

### 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: \$12.19  
 DATE: January 13, 2012

### Stock Data

|                       |           |
|-----------------------|-----------|
| Price                 | \$12.19   |
| 52Wk High             | \$15.40   |
| 52Wk Low              | \$11.54   |
| 3mo. Daily Volume     | 73,654    |
| Market Capitalization | \$207     |
| Shares Outstanding    | 17.2 Mil. |
| Dividend Yield        | 1.70%     |
| Book Value Per Share  | \$12.34   |
| Net Debt-to-Equity    | 0%        |
| EV-to-Sales TTM       | 0.19x     |
| EV-to-EBITDA TTM      | 4.4x      |

### Financial Data

|         |        | OLD     | NEW     | NEW    |
|---------|--------|---------|---------|--------|
| EPS     | FY-11  | FY-12E  | FY-12E  | FY-13E |
| Q1-Aug  | \$0.03 | \$0.06A | \$0.06A |        |
| Q2-Nov  | \$0.01 | \$0.07E | \$0.09A |        |
| Q3-Feb  | \$0.01 | \$0.09E | \$0.09E |        |
| Q4-May  | \$0.06 | \$0.10E | \$0.10E |        |
| FY-May  | \$0.11 | \$.32E  | \$.34E  | \$.38E |
| P/E     |        |         | 35.9    | 32.1   |
| Revenue | \$259  | \$172   | \$167   | \$173  |
| ROIC    | 9%     | 3%      | 3%      | 3%     |
| Cash    | \$240  | \$180   | \$171   | \$170  |
| Assets  | \$314  | \$260   | \$257   | \$257  |
| Debt    | \$0    | \$0     | \$0     | \$0    |
| Equity  | \$224  | \$225   | \$215   | \$221  |

Note: Figures in \$millions except per share data

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**Q2 EPS of \$.09 beat our estimate of \$.07 due to Fx gains of \$.02.**

**Sales declined 4.5% YOY to \$39 million vs. our estimate of \$42 million due to softening in specific verticals and the negative impact from Europe. EDG and Canvys declined 2.2% and 9.8% respectively.**

**Gross margin of 29.9% missed our estimate of 30.5% due to product mix in the EDG division.**

**Operating expenses of \$10 million for the quarter were lower than expected as the company effectively reduced support function costs.**

**Operating margin improved to 4.4% from 1.5% YOY. The company continues to target 5% by the end of FY12.**

**The company repurchased .3 million shares for the quarter. Additional repurchases totaling \$29.4 million remain authorized.**

**The company has \$177 million (\$10.27/share) in cash and investments with negligible debt.**

**The stock trades at a discount to its peers based on several valuation metrics.**



### Analysis of Q2 Results

Q2 EPS of \$.09 beat our estimate of \$.07 due to an FX gain of \$.02. Total sales declined 4.5% YOY to \$39 million vs. our estimate of \$42 million. Sales for the EDG and Canvys units declined 2.2% and 9.8% respectively. Canvys was more negatively impacted by the situation in Europe while EDG suffered from slowdowns in the semiconductor fabrication equipment, textile, and broadcasting verticals. Despite the lower than expected sales performance, the company improved operating margin significantly YOY from 1.5% to 4.4% via improved gross margin performance by Canvys and a meaningful reduction in support function costs at the SG&A level. The company generated \$.6 million in operating cash flow for the quarter. The company continues to execute in working capital and cost management. The company has \$177 million (\$10.27/share) in cash and investments with negligible debt. The company repurchased .3 million shares during the quarter for \$4.2 million. The company has \$29.4 million remaining under its stock repurchase authorization program in addition to continuing its new dividend trend of \$.05/share. The company continues to actively pursue bolt-on acquisitions. The recent Powerlink acquisition transacted at \$2.3 million and provides an established platform to develop its TWT (Traveling Wave Tube) business for the satellite vertical. The stock is trading at a discount to its peer group based on several valuation metrics.

| Business Unit         | Net Sales (in thousands) |          |          | Gross Profit (in thousands) |            |          |            |
|-----------------------|--------------------------|----------|----------|-----------------------------|------------|----------|------------|
|                       | Q2FY12                   | Q2FY11   | % Change | Q2FY12                      | % of Sales | Q2FY11   | % of Sales |
| Electron Device Group | \$28,022                 | \$28,655 | -2.2%    | \$8,546                     | 30.5%      | \$8,942  | 31.2%      |
| Canvys                | \$11,116                 | \$12,325 | -9.8%    | \$3,144                     | 28.3%      | \$2,853  | 23.1%      |
| Total                 | \$39,138                 | \$40,980 | -4.5%    | \$11,690                    | 29.9%      | \$11,795 | 28.8%      |

