

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) January 26, 2023



**LSI INDUSTRIES INC.**

(Exact name of Registrant as Specified in its Charter)

**Ohio**

(State or Other Jurisdiction of  
Incorporation)

**01-13375**

(Commission File Number)

**31-0888951**

(IRS Employer  
Identification No.)

**10000 Alliance Road, Cincinnati, Ohio**

(Address of Principal Executive Offices)

**45242**

(Zip Code)

Registrant's telephone number, including area code **(513) 793-3200**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|----------------------------|--------------------------|--|
| Common Stock, no par value | LYTS                     | NASDAQ   |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17CFR §240.12b-2 of this chapter).

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 ☐

**Item 2.02 Results of Operation and Financial Condition.**

On January 26, 2023, LSI Industries Inc. (“LSI” or the “Company”) issued a press release announcing operating results for the second fiscal quarter ending December 31, 2022. A copy of the press release is furnished with this Form 8-K as Exhibit 99.1 and is incorporated by reference herein.

**Item 7.01 Regulation FD Disclosure.**

On January 26, 2023, LSI is hosting a conference call for the benefit of its investors to discuss the results set forth in the press release described in Item 2.02 above. A copy of the presentation, which is available at [www.lsicorp.com](http://www.lsicorp.com), related to this conference call is attached as Exhibit 99.2 to this report and is incorporated by reference herein.

LSI’s presentation discloses certain financial results both in accordance with generally accepted accounting principles (“GAAP”) and on a non-GAAP basis with adjustments for certain items. LSI’s management believes that presentation of these non-GAAP financial measures and their related reconciliations are useful to investors because the non-GAAP financial measures provide investors with a basis for comparing the results to financial results from prior periods.

Information in the presentation contains forward-looking statements regarding future events and performance of LSI. All such forward-looking statements are based largely on LSI’s experience and perception of current conditions, trends, expected future developments and other factors, and on management’s expectations, and are subject to risks and uncertainties that could cause actual results to differ materially, including, but not limited to, those factors described in the presentation and in LSI’s filings with the Securities and Exchange Commission. LSI disclaims any intention or obligation to update or revise any financial or other projections or other forward-looking statements, whether because of new information, future events or otherwise.

The information in each of Item 2.02 and Item 7.01 of this Form 8-K and in the press release attached as Exhibit 99.1 and the presentation attached as Exhibit 99.2 is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section. The information in each of Item 2.02 and Item 7.01 of this Form 8-K and each of Exhibit 99.1 and Exhibit 99.2 shall not be incorporated by reference in any filing (whether made before or after the date hereof) or any other document under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in any such filing, except as shall be expressly set forth by specific reference in any such filing or document.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

| <u>ExhibitNo.</u> | <u>Description</u>   |
|-------------------|--|
| 99.1              | <a href="#">LSI Press Release dated January 26, 2023 reporting financial results</a> |
| 99.2              | <a href="#">Conference Call Presentation</a>   |
| 104               | Cover Page Interactive Data File (embedded within the Inline XBRL document)          |

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## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LSI INDUSTRIES INC.

BY: /s/ James E. Galeese

James E. Galeese

Executive Vice President, Chief  
Financial Officer

Dated: January 26, 2023



## LSI INDUSTRIES REPORTS FISCAL 2023 SECOND QUARTER RESULTS AND DECLARES QUARTERLY CASH DIVIDEND

**CINCINNATI, OH. January 26, 2023** – LSI Industries Inc. (NASDAQ: LYTS, “LSI” or the “Company”) a leading U.S. based manufacturer of display solutions and indoor/outdoor lighting, today reported fiscal second quarter financial results for the three months ended December 31, 2022.

### **FISCAL 2023 SECOND QUARTER**

- Net Sales +16% y/y to \$128.8 million
- Net Income +107% y/y to \$6.4 million; Adjusted Net Income of \$7.6 million
- Diluted EPS of \$0.22; Adjusted EPS of \$0.26
- EBITDA of \$11.5 million; Adjusted EBITDA \$13.0 million or 10.1%/sales
- Free Cash Flow of \$8.9 million
- Net debt declines to \$60.1 million, or 1.3x TTM Adjusted EBITDA

LSI delivered strong year-over-year increases in both sales and profitability in the fiscal second quarter, driven by broad-based commercial demand across both the lighting and display solutions businesses, continued price discipline and a more profitable sales mix.

The Company reported net sales of \$128.8 million in the fiscal second quarter, an increase of 16% versus the prior-year period. LSI reported net income of \$6.4 million, or \$0.22 per diluted share in the fiscal second quarter, versus \$3.1 million, or \$0.11 per diluted share in the prior-year period. Adjusted net income for the fiscal second quarter was \$7.6 million, or \$0.26 per diluted share, compared to \$4.2 million, or \$0.15 per diluted share last year.

LSI reported Adjusted EBITDA of \$13.0 million for the fiscal second quarter, or an increase of 54% versus the prior-year period. The company reported an Adjusted EBITDA margin rate of 10.1%, an increase of 250 bps versus the prior year period. The improved margin rate was driven by a combination of volume growth, improved price realization, disciplined cost management and a more favorable sales mix. A reconciliation of GAAP to non-GAAP financial results is included in the attached press release schedules.

LSI generated free cash flow of \$8.9 million in the fiscal second quarter, increasing free cash flow for the first half of fiscal 2023 to \$19.0 million. Net debt decreased from \$77.1 million entering the fiscal year to \$60.1 million at the end of the fiscal second quarter, reducing the ratio of net debt to trailing twelve-month adjusted EBITDA to 1.3x, from 2.2x last fiscal year.

The Company declared a regular cash dividend of \$0.05 per share payable on February 14, 2023, to shareholders of record on February 6, 2023.

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## **MANAGEMENT COMMENTARY**

“LSI delivered strong second quarter results, highlighted by substantial year-over-year growth in sales and profitability, along with improvements to other key operating metrics,” stated James A. Clark, President, and Chief Executive Officer of LSI. “Our performance reflects balanced sales and margin performance attained across our two reportable segments, while continuing to successfully navigate a demanding operating environment.

