

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2023, OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File No. 0-13375



LSI Industries Inc.

(Exact name of registrant as specified in its charter)

Ohio 31-0888951
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

10000 Alliance Road, Cincinnati, Ohio 45242
(Address of principal executive offices) (Zip Code)

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

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 Global Select Market

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

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

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

Large accelerated filer Accelerated filer Emerging growth company
Non-accelerated filer Smaller reporting company

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

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

As of January 29, 2024, there were 29,070,313 shares of the registrant's common stock, no par value per share, outstanding.

LSI INDUSTRIES INC.
FORM 10-Q
FOR THE QUARTER ENDED December 31, 2023

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31		Six Months Ended December 31	
	2023	2022	2023	2022
<i>(In thousands, except per share data)</i>				
Net Sales	\$ 109,005	\$ 128,804	\$ 232,446	\$ 255,873
Cost of products and services sold	77,438	94,646	163,943	186,964
Severance and restructuring costs	31	18	378	31
Gross profit	31,536	34,140	68,125	68,878
Severance and restructuring costs	4	15	10	15
Selling and administrative expenses	23,713	25,087	49,268	49,804
Operating income	7,819	9,038	18,847	19,059
Interest expense	453	1,258	1,019	2,046
Other (income) expense	(29)	(55)	67	158
Income before income taxes	7,395	7,835	17,761	16,855
Income tax expense	1,489	1,418	3,827	4,177
Net income	<u>\$ 5,906</u>	<u>\$ 6,417</u>	<u>\$ 13,934</u>	<u>\$ 12,678</u>
Earnings per common share (see Note 4)				
Basic	<u>\$ 0.20</u>	<u>\$ 0.23</u>	<u>\$ 0.48</u>	<u>\$ 0.45</u>
Diluted	<u>\$ 0.20</u>	<u>\$ 0.22</u>	<u>\$ 0.47</u>	<u>\$ 0.44</u>
Weighted average common shares outstanding				
Basic	<u>29,024</u>	<u>28,078</u>	<u>28,890</u>	<u>27,874</u>
Diluted	<u>30,043</u>	<u>29,204</u>	<u>29,949</u>	<u>28,766</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2023	2022	2023	2022
Net Income	\$ 5,906	\$ 6,417	\$ 13,934	\$ 12,678
Foreign currency translation adjustment	71	68	15	75
Comprehensive Income	<u>\$ 5,977</u>	<u>\$ 6,485</u>	<u>\$ 13,949</u>	<u>\$ 12,753</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In thousands, except shares)</i>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,660	\$ 1,828
Accounts receivable, less allowance for credit losses of \$ 448 and \$ 435 , respectively	72,160	77,681
Inventories	60,154	63,718
Refundable income taxes	2,033	3,120
Other current assets	<u>4,386</u>	<u>3,529</u>
Total current assets	141,393	149,876
Property, Plant and Equipment, at cost		
Land	4,010	4,010
Buildings	24,543	24,561
Machinery and equipment	66,582	67,457
Buildings under finance leases	2,033	2,033
Construction in progress	<u>2,988</u>	<u>1,231</u>
	100,156	99,292
Less accumulated depreciation	<u>(73,924)</u>	<u>(73,861)</u>
Net property, plant and equipment	26,232	25,431
Goodwill	45,030	45,030
Other intangible assets, net	60,823	63,203
Operating lease right-of-use assets	9,931	8,921
Other long-term assets, net	<u>4,139</u>	<u>3,688</u>
Total assets	<u>\$ 287,548</u>	<u>\$ 296,149</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(In thousands, except shares)</i>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	\$ 3,571	\$ 3,571
Accounts payable	23,136	29,206
Accrued expenses	38,847	43,785
Total current liabilities	65,554	76,562
Long-term debt	17,950	31,629
Finance lease liabilities	800	960
Operating lease liabilities	6,851	5,954
Other long-term liabilities	3,459	3,466
Commitments and contingencies (Note 12)		
Shareholders' Equity		
Preferred shares, without par value; Authorized 1,000,000 shares, none issued	-	-
Common shares, without par value; Authorized 50,000,000 shares; Outstanding 29,059,820 and 28,488,570 shares, respectively	152,924	148,691
Treasury shares, without par value	(8,088)	(7,166)
Deferred compensation plan	8,088	7,166
Retained earnings	39,656	28,548
Accumulated other comprehensive income	354	339
Total shareholders' equity	192,934	177,578
Total liabilities & shareholders' equity	\$ 287,548	\$ 296,149

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

	Common Shares		Treasury Shares		Key Executive Compensation Amount	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
	Number Of Shares	Amount	Number Of Shares	Amount				
<i>(In thousands, except per share data)</i>								
Balance at June 30, 2022	27,484	\$ 139,500	(822)	\$ (5,927)	\$ 5,927	\$ 45	\$ 8,224	\$ 147,769
Net Income	-	-	-	-	-	-	6,261	6,261
Other comprehensive gain	-	-	-	-	-	7	-	7
Board stock compensation	12	75	-	-	-	-	-	75
Restricted stock units issued, net of shares withheld for tax withholdings	201	(66)	-	-	-	-	-	(66)
Shares issued for deferred compensation	80	539	-	-	-	-	-	539
Activity of treasury shares, net	-	-	(77)	(512)	-	-	-	(512)
Deferred stock compensation	-	-	-	-	512	-	-	512
Stock-based compensation expense	-	551	-	-	-	-	-	551
Stock options exercised, net	-	-	-	-	-	-	-	-
Dividends — \$ 0.20 per share	-	-	-	-	-	-	(1,408)	(1,408)
Balance at September 30, 2022	27,777	\$ 140,599	(899)	\$ (6,439)	\$ 6,439	\$ 52	\$ 13,077	\$ 153,728
Net Income	-	-	-	-	-	-	6,417	6,417
Other comprehensive gain	-	-	-	-	-	68	-	68
Board stock compensation	23	98	-	-	-	-	-	98
Restricted stock units issued, net of shares withheld for tax withholdings	71	(399)	-	-	-	-	-	(399)
Shares issued for deferred compensation	57	548	-	-	-	-	-	548
Activity of treasury shares, net	-	-	(58)	(549)	-	-	-	(549)
Deferred stock compensation	-	-	-	-	549	-	-	549
Stock-based compensation expense	-	864	-	-	-	-	-	864
Stock options exercised, net	192	1,278	-	-	-	-	-	1,278
Dividends — \$ 0.20 per share	-	-	-	-	-	-	(1,286)	(1,286)
Balance at December 31, 2022	28,120	\$ 142,988	(957)	\$ (6,988)	\$ 6,988	120	\$ 18,208	\$ 161,316
	Common Shares		Treasury Shares		Key Executive Compensation Amount	Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
	Number Of Shares	Amount	Number Of Shares	Amount				
Balance at June 30, 2023	28,488	\$ 148,691	(922)	\$ (7,166)	\$ 7,166	\$ 339	\$ 28,548	\$ 177,578
Net Income	-	-	-	-	-	-	8,028	8,028
Other comprehensive loss	-	-	-	-	-	(56)	-	(56)
Board stock compensation	9	113	-	-	-	-	-	113
ESPP stock awards	3	57	-	-	-	-	-	57
Restricted stock units issued, net of shares withheld for tax withholdings	276	-	-	-	-	-	-	-
Shares issued for deferred compensation	32	437	-	-	-	-	-	437
Activity of treasury shares, net	-	-	(30)	(417)	-	-	-	(417)
Deferred stock compensation	-	-	-	-	417	-	-	417
Stock-based compensation expense	-	1,220	-	-	-	-	-	1,220
Stock options exercised, net	70	549	-	-	-	-	-	549
Dividends — \$ 0.20 per share	-	-	-	-	-	-	(1,380)	(1,380)
Balance at September 30, 2023	28,878	\$ 151,067	(952)	\$ (7,583)	\$ 7,583	\$ 283	\$ 35,196	\$ 186,546
Net Income	-	-	-	-	-	-	5,906	5,906
Other comprehensive loss	-	-	-	-	-	71	-	71
Board stock compensation	7	112	-	-	-	-	-	112
ESPP stock awards	4	41	-	-	-	-	-	41
Restricted stock units issued, net of shares withheld for tax withholdings	28	(244)	-	-	-	-	-	(244)
Shares issued for deferred compensation	36	506	-	-	-	-	-	506
Activity of treasury shares, net	-	-	(36)	(505)	-	-	-	(505)
Deferred stock compensation	-	-	-	-	505	-	-	505
Stock-based compensation expense	-	814	-	-	-	-	-	814
Stock options exercised, net	107	628	-	-	-	-	-	628
Dividends — \$ 0.20 per share	-	-	-	-	-	-	(1,446)	(1,446)
Balance at December 31, 2023	29,060	\$ 152,924	(988)	\$ (8,088)	\$ 8,088	\$ 354	\$ 39,656	\$ 192,934

