

Business Description

Richardson Electronics, Ltd. is a global provider of engineered solutions, serving the 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: 11.76
 DATE: April 12, 2013

Stock Data

Price	\$11.76
52Wk High	\$12.82
52Wk Low	\$10.61
3mo. Daily Volume	24,000
Market Capitalization	\$174
Shares Outstanding	15.3 Mil.
Dividend Yield	2.00%
Tangible Book Value Per Share	\$12.17
Net Debt-to-Equity	0%
EV-to-Sales TTM	0.3x
EV-to-EBITDA TTM	9x

Financial Data

		OLD	NEW	NEW
EPS	FY-12	FY-13E	FY-13E	FY-14E
Q1-Aug	\$.06	\$.05A	\$.05A	
Q2-Nov	\$.09	\$.04A	\$.04A	
Q3-Feb	\$.09	\$.06E	\$.04A	
Q4-May	\$.23	\$.08E	\$.05E	
FY-May	\$.47	\$.23E	\$.18E	\$.24E
P/E			65.3	51.1
Revenue	\$158	\$149	\$142	\$144
% Chg	-1%	-6%	-10%	2%

Cash	\$159	\$140	\$142	\$148
Assets	\$231	\$225	\$225	\$230
Debt	\$0	\$0	\$0	\$0
Equity	\$200	\$185	\$191	\$195

Note: Figures in \$millions except per share data

Q3 EPS of \$.04 missed our estimate of \$.06 due to lower than expected sales (\$.01) and FX losses (\$.01).

Q3 sales declined 12.5% YOY to \$33.6 million vs. our estimate of \$37.5 million due to geographic weakness and softness in the healthcare vertical.

Q3 gross margin improved 30 basis sequentially as efforts to mitigate under-absorption proved effective.

The company generated \$2 million of operating cash flow in Q3 and \$5 million for the trailing 9 months due to effective AR and inventory management.

The balance sheet remains strong with \$140.6 million (\$9.25/share) and \$0 debt.

The company remains focused on improving operating margin and examining acquisition opportunities to deploy its significant cash balance

Approximately \$30 million of stock repurchases remain authorized.

The stock is currently trading below its book value of \$12.49/share.



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Analysis of Q3 Results

Q3 EPS of \$.04 missed our estimate of \$.06 due to lower than expected sales (\$.01) and foreign exchange losses (\$.01). Sales in Q3 declined 12.5% YOY to \$33.6 million vs. our estimate of \$37.5 million. The company had previously expected Q3 sales to increase sequentially from Q2 sales of \$36.6 million. EDG sales declined 9.4% YOY primarily due to continued uncertainty in Asia and Europe. Weaker end user verticals included textile manufacturing and wood treatment industries while the satellite communications vertical was strong stemming from the Powerlink acquisition. EDG did record its highest monthly sales total in North America in the past two years this past February. The CO2 laser market continues to be a strong vertical buoyed by expanding customer acquisitions and prolific accessories growth. Canvys sales declined 18.9% YOY due to softness in the healthcare vertical specifically PACS (picture archiving and communication systems) and weakness in Europe. Healthcare customers continue to face regulatory challenges e.g. medical device excise tax. Despite greater than expected topline pressure the company succeeded at margin preservation and working capital management. Gross margin improved 30 basis points sequentially to 29.5% as labor and overhead under-absorption were effectively combatted. The company reduced headcount and working hours in its manufacturing division. SG&A as a percentage of sales ticked down twenty basis points sequentially to 29.7%. Operating cash flow was \$2 million for the quarter due to improved AR and Inventory management. Operating cash flow is nearly \$5 million over the past 9 months. The company did not repurchase any stock in the quarter but still has approximately \$30 million of stock repurchases authorized. The balance sheet remains strong with \$140.6 million (\$9.25/share) in cash and short-term investments with \$0 debt. The company continues to evaluate acquisition opportunities including large ones with a focus on the diagnostic imaging healthcare market. The company believes that it can effectively compete in this market with high quality, lower priced products and by leveraging its global infrastructure.

