

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 25, 2024



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 25, 2024, LSI Industries Inc. (“LSI” or the “Company”) issued a press release announcing operating results for the fiscal quarter ending December 31, 2023. 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 25, 2024, 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, 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	LSI Press Release dated January 25, 2024
99.2	Conference Call Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 25, 2024



**LSI INDUSTRIES REPORTS FISCAL 2024 SECOND QUARTER RESULTS
AND DECLARES QUARTERLY CASH DIVIDEND**

CINCINNATI, January 25, 2024 – LSI Industries Inc. (Nasdaq: LYTS, “LSI” or the “Company”) a leading U.S. based manufacturer of commercial lighting and display solutions, today reported financial results for the fiscal 2024 second quarter ended December 31, 2023.

FISCAL 2024 SECOND QUARTER

- Net Sales of \$109.0 million
- Net Income of \$5.9 million, or \$0.20 per diluted share
- Adjusted Net Income of \$6.4 million, or \$0.21 per diluted share
- EBITDA of \$10.2 million; Adjusted EBITDA \$11.1 million or 10.1%/sales
- Gross Margin rate increased 240 bps y/y
- Free Cash Flow of \$7.3 million, or approximately \$44 million on a TTM basis
- Ratio of net debt to TTM Adjusted EBITDA of 0.4x
- Total Orders increased 10% y/y with growth in both reporting segments

During the fiscal 2024 second quarter, LSI increased market share across multiple, high-value vertical markets, consistent with the ongoing focus on quality of earnings, while effectively managing a temporary pause in project demand within its grocery vertical related to the pending merger of two large industry participants.

LSI reported net income of \$5.9 million, or \$0.20 per diluted share, on sales of \$109.0 million in the second quarter. Adjusted gross profit margin increased 240 basis points to 29.0% over the prior-year period, driven by a higher-value sales mix, focused price discipline, and strong cost control. The Company reported Adjusted EBITDA of \$11.1 million for the quarter, delivering an Adjusted EBITDA margin rate of 10.1%, equal to the prior year quarter.

The Company generated free cash flow of \$7.3 million in the second quarter, or nearly \$44.0 million on a trailing twelve-month basis. Given continued strength in cash generation, LSI reduced its ratio of net debt to trailing twelve-month Adjusted EBITDA to 0.4x from 1.3x in the prior-year period. At the end of the second quarter, LSI had cash and availability on its credit facility totaling \$103 million.

The Company declared a regular cash dividend of \$0.05 per share payable on February 13, 2024, to shareholders of record on February 5, 2024.

MANAGEMENT COMMENTARY

James A. Clark, President and Chief Executive Officer commented, “LSI delivered solid second quarter results, a performance that reflects the durability of our vertical market strategy, together with a proven ability to drive sustained margin expansion and profitability through the cycle. We continued to execute at a high-level while effectively navigating the transitory disruption in grocery market project activity, due to the pending merger of two large industry participants. LSI remains well-positioned to capitalize on an expected acceleration in project activity as market conditions normalize.

“During the last twelve months, we’ve generated nearly \$44 million in free cash flow, including more than \$7 million in the second quarter, positioning us to support further reduction in net debt, strategic investments in organic growth, and a robust return of capital program,” continued Clark. “Since acquiring JSI in calendar year 2021, we’ve reduced our net leverage ratio from 3.2x to 0.4x, consistent with a focus on capital discipline and balance sheet flexibility.

“As outlined within our *Fast Forward* growth strategy, our teams remain highly focused on increasing the volume of LSI content and related solutions per customer through targeted cross-selling initiatives. In the second quarter, our cross-selling initiative positioned LSI to secure refrigerated display case project wins with two national refueling/c-store chains that currently use our lighting solutions. Each program represents multi-million-dollar sales on an annual basis. In both the QSR and Grocery verticals we have secured customer projects to provide indoor and outdoor lighting, in addition to existing display case and print graphics activity. Moving forward, we have a significant volume of additional cross-selling proposals currently under review, as customers continue to recognize the value of our comprehensive offering of products and services.

“We remain highly encouraged by the strong multi-year demand outlook within our key verticals, particularly the c-store and grocery verticals. Recently, the nation’s largest c-store chain committed to growing its sale of fresh food and proprietary beverages from 24% of its revenue to more than 34% of revenue over the next three years, while the second largest c-store chain has announced plans to increase fresh food revenue by a compounded annual growth rate of 10% over the next five years. In recent years, LSI has developed industry-leading products and solutions specifically designed to address the unique lighting, graphics and refrigeration solutions required for a larger, more upscale c-store environment, positioning us to successfully capitalize on upcoming customer investments in their premium, hot and cold fresh food offerings.

