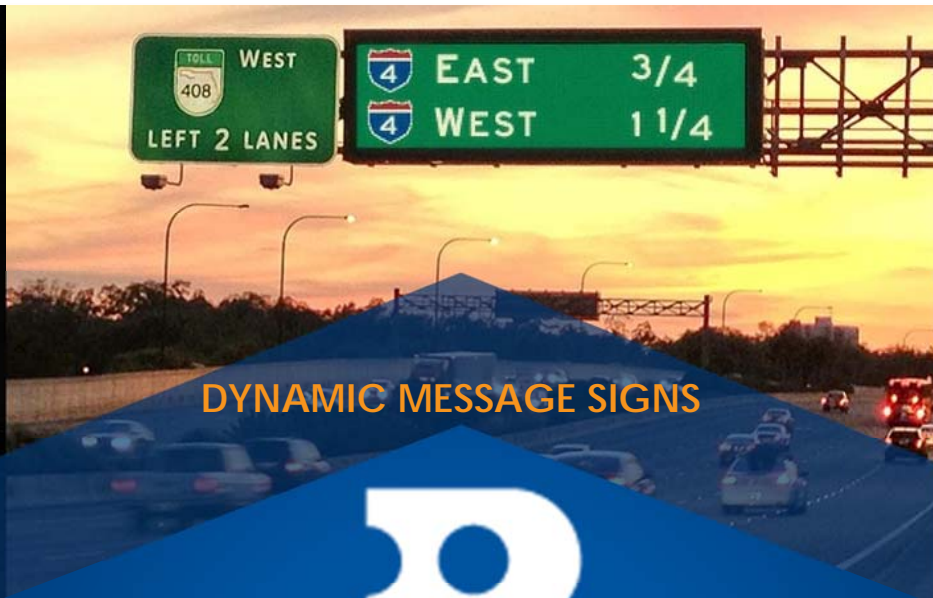




OUTDOOR SPECTACULARS



DYNAMIC MESSAGE SIGNS



MESSAGE CENTERS



INDOOR HIGH RESOLUTION



CONTROL SYSTEMS



DIGITAL BILLBOARDS

Fiscal Third Quarter 2024 Results Call

February 28, 2024
NASDAQ: DAKT



SAFE HARBOR STATEMENT

In addition to statements of historical fact, this presentation 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 and orders, fluctuations in margins, the introduction of new products and technology, the impact of adverse weather conditions, increased regulation, and other risks described in the company's SEC filings, including its Annual Report on Form 10-K for its 2023 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.



