



October 21, 2002

## **PCTEL Announces Strong Third Quarter Results**

### **Company Increases Revenue By 165 Percent Over Same Quarter Last Year; Posts EPS Of 16 Cents; Third Sequential Improvement in Quarterly Product Revenues**

CHICAGO, Oct. 21 /PRNewswire-FirstCall/ -- PCTEL, Inc. (Nasdaq: PCTI), a leading provider of Internet access products and 802.11 mobility software, today announced financial results for the third quarter of 2002. Total revenue was \$12.5 million for the third quarter of 2002 compared to \$4.7 million reported in the third quarter of 2001. Net income for the third quarter of 2002 was \$3.2 million, or \$0.16 per diluted share, compared to a net loss of \$(41.4) million, or \$(2.13) per share reported in the third quarter of 2001.

Revenue increased \$3.0 million, or 31 percent from the second quarter of 2002 due to stronger modem sales and improved licensing revenue. The company's HSP product sales enabled the utilization of \$3.8 million of inventory that was previously reserved as excess in the third quarter of 2001. This utilization of reserved inventory favorably impacted product margins and net income for the quarter.

Cash and short-term investments ended the quarter at \$112.2 million, an increase of \$1.2 million from last quarter. During the third quarter, the company used \$0.7 million of cash to purchase 125,800 shares of the company's stock pursuant to a one million-share stock buyback program announced in August. The company plans to resume its share buyback during November.

"We have worked hard since late last year to navigate PCTEL through challenging times in our industry," said Marty Singer, PCTEL's Chairman and CEO. "While there is much work to be done, the past quarter's results suggest that we have made significant progress. Costs are under control, product revenues have increased three quarters in a row, and there is strong interest in our approach to wireless roaming. Although cautious about an uncertain economy and challenged by price pressure in our modem business, I am guardedly optimistic about our future. We remain committed to our plan of record: we will continue to rationalize the costs of our commodity HSP business, realize the commercial value of our intellectual property, support our Wi-Fi software initiative, and accelerate our growth through accretive acquisitions in highly related businesses. The management and the people at PCTEL continue to exceed my expectations and I am excited to be part of this team," added Singer.

The company previously announced that it had relocated its corporate headquarters to Chicago shortly after it acquired the assets of a Chicago-based Wi-Fi (802.11) software company. Over the next three months finance and additional development resources will move to Chicago. Separately, the company is consolidating facilities in Taiwan and moving its Milpitas operation to a smaller and more cost-effective facility.

#### **CONFERENCE CALL / WEBCAST**

The company will hold a conference call at 8:00 AM EDT (5:00 AM PDT) tomorrow with Marty Singer, chairman and chief executive officer, and John Schoen, chief operating officer and chief financial officer. The session will include brief remarks, and can be accessed by calling (888) 482-4526 (domestic) or (706) 679-0409 (international) Conference ID 5864704.

To listen via the Internet, please visit, [www.pctel.com](http://www.pctel.com), or <http://www.shareholder.com/pctel/MediaList.cfm>.

REPLAY: The replay will be available on PCTEL's web site at [www.pctel.com](http://www.pctel.com) or by calling (800) 642-1687 (domestic) or (706) 645-9291 (international); access code: 5864704.

#### **About PCTEL**

PCTEL, founded in March 1994, is a leading provider of innovative and cost-effective Internet access solutions. PCTEL's products include analog soft modems, DSP-based modems and WLAN software products that simplify installation, roaming, Internet access and billing. The company maintains a portfolio of more than 80 analog and broadband communications and wireless patents, issued or pending, including key and essential patents for modem technology. The company's products are sold to PC manufacturers, PC board and card manufacturers, wireless carriers, wireless ISPs, software distributors, and system

integrators. PCTEL headquarters are located at 8725 West Higgins Road, Suite 400, Chicago, IL 60631. Telephone: 773-243-3000. For more information, please visit our web site at: <http://www.pctel.com>.

