



Fiscal 2nd Quarter 2020 Results

February 5, 2020

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Forward-Looking Statements and Non-GAAP Financial Measures

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Included in this presentation are certain non-GAAP financial measures, such as Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income (Loss), Adjusted (Diluted) Earnings Per Share, Net Debt, Net Leverage and Free Cash Flow designed to complement the financial information presented in accordance with U.S. GAAP because management believes such measures are useful to investors. These non-GAAP financial measures should be considered only as supplemental to, and not superior to, financial measures provided in accordance with GAAP. Please refer to the appendix of this presentation for a reconciliation of the historical non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with GAAP. Reconciliations of the non-GAAP measures used in this presentation are included or described in the tables attached to the appendix. Because GAAP financial measures on a forward-looking basis are not accessible, and reconciling information is not available without unreasonable effort, we have not provided reconciliations for forward-looking non-GAAP measures. For the same reasons we are unable to address the probable significance of the unavailable information, which could be material to future results.



EXECUTIVE SUMMARY

Fiscal Second Quarter 2020

- 1 Demand-shaping a higher-value mix of sales
- 2 Improved Lighting adjusted operating income - sales mix transition (420 bps increase in adjusted gross margin)
- 3 Graphics Segment generated ninth consecutive quarter of y/y sales growth (+12% in F2Q20)
- 4 Adj. net income of \$1.6 million, or \$0.06 per diluted share, in F2Q20 vs. \$0.9 million, or \$0.03 per diluted share, in F2Q19
- 5 Approximately \$8.1 million in cash proceeds from North Canton facility; serve to fund business investment and further reduce debt
- 6 Appointed new sales leader and select other key position hires



CONSOLIDATED PERFORMANCE INDICATORS

Focus On Generating Higher Quality Sales and Earnings

1

Sales performance reflects planned exit from lower margin business

2

Y/Y improvement in Adjusted Operating Income, Adjusted EBITDA and Adjusted EPS

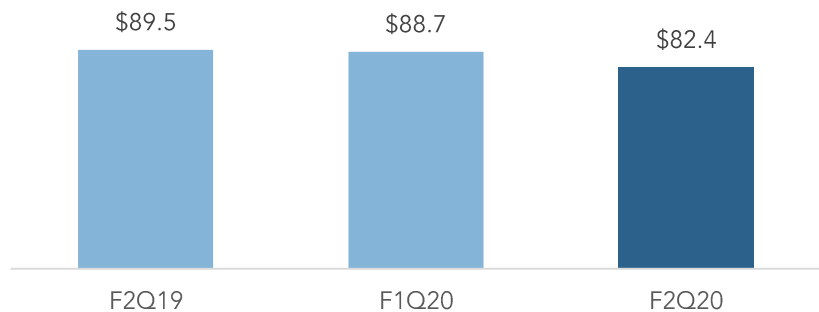
3

Adjusted gross margin improved 150 bps y/y, reflecting a shift in sales mix and restructuring cost savings

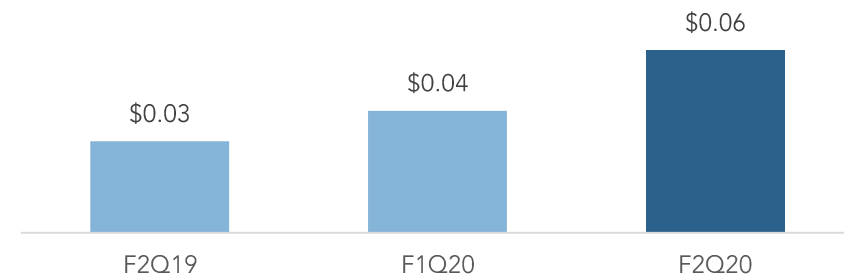
4

Continue to invest in innovation and commercial initiatives

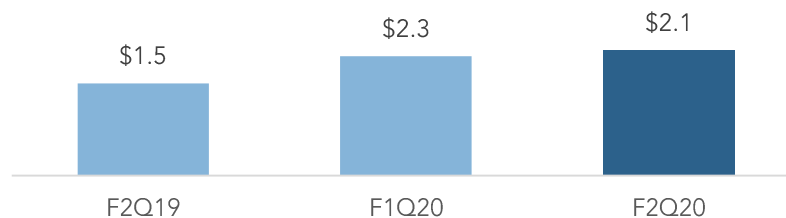
Total Sales (\$MM)