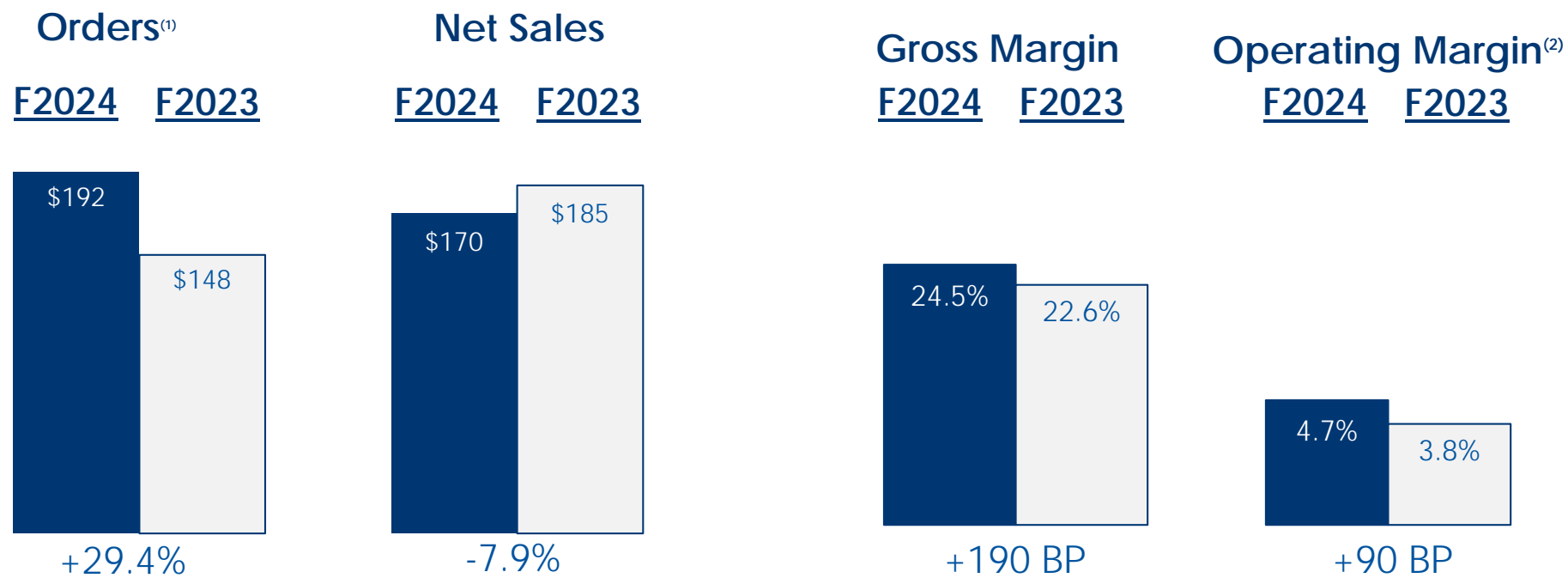
FISCAL THIRD QUARTER 2024 HIGHLIGHTS



- ❑ **Drove profitability and generated operating cash flow in an historically loss quarter**
 - Execution drove positive operating income, delivering profitability in a seasonally low-volume period despite lower volume compared to last year's surge of backorder fulfillment
 - Manufacturing, operating, sourcing and pricing improvements put in place over the past two years drove efficiencies and raised the baseline profitability of the business
- ❑ **Orders +6.6% YTD, +29.4% in FQ3**
- ❑ **Backlog -23% – continue to work down elevated levels from past periods**
- ❑ **Supply chain is holding up**
- ❑ **Positioned for sequential margin improvement in FQ4**

FQ3 FY2024 FINANCIAL HIGHLIGHTS

(\$ in millions, except per share data)



(\$ in thousands, except per share data)

	FQ3 2024	FQ3 2023	Change
Cash, net of debt	\$ 27,227	\$ (12,908)	-310.9%
Working capital	\$ 205,269	\$ 129,435	58.6%
Operating cashflow	\$ 9,478	\$ 12,451	-23.9%

Note: Percentages are calculated based on actual amounts. Due to rounding, totals may not equal the sum of the items in the chart above.

