

RICHARDSON ELECTRONICS LTD/DE  
Form 8-K  
October 14, 2005

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of**  
**The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) : *October 12, 2005*

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**RICHARDSON ELECTRONICS, LTD.**

(Exact name of registrant as specified in its charter)

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*Delaware*  
(State or other jurisdiction  
of incorporation)

*0-12906*  
(Commission File Number)

*36-2096643*  
(IRS Employer  
Identification No.)

*40W267 Keslinger Road, P.O. Box 393, LaFox, Illinois*

*60147-0393*

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (630) 208-2200

(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operation and Financial Condition**

On October 12, 2005, Richardson Electronics, Ltd. issued a press release reporting results for its fiscal first quarter ended September 3, 2005. A copy of the press release is furnished below:

**Richardson Reports Record Quarter Sales of \$158.1 Million for First Quarter, up 14.2% from the Prior Year**

**LaFox, IL, Wednesday, October 12, 2005:** Richardson Electronics, Ltd. (NASDAQ: RELL) today reported results for its fiscal first quarter ended September 3, 2005. Sales in the quarter were \$158.1 million, the highest quarter sales level in the Company's history, with an increase of 14.2% from the first quarter of fiscal 2005. Income before income taxes increased to \$3.8 million in the first quarter of fiscal 2006 from \$1.1 million in the same quarter last year. Net income was \$1.6 million in the quarter, or \$0.09 per diluted share, as compared with \$0.8 million, or \$0.05 per diluted share, in the same quarter last fiscal year. The first quarter of fiscal 2006 included a non-cash income tax provision of \$0.3 million, or \$0.02 per diluted share, for income tax exposures related to prior years. In addition, the first quarter of fiscal 2006 contained 14 weeks as compared with 13 weeks in the first quarter of fiscal 2005.

As previously announced, the Company acquired A.C.T. Kern GmbH & Co. KG (Kern), a leading display technology company in Europe, effective June 1, 2005. Kern's net sales of \$3.4 million for the first quarter of fiscal 2006 were included in the Company's Display Systems Group sales.

**Sales Highlights** First Quarter Fiscal 2006 as Compared with First Quarter Fiscal 2005

For the thirteenth consecutive quarter, the Company recorded year-over-year sales growth as all four strategic business units and all four geographic areas increased sales in the first quarter versus last year. The Display Systems Group led the sales growth, increasing sales 44.0% with continued strong demand for custom displays and medical monitors. Sales for RF & Wireless Communications Group grew 12.5% with year-over-year increases in network access and infrastructure products, offset somewhat by lower sales of passive/interconnect products. Industrial Power Group sales increased 9.7% in the first quarter of fiscal 2006 as tube and power component sales contributed to the growth. Sales for Security Systems Division were up 4.4% led by higher sales in Canada and private label products.

On a geographic basis, sales in Asia/Pacific increased 29.2% in the first quarter of fiscal 2006 versus last fiscal year with continued strong demand for wireless products. Sales in Latin America improved 23.3% mainly driven by higher sales of industrial power products. Sales in Europe were up 11.2% including the Kern acquisition. Sales in North America grew 10.5% as a result of higher demand for display systems in the U.S. and security systems in Canada.

Record sales in the first quarter and continued year-over-year growth in revenue are positive signs that demand for our products and engineered solutions continue to expand worldwide, said Edward J. Richardson, Chairman of the Board and Chief Executive Officer. We are committed to continuing to refine our organization, focusing on improving efficiencies and reducing costs with the goal of returning the Company to record levels of profitability.

On Thursday, October 13, 2005 at 9:00 a.m. CDT, Mr. Edward J. Richardson, Chairman and Chief Executive Officer will host a conference call to discuss the release. A question and answer session will be included as part of the call's agenda. To listen to the call, please dial 800-553-0358

approximately five minutes prior to the

start of the call. A replay of the call will be available from 12:30 p.m. on October 13, 2005 through December 3, 2005. The telephone numbers for the replay are (USA) 800-475-6701 and (International) 320-365-3844; access code 799480.

This release includes certain forward-looking statements as defined by the SEC. 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 Risk Factors in the Company's annual report on Form 10-K. 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**

Richardson Electronics, Ltd. is a global provider of engineered solutions, serving the RF and wireless communications, industrial power conversion, security and display systems markets. The Company delivers engineered solutions for its customers' needs through product manufacturing, systems integration, prototype design and manufacture, testing and logistics. Press announcements and other information about Richardson are available on the World Wide Web at <http://www.rell.com/investor.asp>.

