

### 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.

### Stock Data

Price	\$11.85
52Wk High	\$12.48
52Wk Low	\$10.67
3mo. Daily Volume	29,622
Market Capitalization	\$167
Shares Outstanding	14.2 Mil.
Dividend Yield	2.10%
Tangible Book Value Per Share	\$11.56
Net Debt-to-Equity	0%
EV-to-Sales TTM	0.3x
EV-to-EBITDA TTM	10x

### Financial Data

		OLD	NEW
EPS	FY-13	FY-14E	FY-14E
Q1-Aug	█ \$0.05	\$0.14A	\$0.14A
Q2-Nov	█ \$0.04	\$0.03E	\$0.04A
Q3-Feb	█ \$0.04	\$0.07E	\$0.05E
Q4-May	█ (\$0.09)	\$0.11E	\$0.06E
FY-May	█ (\$0.03)	\$0.33E	\$0.29E

P/E

Revenue	\$141	\$147	\$142
% Chg	-11%	5%	1%

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

Note: Figures in \$millions except per share data

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NASDAQ: RELL

PRICE: \$11.85

DATE: January 10, 2014

**Q2 EPS of \$.04 beat our estimate of \$.03 due to better than expected gross margin and minimal FX impact. EPS in the prior year was \$.04.**

**Q2 Sales declined 3.2% YOY to \$35.4 million in line with our forecast and previous management guidance. EDG sales were flat YOY while Canvys sales declined 11% YOY.**

**Q2 gross margin improved 180 bps YOY to 31.1% due to better labor absorption and capacity utilization.**

**The company is guiding for Q3 midpoint revenue growth of 4%.**

**The balance sheet remains strong with \$132 million in cash and cash equivalents (\$9.30/share) and \$0 debt.**

**The company continues to evaluate acquisitions and expects a major deal to be completed in roughly the next 6 months.**

**The stock is trading slightly above its tangible book value of \$11.56/share.**



### Analysis of Q2 Results

Q2 EPS of \$.04 topped our estimate of \$.03 due to better than expected gross margin performance and minimal FX impact. Q2 Sales declined 3.2% YOY to \$35.4 million in line with our estimate of \$35.5 million and within management's guidance of \$35-\$37 million. Q2 EDG sales were flat YOY as weakness in the broadcast and aviation verticals undercut strength in the industrial heating and CO2 laser markets. Q2 Canvys sales declined 11% YOY to \$9.3 million as uncertainty surrounding healthcare reform continues to negatively impact capital spending by hospitals. Additionally, one-time purchasing delays from a major customer also dampened sales. Geographically Europe is showing signs of stability while Asia is witnessing growth. Q2 gross margin improved 180 bps to 31.1% YOY vs. our estimate of 29.2% due to better labor and capacity utilization. Q2 SG&A expenses of \$10.5 million came in slightly higher than expected due to one-time investments in a new IT platform and new product development team. The balance sheet remains strong as cash and cash equivalents remained essentially unchanged at \$132 million (\$9.30/share) with \$0 debt. Approximately \$18.6 million of stock buybacks remain authorized suggesting a potential 11% reduction in shares outstanding given today's stock price.

Business Unit	Net Sales (in thousands)			Gross Profit (in thousands)			
	Q2FY14	Q2FY13	% Change	Q2FY14	% of Sales	Q2FY13	% of Sales
Electron Device Group	\$26,163	\$26,186	-0.1%	\$8,507	32.5%	\$7,930	30.3%
Canvys	\$9,273	\$10,417	-11.0%	\$2,500	27.0%	\$2,812	27.0%
Total	\$35,436	\$36,603	-3.2%	\$11,007	31.1%	\$10,742	29.3%

Net Sales	Q2FY14	Q2FY13	% Increase
North America	\$14,296	\$16,436	-13.0%
Europe	\$12,175	\$12,305	-1.1%
Asia/Pacific	\$6,248	\$5,437	14.9%
Latin America	\$2,574	\$2,320	10.9%
Other	\$143	\$105	36.2%
	\$35,436	\$36,603	-3.2%

