



**DAKTRONICS**

**THIRD QUARTER FISCAL 2018**  
**NASDAQ: DAKT**

# SAFE HARBOR STATEMENT

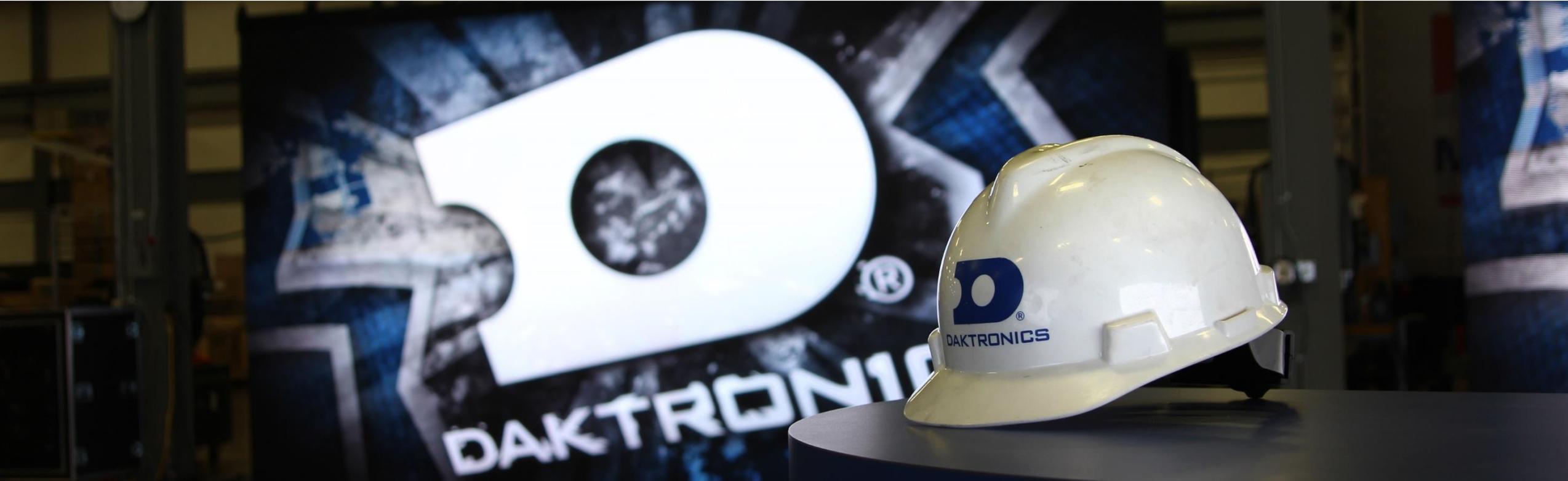
In addition to statements of fact, this presentation contains forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 and is intended to enjoy the protection of that Act.

These forward looking statements reflect the company's expectations or beliefs concerning future events. The company cautions that these and similar statements involve risk and uncertainties which could cause actual results to differ materially from its expectations, including, but not limited to, including changes in economic and market conditions, management of growth, timing and magnitude of future contracts, and other risks noted in the company's SEC filings including its Annual Report on Form 10-K for its 2017 fiscal year.

Forward-looking statements are made in the context of information available as of the date stated. The company undertakes no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur.



# DAKTRONICS VISION



To be the world leader at informing and entertaining audiences through dynamic audio-visual communication systems.



# DAKTRONICS MISSION

Deliver industry leading value to our **customers**, by engaging:

- our **employees** through challenging and rewarding opportunities;
- developing strategic partnerships with our **suppliers**;
- leveraging our strengths in:  
**product innovation, manufacturing, and service**;
- while contributing to the betterment of our **communities**; and
- generating an attractive return for our **investors**.