“During the second quarter, our Lighting and Display Solutions segments each achieved double-digit sales growth and margin expansion, versus the prior year period,” continued Clark. “Total Adjusted EBITDA increased 54% year-over-year in the quarter, while Adjusted EBITDA margin exceeded 10% for another consecutive quarter. We continue to grow our share-of-wallet within key verticals markets, building upon a growing base of loyal customers, while demonstrating the value of our one-stop, integrated lighting, display and merchandising solutions within underserved and emerging growth applications.”

“As expected, our business continues to generate strong cash flow from operations,” continued Clark. “With trailing twelve-month free cash flow conversion approaching 70%, we’ve continued to direct capital toward debt reduction, consistent with our current allocation priorities. During the last year, we’ve reduced net debt by more than \$25 million and ended the second quarter with net leverage at 1.3x. We anticipate continued, positive free cash flow generation as we enter the second half of our fiscal year, positioning us to further reduce debt levels while increasing availability under our existing credit facility.

“In the second quarter, we successfully completed a \$12+ million rebranding project involving approximately 200 refueling sites in Puerto Rico for a major oil company. Most of these sites were rebranded during the second quarter, as we successfully delivered on the demanding scheduling requirements of the customer. Following the successful completion of this project, which was our first ever project in Puerto Rico, we continue to evaluate additional early-stage international market opportunities that could represent exciting new entry points for our business.

“Also in the second quarter, one of the nation’s largest grocery chains awarded LSI a major display case expansion and replacement project, committing to purchase more than \$12 million of refrigerated and non-refrigerated displays during the next nine months. The award follows the successful completion of an earlier project with the same customer, which represented a similar number of stores and revenue profile. Our grocery customers continue to invest in programs to enhance the customer shopping experience and generate incremental sales,” noted Clark. “LSI is well positioned to capitalize on these opportunities, partnering with a number of grocery chains on their specific branding and technological requirements.

“The Lighting segment continued its strong momentum during the second quarter, generating year-over-year sales growth of 17%, while operating earnings improved 45% versus prior year. Sales growth was broad-based, with significant increases in all vertical market applications. Our new product development activity the last two years prioritized improving and expanding our indoor product range for select vertical markets which, when combined with our widely accepted outdoor portfolio, creates a powerful, value-added solution set. Indoor sales continue to accelerate, achieving second quarter sales growth of 32%. Our enhanced offering has increased the number of orders containing both indoor and outdoor products, serving to increase our average order size.

“Display Solutions segment sales increased 15% versus the prior year second quarter, reflecting volume growth across a number of our key verticals. Our order fulfillment and service execution for these made-to-order custom specification projects have been excellent, meeting or exceeding demanding delivery requirements despite ongoing delays and changes to customer installation schedules, permitting and component availability. The Display Solutions segment gross margin improved 620 bps year-over-year, given favorable program pricing and improved sales mix. Operating income margin improved to 12.8% compared to 7.4% in the fiscal second quarter last year.

Clark concluded, “We delivered a solid second quarter and we exit the fiscal first half with continued momentum across our business. Demand levels in key vertical markets remain favorable, our backlog is healthy, customers increasingly recognize the value of our solutions, manufacturing and supply chain execution remain on-point, and positive cash flow and debt reduction are expected to continue. Looking ahead, despite ongoing pressures on the general economy, we remain optimistic about the second half of the fiscal year and the long-term prospects of our markets. We’ll continue our emphasis on balancing short-term execution with long-term investments to build the business and achieve profitable growth in the years ahead.”

## CONFERENCE CALL

A conference call will be held today at 11:00 A.M. ET to review the Company’s financial results and conduct a question-and-answer session.

A webcast of the conference call and accompanying presentation materials will be available in the Investor Relations section of LSI Industries’ website at [www.lsicorp.com](http://www.lsicorp.com). Individuals can also participate by teleconference dial-in. To listen to a live broadcast, go to the site at least 15 minutes prior to the scheduled start time to register, download and install any necessary software.

Details of the conference call are as follows:

**Call Dial-In: 1-877-407-4018**  
**Conference ID:** 13735537

**Call Replay: 1-844-512-2921**  
**Replay Passcode:** 13735537

A replay of the conference call will be available between January 26, 2023, and February 9, 2023. To listen to a replay of the teleconference via webcast, please visit the Investor Relations section of LSI Industries’ website at [www.lsicorp.com](http://www.lsicorp.com)

## ABOUT LSI INDUSTRIES

Headquartered in Greater Cincinnati, LSI is a publicly held company traded over the NASDAQ Stock Exchange under the symbol LYTS. The company manufactures non-residential lighting and retail display solutions. Non-residential lighting consists of high-performance, American-made lighting solutions. The Company’s strength in lighting applications creates opportunities to introduce additional solutions to its valued customers. Retail display solutions consist of graphics solutions, digital signage and technically advanced food display equipment for strategic vertical markets. LSI’s team of internal specialists also provide comprehensive project management services in support of large-scale product rollouts. The company employs approximately 1,400 people at 11 manufacturing plants in the U.S. and Canada. Additional information about LSI is available at [www.lsicorp.com](http://www.lsicorp.com).

## **FORWARD-LOOKING STATEMENTS**

For details on the uncertainties that may cause our actual results to be materially different than those expressed in our forward-looking statements, visit <https://investors.lsicorp.com> as well as our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q which contain risk factors.

