



CSI

Communications Systems, Inc.

(NASDAQ: JCS)

Investor Presentation

September 2020



The new CSI..... evolving into an IoT Intelligent Edge Product & Services Company

Forward Looking Statement

This presentation includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future financial performance, future growth and future acquisitions. These statements are based on Communications Systems' current expectations or beliefs and are subject to uncertainty and changes in circumstances.

Actual results may vary materially from those expressed or implied by the statements here due to changes in economic, business, competitive or regulatory factors, and other risks and uncertainties affecting the operation of Communications Systems' business.

These risks, uncertainties and contingencies are presented in the Company's Annual Report on Form 10-K and, from time to time, in the Company's other filings with the Securities and Exchange Commission.

The information set forth herein should be read in light of such risks. Further, investors should keep in mind that the Company's financial results in any particular period may not be indicative of future results.

Communications Systems is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

About Communications Systems (CSI)

History

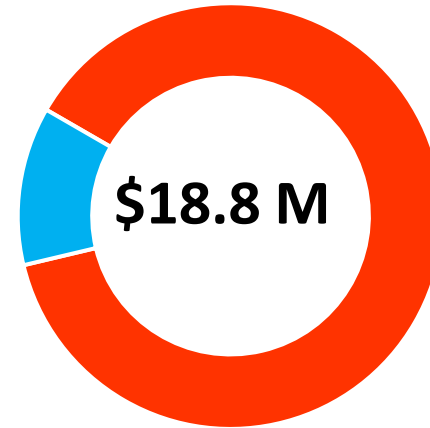
- Founded in 1969 as a regional telecommunications company
- Headquartered in MN
- Nasdaq: JCS ... public company since 1981

50+
COUNTRIES

5000+
CLIENTS

6-month 2020 Total Revenue

\$2.4 M
Services &
Support



\$16.8 M
Electronics
& Software

Intersegment Revenue \$0.4 M



Roger H. D Lacey
CEO & Executive Chairman

“While **2019 was a transformational year** with substantially improved operational and financial performance highlighted by higher revenue, improved margins, lower corporate costs, and a return to profitability....

... our **strategy for 2020 is to focus on recurring higher-margin revenues** in faster growing markets by further expanding our client and geographic footprint.”

Efforts supported by...

\$24.8 M

Cash & Cash Equivalents

\$34.0 M

Working Capital

\$0

Debt

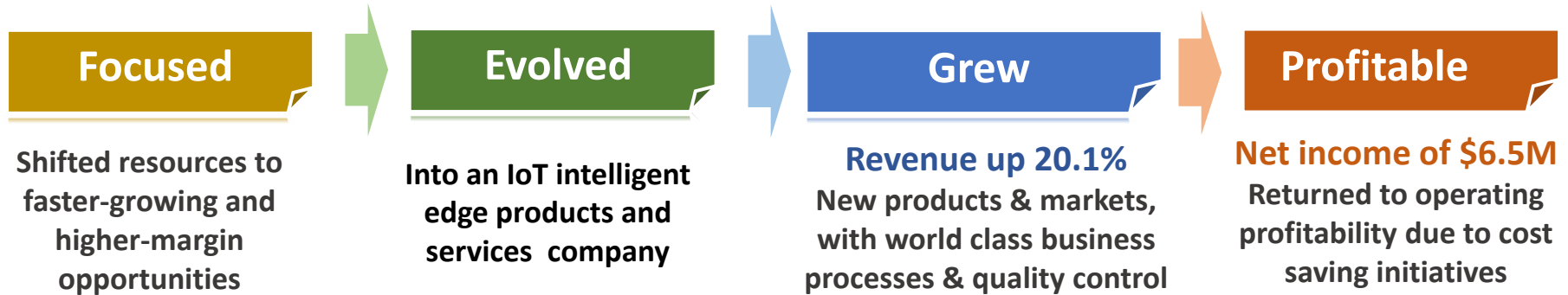
\$47.0 M

Shareholders' Equity

*Data as of
06/30/2020*

The New CSI – Investment Highlights

2019 was Transformational



2019 Operational Achievements

- Sold Suttle's business lines: products no longer strategically significant to new business model
- Electronics & SW R&D expanded
- Corporate cost reduced
- Increased impact of IFS ERP system
- Improved SG&A / R&D productivity
- Aggressive reductions of legacy SKU



2020 Business Strategy

- Capitalize on innovative Intelligent Edge solutions domestically and internationally
- Develop : “Software as Service” and “Hardware as Service” to add to growing Cloud services success
- New CEO appointment / Board restructuring
- Identify attractive acquisitions and strategic minority interests
- Create an Ecosystem of Partnerships to advance market and product reach

