

RICHARDSON ELECTRONICS LTD/DE
Form 8-K
July 18, 2003

**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) | <i>July 15, 2003</i> |
| Exact name of registrant as specified in its charter | <i>Richardson Electronics, Ltd.</i> |
| State or other jurisdiction of incorporation | <i>Delaware</i> |
| Commission file Number | <i>0-12906</i> |
| IRS Employer Identification No. | <i>36-2096643</i> |
| Address of principal executive office | <i>40W267 Keslinger Road, P. O. Box 393, La Fox, IL</i> |
| Zip Code | <i>60147-0393</i> |
| Registrant's telephone number, including area code | <i>630-208-2200</i> |

This Current Report on Form 8-K contains a total of 8 pages.

Item 9. Regulation FD Disclosure

For Immediate Release

For Details Contact:

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Dario Sacomani

Chairman and Chief Executive Officer

Senior Vice President and

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Chief Financial Officer

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Richardson Electronics, Ltd.

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Richardson Reports Sales From Continuing Operations Increased 7.6% in Fiscal 2003

LaFox, IL, Tuesday July 15, 2003: Richardson Electronics, Ltd. (NASDAQ: RELL) today reported results for the fourth quarter and fiscal year ended May 31, 2003. Record year sales were achieved in both the Security Systems

Division and Display Systems Group. Security Systems Division sales grew to \$92.1 million in fiscal 2003, an increase of 8.2% over the prior year, driven by strong growth in Canada and Europe. The Display Systems Group sales reached \$64.2 million in the year, an increase of 5.8% over fiscal 2002, with strength in medical monitors and custom display businesses. RF/Wireless Communications sales grew 9.9% to \$222.4 million for the full fiscal year led by renewed growth in the United States and continued strength in Asia. The Industrial Power Group also recorded growth for fiscal 2003, increasing sales 3.9% to \$77.5 million.

Sales from continuing operations, which exclude the Medical Glassware Business sold in February 2002, grew 7.6% to \$463.2 million in fiscal 2003. The following results by area are stated from continuing operations as listed in the financial tables attached to this document. Sales in Europe and Asia grew to record levels for the year. Sales in Europe reached \$100 million, growing 10.1% from fiscal 2002 driven by increases in Security and Display Systems. Strong demand continued in Asia, where sales grew 15.6% in the year to \$74.7 million, and all countries recorded growth. Sales in North America grew in fiscal 2003, increasing 8.6% to \$255.3 million in the year, led by RF/Wireless Communications sales in the United States and Security Systems Division sales in Canada. Sales in Latin America declined to \$20.2 million in the year, a decrease of 24.1% from the prior year, as many countries in this area experienced depressed economic environments.

Fourth Quarter 2003 Results

Sales in the fourth quarter of 2003 were \$118.9 million, an increase of 4.4% from the prior year. Net loss in the quarter was \$11.2 million, or \$0.81 per share, which included after-tax charges of \$11.9 million principally related to inventory write-downs, restructuring charges and incremental tax provisions (noted in financial statements). Net loss in the prior year quarter was \$9.1 million, or \$0.66 per share, which included after-tax charges of \$10.3 million primarily for inventory and accounts receivable write-offs. Excluding the above charges, net earnings in the fourth quarter of 2003 were \$0.7 million, or \$0.05 per share, compared to \$1.2 million, or \$0.09 per share in the prior year quarter. Details of the charges are provided in a table at the end of this press release.

Fiscal Year 2003 Results

For the full fiscal year 2003, sales were \$464.5 million, an increase of 4.7% over the prior year. Including the charges noted above, loss for the year before the cumulative effect of accounting change (noted in financial statements), was \$9.7 million, or \$0.70 per share. Net loss for the year was \$27.6 million, or \$2.00 per share. Net loss in the prior year was \$11.3 million, or \$0.83 per share including the charges noted above and an after-tax charge of \$2.9 million associated with the sale of the Medical Glassware Business. Excluding the above charges and cumulative effect of accounting change, net earnings for fiscal year 2003 were \$2.2 million, or \$0.16 per share, compared to \$1.9 million or \$0.14 per share, in the prior year. Fluctuations in certain foreign currencies increased 2003 net sales by approximately 1.5% for the fiscal year, however, due to the effect on costs, the impact to net loss was immaterial.

Edward J. Richardson, Chairman of the Board and Chief Executive Officer, said, "We continue to manage through challenging market environments and have made strides in many areas to gain market share and move the business forward. The provision for additional inventory obsolescence and restructuring was driven by the continued economic slowdown and limited demand visibility. This will align our inventory and cost structure to current sales levels."