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

LSI INDUSTRIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Six Months Ended December 31	
	2023	2022
Cash Flows from Operating Activities		
Net income	\$ 13,934	\$ 12,678
Non-cash items included in net income		
Depreciation and amortization	4,728	4,840
Deferred income taxes	(591)	49
Deferred compensation plan	943	1,087
ESPP discount	98	-
Stock compensation expense	2,034	1,415
Issuance of common shares as compensation	225	173
Loss on disposition of fixed assets	141	37
Allowance for credit losses	25	(108)
Inventory obsolescence reserve	234	300
Changes in certain assets and liabilities		
Accounts receivable	5,496	10,506
Inventories	3,330	916
Refundable income taxes	1,087	(284)
Accounts payable	(6,070)	(7,490)
Accrued expenses and other	(6,529)	(1,581)
Customer prepayments	783	(2,476)
Net cash flows provided by operating activities	<u>19,868</u>	<u>20,062</u>
Cash Flows from Investing Activities		
Proceeds from the sale of fixed assets	26	1
Purchases of property, plant and equipment	(3,349)	(995)
Net cash flows used in investing activities	<u>(3,323)</u>	<u>(994)</u>
Cash Flows from Financing Activities		
Payments of long-term debt	(96,600)	(102,152)
Borrowings of long-term debt	82,921	85,377
Cash dividends paid	(2,826)	(2,694)
Shares withheld for employees' taxes	(244)	(465)
Payments on financing lease obligations	(156)	(123)
Proceeds from stock option exercises	1,177	1,278
Net cash flows used in financing activities	<u>(15,728)</u>	<u>(18,779)</u>
Change related to foreign currency	15	14
Increase in cash and cash equivalents	832	303
Cash and cash equivalents at beginning of period	<u>1,828</u>	<u>2,462</u>
Cash and cash equivalents at end of period	<u>\$ 2,660</u>	<u>\$ 2,765</u>

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**NOTE 1 - INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements are unaudited and are prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, and rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the interim financial statements include all normal adjustments and disclosures necessary to present fairly the Company's financial position as of December 31, 2023, the results of its operations for the three and six-month periods ended December 31, 2023, and 2022, and its cash flows for the six-month periods ended December 31, 2023, and 2022. These statements should be read in conjunction with the financial statements and footnotes included in the fiscal 2023 Annual Report on Form 10-K. Financial information as of June 30, 2023, has been derived from the Company's audited consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Consolidation:**

A summary of the Company's significant accounting policies is included in Note 1 to the audited consolidated financial statements of the Company's fiscal 2023 Annual Report on Form 10-K.

Revenue Recognition:

The Company recognizes revenue when it satisfies the performance obligation in its customer contracts or purchase orders. Most of the Company's products have a single performance obligation which is satisfied at a point in time when control is transferred to the customer. Control is generally transferred at time of shipment when title and risk of ownership passes to the customer. For customer contracts with multiple performance obligations, the Company allocates the transaction price and any discounts to each performance obligation based on relative standalone selling prices. Payment terms are typically within 30 to 90 days from the shipping date, depending on the terms with the customer. The Company offers standard warranties that do not represent separate performance obligations.

Installation is a separate performance obligation, except for the Company's digital signage products. For digital signage products, installation is not a separate performance obligation as the product and installation is the combined item promised in digital signage contracts. The Company is not always responsible for installation of products it sells and has no post-installation responsibilities other than standard warranties.

A number of the Company's display solutions and select lighting products are customized for specific customers. As a result, these customized products do not have an alternative use. For these products, the Company has a legal right to payment for performance to date and generally does not accept returns on these items. The measurement of performance is based upon cost plus a reasonable profit margin for work completed. Because there is no alternative use and there is a legal right to payment, the Company transfers control of the item as the item is being produced and therefore, recognizes revenue over time. The customized product types are as follows:

- Customer specific branded print graphics
- Electrical components based on customer specifications
- Digital signage and related media content

The Company also offers installation services for its display solutions elements and select lighting products. Installation revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided through the installation process.

For these customized products and installation services, revenue is recognized using a cost-based input method: recognizing revenue and gross profit as work is performed based on the relationship between the actual cost incurred and the total estimated cost for the performance obligation.

On occasion, the Company enters into bill-and-hold arrangements on a limited basis. Each bill-and-hold arrangement is reviewed and revenue is recognized only when certain criteria have been met: (1) the customer has requested delayed delivery and storage of the products by the Company because the customer wants to secure a supply of the products but lacks storage space; (ii) the risk of ownership has passed to the customer; (iii) the products are segregated from the Company's other inventory items held for sale; (iv) the products are ready for shipment to the customer; and (v) the Company does not have the ability to use the products or direct them to another customer.

Disaggregation of Revenue

The Company disaggregates the revenue from contracts with customers by the timing of revenue recognition because the Company believes it best depicts the nature, amount, and timing of its revenue and cash flows. The table below presents a reconciliation of the disaggregation by reportable segments:

(In thousands)	Three Months Ended			
	December 31, 2023		December 31, 2022	
	Lighting Segment	Display Solutions Segment	Lighting Segment	Display Solutions Segment
Timing of revenue recognition				
Products and services transferred at a point in time	\$ 54,619	\$ 29,268	\$ 58,591	\$ 47,027
Products and services transferred over time	10,176	14,942	8,242	14,944
	<u>\$ 64,795</u>	<u>\$ 44,210</u>	<u>\$ 66,833</u>	<u>\$ 61,971</u>
	Six Months Ended			
	December 31, 2023		December 31, 2022	
	Lighting Segment	Display Solutions Segment	Lighting Segment	Display Solutions Segment
Timing of revenue recognition				
Products and services transferred at a point in time	\$ 112,271	\$ 69,256	\$ 116,668	\$ 94,516
Products and services transferred over time	20,165	30,754	17,698	26,991
	<u>\$ 132,436</u>	<u>\$ 100,010</u>	<u>\$ 134,366</u>	<u>\$ 121,507</u>
	Three Months Ended			
	December 31, 2023		December 31, 2022	
	Lighting Segment	Display Solutions Segment	Lighting Segment	Display Solutions Segment
Type of Product and Services				
LED lighting, digital signage solutions, electronic circuit boards	\$ 53,116	\$ 8,791	\$ 54,410	\$ 5,801
Poles, other display solution elements	10,968	24,829	11,632	41,683
Project management, installation services, shipping and handling	711	10,590	791	14,487
	<u>\$ 64,795</u>	<u>\$ 44,210</u>	<u>\$ 66,833</u>	<u>\$ 61,971</u>
	Six Months Ended			
	December 31, 2023		December 31, 2022	
	Lighting Segment	Display Solutions Segment	Lighting Segment	Display Solutions Segment
Type of Product and Services				
LED lighting, digital signage solutions, electronic circuit boards	\$ 108,607	\$ 17,724	\$ 109,945	\$ 12,976
Poles, other display solution elements	22,351	59,698	22,761	83,154
Project management, installation services, shipping and handling	1,478	22,588	1,660	25,377
	<u>\$ 132,436</u>	<u>\$ 100,010</u>	<u>\$ 134,366</u>	<u>\$ 121,507</u>

Practical Expedients and Exemptions

- The Company's contracts with customers have an expected duration of one year or less, as such, the Company applies the practical expedient to expense sales commissions as incurred and has omitted disclosures on the amount of remaining performance obligations.
- Shipping costs that are not material in context of the delivery of products are expensed as incurred.
- The Company's accounts receivable balance represents the Company's unconditional right to receive payment from its customers with contracts. Payments are generally due within 30 to 90 days of completion of the performance obligation and invoicing; therefore, payments do not contain significant financing components.
- The Company collects sales tax and other taxes concurrent with revenue-producing activities which are excluded from revenue. Shipping and handling costs are treated as fulfillment activities and included in cost of products and services sold on the Consolidated Statements of Operations.

