

### Business Description

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

### Stock Data

Price	\$10.18
52Wk High	\$12.27
52Wk Low	\$9.90
3mo. Daily Volume	72,400
Market Capitalization	\$143 m
Shares Outstanding	14 Mil.
Dividend Yield	2.40%
Tangible Book Value Per Share	\$12.50
Net Debt-to-Equity	0%
EV-to-Sales TTM	0.3x
EV-to-EBITDA TTM*	5x

### Financial Data

	NEW		
EPS	FY-13	FY-14	FY-15E
Q1-Aug	\$0.05	\$0.14	(\$0.04E)
Q2-Nov	\$0.04	\$0.04	\$0.01E
Q3-Feb	\$0.04	(\$0.01)	\$0.04E
Q4-May	(\$0.09)	(\$0.21)	\$0.05E
FY-May	(\$0.03)	(\$0.03)	\$0.06E
P/E			
* exclusive of one-time charges			
Revenue	\$141	\$138	\$142
% Chg	-11%	-2%	3%

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NASDAQ: RELL  
PRICE: \$10.35  
DATE: July 25, 2014

**Q4 EPS of (\$0.21) missed our estimate of \$0.01 due to a goodwill impairment charge of \$1.6 m, employee termination costs of \$1.2 m, and an inventory write-off of \$0.8 m related to prior acquisitions.**

**Q4 Sales grew .6% YOY to \$35.4 m and topped our estimate of \$35 m. EDG revenue grew 3.8% due to pockets of vertical strength and geographic recovery. Canvys sales declined 9.1% YOY due to continued reluctant capital spending within healthcare systems.**

**Q4 Gross Margin declined 40 bps YOY to 28.7 due to the aforementioned inventory write-off. Exclusive of the write-off gross margin would have been 31.1%.**

**The company disclosed that extended negotiations regarding a major acquisition within the healthcare imaging replacement market have reached an impasse. The company will now pursue smaller acquisitions.**

**The balance sheet remains strong with \$136 million in cash and investments (\$9.71/share). Outstanding shares could potentially decline 13% based on the current stock repurchase plan of \$18.6 m at the current stock price.**

**The stock trades below its tangible book value of \$12.50/share.**

**The company is guiding for FY15 midpoint topline growth of 5%.**



### Analysis of Q4 Results

Q4 EPS of (\$.21) missed our estimate of \$.01 due principally to employee termination costs of \$1.2 m, a goodwill impairment charge of \$1.7 m, and an inventory write-off related to prior acquisitions of \$.8 million. Sales in Q4 grew .6% YOY to \$35.4 million and topped our estimate of \$35 m. EDG sales in Q4 grew 3.8% YOY to \$27.4 m due to vertical and geographical strengths. Canvys sales declined 9.1% YOY in Q4 to \$7.9 m due to continued tentative spending by healthcare systems. Q4 gross margin declined 40 bps YOY to 28.7% due to the aforementioned inventory write-off. Exclusive of the write-off gross margin would have been 31.1%. The company had been in serious discussions over the past year to make a large acquisition in the healthcare imaging replacement space but unfortunately the company could not arrive at an agreeable price so discussions have terminated. The company will now seek smaller acquisition opportunities. The company incurred \$.2 m of charges related to new product development and \$.5 million related to a new IT system implementation. This IT platform build-out will continue over the next 6 months. The company also incurred \$.5 m of legal costs in the quarter related to the potential acquisition. These costs should abate given the cessation of recent negotiations. The company generated \$6 million of operating cash flow for the quarter due to improved working capital management. The balance sheet remains strong with \$136 m in cash and investments (\$9.71/share). Approximately \$18.6 m of stock repurchases remain authorized. If fully promulgated at the current share price shares would be reduced by 13%.

