

### 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



NASDAQ: RELL  
 PRICE: \$6.73  
 DATE: 7/24/15

### Stock Data

Price	\$6.64
52Wk High	\$10.71
52Wk Low	\$6.54
3mo. Daily Volume	13,580
Market Capitalization	\$105 m
Shares Outstanding	13.4 Mil.
Dividend Yield	3.10%
Tangible Book Value Per Share	\$11.44
Net Debt-to-Equity	0%
EV-to-Sales TTM	NA
EV-to-EBITDA TTM	NA

### Financial Data

				NEW
EPS	FY-13	FY-14	FY-15	FY-16E
Q1-Aug	\$.05	\$.14	(\$0.01)	(\$0.20)
Q2-Nov	\$.04	\$.04	(\$0.08)	(\$0.16)
Q3-Feb	\$.04	(\$0.01)	(\$0.16)	(\$0.10)
Q4-May	(\$0.09)	(\$0.21)	(\$0.16)	(\$0.07)
FY-May	(\$0.03)	(\$0.03)	(\$0.41)	(\$0.53)

Revenue	\$141	\$135	\$137	\$156
% Chg	-11%	-2%	-1%	14%

Cash	\$141	\$125	\$110	\$85
Assets	\$217	\$202	\$185	\$170
Debt	\$0	\$0	\$0	\$0
Equity	\$185	\$175	\$157	\$147

Note: Figures in \$millions except per share data

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**Q4 EPS of (\$.16) missed our estimate of (\$.10) due largely to lower than expected sales and gross margin offset by a tax benefit. EPS was (\$.21) in the prior year.**

**Q4 sales declined 1.2% YOY to \$35 m vs. our estimate of \$36.5 m. The company had guided for revenue of \$37-\$39 m. EDG sales declined 4.1% YOY to \$26.3 m vs. our estimate of \$28 m while the Canvys and Healthcare segments matched our estimates.**

**Q4 gross margin ticked up 50 bps YOY to 29.2% but missed our estimate of 30%. Gross margin improved 160 bps YOY for EDG but declined in both Canys and Healthcare.**

**Q4 operating income, exclusive of a prior year impairment charge, declined from (\$2.2) m to (\$2.6) m due to one-time charges in SG&A and the aforementioned lower sales.**

**The company acquired CT and MRI parts distributor and service provider IMES (International Medical Equipment and Service Inc.) in Q1-FY16. IMS had 2014 revenue of \$10 m with 15-20% annual sales growth.**

**The company is guiding for FY16 revenue of \$160-\$170m which equates to midpoint YOY growth of 20%. SG&A will continue to be elevated in FY16 as the company continues to invest for future growth. The company expects to be profitable by Q4 of FY17.**



### Analysis of Q4 Results

Q4 EPS of (\$.16) missed our estimate of (\$.10) due to a combination of lower than expected sales and gross margin coupled with higher than expected one-time expenses within SG&A. Q4 sales declined 1.2% YOY to \$35 m vs. our estimate of \$36.5 m. The company had guided for revenue of \$37-\$39 m. EDG sales declined 4.1% YOY to \$26.3 m due to order push-outs and some market weakness in Europe and Latin America. Healthcare sales grew 12.9% YOY in Q4 to \$1.9 m while Canvys sales increased 4.8% YOY to \$6.5 m. Total gross margin increased 50 bps YOY in Q4 to 29.2% as EDG gross margin increased 160 bps YOY to 31.1%. Canvys gross margin declined 320 bps YOY to 23.4% in Q4 due to freight costs, outside service costs, and the devaluation of the Euro. Q4 SG&A increased 4% YOY to \$12.9 m due to several one-time charges totaling \$2.3 m. These included growth initiatives (\$1.3 m), employee termination costs (\$1.1 m), and IT implementation (\$.9 m). Cash and investments declined \$4 m sequentially to \$109.8 m due to inventory build, delayed receivables receipts related to the new IT implementation, and elevated cap ex related to growth initiatives. The company had \$14.6 m of stock repurchases available at the end of Q4 which equates to 16% of its current outstanding stock. The stock presently trades at a steep discount to its tangible book value of \$11.44/share and offers a 3.1% yielding dividend.

