

RICHARDSON ELECTRONICS LTD/DE

Form 8-K

December 17, 2004

FORM 8K

File:20041016-FY05Q2

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K**

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

Date of Report (Date of earliest event reported) : December 16, 2004

**RICHARDSON ELECTRONICS, LTD.**

(Exact name of registrant as specified in its charter)

|                                                             |                             |                                      |
|-------------------------------------------------------------|-----------------------------|--------------------------------------|
| <u>Delaware</u>                                             | <u>0-12906</u>              | <u>36-2096643</u>                    |
| (State or other jurisdiction<br>of incorporation)           | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |
| <u>40W267 Keslinger Road, P.O. Box 393, LaFox, Illinois</u> |                             | <u>60147-0393</u>                    |
| (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.)

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))

Item 7.01 Regulation FD Disclosure

## ***For Immediate Release***

*For Details, Please Contact:*

**Ed Richardson**

Chairman and Chief Executive Officer  
Richardson Electronics, Ltd.

Phone: (630)208-2340  
E-mail: info@rell.com

**Dario Sacomani**

Senior Vice President and Chief Financial Officer  
Richardson Electronics, Ltd.

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## **Richardson Reports Record Quarter Sales of \$151 Million, up 18% from the Prior Year**

**LaFox, IL, Thursday December 16, 2004:** Richardson Electronics, Ltd. (NASDAQ: RELL) today reported results for the second quarter of fiscal 2005, which ended November 27, 2004. Sales in the quarter were \$151.4 million, the highest quarter sales level in the Company's history, and represented an increase of 18% from the second quarter of fiscal 2004. Net income was \$1.7 million, or \$0.10 per share, in the quarter compared to \$2.2 million, or \$0.15 per share, in the same quarter last year.

### *Sales Highlights - Second Quarter Fiscal 2005 Compared to Second Quarter Fiscal 2004*

The Company recorded its tenth consecutive quarter of year over year sales growth. The Display Systems Group led the sales growth in the quarter increasing sales 58.5% as custom display sales more than doubled on large project deliveries to financial and retail customers. Sales in RF/Wireless Communications increased 16.7% driven by strong growth in Asia and higher demand for passive/interconnect and network access products. Industrial Power Group sales grew 12.3% with continued growth in Asia and power component demand. Sales in the Security Systems Division were up 4.8% led by increased sales in Canada and private label products.

Geographically, the Company's sales in Asia/Pacific were up 26.3% with continued sales growth in China for wireless and industrial power products. Sales in North America grew 21.5% led by strong growth in custom display sales in the United States. Sales in Latin America increased 9.0% as all countries grew sales with particular strength in Colombia's demand for wireless products. Sales in Europe were up 6.7% led by wireless sales in England and display systems and wireless sales in Germany.

"We are pleased with the record demand for our products and solutions and with the record quarter sales levels achieved by the Display Systems Group and Security Systems Division," said Edward J. Richardson, Chairman of the Board and Chief Executive Officer. "Our earnings in the quarter were affected by incremental expenses associated with our ongoing Sarbanes-Oxley compliance program and PeopleSoft supply chain implementation. The system implementation successfully went live in early December after many years of work and investment. During the quarter, we

followed a detailed implementation plan, which included training over 250 people, expanding our network bandwidth and testing system functionality. These efforts allowed us to realize a very seamless installation without disruption to our operations. Overall, we expect increased engineered solutions demand to continue sales growth and lower operating expenses to result in improved earnings.”

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On Friday, December 17, 2004 at 9:00 a.m. CST, 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 888-423-3275 approximately five minutes prior to the start of the call. A replay of the call will be available from 12:30 p.m. on December 17, 2004 through March 23, 2005. The telephone numbers for the replay are (USA) 800-475-6701 and (International) 320-365-3844; access code 761015.

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**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS**  
**ENDED NOVEMBER 27, 2004 AND NOVEMBER 29, 2003**  
(In thousands, except per share amounts, unaudited)