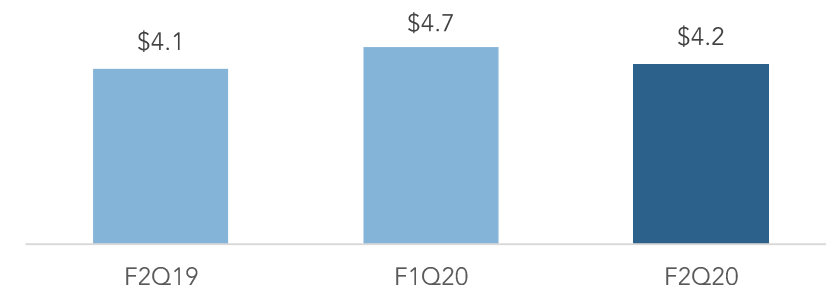
Adjusted Diluted Earnings Per Share (\$MM)



Adjusted Operating Income (\$MM)



Adjusted EBITDA (\$MM)



(1) Excludes severance costs, restructuring costs and goodwill impairment



LIGHTING SEGMENT SUMMARY

Shift In Commercial Policy Evident In Fiscal Q2

1 Sales decline driven by planned exit from a high-volume, low-margin retail account, other commodity priced products

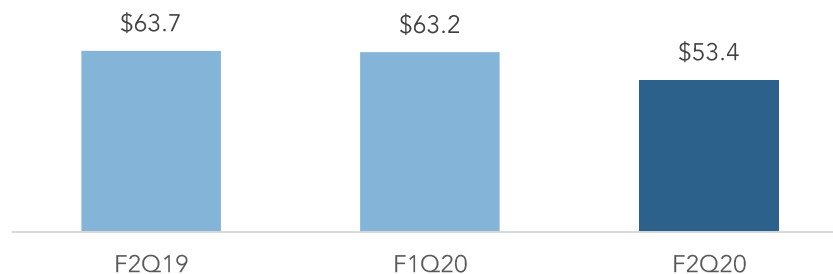
2 Transition impacts short-term sales, initiatives in progress to generate profitable sales growth

3 Recent project order levels are above prior year

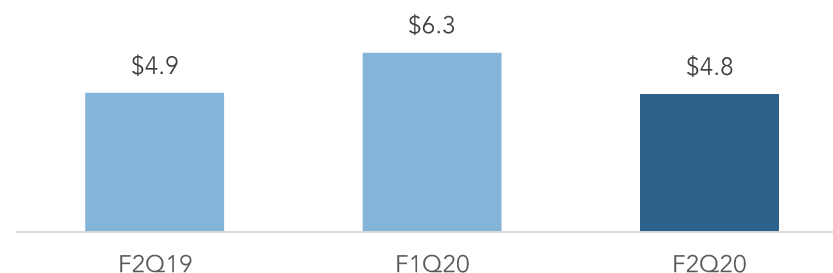
4 420 bps expansion to adjusted gross margin, driven by shift sales mix and cost savings from the closure of New Windsor factory

5 Product roadmaps are beginning to deliver, several key products launched in the quarter

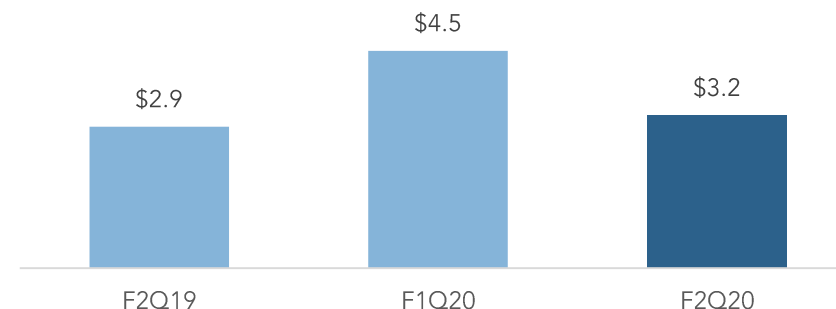
Lighting Segment Sales (\$MM)