New Focus: Faster Growing Addressable Markets

Addressable markets > \$50B at ~20% CAGR

Edge Access

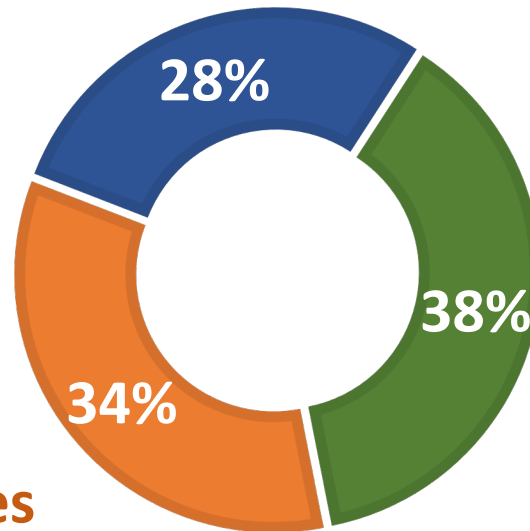
Addressable \$12B – at ~40% CAGR

- Business Ethernet
- NFV and SD WAN
- G.Fast

Managed IT Cloud Services

Addressable \$18B at ~12% CAGR

- As a Service Solutions
 - Infrastructure as a Service
 - Security as a Service
 - Network as a Service
 - Desktop as a Service
 - Hosted Applications

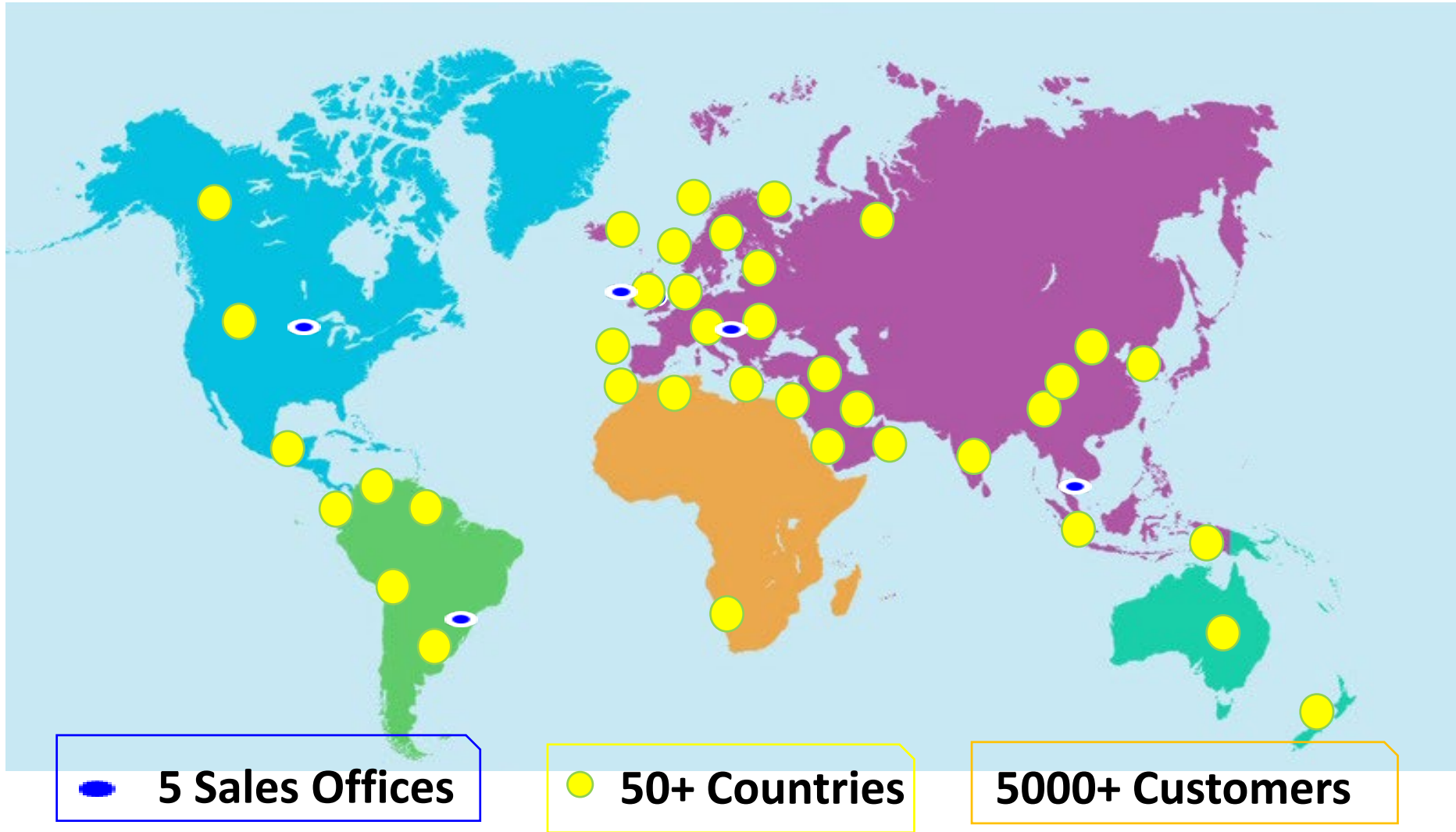


Intelligent Edge Solutions

Addressable \$20B at ~20% CAGR

- Security and Surveillance
- Smart Cities
- Smart Buildings

Substantial Global Footprint



World Class Customer Base

North America



International



Business Segments

Electronics & Software



NET2EDGE

Services & Support



jdl Technologies

Product Line:



Transforming Networks

STRONG FOUNDATION IN NETWORK CONVERTERS

- Brand equity with blue chip customer list
- Market reputation
- Superior customer experience

USER-FRIENDLY TECHNOLOGIES & PARTNERSHIPS

- Actionable Intelligence at the Edge
- Partnerships and software APIs to integrate into IoT ecosystem
- Alternate Connectivity Solutions
- Network Management Software to ease deployment
- Elevate brand with global integration partners

