

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 2, 2024**

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_ To

Commission File Number: **0-12906**



**RICHARDSON ELECTRONICS, LTD.**

(Exact name of registrant as specified in its charter)

**Delaware**

**36-2096643**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**40W267 Keslinger Road , P.O. Box 393**  
**LaFox , Illinois 60147-0393**  
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.05 Par Value	RELL	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ ☒

Accelerated Filer

Non-Accelerated Filer ☐ Smaller Reporting Company

☐

Emerging Growth Company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of April 9, 2024, there were

12,226,953

outstanding shares of Common Stock, \$0.05 par value and

2,051,488

outstanding shares of Class B Common Stock, \$0.05 par value, which are convertible into Common Stock of the registrant on a share for share basis.

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### Richardson Electronics, Ltd. Consolidated Balance Sheets *(in thousands, except per share amounts)*

	Unaudited March 2, 2024	Audited May 27, 2023
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 18,880	\$ 24,981
Accounts receivable, less allowance of \$ 233 and \$ 191, respectively	29,131	30,067
Inventories, net	112,635	110,402
Prepaid expenses and other assets	2,741	2,633
<b>Total current assets</b>	<b>163,387</b>	<b>168,083</b>
<b>Non-current assets:</b>		
Property, plant and equipment, net	20,723	20,823
Intangible assets, net	1,704	1,892
Right of use lease asset	3,120	2,457
Deferred income taxes	4,471	4,526
Other non-current assets	200	267
<b>Total non-current assets</b>	<b>30,218</b>	<b>29,965</b>
<b>Total assets</b>	<b>\$ 193,605</b>	<b>\$ 198,048</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 18,393	\$ 23,535
Accrued liabilities	12,660	12,026
Lease liability current	1,234	1,028

<b>Total current liabilities</b>	<b>32,287</b>	<b>36,589</b>
<b>Non-current liabilities:</b>		
Non-current deferred income tax liabilities	96	98
Lease liability non-current	1,886	1,429
Other non-current liabilities	715	612
<b>Total non-current liabilities</b>	<b>2,697</b>	<b>2,139</b>
<b>Total liabilities</b>	<b>34,984</b>	<b>38,728</b>
<b>Stockholders' Equity</b>		
Common stock, \$		
0.05		
par value;		
12,227		
shares issued and outstanding on		
March 2, 2024 and		
12,140		
shares issued and outstanding on May 27, 2023	611	607
Class B common stock, convertible, \$		
0.05		
par value;		
2,052		
shares issued		
and outstanding on March 2, 2024 and		
2,052		
shares issued and		
outstanding on May 27, 2023	103	103
Preferred stock, \$		
1.00		
par value,		
no		
shares issued	—	—
Additional paid-in-capital	72,215	70,951
Retained earnings	84,692	87,044
Accumulated other comprehensive income	1,000	615

Total stockholders' equity		
	158,621	159,320
Total liabilities and stockholders' equity		
	193,605	198,048
	\$ <u><u>          </u></u>	\$ <u><u>          </u></u>

**Richardson Electronics, Ltd.**  
**Unaudited Consolidated Statements of Comprehensive Income**  
*(in thousands, except per share amounts)*

	Three Months Ended February 25, 2023		Nine Months Ended February 25, 2023	
	March 2, 2024	March 2, 2024	March 2, 2024	March 2, 2024
Net sales	\$ 52,375	\$ 70,364	\$ 149,086	\$ 203,826
Cost of sales	36,939	47,959	103,844	136,543
<b>Gross profit</b>	<b>15,436</b>	<b>22,405</b>	<b>45,242</b>	<b>67,283</b>
Selling, general and administrative expenses	14,430	14,779	44,710	43,704
Loss (gain) on disposal of assets	—	13	70	(12)
<b>Operating income</b>	<b>1,006</b>	<b>7,613</b>	<b>462</b>	<b>23,591</b>
Other expense (income):				
Investment/interest income	(67)	(76)	(224)	(179)
Foreign exchange loss (gain)	101	292	347	305
Other, net	(7)	(14)	43	(29)
<b>Total other expense (income)</b>	<b>27</b>	<b>382</b>	<b>166</b>	<b>97</b>
Income before income taxes	979	7,995	296	23,494
Income tax provision	229	1,655	116	5,281
<b>Net income</b>	<b>750</b>	<b>6,340</b>	<b>180</b>	<b>18,213</b>
Foreign currency translation (loss) gain, net of tax	(205)	629	385	(710)
<b>Comprehensive income</b>	<b>545</b>	<b>6,969</b>	<b>565</b>	<b>17,503</b>
<b>Net income per share:</b>				
Common shares - Basic	\$ 0.05	\$ 0.46	\$ 0.01	\$ 1.33
Class B common shares - Basic	0.05	0.41	0.01	1.19

Common shares - Diluted

0.05	0.44	0.01	1.27
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Class B common shares - Diluted

0.05	0.40	0.01	1.15
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**Weighted average number of shares:**

Common shares – Basic

12,227	12,047	12,208	11,893
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Class B common shares – Basic

2,052	2,052	2,052	2,053
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Common shares – Diluted

12,445	12,666	12,480	12,524
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Class B common shares – Diluted

2,052	2,052	2,052	2,053
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**Dividends per share:**

Common share

\$	0.060	\$	0.060	\$	0.180	\$	0.180
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Class B common share

0.054	0.054	0.162	0.162
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**Richardson Electronics, Ltd.**  
**Unaudited Consolidated Statements of Cash Flows**  
*(in thousands)*

	Three Months Ended		Nine Months Ended	
	March 2, 2024	February 25, 2023	March 2, 2024	February 25, 2023
<b>Operating activities:</b>				
Net income				
	\$ 750	\$ 6,340	\$ 180	\$ 18,213
Adjustments to reconcile net income to cash used in operating activities:				
Depreciation and amortization	1,104	912	3,218	2,688
Inventory provisions	173	115	450	310
Share-based compensation expense	279	206	1,045	730
Loss (gain) on disposal of assets	—	13	70	( 12 )
Deferred income taxes	( 4 )	( 1 )	42	27
Change in assets and liabilities:				
Accounts receivable	( 5,254 )	( 7,189 )	998	12,694
Inventories	3,974	3,638	2,246	21,764
Prepaid expenses and other assets	151	153	58	578
Accounts payable	( 4,072 )	( 12 )	( 5,204 )	784
Accrued liabilities	247	661	625	486
Other	121	192	164	397
<b>Net cash used in operating activities</b>	<b>( 2,531 )</b>	<b>( 4,260 )</b>	<b>( 716 )</b>	<b>( 11,413 )</b>
<b>Investing activities:</b>				
Capital expenditures	( 401 )	( 2,230 )	( 3,057 )	( 4,973 )
Proceeds from maturity of investments	—	5,000	—	5,000
Proceeds from sale of property, plant & equipment	—	—	—	193

<b>Net cash (used in) provided by investing activities</b>	(	(	(	(
	401	2,770	3,057	220
	)	)	)	)
<b>Financing activities:</b>				
Proceeds from issuance of common stock	—	511	342	3,413
Cash dividends paid on Common and Class B Common shares	(	(	(	(
	844	834	2,532	2,484
	)	)	)	)
Proceeds from short-term borrowing	3,744	—	3,744	—
Repayment of short-term borrowing	(	(	(	(
	3,744	—	3,744	—
	)	)	)	)
Other	—	—	(	(
			119	69
			)	)
<b>Net cash (used in) provided by financing activities</b>	(	(	(	(
	844	323	2,309	860
	)	)	)	)
Effect of exchange rate changes on cash and cash equivalents	(	(	(	(
	113	352	19	517
	)	)	)	)
<b>Decrease in cash and cash equivalents</b>	(	(	(	(
	3,889	1,461	6,101	10,850
	)	)	)	)
Cash and cash equivalents at beginning of period	22,769	26,106	24,981	35,495
<b>Cash and cash equivalents at end of period</b>				
	<b>18,880</b>	<b>24,645</b>	<b>18,880</b>	<b>24,645</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<u></u>	<u></u>	<u></u>	<u></u>

**Richardson Electronics, Ltd.**  
**Unaudited Consolidated Statement of Stockholders' Equity**  
*(in thousands, except per share amounts)*

	Common	Class B Common	Par Value	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance December 2, 2023</b>							
	12,227	2,052	714	71,936	84,786	1,205	158,641
			\$	\$	\$	\$	\$
Comprehensive income:							
Net income					750		750
	—	—	—	—			
Foreign currency translation, net of tax						(	(
	—	—	—	—	—	205	205
						)	)
Share-based compensation:							
Restricted stock				172			172
	—	—	—		—	—	
Stock options				107			107
	—	—	—		—	—	
Dividends paid to:							
Common (\$					(		(
0.060 per share)	—	—	—	—	733		733
					)	—	)
Class B Common (\$					(		(
0.054 per share)	—	—	—	—	111		111
					)	—	)
<b>Balance March 2, 2024</b>							
	12,227	2,052	714	72,215	84,692	1,000	158,621
			\$	\$	\$	\$	\$
<b>Balance May 27, 2023</b>							
	12,140	2,052	710	70,951	87,044	615	159,320
			\$	\$	\$	\$	\$
Comprehensive income:							
Net income					180		180
	—	—	—	—			
Foreign currency translation, net of tax						385	385
	—	—	—	—	—		
Share-based compensation:							
Restricted stock				513			513
	—	—	—		—	—	
Stock options				532			532
	—	—	—		—	—	
Common stock:							
Options exercised	50		2	340			342
		—			—	—	
Restricted stock issuance	37		2	121			119
		—		)	—	—	)

