



Daktronics Inc. Announces First Quarter Fiscal 2016 Results

August 25, 2015

BROOKINGS, S.D., Aug. 25, 2015 (GLOBE NEWSWIRE) -- Daktronics Inc. (NASDAQ:DAKT) today reported fiscal 2016 first quarter net sales of \$150.2 million, operating income of \$6.1 million, and net income of \$3.8 million, or \$0.09 per diluted share, compared to net sales of \$166.6 million, operating income of \$13.6 million, and net income of \$8.7 million, or \$0.20 per diluted share, for the first quarter of fiscal 2015. Fiscal 2016 first quarter orders were \$165.1 million, compared to \$160.7 million for the first quarter of fiscal 2015. Backlog at the end of the fiscal 2016 first quarter was \$205.1 million, compared with a backlog of \$165.1 million a year earlier and \$190.5 million at the end of the fourth quarter of fiscal 2015.

Fiscal 2016 is a 52-week year and fiscal 2015 was a 53-week year. The extra week of fiscal 2015 fell within the first quarter, resulting in a 13-week versus a 14-week year to date comparison.

Free cash flow, defined as cash provided from or used in operating activities less capital expenditures, was a negative \$17.2 million for the first three months of fiscal 2016, as compared to a positive free cash flow of \$19.8 million for the same period of fiscal 2015. The driver for the change in free cash flow was an increased use of cash in operations due to the timing of inventory piece part purchases and production of subassemblies for projected future deliveries and cash receipt timing differences in our large project based business. Net investment in property and equipment was \$7.2 million for the first three months of fiscal 2016, as compared to \$4.6 million for the first three months of fiscal 2015. Cash and marketable securities at the end of the first quarter of fiscal 2016 were \$60.8 million, which compares to \$86.6 million at the end of the first quarter of fiscal 2015 and \$83.1 million at the end of fiscal 2015.

Order bookings for the quarter were strong. The International business unit booked a number of large projects relating to the sports niche for stadiums and arenas, a multi-million dollar architectural lighting project, and Out-of-Home segment orders. Transportation business unit orders increased due to market demand for intelligent transportation systems from a number of transportation departments and success in winning mass transit rail projects. Notable orders in the Live Events business unit included the Minnesota Vikings new stadium project and a number of projects for professional and minor league sports, college and university sports stadiums. Orders in our Commercial business unit were down primarily in the Spectacular niche due to general timing volatility in this large project business. High School Park and Recreation business unit orders were relatively flat after adjusting out fiscal 2015 orders relating to the theatre rigging manufacturing division, which was sold during fiscal 2015.

The sales level for the quarter lagged compared to the first quarter of fiscal 2015 due to one less week in the quarter and due to project timing differences in mix of business in our Live Events business unit. Fiscal 2015 Live Events sales were primarily in outdoor stadiums as compared to this year where there were fewer deliveries for outdoor opportunities in the marketplace. In fiscal 2016, the mix of business has turned to indoor arena applications and we expect to deliver a record number of indoor projects over the coming quarters. In addition, project timing in Live Events backlog includes approximately \$28 million of business which we expect to realize outside of fiscal 2016 because of the timing of new stadium builds.

Gross profit percentage for the quarter was down compared to the first quarter of fiscal 2015 due to the differences in the mix of business, higher warranty charges for particular projects, increased production labor costs, and the non-recurring fiscal 2015 first quarter gain on the rigging business sale. Operating expenses decreased slightly primarily because the quarter was one week less than in fiscal 2015, offset by increased personnel costs.

Reece Kurtenbach, chairman, president and chief executive officer stated, "While we had lighter than historical sales impacting operating profits for the quarter, our strong backlog and continued order success provides us confidence of strong future financial performance. During the first quarter, we continued to develop new and enhanced solutions for the market. For example, we released an ultra-high resolution product this quarter. We also invested in additional manufacturing capabilities to serve customer demand for indoor video solutions."

Outlook

Reece Kurtenbach added, "Market conditions remain dynamic and competitive as highlighted by a number of mergers and acquisitions occurring over the past six months. While the impact to the marketplace is uncertain, we remain optimistic about future global sales opportunities and expansion in our business. Digital technology opportunities continue to expand. Our focus continues to be on winning orders to grow sales, while at the same time increasing profitability by reducing costs. We continue to drive our key initiatives forward to improve our processes, our products, and our systems."

Webcast Information

The company will host a conference call and webcast to discuss its financial results today at 10:00 a.m. (Central Time). This call will be broadcast live at <http://investor.daktronics.com> and available for replay shortly after the event.

About Daktronics

Daktronics has strong leadership positions in, and is the world's largest supplier of, large screen video displays, electronic scoreboards, LED text and graphics displays, and related control systems. The company excels in the control of display systems, including those that require integration of multiple complex displays showing real-time information, graphics, animation, and video. Daktronics designs, manufactures, markets and services display systems for customers around the world in four domestic business units: Live Events, Commercial, High School Park and Recreation and Transportation, and one International business unit. For more information, visit the company's website at: www.daktronics.com, email the company at investor@daktronics.com, call (605) 692-0200 or toll-free (800) 843-5843 in the United States, or write to the company at 201 Daktronics Dr., P.O. Box 5128, Brookings, S.D. 57006-5128.

