

# DAKTRONICS INC. SECOND QUARTER FISCAL 2017 INVESTOR PRESENTATION 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 2016 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

## Our Vision

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

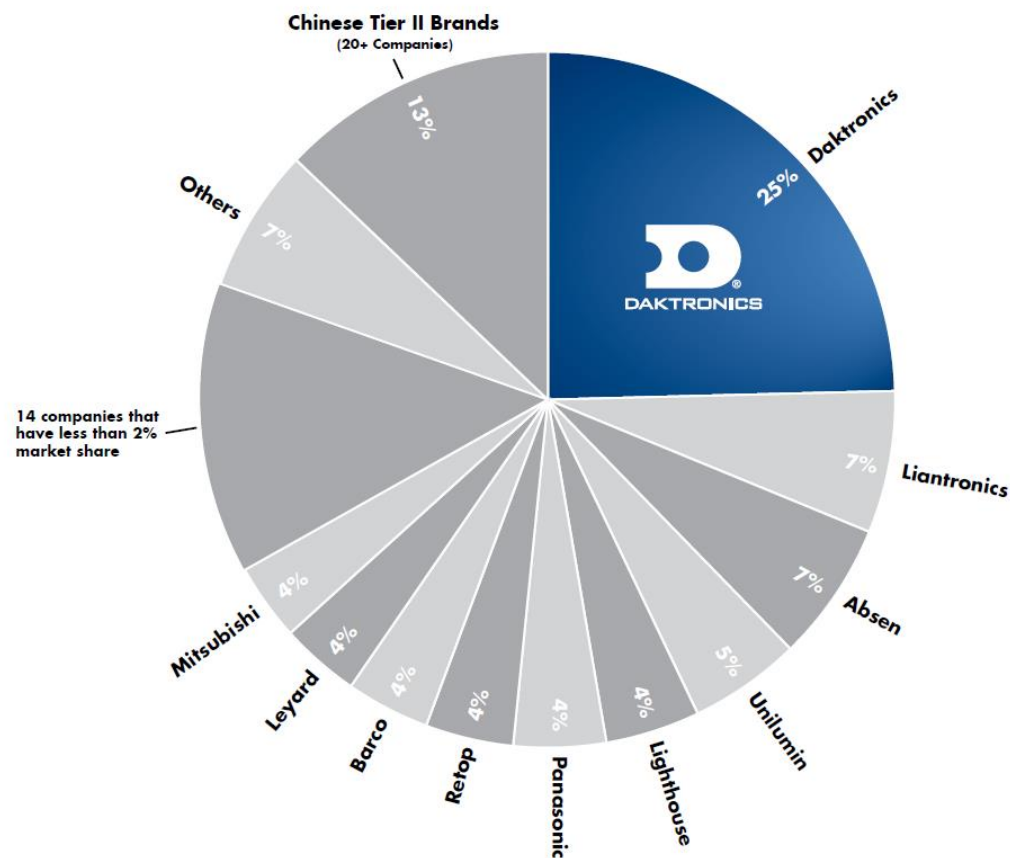


# DAKTRONICS AS A WORLD LEADER

## 47+ 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, 2015



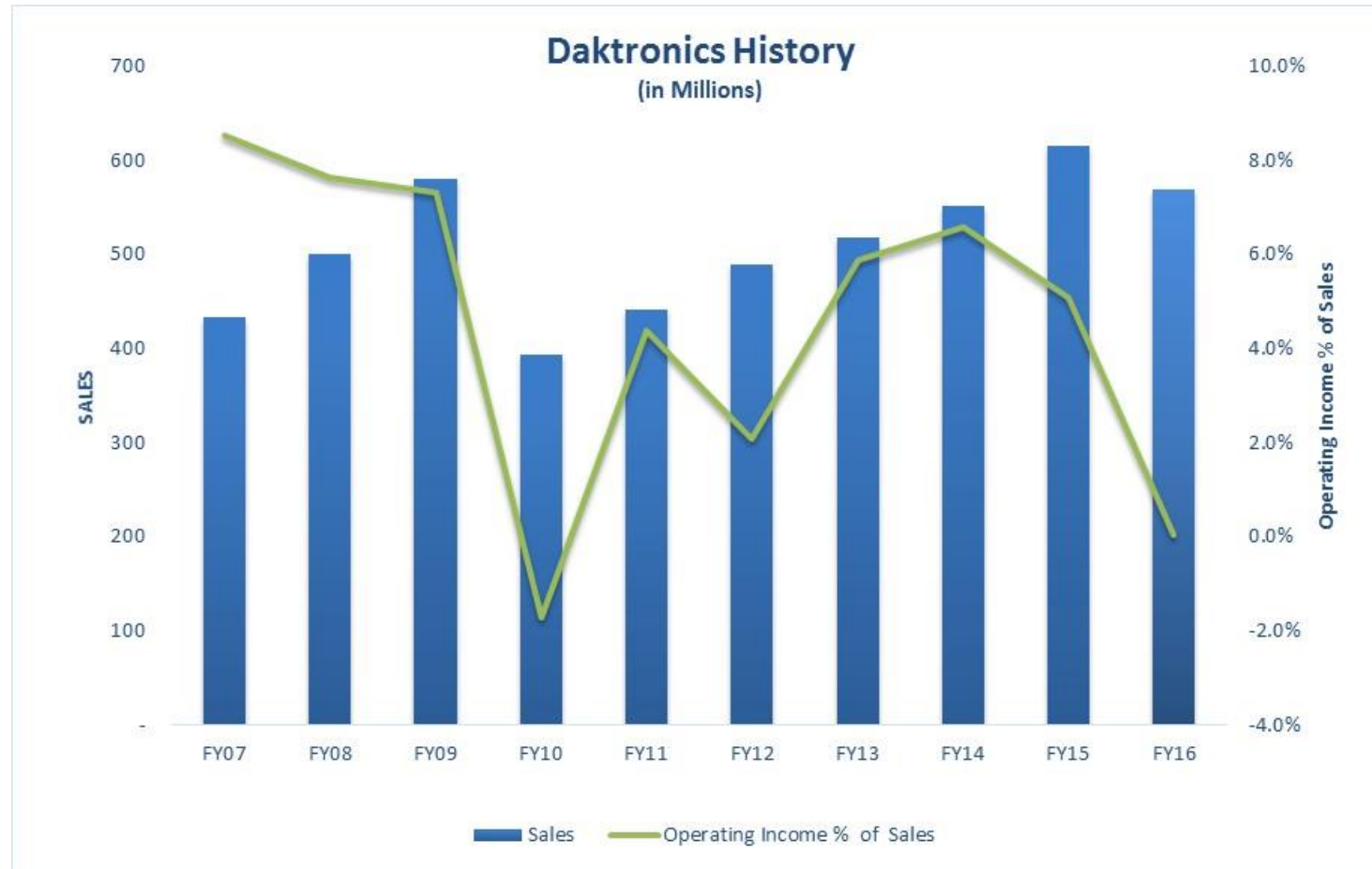
Source: IHS iSuppli Corporation - Signage and Professional Displays 2015



# FINANCIAL SUMMARY



# 10 YEAR HISTORY SALES & OPERATING INCOME %



# FY2017 2<sup>ND</sup> QUARTER RESULTS

	Three Months Ended		Percent Change
	October 29, 2016	October 31, 2015	
Orders	\$ 116,874	\$ 135,595	-13.8%
Net sales	\$ 169,992	\$ 157,668	7.8%
Gross profit	44,308	35,513	
Gross margin	26.1%	22.5%	
Operating income	12,666	5,597	
Operating margin	7.5%	3.5%	
Net income	\$ 9,021	\$ 3,168	184.8%
% of sales	5.3%	2.0%	
Earnings per share (diluted)	\$ 0.20	\$ 0.06	

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



# FY2017 YTD RESULTS-TO Q2

	Six Months Ended		Percent Change
	October 29, 2016	October 31, 2015	
Orders	\$ 292,042	\$ 300,667	-2.9%
Net sales	\$ 327,138	\$ 307,889	6.3%
Gross profit	83,375	71,014	
Gross margin	25.5%	23.1%	
Operating income	20,648	11,696	
Operating margin	6.3%	3.8%	
Net income	\$ 14,560	\$ 6,943	109.7%
% of sales	4.5%	2.3%	
Earnings per share (diluted)	\$ 0.33	\$ 0.16	

