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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

THE FOLLOWING REPORT IS EXCERPTED FROM
THE WALL STREET TRANSCRIPT

CEO/COMPANY INTERVIEW

GRAHAME RANCE
SBS Technologies, Inc.

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SBS Technologies, Inc. (SBSE)



GRAHAME RANCE was announced as the new President and Chief Executive Officer of SBS Technologies, Inc., on March 9, 2001. His work experience includes executive management responsibility at Caspian Networks in San Jose, CA, and Nortel Networks globally. Before joining SBS Technologies, Inc., Mr. Rance was President & CEO of Caspian Networks from October 1999 to March 2001. Mr. Rance held a number of key executive roles in his 17 years with Nortel Networks. His last assignment

was Vice President and General Manager of Succession, Nortel's high-profile public network infrastructure. From 1993 to 1996, he served as Managing Director of Nortel South Asia, headquartered in New Delhi, and was responsible for establishing and developing Nortel's business in the region. From 1989 to 1993, Mr. Rance was head of Nortel's data networking division across Asia Pacific, based in Australia and Singapore. From 1982 to 1985, he held product line management roles at Nortel's data networks division headquarters in Ottawa, Canada, with positions in technical operations and marketing. In addition, he acquired marketing expertise serving as Nortel's US data networks Marketing Director from 1986 to 1989.

SECTOR – COMMUNICATIONS

(NAA611) TWST: We'd like to begin with a brief overview of the history and evolution of SBS Technologies, Inc.

Mr. Rance: SBS was formed in the mid-1980s, and its original business was focused on aerospace avionics flight simulation. Then in the early 1990s the company started to expand through a number of acquisitions and branched into other market areas focusing on commercial business. About 18 months to two years ago, SBS Technologies entered into the communications market. As a result SBS addresses three markets today: communications, commercial and government.

TWST: Would you care to break down what each of those segments means as far as focus on business right now?

Mr. Rance: Our plan going forward is that revenue will be comprised of 40% communication, 40% commercial, and 20% government.

TWST: As you look at the landscape right now, where do you feel you stand in relation to your competitors in these different sectors?

Mr. Rance: We see different competitors in each of the market sectors. One of the things that SBS is focused on, which I believe gives us an edge over competitors, is that we focus on time-to-market for our customers. We have the flexibility in offering custom designs, which means SBS delivers new technology for our communication customers within nine months. Our flexibility gives us a major competitive edge.

TWST: As far as products and services are concerned, do you have anything coming

down the pipeline that is going to help keep the company on a specific track over the next couple of years?

Mr. Rance: One of the areas of focus for us is getting more of the design outsourcing of our customers. A lot of our customers are starting to outsource their hardware designs, and we are being selected for their embedded computer solutions with the acquisitions over the last five years. We now have a broad range of technologies across SBS that enable us to provide more of the hardware solutions to our customers. That's where we're focusing our attention going forward — taking on more and more of that hardware design. What that will do is enable us to keep pace with technology and also to be at the leading edge of technology with our customers.

TWST: Who makes up, primarily, your customer base? It seems very diversified at this point?

Mr. Rance: We have approximately 1,000 customers spread over many of the markets that we serve. On the communications side — that's a clearly defined sector — it's typically the vendors that provide networking technology that is sold and deployed into the carriers' networks. SBS designs work of embedded computer solutions for the vendors, who then take that and incorporate it within their total network solution that is sold to the carriers.

In the commercial sector, you can break it down by industry segments, and we have a large

number of customers in the semiconductor side of the business and the medical field. There are many different industrial markets and we feed into a large number of those sectors.

In the government market, we have a customer base that is the envy of most of our competitors because we have all the top names, not just within North America, but in Europe as well, that are working on government contracts. And, once again, our technology is taken by those customers and incorporated into their total solution that they provide into the military.

TWST: As you look ahead in the next couple years to the market as a whole and the sectors that SBS is involved in, what trends do you see emerging that you are going to want to take advantage of?

Mr. Rance: One of the areas that we are focusing on very carefully is the communications sector. There is definitely going to be change to the network infrastructure over the next 10 years, not just within North America but on a worldwide basis. If you take the telecommunications networks today, you

find TDM technology for the voice, lots of data networks that use the IP protocol, and separate video networks. The desire for carriers is to create one network instead of running multiple networks. Our customers have to develop the technology to fit into that network solution for the carriers — the convergence of voice, data and video. SBS wants to do more and more of the design work for our cus-

Highlights

SBS Technologies is a leading designer and manufacturer of embedded computer solutions for the communications infrastructure, commercial and government markets. CEO Grahame Rance says that the company focuses on time-to-market for its customers, giving it the flexibility to deliver new technology for its telecommunications customers within nine months. Many customers are now outsourcing their hardware designs, and SBS is being selected for the embedded computer solutions. SBS has a diverse customer base and a very broad product line. If there is a downturn in one of the businesses, such as telecommunications at present, then the other businesses will keep it successful. There is an excellent management team running the company, he says, with a very good plan that is being executed.