## **INVESTOR & MEDIA CONTACT**

Noel Ryan, IRC  
720.778.2415  
[LYTS@vallumadvisors.com](mailto:LYTS@vallumadvisors.com)

| Three Months Ended<br>December 31 |            |          | <i>(Unaudited)</i><br><i>(In thousands, except per share data)</i> | Six Months Ended<br>December 31 |            |          |
|-----------------------------------|------------|----------|--|---------------------------------|------------|----------|
| 2022                              | 2021       | % Change |  | 2022                            | 2021       | % Change |
| \$ 128,804                        | \$ 111,143 | 16%      | Net sales  | \$ 255,873                      | \$ 217,540 | 18%      |
| 9,038                             | 4,422      | 104%     | Operating income as reported                                       | 19,059                          | 8,866      | 115%     |
| 1,002                             | 1,130      | -11%     | Stock compensation expense   | 1,553                           | 1,686      | -8%      |
| -                                 | 340        | NM       | Acquisition costs  | -                               | 340        | NM       |
| 33                                | -          | NM       | Severance costs  | 46                              | -          | NM       |
| 486                               | -          | NM       | Consulting expense: Commercial Growth Initiatives                  | 789                             | -          | NM       |
| \$ 10,559                         | \$ 5,892   | 79%      | Operating income as adjusted                                       | \$ 21,447                       | \$ 10,892  | 97%      |
| \$ 6,417                          | \$ 3,105   | 107%     | Net income as reported   | \$ 12,678                       | \$ 6,238   | 103%     |
| \$ 7,627                          | \$ 4,241   | 80%      | Net income as adjusted   | \$ 14,704                       | \$ 7,781   | 89%      |
| \$ 0.22                           | \$ 0.11    | 100%     | Earnings per share (diluted) as reported                           | \$ 0.44                         | \$ 0.22    | 100%     |
| \$ 0.26                           | \$ 0.15    | 73%      | Earnings per share (diluted) as adjusted                           | \$ 0.51                         | \$ 0.28    | 82%      |

|                             | <i>(amounts in thousands)</i> |                  |
|-----------------------------|-------------------------------|------------------|
|                             | December 31,<br>2022          | June 30,<br>2022 |
| Working capital             | \$ 84,891                     | \$ 84,298        |
| Total assets                | \$ 296,283                    | \$ 311,080       |
| Long-term debt              | \$ 59,250                     | \$ 76,025        |
| Other long-term liabilities | \$ 11,583                     | \$ 12,667        |
| Shareholders' equity        | \$ 161,316                    | \$ 147,769       |

### Three Months Ended December 31, 2022, Results

Net sales for the three months ended December 31, 2022, were \$128.8 million, up 16% from the three months ended December 31, 2021, net sales of \$111.1 million. Lighting Segment net sales of \$66.8 million increased 17% and Display Solutions Segment net sales of \$62.0 million increased 15% from last year's second quarter net sales. Net income for the three months ended December 31, 2022, was \$6.4 million, or \$0.22 per share, compared to \$3.1 million or \$0.11 per share for the three months ended December 31, 2021. Earnings per share represents diluted earnings per share.

### Six Months Ended December 31, 2022, Results

Net sales for the six months ended December 31, 2022, were \$255.9 million, up 18% from the six months ended December 31, 2021, net sales of \$217.5 million. Lighting Segment net sales of \$134.4 million increased 24% and Display Solutions Segment net sales of \$121.5 million increased 11% from last year's net sales. Net income for the six months ended December 31, 2022 was \$12.7 million, or \$0.44 per share, compared to \$6.2 million or \$0.22 per share for the six months ended December 31, 2021. Earnings per share represents diluted earnings per share.



### **Balance Sheet**

The balance sheet at December 31, 2022, included current assets of \$149.0 million, current liabilities of \$64.1 million and working capital of \$84.9 million, which includes cash of \$2.8 million. The current ratio was 2.3 to 1. The balance sheet also included shareholders' equity of \$161.3 million and long-term debt of \$59.3 million. It is the Company's priority to continuously generate sufficient cash flow, coupled with an approved credit facility, to adequately fund operations.

### **Cash Dividend Actions**

The Board of Directors declared a regular quarterly cash dividend of \$0.05 per share in connection with the second quarter of fiscal 2023, payable February 14, 2023, to shareholders of record as of the close of business on February 6, 2023. The indicated annual cash dividend rate is \$0.20 per share. The Board of Directors has adopted a policy regarding dividends which provides that dividends will be determined by the Board of Directors in its discretion based upon its evaluation of earnings both on a GAAP and non-GAAP basis, cash flow requirements, financial condition, debt levels, stock repurchases, future business developments and opportunities, and other factors deemed relevant by the Board.

### **Non-GAAP Financial Measures**

This press release includes adjustments to GAAP operating income, net income, and earnings per share for the three and six months ended December 31, 2022, and 2021. Operating income, net income, and earnings per share, which exclude the impact of stock compensation expense, commercial growth opportunity expense, and severance costs, are non-GAAP financial measures. We exclude these items because we believe they are not representative of the ongoing results of operations of the business. Also included in this press release are non-GAAP financial measures, including Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA and Adjusted EBITDA), and Free Cash Flow. We believe that these are useful as supplemental measures in assessing the operating performance of our business. These measures are used by our management, including our chief operating decision maker, to evaluate business results, and are frequently referenced by those who follow the Company. These non-GAAP measures may be different from non-GAAP measures used by other companies. In addition, the non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations, in that they do not reflect all amounts associated with our results as determined in accordance with U.S. GAAP. Therefore, these measures should be used only to evaluate our results in conjunction with corresponding GAAP measures. Below is a reconciliation of these non-GAAP measures to net income and earnings per share reported for the periods indicated along with the calculation of EBITDA, Adjusted EBITDA, Free Cash Flow, and Net Debt to Adjusted EBITDA.

