

### Business Description

Richardson Electronics, Ltd. is a global provider of engineered solutions, serving the Power Conversion, Electron Device, and Display Systems markets. The Company delivers engineered solutions for its customers' through product manufacturing, systems integration, prototype design and manufacture, testing and logistics



NASDAQ: RELL  
 PRICE: \$9.74  
 DATE: January 9, 2015

### Stock Data

Price	\$9.72
52Wk High	\$12.27
52Wk Low	\$9.65
3mo. Daily Volume	17,830
Market Capitalization	\$136 m
Shares Outstanding	13.8 Mil.
Dividend Yield	2.40%
Tangible Book Value Per Share	\$12.00
Net Debt-to-Equity	0%
EV-to-Sales TTM	0.1x
EV-to-EBITDA TTM	NA

### Financial Data

	OLD		NEW	
EPS	FY-13	FY-14	FY-15E	FY-15E
Q1-Aug	\$ .05	\$ .14	(\$ .01A)	(\$ .01A)
Q2-Nov	\$ .04	\$ .04	(\$ .01E)	(\$ .08A)
Q3-Feb	\$ .04	(\$ .01)	\$ .03E	(\$ .11E)
Q4-May	(\$ .09)	(\$ .21)	\$ .05E	(\$ .08E)
FY-May	(\$ .03)	(\$ .03)	\$ .06E	(\$ .28E)
P/E				
Revenue	\$141	\$135	\$143	\$139
% Chg	-11%	-2%	6%	3%

Cash	\$141	\$125	\$125	\$120
Assets	\$217	\$202	\$205	\$190
Debt	\$0	\$0	\$0	\$0
Equity	\$185	\$175	\$180	\$163

Note: Figures in \$millions except per share data

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**Q2 EPS of (\$.08) missed our estimate of (\$.01) as operating expenses were higher than expected as Management continues to invest in a new IT system as well as growth initiatives for its EDG business and recently formed Healthcare division.**

**Q2 Sales declined 4.5% YOY to \$33.8 m and nearly matched the lower end of company guidance. EDG sales increased 2.4% YOY with a healthy backlog and strength in niche verticals. Canvys sales declined 22.2% YOY while the sales in the newly formed Healthcare segment declined 31.7% off a low base.**

**Q2 Gross margin declined 20 bps YOY due to lower sales volume, product mix, and geographical mix.**

**Q2 operating expenses increased 20% YOY due to the aforementioned IT and new business investments. Operating expenses will remain elevated throughout FY15 as the company prepares for growth and leverage in FY16.**

**The company recorded a \$2 m use of operating cash for the quarter due to elevated inventory purchases.**

**The balance sheet remains strong with \$9/share in cash and investments and \$0 debt.**

**The stock trades below tangible book value of \$12/share and nearly \$16 m of stock buybacks remain authorized which would reduce outstanding shares by 12%.**



### Analysis of Q2 Results

Q2 EPS of (\$.08) missed our estimate of (\$.01) due to higher than expected investment in its new IT implementation as well as investment in new business initiatives. An income tax benefit added \$.06 to EPS. EPS was \$.04 in the prior year quarter. Q2 sales declined 4.5% YOY to \$33.8 m and missed our estimate of \$35.1 m. The company had previously guided for revenue of \$34-\$36 m. EDG sales increased 2.4% to \$26.8 m supported by strong verticals such as industrial heating and semiconductor wafer fabrication. Canvys sales declined 22.2% YOY to \$5.9 m due to specific vertical weakness and the loss of one key customer from a previous quarter. Sales in the recently formed Healthcare segment declined 31.7% YOY to \$1.1 m due to delayed hospital spending on PACS (picture archiving and communication systems). Gross margin ticked down 20 bps YOY to 30.9% due to the lower sales volume and product and geography mix. Q2 operating expenses increased \$2.1 m YOY to \$12.6 m due to \$1 m of IT implementation expense and \$1.1 m of new business initiative spending. The company recorded (\$2) m of operating cash flow for the quarter due to inventory build-up. The company repurchased .2 million shares in the quarter and has approximately \$15.9 m of stock buybacks remaining authorized. At the current share price this would equate to a 12% reduction in outstanding shares. The company has \$125.3 m (\$9.08/share) of cash and investments with \$0 debt and trades below its tangible book value of \$12/share. The \$.24/share annualized dividend yields 2.4%.

