

### Business Description

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

### Stock Data

Price	\$5.41
52Wk High	\$9.82
52Wk Low	\$5.28
3mo. Daily Volume	34,170
Market Capitalization	\$69.5 m
Shares Outstanding	12.9 Mil.
Dividend Yield	4.20%
Tangible Book Value Per Share	\$10.44
Net Debt-to-Equity	0%
EV-to-Sales TTM	NA
EV-to-EBITDA TTM	NA

### Financial Data

		OLD		NEW
EPS	FY-14	FY-15	FY-16E	FY-16E
Q1-Aug	\$.14	(\$0.01)	(\$0.10A)	(\$0.10A)
Q2-Nov	\$.04	(\$0.08)	(\$0.10)	(\$0.18A)
Q3-Feb	(\$0.01)	(\$0.16)	(\$0.06)	(\$0.11)
Q4-May	(\$0.21)	(\$0.16)	(\$0.04)	(\$0.06)
FY-May	(\$0.03)	(\$0.41)	(\$0.30)	(\$0.47)

Revenue	\$135	\$137	\$157	\$148
% Chg	-2.0%	-1.0%	15.0%	8.3%

Cash	\$125	\$110	\$60	\$60
Assets	\$202	\$185	\$170	\$168
Debt	\$0	\$0	\$0	\$0
Equity	\$175	\$157	\$148	\$146

Note: Figures in \$millions except per share data

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NASDAQ: RELL  
PRICE: \$5.41  
DATE: 1/8/16

**Q2 EPS of (\$0.18) missed our estimate of (\$0.10) due primarily to lower than expected sales in the PMT segment. EPS was (\$0.08) in the prior year. The company continues to target Q4 of FY17 for "break-even" EPS.**

**Q2 Sales grew .7% YOY to \$34.1 m but missed our estimate of \$37.6 m. PMT sales declined 6.1% YOY to \$25.2 m vs. our estimate of \$28 m due to certain vertical weaknesses. Canvys sales were flat YOY at \$5.9 m vs. our estimate of \$6 m. Healthcare sales grew 163% YOY to \$3.0 m due to the IMES acquisition.**

**Q2 Gross margin declined 30 bps YOY to 30.6% due to product and geography mix coupled with FX pressure.**

**Q2 SG&A rose 4.8% YOY due to the IMES acquisition and ongoing investments in the PMT and Healthcare segments.**

**Q2 operating cash flow was (\$2.3) m due to inventory build.**

**The balance sheet remains strong with \$67.9 m (\$5.26/share) in cash and \$0 debt.**

**Organic investment appears more likely than acquisitions at this point.**

**The stock trades substantially below its tangible book value of \$10.44/share. Stock repurchases of \$9.6 m remain authorized (14% of existing share count at current price). The dividend yields 4.2%.**



## Analysis of Q2 Results

Q2 EPS of (\$.18) missed our estimate of (\$.10) primarily due to lower than expected sales in the PMT (Power and Microwave Technologies) segment. Q2 EPS in the prior year was (\$(.08)). Unexpected taxes and slightly higher than expected SG&A also contributed to the EPS miss. Q2 Sales grew .7% YOY to \$34.1 m and missed our estimate of \$37.6 m. PMT sales declined 6.1% YOY to \$25.2 m vs. our estimate of \$28 m due to weakness in the aviation, broadcast, and semiconductor wafer fabrication verticals. Canvys sales were flat YOY at \$5.9 m vs. our estimate of \$6 m. Healthcare sales grew 163% YOY to \$3 m due to the IMES acquisition but fell short of our \$3.6 m estimate. Latin America remains the most challenging geography i.e. Brazil. Total gross margin declined 30 bps YOY to 30.6% due mostly to product and geography mix as well as FX pressure. SG&A grew \$.6 m YOY to \$13.2 m as previously announced investments in the Healthcare and PMT segments continued in addition to the acquired IMES SG&A. Operating cash flow was (\$2.3) m for the quarter due to inventory build. The balance sheet remains strong with \$67.9 m (\$5.26/share) and \$0 debt. The company repurchased .9 m shares in the quarter and \$9.6 m remains authorized which equates to nearly 14% of current outstanding shares at today's price. The stock trades substantially below its tangible book value of \$10.44/share while yielding 4.2%.