Business Unit	Net Sales (in thousands)			Gross Profit (in thousands)			
	Q3FY13	Q3FY12	% Change	Q3FY13	% of Sales	Q3FY12	% of Sales
Electron Device Group	\$24,333	\$26,867	-9.4%	\$7,407	30.4%	\$8,085	30.1%
Canvys	\$9,297	\$11,463	-18.9%	\$2,503	26.9%	\$3,212	28.0%
Total	\$33,630	\$38,330	-12.3%	\$9,910	29.5%	\$11,297	29.5%

Net Sales	Q3FY13	Q3FY12	% Increase
North America	\$15,531	\$17,055	-8.9%
Europe	\$11,010	\$12,682	-13.2%
Asia/Pacific	\$4,878	\$5,852	-16.6%
Latin America	\$2,210	\$2,444	-9.6%
Other		\$297	-100.0%
	\$33,629	\$38,330	-12.3%

Outlook

The company is seeing some signs of stability in the global marketplace and is guiding for Q4 revenue of \$36-\$38 million which represents midpoint sequential quarterly growth of 10%. Additionally, the company expects its FY13 tax rate to be below 10%. The company remains committed to achieving its operating margin goal of 5%. While the company's end markets remain clouded with uncertainty, we're encouraged by the strength in some of the niche verticals of EDG and its strong February should bode well for performance in FY14. We expect EDG to grow modestly in FY14 with more uncertainty inherent in Canvys. We expect the company's effective working capital management and cost restructuring to continue resulting in improved operating margin in FY14 with positive free cash flow. Foreign currency exposure remains a risk factor. Sizeable accretive acquisitions represent upside and may significantly complement the company's pared down operating structure. The stock presently trades below book value.