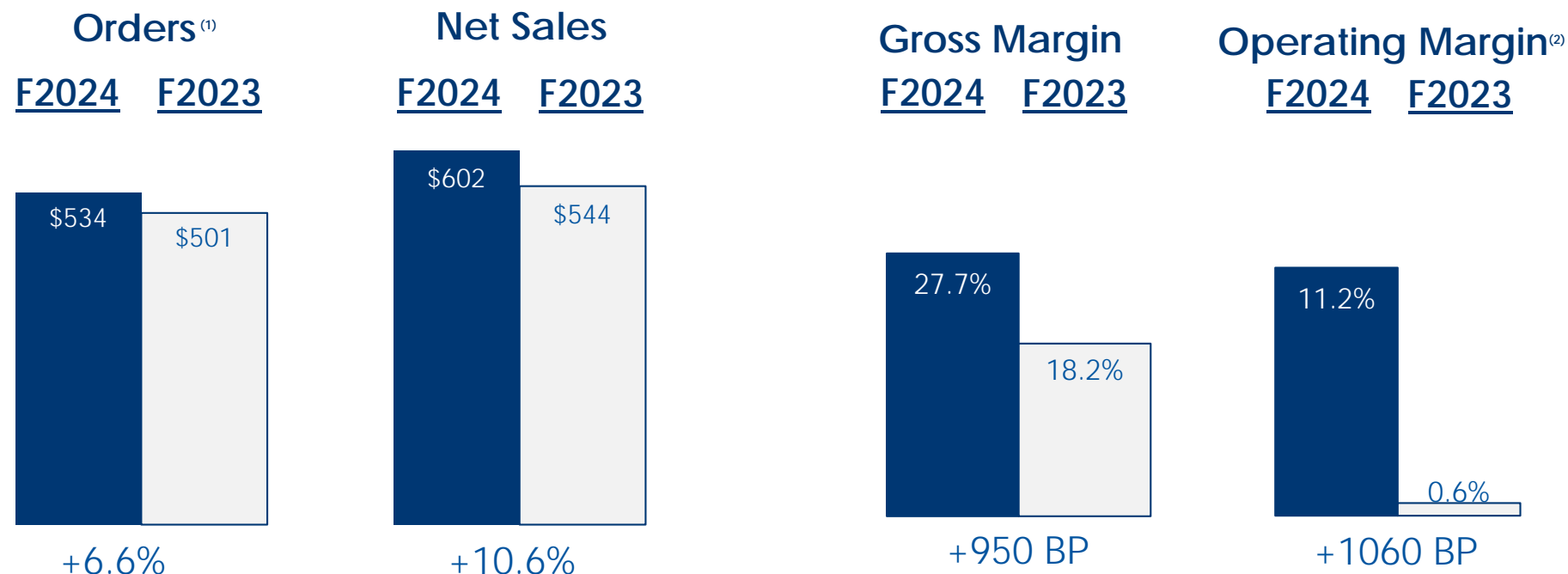
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(2) In evaluating its business, Daktronics considers and uses adjusted operating income as a key measure of its operating performance. The term adjusted operating income is not defined under GAAP and is not a measure of operating income, cash flows from operating activities, or other GAAP figures and should not be considered alternatives to those computations. We define non-GAAP adjusted operating income as operating income plus asset impairments. Management believes non-GAAP adjusted operating income is a useful indicator of our financial performance and our ability to generate cash flows from operations. Our definition of non-GAAP adjusted operating income may not be comparable to similarly titled definitions used by other companies. The table above reconciles non-GAAP adjusted operating income to comparable GAAP financial measures. Adjusted operating margin was 6.3% for FQ3 F2023.



YTD FY2024 FINANCIAL HIGHLIGHTS

(\$ in millions, except per share data)



(\$ in thousands, except per share data)

	YTD 2024	YTD 2023	Change
Cash, net of debt	\$ 27,227	\$ (12,378)	-320.0%
Working capital	\$ 205,269	\$ 129,435	58.6%
Operating cashflow	\$ 53,789	\$ (9,487)	767.0%

Note: Percentages are calculated based on actual amounts. Due to rounding, totals may not equal the sum of the items in the chart above.

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MARKET VERTICAL UPDATE



Live Events

- Detroit Tigers/Comerica Park
- FQ3/YTD Orders +56% / +17%
- Updating to entertain fans, attract athletes



Commercial

- Spectacular and OOH rebounded in FQ3
- FQ3/YTD Orders +20% / -15%
- Economic driven segment



Transportation

- Projects for ITS– Arkansas/Tennessee
- FQ3/YTD Orders +40% / +30%



International

- Stadium and Transportation
- FQ3/YTD Orders -53% / -4%
- Economic impacts in OOH space



High School Park and Recreation

- Video transition – to entertain, educate, and advertise
- FQ3/YTD Orders +26% / +6%



Control Capabilities

- Multi-Year Platform strategy advancement

Strategic Focus – Market Penetration and Development

Capturing growth in SAM:

- Expand share of customer spend
- Add new customers
- Add control system, sports data, and content development MRR where applicable