Business Unit	Net Sales (in thousands)			Gross Profit (in thousands)			
	Q4FY15	Q4FY14	% Change	Q4FY15	% of Sales	Q4FY14	% of Sales
Electron Device Group	\$26,316	\$27,439	-4.1%	\$8,194	31.1%	\$8,105	29.5%
Canvys	\$6,535	\$6,088	7.3%	\$1,528	23.4%	\$1,618	26.6%
Healthcare	\$2,095	\$1,856	12.9%	\$496	23.7%	\$441	23.8%
Total	\$34,946	\$35,383	-1.2%	\$10,218	29.2%	\$10,164	28.7%

### Outlook

The company is guiding for Q1-FY16 sales of \$35-\$38 m with a gradual ramp in sales expected throughout FY16. Full year sales for FY16 are expected to be \$160-\$170 m. The recent IMES acquisition will add at least \$10 m of sales in FY16 while organic growth stemming from strategic growth initiative investments as well as recent new distribution agreements targeting higher growth EDG markets are also expected to contribute. Gross margin is not expected to vary much. Elevated SG&A spending is expected in FY16 as the company remains in "investment mode". The company expects to reach profitability in Q4 of FY17. Longer-term, the company hopes to double sales within 3-5 years via a combination of organic and acquisitive growth. The company further maintains that it requires an annual sales level of \$190 m in order to be profitable. We have modeled out a gradual ramp in sales for FY16 with current gross margin levels and elevated SG&A spending. We expect a use of operating cash flow for FY16 due to continued investment and possible AR payment delays from the ongoing IT implementation. FX exposure and certain geographical weaknesses remain ongoing risk factors.

**Peer Group Comparison**

Ticker	Name	Price	EV / Sales	EV / EBITDA	P/BV	P/E	P/E-CY15E	P/E-CY16E
ARW	Arrow Electronics	\$53.37	0.3	7.0	1.3	10.6	8.6	8.1
AVT	Avnet	\$39.75	0.2	6.4	1.2	9.3	8.7	NA
WCC	Wesco International Inc.	\$61.86	0.5	7.7	1.5	12.1	12.5	11.4
	<b>Median</b>		<b>0.3</b>	<b>7.0</b>	<b>1.3</b>	<b>10.6</b>	<b>8.7</b>	<b>9.7</b>
<b>RELL</b>	<b>Richardson Electronics</b>	<b>\$6.60</b>	<b>NA</b>	<b>NA</b>	<b>0.7</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 7/24/15