Business Unit	Net Sales (in thousands)			Gross Profit (in thousands)			
	Q2FY15	Q2FY14	% Change	Q2FY15	% of Sales	Q2FY14	% of Sales
Electron Device Group	\$26,787	\$26,163	2.4%	\$8,537	31.9%	\$8,507	32.5%
Canvys	\$5,906	\$7,591	-22.2%	\$1,653	28.0%	\$2,053	27.0%
Healthcare	\$1,148	\$1,682	-31.7%	\$272	23.7%	\$447	26.6%
Total	\$33,841	\$35,436	-4.5%	\$10,462	30.9%	\$11,007	31.1%

Sales by Geography			
Net Sales	Q2FY15	Q2FY14	% Increase
North America	\$13,769	\$14,296	-3.7%
Europe	\$12,082	\$12,175	-0.8%
Asia/Pacific	\$5,918	\$6,248	-5.3%
Latin America	\$2,207	\$2,574	-14.3%
Other	-\$135	\$143	-194.4%
	\$33,841	\$35,436	-4.5%

### Outlook

The company remains in transition mode for FY15 as it completes its new IT implementation and investments in its EDG and Healthcare segments. The goal is to reaccelerate topline growth in FY16 via rejuvenated organic growth and acquisitions predicated upon a more efficient and better aligned cost structure. The company continues to evaluate acquisition opportunities for its Healthcare segment and is presently evaluating opportunities with annual sales in the \$10-\$30 m sales range. The company expects to complete at least 1 deal in FY15. We have revised our EPS forecasts for the remainder of FY15 downward to account for the aforementioned IT and growth initiative spending which will continue throughout FY15. We believe EDG should continue positive organic topline growth buoyed by strength in niche verticals and a strong backlog and gross margin now appears more solid with less volatility in the Canvys segment. The outlook for Canvys and Healthcare is less certain at this point, although Management believes it will have better backlog visibility for Canvys at the end of Q3. The company reports no acute weakness in Europe although managing FX fluctuations will be an ongoing challenge.

**Peer Group Comparison**

Ticker	Name	Price	EV / Sales	EV / EBITDA	P/BV	P/E	P/E-CY14E	P/E-CY15E
ARW	Arrow Electronics	\$56.75	0.3	7.2	1.3	11.1	9.7	9.0
AVT	Avnet	\$42.27	0.3	6.7	1.2	10.7	9.6	8.8
WCC	Wesco International Inc.	\$72.75	0.6	9.1	1.7	15.0	13.8	12.6
	<b>Median</b>		<b>0.3</b>	<b>7.2</b>	<b>1.3</b>	<b>11.1</b>	<b>9.7</b>	<b>9.0</b>
<b>RELL</b>	<b>Richardson Electronics</b>	<b>\$9.72</b>	<b>0.1</b>	<b>NA</b>	<b>0.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

Note: All figures based on trailing 12-months, except P/E-14 and PE/-15 based on consensus estimates

