UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended January 30, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___ to ___.
Commission File Number: 0-23246

DAKTRONICS

Daktronics, Inc.
(Exact Name of Registrant as Specified in its Charter)

South Dakota	**46-0306862**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

201 Daktronics Drive **Brookings,** **SD** **57006**
(Address of Principal Executive Offices)

(605) 692-0200
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, No Par Value	DAKT	NASDAQ Global Select Market
Preferred Stock Purchase Rights	DAKT	NASDAQ Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock outstanding as of March 1, 2021 was 44,966,381.

DAKTRONICS, INC. AND SUBSIDIARIES
FORM 10-Q
For the Quarter Ended January 30, 2021

Table of Contents

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

DAKTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	January 30, 2021	May 2, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 76,877	$ 40,398
Restricted cash	3,884	14
Marketable securities	248	1,230
Accounts receivable, net	63,212	72,577
Inventories	72,312	86,803
Contract assets	30,310	35,467
Current maturities of long-term receivables	1,736	3,519
Prepaid expenses and other current assets	7,554	9,629
Income tax receivables	87	548
Property and equipment and other assets available for sale	2,020	1,817
Total current assets	258,240	252,002
Property and equipment, net	61,805	67,484
Long-term receivables, less current maturities	754	1,114
Goodwill	8,262	7,743
Intangibles, net	2,396	3,354
Investment in affiliates and other assets	23,608	27,683
Deferred income taxes	13,382	13,271
TOTAL ASSETS	$ 368,447	$ 372,651

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 32,692	$ 47,834
Contract liabilities	53,292	50,897
Accrued expenses	26,664	36,626
Warranty obligations	10,766	9,764
Income taxes payable	2,079	844
Total current liabilities	125,493	145,965
Long-term warranty obligations	15,696	15,860
Long-term contract liabilities	10,587	10,707
Other long-term obligations	23,059	22,105
Long-term income taxes payable	554	582
Deferred income taxes	490	452
Total long-term liabilities	50,386	49,706
SHAREHOLDERS' EQUITY:		
Common Stock, no par value, authorized 115,000,000 shares; 46,264,576 and 45,913,209 shares issued at January 30, 2021 and May 2, 2020, respectively	60,575	60,010
Additional paid-in capital	46,091	44,627
Retained earnings	95,759	85,090
Treasury Stock, at cost, 1,297,409 and 1,343,281 shares at January 30, 2021 and May 2, 2020, respectively	(7,297)	(7,470)
Accumulated other comprehensive loss	(2,560)	(5,277)
TOTAL SHAREHOLDERS' EQUITY	192,568	176,980
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 368,447	$ 372,651

See notes to condensed consolidated financial statements.

Table of Contents

DAKTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	January 30, 2021	**February 1, 2020**	**January 30, 2021**	**February 1, 2020**
Net sales	$ 94,139	$ 127,657	$ 365,150	$ 482,824
Cost of sales	70,198	103,175	272,134	372,750
Gross profit	23,941	24,482	93,016	110,074
Operating expenses:				
Selling	12,004	16,552	36,214	51,026
General and administrative	6,389	8,640	20,777	26,698
Product design and development	5,784	8,442	20,053	29,063
	24,177	33,634	77,044	106,787
Operating (loss) income	(236)	(9,152)	15,972	3,287
Nonoperating (expense) income:				
Interest income	52	233	203	664
Interest expense	(92)	13	(249)	(53)
Other (expense) income, net	(913)	(331)	(2,377)	(652)
(Loss) income before income taxes	(1,189)	(9,237)	13,549	3,246
Income tax expense (benefit)	(975)	3,497	2,880	1,676
Net (loss) income	$ (214)	$ (12,734)	$ 10,669	$ 1,570
Weighted average shares outstanding:				
Basic	45,064	45,189	44,908	45,139
Diluted	45,064	45,189	45,061	45,412
(Loss) earnings per share:				
Basic	$ 0.00	$ (0.28)	$ 0.24	$ 0.03
Diluted	$ 0.00	$ (0.28)	$ 0.24	$ 0.03

See notes to condensed consolidated financial statements.

DAKTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	January 30, 2021	February 1, 2020	January 30, 2021	February 1, 2020
Net (loss) income	$ (214)	$ (12,734)	$ 10,669	$ 1,570
Other comprehensive income (loss):				
Cumulative translation adjustments	1,296	51	2,717	(329)
Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	44
Total other comprehensive income (loss), net of tax	1,296	51	2,717	(285)
Comprehensive income (loss)	$ 1,082	$ (12,683)	$ 13,386	$ 1,285

See notes to condensed consolidated financial statements.

DAKTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance as of May 2, 2020	$ 60,010	$ 44,627	$ 85,090	$ (7,470)	$ (5,277)	$ 176,980
Net income	—	—	7,467	—	—	7,467
Cumulative translation adjustments	—	—	—	—	1,037	1,037
Share-based compensation	—	539	—	—	—	539
Treasury stock reissued	—	26	—	173	—	199
Balance as of August 1, 2020	60,010	45,192	92,557	(7,297)	(4,240)	186,222
Net income	—	—	3,416	—	—	3,416
Cumulative translation adjustments	—	—	—	—	384	384
Share-based compensation	—	508	—	—	—	508
Tax payments related to RSU issuances	—	(125)	—	—	—	(125)
Balance as of October 31, 2020	60,010	45,575	95,973	(7,297)	(3,856)	190,405
Net loss	—	—	(214)	—	—	(214)
Cumulative translation adjustments	—	—	—	—	1,296	1,296
Share-based compensation	—	516	—	—	—	516
Employee savings plan activity	565	—	—	—	—	565
Balance as of January 30, 2021	$ 60,575	$ 46,091	$ 95,759	$ (7,297)	$ (2,560)	$ 192,568

See notes to condensed consolidated financial statements.

DAKTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(continued)
(in thousands)
(unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance as of April 27, 2019	$ 57,699	$ 42,561	$ 93,593	$ (1,834)	$ (4,356)	$ 187,663
Net income	—	—	7,030	—	—	7,030
Cumulative translation adjustments	—	—	—	—	(526)	(526)
Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	—	41	41
Share-based compensation	—	643	—	—	—	643

Employee savings plan activity	779	—	—	—	—	779
Dividends declared ($0.05 per share)	—	—	(2,250)	—	—	(2,250)
Treasury stock purchase	—	—	—	(1,187)	—	(1,187)
Balance as of August 3, 2019	58,478	43,204	98,373	(3,021)	(4,841)	192,193
Net income	—	—	7,274	—	—	7,274
Cumulative translation adjustments	—	—	—	—	146	146
Unrealized gain (loss) on available-for-sale securities, net of tax	—	—	—	—	3	3
Share-based compensation	—	541	—	—	—	541
Tax payments related to RSU issuances	—	(199)	—	—	—	(199)
Employee savings plan activity	798	—	—	—	—	798
Dividends declared ($0.05 per share)	—	—	(2,250)	—	—	(2,250)
Treasury stock purchase	—	—	—	(495)	—	(495)
Balance as of November 2, 2019	59,276	43,546	103,397	(3,516)	(4,692)	198,011
Net loss	—	—	(12,734)	—	—	(12,734)
Cumulative translation adjustments	—	—	—	—	51	51
Share-based compensation	—	550	—	—	—	550
Dividends declared ($0.05 per share)	—	—	(2,256)	—	—	(2,256)
Treasury stock purchase	—	—	—	(647)	—	(647)
Balance as of February 1, 2020	$ 59,276	$ 44,096	$ 88,407	$ (4,163)	$ (4,641)	$ 182,975

See notes to condensed consolidated financial statements.

Table of Contents

DAKTRONICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	January 30, 2021	**February 1, 2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 10,669	$ 1,570
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,848	13,197
Gain on sale of property, equipment and other assets	(244)	(6)
Share-based compensation	1,563	1,734
Equity in loss of affiliates	1,740	430
Provision for doubtful accounts	1,551	(477)
Deferred income taxes, net	(21)	(223)
Change in operating assets and liabilities	20,115	(10,035)
Net cash provided by operating activities	48,221	6,190
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,935)	(13,646)
Proceeds from sales of property, equipment and other assets	470	244
Proceeds from sales or maturities of marketable securities	982	24,665
Purchases of and loans to equity investment	(1,328)	(1,229)
Net cash (used in) provided by investing activities	(6,811)	10,034
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(431)	(2,140)
Dividends paid	—	(6,756)
Payments for common shares repurchased	—	(2,329)
Tax payments related to RSU issuances	(125)	(199)
Net cash used in financing activities	(556)	(11,424)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(505)	(166)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	40,349	4,634
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of period	40,412	35,742
End of period	$ 80,761	$ 40,376
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$ 195	$ 3
Income taxes, net of refunds	1,491	460
Supplemental schedule of non-cash investing and financing activities:		
Demonstration equipment transferred to inventory	$ 56	$ 10
Purchases of property and equipment included in accounts payable	527	954

Contributions of common stock under the ESPP	565	1,577

See notes to condensed consolidated financial statements.

