

Richardson Electronics

Sidoti Presentation

November 14, 2024

NASDAQ: REL



VISION

To make our world a better, more sustainable place by providing innovative technology solutions.

MISSION

We provide solutions that improve our world through innovative engineering and manufacturing in collaboration with our employees, customers and technology partners.

VALUES

- We are a diverse family; we take care of our people.
- We focus on long term viability for our company, our community and our world.
- Every interaction is important and deserving of respect.
- We believe in hard work, reward, and the determination to succeed.



This overview includes certain “forward-looking” statements as defined by the Securities and Exchange Commission. Statements 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. The Company assumes no responsibility to update the “forward-looking” statements in this overview as a result of new information, future events, or otherwise.





About Richardson Electronics

ENGINEERED SOLUTIONS



Richardson Electronics (NASDAQ: RELL) designs and manufactures nearly 50% of the products it sells for power, microwave, and imaging solutions to industries worldwide.

Technical expertise and “engineered solutions” based on our core engineering and manufacturing capabilities

Value added solutions through design-in support, system integration, prototype design and manufacturing, testing, logistics, and aftermarket technical service and repair

Global infrastructure and support to serve customers wherever they are located

Key Facts & Figures



Strong balance sheet with robust cash and cash equivalents and no debt



Certified experts that are ISO 9001:2015 and ISO 13485:2016 certified



440+ employees with over half in sales, engineering and product management



More than 20,000 OEM and end-user customers throughout the world



Headquarters in LaFox, Illinois; 60% of revenue generated outside the US



RELL is global with 60+ locations worldwide with legal entities in 24 countries



Our Business Units



Power & Microwave Technology (PMT)

- FY2024 Revenue: \$128.7M
- Power grid and microwave tubes (EDG)
- Power management for 5G (PMG; started in 2014)
- In-house manufacturing and partnering with leading technology suppliers
- Global engineering and design support
- Key supplier to semiconductor industry



Green Energy Solutions (GES)

- FY2024 Revenue: \$23.2M
- Designs and manufactures key products for the fast-growing energy storage market and power management applications
- Leverages existing global infrastructure and expertise
- Products for numerous green energy applications such as wind, solar, hydrogen, EVs, and synthetic diamonds



Healthcare

- FY2024 Revenue: \$12.1M
- CT and MRI replacement tubes
- Diagnostic imaging replacement parts
- CT service training and technical support
- P3 Service Contracts for managing maintenance and repair costs
- State of the art manufacturing facility



Canvys

- FY2024 Revenue: \$32.4M
- Custom display solutions for healthcare, industrial, retail and transportation applications
- All-in-one computer display solutions
- Engineering design and support



Growth Strategies

Strategy Supported by Strong Core Business, New Products and New Markets

Management has created a strategic plan focused on driving growth and creating sustainable value for shareholders



Growth supported by strong core business, 75+ years of engineering capabilities, and global platform



Strategy focused on leveraging core engineering capabilities to expand product lines into large, fast growing global markets



Global footprint supports customers and maintains strong strategic partnerships with leading manufacturers

New markets and applications support significant expansion to the Company's growth opportunities

Growth Opportunities and Focus:

Richardson's Strategy Aligned with Compelling Market Dynamics



Market	Market Driver / Update	Richardson Opportunity
 <p>Green Energy/Power Management</p>	<ul style="list-style-type: none">• Power management section of systems using distributive technology• Growing markets that need new technology and products to support changing power management systems	<ul style="list-style-type: none">• Developing patented technology for niche applications in niche markets• Patented products for growth markets such as wind, solar, EV, generators, BMS modules, and ESS (energy storage systems)
 <p>Power Grid Tubes</p>	<ul style="list-style-type: none">• New applications are supporting growth in microwave tubes and magnetrons• Examples include emerging markets such as synthetic diamonds, hydrogen, and building materials	<ul style="list-style-type: none">• RELL is one of the few remaining tube manufacturers and engineering companies• For example, RELL's 6KW magnetrons are being used for producing synthetic diamonds; replacement cycle every two years
 <p>Semiconductor</p>	<ul style="list-style-type: none">• Semiconductor capex cycle expected to remain strong over the long term• LAM Research, a RELL semiconductor customer, expects demand to return to growth in fiscal 2025	<ul style="list-style-type: none">• Products support the global semiconductor wafer fab equipment market• RELL well positioned for high mix/low volume production and engineering design and support
 <p>Healthcare</p>	<ul style="list-style-type: none">• Very few replacement options for CT tubes• OEMs charge high prices for tubes and parts if hospital is not covered by expensive OEM service contract	<ul style="list-style-type: none">• Helping customers improve efficiency and deliver better clinical outcomes while lowering the cost of healthcare delivery• \$10 billion estimated global opportunity for aftermarket for diagnostic imaging parts and service

Unique Relationships with Technology Partners Deepens Customers Relationships



Technology Partners

Engineered Solutions

Customers



Strong relationships with global technology partners expands Richardson Electronics' sales and deepens customer relationships from components to Engineered Solutions

ULTRA3000® Case Study: New Product and Market Development



Customer Problem:

Wind turbine manufacturers and operators needed an environmentally friendly solution to extend the life of auxiliary power supplies for their Pitch Energy Modules

Richardson Electronics' Solutions:

Developed the first ultracapacitor-based plug-and-play replacement for batteries within wind turbine pitch systems



FY2021

FY2022

FY2023+

PRODUCT DEVELOPED

PRODUCT LAUNCHED

PRODUCT LINE AND MARKET EXPANSION

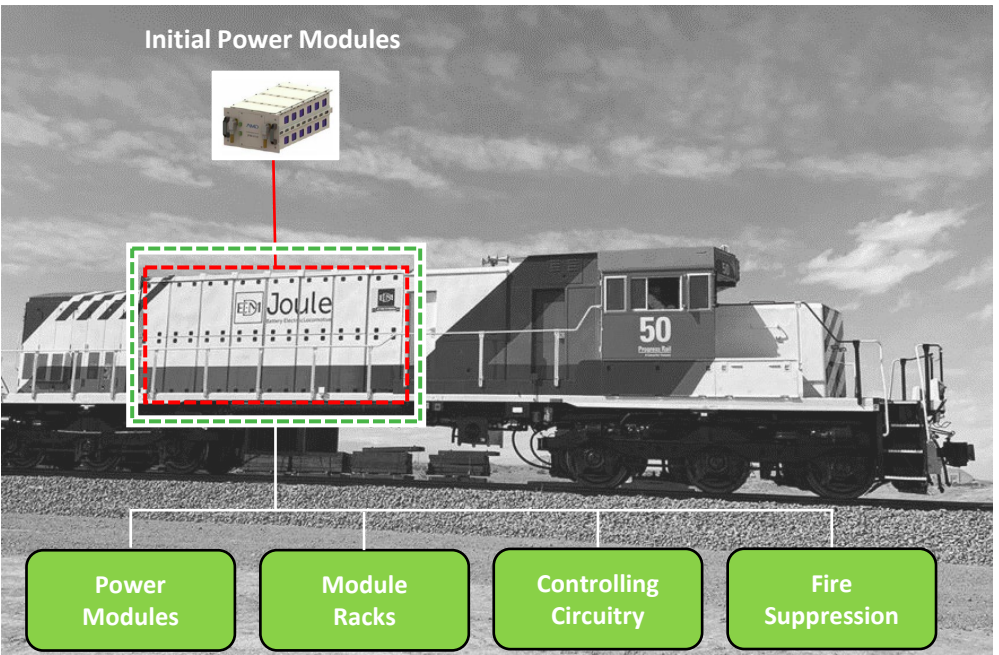
- Leveraged experience in ultracapacitor technologies
- Worked with technology partners
- Created specifically for replacement market within wind turbine generators (WTG)
- Patented product with 30+ protected embodiments

- Product from conception to > \$10 million in shipments and backorders in < 14 months
- Initial launch just for replacement product within existing GE WTG
- Over 40K modules shipped since product inception

- Expanded market opportunity to serve multiple WTG manufacturers and operators
- Developed new ancillary products including the: UltraUPS3000, ULTRAPEM™ Multi-Brand Pitch Energy Module, and new Diagnostic and Voltage Reduction Tools
- IGBT/Silicon Carbide power modules

Progress Rail Case Study: Building Larger Customer Relationships

- 1 Relationship with Progress Rail begins, and Richardson Electronics starts supplying IGBT power module design to Progress Rail in Brazil
- 2 Richardson Electronics began working on a design development for battery management systems with Progress Rail Brazil
- 3 Richardson Electronics works with Progress Rail in the U.S. to offer Engineered Solutions beyond initial scope
- 4 Progress Rail selects Richardson Electronics to design and manufacturer superstructures for Progress Rail's Electric Locomotives in North America
- 5 Product line expansion including battery start modules for trains and other applications



**Relationship Expanded to Support Entire Superstructure
Content \$1.0 million - \$4.5 million per Train**

FY2025 Updates

- Semiconductor Wafer Fab Equipment market is improving; quarter over quarter sales growth and increasing backlog
- Steady/increasing sales of wind turbine modules
 - Daily shipments from existing inventory
 - New significant orders from existing customers
 - New significant orders from new customers for UltraPEM
- EV Rail
 - Beginning shipments of battery starter modules; used in diesel, hybrid and electric engines
 - Key customer selling to other locomotive companies
 - Beta test ultracap based solution for emergency lighting

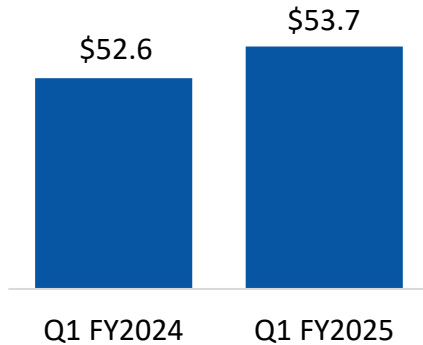




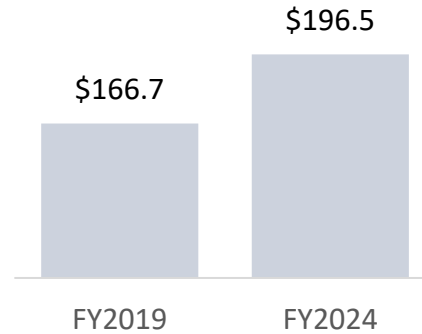
Financials

Q1 FY2025 Financial Highlights

Net Sales (\$ in millions)