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



# 10 Year History Free-Cash Flow\*

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Net cash from operations	\$ 14,606	\$ 59,833	\$ 48,731	\$ 43,784	\$ 41,346	\$ 20,038	\$ 50,749	\$ 36,199	\$ 53,168	\$ 13,275
Net capital expenditures	(58,528)	(33,393)	(18,221)	(15,940)	(9,148)	(16,293)	(9,476)	(13,281)	(17,800)	(16,904)
Free cash flow**	\$ (43,922)	\$ 26,440	\$ 30,510	\$ 27,844	\$ 32,198	\$ 3,745	\$ 41,273	\$ 22,918	\$ 35,368	\$ (3,629)

## FY2017 Capital Expenditure Estimate:

Less than \$20 million projected capital expenditures for manufacturing and quality equipment and IT infrastructure.

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

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



# 10 Year History Return to Shareholders

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

Fiscal Year	Regular Dividend/ Share	Annualized Dividend Yield	Special Dividend/ Share	Total Dividend Payout (000's)
2008	0.070	0.30%	-	2,770
2009	0.090	1.10%	-	3,635
2010	0.095	1.20%	-	3,874
2011	0.100	2.50%	0.500	24,795
2012 <sup>(1)</sup>	0.220	1.90%	0.400	25,950
2013	0.230	3.60%	0.500	30,859
2014 <sup>(2)</sup>	0.390	3.00%	-	16,690
2015	0.400	3.70%	-	17,377
2016	0.400	5.10%	-	17,556
2017*	0.130	2.83%	0.040	7,482

\* - Year to date figures through October 2016

(1) – changed to semi-annual dividend

(2) – changed to quarterly dividend



# More about Daktronics

- 52/53 Week Fiscal Years ending in April – FY15 53 weeks (Q1 extra week), FY16 52 weeks
- 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

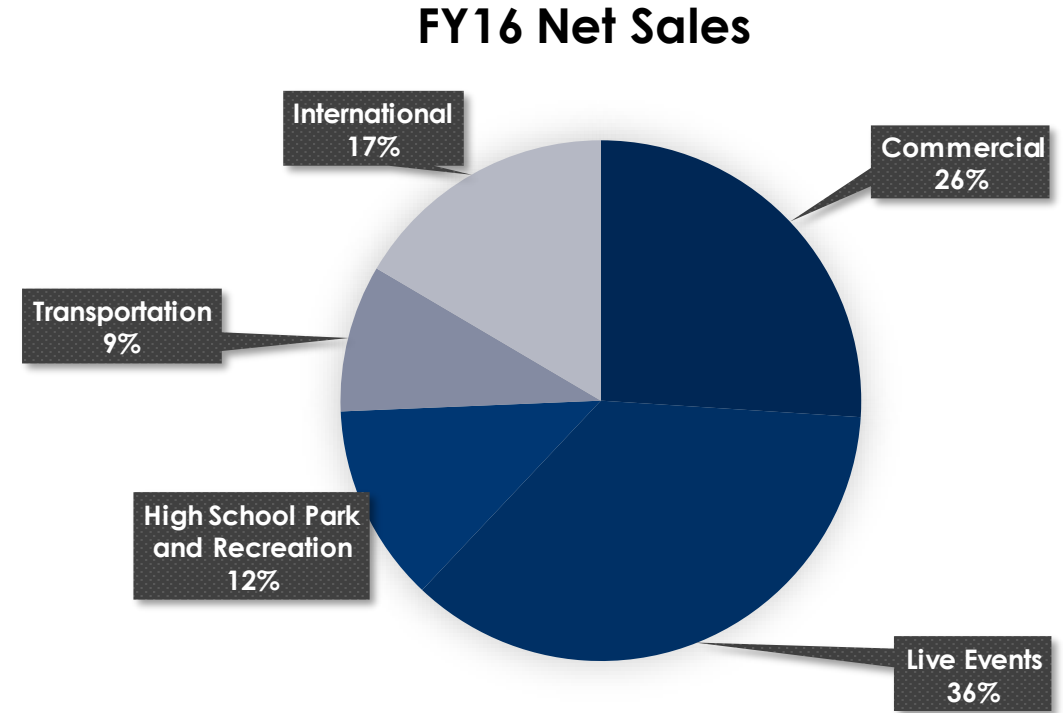
## 10 YEAR HISTORY DILUTED EARNINGS PER SHARE (after adjustment for splits)

