



# Data I/O Corporation

Investor Briefing  
September 14, 2009



# Safe harbor statement

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Statements in this news release concerning future revenues, margins, results from operations, financial position, economic conditions, product releases and any other statement that may be construed as a prediction of future performance or events are forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such statements. These factors include uncertainties as to levels of orders, ability to record revenues based upon the timing of product deliveries and installations, market acceptance of new products, changes in economic conditions and market demand, pricing and other activities by competitors, and other risks including those described from time to time in the Company's filings on Forms 10K and 10Q with the Securities and Exchange Commission (SEC), press releases and other communications. The accuracy and completeness of forward-looking statements should not be unduly relied upon. Data I/O is under no duty to update any of these forward-looking statements.

# Data I/O Corporation

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- Is a solid company
  - It's been around for 37 years – dominant in its niche
  - Leading companies (RIM, Apple, Nokia, LG, Continental, Bosch, etc.) depend on DAIO and trust their IP and IP delivery processes to DAIO
  - Has a robust technology patent portfolio
- Has a sound business model
  - >\$14M in cash – no debt
  - Gross margins approach 60%
  - Recurring aftermarket revenue >30%
  - Operating margin >15% at target revenue

# Data I/O's 35 year legacy of programming



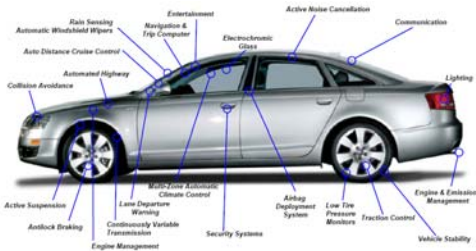
*Data file  
Image*

**Semiconductor  
Devices**



*OEM, ODM or EMS Customer*

**Automotive**



**Wireless**



**Industrial  
Control**



# World Class Companies Repeatedly Choose Data I/O's Programming Innovations

## Automotive



## Wireless



## Industrial Automation



# Innovative customers drive the business

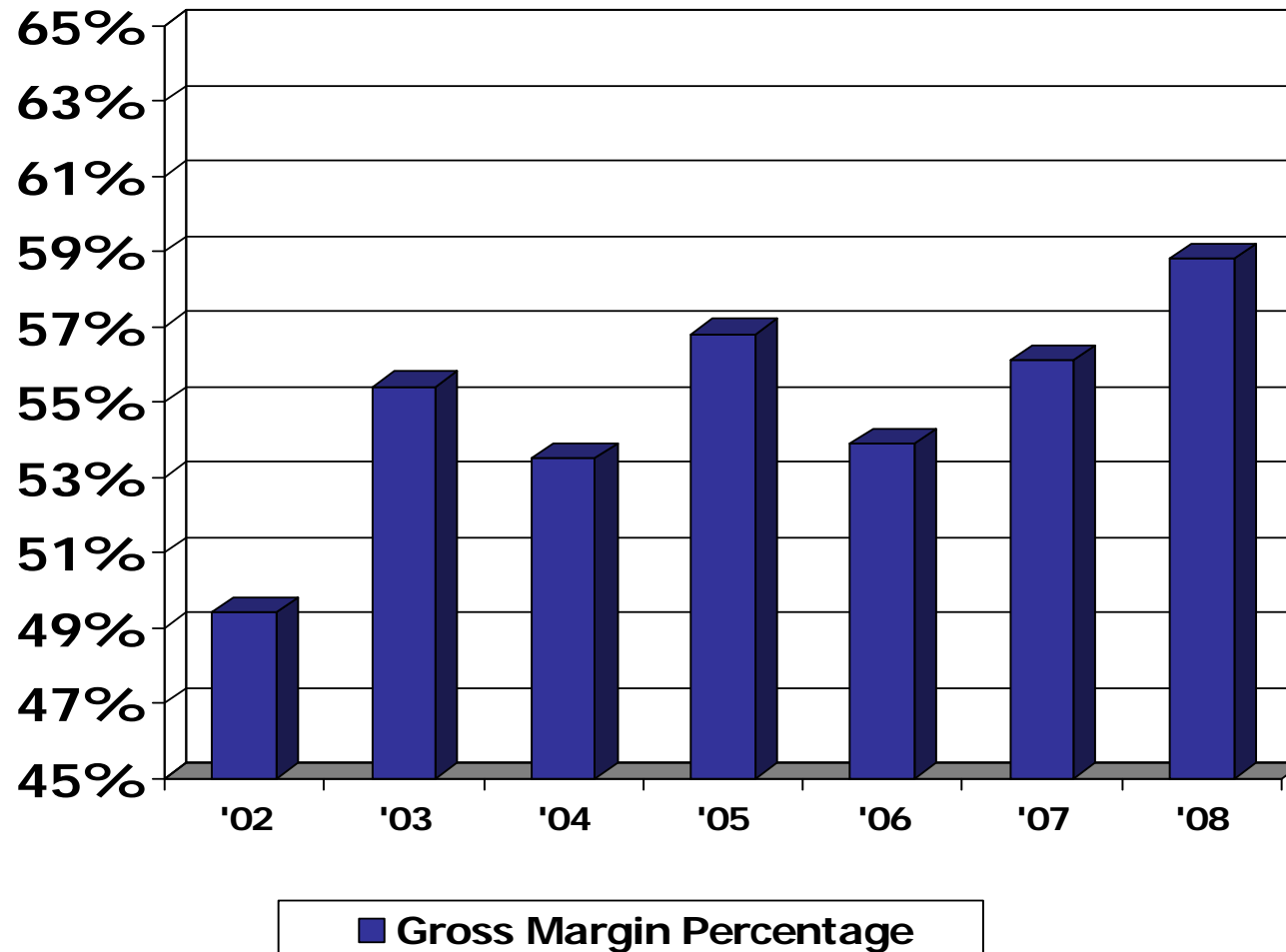
	Customer Types				
	OEMs			EMS	Programming Centers
	Wireless & Consumer Electronics	Automotive Electronics	Industrial & Control Electronics	Contract Manufacturers	