**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	Q1-16E	Q2-16E	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	\$35.8	\$37.6	\$40.5	\$42.1	\$156.0
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	\$25.3	\$26.6	\$28.6	\$28.7	\$110.2
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	\$10.5	\$11.0	\$11.9	\$12.4	\$45.8
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	\$13.3	\$13.4	\$13.5	\$13.6	\$53.8
Operating Income	\$10.2	(\$9.2)	\$22.3	\$11.4	\$6.2	\$0.0	(\$4.2)	(\$0.5)	(\$2.1)	(\$2.8)	(\$2.7)	(\$8.1)	(\$2.8)	(\$2.4)	(\$1.6)	(\$1.2)	(\$8.0)
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	\$0.1	\$0.3	\$0.1	\$0.2	\$0.7	\$0.2	\$0.2	\$0.2	\$0.2	\$0.8
EBITDA	\$16.2	(\$3.4)	\$26.9	\$13.9	\$7.8	\$1.7	(\$2.4)	\$0.0	(\$1.4)	(\$2.3)	(\$2.0)	(\$5.7)	(\$2.1)	(\$1.7)	(\$0.9)	(\$0.5)	(\$5.2)
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)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.8)
Proceeds from legal settlement							(\$2.1)					\$0.0					\$0.0
Other Expense, Net	\$12.0	(\$2.4)	\$1.4	\$0.7	(\$0.1)	\$0.8	(\$0.3)		(\$0.3)		\$0.2	(\$0.1)					\$0.0
Pretax Income	(\$8.7)	(\$10.4)	\$17.1	\$10.8	\$7.7	\$0.6	(\$0.6)	(\$0.2)	(\$1.3)	(\$2.3)	(\$2.7)	(\$7.1)	(\$2.6)	(\$2.2)	(\$1.4)	(\$1.0)	(\$7.2)
Income Tax	(\$0.2)	\$1.8	(\$0.2)	\$0.9	(\$0.4)	\$0.1	(\$0.1)	(\$0.8)	\$0.0	(\$0.8)	(\$0.8)	(\$1.4)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
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)	(\$2.6)	(\$2.2)	(\$1.4)	(\$1.0)	(\$7.2)
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	13.4	13.3	13.2	13.4
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)	(\$0.20)	(\$0.16)	(\$0.10)	(\$0.07)	(\$0.54)
Dividend per Share	\$0.12	\$0.08	\$0.08	\$0.11	\$0.20	\$0.24	\$0.24	\$0.06	\$0.06	\$0.06	\$0.06	\$0.24					
<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%	70.8%	70.7%	70.6%	70.5%	70.6%
Gross Profit	23.9%	22.1%	24.0%	26.1%	29.6%	29.4%	28.9%	30.8%	31.0%	29.3%	29.2%	30.1%	29.2%	29.3%	29.4%	29.5%	29.4%
Operating Expenses	22.1%	23.7%	19.5%	21.7%	25.7%	29.4%	31.9%	32.3%	37.3%	37.6%	37.0%	36.0%	37.2%	35.6%	33.3%	32.3%	34.5%
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%	-8.0%	-6.3%	-3.9%	-2.8%	-5.1%
Interest Expense, Net	1.2%	0.9%	0.8%	0.0%	-0.9%	-1.0%	-0.8%	-0.6%	-0.6%	-0.6%	-0.6%	-0.7%	-0.6%	-0.5%	-0.5%	-0.5%	-0.5%
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%	0.0%	0.0%	0.0%	0.0%	0.0%
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%	-7.4%	-5.8%	-3.4%	-2.3%	-4.6%
Income Tax Rate	2.5%	-17.0%	-1.2%	8.3%	-5.2%	16.7%	9.7%	50.0%	41.3%	0.0%	18.5%	19.7%	0.0%	0.0%	0.0%	0.0%	0.0%
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%	-7.4%	-5.8%	-3.4%	-2.3%	-4.6%
<b>Revenue by Segment</b>																	
RF, Wireless & Power Division	\$376.2	\$355.1	\$356.5	\$99.6													
Electron Device Group	\$103.3	\$82.2	\$86.5	\$113.8	\$112.6	\$102.6	\$103.3	\$27.4	\$26.8	\$25.2	\$26.3	\$105.7	\$26.0	\$28.0	\$30.0	\$31.0	\$116.0
Healthcare							\$6.9	\$1.3	\$1.1	\$2.0	\$2.1	\$6.5	\$3.8	\$3.6	\$4.5	\$4.6	\$16.5
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	\$6.0	\$6.0	\$6.0	\$6.5	\$24.5
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	\$0.0	\$0.0	\$0.0
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	\$35.8	\$37.6	\$40.5	\$42.1	\$156.0
<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%
Electron Device Group	18.2%	16.6%	17.6%	44.0%	71.3%	72.8%	72.8%	79.3%	79.3%	75.4%	75.4%	77.3%	72.6%	74.5%	74.1%	73.6%	73.7%
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%	10.6%	9.6%	11.1%	10.9%	10.6%
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%	16.8%	16.0%	14.8%	15.4%	15.7%
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%														
Electron Device Group	2.0%	-20.4%	5.3%	31.6%	-1.1%	-8.9%	0.7%	7.5%	2.3%	4.1%	-4.0%	2.3%	-5.1%	4.5%	19.0%	17.9%	8.8%
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%	0.0%	1.7%	-3.2%	0.0%	-0.4%
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%	3.2%	11.2%	21.3%	20.6%	14.0%