Income Statement (In millions)	2008	2009	2010	Q1-11	Q2-11	Q3-11	Q4-11	2011	Q1-12	Q2-12	Q3-12	Q4-12	2012	Q1-13	Q2-13	Q3-13	Q4-13E	2013E	2014E
Sales	\$568.4	\$496.3	\$491.8	\$137.1	\$41.0	\$39.7	\$40.7	\$268.5	\$41.5	\$39.1	\$38.4	\$38.9	\$157.9	\$35.6	\$36.6	\$33.6	\$36.0	\$141.8	\$144.0
COGS	\$432.8	\$386.7	\$373.8	\$104.5	\$29.2	\$28.1	\$29.3	\$191.1	\$28.8	\$27.4	\$27.1	\$27.8	\$111.1	\$25.0	\$25.9	\$23.7	\$25.3	\$99.9	\$100.8
Gross Profit	\$135.6	\$109.6	\$118.0	\$32.6	\$11.8	\$11.6	\$11.4	\$67.4	\$12.7	\$11.7	\$11.3	\$11.1	\$46.8	\$10.6	\$10.7	\$9.9	\$10.7	\$41.9	\$43.2
Operating Expenses	\$125.4	\$117.9	\$95.7	\$23.3	\$11.2	\$10.7	\$10.8	\$56.0	\$10.7	\$10.0	\$9.5	\$10.4	\$40.6	\$10.1	\$10.2	\$9.3	\$9.8	\$39.4	\$40.0
Operating Income	\$10.2	(\$8.2)	\$22.3	\$9.3	\$6.6	\$0.9	\$0.6	\$11.4	\$2.0	\$1.7	\$1.8	\$0.7	\$6.2	\$0.5	\$0.6	\$0.6	\$0.9	\$2.5	\$3.2
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	\$0.2	\$1.1	\$0.3	\$0.3	\$0.2	\$0.3	\$1.1	\$1.2
Add back stock compensation	\$0.7	\$0.7	\$0.7	\$0.1	\$0.2	\$0.1	\$0.2	\$0.5	\$0.1	\$0.1	\$0.1	\$0.1	\$0.5	\$0.1	\$0.1	\$0.1	\$0.1	\$0.5	\$0.5
EBITDA	\$16.2	(\$3.4)	\$26.9	\$10.3	\$1.3	\$1.3	\$1.1	\$13.3	\$2.5	\$2.1	\$2.2	\$1.0	\$7.8	\$0.9	\$1.0	\$0.9	\$1.3	\$4.1	\$4.8
Interest Expense, Net	\$6.9	\$4.6	\$3.9	\$0.2	\$0.1	\$0.0	(\$0.4)	(\$0.1)	(\$0.4)	(\$0.2)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.3)	(\$0.4)	(\$1.5)	(\$1.5)
Other Expense, Net	\$12.0	(\$2.4)	\$1.4	\$0.2	\$0.1	\$0.1	\$0.3	\$0.7	\$0.7	(\$0.5)	\$0.0	(\$0.3)	(\$0.1)	\$0.0	\$0.3	\$0.5	\$0.3	\$1.1	\$0.0
Pretax Income	(\$8.7)	(\$10.4)	\$17.1	\$8.9	\$0.4	\$0.8	\$0.7	\$10.8	\$1.7	\$2.4	\$2.2	\$1.4	\$7.7	\$0.9	\$0.6	\$0.4	\$1.0	\$2.9	\$4.7
Income Tax	(\$0.2)	\$1.8	(\$0.2)	\$0.5	\$0.3	\$0.5	(\$0.4)	\$0.9	\$0.6	\$0.8	\$0.6	(\$2.4)	(\$0.4)	\$0.2	\$0.0	(\$0.2)	\$0.2	\$0.2	\$0.9
Net Income	(\$8.5)	(\$12.2)	\$17.3	\$8.4	\$0.1	\$0.3	\$1.1	\$9.9	\$1.1	\$1.6	\$1.6	\$3.8	\$8.0	\$0.7	\$0.6	\$0.6	\$0.8	\$2.7	\$3.8
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	16.7	17.1	15.8	15.3	15.2	15.2	15.4	15.4
EPS - Diluted (Continuing Ops)	(\$0.48)	(\$0.69)	\$0.91	\$0.47	\$0.01	\$0.02	\$0.06	\$0.54	\$0.06	\$0.09	\$0.23	\$0.47	\$0.06	\$0.04	\$0.04	\$0.05	\$0.05	\$0.18	\$0.24
Dividend per Share	\$0.12	\$0.08	\$0.08	\$0.02	\$0.02	\$0.02	\$0.03	\$0.11	\$0.05	\$0.05	\$0.05	\$0.05	\$0.20	\$0.06	\$0.06				
% of Sales																			
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%	100.0%	100.0%
COGS	76.1%	77.9%	76.0%	76.2%	71.2%	70.8%	72.0%	73.9%	69.4%	70.1%	70.6%	71.5%	70.4%	70.2%	70.8%	70.5%	70.2%	70.4%	70.0%
Gross Profit	23.9%	22.1%	24.0%	23.8%	28.8%	29.2%	28.0%	26.1%	30.6%	29.9%	29.4%	28.5%	29.6%	29.8%	29.2%	29.5%	29.8%	29.6%	30.0%