Investors Brief



Ticker (exchange)

SBSE (NASDAQ)

Price close 9/5/01

12.55

12 Months Price Range

12.0000 - 38.0000

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Financial Highlights

Sales for the year ended June 30, 2001 were \$187.2 million, a 46% increase over the \$128.2 million in sales for the fiscal year ended June 30, 2000. Net income for the year ended June 30, 2001 was \$17.2 million, an increase of 33% over the \$12.9 million for the prior fiscal year, excluding the one-time research and development charge associated with the acquisition of SDL Communications, Inc. in April 2000. Net income per common share - assuming dilution for the fiscal year ended June 30, 2001 was \$1.14, an increase of 20% over the \$0.95, excluding the one-time charge, reported for the prior fiscal year.

Sales for the fourth quarter were \$45.9 million, a 21% increase over the \$37.8 million in sales for the fourth quarter of the prior fiscal year, and a 5% decline compared to the \$48.5 million in sales for the third quarter of fiscal year 2001. Net income for the quarter ended June 30, 2001 was \$3.5 million, a 22% increase over the \$2.9 million reported net income for the fourth quarter of the prior fiscal year, excluding the one-time in-process research and development charge associated with the acquisition of SDL Communications, Inc. in April 2000. Net income per common share - assuming dilution increased 20% to \$0.24, compared to \$0.20, excluding the one-time charge, reported for the same period of the prior fiscal year.

Corporate Business Description

SBS Technologies, Inc., founded in 1986, designs and builds open architecture embedded computer products that enable original equipment manufacturers to serve the commercial, communication and government markets. SBS products are integrated into a variety of applications including communication networking, medical imaging, industrial automation, and military systems. The portfolio includes an extensive line of standard and custom CPU boards, computer interconnections, avionics, telemetry, and fully integrated systems and enclosures. Headquartered in Carlsbad, California, SBS has locations in Massachusetts, Minnesota, New Mexico, North Carolina, Wisconsin, and Germany.

The **Commercial Group** is focused on providing solutions for the Commercial embedded computing markets, including industrial automation, medical imaging, semiconductor, transportation, servers, entertainment, test and measurement, and printing.

The **Communications Group** builds PowerPC™ compute solutions and LAN/WAN I/O cards for telecommunications and data networking applications, such as optical switches, data monitoring, routers/gateways, and GPRS base stations.

The **Government Group** develops and deploys system and board-level solutions in a wide variety of military and space applications, including aircraft, missiles, ground vehicles, the International Space Station, the Space Shuttle and naval vessels. SBS is recognized as the market leader for 1553 and ARINC based boards and software.

SBS provides customers, within these markets, solutions utilizing both standard and custom products, complete integrated systems, and integration services.

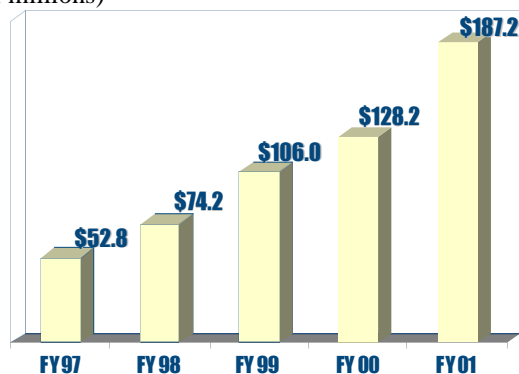
Growth Strategy

Our goal is to propel SBS to \$1 Billion in the next 5 years. Our focus:

- **OUTSIDE IN VISION.** Our focus must be on the customer and the customers' customer!
- **ONE SBS 'TOUCH.'** We have strengthened the sales group by creating one point of contact to understand the customers' total requirements.
- **NEW SYSTEMS BUSINESS.** As our customers' requirements change, so must we. SBS is engaged in more system design and adding incremental value, enabling SBS to provide complete solutions.
- **ACQUISITIONS.** SBS will buy new companies that fit our customers' design direction and that diversify our existing portfolio.