### Outlook

The company is guiding for Q3 revenue of \$34-\$36 million. Midpoint guidance suggests YOY sales growth of 4% next quarter. The company appears to have a renewed focus on product development as evidenced by recent hiring's and investments. Positive prototype testing of its microwave generators for new applications in China may yield substantial sales opportunities over the next 3-4 years. The company continues to evaluate acquisition opportunities and remains optimistic that a substantial deal will consummate over the next 6 months or so. The Canvys segment could receive a boost from refresh equipment spending related to warranty period expirations. The sizeable improvement in gross margin this quarter related to better labor absorption and capacity utilization appears sustainable. We have adjusted our gross margin accordingly. Sales growth prospects for the remainder of FY14 appear less robust and more guarded than initially hoped. We have trimmed our sales forecast but still project continuing operating margin improvement for the fiscal year. The company does note that November sales were the highest monthly sales thus far in FY14. The stock remains a compelling value play given it is trading slightly above its tangible book value of \$11.56 with a 2% dividend yield and the prospect of continued stock buybacks.

**Peer Group Comparison**

Ticker	Name	Price	EV / Sales	EV / EBITDA	P/BV	P/E	P/E-CY13E	P/E-CY14E
ARW	Arrow Electronics	\$52.91	0.3	8.2	1.3	12.7	11.0	9.4
AVT	Avnet	\$42.74	0.3	7.5	1.3	12.7	11.2	9.7
WCC	Wesco International Inc.	\$91.03	0.8	12.5	2.3	19.3	17.8	15.2
	<b>Median</b>		<b>0.3</b>	<b>8.2</b>	<b>1.3</b>	<b>12.7</b>	<b>11.2</b>	<b>9.7</b>
<b>RELL</b>	<b>Richardson Electronics</b>	<b>\$11.88</b>	<b>3.0</b>	<b>10.2 *</b>	<b>0.9</b>	<b>91.4</b>	<b>99.0</b>	<b>NA</b>

Note: All figures based on trailing 12-months, except P/E-13 and PE/-14 based on consensus estimates

Prices as of 1/9/14

\*EBITDA excludes \$1.2 m of employee-related termination costs and \$1 million of unabsorbed labor and overhead costs