- ★: Sales Office
- ★: Manufacturing Facility

# OFFICES AROUND THE GLOBE

Products in **120+ Countries**  
throughout the world

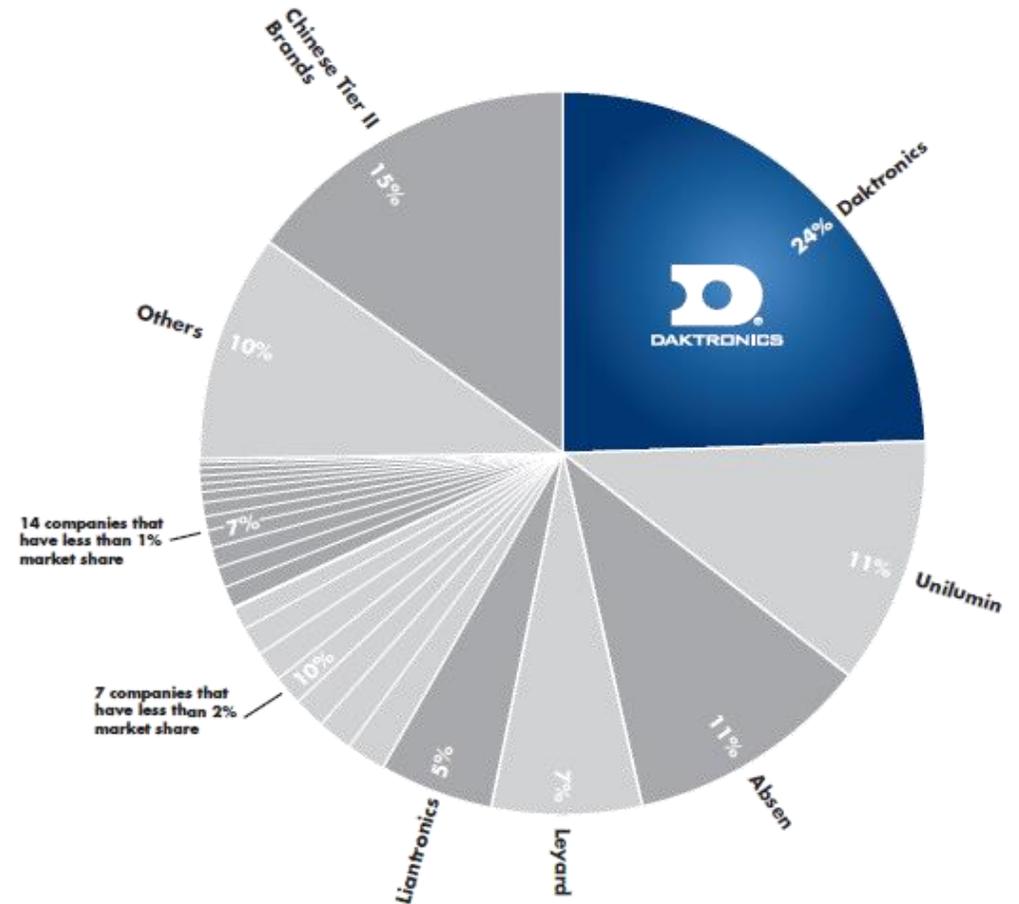


# WORLD LEADER

49+ Year Track Record

- ✓ Customer solutions
- ✓ Engineering & Creative talent
- ✓ Global and local focus of customer support
- ✓ Lean Manufacturing
- ✓ Financially strong