Balance Sheet	2009	2010	2011	2012	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015
<b>Assets</b>																			
Cash	\$43.9	\$29.0	\$171.0	\$43.9	\$41.2	\$53.5	\$77.0	\$102.0	\$102.0	\$92.5	\$92.6	\$97.2	\$102.8	\$102.8	\$98.0	\$89.9	\$78.4	\$74.5	\$74.5
Accounts Receivable	\$92.4	\$98.7	\$22.4	\$19.7	\$20.5	\$21.7	\$19.7	\$18.3	\$18.3	\$19.5	\$20.2	\$20.0	\$18.4	\$18.4	\$18.5	\$17.6	\$19.1	\$20.8	\$20.8
Inventories	\$81.2	\$78.7	\$30.9	\$34.7	\$35.4	\$35.3	\$34.8	\$34.0	\$34.0	\$35.3	\$35.3	\$35.2	\$33.9	\$33.9	\$35.6	\$37.1	\$35.9	\$38.8	\$38.8
Other Current Assets	\$7.8	\$7.0	\$64.0	\$115.0	\$109.1	\$96.3	\$74.2	\$46.3	\$46.3	\$46.5	\$46.0	\$40.0	\$37.1	\$37.1	\$29.8	\$26.9	\$26.6	\$27.0	\$27.0
Discontinued ops-assets				\$0.0				\$0.3	\$0.3	\$0.3		\$0.1							\$0.0
Current Assets	\$225.3	\$213.4	\$288.3	\$213.3	\$206.2	\$206.8	\$205.7	\$202.9	\$202.9	\$194.1	\$194.4	\$192.5	\$192.2	\$192.2	\$181.9	\$171.5	\$160.0	\$161.1	\$161.1
Net Property, Plant, and Equipment	\$19.4	\$16.7	\$5.0	\$5.4	\$4.2	\$4.4	\$4.7	\$5.1	\$5.1	\$5.6	\$5.9	\$6.5	\$7.2	\$7.2	\$7.7	\$8.4	\$9.1	\$10.1	\$10.1
Goodwill & Other Assets	\$4.1	\$4.7	\$4.0	\$12.7	\$14.0	\$11.4	\$10.9	\$9.3	\$9.3	\$8.1	\$6.4	\$6.0	\$4.1	\$4.1	\$11.9	\$14.4	\$14.0	\$13.8	\$13.8
Total Assets	\$248.8	\$234.8	\$297.3	\$231.4	\$224.4	\$222.6	\$221.3	\$217.3	\$217.3	\$207.8	\$206.7	\$205.0	\$203.5	\$203.5	\$200.9	\$194.3	\$183.1	\$185.0	\$185.0
<b>Liabilities and Stockholders' Equity</b>																			
Current Debt	\$0.0	\$19.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Accounts Payable	\$53.0	\$61.6	\$17.8	\$12.6	\$11.2	\$14.0	\$13.0	\$14.3	\$14.3	\$11.8	\$12.2	\$11.3	\$12.3	\$12.3	\$12.3	\$13.5	\$11.2	\$15.8	\$15.8
Accrued Expenses	\$18.4	\$18.8	\$43.7	\$8.5	\$8.5	\$8.3	\$7.8	\$9.6	\$9.6	\$7.4	\$7.5	\$7.4	\$9.2	\$9.2	\$8.5	\$7.9	\$8.2	\$10.1	\$10.1
Discontinued ops-liabilities			\$13.8	\$0.2	\$0.2	\$0.4	\$0.8	\$0.2	\$0.2	\$0.5				\$0.0					\$0.0
Current Liabilities	\$71.4	\$99.9	\$75.3	\$21.1	\$19.9	\$22.7	\$21.6	\$24.1	\$24.1	\$19.7	\$19.7	\$18.7	\$21.5	\$21.5	\$20.8	\$21.4	\$19.5	\$26.0	\$25.9