New Accounting Pronouncements:

In October 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers," creating an exception to the recognition and measurement principles in ASC 805. The amendment requires that entities apply ASC 606, "Revenue from Contracts with Customers," rather than using fair value, to recognize and measure contracts assets and contract liabilities from contracts with customers acquired in a business combination. The ASU is effective for fiscal years beginning after December 15, 2022, and interim periods therein. Early adoption is permitted, including adoption in an interim period, regardless of whether a business combination occurs in that period. The guidance should be applied prospectively; however, an entity that elects to early adopt in an interim period should apply the amendments to all business combinations that occurred during the fiscal year that includes that interim period. There has not been a material impact on the Company's consolidated financial statements and related disclosures as a result of its adoption of the guidance on July 1, 2023.

NOTE 3 - SEGMENT REPORTING INFORMATION

The accounting guidance on Segment Reporting establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in financial statements. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker (the Company's Chief Executive Officer or "CODM") in making decisions on how to allocate resources and assess performance. The Company's two operating segments are Lighting and Display Solutions (formerly known as the Graphics Segment), with one executive team under the organizational structure reporting directly to the CODM with responsibilities for managing each segment. Corporate and Eliminations, which captures the Company's corporate administrative activities, is also reported in the segment information.

The Lighting Segment includes non-residential outdoor and indoor lighting fixtures utilizing LED light sources that have been fabricated and assembled for the Company's markets, primarily the refueling and convenience store markets, parking lot and garage markets, quick-service restaurant market, retail and grocery store markets, the automotive market, the warehouse market, and the sports court and field market. The Company also services lighting product customers through the commercial and industrial project, stock and flow, and renovation channels. In addition to the manufacture and sale of lighting fixtures, the Company offers a variety of lighting controls to complement its lighting fixtures which include sensors, photocontrols, dimmers, motion detection and Bluetooth systems. The Lighting Segment also includes the design, engineering and manufacturing of electronic circuit boards, assemblies and sub-assemblies which are sold directly to customers.

The Display Solutions Segment manufactures, sells and installs exterior and interior visual image and display elements, including printed graphics, structural graphics, digital signage, menu board systems, display fixtures, refrigerated displays, and custom display elements. These products are used in visual image programs in several markets including the refueling and convenience store markets, parking lot and garage markets, quick-service restaurant market, retail and grocery store markets, the automotive market, the warehouse market, and the sports court and field market. The Display Solutions Segment also provides a variety of project management services to complement our display elements, such as installation management, site surveys, permitting, and content management which are offered to our customers to support our digital signage.

The Company's corporate administration activities are reported in the Corporate and Eliminations line item. These activities primarily include intercompany profit in inventory eliminations, expense related to certain corporate officers and support staff, the Company's internal audit staff, expense related to the Company's Board of Directors, equity compensation expense for various equity awards granted to corporate administration employees, certain consulting expenses, investor relations activities, and a portion of the Company's legal, auditing, and professional fee expenses. Corporate identifiable assets primarily consist of cash, invested cash (if any), refundable income taxes (if any), and deferred income taxes.

There were no customers or customer programs representing a concentration of 10% or more of the Company's consolidated net sales in the three and six months ended December 31, 2023, or 2022. There was no concentration of accounts receivable at December 31, 2023, or 2022.

Summarized financial information for the Company's operating segments is provided for the indicated periods and as of December 31, 2023, and December 31, 2022:

(In thousands)	Three Months Ended December 31		Six Months Ended December 31	
	2023	2022	2023	2022
Net Sales:				
Lighting Segment	\$ 64,795	\$ 66,833	\$ 132,436	\$ 134,366
Display Solutions Segment	44,210	61,971	100,010	121,507
	<u>\$ 109,005</u>	<u>\$ 128,804</u>	<u>\$ 232,446</u>	<u>\$ 255,873</u>
Operating Income (Loss):				
Lighting Segment	\$ 8,856	\$ 6,754	\$ 17,609	\$ 15,912
Display Solutions Segment	3,302	7,762	10,521	14,258
Corporate and Eliminations	(4,339)	(5,478)	(9,283)	(11,111)
	<u>\$ 7,819</u>	<u>\$ 9,038</u>	<u>\$ 18,847</u>	<u>\$ 19,059</u>
Capital Expenditures:				
Lighting Segment	\$ 1,151	\$ 74	\$ 2,013	\$ 323
Display Solutions Segment	529	539	1,048	700
Corporate and Eliminations	276	(52)	288	(28)
	<u>\$ 1,956</u>	<u>\$ 561</u>	<u>\$ 3,349</u>	<u>\$ 995</u>
Depreciation and Amortization:				
Lighting Segment	\$ 1,293	\$ 1,382	\$ 2,602	\$ 2,769
Display Solutions Segment	989	975	1,965	1,949
Corporate and Eliminations	75	62	161	122
	<u>\$ 2,357</u>	<u>\$ 2,419</u>	<u>\$ 4,728</u>	<u>\$ 4,840</u>

	December 31, 2023	June 30, 2023
Total Assets:		
Lighting Segment	\$ 135,689	\$ 142,941
Display Solutions Segment	141,782	145,307
Corporate and Eliminations	10,077	7,901
	<u>\$ 287,548</u>	<u>\$ 296,149</u>

The segment net sales reported above represent sales to external customers. Segment operating income, which is used in management's evaluation of segment performance, represents net sales less all operating expenses. Identifiable assets are those assets used by each segment in its operations.

The Company records a 10 % mark-up on inter-segment revenues. Any inter-segment profit in inventory is eliminated in consolidation. Inter-segment revenues were eliminated in consolidation as follows:

Inter-segment sales

(In thousands)	Three Months Ended December 31		Six Months Ended December 31	
	2023	2022	2023	2022
Lighting Segment inter-segment net sales	\$ 5,286	\$ 5,067	\$ 12,150	\$ 11,210
Display Solutions Segment inter-segment net sales	\$ (15)	\$ 30	\$ 440	\$ 36

NOTE 4 - EARNINGS PER COMMON SHARE

The following table presents the amounts used to compute basic and diluted earnings per common share, as well as the effect of dilutive potential common shares on weighted average shares outstanding (in thousands, except per share data):

	Three Months Ended December 31		Six Months Ended December 31	
	2023	2022	2023	2022
<u>BASIC EARNINGS PER SHARE</u>				
Net income	\$ 5,906	\$ 6,417	\$ 13,934	\$ 12,678
Weighted average shares outstanding during the period, net of treasury shares	27,979	27,005	27,858	26,890
Weighted average vested restricted stock units outstanding	76	117	78	81
Weighted average shares outstanding in the Deferred Compensation Plan during the period	969	956	954	903
Weighted average shares outstanding	<u>29,024</u>	<u>28,078</u>	<u>28,890</u>	<u>27,874</u>
Basic earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.23</u>	<u>\$ 0.48</u>	<u>\$ 0.45</u>
<u>DILUTED EARNINGS PER SHARE</u>				
Net income	\$ 5,906	\$ 6,417	\$ 13,934	\$ 12,678
Weighted average shares outstanding:				
Basic	29,024	28,078	28,890	27,874
Effect of dilutive securities (a):				
Impact of common shares to be issued under stock option plans, and contingently issuable shares, if any	1,019	1,126	1,059	892
Weighted average shares outstanding	<u>30,043</u>	<u>29,204</u>	<u>29,949</u>	<u>28,766</u>
Diluted earnings per common share	<u>\$ 0.20</u>	<u>\$ 0.22</u>	<u>\$ 0.47</u>	<u>\$ 0.44</u>
Anti-dilutive securities (b)				
	-	85	-	452

(a) Calculated using the "Treasury Stock" method as if dilutive securities were exercised and the funds were used to purchase common shares at the average market price during the period.