### Sales by Geography

|               | Q2-FY12  | Q2-FY11  | % Change |
|---------------|----------|----------|----------|
| North America | \$16,850 | \$17,318 | -2.7%    |
| Europe        | \$12,564 | \$13,563 | -7.4%    |
| Asia/Pacific  | \$6,159  | \$6,970  | -11.6%   |
| Latin America | \$2,282  | \$2,564  | -11.0%   |
| Other         | \$1,283  | \$565    | 127.1%   |
|               | \$39,138 | \$40,980 | -4.5%    |

### Outlook

The company is guiding for Q3 revenue of \$40-\$42 million and FY12 revenue of \$165-\$170 million. The company believes an operating margin of 5% is achievable by fiscal year end. Our FY13 estimates assume moderate growth in the EDG business based on redeployment of resources to faster growing verticals. The crisis in Europe is the primary risk factor going forward. The replacement cycle nature of the company's business model provides some downside buffer. We expect cost improvements to continue resulting in improved leverage based on the company's historical execution in this regard. The likely probability of continued share repurchases should also preserve EPS. We are forecasting revenue growth of 5% for FY13 and EPS of \$.38.

**Peer Group Comparison  
(in thousands)**

| Ticker      | Name                          | Price          | EV /<br>Sales | EV /<br>EBITDA | P/BV       | TTM P/E     | P/E-<br>CY11E | P/E-CY12E   |
|-------------|-------------------------------|----------------|---------------|----------------|------------|-------------|---------------|-------------|
| ARW         | Arrow Electronics             | \$37.74        | 0.28          | 5.7            | 1.2        | 7.6         | 7.4           | 7.9         |
| AVT         | Avnet                         | \$31.97        | 0.23          | 5.5            | 1.2        | 7.4         | 7.5           | 7.7         |
| WCC         | Wesco International Inc.      | \$58.66        | 0.53          | 8.9            | 1.9        | 16.5        | 15.5          | 13.4        |
|             | <b>Median</b>                 |                | <b>0.28</b>   | <b>5.7</b>     | <b>1.2</b> | <b>7.6</b>  | <b>7.5</b>    | <b>7.9</b>  |
| <b>RELL</b> | <b>Richardson Electronics</b> | <b>\$12.22</b> | <b>0.19</b>   | <b>4.4</b>     | <b>1.0</b> | <b>55.5</b> | <b>55.5</b>   | <b>33.0</b> |

Note: All figures based on trailing 12-months, except P/E-11 and PE/-12 based on consensus estimates