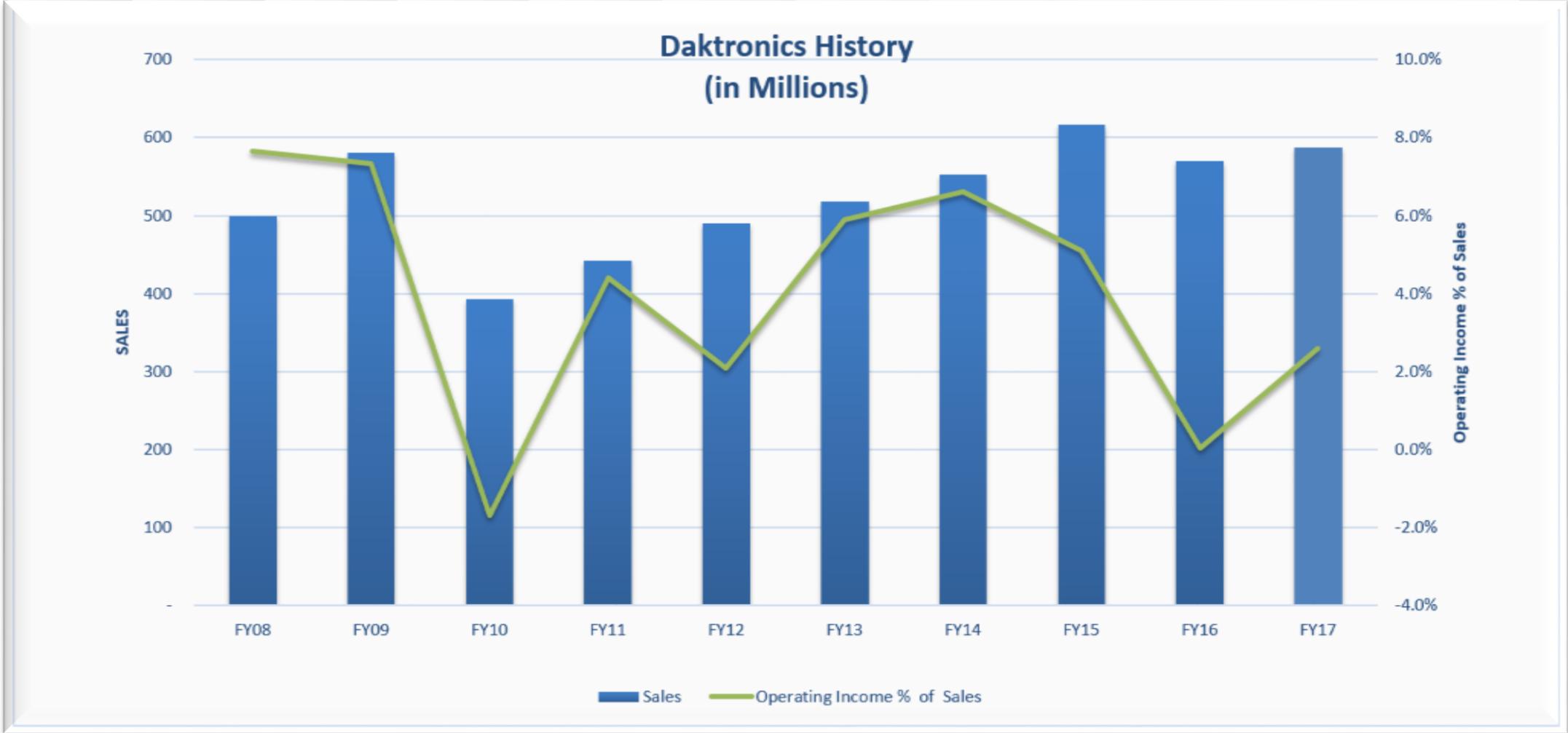
WORLDWIDE MARKET SHARES FOR LED VIDEO DISPLAYS, 2016



Source: IHS iSuppli Corporation - Signage and Professional Displays 2016



# 10 YEAR HISTORY SALES & OPERATING INCOME %



# 10 Year History Free-Cash Flow\*

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Net cash from operations	\$ 59,833	\$ 48,731	\$ 43,784	\$ 41,346	\$ 20,038	\$ 50,749	\$ 36,199	\$ 53,513	\$ 13,581	\$ 39,573
Net capital expenditures	(33,393)	(18,221)	(15,940)	(9,148)	(16,293)	(9,476)	(13,281)	(17,800)	(16,904)	(8,487)
Free cash flow**	\$ 26,440	\$ 30,510	\$ 27,844	\$ 32,198	\$ 3,745	\$ 41,273	\$ 22,918	\$ 35,713	\$ (3,323)	\$ 31,086

\*\*A non-GAAP measure, please refer to our SEC filings for further definition.

\*\$ in thousands



# 10 Year History Return to Shareholders

- ✓ Long-term dividend history (see chart to the right)
- ✓ Share Repurchase program instituted 2017 for opportunistic stock purchases

<b>Fiscal Year</b>	<b>Regular Dividend/ Share</b>	<b>Annualized Dividend Yield</b>	<b>Special Dividend/ Share</b>	<b>Total Dividend Payout (000's)</b>
<b>2009</b>	<b>0.090</b>	<b>1.1%</b>	<b>-</b>	<b>3,635</b>
<b>2010</b>	<b>0.095</b>	<b>1.2%</b>	<b>-</b>	<b>3,874</b>
<b>2011</b>	<b>0.100</b>	<b>2.5%</b>	<b>0.500</b>	<b>24,795</b>
<b>2012<sup>(1)</sup></b>	<b>0.220</b>	<b>1.9%</b>	<b>0.400</b>	<b>25,950</b>
<b>2013</b>	<b>0.230</b>	<b>3.6%</b>	<b>0.500</b>	<b>30,859</b>
<b>2014<sup>(2)</sup></b>	<b>0.390</b>	<b>3.0%</b>	<b>-</b>	<b>16,690</b>
<b>2015</b>	<b>0.400</b>	<b>3.7%</b>	<b>-</b>	<b>17,377</b>
<b>2016</b>	<b>0.400</b>	<b>5.1%</b>	<b>-</b>	<b>17,556</b>
<b>2017</b>	<b>0.270</b>	<b>2.8%</b>	<b>0.040</b>	<b>13,651</b>
<b>2018*</b>	<b>0.210</b>	<b>3.0%</b>	<b>-</b>	<b>9,310</b>

\* - Year to date figures through January 2018

(1) - changed to semi-annual dividend

(2) - changed to quarterly dividend



# More about Daktronics

- ✓ 52/53 Week Fiscal Years ending in April
- ✓ Seasonality to results (Sports/Construction season)
- ✓ Video systems comprise a large portion of business with standard systems and services comprising the remaining
- ✓ Large video systems projects may include general contracting with lower margin %, but add margin \$
- ✓ Customer delivery schedules & sports season impact quarterly results
- ✓ Q3 Includes 2 major holidays