“While the pending FTC approval of the proposed merger of the second and third-largest grocery chains in the United States has led to a temporary slowing of project activity within our grocery vertical, we’ve used this time to position our business to support an expected return to normal demand levels, the majority of which we expect will occur regardless of the FTC ruling. For example, we recently completed the relocation to our new, larger display case manufacturing facility, which provides the additional production capacity to support an expected ongoing increase in demand levels. In addition, we received final regulatory approval on our new refrigerated display case line which utilizes the environmentally friendly R-290 technology. We shipped our first unit last week, and several customers have indicated their intent to fully convert to the R-290 range of products beginning this calendar year. We expect overall grocery demand to begin increasing in the fiscal third quarter and accelerate throughout the fiscal fourth quarter and into fiscal 2025.

“Within our Lighting segment, orders for the quarter were 10% above prior year, and quotation volumes in key verticals remain healthy. On a consolidated basis, second quarter sales were \$45.7 million or 3% below strong prior year levels, while operating income increased 28% in the period. Segment adjusted gross margin rate improved 440 basis points to 35.0%, our highest rate in over a decade. The improved gross margin rate was driven by multiple factors, including stable pricing, higher-value sales mix, and ongoing cost and operational improvements.

“In the quarter, LSI was selected as the lighting supplier to a high-end luxury automotive brand. Our team worked closely with the automotive customer on developing proprietary lighting specifications to support the customer experience requirements of their dealership environments. This win is an example of our focus on higher-value vertical market applications where our products and solutions represent an essential part of our customers value proposition to their customers.

“Within our Display Solutions segment, second quarter performance was unfavorably impacted by the previously mentioned delay in grocery vertical spending. Other vertical markets continue to be active. For example, within our refueling vertical, LSI was recently awarded a large renovation program by a national oil company that includes 1325 sites across the United States. LSI will be the “turnkey provider” for this program, managing site planning, product fulfillment, and installation. This win follows the other major programs awarded in the first quarter, including the 7,500 site, 3.5-year program for another large global oil company, as well as international expansion programs in five Central American countries. In addition, QSR delivered a strong quarter, as sales increased significantly compared to the prior year, and pilot activity with several chains continues.

Clark concluded, “Our solid second quarter performance demonstrates the benefits of building strong market positions in multiple, high-value vertical markets, further strengthening relationships with customers and partners, combined with a disciplined approach to capital allocation. Given the positive underlying growth trends for our key verticals, together with our focus on strategic execution as outlined within our Fast Forward plan, our team is well-positioned to drive long-term value for our shareholders.”

FISCAL 2024 SECOND QUARTER 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. 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 audio software.

Details of the conference call are as follows:

Domestic Live: 877-407-4018
International Live: 201-689-8471

To listen to a replay of the teleconference, which subsequently will be available through February 8, 2024:

Domestic Replay: 844-512-2921
International Replay: 412-317-6671
Conference ID: 13743769

ABOUT LSI INDUSTRIES

Headquartered in Cincinnati, LSI Industries (Nasdaq: LYTS) specializes in the creation of advanced lighting, graphics, and display solutions. The company's American-made products, which include lighting, print graphics, digital graphics, refrigerated, and custom displays, are engineered to elevate brands in competitive markets. With a workforce of nearly 1,600 employees and 11 facilities throughout North America, LSI is dedicated to providing top-quality solutions to its customers. Additional information about LSI is available at 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

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Three Months Ended December 31							Six Months Ended December 31		
2023	2022	% Change	(Unaudited) (In thousands, except per share data)				2023	2022	% Change
\$ 109,005	\$ 128,804	-15%	Net sales				\$ 232,446	\$ 255,873	-9%
7,819	9,038	-13%	Operating income as reported				18,847	19,059	-1%
849	1,002		Long-Term Performance Based Compensation				2,174	1,553	
-	486		Consulting expense: Commercial Growth Initiatives				19	789	
35	33		Severance costs and Restructuring costs				388	46	
\$ 8,703	\$ 10,559	-18%	Operating income as adjusted				\$ 21,428	\$ 21,447	0%
\$ 5,906	\$ 6,417	-8%	Net income as reported				\$ 13,934	\$ 12,678	10%
\$ 6,364	\$ 7,627	-17%	Net income as adjusted				\$ 15,104	\$ 14,704	3%
\$ 0.20	\$ 0.22	-11%	Earnings per share (diluted) as reported				\$ 0.47	\$ 0.44	6%
\$ 0.21	\$ 0.26	-19%	Earnings per share (diluted) as adjusted				\$ 0.50	\$ 0.51	-1%