Prices as of 1/12/12

RELL data excludes discontinued ops

RELL has \$10.27/share in cash and investments

**Disclaimers & Disclosures**

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| Income Statement (in millions)          | 2008          | 2009           | 2010          | Q1-11         | Q2-11        | Q3-11        | Q4-11        | 2011          | Q1-12        | Q2-12        | Q3-12E       | Q4-12E       | 2012E         | 2013E         |
|---|---------------|----------------|---------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Sales                                   | \$568.4       | \$496.3        | \$491.8       | \$137.1       | \$41.0       | \$39.7       | \$40.7       | \$258.5       | \$41.5       | \$39.1       | \$41.2       | \$45.0       | \$166.8       | \$172.8       |
| COGS                                    | \$432.8       | \$386.7        | \$373.8       | \$104.5       | \$29.2       | \$28.2       | \$29.3       | \$191.2       | \$28.8       | \$27.4       | \$28.7       | \$31.3       | \$116.2       | \$120.1       |
| Gross Profit                            | \$135.6       | \$109.6        | \$118.0       | \$32.6        | \$11.8       | \$11.6       | \$11.4       | \$67.4        | \$12.7       | \$11.7       | \$12.5       | \$13.7       | \$50.6        | \$52.7        |
| Operating Expenses                      | \$125.4       | \$117.9        | \$95.7        | \$23.3        | \$11.2       | \$10.7       | \$10.8       | \$56.0        | \$10.7       | \$10.0       | \$10.5       | \$11.0       | \$42.2        | \$43.5        |
| Operating Income                        | \$10.2        | (\$8.2)        | \$22.3        | \$9.3         | \$0.6        | \$0.9        | \$0.6        | \$11.4        | \$2.0        | \$1.7        | \$2.0        | \$2.7        | \$8.4         | \$9.2         |
| Add back D&A                            | \$5.3         | \$4.1          | \$3.9         | \$0.9         | \$0.5        | \$0.3        | \$0.3        | \$1.9         | \$0.3        | \$0.3        | \$0.3        | \$0.3        | \$1.2         | \$1.2         |
| Add back stock compensation             | \$0.7         | \$0.7          | \$0.7         | \$0.1         | \$0.2        | \$0.1        | \$0.2        | \$0.6         | \$0.2        | \$0.1        | \$0.2        | \$0.2        | \$0.7         | \$0.7         |
| <b>EBITDA</b>                           | <b>\$16.2</b> | <b>(\$3.4)</b> | <b>\$26.9</b> | <b>\$10.3</b> | <b>\$1.3</b> | <b>\$1.2</b> | <b>\$1.1</b> | <b>\$13.9</b> | <b>\$2.5</b> | <b>\$2.1</b> | <b>\$2.5</b> | <b>\$3.2</b> | <b>\$10.3</b> | <b>\$11.1</b> |
| Interest Expense, Net                   | \$6.9         | \$4.6          | \$3.9         | \$0.2         | \$0.1        | \$0.0        | (\$0.4)      | (\$0.1)       | (\$0.4)      | (\$0.2)      | (\$0.2)      | (\$0.2)      | (\$1.0)       | (\$0.5)       |
| Other Expense, Net                      | \$12.0        | (\$2.4)        | \$1.4         | \$0.2         | \$0.1        | \$0.0        | \$0.3        | \$0.6         | \$0.7        | (\$0.5)      | (\$0.1)      | \$0.3        | \$0.4         | \$0.2         |
| Pretax Income                           | (\$8.7)       | (\$10.4)       | \$17.1        | \$8.9         | \$0.4        | \$0.7        | \$0.7        | \$10.8        | \$1.7        | \$2.4        | \$2.3        | \$2.6        | \$9.0         | \$9.5         |
| Income Tax                              | (\$0.2)       | \$1.8          | (\$0.2)       | \$0.5         | \$0.3        | \$0.5        | (\$0.5)      | \$0.9         | \$0.6        | \$0.8        | \$0.9        | \$1.0        | \$3.2         | \$3.5         |
| Net Income                              | (\$8.5)       | (\$12.2)       | \$17.3        | \$8.4         | \$0.1        | \$0.2        | \$1.2        | \$9.9         | \$1.1        | \$1.6        | \$1.4        | \$1.6        | \$5.8         | \$6.0         |
| Shares Outstanding-Diluted              | 17.8          | 17.8           | 18.9          | 17.9          | 18.1         | 18.5         | 18.4         | 18.2          | 17.5         | 17.2         | 17.0         | 17.0         | 17.2          | 16.0          |
| EPS - Diluted (Continuing Ops)          | (\$0.48)      | (\$0.69)       | \$0.91        | \$0.47        | \$0.01       | \$0.01       | \$0.06       | \$0.54        | \$0.06       | \$0.09       | \$0.09       | \$0.10       | \$0.34        | \$0.38        |
| Dividend per Share                      | \$0.12        | \$0.08         | \$0.08        | \$0.02        | \$0.02       | \$0.02       | \$0.05       | \$0.11        | \$0.05       | \$0.05       |              |              |               |               |
| <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%        |
| COGS                                    | 76.1%         | 77.9%          | 76.0%         | 76.2%         | 71.2%        | 70.9%        | 72.0%        | 73.9%         | 69.4%        | 70.1%        | 69.7%        | 69.6%        | 69.7%         | 69.5%         |
| Gross Profit                            | 23.9%         | 22.1%          | 24.0%         | 23.8%         | 28.8%        | 29.1%        | 28.0%        | 26.1%         | 30.6%        | 29.9%        | 30.3%        | 30.4%        | 30.3%         | 30.5%         |
| Operating Expenses                      | 22.1%         | 23.7%          | 19.5%         | 17.0%         | 27.3%        | 27.0%        | 26.5%        | 21.7%         | 25.8%        | 25.6%        | 25.5%        | 24.4%        | 25.3%         | 25.2%         |
| Operating Income                        | 1.8%          | -1.7%          | 4.5%          | 6.8%          | 1.5%         | 2.1%         | 1.5%         | 4.4%          | 4.8%         | 4.3%         | 4.9%         | 6.0%         | 5.0%          | 5.3%          |