Fiscal Year	Q1	Q2	Q3	Q4
2008	+ 0.17	+ 0.19	+ 0.13	+ 0.14
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	+0.21		



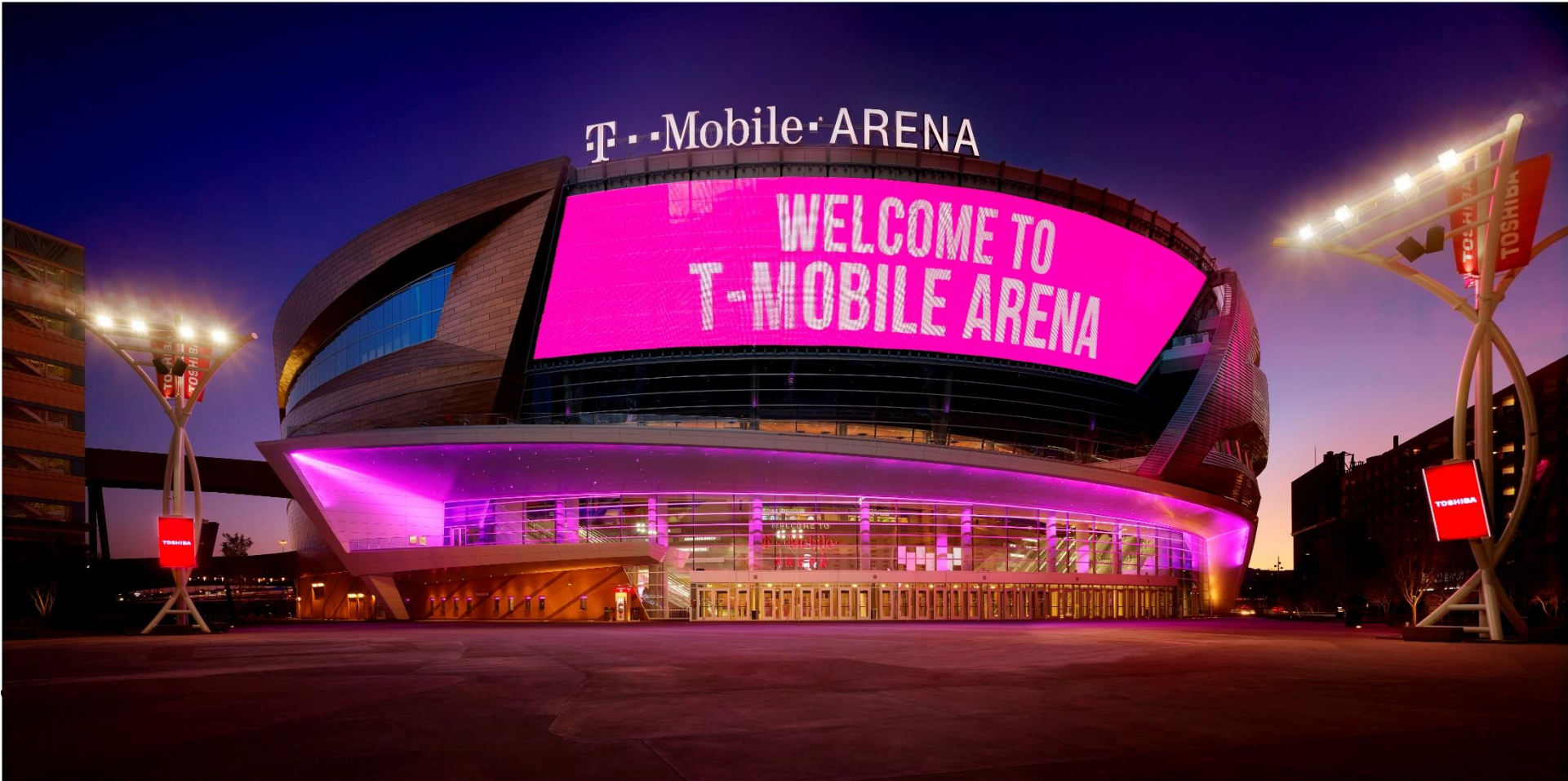
# Business Unit Recap

- 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, spectacles, third-party advertising, and transportation type solutions





# LIVE EVENTS BUSINESS UNIT



T-Mobile Arena, Las Vegas, NV