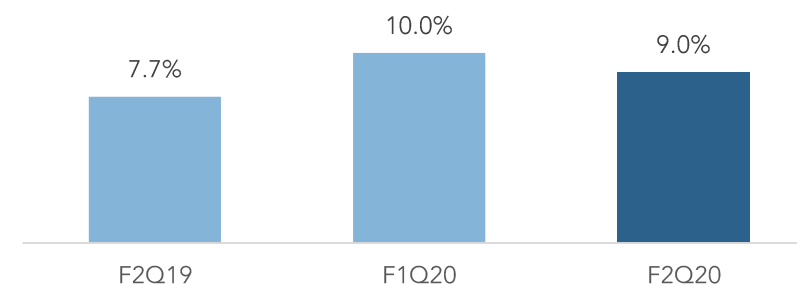
Lighting Segment Adjusted EBITDA (\$MM)



Lighting Segment Adjusted Operating Income (\$MM)



Lighting Segment Adjusted EBITDA Margin (%)



GRAPHICS SEGMENT SUMMARY

Reported 9th Consecutive Quarter of Y/Y Sales Growth

1

Petroleum vertical continues to drive demand; both new projects and new accounts driving growth

2

Awarded four-year contract extension with ChevronTexaco, our third largest petroleum vertical customer

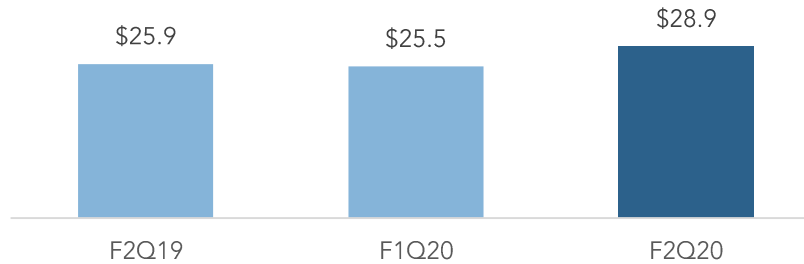
3

Higher sales, together with lower segment costs, contributed to the improvement in operating income

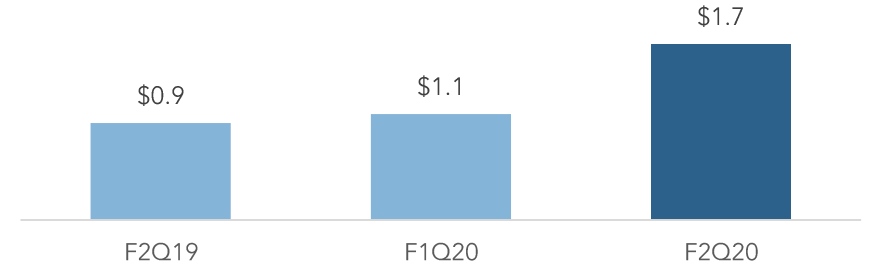
4

North Canton facility sale and near-by relocation benefits include cash proceeds for investment, retention of skilled workforce, improved operational utilization

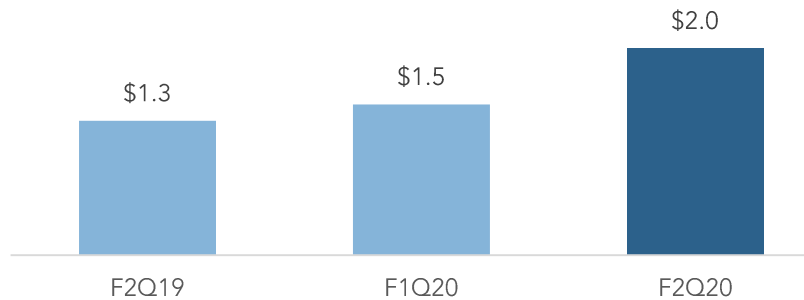
Graphics Segment Sales (\$MM)