| Interest Expense, Net                   | 1.2%          | 0.9%           | 0.8%          | 0.1%          | 0.2%         | 0.1%         | -1.0%        | 0.0%          | -1.0%        | -0.5%        | -0.5%        | -0.4%        | -0.6%         | -0.3%         |
| Other Expense, Net                      | 2.1%          | -0.5%          | 0.3%          | 0.1%          | 0.2%         | 0.1%         | 0.7%         | 0.2%          | 1.7%         | -1.3%        | -0.2%        | 0.7%         | 0.2%          | 0.1%          |
| Pretax Income                           | -1.5%         | -2.1%          | 3.5%          | 6.5%          | 1.0%         | 1.8%         | 1.7%         | 4.2%          | 4.1%         | 6.1%         | 5.6%         | 5.8%         | 5.4%          | 5.5%          |
| Income Tax Rate                         | 2.5%          | -17.0%         | -1.2%         | 5.6%          | 75.0%        | 68.5%        | -64.3%       | 7.9%          | 35.3%        | 33.3%        | 37.0%        | 37.0%        | 35.7%         | 37.0%         |
| Net Income                              | -1.5%         | -2.5%          | 3.5%          | 6.1%          | 0.2%         | 0.6%         | 2.8%         | 3.8%          | 2.7%         | 4.1%         | 3.5%         | 3.6%         | 3.5%          | 3.5%          |
| <b>Revenue by Segment</b>               |               |                |               |               |              |              |              |               |              |              |              |              |               |               |
| RF, Wireless & Power Division           | \$376.2       | \$355.1        | \$356.5       | \$99.6        | \$0.0        | \$0.0        | \$0.0        | \$99.6        | \$0.0        | \$0.0        | \$0.0        | \$0.0        | \$0.0         | \$0.0         |
| Electron Device Group                   | \$103.3       | \$82.2         | \$86.5        | \$27.5        | \$28.7       | \$28.0       | \$29.6       | \$113.8       | \$30.7       | \$28.0       | \$30.0       | \$33.0       | \$121.7       | \$127.8       |
| Canvys                                  | \$84.7        | \$58.9         | \$48.8        | \$10.0        | \$12.3       | \$11.7       | \$11.1       | \$45.1        | \$10.8       | \$11.1       | \$11.2       | \$12.0       | \$45.1        | \$45.0        |
| Corporate                               | \$4.3         | \$0.2          | \$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                                   | \$568.4       | \$496.3        | \$491.8       | \$137.1       | \$41.0       | \$39.7       | \$40.7       | \$258.5       | \$41.5       | \$39.1       | \$41.2       | \$45.0       | \$166.8       | \$172.8       |
| <b>Revenue % by Segment</b>             |               |                |               |               |              |              |              |               |              |              |              |              |               |               |
| RF, Wireless & Power Division           | 66.2%         | 71.5%          | 72.5%         | 72.6%         | 0.0%         | 0.0%         | 0.0%         | 38.5%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%          | 0.0%          |
| Electron Device Group                   | 18.2%         | 16.6%          | 17.6%         | 20.1%         | 70.0%        | 70.5%        | 72.7%        | 44.0%         | 74.0%        | 71.6%        | 72.8%        | 73.3%        | 73.0%         | 74.0%         |
| Canvys                                  | 14.9%         | 11.9%          | 9.9%          | 7.3%          | 30.0%        | 29.5%        | 27.3%        | 17.4%         | 26.0%        | 28.4%        | 27.2%        | 26.7%        | 27.0%         | 26.0%         |
| 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%          |
| 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%        |
| <b>Revenue Growth (Year / Year)</b>     |               |                |               |               |              |              |              |               |              |              |              |              |               |               |
| RF, Wireless & Power Division           | 1.7%          | -5.6%          | 0.4%          | 25.3%         | -100.0%      | -100.0%      | -100.0%      | -72.1%        |              | 0.0%         | 0.0%         | 0.0%         | -100.0%       | 0.0%          |
| Electron Device Group                   | 2.0%          | -20.4%         | 5.3%          | 46.3%         | 42.8%        | 32.1%        | 12.1%        | 31.6%         | 11.6%        | -2.4%        | 7.1%         | 11.5%        | 6.9%          | 5.0%          |
| Canvys                                  | 3.1%          | -30.4%         | -17.2%        | -10.7%        | -5.4%        | -4.1%        | -10.5%       | -7.6%         | 8.0%         | -9.8%        | -4.3%        | 8.1%         | 0.0%          | -0.2%         |
| Corporate                               | 5.6%          | -95.1%         | -100.0%       |               |              |              |              |               |              |              |              |              |               | 0.0%          |
| Total                                   | 2.0%          | -12.7%         | -0.9%         | 25.2%         | -64.6%       | -67.3%       | -72.0%       | -47.4%        | 10.7%        | -4.6%        | 3.8%         | 10.6%        | -35.5%        | 3.6%          |
| Fiscal Year End - May                   |               |                |               |               |              |              |              |               |              |              |              |              |               |               |
| (\$ in millions, except per share data) |               |                |               |               |              |              |              |               |              |              |              |              |               |               |



