

Richardson Electronics Q2 FY2025 Investor Presentation

January 8, 2025

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 approximately 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



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

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

PRODUCT DEVELOPED

- 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

FY2022

PRODUCT LAUNCHED

- Product from conception to more than \$10 million in shipments and backorders in less than 14 months
- Initial launch just for replacement product within existing GE WTG

FY2023 - FY2024

PRODUCT LINE GROWTH

- 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

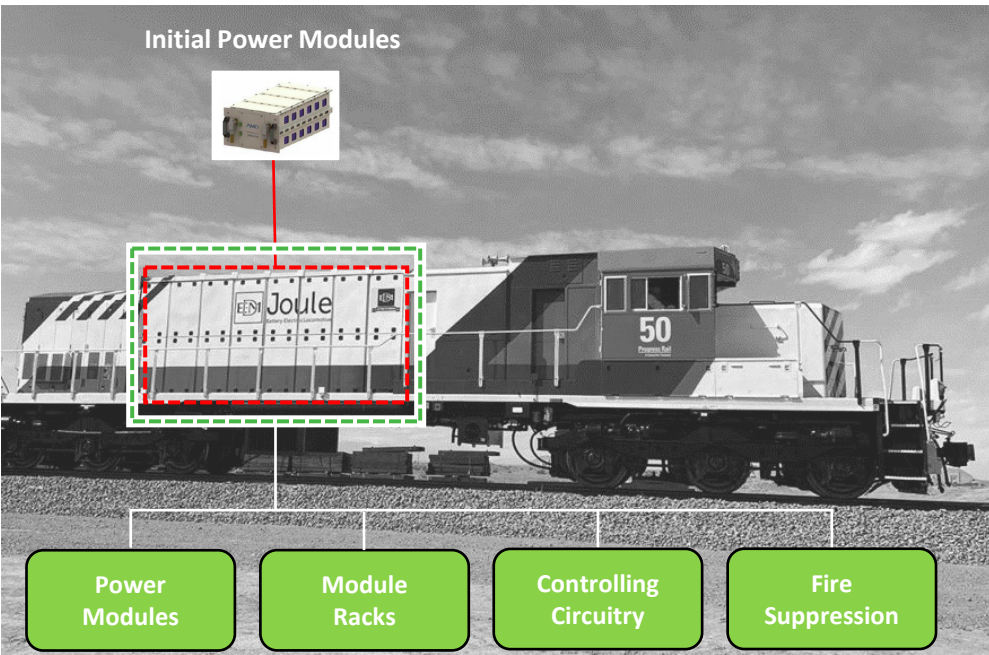
FY2025+

MARKET EXPANSION

- Over 60K modules shipped since product inception
- Added exclusive partnerships with the top four owner/operators of GE wind turbines: RWE, Invenergy, ENEL, and NextEra
- Expanding into Europe and Asia with GE and other new products for turbine platforms such as Suzlon, Senvion, Nordex, and SSB

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
 - Regular shipments from existing inventory
 - New significant orders from existing customers
 - Anticipated new significant orders from new customers for UltraPEM and future expansion into EU
- 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

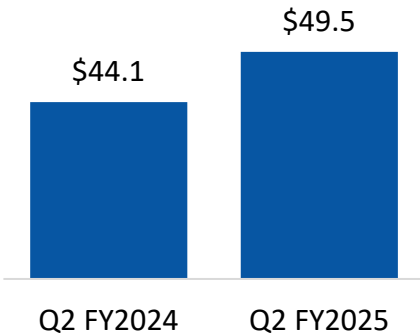




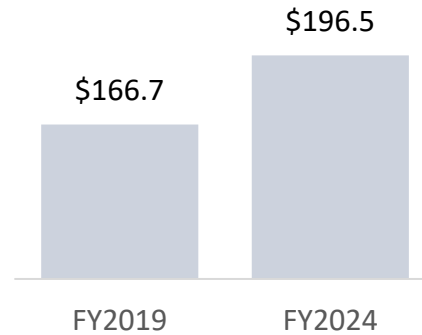
Financials

Q2 FY2025 Financial Highlights

Net Sales (\$ in millions)

