gross Margins
- Generated Positive Operating Cash Flow
- Added Financial and Operating Talent with Two New Directors
- New Products Developed and Released for M2M Market

***Positioned for Growth and Profitability***



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## Questions?



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### Wrap-up

- 1Q'09 Earnings Conference Call Scheduled for  
December 18, 2008

*Thank you for your participation and your interest in RFM*



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