## PCTEL Safe Harbor Statement

This press release contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Specifically, the statements regarding PCTEL's future business prospects, including its ability to achieve continued revenue growth; its ability to continue to reduce its operating expenses; its intention to repurchase additional shares of its common stock; its expectations regarding the future growth of its wireless business; its ability to improve its return on investment from its intellectual property assets; its ability to complete strategic transactions, including any acquisition transaction whether accretive or not; and the expected benefits associated with the relocation of its headquarters to Chicago, the planned consolidations of its facilities in Taiwan and its relocation of its operations in Milpitas are forward looking statements within the meaning of the safe harbor. These statements are based on management's current expectations and actual results may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to: the demand for personal computers and the markets addressed by the PCTEL's and its customers' products; the cyclical nature of the semiconductor and PC industries; demand for and market acceptance of new alternative Internet access devices; PCTEL's ability to successfully address the cost structure of its modem products; PCTEL's success at developing and sustaining its wireless business; PCTEL's ability to develop and implement new technologies and to obtain protection for the related intellectual property; risks associated with potential acquisitions, including integration risks and the diversion of management attention; competitive risks, including, but not limited to, competitive pricing pressures; and PCTEL's ability to correctly forecast the requirements of customers and end users. Operating and financial results can also be affected by market conditions resulting in revenues deviating from projections, increased operating expenses, additions to reserve positions, lower gross margins and higher working capital ratios. These risks and uncertainties and others that relate to PCTEL's business, financial condition and future operating results, including, but not limited to, those detailed from time to time in PCTEL's Securities and Exchange Commission filings, can affect actual results. These forward-looking statements are made only as of the date hereof, and PCTEL disclaims any obligation to update or revise the information contained in any forward-looking statement, whether as a result of new information, future events or otherwise.

PCTEL, Inc.

Condensed Consolidated Statements of Operations  
(in thousands, except per share information)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
REVENUES	\$12,548	\$4,738	\$32,447	\$33,444
COST OF REVENUES	7,481	5,070	18,275	25,302
INVENTORY LOSSES (RECOVERY)	(3,795)	11,288	(5,348)	11,288
GROSS PROFIT	8,862	(11,620)	19,520	(3,146)
OPERATING EXPENSES:				
Research and development	2,477	2,824	7,634	9,102
Sales and marketing	1,904	2,322	5,395	9,011
General and administrative	1,248	3,665	3,856	8,746
Amortization of goodwill and other intangible assets	50	1,027	50	2,922
Goodwill impairment	-	15,550	-	15,550
Restructuring charges	88	274	735	2,381
Amortization of deferred compensation	170	289	528	843
Total operating expenses	5,937	25,951	18,198	48,555
INCOME (LOSS) FROM OPERATIONS	2,925	(37,571)	1,322	(51,701)
OTHER INCOME, NET:				
Other income, net	641	1,409	2,631	4,875
INCOME (LOSS) BEFORE PROVISION				
FOR INCOME TAXES	3,566	(36,162)	3,953	(46,826)
PROVISION FOR INCOME TAXES	352	5,274	415	5,290
NET INCOME (LOSS)	\$3,214	\$(41,436)	\$3,538	\$(52,116)
Basic earnings (loss) per share	\$0.16	\$(2.13)	\$0.18	\$(2.73)

Shares used in computing basic earnings (loss) per share	19,972	19,414	19,876	19,100
Diluted earnings (loss) per share	\$0.16	\$(2.13)	\$0.18	\$(2.73)
Shares used in computing diluted earnings (loss) per share	20,002	19,414	19,992	19,100

PCTEL, Inc.

Condensed Consolidated Balance Sheets  
(in thousands, except share information)

	September 30, 2002 (unaudited)	December 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$44,049	\$38,393
Short-term investments	68,157	87,235
Accounts receivable, net	4,234	2,849
Inventories, net	1,542	2,870
Prepaid expenses and other assets	7,094	5,055
Deferred tax asset	-	400
Total current assets	125,076	136,802
PROPERTY AND EQUIPMENT, net	2,101	2,769
GOODWILL AND OTHER INTANGIBLE ASSETS, net	1,649	384
OTHER ASSETS	2,856	228
TOTAL ASSETS	\$131,682	\$140,183
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$1,006	\$4,944
Accrued royalties	3,508	12,343
Income taxes payable	6,852	5,573
Accrued liabilities	6,070	9,421
Current portion of long-term liabilities	4	-
Total current liabilities	17,440	32,281
LONG-TERM LIABILITIES	49	141
Total liabilities	17,489	32,422
STOCKHOLDERS' EQUITY:		
Common stock	20	20
Additional paid-in capital	153,266	150,319
Deferred compensation	(802)	(1,158)
Retained deficit	(38,694)	(42,232)
Accumulated other comprehensive income	403	812
Total stockholders' equity	114,193	107,761
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$131,682	\$140,183

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