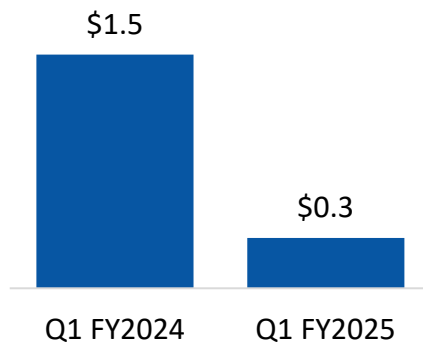


5-Year Growth CAGR Growth: 3.3%

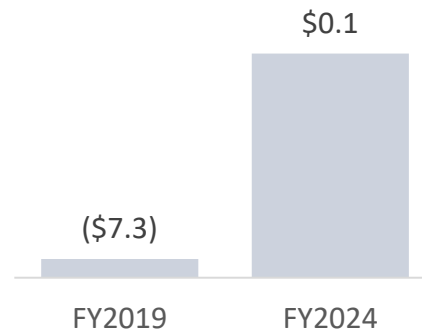


- Strong start to the fiscal year, with net sales exceeding both internal projections and exceeding performance from the fiscal 2024 first quarter.
- Sales expanded in the Green Energy and Healthcare business units, reflecting the continued success of the Company's long-term growth strategies.

Net Income from Continuing Operations (\$ in millions)



5-Year Growth CAGR Growth: n/a



- Q1 FY2025 gross margin was negatively impacted by under absorption. The Company expects gross margin to improve in the second half of FY2025.
- The Company is focused on improving gross margins, reducing inventory levels, strengthening the balance sheet, and investing in long-term strategic growth opportunities

Q1 FY2025 Balance Sheet and Cash Flow

- Strong balance sheet with no debt, and \$23.0 million in cash and cash equivalents
- No borrowings outstanding under \$30.0 million revolving line of credit
- Generated positive operating cashflow for the second consecutive quarter
- Allocated \$0.9 million of capital in Q1 FY2025 to support the Company's regular cash dividend
- The Company continues to invest in working capital to support its growth initiatives
- Capital expenditures were \$0.9 million in Q1 FY2025 primarily related to the Company's facilities and IT systems

(\$s in 000s)	August 31, 2024	June 1, 2024
Cash and Cash Equivalents	\$23,035	\$24,263
Accounts Receivable	\$30,862	\$24,845
Inventories, net	\$110,994	\$110,149
Total Assets	\$197,863	\$192,445
Total Debt	\$0	\$0
Total Liabilities	\$38,799	\$34,493
Shareholders' Equity	\$159,064	\$157,952

Capital Allocation

Debt free balance sheet allows for strategic deployment of capital

Capital Allocation Strategies

Focused on Supporting Long-Term Growth Opportunities

Investing in Infrastructure and IT Systems

- Invested \$4.8 million in facility renovations in fiscal 2023 and 2024 to support the growing demand for Green Energy Solutions (GES) products
- Continual enhancements of IT infrastructure to support global opportunities

Organic Growth Initiatives

- Since 2021, Richardson Electronics has invested over \$16 million in research & development, onboarding talented engineers, and enhancing its sales teams

Sustained Dividend

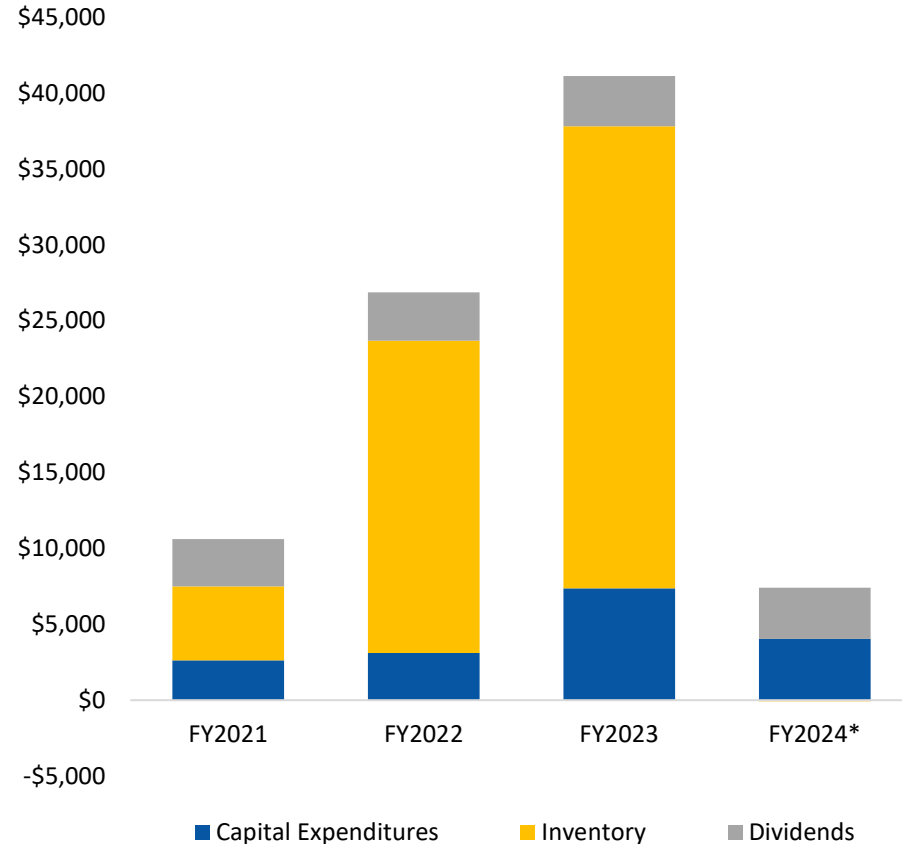
- The Company has paid out a regular quarterly cash dividend to common shareholders since 1990

