



Press Release

For Immediate Release

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RICHARDSON ELECTRONICS REPORTS SECOND QUARTER FISCAL 2014 RESULTS AND DECLARES QUARTERLY CASH DIVIDEND

LaFox, IL, January 8, 2014: Richardson Electronics, Ltd. (NASDAQ: RELL), today reported sales and earnings for its second quarter ended November 30, 2013. The Company also announced that its Board of Directors declared a \$0.06 per share quarterly cash dividend.

Net sales for the second quarter of fiscal 2014 were \$35.4 million, a 3.2% decrease compared to net sales of \$36.6 million in the prior year. Sales for the company's EDG business were flat while sales for Canvys were down 10.9%, compared to the prior year's quarter. Gross margin increased to \$11.0 million, or 31.1% of net sales during the second quarter of fiscal 2014, compared to \$10.7 million, or 29.3% of net sales during fiscal 2013. Operating expenses were \$10.5 million for the second quarter of fiscal 2014, compared to \$10.2 million for the second quarter of fiscal 2013. Operating income for the second quarters of fiscal 2014 and 2013 remained flat at \$0.5 million.

Income from continuing operations for the second quarters of fiscal 2014 and 2013 was \$0.6 million, or \$0.04 per diluted common share.

"We remain committed to our strategy of building a strong platform for growth that allows us to leverage our global distribution network to drive profit improvement. While we see some economic improvements in China and Europe, we expect challenging conditions to continue so we will closely manage our expenses and working capital investment. Our balance sheet is strong which provides financial flexibility to invest in our growth initiatives, return capital to shareholders, and acquire businesses to diversify our portfolio," said Edward J. Richardson, Chairman, Chief Executive Officer and President.

"We believe our third quarter sales should be in the range of \$34 to \$36 million. Our goal is to build our business to achieve sustainable growth over the long term," said Mr. Richardson.

FINANCIAL SUMMARY - THREE MONTHS ENDED NOVEMBER 30, 2013

- Net sales for the second quarter of fiscal 2014 were \$35.4 million, down 3.2%, compared to net sales of \$36.6 million during the second quarter of fiscal 2013.
- Gross margin increased to 31.1% during the second quarter of fiscal 2014 compared to 29.3% during last year's second quarter.
- Selling, general, and administrative expenses increased slightly to \$10.5 million, or 29.6% of net sales for the second quarter of fiscal 2014 compared to \$10.2 million for the second quarter of fiscal 2013, or 27.9% of net sales.

- Operating income during the second quarter of fiscal 2014 and 2013 was \$0.5 million, or 1.5% and 1.4% of net sales, respectively.
- Income from continuing operations for during the second quarter of fiscal 2014 and fiscal 2013 was \$0.6 million, or \$0.04 per diluted common share.
- Loss from discontinued operations, net of tax, was \$0.1 million during the second quarter of fiscal 2014 compared to \$0.2 million during the second quarter of fiscal 2013.
- Net income during the second quarter of fiscal 2014 was \$0.5 million, or \$0.03 per diluted common share, compared to net income of \$0.4 million, or \$0.03 per diluted common share, during the second quarter of fiscal 2013, .

FINANCIAL SUMMARY – SIX MONTHS ENDED NOVEMBER 30, 2013

- Net sales for the first six months of fiscal 2014 were \$69.7 million, down 3.5%, compared to net sales of \$72.3 million during the first six months of fiscal 2013.
- Gross margin increased to 30.4% during the first six months of fiscal 2014 compared to 29.6% during the first six months of fiscal 2013.
- Selling, general, and administrative expenses slightly increased to \$20.5 million, or 29.5% of net sales, for the first six months of fiscal 2014 compared to \$20.4 million, or 28.2% of net sales, for the first six months of fiscal 2013.
- Operating income during the first six months of fiscal 2014 was \$0.7 million, or 0.9% of net sales, compared to an operating income of \$1.0 million, or 1.4% of net sales, during the first six months of fiscal 2013.
- Income from continuing operations during the first six months of fiscal 2014 was \$2.6 million, or \$0.18 per diluted common share, versus \$1.3 million, or \$0.08 per diluted common share, during the first six months of fiscal 2013.
- Loss from discontinued operations, net of tax, was \$0.1 million, during the first six months of fiscal 2014, compared to \$0.3 million during the first six months of fiscal 2013.
- Net income during the first six months of fiscal 2014 was \$2.5 million, or \$0.17 per diluted common share, compared to net income of \$1.0 million, or \$0.06 per diluted common share, during the first six months of fiscal 2013.