Prices as of 1/8/15

**Disclaimers & Disclosures**

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Income Statement (in millions)	2008	2009	2010	2011	2012	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15	Q3-15E	Q4-15E	2015E
Sales	\$568.4	\$496.3	\$491.8	\$258.5	\$157.9	\$141.0	\$34.3	\$35.5	\$32.9	\$35.3	\$135.0	\$34.7	\$33.8	\$34.7	\$36.1	\$139.3
COGS	\$432.8	\$386.7	\$373.8	\$191.1	\$111.1	\$99.6	\$24.1	\$24.5	\$23.3	\$25.1	\$94.0	\$24.0	\$23.3	\$23.9	\$24.8	\$96.1
Gross Profit	\$135.6	\$109.6	\$118.0	\$67.4	\$46.8	\$41.4	\$10.2	\$11.0	\$9.7	\$10.2	\$41.1	\$10.7	\$10.5	\$10.8	\$11.3	\$43.2
Operating Expenses	\$125.4	\$117.9	\$95.7	\$56.0	\$40.6	\$41.4	\$10.1	\$10.5	\$10.5	\$14.1	\$45.2	\$11.2	\$12.6	\$12.5	\$12.5	\$48.8
<b>Operating Income</b>	<b>\$10.2</b>	<b>(\$8.2)</b>	<b>\$22.3</b>	<b>\$11.4</b>	<b>\$6.2</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.5</b>	<b>(\$0.9)</b>	<b>(\$3.9)</b>	<b>(\$4.2)</b>	<b>(\$0.5)</b>	<b>(\$2.1)</b>	<b>(\$1.7)</b>	<b>(\$1.2)</b>	<b>(\$5.6)</b>
Add back D&A	\$5.3	\$4.1	\$3.9	\$1.9	\$1.1	\$1.1	\$0.3	\$0.3	\$0.3	\$0.3	\$1.2	\$0.4	\$0.4	\$0.3	\$0.3	\$1.4
Add back stock compensation	\$0.7	\$0.7	\$0.7	\$0.6	\$0.5	\$0.6	\$0.1	\$0.1	\$0.2	\$0.2	\$0.6	\$0.1	\$0.3	\$0.2	\$0.2	\$0.8
<b>EBITDA</b>	<b>\$16.2</b>	<b>(\$3.4)</b>	<b>\$26.9</b>	<b>\$13.9</b>	<b>\$7.8</b>	<b>\$1.7</b>	<b>\$0.5</b>	<b>\$0.9</b>	<b>(\$0.4)</b>	<b>(\$3.4)</b>	<b>(\$2.4)</b>	<b>\$0.0</b>	<b>(\$1.4)</b>	<b>(\$1.3)</b>	<b>(\$0.7)</b>	<b>(\$3.4)</b>
Interest Expense, Net	\$6.9	\$4.6	\$3.9	(\$0.1)	(\$1.4)	(\$1.4)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.2)	(\$1.1)	(\$0.3)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.9)
Proceeds from legal settlement																\$0.0
Other Expense, Net	\$12.0	(\$2.4)	\$1.4	\$0.7	(\$0.1)	\$0.8	\$0.1	\$0.0	(\$0.4)	\$0.0	(\$0.3)					\$0.0
Pretax Income	(\$8.7)	(\$10.4)	\$17.1	\$10.8	\$7.7	\$0.6	\$2.4	\$0.8	(\$0.1)	(\$3.7)	(\$0.6)	(\$0.2)	(\$1.9)	(\$1.5)	(\$1.0)	(\$4.7)
Income Tax	(\$0.2)	\$1.8	(\$0.2)	\$0.9	(\$0.4)	\$0.1	\$0.5	\$0.2	\$0.0	(\$0.8)	(\$0.1)	(\$0.1)	(\$0.8)	\$0.0	\$0.0	(\$0.9)
Net Income	(\$8.5)	(\$12.2)	\$17.3	\$9.9	\$8.0	\$0.5	\$2.0	\$0.6	(\$0.1)	(\$2.9)	(\$0.6)	(\$0.1)	(\$1.1)	(\$1.5)	(\$1.0)	(\$3.8)
Shares Outstanding-Diluted	17.8	17.8	18.9	18.2	17.1	15.4	14.7	14.2	14.1	14.0	14.3	13.9	13.8	13.7	13.6	13.8
EPS - Diluted (Continuing Ops)	(\$0.48)	(\$0.69)	\$0.91	\$0.54	\$0.47	\$0.03	\$0.14	\$0.04	(\$0.01)	(\$0.21)	(\$0.04)	(\$0.01)	(\$0.08)	(\$0.11)	(\$0.08)	(\$0.28)
Dividend per Share	\$0.12	\$0.08	\$0.08	\$0.11	\$0.20	\$0.24	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24	\$0.06	\$0.06			
<b>% of Sales</b>																