## 10 YEAR HISTORY DILUTED EARNINGS PER SHARE (after adjustment for splits)

Fiscal Year	Q1	Q2	Q3	Q4
2009	+ 0.24	+ 0.29	+ 0.10	+ 0.01
2010	+ 0.03	+ 0.12	- 0.20	- 0.12
2011	+ 0.06	+ 0.17	+ 0.04	+ 0.07
2012	+ 0.08	+ 0.09	+ 0.04	- 0.01
2013	+ 0.16	+ 0.27	+ 0.06	+ 0.04
2014	+ 0.13	+ 0.27	+ 0.07	+ 0.04
2015	+ 0.20	+ 0.18	+ 0.01	+ 0.08
2016	+ 0.09	+ 0.07	- 0.04	- 0.07
2017	+ 0.13	+ 0.20	- 0.12	+ 0.02
2018	+ 0.19	+ 0.16	- 0.14	



# FY2018 THIRD QUARTER TO DATE

	Three Months Ended		Percent Change
	27-Jan 2018	28-Jan 2017	
Orders	\$ 126,153	\$ 143,313	-12.0%
Net sales	\$ 130,316	\$ 115,719	12.6%
Gross profit	28,567	23,316	
Gross margin	21.9%	20.1%	
Operating income	(3,337)	(6,934)	51.9%
Operating margin	-2.6%	-6.0%	
Net income	\$ (6,189)	\$ (5,127) (a)	
% of sales	-4.7%	-4.4%	
Earnings per share (diluted)	\$ (0.14)	\$ (0.12)	

\*(\$ in thousands, except per share data)

(a) – Results impacted by 2017 US tax reform revaluation of deferred tax assets and deemed repatriation.



# FY2018 YTD RESULTS

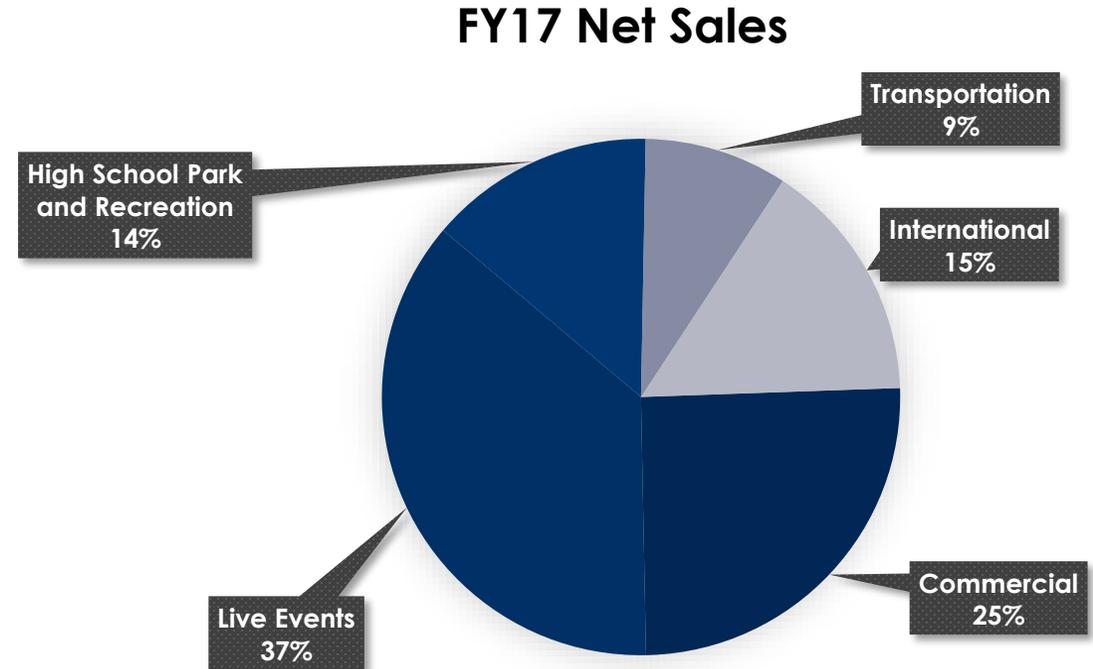
	Nine Months Ended		Percent Change
	27-Jan 2018	28-Jan 2017	
Orders	\$ 421,494	\$ 435,356	-3.2%
Net sales	\$ 472,353	\$ 442,857	6.7%
Gross profit	115,817	106,691	
Gross margin	24.5%	24.1%	
Operating income	17,826	13,714	
Operating margin	3.8%	3.1%	
Net income	\$ 9,372	\$ 9,433	-0.7%
% of sales	2.0%	2.1%	
Earnings per share (diluted)	\$ 0.21	\$ 0.21	

