

PCTEL Q1 2009 FINANCIAL RESULTS CONFERENCE CALL

April 30, 2009

OPERATOR:

Ladies and Gentlemen, thank you for standing by, and welcome to the PCTEL first quarter 2009 conference call. At this time, all participants are in a listen-only mode. Later, we will open up the call for your questions. Instructions for queuing up will be provided at that time. As a reminder, this conference call is being recorded for replay purposes.

I will now turn the call over to Jack Seller, Director of Marketing.

JACK SELLER:

Thank you for joining us today, April 30, 2009, for the PCTEL financial results conference call for the first quarter 2009. On today's call will be Marty Singer, Chairman and CEO and John Schoen, Chief Financial Officer.

Safe Harbor Statement

Today's call will contain "forward-looking statements" within the meaning of the federal securities laws. Comments concerning our future financial performance, new products and product development, and expectations regarding the future growth of our wireless RF business, are forward-looking statements within the meaning of the safe harbor. Actual results may differ materially from those projected as a result of risks and uncertainties, including the ability to successfully grow our wireless products business, implement new technologies and obtain protection for the related IP. Additional discussion of these and other factors affecting the company's business and prospects is contained in our periodic SEC filings. These statements are made only as of today and we disclaim any obligation to update information to reflect subsequent events.

I would now like to turn the conference call over to Marty Singer.

MARTY SINGER:

Thank you, Jack, and Good afternoon.

For those of you who have not had a chance to read our press release, I'd like to recap some of the non-GAAP highlights from the quarter on a continuing operations basis:

- We achieved revenue of \$14.1 million
- Non-GAAP Gross Profit Margin was 48%
- Non-GAAP Operating Margin was 3%
- Non-GAAP Net income was \$451,000, or \$0.03 per diluted share
- Cash and investments were \$77 million

I'd also like to add that, in January, PCTEL made another strategic acquisition.

We acquired Wi-Sys Communications, a Canadian-based company specializing in GPS antenna and receiver technology.

Now I'd like to turn the call over to John Schoen, our CFO, who will discuss our financial performance in some detail. Later, I will comment on our progress over the past quarter and what we see in the future.

John?

JOHN SCHOEN:

Thank you Marty, and good afternoon, or evening, to everyone.

GAAP Versus Non-GAAP Financial Statements

Our investors will note that the company presents non-GAAP financial information in its earnings releases. The company believes that presentation of operating profit, and net income excluding restructuring charges and non-cash based expense including stock and stock option based compensation, amortization and impairment of intangible assets and goodwill related to the company's acquisitions, gains or losses on the sale of product lines and non cash based income tax expense provide meaningful supplemental information to both management and investors. The non-GAAP financial analysis reflects the Company's core results and facilitates comparisons across reporting periods. For more information on our non-GAAP financial results and reconciliation to GAAP measures, please refer to our earnings release that has been filed under Form 8-K with the SEC. The release can also be found on our website at www.pctel.com under "Investor Relations". My discussion of results will be based on our non-GAAP financial results.

Sale of MSG

As a reminder, the company sold its Mobility Solutions software group, or MSG, to Smith Micro in January 2008. The company's financial statements have been revised to reflect MSG as a discontinued operation. My discussion of financial results will address continuing operations.

Revenue

First quarter 2009 revenue from continuing operations was \$14.1 million compared to \$18.3 million in the first quarter of 2008, a decrease of 23%. Revenue was lower for both scanning receivers and antenna products. Scanning receiver revenue was lower on reduced carrier capital expenditure levels worldwide. Antenna revenue was lower in both the distribution and OEM channels, reflecting particular softness in land mobile radio and defense related antenna sales. The Wi-Sys acquisition contributed \$450,000 of revenue in the quarter.

Gross Profit Margin

Despite lower revenues, Non-GAAP gross margin from continuing operations for the first quarter was 48 percent, unchanged from the same period last year. The first quarter 2009 contained a higher mix of scanning receiver revenue than the first quarter last year. The higher scanning margin percent relative to antennas offset the cost of lower overall volume over fixed costs.

Operating Expenses

First quarter non-GAAP R&D and SG&A from continuing operations were \$6.6 million, down \$100,000 from the same quarter last year. R&D expense was higher by \$500,000 on engineering investments in scanning receivers and antennas, as well as the acquisition of Wi-Sys. SG&A is \$600,000 lower through the closure of several unproductive sales offices and the restructuring of our antenna manufacturer's representative sales channel.

The Conexant royalty of \$200,000 was unchanged from last year.