# LIVE EVENTS

» Video displays solutions for Large sports venues and live entertainment facilities

- Professional sports
- College and university
- Arenas



South Dakota State University, Brookings, SD

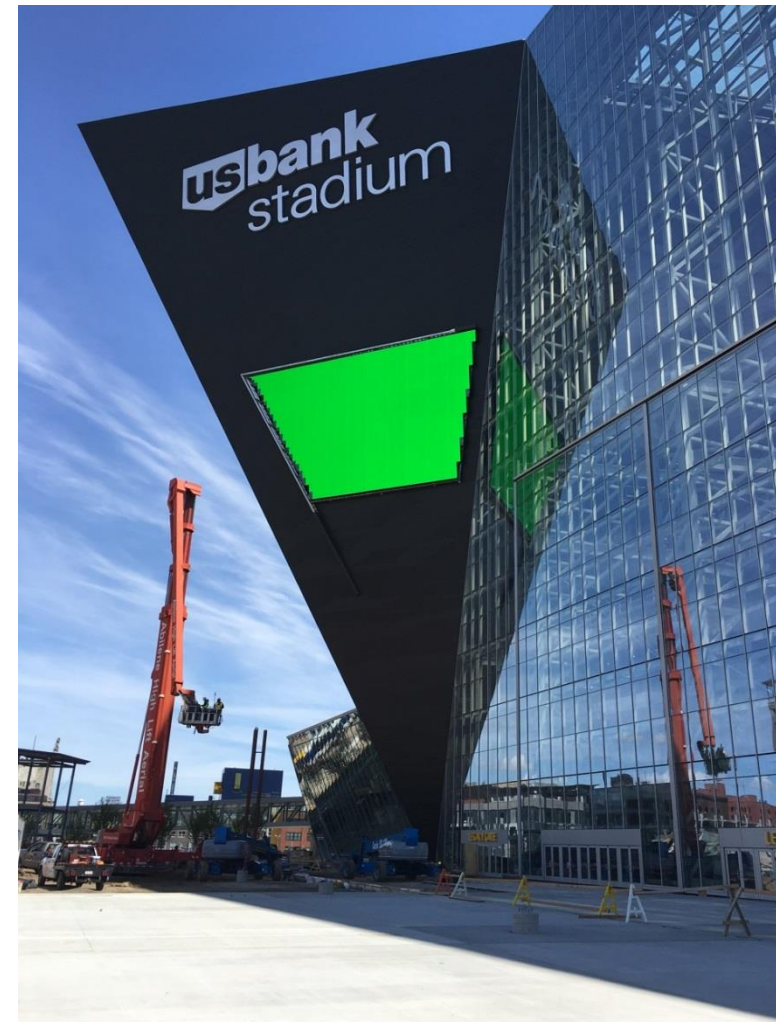
» Competition

- Mitsubishi, Lighthouse, Panasonic 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)