**Disclaimers & Disclosures**

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Income Statement (in millions)	2008	2009	2010	2011	2012	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14	Q2-14	Q3-14E	Q4-14E	2014E
Sales	\$568.4	\$496.3	\$491.8	\$258.5	\$157.9	\$35.6	\$36.6	\$33.6	\$35.2	\$141.0	\$34.3	\$35.5	\$35.5	\$36.4	\$141.7
COGS	\$432.8	\$386.7	\$373.8	\$191.1	\$111.1	\$25.0	\$25.9	\$23.7	\$25.0	\$99.6	\$24.1	\$24.5	\$24.7	\$25.3	\$98.6
Gross Profit	\$135.6	\$109.6	\$118.0	\$67.4	\$46.8	\$10.6	\$10.7	\$9.9	\$10.2	\$41.4	\$10.2	\$11.0	\$10.8	\$11.1	\$43.1
Operating Expenses	\$125.4	\$117.9	\$95.7	\$56.0	\$40.6	\$10.1	\$10.2	\$9.3	\$11.8	\$41.4	\$10.1	\$10.5	\$10.1	\$10.0	\$40.7
<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>\$0.5</b>	<b>\$0.5</b>	<b>\$0.6</b>	<b>-\$1.6</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.5</b>	<b>\$0.7</b>	<b>\$1.1</b>	<b>\$2.4</b>
Add back D&A	\$5.3	\$4.1	\$3.9	\$1.9	\$1.1	\$0.3	\$0.3	\$0.2	\$0.3	\$1.1	\$0.3	\$0.3	\$0.3	\$0.3	\$1.2
Add back stock compensation	\$0.7	\$0.7	\$0.7	\$0.6	\$0.5	\$0.1	\$0.2	\$0.1	\$0.2	\$0.6	\$0.1	\$0.1	\$0.1	\$0.1	\$0.4
<b>EBITDA</b>	<b>\$16.2</b>	<b>(\$3.4)</b>	<b>\$26.9</b>	<b>\$13.9</b>	<b>\$7.8</b>	<b>\$0.9</b>	<b>\$1.0</b>	<b>\$0.9</b>	<b>(\$1.1)</b>	<b>\$1.7</b>	<b>\$0.5</b>	<b>\$0.9</b>	<b>\$1.1</b>	<b>\$1.5</b>	<b>\$4.0</b>
Interest Expense, Net	\$6.9	\$4.6	\$3.9	(\$0.1)	(\$1.4)	(\$0.4)	(\$0.4)	(\$0.3)	(\$1.4)	(\$1.4)	(\$0.3)	(\$0.3)	(\$0.2)	(\$0.2)	(\$1.0)
Proceeds from legal settlement											(\$2.1)				(\$2.1)
Other Expense, Net	\$12.0	(\$2.4)	\$1.4	\$0.7	(\$0.1)	\$0.0	\$0.3	\$0.5	\$0.0	\$0.8	\$0.1	\$0.0	\$0.0	\$0.1	\$0.2
Pretax Income	(\$8.7)	(\$10.4)	\$17.1	\$10.8	\$7.7	\$0.9	\$0.6	\$0.4	(\$1.3)	\$0.6	\$2.4	\$0.8	\$0.9	\$1.2	\$5.3
Income Tax	(\$0.2)	(\$0.2)	(\$0.2)	\$0.9	(\$0.4)	\$0.2	\$0.0	(\$0.2)	\$0.1	\$0.1	\$0.5	\$0.2	\$0.3	\$0.4	\$1.4
Net Income	(\$8.5)	(\$12.2)	\$17.3	\$9.9	\$8.0	\$0.7	\$0.6	\$0.6	(\$1.4)	\$0.5	\$2.0	\$0.6	\$0.6	\$0.8	\$4.0
Shares Outstanding-Diluted	17.8	17.8	18.9	18.2	17.1	15.8	15.3	15.2	15.1	15.4	14.7	14.2	14.2	14.2	14.3
EPS - Diluted (Continuing Ops)	(\$0.48)	(\$0.69)	\$0.91	\$0.54	\$0.47	\$0.05	\$0.04	\$0.04	(\$0.09)	\$0.03	\$0.14	\$0.04	\$0.05	\$0.06	\$0.28