|                                                 | Three months ended      |                         | Six months ended        |                         |
|-------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                                 | November<br>27,<br>2004 | November<br>29,<br>2003 | November<br>27,<br>2004 | November<br>29,<br>2003 |
| <b>Net sales</b>                                | \$ 151,374              | \$ 128,051              | \$ 289,894              | \$ 247,357              |
| Cost of products sold                           | <u>114,320</u>          | <u>97,109</u>           | <u>219,238</u>          | <u>187,300</u>          |
| <b>Gross margin</b>                             | 37,054                  | 30,942                  | 70,656                  | 60,057                  |
| Selling, general and<br>administrative expenses | <u>32,148</u>           | <u>25,495</u>           | <u>61,437</u>           | <u>51,340</u>           |
| <b>Operating income</b>                         | 4,906                   | 5,447                   | 9,219                   | 8,717                   |
| Other expenses, net                             | <u>2,623</u>            | <u>2,398</u>            | <u>5,095</u>            | <u>4,992</u>            |
| Income before income taxes                      | 2,283                   | 3,049                   | 4,124                   | 3,725                   |
| Income tax provision                            | <u>621</u>              | <u>844</u>              | <u>1,214</u>            | <u>1,128</u>            |
| <b>Net income</b>                               | <u>\$ 1,662</u>         | <u>\$ 2,205</u>         | <u>\$ 2,910</u>         | <u>\$ 2,597</u>         |
| <b>Net income per share - basic:</b>            |                         |                         |                         |                         |
| Net income per share                            | <u>\$ 0.10</u>          | <u>\$ 0.16</u>          | <u>\$ 0.18</u>          | <u>\$ 0.19</u>          |
| Average shares outstanding                      | <u>17,284</u>           | <u>13,979</u>           | <u>16,578</u>           | <u>13,952</u>           |
| <b>Net income per share - diluted:</b>          |                         |                         |                         |                         |
| Net income per share                            | <u>\$ 0.10</u>          | <u>\$ 0.15</u>          | <u>\$ 0.17</u>          | <u>\$ 0.18</u>          |
| Average shares outstanding                      | <u>17,479</u>           | <u>14,361</u>           | <u>16,801</u>           | <u>14,281</u>           |
| <b>Dividends per common share</b>               | <u>\$ 0.04</u>          | <u>\$ 0.04</u>          | <u>\$ 0.08</u>          | <u>\$ 0.08</u>          |

**RICHARDSON ELECTRONICS, LTD**  
**SALES AND GROSS MARGIN**  
**FOR SECOND QUARTER FISCAL 2005 AND 2004**  
**ENDED NOVEMBER 27, 2004 AND NOVEMBER 29, 2003**  
(In thousands, unaudited)

**By Business Unit:**

|                       | SALES             |                   |              | GROSS MARGIN     |              |                  |              |
|-----------------------|-------------------|-------------------|--------------|------------------|--------------|------------------|--------------|
|                       | FY 2005           | FY 2004           | % Change     | FY 2005          | % of Sales   | FY 2004          | % of Sales   |
| <b>Second Quarter</b> |                   |                   |              |                  |              |                  |              |
| RFWC                  | \$ 67,358         | \$ 57,705         | 16.7%        | \$ 15,661        | 23.3%        | \$ 12,846        | 22.3%        |
| IPG                   | 31,304            | 27,868            | 12.3%        | 9,527            | 30.4%        | 8,678            | 31.1%        |
| SSD                   | 27,360            | 26,109            | 4.8%         | 7,304            | 26.7%        | 6,664            | 25.5%        |
| DSG                   | 23,562            | 14,864            | 58.5%        | 5,298            | 22.5%        | 3,727            | 25.1%        |
| Other                 | 1,790             | 1,505             |              | (736)            |              | (973)            |              |
| Total                 | <u>\$ 151,374</u> | <u>\$ 128,051</u> | <u>18.2%</u> | <u>\$ 37,054</u> | <u>24.5%</u> | <u>\$ 30,942</u> | <u>24.2%</u> |

**Fiscal Year to Date**

|       |                   |                   |              |                  |              |                  |              |
|-------|-------------------|-------------------|--------------|------------------|--------------|------------------|--------------|
| RFWC  | \$ 131,785        | \$ 107,520        | 22.6%        | \$ 30,331        | 23.0%        | \$ 24,028        | 22.3%        |
| IPG   | 60,951            | 53,718            | 13.5%        | 18,634           | 30.6%        | 16,347           | 30.4%        |
| SSD   | 53,121            | 51,281            | 3.6%         | 13,802           | 26.0%        | 13,025           | 25.4%        |
| DSG   | 40,542            | 30,943            | 31.0%        | 9,431            | 23.3%        | 7,986            | 25.8%        |
| Other | 3,495             | 3,895             |              | (1,542)          |              | (1,329)          |              |
| Total | <u>\$ 289,894</u> | <u>\$ 247,357</u> | <u>17.2%</u> | <u>\$ 70,656</u> | <u>24.4%</u> | <u>\$ 60,057</u> | <u>24.3%</u> |