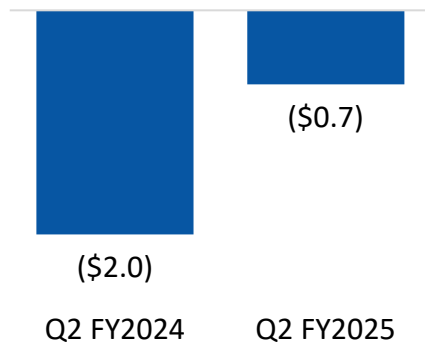


5-Year Growth

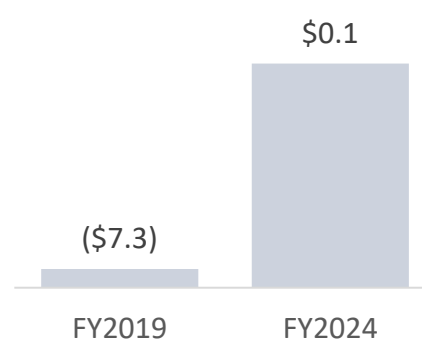


- Consolidated net sales for Q2 FY2025 increased 12.1% to \$49.5 million, compared to net sales of \$44.1 million in the prior year's second quarter. This was the second consecutive quarterly year-over-year increase in sales.
- Growth in year-over-year net sales for Q2 FY2025 was due to higher sales in GES and the Power and Microwave Technologies Group (PMT), partially offset by lower sales in Healthcare and Canvys.

Net Loss from Continuing Operations (\$ in millions)



5-Year Growth



- Consolidated gross margin for Q2 FY2025 was 31.0% of net sales compared to 28.4% during Q2 FY2024. The 260-basis point increase in consolidated gross margin was primarily due to margin expansion across the PMT, GES, and Healthcare business segments, partially offset by lower gross margin for Canvys.
- The Company is focused on improving gross margins, reducing inventory levels, strengthening the balance sheet, and investing in long-term strategic growth opportunities.

Q2 FY2025 Balance Sheet and Cash Flow

- Strong balance sheet with no debt, and \$26.6 million in cash and cash equivalents
- No borrowings outstanding under \$30.0 million revolving line of credit
- Generated \$5.5 million of operating cashflow in Q2 FY2025. This was the third consecutive quarter of positive operating cash flow
- Allocated \$0.9 million of capital in Q2 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 \$0.5 million in Q2 FY2025 primarily related to the Company's facilities and IT systems

(\$s in 000s)	November 30, 2024	June 1, 2024
Cash and Cash Equivalents	\$26,635	\$24,263
Accounts Receivable	\$25,765	\$24,845
Inventories, net	\$110,687	\$110,149
Total Assets	\$195,225	\$192,445
Total Debt	\$0	\$0
Total Liabilities	\$39,034	\$34,493
Shareholders' Equity	\$156,191	\$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 FY2023 and FY2024 to support the growing demand for Green Energy Solutions (GES) products
- Continual enhancements of IT infrastructure to support global opportunities

Organic Growth Initiatives

- Since FY2021, Richardson Electronics has invested over \$16 million in research & development, onboarding talented engineers, and enhancing its sales teams