CASH DIVIDEND AND SHARE REPURCHASES

The Company also announced today that its Board of Directors declared a \$0.06 quarterly dividend per share to holders of common stock and a \$0.054 cash dividend per share to holders of Class B common stock. The dividend will be payable on February 21, 2014, to common stockholders of record on February 7, 2014.

“Cash and investments at the end of our second quarter were \$134.1 million. We used \$2.0 million to repurchase 0.2 million shares during the second quarter. As of today, the Company currently has 11.8 million outstanding shares of common stock and 2.2 million outstanding shares of Class B common stock. With our strong balance sheet, we are committed to returning value to our shareholders,” said Mr. Richardson.

CONFERENCE CALL INFORMATION

On Thursday, January 9, 2014, at 9:00 a.m. CT, Edward J. Richardson, Chairman and Chief Executive Officer, and Kathleen S. Dvorak, Chief Financial Officer, will host a conference call to discuss the Company's second quarter results for fiscal 2014. A question and answer session will be included as part of the call's agenda. To listen to the call, please dial (888) 339-2688 and enter passcode 24209746 approximately five minutes prior to the start of the call. A replay of the call will be available beginning at 11:00 a.m. CT on January 9, 2014, for seven days. The telephone numbers for the replay are (USA) (888) 286-8010 and (International) (617) 801-6888; passcode 34766989.

FORWARD-LOOKING STATEMENTS

This release includes certain "forward-looking" statements as defined by the Securities and Exchange Commission. Statements in this press release regarding the Company's business which are not historical facts represent "forward-looking" statements that involve risks and uncertainties. For a discussion of such risks and uncertainties, which could cause actual results to differ from those contained in the forward-looking statements, see Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K filed on July 26, 2013. The Company assumes no responsibility to update the "forward-looking" statements in this release as a result of new information, future events, or otherwise.

ABOUT RICHARDSON ELECTRONICS, LTD.

Richardson Electronics, Ltd. is a leading global provider of engineered solutions, power grid and microwave tubes and related consumables, and customized display solutions serving customers in the alternative energy, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. The Company's strategy is to provide specialized technical expertise and "engineered solutions" based on our core engineering and manufacturing capabilities. The Company provides solutions and adds value through design-in support, systems integration, prototype design and manufacturing, testing, logistics, and aftermarket technical service and repair. More information is available online at www.rell.com.

Richardson Electronics common stock trades on the NASDAQ Global Select Market under the ticker symbol RELL.

Richardson Electronics, Ltd.
Consolidated Balance Sheets
(in thousands, except per share amounts)

| | Unaudited | Audited |
|--|---------------------|-------------------|
| | November 30, | June 1, |
| | 2013 | 2013 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 92,646 | \$ 102,002 |
| Accounts receivable, less allowance of \$1,167 and \$1,092 | 20,216 | 18,268 |
| Inventories | 35,296 | 33,975 |
| Prepaid expenses and other assets | 1,453 | 1,155 |
| Deferred income taxes | 1,983 | 1,856 |
| Income tax receivable | 3,321 | 6,429 |
| Investments—current | 39,508 | 38,971 |
| Discontinued operations—assets | 356 | 303 |
| Total current assets | 194,779 | 202,959 |
| Non-current assets: | | |
| Property, plant and equipment, net | 5,935 | 5,073 |
| Goodwill | 1,633 | 1,519 |
| Other intangibles | 881 | 908 |
| Non-current deferred income taxes | 1,477 | 1,398 |
| Investments—non-current | 1,991 | 5,461 |
| Total non-current assets | 11,917 | 14,359 |
| Total assets | \$ 206,696 | \$ 217,318 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 12,152 | \$ 14,255 |
| Accrued liabilities | 7,472 | 9,566 |
| Discontinued operations—liabilities | — | 245 |
| Total current liabilities | 19,624 | 24,066 |
| Non-current liabilities: | | |
| Long-term income tax liabilities | 6,249 | 6,726 |
| Other non-current liabilities | 1,284 | 1,287 |
| Total non-current liabilities | 7,533 | 8,013 |
| Total liabilities | 27,157 | 32,079 |
| Commitments and contingencies | | |
| | — | — |
| Stockholders' equity | | |
| Common stock, \$0.05 par value; issued 11,828 shares at November 30, 2013, and 12,263 shares at June 1, 2013 | 591 | 613 |
| Class B common stock, convertible, \$0.05 par value; issued 2,191 shares at November 30, 2013 and 2,491 shares at June 1, 2013 | 110 | 125 |
| Preferred stock, \$1.00 par value, no shares issued | — | — |
| Additional paid-in-capital | 65,760 | 73,979 |
| Common stock in treasury, at cost, 0 shares at November 30, 2013, and 9 shares at June 1, 2013 | — | (105) |
| Retained earnings | 102,623 | 101,816 |
| Accumulated other comprehensive income | 10,455 | 8,811 |
| Total stockholders' equity | 179,539 | 185,239 |
| Total liabilities and stockholders' equity | \$ 206,696 | \$ 217,318 |