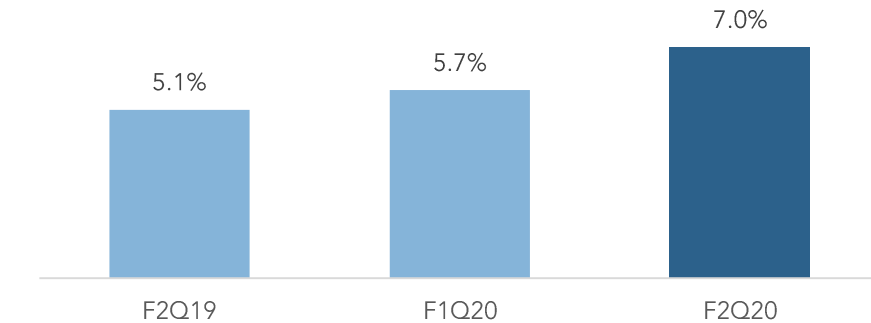
Graphics Segment Adjusted Operating Income (\$MM)



Graphics Segment Adjusted EBITDA (\$MM)



Graphics Segment Adjusted EBITDA Margin (%)



IMPROVED WORKING CAPITAL MANAGEMENT

\$23 million Reduction in Working Capital on a Y/Y Basis

1

Improvements in both dollars and days of working capital, increasing leverage

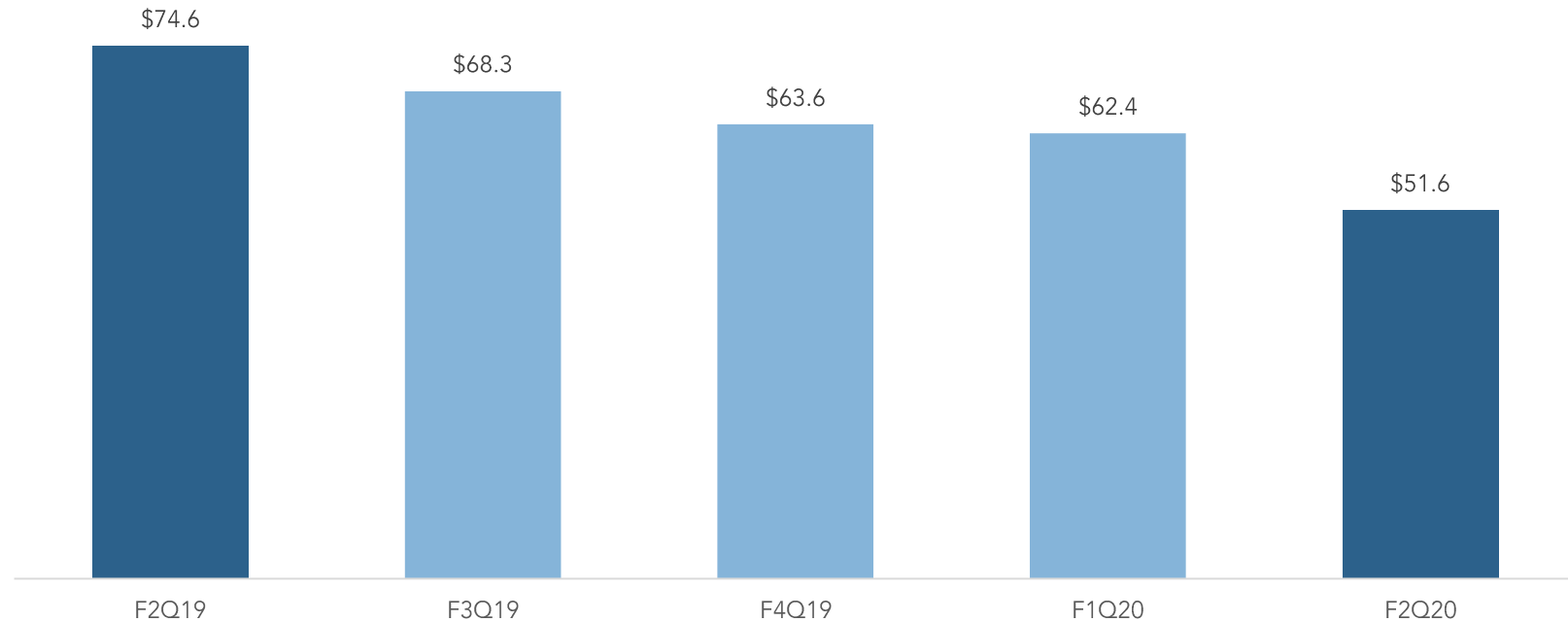
2

Improvement realized in all areas of working capital, notably inventory

3

Monitoring events with potential impacts to working capital; foreign trade policy changes, coronavirus, etc.

Internal Initiatives To Reduce Working Capital Requirements Making Steady Progress (\$MM)