(b) Anti-dilutive securities were excluded from the computation of diluted net income per share for the three and six months ended December 31, 2023, and December 31, 2022, because the exercise price was greater than the average fair market price of the common shares or because the assumed proceeds from the award's exercise or vesting was greater than the average fair market price of the common shares.

NOTE 5 – INVENTORIES, NET

The following information is provided as of the dates indicated:

<i>(In thousands)</i>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Inventories:		
Raw materials	\$ 44,225	\$ 47,689
Work-in-progress	3,726	3,373
Finished goods	12,203	12,656
Total Inventories	<u>\$ 60,154</u>	<u>\$ 63,718</u>

NOTE 6 - ACCRUED EXPENSES

The following information is provided as of the dates indicated:

<i>(In thousands)</i>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Accrued Expenses:		
Customer prepayments	\$ 6,209	\$ 5,425
Compensation and benefits	8,570	13,116
Accrued warranty	6,244	6,501
Operating lease liabilities	3,752	3,566
Accrued sales commissions	4,183	5,082
Accrued Freight	3,291	3,821
Accrued FICA	483	546
Finance lease liabilities	307	284
Other accrued expenses	5,808	5,444
Total Accrued Expenses	<u>\$ 38,847</u>	<u>\$ 43,785</u>

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment. The Company may first assess qualitative factors in order to determine if goodwill and indefinite-lived intangible assets are impaired. If through the qualitative assessment it is determined that it is more likely than not that goodwill and indefinite-lived assets are not impaired, no further testing is required. If it is determined more likely than not that goodwill and indefinite-lived assets are impaired, or if the Company elects not to first assess qualitative factors, the Company's impairment testing continues with the estimation of the fair value of the reporting unit using a combination of a market approach and an income (discounted cash flow) approach, at the reporting unit level. The estimation of the fair value of reporting unit requires significant management judgment with respect to revenue and expense growth rates, changes in working capital and the selection and use of an appropriate discount rate. The estimates of the fair value of reporting units are based on the best information available as of the date of the assessment. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease an impairment charge. Company management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as adverse business conditions, economic factors and technological change or competitive activities may signal that an asset has become impaired.

The Company identified its reporting units in conjunction with its annual goodwill impairment testing. The Company has a total of three reporting units that contain goodwill. One reporting unit is within the Lighting Segment and two reporting units are within the Display Solutions Segment. The tradename intangible assets have an indefinite life and are also tested separately on an annual basis. The Company relies upon a number of factors, judgments and estimates when conducting its impairment testing including, but not limited to, the Company's stock price, operating results, forecasts, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill impairment.

The following table presents information about the Company's goodwill on the dates or for the periods indicated:

Goodwill (In thousands)	Lighting	Display	Total
	Segment	Solutions Segment	
Balance as of December 31, 2023			
Goodwill	\$ 70,971	\$ 63,347	\$ 134,318
Accumulated impairment losses	(61,763)	(27,525)	(89,288)
Goodwill, net as of December 31, 2023	<u>\$ 9,208</u>	<u>\$ 35,822</u>	<u>\$ 45,030</u>
Balance as of June 30, 2023			
Goodwill	\$ 70,971	\$ 63,347	\$ 134,318
Accumulated impairment losses	(61,763)	(27,525)	(89,288)
Goodwill, net as of June 30, 2023	<u>\$ 9,208</u>	<u>\$ 35,822</u>	<u>\$ 45,030</u>

The gross carrying amount and accumulated amortization by each major intangible asset class is as follows:

Other Intangible Assets (In thousands)	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	\$ 62,083	\$ 19,525	\$ 42,558
Patents	268	268	-
LED technology firmware, software	20,966	16,374	4,592
Trade name	2,658	1,211	1,447
Non-compete	260	136	124
Total Amortized Intangible Assets	<u>86,235</u>	<u>37,514</u>	<u>48,721</u>
Indefinite-lived Intangible Assets			
Trademarks and trade names	12,102	-	12,102
Total indefinite-lived Intangible Assets	<u>12,102</u>	<u>-</u>	<u>12,102</u>
Total Other Intangible Assets	<u>\$ 98,337</u>	<u>\$ 37,514</u>	<u>\$ 60,823</u>

Other Intangible Assets (In thousands)	June 30, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	\$ 62,083	\$ 17,817	\$ 44,266
Patents	268	268	-
LED technology firmware, software	20,966	15,783	5,183
Trade name	2,658	1,156	1,502
Non-compete	260	110	150
Total Amortized Intangible Assets	<u>86,235</u>	<u>35,134</u>	<u>51,101</u>
Indefinite-lived Intangible Assets			
Trademarks and trade names	12,102	-	12,102
Total indefinite-lived Intangible Assets	<u>12,102</u>	<u>-</u>	<u>12,102</u>
Total Other Intangible Assets	<u>\$ 98,337</u>	<u>\$ 35,134</u>	<u>\$ 63,203</u>

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2023	2022	2023	2022
Amortization Expense of Other Intangible Assets	\$ 1,190	\$ 1,190	\$ 2,380	\$ 2,380

The Company expects to record annual amortization expense as follows:

<i>(In thousands)</i>	
2024	\$ 4,760
2025	\$ 4,760
2026	\$ 4,760
2027	\$ 4,754
2028	\$ 4,708
After 2028	\$ 27,359

NOTE 8 - DEBT

The Company's long-term debt as of December 31, 2023, and June 30, 2023, consisted of the following:

<i>(In thousands)</i>	December 31, 2023	June 30, 2023
Secured line of credit	\$ 4,276	\$ 18,729
Term loan, net of debt issuance costs of \$ 16 and \$ 26, respectively	17,245	16,471
Total debt	\$ 21,521	\$ 35,200
Less: amounts due within one year	3,571	3,571
Total amounts due after one year, net	\$ 17,950	\$ 31,629

In September 2021, the Company amended its existing \$ 100 million secured line of credit, to a \$ 25 million term loan and \$ 75 million remaining as a secured revolving line of credit. Both facilities expire in the third quarter of fiscal 2026. The principal of the term loan is repaid annually in the amount of \$ 3.6 million over a five-year period with a balloon payment of the remaining balance due on the last month. Interest on both the revolving line of credit and the term loan is charged based upon an increment over the Secured Overnight Financing Rate (SOFR) or a base rate, at the Company's option. The base rate is calculated as the highest of (a) the Prime rate, (b) the sum of the Overnight Funding Rate plus 50 basis points and (c) the sum of the Daily SOFR Rate plus 100 basis points. The increment over the SOFR borrowing rate fluctuates between 100 and 225 basis points, and the increment over the Base Rate fluctuates between 0 and 125 basis points, both of which depend upon the ratio of indebtedness to earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as defined in the line of credit agreement. As of December 31, 2023, the Company's borrowing rate against its revolving line of credit was 6.5 %. The increment over the SOFR borrowing rate will be 100 basis points for the third quarter of fiscal 2024. The fee on the unused balance of the \$ 75 million committed line of credit fluctuates between 15 and 25 basis points. Under the terms of this line of credit, the Company is required to comply with financial covenants that limit the ratio of indebtedness to EBITDA and require a minimum fixed charge ratio. As of December 31, 2023, there was \$ 70.7 million available for borrowing under the \$ 75 million line of credit.

The Company is in compliance with all of its loan covenants as of December 31, 2023.

NOTE 9 - CASH DIVIDENDS

The Company paid cash dividends of \$ 2.8 million and \$ 2.7 million in the six months ended December 31, 2023, and December 31, 2022, respectively. In January 2024, the Board of Directors declared a regular quarterly cash dividend of \$ 0.05 per share payable February 13, 2024, to shareholders of record as of February 5, 2024. The indicated annual cash dividend rate is \$ 0.20 per share.