Business Unit	Net Sales (in thousands)			Gross Profit (in thousands)			
	Q2FY16	Q2FY15	% Change	Q2FY16	% of Sales	Q2FY15	% of Sales
PMT	\$25,162	\$26,787	-6.1%	\$7,515	29.9%	\$8,537	31.9%
Canvys	\$5,902	\$5,906	-0.1%	\$1,526	25.9%	\$1,653	28.0%
Healthcare	\$3,022	\$1,148	163.2%	\$1,394	46.1%	\$272	23.7%
Total	\$34,086	\$33,841	0.7%	\$10,435	30.6%	\$10,462	30.9%

Sales by Geography			
Net Sales	Q2FY16	Q2FY15	% Increase
North America	\$15,032	\$13,769	9.2%
Europe	\$11,765	\$12,082	-2.6%
Asia/Pacific	\$5,832	\$5,918	-1.5%
Latin America	\$1,455	\$2,207	-34.1%
Other	\$2	-\$135	-101.5%
	\$34,086	\$33,841	0.7%

## Outlook

The company continues to target Q4 of FY17 as the "break-even" quarter as it embarks on its recovery arc predicated upon investment in new growth initiatives. It is also now refraining from formal sales guidance for FY16. We have trimmed back our PMT sales estimates for Q3 and Q4 to hedge against potential continued vertical weakness in this division while bumping up our gross margin estimates slightly as 30% appears sustainable. While the company continues to explore acquisitions, it appears more resigned to investing in organic growth. Recent improved backlog stemming from design wins translating to booked business offers potential sales growth upside. FY16 continues to be a year of investment positioning for 2017 sales growth. The goal is for revitalized sales growth in FY17 to harness the company's expansive international distribution network to deliver improved profitability starting with the aforementioned break-even goal of Q4 of FY17. The stock appears significantly undervalued with mild cash burn for organic investing. The main risk factor is execution in converting ongoing investments into sustainable sales growth for FY17 and beyond.

**Peer Group Comparison**

Ticker	Name	Price	EV / Sales	EV / EBITDA	P/BV	P/E	P/E-CY15E	P/E-CY16E
ARW	Arrow Electronics	\$48.78	0.3	6.7	1.1	10.4	8.0	7.5
AVT	Avnet	\$39.51	0.2	6.1	1.1	9.5	8.6	8.0
WCC	Wesco International Inc.	\$41.16	0.4	6.8	1.0	9.0	9.8	10.7
	<b>Median</b>		<b>0.3</b>	<b>6.7</b>	<b>1.1</b>	<b>9.5</b>	<b>8.6</b>	<b>8.0</b>
<b>RELL</b>	<b>Richardson Electronics</b>	<b>\$5.56</b>	<b>0.0</b>	<b>NA</b>	<b>0.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

Note: All figures based on trailing 12-months, except P/E-15 and PE/-16 based on consensus estimates  
 Prices as of 1/07/16