\*( \$ in thousands, except per share data)



# Business Unit Recap

- ✓ Live Events, Commercial, Transportation, and High School Park and Recreation, include net sales in the United States and Canada
- ✓ International net sales include rest of world and are primarily for solutions for large sports venues, spectaculars, third-party advertising, and transportation type solutions



# LIVE EVENTS BUSINESS UNIT



Mercedes-Benz Stadium, GA

# LIVE EVENTS

» Video display solutions for large sports venues and live entertainment facilities

- Professional sports
- College and university
- Arenas



University of Clemson, South Carolina

» Competition

- Mitsubishi, Lighthouse, Panasonic, Prismview and others
- Asian competition through U.S. integrators

# LIVE EVENTS

## Demand Drivers

- » Facility increased spend to:
  - Enhance attendee event experience
  - Revenue source from advertising
  - Competitive nature to outperform other facilities
- » Lower product costs, driving expansion of marketplace
- » High definition product offering (HD)
- » Replacement cycle (systems can last from 8-12 years)



Detroit Lions - Michigan

# HIGH SCHOOL PARK AND RECREATION (HSPR)



Highland High School, Highland, IN



Miami Trace High School, Miami, FL

# HSPR

- » Video and scoring systems and message centers to
  - Elementary and high schools, junior colleges
  - Park and recreation departments
- » Primary funding is through local sponsors and advertisers



Dakota Valley High School, North Sioux City, SD

# HSPR

## » Growth Drivers

- Larger more sophisticated displays in sports venues
- Revenue generation
- Communication medium
- New construction/replacement cycles

## » Competitors

- Translux, Nevco, other smaller company manufacturers



Waco – ISD, Waco, TX

# COMMERCIAL BUSINESS UNIT



LG Electronics - Times Square 1540 Broadway and West 45th Street



# COMMERCIAL

## » Sales channel focus

- Third party advertising/Out of Home Advertising (OOH)
- On-premise advertising (retail)
- Spectacular (custom video)

## » Primary offerings

- Digital billboards
- Message centers
- Video display systems
- Petroleum displays
- Dynamic messaging systems



Miami International Mall, Doral, FL



Food & Fuel, Watonga, OK

# COMMERCIAL

## » Long-term growth drivers

- Market adoption, including National Accounts
- Spectacular use to entertain/advertise in unique locations
- Effective advertising medium (outdoor and indoor networks)
- Replacement cycle (7-10 years)
- Architectural lighting

## » Competitors

- Message Centers – Optec, Watchfire
- Digital Billboards – Watchfire, Formetco, Optotech
- Video Projects – Panasonic, Mitsubishi, Sansai, Prismview, Integrators using Asian Manufacturers



Griffin Outdoor, Tulsa, OK

Walgreens, Albuquerque, NM



# TRANSPORTATION BUSINESS UNIT



Anaheim Transit Center, Anaheim, CA



Sky Harbor International Airport, Phoenix, AZ

# TRANSPORTATION

## » Three niches

- Intelligent transportation systems (ITS)
- Airports
- Mass Transit

## » Competitors

- Skyline, Ledstar, Telegra, SES-America, Imago, others



Vanguard Roadshow Demo Trailer

# TRANSPORTATION

- » Long-term growth drivers
  - Transportation management - increasing traffic demands on constrained infrastructure
  - Governmental funding and investment in infrastructure projects
  - Infographic communication
  - Advertising needs