Dividends paid to:								
Common (\$					(		(	
0.18					2,199		2,199	
0 per share)	—	—	—	—	)	—	)	
Class B Common (\$					(		(	
0.162					333		333	
per share)	—	—	—	—	)	—	)	
<b>Balance March 2, 2024</b>								
	<b>12,227</b>	<b>2,052</b>	<b>714</b>	<b>72,215</b>	<b>84,692</b>	<b>1,000</b>	<b>158,621</b>	
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

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	Common	Class B Common	Par Value	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensiv e Income (Loss)	Total
<b>Balance November 26, 2022:</b>							
	12,022	2,052	704	69,669	78,254	( 539 )	148,088
			\$	\$	\$	\$	\$
Comprehensive income:							
Net income					6,340		6,340
	—	—	—	—		—	
Foreign currency translation, net of tax						629	629
	—	—	—	—	—		
Share-based compensation:							
Restricted stock				140			140
	—	—	—		—	—	
Stock options				66			66
	—	—	—		—	—	
Common stock:							
Options exercised	63		3	508			511
		—			—	—	
Dividends paid to:							
Common (\$					(		(
0.060 per share)	—	—	—	—	724		724
					)	—	)
Class B Common (\$					(		(
0.054 per share)	—	—	—	—	110		110
					)	—	)
<b>Balance February 25, 2023</b>	<b>12,085</b>	<b>2,052</b>	<b>707</b>	<b>70,383</b>	<b>83,760</b>	<b>90</b>	<b>154,940</b>
			\$	\$	\$	\$	\$
<b>Balance May 28, 2022:</b>							
	11,649	2,053	685	66,331	68,031	800	135,847
			\$	\$	\$	\$	\$
Comprehensive income:							
Net income					18,213		18,213
	—	—	—	—		—	
Foreign currency translation, net of tax						( 710 )	( 710 )
	—	—	—	—	—		
Share-based compensation:							
Restricted stock				402			402
	—	—	—		—	—	
Stock options				328			328
	—	—	—		—	—	
Common stock:							
Options exercised	386		20	3,393			3,413
		—			—	—	

Restricted stock issuance				(			(
	49	—	2	71	—	—	69
				)			)
Class B converted to Common		(					
	1	1					
		)	—	—	—	—	—
Dividends paid to:							
Common (\$					(		(
0.18					2,152		2,152
0 per share)	—	—	—	—	)	—	)
Class B Common (\$					(		(
0.162					332		332
per share)	—	—	—	—	)	—	)
Balance February 25, 2023							
	12,085	2,052	707	70,383	83,760	90	154,940
	<u>          </u>	<u>          </u>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>	<u>\$          </u>

**RICHARDSON ELECTRONICS, LTD.**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. DESCRIPTION OF THE COMPANY**

Richardson Electronics, Ltd. (the "Company", "we", "our") is a leading global manufacturer of engineered solutions, power grid and microwave tubes and related consumables; power conversion and RF and microwave components; high-value replacement parts, tubes and service training for diagnostic imaging equipment; and customized display solutions. Nearly

55

% of our products are manufactured at our facilities located in LaFox, Illinois, Marlborough, Massachusetts and Donaueschingen, Germany, or by one of our manufacturing partners throughout the world. All our partners manufacture to our strict specifications and per our supplier code of conduct. We serve customers in the alternative energy, healthcare, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. The Company's strategy is to provide specialized technical expertise and "engineered solutions" based on our core engineering and manufacturing capabilities. The Company provides solutions and adds value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair through its global infrastructure.

Our products include electron tubes and related components, microwave generators, subsystems used in semiconductor manufacturing and visual technology solutions. These products are used to control, switch or amplify electrical power signals, or are used as display devices in a variety of industrial, commercial, medical and communication applications.

The Company reports its financial performance for the following operating and reportable segments:

**Power and Microwave Technologies ("PMT")** combines our core engineered solutions capabilities, power grid and microwave tube business with new disruptive RF, Wireless and Power technologies. As a designer, manufacturer, technology partner and authorized distributor, PMT's strategy is to provide specialized technical expertise and engineered solutions based on our core engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair - all through our existing global infrastructure. PMT's focus is on products for power, RF and microwave applications for customers in 5G, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. PMT focuses on various applications including broadcast transmission, CO2 laser cutting, diagnostic imaging, dielectric and induction heating, high energy transfer, high voltage switching, plasma, power conversion, radar and radiation oncology. PMT also offers its customers technical services for both microwave and industrial equipment.

**Green Energy Solutions ("GES")** combines our key technology partners and engineered solutions capabilities to design and manufacture innovative products for the fast-growing energy storage market and power management applications. As a designer, manufacturer, technology partner and authorized distributor, GES's strategy is to provide specialized technical expertise and engineered solutions using our core design engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair - all through our existing global infrastructure. GES's focus is on products for numerous green energy applications such as wind, solar, hydrogen and Electric Vehicles, and other power management applications that support green solutions such as synthetic diamond manufacturing.

**Canvys** provides customized display solutions serving the corporate enterprise, financial, healthcare, industrial and medical original equipment manufacturers markets. Our engineers design, manufacture, source and support a full spectrum of solutions to match the needs of our customers. We offer long-term availability and proven custom display solutions that include touch screens, protective panels, custom enclosures, All-In-One computers, specialized cabinet finishes and application specific software packages and certification services. We partner with both private label manufacturing companies and leading branded hardware vendors to offer the highest quality display and touch solutions and customized computing platforms.

**Healthcare** manufactures, repairs, refurbishes and distributes high value replacement parts and equipment for the healthcare market including hospitals, medical centers, asset management companies, independent service organizations and multi-vendor service providers. Products include diagnostic imaging replacement parts for CT and MRI systems; replacement CT and MRI tubes; CT service training; MRI coils, cold heads and RF amplifiers; hydrogen thytrons, klystrons, magnetrons; flat panel detector upgrades; pre-owned CT systems; and additional replacement solutions currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings and training programs, we believe we can help our customers improve efficiency while lowering the cost of healthcare delivery.

We currently operate within the following major geographic regions: North America, Asia/Pacific, Europe and Latin America.

## 2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by GAAP for complete financial statements.

Our fiscal quarter ends on the Saturday nearest the end of the quarter-ending month. The third quarter of fiscal 2024 and fiscal 2023 both contained 13 weeks. The first nine months of fiscal 2024 contained 40 weeks and the first nine months of fiscal 2023 contained 39 weeks.

In the opinion of management, all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the results of interim periods have been made. All inter-company transactions and balances have been eliminated. The unaudited consolidated financial statements presented herein include the accounts of our wholly owned subsidiaries. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to applicable rules and regulations. The results of our operations for nine months ended March 2, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending June 1, 2024.

As described in Note 1, *Description of the Company* and Note 9, *Segment Reporting*, the Company reports its financial performance based on

four

operating and reportable segments. The financial information contained in this report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended May 27, 2023, which was filed with the SEC on July 31, 2023.

## 3. NEW ACCOUNTING STANDARDS

ASU 2016-13 (as amended by ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11 and 2020-02) introduced a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses requires entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expanded the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. The Company adopted the new standard in the first quarter of fiscal 2024 and the adoption had no impact on the Company's financial condition, results of operations or cash flows.

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands the disclosures required in an entity's income tax rate reconciliation table and requires disclosure of income taxes paid in both U.S. and foreign jurisdictions. The amendments are effective for fiscal years beginning after December 15, 2024, with early adoption permitted, to be applied on a prospective basis, with retrospective application permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendment requires disclosures of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The new guidance also requires that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this update and all existing segment disclosures. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. Upon adoption, this guidance should be applied retrospectively to all prior periods presented. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to the Securities and Exchange Commission's ("SEC") Disclosure Update and Simplification Initiative. The amendments in this update require modification of certain disclosure and presentation requirements for a variety of ASU topics in response to the SEC's Release No. 33-10532. The effective date for each amended topic in the ASC is the date on which the SEC's removal of the related disclosure requirement from Regulation S-X or Regulation S-K becomes effective. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendment will be removed from the Codification and not become effective. Early adoption is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.



#### 4. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

**Inventories, net:** Our consolidated inventories were stated at the lower of cost and net realizable value, generally using a weighted-average cost method. Our net inventories include approximately \$

95.1	million of finished goods, \$
12.9	million of raw materials and \$
4.6	million of work-in-progress as of March 2, 2024, as compared to approximately \$
93.4	million of finished goods, \$
11.8	million of raw materials and \$
5.2	million of work-in-progress as of May 27, 2023.