NOTE 10 – EQUITY COMPENSATION

In November 2022, the Company's shareholders approved the amendment and restatement of the 2019 Omnibus Award Plan ("2019 Omnibus Plan") which increased the number of shares authorized for issuance under the plan by 2,350,000 and removed the Plan's fungible share counting feature. The purpose of the 2019 Omnibus Plan is to provide a means to attract and retain key personnel and to align the interests of the directors, officers, and employees with the Company's shareholders. The plan also provides a vehicle whereby directors and officers may acquire shares in order to meet the ownership requirements under the Company's Stock Ownership Policy. The 2019 Omnibus Plan allows for the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units RSUs, performance stock units ("PSUs") and other awards. Except for Restricted Stock Unit ("RSU") grants which are time-based, participants in the Company's Long-Term Equity Compensation Plans are awarded the opportunity to acquire shares over a three-year performance measurement period tied to specific company performance metrics. The number of shares that remain reserved for issuance under the 2019 Omnibus Plan equates to 1,981,391 as of December 31, 2023.

In the first half of fiscal 2024, the Company granted 175,251 PSUs and 116,834 RSUs, both with a weighted average market value of \$ 12.76 . Stock compensation expense was \$ 0.7 million and \$ 0.8 million for the three months ended December 31, 2023, and 2022, respectively, and \$ 2.0 million and \$ 1.4 million in the six months ended December 31, 2023, and 2022, respectively.

In November of 2021, our board of directors approved the LSI Employee Stock Purchase Plan ("ESPP"). A total of 270,000 shares of common stock were provided for issuance under the ESPP. Employees may participate at their discretion and are able to purchase, through payroll deduction, common stock at a 10 % discount on a quarterly basis. Employees may end their participation at any time during the offering period, and participation ends automatically upon termination of employment with the company. During the first half of fiscal year 2024, employees purchased 7,000 shares. At December 31, 2023, 249,000 shares remained available for purchase under the ESPP.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

<i>(In thousands)</i>	Six Months Ended	
	December 31	
	2023	2022
Cash Payments:		
Interest	\$ 1,006	\$ 1,689
Income taxes	\$ 3,375	\$ 4,299
Non-cash investing and financing activities		
Issuance of common shares as compensation	\$ 225	\$ 173
Issuance of common shares to fund deferred compensation plan	\$ 943	\$ 1,087
Issuance of common shares to fund ESPP plan	\$ 98	\$ -

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company is party to various negotiations, customer bankruptcies, and legal proceedings arising in the normal course of business. The Company provides reserves for these matters when a loss is probable and reasonably estimable. The Company does not disclose a range of potential loss because the likelihood of such a loss is remote. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

The Company may occasionally issue a standby letter of credit in favor of third parties. As of December 31, 2023, there were no such standby letters of credit issued.

NOTE 13 - LEASES

The Company leases certain manufacturing facilities along with a small office space, several forklifts, several small tooling items, and various items of office equipment. The Company also acquired buildings, machinery, and forklift leases with the acquisition of JSI, as well as one sublease. All but two of the Company's leases are operating leases. Leases have a remaining term of one to seven years some of which have an option to renew. The Company does not assume renewals in determining the lease term unless the renewals are deemed reasonably certain. The lease agreements do not contain any material residual guarantees or material variable lease payments.

The Company has periodically entered into short-term operating leases with an initial term of twelve months or less. The Company elected not to record these leases on the balance sheet. For the three and six months ended December 31, 2023, and 2022, the rent expense for these leases is immaterial.

The Company has certain leases that contain lease and non-lease components and has elected to utilize the practical expedient to account for these components together as a single lease component.

Lease expense is recognized on a straight-line basis over the lease term. The Company used its incremental borrowing rate when determining the present value of lease payments.

(In thousands)	Three Months Ended December 31		Six Months Ended December 31	
	2023	2022	2023	2022
Operating lease cost	\$ 993	\$ 885	\$ 1,900	\$ 1,776
Financing lease cost:				
Amortization of right of use assets	73	74	146	148
Interest on lease liabilities	14	17	28	35
Variable lease cost	22	22	44	44
Sublease income	(116)	(116)	(232)	(232)
Total lease cost	\$ 986	\$ 882	\$ 1,886	\$ 1,771

Supplemental Cash Flow Information:

(In thousands)	Six Months Ended December 31	
	2023	2022
Cash flows from operating leases		
Fixed payments - operating cash flows	\$ 1,778	\$ 1,832
Liability reduction - operating cash flows	\$ 1,537	\$ 1,618
Cash flows from finance leases		
Interest - operating cash flows	\$ 28	\$ 35
Repayments of principal portion - financing cash flows	\$ 156	\$ 123

Operating Leases:

	December 31, 2023	June 30, 2023
Total operating right-of-use assets	\$ 9,931	\$ 8,921
Accrued expenses (Current liabilities)	\$ 3,752	\$ 3,566
Long-term operating lease liability	6,851	5,954
Total operating lease liabilities	\$ 10,603	\$ 9,520
Weighted Average remaining Lease Term (in years)	3.89	3.31
Weighted Average Discount Rate	5.33%	5.44%

Finance Leases:	December 31, 2023	June 30, 2023
Buildings under finance leases	\$ 2,033	\$ 2,033
Equipment under finance leases	41	34
Accumulated depreciation	(1,086)	(929)
Total finance lease assets, net	<u>\$ 1,060</u>	<u>\$ 1,138</u>
Accrued expenses (Current liabilities)	\$ 307	\$ 284
Long-term finance lease liability	800	960
Total finance lease liabilities	<u>\$ 1,107</u>	<u>\$ 1,244</u>
Weighted Average remaining Lease Term (in years)	3.33	3.83
Weighted Average Discount Rate	4.86%	4.86%

Maturities of Lease Liability:	Operating Lease Liabilities	Finance Lease Liabilities	Operating Subleases	Net Lease Commitments
2024	\$ 3,752	\$ 307	\$ (189)	\$ 3,870
2025	3,026	362	(31)	3,357
2026	1,929	362	-	2,291
2027	1,463	195	-	1,658
2028	649	-	-	649
Thereafter	1,131	-	-	1,131
Total lease payments	<u>\$ 11,950</u>	<u>\$ 1,226</u>	<u>\$ (220)</u>	<u>\$ 12,956</u>
Less: Interest	(1,347)	(119)	-	(1,466)
Present Value of Lease Liabilities	<u>\$ 10,603</u>	<u>\$ 1,107</u>	-	<u>\$ 11,490</u>

NOTE 14 – INCOME TAXES

The Company's effective income tax rate is based on expected income, statutory rates, and tax planning opportunities available in the various jurisdictions in which it operates. For interim financial reporting, the Company estimates the annual income tax rate based on projected taxable income for the full year and records a quarterly income tax provision or benefit in accordance with the anticipated annual rate. The Company refines the estimates of the year's taxable income as new information becomes available, including actual year-to-date financial results. This continual estimation process often results in a change to the expected effective income tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected income tax rate. Significant judgment is required in determining the effective tax rate and in evaluating tax positions.

	Three Months Ended December 31		Six Months Ended December 31	
	2023	2022	2023	2022
Reconciliation of effective tax rate:				
Provision for income taxes at the anticipated annual tax rate	25.6%	21.5%	26.3%	24.0%
Uncertain tax positions	(2.8)	(1.2)	(0.6)	-
Deferred Income Tax Adjustment	-	(1.9)	-	-
Share-based compensation	(2.7)	(0.3)	(4.2)	0.8
Effective tax rate	<u>20.1%</u>	<u>18.1%</u>	<u>21.5%</u>	<u>24.8%</u>

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

Note About Forward-Looking Statements

This report includes estimates, projections, statements relating to our business plans, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including this section. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "focus," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in our Annual Report on Form 10-K in the following sections: "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk," and "Risk Factors." All of those risks and uncertainties are incorporated herein by reference. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of LSI Industries Inc. MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the year ended June 30, 2023, and our financial statements and the accompanying Notes to Financial Statements (Part I, Item 1 of this Form 10-Q).