Long-term Debt	\$52.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Deferred Taxes & Other Long-term Liabilities	\$6.3	\$5.0	\$13.0	\$8.5	\$8.2	\$6.9	\$8.4	\$8.0	\$8.0	\$7.8	\$7.5	\$7.7	\$5.7	\$5.7	\$5.9	\$6.7	\$3.8	\$2.3	\$2.3
Discontinued ops-non-current liabilities			\$1.6	\$1.4	\$1.4	\$2.7	\$1.5	\$0.0	\$0.0	\$0.0			\$1.4	\$1.4					\$0.0
Total Liabilities	\$130.1	\$104.9	\$89.9	\$29.8	\$29.5	\$32.3	\$31.5	\$32.1	\$32.1	\$27.5	\$27.2	\$26.4	\$28.6	\$28.6	\$28.1	\$28.1	\$23.3	\$28.3	\$28.3
Shareholder Equity	\$118.7	\$129.9	\$224.2	\$200.2	\$194.9	\$190.3	\$189.8	\$185.2	\$185.2	\$180.3	\$179.5	\$178.6	\$174.9	\$172.8	\$172.8	\$166.2	\$159.8	\$156.7	\$156.7
Total Liabilities and Equity	\$248.8	\$234.8	\$314.1	\$229.8	\$224.4	\$222.6	\$221.3	\$217.3	\$217.3	\$207.8	\$206.7	\$205.0	\$203.5	\$203.5	\$200.9	\$194.3	\$183.1	\$185.0	\$185.0
Book Value Per Share	\$6.67	\$6.87	\$12.32	\$11.71	\$12.34	\$12.44	\$12.49	\$12.26	\$12.07	\$12.27	\$12.64	\$12.67	\$12.49	\$12.27	\$12.43	\$12.04	\$11.66	\$11.52	\$11.40
<b>Asset Utilization and Efficiency</b>																			
Accounts Receivable Turnover	4.9	5.1	4.3	7.5	6.6	6.7	6.3	7.4	7.4	6.9	6.8	7.0	8.1	7.7	7.3	7.2	6.8	7.1	7.0
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	52.3	45.1	47.3	48.6	47.5	52.2	54.4	55.5
Inventory Turnover	4.4	3.8	2.9	3.4	2.9	2.9	2.8	2.9	2.9	2.7	2.8	2.9	3.0	2.7	2.6	2.7	2.7	2.7	2.6
Days' Sales in Inventory Outstanding	76.6	76.8	59.0	114.0	129.2	124.4	134.0	124.3	124.7	133.7	131.5	127.2	114.6	122.7	135.4	145.1	138.8	143.3	148.1
Accounts Payable Turnover	7.3	5.8	5.0	7.3	7.5	7.2	6.9	7.4	7.4	8.4	7.5	8.3	8.1	7.6	8.0	7.3	8.4	7.0	6.8
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	40.8	41.5	44.5	46.8	52.8	43.3	58.4	60.3
Cash Conversion Cycle (Days)	94.6	89.9	56.6	118.1	140.9	129.1	137.4	119.6	119.6	140.9	136.0	138.7	118.1	125.3	137.2	139.8	147.7	159.4	143.3
<b>Capital Structure</b>																			
Total Debt-to-Total Capital Ratio	30.6%	13.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Debt-to-Equity Ratio	44.1%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fiscal Year End - May																			
(\$ in millions, except per share data)																			