CONTINUED GROWTH IN FREE CASH FLOW

Directing FCF Mainly Toward Reduction In Net Leverage

1

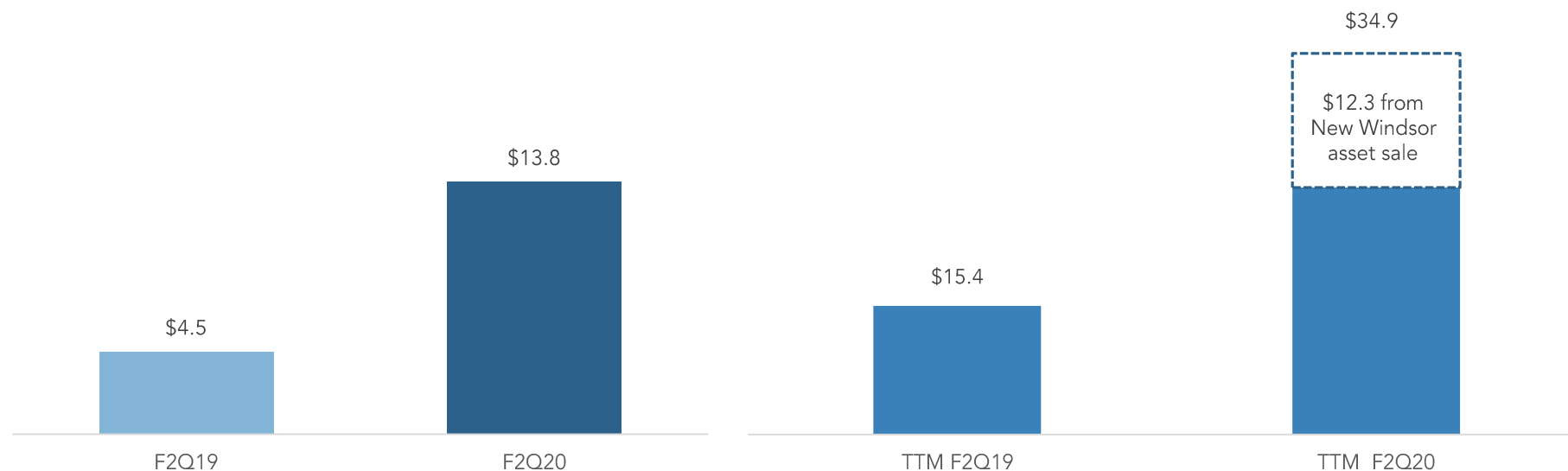
Increase in cash flow used for further debt reduction and business investment

2

Significant availability on existing line of credit

F2Q19 vs. F2Q20 Free Cash Flow (\$MM)⁽¹⁾

TTM F2Q19 vs. TTM F2Q20 Free Cash Flow (\$MM)^(1,2)



(1) Free cash flow defined as cash flow from operations less total capital expenditures

(2) The Company received \$12.3 million in cash proceeds from the sale of the New Windsor facility received during the fiscal first quarter 2020