**Disclaimers & Disclosures**

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Income Statement (in millions)	2008	2009	2010	2011	2012	2013	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015	Q1-16	Q2-16	Q3-16E	Q4-16E	2016E
Sales	\$568.4	\$496.3	\$491.8	\$258.5	\$157.9	\$141.0	\$141.9	\$34.7	\$33.8	\$33.4	\$34.9	\$136.8	\$37.1	\$34.1	\$37.5	\$39.5	\$148.2
COGS	\$432.8	\$386.7	\$373.8	\$191.1	\$111.1	\$99.6	\$100.9	\$24.0	\$23.3	\$23.6	\$24.7	\$95.6	\$25.8	\$23.7	\$26.1	\$27.5	\$103.0
Gross Profit	\$135.6	\$109.6	\$118.0	\$67.4	\$46.8	\$41.4	\$41.1	\$10.7	\$10.5	\$9.8	\$10.2	\$41.2	\$11.3	\$10.4	\$11.4	\$12.0	\$45.2
Operating Expenses	\$125.4	\$117.9	\$95.7	\$56.0	\$40.6	\$41.4	\$45.2	\$11.2	\$12.6	\$12.6	\$12.9	\$49.3	\$12.3	\$13.2	\$12.9	\$13.1	\$45.2
(Gain) loss on disposal of assets																	
Operating Income	\$116.2	(\$8.2)	\$22.3	\$11.4	\$6.2	\$0.0	(\$4.2)	(\$0.5)	(\$2.1)	(\$2.8)	(\$2.7)	(\$8.1)	(\$1.0)	(\$2.6)	(\$1.5)	(\$1.0)	(\$6.3)
Add back D&A	\$5.3	\$4.1	\$3.9	\$1.9	\$1.1	\$1.1	\$1.2	\$0.4	\$0.4	\$0.4	\$0.5	\$1.7	\$0.5	\$0.5	\$0.5	\$0.5	\$2.0
Add back stock compensation	\$0.7	\$0.7	\$0.7	\$0.6	\$0.5	\$0.6	\$0.6	\$0.3	\$0.1	\$0.3	\$0.2	\$0.7	\$0.1	\$0.2	\$0.2	\$0.2	\$0.7
EBITDA	\$116.2	(\$3.4)	\$26.9	\$13.9	\$7.8	\$1.7	(\$2.4)	\$0.0	(\$1.4)	(\$2.3)	(\$2.3)	(\$5.7)	(\$0.4)	(\$1.9)	(\$0.8)	(\$0.3)	(\$3.6)
Interest Expense, Net	\$6.9	\$4.6	\$3.9	(\$0.1)	(\$1.4)	(\$1.4)	(\$1.1)	(\$0.3)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.9)	(\$0.2)	(\$0.1)	(\$0.1)	(\$0.2)	\$0.0
Proceeds from legal settlement																	\$0.6
Other Expense, Net	\$12.0	(\$2.4)	\$1.4	\$0.7	(\$0.1)	\$0.8	(\$0.3)					\$0.2	(\$0.1)	\$0.2	(\$0.4)		(\$0.2)
Pretax Income	(\$8.7)	(\$10.4)	\$17.1	\$10.8	\$7.7	\$0.6	(\$0.6)	(\$0.2)	(\$1.9)	(\$2.3)	(\$2.7)	(\$7.1)	(\$1.0)	(\$2.1)	(\$1.4)	(\$0.8)	(\$5.5)
Income Tax	(\$0.2)	\$1.8	(\$0.2)	\$0.9	(\$0.4)	\$0.1	(\$0.1)	(\$0.1)	(\$0.8)	\$0.0	(\$0.5)	(\$1.4)	\$0.4	\$0.2	\$0.0	\$0.0	\$0.6
Net Income	(\$8.9)	(\$12.2)	\$17.3	\$9.9	\$8.0	\$0.5	(\$0.6)	(\$0.1)	(\$1.1)	(\$2.3)	(\$2.2)	(\$5.7)	(\$1.4)	(\$2.3)	(\$1.4)	(\$0.8)	(\$4.9)
Shares Outstanding-Diluted	17.8	17.8	18.9	18.2	17.1	15.4	14.3	13.9	13.8	13.7	13.6	13.8	13.5	12.9	12.8	12.7	13.0
EPS - Diluted (Continuing Ops)	(\$0.48)	(\$0.69)	\$0.91	\$0.54	\$0.47	\$0.03	(\$0.04)	(\$0.01)	(\$0.08)	(\$0.16)	(\$0.16)	(\$0.41)	(\$0.10)	(\$0.18)	(\$0.11)	(\$0.06)	(\$0.47)
<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%	100.0%
COGS	76.1%	77.9%	76.0%	73.9%	70.4%	70.6%	71.1%	69.2%	69.0%	70.7%	70.8%	69.9%	69.5%	69.5%	69.5%	69.5%	69.5%
Gross Profit	23.9%	22.1%	24.0%	26.1%	29.6%	29.4%	28.9%	31.0%	29.3%	29.3%	29.2%	30.1%	30.5%	30.5%	30.5%	30.5%	30.5%
