



## Press Release

**For Immediate Release**

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### **RICHARDSON ELECTRONICS REPORTS SECOND QUARTER FISCAL 2016 RESULTS AND DECLARES QUARTERLY CASH DIVIDEND**

**LaFox, IL, January 6, 2016:** Richardson Electronics, Ltd. (NASDAQ: RELL) today reported financial results for its second quarter ended November 28, 2015. 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 2016 were \$34.1 million, a 0.7% increase, compared to net sales of \$33.8 million in the prior year. The sales increase primarily reflects growth in the Healthcare business of 163.2%, which included the net sales for International Medical Equipment Systems ("IMES"), acquired in June of this year. Gross margin decreased to \$10.4 million, or 30.6% of net sales during the second quarter of fiscal 2016, compared to \$10.5 million, or 30.9% of net sales during the second quarter of fiscal 2015.

Operating expenses increased to \$13.2 million for the second quarter of fiscal 2016, compared to \$12.6 million for the second quarter of fiscal 2015. The \$0.6 million increase in expenses is due to the expenses of IMES, investments in the Richardson Healthcare and PMT business units, partially offset by decreases in support function costs.

As a result, operating loss for the second quarter of fiscal 2016 was \$2.5 million, compared to an operating loss for the second quarter of fiscal 2015 of \$2.2 million.

Other income for the second quarter of fiscal 2016 was \$0.5 million, compared to income of \$0.2 million for the second quarter of fiscal 2015.

The income tax provision of \$0.3 million during the second quarter of fiscal 2016 reflects the provision for estimated foreign taxes as well as the valuation allowance recorded against the net operating loss in the U.S.

Net loss for the second quarter of fiscal 2016 was \$2.3 million, compared to net loss of \$1.1 million during the second quarter of last year.

#### **FINANCIAL SUMMARY – SIX MONTHS ENDED NOVEMBER 28, 2015**

- Net sales for the first six months of fiscal 2016 were \$71.2 million, an increase of 3.8%, compared to net sales of \$68.5 million during the first six months of fiscal 2015.

- Gross margin decreased to 30.5% during the first six months of fiscal 2016, compared to 30.8% from the first six months of fiscal 2015.
- Selling, general, and administrative expenses increased to \$25.5 million, or 35.8% of net sales for the first six months of fiscal 2016, compared to \$23.8 million, or 34.7% of net sales, for the first six months of fiscal 2015.
- Operating loss during the first six months of fiscal 2016 was \$3.5 million, compared to operating loss of \$2.7 million during the first six months of fiscal 2015.
- Net loss for the first six months of fiscal 2016 was \$3.7 million, compared to net loss of \$1.1 million during the first six months of fiscal 2015.

## **CASH DIVIDEND**

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 24, 2016, to common stockholders of record on February 8, 2016.

Cash and investments at the end of our second quarter of fiscal 2016 were \$79.5 million. During the second quarter of fiscal 2016, the Company repurchased 288,000 shares of its common stock. As of today, the Company has 10.7 million outstanding shares of common stock and 2.1 million outstanding shares of Class B common stock.

## **OUTLOOK**

“With half of the fiscal year behind us and significant investments in our management team and growth initiatives, everyone is focused on sales growth,” said Edward J. Richardson, Chairman, Chief Executive Officer, and President. “Since the end of second quarter of fiscal 2016, backlog has increased appreciably with several million dollar orders that will ship this fiscal year. In addition, we continue to explore acquisitions that are in line with our initiatives, but where we can’t find suitable targets, we will invest organically,” Mr. Richardson concluded.

## **CONFERENCE CALL INFORMATION**

On Thursday, January 7, 2016, at 9:00 a.m. CT, Edward J. Richardson, Chairman and Chief Executive Officer, and Robert J. Ben, Chief Financial Officer, will host a conference call to discuss the Company's second quarter results for fiscal 2016. 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 10252773 approximately five minutes prior to the start of the call. A replay of the call will be available beginning at 12:00 a.m. CT on January 8, 2016, for seven days. The telephone numbers for the replay are (USA) (888) 286-8010 and (International) (617) 801-6888; passcode 20640822.