Our condensed consolidated financial statements, accompanying notes and the "Safe Harbor" Statement, each as appearing earlier in this report, should be referred to in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Summary of Consolidated Results

Net Sales by Business Segment

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2023	2022	2023	2022
Lighting Segment	\$ 64,795	\$ 66,833	\$ 132,436	\$ 134,366
Display Solutions Segment	44,210	61,971	100,010	121,507
	<u>\$ 109,005</u>	<u>\$ 128,804</u>	<u>\$ 232,446</u>	<u>\$ 255,873</u>

Operating Income (Loss) by Business Segment

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2023	2022	2023	2022
Lighting Segment	\$ 8,856	\$ 6,754	\$ 17,609	\$ 15,912
Display Solutions Segment	3,302	7,762	10,521	14,258
Corporate and Eliminations	(4,339)	(5,478)	(9,283)	(11,111)
	<u>\$ 7,819</u>	<u>\$ 9,038</u>	<u>\$ 18,847</u>	<u>\$ 19,059</u>

Net sales of \$109.0 million for the three months ended December 31, 2023, decreased \$19.8 million or 15% as compared to net sales of \$128.8 million for the three months ended December 31, 2022. The decrease in net sales was attributed to a \$2.0 million decrease in net sales of the Lighting Segment, while the remainder of the decrease in net sales was attributable to the Display Solutions Segment. Despite what we believe is a temporary delay in project demand primarily affecting the grocery market of the Display Solutions Segment related to the pending merger of two large grocery industry participants, the Company maintained its focus with ongoing execution in the key markets it serves.

Net sales of \$232.4 million for the six months ended December 31, 2023, decreased \$23.4 million or 9% as compared to net sales of \$255.9 million for the six months ended December 31, 2022. Net sales were driven by decreased net sales of the Lighting Segment (a decrease of \$1.9 million or 1%) and decreased net sales of the Display Solutions Segment (a decrease of \$21.5 million or 18%).

Operating income of \$7.8 million for the three months ended December 31, 2023, represents a \$1.2 million or 14% decrease from a record operating income of \$9.0 million in the three months ended December 31, 2022. Adjusted operating income, a Non-GAAP measure, was \$8.7 million in the three months ended December 31, 2023, compared to \$10.6 million in the three months ended December 31, 2022. Refer to “Non-GAAP Financial Measures” below for a reconciliation of Non-GAAP financial measures to U.S. GAAP measures. The decline in sales contributed to the decline in operating profit which was partially offset by a 240 basis point increase in gross margin driven by a higher value sales mix, continued sales price disciplines, favorable material input costs, and improved manufacturing productivity.

Operating income of \$18.8 million for the six months ended December 31, 2023, represents a \$0.2 million or 1% decrease from operating income of \$19.1 million in the six months ended December 31, 2022. Adjusted operating income, a Non-GAAP financial measure, was \$21.4 million in the six months ended December 31, 2023, compared to same adjusted operating income of \$21.4 million in the six months ended December 31, 2022. The Company was able to maintain the same level of operating income despite a 9% decline in sales with continued sales price disciplines, favorable material input costs, and improved manufacturing productivity. Refer to “Non-GAAP Financial Measures” below for a reconciliation of Non-GAAP financial measures to U.S. GAAP measures.

Non-GAAP Financial Measures

We believe it is appropriate to evaluate our performance after making adjustments to the as-reported U.S. GAAP operating income, net income, and earnings per share. Adjusted operating income, net income, and earnings per share, which exclude the impact of long-term performance based compensation expense, severance and restructuring costs, and consulting expense related to commercial growth initiatives, are Non-GAAP financial measures. Also included below are Non-GAAP financial measures including Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA and Adjusted EBITDA), Free Cash Flow, and Net Debt to Adjusted EBITDA. We believe that these adjusted supplemental measures are useful in assessing the operating performance of our business. These supplemental measures are used by our management, including our chief operating decision maker, to evaluate business results. Although the impacts of some of these items have been recognized in prior periods and could recur in future periods, we exclude these items because they provide greater comparability and enhanced visibility into our results of operations. 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 operating income, net income, and earnings per share for the periods indicated along with the calculation of EBITDA and Adjusted EBITDA, Free Cash Flow, and Net Debt to Adjusted EBITDA.

Reconciliation of operating income to adjusted operating income:

<i>(In thousands)</i>	Three Months Ended December 31	
	2023	2022
Operating Income as reported	\$ 7,819	\$ 9,038
Long-Term Performance Based Compensation	849	1,002
Consulting expense: Commercial Growth Initiatives	-	486
Severance costs and Restructuring costs	35	33
Adjusted Operating Income	\$ 8,703	\$ 10,559

Reconciliation of net income to adjusted net income

<i>(In thousands, except per share data)</i>	Three Months Ended December 31			
	2023		2022	
	Diluted EPS		Diluted EPS	
Net Income as reported	\$ 5,906	\$ 0.20	\$ 6,417	\$ 0.22
Long-Term Performance Based Compensation	625 (1)	0.02	785 (3)	0.03
Consulting expense: Commercial Growth Initiatives	-	-	399 (4)	0.01
Severance costs and Restructruing costs	34 (2)	-	26 (5)	-
Tax rate difference between reported and adjusted net income	(201)	(0.01)	-	-
Net Income adjusted	\$ 6,364	\$ 0.21	\$ 7,627	\$ 0.26

The following represents the income tax effects of the adjustments in the tables above, which were calculated using the estimated combined U.S., Canada and Mexico effective income tax rates for the periods indicated (in thousands):

- (1) \$224
- (2) \$1
- (3) \$217
- (4) \$87
- (5) \$7

Reconciliation of operating income to adjusted operating income:

<i>(In thousands)</i>	Six Months Ended December 31	
	2023	2022
	Operating Income as reported	\$ 18,847
Stock compensation expense	2,174	1,553
Consulting expense: Commercial Growth Initiatives	19	789
Severance costs and Restructruing costs	388	46
Adjusted Operating Income	\$ 21,428	\$ 21,447

Reconciliation of net income to adjusted net income

<i>(In thousands, except per share data)</i>	Six Months Ended December 31			
	2023		2022	
	Diluted EPS		Diluted EPS	
Net Income as reported	\$ 13,934	\$ 0.47	\$ 12,678	\$ 0.44
Stock compensation expense	1,599 (1)	0.05	1,341 (4)	0.05
Consulting expense: Commercial Growth Initiatives	13 (2)	-	647 (5)	0.02
Severance costs and Restructruing costs	290 (3)	0.01	38 (6)	-
Tax rate difference between reported and adjusted net income	(732)	(0.03)	-	-
Net Income adjusted	\$ 15,104	\$ 0.50	\$ 14,704	\$ 0.51

The following represents the income tax effects of the adjustments in the tables above, which were calculated using the estimated combined U.S., Canada and Mexico effective income tax rates for the periods indicated (in thousands):

- (1) \$575
- (2) \$6
- (3) \$98
- (4) \$212
- (5) \$142
- (6) \$8

Reconciliation of Net Income to Adjusted EBITDA

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

Reconciliation of cash flow from operations to free cash flow

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2023	2022	2023	2022
Cash Flow from Operations	\$ 9,276	\$ 9,481	\$ 19,868	\$ 20,064
Capital expenditures	(1,956)	(561)	(3,349)	(995)
Free Cash Flow	\$ 7,320	\$ 8,920	\$ 16,519	\$ 19,070

Net Debt to Adjusted EBITDA

<i>(In thousands)</i>	December 31	
	2023	2022
Current portion and long-term debt as reported	\$ 3,571	\$ 3,571
Long-Term Debt	17,950	59,250
Total Debt	21,521	62,821
Less: Cash and cash equivalents	(2,660)	(2,765)
Net Debt	\$ 18,861	\$ 60,056
Adjusted EBITDA - Trailing 12 Months	\$ 51,489	\$ 45,387
Net Debt to Adjusted EBITDA	0.4	1.3

Results of Operations

THREE MONTHS ENDED DECEMBER 31, 2023, COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2022

Lighting Segment

<i>(In thousands)</i>	Three Months Ended December 31	
	2023	2022
Net Sales	\$ 64,795	\$ 66,833
Gross Profit	\$ 22,698	\$ 20,457
Operating Income	\$ 8,856	\$ 6,754

Lighting Segment net sales of \$64.8 million in the three months ended December 31, 2023, decreased 3% from net sales of \$66.8 million in the same period in fiscal 2023. Despite softness in the non-residential construction market, which contributed to the small decline in sales, the Company was able to outperform the broader market and gain market share.