New York City Transit, NY, NY



New Jersey Turnpike Authority

# INTERNATIONAL BUSINESS UNIT



Piccadilly Lights, London

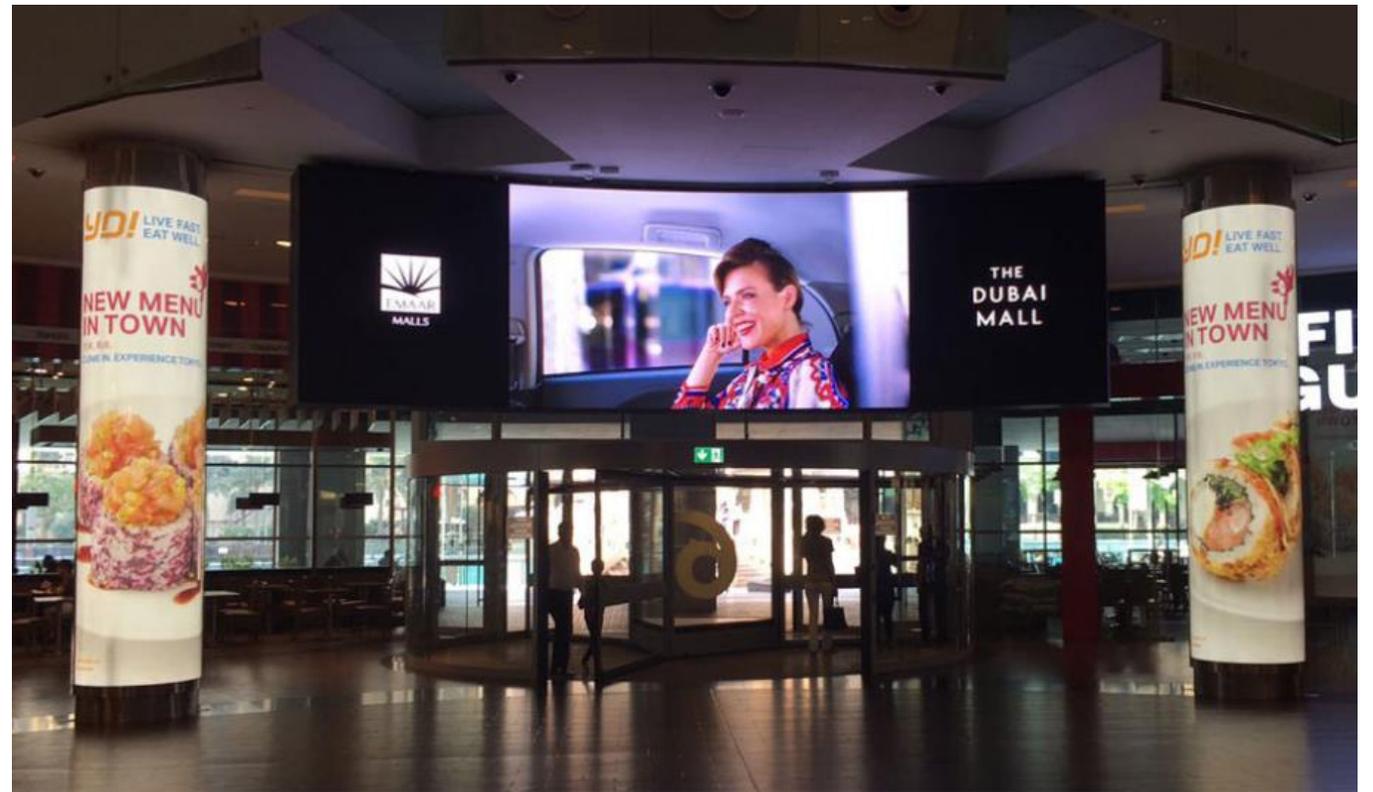
# INTERNATIONAL

## Main products

- » Commercial video systems
- » Sports video systems
- » Digital billboard (OOH)
- » Architectural lighting
- » Transportation systems

## Infrastructure

- » World-wide sales & service offices
- » International Manufacturing facilities:
  - China- architectural lighting and video displays for Asian market
  - Belgium – street furniture for Third Party/Out of Home Advertising
  - Ireland – transportation products