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	76.1%	77.9%	76.0%	73.9%	70.4%	70.6%	70.3%	69.0%	70.7%	71.1%	69.6%	69.2%	69.0%	69.0%	68.8%	69.0%
Gross Profit	23.9%	22.1%	24.0%	26.1%	29.6%	29.4%	29.7%	31.0%	29.3%	28.9%	30.4%	30.8%	31.0%	31.0%	31.2%	31.0%
Operating Expenses	22.1%	23.7%	19.5%	21.7%	25.7%	29.4%	29.6%	31.9%	31.9%	39.9%	33.5%	32.3%	37.3%	36.0%	34.6%	35.0%
Operating Income	1.8%	-1.7%	4.5%	4.4%	3.9%	0.0%	0.3%	1.4%	-2.6%	-11.0%	-3.1%	-1.4%	-6.3%	-5.0%	-3.4%	-4.0%
Interest Expense, Net	1.2%	0.9%	0.8%	0.0%	-0.9%	-1.0%	-0.9%	-0.9%	-0.9%	-0.6%	-0.8%	-0.9%	-0.6%	-0.6%	-0.6%	-0.6%
Other Expense, Net	2.1%	-0.5%	0.3%	0.3%	-0.1%	0.6%	0.3%	0.0%	-1.3%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Pretax Income	-1.5%	-2.1%	3.5%	4.2%	4.9%	0.4%	7.0%	2.3%	-0.4%	-10.5%	-0.5%	-0.6%	-5.7%	-4.4%	-2.9%	-3.4%
Income Tax Rate	2.5%	-17.0%	-1.2%	8.3%	-5.2%	16.7%	20.8%	30.0%	0.0%	21.6%	9.7%	50.0%	41.3%	0.0%	0.0%	19.1%
Net Income	-1.5%	-2.5%	3.5%	3.8%	5.1%	0.4%	5.8%	1.6%	-0.3%	-8.2%	-0.4%	-0.3%	-3.4%	-4.4%	-2.9%	-2.7%
<b>Revenue by Segment</b>																
RF, Wireless & Power Division	\$376.2	\$355.1	\$356.5	\$99.6												
Electron Device Group	\$103.3	\$82.2	\$86.5	\$113.8	\$112.6	\$102.6	\$25.5	\$26.2	\$24.2	\$27.4	\$103.3	\$27.4	\$26.8	\$27.0	\$28.0	\$109.2
Healthcare							\$1.3	\$1.7				\$1.3	\$1.1	\$1.2	\$1.6	\$5.2
Canvus	\$84.7	\$58.9	\$48.8	\$45.1	\$45.3	\$38.4	\$7.5	\$7.6	\$8.7	\$7.9	\$31.7	\$6.0	\$5.9	\$6.5	\$6.5	\$24.9
Corporate	\$4.3	\$0.2	\$0.0	\$0.0	\$0.0											
Total	\$568.4	\$496.3	\$491.8	\$258.5	\$157.9	\$141.0	\$34.3	\$35.5	\$32.9	\$35.3	\$135.0	\$34.7	\$33.8	\$34.7	\$36.1	\$139.3
<b>Revenue % by Segment</b>																
RF, Wireless & Power Division	66.2%	71.5%	72.5%	38.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Electron Device Group	18.2%	16.6%	17.6%	44.0%	71.3%	72.8%	74.3%	73.8%	73.6%	77.6%	76.5%	79.0%	79.3%	77.8%	77.6%	78.4%
Security Systems Division	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.8%	4.8%	0.0%	0.0%	0.0%	3.7%	3.3%	3.5%	4.4%	3.7%
Canvus	14.9%	11.9%	9.9%	17.4%	28.7%	27.2%	21.9%	21.4%	26.4%	22.4%	23.5%	17.3%	17.5%	18.7%	18.0%	17.9%
Corporate	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Revenue Growth (Year / Year)</b>																
RF, Wireless & Power Division	1.7%	-5.6%	0.4%													
Electron Device Group	2.0%	-20.4%	5.3%	31.6%	-1.1%	-8.9%	-0.4%	0.0%	-0.4%	3.6%	0.7%	7.5%	2.3%	11.6%	2.2%	5.7%
Healthcare													-35.3%			
Canvus	3.1%	-30.4%	-17.2%	-7.6%	0.4%	-15.2%	-25.0%	-26.9%	-6.5%	-9.2%	-17.4%	-20.0%	-22.4%	-25.3%	-17.7%	-21.5%
Corporate	5.8%	-95.1%	-100.0%													
Total	2.0%	-12.7%	-0.9%	-4.7%	-38.9%	-10.7%	-3.7%	-3.0%	-2.1%	0.4%	-4.2%	1.2%	-4.8%	5.5%	2.3%	3.2%
Fiscal Year End - May																
(\$ in millions, except per share data)																