			(amounts in thousands)	
			December 31 2023	June 30, 2023
Working capital	\$	75,839	\$	73,314
Total assets	\$	287,548	\$	296,150
Long-term debt	\$	17,950	\$	31,629
Other long-term liabilities	\$	11,110	\$	10,380
Shareholders' equity	\$	192,934	\$	177,578

Three Months Ended December 31, 2023, Results

Net sales for the three months ended December 31, 2023, were \$109.0 million, down 15% from the three months ended December 31, 2022, net sales of \$128.8 million. Lighting Segment net sales of \$64.8 million decreased 3% and Display Solutions Segment net sales of \$44.2 million decreased 29% from last year's second quarter net sales. Net income for the three months ended December 31, 2023, was \$5.9 million, or \$0.20 per share, compared to \$6.4 million or \$0.22 per share for the three months ended December 31, 2022. Earnings per share represents diluted earnings per share.

Six Months Ended December 31, 2023, Results

Net sales for the six months ended December 31, 2023, were \$232.4 million, down 9% from the six months ended December 31, 2022, net sales of \$255.9 million. Lighting Segment net sales of \$132.4 million decreased 1% and Display Solutions Segment net sales of \$100.0 million decreased 18% from last year's net sales. Net income for the six months ended December 31, 2023, was \$13.9 million, or \$0.47 per share, compared to \$12.7 million or \$0.44 per share for the six months ended December 31, 2022. Earnings per share represents diluted earnings per share.

Balance Sheet

The balance sheet at December 31, 2023, included current assets of \$141.4 million, current liabilities of \$65.6 million and working capital of \$75.8 million, which includes cash of \$2.7 million. The current ratio was 2.2 to 1. The balance sheet also included shareholders' equity of \$192.9 million and long-term debt of \$18.0 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 2024, payable February 13, 2024, to shareholders of record as of the close of business on February 5, 2024. 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, 2023, and 2022. Operating income, net income, and earnings per share, which exclude the impact of long-term performance based compensation expense, commercial growth initiative expense, and severance and restructuring 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 before long-term performance based compensation expense, commercial growth initiative expense, and severance and restructuring expense (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 December 31				(In thousands, except per share data)	Six Months Ended December 31			
2023	Diluted EPS	2022	Diluted EPS		2023	Diluted EPS	2022	Diluted EPS
\$ 5,906	\$ 0.20	\$ 6,417	\$ 0.22	Reconciliation of net income to adjusted net income	\$ 13,934	\$ 0.47	\$ 12,678	\$ 0.44
				Net income as reported				
625	0.02	785	0.03	Long-Term Performance Based Compensation	1,599	\$ 0.05	1,341	0.05
-	-	399	0.01	Consulting expense: Commercial Growth Initiatives	13	\$ -	647	0.02
34	-	26	-	Severance costs and Restructuring costs	290	\$ 0.01	38	-
(201)	(0.01)	-	-	Tax rate difference between reported and adjusted net income	(732)	\$ (0.03)	-	-
\$ 6,364	\$ 0.21	\$ 7,627	\$ 0.26	Net income adjusted	\$ 15,104	\$ 0.50	\$ 14,704	\$ 0.51

Three Months Ended December 31			(Unaudited; In thousands)	Six Months Ended December 31		
2023	2022	% Change		2023	2022	% Change
\$ 5,906	\$ 6,417		Net Income as reported	\$ 13,934	\$ 12,678	
1,489	1,418		Income Tax	3,827	4,177	
453	1,258		Interest Expense, net	1,019	2,046	
(29)	(55)		Other expense (income)	67	158	
\$ 7,819	\$ 9,038	-13%	Operating Income as reported	\$ 18,847	\$ 19,059	-1%
2,357	2,419		Depreciation and amortization	4,728	4,840	
\$ 10,176	\$ 11,457	-11%	EBITDA	\$ 23,575	\$ 23,899	-1%
849	1,002		Long-Term Performance Based Compensation	2,174	1,553	
-	486		Consulting expense: Commercial Growth Initiatives	19	789	
35	33		Severance costs and Restructuring costs	388	46	
\$ 11,060	\$ 12,978	-15%	Adjusted EBITDA	\$ 26,156	\$ 26,287	0%
10.1%	10.1%		Adjusted EBITDA as a percentage of Sales	11.3%	10.3%	