Cash Flow Management

- Maintaining a healthy level on cash on the balance sheet
- Approximately 73% of cash on Richardson's balance sheet is spread out across 20 of the company's foreign subsidiaries
- Focused on converting inventory to cash in FY2025

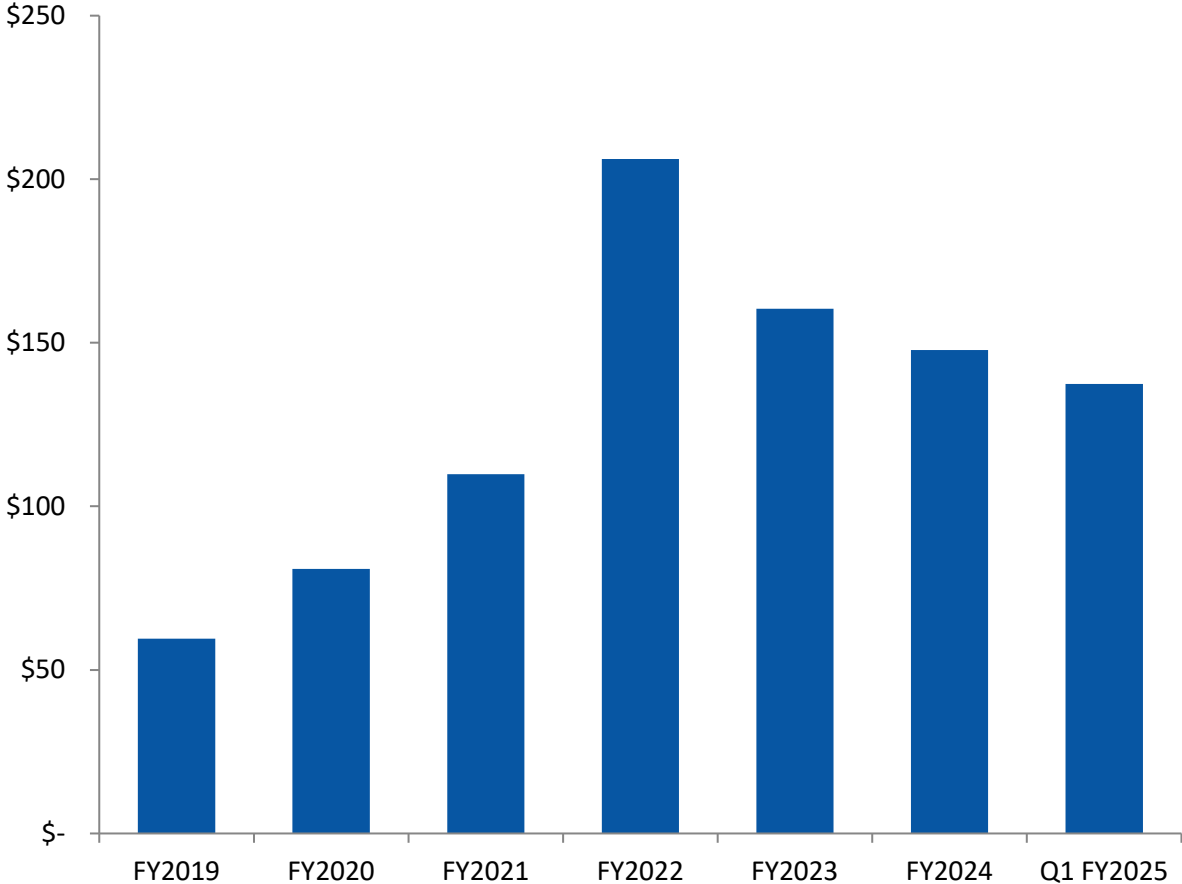
Capital Allocation Priorities

\$ in thousands



*FY2024 includes a \$0.1 million reduction in inventory

Total Company Backlog
(\$ in millions)