Operating Expenses	22.1%	23.7%	19.5%	21.7%	25.7%	29.4%	31.9%	32.3%	37.6%	37.6%	37.0%	36.0%	33.2%	38.7%	34.4%	33.1%	34.7%
Operating Income	1.8%	-1.7%	4.5%	4.4%	3.9%	0.0%	-2.9%	-1.4%	-6.3%	-8.3%	-7.7%	-5.9%	-2.7%	-7.6%	-3.9%	-2.6%	-4.2%
Interest Expense, Net	1.2%	0.9%	0.8%	0.0%	-0.9%	-1.0%	-0.8%	-0.9%	-0.6%	-0.6%	-0.6%	-0.7%	-0.5%	-0.3%	-0.3%	-0.5%	-0.4%
Other Expense, Net	2.1%	-0.5%	0.3%	0.3%	-0.1%	0.6%	-0.2%	0.0%	0.0%	-0.9%	0.6%	-0.1%	0.5%	-1.2%	0.0%	0.0%	-0.1%
Pretax Income	-1.5%	-2.1%	3.5%	4.2%	4.9%	0.4%	-0.4%	-0.6%	-5.7%	-6.8%	-7.7%	-5.2%	-2.7%	-6.2%	-3.6%	-2.1%	-3.7%
Income Tax Rate	2.5%	-17.0%	-1.2%	8.3%	-5.2%	16.7%	9.7%	50.0%	41.3%	0.0%	18.6%	19.7%	-40.0%	-9.5%	0.0%	0.0%	-10.9%
Net Income	-1.5%	-2.5%	3.5%	3.8%	5.1%	0.4%	-0.4%	-0.3%	-3.4%	-6.8%	-6.3%	-4.2%	-3.8%	-6.7%	-3.6%	-2.1%	-4.1%
<b>Revenue by Segment</b>																	
RF, Wireless & Power Division	\$376.2	\$355.1	\$356.5	\$99.6	\$112.6	\$102.6	\$103.3	\$27.4	\$26.8	\$25.2	\$26.3	\$105.7	\$27.2	\$25.2	\$28.0	\$29.0	\$109.4
PMT	\$103.3	\$82.2	\$86.5	\$113.8			\$6.9	\$1.3	\$1.1	\$2.0	\$2.1	\$6.5	\$3.2	\$3.0	\$3.5	\$4.0	\$13.7
Healthcare																	
Canvus	\$84.7	\$58.9	\$48.8	\$45.1	\$45.3	\$38.4	\$31.7	\$6.0	\$5.9	\$6.2	\$6.5	\$24.6	\$6.7	\$5.9	\$6.0	\$6.5	\$25.1
Corporate	\$4.3	\$0.2	\$0.0	\$0.0	\$0.0	\$141.0	\$141.9	\$34.7	\$33.8	\$33.4	\$34.9	\$136.8	\$37.1	\$34.1	\$37.5	\$39.5	\$148.2
Total	\$568.4	\$496.3	\$491.8	\$258.5	\$157.9	\$141.0	\$141.9	\$34.7	\$33.8	\$33.4	\$34.9	\$136.8	\$37.1	\$34.1	\$37.5	\$39.5	\$148.2
<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%	0.0%
PMT	18.2%	16.6%	17.6%	44.0%	71.3%	72.8%	72.8%	79.0%	79.3%	75.4%	75.4%	77.3%	73.3%	73.9%	74.7%	73.4%	73.8%
Security Systems Division	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.9%	3.7%	3.3%	6.0%	6.0%	4.8%	8.6%	8.8%	9.3%	10.1%	9.2%
Canvus	14.9%	11.9%	9.9%	17.4%	28.7%	27.2%	22.3%	17.3%	17.5%	18.6%	18.6%	18.0%	18.1%	17.3%	16.0%	16.5%	16.9%
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%	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%	100.0%
<b>Revenue Growth (Year / Year)</b>																	
RF, Wireless & Power Division	1.7%	-5.6%	0.4%		-1.1%	-8.9%	0.7%	7.5%	2.3%	4.1%	-4.0%	2.3%	-0.7%	-6.0%	11.1%	10.3%	3.5%
PMT	2.0%	-20.4%	5.3%	31.6%				0.0%	0.0%	-35.3%	0.0%	10.5%	-5.6%	146.2%	172.7%	75.0%	90.5%
Healthcare																	
Canvus	3.1%	-30.4%	-17.2%	-7.6%	0.4%	-15.2%	-17.4%	-20.0%	-22.4%	-28.7%	-17.7%	-22.4%	11.7%	0.0%	-3.2%	0.0%	2.0%
Corporate	5.6%	-95.1%	-100.0%														
Total	2.0%	-12.7%	-0.9%	-47.4%	-38.9%	-10.7%	0.7%	1.2%	-4.8%	-4.3%	-6.2%	-3.6%	6.9%	0.9%	12.3%	13.2%	8.3%