Table of Contents

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(dollar amounts in thousands, except per share data)
(unaudited)

Note 1. Basis of Presentation

Daktronics, Inc. and its subsidiaries (the “Company”, “Daktronics”, “we”, “our”, or “us”) are the world's industry leader in designing and manufacturing electronic scoreboards, programmable display systems and large screen video displays for sporting, commercial and transportation applications.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to fairly present our financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions affecting the reported amounts therein. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from those estimates.

Certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. The balance sheet at May 2, 2020, has been derived from the audited financial statements at that date, but it does not include all the information and disclosures required by GAAP for complete financial statements. These financial statements should be read in conjunction with our financial statements and notes thereto for the year ended May 2, 2020, which are contained in our Annual Report on Form 10-K previously filed with the Securities and Exchange Commission ("SEC"). The results of operations for the interim periods presented are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year.

Daktronics, Inc. operates on a 52- or 53-week fiscal year, with our fiscal year ending on the Saturday closest to April 30 of each year. When April 30 falls on a Wednesday, the fiscal year ends on the preceding Saturday. Within each fiscal year, each quarter is comprised of 13-week periods following the beginning of each fiscal year. In each 53-week year, an additional week is added to the first quarter, and each of the last three quarters is comprised of a 13-week period. The fiscal year ending May 1, 2021 will consist of 52 weeks and the fiscal year ended May 2, 2020 was a 53-week year; therefore, the nine months ended January 30, 2021 contains operating results for 39 weeks while the nine months ended February 1, 2020 contains operating results for 40 weeks.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the totals of the same amounts shown in the condensed consolidated statements of cash flows. We have bank guarantees that are secured with cash collateral which is maintained in the restricted cash account.

	January 30, 2021	February 1, 2020
Cash and cash equivalents	$ 76,877	$ 40,316
Restricted cash	3,884	60
Total cash, cash equivalents, and restricted cash shown in the condensed consolidated statement of cash flows	$ 80,761	$ 40,376

Other Business Developments - Coronavirus Pandemic

During the first nine months of fiscal 2021, we continued to see impacts of the global spread of the coronavirus pandemic ("COVID-19") and restrictions, which created and continues to create significant volatility, uncertainty and global economic disruption. As disclosed in our Current Report on Form 8-K filed on April 1, 2020, we have taken proactive steps to solidify our financial position and mitigate any adverse consequences. These steps included preserving liquidity by drawing down $15,000 of our existing line of credit, which is included in the "Other long-term obligations" line item in our condensed consolidated balance sheets. In addition, we are pursuing other sources of financing, reducing investments in capital assets, have reduced executive pay and board member compensation, and have or are continuing to institute initiatives to reduce other costs in the business. Our board of directors voted to suspend stock repurchases under our share repurchase program and to suspend dividends for the foreseeable future. In addition, during the third quarter of fiscal 2021 and throughout fiscal 2021, we have temporarily furloughed employees to manage our cost structure to align with decreased demand. We believe these measures help to preserve our ability to borrow for liquidity needs and position us well for when the pandemic passes and our customers and economies begin to recover.

During fiscal 2020, we offered a special voluntary retirement and voluntary exit incentive program ("Offering") and during the first nine months of fiscal 2021, we conducted two reductions in force ("RIF") to adjust our capacity and reduce on-going expenses due to the reduced revenue and uncertainties created by the COVID-19 pandemic. During the first quarter of fiscal 2021, 60 employees agreed to participate in the Offering and completed employment. The approximate cost of this Offering was $931 during the first quarter of fiscal 2021. Under the RIF, employment was terminated with 108 employees with severance totaling $1,426 during the first quarter of fiscal 2021 and 150 employees with severance totaling $2,742 during the second quarter of fiscal 2021.