<b>Typical customers</b>	Nokia, LG, Motorola, RIM, Sony, HTC, Microsoft, Vestel	TRW, Lear, Delphi, Bosch, Blaupunkt, Continental, Siemens VDO	Allen-Bradley, Square D, ABB, Trane, Grundig, Danfoss, Philips	Flextronics, Celestica, Elcoteq, Jabil, Wistron, Foxconn.	Arrow, Avnet, BTV, MSC, HTV, CPS, Liberty, Synchroworks,
<b>Programmable devices used</b>	5 billion NOR & NAND flash devices annually; 5 billion microcontrollers	5 billion microcontrollers annually; use of flash growing	2 billion microcontrollers	Same as OEMs they serve	Same as OEMs they serve, and lines they distribute
<b>Business drivers</b>	GPS, DRM, security, flash media, video, 3G, features & functionality of converged devices	Safety, navigation, infotainment, drive-by-wire	Higher functionality driven by increasing electronic content	Acquisition of OEM factories, production contract wins	Value-added services, logistics
<b>Programming equipment drivers</b>	Rollout of new products that incorporate higher functionality, more memory, and new technology, e.g. eSD, eMMC	Process improvement and simplification as well as new product rollouts	Process improvement and simplification as well as new product rollouts	New contracts from OEMs, programming solutions specified by OEMs	Capacity utilization of their installed base of equipment
<b>Buying criteria</b>	Throughput, technical capability to support evolving technology, global support, IP protection, robust algorithms	Quality, reliability configuration control, traceability, global support, IP protection	Quality, reliability configuration control, traceability	Lowest equipment procurement cost, global support	Flexibility, lowest life-cycle cost-per programmed-part, low changeover time; use of multiple vendors provides negotiating leverage

# Clean balance sheet (\$in millions)

	<u>Q2'08</u>	<u>Q3'08</u>	<u>Q4'08</u>	<u>Q1'09</u>	<u>Q2'09</u>
Cash & Securities	\$10.8	\$11.6	\$13.3	\$14.4	\$14.8
Acct. Receivable	6.9	7.8	5.7	3.2	2.5
Inventory	5.0	5.3	5.0	4.9	4.6
Fixed Assets	2.2	2.1	2.3	2.1	1.9
Other	0.4	0.3	0.5	0.4	0.4
<u>Total Assets</u>	<u>\$25.3</u>	<u>\$27.1</u>	<u>\$26.8</u>	<u>\$25.0</u>	<u>\$24.2</u>
Current liabilities	4.1	4.5	4.2	2.9	2.9
Deferred revenue	1.7	1.6	1.5	1.5	1.3
Debt -long term	0.3	0.3	0.3	0.3	0.2
Equity	19.2	20.7	20.8	20.3	19.8