At this time, we do not anticipate any material risks or uncertainties related to possible future inventory write-downs. Provisions for obsolete or slow-moving inventories are recorded based upon regular analysis of stock rotation privileges, obsolescence, the exiting of certain markets and assumptions about future demand and market conditions. If future demand changes in the industry, or market conditions differ from management's estimates, additional provisions may be necessary. Inventory reserves were approximately \$

6.0	million as of March 2, 2024 and \$
5.9	million as of May 27, 2023.

**Revenue Recognition:** Our customers are generally not resellers, but rather businesses that incorporate our products into their processes, from which they generate an economic benefit. The goods are also distinct in that each item sold to the customer is clearly identified on both the purchase order and resulting invoice. Each product we sell benefits the customer independently of the other products. Each item on each purchase order from the customer can be used by the customer unrelated to any other products we provide to the customer. The Company's revenue includes the following streams:

- Manufacturing/assembly
- Distribution
- Services revenue

Manufacturing/assembly typically includes the products that are manufactured or assembled in our manufacturing facility. These products can either be built to the customer's prints/designs or are products that we stock in our warehouse to sell to any customer that places an order. The manufacturing business does not include a separate service bundled with the product sold or sold in addition to the product. Our contracts for customized products generally include termination provisions if a customer cancels its order. However, we recognize revenue at a point in time because the termination provisions normally do not require, upon cancellation, the customer to pay fees that are commensurate with the work performed. Each purchase order explicitly states the goods or services that we promise to transfer to the customer. The promises to the customer are limited only to those goods or services. The performance obligation is our promise to deliver both goods that were produced by the Company and resale of goods that we purchase from our suppliers. Our shipping and handling activities for destination shipments are performed prior to the customer obtaining control. As such, they are not a separate promised service. The Company elects to account for shipping and handling as activities to fulfill the promise to transfer the goods. The goods we provide to our customers are distinct in that our customers benefit from the goods we sell them through use in their own processes.

Distribution typically includes products purchased from our suppliers, stocked in our warehouses and then sold to our customers. The distribution business does not include a separate service bundled with the product sold or sold on top of the product. Revenue is recognized when control of the promised goods is transferred to our customers, which is simultaneous with the title transferring to the customer, in an amount that reflects the transaction price consideration that we expect to receive in exchange for those goods. Control refers to the ability of the customer to direct the use of and obtain substantially all the remaining benefits from the goods. Our transaction price consideration is fixed, unless otherwise disclosed below as variable consideration. Generally, our contracts require our customers to pay for goods after we deliver products to them. Terms are generally on open account, payable net 30 days in North America, and vary throughout Asia/Pacific, Europe and Latin America subject to customary credit checks.

Repair, installation or training activities generate services revenue. The services we provide are relatively short in duration and are typically completed in one or two weeks. Therefore, at each reporting date, the amount of unbilled work is insignificant. The services revenue has consistently accounted for less than

5	% of the Company's total revenues and is expected to continue at that level.
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**Contracts with customers:** A revenue contract exists once a customer purchase order is received, reviewed and accepted. Each accepted purchase order identifies a distinct good or service as the Company's performance obligation. The goods include standard products purchased from a supplier and stocked on our shelves, customized products purchased from a supplier, products that are customized or have value added to them in house prior to shipping to the customer and manufactured products. Prior to accepting a customer purchase order, we review the credit worthiness of the customer. Purchase orders are deemed to meet the collectability criterion once the customer's credit is approved. The Company receives advance payments or deposits from our customers before revenue is recognized resulting in contract liabilities. Contract liabilities are included in accrued liabilities in the unaudited consolidated balance sheets.



**Contract Liabilities:** Contract liabilities and revenue recognized were as follows (*in thousands*):

	May 27, 2023	Additions	Revenue Recognized	March 2, 2024
Contract liabilities			(	
	\$ 3,283	\$ 3,247	\$ 2,814	\$ 3,716
			)	

See Note 9, *Segment Reporting*, for a disaggregation of revenue by reportable segment and geographic region, which represents how our chief operating decision maker reviews information internally to evaluate our financial performance and to make resource allocation and other decisions for the Company.

**Loss Contingencies:** We accrue a liability for loss contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. If we determine that there is at least a reasonable possibility that a loss may have been incurred, we will include a disclosure describing the contingency.

**Intangible Assets:** Intangible assets are initially recorded at their fair market values determined by quoted market prices in active markets, if available, or by recognized valuation models. Intangible assets that have finite useful lives are amortized over their useful lives either on a straight-line basis or over their projected future cash flows and are tested for impairment when events or changes in circumstances occur that indicate possible impairment. Our intangible assets represent the fair value for customer relationships agreements acquired in connection with prior acquisitions. Technology represents the fair value acquired in connection with acquisitions and an exclusive license, manufacturing and distribution agreement. Intangible assets subject to amortization were as follows (*in thousands*) :

	March 2, 2024	May 27, 2023
Gross Amounts:		
Customer Relationships <sup>(1)</sup>	\$ 3,394	\$ 3,388
Technology	380	380
Total Gross Amounts	\$ 3,774	\$ 3,768
Accumulated Amortization:		
Customer Relationships	\$ 1,833	\$ 1,671
Technology	237	205
Total Accumulated Amortization	\$ 2,070	\$ 1,876
Net Intangible Assets	\$ 1,704	\$ 1,892

(1) Change from prior period reflects impact of foreign currency translation.

The amortization expense associated with intangible assets subject to amortization for the next five years is presented in the following table (*in thousands*):

Fiscal Year	Amortization Expense
Remaining 2024	\$ 64
2025	239
2026	207

2027	194
2028	185
Thereafter	815
Total amortization	\$ 1,704

The weighted average number of years of amortization expense remaining is 10.4 years.

**Income Taxes:** We recognize deferred tax assets and liabilities based on the differences between financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets for recoverability and determine the need for a valuation allowance based on a number of factors, including both positive and negative evidence. These factors include historical taxable income or loss, projected future taxable income or loss, the expected timing of the reversals of existing temporary differences and the implementation of tax planning strategies. In circumstances where we, or any of our affiliates, have incurred three years of cumulative losses which constitute significant negative evidence, positive evidence of equal or greater significance is needed to overcome the negative evidence before a tax benefit is recognized for deductible temporary differences and loss carryforwards.

**Accrued Liabilities:** Accrued liabilities consisted of the following (in thousands):

	March 2, 2024	May 27, 2023
Compensation and payroll taxes	2,554	4,422
	\$	\$
Accrued severance	511	486
Professional fees	707	661
Deferred revenue	3,716	3,283
Other accrued expenses	5,172	3,174
Accrued Liabilities	12,660	12,026
	\$	\$

**Warranties:** We offer assurance type warranties for the limited number of specific products we manufacture. We estimate the cost to perform under the warranty obligation and recognize this estimated cost at the time of the related product sale. We record expense related to our warranty obligations as cost of sales in our consolidated statements of comprehensive income. Each quarter, we assess actual warranty costs incurred on a product-by-product basis and compare the warranty costs to our estimated warranty obligation. With respect to new products, estimates are based generally on knowledge of the products and warranty experience.

Warranty reserves are established for costs that are expected to be incurred after the sale and delivery of products under warranty. Warranty reserves are included in accrued liabilities on our unaudited consolidated balance sheets. The warranty reserves are determined based on known product failures, historical experience and other available evidence. Warranty reserves were approximately \$

0.7

million as of March 2, 2024 and May 27, 2023.

## 5. REVOLVING CREDIT FACILITY

The Company entered into a Credit Agreement (the "Credit Agreement") for a three-year Revolving Credit Facility with PNC Bank N.A. on March 20, 2023 (the "Revolving Credit Facility"). The Revolving Credit Facility will mature on March 20, 2026. Borrowings under the Revolving Credit Facility, including the swingline loan and letter of credit sub-facility extended to the Company thereunder, are secured by (i) a continuing first priority lien on and security interest in and to substantially all of the assets of the Company and its domestic subsidiaries and (ii) a continuing first priority pledge of the Pledged Collateral of the Company and the Guarantors identified in the Security Agreement and the Pledge Agreement executed in connection with the Revolving Credit Facility. The combined maximum borrowings under the Revolving Credit Facility are \$

30 million. Proceeds of borrowings may be used for working capital and general corporate purposes. The Company utilized \$

3.7 million of the credit line to address short-term working capital needs and repaid that \$

3.7 million during the third quarter of fiscal 2024. There was

no amount outstanding under the Revolving Credit Facility as of March 2, 2024.

The Credit Agreement provides that the Company must maintain compliance with a maximum consolidated leverage ratio covenant and a minimum consolidated fixed charge coverage ratio, each as determined in accordance with the Credit Agreement. The Credit Agreement also contains affirmative, negative and financial covenants customary for financings of this type, including, among other things, limitations on certain other indebtedness, loans and investments, liens, mergers, asset sales, and transactions with affiliates, as well as customary events of default for financings of this type. The Company was in compliance with financial covenants under the Credit Agreement as of March 2, 2024.