Continuous Sales Growth

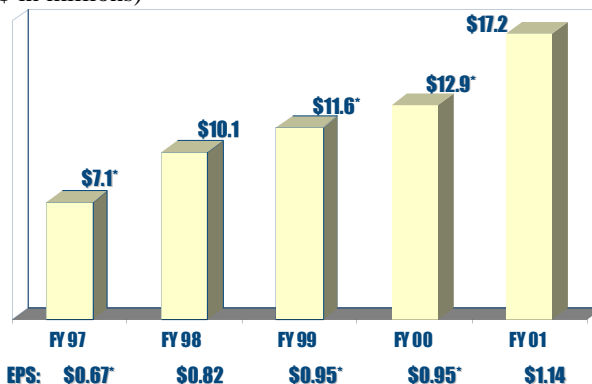
(\$ in millions)



FY ended June 30

Increasing Profitability

(\$ in millions)



FY ended June 30

* Excludes non-recurring items

tomers as they deploy that technology over the next few years. Once that technology is available across a complete network, you will see significant growth in the communication sector as they change out the networks. This infrastructure allows carriers to reduce their capital expenditures and it will also significantly reduce their operational expenditures.

“Two years from now we see the communications growing in the 30%-40% range. Looking out two years, we see the commercial market growing at 16%-19%, and government in the 10%-15% range. So, overall, we are very enthusiastic about the future.”

TWST: Will there be some significant changes that the company will have to make to ensure that it takes full advantage of that growth over the next 10 years, or are you pretty well positioned right now?

Mr. Rance: No, we have made some changes, and some of the changes are significant. We currently have three lines of business, where each one had its own sales organization and a customer could interface across several of the lines of business. As a result, the customer would see more than one salesperson because we provide solutions in different areas of their business. Some of our customers are extremely large, where one salesperson is dealing with one group within the customer, and another salesperson is dealing with another group within the same customer. We have made a significant change in creating one sales organization that will focus on providing full service to our customers. As a result our customers have one SBS ‘touch.’

Also we have stepped up our marketing activity to improve and increase the brand awareness of SBS. Our objective is, over the next five years, to create the infrastructure within the company to

enable us to achieve accelerated market growth — to take us from where we are today at \$187 million revenue to \$1 billion within a five-year period. And we’ve created an organization now that I believe will take us there.

TWST: Is your balance sheet such that you can make sure to accommodate these endeavors to your liking?

Mr. Rance: Yes, it is. We have cash, and we have good cash flow. Our objective is to maintain good cash flow going forward, and we are comfortable that we can achieve and execute our plan.

TWST: Are you still in an acquisition mode? You had mentioned that they were important, at least in the last five years or so as far as developing the company. Is that something you are still looking to do?

Mr. Rance: Yes, we are still in an acquisition mode. Now is the perfect time to do acquisitions as well because companies are coming down to a realistic valuation. So the expectations that we were seeing on the value of a company six months ago are not there today — they’ve come back down to more realistic levels.

We’re looking at companies where their technology is complementary to SBS’ technology and that will enable us to achieve more of the outsourcing of the hardware design of our customers. Also we are looking at companies that are accretive to SBS. So, yes, we will continue acquisitions. We’re currently completing the plans to do a number of acquisitions over the next six to 12 months.

TWST: Looking ahead over the next two or three years, what would be a realistic expectation as far as a rate of gain in sales and earnings?

Mr. Rance: It’s difficult to give you that since we’ve not given any guidance. We’ve built the plans and we also have the models. We’re now

executing against the plans, and we feel that the communications market business will be flat for the next six months. But we see communications starting to pick up, so in the early part of 2002 calendar year we will start to see communications improve, and then that combined with our other businesses, the commercial and the government side, we see significant growth going forward.

Two years from now we see the communications growing in the 30%-40% range. Looking out two years, we see the commercial market growing at 16%-19%, and government in the 10%-15% range. So, overall, we are very enthusiastic about the future.

TWST: On the risk side, what's out there aside from say the general economy that might cause you to lose a little sleep?

Mr. Rance: That would be more a short-term answer as opposed to long term. The area of concern at this time is the communications side of the business. That's not just us, we're not immune to it. Many companies are having problems in the communications market because of the cutbacks in capital expenditure. But we see the problem as short-term. Longer term, we feel there is no alternative. Communications will grow starting, I believe, starting within six to nine months.

TWST: Are you pretty confident in the moves that the current management team has made to navigate through this softer market and that will also bring the company to full throttle when it comes out?