Gross profit of \$22.7 million in the three months ended December 31, 2023, increased \$2.2 million or 11% from the same period of fiscal 2023. Gross profit as a percentage of net sales was 35.0% in the three months ended December 31, 2023, compared to 30.6% in the same period of fiscal 2023. The improvement in gross profit as a percentage of sales on a 3% decrease in net sales was driven by stable pricing, a higher-value sales mix, continued sales price disciplines, favorable material input costs, and improved manufacturing productivity.

Operating expenses of \$13.9 million in the three months ended December 31, 2023, increased marginally from the same period of fiscal 2023, driven by continued investments in the agent network and the sales team.

Lighting Segment operating income of \$8.9 million for the three months ended December 31, 2023, increased \$2.1 million from operating income of \$6.8 million in the same period of fiscal 2023 primarily driven by an improvement in gross profit as a percentage of sales on lower net sales, and continued sales price disciplines, favorable material input costs, and improved manufacturing productivity.

Display Solutions Segment

<i>(In thousands)</i>	Three Months Ended December 31	
	2023	2022
Net Sales	\$ 44,210	\$ 61,971
Gross Profit	\$ 8,838	\$ 13,681
Operating Income	\$ 3,302	\$ 7,762

Display Solutions Segment net sales of \$44.2 million in the three months ended December 31, 2023, decreased \$17.8 million or 29% from net sales of \$62.0 million in the same period in fiscal 2023. Sales in the Display Solutions segment were unfavorably impacted by a temporary pause in projected demand within the grocery market vertical related to the pending merger of two larger grocery chains.

Gross profit of \$8.8 million in the three months ended December 31, 2023, decreased \$4.8 million or 35% from the same period of fiscal 2023. Gross profit as a percentage of net sales in the three months ended December 31, 2023, was 20.0% compared to 22.1% in the same period of fiscal 2023. The reduction in gross profit as a percentage of sales was primarily driven by the decrease in net sales partially offset by favorable program pricing and prudent cost management.

Operating expenses of \$5.5 million in the three months ended December 31, 2023, decreased \$0.4 million from \$5.9 million in the same period of fiscal 2023. The decrease in operating expenses was primarily driven by efforts to manage costs in line with the decline in net sales.

Display Solutions Segment operating income of \$3.3 million in the three months ended December 31, 2023, decreased \$4.5 million from operating income of \$7.8 million in the same period of fiscal 2023. The decrease in operating income was primarily driven by the decrease in net sales.

Corporate and Eliminations

	Three Months Ended December 31	
	2023	2022
(In thousands)		
Gross Profit	\$ -	\$ 2
Operating (Loss)	\$ (4,339)	\$ (5,478)

The gross profit/(loss) relates to the change in the intercompany profit in inventory elimination.

Operating expenses of \$4.3 million in the three months ended December 31, 2023, decreased \$1.1 million from the same period of fiscal 2023. The decrease was primarily the result of cost containment initiatives across several of the Company's cost categories.

Consolidated Results

The Company reported \$0.5 million and \$1.3 million of net interest expense in the three months ended December 31, 2023, and December 31, 2022, respectively. The decrease in interest expense was the result of the Company's ability to paydown its debt from cash generated by operations. The Company also recorded a nominal amount of other income which is related to net foreign exchange currency transaction net gains through the Company's Mexican and Canadian subsidiaries.

The \$1.5 million of income tax expense in the three months ended December 31, 2023, represents a consolidated effective tax rate of 20.1%. The \$1.4 million of income tax expense in the three months ended December 31, 2022, represents a consolidated effective tax rate of 18.1%. Impacting the effective tax rate of both fiscal years was the favorable tax treatment of the Company's long-term performance based compensation.

The Company reported net income of \$5.9 million in the three months ended December 31, 2023, compared to net income of \$6.4 million in the three months ended December 31, 2022. Non-GAAP adjusted net income was \$6.4 million for the three months ended December 31, 2023, compared to adjusted net income of \$7.6 million for the three months ended December 31, 2022 (Refer to the Non-GAAP tables above). The decrease in Non-GAAP adjusted net income is primarily the net result of a decrease in net sales partially offset by an increase in the gross profit as a percentage of sales and a decrease in operating expenses. Diluted earnings per share of \$0.20 was reported in the three months ended December 31, 2023, as compared to \$0.22 diluted earnings per share in the same period of fiscal 2023. The weighted average common shares outstanding for purposes of computing diluted earnings per share in the three months ended December 31, 2023, were 30,043,000 shares compared to 29,024,000 shares in the same period last fiscal year.

SIX MONTHS ENDED DECEMBER 31, 2023, COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2022

Lighting Segment

	Six Months Ended December 31	
	2023	2022
(In thousands)		
Net Sales	\$ 132,436	\$ 134,366
Gross Profit	\$ 45,978	\$ 42,737
Operating Income	\$ 17,609	\$ 15,912

Lighting Segment net sales of \$132.4 million in the six months ended December 31, 2023, decreased 1% from net sales of \$134.4 million in the same period in fiscal 2023. Despite softness in the non-residential construction market, which contributed to the small decline in sales, the Company was able to outperform the broader market and gain market share.

Gross profit of \$46.0 million in the six months ended December 31, 2023, increased \$3.2 million or 8% from the same period of fiscal 2023. Gross profit as a percentage of net sales was 34.7% in the six months ended December 31, 2023, compared to 31.8% in the same period of fiscal 2023. The improvement in gross profit as a percentage of sales on a small decline in net sales was driven by stable pricing, a higher-value sales mix, continued sales price disciplines, favorable material input costs, and improved manufacturing productivity.

Operating expenses of \$28.4 million in the six months ended December 31, 2023, increased \$1.5 million from the same period of fiscal 2023, driven by continued investments in the agent network and the sales team.

Lighting Segment operating income of \$17.6 million for the six months ended December 31, 2023, increased \$1.7 million from operating income of \$15.9 million in the same period of fiscal 2023 primarily driven by an improvement in gross profit as a percentage of sales on lower net sales, and by effectively managing operating expenses.

Display Solutions Segment

<i>(In thousands)</i>	Six Months Ended December 31	
	2023	2022
Net Sales	\$ 100,010	\$ 121,507
Gross Profit	\$ 22,148	\$ 26,134
Operating Income	\$ 10,521	\$ 14,258

Display Solutions Segment net sales of \$100.0 million in the six months ended December 31, 2023, decreased 21.5 million or 18% from net sales of \$121.5 million in the same period in fiscal 2023. Sales in the Display Solutions segment were unfavorably impacted by a temporary pause in projected demand within the grocery market vertical related to the pending merger of two larger grocery chains.

Gross profit of \$22.1 million in the six months ended December 31, 2023, decreased \$4.0 million or 15% from the same period of fiscal 2023. Gross profit as a percentage of net sales in the six months ended December 31, 2023, was 22.1% compared to 21.5% in the same period of fiscal 2023. The reduction in gross profit as a percentage of sales was primarily driven by the decrease in net sales partially offset by favorable program pricing and prudent cost management.

Operating expenses of \$11.6 million in the six months ended December 31, 2023, decreased slightly the same period of fiscal 2022. The decrease in operating expenses was primarily driven by efforts to manage costs in line with the decline in net sales.

Display Solutions Segment operating income of \$10.5 million in the six months ended December 31, 2023, decreased \$3.7 million or 26% from operating income of \$14.3 million in the same period of fiscal 2023. The decrease in operating income was driven by the net effect of a decrease in sales partially offset by an improvement of gross profit as a percentage of sales.

Corporate and Eliminations

<i>(In thousands)</i>	Six Months Ended December 31	
	2023	2022
Gross Profit (Loss)	\$ (1)	\$ 7
Operating (Loss)	\$ (9,283)	\$ (11,111)

The gross profit relates to the change in the intercompany profit in inventory elimination.