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Balance Sheet	2009	2010	2011	2012	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15
<b>Assets</b>																
Cash	\$43.9	\$29.0	\$171.0	\$43.9	\$41.2	\$53.5	\$77.0	\$102.0	\$102.0	\$92.5	\$92.6	\$97.2	\$102.8	\$102.8	\$98.0	\$89.9
Accounts Receivable	\$92.4	\$98.7	\$22.4	\$19.7	\$20.5	\$21.7	\$19.7	\$18.3	\$18.3	\$19.5	\$20.2	\$20.0	\$18.4	\$18.4	\$18.5	\$17.6
Inventories	\$81.2	\$78.7	\$30.9	\$34.7	\$35.4	\$35.3	\$34.8	\$34.0	\$34.0	\$35.3	\$35.3	\$35.2	\$33.9	\$33.9	\$35.6	\$37.1
Other Current Assets	\$7.8	\$7.0	\$64.0	\$115.0	\$109.1	\$96.3	\$74.2	\$48.3	\$48.3	\$46.5	\$46.0	\$40.0	\$37.1	\$37.1	\$29.8	\$26.9
Discontinued ops-assets				\$0.0				\$0.3	\$0.3	\$0.3	\$0.3	\$0.1				
Current Assets	\$225.3	\$213.4	\$288.3	\$213.3	\$206.2	\$206.8	\$205.7	\$202.9	\$202.9	\$194.1	\$194.4	\$192.5	\$192.2	\$192.2	\$181.9	\$171.5
Net Property, Plant, and Equipment	\$19.4	\$16.7	\$5.0	\$5.4	\$4.2	\$4.4	\$4.7	\$5.1	\$5.1	\$5.6	\$5.9	\$6.5	\$7.2	\$7.2	\$7.7	\$8.4
Goodwill & Other Assets	\$4.1	\$4.7	\$4.0	\$12.7	\$14.0	\$11.4	\$10.9	\$9.3	\$9.3	\$8.1	\$6.4	\$6.0	\$4.1	\$4.1	\$11.3	\$14.4
Total Assets	\$248.8	\$234.8	\$297.3	\$231.4	\$224.4	\$222.6	\$221.3	\$217.3	\$217.3	\$207.8	\$206.7	\$205.0	\$203.5	\$203.5	\$200.9	\$194.3
<b>Liabilities and Stockholders' Equity</b>																
Current Debt	\$0.0	\$19.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Accounts Payable	\$53.0	\$61.6	\$17.8	\$12.6	\$11.2	\$14.0	\$13.0	\$14.3	\$14.3	\$11.8	\$12.2	\$11.3	\$12.3	\$12.3	\$12.3	\$13.5
Accrued Expenses	\$18.4	\$18.8	\$43.7	\$8.5	\$8.5	\$8.3	\$7.8	\$9.6	\$9.6	\$7.4	\$7.5	\$7.4	\$9.2	\$9.2	\$8.5	\$7.9
Discontinued ops-liabilities			\$13.8	\$0.2	\$0.2	\$0.4	\$0.8	\$0.2	\$0.2	\$0.5						
Current Liabilities	\$71.4	\$99.9	\$75.3	\$21.1	\$19.9	\$22.7	\$21.6	\$24.1	\$24.1	\$19.7	\$19.7	\$18.7	\$21.5	\$21.5	\$20.8	\$21.4
Long-term Debt	\$52.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Deferred Taxes & Other Long-term Liabilities	\$6.3	\$5.0	\$13.0	\$8.5	\$8.2	\$6.9	\$8.4	\$8.0	\$8.0	\$7.8	\$7.5	\$7.7	\$5.7	\$5.7	\$5.9	\$6.7