Minnesota Vikings – Minneapolis, MN



# HIGH SCHOOL PARK AND RECREATION (HSPR)



Sikeston High School, MO



Morgan High School, UT

# 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



Liberty North High School, Liberty MO



# 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



New Braunfels High School, 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



Commercial Demo Trailer



# 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, Prismaview, Integrators using Asian Manufacturers



Griffin Outdoor, Tulsa, OK

# TRANSPORTATION BUSINESS UNIT



Miami-Dade International Airport



Colorado DOT



# 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



JDC, Old Street London



Wuxi Inter IKEA, Wuxi China

# 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



Trafford Tower, Manchester London UK



# INTERNATIONAL

## » Growth opportunities

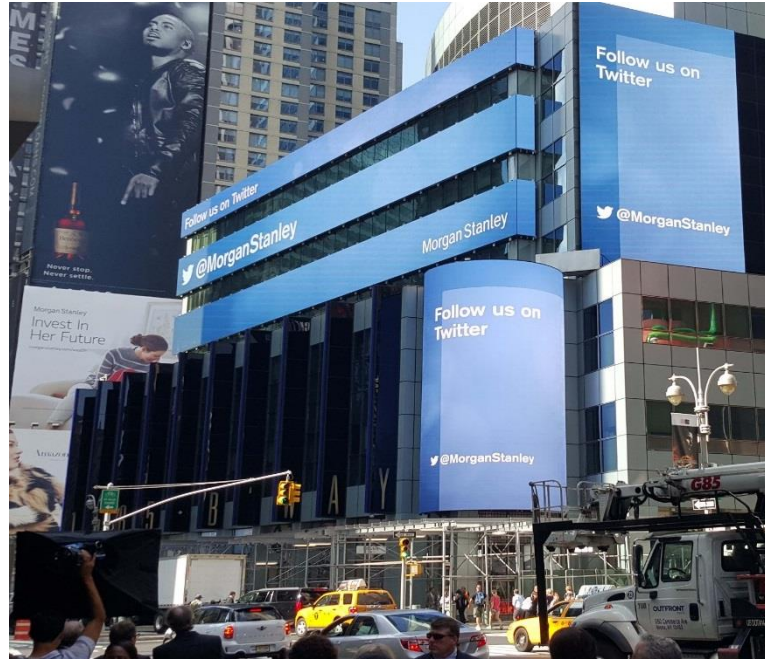
- 3<sup>rd</sup> party advertising/Out of Home Advertising
- Live Events facilities/sports
- European/Middle East transportation systems
- Increased geographical coverage

## » 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
  - Enhanced Transportation products
  - Localized and customer focused products
  - Ultra high resolution solutions
  - Enhanced product and control system platforms
- 
- Agile Capacity
  - Continuous Process improvements
  - Quality focus and warranty cost reduction

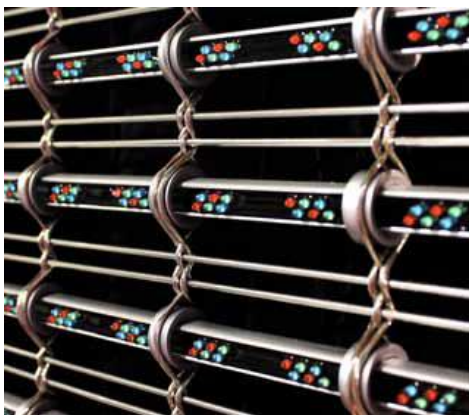
# OUTLOOK TO FISCAL 2017

## Modest revenue growth

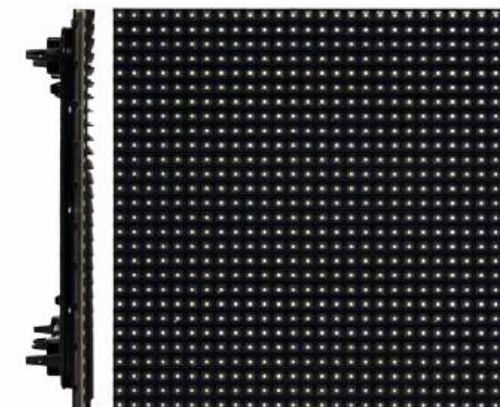
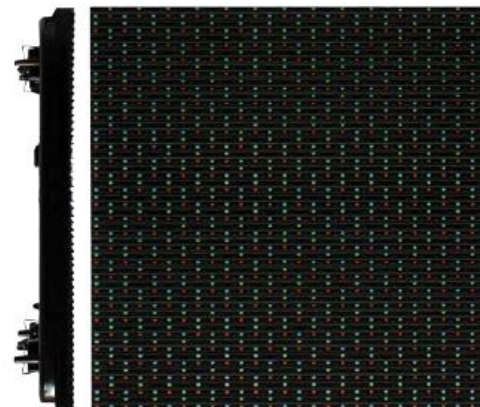
- ✓ **International** Macroeconomic trends tepid, yet strong level of activity. Out of Home demand. Transportation focus Europe and Middle East.
- ✓ **Live Events** demand similar to prior years
- ✓ **Commercial** macroeconomic conditions impact timing, strong spectacular demand, OOH similar demand levels
- ✓ **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