ADDRESSABLE MARKETS AND VERTICALS



Intelligent Transportation Systems

- Traffic and pedestrian monitoring
- Connected Vehicles
- Smart Parking



Security and Surveillance

- Financial institutions
- Government agencies
- Universities



Smart Buildings

- Building automation
- Networked utilities
- LED lighting and access control

ECOSYSTEM OF PARTNERS



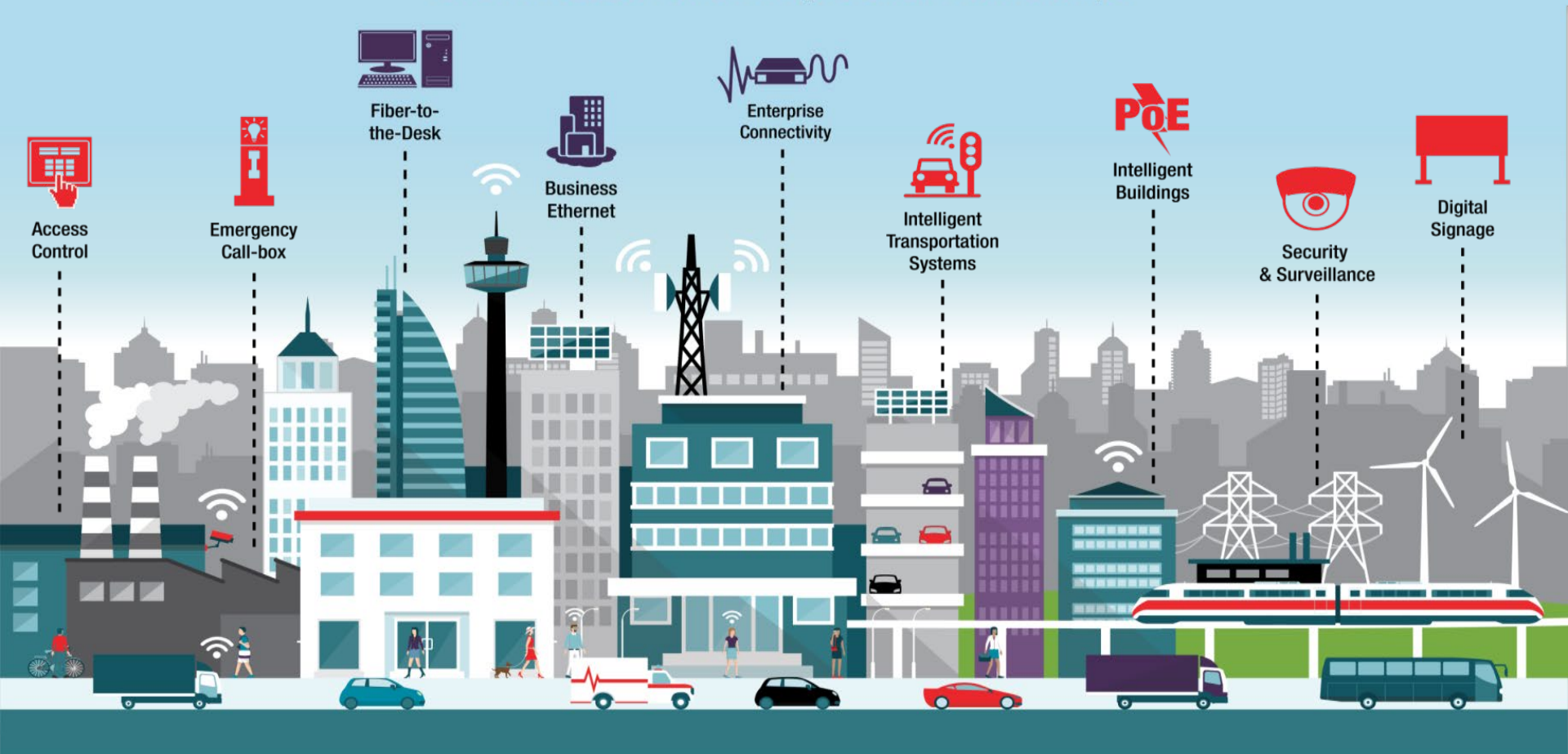
Product Line:



Transforming Networks

Intelligently Transforming Networks

Smart Products. Smart People. Smart Partnerships.