## **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 28, 2015. 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; power conversion and RF and microwave components; high value displays, flat panel detector solutions and replacement parts for diagnostic imaging equipment; and customized display solutions. We serve customers in the alternative energy, healthcare, 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 through its global infrastructure. More information is available at [www.rell.com](http://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)*

|  | <u>Unaudited</u><br>November 28,<br>2015 | <u>Audited</u><br>May 30,<br>2015 |
|--|--|-----------------------------------|
| <b>Assets</b>  |  |                                   |
| <b>Current assets:</b>   |  |                                   |
| Cash and cash equivalents  | \$ 67,863                                | \$ 74,535                         |
| Accounts receivable, less allowance of \$283   | 21,041                                   | 20,753                            |
| Inventories, net   | \$ 43,126                                | \$ 38,769                         |
| Prepaid expenses and other assets  | 2,111                                    | 1,696                             |
| Deferred income taxes  | \$ 637                                   | \$ 804                            |
| Income tax receivable  | 265                                      | 929                               |
| Investments - current  | 3,719                                    | 23,692                            |
| <b>Total current assets</b>  | <b>138,762</b>                           | <b>161,178</b>                    |
| <b>Non-current assets:</b>   |  |                                   |
| Property, plant and equipment, net   | 10,893                                   | 10,081                            |
| Goodwill   | 6,271                                    | —                                 |
| Intangible assets, net   | 3,861                                    | 743                               |
| Non-current deferred income taxes  | 1,164                                    | 1,443                             |
| Investments - non-current  | 7,897                                    | 11,549                            |
| <b>Total non-current assets</b>  | <b>30,086</b>                            | <b>23,816</b>                     |
| <b>Total assets</b>  | <b>\$ 168,848</b>                        | <b>\$ 184,994</b>                 |
| <b>Liabilities and Stockholders' Equity</b>  |  |                                   |
| <b>Current liabilities:</b>  |  |                                   |
| Accounts payable   | 13,583                                   | 15,768                            |
| Accrued liabilities  | 8,866                                    | 10,144                            |
| <b>Total current liabilities</b>   | <b>22,449</b>                            | <b>25,912</b>                     |
| <b>Non-current liabilities:</b>  |  |                                   |
| Non-current deferred income tax liabilities  | 1,019                                    | 1,209                             |
| Other non-current liabilities  | 743                                      | 1,221                             |
| <b>Total non-current liabilities</b>   | <b>1,762</b>                             | <b>2,430</b>                      |
| <b>Total liabilities</b>   | <b>24,211</b>                            | <b>28,342</b>                     |
| <b>Stockholders' equity</b>  |  |                                   |
| Common stock, \$0.05 par value; issued 10,698 shares at November 28, 2015, and 11,530 shares at May 30, 2015                       | 535                                      | 577                               |
| Class B common stock, convertible, \$0.05 par value; issued and outstanding 2,141 shares at November 28, 2015, and at May 30, 2015 | 107                                      | 107                               |
| Preferred stock, \$1.00 par value, no shares issued  | —  | —                                 |
| Additional paid-in-capital   | 58,715                                   | 63,252                            |
| Common stock in treasury, at cost, no shares at November 28, 2015, and at May 30, 2015   | —  | —                                 |
| Retained earnings  | 83,889                                   | 89,141                            |
| Accumulated other comprehensive income   | 1,391                                    | 3,575                             |
| <b>Total stockholders' equity</b>  | <b>144,637</b>                           | <b>156,652</b>                    |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 168,848</b>                        | <b>\$ 184,994</b>                 |