Three Months Ended December 31			(Unaudited; In thousands)	Six Months Ended December 31		
2023	2022	% Change		2023	2022	% Change
\$ 9,276	\$ 9,481	NM	Free Cash Flow	\$ 19,868	\$ 20,064	NM
(1,956)	(561)		Capital expenditures	(3,349)	(994)	
\$ 7,320	\$ 8,920	NM	Free cash flow	\$ 16,519	\$ 19,070	NM

Net Debt to Adjusted EBITDA Ratio		December 31	
(amounts in thousands)		2023	2022
Current Maturity of Debt	\$	3,571	\$ 3,571
Long-Term Debt		17,950	59,250
Total Debt	\$	21,521	\$ 62,821
Less: Cash		(2,660)	(2,765)
Net Debt	\$	18,861	\$ 60,056
Adjusted EBITDA - Trailing Twelve Months	\$	51,489	\$ 45,387
Net Debt to Adjusted EBITDA Ratio		0.4	1.3

Three Months Ended December 31		(Unaudited) (In thousands, except per share data)	Six Months Ended December 31	
2023	2022		2023	2022
\$ 109,005	\$ 128,804	Net sales	\$ 232,446	\$ 255,873
77,438	94,646	Cost of products sold	163,943	186,964
31	18	Severance costs and Restructuring costs	378	31
31,536	34,140	Gross profit	68,125	68,878
4	15	Severance costs and Restructuring costs	10	15
-	486	Consulting expense: Commercial Growth Initiatives	19	789
23,713	24,601	Selling and administrative costs	49,249	49,015
7,819	9,038	Operating Income	18,847	19,059
(29)	(55)	Other (income) expense	67	158
453	1,258	Interest expense, net	1,019	2,046
7,395	7,835	Income before taxes	17,761	16,855
1,489	1,418	Income tax	3,827	4,177
\$ 5,906	\$ 6,417	Net income	\$ 13,934	\$ 12,678
<u>Weighted Average Common Shares Outstanding</u>				
29,024	28,078	Basic	28,890	27,874
30,043	29,204	Diluted	29,949	28,766
<u>Earnings Per Share</u>				
\$ 0.20	\$ 0.23	Basic	\$ 0.48	\$ 0.45
\$ 0.20	\$ 0.22	Diluted	\$ 0.47	\$ 0.44

	<i>(amounts in thousands)</i>	
	December 31	June 30,
	2023	2023
Current assets	\$ 141,393	\$ 149,876
Property, plant and equipment, net	26,232	25,431
Other assets	119,923	120,842
Total assets	\$ 287,548	\$ 296,149
Current maturities of long-term debt	\$ 3,571	\$ 3,571
Other current liabilities	61,983	72,991
Long-term debt	17,950	31,629
Other long-term liabilities	11,110	10,380
Shareholders' equity	192,934	177,578
	\$ 287,548	\$ 296,149



Fiscal Second Quarter 2024 Results Conference Call

January 25, 2024

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 2024 Results



Continue to advance vertical market strategy; effectively managed pause in grocery projects

Continue to achieve wins in Refueling/C-Store vertical, significantly increasing backlog

Ongoing quality of earnings focus generated +240 bps increase in gross margin and double-digit EBITDA.

Cross-selling initiatives taking major step forward with two key awards

Strong free cash flow supports further net leverage reduction to 0.4x



Focused Strategy Execution

F2Q24 sales 15% below PY as expected, due to Display Solutions project timing; despite sales decline, maintained Adjusted EBITDA margin flat with PY, delivered strong free cash generation and profitability, and continued to reduce net leverage to multi-year lows



Maintained Healthy Margin Realization

Adjusted Gross margin rate +240 bps y/y to 29.0%; Adj. EBITDA margin rate flat y/y at 10.1%; adjusted net margin near flat y/y at 5.8%



Improved Balance Sheet Optionality

Reduced total net debt outstanding by \$41 million on an TTM basis; as of 12/31/23, Net leverage of 0.4x; total cash and credit availability of \$103 million as of 12/31/23



Lighting Segment Update

Sales outperformed the market; segment gross margin rate increased +440 bps y/y to 35.0%, the highest in more than a decade; strong quote activity entering F3Q24



Display Solutions Segment Update

Significant y/y decline in segment sales due to expected, temporary pause in grocery vertical customer project activity;



Significant New Business Wins

C-store/re-fueling order activity remains favorable, highlighted by new remodel win with a national oil company for 1,325 sites; continue to drive increased share through targeted cross-selling initiatives