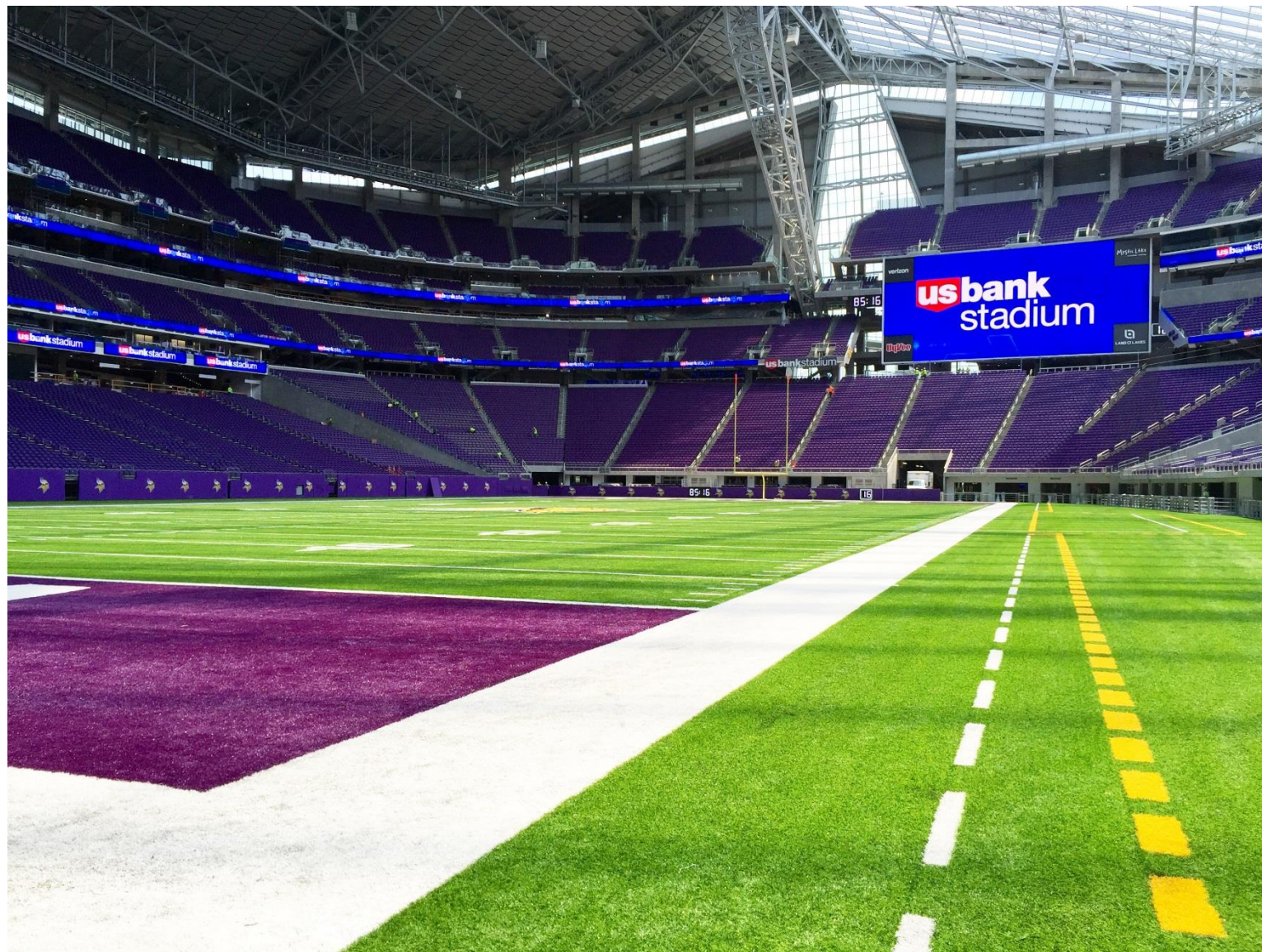


DIGITAL BILLBOARDS



# TECHNOLOGY





# QUESTIONS



# 10 YEAR HISTORY SUPPLEMENTAL INFORMATION

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Net sales	\$ 433,201	\$ 499,677	\$ 580,681	\$ 393,185	\$ 441,676	\$ 489,526	\$ 518,322	\$ 551,970	\$ 615,942	\$ 570,168
Gross profit	126,597	147,590	155,358	94,556	111,484	113,437	133,894	141,710	144,579	121,019
Operating expenses	89,682	109,347	112,741	101,286	91,957	103,162	103,294	105,153	113,294	118,524
Operating income (loss)	36,915	38,243	42,617	(6,730)	19,527	10,275	30,600	36,557	31,285	2,495
Net income (loss)	24,427	26,213	26,428	(6,989)	14,244	8,489	22,779	22,206	20,882	2,061
Gross profit percentage	29.2%	29.5%	26.8%	24.0%	25.2%	23.2%	25.8%	25.7%	23.5%	21.2%
Operating margin percentage	8.5%	7.7%	7.3%	(1.7%)	4.4%	2.1%	5.9%	6.6%	5.1%	0.4%
Weighted average diluted shares outstanding	41,311	41,337	41,152	40,908	42,277	42,304	42,621	43,762	44,443	44,456
Diluted earnings per share	0.59	0.63	0.64	(0.17)	0.34	0.20	0.53	0.51	0.47	0.05
Cash dividend per share	0.06	0.07	0.09	0.10	0.60	0.62	0.73	0.39	0.40	0.40
Working capital	\$ 44,904	\$ 62,545	\$ 107,405	\$ 118,625	\$ 128,160	\$ 119,833	\$ 125,456	\$ 140,532	\$ 149,075	\$ 123,714
Total assets	265,850	294,479	324,876	305,851	327,847	315,967	319,418	357,451	379,479	349,948
