

LANTRONIX INC
Form DEFA14A
November 17, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

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Check the appropriate box:

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LANTRONIX, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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COMMUNICATIONS SOLUTIONS

Jerry Chase
Chief Executive Officer

Reagan Sakai
Chief Financial Officer

November 2010

This presentation contains forward-looking statements, including statements concerning financial results, anticipated market growth, market size, market vision, product features and availability timing, competitive assessments, the Company's expectations concerning its operating results for fiscal year 2011, second fiscal quarter 2011, and future revenues, margins and operating expenses. These forward-looking statements are based on current management expectations and are subject to risks and uncertainties that could cause actual reported results and outcomes to differ materially from those expressed in the forward-looking statements, including but not limited to: quarterly fluctuations in operating results; changing market conditions; government and industry standards; market acceptance of the Company's products by its customers; pricing trends; actions by competitors; future revenues and margins; changes in the cost or availability of critical components; court approval of settlements in significant litigation; unusual or unexpected expenses; cash usage; and other factors that may affect financial performance. For a more detailed discussion of these and other risks and uncertainties, see the Company's recent SEC filings, including its Form 10-K for the fiscal year ended June 30, 2010 and Form 10-Q for the fiscal quarters ended March 31, 2010 and September 30, 2010. Viewers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and the company undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances.

Safe Harbor Statement

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- Founded: 1989
- Headquarters: Irvine, CA
- Business Segment:
Networking
and Communications
- Fiscal Year End: June 30th
- Employees: 115

Company Overview

Fiscal Q1 2011 Highlights (Fiscal year ends June 30th)

- Net Revenue of \$12.1 million, up 11% YOY
- Non-GAAP net income of \$228,000, or \$0.02 per share
- Ninth consecutive quarter of non-GAAP net income
- Cash increased \$383,000 to \$10.5 million

Key Products

- Introduced AccessMyDevice™, a subscription-based service enabling equipment to be securely and remotely accessed behind firewalls from anywhere via a secure web browser.

The industry leader in secure communications solutions to connect and control any type of equipment via the Internet
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Our Path to Growth

Where We Were

2003 – 2007

- Lost Generation of Products.
 - Period of failed products:
 - o Did not meet customer needs
 - Financials:
 - o Negative cash flow
 - o Limited liquidity reserves and options
 - Strategic Issues.
 - o Management team in disarray
 - o Lack of unified strategy and vision

Where We Are

2008 - 2010

Where We're Going

2010+

- Financial Stability
 - o Reduced operating expenses
 - o Increased gross margins
- o Non-GAAP profitability 9 consecutive quarters
- o Improved cash position
- o Multi-billion dollar market opportunity with no category leader
- o Fits with existing product architecture
- o New hires: Medical industry veterans in sales, marketing, business development
- o Existing marquee medical customer base

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Standards-based enterprise mechanisms
(SOA, XML, HL7, Web services, etc.) that allow
“backend” applications easy access to devices

Moving Up The Value Chain

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What is AccessMyDevice.com?

- Enterprise-grade, industrial strength remote access service.
 - “In the cloud” software-based solution

What does it do?

- Allows users to easily and securely view, manage, control, and service virtually any PC, server, machine, or electronic device from a web browser.

Benefits

- Reduced service costs
- Remote manageability from anywhere with Internet access
 - Easier to manage and configure than VPN
 - No reconfiguration of network
 - No opening up of ports / Safer than port forwarding
 - Easy to use

Who is it for?

- Users: Business and technology professionals.
- Industries: Designed to work across all industries, all company sizes, in any location around the world.

Business Model

- Low-cost, on-demand monthly subscription service

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AccessMyDevice - Value Proposition

The Lantronix Solutions Architecture

External Products since 2009

Texas Instruments

Renesas

Others on a prioritized basis

Competitor 1

Competitor 2

Other existing / future comp

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Embedded Products since 2009

All Future Products

Ex: AccessMyDevice & Microprocessor
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Medical Market Opportunity Growth Drivers

- Aging population: 13,000 US adults turn 60 each day for the next 20 years
- Increased efficiency for medical care being driven by medical device and Health Information Technology investment (\$225B for Hospital IT in 2009)
- American Recovery and Re-investment Act (\$17B for Electronic Healthcare)
 - Congressional Budget Office states total spending on health was 16% of GDP in 2007 and predicts 25% GDP by 2025

Source: Centers for Medicare & Medicaid Services, Office of the Actuary. Data released February 23, 2009.

Incremental Served Market

Opportunity

Medical Device Connectivity

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Where we Participate - HIT Networks

Hospital Information Technology

(HIT) Network

Respiratory

Gateway

Infusion Pump

Gateway

Glucose Meter

Gateway

Patient Room

Proprietary

I/F

HL7 I/F

Proprietary

I/F

HL7 I/F

Hospital

Health Record System

Other

Hospital

Systems

Proprietary to

HL7 Gateway

Patient Room

Respiratory

Gateway

LTRX

Gateway

Device Server

or software

With Serial to HL7

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Devices
HIT System
Making data
“Network-ready”
Making data
“Application-ready”
Delivering
“Actionable data”

LTRX

Device

Server

Patient

in wired or wireless environments (our “box”
product)

Driving Connectivity to the Point-of-Care

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World Class Customer Base
Security
(800+ customers)

Manufacturing
(1,200+ customers)

IT / Data Center
(1,100+ customers)

Medical
(650+ customers)

Hosp & Leisure
(100+ customers)

Over 2 million devices connected, across 10,000+ customers worldwide
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Quarterly Revenue

\$ in Millions

- FQ1'11 YOY growth of 11%; sequential growth of 3%
- FQ4'10 YOY growth of 4%

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Gross Margin

\$ in Millions

- Gross Margin % remains 50% plus
- GM expansion: fixed overhead absorption, product cost & spending reductions

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Non-GAAP Profitability

\$ in Millions

- Non-GAAP profitable in FY10
- Eight consecutive quarters of non-GAAP profitability (10 of last 11 quarters)

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- Addressing growing markets with AccessMyDevice and medical-vertical focus
 - New products beginning to contribute to revenue
 - Strong order rates across verticals, geographies, product lines
 - Nine consecutive quarters of “cash earnings”
 - Strong balance sheet

Summary

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