Sustained Dividend

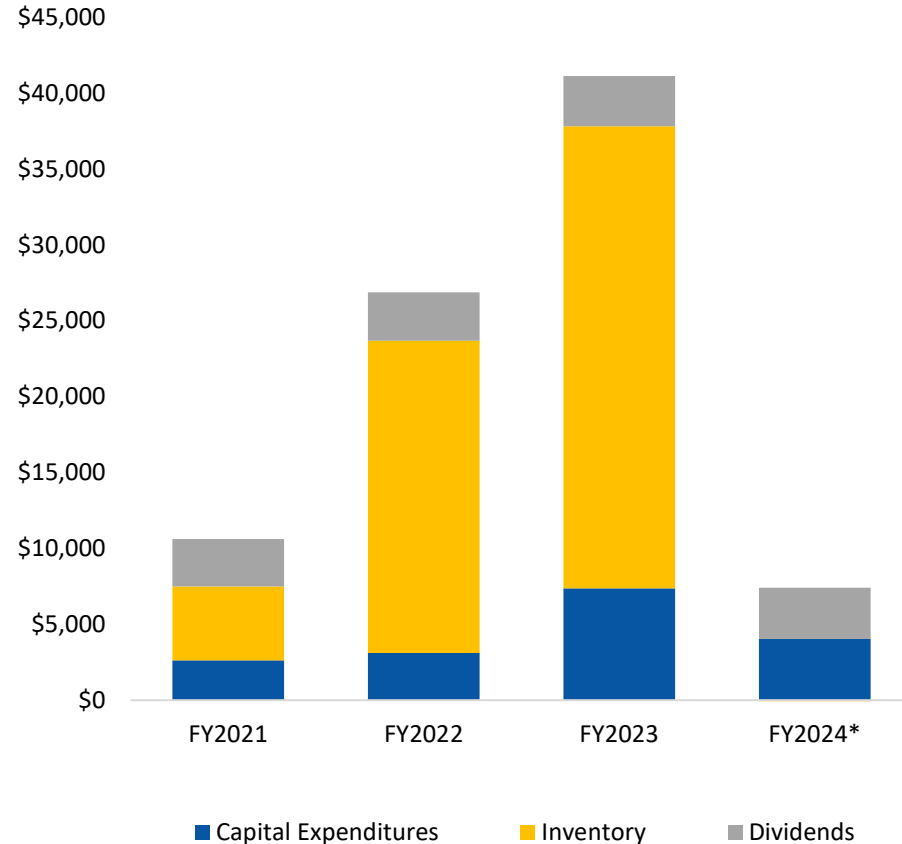
- The Company has paid out a regular quarterly cash dividend to common shareholders since 1990

Cash Flow Management

- Maintain a healthy level on cash on the balance sheet
- Approximately 70% 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