| Three Months Ended<br>December 31 |                |          |                | (In thousands, except per share data)                  | Six Months Ended<br>December 31 |                |          |                |
|-----------------------------------|----------------|----------|----------------|--|---------------------------------|----------------|----------|----------------|
| 2022                              |                | 2021     |                |  | 2022                            |                | 2021     |                |
|                                   | Diluted<br>EPS |          | Diluted<br>EPS | Reconciliation of net income to adjusted<br>net income |                                 | Diluted<br>EPS |          | Diluted<br>EPS |
| \$ 6,417                          | \$ 0.22        | \$ 3,105 | \$ 0.11        | Net income as reported                                 | \$ 12,678                       | \$ 0.44        | \$ 6,238 | \$ 0.22        |
| 785                               | 0.03           | 867      | 0.03           | Stock compensation expense                             | 1,341                           | 0.05           | 1,274    | 0.05           |
| -                                 | -              | 269      | 0.01           | Acquisition costs                                      | -                               | -              | 269      | 0.01           |
| 26                                | -              | -        | -              | Severance costs  | 38                              | -              | -        | -              |
| 399                               | 0.01           | -        | -              | Consulting expense: Commercial Growth<br>Initiatives   | 647                             | 0.02           | -        | -              |
| \$ 7,627                          | \$ 0.26        | \$ 4,241 | \$ 0.15        | Net income adjusted                                    | \$ 14,704                       | \$ 0.51        | \$ 7,781 | \$ 0.28        |

| Three Months Ended<br>December 31 |          |             | (Unaudited; In thousands)                         | Six Months Ended<br>December 31 |           |             |
|-----------------------------------|----------|-------------|---|---------------------------------|-----------|-------------|
| 2022                              | 2021     | %<br>Change |   | 2022                            | 2021      | %<br>Change |
| \$ 9,038                          | \$ 4,422 | 104%        | EBITDA and Adjusted EBITDA                        | \$ 19,059                       | \$ 8,866  | 115%        |
|                                   |          |             | Operating Income as reported                      |                                 |           |             |
| 2,419                             | 2,538    |             | Depreciation and amortization                     | 4,840                           | 5,101     |             |
| \$ 11,457                         | \$ 6,960 | 65%         | EBITDA  | \$ 23,899                       | \$ 13,967 | 71%         |
| 1,002                             | 1,130    |             | Stock compensation expense                        | 1,553                           | 1,686     |             |
| -                                 | 340      |             | Acquisition costs                                 | -                               | 340       |             |
| 33                                | -        |             | Severance costs                                   | 46                              | -         |             |
| 486                               | -        |             | Consulting expense: Commercial Growth Initiatives | 789                             | -         |             |
| \$ 12,978                         | \$ 8,430 | 54%         | Adjusted EBITDA                                   | \$ 26,287                       | \$ 15,993 | 64%         |

| Three Months Ended<br>December 31 |            |          | (Unaudited; In thousands) | Six Months Ended<br>December 31 |             |          |
|-----------------------------------|------------|----------|---------------------------|---------------------------------|-------------|----------|
| 2022                              | 2021       | % Change |                           | 2022                            | 2021        | % Change |
| \$ 9,481                          | \$ (8,654) | n/m      | Free Cash Flow            | \$ 20,064                       | \$ (16,543) | NM       |
|                                   |            |          | Cash flow from operations |                                 |             |          |
| (561)                             | (448)      | 25%      | Capital expenditures      | (994)                           | (745)       | 33%      |
| \$ 8,920                          | \$ (9,102) | n/m      | Free cash flow            | \$ 19,070                       | \$ (17,288) | NM       |

| Net Debt to Adjusted EBITDA Ratio        |  | (amounts in thousands) |                  |
|--|--|------------------------|------------------|
|  |  | December 31,<br>2022   | June 30,<br>2022 |
| Current Maturity of Debt                 |  | \$ 3,571               | \$ 3,571         |
| Long-Term Debt                           |  | 59,250                 | 76,025           |
| Total Debt                               |  | \$ 62,821              | \$ 79,596        |
| Less: Cash                               |  | (2,765)                | (2,462)          |
| Net Debt                                 |  | \$ 60,056              | \$ 77,134        |
| Adjusted EBITDA - Trailing Twelve Months |  | \$ 45,387              | \$ 35,091        |
| Net Debt to Adjusted EBITDA Ratio        |  | 1.3                    | 2.2              |

| Three Months Ended<br>December 31                 |            | <i>(Unaudited)</i><br><i>(In thousands, except per share data)</i> | Six Months Ended<br>December 31 |            |
|---|------------|--|---------------------------------|------------|
| 2022  | 2021       |  | 2022                            | 2021       |
| \$ 128,804  | \$ 111,143 | Net sales  | \$ 255,873                      | \$ 217,540 |
| 94,646  | 85,695     | Cost of products sold  | 186,964                         | 167,582    |
| 18  | -          | Severance costs  | 31                              | -          |
| 34,140  | 25,448     | Gross profit   | 68,878                          | 49,958     |
| 24,600  | 20,687     | Selling and administrative costs                                   | 49,015                          | 40,752     |
| 15  | -          | Severance costs  | 15                              | -          |
| 486   | -          | Consulting expense: Commercial Growth Initiatives                  | 789                             | -          |
| -   | 339        | Acquisition costs  | -                               | 340        |
| 9,039   | 4,422      | Operating Income   | 19,059                          | 8,866      |
| (54)  | 9          | Other expense (income)   | 158                             | 88         |
| 1,258   | 529        | Interest expense, net  | 2,046                           | 763        |
| 7,835   | 3,884      | Income before taxes  | 16,855                          | 8,015      |
| 1,418   | 779        | Income tax   | 4,177                           | 1,777      |
| \$ 6,417  | \$ 3,105   | Net income   | \$ 12,678                       | \$ 6,238   |
| <b>Weighted Average Common Shares Outstanding</b> |            |  |                                 |            |
| 28,078  | 27,292     | Basic  | 27,874                          | 27,144     |
| 29,204  | 28,067     | Diluted  | 28,766                          | 27,895     |
| <b>Earnings Per Share</b>                         |            |  |                                 |            |
| \$ 0.23   | \$ 0.11    | Basic  | \$ 0.45                         | \$ 0.23    |
| \$ 0.22   | \$ 0.11    | Diluted  | \$ 0.44                         | \$ 0.22    |