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

|  | Three Months Ended   |                      | Six Months Ended     |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | November 28,<br>2015 | November 29,<br>2014 | November 28,<br>2015 | November 29,<br>2014 |
| <b>Statements of Comprehensive Loss</b>                      |                      |                      |                      |                      |
| Net sales  | \$ 34,086            | \$ 33,841            | \$ 71,157            | \$ 68,540            |
| Cost of sales  | 23,651               | 23,379               | 49,460               | 47,420               |
| <b>Gross profit</b>  | <b>10,435</b>        | <b>10,462</b>        | <b>21,697</b>        | <b>21,120</b>        |
| Selling, general, and administrative expenses                | 13,200               | 12,621               | 25,467               | 23,803               |
| (Gain) loss on disposal of assets                            | (243)                | —                    | (244)                | 9                    |
| <b>Operating loss</b>  | <b>(2,522)</b>       | <b>(2,159)</b>       | <b>(3,526)</b>       | <b>(2,692)</b>       |
| Other (income) expense:                                      |                      |                      |                      |                      |
| Investment/interest income                                   | (111)                | (249)                | (302)                | (505)                |
| Foreign exchange (gain) loss                                 | (339)                | 47                   | (157)                | (10)                 |
| Other, net   | (49)                 | (14)                 | (13)                 | (16)                 |
| <b>Total other income</b>                                    | <b>(499)</b>         | <b>(216)</b>         | <b>(472)</b>         | <b>(531)</b>         |
| Loss from continuing operations before income taxes          | (2,023)              | (1,943)              | (3,054)              | (2,161)              |
| Income tax provision (benefit)                               | 263                  | (799)                | 631                  | (934)                |
| Loss from continuing operations                              | (2,286)              | (1,144)              | (3,685)              | (1,227)              |
| Income from discontinued operations, net of tax              | —                    | 87                   | —                    | 87                   |
| <b>Net loss</b>  | <b>(2,286)</b>       | <b>(1,057)</b>       | <b>(3,685)</b>       | <b>(1,140)</b>       |
| Foreign currency translation loss, net of tax                | (1,649)              | (2,993)              | (2,152)              | (3,961)              |
| Fair value adjustments on investments gain (loss)            | 28                   | —                    | (32)                 | 25                   |
| <b>Comprehensive loss</b>                                    | <b>\$ (3,907)</b>    | <b>\$ (4,050)</b>    | <b>\$ (5,869)</b>    | <b>\$ (5,076)</b>    |
| <u>Net income (loss) per Common share - Basic:</u>           |                      |                      |                      |                      |
| Loss from continuing operations                              | \$ (0.18)            | \$ (0.08)            | \$ (0.28)            | \$ (0.09)            |
| Income from discontinued operations                          | —                    | 0.01                 | —                    | 0.01                 |
| <b>Total loss per Common share - Basic:</b>                  | <b>\$ (0.18)</b>     | <b>\$ (0.07)</b>     | <b>\$ (0.28)</b>     | <b>\$ (0.08)</b>     |
| <u>Net income (loss) per Class B common share - Basic:</u>   |                      |                      |                      |                      |
| Loss from continuing operations                              | \$ (0.16)            | \$ (0.07)            | \$ (0.25)            | \$ (0.08)            |
| Income from discontinued operations                          | —                    | 0.01                 | —                    | 0.01                 |
| <b>Total loss per Class B common share - Basic:</b>          | <b>\$ (0.16)</b>     | <b>\$ (0.06)</b>     | <b>\$ (0.25)</b>     | <b>\$ (0.07)</b>     |
| <u>Net income (loss) per Common share - Diluted:</u>         |                      |                      |                      |                      |
| Loss from continuing operations                              | \$ (0.18)            | \$ (0.08)            | \$ (0.28)            | \$ (0.09)            |
| Income from discontinued operations                          | —                    | 0.01                 | —                    | 0.01                 |
| <b>Total loss per Common share - Diluted:</b>                | <b>\$ (0.18)</b>     | <b>\$ (0.07)</b>     | <b>\$ (0.28)</b>     | <b>\$ (0.08)</b>     |
| <u>Net income (loss) per Class B common share - Diluted:</u> |                      |                      |                      |                      |
| Loss from continuing operations                              | \$ (0.16)            | \$ (0.07)            | \$ (0.25)            | \$ (0.08)            |
| Income from discontinued operations                          | —                    | 0.01                 | —                    | 0.01                 |
| <b>Total loss per Class B common share - Diluted:</b>        | <b>\$ (0.16)</b>     | <b>\$ (0.06)</b>     | <b>\$ (0.25)</b>     | <b>\$ (0.07)</b>     |
| <b>Weighted average number of shares:</b>                    |                      |                      |                      |                      |
| Common shares - Basic  | 10,742               | 11,770               | 11,114               | 11,797               |
| Class B common shares - Basic                                | 2,141                | 2,141                | 2,141                | 2,161                |
| Common shares - Diluted                                      | 10,742               | 11,770               | 11,114               | 11,797               |
| Class B common shares - Diluted                              | 2,141                | 2,141                | 2,141                | 2,161                |
| <b>Dividends per common share</b>                            | <b>\$ 0.060</b>      | <b>\$ 0.060</b>      | <b>\$ 0.120</b>      | <b>\$ 0.120</b>      |
| <b>Dividends per Class B common share</b>                    | <b>\$ 0.054</b>      | <b>\$ 0.054</b>      | <b>\$ 0.108</b>      | <b>\$ 0.108</b>      |