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

| Balance Sheet                                | 2009    | 2010    | Q1-11   | Q2-11   | Q3-11   | Q4-11   | 2011    | Q1-12   | Q2-12   | Q3-12E  | Q4-12E  | 2012E   | 2013E   |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Assets</b>                                |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Cash   | \$43.9  | \$29.0  | \$32.0  | \$33.0  | \$29.9  | \$171.0 | \$171.0 | \$37.2  | \$25.2  | \$22.0  | \$19.0  | \$19.0  | \$20.0  |
| Accounts Receivable                          | \$92.4  | \$98.7  | \$102.0 | \$22.1  | \$25.0  | \$22.4  | \$22.4  | \$22.8  | \$22.3  | \$22.6  | \$24.7  | \$24.7  | \$23.7  |
| Inventories                                  | \$81.2  | \$78.7  | \$85.6  | \$26.5  | \$28.0  | \$30.9  | \$30.9  | \$33.8  | \$35.3  | \$32.2  | \$35.1  | \$35.1  | \$32.9  |
| Other Current Assets                         | \$7.8   | \$7.0   | \$7.0   | \$1.7   | \$1.4   | \$64.0  | \$64.0  | \$129.1 | \$145.1 | \$140.0 | \$140.0 | \$140.0 | \$145.0 |
| Discontinued ops-assets                      |         |         |         | \$173.2 | \$187.9 |         |         | \$2.1   | \$1.7   | \$0.0   | \$0.0   | \$0.0   | \$0.0   |
| Current Assets                               | \$225.3 | \$213.4 | \$226.6 | \$256.5 | \$272.2 | \$288.3 | \$288.3 | \$225.0 | \$229.6 | \$216.8 | \$218.8 | \$218.8 | \$221.6 |
| Net Property, Plant, and Equipment           | \$19.4  | \$16.7  | \$16.2  | \$5.7   | \$5.5   | \$5.2   | \$5.2   | \$5.1   | \$4.7   | \$4.5   | \$4.5   | \$4.5   | \$5.0   |
| Goodwill & Other Assets                      | \$4.1   | \$4.7   | \$4.1   | \$1.9   | \$2.1   | \$20.6  | \$20.6  | \$33.9  | \$18.9  | \$34.0  | \$34.0  | \$34.0  | \$30.0  |
| Total Assets                                 | \$248.8 | \$234.8 | \$246.9 | \$264.1 | \$279.8 | \$314.1 | \$314.1 | \$264.0 | \$253.2 | \$255.3 | \$257.3 | \$257.3 | \$256.6 |
| <b>Liabilities and Stockholders' Equity</b>  |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Current Debt                                 | \$0.0   | \$19.5  | \$22.0  | \$18.0  | \$22.0  | \$0.0   | \$0.0   | \$0.0   | \$0.0   | \$0.0   | \$0.0   | \$0.0   | \$0.0   |
| Accounts Payable                             | \$53.0  | \$61.6  | \$61.2  | \$18.7  | \$17.8  | \$17.8  | \$17.8  | \$15.3  | \$14.6  | \$17.3  | \$18.9  | \$18.9  | \$18.1  |
| Accrued Expenses                             | \$18.4  | \$18.8  | \$18.7  | \$10.9  | \$9.6   | \$43.7  | \$43.7  | \$16.8  | \$11.5  | \$17.0  | \$15.6  | \$15.6  | \$12.0  |
| Discontinued ops-liabilities                 |         |         |         | \$61.0  | \$64.2  | \$13.8  | \$13.8  | \$7.1   | \$4.9   | \$1.0   | \$0.0   | \$0.0   | \$0.0   |
| Current Liabilities                          | \$71.4  | \$99.9  | \$101.9 | \$108.6 | \$113.6 | \$75.3  | \$75.3  | \$39.2  | \$31.0  | \$35.3  | \$34.5  | \$34.5  | \$30.1  |
| 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   |
| Deferred Taxes & Other Long-term Liabilities | \$6.3   | \$5.0   | \$4.8   | \$0.8   | \$1.0   | \$13.0  | \$13.0  | \$2.4   | \$8.3   | \$6.2   | \$7.3   | \$7.3   | \$5.0   |
| Discontinued ops-non-current liabilities     |         |         |         | \$3.3   | \$1.7   | \$1.6   | \$1.6   | \$1.6   | \$1.6   | \$0.0   | \$0.0   | \$0.0   | \$0.0   |