Borrowings under the Revolving Credit Facility will bear interest at a rate per annum selected by the Company from the following options: (a) Term SOFR Rate (for the applicable Interest Period) plus the SOFR Adjustment (for the applicable Interest Period) plus

1.25 %; (b) Base Rate plus

0.25 % or (c) Daily Simple RFR (for Euros) plus the RFR Adjustment plus

1.25 %. Letters of credit issued under the letter of credit sub-facility will have a letter of credit fee equal to

1.25

% per annum. The fee for the unused portion of the credit line is

0.10

%.

## **6. LEASE OBLIGATIONS AND OTHER COMMITMENTS**

The Company leases real and personal property in the normal course of business under various operating leases. The Company uses operating leases for facility space and automobiles. Most of the leased facility space is for sales and general office use. Automobile leases are used throughout the Company.

The Company did not capitalize short-term leases for all asset classes defined as leases with a term of shorter than twelve months on the balance sheet. These leases have not been transitioned to ASC 842. As a practical expedient, the Company did not reassess the accounting for initial direct costs of current leases.

Several leases include renewal clauses which vary in length and may not include specific rent renewal amounts. The Company will revise the value of the right of use assets and associated lease liabilities upon a remeasurement event.

The net assets and liabilities related to operating leases were as follows *(in thousands)*:

Lease Type	March 2, 2024	May 27, 2023
Operating lease right of use asset	3,120	2,457
	\$	\$
Operating lease liability current	1,234	1,028
Operating lease liability non-current	1,886	1,429

The components of lease costs were as follows *(in thousands)*:

	Three Months Ended March 2, 2024	February 25, 2023
Consolidated operating lease expense	457	434
Operating expenses	\$	\$
	Nine Months Ended March 2, 2024	February 25, 2023
Consolidated operating lease expense	1,328	1,300
Operating expenses	\$	\$

The approximate future minimum lease payments under operating leases at March 2, 2024 were as follows *(in thousands)*:

Fiscal Year	Operating Leases
Remaining 2024	352
2025	\$
2026	1,332
2027	923
2028	403
Thereafter	197
	118
Total lease payments	3,325
Less imputed interest	205
Net minimum lease payments	\$

The weighted average remaining lease terms and interest rates of leases held by the Company as of March 2, 2024 were as follows:

Lease Type	Weighted Average Remaining Lease Term in Years	Weighted Average Interest Rate
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Operating leases	2.8	4.4 %
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The cash activities associated with our leases for the three and nine-month periods ending March 2, 2024 and February 25, 2023, were as follows *(in thousands)*:

Cash Flow Source	Classification	Three Months Ended	
		March 2, 2024	February 25, 2023
Operating cash flows from operating leases			
	Operating activities	\$ 354	\$ 150

Cash Flow Source	Classification	Nine Months Ended	
		March 2, 2024	February 25, 2023
Operating cash flows from operating leases			
	Operating activities	\$ 977	\$ 646

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## 7. INCOME TAXES

We recorded an income tax provision of \$

0.1  
million and \$

5.3  
million for the first nine months of fiscal 2024 and the first nine months of fiscal 2023, respectively. The effective income tax rate during the first nine months of fiscal 2024 was a tax provision of

39.2  
% as compared to a tax provision of

22.5  
% during the first nine months of fiscal 2023. The difference in rate during the first nine months of fiscal 2024 as compared to the first nine months of fiscal 2023 reflects changes in our geographical distribution of income, which is primarily driven by a decrease in U.S. earnings for fiscal 2024 and the state income tax provision, as well as the U.S. research and development credits. The

39.2  
% effective income tax rate differs from the federal statutory rate of

21  
% as a result of our geographical distribution of income, which is primarily driven by a decrease in U.S. earnings for fiscal 2024, state income tax provision and the U.S. research and development credit.

In the normal course of business, we are subject to examination by taxing authorities throughout the world. Generally, years prior to fiscal 2019 are closed for examination under the statute of limitation for U.S. federal, U.S. state and local or non-U.S. tax jurisdictions. Our primary foreign tax jurisdictions are Germany and the Netherlands. We have tax years open in Germany beginning in fiscal 2019 and the Netherlands beginning in fiscal 2021.

We have historically determined that certain undistributed earnings of our foreign subsidiaries, to the extent of cash available, will be repatriated to the U.S. The deferred tax liability on the outside basis difference is primarily withholding tax on future dividend distributions. The deferred tax liability related to undistributed earnings of our foreign subsidiaries was less than \$

0.1  
million as of March 2, 2024 and May 27, 2023.

The Company did

no

t have any uncertain tax positions as of March 2, 2024 and May 27, 2023. We record penalties and interest related to uncertain tax positions in the income tax expense line item within the consolidated statements of comprehensive loss when applicable.

The Company maintains a valuation allowance representing the portion of the deferred tax asset that management does not believe is more likely than not to be realized. The valuation allowance was \$

1.4  
million as of March 2, 2024 and May 27, 2023. The current valuation allowance deferred tax assets in foreign jurisdictions where historical taxable losses have been incurred (\$

1.2  
million) and state NOLs (\$

0.2  
million). The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

## 8. CALCULATION OF EARNINGS PER SHARE

We have authorized

17,000,000  
shares of common stock and

3,000,000  
shares of Class B common stock. The Class B common stock has

10  
votes per share and has transferability restrictions; however, Class B common stock may be converted into common stock on a share-for-share basis at any time. With respect to dividends and distributions, shares of common stock and Class B common stock rank equally and have the same rights, except that Class B common stock cash dividends are limited to

90  
% of the amount of common stock cash dividends.

Our Class B common stock is considered a participating security requiring the use of the two-class method for the computation of basic and diluted earnings per share. The two-class computation method for each period reflects the cash dividends paid per share for each class of stock, plus the amount of allocated undistributed (loss) earnings per share computed using the participation percentage which reflects the dividend rights of each class of stock. Basic and diluted earnings per share were computed using the two-class method. The shares of Class B common stock are considered to be participating convertible securities since the shares of Class B common stock are convertible on a share-for-share basis into shares of common stock and may participate in dividends with common stock according to a predetermined formula which is 90% of the amount of common stock cash dividends.

The allocation of undistributed (loss) earnings between common stock and Class B common stock is based on the relationship of the weighted shares outstanding for the respective stock class (common or Class B) to the total of the weighted shares outstanding for common stock and 90% of the weighted shares outstanding for Class B common stock. The adjustment to the number of outstanding Class B common stock shares reflects the limitation of Class B common stock dividends to 90% of common stock dividends.

The earnings per share ("EPS") presented in our unaudited consolidated statements of comprehensive income was based on the following amounts (*in thousands, except per share amounts*):

	Three Months Ended			
	March 2, 2024		February 25, 2023	
	Basic	Diluted	Basic	Diluted
<b>Numerator for Basic and Diluted EPS:</b>				
Net income				
	750	750	6,340	6,340
	\$	\$	\$	\$
Less dividends:				
Common stock				
	733	733	724	724
Class B common stock				
	111	111	110	110
Undistributed (loss) earnings	(	(		
	94	94	5,506	5,506
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Common stock undistributed (loss) earnings	(	(		
	82	82	4,774	4,805
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Class B common stock undistributed (loss) earnings	(	(		
	12	12	732	701
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total undistributed (loss) earnings	(	(		
	94	94	5,506	5,506
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Denominator for Basic and Diluted EPS:</b>				
Common stock weighted average shares				
	12,227	12,227	12,047	12,047
	<u></u>	<u></u>	<u></u>	<u></u>
Effect of dilutive securities				
Dilutive stock options		218		619
Denominator for diluted EPS adjusted for weighted average shares and assumed conversion		12,445		12,666
		<u></u>		<u></u>
Class B common stock weighted average shares and shares under if-converted method for diluted EPS	2,052	2,052	2,052	2,052
	<u></u>	<u></u>	<u></u>	<u></u>
<b>Net income per share:</b>				
Common stock				
	0.05	0.05	0.46	0.44
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Class B common stock				
	0.05	0.05	0.41	0.40
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Note: There were

no

common stock options that were antidilutive in the third quarter of fiscal 2024 and fiscal 2023.

	Nine Months Ended			
	March 2, 2024		February 25, 2023	
	Basic	Diluted	Basic	Diluted
<b>Numerator for Basic and Diluted EPS:</b>				

Net income				
	\$	\$	\$	\$
	180	180	18,213	18,213
Less dividends:				
Common stock				
	2,199	2,199	2,152	2,152
Class B common stock				
	333	333	332	332
Undistributed (loss) earnings	(	(		
	2,352	2,352	15,729	15,729
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Common stock undistributed (loss) earnings	(	(		
	2,043	2,049	13,614	13,707
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Class B common stock undistributed (loss) earnings	(	(		
	309	303	2,115	2,022
	)	)		
Total undistributed (loss) earnings	(	(		
	2,352	2,352	15,729	15,729
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Denominator for Basic and Diluted EPS:</b>				
Common stock weighted average shares				
	12,208	12,208	11,893	11,893
Effect of dilutive securities				
Dilutive stock options		272		631
Denominator for diluted EPS adjusted for weighted average shares and assumed conversion		12,480		12,524
Class B common stock weighted average shares and shares under if-converted method for diluted EPS				
	2,052	2,052	2,053	2,053
	<u></u>	<u></u>	<u></u>	<u></u>
<b>Net income per share:</b>				
Common stock				
	0.01	0.01	1.33	1.27
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Class B common stock				
	0.01	0.01	1.19	1.15
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Note: There were

no

common stock options that were antidilutive in the first nine months of fiscal 2024 and fiscal 2023.