|   | <i>(amounts in thousands)</i> |                   |
|---|-------------------------------|-------------------|
|   | December 31,<br>2021          | June 30,<br>2022  |
| <b>Current assets</b>                       | <b>\$ 149,025</b>             | <b>\$ 158,917</b> |
| <b>Property, plant and equipment, net</b>   | <b>25,786</b>                 | <b>27,158</b>     |
| <b>Other assets</b>                         | <b>121,472</b>                | <b>125,005</b>    |
| <b>Total assets</b>                         | <b>\$ 296,283</b>             | <b>\$ 311,080</b> |
|   |                               |                   |
| <b>Current maturities of long-term debt</b> | <b>\$ 3,571</b>               | <b>\$ 3,571</b>   |
| <b>Other current liabilities</b>            | <b>60,563</b>                 | <b>71,048</b>     |
| <b>Long-term debt</b>                       | <b>59,250</b>                 | <b>76,025</b>     |
| <b>Other long-term liabilities</b>          | <b>11,583</b>                 | <b>12,667</b>     |
| <b>Shareholders' equity</b>                 | <b>161,316</b>                | <b>147,769</b>    |
|   | <b>\$ 296,283</b>             | <b>\$ 311,080</b> |



## Second Quarter Fiscal 2023 Results Conference Call

January 26, 2023

# DISCLAIMER

## Forward-Looking Statements



This presentation contains "forward-looking statements"—that is, statements related to future events within the meaning of the Private Securities Litigation Reform Act of 1995. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In this context, forward-looking statements often address our expected future business, financial performance, financial condition and results of operations, often contain words such as "estimates," "targets," "anticipates," "hopes," "projects," "plans," "expects," "intends," "believes," "seeks," "may," "will," "see," "should" and similar expressions and the negative versions of those words, and may be identified by the context in which they are used.

Such statements, whether expressed or implied, are based upon current expectations of LSI and speak only as of the date made. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed or implied. Forward-looking statements include statements that address activities, events or developments that LSI expects, believes or anticipates will or may occur in the future, such as earnings estimates (including projections and guidance) and other predictions of financial performance. Forward-looking statements are based on LSI's experience and perception of current conditions, trends, expected future developments and other factors it believes are appropriate under the circumstances and are subject to numerous risks and uncertainties, many of which are beyond LSI's control.

These risks and uncertainties include, but are not limited to the following: the impact of competitive products and services; product and pricing demands, and market acceptance risks; LSI's reliance on third-party manufacturers and suppliers; substantial changes to the refueling and convenience store and grocery markets; LSI's stock price volatility; potential costs associated with litigation, other proceedings and regulatory compliance; LSI's ability to develop, produce and market quality products that meet customers' needs; LSI's ability to adequately protect intellectual property; information technology security threats and computer crime; reliance on customers and partner relationships; financial difficulties experienced by customers; the cyclical and seasonal nature of our business; the adequacy of reserves and allowances for doubtful accounts; the failure of investments, acquisitions or acquired companies to achieve their plans or objectives generally; unexpected difficulties in integrating acquired businesses; the inability to effectively execute our business strategies; the ability to retain key employees, including key employees of acquired businesses; labor shortages or an increase in labor costs; changes in shift in product mix; unfavorable economic, political, and market conditions, including interest rate fluctuations; changes in U.S. trade policy; the results of asset impairment assessments; risks related to disruptions or reductions in business operations or prospects due to international conflicts and wars, pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as the coronavirus disease COVID-19; price increases of materials; significant shortages of materials; shortages in transportation; increases in fuel prices; sudden or unexpected changes in customer creditworthiness; not recognizing all revenue or not receiving all customer payments; write-offs or impairment of capitalized costs or intangible assets in the future or restructuring costs; anti-takeover provisions in LSI's organizational documents and in Ohio law; and the other risk factors LSI describes from time to time in SEC filings. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business.

You are cautioned to not place undue reliance on these forward-looking statements. LSI does not guarantee any forward-looking statement, and actual results may differ materially from those projected. LSI undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, circumstances or otherwise. Additional descriptions of risks, uncertainties and other matters can be found in our annual reports on Form 10-K and quarterly reports on Form 10-Q that we file with the SEC and are incorporated herein by reference. Our public communications and other reports may contain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

# KEY MESSAGES

Fiscal Second Quarter 2023 Results



## Strong F2Q23 performance led by continued y/y Sales volume growth, disciplined pricing, and improved mix

Reported y/y growth in sales, operating income, net income, adjusted EBITDA and free cash flow

Balanced growth across Lighting and Display Solutions Segments

Net leverage at its lowest level in 7 quarters



### Sustained growth across key performance indicators

Net sales +16% y/y; adj. operating income +79% y/y; adjusted net income +80% y/y; supported by continued growth in commercial sales volumes, disciplined pricing



### Continued margin rate expansion across segments

Adj. EBITDA margin +250 bps y/y to 10.1% - 2<sup>nd</sup> consecutive quarter of above 10% EBITDA margin; Lighting segment and Display Solutions EBITDA margin +160 bps y/y and 510 bps y/y, respectively



### Focused capital allocation strategy

Reduced total net debt outstanding by \$25 million on an LTM basis; Net leverage of 1.3x at 12/31/22; total cash and availability of \$33 million



### Vertical market strategy driving sustained sales growth

Strong organic share gains in targeted vertical markets; Lighting Segment sales increased 17% y/y, supported by strength across indoor and outdoor; Display Solutions segment sales +15% y/y due to strength in fueling/c-store and grocery/merchandising.