We received governmental wage subsidies from various governmental programs related to COVID implications of $254 and $1,632 during the three and nine months ended January 30, 2021, respectively and recorded as a reduction of compensation expense, which is mostly included in the "Costs of sales" line item in our condensed consolidated statements of operations. We also have elected to defer payments of the employer portion of social security taxes during the payroll tax deferral period, which ended on December 31, 2020. As of January 30, 2021 the total amount of such deferral was $5,122, which is included in the "Accrued expenses" and in the "Other long-term obligations" line items in our condensed consolidated balance sheet. Per the terms of the deferral program, 50 percent of the deferred amount is due on December 31, 2021 with the remaining 50 percent due on December 31, 2022.

Recent Accounting Pronouncements

There have been no material changes to our significant accounting policies and estimates as described in our Annual Report on Form 10-K for the fiscal year ended May 2, 2020, other than described in the Accounting Standards Adopted section below.

Accounting Standards Adopted

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, *Intangibles-Goodwill and Other (Topic 350),* which simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. We adopted ASU 2017-04 during the first quarter of fiscal 2021 and the adoption did not have an impact on our condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments,* which provides guidance regarding the measurement and recognition of credit impairment for certain financial assets. ASU 2016-13 improves financial reporting by requiring more timely recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. Under the new guidance, the ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. We adopted ASU 2016-13 and its related guidance during the first quarter of fiscal 2021 and the adoption did not have a material impact on our condensed consolidated financial statements.

We estimate an allowance for doubtful accounts using a loss rate method. We measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts.

A reconciliation of the beginning and ending allowance for doubtful accounts is as follows:

		Allowance for Doubtful Accounts:
Balance as of May 2, 2020	$	2,828
Charged to costs and expenses		2,724
Deductions (1)		(1,392)
Balance as of January 30, 2021	$	4,160

(1) Includes account collections and write offs

Accounting Standards Not Yet Adopted

There are no significant ASU's issued not yet adopted as of January 30, 2021.

Note 2. Investments in Affiliates

Investments in affiliates over which we have significant influence are accounted for under the equity method of accounting, recording the investment at cost and then subsequently adjusting to account for our share of the affiliates profit or losses, in accordance with the provisions of Accounting Standards Codification ("ASC") 323, *Investments – Equity Method and Joint Ventures*. Investments in affiliates over which we do not have the ability to exert significant influence over the affiliate's operating and financing activities are accounted for under the cost method of accounting, recording the investment at cost and then subsequently adjusting for any changes in ownership or dividends, in accordance with the provisions of ASC 321, *Investments – Equity Securities*. We have evaluated our relationships with our affiliates and have determined that these entities are not variable interest entities. Cash paid for investments in affiliates and loans to affiliates are included in the "Purchases of and loans to equity investment" line item in our condensed consolidated statements of cash flows. Equity method investments as a whole are assessed for other-than-temporary impairments whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

The aggregate amount of investments accounted for under the equity method was $15,517 and $17,257 at January 30, 2021 and May 2, 2020, respectively. Our proportional share of the respective affiliates' earnings or losses is included in the "Other (expense) income, net" line item in our condensed consolidated statements of operations. For the nine months ended January 30, 2021 and February 1, 2020, our share of the losses of our affiliates was $1,740 and $430, respectively. We purchased services for research and development activities from our equity method investments. The total of these related party transactions was $661 for the nine months ended January 30, 2021, which was included in the "Product design and development" line item in in our condensed consolidated statement of operations and $201 of this remains unpaid and is included in the "Accounts payable" line item in our condensed consolidated balance sheet.

Note 3. Earnings Per Share ("EPS")

We follow the provisions of ASC 260, *Earnings Per Share*, where basic EPS is computed by dividing income attributable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution which may occur if securities or other obligations to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock which share in our earnings.