| Total Liabilities                            | \$130.1 | \$104.9 | \$106.7 | \$112.7 | \$116.3 | \$89.9  | \$89.9  | \$43.2  | \$40.9  | \$41.5  | \$41.8  | \$41.8  | \$35.1  |
| Shareholder Equity                           | \$118.7 | \$129.9 | \$140.2 | \$151.4 | \$163.5 | \$224.2 | \$224.2 | \$220.8 | \$212.3 | \$213.7 | \$215.5 | \$215.5 | \$221.5 |
| Total Liabilities and Equity                 | \$248.8 | \$234.8 | \$246.9 | \$264.1 | \$279.8 | \$314.1 | \$314.1 | \$264.0 | \$253.2 | \$255.3 | \$257.3 | \$257.3 | \$256.6 |
| Book Value Per Share                         | \$6.67  | \$6.87  | \$7.83  | \$8.36  | \$8.84  | \$12.18 | \$12.30 | \$12.62 | \$12.34 | \$12.57 | \$12.68 | \$12.55 | \$13.84 |
| <b>Asset Utilization and Efficiency</b>      |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Accounts Receivable Turnover                 | 4.9     | 5.1     | 5.8     | 2.8     | 2.7     | 2.7     | 4.3     | 2.7     | 7.0     | 6.9     | 7.6     | 7.1     | 7.1     |
| Days' Sales in Receivables Outstanding       | 67.9    | 73.3    | 67.9    | 49.2    | 57.5    | 50.2    | 31.6    | 50.1    | 52.0    | 50.0    | 50.0    | 54.1    | 50.0    |
| Inventory Turnover                           | 4.4     | 3.8     | 4.9     | 2.3     | 2.1     | 2.1     | 2.9     | 1.9     | 3.5     | 3.8     | 3.8     | 2.1     | 1.6     |
| Days' Sales in Inventory Outstanding         | 76.6    | 76.8    | 74.7    | 82.8    | 90.8    | 96.2    | 59.0    | 107.1   | 117.6   | 102.0   | 102.0   | 110.2   | 100.0   |
| Accounts Payable Turnover                    | 7.3     | 5.8     | 7.8     | 3.7     | 2.9     | 3.0     | 5.0     | 3.0     | 6.6     | 6.5     | 6.8     | 3.2     | 6.5     |
| Days' Purchases in Payables Outstanding      | 50.0    | 60.1    | 53.4    | 58.4    | 57.7    | 55.4    | 34.0    | 48.5    | 48.6    | 55.0    | 55.0    | 59.4    | 55.0    |
| Cash Conversion Cycle (Days)                 | 94.6    | 89.9    | 89.2    | 73.6    | 90.5    | 91.0    | 56.6    | 108.7   | 121.0   | 97.0    | 97.0    | 104.9   | 95.0    |
| <b>Capital Structure</b>                     |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Total Debt-to-Total Capital Ratio            | 30.6%   | 13.1%   | 13.6%   | 10.6%   | 11.9%   | 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%   | 15.7%   | 11.9%   | 13.5%   | 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     | Q1-10    | Q2-10   | Q3-10   | Q4-10   | 2010    | Q1-11    | Q2-11   | Q3-11    | Q4-11    | 2011     | Q1-12    | Q2-12   | Q3-12E   | Q4-12E   | 2012E    | 2013E   |  |
|--|----------|----------|----------|---------|---------|---------|---------|----------|---------|----------|----------|----------|----------|---------|----------|----------|----------|---------|--|
| <b>NOPAT</b>   |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |
| EBIT   | \$10.2   | (\$8.2)  | \$3.6    | \$5.4   | \$5.7   | \$7.6   | \$22.3  | \$9.3    | \$0.6   | \$0.9    | \$0.6    | \$11.4   | \$2.0    | \$1.7   | \$2.0    | \$2.7    | \$8.4    | \$9.2   |  |
| Cash Taxes on EBIT   | (\$0.4)  | \$2.5    | (\$0.1)  | (\$0.4) | \$0.2   | \$0.4   | (\$0.2) | \$0.5    | \$0.2   | \$0.5    | (\$0.7)  | \$0.9    | \$0.7    | \$0.9   | \$0.9    | \$1.0    | \$3.6    | \$2.5   |  |
| NOPAT  | \$10.6   | (\$5.8)  | \$3.7    | \$5.8   | \$5.5   | \$7.2   | \$22.5  | \$9.8    | \$0.4   | \$0.4    | \$1.3    | \$10.5   | \$1.3    | \$0.8   | \$1.1    | \$1.7    | \$4.8    | \$6.7   |  |