Dividend per Share	\$0.12	\$0.08	\$0.08	\$0.11	\$0.20	\$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%
COGS	76.1%	77.9%	76.0%	73.9%	70.4%	70.2%	70.8%	70.5%	71.0%	70.6%	70.3%	69.0%	69.5%	69.5%	69.6%
Gross Profit	23.9%	22.1%	24.0%	26.1%	29.6%	29.8%	29.2%	29.5%	29.0%	29.4%	29.7%	31.0%	30.5%	30.5%	30.4%
Operating Expenses	22.1%	23.7%	19.5%	21.7%	25.7%	28.4%	27.9%	27.7%	33.6%	29.4%	29.4%	29.6%	28.5%	27.5%	28.7%
Operating Income	1.8%	-1.7%	4.5%	4.4%	3.9%	1.4%	1.4%	1.8%	-4.6%	0.0%	0.3%	1.4%	2.0%	3.0%	1.7%
Interest Expense, Net	1.2%	0.9%	0.8%	0.0%	-0.9%	-1.1%	-1.1%	-0.9%	-0.9%	-1.0%	-0.9%	-0.8%	-0.6%	-0.5%	-0.7%
Other Expense, Net	2.1%	-0.5%	0.3%	0.3%	-0.1%	0.0%	0.8%	1.5%	0.0%	0.6%	0.3%	0.0%	0.0%	0.3%	0.1%
Pretax Income	-1.5%	-2.1%	3.5%	4.2%	4.9%	2.5%	1.6%	1.2%	-3.7%	0.4%	7.0%	2.3%	2.6%	3.3%	3.8%
Income Tax Rate	2.5%	-17.0%	-1.2%	8.3%	-5.2%	22.2%	0.0%	-50.0%	-7.7%	16.7%	20.8%	30.0%	30.0%	30.0%	25.9%
Net Income	-1.5%	-2.5%	3.5%	3.8%	5.1%	2.1%	1.6%	1.8%	-4.0%	0.4%	5.8%	1.6%	1.8%	2.3%	2.8%
<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	\$25.6	\$26.2	\$24.3	\$26.5	\$102.6	\$25.5	\$26.2	\$26.5	\$27.0	\$105.2
Canvus	\$84.7	\$58.9	\$48.8	\$45.1	\$45.3	\$10.0	\$10.4	\$9.3	\$8.7	\$38.4	\$8.8	\$9.3	\$9.0	\$9.4	\$36.5
Corporate	\$4.3	\$0.2	\$0.0	\$0.0	\$0.0										
Total	\$568.4	\$496.3	\$491.8	\$258.5	\$157.9	\$35.6	\$36.6	\$33.6	\$35.2	\$141.0	\$34.3	\$35.5	\$35.5	\$36.4	\$141.7
<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%
Electron Device Group	18.2%	16.6%	17.6%	44.0%	71.3%	71.9%	71.6%	72.3%	75.2%	72.8%	74.3%	73.8%	74.6%	74.2%	74.2%
Security Systems Division	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%
Canvus	14.9%	11.9%	9.9%	17.4%	28.7%	28.1%	28.4%	27.7%	24.8%	27.2%	25.7%	26.2%	25.4%	25.8%	25.8%
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%
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%
<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%	-16.6%	-6.4%	-9.7%	-2.0%	-8.9%	-0.4%	0.0%	9.1%	2.1%	2.6%
Canvus	3.1%	-30.4%	-17.2%	-7.6%	0.4%	-7.4%	-6.3%	-19.1%	-26.9%	-15.2%	-12.0%	-10.6%	-3.2%	8.0%	-4.9%
Corporate	5.6%	-95.1%	-100.0%												
Total	2.0%	-12.7%	-0.9%	-47.4%	-38.9%	-14.2%	-6.4%	-12.5%	-9.6%	-10.7%	-3.7%	-3.0%	5.7%	3.6%	0.5%