Growth in gross margin driven by new products, increased software content, and greater efficiency\*

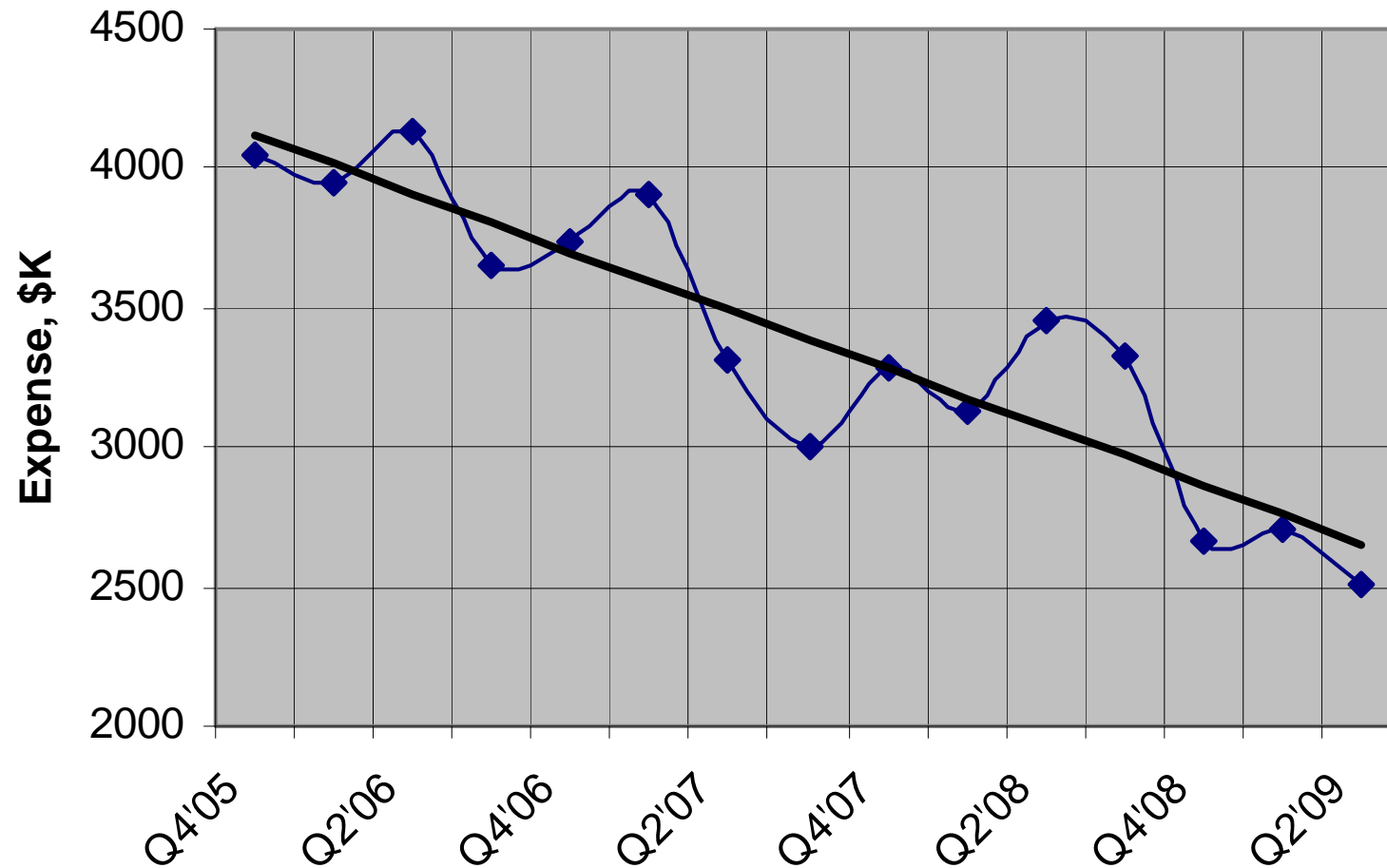