Business Unit	Net Sales (in thousands)			Gross Profit (in thousands)			
	Q4FY14	Q4FY13	% Change	Q4FY14	% of Sales	Q4FY13	% of Sales
Electron Device Group	\$27,439	\$26,447	3.8%	\$8,105	29.5%	\$8,094	30.6%
Canvys	\$7,944	\$8,736	-9.1%	\$2,059	25.9%	\$2,153	24.6%
Total	\$35,383	\$35,183	0.6%	\$10,164	28.7%	\$10,247	29.1%

### Outlook

The company is guiding for FY15 revenue of \$140-\$150 million suggesting midpoint revenue growth of 5%. We believe visibility is better in the EDG division given several strong vertical pockets and recovery in Europe. The company has not guided for operating margin. Several moving pieces will impact operating margin going forward including continued investment in its new IT platform, product development, and senior executive hiring for its new Richardson Healthcare division. This increased spending will be offset to some degree by savings from the recent headcount reduction. The company believes it can return to 10-15% topline growth as its 3 year plan of product development and acquisitions unfolds. We are forecasting improved EPS in the back half of FY15 as some of these investments abate and better operating leverage unfolds. A more medium sized acquisition deal or a series of smaller accretive acquisitions offer the most upside potential. The stock currently trades below its tangible book value of \$12.50/share. Given this valuation coupled with the 2.4% dividend yield and stock repurchase program, the stock is arguably most attractive to the value investor willing to be patient for management execution.

**Peer Group Comparison**

Ticker	Name	Price	EV / Sales	EV / EBITDA	P/BV	P/E	P/E-CY14E	P/E-CY15E
ARW	Arrow Electronics	\$60.89	0.4	8.4	1.4	14.5	10.7	9.8
AVT	Avnet	\$43.92	0.3	7.1	1.3	12.7	10.0	NA
WCC	Wesco International Inc.	\$84.32	0.7	10.4	2.1	18.3	15.4	13.2
	<b>Median</b>		<b>0.4</b>	<b>8.4</b>	<b>1.4</b>	<b>14.5</b>	<b>10.7</b>	<b>11.5</b>
<b>RELL</b>	<b>Richardson Electronics</b>	<b>\$10.02</b>	<b>0.3</b>	<b>4.8 *</b>	<b>0.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

Note: All figures based on trailing 12-months, except P/E-14 and PE/-15 based on consensus estimates

Prices as of 7/23/14

\*EBITDA excludes \$1.2 m of employee-related termination costs, goodwill impairment charge of \$1.7m, and acquisition search costs of 1.1 m.