Shareholders' equity	153,708	183,253	211,911	207,053	203,102	190,805	188,246	203,119	212,039	201,067
Backlog	127,000	175,000	120,000	127,000	131,000	123,000	141,000	172,000	191,000	181,000
Product design and development	\$ 15,627	\$ 20,828	\$ 21,619	\$ 21,920	\$ 18,949	\$ 23,507	\$ 23,131	\$ 23,375	\$ 24,652	\$ 26,911
Capital expenditures	58,743	33,916	22,888	16,121	9,386	16,524	9,674	13,519	21,837	17,056
Depreciation and amortization	13,801	21,121	24,448	22,260	19,641	17,518	15,607	14,501	14,968	16,856
Cash flow from operations	14,606	59,833	48,731	43,784	41,346	20,038	50,749	36,199	53,168	13,275
Regular dividend per share	0.06	0.07	0.09	0.10	0.10	0.22	0.23	0.39	0.40	0.40
Special dividend per share	-	-	-	-	0.50	0.40	0.50	-	-	-
Employees as of year-end:										
Full-time	2,300	2,600	2,500	2,100	2,100	2,300	2,210	2,280	2,420	2,470
Part-time and students	900	800	1,000	400	500	520	410	390	330	315
Stock price during fiscal year:										
High	\$ 40.05	\$ 32.37	\$ 21.32	\$ 9.88	\$ 17.30	\$ 11.81	\$ 12.40	\$ 15.80	\$ 14.47	\$ 12.24
Low	18.31	13.88	5.69	7.00	7.30	7.68	6.39	9.63	10.03	6.90
Stock price at fiscal year-end	23.92	14.79	8.96	8.37	10.72	8.46	9.57	13.06	10.75	8.70
EBITDA	50,716	59,364	67,065	15,530	39,168	27,793	46,207	51,058	46,253	19,351