Operating Expenses	22.1%	23.7%	19.5%	17.0%	27.3%	27.0%	26.5%	21.7%	25.8%	25.6%	24.7%	26.7%	25.7%	28.4%	27.9%	27.7%	27.2%	27.8%	27.8%
Operating Income	1.8%	-1.7%	4.5%	6.8%	1.5%	2.3%	1.5%	4.4%	4.8%	4.3%	4.7%	1.8%	3.9%	1.4%	1.4%	1.8%	2.6%	1.8%	2.2%
Interest Expense, Net	1.2%	0.9%	0.8%	0.1%	0.2%	0.0%	-1.0%	-0.5%	-1.0%	-0.5%	-1.0%	-0.9%	-1.1%	-1.1%	-0.9%	-1.1%	-1.1%	-1.0%	-1.0%
Other Expense, Net	2.1%	-0.5%	0.3%	0.1%	0.2%	0.3%	0.7%	0.3%	1.7%	-1.3%	-0.8%	-0.8%	-0.1%	0.0%	0.8%	1.5%	0.8%	0.8%	0.0%
Pretax Income	-1.5%	-2.1%	3.5%	6.5%	1.0%	2.0%	1.7%	4.2%	4.1%	6.1%	5.7%	3.6%	4.9%	2.5%	1.6%	1.2%	2.9%	2.1%	3.3%
Income Tax Rate	2.5%	-17.0%	-1.2%	5.6%	75.0%	62.5%	-57.1%	8.3%	35.3%	33.3%	27.3%	-171.4%	-5.2%	22.2%	0.0%	-50.0%	20.0%	7.0%	20.0%
Net Income	-1.5%	-2.5%	3.5%	6.1%	0.2%	0.8%	2.7%	3.8%	2.7%	4.1%	4.2%	9.8%	5.1%	2.1%	1.6%	1.8%	2.3%	1.9%	2.6%
Revenue by Segment																			
RF, Wireless & Power Division	\$376.2	\$355.1	\$356.5	\$99.6				\$99.6										\$103.1	\$108.0
Electron Device Group	\$103.3	\$82.2	\$86.5	\$27.5	\$28.7	\$28.0	\$29.6	\$113.8	\$30.7	\$28.0	\$26.9	\$27.0	\$112.6	\$25.6	\$26.2	\$24.3	\$27.0	\$38.7	\$36.0
Canvus	\$84.7	\$58.9	\$48.8	\$10.0	\$12.3	\$11.7	\$11.1	\$45.1	\$10.8	\$11.1	\$11.5	\$11.9	\$45.3	\$10.4	\$10.4	\$9.3	\$9.0	\$38.7	\$36.0
Corporate	\$4.3	\$0.2	\$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	\$268.5	\$41.5	\$39.1	\$38.4	\$38.9	\$157.9	\$35.6	\$36.6	\$33.6	\$36.0	\$141.8	\$144.0
Revenue % by Segment																			
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%	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%	70.1%	69.4%	71.3%	71.9%	71.6%	72.3%	75.0%	72.7%	75.0%
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%	0.0%	0.0%	0.0%	0.0%
Canvus	14.9%	11.9%	9.9%	7.3%	30.0%	29.5%	27.3%	17.4%	26.0%	28.4%	29.9%	30.6%	28.7%	28.1%	28.4%	27.7%	25.0%	27.3%	25.0%
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%	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%	100.0%	100.0%
Revenue Growth (Year / Year)																			
RF, Wireless & Power Division	1.7%	-5.6%	0.4%	25.3%	-100.0%	-100.0%	-100.0%	-100.0%											
Electron Device Group	2.0%	-20.4%	5.3%	46.3%	42.8%	32.1%	12.1%	31.6%	11.6%	-2.4%	-3.9%	-8.8%	-1.1%	-16.6%	-6.4%	-9.7%	0.0%	-8.4%	4.8%
Canvus	3.1%	-30.4%	-17.2%	-10.7%	-5.4%	-4.1%	-10.5%	-7.6%	8.0%	-9.8%	-1.7%	7.2%	0.4%	-7.4%	-6.3%	-19.1%	-24.4%	-14.6%	-7.0%
Corporate	5.6%	-95.1%	-100.0%																
Total	2.0%	-12.7%	-0.9%	25.2%	-64.6%	-67.3%	-72.0%	-47.4%	-69.7%	-4.6%	-3.3%	-4.4%	-38.9%	-14.2%	-6.4%	-12.5%	-7.5%	-10.2%	1.6%
Fiscal Year End - May																			
(\$ in millions, except per share data)																			