**Disclaimers & Disclosures**

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

Income Statement (in millions)	2008	2009	2010	2011	2012	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014	Q1-15E	Q2-15E	Q3-15E	Q4-15E	2015E
Sales	\$568.4	\$496.3	\$491.8	\$258.5	\$157.9	\$141.0	\$34.3	\$35.5	\$32.9	\$35.3	\$138.0	\$34.5	\$35.1	\$35.8	\$36.5	\$141.9
COGS	\$432.8	\$386.7	\$373.8	\$191.1	\$111.1	\$99.6	\$24.1	\$24.5	\$23.3	\$25.1	\$97.0	\$24.5	\$24.9	\$25.3	\$25.7	\$100.3
Gross Profit	\$135.6	\$109.6	\$118.0	\$67.4	\$46.8	\$41.4	\$10.2	\$11.0	\$9.7	\$10.2	\$41.1	\$10.0	\$10.2	\$10.5	\$10.8	\$41.6
Operating Expenses	\$125.4	\$117.9	\$95.7	\$56.0	\$40.6	\$41.4	\$10.1	\$10.5	\$10.5	\$14.1	\$45.2	\$10.7	\$10.3	\$10.0	\$10.0	\$41.0
<b>Operating Income</b>	<b>\$10.2</b>	<b>(\$8.2)</b>	<b>\$22.3</b>	<b>\$11.4</b>	<b>\$6.2</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.5</b>	<b>(\$0.9)</b>	<b>(\$3.9)</b>	<b>(\$4.2)</b>	<b>(\$0.7)</b>	<b>(\$0.1)</b>	<b>\$0.5</b>	<b>\$0.8</b>	<b>\$0.6</b>
Add back D&A	\$5.3	\$4.1	\$3.9	\$1.9	\$1.1	\$1.1	\$0.3	\$0.3	\$0.3	\$0.3	\$1.2	\$0.3	\$0.3	\$0.3	\$0.3	\$1.2
Add back stock compensation	\$0.7	\$0.7	\$0.7	\$0.6	\$0.5	\$0.6	\$0.1	\$0.1	\$0.2	\$0.2	\$0.6	\$0.1	\$0.1	\$0.2	\$0.2	\$0.6
<b>EBITDA</b>	<b>\$16.2</b>	<b>(\$3.4)</b>	<b>\$26.9</b>	<b>\$13.9</b>	<b>\$7.8</b>	<b>\$1.7</b>	<b>(\$0.3)</b>	<b>\$0.9</b>	<b>(\$0.4)</b>	<b>(\$3.4)</b>	<b>(\$2.4)</b>	<b>(\$0.3)</b>	<b>\$0.3</b>	<b>\$1.0</b>	<b>\$1.0</b>	<b>\$1.3</b>
Interest Expense, Net	\$6.9	\$4.6	\$3.9	(\$0.1)	(\$1.4)	(\$1.4)	(\$0.3)	(\$0.3)	(\$0.3)	(\$0.2)	(\$1.1)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.8)
Proceeds from legal settlement							(\$2.1)									\$0.0
Other Expense, Net	\$12.0	(\$2.4)	\$1.4	\$0.7	(\$0.1)	\$0.8	\$0.1	\$0.0	(\$0.4)	\$0.0	(\$0.3)					\$0.0
Pretax Income	(\$8.7)	(\$10.4)	\$17.1	\$10.8	\$7.7	\$0.6	\$2.4	\$0.8	(\$0.1)	(\$3.7)	(\$0.6)	(\$0.5)	\$0.1	\$0.7	\$1.0	\$1.4
Income Tax	(\$0.2)	\$1.8	(\$0.2)	\$0.9	(\$0.4)	\$0.1	\$0.5	\$0.2	\$0.0	(\$0.8)	(\$0.1)	\$0.0	\$0.0	\$0.2	\$0.3	\$0.5
<b>Net Income</b>	<b>(\$8.5)</b>	<b>(\$12.2)</b>	<b>\$17.3</b>	<b>\$9.9</b>	<b>\$8.0</b>	<b>\$0.5</b>	<b>\$2.0</b>	<b>\$0.6</b>	<b>(\$0.1)</b>	<b>(\$2.9)</b>	<b>(\$0.6)</b>	<b>(\$0.5)</b>	<b>\$0.1</b>	<b>\$0.5</b>	<b>\$0.7</b>	<b>\$0.9</b>
Shares Outstanding-Diluted	17.8	17.8	18.9	18.2	17.1	15.4	14.7	14.2	14.1	14.0	14.3	13.9	13.8	13.7	13.6	13.8
<b>EPS - Diluted (Continuing Ops)</b>	<b>(\$0.48)</b>	<b>(\$0.69)</b>	<b>\$0.91</b>	<b>\$0.54</b>	<b>\$0.47</b>	<b>\$0.03</b>	<b>\$0.14</b>	<b>\$0.04</b>	<b>(\$0.01)</b>	<b>(\$0.21)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>\$0.01</b>	<b>\$0.04</b>	<b>\$0.05</b>	<b>\$0.06</b>