Non-GAAP Operating Income

Non-GAAP operating income from continuing operations in the first quarter was \$386,000, or three percent of revenue, compared to \$2.4 million, or 13 percent of revenue in the same period last year. The results reflect lower gross profit dollars on lower revenue. The non-GAAP operating income impact of the Wi-Sys acquisition in the quarter was nominal due to integration costs. The integration is expected to be completed in the second quarter, with \$50,000 to \$100,000 per quarter accretive effect starting in the third quarter.

While not a part of non-GAAP operating income, I would like to give some background on the company's \$1.3 million goodwill impairment charge incurred in the first quarter. This represents all of the company's remaining goodwill, including \$384,000 related to the licensing segment and \$922,000 just acquired with Wi-Sys. This impairment was caused by the accounting rules governing goodwill impairment as it relates to the total company's current market capitalization versus book value. It is not reflective of management's long term projected discounted cash flow of the underlying operations.

Other Income (Expense)

Other income was \$165,000 compared to \$784,000 a year ago. There are two factors contributing to the significant decline. Last year in Q1 we had \$41 million more in cash, primarily from the sale of MSG. The cash was utilized over the last twelve months for a one time dividend, the stock buyback program, and the acquisition of Wi-Sys. The second factor is the overall decline in interest rates since last year.

Non-GAAP Income Taxes

The non-GAAP income tax rate in the quarter was 18%.

Non-GAAP Earnings

Non-GAAP net income from continuing operations for the first quarter 2009 was \$451,000, or \$0.03 per diluted share, compared to non-GAAP net income of \$2.7 million, or \$0.13 per diluted share in the first quarter of 2008. To summarize the differences, net income from continuing operations was lower from decreased gross profit on lower revenue and lower interest income.

Balance Sheet

Now let us turn to the balance sheet.

Cash and investments ended the quarter at \$77 million of which \$14 million is classified as long term. This is a sequential decrease of \$1 million from the end of last year. The company spent \$2 million on the acquisition of Wi-Sys and generated \$1 million of cash and investments from all other sources.

Of the roughly \$77 million in cash and investments on hand at the end of first quarter, the company had approximately \$1 million in operating bank accounts; \$35 million in AAA money market funds which are in turn invested 100 percent in short term U.S. Federal Government Agency securities, or bank repurchase agreements collateralized by the same; \$35 million in tax exempt pre-refunded municipal notes; and \$6 million in the Columbia Strategic Cash Portfolio Fund, an

enhanced cash money market fund. The Columbia fund is in the process of liquidation.

Income Statement Guidance Q2 2009

Now I would like to discuss guidance for the second quarter 2009. Marty will discuss guidance as well in his prepared remarks.

We anticipate revenue for the second quarter to be in a range of \$13.5 to \$14.5 million. The company is seeing order booking rates in April consistent with that experienced in the quarter just ended.

Non-GAAP gross profit percent for the second quarter is expected to be in a range of 47 to 48 percent, about the same as the first quarter.

Non-GAAP R&D and SG&A from continuing operations are expected to be between \$6.5 and \$6.7 million for the second quarter, or about the same as the first quarter. We expect that R&D will be about \$150,000 higher from additional investments and SG&A will be about \$150,000 lower due to seasonally high trade show costs incurred in the first quarter each year.

The Conexant royalty is expected to be \$200,000, unchanged from the first quarter 2009. As a reminder, the Conexant royalty agreement becomes fully paid up at the end of the second quarter 2009.

Other income is expected to range between \$100,000 and \$200,000 in the second quarter, before any potential mark to market losses from our investment in the Columbia fund. The quarter to date mark to market change on our Columbia investment is immaterial.

The non-GAAP effective income tax rate is expected to remain unchanged in the second quarter at 18 percent.

The diluted share count in the second quarter is expected to be about the same as the first quarter at 17.7 million shares, before any potential stock buy backs.

That concludes the financial review. I would like to turn the call over to Marty for his summary comments.

MARTY SINGER:

Thank you, John.

“I am pleased to state that PCTEL remained profitable during this challenging economic environment by reducing costs and adding key customers and products. This is a key short term objective while still investing in R&D and acquisitions to build for the future.”

PCTEL continues to invest heavily in R&D. We will continue to invest the money saved through SG&A cost containment into our new product development efforts. The combination of our cost control and the development of new products for 2010 and 2011 will position PCTEL to take full advantage of the economic recovery. In the meantime our goal is to keep the company’s non-GAAP net income break even point at the current level of a little below \$14 million a quarter in revenue. As indicated in John’s guidance for Q2, we have already taken the cost containment actions required to fund the additional R&D spending for the next quarter. Additionally, our integration of Wi-Sys will be complete in the second quarter, which will fund additional R&D spending beyond the second quarter levels indicated.