Peer Group Comparison		EV / Price	EV / Sales	EV / EBITDA	P/BV	P/E	P/E-CY13E	P/E-CY14E
ARW	Arrow Electronics	\$40.41	0.28	6.4	1.1	8.9	9.2	8.2
AVT	Avnet	\$34.31	0.23	6.1	1.2	9.5	9.1	NA
WCC	Wesco International Inc.	\$71.20	0.73	13.2	2.0	18.0	12.3	10.6
	Median		0.28	6.4	1.2	9.5	9.2	9.4
RELL	Richardson Electronics	\$11.76	0.25	9.5	0.9	33.6	56.0	NA

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

Prices as of 4/11/13

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Balance Sheet	2009	2010	2011	Q1-12	Q2-12	Q3-12	Q4-12	2012	Q1-13	Q2-13	Q3-13
Assets											
Cash	\$43.9	\$29.0	\$171.0	\$37.2	\$25.2	\$24.4	\$43.9	\$43.9	\$41.2	\$53.5	\$77.0
Accounts Receivable	\$92.4	\$98.7	\$22.4	\$22.8	\$22.3	\$22.9	\$19.7	\$19.7	\$20.5	\$21.7	\$19.7
Inventories	\$81.2	\$78.7	\$30.9	\$33.8	\$35.3	\$38.3	\$34.7	\$34.7	\$35.4	\$35.3	\$34.8
Other Current Assets	\$7.8	\$7.0	\$64.0	\$129.1	\$145.1	\$138.1	\$115.0	\$115.0	\$109.1	\$96.3	\$74.2
Discontinued ops-assets				\$2.1	\$1.7	\$0.6	\$0.0	\$0.0			
Current Assets	\$225.3	\$213.4	\$288.3	\$225.0	\$229.6	\$224.3	\$213.3	\$213.3	\$206.2	\$206.8	\$205.7
Net Property, Plant, and Equipment	\$19.4	\$16.7	\$5.0	\$5.1	\$4.7	\$4.5	\$5.4	\$5.4	\$4.2	\$4.4	\$4.7
Goodwill & Other Assets	\$4.1	\$4.7	\$4.0	\$33.9	\$18.9	\$18.4	\$12.7	\$12.7	\$14.0	\$11.4	\$10.9
Total Assets	\$248.8	\$234.8	\$297.3	\$264.0	\$253.2	\$247.2	\$231.4	\$231.4	\$224.4	\$222.6	\$221.3
Liabilities and Stockholders' Equity											
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	\$15.3	\$14.6	\$14.4	\$12.6	\$12.6	\$11.2	\$14.0	\$13.0
Accrued Expenses	\$18.4	\$18.8	\$43.7	\$16.8	\$11.5	\$9.6	\$8.5	\$8.5	\$8.5	\$8.3	\$7.8
Discontinued ops-liabilities			\$13.8	\$7.1	\$4.9	\$0.1	\$0.2	\$0.2	\$0.2	\$0.4	\$0.8
Current Liabilities	\$71.4	\$99.9	\$75.3	\$39.2	\$31.0	\$24.1	\$21.3	\$21.1	\$19.9	\$22.7	\$21.6
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	\$2.4	\$8.3	\$9.8	\$8.5	\$8.5	\$8.2	\$6.9	\$8.4
Discontinued ops-non-current liabilities			\$1.6	\$1.6	\$1.6	\$1.2	\$1.4	\$1.4	\$1.4	\$2.7	\$1.5
Total Liabilities	\$130.1	\$104.9	\$89.9	\$43.2	\$40.9	\$35.1	\$31.2	\$29.6	\$29.5	\$32.3	\$31.5
Shareholder Equity	\$118.7	\$129.9	\$224.2	\$220.8	\$212.3	\$212.1	\$200.2	\$200.2	\$194.9	\$190.3	\$189.8
Total Liabilities and Equity	\$248.8	\$234.8	\$314.1	\$264.0	\$253.2	\$247.2	\$231.4	\$229.8	\$224.4	\$222.6	\$221.3
Book Value Per Share	\$6.67	\$6.87	\$12.32	\$12.62	\$12.34	\$12.48	\$11.99	\$11.71	\$12.34	\$12.44	\$12.49
Asset Utilization and Efficiency											
Accounts Receivable Turnover	4.9	5.1	4.3	2.7	7.0	6.4	7.4	7.5	6.6	6.7	6.3
Days' Sales in Receivables Outstanding	67.9	73.3	31.6	50.1	52.0	54.4	46.2	45.5	52.5	54.1	53.5
Inventory Turnover	4.4	3.8	2.9	1.9	3.5	3.3	3.4	3.4	2.9	2.9	2.6
Days' Sales in Inventory Outstanding	76.6	76.8	59.0	107.1	117.6	129.0	113.9	114.0	129.2	124.4	134.0
Accounts Payable Turnover	7.3	5.8	5.0	3.0	6.6	6.7	7.3	7.3	7.5	7.2	6.9
Days' Purchases in Payables Outstanding	50.0	60.1	34.0	48.5	48.6	48.5	41.4	41.4	40.9	49.3	50.1
Cash Conversion Cycle (Days)	94.6	89.9	56.6	108.7	121.0	134.9	118.8	118.1	140.9	129.1	137.4
Capital Structure											
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)											