The following is a reconciliation of the net income and common share amounts used in the calculation of basic and diluted EPS for the three and nine months ended January 30, 2021 and February 1, 2020:

		Net (loss) income	Shares		Per share (loss) income
For the three months ended January 30, 2021					
Basic (loss) earnings per share	$	(214)	45,064	$	(0.00)
Dilution associated with stock compensation plans		—	—		—
Diluted (loss) earnings per share	$	(214)	45,064	$	(0.00)
For the three months ended February 1, 2020					
Basic (loss) earnings per share	$	(12,734)	45,189	$	(0.28)
Dilution associated with stock compensation plans		—	—		—
Diluted (loss) earnings per share	$	(12,734)	45,189	$	(0.28)
For the nine months ended January 30, 2021					
Basic earnings per share	$	10,669	44,908	$	0.24
Dilution associated with stock compensation plans		—	153		—
Diluted earnings per share	$	10,669	45,061	$	0.24
For the nine months ended February 1, 2020					
Basic earnings per share	$	1,570	45,139	$	0.03

Dilution associated with stock compensation plans	—	273	—
Diluted earnings per share	$ 1,570	45,412	$ 0.03

Options outstanding to purchase 2,337 shares of common stock with a weighted average exercise price of $8.70 for the three months ended January 30, 2021 and 2,193 shares of common stock with a weighted average exercise price of $9.92 for the three months ended February 1, 2020 were not included in the computation of diluted earnings per share because the effects would be anti-dilutive.

Options outstanding to purchase 2,268 shares of common stock with a weighted average exercise price of $9.29 for the nine months ended January 30, 2021 and 2,223 shares of common stock with a weighted average exercise price of $9.95 for the nine months ended February 1, 2020 were not included in the computation of diluted earnings per share because the effects would be anti-dilutive.

Note 4. Revenue Recognition

Disaggregation of revenue
In accordance with ASC 606-10-50, we disaggregate revenue from contracts with customers by the type of performance obligation and the timing of revenue recognition. We determine that disaggregating revenue in these categories achieves the disclosure objective to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors and to enable users of financial statements to understand the relationship to each reportable segment.

The following table presents our disaggregation of revenue by segments:

	Three Months Ended January 30, 2021					
	Commercial	Live Events	High School Park and Recreation	Transportation	International	Total
Type of performance obligation						
Unique configuration	$ 2,087	$ 14,006	$ 3,604	$ 7,880	$ 5,155	$ 32,732
Limited configuration	24,630	4,536	10,424	3,273	7,391	50,254
Service and other	3,368	4,788	616	616	1,765	11,153
	$ 30,085	$ 23,330	$ 14,644	$ 11,769	$ 14,311	$ 94,139
Timing of revenue recognition						
Goods/services transferred at a point in time	$ 25,092	$ 5,720	$ 9,163	$ 3,436	$ 7,785	$ 51,196
Goods/services transferred over time	4,993	17,610	5,481	8,333	6,526	42,943
	$ 30,085	$ 23,330	$ 14,644	$ 11,769	$ 14,311	$ 94,139

	Nine Months Ended January 30, 2021					
	Commercial	Live Events	High School Park and Recreation	Transportation	International	Total
Type of performance obligation						
Unique configuration	$ 14,322	$ 83,283	$ 16,363	$ 24,579	$ 15,534	$ 154,081
Limited configuration	69,796	14,566	52,808	15,364	24,268	176,802
Service and other	10,829	14,777	1,994	1,647	5,020	34,267
	$ 94,947	$ 112,626	$ 71,165	$ 41,590	$ 44,822	$ 365,150
Timing of revenue recognition						
Goods/services transferred at a point in time	$ 71,210	$ 18,670	$ 48,249	$ 15,740	$ 25,432	$ 179,301
Goods/services transferred over time	23,737	93,956	22,916	25,850	19,390	185,849
	$ 94,947	$ 112,626	$ 71,165	$ 41,590	$ 44,822	$ 365,150

	Three Months Ended February 1, 2020					
	Commercial	Live Events	High School Park and Recreation	Transportation	International	Total
Type of performance obligation						
Unique configuration	$ 7,209	$ 27,459	$ 1,511	$ 7,857	$ 9,195	$ 53,231
Limited configuration	26,304	6,436	12,422	5,580	10,609	61,351
Service and other	3,367	6,676	842	479	1,711	13,075
	$ 36,880	$ 40,571	$ 14,775	$ 13,916	$ 21,515	$ 127,657
Timing of revenue recognition						
Goods/services transferred at a point in time	$ 26,555	$ 8,614	$ 11,080	$ 5,683	$ 11,008	$ 62,940
Goods/services transferred over time	10,325	31,957	3,695	8,233	10,507	64,717
	$ 36,880	$ 40,571	$ 14,775	$ 13,916	$ 21,515	$ 127,657