Dividend per Share	\$0.12	\$0.08	\$0.08	\$0.11	\$0.20	\$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%
COGS	76.1%	77.9%	76.0%	73.9%	70.4%	70.6%	70.3%	69.0%	70.7%	71.1%	70.3%	71.0%	70.8%	70.6%	70.4%	70.7%
Gross Profit	23.9%	22.1%	24.0%	26.1%	29.6%	29.4%	29.7%	31.0%	29.3%	28.9%	29.7%	29.0%	29.2%	29.4%	29.6%	29.3%
Operating Expenses	22.1%	23.7%	19.5%	21.7%	25.7%	29.4%	29.4%	29.6%	31.9%	39.9%	32.8%	31.0%	29.3%	27.9%	27.4%	28.9%
Operating Income	1.8%	-1.7%	4.5%	4.4%	3.9%	0.0%	0.3%	1.4%	-2.6%	-11.0%	-3.0%	-2.0%	-0.1%	1.5%	2.2%	0.4%
Interest Expense, Net	1.2%	0.9%	0.8%	0.0%	-0.9%	-1.0%	-0.9%	-0.8%	-0.9%	-0.6%	-0.8%	-0.6%	-0.6%	-0.6%	-0.5%	-0.6%
Other Expense, Net	2.1%	-0.9%	0.3%	0.3%	-0.1%	0.6%	0.3%	0.0%	-1.3%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%	
Pretax Income	-1.5%	-2.1%	3.5%	4.2%	4.9%	0.4%	7.0%	2.3%	-0.4%	-10.5%	-0.4%	-1.4%	0.4%	2.0%	2.8%	1.0%
Income Tax Rate	2.5%	-17.0%	-1.2%	8.3%	-5.2%	16.7%	20.8%	30.0%	0.0%	21.6%	9.7%	0.0%	0.0%	27.6%	29.9%	36.1%
<b>Net Income</b>	<b>-1.5%</b>	<b>-2.5%</b>	<b>3.5%</b>	<b>3.8%</b>	<b>5.1%</b>	<b>0.4%</b>	<b>5.8%</b>	<b>1.6%</b>	<b>-0.3%</b>	<b>-8.2%</b>	<b>-0.4%</b>	<b>-1.4%</b>	<b>0.4%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>0.8%</b>
<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	\$25.5	\$26.2	\$24.2	\$27.4	\$103.3	\$26.5	\$27.0	\$27.5	\$28.0	\$109.0
Canvys	\$84.7	\$58.9	\$48.8	\$45.1	\$45.3	\$38.4	\$8.8	\$9.3	\$8.7	\$7.9	\$34.7	\$8.0	\$8.1	\$8.3	\$8.5	\$32.9
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
<b>Total</b>	<b>\$568.4</b>	<b>\$496.3</b>	<b>\$491.8</b>	<b>\$258.5</b>	<b>\$157.9</b>	<b>\$141.0</b>	<b>\$34.3</b>	<b>\$35.5</b>	<b>\$32.9</b>	<b>\$35.3</b>	<b>\$138.0</b>	<b>\$34.5</b>	<b>\$35.1</b>	<b>\$35.8</b>	<b>\$36.5</b>	<b>\$141.9</b>
<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%
Electron Device Group	18.2%	16.6%	17.6%	44.0%	71.3%	72.8%	74.3%	73.8%	73.6%	77.6%	74.9%	76.8%	76.9%	76.8%	76.7%	76.8%
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%
Canvys	14.9%	11.9%	9.9%	17.4%	28.7%	27.2%	25.7%	26.2%	26.4%	22.4%	25.1%	23.2%	23.1%	23.2%	23.3%	23.2%
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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<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%	-0.4%	0.0%	-0.4%	3.6%	0.7%	3.9%	3.1%	13.6%	2.2%	5.5%
Canvys	3.1%	-30.4%	-17.2%	-7.6%	0.4%	-15.2%	-12.0%	-10.6%	-6.5%	-9.2%	-9.6%	-9.1%	-12.9%	-4.6%	7.6%	-5.2%
Corporate	5.8%	-95.1%	-100.0%													
<b>Total</b>	<b>2.0%</b>	<b>-12.7%</b>	<b>-0.9%</b>	<b>-47.4%</b>	<b>-38.9%</b>	<b>-10.7%</b>	<b>-3.7%</b>	<b>-3.0%</b>	<b>-2.1%</b>	<b>0.4%</b>	<b>-2.1%</b>	<b>0.6%</b>	<b>-1.1%</b>	<b>8.8%</b>	<b>3.4%</b>	<b>2.8%</b>