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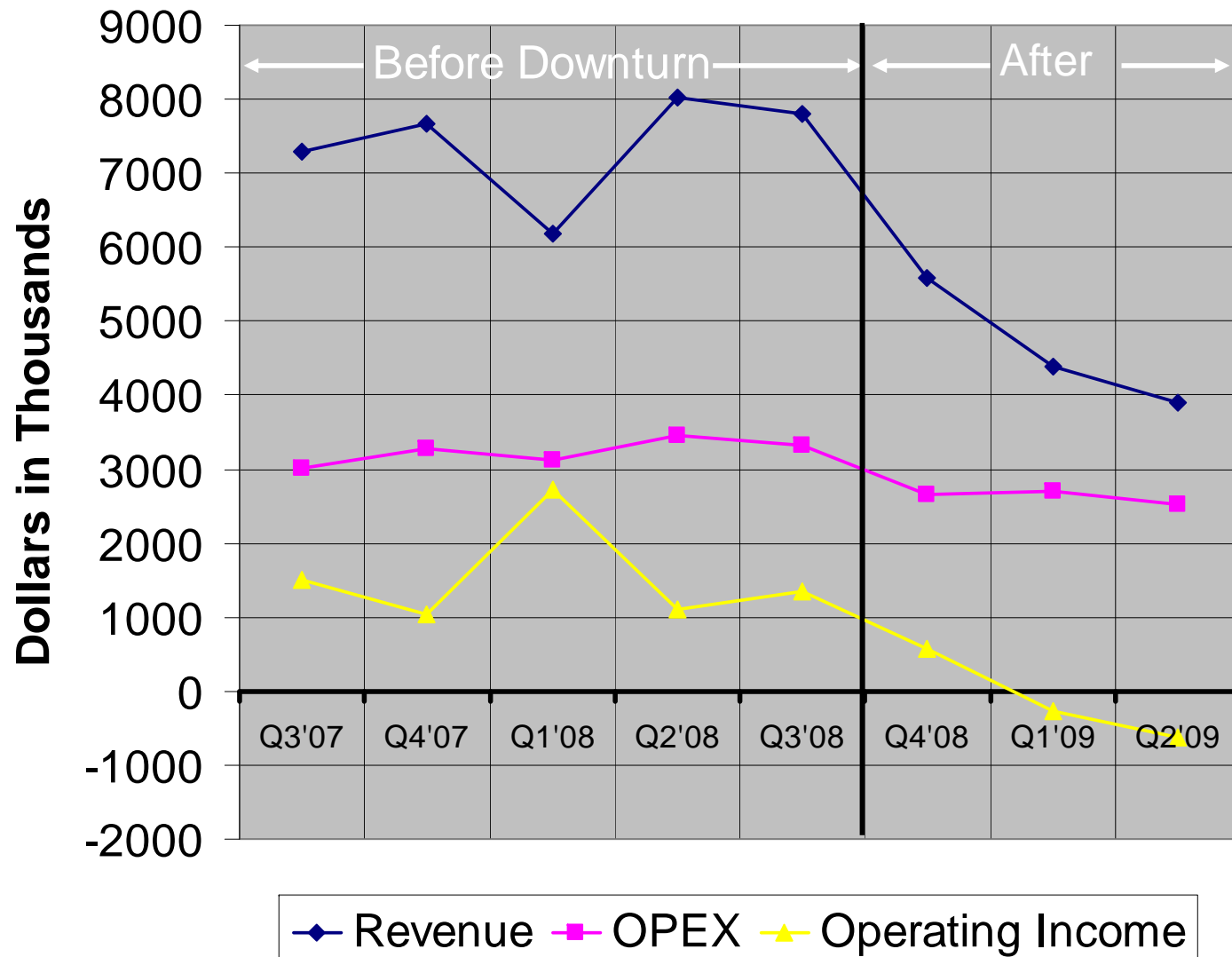
\*Includes benefits from DAIO's subsidiary in Shanghai