Mr. Rance: The answer is yes. When I joined SBS — I joined SBS in March this year — I was impressed with not only the management team of SBS at the time, but also the employees of SBS. I'm a believer that you win if you've got the right attitude and you have good teamwork. That certainly is what we have here at SBS. I have com-

plemented the management team by bringing in a couple of people who have considerable expertise in sales, business development and marketing. I feel now that we have the right executive team to execute. We have the plans, and that's exactly what we're doing, we are executing against our plans.

"One of the areas of focus for us is getting more of the design outsourcing of our customers. A lot of our customers are starting to outsource their hardware designs, and we are being selected for their embedded computer solutions. We now have a broad range of technologies across SBS, with the acquisitions over the last five years, that enable us to provide more of the hardware solutions to our customers."

TWST: As CEO, where do you find yourself spending most of your time right now?

Mr. Rance: I'm spending a lot of my time working externally to the company because the plans are in place. I have the right executive team, who are responsible for executing the plans. My time is spent working with our investors, our customers, with analysts who follow SBS, and ones who do not follow SBS to convey the message of where we're taking the company over the next two years.

TWST: Have you tried to develop a specific corporate culture since you've been there?

Mr. Rance: Yes, it's a corporate culture of empowering the people to make the decisions and move the business forward, and also to be results driven.

TWST: Would you suggest that a long-term investor sitting down with your financial report focus on the most?

Mr. Rance: I would focus on the results of the company. If the company gives guidance, measuring the company in executing and delivering

the results against that guidance. As a long-term investor, I would certainly take a look at the vision: the vision of the CEO, the vision of the company. I would take a look at the technology that that company has: does it have a very broad, diverse product portfolio? Does it have a very broad, diverse customer base? Because if we were only in the communications market, SBS would not be in the same position we are in today. The fact that we're in commercial and government markets as well certainly helps SBS to ride through the storm. So as an investor, I would certainly be looking at the vision of the company, the long-term strategic direction of the company, and whether they are executing and delivering against their plan, specifically on the financial results.

"Investors now understand that SBS has a diverse product line, a very broad product line, and we have a very diverse customer base that is a great strength for any company in today's market situation. If we have a downturn in one of our businesses, then our other businesses are pulling us forward."

TWST: What would you identify as some of the prime factors that are either helping or hurting your operating margin right now?

Mr. Rance: In terms of operating margins, we've just announced our year-end, and our operating margin is very good — we delivered excellent results. What we see in the next six months is a communications business that is certainly suffering at the moment due to capital expenditure being cut off.

TWST: How do you feel about your stock valuation at present? Is it fair in relation to some of the other players in your space?

Mr. Rance: No, I don't think it's fair, I'd like to see the stock a lot higher. I believe it will go higher as we deliver the results going forward. So

my objective is to deliver the results and I believe then the stock will take care of itself. But, no, it's not as high as I'd like to see it.

"One of the things that SBS is focused on, which I believe gives us an edge over competitors, is that we focus on time-to-market for our customers. We have the flexibility in offering custom designs, which means SBS delivers new technology for our communication customers within nine months."

TWST: Do you think that there's something that potential investors either misunderstand or don't quite know about SBS that you would want to clarify?

Mr. Rance: One of the important things I observed as I started to go around SBS to understand each of the businesses as well as talking to our customers and talking to our investors, I found it was very difficult to clearly understand the breadth of the portfolio of SBS and the customer base. And communicating that to our investors, and communicating to the analysts, they now understand that SBS has a diverse product line, a very broad product line, and we have a very diverse customer base that is a great strength for any company in today's market situation. If we have a downturn in one of our businesses, then our other businesses are pulling us forward. So it's a good thing to be diverse rather than be focused on one particular area.

I see my job, certainly over the next six months, to be out talking to more and more of the potential investors who could invest in SBS to ensure that they understand what the company is about. And for them to understand what our vision is, and also why they should be invested in a company like SBS. So over the next six months my focus is going to be on those investors who currently are not invested in SBS.

TWST: Then aside from being a good price, what other two or three reasons would you give a long-term investor to buy today?

Mr. Rance: An excellent management team running the company, a very good vision, and a very good plan that is being executed.

TWST: Thank you. (AAM)

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Each Executive who is the featured subject of a TWST Interview is offered the opportunity to include an Investors Brief or other highlight material to be provided and sponsored by and for the company. This Interview with Grahame Rance, President & CEO of SBS Technologies, Inc. is accompanied by an Investors Brief containing corporate information.