### Significant, improved free cash flow generation

Generated more than \$30 million in LTM free cash flow through the end of F2Q23; FCF increased \$18 million y/y in F2Q23; FCF conversion approaching 70%



### Positive momentum entering 2H Fiscal 2023

Outlook encouraging as commercial demand remains active, total backlog remains above prior-year levels and operational execution remains on-point; anticipate positive free cash flow generation to continue; Working towards Fiscal 2023 second-half results to meet or exceed record fiscal 2022 second-half results

# CONSOLIDATED FINANCIAL RESULTS

Strong Y/Y Growth in Commercial Volumes, Continued Price Discipline, Improved Sales Mix



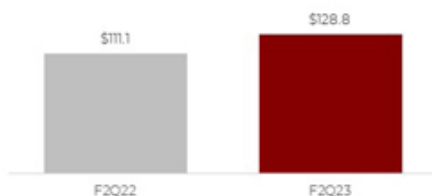
**Project wins** in both existing vertical markets and underserved markets with profitable growth potential

Adjusted EBITDA **+54%** y/y; Adjusted EBITDA margin rate **+250 bps** y/y to **10.1%**

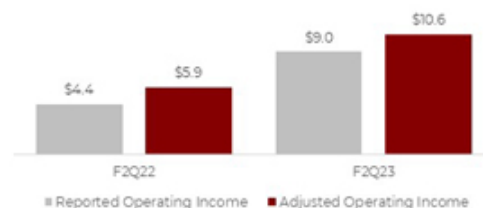
Second consecutive quarter of EBITDA margin **above 10%**

**80%** y/y growth in adjusted net income

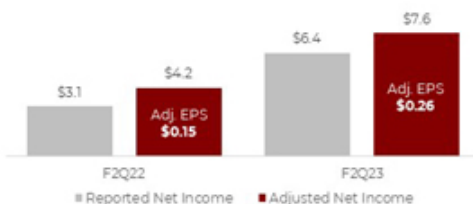
Total Net Sales (\$M)



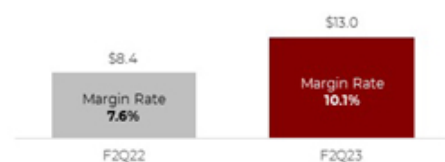
Operating Income (\$M)



Net Income (\$M)



Non-GAAP Adjusted EBITDA (\$M)





# LIGHTING SEGMENT UPDATE

Strong Y/Y Sales Growth, Margin Expansion; Demand Growth Across Indoor and Outdoor



**17% y/y** sales growth – leveraging growing position in targeted vertical markets

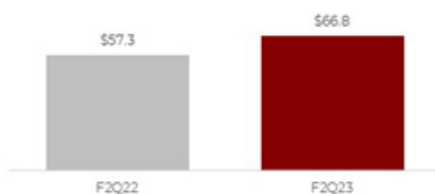
Indoor lighting sales **+32% y/y**; Outdoor lighting **+20% y/y**

Adjusted EBITDA margin **+160 bps** y/y to 12.4%

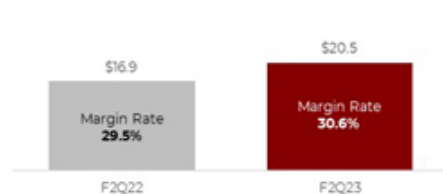
Lighting backlog trending **above** prior-year period

Quoting steady at elevated level

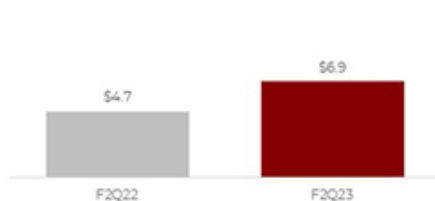
Lighting Segment Sales (\$M)



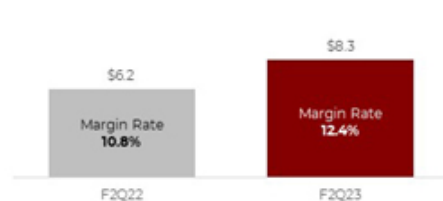
Lighting Segment Adj. Gross Margin (\$M)



Lighting Segment Adj. Operating Income (\$M)



Lighting Segment Adjusted EBITDA (\$M)



# DISPLAY SOLUTIONS SEGMENT UPDATE

500+ bps Y/Y Growth in EBITDA Margin, Driven by Increased Program Volume and Improved Pricing



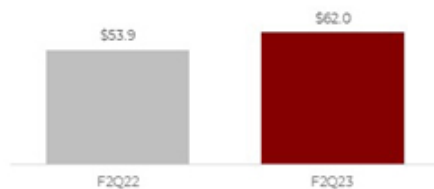
**15% y/y** sales growth – strong activity within refueling/c-store and grocery

Proven performance resulted in additional **\$12 million F2Q23** order from a larger grocery chain

Inquiries and design work on prospective new programs **continue at a healthy level**

Adjusted EBITDA margin **+510 bps y/y to 14.4%**

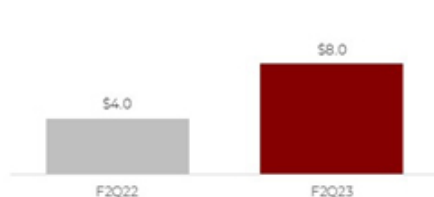
Display Solutions Segment Sales (\$M)



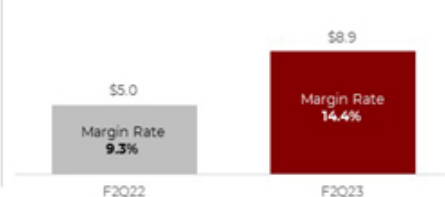
Display Solutions Segment Adj. Gross Margin (\$M)



Display Solutions Segment Adj. Operating Income (\$M)



Display Solutions Segment Adjusted EBITDA (\$M)



# DISCIPLINED WORKING CAPITAL MANAGEMENT

Working Capital Decline Driven by Targeted Sequential Reduction in Inventory Levels