| <b>Cash Taxes on EBIT</b>  |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |
| Income Tax Provision   | (\$0.2)  | \$1.8    | (\$0.3)  | (\$0.6) | \$0.3   | \$0.4   | (\$0.2) | \$0.5    | \$0.3   | \$0.5    | (\$0.5)  | \$0.9    | \$0.6    | \$0.8   | \$0.9    | \$1.0    | \$3.2    | \$3.5   |  |
| Tax Deduction on Interest Expense  | \$0.2    | (\$0.8)  | (\$0.2)  | (\$0.2) | \$0.1   | \$0.0   | (\$0.0) | \$0.0    | \$0.1   | \$0.0    | \$0.3    | (\$0.0)  | (\$0.1)  | (\$0.1) | (\$0.1)  | (\$0.1)  | (\$0.4)  | \$1.0   |  |
| Cash Taxes on EBIT   | (\$0.4)  | \$2.5    | (\$0.1)  | (\$0.4) | \$0.2   | \$0.4   | (\$0.2) | \$0.5    | \$0.2   | \$0.5    | (\$0.7)  | \$0.9    | \$0.7    | \$0.9   | \$0.9    | \$1.0    | \$3.6    | \$2.5   |  |
| <b>Invested Capital</b>  |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |
| Total Debt   | \$55.7   | \$52.4   | \$52.4   | \$52.4  | \$44.0  | \$19.5  | \$19.5  | \$22.0   | \$18.0  | \$22.0   | \$0.0    | \$0.0    | \$0.0    | \$0.0   | \$0.0    | \$0.0    | \$0.0    | \$0.0   |  |
| Stockholders' Equity   | \$141.4  | \$118.7  | \$122.8  | \$129.5 | \$126.7 | \$129.9 | \$129.9 | \$140.2  | \$151.4 | \$163.5  | \$224.2  | \$224.2  | \$220.8  | \$212.3 | \$213.7  | \$215.5  | \$215.5  | \$221.5 |  |
| Total Cash & Short-term Investments  | \$40.0   | \$43.9   | \$41.8   | \$49.9  | \$51.5  | \$29.0  | \$29.0  | \$32.0   | \$33.0  | \$29.9   | \$171.0  | \$171.0  | \$151.2  | \$25.2  | \$22.0   | \$19.0   | \$19.0   | \$20.0  |  |
| Invested Capital   | \$157.1  | \$127.2  | \$133.4  | \$132.0 | \$119.2 | \$120.4 | \$120.4 | \$130.2  | \$136.4 | \$155.6  | \$53.2   | \$53.2   | \$69.6   | \$187.1 | \$191.7  | \$196.5  | \$196.5  | \$201.5 |  |
| <b>Return on Invested Capital</b>  |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |
| Return on Invested Capital (Average)   | 6.3%     | -7.6%    | 10.1%    | 16.4%   | 16.7%   | 23.4%   | 18.1%   | 26.7%    | 1.1%    | 1.1%     | 6.0%     | 9.3%     | 1.0%     | 0.4%    | 0.5%     | 0.8%     | 2.5%     | 3.3%    |  |
| Note: Quarterly Figures Have Been Annualized<br>Q2 and Q3 exclude discontinued ops income  |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |
| <b>Free Cash Flow</b>  |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |
| Net Income (Loss)  | (\$8.5)  | (\$12.2) | \$1.9    | \$4.3   | \$4.5   | \$6.6   | \$17.3  | \$8.4    | \$7.6   | \$0.2    | \$1.2    | \$9.9    | \$1.1    | \$1.6   | \$1.4    | \$1.6    | \$5.8    | \$6.0   |  |
| <b>Adjustments:</b>  |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |
| Depreciation   | \$5.5    | \$5.3    | \$1.1    | \$1.1   | \$1.0   | \$1.1   | \$4.3   | \$0.9    | \$0.3   | \$0.3    | \$0.3    | \$1.8    | \$0.3    | \$0.3   | \$0.3    | \$0.3    | \$1.2    | \$1.2   |  |
| 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    | \$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    | \$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    | \$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    | \$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    | \$0.0   |  |
| Divestitures (Gain/Loss)   | \$0.0    | \$0.0    | \$0.0    | \$0.0   | \$0.0   | \$0.0   | \$0.0   | \$0.0    | \$0.0   | \$0.0    | \$0.0    | \$64.9   | \$64.9   | \$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    | \$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    | \$0.0    | \$0.0   | \$0.0    | \$0.0    | \$0.0    | \$0.0   |  |