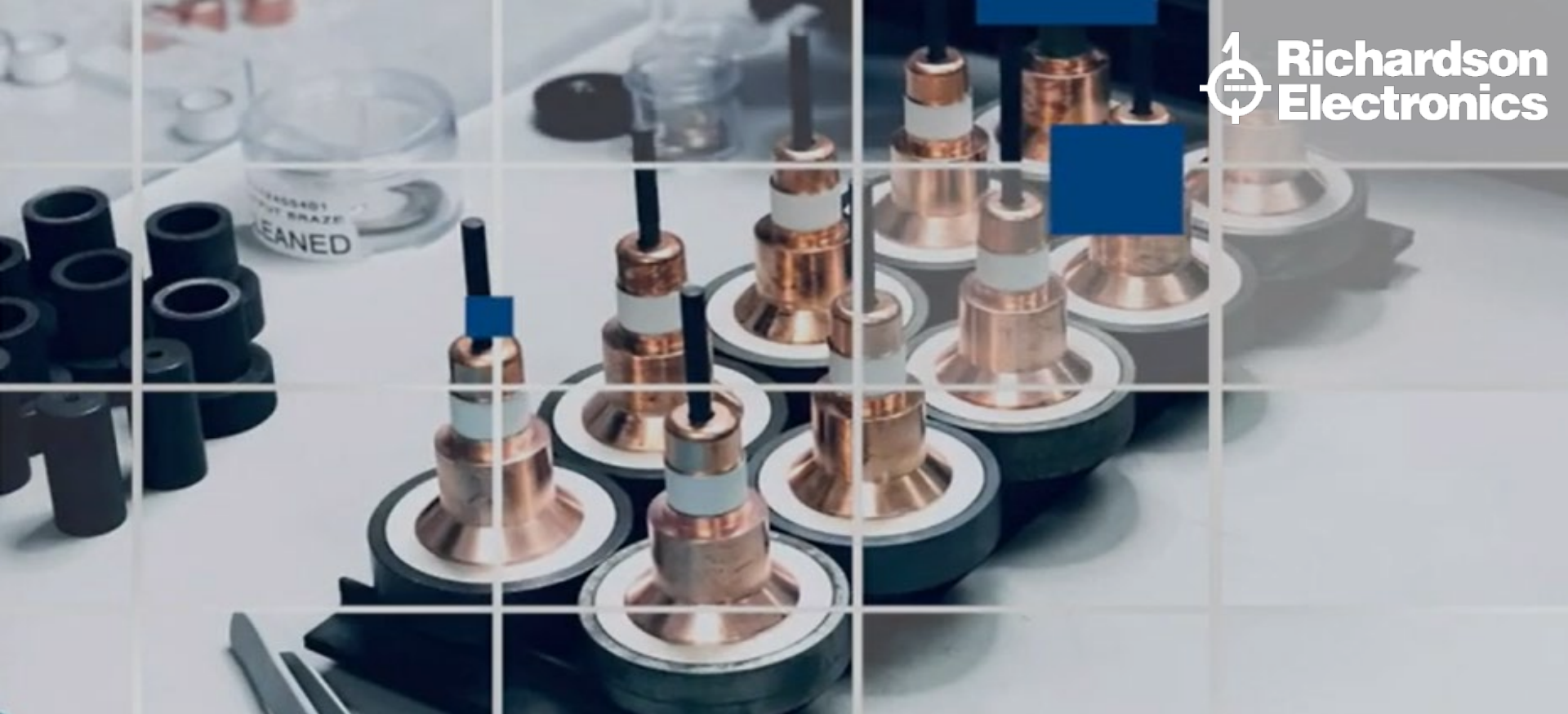
- Total backlog at the end of Q1 FY2025 was \$137.4 million versus \$147.8 million at the end of Q4 FY2024, and \$59.5 million in FY2019.
- Combined GES and PMT backlog of \$97 million at August 31, 2024
- Growing backlog for semiconductor wafer fabrication assemblies being driven by rising semiconductor demand associated with AI and the need for more data centers, 5G deployment and other factors including ongoing efforts to localize semiconductor manufacturing
- Growth in the semiconductor wafer fab equipment market expected to continue over the next several years

- We remain optimistic about our growth opportunities, based on customer demand for recently launched products, new technology partners, semiconductor wafer fab recovery and new engineered solutions
- We continue to gain market share with new customers, exclusive supplier agreements, new products and our growing list of patents
- Much of GES' business is project-based and timing is not always easy to predict
- There are certain macro and timing related variables that make it difficult to forecast, but we expect our long-term growth strategies to produce sustainable annual growth
- Near-term strategies are focused on improving gross margin, controlling expenses, managing inventory, and conserving cash, while continuing to support long-term growth opportunities
- Long-term strategy focused on diversifying sales to high-growth, higher-margin opportunities
 - Growing diversity of sales will help offset the impacts of challenging semiconductor wafer fab market
 - Significant opportunities associated with demand for our GES solutions to deliver sustainable annual sales growth
- It's not a matter of IF, but WHEN!



 **Richardson
Electronics**

A Legacy of Engineered Solutions.
A Future of Innovation.



