



# Richardson Electronics, Ltd. (NASDAQ: RELL)

The Spring Investor Summit  
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# Safe Harbor Statement

During the course of this presentation, the Company may make certain "forward-looking" statements as defined by the SEC. Such statements regarding the Company's business which are not historical facts represent "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those contained in the forward-looking statements due to risks and uncertainties contained under "Risk Factors" in the Company's Annual Report on Form 10-K. The Company assumes no responsibility to update the forward-looking statements as a result of new information, future events, or otherwise.

# Facts and Figures

*Founded in 1947, Richardson Electronics, Ltd. has a rich and unique history of engineering, manufacturing and distributing power grid and microwave tubes and related consumables, and customized display solutions.*

- **Global Corporate Headquarters:** La Fox, Illinois; 265K square feet facility on 100 acres
- **Raised capital through the sale of Security (2007) and RF and Wireless Components (2011) divisions**
- **Kept global infrastructure for a \$700 million company**
  - Global network of 60+ sales offices and stocking locations with legal entities in 24 countries
- **Three Business Units:** each initiated by customer requirements and defined by product offering
  - PMT: electron device group + new niche RF and power technologies
  - Canvys: custom displays for medical and industrial OEMs
  - Healthcare: replacement tubes, parts, systems and training for diagnostic imaging equipment
- **Employees:** 400+
- **Customer base:** 20,000 customers; focus is aftermarket.
- **Sales by Geography:** Nearly 60% of revenue generated outside North America
- **ISO 9001:2015; ISO13485**



- **Our Future is Healthcare:** we've invested \$35 million
  - Tried to buy Dunlee, a division of Philips, to enter X-ray CT tube market
  - Decided to build it greenfield with experienced management
  - Bought IMES in 2015
  - Launched first CT tube, ALTA750, in May 2018

# Setting the Stage for Growth

- **Raised \$238 million in 2011 with the sale of RFPD to Arrow**
- **\$193 million after tax**
- **Return to shareholders since the acquisition**
  - We repurchased \$65.6 million in shares
  - We paid \$24 million in dividends
- **We spent nearly \$20 million on acquisitions; \$12M was spent on IMES as the foundation for Healthcare**
- **We've invested more than \$20 million to date in Healthcare R&D and capital expenditures**
- **We've added key management and engineers to support our growth initiatives**
- **In FY18 we generated a profit and we are now well positioned for ongoing profitability**



# Key Growth Initiatives—Healthcare

- **Market Dynamics**

- Replacement Parts and Service Market: \$7-8B
- CT Global Install Base: 60K+
- Availability of the third party tubes allows hospitals lower cost alternative to OEM service contracts

- **Toshiba Market**

- CT Global Install Base: ~12K
- No third party replacement for Toshiba CT tubes
- Annual Toshiba Tube Replacement Opportunity: 3K-6K
- 80%+ CT Systems still under OEM service contract
- OEM Retail Tube Price: \$200K; ~ \$125K volume contract price

- **REL Target Tube Price: \$75K-\$90K at 40%+ margin**

- **Sales and growth rate dependent on speed at which Toshiba CTs are taken off OEM service contracts**

- **REL now one of six companies in the world able to make CT tubes: GE, Philips, Siemens, Toshiba and Varex**



# Key Growth Initiatives—Healthcare

- **Leverage the ALTA750™ CT tube to grow sales using P3 parts contracts**
  - 24-36 month contract; fixed monthly fee—easy to budget
  - Eliminates customer perceived risk of using a new “unproven” tube (i.e., selling insurance)
  - Creates recurring revenue for Richardson
  - Profitability of P3 contracts will improve over time as tube matures and we develop better parts repair processes
- **Ramp up pre-owned equipment sales to create additional sockets for parts, tubes, service training**
- **PL expansion into Toshiba/Canon Prime CT and One CT**
- **Secure global registrations necessary to sell ALTA750 outside of the U.S.**
- **Begin development of additional replacement CT tubes; currently we have capacity to produce up to 1K tubes/year**