Balance Sheet	2009	2010	2011	2012	2013	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015	Q1-16	Q2-16
<b>Assets</b>													
Cash	\$43.9	\$29.0	\$171.0	\$43.9	\$102.0	\$102.8	\$98.0	\$89.9	\$78.4	\$74.5	\$74.5	\$68.4	\$67.9
Accounts Receivable	\$92.4	\$98.7	\$22.4	\$19.7	\$18.3	\$18.4	\$18.5	\$17.6	\$19.1	\$20.8	\$20.8	\$24.0	\$21.0
Inventories	\$81.2	\$78.7	\$30.9	\$34.7	\$34.0	\$33.9	\$35.6	\$37.1	\$35.9	\$38.8	\$38.8	\$41.2	\$43.1
Other Current Assets	\$7.8	\$7.0	\$64.0	\$115.0	\$48.3	\$37.1	\$29.8	\$26.9	\$26.6	\$27.0	\$27.0	\$9.8	\$6.8
Discontinued ops-assets				\$0.0	\$0.3						\$0.0		
Current Assets	\$225.3	\$213.4	\$288.3	\$213.3	\$202.9	\$192.2	\$181.9	\$171.5	\$160.0	\$161.1	\$161.1	\$143.4	\$138.8
Net Property, Plant, and Equipment	\$19.4	\$16.7	\$5.0	\$5.4	\$5.1	\$7.2	\$7.7	\$8.4	\$9.1	\$10.1	\$10.1	\$10.8	\$10.9
Goodwill & Other Assets	\$4.1	\$4.7	\$4.0	\$12.7	\$9.3	\$4.1	\$11.3	\$14.4	\$14.0	\$13.8	\$13.8	\$22.3	\$19.1
Total Assets	\$248.8	\$234.8	\$297.3	\$231.4	\$217.3	\$203.5	\$200.9	\$194.3	\$183.1	\$185.0	\$185.0	\$176.5	\$168.8
<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	\$14.3	\$13.6
Accounts Payable	\$53.0	\$61.6	\$17.8	\$12.6	\$14.3	\$12.3	\$12.3	\$13.5	\$11.2	\$15.8	\$15.8	\$9.3	\$8.9
Accrued Expenses	\$18.4	\$18.8	\$43.7	\$8.5	\$9.6	\$9.2	\$8.5	\$7.9	\$8.2	\$10.1	\$10.1	\$0.0	\$0.0
Discontinued ops-liabilities			\$13.8	\$0.2	\$0.2	\$0.0					\$0.0		
Current Liabilities	\$71.4	\$99.9	\$75.3	\$21.1	\$24.1	\$21.5	\$20.8	\$21.4	\$19.5	\$26.0	\$25.9	\$23.6	\$22.5
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	\$13.0	\$8.5	\$8.0	\$5.7	\$5.9	\$6.7	\$3.8	\$2.3	\$2.3	\$2.2	\$1.7
Discontinued ops-non-current liabilities			\$1.6	\$1.4	\$0.0	\$1.4					\$0.0		
Total Liabilities	\$130.1	\$104.9	\$89.9	\$29.6	\$32.1	\$28.6	\$28.1	\$28.1	\$23.3	\$28.3	\$28.3	\$25.8	\$24.2
Shareholder Equity	\$118.7	\$129.9	\$224.2	\$200.2	\$185.2	\$174.9	\$172.8	\$166.2	\$159.8	\$156.7	\$156.7	\$150.7	\$144.6
Total Liabilities and Equity	\$248.8	\$234.8	\$314.1	\$229.8	\$217.3	\$203.5	\$200.9	\$194.3	\$183.1	\$185.0	\$185.0	\$176.5	\$168.8
<b>Book Value Per Share</b>	<b>\$6.67</b>	<b>\$6.87</b>	<b>\$12.32</b>	<b>\$11.71</b>	<b>\$12.07</b>	<b>\$12.27</b>	<b>\$12.43</b>	<b>\$12.04</b>	<b>\$11.66</b>	<b>\$11.52</b>	<b>\$11.40</b>	<b>\$11.16</b>	<b>\$11.21</b>
<b>Asset Utilization and Efficiency</b>													
Accounts Receivable Turnover	4.9	5.1	4.3	7.5	7.4	7.7	7.3	7.2	6.8	7.1	7.0	7.0	7.1
Days' Sales in Receivables Outstanding	67.9	73.3	31.6	45.5	47.4	47.3	48.6	47.5	52.2	54.4	55.5	59.0	56.2