Develop growth opportunities:

- NPP – applicable in all segments
- International – drive Live Events, Commercial, Transportation applications
- Develop military market



Increase nimbleness, flexibility in capacity allocation and utilization:

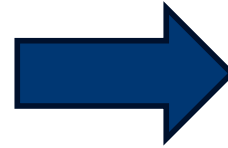
- Qualify plants for selected products
- Assign capacity wisely, adjust capabilities to manage order flow
- Continue to refine as technologies evolve and are replaced



Frequently and Recently Asked Questions

Questions

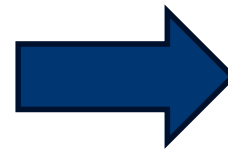
- Why we don't give guidance today –
- Large-project-driven, lumpy business
 - Highly seasonal
 - What we can say today
 - Expect to drive net sales growth – first stop is \$1B
 - Expect to approach margin sustainability at upper end of mid-single digit range over next 3-5 years



What we are doing

- Investing in manufacturing processes and systems to increase control, ability to be responsive to changing conditions as complexity rises on a global basis and raise visibility
- Look at the business from an annual perspective
- Will reevaluate reinitiating guidance over time

- What is our capital allocation strategy –
- We invest in growing the business:
 - Average ~5% / sales on R&D
 - Average ~3% / sales on capex



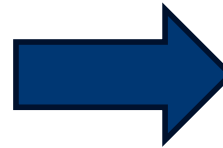
- Opportunistic acquisitions
 - New technologies
 - Adjacent geographies
 - End markets
- As sustainability in cash flow generation is built over time, opportunities to consider:
 1. Repayment of debt
 2. Resumption of quarterly dividend and/or a share repurchase program

Frequently and Recently Asked Questions

Questions

What is managements compensation structure?

- Management's incentive compensation is aligned to long-term profitable growth
- The formulas are based on operating margin targets of 10%



What we are doing

- Focused on strategies described previously – capturing profitable SAM which drives operating profits, developing best in class solutions, and managing expenses.
- We focus on maximizing utilization and the agility of our manufacturing capacity as demand can be seasonal and hard to predict

FQ4 2024 Qualitative Outlook

- Seasonality is expected to be similar to pre-pandemic patterns.
- Net sales expected to increase sequentially from Q3 and decrease from the year-ago Q4 high backorder period
- Gross margin is expected to be similar in comparison from the unique 2023 fourth quarter and operating margin and cash flows are expected to be down as compared to this same period.