Our story, however, is not confined to fiscal responsibility and the careful allocation of our resources. We are committed to aggressive development of

leading edge products and a renewed focus on business development. I am pleased to report to our shareholders and the analysts who follow us, that this past quarter has been one of strong accomplishment and that we anticipate continued progress throughout the year.

Let me review our progress in delivering upon our product roadmap commitments and meeting industry needs with innovative antenna products and scanning receivers for the cellular industry.

As many of us noticed, this year both CTIA and 3GSM were dominated by LTE related announcements and it is clear that this new standard will be a major driving force in the wireless industry in the coming years. As we announced in Barcelona, we were first to market with a fully featured scanning receiver for LTE, leveraging the high performance SeeGull EX platform to support initial trials and deployments. LTE is an OFDM based technology that requires very high levels of processing. Hence, our EX platform is particularly well suited to provide unparalleled support for this new standard. As it is widely known, Verizon is one of the major operators aggressively deploying LTE. Recently, PCTEL also launched its new very high performance of the CDMA/EVDO version of the SeeGull EX.

We were equally active on the antenna side of our business. We had strong traffic and interest at the International Wireless Communications Exposition, also known as the IWCE show and announced our next generation Medallion GPS antenna.

This new product is multi-band and combines GPS with cellular, WiMax, and WiFi capabilities. There are many applications for the Medallion. For example, a bus utilizing the GPS element for navigation might transmit and receive data over a WiFi network when pulling into a terminal. This capability will be deployed widely in public safety applications that involve communication between emergency response vehicles and dispatchers. The antenna covers most GSM frequencies and the Medallion will address a global market.

We also announced our new WiMAX sector panel antennas for industrial and commercial use. These wideband antennas operate between 2.3 and 2.7 GHz. The new antennas have high gain with null fill capability that provides optimized extended coverage for broadband access, SCADA, and Telemetry applications. These Base Station Sector antennas are ideal for use in suburban, rural and remote areas. Some of the industrial applications include remote monitoring and control of Oil and Gas installations, smart metering and smart grid deployments by electric utilities.

We have had a strong quarter in business development activities, independent of the recession-related downturn in orders. Just last week we were informed that Emerson has included us in their Strategic Supply Summit on the basis of our strong quality, customer service, and technology. We secured our first major order for GPS Timing Antennas with Alcatel Lucent in China and successfully qualified our parabolic antennas for a nationwide project in Australia. With respect to existing customers, we secured five (5) new SKUs with Cisco as part of their WiFi/WiMAX program and we received approval from Motorola for a major expansion program related to their MOTO-TRBO Mobile product line. We anticipate supplying eight (8) new mobile antennas to Motorola beginning later this year.

In the scanning receiver business, we continue to develop new channels for direct and indirect distribution. Our recently released CDMA/EVDO and LTE products are already integrated by our key OEM partners. For example, you may have seen our joint press release with Anite, a major provider of cellular test and measurement equipment. Parts of Asia appear to be coping with the economic downturn better than most other regions. We are actively working with a number

of potential new OEM partners and distributors in that part of the world and leveraging existing ones in order to participate in that growth.

With respect to acquisitions, we have been talking with a variety of companies in both the antenna and network engineering space. Despite the deflated values, it is somewhat difficult to complete acquisitions in the current environment: everyone is convinced that their assets are undervalued and that they will benefit from waiting. From our perspective, it is important to be extremely cautious and avoid over-paying for acquisitions. Having said that, we believe that there are a number of attractive opportunities and we will update you as soon as we have any progress to report.

The global economic and telecom growth outlook remains uncertain. Accordingly, we have adjusted to this challenging environment by focusing on cost reduction, business development, accretive acquisitions and new product development. As I mentioned earlier, we will continue to balance our operating expenses with revenue expectations. Our balance sheet remains very strong and we will have opportunities to effectively deploy our cash. If we continue to execute against our plan, PCTEL will be well positioned to take full advantage of the economic recovery.

We have set aside 30 minutes for your questions. Operator?

Closing Remarks

Thank you all for joining us on this call and web cast. We are planning to attend the Baird Growth Stock Conference in Chicago on May 13 and the Barclays Capital Worldwide Wireline and Wireless Conference in New York on May 27 to May 28th. We look forward to seeing many of you at those events.