Solid Free Cash Flow Generation

Generated \$44 million in TTM free cash flow through the end of F2Q24; LTM FCF conversion was 85% of LTM Adjusted EBITDA



Executing on Fast Forward Value Creation Initiative

Over the next five years, LSI intends to deliver more than 60% net sales growth; more than 100% Adjusted EBITDA growth; and at least 250 basis points of Adjusted EBITDA margin expansion

CONSOLIDATED FINANCIAL RESULTS

Continued focus on quality of earnings, price discipline and stable margin realization



Delivered stable margin realization, sustained profitability, despite sales decline

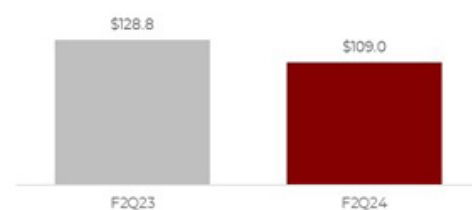
Solid performance in Lighting offset by anticipated disruption in Display Solutions, given transitory pause in grocery vertical demand

Lighting demand remains active, driven by high volume of smaller projects; Display Solutions demand impacted by pending merger of two large grocery chains

Strategic focus on quality of earnings; maintaining price discipline

F2Q24 order +10% versus prior-year period; F2Q24 backlog higher than F1Q24 levels

Total Net Sales (\$M)



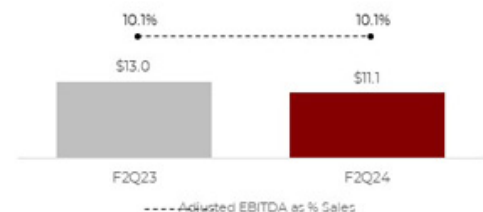
Operating Income (\$M)



Net Income (\$M)



Non-GAAP Adjusted EBITDA (\$M)



LIGHTING SEGMENT UPDATE

Improved Sales Mix, Price Discipline, Cost Control Supports Significant Margin Expansion



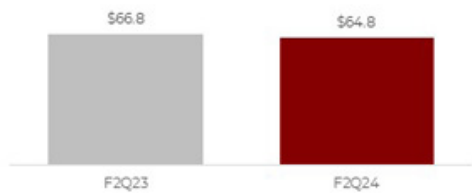
Sales outperformed the broader non-resi market driven by continued healthy activity in key verticals

Segment gross margin rate improved 440 basis points to 35.0%, the highest rate in more than a decade; Multiple factors contributing to the improvement

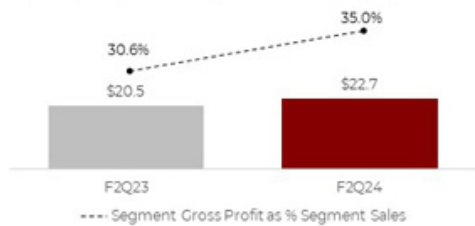
Recently selected as the lighting supplier to an ultra-high-end automotive brand to support dealership environments

Project quotation levels are steady entering F3Q24; Quote/order conversion period remains erratic

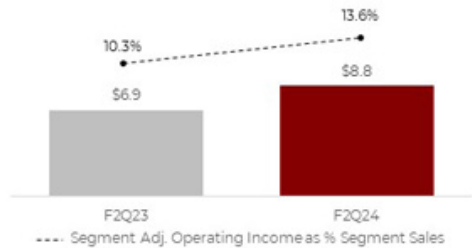
Lighting Segment Sales (\$M)



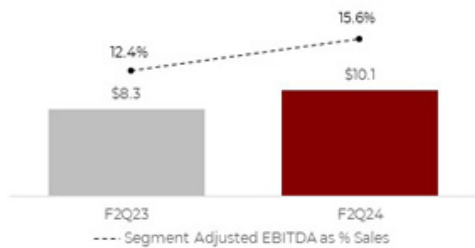
Lighting Segment Adj. Gross Margin (\$M)



Lighting Segment Adj. Operating Income (\$M)



Lighting Segment Adjusted EBITDA (\$M)



DISPLAY SOLUTIONS SEGMENT UPDATE

Transitional Quarter Impacted by Grocery Industry “Pause” in New Project Activity



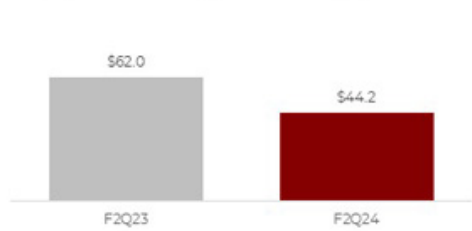
Performance was unfavorably impacted by the previously mentioned pause in grocery vertical spending