Inventory Turnover	4.4	3.8	2.9	3.4	2.9	3.0	2.7	2.6	2.7	2.7	2.6	2.7	2.4
Days' Sales in Inventory Outstanding	76.6	76.8	59.0	114.0	124.7	122.7	135.4	145.1	138.8	143.3	148.1	145.7	165.9
Accounts Payable Turnover	7.3	5.8	5.0	7.3	7.4	7.6	8.0	7.3	8.4	7.0	6.8	7.8	7.0
Days' Purchases in Payables Outstanding	50.0	60.1	34.0	41.4	52.4	44.5	46.8	52.8	43.3	58.4	60.3	50.6	52.4
Cash Conversion Cycle (Days)	94.6	89.9	56.6	118.1	119.6	125.5	137.2	139.8	147.7	139.4	143.3	154.2	169.8
<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%
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%
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	2013	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015	Q1-16	Q2-16
<b>NOPAT</b>														
EBIT	\$10.2	(\$8.2)	\$22.3	\$11.4	\$6.2	\$0.0	(\$4.2)	(\$0.5)	(\$2.1)	(\$2.8)	(\$2.7)	(\$8.1)	(\$1.0)	(\$2.6)
Cash Taxes on EBIT	(\$0.4)	\$2.5	(\$0.2)	\$0.9	(\$0.5)	\$0.3	\$0.0	\$0.1	(\$0.7)	\$0.0	(\$0.5)	(\$1.2)	\$0.3	\$0.2
<b>NOPAT</b>	<b>\$10.6</b>	<b>(\$10.8)</b>	<b>\$22.5</b>	<b>\$10.5</b>	<b>\$6.7</b>	<b>(\$0.3)</b>	<b>(\$4.2)</b>	<b>(\$0.6)</b>	<b>(\$1.4)</b>	<b>(\$2.8)</b>	<b>(\$2.2)</b>	<b>(\$6.9)</b>	<b>(\$1.3)</b>	<b>(\$2.8)</b>
<b>Cash Taxes on EBIT</b>														
Income Tax Provision	(\$0.2)	\$1.8	(\$0.2)	\$0.9	(\$0.4)	\$0.1	(\$0.1)	(\$0.1)	(\$0.8)	\$0.0	(\$0.5)	(\$1.4)	\$0.4	\$0.2
Tax Deduction on Interest Expense	\$0.2	(\$0.8)	(\$0.0)	(\$0.0)	\$0.1	(\$0.2)	(\$0.1)	(\$0.2)	(\$0.1)	\$0.0	(\$0.0)	(\$0.2)	\$0.1	\$0.0
<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>\$0.1</b>	<b>(\$0.7)</b>	<b>\$0.0</b>	<b>(\$0.5)</b>	<b>(\$1.2)</b>	<b>\$0.3</b>	<b>\$0.2</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	\$0.0	\$0.0
Stockholders' Equity	\$141.4	\$118.7	\$129.9	\$224.2	\$200.2	\$185.2	\$174.9	\$172.8	\$166.2	\$159.8	\$156.7	\$156.7	\$150.7	\$144.6
Total Cash & Short-term Investments	\$40.0	\$43.9	\$29.0	\$171.0	\$158.9	\$150.3	\$139.9	\$136.0	\$137.0	\$138.0	\$139.0	\$101.5	\$78.2	\$74.7
<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>\$34.9</b>	<b>\$35.0</b>	<b>\$36.8</b>	<b>\$29.2</b>	<b>\$21.8</b>	<b>\$17.7</b>	<b>\$55.2</b>	<b>\$72.5</b>	<b>\$69.9</b>
<b>Return on Invested Capital</b>														
Return on Invested Capital (Average)	6.3%	-7.6%	18.1%	12.1%	14.1%	-0.9%	-12.0%	-1.4%	-4.1%	-7.9%	-7.9%	-15.2%	-2.4%	-5.6%
Note: Quarterly Figures Have Been Annualized														
<b>Free Cash Flow</b>														
Net Income (Loss)	(\$8.5)	(\$12.2)	\$17.3	\$9.9	\$8.0	\$0.5	(\$0.6)	(\$0.1)	(\$1.1)	(\$2.3)	(\$2.2)	(\$5.7)	(\$1.4)	(\$2.3)