|   | Three Months Ended   |                      | Six Months Ended     |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | November 28,<br>2015 | November 29,<br>2014 | November 28,<br>2015 | November 29,<br>2014 |
| <b>Operating activities:</b>  |                      |                      |                      |                      |
| <b>Net loss</b>   | \$ (2,286)           | \$ (1,057)           | \$ (3,685)           | \$ (1,140)           |
| Adjustments to reconcile net loss to cash used in operating activities: |                      |                      |                      |                      |
| Depreciation and amortization   | 797                  | 443                  | 1,282                | 809                  |
| Gain on sale of investments   | (8)                  | (6)                  | (19)                 | (9)                  |
| Gain on disposal of assets  | (243)                | (26)                 | (244)                | (26)                 |
| Share-based compensation expense  | 225                  | 266                  | 315                  | 386                  |
| Deferred income taxes   | 254                  | (88)                 | 255                  | (167)                |
| Change in assets and liabilities, net of effect of acquired business:   |                      |                      |                      |                      |
| Accounts receivable   | 2,554                | 78                   | 29                   | (294)                |
| Income tax receivable   | 116                  | 580                  | 664                  | 2,888                |
| Inventories, net  | (2,879)              | (2,151)              | (3,472)              | (4,261)              |
| Prepaid expenses and other assets                                       | 137                  | (1,038)              | (444)                | (903)                |
| Accounts payable  | (469)                | 1,388                | (1,990)              | 1,489                |
| Accrued liabilities   | (396)                | (439)                | (1,200)              | (1,101)              |
| Non-current deferred income tax liabilities                             | (228)                | —                    | —                    | —                    |
| Long-term liabilities-accrued pension                                   | —                    | —                    | (465)                | —                    |
| Other   | 96                   | 42                   | 131                  | (7)                  |
| <b>Net cash used in operating activities</b>                            | <b>(2,330)</b>       | <b>(2,008)</b>       | <b>(8,843)</b>       | <b>(2,336)</b>       |
| <b>Investing activities:</b>  |                      |                      |                      |                      |
| Cash consideration paid for acquired business                           | —                    | —                    | (12,209)             | —                    |
| Capital expenditures  | (792)                | (1,102)              | (1,776)              | (1,936)              |
| Proceeds from sales of assets   | 402                  | —                    | 402                  | —                    |
| Proceeds from maturity of investments                                   | 7,234                | 725                  | 25,584               | 31,207               |
| Purchases of investments  | (2,151)              | (981)                | (2,151)              | (33,343)             |
| Proceeds from sales of available-for-sale securities                    | 44                   | 37                   | 144                  | 74                   |
| Purchases of available-for-sale securities                              | (44)                 | (37)                 | (144)                | (74)                 |
| Other   | (28)                 | (2)                  | 32                   | (30)                 |
| <b>Net cash provided by (used in) investing activities</b>              | <b>4,665</b>         | <b>(1,360)</b>       | <b>9,882</b>         | <b>(4,102)</b>       |
| <b>Financing activities:</b>  |                      |                      |                      |                      |
| Repurchase of common stock  | (1,707)              | (2,151)              | (5,015)              | (2,640)              |
| Proceeds from issuance of common stock                                  | 121                  | 130                  | 121                  | 288                  |
| Cash dividends paid   | (757)                | (817)                | (1,563)              | (1,645)              |
| Other   | —                    | (4)                  | (4)                  | (2)                  |
| <b>Net cash used in financing activities</b>                            | <b>(2,343)</b>       | <b>(2,842)</b>       | <b>(6,461)</b>       | <b>(3,999)</b>       |
| Effect of exchange rate changes on cash and cash equivalents            | (555)                | (1,988)              | (1,250)              | (2,429)              |
| <b>Decrease in cash and cash equivalents</b>                            | <b>(563)</b>         | <b>(8,198)</b>       | <b>(6,672)</b>       | <b>(12,866)</b>      |
| Cash and cash equivalents at beginning of period                        | 68,426               | 98,084               | 74,535               | 102,752              |
| <b>Cash and cash equivalents at end of period</b>                       | <b>\$ 67,863</b>     | <b>\$ 89,886</b>     | <b>\$ 67,863</b>     | <b>\$ 89,886</b>     |