**By Geographic Area:**

|                       | SALES     |           |          | GROSS MARGIN |            |           |            |
|-----------------------|-----------|-----------|----------|--------------|------------|-----------|------------|
|                       | FY 2005   | FY 2004   | % Change | FY 2005      | % of Sales | FY 2004   | % of Sales |
| <b>Second Quarter</b> |           |           |          |              |            |           |            |
| North America         | \$ 79,833 | \$ 65,702 | 21.5%    | \$ 20,835    | 26.1%      | \$ 17,064 | 26.0%      |
| Europe                | 33,695    | 31,576    | 6.7%     | 9,226        | 27.4%      | 9,009     | 28.5%      |
| Asia/Pacific          | 31,777    | 25,160    | 26.3%    | 7,741        | 24.4%      | 5,648     | 22.4%      |

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|               |                   |                   |              |                  |              |                  |              |
|---------------|-------------------|-------------------|--------------|------------------|--------------|------------------|--------------|
| Latin America | 4,983             | 4,572             | 9.0%         | 1,432            | 28.7%        | 1,118            | 24.5%        |
| Corporate     | 1,086             | 1,041             |              | (2,180)          |              | (1,897)          |              |
| <b>Total</b>  | <b>\$ 151,374</b> | <b>\$ 128,051</b> | <b>18.2%</b> | <b>\$ 37,054</b> | <b>24.5%</b> | <b>\$ 30,942</b> | <b>24.2%</b> |

**Fiscal Year to Date**

|               |                   |                   |              |                  |              |                  |              |
|---------------|-------------------|-------------------|--------------|------------------|--------------|------------------|--------------|
| North America | \$ 154,218        | \$ 131,133        | 17.6%        | \$ 39,849        | 25.8%        | \$ 34,620        | 26.4%        |
| Europe        | 63,224            | 56,942            | 11.0%        | 17,680           | 28.0%        | 16,386           | 28.8%        |
| Asia/Pacific  | 60,566            | 47,490            | 27.5%        | 14,457           | 23.9%        | 10,587           | 22.3%        |
| Latin America | 9,848             | 9,677             | 1.8%         | 2,726            | 27.7%        | 2,301            | 23.8%        |
| Corporate     | 2,038             | 2,115             |              | (4,056)          |              | (3,837)          |              |
| <b>Total</b>  | <b>\$ 289,894</b> | <b>\$ 247,357</b> | <b>17.2%</b> | <b>\$ 70,656</b> | <b>24.4%</b> | <b>\$ 60,057</b> | <b>24.3%</b> |

Note: Fiscal 2004 data has been reclassified to conform with the fiscal 2005 presentation. Direct Export and a portion of Corporate have been reclassified to the identified geographic areas based on ship to location. Europe includes sales and gross margins to Middle East and Africa. Corporate consists of freight and other non-area specific sales and gross margins.

**RICHARDSON ELECTRONICS, LTD**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

|                                             | As of                |                   |
|---------------------------------------------|----------------------|-------------------|
|                                             | November 27,<br>2004 | May 29,<br>2004   |
| (unaudited)                                 |                      |                   |
| <b>ASSETS</b>                               |                      |                   |
| <b>Current Assets</b>                       |                      |                   |
| Cash                                        | \$ 17,328            | \$ 16,927         |
| Account receivable, net                     | 115,186              | 106,130           |
| Inventories                                 | 106,546              | 92,297            |
| Other                                       | 15,418               | 19,739            |
| <b>Total current assets</b>                 | <b>254,478</b>       | <b>235,093</b>    |
| Property, plant and equipment, net          | 33,294               | 30,589            |
| Goodwill and intangible assets              | 6,899                | 6,726             |
| Other assets                                | 10,908               | 6,480             |
| <b>Total assets</b>                         | <b>\$ 305,579</b>    | <b>\$ 278,888</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                      |                   |
| <b>Current Liabilities</b>                  |                      |                   |
| Accounts payable                            | \$ 36,754            | \$ 33,473         |
| Accrued liabilities                         | 21,290               | 23,224            |
| Current portion of long-term debt           | 3,796                | 4,027             |
| <b>Total current liabilities</b>            | <b>61,840</b>        | <b>60,724</b>     |
| Long-term debt, less current portion        | 123,584              | 133,813           |
| Other non-current liabilities               | 460                  | 241               |
| <b>Total liabilities</b>                    | <b>185,884</b>       | <b>194,778</b>    |

|                                                   |                   |                   |
|---------------------------------------------------|-------------------|-------------------|
|                                                   |                   |                   |
| Stockholders' Equity                              | <u>119,695</u>    | <u>84,110</u>     |
|                                                   |                   |                   |
| <b>Total liabilities and stockholders' equity</b> | <u>\$ 305,579</u> | <u>\$ 278,888</u> |

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### 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: December 16, 2004

By: /s/ DARIO SACROMANI

Name: Dario Sacromani  
Title: Senior Vice President and  
Chief Financial Officer