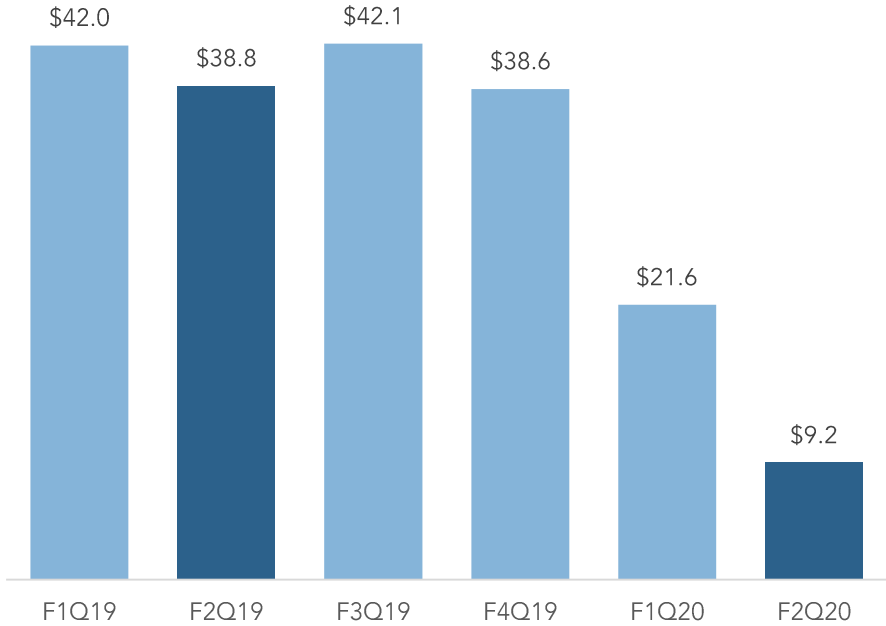
DISCIPLINED BALANCE SHEET MANAGEMENT

Growth In Free Cash Flow Supports Reduction in Net Debt

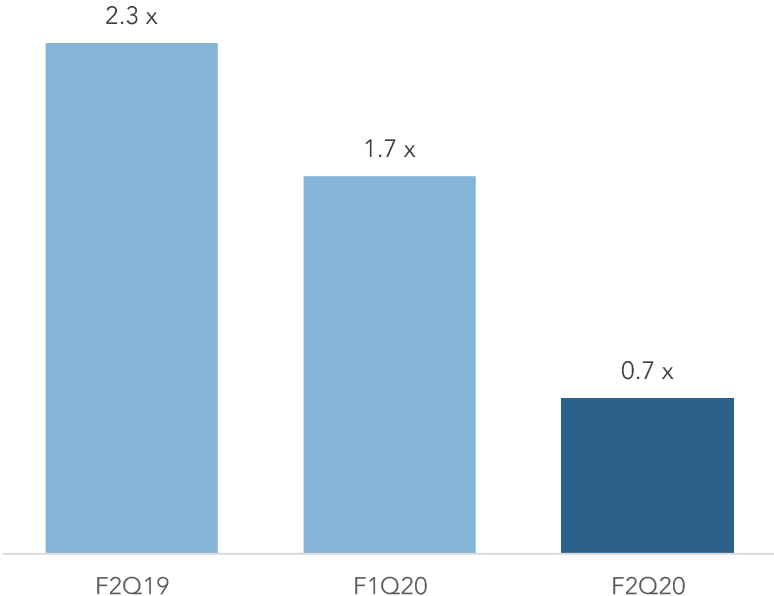
1 Reduced net debt outstanding by nearly \$30 million on a y/y basis

2 Reduced debt provides flexibility for the business as it pursues profitable growth

Net Debt Outstanding (\$MM)