**Richardson Electronics, Ltd.**  
**Net Sales and Gross Profit**  
**For the Second Quarter and First Six Months of Fiscal 2016 and Fiscal 2015**  
*(in thousands)*

**By Strategic Business Unit:**

| <u>Net Sales</u> | <u>Q2</u><br><u>FY 2016</u> | <u>Q2</u><br><u>FY 2015</u> | <u>% Change</u> |
|------------------|-----------------------------|-----------------------------|-----------------|
| PMT              | \$ 25,162                   | \$ 26,787                   | -6.1%           |
| Canvys           | 5,902                       | 5,906                       | -0.1%           |
| Healthcare       | 3,022                       | 1,148                       | 163.2%          |
| Total            | <u>\$ 34,086</u>            | <u>\$ 33,841</u>            | 0.7%            |

|            | <u>YTD</u><br><u>FY 2016</u> | <u>YTD</u><br><u>FY 2015</u> | <u>% Change</u> |
|------------|------------------------------|------------------------------|-----------------|
| PMT        | \$ 52,357                    | \$ 54,225                    | -3.4%           |
| Canvys     | 12,583                       | 11,874                       | 6.0%            |
| Healthcare | 6,217                        | 2,441                        | 154.7%          |
| Total      | <u>\$ 71,157</u>             | <u>\$ 68,540</u>             | 3.8%            |

| <u>Gross Profit</u> | <u>Q2</u><br><u>FY 2016</u> | <u>% of Net Sales</u> | <u>Q2</u><br><u>FY 2015</u> | <u>% of Net Sales</u> |
|---------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
| PMT                 | \$ 7,515                    | 29.9%                 | \$ 8,537                    | 31.9%                 |
| Canvys              | 1,526                       | 25.9%                 | 1,653                       | 28.0%                 |
| Healthcare          | 1,394                       | 46.1%                 | 272                         | 23.7%                 |
| Total               | <u>\$ 10,435</u>            | 30.6%                 | <u>\$ 10,462</u>            | 30.9%                 |

|            | <u>YTD</u><br><u>FY 2016</u> | <u>% of Net Sales</u> | <u>YTD</u><br><u>FY 2015</u> | <u>% of Net Sales</u> |
|------------|------------------------------|-----------------------|------------------------------|-----------------------|
| PMT        | \$ 15,653                    | 29.9%                 | \$ 17,223                    | 31.8%                 |
| Canvys     | 3,235                        | 25.7%                 | 3,309                        | 27.9%                 |
| Healthcare | 2,809                        | 45.2%                 | 588                          | 24.1%                 |
| Total      | <u>\$ 21,697</u>             | 30.5%                 | <u>\$ 21,120</u>             | 30.8%                 |