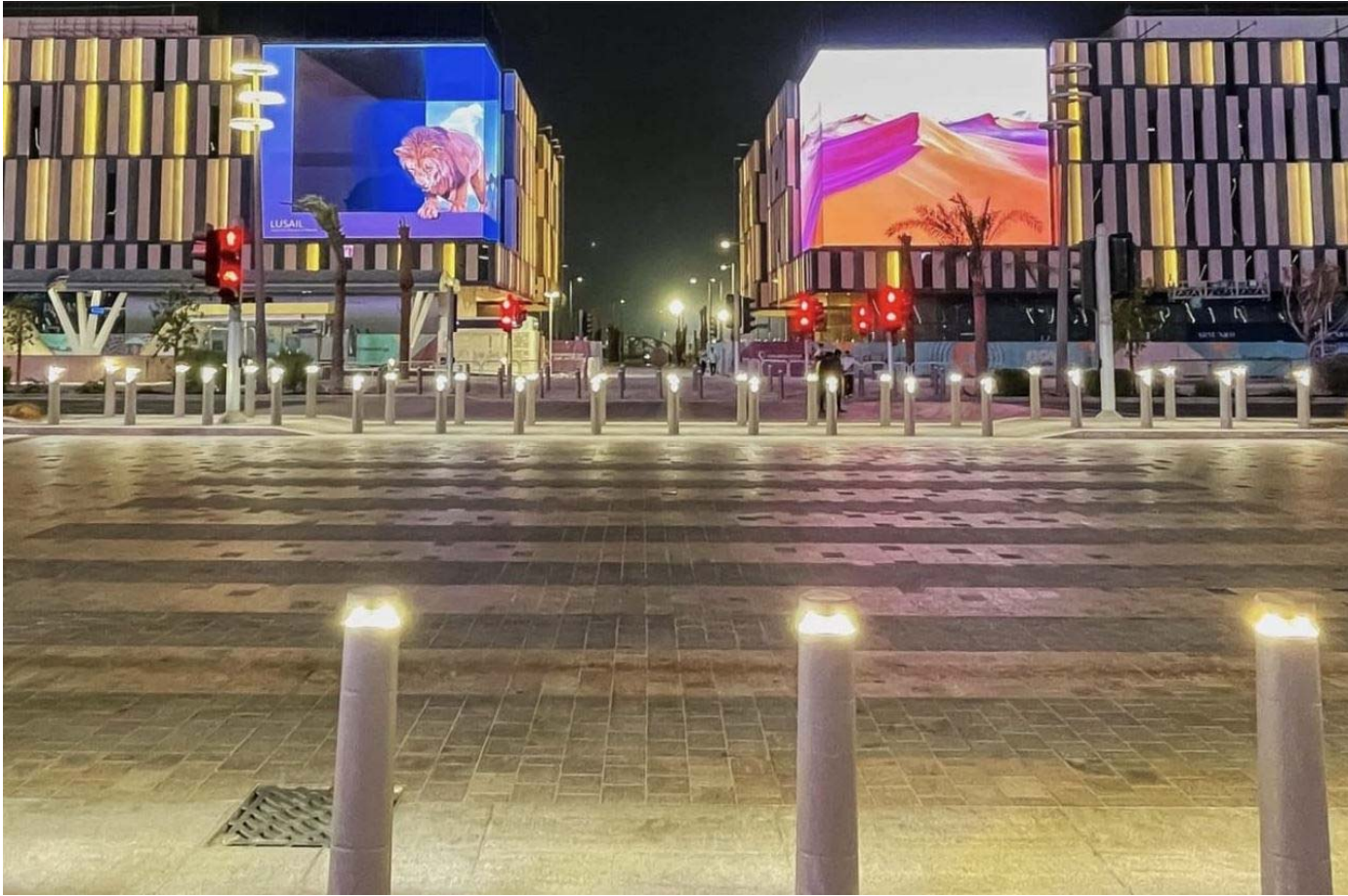
Riyadh, Saudi Arabia

Summary

- Year-to-date results serve as evidence that we have overcome the past years' operational challenges
- Global industry leader in best-in-class video communication displays and control systems
- Only US manufacturer of scale with a global footprint and servicing by geographic market
- Technology leadership, high-quality solutions, high-touch service
- Capturing growth in existing SAM, developing growth in additional areas
- Poised for sustainable/durable revenue, earnings, and cash flow



Denver Broncos



Lusail Boulevard – Saudi Arabia

APPENDIX

NET SALES AND ORDERS BY BUSINESS UNIT

(\$ in thousands)