Operating expenses of \$9.3 million in the six months ended December 31, 2023, decreased \$1.8 million from the same period of fiscal 2023. The decrease was primarily the result of cost containment initiatives across several of the Company's cost categories.

Consolidated Results

The Company reported \$1.0 million and \$2.0 million of net interest expense in the six months ended December 31, 2023, and December 31, 2022, respectively. The decrease in interest expense was the result of the Company's ability to paydown its debt from cash generated by operations. The Company also recorded other expense of \$0.1 million and \$0.2 million in the six months ended December 31, 2023, and December 31, 2022, respectively, related to net foreign exchange currency transaction losses through the Company's Mexican and Canadian subsidiaries.

The \$3.8 million of income tax expense in the six months ended December 31, 2023, represents a consolidated effective tax rate of 21.5%. Impacting the effective tax rate was the favorable tax treatment of the Company's long-term performance based compensation. The \$4.2 million income tax expense in the six months ended December 31, 2022, represents a consolidated effective tax rate of 24.8%.

The Company reported net income of \$13.9 million in the six months ended December 31, 2023, compared to net income of \$12.7 million in the six months ended December 31, 2022. Non-GAAP adjusted net income was \$15.1 million for the six months ended December 31, 2023, compared to adjusted net income of \$14.7 million for the six months ended December 31, 2022 (Refer to the Non-GAAP tables above). The increase in Non-GAAP adjusted net income is primarily the net result of a decrease in net sales, an increase in the gross profit as a percentage of sales, lower interest expense, and a favorable effective tax rate in fiscal 2024 compared to fiscal 2023. Diluted earnings per share of \$0.47 was reported in the six months ended December 31, 2023, as compared to \$0.44 diluted earnings per share in the same period of fiscal 2023. The weighted average common shares outstanding for purposes of computing diluted earnings per share in the six months ended December 31, 2023, were 29,949,000 shares compared to 28,766,000 shares in the same period last year.

Liquidity and Capital Resources

The Company considers its level of cash on hand, borrowing capacity, current ratio and working capital levels to be its most important measures of short-term liquidity. For long-term liquidity indicators, the Company believes its ratio of long-term debt to equity and our historical levels of net cash flows from operating activities to be the most important measures.

At December 31, 2023, the Company had working capital of \$75.8 million compared to \$73.3 million at June 30, 2023. The ratio of current assets to current liabilities was 2.2 to 1 at December 31, 2023, and 2.0 at June 30, 2023. The marginal increase in working capital from June 30, 2023, to December 31, 2023, is primarily driven by a \$5.5 million decrease in net accounts receivable and a \$3.6 million decrease in net inventory more than offset by a combined decrease of \$11.8 million decrease in accounts payable and accrued expenses.

Net accounts receivable was \$72.2 million and \$77.7 million at December 31, 2023, and June 30, 2023, respectively. DSO increased marginally to 58 days at December 31, 2023, from 57 days at June 30, 2023.

Net inventories of \$60.2 million at December 31, 2023, decreased \$3.5 million from \$63.7 million at June 30, 2023. The decrease of \$3.5 million is the result of a decrease in net inventory of \$3.0 million in the Lighting Segment and a \$0.5 decrease in net inventory in the Display Solutions Segment.

Cash generated from operations and borrowing capacity under the Company's line of credit is its primary source of liquidity. In September 2021, the Company amended its existing \$100 million secured line of credit, to a \$25 million term loan and \$75 million remaining as a secured revolving line of credit. Both facilities expire in the third quarter of fiscal 2026. As of December 31, 2023, \$70.7 million of the credit line was available. The Company is in compliance with all of its loan covenants. The \$100 million credit facility plus cash flows from operating activities are adequate for operational and capital expenditure needs for the remainder of fiscal 2024.

The Company generated \$19.9 million of cash from operating activities in the six months ended December 31, 2023, compared to a generation of cash of \$20.1 million in the six months ended December 31, 2022. The Company continues to effectively manage its working capital while generating increasing cash flow from earnings in both fiscal years, resulting in continued strong cash flow from operations.

The Company used \$3.3 million and \$1.0 million of cash related to investing activities in the six months ended December 31, 2023, and December 31, 2022, respectively. The Company has increased its investment in equipment and tooling year-over-year to support sales growth.

The Company had a use of cash of \$15.7 million and \$18.8 million related to financing activities in the six months ended December 31, 2023, and December 31, 2022, respectively. The use of cash in both fiscal years was primarily the result of cash generated from improved earnings and effective working capital management, which in turn was used to pay down the Company's line of credit. The Company also received \$1.2 million and \$1.3 million of cash in fiscal 2024 and fiscal 2023, respectively, related to the exercise of stock options. This influx of cash also contributed to the pay down of the Company's line of credit.

The Company has on its balance sheet financial instruments consisting primarily of cash and cash equivalents, short-term investments, revolving lines of credit, and long-term debt. The fair value of these financial instruments approximates carrying value because of their short-term maturity and/or variable, market-driven interest rates.

Off-Balance Sheet Arrangements

The Company has no financial instruments with off-balance sheet risk and have no off-balance sheet arrangements.

Cash Dividends

In January 2024, the Board of Directors declared a regular quarterly cash dividend of \$0.05 per share payable February 13, 2024, to shareholders of record as of February 5, 2024. The indicated annual cash dividend rate for fiscal 2024 is \$0.20 per share. The Board of Directors has adopted a policy regarding dividends which indicates that dividends will be determined by the Board of Directors in its discretion based upon its evaluation of earnings, cash flow requirements, financial condition, debt levels, stock repurchases, future business developments and opportunities, and other factors deemed relevant.

Critical Accounting Policies and Estimates

A summary of our significant accounting policies is included in Note 1 to the audited consolidated financial statements of the Company's fiscal 2023 Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposure to market risk since June 30, 2022. Additional information can be found in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, which appears on page 16 of the Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within required time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We conducted, under the supervision of our management, including the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2023, our disclosure controls and procedures were effective. Management believes that the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q are fairly presented in all material respects in accordance with GAAP for interim financial statements, and the Company's Chief Executive Officer and Chief Financial Officer have certified that, based on their knowledge, the condensed consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for each of the periods presented in this report.

Changes in Internal Control

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the second quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits:

- 31.1 [Certification of Principal Executive Officer required by Rule 13a-14\(a\)](#)
- 31.2 [Certification of Principal Financial Officer required by Rule 13a-14\(a\)](#)
- 32.1 [Section 1350 Certification of Principal Executive Officer](#)
- 32.2 [Section 1350 Certification of Principal Financial Officer](#)
- 101.INS Inline XBRL Instance Document
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

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, thereunto duly authorized.

LSI Industries Inc.

By: /s/ James A. Clark
James A. Clark
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ James E. Galeese
James E. Galeese
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

February 6, 2024

**Certification of Principal Executive Officer
Pursuant to Rule 13a-14(a)**

I, James A. Clark, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LSI Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2024

/s/ James A. Clark
Principal Executive Officer

**Certification of Principal Financial Officer
Pursuant to Rule 13a-14(a)**

I, James E. Galeese, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LSI Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2024

/s/ James E. Galeese
Principal Financial Officer

CERTIFICATION OF JAMES A. CLARK

**Pursuant to Section 1350 of Chapter 63 of the
United States Code and Rule 13a-14b**

In connection with the filing with the Securities and Exchange Commission of the Quarterly Report of LSI Industries Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023 (the "Report"), I, James A. Clark, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ James A. Clark

James A. Clark
Chief Executive Officer and
President

Date: February 6, 2024

A signed original of this written statement required by Section 906 has been provided to LSI Industries Inc. and will be retained by LSI Industries Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF JAMES E. GALEESE

**Pursuant to Section 1350 of Chapter 63 of the
United States Code and Rule 13a-14b**

In connection with the filing with the Securities and Exchange Commission of the Quarterly Report of LSI Industries Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023 (the "Report"), I, James E. Galeese, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ James E. Galeese

James E. Galeese
Executive Vice President and Chief
Financial Officer

Date: February 6, 2024

A signed original of this written statement required by Section 906 has been provided to LSI Industries Inc. and will be retained by LSI Industries Inc. and furnished to the Securities and Exchange Commission or its staff upon request.