Used “pause” to prepare for return to normal demand levels. New display case mfg. facility fully operational; received UL approval for new R-290 product. First unit shipped in Jan 2024

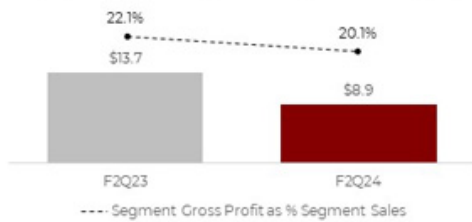
Recently awarded a large renovation program by a national oil company for 1,325 sites; LSI will be turnkey provider

Underlying trends in key Display Solutions verticals remain positive, we continue to strengthen our solution set to generate future growth

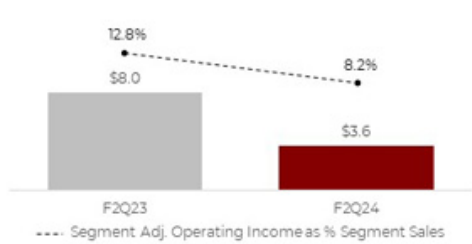
Display Solutions Segment Sales (\$M)



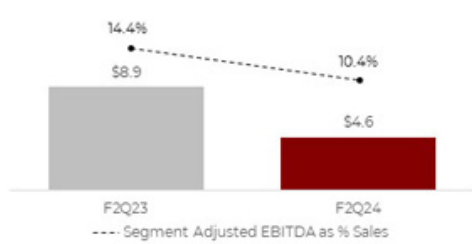
Display Solutions Segment Adj. Gross Margin (\$M)



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



Display Solutions Segment Adjusted EBITDA (\$M)



DISCIPLINED WORKING CAPITAL MANAGEMENT

Highly Focused on Driving Sustained Capital Efficiency

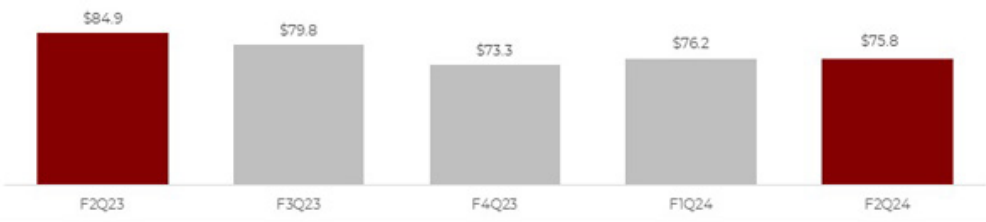


Working capital declined 13% vs. PY, driven by Y/Y and sequential decline in product inventories

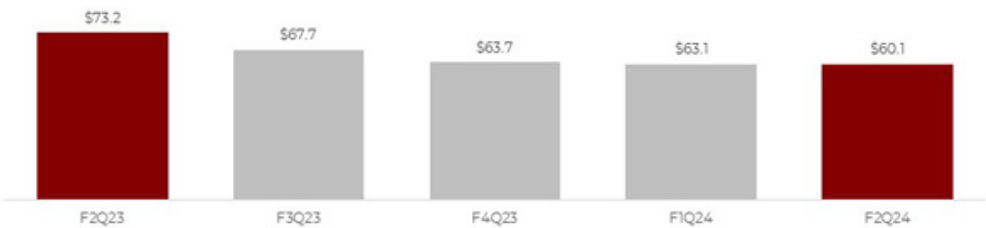
Aligning inventory levels with current demand conditions; anticipate inventory to increase modestly in the second half of fiscal 2024 to support seasonal construction activity

Remain highly focused on working capital efficiency, consistent with focus on stable free cash generation

Total Working Capital (\$M)



Total Inventory (\$M)



STRONG CASH GENERATION, BALANCE SHEET DISCIPLINE

Nearly \$44 Million in TTM Free Cash Generation Brings Net Leverage to 0.4x

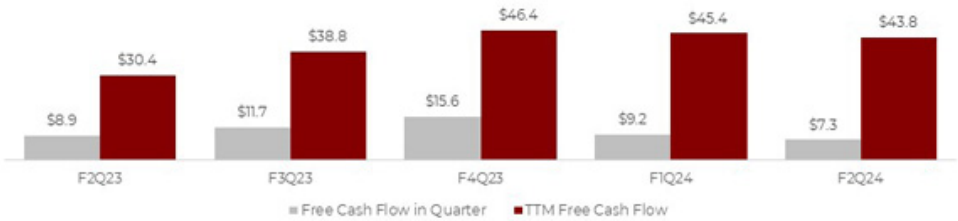


During last 12 months, free cash flow generation of ~\$44 million, representing 85% free cash flow conversion (as % of TTM Adjusted EBITDA)