Adjustments:														
Depreciation	\$5.5	\$5.3	\$4.3	\$1.8	\$1.2	\$1.2	\$1.2	\$0.4	\$0.4	\$0.4	\$0.5	\$1.7	\$0.5	0.8
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
Deferred Income Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.5)	(\$0.9)	(\$1.4)	\$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
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
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
Divestitures				\$180.0	\$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	\$1.7	\$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
<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>\$1.2</b>	<b>\$2.9</b>	<b>\$0.4</b>	<b>\$0.4</b>	<b>(\$0.1)</b>	<b>(\$0.4)</b>	<b>\$0.3</b>	<b>\$0.5</b>	<b>\$0.8</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	\$1.4	(\$0.1)	(\$0.1)	\$0.9	(\$1.5)	(\$1.7)	(\$2.4)	(\$3.2)	\$3.0
Decrease (Increase) in Inventories	\$16.3	\$12.7	\$2.5	\$47.8	(\$3.8)	\$0.7	\$0.1	(\$1.7)	(\$1.5)	\$1.2	(\$2.9)	(\$4.9)	(\$2.4)	(\$1.9)
Decrease (Increase) in Other Current Assets	\$1.1	(\$1.4)	\$0.8	(\$57.0)	\$51.0	\$0.0	\$0.0	\$2.5	-\$0.6	\$0.4	-\$1.0	\$0.0	\$1.0	\$0.1
(Decrease) Increase in Accounts Payable	\$3.3	(\$5.9)	\$8.6	(\$43.8)	(\$5.2)	\$1.7	\$1.5	\$0.5	\$1.3	(\$0.1)	\$3.5	\$7.0	(\$1.5)	(\$0.7)
Decrease (Increase) Assets Held for sale														
(Decrease) Increase in Other Current Liabilities	(\$12.2)	(\$3.4)	\$0.4	\$24.9	\$0.0	\$0.0	\$0.0	(\$0.7)	(\$0.4)	(\$0.4)	\$1.9	\$0.0	\$0.0	(\$1.0)
Total Changes in Operating Assets and Liabilities	\$4.7	\$18.1	\$6.0	\$48.2	\$44.7	\$3.8	\$1.5	\$0.5	(\$0.3)	(\$0.4)	(\$0.2)	(\$0.3)	(\$6.1)	(\$0.5)
<b>Net Cash Flow from Operations</b>	<b>\$1.7</b>	<b>\$12.2</b>	<b>\$27.6</b>	<b>\$239.9</b>	<b>\$53.9</b>	<b>\$5.5</b>	<b>\$3.8</b>	<b>\$0.8</b>	<b>(\$1.0)</b>	<b>(\$2.8)</b>	<b>(\$2.8)</b>	<b>(\$5.7)</b>	<b>(\$7.0)</b>	<b>(\$2.0)</b>
Capital Expenditures	(\$4.5)	(\$1.6)	(\$1.4)	(\$0.5)	(\$2.8)	(\$1.3)	(\$2.7)	(\$0.8)	(\$1.1)	(\$1.3)	(\$1.5)	(\$4.7)	(\$1.0)	(\$0.8)
Time Deposit Purchases														
<b>Free Cash Flow</b>	<b>(\$2.8)</b>	<b>\$10.6</b>	<b>\$26.2</b>	<b>\$239.4</b>	<b>(\$29.1)</b>	<b>\$4.2</b>	<b>\$1.1</b>	<b>(\$0.0)</b>	<b>(\$2.1)</b>	<b>(\$4.1)</b>	<b>(\$4.3)</b>	<b>(\$10.4)</b>	<b>(\$8.0)</b>	<b>(\$2.8)</b>
Free Cash Flow per Share	(\$0.16)	\$0.59	\$1.38	\$13.15	(\$1.70)	\$0.27	\$0.08	(\$0.00)	(\$0.15)	(\$0.30)	(\$0.32)	(\$0.76)	(\$0.59)	(\$0.22)
Fiscal Year End - May														

(\$ in millions, except per share data)