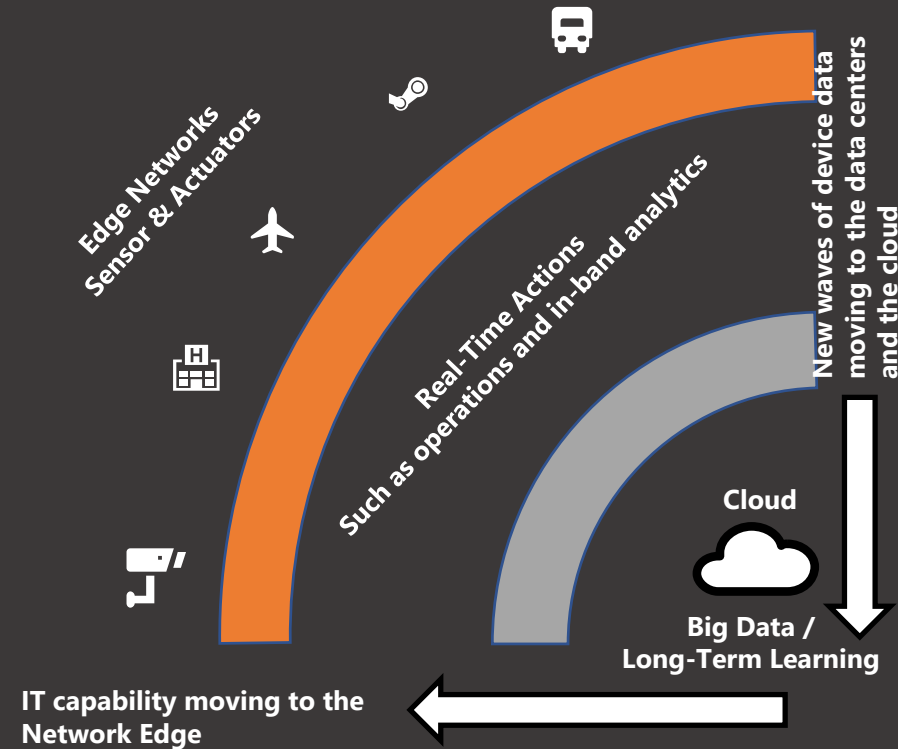


Net2Edge products address the challenges presented by the rapid growth of devices connected at the network edge

NET2EDGE

Clients:	Leading carriers and major global enterprises
Solutions:	Network edge devices. Legacy protocol over IP. OTDR SFPs.
Focus:	Underserved niche markets ~\$50 million
Technologies:	Carrier Ethernet, LTE, Gfast, ISDN, TDM over IP
R&D:	High-caliber global team

The Network Edge is a rapidly growing market, due to demands of IoT and 5G



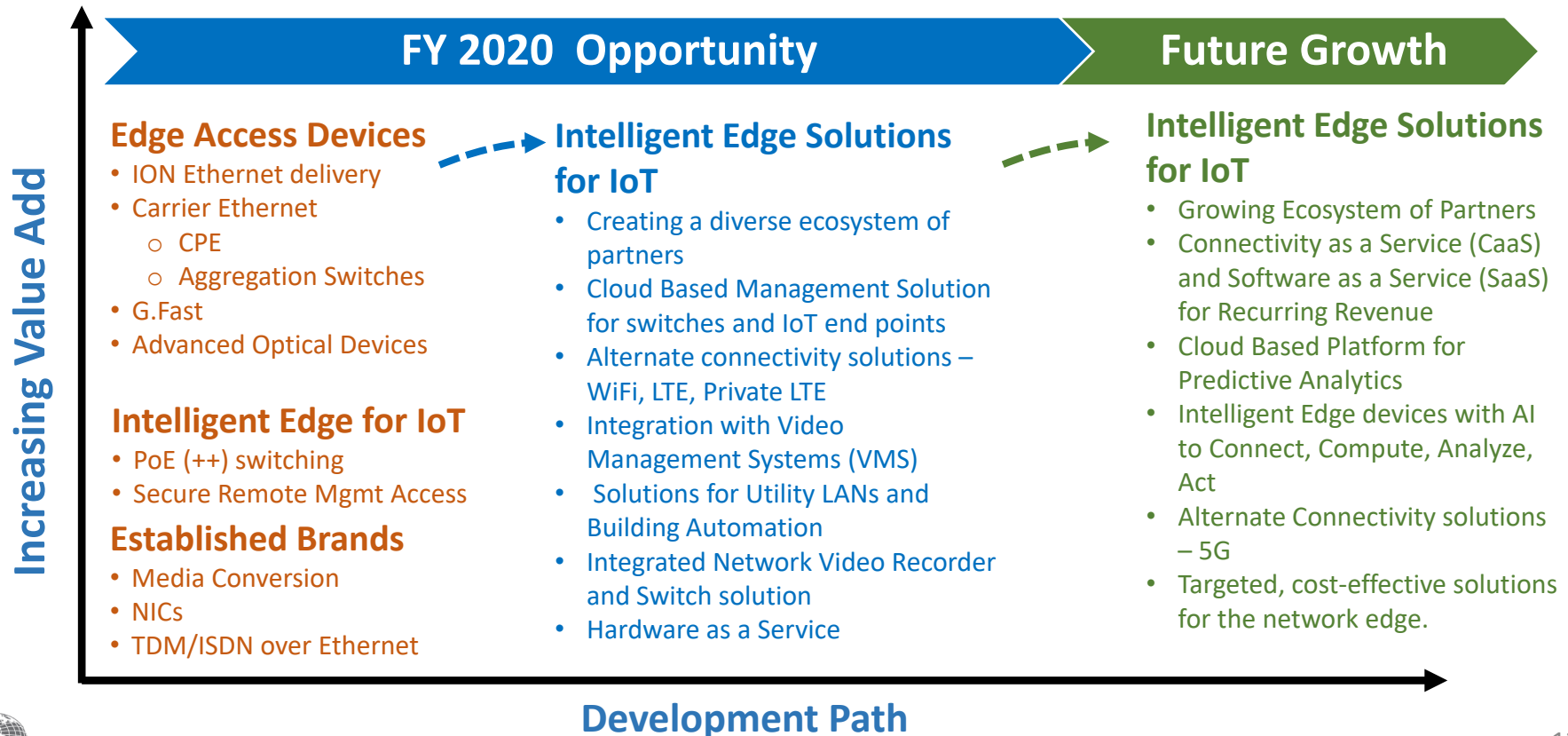
Driving Synergies : +

JOINING FORCES:

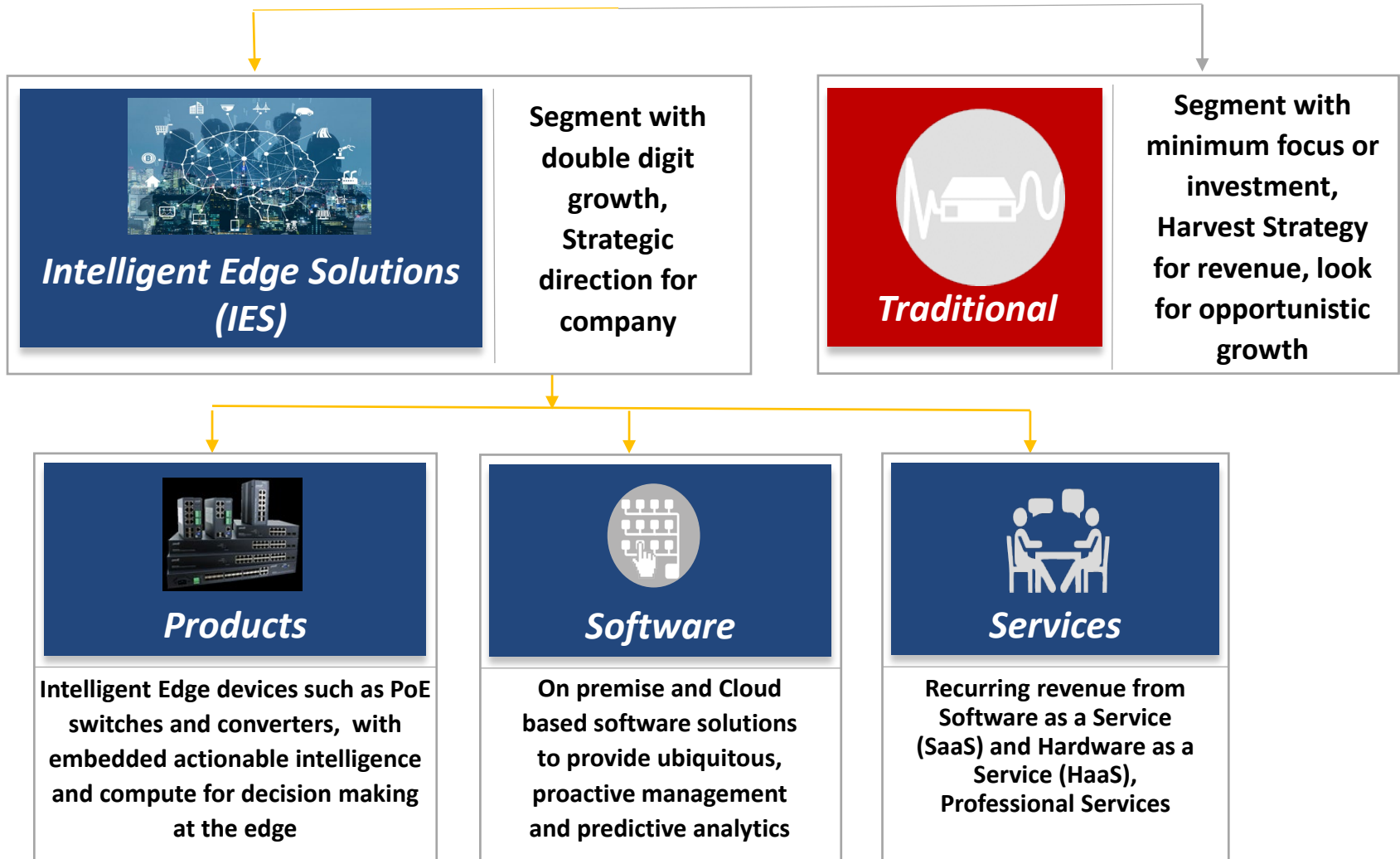
Combined sales force addresses global markets across multiple sectors. R&D collaboration improves time to market and increases productivity. Increased purchasing power in supply chain.

ADDRESSING FAST GROWING MARKETS:

Security and Surveillance, Smart Cities, Intelligent Transportation Systems, Smart Buildings, Industrial IoT.



Product Segmentation



Business Segments

Electronics & Software



Services & Support



Product Line:



ECESSA®

ECESSA SECURE SD-WAN
ELIMINATES DOWNTIME

18-YEAR TRACK RECORD OF SUCCESS

- Fully Managed SD-WAN solution for all customers
- 99% Customer Satisfaction
- Over 10,000 solutions worldwide

FLEXIBLE, GUIDED SD-WAN DEPLOYMENTS

- All-In-One, Self Contained SW Stack - Deploy Anywhere
- No Need To Change IP Addresses
- Carrier Agnostic (Any Technology, Any ISP, Globally)
- Supports High Bandwidth (20Gbps)
- DataCenter Class Products (Fiber, HA, HWFO)