"With many markets and economies around the world in a stationary mode, market share gains become the primary source for growth. We believe our global engineered solutions model will continue to provide us with market opportunities for share gains and increased profitability", Mr. Richardson concluded.

Consolidated GAAP (generally accepted accounting principles) Results

Comparison of operations is as follows:

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(In millions, except per share amounts)

| | Fourth Quarter | | Full Year | |
|----------------------------------|----------------|---------|-----------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| Net sales | \$118.9 | \$113.9 | \$464.5 | \$443.5 |
| Gross margin | 14.8 | 13.0 | 99.1 | 94.2 |
| Operating loss | (11.8) | (11.2) | (1.7) | (0.4) |
| Loss before cumulative | | | | |
| effect of accounting change | (11.2) | (9.1) | (9.7) | (11.3) |
| Net loss | (11.2) | (9.1) | (27.6) | (11.3) |
| Loss per share before cumulative | | | | |
| effect of accounting change | (0.81) | (0.66) | (0.70) | (0.83) |
| Net loss per share | (0.81) | (0.66) | (2.00) | (0.83) |
| Average shares outstanding | 13.9 | 13.7 | 13.8 | 13.6 |

Consolidated Results Excluding Charges and Cumulative Effect of Accounting Change

Non-GAAP Measurements

In addition to the GAAP results provided throughout this document, the Company has provided non-GAAP measurements presenting operating results on a basis excluding certain charges, details of which are presented in the table below. The excluded charges principally represent charges for inventory overstock and obsolescence in excess of what management considers being more typical experience and charges for severance. Net income excluding charges reconciliation is noted in the financial statements attached to this document.

Management, as well as certain investors, uses these results of operations, excluding charges, to measure the Company's current and future financial performance. The non-GAAP measurements do not replace the presentation of Richardson's GAAP financial results. These measurements provide supplemental information to assist management and certain investors in analyzing the Company's financial position and results of operations. Richardson has chosen to provide this information to investors to enable them to perform meaningful comparisons of past, present and future operating results and as a means to emphasize the results of core on-going operations.

Excluding charges, a comparison of operations is as follows:

(In millions, except per share amounts)

| | Fourth Quarter | | Full Year | |
|--|----------------|------|-----------|------|
| | 2003 | 2002 | 2003 | 2002 |

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| | | | | |
|----------------------------|---------|---------|---------|---------|
| Net sales | \$118.9 | \$113.9 | \$464.5 | \$443.5 |
| Gross margin | 28.6 | 28.3 | 112.9 | 109.4 |
| Operating income | 3.8 | 4.3 | 13.9 | 15.2 |
| Net income | 0.7 | 1.2 | 2.2 | 1.9 |
| Net income per share | 0.05 | 0.09 | 0.16 | 0.14 |
| Average shares outstanding | 14.0 | 14.2 | 14.0 | 14.1 |

Charges Description

| (In millions) | Fourth Quarter | | Full Year | |
|-------------------------------------------|----------------|------------|-------------|------------|
| | 2003 | 2002 | 2003 | 2002 |
| Inventory charges | \$13.8 | \$15.3 | \$13.8 | \$15.3 |
| Severance charges | 1.5 | 0.3 | 1.5 | 0.3 |
| Other charges | 0.8 | 0.5 | 0.8 | 0.5 |
| Loss on medical sale | <u>—</u> | <u>—</u> | <u>—</u> | <u>4.6</u> |
| Pre-tax charges | \$16.1 | \$16.1 | \$16.1 | \$20.7 |
| Income tax provision | <u>5.8</u> | <u>5.8</u> | <u>5.8</u> | <u>7.5</u> |
| After-tax charges | 10.3 | 10.3 | 10.3 | 13.2 |
| Valuation allowance | 1.6 | - | 1.6 | - |
| Cumulative effect of accounting change | <u>—</u> | <u>—</u> | <u>17.9</u> | <u>—</u> |
| Total charges | \$11.9 | \$10.3 | \$29.8 | \$13.2 |

On Wednesday, July 16, 2003 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 888-273-9890 approximately five minutes prior to the start of the call. A replay of the call will be available from 12:30 p.m. CDT on July 16, 2003 through September 23, 2003. The telephone numbers for the replay are (USA) 800-475-6701 and (International) 320-365-3844; access code 690425.

This release includes certain “forward looking” statements as defined by the SEC. Such statements are not guarantees of future performance since the company's operations involve risks and uncertainties and actual results may differ materially from predictions. Reference is made to the company's Form 10-Q's and 10-K's for a summary of some of the risks that may affect the company's performance.

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 www.rell.com/investor.asp.