## 9. SEGMENT REPORTING

As described in Note 1, *Description of the Company* and Note 2, *Basis of Presentation*, the Company reports its financial performance based on the operating and reportable segments which are defined as follows:

Power and Microwave Technologies ("PMT") combines our core engineered solutions capabilities, power grid and microwave tube business with new disruptive RF, Wireless and Power technologies. As a designer, manufacturer, technology partner and authorized distributor, PMT's strategy is to provide specialized technical expertise and engineered solutions based on our core engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair - all through our existing global infrastructure. PMT's focus is on products for power, RF and microwave applications for customers in 5G, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. PMT focuses on various applications including broadcast transmission, CO2 laser cutting, diagnostic imaging, dielectric and induction heating, high energy transfer, high voltage switching, plasma, power conversion, radar and radiation oncology. PMT also offers its customers technical services for both microwave and industrial equipment.

Green Energy Solutions ("GES") combines our key technology partners and engineered solutions capabilities to design and manufacture innovative products for the fast-growing energy storage market and power management applications. As a designer, manufacturer, technology partner and authorized distributor, GES's strategy is to provide specialized technical expertise and engineered solutions using our core design engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair - all through our existing global infrastructure. GES's focus is on products for numerous green energy applications such as wind, solar, hydrogen and Electric Vehicles, and other power management applications that support green solutions such as synthetic diamond manufacturing.

Canvys provides customized display solutions serving the corporate enterprise, financial, healthcare, industrial and medical original equipment manufacturers markets. Our engineers design, manufacture, source and support a full spectrum of solutions to match the needs of our customers. We offer long-term availability and proven custom display solutions that include touch screens, protective panels, custom enclosures, All-In-One computers, specialized cabinet finishes and application specific software packages and certification services. We partner with both private label manufacturing companies and leading branded hardware vendors to offer the highest quality display and touch solutions and customized computing platforms.

Healthcare manufactures, repairs, refurbishes and distributes high value replacement parts and equipment for the healthcare market including hospitals, medical centers, asset management companies, independent service organizations and multi-vendor service providers. Products include diagnostic imaging replacement parts for CT and MRI systems; replacement CT and MRI tubes; CT service training; MRI coils, cold heads and RF amplifiers; hydrogen thytrons, klystrons, magnetrons; flat panel detector upgrades; pre-owned CT systems; and additional replacement solutions currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings and training programs, we believe we can help our customers improve efficiency while lowering the cost of healthcare delivery.

The CEO, who is the chief operating decision maker, evaluates performance and allocates Company resources primarily based on the gross profit of each segment.

Operating results by segment are summarized in the following table (*in thousands*):

	Three Months Ended		Nine Months Ended	
	March 2, 2024	February 25, 2023	March 2, 2024	February 25, 2023
<b>PMT</b>				
Net Sales				
	\$ 31,163	\$ 46,822	\$ 98,199	\$ 132,761
Gross Profit				
	8,815	15,404	29,231	44,950
<b>GES</b>				
Net Sales				
	11,531	11,471	18,534	32,275
Gross Profit				
	3,070	2,948	5,411	10,132
<b>Canvys</b>				
Net Sales				
	6,590	9,685	23,770	30,177
Gross Profit				
	2,265	3,103	8,070	9,364
<b>Healthcare</b>				
Net Sales				
	3,091	2,386	8,583	8,613

Gross Profit	1,286	950	2,530	2,837
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Geographic net sales information is primarily grouped by customer destination into five areas: North America; Asia/Pacific; Europe; Latin America; and Other.

Net sales and gross profit by geographic region are summarized in the following table (*in thousands*):

	Three Months Ended		Nine Months Ended	
	March 2, 2024	February 25, 2023	March 2, 2024	February 25, 2023
<b>Net Sales</b>				
North America				
	\$ 21,456	\$ 29,721	\$ 57,772	\$ 93,126
Asia/Pacific				
	12,116	14,999	34,988	47,859
Europe				
	16,081	15,886	46,542	47,816
Latin America				
	2,732	9,771	8,237	15,077
Other (1)	(	(		(
	10	13	1,547	52
	)	)		)
Total				
	\$ 52,375	\$ 70,364	\$ 149,086	\$ 203,826
<b>Gross Profit</b>				
North America				
	\$ 8,362	\$ 11,463	\$ 21,620	\$ 36,926
Asia/Pacific				
	2,902	4,664	10,217	14,985
Europe				
	4,824	5,132	14,105	14,417
Latin America				
	1,018	2,508	3,004	4,410
Other (1)	(	(	(	(
	1,670	1,362	3,704	3,455
	)	)	)	)
Total				
	\$ 15,436	\$ 22,405	\$ 45,242	\$ 67,283

(1) Other includes primarily net sales not allocated to a specific geographical region, unabsorbed value-add costs and other unallocated expenses.

We sell our products to customers in diversified industries and perform periodic credit evaluations of our customers' financial condition. Payment terms are generally on open account, payable net 30 days in North America, and vary throughout Asia/Pacific, Europe and Latin America. Estimates of credit losses are recorded in the financial statements based on monthly reviews of outstanding accounts.

## 10. RISKS AND UNCERTAINTIES

Our business and the companies with which we do business are subject to risks and uncertainties caused by factors beyond our control. Such factors include economic pressures related to inflation, rising interest rates, economic weakness or recession, as well as geopolitical and public health events such as conflicts involving the Russia-Ukraine and Middle East, tightening labor markets, and pandemics. These and other similar conditions and events have in the past and could in the future disrupt our operations and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

## 11. RELATED PARTY TRANSACTION

On June 15, 2015, the Company entered into a lease agreement for the IMES facility with LDL, LLC. That lease agreement was extended for five years in fiscal 2021. The Company is entitled to extend the term of the lease for an additional five-year renewal term by notifying the landlord in writing of its intention to do so within six months of the expiration of the term. The Executive Vice President of IMES, Lee A. McIntyre III (former owner of IMES), has an ownership interest in LDL, LLC. Mr. McIntyre departed from the Company in fiscal year 2023, effective as of September 24, 2022. The

lease agreement provides for monthly payments over five years with total future minimum lease payments of \$

0.2

million. Rental expense related to this lease amounted to \$

0.1

million for the nine months ended March 2, 2024 and February 25, 2023.



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Certain statements in this report may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. The terms "may", "should", "could", "anticipate", "believe", "continues", "estimate", "expect", "intend", "objective", "plan", "potential", "project" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on management's current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include; economic, labor and political conditions; global business disruption caused by the Russian invasion of Ukraine and related sanctions; currency exchange fluctuations; and the ability of the Company to manage its growth and the risk factors set forth in our Annual Report on Form 10-K filed with the SEC on July 31, 2023. We undertake no obligation to update any such factor or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.*

*In addition, while we do, from time to time, communicate with securities analysts, it is against our policy to disclose to them or any outside third party, any material non-public information or other confidential commercial information. Accordingly, stockholders should not assume that we agree with any statement or report issued by any securities analyst or outside third party, irrespective of the content of the statement or report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.*

### INTRODUCTION

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to assist the reader in better understanding our business, results of operations, financial condition, changes in financial condition and significant developments. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes appearing elsewhere in this filing. This section is organized as follows:

- **Business Overview**
- **Results of Operations** – an analysis and comparison of our consolidated results of operations for the three and nine-month periods ended March 2, 2024 and February 25, 2023, as reflected in our unaudited consolidated statements of comprehensive income.
- **Liquidity, Financial Position and Capital Resources** – a discussion of our primary sources and uses of cash for the nine-month periods ended March 2, 2024 and February 25, 2023, and a discussion of changes in our financial position.

### Business Overview

Richardson Electronics, Ltd. (the "Company", "we", "our") is a leading global manufacturer of engineered solutions, power grid and microwave tubes and related consumables; power conversion and RF and microwave components; high-value replacement parts, tubes and service training for diagnostic imaging equipment; and customized display solutions. Nearly 55% of our products are manufactured at our facilities located in LaFox, Illinois, Marlborough, Massachusetts and Donaueschingen, Germany, or by one of our manufacturing partners throughout the world. All our partners manufacture to our strict specifications and per our supplier code of conduct. We serve customers in the alternative energy, healthcare, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. The Company's strategy is to provide specialized technical expertise and "engineered solutions" based on our core engineering and manufacturing capabilities. The Company provides solutions and adds value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair through its global infrastructure.