# CT Tube Status Report: Production Is Up and Running!



**\$20M**  
**Investment in**  
**CapEx and R&D**



# Key Growth Initiatives—Power & Microwave Group (PMG)

- PMG is a division of PMT (EDG is core of PMT)
- Focus on technology partnerships with leaders in electron devices, power semiconductors, and RF/Microwave components and systems.
- Utilize experienced management team to drive growth in the RF, Power, and Microwave niche markets through:
  - REL global infrastructure
  - Existing strong customer and supplier relationships—RFPD was \$370 million in revenue when sold in 2011
  - Demand creation – field engineering
  - Niche products and markets
  - Disruptive technology and legacy products
- Take advantage of key opportunities for growth
  - 5G
  - Alternative energy (solar/wind)





# Key Growth Initiatives—Canvys

- **Historically Canvys has been a challenging business unit**
- **Business unit set up to spin off**
- **In 2014 we hired an experienced general manager; engineer formerly with NDS, a medical display manufacturer**
- **Focus is on new customer acquisition and identifying technologies that distinguish us from the competition**
- **FY18 was a break out year for Canvys**
  - Sales increased 30% over prior year
  - 60%+ of revenues from medical OEMs
  - Long term customer relationships
  - Blue chip customer base



# Q2 FY19 vs FY18 FYTD, FY18 and FY17 Financial Summaries

(in thousands)

	Q2 FYTD		Full Year	
	FY2019	FY2018	FY2018	FY2017
<b>Net sales</b>	<b>\$ 85,471</b>	<b>\$ 76,077</b>	<b>\$ 163,212</b>	<b>\$ 136,872</b>
Cost of sales	58,547	50,555	\$ 108,130	\$ 92,989
Gross margin	26,924	25,522	\$ 55,082	\$ 43,883
gross margin %	31.5%	33.5%	33.7%	32.1%
SG&A expenses	26,524	24,926	\$ 51,729	\$ 49,854
% of net sales	31.0%	32.8%	31.7%	36.40%
Gain on disposal of assets	-	(191)	\$ (276)	\$ -
Gain on sale of business				\$ (209)
<b>Operating income</b>	<b>400</b>	<b>787</b>	<b>\$ 3,629</b>	<b>\$ (5,762)</b>
% of net sales	0.5%	1.0%	2.2%	-4.2%
Investment/interest income	(247)	(170)	\$ (432)	\$ (234)
Foreign exchange loss	75	316	\$ 224	\$ 612
Other, net	(4)	(15)	\$ (23)	\$ (24)
Total other (income)/expense	(176)	131	\$ (231)	\$ 354
<b>Income (loss) before taxes</b>	<b>576</b>	<b>656</b>	<b>\$ 3,860</b>	<b>\$ (6,116)</b>
Income tax provision	449	596	\$ 1,534	\$ 812
<b>Income (loss) from continuing operations</b>	<b>\$ 127</b>	<b>\$ 60</b>	<b>\$ 2,326</b>	<b>\$ (6,928)</b>
% of net sales	0.1%	0.1%	1.4%	-5.1%
Income from discontinued operations, net of tax		\$ 1,496	\$ 1,496	\$ -
<b>Net income (loss)</b>	<b>\$ 127</b>	<b>\$ 1,556</b>	<b>\$ 3,822</b>	<b>\$ (6,928)</b>

**FY2018 Sales:** \$163.2 million, an increase of 19% over FY2017

- **PMT: Sales up 23%.** Growth from 5G and semiconductor wafer fab; strong tube sales
- **Canvys: Sales up 30%.** Growth from new display programs from existing and new customers
- **Healthcare:** launched ALTA750; system sales strong

**FY19 Q2 YTD Sales:** 12% year over year sales growth

- **Margin** impacted by product mix and under absorption; issues addressed in Q2/Q3
- Incremental **SG&A** associated with merit, sales growth; down as a % of sales
- Q2 FY19 includes \$500K of extraordinary severance and legal expense



## Q2 Balance Sheet Highlights

- Strong balance sheet
- No debt
- End of Q2: \$53.2 million in cash and investments



**Thank You**