<i>(in thousands)</i>	Three Months Ended				Nine Months Ended			
	January 27, 2024	January 28, 2023	Dollar Change	Percent Change	January 27, 2024	January 28, 2023	Dollar Change	Percent Change
Net Sales:								
Commercial	\$ 33,292	\$ 49,967	\$ (16,675)	(33.4)%	\$ 122,628	\$ 127,132	\$ (4,504)	(3.5)%
Live Events	73,393	67,748	5,645	8.3	233,602	193,370	40,232	20.8
High School Park and Recreation	28,764	28,312	452	1.6	133,940	106,127	27,813	26.2
Transportation	19,605	17,578	2,027	11.5	61,217	53,797	7,420	13.8
International	15,249	21,370	(6,121)	(28.6)	50,816	63,908	(13,092)	(20.5)
	<u>\$ 170,303</u>	<u>\$ 184,975</u>	<u>\$ (14,672)</u>	<u>(7.9)%</u>	<u>\$ 602,203</u>	<u>\$ 544,334</u>	<u>\$ 57,869</u>	<u>10.6 %</u>
Orders: ⁽¹⁾								
Commercial	\$ 34,524	\$ 28,737	\$ 5,787	20.1 %	\$ 101,167	\$ 119,126	\$ (17,959)	(15.1)%
Live Events	95,217	61,011	34,206	56.1	226,436	193,763	32,673	16.9
High School Park and Recreation	35,385	28,097	7,288	25.9	103,924	97,574	6,350	6.5
Transportation	18,924	13,525	5,399	39.9	59,409	45,812	13,597	29.7
International	8,013	17,005	(8,992)	(52.9)	43,450	45,130	(1,680)	(3.7)
	<u>\$ 192,063</u>	<u>\$ 148,375</u>	<u>\$ 43,688</u>	<u>29.4 %</u>	<u>\$ 534,386</u>	<u>\$ 501,405</u>	<u>\$ 32,981</u>	<u>6.6 %</u>

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RECONCILIATION OF FREE CASH FLOW ⁽¹⁾

(\$ in thousands)

	Nine Months Ended	
	January 27, 2024	January 28, 2023
Net cash provided by (used in) operating activities	\$ 53,789	\$ (9,487)
Purchases of property and equipment	(13,628)	(21,809)
Proceeds from sales of property and equipment	107	612
Free cash flow	<u>\$ 40,268</u>	<u>\$ (30,684)</u>

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RECONCILIATION OF ADJUSTED OPERATING INCOME

(\$ in thousands)

	Three Months Ended		Nine Months Ended	
	January 27, 2024	January 28, 2023	January 27, 2024	January 28, 2023
Operating income (GAAP Measure)	\$ 8,036	\$ 7,118	\$ 67,688	\$ 3,125
Plus goodwill impairment	—	4,576	—	4,576
Adjusted operating income (non-GAAP measure)	\$ 8,036	\$ 11,694	\$ 67,688	\$ 7,701

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RECONCILIATION OF ADJUSTED NET INCOME (LOSS)

(\$ in thousands)

	Three Months Ended		Nine Months Ended	
	January 27, 2024	January 28, 2023	January 27, 2024	January 28, 2023
Net income (loss)	\$ 10,742	\$ 3,713	\$ 32,103	\$ (14,597)
Change in fair value of convertible note	(6,340)	—	11,570	—
Debt issuance costs expensed due to fair value of convertible note, net of taxes	—	—	2,297	—
Adjusted net income (loss)	<u>\$ 4,402</u>	<u>\$ 3,713</u>	<u>\$ 45,970</u>	<u>\$ (14,597)</u>

(1) Adjusted net income. We disclose adjusted net income as a non-GAAP financial measurement in order to report our results exclusive of items that are non-recurring or not core to our operating business. We believe presenting this non-GAAP financial measurements provides investors with a consistent way to analyze our performance.



RECONCILIATION OF LONG-TERM DEBT

(\$ in thousands)