Appendix: Business Unit Update

Green Energy Solutions (GES) Opportunity



High double-digit year-over-year revenue growth target

Targeted 30-40% average GES gross margin



Pitch Energy Modules for Wind Turbines



Power Systems For Industrial, Materials and Chemical Markets



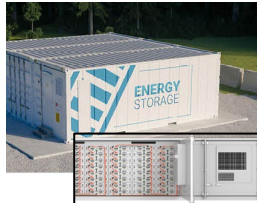
Power Modules For EV-Electric and Diesel Locomotives



Power Control Systems for Wind Turbines



Superstructures for EV-Electric Locomotives



Utility Scale Energy Storage Solutions



Applications In Production

Applications In Development

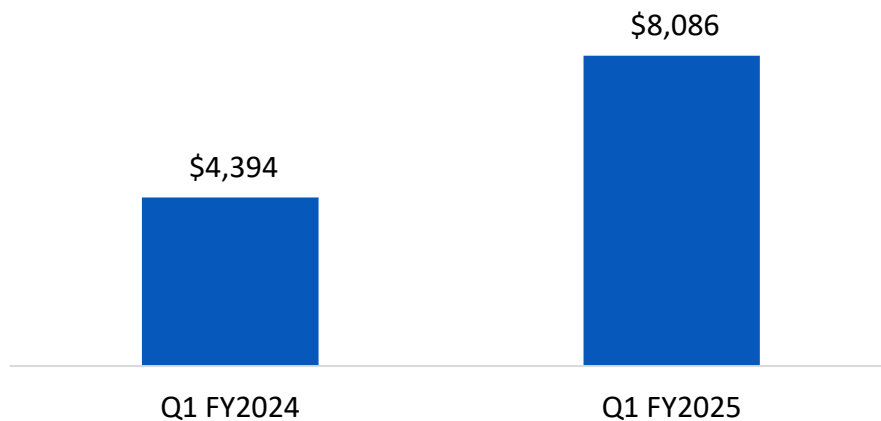
GES's strategy is to provide specialized technical expertise and engineered solutions using our core design engineering and manufacturing capabilities on a global basis

GES Q1 FY2025 Update

GES Highlights

- In Q1 FY2025, GES sales grew 84% year-over-year, driven by growth in numerous new products, programs, and customers
- Customer pipeline and opportunities continue to increase as the Company capitalizes on significant energy transformation projects
- Improved sales expected in FY2025 driven by:
 - Growing opportunities with new customers, products, and geographies for the wind turbine industry
 - New EV applications, power management, and energy storage
 - Growing partnership with Progress Rail, a Caterpillar Company, for production of lithium iron phosphate batteries for use in electric locomotives

GES Sales (\$ in 000s)



Power & Microwave Technology (PMT) Opportunity



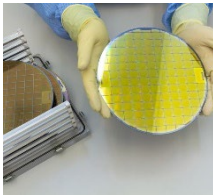
The leading provider of power and microwave components and related consumable parts

- **Electron Device Group (EDG)** which includes legacy tube business and semiconductor wafer fab; recurring revenue from sole-source consumable products
- **Power and Microwave Group (PMG)** which includes RF, wireless semiconductors, modules and power components
- Global provider of Engineered Solutions focusing on industrial tube manufacturing, microwave generators, power supplies and customer specific applications and assemblies
- Highly specialized in demand creation for new technologies
- We partner with manufacturers of leading edge and disruptive technologies. These technologies drive the latest innovations for our customers.

Bringing key technologies and solutions to the world for power, microwave niche applications



Power Management



Semiconductor



Defense



RF and Wireless Communications



Marine



Avionics



Scientific & Medical



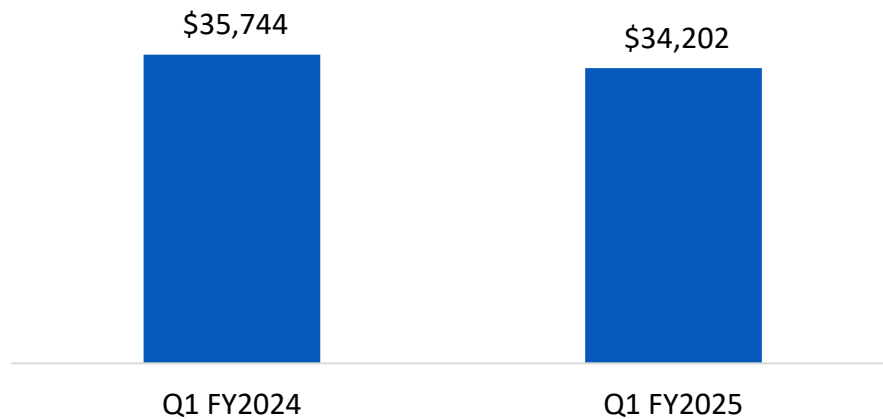
Industrial

PMT Q1 FY2025 Update

PMT Highlights

- Q1 FY2025 sales declined 4.3% compared to the prior year due to product mix, a nonrepeating order from the U.S. government, and a 13-week quarter versus 14 weeks in Q1 FY2024.
- Experienced growth in RF and microwave components business, as well as the semiconductor wafer fab equipment business
- Positive outlook in the Semi-Fab market with key customers forecasting growth in FY2025
- Continuing to expand product lines and leverage the Company's global customer base of over 20,000 customers

PMT Sales (\$ in 000s)



Richardson Healthcare provides OEM quality replacement parts and training to support in-house clinical engineering and third-party equipment maintenance companies.