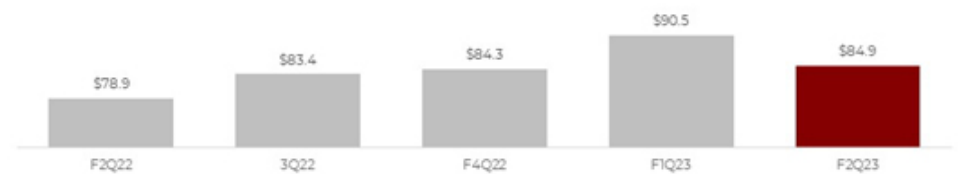


Reduced total working capital **6% sequentially**

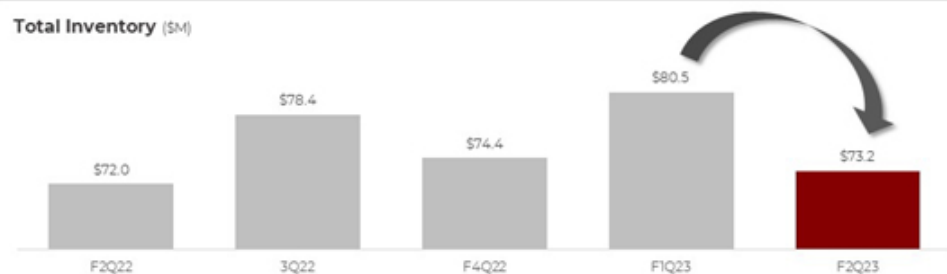
Reduced total inventory by **9% sequentially**

Continuing supply chain stabilization supports targeted inventory reductions while ensuring availability to meet commercial demand levels

Total Working Capital (\$M)



Total Inventory (\$M)



# CAPITAL ALLOCATION PRIORITIES

Prioritizing Capital Deployment Toward Debt Reduction, Return of Capital, Growth Initiatives

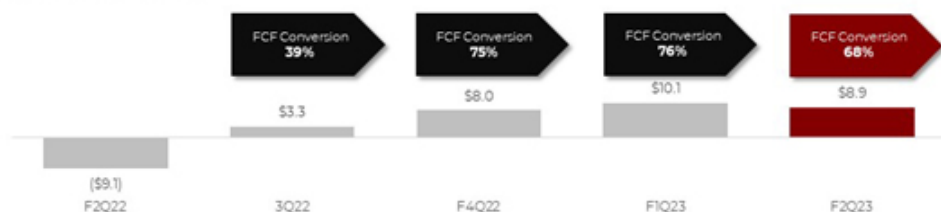


During last 12 months, free cash flow generation in excess of **\$30 million**; \$18 y/y improvement in F2Q23 free cash flow

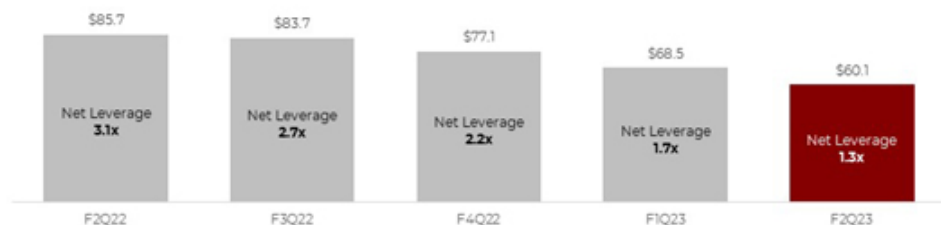
During last 12 months, Reduced net debt outstanding by **\$25 million**; net leverage declined from 3.1x to **1.3x**

Remain focused on further **debt reduction**, **return of capital** initiatives and **opportunistic growth investments**

Free Cash Flow (\$M)(1,2)



Net Debt Outstanding (\$M)(3)



(1) Free cash flow (FCF) defined as adjusted EBITDA less capital expenditures  
 (2) Free cash flow conversion defined as free cash flow divided by Adjusted EBITDA  
 (3) Net leverage defined as net debt divided by trailing 12-month Adjusted EBITDA

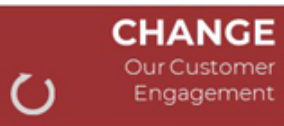
# INVESTMENT SUMMARY

American-Made Company Positioned for Profitable Growth



## EXPAND

Our Vertical  
Focus



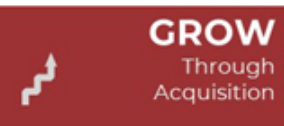
## CHANGE

Our Customer  
Engagement



## BUILD

Services  
Business



## GROW

Through  
Acquisition

- **Integrated** Lighting and Display Solutions Company with Adjacent Growth Opportunities in Services Businesses
- **Strong Foundation** With Entrenched Position in Target Vertical Market Applications; Selectively Expanding; ***Where We Focus, We Win***
- Multi-year Focus on Migration to **Higher Value Solutions**, Away from Commodity
- Strengthened **End-User** Customer Engagement
- **Free Cash Flow Positive**, Ample Cash / Liquidity to Support Growth
- **Exceptional Management** Team Experienced in Change Management and Execution



## APPENDIX

# STATEMENT ON NON-GAAP FINANCIAL MEASURES



This presentation includes adjustments to GAAP operating income, net income and earnings per share for the three and six months ended December 31, 2022, and 2021. Operating income, net income and earnings per share, which exclude the impact of acquisition costs, stock compensation expense, severance costs, and restructuring are non-GAAP financial measures. We exclude these non-recurring items because we believe they are not representative of the ongoing results of operations of our business. Also included in this presentation are non-GAAP financial measures including Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA and Adjusted EBITDA), Free Cash Flow, Net Debt and Organic Net Sales. We believe that these are useful as supplemental measures in assessing the operating performance of our business. These measures are used by our management, including our chief operating decision maker, to evaluate business results, and are frequently referenced by those who follow the Company. These non-GAAP measures may be different from non-GAAP measures used by other companies. In addition, the non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations, in that they do not reflect all amounts associated with our results as determined in accordance with U.S. GAAP. Therefore, these measures should be used only to evaluate our results in conjunction with corresponding GAAP measures. Below is a reconciliation of these non-GAAP measures to the net income and earnings per share reported for the periods indicated along with the calculation of EBITDA, Adjusted EBITDA, Free Cash Flow, and Net Debt.