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

ROIC and Free Cash Flow	2008	2009	2010	2011	2012	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Q1-15	Q2-15	Q3-15	Q4-15	2015
<b>NOPAT</b>																				
EBIT	\$10.2	(\$5.2)	\$22.3	\$11.4	\$6.2	\$0.5	\$0.5	\$0.6	(\$1.6)	\$0.0	\$0.1	\$0.5	(\$0.9)	(\$3.9)	(\$4.2)	(\$0.9)	(\$2.1)	(\$2.6)	(\$2.7)	(\$8.1)
Cash Taxes on EBIT	(\$0.4)	\$2.5	(\$0.2)	\$0.9	(\$0.5)	\$0.3	\$0.0	(\$0.4)	\$0.1	\$0.3	\$0.6	\$0.3	\$0.9	(\$3.1)	(\$4.2)	\$0.0	\$0.1	(\$0.7)	\$0.0	(\$0.5)
<b>NOPAT</b>	<b>\$10.6</b>	<b>(\$2.7)</b>	<b>\$22.5</b>	<b>\$12.3</b>	<b>\$5.7</b>	<b>\$0.8</b>	<b>\$0.5</b>	<b>\$1.0</b>	<b>(\$1.7)</b>	<b>\$0.3</b>	<b>(\$0.5)</b>	<b>\$0.8</b>	<b>(\$0.9)</b>	<b>(\$7.0)</b>	<b>(\$8.2)</b>	<b>\$0.0</b>	<b>(\$2.0)</b>	<b>(\$3.3)</b>	<b>(\$2.7)</b>	<b>(\$8.6)</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	\$0.5	\$0.2	\$0.0	(\$0.6)	(\$0.1)	(\$0.1)	(\$0.8)	(\$0.8)	\$0.0	(\$0.5)	(\$1.4)
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)	\$0.0	(\$0.0)	(\$0.1)	(\$0.2)	(\$0.1)	\$0.0	(\$0.0)	(\$0.2)
<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>\$0.9</b>	<b>(\$3.1)</b>	<b>(\$4.2)</b>	<b>\$0.0</b>	<b>(\$0.1)</b>	<b>(\$0.7)</b>	<b>\$0.0</b>	<b>(\$0.5)</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	\$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	\$180.3	\$189.8	\$185.2	\$185.2	\$180.3	\$179.5	\$178.6	\$174.9	\$174.9	\$172.8	\$166.2	\$159.6	\$166.7	\$156.7
Total Cash & Short-Term Investments	\$40.0	\$43.9	\$29.0	\$171.0	\$158.9	\$150.3	\$149.8	\$161.2	\$150.3	\$150.3	\$139.0	\$138.6	\$130.5	\$136.0	\$139.9	\$136.0	\$137.0	\$138.0	\$139.0	\$101.5
<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>\$34.6</b>	<b>\$41.3</b>	<b>\$40.9</b>	<b>\$48.1</b>	<b>\$38.9</b>	<b>\$36.0</b>	<b>\$36.8</b>	<b>\$29.2</b>	<b>\$21.8</b>	<b>\$17.7</b>	<b>\$55.2</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%	-2.0%	-8.5%	-12.0%	-1.4%	-4.1%	-7.9%	-7.9%	-16.2%
Note: Quarterly Figures Have Been Annualized																				
<b>Free Cash Flow</b>																				
Net Income (Loss)	(\$8.5)	(\$12.2)	\$17.3	\$9.9	\$8.0	\$0.7	\$0.6	\$0.6	(\$1.4)	\$0.5	\$2.0	\$0.6	(\$0.1)	(\$2.9)	(\$0.6)	(\$0.1)	(\$1.1)	(\$2.3)	(\$2.2)	(\$5.7)
Adjustments:																				
Depreciation	\$5.5	\$5.3	\$4.3	\$1.8	\$1.2	\$0.3	\$0.3	\$0.2	\$0.3	\$1.2	\$0.3	\$0.3	\$0.3	\$0.3	\$1.2	\$0.4	\$0.4	\$0.4	\$0.5	\$1.7
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	\$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	(\$0.5)	(\$0.9)