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

Balance Sheet	2009	2010	2011	2012	Q1-13	Q2-13	Q3-13	Q4-13	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014
<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
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
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
Other Current Assets	\$7.8	\$7.0	\$64.0	\$115.0	\$109.1	\$96.3	\$74.2	\$48.3	\$48.3	\$46.5	\$46.0	\$40.0	\$37.1	\$37.1
Discontinued ops-assets				\$0.0				\$0.3	\$0.3	\$0.3	\$0.3	\$0.1		
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
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
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
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
<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
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
Accrued Expenses	\$18.4	\$18.8	\$43.7	\$8.5	\$9.5	\$8.3	\$7.8	\$9.6	\$9.6	\$7.4	\$7.5	\$7.4	\$9.2	\$9.2
Discontinued ops-liabilities			\$13.8	\$0.2	\$0.2	\$0.4	\$0.8	\$0.2	\$0.2	\$0.5				\$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
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
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
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
Total Liabilities	\$130.1	\$104.9	\$89.9	\$29.6	\$29.5	\$32.3	\$31.5	\$32.1	\$32.1	\$27.5	\$27.2	\$26.4	\$28.6	\$27.2
Shareholder Equity	\$118.7	\$129.9	\$224.2	\$200.2	\$194.9	\$190.3	\$189.8	\$185.2	\$185.2	\$180.3	\$179.5	\$178.6	\$174.9	\$174.9
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
<b>Book Value Per Share</b>	<b>\$6.67</b>	<b>\$6.87</b>	<b>\$12.32</b>	<b>\$11.71</b>	<b>\$12.34</b>	<b>\$12.44</b>	<b>\$12.49</b>	<b>\$12.26</b>	<b>\$12.07</b>	<b>\$12.27</b>	<b>\$12.64</b>	<b>\$12.67</b>	<b>\$12.49</b>	<b>\$12.27</b>
<b>Asset Utilization and Efficiency</b>														
Accounts Receivable Turnover	4.9	5.1	4.3	7.5	6.6	6.7	6.3	7.4	7.4	6.9	6.8	6.6	7.7	7.5
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	55.5	47.6	48.7
Inventory Turnover	4.4	3.8	2.9	3.4	2.9	2.9	2.6	2.9	2.9	2.7	2.8	2.7	3.0	2.9
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	138.2	123.2	127.6
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	7.7	7.5	7.3
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	44.3	44.7	46.3
Cash Conversion Cycle (Days)	94.6	89.9	56.6	118.1	140.9	129.1	137.4	119.6	119.6	140.9	138.0	149.3	126.1	130.0
<b>Capital Structure</b>														
Total Debt-to-Total Capital Ratio	30.6%	13.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	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%
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	Q4-13	2013	Q1-14	Q2-14	Q3-14	Q4-14	2014
<b>NOPAT</b>															
EBIT	\$10.2	(\$8.2)	\$22.3	\$11.4	\$6.2	\$0.5	\$0.5	\$0.6	(\$1.6)	\$0.0	\$0.1	\$0.5	(\$0.9)	(\$3.9)	(\$4.2)
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	\$0.0	(\$0.8)	\$0.0
<b>NOPAT</b>	<b>\$10.6</b>	<b>(\$10.8)</b>	<b>\$22.5</b>	<b>\$10.5</b>	<b>\$6.7</b>	<b>\$0.2</b>	<b>\$0.5</b>	<b>\$1.0</b>	<b>(\$1.7)</b>	<b>(\$0.3)</b>	<b>(\$0.5)</b>	<b>\$0.2</b>	<b>(\$0.9)</b>	<b>(\$3.1)</b>	<b>(\$4.2)</b>
<b>Cash Taxes on EBIT</b>															
Income Tax Provision	(\$0.2)	\$1.8	(\$0.2)	\$0.9	(\$0.4)	\$0.2	\$0.0	(\$0.2)	\$0.1	\$0.1	\$0.5	\$0.2	\$0.0	(\$0.8)	(\$0.1)