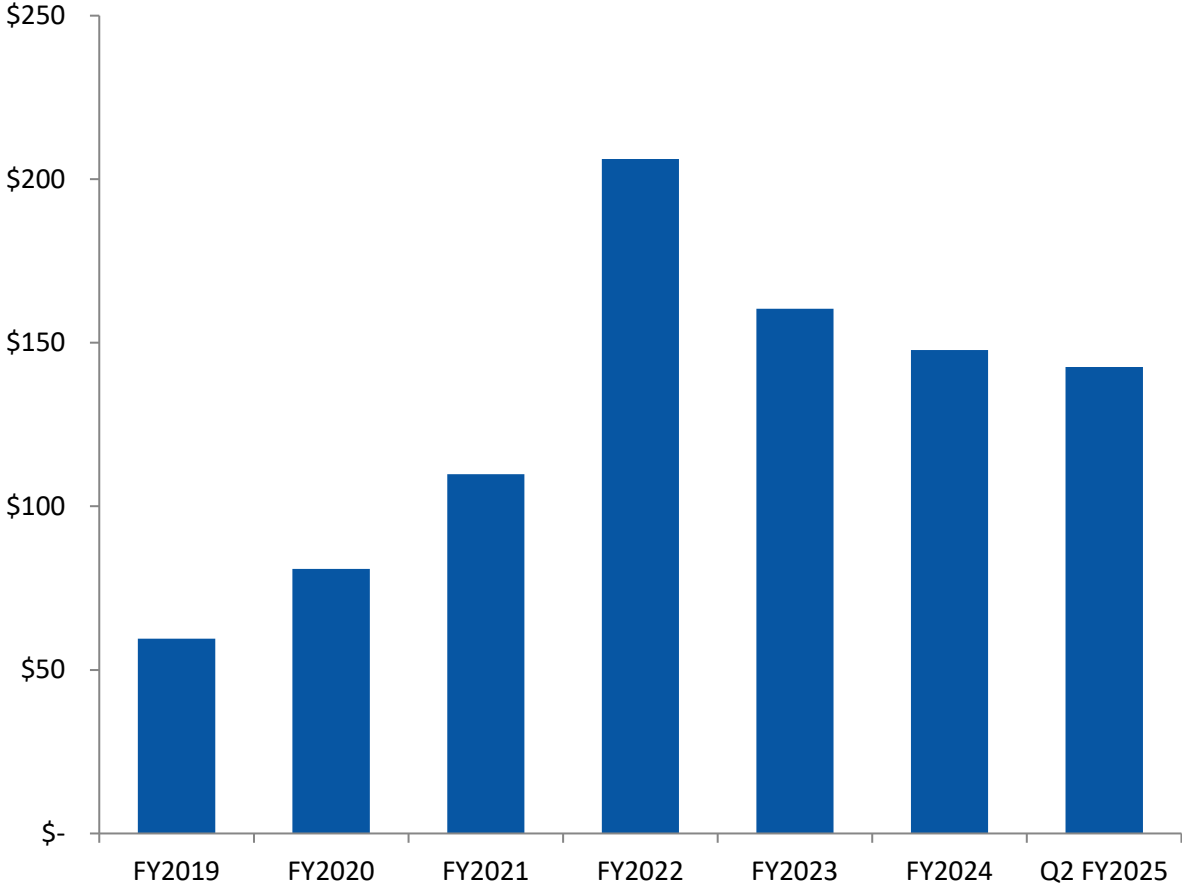
Capital Allocation Priorities

\$ in thousands



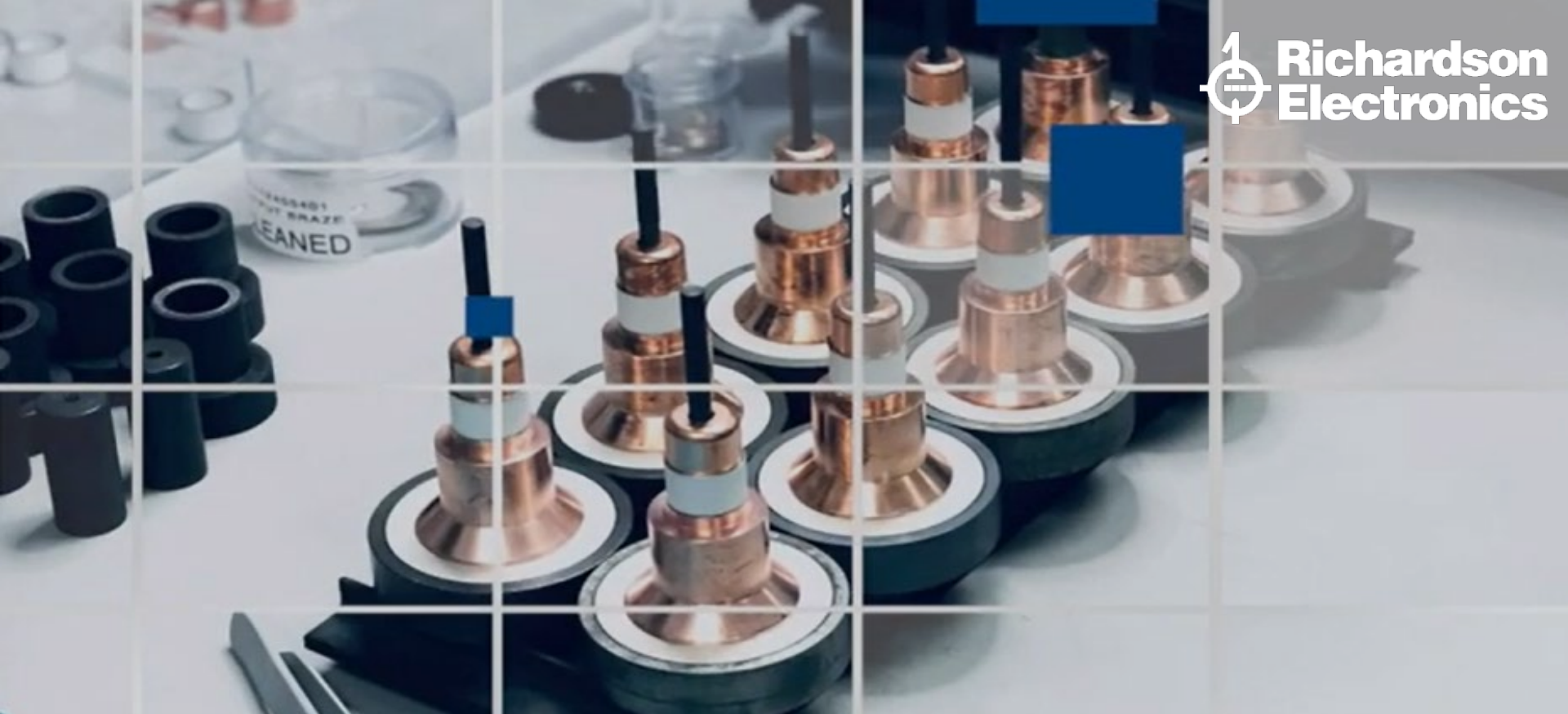
*FY2024 includes a \$0.1 million reduction in inventory