Some of the Company's products are manufactured in China and are imported into the United States. The Office of the United States Trade Representative ("USTR") instituted additional 10% to 25% tariffs on the importation of a number of products into the United States from China effective July 6, 2018, with additional products added August 23, 2018 and September 24, 2018. These additional tariffs are a response to what the USTR considers to be certain unfair trade practices by China. A number of the Company's products manufactured in China are now subject to these additional duties of 25% when imported into the United States.

Management continues to work with suppliers and customers to mitigate the impact of the tariffs in our markets. However, if the Company is unable to successfully pass through the additional cost of these tariffs, or if the higher prices reduce demand for the Company's products, it will have a negative effect on the Company's sales and gross margins.

The Company reports its financial performance based on the operating and reportable segments defined as follows:

Power and Microwave Technologies ("PMT") combines our core engineered solutions capabilities, power grid and microwave tube business with new disruptive RF, Wireless and Power technologies. As a designer, manufacturer, technology partner and authorized distributor, PMT's strategy is to provide specialized technical expertise and engineered solutions based on our core engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair - all through our existing global infrastructure. PMT's focus is on products for power, RF and microwave applications for customers in 5G, aviation, broadcast, communications, industrial, marine, medical, military, scientific and semiconductor markets. PMT focuses on various applications including broadcast transmission, CO2 laser cutting, diagnostic imaging, dielectric and induction heating, high energy transfer, high voltage switching, plasma, power conversion, radar and radiation oncology. PMT also offers its customers technical services for both microwave and industrial equipment.

Green Energy Solutions ("GES") combines our key technology partners and engineered solutions capabilities to design and manufacture innovative products for the fast-growing energy storage market and power management applications. As a designer, manufacturer, technology partner and authorized distributor, GES's strategy is to provide specialized technical expertise and engineered solutions using our core design engineering and manufacturing capabilities on a global basis. We provide solutions and add value through design-in support, systems integration, prototype design and manufacturing, testing, logistics and aftermarket technical service and repair - all through our existing global infrastructure. GES's focus is on products for numerous green energy applications such as wind, solar, hydrogen and Electric Vehicles, and other power management applications that support green solutions such as synthetic diamond manufacturing.

Canvys provides customized display solutions serving the corporate enterprise, financial, healthcare, industrial and medical original equipment manufacturers markets. Our engineers design, manufacture, source and support a full spectrum of solutions to match the needs of our customers. We offer long-term availability and proven custom display solutions that include touch screens, protective panels, custom enclosures, All-In-One computers, specialized cabinet finishes and application specific software packages and certification services. Our volume commitments are lower than the large display manufacturers, making us the ideal choice for companies with very specific design requirements. We partner with both private label manufacturing companies and leading branded hardware vendors to offer the highest quality display and touch solutions and customized computing platforms.

Healthcare manufactures, repairs, refurbishes and distributes high value replacement parts and equipment for the healthcare market including hospitals, medical centers, asset management companies, independent service organizations and multi-vendor service providers. Products include diagnostic imaging replacement parts for CT and MRI systems; replacement CT and MRI tubes; CT service training; MRI coils, cold heads and RF amplifiers; hydrogen thyratrons, klystrons, magnetrons; flat panel detector upgrades; pre-owned CT systems; and additional replacement solutions currently under development for the diagnostic imaging service market. Through a combination of newly developed products and partnerships, service offerings and training programs, we believe we can help our customers improve efficiency while lowering the cost of healthcare delivery.

Refer to Note 9, *Segment Reporting*, to our unaudited consolidated financial statements for additional information on the operating and reportable segments.

We currently operate within the following major geographic regions: North America, Asia/Pacific, Europe and Latin America.

## RESULTS OF OPERATIONS

### Financial Summary – Three Months Ended March 2, 2024

- The third quarter of fiscal 2024 and fiscal 2023 both contained 13 weeks.
- Net sales during the third quarter of fiscal 2024 were \$52.4 million, a decrease of 25.6%, compared to net sales of \$70.4 million during the third quarter of fiscal 2023.
- Gross margin decreased to 29.5% during the third quarter of fiscal 2024 compared to 31.8% during the third quarter of fiscal 2023.
- Selling, general and administrative expenses were \$14.4 million or 27.6% of net sales during the third quarter of fiscal 2024 compared to \$14.8 million or 21.0% of net sales during the third quarter of fiscal 2023.
- Operating income during the third quarter of fiscal 2024 was \$1.0 million compared to operating income of \$7.6 million during the third quarter of fiscal 2023.
- Net income during the third quarter of fiscal 2024 was \$0.8 million compared to net income of \$6.3 million during the third quarter of fiscal 2023.

### Financial Summary – Nine Months Ended March 2, 2024

- The first nine months of fiscal 2024 contained 40 weeks and the first nine months of fiscal 2023 contained 39 weeks.
- Net sales during the first nine months of fiscal 2024 were \$149.1 million, a decrease of 26.9%, compared to net sales of \$203.8 million during the first nine months of fiscal 2023.
- Gross margin decreased to 30.3% during the first nine months of fiscal 2024 compared to 33.0% during the first nine months of fiscal 2023.
- Selling, general and administrative expenses were \$44.7 million or 30.0% of net sales during the first nine months of fiscal 2024 compared to \$43.7 million or 21.4% of net sales during the first nine months of fiscal 2023.
- Operating income during the first nine months of fiscal 2024 was \$0.5 million compared to operating income of \$23.6 million during the first nine months of fiscal 2023.
- Net income during the first nine months of fiscal 2024 was \$0.2 million compared to net income of \$18.2 million during the first nine months of fiscal 2023.

### Net Sales and Gross Profit Analysis

Net sales by segment and percent change during the third quarter and first nine months of fiscal 2024 and fiscal 2023 were as follows (in thousands):

Net Sales	Three Months Ended		FY24 vs. FY23 % Change
	March 2, 2024	February 25, 2023	
PMT	\$ 31,163	\$ 46,822	-33.4 %
GES	11,531	11,471	0.5 %
Canvys	6,590	9,685	-32.0 %
Healthcare	3,091	2,386	29.5 %
Total	<u>\$ 52,375</u>	<u>\$ 70,364</u>	-25.6 %

  

	Nine Months Ended		FY24 vs. FY23 % Change
	March 2, 2024	February 25, 2023	
PMT	\$ 98,199	\$ 132,761	-26.0 %
GES	18,534	32,275	-42.6 %
Canvys	23,770	30,177	-21.2 %
Healthcare	8,583	8,613	-0.3 %
Total	<u>\$ 149,086</u>	<u>\$ 203,826</u>	-26.9 %

During the third quarter of fiscal 2024, consolidated net sales decreased 25.6% compared to the third quarter of fiscal 2023. Sales for PMT decreased 33.4 %, sales for GES increased 0.5%, sales for Canvys decreased 32.0% and sales for Healthcare increased 29.5%. The decrease in PMT was mainly due to a cyclical downturn in the semi-wafer fabrication industry. The increase in GES was mainly due to increased shipments of battery modules for wind turbine products. The decrease in Canvys was primarily due to customer pushouts in the North American market. The increase in Healthcare was primarily due to increases in parts and CT tube sales, partially offset by a decrease in equipment sales.

During the first nine months of fiscal 2024, consolidated net sales decreased 26.9% compared to the first nine months of fiscal 2023. Sales for PMT decreased 26.0%, sales for GES decreased 42.6%, sales for Canvys decreased 21.2% and sales for Healthcare decreased 0.3%. The decrease in sales for PMT was mainly due to a cyclical downturn in the semi-wafer fabrication industry. The decrease in sales for GES reflected the project-based nature of this segment and was mainly due to lower shipments of battery modules for wind turbine products in the first half of the year and the completion of the EV locomotive prototype build in fiscal 2023. The decrease in sales for Canvys was primarily due to lower sales in the North American market. The decrease in sales for Healthcare was primarily due to decreases in equipment sales, partially offset by an increase in CT tube sales.

Gross profit by segment and percent of net sales for the third quarter and first nine months of fiscal 2024 and fiscal 2023 were as follows (in thousands):

#### **Gross Profit**

	Three Months Ended			
	March 2, 2024	% of Net Sales	February 25, 2023	% of Net Sales
PMT	\$ 8,815	28.3 %	\$ 15,404	32.9 %
GES	3,070	26.6 %	2,948	25.7 %
Canvys	2,265	34.4 %	3,103	32.0 %
Healthcare	1,286	41.6 %	950	39.8 %
Total	<u>\$ 15,436</u>	<u>29.5 %</u>	<u>\$ 22,405</u>	<u>31.8 %</u>

	Nine Months Ended			
	March 2, 2024	% of Net Sales	February 25, 2023	% of Net Sales
PMT	\$ 29,231	29.8 %	\$ 44,950	33.9 %
GES	5,411	29.2 %	10,132	31.4 %
Canvys	8,070	34.0 %	9,364	31.0 %
Healthcare	2,530	29.5 %	2,837	32.9 %
Total	<u>\$ 45,242</u>	<u>30.3 %</u>	<u>\$ 67,283</u>	<u>33.0 %</u>

Gross profit reflects the distribution and manufacturing product margin less manufacturing variances, inventory obsolescence charges, customer returns, scrap and cycle count adjustments, engineering costs and other provisions.