EMAAR Malls - Dubai

# INTERNATIONAL

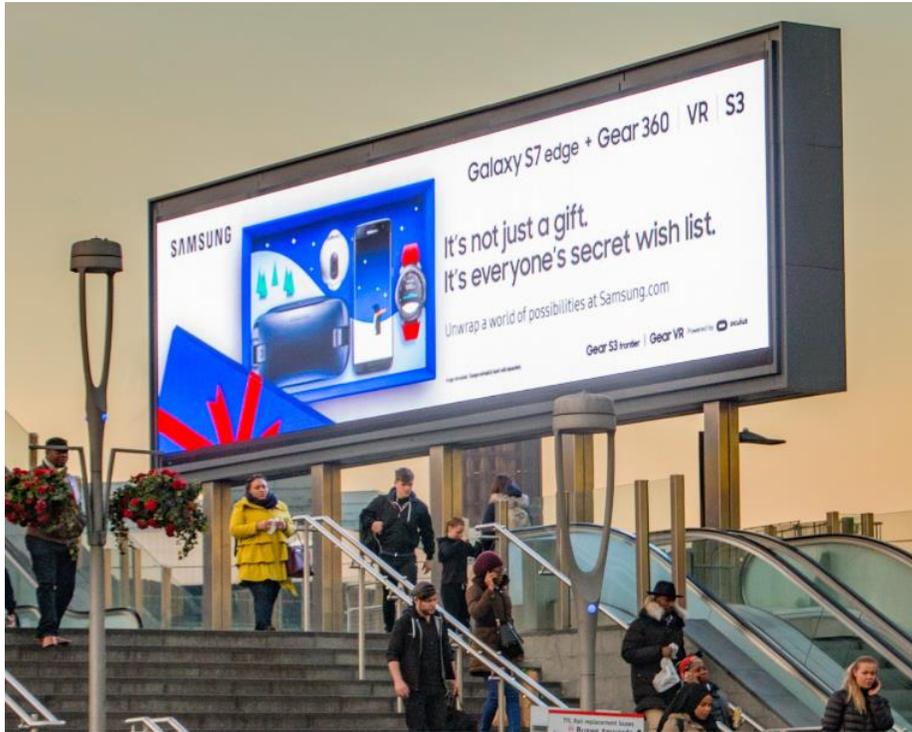
## » Growth opportunities

- 3<sup>rd</sup> party advertising/Out of Home Advertising
- Live Events facilities/sports
- European/Middle East transportation systems
- Increased geographical coverage

## » Competitors: Mitsubishi, Lighthouse, Panasonic, Barco and other country-specific competitors



Salford Arch  
Salford, UK



# LOOKING AHEAD

# ACHIEVING LONG-TERM PROFITABLE GROWTH

## Continued Global Demand

- Out-of Home Advertising
- Venue competition/ HD video for sports
- Increased geographic coverage and penetration
- New product introductions
- Continued market adoption and expansion
- Replacement cycle
- Worldwide economic conditions



# ACHIEVING LONG-TERM PROFITABLE GROWTH

## Robust solutions and operational excellence:

- New product introductions
  - Localized and customer focused products
  - Narrow Pixel Pitch (Ultra-high resolution) solutions
  - Enhanced product and control system platforms
  - Professional services offerings
- 
- Agile Capacity
  - Continuous Process improvements
  - Quality focus and warranty cost reduction

# OUTLOOK TO FISCAL 2018

## Modest revenue growth

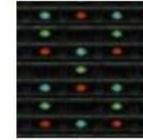
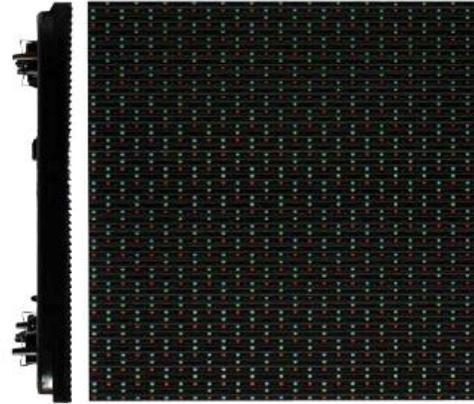
- ✓ **International** opportunity for growth with increased market share in focused areas
- ✓ **Live Events** demand similar to prior years
- ✓ **Commercial** indoor solutions expansion, spectacular demand, replacement cycles, OOH similar demand levels
- ✓ **Transportation** opportunity for growth with funding/mass transit/advertising
- ✓ **HSPR** continued interest in larger video systems



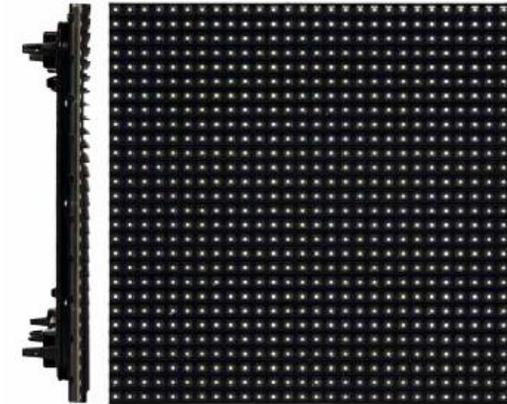
# SOLUTION EXAMPLES



## MODULE COMPARISON THROUGH-HOLE VS. SURFACE-MOUNT LEDs



THROUGH-HOLE LED MODULE



SURFACE-MOUNT LED MODULE



### Total Event Control

An integrated display control studio allows for flexible, intuitive display control and event management.



### Content Compositing

Powerful content compositing tools allow users to create broadcast-quality presentations.



### Live Data Integration

Streaming data integration makes it possible to enhance graphics with live stats and information.