Fiscal Year End - May  
(\$ in millions, except per share data)

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

Balance Sheet	2009	2010	2011	2012	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14	Q2-14
<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
Accounts Receivable	\$92.4	\$98.7	\$22.4	\$19.7	\$20.5	\$21.7	\$19.7	\$18.3	\$18.3	\$19.5	\$20.2
Inventories	\$81.2	\$78.7	\$30.9	\$34.7	\$35.4	\$35.3	\$34.8	\$34.0	\$34.0	\$35.3	\$35.3
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
Discontinued ops-assets			\$0.0	\$0.0				\$0.3	\$0.3	\$0.3	\$0.3
Current Assets	\$225.3	\$213.4	\$288.3	\$213.3	\$206.2	\$206.8	\$205.7	\$202.9	\$202.9	\$194.1	\$194.4
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
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
Total Assets	\$248.8	\$234.8	\$297.3	\$231.4	\$224.4	\$222.6	\$221.3	\$217.3	\$217.3	\$207.8	\$206.7
<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
Accounts Payable	\$53.0	\$61.6	\$17.8	\$12.6	\$11.2	\$14.0	\$13.0	\$14.3	\$14.3	\$11.8	\$12.2
Accrued Expenses	\$18.4	\$18.8	\$43.7	\$8.5	\$8.5	\$8.3	\$7.8	\$9.6	\$9.6	\$7.4	\$7.5
Discontinued ops-liabilities			\$13.8	\$0.2	\$0.2	\$0.4	\$0.8	\$0.2	\$0.2	\$0.5	\$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
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
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
Discontinued ops-non-current liabilities			\$1.6	\$1.4	\$1.4	\$2.7	\$1.5	\$0.0	\$0.0	\$0.0	\$0.0
Total Liabilities	\$130.1	\$104.9	\$89.9	\$29.6	\$29.5	\$32.3	\$31.5	\$32.1	\$32.1	\$27.5	\$27.2
Shareholder Equity	\$118.7	\$129.9	\$224.2	\$200.2	\$194.9	\$190.3	\$189.8	\$185.2	\$185.2	\$180.3	\$179.5
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
<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>\$12.26</b>	<b>\$12.07</b>	<b>\$12.27</b>	<b>\$12.64</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	1.7	1.7
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
Inventory Turnover	4.4	3.8	2.9	3.4	2.9	2.9	2.6	2.9	2.9	2.7	2.8
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
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
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
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
<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%
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%
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
<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
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
<b>NOPAT</b>	<b>\$10.6</b>	<b>(\$10.8)</b>	<b>\$22.5</b>	<b>\$10.5</b>	<b>\$6.7</b>	<b>\$0.2</b>	<b>\$0.5</b>	<b>\$1.0</b>	<b>(\$1.7)</b>	<b>(\$0.3)</b>	<b>(\$0.5)</b>	<b>\$0.2</b>
<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
Tax Deduction on Interest Expense	\$0.2	(\$0.8)	(\$0.0)	(\$0.0)	\$0.1	(\$0.1)	\$0.0	\$0.2	\$0.0	(\$0.2)	(\$0.1)	(\$0.1)
<b>Cash Taxes on EBIT</b>	<b>(\$0.4)</b>	<b>\$2.5</b>	<b>(\$0.2)</b>	<b>\$0.9</b>	<b>(\$0.5)</b>	<b>\$0.3</b>	<b>\$0.0</b>	<b>(\$0.4)</b>	<b>\$0.1</b>	<b>\$0.3</b>	<b>\$0.6</b>	<b>\$0.3</b>
<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
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
Total Cash & Short-term Investments	\$40.0	\$43.9	\$29.0	\$171.0	\$158.9	\$150.3	\$149.8	\$151.2	\$150.3	\$150.3	\$139.0	\$138.6
<b>Invested Capital</b>	<b>\$157.1</b>	<b>\$127.2</b>	<b>\$120.4</b>	<b>\$53.2</b>	<b>\$41.3</b>	<b>\$44.6</b>	<b>\$40.5</b>	<b>\$38.6</b>	<b>\$34.9</b>	<b>\$34.9</b>	<b>\$41.3</b>	<b>\$40.9</b>
<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%
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
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
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
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
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
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
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
Divestitures	\$0.0	\$0.0	\$0.0	\$180.0	\$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
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
<b>Total Adjustments</b>	<b>\$5.5</b>	<b>\$5.3</b>	<b>\$4.3</b>	<b>\$181.8</b>	<b>\$1.2</b>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$0.2</b>	<b>\$0.3</b>	<b>\$1.2</b>	<b>\$0.3</b>	<b>\$0.3</b>
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)
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
Decrease (Increase) in Other Current Assets	\$1.1	(\$1.4)	\$0.8	(\$57.0)	\$51.0	\$0.0	\$0.0	\$1.0	\$2.0	\$0.0	\$0.4	\$0.4
(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
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)
<b>Total Changes in Operating Assets and Liabilities</b>	<b>\$4.7</b>	<b>\$19.1</b>	<b>\$6.0</b>	<b>\$48.2</b>	<b>\$52.3</b>	<b>(\$2.9)</b>	<b>\$1.9</b>	<b>\$3.0</b>	<b>\$3.7</b>	<b>\$2.4</b>	<b>(\$2.8)</b>	<b>(\$0.0)</b>
<b>Net Cash Flow from Operations</b>	<b>\$1.7</b>	<b>\$12.2</b>	<b>\$27.6</b>	<b>\$239.9</b>	<b>\$61.5</b>	<b>(\$1.9)</b>	<b>\$2.8</b>	<b>\$3.8</b>	<b>\$2.6</b>	<b>\$4.1</b>	<b>(\$0.5)</b>	<b>\$0.9</b>
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)
Time Deposit Purchases					(\$82.8)							
<b>Free Cash Flow</b>	<b>(\$2.8)</b>	<b>\$10.6</b>	<b>\$26.2</b>	<b>\$239.4</b>	<b>(\$21.5)</b>	<b>(\$2.0)</b>	<b>\$2.7</b>	<b>\$3.3</b>	<b>\$2.0</b>	<b>\$2.8</b>	<b>(\$0.9)</b>	<b>\$0.4</b>
<b>Free Cash Flow per Share</b>	<b>(\$0.16)</b>	<b>\$0.59</b>	<b>\$1.38</b>	<b>\$13.15</b>	<b>(\$1.26)</b>	<b>(\$0.12)</b>	<b>\$0.18</b>	<b>\$0.22</b>	<b>\$0.13</b>	<b>\$0.18</b>	<b>(\$0.06)</b>	<b>\$0.03</b>
Fiscal Year End - May												
(\$ in millions, except per share data)												