## Richardson Electronics, Ltd.

## Condensed Consolidated Statements of Operations

(Unaudited) (in thousands, except per share amounts)

|  | Three Months Ended   |                    |
|--|----------------------|--------------------|
|  | September 3,<br>2005 | August 28,<br>2004 |
| <b>Net sales</b>                             | \$ 158,145           | \$ 138,447         |
| Cost of sales                                | 119,329              | 104,918            |
| <b>Gross margin</b>                          | 38,816               | 33,529             |
| Selling, general and administrative expenses | 33,067               | 29,216             |
| Gain on disposal of assets                   | (140)                | (10)               |
| <b>Operating income</b>                      | 5,889                | 4,323              |
| Other (income) expense:                      |                      |                    |
| Interest expense                             | 2,321                | 2,257              |
| Investment income                            | (108)                |                    |
| Foreign exchange (gain) loss                 | (137)                | 901                |
| Other, net                                   | 44                   | 37                 |
| <b>Total other expense</b>                   | 2,120                | 3,195              |
| <b>Income before income taxes</b>            | 3,769                | 1,128              |
| Income tax provision                         | 2,207                | 321                |
| <b>Net income</b>                            | \$ 1,562             | \$ 807             |
| <b>Net income per share - basic:</b>         |                      |                    |
| Net income per share                         | \$ 0.09              | \$ 0.05            |
| <b>Average shares outstanding</b>            | 17,384               | 15,872             |
| <b>Net income per share - diluted:</b>       |                      |                    |
| Net income per share                         | \$ 0.09              | \$ 0.05            |
| <b>Average shares outstanding</b>            | 17,488               | 16,124             |
| <b>Dividends per common share</b>            | \$ 0.04              | \$ 0.04            |

Certain amounts in fiscal 2005 were reclassified to conform with the fiscal 2006 presentation.

## Richardson Electronics, Ltd.

## Sales and Gross Margin

For the First Quarter Ended September 3, 2005

(In thousands, unaudited)

## By Business Unit:

|                                | Sales             |                   |              | Gross Margin     |              |                  |              |
|--------------------------------|-------------------|-------------------|--------------|------------------|--------------|------------------|--------------|
|                                | FY 2006           | FY 2005           | %            | FY 2006          | GM% of Sales | FY 2005          | GM% of Sales |
|                                |                   |                   |              |                  |              |                  |              |
| <b>First Quarter</b>           |                   |                   |              |                  |              |                  |              |
| RF and Wireless Communications | \$ 72,473         | \$ 64,427         | 12.5%        | \$ 16,308        | 22.5%        | \$ 14,670        | 22.8%        |
| Industrial Power Group         | 32,522            | 29,647            | 9.7%         | 9,904            | 30.5%        | 9,107            | 30.7%        |
| Security Systems Division      | 26,904            | 25,761            | 4.4%         | 7,014            | 26.1%        | 6,498            | 25.2%        |
| Display Systems Group          | 24,450            | 16,980            | 44.0%        | 6,015            | 24.6%        | 4,133            | 24.3%        |
| Corporate                      | 1,796             | 1,632             |              | (425)            |              | (879)            |              |
| <b>Total</b>                   | <b>\$ 158,145</b> | <b>\$ 138,447</b> | <b>14.2%</b> | <b>\$ 38,816</b> | <b>24.5%</b> | <b>\$ 33,529</b> | <b>24.2%</b> |

## By Geographic Area:

|                      | Sales             |                   |              | Gross Margin     |              |                  |              |
|----------------------|-------------------|-------------------|--------------|------------------|--------------|------------------|--------------|
|                      | FY 2006           | FY 2005           | %            | FY 2006          | GM% of Sales | FY 2005          | GM% of Sales |
|                      |                   |                   |              |                  |              |                  |              |
| <b>First Quarter</b> |                   |                   |              |                  |              |                  |              |
| North America        | \$ 82,121         | \$ 74,340         | 10.5%        | \$ 21,489        | 26.2%        | \$ 18,969        | 25.5%        |
| Europe               | 32,806            | 29,502            | 11.2%        | 9,610            | 29.3%        | 8,427            | 28.6%        |
| Asia/Pacific         | 37,200            | 28,789            | 29.2%        | 9,138            | 24.6%        | 6,716            | 23.3%        |
| Latin America        | 6,000             | 4,865             | 23.3%        | 1,522            | 25.4%        | 1,294            | 26.6%        |
| Corporate            | 18                | 951               |              | (2,943)          |              | (1,877)          |              |
| <b>Total</b>         | <b>\$ 158,145</b> | <b>\$ 138,447</b> | <b>14.2%</b> | <b>\$ 38,816</b> | <b>24.5%</b> | <b>\$ 33,529</b> | <b>24.2%</b> |