Discontinued ops-non-current liabilities			\$1.6	\$1.4	\$1.4	\$2.7	\$1.5	\$0.0	\$0.0	\$0.0			\$1.4	\$1.4	\$1.4	
Total Liabilities	\$130.1	\$104.9	\$89.9	\$29.6	\$29.5	\$32.3	\$31.5	\$32.1	\$32.1	\$27.5	\$27.2	\$26.4	\$28.6	\$28.6	\$28.1	\$28.1
Shareholder Equity	\$118.7	\$129.9	\$224.2	\$200.2	\$194.9	\$190.3	\$189.8	\$185.2	\$185.2	\$180.3	\$179.5	\$178.6	\$174.9	\$174.9	\$172.8	\$166.2
Total Liabilities and Equity	\$248.8	\$234.8	\$314.1	\$229.8	\$224.4	\$222.6	\$221.3	\$217.3	\$217.3	\$207.8	\$206.7	\$205.0	\$203.5	\$203.5	\$200.9	\$194.3
<b>Book Value Per Share</b>	<b>\$6.67</b>	<b>\$6.87</b>	<b>\$12.32</b>	<b>\$11.71</b>	<b>\$12.34</b>	<b>\$12.44</b>	<b>\$12.49</b>	<b>\$12.28</b>	<b>\$12.07</b>	<b>\$12.27</b>	<b>\$12.64</b>	<b>\$12.67</b>	<b>\$12.49</b>	<b>\$12.27</b>	<b>\$12.43</b>	<b>\$12.04</b>
<b>Asset Utilization and Efficiency</b>																
Accounts Receivable Turnover	4.9	5.1	4.3	7.5	6.6	6.7	6.3	7.4	7.4	6.9	6.8	6.6	7.7	7.4	7.3	7.2
Days' Sales in Receivables Outstanding	67.9	73.3	31.6	45.5	52.5	54.1	53.5	47.5	47.4	51.9	51.9	55.5	47.6	49.7	48.6	47.5
Inventory Turnover	4.4	3.8	2.9	3.4	2.9	2.9	2.6	2.9	2.9	2.7	2.8	2.7	3.0	2.8	2.7	2.6
Days' Sales in Inventory Outstanding	76.6	76.8	59.0	114.0	129.2	124.4	134.0	124.3	124.7	133.7	131.5	138.2	123.2	131.7	135.4	145.1
Accounts Payable Turnover	7.3	5.8	5.0	7.3	7.5	7.2	6.9	7.4	7.4	8.4	7.5	7.7	7.5	7.1	8.0	7.3
Days' Purchases in Payables Outstanding	50.0	60.1	34.0	41.4	40.9	49.3	50.1	52.3	52.4	44.7	45.4	44.3	44.7	47.8	46.8	52.8
Cash Conversion Cycle (Days)	94.6	89.9	56.6	118.1	140.9	129.1	137.4	119.6	119.6	140.9	138.0	149.3	126.1	133.7	137.2	139.8
<b>Capital Structure</b>																
Total Debt-to-Total Capital Ratio	30.6%	13.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt-to-Equity Ratio	44.1%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fiscal Year End - May																
(\$ in millions, except per share data)																