Total Company Backlog
(\$ in millions)



- Total backlog at the end of Q2 FY2025 was \$142.6 million versus \$137.4 million at the end of Q1 FY2025, and \$59.5 million in FY2019.
- The sequential increase was primarily in GES with a small increase in Canvys
- Backlog stabilizing after significant orders associated with Covid-19 related demand and supply chain dynamics
- 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

- 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



Appendix: Business Unit Update

Green Energy Solutions (GES) Opportunity



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

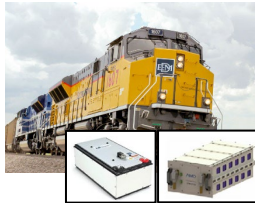
Targeted 30-40% average GES gross margin



Pitch Energy Modules for Wind Turbines



Power Systems For Industrial, Materials and Chemical Markets



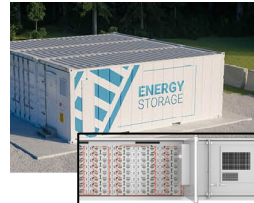
Power Modules For EV-Electric and Diesel Locomotives



Power Control Systems for Wind Turbines



Superstructures for EV-Electric Locomotives



Utility Scale Energy Storage Solutions



Applications In Production

Applications In Development

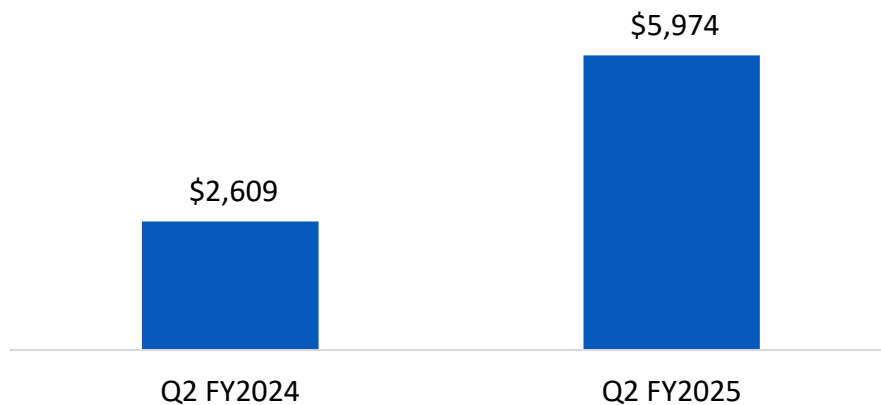
GES's strategy is to provide specialized technical expertise and engineered solutions using our core design engineering and manufacturing capabilities on a global basis

GES Q2 FY2025 Update

GES Highlights

- In Q2 FY2025, GES net sales grew 129.0% year-over-year, driven by higher sales of wind turbine battery modules
- 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
 - Partnership with Progress Rail, a Caterpillar Company, for production of lithium iron phosphate batteries for use in electric, diesel and hybrid locomotives

GES Sales (\$ in 000s)



Power & Microwave Technology (PMT) Opportunity



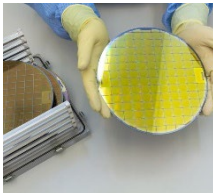
The leading provider of power and microwave components and related consumable parts