Richardson Healthcare’s CT Tube Programs provide exact form and function replacements for popular OEM CT scanners helping reduce healthcare costs by offering an alternative to higher cost OEM parts.



The Company has invested over \$35 million in its Healthcare SBU, creating a best-in-class, value-added CT Tube and CT refurbishment platform.



Richardson Healthcare first launched the ALTA750D in May 2018, followed by the ALTA750G in 2022, and expects to launch a Siemens repaired CT Tube Program in 2023.

\$10 billion estimated global opportunity for aftermarket diagnostic imaging parts and service

PMT/GES FY25 Key Initiatives

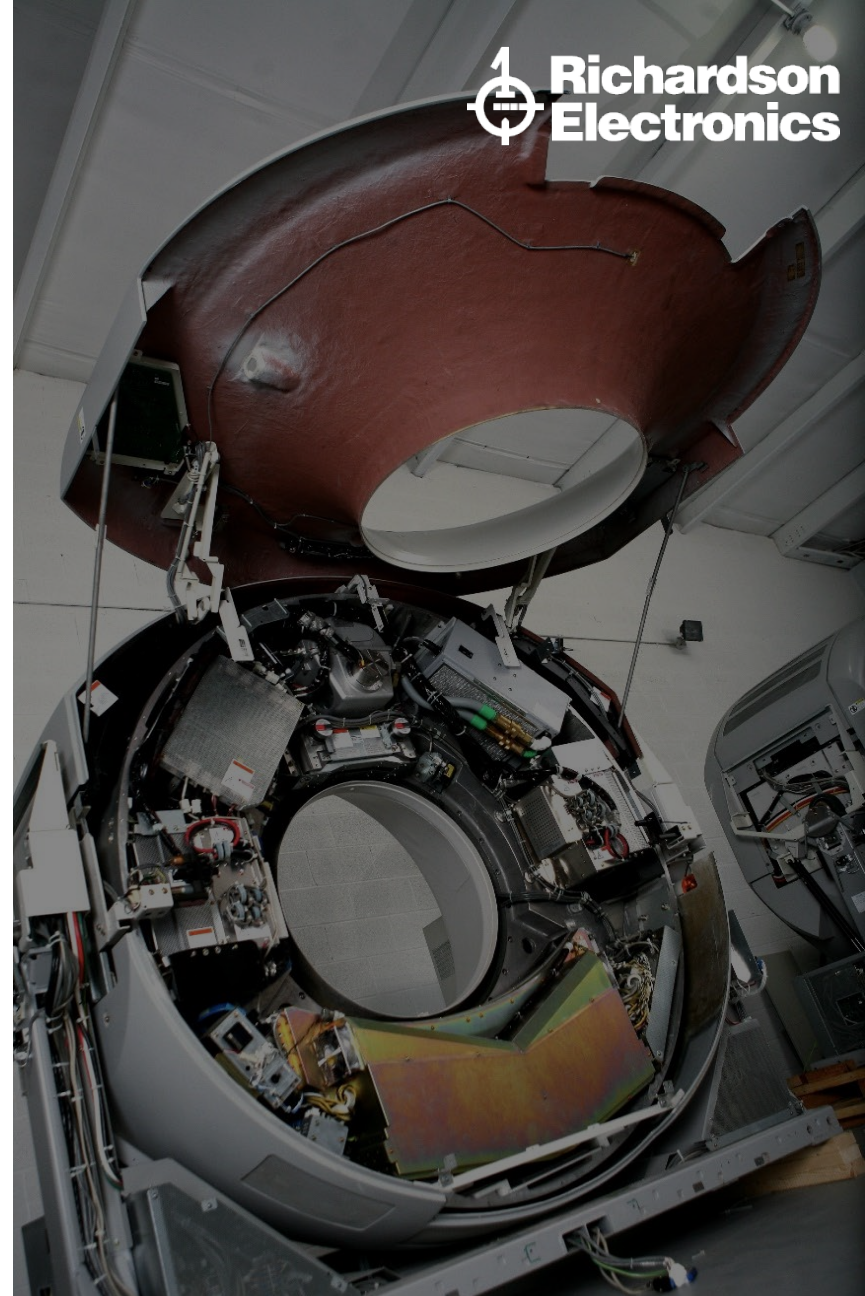
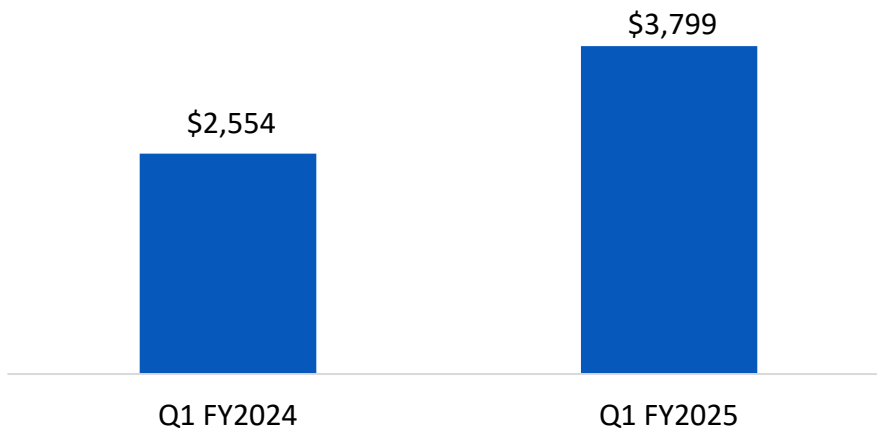
- **Continue to review all aspects of the business to continually improve efficiencies to maximize profits**
- **Maximize core tube MRO business and key RF & Microwave component opportunities**
- **Global launch of pitch energy modules**
 - GE
 - Suzlon
 - Senvion
 - Nordex
 - SSB
- **Expand product offering to capitalize our global repower initiatives in the wind turbine industry and other green energy applications**
 - Pitch Energy Modules
 - Ultracapacitors based Products
 - Inverter modules
 - Microwave Generators
- **GES & PMT - Implement the strategy**
 - New technology partners
 - Expedite new product development
 - Increase customer count and market share globally