# Operating expenses have been reduced

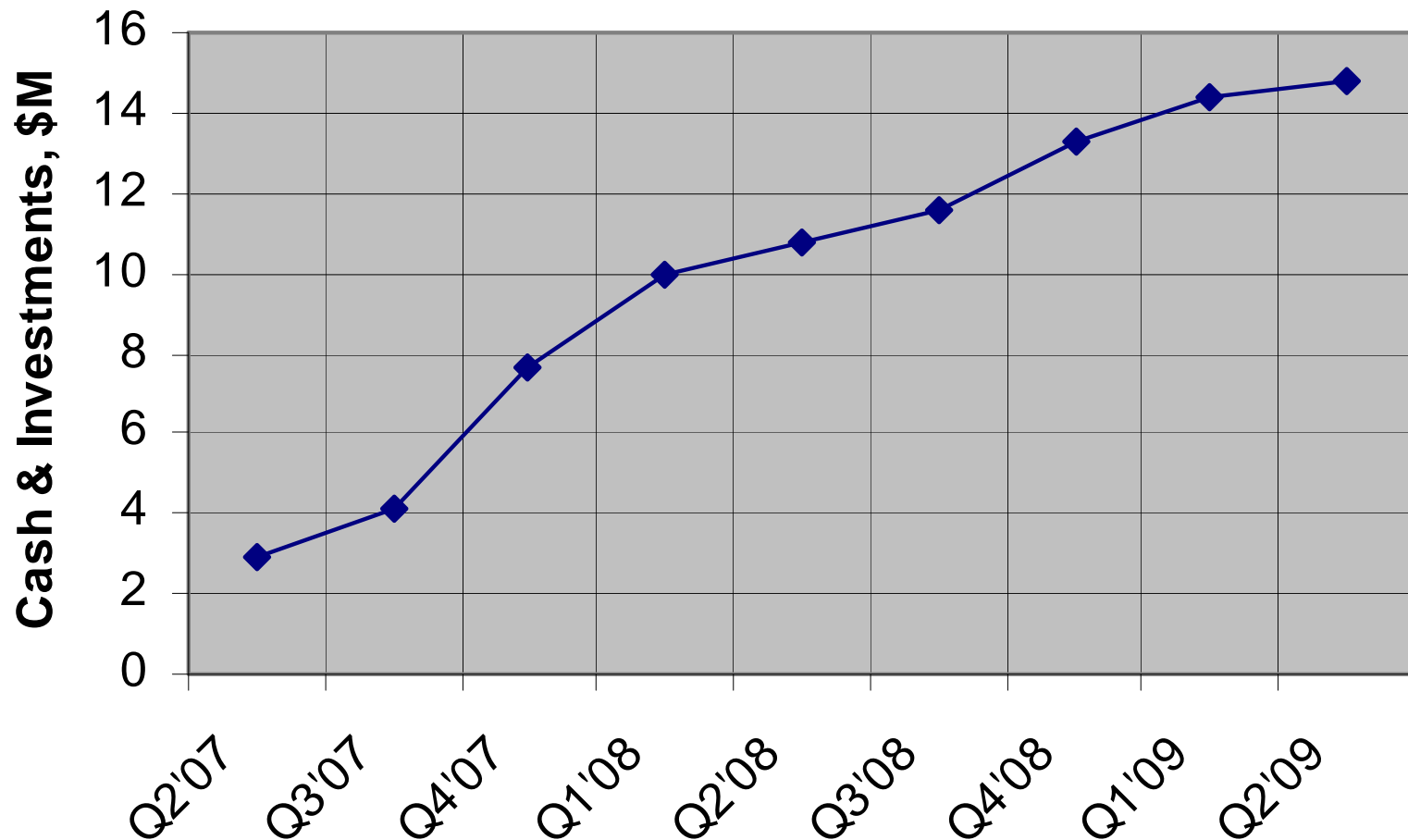


# Revenue and operating income



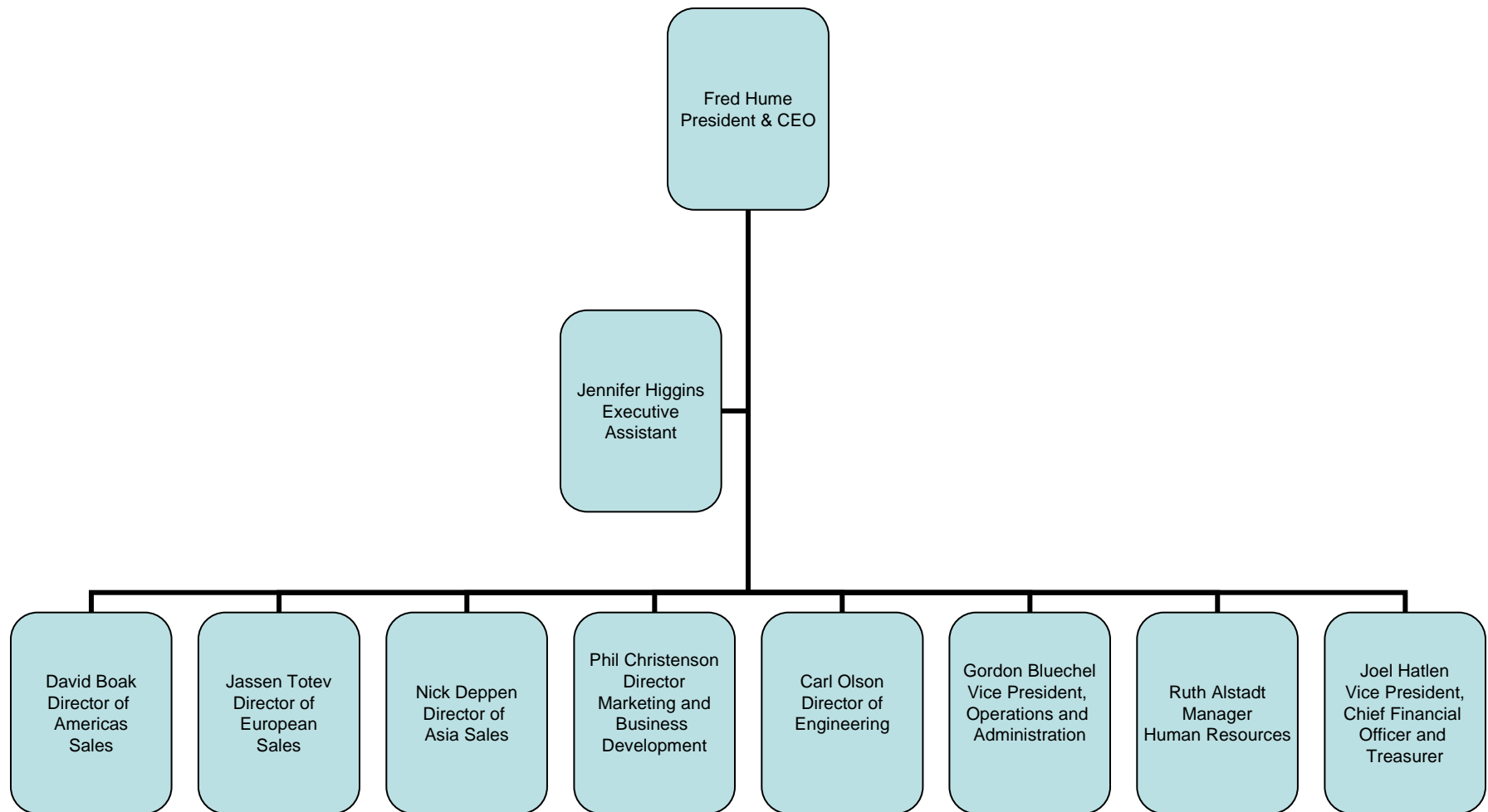
## Data I/O has continued to generate cash during the downturn

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# Data I/O runs a flat organization

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# The short-term outlook brightens