| Total Adjustments  | \$5.5    | \$5.3    | \$1.1    | \$1.1   | \$1.0   | \$1.1   | \$4.3   | \$0.9    | \$0.3   | \$0.3    | \$0.3    | \$65.2   | \$66.7   | \$0.3   | \$0.3    | \$0.3    | \$1.2    | \$1.2   |  |
| Changes in Working Capital, Net of Currency Translation Effects and Business Acquisitions: |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |
| Decrease (Increase) in Accounts Receivable   | (\$3.8)  | \$17.1   | \$4.8    | (\$6.5) | \$1.0   | (\$5.6) | (\$6.3) | (\$3.3)  | (\$9.5) | (\$2.9)  | \$2.6    | \$76.3   | (\$0.4)  | \$0.5   | (\$0.3)  | (\$2.1)  | (\$2.3)  | \$1.1   |  |
| Decrease (Increase) in Inventories   | \$16.3   | \$12.7   | (\$2.4)  | \$6.5   | (\$2.4) | \$0.8   | \$2.5   | (\$6.9)  | (\$3.5) | (\$1.5)  | (\$2.9)  | \$47.8   | (\$2.9)  | (\$1.9) | \$3.1    | (\$2.9)  | (\$4.2)  | \$2.2   |  |
| Decrease (Increase) in Other Current Assets  | \$1.1    | (\$1.4)  | (\$2.2)  | \$0.6   | \$0.2   | \$2.2   | \$0.8   | \$0.9    | \$0.3   | (\$62.6) | (\$57.0) | (\$2.1)  | (\$0.6)  | \$1.7   | \$0.0    | \$0.0    | \$0.0    | (\$5.0) |  |
| (Decrease) Increase in Accounts Payable  | \$3.3    | (\$5.9)  | (\$7.6)  | (\$0.7) | \$15.3  | \$1.6   | \$8.6   | (\$0.4)  | \$7.4   | (\$0.9)  | \$0.0    | (\$43.8) | \$2.5    | \$0.7   | (\$2.7)  | (\$1.6)  | \$1.1    | \$0.0   |  |
| Decrease (Increase) Assets Held for Sale   |          |          |          |         |         |         |         |          |         |          | \$0.0    |          |          |         |          |          |          |         |  |
| (Decrease) Increase in Other Current Liabilities   | (\$12.2) | (\$3.4)  | \$0.9    | \$1.7   | (\$2.3) | \$0.1   | \$0.4   | (\$0.1)  | \$0.4   | (\$1.3)  | \$34.1   | \$24.9   | (\$35.0) | \$1.6   | (\$5.5)  | \$1.4    | (\$28.1) | \$0.0   |  |
| Total Changes in Operating Assets and Liabilities  | \$4.7    | \$19.1   | (\$6.6)  | \$1.6   | \$11.8  | (\$0.9) | \$6.0   | (\$10.7) | (\$5.2) | (\$6.3)  | (\$28.8) | \$48.2   | (\$37.9) | \$0.7   | (\$3.8)  | (\$5.2)  | (\$33.5) | (\$1.8) |  |
| Net Cash Flow from Operations  | \$1.7    | \$12.2   | (\$3.5)  | \$7.0   | \$17.3  | \$6.8   | \$27.6  | (\$1.4)  | \$2.7   | (\$5.8)  | \$37.6   | \$124.8  | (\$36.5) | \$2.6   | (\$2.0)  | (\$3.2)  | (\$26.5) | \$5.4   |  |
| Capital Expenditures   | (\$4.5)  | (\$1.6)  | (\$0.9)  | (\$0.2) | (\$0.2) | (\$0.7) | (\$1.4) | (\$0.4)  | (\$0.1) | \$0.0    | (\$0.2)  | (\$0.7)  | (\$0.1)  | \$0.0   | (\$0.8)  | (\$0.6)  | (\$1.3)  | (\$1.0) |  |
| Free Cash Flow   | (\$2.8)  | \$10.6   | (\$3.8)  | \$6.8   | \$17.1  | \$6.1   | \$26.2  | (\$1.8)  | \$2.6   | (\$5.8)  | \$37.4   | \$124.1  | (\$36.6) | \$2.6   | (\$2.6)  | (\$3.8)  | (\$27.8) | \$4.4   |  |
| Free Cash Flow per Share   | (\$0.16) | \$0.59   | (\$0.21) | \$0.38  | \$0.95  | \$0.32  | \$1.38  | (\$0.10) | \$0.14  | (\$0.31) | \$2.03   | \$6.81   | (\$2.09) | \$0.15  | (\$0.15) | (\$0.23) | (\$1.62) | \$0.28  |  |
| Fiscal Year End - May<br>(\$ in millions, except per share data)                           |          |          |          |         |         |         |         |          |         |          |          |          |          |         |          |          |          |         |  |