ROIC and Free Cash Flow	2008	2009	2010	2011	2012	Q1-13	Q2-13	Q3-13
NOPAT								
EBIT	\$10.2	(\$8.2)	\$22.3	\$11.4	\$6.2	\$0.5	\$0.5	\$0.6
Cash Taxes on EBIT	(\$0.4)	\$2.5	(\$0.2)	\$0.9	(\$0.5)	\$0.3	\$0.0	(\$0.4)
NOPAT	\$10.6	(\$10.8)	\$22.5	\$10.5	\$6.7	\$0.2	\$0.5	\$1.0

Cash Taxes on EBIT

Income Tax Provision	(\$0.2)	\$1.8	(\$0.2)	\$0.9	(\$0.4)	\$0.2	\$0.0	(\$0.2)
Tax Deduction on Interest Expense	\$0.2	(\$0.8)	(\$0.0)	(\$0.0)	\$0.1	(\$0.1)	\$0.0	\$0.2
Cash Taxes on EBIT	(\$0.4)	\$2.5	(\$0.2)	\$0.9	(\$0.5)	\$0.3	\$0.0	(\$0.4)

Invested Capital

Total Debt	\$55.7	\$52.4	\$19.5	\$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
Total Cash & Short-term Investments	\$40.0	\$43.9	\$29.0	\$171.0	\$158.9	\$150.3	\$149.8	\$151.2
Invested Capital	\$157.1	\$127.2	\$120.4	\$53.2	\$41.3	\$44.6	\$40.5	\$38.6

Return on Invested Capital

Return on Invested Capital (Average)	6.3%	-7.6%	18.1%	12.1%	14.1%	0.4%	1.2%	2.2%
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Note: Quarterly Figures Have Been Annualized

Free Cash Flow

Net Income (Loss)	(\$8.5)	(\$12.2)	\$17.3	\$9.9	\$8.0	\$0.7	\$0.6	\$0.6
Adjustments:								
Depreciation	\$5.5	\$5.3	\$4.3	\$1.8	\$1.2	\$0.3	\$0.3	\$0.0
Amortization of Intangibles and Financing Costs	\$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
Loss from Disposition of a Business	\$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
Other Charges	\$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
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
Other Non-cash Items in Net Income	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Adjustments	\$5.5	\$5.3	\$4.3	\$181.8	\$1.2	\$0.3	\$0.3	\$0.0
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
Decrease (Increase) in Inventories	\$16.3	\$12.7	\$2.5	\$47.8	\$3.8	(\$0.7)	\$0.1	\$0.5
Decrease (Increase) in Other Current Assets	\$1.1	(\$1.4)	\$0.8	(\$57.0)	\$51.0	\$0.0	\$0.0	\$1.0
(Decrease) Increase in Accounts Payable	\$3.3	(\$5.9)	\$8.6	(\$43.8)	(\$5.2)	(\$1.4)	\$2.8	(\$1.0)
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
Total Changes in Operating Assets and Liabilities	\$4.7	\$19.1	\$6.0	\$48.2	\$52.3	(\$2.9)	\$1.9	\$3.0
Net Cash Flow from Operations	\$1.7	\$12.2	\$27.6	\$239.9	\$61.5	(\$1.9)	\$2.8	\$3.6
Capital Expenditures	(\$4.5)	(\$1.6)	(\$1.4)	(\$0.5)	(\$0.2)	(\$0.1)	(\$0.1)	(\$0.5)
Time Deposit Purchases					(\$82.8)			
Free Cash Flow	(\$2.8)	\$10.6	\$26.2	\$239.4	(\$21.5)	(\$2.0)	\$2.7	\$3.1
Free Cash Flow per Share	(\$0.16)	\$0.59	\$1.38	\$13.15	(\$1.26)	(\$0.12)	\$0.18	\$0.20

Fiscal Year End - May

(\$ in millions, except per share data)