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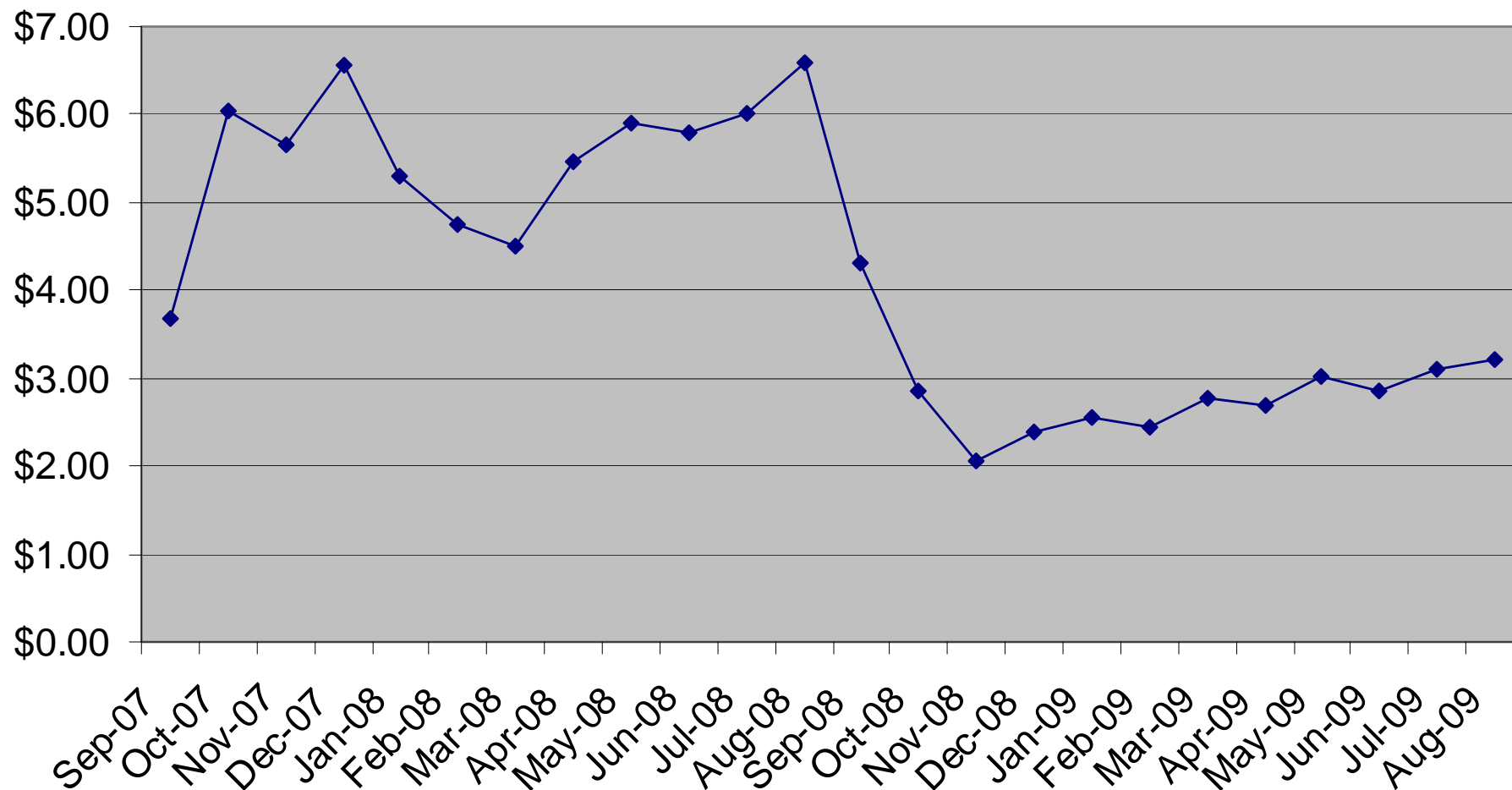
- Capital spending is starting to pick up
  - July and August were the strongest two-month period for orders since the first of the year
  - The moving quarterly order total moved above \$5M in August for the first time in six months
  - Moving quarterly total orders are at the highest levels in nine months for all three regions
- Sales funnels have grown substantially in the past three months
- Europe's business prospects are rebounding quicker than expected – the automotive electronics sector is coming back to life
- Data I/O has just released FlashCore III its latest programming technology – upgrade business is expected

# Data I/O is positioned for long-term growth

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- Data I/O has strengthened its sales and distribution channels during the downturn
- Sales funnels continue to fill with new customer prospects – many of these have performance-based demand rather than capacity-based demand
- The Smartphone war with new models from RIM, Apple's iPhone 3GS, LG, HTC, and Motorola's Cliq – means substantial business for DAIO
- Data I/O has significant new business initiatives
  - Software for security and process control, new device technology, Flash media
- The average data file size is growing rapidly – that will drive demand for our automated programming solutions

# End of month share price



# Q&A

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- How much is DAIO's aftermarket revenue?
  - *Approaching 40%*
- Is DAIO gaining traction with its new sales channels?
  - *Quite a few of the new business prospects in the sales funnels have been generated by the new channels*
- The semiconductor industry appears to have turned up; when will that turn into growth for DAIO?
  - *We normally follow a general upturn in the semiconductor industry by a few months, and we are seeing an upturn now*
- How soon will revenue get back to \$8M per quarter?
  - *It depends on the timing and strength of the broader economic recovery as well as the success of our new products – as CFO's gain confidence they will loosen the reins on capital spending*





Thank you