ADDRESSABLE MARKETS AND VERTICALS

Banking

- Never Down virtual branch operations
- Secure, reliable WAN infrastructure
- Enhanced remote customer experience

Healthcare

- HIPAA compliant private networks
- Remote, virtual visits and data sharing
- Cost-effective private WAN

Government & Municipalities

- All-in-One Secure, private networks
- Self-contained edge solutions
- Easy integration into existing infrastructure





Product Line:



ECESSA®

**ECESSA SECURE SD-WAN
ELIMINATES DOWNTIME**

SD-WAN PRODUCTS FOR ANY BUSINESS

Comparison Chart	ECESSA EDGE™	PowerLink 	WANworX 
Automatic Failover & Failback	✓	✓	✓
Active/Active use of Bandwidth and Session Load Balancing	✓	✓	✓
Quality of Service (QoS)	✓	✓	✓
Stateful Firewall	✓	✓	✓
SIP Call Load Balancing & Failover	✓	✓	✓
Authoritative DNS		✓	✓
Encryption (VPN's)		✓	✓
Multi-Site GRE Tunnels			✓
Packet Level Duplication			✓
Virtual Instance			✓
WANworX Upgradeable	✓	✓	
Network Characteristics	<ul style="list-style-type: none"> • Small office • Simple failover • Network monitoring 	<ul style="list-style-type: none"> • Hub & Spoke • Hosted applications • VPN replacement • Session load balancing 	<ul style="list-style-type: none"> • Full mesh network • Multiple sites • Never Down voice & VDI • Regulated industries with security & compliance requirements
Industries	Retail MSP/TSP Professional services	Education Hospitality Manufacturing	Banking Finance Healthcare Transportation Global Operations

NETWORK MONITORING & MANAGEMENT SERVICES

ECESSA Insight⁺



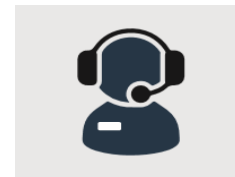
MONITOR

- Proactively watch for ISP outages and alerts



REPORT

- Alert customer of performance issues and outages



MANAGE

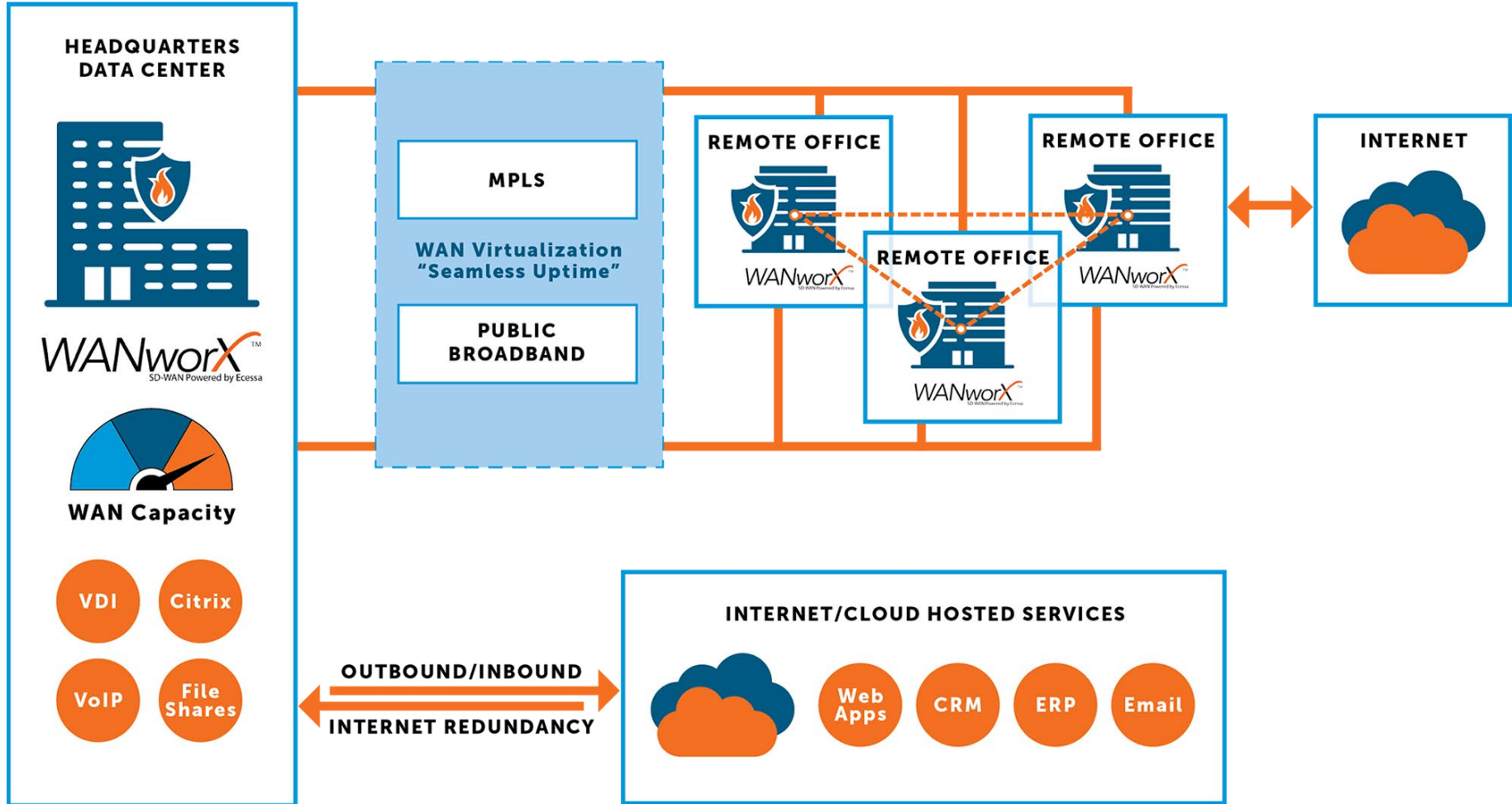
- Open trouble tickets for customer, follow through to closure, report resolution