Note: Certain amounts in fiscal 2005 were reclassified to conform with the fiscal 2006 presentation. Europe includes sales and gross margins to Middle East and Africa.

Latin America includes sales and gross margins to Mexico.

*Corporate consists of freight and other non-business unit and non-area specific sales and gross margins.*



## Richardson Electronics, Ltd.

## Condensed Consolidated Balance Sheets

(in thousands, except per share amounts)

|   | Unaudited         |                   |
|---|-------------------|-------------------|
|   | September 3,      | May 28,           |
|   | 2005              | 2005              |
| <b>Assets</b>   |                   |                   |
| Current assets:   |                   |                   |
| Cash and cash equivalents   | \$ 20,285         | \$ 24,530         |
| Receivables, less allowance of \$1,924 and \$1,934  | 104,121           | 106,928           |
| Inventories   | 112,936           | 102,272           |
| Prepaid expenses  | 5,188             | 3,293             |
| Deferred income taxes   | 6,644             | 6,644             |
| <b>Total current assets</b>   | <b>249,174</b>    | <b>243,667</b>    |
| Other assets:   |                   |                   |
| Property, plant and equipment, net  | 31,597            | 31,821            |
| Goodwill  | 12,861            | 6,149             |
| Other intangible assets, net  | 1,375             | 1,018             |
| Non-current deferred income taxes   | 411               | 428               |
| Assets held for sale  | 160               |                   |
| Other assets  | 4,483             | 4,735             |
| <b>Total other assets</b>   | <b>50,887</b>     | <b>44,151</b>     |
| <b>Total assets</b>   | <b>\$ 300,061</b> | <b>\$ 287,818</b> |
| <b>Liabilities and Stockholders' Equity</b>   |                   |                   |
| Current liabilities:  |                   |                   |
| Accounts payable  | \$ 45,962         | \$ 39,305         |
| Accrued liabilities   | 23,738            | 22,731            |
| Current portion of long-term debt   | 23,451            | 22,305            |
| <b>Total current liabilities</b>  | <b>93,151</b>     | <b>84,341</b>     |
| Non-current liabilities:  |                   |                   |
| Long-term debt, less current portion  | 99,046            | 98,028            |
| Non-current liabilities   | 975               | 1,401             |
| <b>Total non-current liabilities</b>  | <b>100,021</b>    | <b>99,429</b>     |
| <b>Total liabilities</b>  | <b>193,172</b>    | <b>183,770</b>    |
| Stockholders' equity:   |                   |                   |
| Common stock, \$.05 par value; issued 15,608 shares at September 3, 2005 and 15,597 shares at May 28, 2005    | 780               | 780               |
| Class B common stock, convertible, \$.05 par value; issued 3,120 shares at September 3, 2005 and May 28, 2005 | 156               | 156               |
| Preferred stock, \$1.00 par value, no shares issued   |                   |                   |

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|   |                   |                   |
|---|-------------------|-------------------|
| Additional paid-in capital  | 120,978           | 121,591           |
| Common stock in treasury, at cost; 1,329 shares at September 3, 2005 and 1,332 shares at May 28, 2005 | (7,876)           | (7,894)           |
| Accumulated deficit   | (8,380)           | (9,942)           |
| Accumulated other comprehensive income (loss)   | 1,231             | (643)             |
|   | <u>          </u> | <u>          </u> |
| Total stockholders' equity  | 106,889           | 104,048           |
|   | <u>          </u> | <u>          </u> |
| Total liabilities and stockholders' equity  | \$ 300,061        | \$ 287,818        |
|   | <u>          </u> | <u>          </u> |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

RICHARDSON ELECTRONICS, LTD.

Date: October 14, 2005

By: /s/ David J. DeNeve

Name: David J. DeNeve  
Title: Senior Vice President and  
Chief Financial Officer