Net Debt / TTM Adjusted EBITDA⁽¹⁾



APPENDIX



Adjusted Diluted Earnings Per Share

Non-GAAP Reconciliation - In Thousands of Dollars, Except For Per Share Data

	<u>Q2 2019</u>		<u>Q1 2020</u>		<u>Q2 2020</u>	
	Diluted EPS		Diluted EPS		Diluted EPS	
Net (Loss) Income	\$(15,782)	\$ (0.61)	\$ 4,475	\$ 0.17	\$ 1,743	\$ 0.07
Restructuring and plant closure costs	817	0.03	(3,449)	(0.13)	223	0.01
Severance costs	385	0.01	--	--	44	--
Goodwill impairment	15,361	0.60	--	--	--	--
Transition and re-alignment costs	94	--	--	--	--	--
Tax impact due to the change in the estimated annual tax rate used for GAAP reporting purposes	0	--	--	--	(435)	(0.02)
Net Income (Loss) Adjusted	\$ 875	\$ 0.03	\$ 1,026	\$ 0.04	\$ 1,575	\$ 0.06

Note: All adjustments are net of tax except for the adjustment of the deferred tax assets, the Tax Impact due to the annual tax rate used for GAAP reporting purposes, and the Tax impact from the anticipated sale of the New Windsor Assets



Segment Adjusted Operating Income and EBITDA

Non-GAAP Reconciliation - Thousands of Dollars

Lighting Segment	Q2 2019	Q1 2020	Q2 2020
Net Sales [a]	63,654	63,191	53,436
Operating Income (loss)	(18,452)	9,159	3,150
Restructuring and plant closure costs	1,033	(4,649)	(2)
Severance costs	183	-	18
Goodwill impairment	20,165	-	-
Adjusted Operating Income	2,929	4,510	3,166
Depreciation and amortization	1,952	1,778	1,661
Adjusted EBITDA [b]	4,881	6,288	4,827
Adjusted EBITDA Margin % [b] / [a]	7.7%	10.0%	9.0%

Graphics Segment	Q2 2019	Q1 2020	Q2 2020
Net Sales [c]	25,887	25,510	28,941
Operating Income (loss)	861	1,017	1,362
Restructuring and plant closure costs	-	54	279
Severance costs	53	-	17
Adjusted Operating Income (loss)	914	1,071	1,658
Depreciation and amortization	397	386	374
Adjusted EBITDA [d]	1,311	1,457	2,032
Adjusted EBITDA Margin % [d] / [c]	5.1%	5.7%	7.0%

Corporate Segment	Q2 2019	Q1 2020	Q2 2020
Operating Loss	(2,680)	(3,337)	(2,752)
Restructuring and plant closure costs	-	7	(1)
Severance costs	256	-	19
Transition and realignment costs	120	-	-
Adjusted Operating Loss	(2,304)	(3,330)	(2,734)
Depreciation and amortization	243	235	117
Adjusted EBITDA	(2,061)	(3,095)	(2,617)

LSI Industries	Q2 2019	Q1 2020	Q2 2020
Operating (Loss) Income	(20,271)	6,839	1,760
Restructuring and plant closure costs	1,033	(4,588)	276
Severance costs	492	-	54
Transition and realignment costs	120	-	-
Goodwill impairment	20,165	-	-
Adjusted Operating Income (loss)	1,539	2,251	2,090
Depreciation and amortization	2,592	2,399	2,152
Adjusted EBITDA	4,131	4,650	4,242



Free Cash Flow

In Thousands of Dollars, Except For Per Share Data

LSI Industries	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Net cash flows (used in) provided by operating activities	7,932	3,611	2,188	5,440	(1,243)	5,106	6,359	14,544
Purchases in property, plant, and equipment	(988)	(1,228)	(648)	(931)	(769)	(270)	(355)	(764)
Proceeds from sale of facility	-	-	-	-	-	-	12,332	-
Free Cash Flow	6,944	2,383	1,540	4,509	(2,012)	4,836	18,336	13,780
TTM Free Cash Flow		8,094	12,857	15,376	6,420	8,873	25,669	34,940



Net Debt Outstanding

In Thousands of Dollars, Except For Per Share Data

LSI Industries	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Debt	48,372	43,812	39,541	23,181	10,437
Less:					
Cash	9,563	1,686	966	1,579	1,248
Net Debt Outstanding	38,809	42,126	38,575	21,602	9,189