Safe Harbor Statement

Cautionary Notice: In addition to statements of historical fact, this news release contains forward-looking statements 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 our expectations, including, but not limited to, changes in economic and market conditions, management of growth, timing and magnitude of future contracts, fluctuations in margins, the introduction of new products and technology, the impact of adverse weather conditions, and other risks noted in the company's SEC filings, including its Annual Report on Form 10-K for its 2015 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 Inc. and Subsidiaries

Consolidated Statements of Operations

(in thousands, except per share amounts)

(unaudited)

| | Three Months Ended | |
|--------------------------------------|----------------------------|-----------------|
| | August 1, August 2, | |
| | 2015 | 2014 |
| Net sales | \$ 150,221 | \$ 166,618 |
| Cost of goods sold | 114,720 | 123,215 |
| Gross profit | 35,501 | 43,403 |
| Operating expenses: | | |
| Selling expense | 14,264 | 15,046 |
| General and administrative | 8,170 | 7,937 |
| Product design and development | 6,968 | 6,803 |
| | 29,402 | 29,786 |
| Operating income | 6,099 | 13,617 |
| Nonoperating income (expense): | | |
| Interest income | 298 | 300 |
| Interest expense | (62) | (68) |
| Other income (expense), net | (443) | (172) |
| Income before income taxes | 5,892 | 13,677 |
| Income tax expense | 2,116 | 4,932 |
| Net income | \$ 3,776 | \$ 8,745 |
| Weighted average shares outstanding: | | |
| Basic | 43,797 | 43,261 |
| Diluted | 44,073 | 43,641 |
| Earnings per share: | | |
| Basic | \$ 0.09 | \$ 0.20 |
| Diluted | \$ 0.09 | \$ 0.20 |
| Cash dividend declared per share | \$ 0.10 | \$ 0.10 |

Daktronics Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands)

**August 1, May 2,
2015 2015
(unaudited)**

ASSETS

CURRENT ASSETS:

| | | |
|--|-----------|-----------|
| Cash, cash equivalents and restricted cash | \$ 35,468 | \$ 57,780 |
| Marketable securities | 25,329 | 25,346 |
| Accounts receivable, net | 82,754 | 80,857 |
| Inventories, net | 72,011 | 64,389 |
| Costs and estimated earnings in excess of billings | 37,816 | 35,068 |
| Current maturities of long-term receivables | 3,490 | 3,784 |
| Prepaid expenses and other assets | 6,451 | 6,663 |
| Deferred income taxes | 10,636 | 10,640 |
| Income tax receivables | 6,623 | 5,543 |
| Total current assets | 280,578 | 290,070 |

| | | |
|--|--------|--------|
| Long-term receivables, less current maturities | 6,153 | 6,090 |
| Goodwill | 5,385 | 5,269 |
| Intangibles, net | 1,756 | 1,824 |
| Investment in affiliates and other assets | 2,637 | 2,680 |
| Deferred income taxes | 722 | 702 |
| | 16,653 | 16,565 |

PROPERTY AND EQUIPMENT:

| | | |
|--------------------------------|------------|------------|
| Land | 2,139 | 2,147 |
| Buildings | 64,644 | 64,186 |
| Machinery and equipment | 84,663 | 80,664 |
| Office furniture and equipment | 15,845 | 15,823 |
| Computer software and hardware | 52,780 | 51,083 |
| Equipment held for rental | 803 | 803 |
| Demonstration equipment | 7,521 | 7,299 |
| Transportation equipment | 6,124 | 6,012 |
| | 234,519 | 228,017 |
| Less accumulated depreciation | 158,575 | 155,173 |
| | 75,944 | 72,844 |
| TOTAL ASSETS | \$ 373,175 | \$ 379,479 |

Daktronics Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

(in thousands)

**August 1, May 2,
2015 2015
(unaudited)**

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

| | | |
|------------------|--------|--------|
| Accounts payable | 48,640 | 52,747 |
| Accrued expenses | 27,985 | 26,063 |

| | | |
|--|---------|---------|
| Warranty obligations | 12,297 | 11,838 |
| Billings in excess of costs and estimated earnings | 17,186 | 23,797 |
| Customer deposits (billed or collected) | 18,734 | 16,828 |
| Deferred revenue (billed or collected) | 9,675 | 9,524 |
| Current portion of other long-term obligations | 508 | 587 |
| Income taxes payable | 389 | 636 |
| Total current liabilities | 135,414 | 142,020 |

| | | |
|--|---------|---------|
| Long-term warranty obligations | 15,177 | 14,643 |
| Long-term deferred revenue (billed or collected) | 3,711 | 3,914 |
| Other long-term obligations, less current maturities | 2,807 | 3,190 |
| Long-term income tax payable | 2,912 | 2,734 |
| Deferred income taxes | 933 | 939 |
| Total long-term liabilities | 25,540 | 25,420 |
| TOTAL LIABILITIES | 160,954 | 167,440 |