Consolidated gross profit decreased to \$15.4 million during the third quarter of fiscal 2024 compared to \$22.4 million during the third quarter of fiscal 2023. Consolidated gross margin as a percentage of net sales decreased to 29.5% during the third quarter of fiscal 2024 when compared to 31.8% during the third quarter of fiscal 2023. This decrease was mainly due to the unfavorable product mix and manufacturing under absorption in PMT with a partial offset from the favorable product mix in GES, Canvys and Healthcare.

Consolidated gross profit decreased to \$45.2 million during the first nine months of fiscal 2024 compared to \$67.3 million during the first nine months of fiscal 2023. Consolidated gross margin as a percentage of net sales decreased to 30.3% during the first nine months of fiscal 2024 compared to 33.0% during the first nine months of fiscal 2023. This decrease was primarily due to unfavorable product mix and manufacturing under absorption in PMT, unfavorable product mix in GES, manufacturing under absorption and higher scrap in Healthcare with a partial offset from the favorable product mix in Canvys.

#### **Power and Microwave Technologies**

PMT net sales decreased 33.4% to \$31.2 million during the third quarter of fiscal 2024 from \$46.8 million during the third quarter of fiscal 2023. The decrease was mainly due to lower sales of semi-wafer fabrication products which mainly reflected the cyclical slowdown in that market. Gross margin as a percentage of net sales decreased to 28.3% during the third quarter of fiscal 2024 as compared to 32.9% during the third quarter of fiscal 2023 due to unfavorable product mix and manufacturing under absorption.

PMT net sales decreased 26.0% to \$98.2 million during the first nine months of fiscal 2024 from \$132.8 million during the first nine months of fiscal 2023. The decrease was due to lower sales of semi-wafer fabrication products reflecting the cyclical slowdown in that market. Gross margin as a percentage of net sales decreased to 29.8% during the first nine months of fiscal 2024 as compared to 33.9% during the first nine months of fiscal 2023 due to unfavorable product mix and manufacturing under absorption.

### **Green Energy Solutions**

GES net sales increased 0.5% to \$11.5 million during the third quarter of fiscal 2024 compared to the third quarter of fiscal 2023. The increase reflected the project-based nature of this segment and was mainly due to increased shipments of battery modules for wind turbine products. Gross margin as a percentage of net sales increased to 26.6% during the third quarter of fiscal 2024 as compared to 25.7% during the third quarter of fiscal 2023 due to product mix.

GES net sales decreased 42.6% to \$18.5 million during the first nine months of fiscal 2024 from \$32.3 million during the first nine months of fiscal 2023. The decrease reflected the project-based nature of this segment and was mainly due to lower shipments of battery modules for wind turbine products in Q1 and Q2 and completion of our EV locomotive prototype build in fiscal 2023. Gross margin was 29.2% during the first nine months of fiscal 2024 as compared to 31.4% during the first nine months of fiscal 2023 due to product mix.

### **Canvys**

Canvys net sales decreased 32.0% to \$6.6 million during the third quarter of fiscal 2024 from \$9.7 million during the third quarter of fiscal 2023, due to customer pushouts in the North American market. Gross margin as a percentage of net sales increased to 34.4% during the third quarter of fiscal 2024 from 32.0% during the third quarter of fiscal 2023 primarily due to improved product mix.

Canvys net sales decreased 21.2% to \$23.8 million during the first nine months of fiscal 2024 from \$30.2 million during the first nine months of fiscal 2023, due to lower sales in the North American market. Gross margin as a percentage of net sales increased to 34.0% during the first nine months of fiscal 2024 from 31.0% during the first nine months of fiscal 2023 primarily due to improved product mix and lower freight costs.

### **Healthcare**

Healthcare net sales increased 29.5% to \$3.1 million during the third quarter of fiscal 2024 from \$2.4 million during the third quarter of fiscal 2023 primarily due to increases in parts and CT tube sales, partially offset by a decrease in equipment sales. Gross margin as a percentage of net sales increased to 41.6% during the third quarter of fiscal 2024 as compared to 39.8% during the third quarter of fiscal 2023 primarily due to product mix.

Healthcare net sales decreased 0.3% during the first nine months of fiscal 2024 from \$8.6 million during the first nine months of fiscal 2023 primarily due to a decrease in equipment sales, partially offset by an increase in CT tube sales. Gross margin as a percentage of net sales decreased to 29.5% during the first nine months of fiscal 2024 as compared to 32.9% during the first nine months of fiscal 2023 primarily due to manufacturing under absorption and higher scrap expense.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses ("SG&A") decreased slightly to \$14.4 million for the third quarter of fiscal 2024 when compared to \$14.8 million for the year ago quarter. The decrease from the third quarter of fiscal 2023 reflected lower incentives due to financial performance partially offset by higher R&D expenses. Expressed as a percentage of net sales, SG&A for the third quarter of fiscal 2024 increased to 27.6% compared to 21.0% for the third quarter of fiscal 2023.

SG&A increased \$1.0 million or 2.3% to \$44.7 million for the first nine months of fiscal 2024 when compared to the prior year. The increase from the first nine months of fiscal 2023 mainly reflected higher salaries and R&D expenses, partially offset by lower incentive expense. Expressed as a percentage of net sales, SG&A for the first nine months of fiscal 2024 increased to 30.0% compared to 21.4% for the first nine months of fiscal 2023.

**Other Income/Expense**

Other expense was less \$0.1 million during the third quarter of fiscal 2024, compared to other income of \$0.4 million for the third quarter of fiscal 2023. Other expense during the third quarter of fiscal 2024 included interest income and foreign exchange losses. Our foreign exchange gains and losses are primarily due to the translation of U.S. dollars held in non-U.S. entities. We currently do not utilize derivative instruments to manage our exposure to foreign currency.

Other expense was \$0.2 million during the first nine months of fiscal 2024, compared to other expense of \$0.1 million for the first nine months of fiscal 2023. Other expense during the first nine months of fiscal 2024 included interest income and foreign exchange losses. Our foreign exchange gains and losses are primarily due to the translation of U.S. dollars held in non-U.S. entities.

**Income Tax Provision**

We recorded an income tax provision of \$0.2 million and \$1.7 million for the third quarter of fiscal 2024 and the third quarter of fiscal 2023, respectively. The effective income tax rate during the third quarter of fiscal 2024 was 23.4% as compared to 20.7% during the third quarter of fiscal 2023. The difference in rate during the third quarter of fiscal 2024 as compared to the third quarter of fiscal 2023 reflects changes in our geographical distribution of income, which is primarily driven by a decrease in U.S. earnings for fiscal 2024 and the state income tax provision as well as the U.S. research and development credits. The 23.4% effective income tax rate differs from the federal statutory rate of 21% as a result of our geographical distribution of income and the utilization of the U.S. research and development credit.

We recorded an income tax provision of \$0.1 million and \$5.3 million for the first nine months of fiscal 2024 and the first nine months of fiscal 2023, respectively. The effective income tax rate during the first nine months of fiscal 2024 was a tax provision of 39.2% as compared to a tax provision of 22.5% during the first nine months of fiscal 2023. The difference in rate during the first nine months of fiscal 2024 as compared to the first nine months of fiscal 2023 reflects changes in our geographical distribution of income, which is primarily driven by a decrease in U.S. earnings for fiscal 2024, and the state income tax provision, as well as the U.S. research and development credits. The 39.2% effective income tax rate differs from the federal statutory rate of 21% as a result of our geographical distribution of income, which is primarily driven by a decrease in U.S. earnings for fiscal 2024, state income tax provision and the U.S. research and development credit.

In the normal course of business, we are subject to examination by taxing authorities throughout the world. Generally, years prior to fiscal 2019 are closed for examination under the statute of limitation for U.S. federal, U.S. state and local or non-U.S. tax jurisdictions. Our primary foreign tax jurisdictions are Germany and the Netherlands. We have tax years open in Germany beginning in fiscal 2019 and the Netherlands beginning in fiscal 2021.

The Company did not have any uncertain tax positions as of March 2, 2024 and May 27, 2023. We record penalties and interest related to uncertain tax positions in the income tax expense line item within the consolidated statements of comprehensive loss when applicable.

**Net Income and Per Share Data**

Net income during the third quarter of fiscal 2024 was \$0.8 million, or \$0.05 per diluted common share and \$0.05 per Class B diluted common share as compared to net income of \$6.3 million during the third quarter of fiscal 2023 or \$0.44 per diluted common share and \$0.40 per Class B diluted common share.

Net income during the first nine months of fiscal 2024 was \$0.2 million, or \$0.01 per diluted common share and \$0.01 per Class B diluted common share as compared to net income of \$18.2 million during the first nine months of fiscal 2023 or \$1.27 per diluted common share and \$1.15 per Class B diluted common share.

## LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

Our operations and cash needs have been primarily financed through cash on hand.