# 21<sup>st</sup> Century Equity Research

ROIC and Free Cash Flow	2008	2009	2010	2011	2012	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15
<b>NOPAT</b>																	
EBIT	\$10.2	(\$8.2)	\$22.3	\$11.4	\$6.2	\$0.5	\$0.5	\$0.6	(\$1.6)	\$0.0	\$0.1	\$0.5	(\$0.9)	(\$3.9)	(\$4.2)	(\$0.5)	(\$2.1)
Cash Taxes on EBIT	(\$0.4)	\$2.5	(\$0.2)	\$0.9	(\$0.5)	\$0.3	\$0.0	(\$0.4)	\$0.1	\$0.3	\$0.6	\$0.3	\$0.0	(\$0.8)	\$0.0	\$0.1	(\$0.7)
<b>NOPAT</b>	\$10.6	(\$10.8)	\$22.5	\$10.5	\$6.7	\$0.2	\$0.5	\$1.0	(\$1.7)	(\$0.3)	(\$0.5)	\$0.2	(\$0.9)	(\$3.1)	(\$4.2)	(\$0.6)	(\$1.4)
<b>Cash Taxes on EBIT</b>																	
Income Tax Provision	(\$0.2)	\$1.8	(\$0.2)	\$0.9	(\$0.4)	\$0.2	\$0.0	(\$0.2)	\$0.1	\$0.1	\$0.5	\$0.2	\$0.0	(\$0.8)	(\$0.1)	(\$0.1)	(\$0.8)
Tax Deduction on Interest Expense	\$0.2	(\$0.8)	(\$0.0)	\$0.1	(\$0.1)	\$0.0	\$0.2	\$0.0	(\$0.2)	(\$0.1)	(\$0.1)	(\$0.1)	\$0.0	(\$0.0)	(\$0.1)	(\$0.2)	(\$0.1)
<b>Cash Taxes on EBIT</b>	(\$0.4)	\$2.5	(\$0.2)	\$0.9	(\$0.5)	\$0.3	\$0.0	(\$0.4)	\$0.1	\$0.3	\$0.6	\$0.3	\$0.0	(\$0.8)	\$0.0	\$0.1	(\$0.7)
<b>Invested Capital</b>																	
Total Debt	\$55.7	\$52.4	\$19.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Stockholders' Equity	\$141.4	\$118.7	\$129.9	\$224.2	\$200.2	\$194.9	\$190.3	\$189.8	\$185.2	\$185.2	\$180.3	\$179.5	\$178.6	\$174.9	\$174.9	\$172.8	\$166.2
Total Cash & Short-term Investments	\$40.0	\$43.9	\$29.0	\$171.0	\$168.9	\$150.3	\$149.8	\$151.2	\$150.3	\$150.3	\$139.0	\$138.6	\$130.5	\$136.0	\$139.9	\$136.0	\$137.0
<b>Invested Capital</b>	\$157.1	\$127.2	\$120.4	\$53.2	\$41.3	\$44.6	\$40.5	\$38.6	\$34.9	\$34.9	\$41.3	\$40.9	\$48.1	\$38.9	\$35.0	\$36.8	\$29.2
<b>Return on Invested Capital</b>																	
Return on Invested Capital (Average)	6.3%	-7.6%	18.1%	12.1%	14.1%	0.4%	1.2%	2.2%	-4.4%	-0.9%	-1.1%	0.4%	-2.0%	-8.5%	-12.0%	-1.4%	-4.1%
Note: Quarterly Figures Have Been Annualized																	
<b>Free Cash Flow</b>																	
Net Income (Loss)	(\$8.5)	(\$12.2)	\$17.3	\$9.9	\$8.0	\$0.7	\$0.6	\$0.6	(\$1.4)	\$0.5	\$2.0	\$0.6	(\$0.1)	(\$2.9)	(\$0.6)	(\$0.1)	(\$1.1)
Adjustments:																	
Depreciation	\$5.5	\$5.3	\$4.3	\$1.8	\$1.2	\$0.3	\$0.3	\$0.2	\$0.3	\$1.2	\$0.3	\$0.3	\$0.3	\$0.3	\$1.2	\$0.4	\$0.4