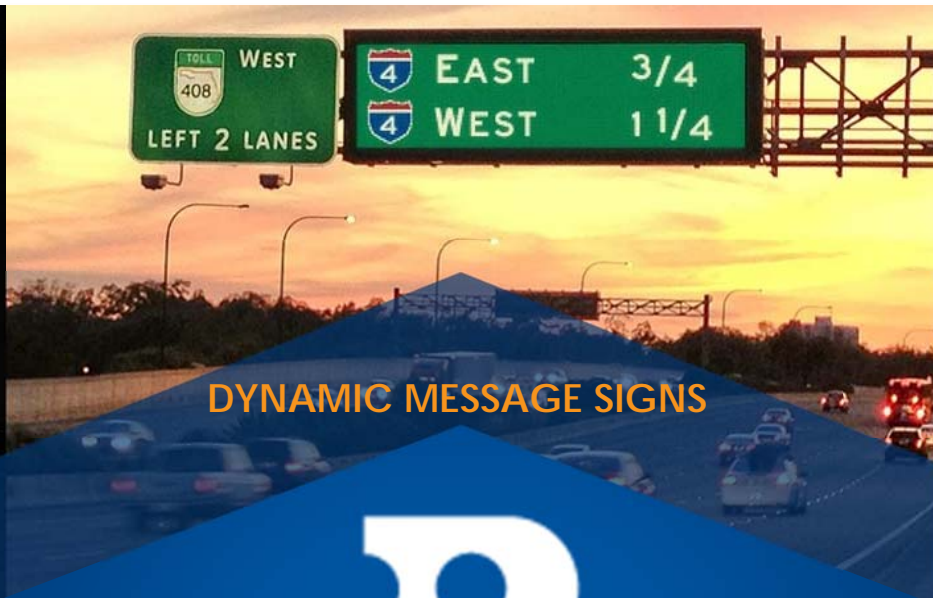
	January 27, 2024	April 29, 2023
ABL credit facility/prior line of credit	\$ —	\$ 17,750
Mortgage	14,250	—
Convertible note	25,000	—
Long-term debt, gross	39,250	17,750
Debt issuance costs, net	(854)	—
Change in fair value of convertible note	11,570	—
Current portion	(1,500)	—
Long-term debt, net	<u>\$ 48,466</u>	<u>\$ 17,750</u>

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OUTDOOR SPECTACULARS



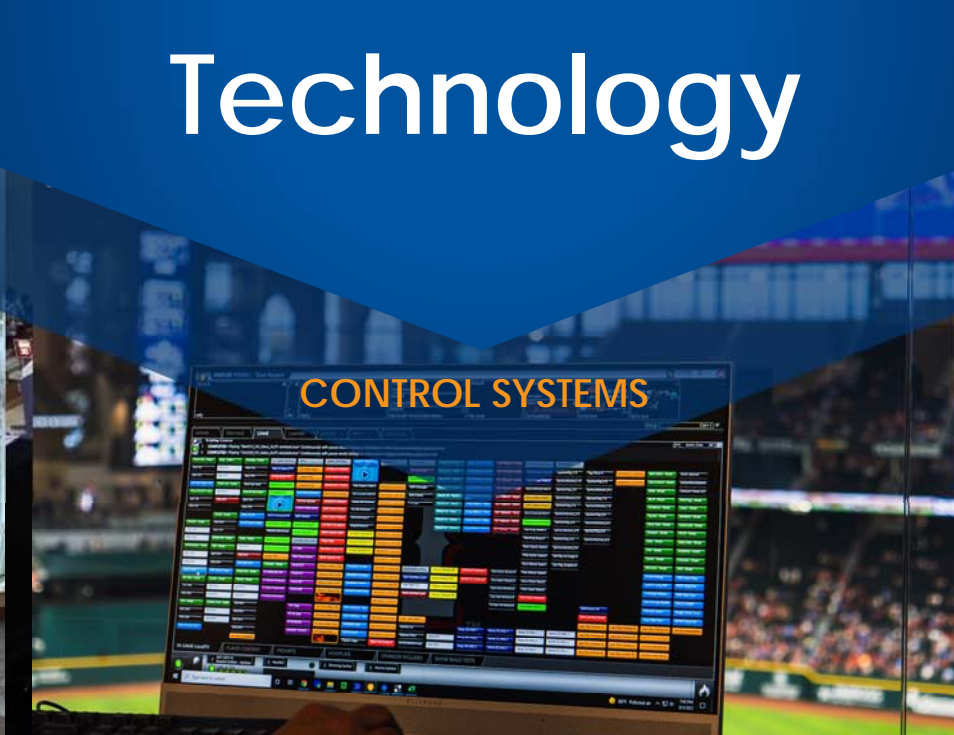
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