# Non-GAAP RECONCILIATION



| LSI Industries                                    | Q3 2022      | Q4 2022       | Q1 2023       | Q2 2023       |
|---|--------------|---------------|---------------|---------------|
| Net Sales [a]                                     | 110,111      | 127,470       | 127,069       | 128,804       |
| Operating Income                                  | 5,161        | 7,175         | 10,021        | 9,038         |
| Acquisition costs                                 | 21           | 112           | -             | -             |
| Consulting Expense: Commercial Growth Initiatives | -            | -             | 303           | 486           |
| Severance costs/Restructuring costs               | 5            | 8             | 12            | 33            |
| Stock compensation expense                        | 780          | 824           | 551           | 1,002         |
| <b>Adjusted Operating Income [b]</b>              | <b>5,967</b> | <b>8,119</b>  | <b>10,887</b> | <b>10,559</b> |
| Depreciation and amortization                     | 2,531        | 2,494         | 2,421         | 2,419         |
| <b>Adjusted EBITDA [c]</b>                        | <b>8,498</b> | <b>10,613</b> | <b>13,308</b> | <b>12,978</b> |
| Operating Margin % [b] / [a]                      | 5.4%         | 6.4%          | 8.6%          | 8.2%          |
| Adjusted EBITDA Margin % [c] / [a]                | 7.7%         | 8.3%          | 10.5%         | 10.1%         |



# Non-GAAP RECONCILIATION



|   | Q3 2022        | Q4 2022        | Q1 2023        | Q2 2023        |
|---|----------------|----------------|----------------|----------------|
| <b>Lighting Segment</b>                           |                |                |                |                |
| Net Sales [a]                                     | 57,126         | 67,786         | 67,534         | 66,833         |
| Operating Income                                  | 4,959          | 7,022          | 9,157          | 6,755          |
| Severance costs/Restructuring costs               | 4              | 5              | 13             | 18             |
| Stock compensation expense                        | 104            | 85             | 42             | 113            |
| <b>Adjusted Operating Income</b>                  | <b>5,067</b>   | <b>7,112</b>   | <b>9,212</b>   | <b>6,886</b>   |
| Depreciation and amortization                     | 1,450          | 1,429          | 1,387          | 1,381          |
| <b>Adjusted EBITDA [b]</b>                        | <b>6,517</b>   | <b>8,541</b>   | <b>10,599</b>  | <b>8,267</b>   |
| <b>Adjusted EBITDA Margin % [b] / [a]</b>         | <b>11.4%</b>   | <b>12.6%</b>   | <b>15.7%</b>   | <b>12.4%</b>   |
| <b>Display Solutions Segment</b>                  |                |                |                |                |
| Net Sales [c]                                     | 52,985         | 59,683         | 59,536         | 61,971         |
| Operating Income                                  | 4,556          | 5,447          | 6,496          | 7,761          |
| Severance costs/Restructuring costs               | -              | -              | -              | 15             |
| Stock compensation expense                        | 101            | 139            | 116            | 186            |
| <b>Adjusted Operating Income</b>                  | <b>4,657</b>   | <b>5,586</b>   | <b>6,612</b>   | <b>7,962</b>   |
| Depreciation and amortization                     | 1,021          | 1,005          | 974            | 976            |
| <b>Adjusted EBITDA [d]</b>                        | <b>5,678</b>   | <b>6,591</b>   | <b>7,586</b>   | <b>8,938</b>   |
| <b>Adjusted EBITDA Margin % [d] / [c]</b>         | <b>10.7%</b>   | <b>11.0%</b>   | <b>12.7%</b>   | <b>14.4%</b>   |
| <b>Corporate Segment</b>                          |                |                |                |                |
| Operating Loss                                    | (4,354)        | (5,330)        | (5,639)        | (5,480)        |
| Acquisition costs                                 | 21             | 112            | -              | -              |
| Consulting Expense: Commercial Growth Initiatives | -              | -              | 303            | 486            |
| Severance costs/Restructuring costs               | 1              | 3              | -              | -              |
| Stock compensation expense                        | 575            | 599            | 394            | 703            |
| <b>Adjusted Operating Loss</b>                    | <b>(3,757)</b> | <b>(4,616)</b> | <b>(4,942)</b> | <b>(4,291)</b> |
| Depreciation and amortization                     | 60             | 60             | 60             | 62             |
| <b>Adjusted EBITDA</b>                            | <b>(3,697)</b> | <b>(4,556)</b> | <b>(4,882)</b> | <b>(4,229)</b> |

# Non-GAAP RECONCILIATION



| Three Months Ended<br>December 31                   |         |                |         | Six Months Ended<br>December 31                   |           |                |          |         |
|---|---------|----------------|---------|---|-----------|----------------|----------|---------|
| 2022  |         | 2021           |         | (In thousands, except per share data)             |           |                |          |         |
| Diluted<br>EPS                                      |         | Diluted<br>EPS |         | Diluted<br>EPS                                    |           | Diluted<br>EPS |          |         |
| Reconciliation of net income to adjusted net income |         |                |         |   |           |                |          |         |
| \$ 6,417  | \$ 0.22 | \$ 3,105       | \$ 0.11 | Net income as reported                            | \$ 12,678 | \$ 0.44        | \$ 6,238 | \$ 0.22 |
| 785   | 0.03    | 867            | 0.03    | Stock compensation expense                        | 1,341     | 0.05           | 1,274    | 0.05    |
| -   | -       | 269            | 0.01    | Acquisition costs                                 | -         | -              | 269      | 0.01    |
| 27  | -       | -              | -       | Severance costs                                   | 38        | -              | -        | -       |
| 399   | 0.01    | -              | -       | Consulting expense: Commercial Growth Initiatives | 647       | 0.02           | -        | -       |
| \$ 7,627  | \$ 0.26 | \$ 4,241       | \$ 0.15 | Net income adjusted                               | \$ 14,704 | \$ 0.51        | \$ 7,781 | \$ 0.28 |



For additional questions,  
please contact 720.778.2415

Thank you,

**LSI Investor Relations**