Tax Deduction on Interest Expense	\$0.2	(\$0.6)	(\$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)
<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>\$0.0</b>	<b>(\$0.8)</b>	<b>\$0.0</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
Stockholders' Equity	\$141.4	\$118.7	\$129.9	\$224.2	\$200.2	\$194.9	\$190.3	\$189.8	\$185.2	\$185.2	\$180.3	\$179.5	\$178.6	\$174.9	\$174.9
Total Cash & Short-term Investments	\$40.0	\$43.9	\$29.0	\$171.0	\$158.9	\$150.3	\$149.8	\$151.2	\$150.3	\$139.0	\$138.6	\$130.5	\$136.0	\$136.0	\$139.9
<b>Invested Capital</b>	<b>\$157.1</b>	<b>\$127.2</b>	<b>\$120.4</b>	<b>\$53.2</b>	<b>\$41.3</b>	<b>\$44.6</b>	<b>\$40.5</b>	<b>\$38.6</b>	<b>\$34.9</b>	<b>\$34.9</b>	<b>\$41.3</b>	<b>\$40.9</b>	<b>\$48.1</b>	<b>\$38.9</b>	<b>\$35.0</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%
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)
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
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
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
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
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
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
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
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	\$1.7	\$1.7
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
<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>\$2.0</b>	<b>\$2.9</b>
Changes in Working Capital, Net of Currency Translation Effects and Business Acquisitions:															
Decrease (Increase) in Accounts Receivable	(\$3.8)	\$17.1	(\$6.3)	\$76.3	\$2.7	(\$0.8)	(\$1.2)	\$2.0	\$1.4	\$1.4	(\$1.2)	(\$0.7)	\$0.2	\$1.6	(\$0.1)
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)
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	\$0.0	\$0.4	(\$0.2)	\$1.0	\$0.0
(Decrease) Increase in Accounts Payable	\$3.3	(\$5.9)	\$8.6	(\$43.8)	(\$5.2)	(\$1.4)	\$2.8	(\$1.0)	\$1.3	\$1.7	(\$2.5)	\$0.4	(\$0.9)	\$1.0	\$1.5
Decrease (Increase) Assets Held for Sale															
(Decrease) Increase in Other Current Liabilities	(\$1.2)	(\$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
<b>Total Changes in Operating Assets and Liabilities</b>	<b>\$4.7</b>	<b>\$19.1</b>	<b>\$6.0</b>	<b>\$48.2</b>	<b>\$52.3</b>	<b>(\$2.9)</b>	<b>\$1.9</b>	<b>\$3.0</b>	<b>\$3.7</b>	<b>\$2.4</b>	<b>(\$2.8)</b>	<b>(\$0.0)</b>	<b>(\$0.7)</b>	<b>\$7.1</b>	<b>\$1.3</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>\$61.5</b>	<b>(\$1.9)</b>	<b>\$2.8</b>	<b>\$3.8</b>	<b>\$2.6</b>	<b>\$4.1</b>	<b>(\$0.5)</b>	<b>\$0.8</b>	<b>(\$0.5)</b>	<b>\$6.2</b>	<b>\$3.6</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)	(\$0.8)	(\$1.0)	(\$2.7)
Time Deposit Purchases					(\$0.2)										
<b>Free Cash Flow</b>	<b>(\$2.8)</b>	<b>\$10.6</b>	<b>\$26.2</b>	<b>\$239.4</b>	<b>(\$21.5)</b>	<b>(\$2.0)</b>	<b>\$2.7</b>	<b>\$3.3</b>	<b>\$2.0</b>	<b>\$2.8</b>	<b>(\$0.9)</b>	<b>\$0.4</b>	<b>(\$1.3)</b>	<b>\$5.2</b>	<b>\$0.9</b>
Free Cash Flow per Share	(\$0.16)	\$0.59	\$1.38	\$13.15	(\$1.26)	(\$0.12)	\$0.18	\$0.22	\$0.13	\$0.18	(\$0.06)	\$0.03	(\$0.09)	\$0.37	\$0.07
Fiscal Year End - May															
(\$ in millions, except per share data)															