SHAREHOLDERS' EQUITY:

| | | |
|--|------------|------------|
| Common stock | 49,523 | 48,960 |
| Additional paid-in capital | 33,455 | 32,693 |
| Retained earnings | 132,171 | 132,771 |
| Treasury stock, at cost | (9) | (9) |
| Accumulated other comprehensive loss | (2,919) | (2,376) |
| TOTAL SHAREHOLDERS' EQUITY | 212,221 | 212,039 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 373,175 | \$ 379,479 |

Daktronics Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

| | Three Months Ended | |
|---|----------------------------|---------------|
| | August 1, August 2, | |
| | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 3,776 | \$ 8,745 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 4,020 | 3,625 |
| Amortization | 35 | 91 |
| Amortization of premium/discount on marketable securities | 33 | 49 |
| Gain on sale of property, equipment and other assets | (62) | (1,132) |
| Share-based compensation | 751 | 767 |
| Excess tax benefits from share-based compensation | (11) | (11) |
| Provision for doubtful accounts | 160 | 94 |
| Deferred income taxes, net | (21) | 207 |
| Change in operating assets and liabilities | (18,763) | 12,026 |
| Net cash (used in) provided by operating activities | (10,082) | 24,461 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |

| | | |
|--|----------------|----------------|
| Purchases of property and equipment | (7,232) | (8,146) |
| Proceeds from sale of property, equipment and other assets | 66 | 3,509 |
| Purchases of marketable securities | (9,506) | (1,522) |
| Proceeds from sales or maturities of marketable securities | 9,497 | 1,389 |
| Acquisitions, net of cash acquired | (614) | (570) |
| Net cash used in investing activities | (7,789) | (5,340) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|---|----------------|----------------|
| Payments on notes payable | (9) | — |
| Proceeds from exercise of stock options | 562 | 187 |
| Excess tax benefits from share-based compensation | 11 | 11 |
| Principal payments on long-term obligations | (8) | (21) |
| Dividends paid | (4,375) | (4,323) |
| Net cash used in financing activities | (3,819) | (4,146) |

| | | |
|--|----------|--------|
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | (325) | 29 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (22,015) | 15,004 |

CASH AND CASH EQUIVALENTS:

| | | |
|---------------------|-----------|-----------|
| Beginning of period | 57,284 | 45,054 |
| End of period | \$ 35,269 | \$ 60,058 |

Daktronics Inc. and Subsidiaries

Net Sales and Orders by Business Unit

(in thousands)

(unaudited)

| | Three Months Ended | | | |
|---------------------------------|--------------------|----------------|---------------|----------------|
| | August 1, 2015 | August 2, 2014 | Dollar Change | Percent Change |
| Net Sales: | | | | |
| Commercial | \$ 43,210 | \$ 39,782 | \$ 3,428 | 8.6% |
| Live Events | 47,922 | 75,674 | \$ (27,752) | (36.7)% |
| High School Park and Recreation | 18,959 | 20,111 | \$ (1,152) | (5.7)% |
| Transportation | 13,767 | 13,313 | \$ 454 | 3.4% |
| International | 26,363 | 17,738 | \$ 8,625 | 48.6% |
| | \$ 150,221 | \$ 166,618 | \$ (16,397) | (9.8)% |
| Orders: | | | | |
| Commercial | \$ 34,957 | \$ 41,773 | \$ (6,816) | (16.3)% |
| Live Events | 60,740 | 57,205 | \$ 3,535 | 6.2% |
| High School Park and Recreation | 27,874 | 29,694 | \$ (1,820) | (6.1)% |
| Transportation | 13,637 | 11,302 | \$ 2,335 | 20.7% |
| International | 27,864 | 20,705 | \$ 7,159 | 34.6% |
| | \$ 165,072 | \$ 160,679 | \$ 4,393 | 2.7% |

Reconciliation of Free Cash Flow

(in thousands)

(unaudited)

Three Months Ended

August 1, August 2,

2015 2014

| | | |
|---|-------------|-----------|
| Net cash (used in) provided by operating activities | \$ (10,082) | \$ 24,461 |
| Purchases of property and equipment | (7,232) | (8,146) |
| Proceeds from sales of property and equipment | 66 | 3,509 |
| Free cash flow | \$ (17,248) | \$ 19,824 |

In evaluating its business, Daktronics considers and uses free cash flow as a key measure of its operating performance. The term free cash flow is not defined under U.S. generally accepted accounting principles ("GAAP") and is not a measure of operating income, cash flows from operating activities or other GAAP figures and should not be considered alternatives to those computations. Free cash flow is intended to provide information that may be useful for investors when assessing period to period results.

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