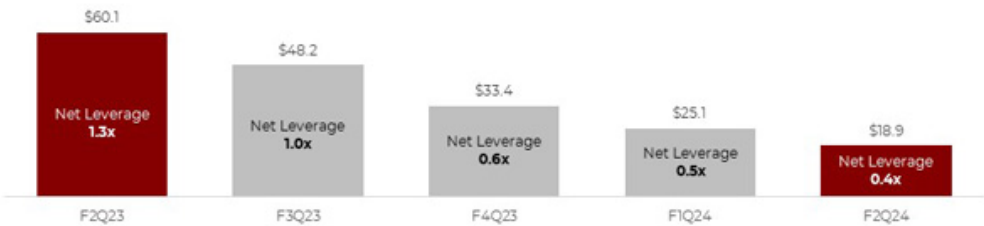
During last 12 months, Reduced net debt outstanding by \$41 million; net leverage declined from 1.3x to 0.4x

Remain focused on further debt reduction, return of capital initiatives and opportunistic growth investments, including strategic acquisitions

Free Cash Flow (\$M)⁽¹⁾



Net Debt Outstanding (\$M)⁽²⁾



(1) Free cash flow (FCF) defined as cash flow from operating activities less capital expenditures
(2) Net leverage defined as net debt divided by trailing 12-month Adjusted EBITDA



APPENDIX

STATEMENT ON NON-GAAP FINANCIAL MEASURES



This presentation includes adjustments to GAAP operating income, net income, and earnings per share for the three months ended December 31, 2023, and 2022. Gross Margin, operating income, net income, and earnings per share, which exclude the impact of long-term performance-based compensation, severance costs, restructuring costs, and consulting expenses supporting commercial growth initiatives, 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, and Net Debt. 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	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Net Sales [a]	128,804	117,470	123,636	123,441	109,005
Operating Income	9,038	7,732	10,237	11,028	7,819
Consulting Expense: Commercial Growth Initiatives	486	75	-	19	-
Severance costs/Restructuring costs	33	-	20	353	35
Long-Term Performance Based Compensation	1,002	968	1,477	1,325	849
Adjusted Operating Income [b]	10,559	8,775	11,734	12,725	8,703
Depreciation and amortization	2,419	2,455	2,369	2,371	2,357
Adjusted EBITDA [c]	12,978	11,230	14,103	15,096	11,060
Operating Margin % [b] / [a]	8.2%	7.5%	9.5%	10.3%	8.0%
Adjusted EBITDA Margin % [c] / [a]	10.1%	9.6%	11.4%	12.2%	10.1%

Lighting Segment	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Net Sales [a]	66,833	66,707	71,377	67,641	64,796
Operating Income	6,755	6,529	9,192	8,753	8,857
Severance costs/Restructuring costs	18	-	20	-	4
Long-Term Performance Based Compensation	113	97	119	92	(43)
Adjusted Operating Income	6,886	6,626	9,331	8,845	8,818
Depreciation and amortization	1,381	1,344	1,311	1,309	1,292
Adjusted EBITDA [b]	8,267	7,970	10,642	10,154	10,110
Adjusted EBITDA Margin % [b] / [a]	12.4%	11.9%	14.9%	15.0%	15.6%

Display Solutions Segment	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Net Sales [c]	61,971	50,762	52,259	55,800	44,209
Operating Income	7,761	5,501	5,161	7,219	3,302
Severance costs/Restructuring costs	15	-	-	353	31
Long-Term Performance Based Compensation	186	221	493	309	276
Adjusted Operating Income	7,962	5,722	5,654	7,881	3,609
Depreciation and amortization	976	1,044	984	976	988
Adjusted EBITDA [d]	8,938	6,766	6,638	8,857	4,597
Adjusted EBITDA Margin % [d] / [c]	14.4%	13.3%	12.7%	15.9%	10.4%

Corporate Segment	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Operating Loss	(5,480)	(4,296)	(4,115)	(4,943)	(4,340)
Consulting Expense: Commercial Growth Initiatives	486	75	-	19	-
Severance costs/Restructuring costs	-	-	-	-	-
Long-Term Performance Based Compensation	703	650	865	924	616
Adjusted Operating Loss	(4,291)	(3,571)	(3,250)	(4,000)	(3,724)
Depreciation and amortization	62	68	74	85	77
Adjusted EBITDA	(4,229)	(3,503)	(3,176)	(3,915)	(3,647)