Healthcare Q1 FY2025 Update

Healthcare Highlights

- Q1 FY2025 sales increased 48.7% compared to the same quarter last year.
- All healthcare product lines showed growth over the prior year's first quarter, primarily driven by the repaired Siemens Straton Z tubes and the Company's proprietary ALTA tubes.
- Gross margin for the quarter improved to 32.4%, up from 31.6% in the same period last year, primarily driven by a favorable product mix, which included higher-margin parts sales and lower scrap charges.
- Management continues to closely monitor Healthcare's financial performance and consider strategic alternatives.

Healthcare Sales (\$ in 000s)



Healthcare FY25 Key Initiatives

- Grow Sales
 - Gain traction with repaired Straton Z throughout year
 - Launch MX series in first half of CY2025
 - Maintain ALTA sales
 - Achieve moderate increases in Parts and Equipment sales
- Improve Gross Margin
 - Maintain sufficient production levels through improved processes
 - Reduce scrap through improved processes, quality control
- Maintain SG&A
- Continue to closely manage inventory while supporting new platforms
- Achieve profitability early FY25
- Explore options to monetize the business unit

Canvys is a global value-added integrator and manufacturer that specializes in creating comprehensive visual technology solutions for OEMs.



Canvys is focused on providing small run, smart displays for specialized applications - often for demanding environments.



Canvys brings together a deep understanding of visual technologies, wide-ranging capabilities and a worldwide network to create complete solutions for OEM customers.



Expertise manufacturing display sizes from 5" to 58", with custom enclosures, touchscreen integration, and all-in-one computer solutions.

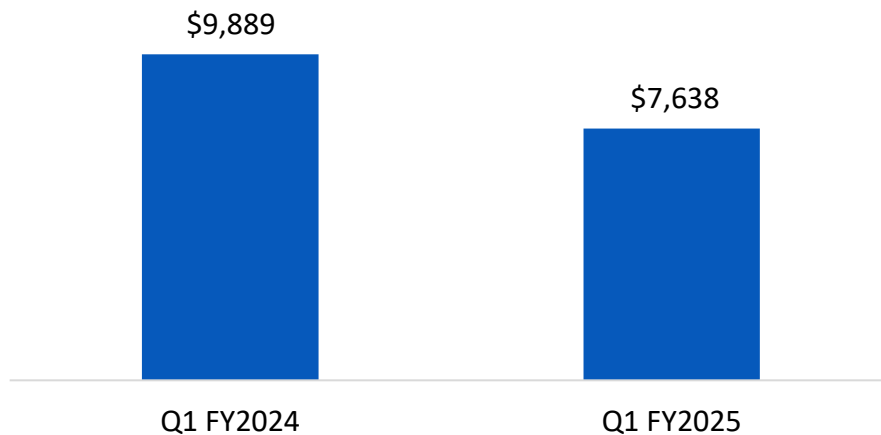
2,000+ global blue-chip customers rely on Canvys to supply leading display solutions for their unique needs

Canvys Q1 FY2025 Update

Canvys Highlights

- Net sales decreased 22.8% year-over-year in the first quarter of FY2025 due to lower demand in both North American and European markets.
- Management remains optimistic that customer demand will see an upturn by early next calendar year
- Many new programs are underway, and demand is expected to improve in the back half of FY2025
- Gross margin increased to 34.3% during the first quarter of FY2025 from 34.0% for the prior year period primarily due to improved product mix

Canvys Sales (\$ in 000s)



Canvys FY25 Key Initiatives

- **Focus on new customer acquisition without losing sight of existing customers and programs.**
- **Pursue new technologies and other means of differentiating products.**
- **Ongoing strategic review with the objective of keeping Canvys a significant contributor to operating profit.**