Richardson Electronics, Ltd.
Unaudited Consolidated Statements of Comprehensive Income
(in thousands, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|----------------------|---------------------|----------------------|---------------------|
| | November 30, 2013 | December 1, 2012 | November 30, 2013 | December 1, 2012 |
| Net Sales | \$ 35,436 | \$ 36,603 | \$ 69,693 | \$ 72,253 |
| Cost of Sales | 24,429 | 25,861 | 48,494 | 50,865 |
| Gross profit | 11,007 | 10,742 | 21,199 | 21,388 |
| Selling, general, and administrative expenses | 10,473 | 10,228 | 20,542 | 20,377 |
| (Gain) loss on disposal of assets | — | 2 | — | (2) |
| Operating income | 534 | 512 | 657 | 1,013 |
| Other (income) expense: | | | | |
| Investment/interest income | (255) | (352) | (520) | (735) |
| Foreign exchange (gain) loss | (14) | 297 | 92 | 260 |
| Proceeds from legal settlement | — | — | (2,115) | — |
| Other, net | 15 | (42) | (15) | (65) |
| Total other income | (254) | (97) | (2,558) | (540) |
| Income from continuing operations before income taxes | 788 | 609 | 3,215 | 1,553 |
| Income tax provision | 157 | 28 | 605 | 238 |
| Income from continuing operations | 631 | 581 | 2,610 | 1,315 |
| Loss from discontinued operations, net of tax | (107) | (203) | (118) | (290) |
| Net income | 524 | 378 | 2,492 | 1,025 |
| Foreign currency translation gain, net of tax | 1,196 | 1,547 | 1,621 | 1,947 |
| Fair value adjustments on investments | 22 | 4 | 23 | 5 |
| Comprehensive income | \$ 1,742 | \$ 1,929 | \$ 4,136 | \$ 2,977 |
| <u>Net income per Common share - Basic:</u> | | | | |
| Income from continuing operations | \$ 0.05 | \$ 0.04 | \$ 0.19 | \$ 0.09 |
| Loss from discontinued operations | (0.01) | (0.01) | (0.01) | (0.02) |
| Total net income per Common share - Basic: | \$ 0.04 | \$ 0.03 | \$ 0.18 | \$ 0.07 |
| <u>Net income per Class B common share - Basic:</u> | | | | |
| Income from continuing operations | \$ 0.04 | \$ 0.03 | \$ 0.17 | \$ 0.08 |
| Loss from discontinued operations | (0.01) | (0.01) | (0.01) | (0.02) |
| Total net income per Class B common share - Basic: | \$ 0.03 | \$ 0.02 | \$ 0.16 | \$ 0.06 |
| <u>Net income per Common share - Diluted:</u> | | | | |
| Income from continuing operations | \$ 0.04 | \$ 0.04 | \$ 0.18 | \$ 0.08 |
| Loss from discontinued operations | (0.01) | (0.01) | (0.01) | (0.02) |
| Total net income per Common share - Diluted: | \$ 0.03 | \$ 0.03 | \$ 0.17 | \$ 0.06 |
| <u>Net income per Class B common share - Diluted:</u> | | | | |
| Income from continuing operations | \$ 0.04 | \$ 0.03 | \$ 0.17 | \$ 0.08 |
| Loss from discontinued operations | (0.01) | (0.01) | (0.01) | (0.02) |
| Total net income per Class B common share - Diluted: | \$ 0.03 | \$ 0.02 | \$ 0.16 | \$ 0.06 |
| Weighted average number of shares: | | | | |
| Common shares - Basic | 11,871 | 12,437 | 11,997 | 12,604 |
| Class B common shares - Basic | 2,191 | 2,812 | 2,309 | 2,863 |
| Common shares - Diluted | 14,185 | 15,345 | 14,433 | 15,567 |
| Class B common shares - Diluted | 2,191 | 2,812 | 2,309 | 2,863 |
| Dividends per common share | \$ 0.060 | \$ 0.060 | \$ 0.120 | \$ 0.120 |
| Dividends per Class B common share | \$ 0.054 | \$ 0.054 | \$ 0.108 | \$ 0.108 |