- **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



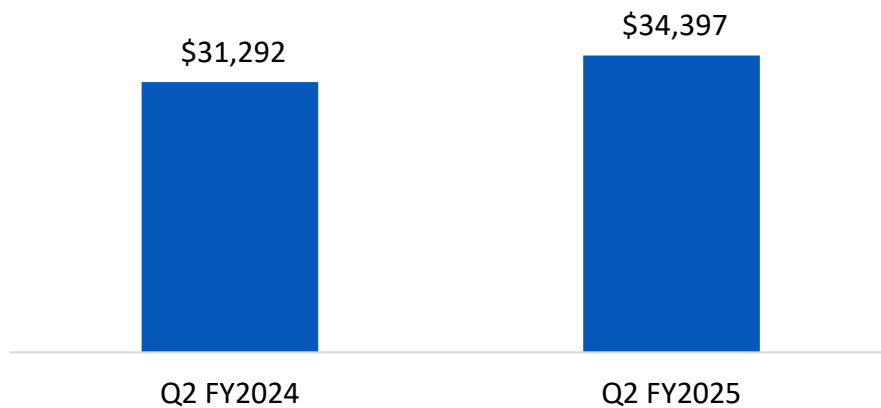
Industrial

PMT Q2 FY2025 Update

PMT Highlights

- In Q2 FY2025, PMT net sales increased 9.9% compared to the prior fiscal year due to higher demand from semi-conductor wafer fab customers.
- 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.

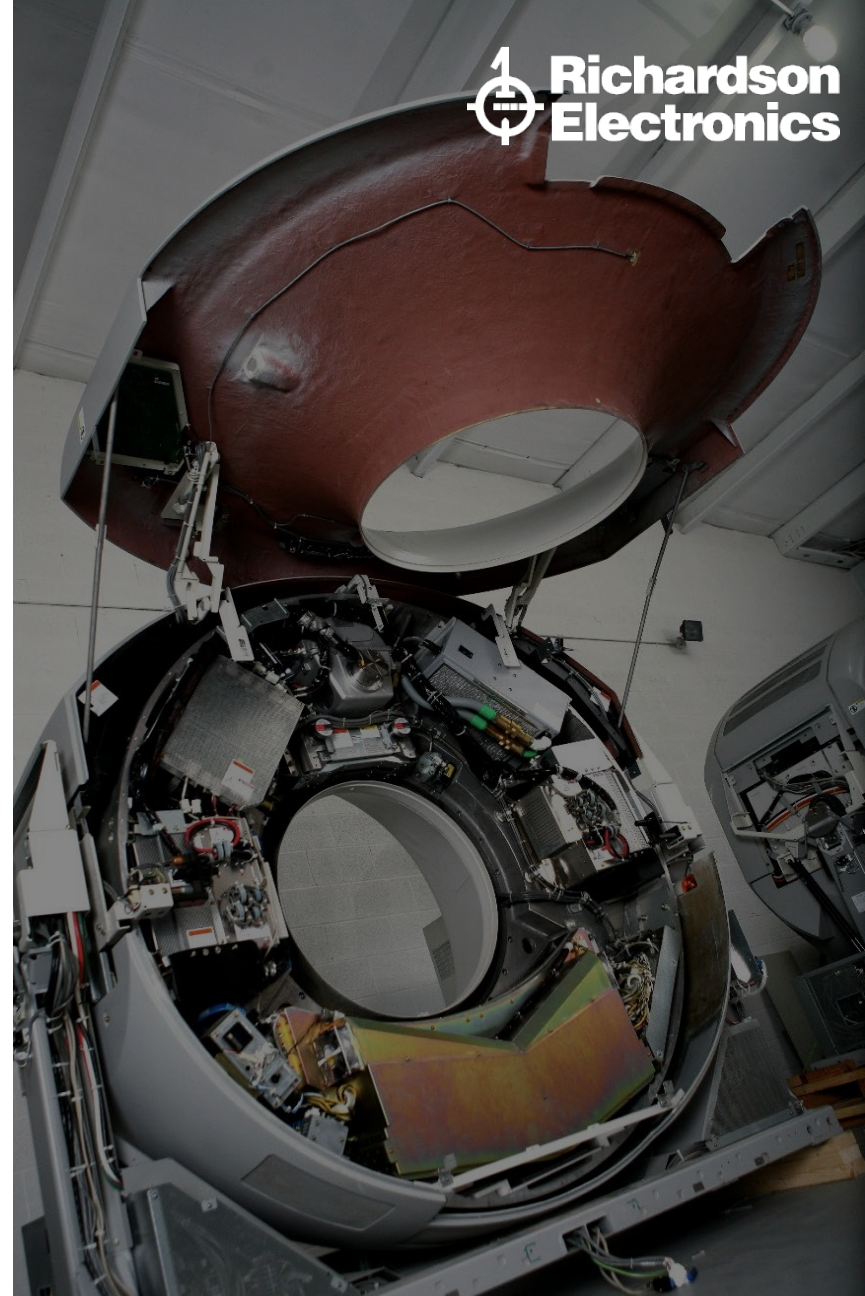
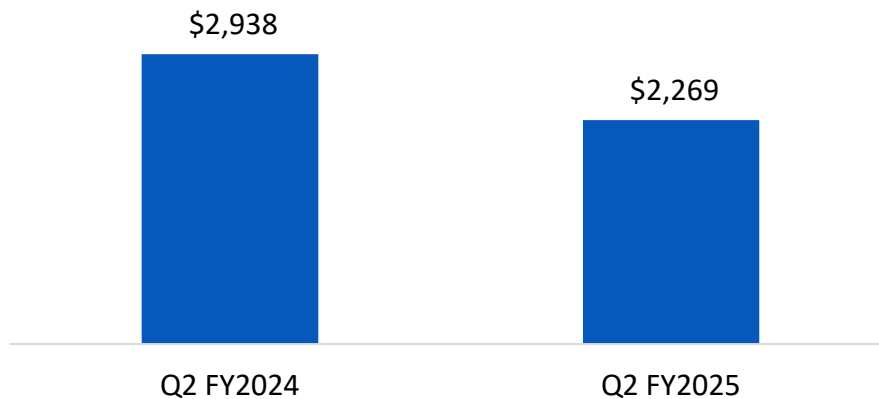
\$10 billion estimated global opportunity for aftermarket diagnostic imaging parts and service