Cash and cash equivalents were \$18.9 million at March 2, 2024. Cash and cash equivalents by geographic area at March 2, 2024 consisted of \$5.7 million in North America, \$5.9 million in Europe, \$1.0 million in Latin America and \$6.3 million in Asia/Pacific. We repatriated \$0.3 million to the United States in the second quarter of fiscal 2024 from our entity in Mexico. Although the Tax Cuts and Jobs Act generally eliminated federal income tax on future cash repatriation to the United States, cash repatriation may be subject to state and local taxes, withholding or similar taxes. See Note 8, *Income Taxes*, of the notes to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for the fiscal year ended May 27, 2023, filed with the SEC on July 31, 2023, for further information.

Cash and cash equivalents were \$25.0 million on May 27, 2023. Cash and cash equivalents by geographic area on May 27, 2023 consisted of \$8.1 million in North America, \$8.6 million in Europe, \$1.5 million in Latin America and \$6.8 million in Asia/Pacific. No funds were repatriated to the United States in fiscal 2023 from our foreign entities.

Our short-term and long-term liquidity requirements primarily arise from: (i) working capital requirements, (ii) capital expenditure needs and (iii) cash dividend payments (if and when declared by our Board of Directors). Our ability to fund these requirements will depend, in part, on our future cash flows, which are determined by our future operating performance and, therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

Based on past performance and current expectations, we believe that the existing sources of liquidity, including current cash, will provide sufficient resources to meet known capital requirements and working capital needs through the next twelve months. Additionally, while our future capital requirements will depend on many factors, including, but not limited to, the economy and the outlook for growth in our markets, we believe our existing sources of liquidity as well as our ability to generate operating cash flows will satisfy our future obligations and cash requirements.

On March 20, 2023, the Company established a senior, secured revolving credit facility agreement with a three-year term in an aggregate principal amount not to exceed \$30 million, including a swingline loan and a letter of credit sub-facility (collectively, the "Revolving Credit Facility") with PNC Bank. The Revolving Credit Facility is guaranteed by the Company's domestic subsidiaries. Proceeds of the borrowings under the Revolving Credit Facility are expected to be used for working capital and general corporate purposes of the Company and its subsidiaries. The Company utilized \$3.7 million of the credit line to address short-term cash requirements and repaid that \$3.7 million during the third quarter of fiscal 2024. As of the end of the third quarter for fiscal 2024 and the date of this report, no amounts were outstanding under the Revolving Credit Facility.

### ***Cash Flows from Operating Activities***

Cash flows from operating activities are primarily a result of our net income adjusted for non-cash items and changes in our operating assets and liabilities.

Operating activities used \$0.7 million of cash during the first nine months of fiscal 2024. We had a net income of \$0.2 million during the first nine months of fiscal 2024, which included non-cash stock-based compensation expense of \$1.0 million associated with the issuance of stock option and restricted stock awards, inventory reserve provisions of \$0.5 million and depreciation and amortization expense of \$3.2 million associated with our property and equipment as well as amortization of our intangible assets. Changes in our operating assets and liabilities used \$5.7 million in cash during the first nine months of fiscal 2024, net of foreign currency exchange gains and losses included an increase in inventory of \$2.2 million, a decrease in accounts payable of \$5.2 million and an increase in prepayments of \$0.1 million. Partially offsetting the cash utilization was a decrease in receivables of \$1.0 million and an increase in accrued liabilities of \$0.6 million. The decrease in accounts receivable was primarily due to the lower level of sales across our operating segments in the current quarter. Most of the inventory increase supported the products for electron tubes and Healthcare. The changes in accounts payable and accrued liabilities were timing related.

Operating activities used \$11.4 million of cash during the first nine months of fiscal 2023. We had a net income of \$18.2 million during the first nine months of fiscal 2023, which included non-cash stock-based compensation expense of \$0.7 million associated with the issuance of stock option and restricted stock awards, inventory reserve provisions of \$0.3 million and depreciation and amortization expense of \$2.7 million associated with our property and equipment as well as amortization of our intangible assets. Changes in our operating assets and liabilities used \$33.4 million in cash during the first nine months of fiscal 2023, net of foreign currency exchange gains and losses, included an increase in accounts receivable of \$12.7 million, an increase in inventory of \$21.8 million and an increase in prepaid expenses of \$0.6 million. Partially offsetting the cash utilization for accounts receivable, inventory and prepaid expenses was an increase in accounts payable and accrued liabilities of \$1.3 million. The increase in accounts receivable was primarily due to increased sales. The majority of the inventory increase supported the product growth in LaFox manufacturing, Green Energy Solutions and Canvys, in addition to increases in the inventory for electron tubes. The increase in accounts payable was related to the inventory increase and the increase in accrued liabilities was timing related.

#### ***Cash Flows from Investing Activities***

Cash used in investing activities of \$3.1 million during the first nine months of fiscal 2024 was due to capital expenditures. Capital expenditures were primarily related to our IT system and the LaFox manufacturing and facilities renovation. LaFox manufacturing primarily supports the Electron Device Group ("EDG") and Green Energy Solutions ("GES").

Cash provided by investing activities of \$0.2 million during the first nine months of fiscal 2023 was mainly due to the proceeds from investment maturities as well as proceeds from the sale of assets partially offset by capital expenditures. Capital expenditures were primarily related to our IT system, as well as our LaFox manufacturing business and facilities, which also supports both EDG and Green Energy Solutions. The Company did not have any investment purchases in the first nine months of fiscal 2023.

#### ***Cash Flows from Financing Activities***

Cash flows used in financing activities consist primarily of cash dividends and cash flows provided by financing activities consist primarily of the proceeds from the issuance of stock. All future dividend payments are at the discretion of the Board of Directors. Dividend payments depend on earnings, capital requirements, operating conditions and such other factors that the Board may deem relevant.

Cash used in financing activities of \$2.3 million during the first nine months of fiscal 2024 primarily resulted from \$2.5 million of dividend payments to stockholders partially offset by \$0.3 million of proceeds from the issuance of stock.

Cash provided by financing activities of \$0.9 million during the first nine months of fiscal 2023 primarily resulted from the \$3.4 million proceeds from the issuance of stock less the \$2.5 million of dividend payments to stockholders.



### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Risk Management and Market Sensitive Financial Instruments

We are exposed to many different market risks with the various industries we serve. The primary financial risk we are exposed to is foreign currency exchange, as certain of our operations, assets and liabilities are denominated in foreign currencies. We manage these risks through normal operating and financing activities.

The interpretation and analysis of these disclosures should not be considered in isolation since such variances in exchange rates would likely influence other economic factors. Such factors, which are not readily quantifiable, would likely also affect our operations. Additional disclosure regarding various market risks is set forth in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended May 27, 2023, filed with the SEC on July 31, 2023.

### ITEM 4. CONTROLS AND PROCEDURES

#### (a) Evaluation of Disclosure Controls and Procedures

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 2, 2024.

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

#### (b) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the third quarter of fiscal 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

#### **ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended May 27, 2023, filed with the SEC on July 31, 2023.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS****Exhibit Index**

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Annex III of the Proxy Statement dated August 22, 2014).</u></a>
3.2	<a href="#"><u>Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 15, 2017).</u></a>
31.1	<a href="#"><u>Certification of Edward J. Richardson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Robert J. Ben pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32	<a href="#"><u>Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101	The following financial information from our Quarterly Report on Form 10-Q for the third quarter of fiscal 2024, filed with the SEC on April 11, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Unaudited Consolidated Balance Sheets, (ii) the Unaudited Consolidated Statements of Comprehensive (Loss) Income, (iii) the Unaudited Consolidated Statements of Cash Flows, (iv) the Unaudited Consolidated Statement of Stockholders' Equity and (v) Notes to Unaudited Consolidated Financial Statements.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RICHARDSON ELECTRONICS, LTD.

Date: April 11, 2024

By: /s/ Robert J. Ben  
Robert J. Ben  
Chief Financial Officer and Chief Accounting Officer (on  
behalf of the Registrant and as Principal  
Financial Officer)

CERTIFICATION PURSUANT TO  
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Edward J. Richardson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Richardson Electronics, Ltd. for the period ended March 2, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 11, 2024

Signature:        /s/ Edward J. Richardson

Edward J. Richardson  
Chairman of the Board and Chief Executive Officer

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CERTIFICATION PURSUANT TO  
SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Ben, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Richardson Electronics, Ltd. for the period ended March 2, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 11, 2024

Signature:        /s/ Robert J. Ben

Robert J. Ben  
Chief Financial Officer and Chief Accounting Officer

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CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Richardson Electronics, Ltd. (the "Company") on Form 10-Q for the period ended March 2, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward J. Richardson, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Edward J. Richardson

Edward J. Richardson  
Chairman of the Board and Chief Executive Officer  
April 11, 2024

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Richardson Electronics, Ltd. (the "Company") on Form 10-Q for the period ended March 2, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Ben, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert J. Ben

Robert J. Ben  
Chief Financial Officer and Chief Accounting Officer  
April 11, 2024

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