



NASDAQ: RELL
 PRICE: \$10.68
 October 22, 2010

Richardson's recent proxy filing provides more details regarding the divestiture of its RFPD division to Arrow Electronics. The pro-forma cash receipt for the divestiture is estimated at \$185 inclusive of an estimated tax liability of \$25 million. The \$185 million is comprised of \$98.4 million in capital gain and \$86.6 million in net assets. The pro-forma book value is \$238.4 million, or \$13.32/share. The stock currently trades at \$10.68/share. The pro-forma balance sheet is shown below.

Some of the more salient details from the proxy include the following. Approximately 400 Richardson employees will transfer to Arrow Electronics. The company had reported a total employee headcount of approximately 744 at the end of May 2010 suggesting that the EDG and Canvys divisions will maintain a headcount of 300+. Additionally, the acquisition agreement requires Arrow to lease RFPD office space from Richardson at an annual fee of \$.5 million for 5 years. Arrow has also purchased all IT systems related to the RFPD business. Lastly, details concerning the non-compete terms for the next three years between the two parties are quoted below from the proxy.

Non-Compete and Non-Solicitation

For a period of three years beginning after the closing, subject to certain customary exceptions, (a) the Sellers have agreed not to manufacture, distribute, market or sell any RFPD products or any products that are mechanically and electronically interchangeable with RFPD products anywhere in the world, provided that Sellers may manufacture such products if operating as a contract manufacturer to a customer or if it first offers RFPD the opportunity to purchase such products for distribution and (b) Arrow Electronics has agreed not to, and to cause its affiliates not to manufacture, distribute, market or sell any electron tubes anywhere in the world. The parties have also agreed to mutual restrictions on the solicitation of one another's employees for a period of three years from the closing, subject to certain restrictions.

Peer Group Comparison (in thousands)

Ticker	Name	Price	EV / Sales	EV / EBITDA	P/BV	P/E-CY10E	P/E-CY11E
ARW	Arrow Electronics	\$27.62	0.24	6.3	1.1	7.2	7.2
AVT	Avnet	\$28.30	0.23	6.3	1.4	8.3	8.0
WCC	Wesco International Inc.	\$42.71	0.49	11.7	1.7	18.3	14.0
NUHC*	NuHorizons Electronics	\$6.97	0.19	9.8	0.9	46.5	NA
	Median		0.24	8.0	1.3	13.3	8.0
RELL	Richardson Electronics	\$10.68	0.35	5.4	1.4	9.8	NA

Note: All figures based on trailing 12-months, except P/E-10 and PE/-11 based on consensus estimates

Prices as of 10/21/10

* Proposed buy-out by Arrow Electronics for \$7/share

	Q1 FY 2011			
	As Reported	RFPD(1)	Adjust(2)	Proforma
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 31,982	\$ —	\$ 185,000	\$ 216,982
Receivables	102,037	75,064		26,973
Inventories	85,564	58,916		26,648
Prepaid Expenses(3)	4,758	609		4,149
Deferred Income Taxes	2,251	—		2,251
Total Current Assets	226,592	134,589	185,000	277,003
PPE Net (4)	16,207	10,900		5,307
Deferred financing costs, net	—	—		—
Non-Current Deferred Income Taxes	3,790	—		3,790
Other non-current assets	319	—		319
Total Other Assets	20,316	10,900	—	9,416
TOTAL ASSETS	\$ 246,908	\$ 145,489	\$ 185,000	\$ 286,419
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts Payable(5)	\$ 61,169	\$ 44,826		\$ 16,343
Accrued Liabilities(6)	18,732	14,086		4,646
Current Portion of Long-Term Debt	22,000	—		22,000
Total Current Liabilities	101,901	58,912	—	42,989
Long-term debt	—	—		—
Long-term income tax liabilities	3,417	—		3,417
Non-Current Liabilities	1,637	—		1,637
Total Non-Current Liabilities	5,054	—	—	5,054
Total Liabilities	\$ 106,955	\$ 58,912	\$ —	\$ 48,043
Total Shareholder Equity	\$ 139,953	\$ 86,577	\$ 185,000	\$ 238,376
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 246,908	\$ 145,489	\$ 185,000	\$ 286,419

-1

RFPD assets and liabilities are those that have been specifically identified as RFPD and excludes all other assets and liabilities that are identified as general Richardson Electronics assets and liabilities or specific to other divisions of Richardson Electronics.

-2

Represents net cash proceeds received at the close of the transaction, consisting of gross proceeds of \$210 million less estimated taxes of \$25 million.

-3

RFPD prepaid expenses relate specifically to computer support and maintenance costs to be transferred in connection with the Transaction.

-4

RFPD Property, Plant and Equipment ("PP&E") includes an estimated net book value of PP&E to be transferred in connection with the Transaction.

-5

RFPD Accounts Payable are defined as RFPD's trade accounts payable and include amounts related to inventory purchases, vendor incentive programs, and in-transit inventory.

-6

RFPD Accrued Liabilities are non-trade liabilities specifically associated with RFPD that are not transferring in connection with the Transaction and include estimated amounts related to RFPD employee compensation and benefits and related payroll tax liabilities, unearned revenue, accrued freight costs, accrued tax, and other RFPD non-trade liabilities.

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