Healthcare Q2 FY2025 Update

Healthcare Highlights

- In Q2 FY2025, Healthcare net sales decreased \$0.7 million, compared to the same quarter last year due to lower CT tube, system and parts demand.
- Gross margin for the quarter improved to 35.7%, up from 14.8% in the same period last year and 32.4% in Q1 FY2025. This growth was driven by improved manufacturing absorption, product mix, and CT tube sales.
- Management continues to closely monitor Healthcare's financial performance and consider strategic alternatives.

Healthcare Sales (\$ in 000s)



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.

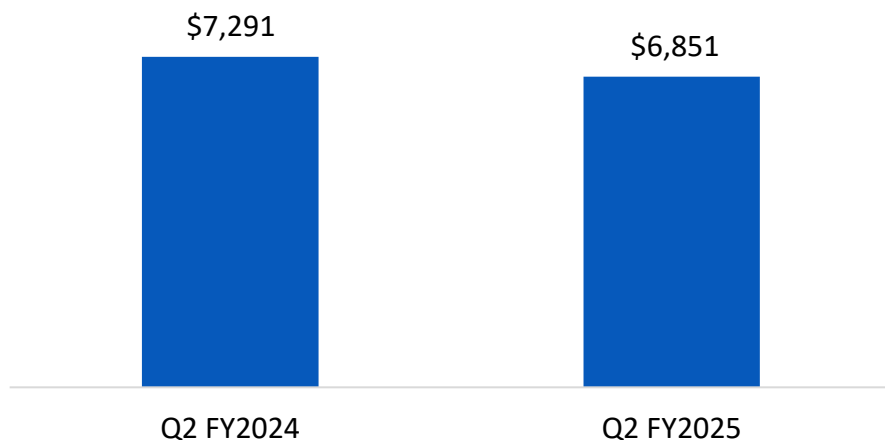
2,000+ global blue-chip customers rely on Canvys to supply leading display solutions for their unique needs

Canvys Q2 FY2025 Update

Canvys Highlights

- In Q2 FY2025, Canvys net sales decreased \$0.4 million year-over-year primarily due to lower sales in European markets
- Many new programs are underway, and demand is expected to improve in the remainder of FY2025
- Gross margin as a percentage of net sales was 31.7% during the second quarter of fiscal 2025, compared to 33.5% in the same period last year, largely due to increased freight costs

Canvys Sales (\$ in 000s)





Richardson Electronics

A Legacy of Engineered Solutions.
A Future of Innovation.