Non-GAAP RECONCILIATION



LSI Industries	Q1 2023		Q2 2023		Q3 2023		Q4 2023		Q1 2024		Q2 2024	
	Diluted		Diluted		Diluted		Diluted		Diluted		Diluted	
Net Income Reported	\$ 6,262	\$ 0.22	\$ 6,417	\$ 0.22	\$ 4,669	\$ 0.16	\$ 8,415	\$ 0.28	\$ 8,028	\$ 0.27	\$ 5,906	\$ 0.20
Consulting Expense: Commercial Growth Initiatives	226	0.01	399	0.01	59	-	13	-	256	0.01	34	-
Severance costs/Restructuring costs	9	-	26	-								
Long-Term Performance Based Compensation	420	0.01	785	0.03	769	0.03	771	0.03	974	0.03	625	0.02
Tax Rate Difference between reported and adjusted net income	160	0.01	-	-			(402)	(0.01)	(531)	(0.02)	(201)	(0.03)
Net Income Adjusted	\$ 7,077	\$ 0.25	\$ 7,627	\$ 0.26	\$ 5,497	\$ 0.19	\$ 8,797	\$ 0.30	\$ 8,740	\$ 0.29	\$ 6,364	\$ 0.21

Non-GAAP RECONCILIATION



LSI Industries	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Net Sales [a]	128,804	117,470	123,636	123,441	109,005
Gross Margin	34,139	32,204	35,864	36,589	31,536
Severance costs/Restructuring costs	18	-	-	347	30
Adjusted Gross Margin [b]	34,157	32,204	35,864	36,936	31,566
Adjusted Gross Margin % [b] / [a]	26.5%	27.4%	29.0%	29.9%	29.0%

Lighting Segment	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Net Sales [c]	66,833	66,707	71,377	67,641	64,796
Gross Margin	20,457	20,278	23,746	23,280	22,698
Severance costs/Restructuring costs	18	-	-	-	-
Adjusted Gross Margin [d]	20,475	20,278	23,746	23,280	22,698
Adjusted Gross Margin % [d] / [c]	30.6%	30.4%	33.3%	34.4%	35.0%

Display Solutions Segment	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Net Sales [e]	61,971	50,762	52,259	55,800	44,209
Gross Margin	13,681	11,927	12,117	13,310	8,838
Severance costs/Restructuring costs	-	-	-	347	30
Adjusted Gross Margin [f]	13,681	11,927	12,117	13,657	8,868
Adjusted Gross Margin % [f] / [e]	22.1%	23.5%	23.2%	24.5%	20.1%

Corporate Segment	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Gross Margin	1	(1)	1	(1)	-
Severance costs/Restructuring costs	-	-	-	-	-
Adjusted Gross Margin	1	(1)	1	(1)	-

Non-GAAP RECONCILIATION



Working Capital	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Total consolidated current assets	\$ 149,025	\$ 145,823	\$ 149,876	\$ 154,192	\$ 141,393
Total consolidated current liabilities	\$ 64,134	\$ 66,037	\$ 76,562	\$ 77,973	\$ 65,554
Consolidated working capital	\$ 84,891	\$ 79,786	\$ 73,314	\$ 76,219	\$ 75,839
Free Cash Flow	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Cash Flow from Operations	\$ 9,481	\$ 12,486	\$ 17,038	\$ 10,592	\$ 9,276
Less: Capital Expenditures	\$ (561)	\$ (759)	\$ (1,454)	\$ (1,393)	\$ (1,956)
Free Cash Flow	\$ 8,920	\$ 11,727	\$ 15,584	\$ 9,199	\$ 7,320
Net Debt Outstanding and Leverage Ratio	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Total Debt	62,819	49,572	35,200	28,669	21,521
Less: Cash	(2,765)	(1,350)	(1,828)	(3,533)	(2,660)
Net Debt	\$ 60,054	\$ 48,222	\$ 33,372	\$ 25,136	\$ 18,861
Adjusted EBITDA - Trailing Twelve Months	\$ 45,387	\$ 48,117	\$ 51,620	\$ 53,408	\$ 51,489
Net Leverage Ratio	1.3	1.0	0.6	0.5	0.4



For Additional Questions,
Please Contact 720.778.2415

Thank you,

LSI Investor Relations