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	\$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	\$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	\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Goodwill and Other Intangible Assets Impairment, Net of Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$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	\$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>	<b>\$0.3</b>	<b>\$0.3</b>	<b>\$2.0</b>	<b>\$0.4</b>	<b>\$0.4</b>	<b>(\$0.1)</b>	<b>(\$0.4)</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	(\$5.3)	\$76.3	\$2.7	(\$0.8)	(\$1.2)	\$2.0	\$1.4	\$1.4	(\$1.2)	(\$0.7)	\$0.2	\$1.6	(\$0.1)	(\$0.1)	\$0.9	(\$1.5)	(\$1.7)	(\$2.4)
Decrease (Increase) in Inventories	\$16.3	\$12.7	\$2.5	\$47.8	(\$3.8)	(\$0.7)	\$0.1	\$0.5	\$0.8	\$0.7	(\$1.3)	\$0.0	\$0.1	\$1.3	\$0.1	(\$1.7)	(\$1.5)	\$1.2	(\$2.9)	(\$4.9)
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	(\$0.2)	\$1.0	\$0.0	\$2.5	\$0.6	\$0.4	\$1.0	\$0.0	\$0.0
Decrease (Increase) in Accounts Payable	\$3.3	(\$5.9)	\$8.6	(\$43.6)	(\$5.2)	(\$1.4)	\$2.8	(\$1.0)	\$1.3	\$1.7	(\$2.5)	\$0.4	(\$0.9)	\$1.0	\$1.5	\$0.5	\$1.3	(\$0.1)	\$3.5	\$7.0
Decrease (Increase) Assets Held for Sale	(\$12.2)	(\$3.4)	\$0.4	\$24.9	\$0.0	\$0.0	\$0.2	\$0.5	(\$1.8)	\$0.0	\$2.2	(\$0.1)	\$0.1	\$2.2	\$0.0	(\$0.7)	(\$0.4)	(\$0.4)	\$1.9	\$0.0
Decrease (Increase) in Other Current Liabilities																				
<b>Total Changes in Operating Assets and Liabilities</b>	<b>\$4.7</b>	<b>\$16.1</b>	<b>\$6.0</b>	<b>\$48.2</b>	<b>\$44.7</b>	<b>(\$2.9)</b>	<b>\$1.9</b>	<b>\$3.0</b>	<b>\$3.7</b>	<b>\$3.8</b>	<b>(\$2.8)</b>	<b>(\$0.0)</b>	<b>(\$0.7)</b>	<b>\$7.1</b>	<b>\$1.5</b>	<b>\$0.5</b>	<b>(\$0.3)</b>	<b>(\$0.4)</b>	<b>(\$0.2)</b>	<b>(\$0.3)</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>\$53.9</b>	<b>(\$1.9)</b>	<b>\$2.8</b>	<b>\$3.8</b>	<b>\$2.6</b>	<b>\$5.5</b>	<b>(\$0.5)</b>	<b>\$0.9</b>	<b>(\$0.5)</b>	<b>\$6.2</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>
Capital Expenditures	(\$4.5)	(\$1.6)	(\$1.4)	(\$0.5)	(\$0.2)	(\$0.1)	(\$0.1)	(\$0.5)	(\$0.6)	(\$1.3)	(\$0.4)	(\$0.5)	(\$0.6)	(\$1.0)	(\$2.7)	(\$0.8)	(\$1.1)	(\$1.3)	(\$1.9)	(\$4.7)
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>\$53.7</b>	<b>(\$2.0)</b>	<b>\$2.7</b>	<b>\$3.3</b>	<b>\$2.0</b>	<b>\$4.2</b>	<b>(\$0.9)</b>	<b>\$0.4</b>	<b>(\$1.3)</b>	<b>\$5.2</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>
Free Cash Flow per Share	(\$0.16)	\$0.59	\$1.38	\$13.15	\$1.70	(\$0.12)	\$0.18	\$0.22	\$0.13	\$0.27	(\$0.06)	\$0.03	(\$0.08)	\$0.37	\$0.08	(\$0.00)	(\$0.15)	(\$0.30)	(\$0.32)	(\$0.76)
Fiscal Year End - May																				
(\$ in millions, except per share data)																				