Product Line:



ECESSA®

ECESSA SECURE SD-WAN ELIMINATES DOWNTIME



Comprehensive Managed IT Services

Managed Datacenter

- Storage, Hosting, Colocation

Managed Security

- Threat/Vulnerability Management, Compliance

Managed Infrastructure

- Desktop & Print, Servers

Managed Communications

- VoIP, Email, Messaging

Managed Networks

- Architecture, IP/VPN, Wireless

Technology



Learning

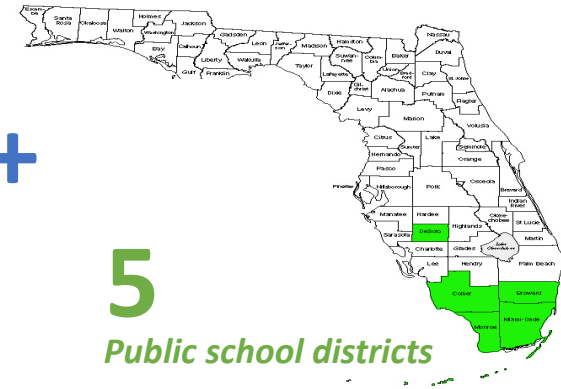


Inspires



Educational sector

FLORIDA

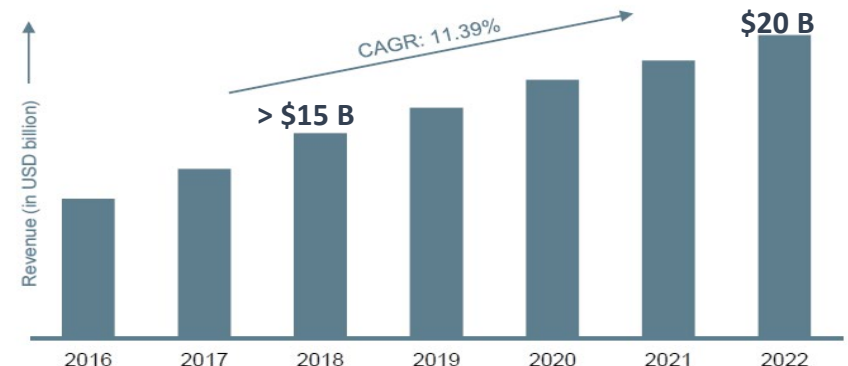


20+
years

5
Public school districts

>\$15B Addressable Market (in 2018)

Managed Services Market: Revenue Forecast in USD billion,
Global, 2016-2022





Expanding into New Segments

Health Care, Financial, Industrial

Substantial room for growth

Addressable Florida Education Market

	Districts	Schools	Students
Public Schools	76	4,269	2,962,162
Private Schools	65	2,540	345,796
Charter Schools	46	654	283,755



Financial Highlights

First half 2020 results affected by COVID-19 shutdown



Financial Highlights

Balance Sheet

Continues to be Strong

As of 12/31/2019

\$24.0 M

Cash & Cash Equivalents

\$38.1 M

Working Capital

\$0

Debt

\$47.4 M

Shareholders' Equity

As of 6/30/2020

\$24.8 M

Cash & Cash Equivalents

\$34.0 M

Working Capital

\$0

Debt

\$47.0 M

Shareholders' Equity

Other

+\$10M

Headquarters
(possible sale)

Historical Financials

Selected Income Statement Data

	Unaudited			
	Three Months Ended		Six Months Ended	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Sales	\$ 9,627,952	\$ 10,704,467	\$ 18,790,694	\$ 21,920,637
Gross profit	3,480,048	4,240,537	7,217,195	8,866,753
Operating loss from continuing operations	(1,646,205)	(1,129,332)	(2,869,948)	(1,950,711)
Operating loss from continuing operations before income taxes	(1,367,222)	(1,062,184)	(2,180,398)	(1,858,052)
Income tax benefit	(446)	(11,869)	(4,903)	(15,841)
Net loss from continuing operations	(1,366,776)	(1,050,315)	(2,175,495)	(1,842,211)
Net (loss) income from discontinued operations, net of tax	(568,745)	3,823,493	1,744,607	4,855,502
Net (loss) income	\$ (1,935,521)	\$ 2,773,178	\$ (430,888)	\$ 3,013,291
Basic net income (loss) per share	\$ (0.21)	\$ 0.30	\$ (0.05)	\$ 0.33
Diluted net income (loss) per share	\$ (0.21)	\$ 0.30	\$ (0.05)	\$ 0.33
Cash dividends declared per share	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.04
Average basic shares outstanding	9,350,344	9,316,576	9,307,967	9,246,233
Average dilutive shares outstanding	9,350,344	9,319,106	9,307,967	9,246,233

Selected Balance Sheet Data

	Unaudited	
	<u>June 30, 2020</u>	<u>Dec. 31, 2019</u>
Total assets	\$ 57,350,863	\$ 59,150,712
Cash, cash equivalents & investments	24,773,970	24,057,160
Working capital	33,990,697	38,051,766
Property, plant and equipment, net	7,903,542	8,238,089
Long-term liabilities	505,548	408,386
Stockholders' equity	46,964,179	47,392,282

Management Team



Mark Fandrich
CFO, Interim COO

- Previously Corporate Controller for The Bergquist Co.