Amortization of Intangibles and Financing Costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Deferred Income Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Loss from Disposition of a Business	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Provision for Inventory Obsolescence	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Charges	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Diversitures	\$0.0	\$0.0	\$0.0	\$180.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Goodwill and Other Intangible Assets Impairment, Net of Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.7	\$1.7	\$0.0	\$0.0
Other Non-cash Items in Net Income	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Adjustments</b>	\$5.5	\$5.3	\$4.3	\$181.8	\$1.2	\$0.3	\$0.3	\$0.2	\$0.3	\$1.2	\$0.3	\$0.3	\$0.3	\$0.3	\$2.0	\$2.9	\$0.4
Changes in Working Capital, Net of Currency Translation Effects and Business Acquisitions:																	
Decrease (Increase) in Accounts Receivable	(\$3.8)	\$17.1	(\$6.3)	\$76.3	\$2.7	(\$0.8)	(\$1.2)	\$2.0	\$1.4	\$1.4	(\$1.2)	(\$0.7)	\$0.2	\$1.6	(\$0.1)	(\$0.1)	\$0.9
Decrease (Increase) in Inventories	\$16.3	\$12.7	\$2.5	\$47.8	\$3.8	(\$0.7)	\$0.1	\$0.5	\$0.8	(\$0.7)	(\$1.3)	\$0.0	\$0.1	\$1.3	(\$0.1)	(\$1.7)	(\$1.5)
Decrease (Increase) in Other Current Assets	\$1.1	(\$1.4)	\$0.8	(\$57.0)	\$0.0	\$0.0	\$1.0	\$2.0	\$0.0	\$0.0	\$0.4	(\$0.2)	\$0.4	\$1.0	\$0.0	\$2.5	-\$0.6
(Decrease) Increase in Accounts Payable	\$3.3	(\$5.9)	\$8.6	(\$43.8)	(\$5.2)	(\$1.4)	\$2.8	(\$1.0)	\$1.3	\$1.7	(\$2.5)	\$0.4	(\$0.9)	\$1.0	\$1.5	\$0.5	\$1.3
Decrease (Increase) Assets Held for Sale																	
(Decrease) Increase in Other Current Liabilities	(\$12.2)	(\$3.4)	\$0.4	\$24.9	\$0.0	\$0.0	\$0.2	\$0.5	(\$1.8)	\$0.0	\$2.2	(\$0.1)	\$0.1	\$2.2	\$0.0	(\$0.7)	(\$0.4)
<b>Total Changes in Operating Assets and Liabilities</b>	\$4.7	\$19.1	\$6.0	\$48.2	\$52.3	(\$2.9)	\$1.9	\$3.0	\$3.7	\$2.4	(\$2.8)	(\$0.0)	(\$0.7)	\$7.1	\$1.3	\$0.5	(\$0.3)
<b>Net Cash Flow from Operations</b>	\$1.7	\$12.2	\$27.6	\$239.9	\$61.5	(\$1.9)	\$2.8	\$3.8	\$2.6	\$4.1	(\$0.5)	\$0.9	(\$0.5)	\$6.2	\$3.6	\$0.8	(\$1.0)
Capital Expenditures	(\$4.5)	(\$1.6)	(\$1.4)	(\$0.5)	(\$0.2)	(\$0.1)	(\$0.1)	(\$0.5)	(\$0.6)	(\$1.3)	(\$0.4)	(\$0.5)	(\$0.8)	(\$1.0)	(\$2.7)	(\$0.8)	(\$1.1)
Time Deposit Purchases					(\$82.8)												
<b>Free Cash Flow</b>	(\$2.8)	\$10.6	\$26.2	\$239.4	(\$21.5)	(\$2.0)	\$2.7	\$3.3	\$2.0	\$2.8	(\$0.9)	\$0.4	(\$1.3)	\$5.2	\$0.9	(\$0.0)	(\$2.1)
Free Cash Flow per Share	(\$0.16)	\$0.69	\$1.38	\$13.15	(\$1.26)	(\$0.12)	\$0.16	\$0.22	\$0.13	\$0.18	(\$0.06)	\$0.03	(\$0.09)	\$0.37	\$0.07	(\$0.00)	(\$0.15)
Fiscal Year End - May																	
(\$ in millions, except per share data)																	