



# 2010 Q1 Investor Conference Call

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[www.pinnacle.com](http://www.pinnacle.com)

NYSE Amex: PNS

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Today's discussion may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, but not limited to, statements regarding the Company achieving its financial growth and profitability goals, or its sales, earnings and profitability expectations for the fiscal year ending December 31, 2010. The words "believe," "expect," "anticipate," "estimate," "intend," "seek," "may" and similar expressions identify forward-looking statements that speak only as of the date thereof. Investors are cautioned that such statements involve risks and uncertainties that could cause actual results to differ materially from historical or anticipated results due to many factors. For more details please refer to the Company's Securities and Exchange Commission filings, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q.

Q1 2010 results show we are continuing to make progress in executing our strategic plan:

- Focusing on our Core Service Offerings
  - Driving value to our customers by solving their problems
- Our approach to Market includes:
  - Accelerating our service capabilities
  - Partnering with customers on embedded computing designs
  - Focusing on our integration business

- But we still have work to do:
  - Continually working toward developing a more diversified customer base
  - More consistent, steadily-paced revenue base
- The last two quarters' results confirm that we are on the right track
  - Have established a solid foundation for profitable growth

# 2010 First Quarter Financial Overview

- Q1 2010 net profit of \$0.3 million, or \$0.04 per diluted share
  - Significant improvement versus Q4 2009 loss of \$0.4 million, or \$0.05 per diluted share
  - Q4 after tax loss included a nonrecurring \$0.3 million tax benefit versus Q1 tax expense of \$0.1 million
- Income before taxes improved \$1.1 million
  - Q1 pre-tax profit of \$0.4 million versus a Q4 loss of \$0.7 million
  - Q4 pre-tax loss included approximately \$1.0 million in severance and other nonrecurring charges
- Operating cash flow was \$0.5 million
  - Fifth consecutive quarter of positive operating cash flow
  - Debt outstanding cut in half during Q1 from \$2.4 million to \$1.2 million
  - Builds upon three consecutive years of positive operating cash flow

## Sales

- Total sales increased \$150,000, or 2%, to \$8.8 million from \$8.7 million in Q4 2009
  - Typically revenue declines from Q4 to Q1
  - Average 18% decline over last four years

## Gross Profit

- Gross profit increased 24% to \$2.1 million from \$1.7 in Q4 2009
  - Excluding \$140,000 in Q4 nonrecurring inventory reserve charges, gross profit grew 15%
- Gross profit margin improved four percentage points to 24% versus Q4
  - Two percentage point improvement excluding Q4 nonrecurring charges

## Operating Expenses

- Reduced \$0.7 million vs. Q4 2009
  - About flat excluding \$0.8 million Q4 nonrecurring expense

## **Successful execution in Q4 and Q1**

- Fundamentally changing our strategic approach to the market
- Actively communicating with customers and suppliers
- Flattened and focused the organization to support our strategic focus
- Maintained excellent operational performance
- Supporting development of new business
  - Developing pipeline of new business
  - Completing qualifications on new business
  - Ramp of new service programs

## **We had a lot of challenges to manage through**

- Results show that we have been successful in getting PDSi on the right track
- Continue to work toward developing a more diversified customer base

## Summary:

- We must continue to build upon our successes
- Working toward:
  - Becoming a trusted partner that solves customers' problems
  - Developing a more diversified customer base
  - Developing a core of more predictable, run-rate business that we can build upon

- We have made excellent progress in refocusing the business over the last two quarters
- Established a solid foundation for 2010 from which we can:
  - Continue to develop our pipeline of new business
  - Develop a more diversified and predictable customer and revenue base
  - Profitably grow the business

- If you would like to ask a question, please press the \* key followed by the 1 key on your push-button phone.
- You will hear a three tone prompt following your selection. If you are using speaker equipment, you will have to lift the hand set before pressing the numbers.
- A replay of this conference call will be available on the Company's website in approximately one hour.