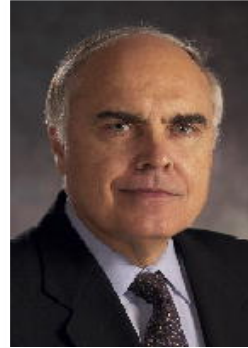
Roger H. D Lacey
CEO, Executive Chairman

- Previously SVP of Strategy and Corporate Development for 3M Corp
 - Partner CGMR Capital

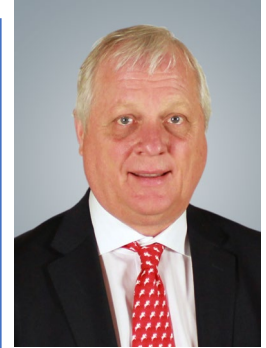
Board of Directors (nominated for year 2020-2021)



Roger Lacey
Executive Chairman



Richard Primuth



Randy Sampson



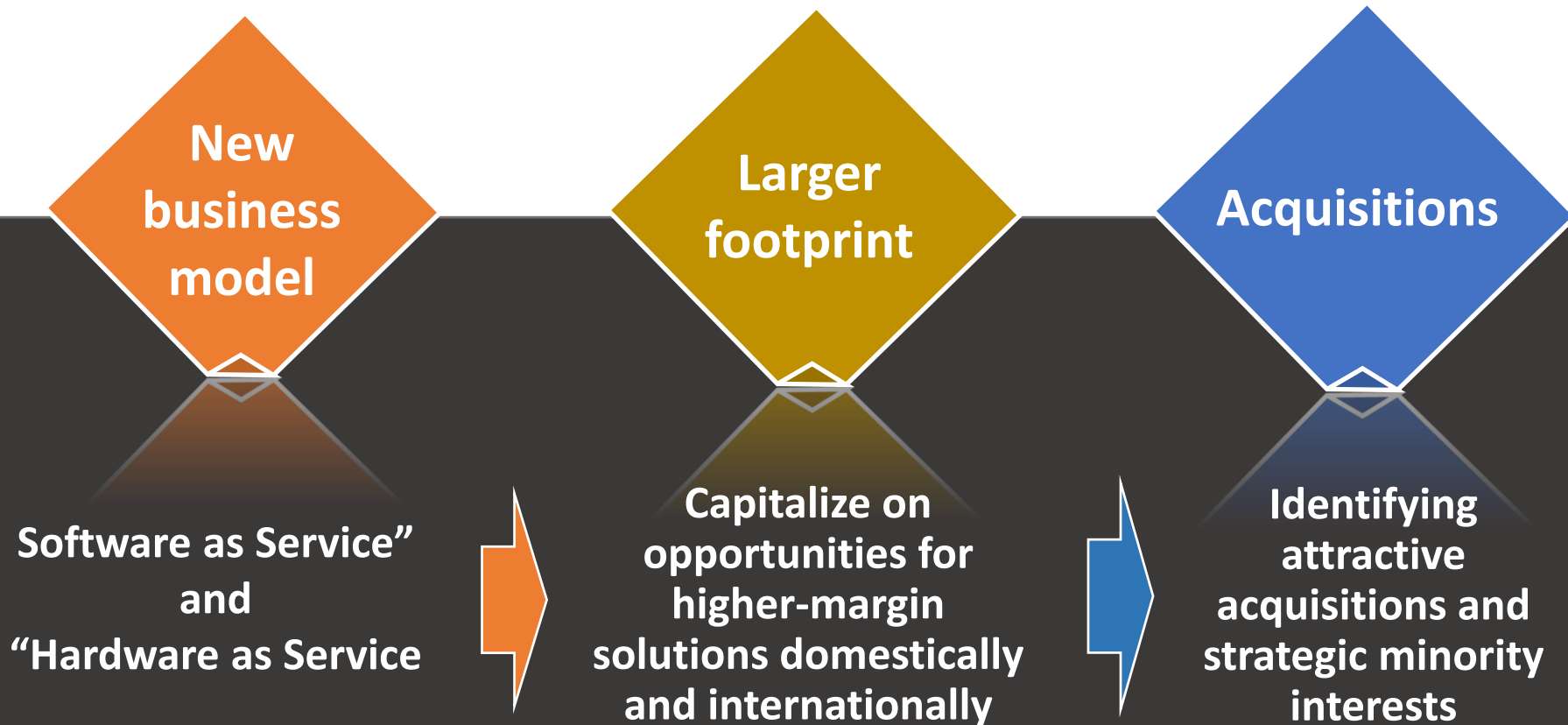
Steven Webster



Michael Zapata

Investment Considerations

2020 Business Strategy



Contact Us



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