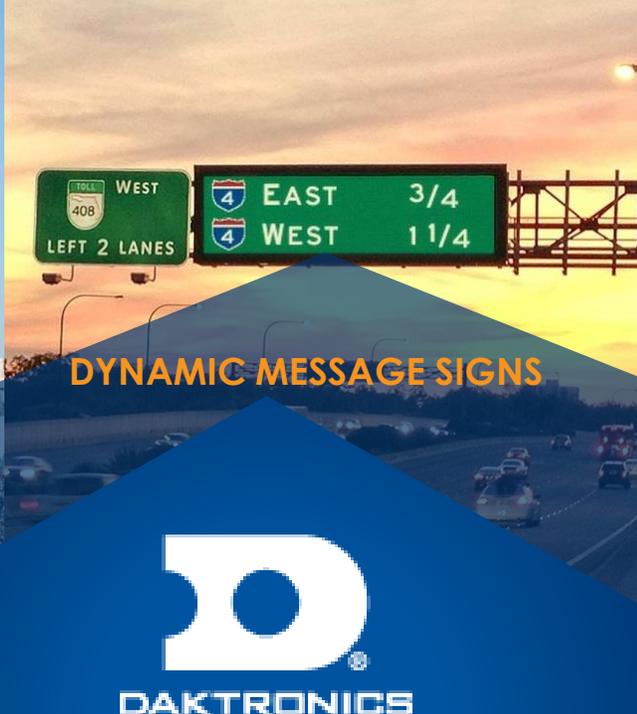


### Media Players & Processors

Built-in media players and video processors allow for seamless delivery of a wide variety of digital media.



BLUE SERIES VIDEO DISPLAYS



DYNAMIC MESSAGE SIGNS



MESSAGE CENTERS



GOLD SERIES VIDEO DISPLAYS



CONTROL SYSTEMS



DIGITAL BILLBOARDS



# TECHNOLOGY



# QUESTIONS

# 10 YEAR HISTORY SUPPLEMENTAL INFORMATION

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Net sales	\$499,677	\$580,681	\$393,185	\$441,676	\$489,526	\$518,322	\$551,970	\$615,942	\$570,168	\$586,539
Gross profit	147,590	155,358	94,556	111,484	113,437	133,894	141,710	144,579	121,019	140,415
Operating expenses	109,347	112,741	101,286	91,957	103,162	103,294	105,153	113,294	118,524	124,994
Operating income	38,243	42,617	(6,730)	19,527	10,275	30,600	36,557	31,285	2,495	15,421
Net income	26,213	26,428	(6,989)	14,244	8,489	22,779	22,206	20,882	2,061	10,342
Gross profit percentage	29.5%	26.8%	24.0%	25.2%	23.2%	25.8%	25.7%	23.5%	21.2%	23.9%
Operating margin percentage	7.7%	7.3%	(1.7%)	4.4%	2.1%	5.9%	6.6%	5.1%	0.4%	2.6%
Weighted average diluted shares outstanding	41,337	41,152	40,908	42,277	42,304	42,621	43,762	44,443	44,456	44,303
Diluted earnings per share	0.63	0.64	(0.17)	0.34	0.20	0.53	0.51	0.47	0.05	0.23
Cash dividend per share	0.07	0.09	0.10	0.60	0.62	0.73	0.39	0.40	0.40	0.31
Working capital	\$62,545	\$107,405	\$118,625	\$128,160	\$119,833	\$125,456	\$140,532	\$149,075	\$123,714	\$127,130
Total assets	294,479	324,876	305,851	327,847	315,967	319,418	357,451	379,479	349,948	355,433
Shareholders' equity	183,253	211,911	207,053	203,102	190,805	188,246	203,119	212,039	201,067	198,286
Backlog	175,000	120,000	127,000	131,000	123,000	141,000	172,000	191,000	181,000	203,000
Product design and development expense	\$20,828	\$21,619	\$21,920	\$18,949	\$23,507	\$23,131	\$23,375	\$24,652	\$26,911	\$29,081
Capital expenditures	33,916	22,888	16,121	9,386	16,524	9,674	13,519	21,837	17,056	8,502
Depreciation and amortization expense	21,121	24,448	22,260	19,641	17,518	15,607	14,501	14,968	16,856	19,392
Cash flow from operations	59,833	48,731	43,784	41,346	20,038	50,749	36,199	53,513	13,581	39,389
Regular dividend per share	0.07	0.09	0.10	0.10	0.22	0.23	0.39	0.40	0.40	0.27
Special dividend per share	-	-	-	0.50	0.40	0.50	-	-	-	0.04
Employees as of year-end:										
Full-time	2,600	2,500	2,100	2,100	2,300	2,210	2,280	2,420	2,470	2,405
Part-time and students	800	1,000	400	500	520	410	390	330	315	304
Stock price during fiscal year:										
High	\$32.37	\$ 21.32	\$ 9.88	\$ 17.30	\$ 11.81	\$ 12.40	\$ 15.80	\$ 14.47	\$ 12.24	\$ 11.00
Low	13.88	5.69	7.00	7.30	7.68	6.39	9.63	10.03	6.90	6.00
Stock price at fiscal year-end	14.79	8.96	8.37	10.72	8.46	9.57	13.06	10.75	8.70	9.46
EBITDA	59,364	67,065	15,530	39,168	27,793	46,207	51,058	46,253	19,351	34,813