Richardson Electronics, Ltd.
Unaudited Consolidated Statements of Cash Flows
(in thousands)

| | Three Months Ended | | Six Months Ended | |
|---|----------------------|---------------------|----------------------|---------------------|
| | November 30, 2013 | December 1, 2012 | November 30, 2013 | December 1, 2012 |
| Operating activities: | | | | |
| Net income | 524 | 378 | 2,492 | 1,025 |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 273 | 266 | 521 | 565 |
| Gain on sale of investments | (12) | (1) | (19) | (21) |
| (Gain) loss on disposal of assets | — | 2 | — | (2) |
| Share-based compensation expense | 270 | 208 | 384 | 332 |
| Deferred income taxes | (108) | (7) | (167) | (8) |
| Change in assets and liabilities, net of effect of acquired businesses: | | | | |
| Accounts receivable | (508) | (758) | (1,726) | (1,404) |
| Income tax receivable | 357 | 36 | 3,108 | 191 |
| Inventories | 310 | 2,265 | (140) | 1,715 |
| Prepaid expenses and other assets | (430) | 196 | (274) | (426) |
| Accounts payable | 317 | 2,664 | (2,230) | 1,234 |
| Accrued liabilities | (565) | 806 | (2,455) | (200) |
| Long-term income tax liabilities | (235) | 4 | (477) | (317) |
| Other | 56 | 148 | 47 | 190 |
| Net cash provided by (used in) operating activities | 249 | 6,207 | (936) | 2,874 |
| Investing activities: | | | | |
| Cash consideration paid for acquired businesses | — | (2,557) | (973) | (2,557) |
| Capital expenditures | (540) | (478) | (981) | (557) |
| Proceeds from sale of assets | — | — | — | 4 |
| Proceeds from maturity of investments | 14,044 | 39,763 | 54,532 | 97,510 |
| Purchases of investments | (11,458) | (23,838) | (51,552) | (75,562) |
| Proceeds from sales of available-for-sale securities | 20 | 83 | 76 | 137 |
| Purchases of available-for-sale securities | (20) | (83) | (76) | (137) |
| Other | 22 | — | 91 | — |
| Net cash provided by investing activities | 2,068 | 12,890 | 1,117 | 18,838 |
| Financing activities: | | | | |
| Repurchase of common stock | (2,025) | (5,998) | (8,725) | (11,550) |
| Proceeds from issuance of common stock | 100 | 72 | 171 | 83 |
| Cash dividends paid | (828) | (1,799) | (1,685) | (1,799) |
| Other | — | — | 1 | — |
| Net cash used in financing activities | (2,753) | (7,725) | (10,238) | (13,266) |
| Effect of exchange rate changes on cash and cash equivalents | 552 | 908 | 701 | 1,179 |
| Increase/ (decrease) in cash and cash equivalents | 116 | 12,280 | (9,356) | 9,625 |
| Cash and cash equivalents at beginning of period | 92,530 | 41,238 | 102,002 | 43,893 |
| Cash and cash equivalents at end of period | \$ 92,646 | \$ 53,518 | \$ 92,646 | \$ 53,518 |

Richardson Electronics, Ltd.
Net Sales and Gross Profit
For the Second Quarter and First Six Months of Fiscal 2014 and Fiscal 2013
(in thousands)

By Strategic Business Unit:

| <u>Net Sales</u> | QTD | | QTD | |
|------------------|---------|--------|---------|----------------|
| | FY 2014 | | FY 2013 | % Change |
| EDG | \$ | 26,163 | \$ | 26,186 (0.1)% |
| Canvys | | 9,273 | | 10,417 (11.0)% |
| Total | \$ | 35,436 | \$ | 36,603 (3.2)% |

| | YTD | | YTD | |
|--------|---------|--------|---------|----------------|
| | FY 2014 | | FY 2013 | % Change |
| EDG | \$ | 51,642 | \$ | 51,813 (0.3)% |
| Canvys | | 18,051 | | 20,440 (11.7)% |
| Total | \$ | 69,693 | \$ | 72,253 (3.5)% |

| <u>Gross Profit</u> | QTD | | QTD | |
|---------------------|---------|----------------|---------|----------------|
| | FY 2014 | % of Net Sales | FY 2013 | % of Net Sales |
| EDG | \$ | 8,507 32.5% | \$ | 7,930 30.3% |
| Canvys | | 2,500 27.0% | | 2,812 27.0% |
| Total | \$ | 11,007 31.1% | \$ | 10,742 29.3% |

| | YTD | | YTD | |
|--------|---------|----------------|---------|----------------|
| | FY 2014 | % of Net Sales | FY 2013 | % of Net Sales |
| EDG | \$ | 16,366 31.7% | \$ | 15,930 30.7% |
| Canvys | | 4,833 26.8% | | 5,458 26.7% |
| Total | \$ | 21,199 30.4% | \$ | 21,388 29.6% |