	Nine Months Ended February 1, 2020					
	Commercial	Live Events	High School Park and Recreation	Transportation	International	Total
Type of performance obligation						
Unique configuration	$ 29,181	$ 114,459	$ 12,727	$ 32,173	$ 35,415	$ 223,955
Limited configuration	80,193	25,662	60,349	19,550	33,663	219,417
Service and other	11,192	19,075	2,357	1,541	5,287	39,452
	$ 120,566	$ 159,196	$ 75,433	$ 53,264	$ 74,365	$ 482,824
Timing of revenue recognition						
Goods/services transferred at a point in time	$ 81,562	$ 30,903	$ 55,791	$ 19,901	$ 34,696	$ 222,853
Goods/services transferred over time	39,004	128,293	19,642	33,363	39,669	259,971
	$ 120,566	$ 159,196	$ 75,433	$ 53,264	$ 74,365	$ 482,824

See "Note 5. Segment Reporting" for a disaggregation of revenue by geography.

Contract balances
Contract assets represent revenue recognized in excess of amounts billed and include unbilled receivables. Unbilled receivables, which represent an unconditional right to payment subject only to the passage of time, are reclassified to accounts receivable when they are billed according to the contract terms. Contract liabilities represent amounts billed to the customers in excess of revenue recognized to date.

The following table reflects the changes in our contract assets and liabilities:

	January 30, 2021	May 2, 2020	Dollar Change	Percent Change
Contract assets	$ 30,310	$ 35,467	$ (5,157)	(14.5)%
Contract liabilities - current	53,292	50,897	2,395	4.7%
Contract liabilities - noncurrent	10,587	10,707	(120)	(1.1)%

The changes in our contract assets and contract liabilities from May 2, 2020 to January 30, 2021 were due to the timing of billing schedules and revenue recognition, which can vary significantly depending on the contractual payment terms and the seasonality of the sports markets. We had no material impairments of contract assets for the nine months ended January 30, 2021.

For service-type warranty contracts, we allocate revenue to this performance obligation, recognize the revenue over time, and recognize costs as incurred. Earned and unearned revenues for these contracts are included in the "Contract assets" and "Contract liabilities" line items in our condensed consolidated balance sheets. Changes in unearned service-type warranty contracts, net were as follows:

	January 30, 2021
Balance at beginning of period	$ 24,490
New contracts sold	49,471
Less: reductions for revenue recognized	(48,818)
Foreign currency translation and other	194
Balance at end of period	$ 25,337

As of January 30, 2021 and May 2, 2020, our contracts in progress that were identified as loss contracts were immaterial. For these contracts, the provision for losses are included in the "Accrued expenses" line item in our condensed consolidated balance sheets.

During the nine months ended January 30, 2021, we recognized revenue of $42,851 related to our contract liabilities as of May 2, 2020.

Remaining performance obligations
As of January 30, 2021, the aggregate amount of the transaction price allocated to the remaining performance obligations was $248,643. We expect approximately $211,787 of our remaining performance obligations to be recognized over the next 12 months, with the remainder recognized thereafter. Remaining performance obligations related to product and service agreements at January 30, 2021 are $194,534 and $54,109, respectively. Although remaining performance obligations reflect business that is considered to be legally binding, cancellations, deferrals or scope adjustments may occur. Any known project cancellations, revisions to project scope and cost, foreign currency exchange fluctuations and project deferrals are reflected or excluded in the remaining performance obligation balance, as appropriate.

Note 5. Segment Reporting

We organize and manage our business by the following five segments which meet the definition of reportable segments under ASC 280-10, *Segment Reporting*: Commercial, Live Events, High School Park and Recreation, Transportation, and International. These segments are based on the customer type or geography and are the same as our business units. Separate financial information is available and regularly evaluated by our chief operating decision-maker (CODM), who is our president and chief executive officer, in making resource allocation decisions for our segments. Our CODM evaluates segment performance to the GAAP measure of gross profit. We exclude general and administration expense, product design and development expense, non-operating income and expense, and income tax expense (benefit) in the segment analysis.

The following table sets forth certain financial information for each of our five reporting segments for the periods indicated:

	Three Months Ended		Nine Months Ended	
	January 30, 2021	February 1, 2020	January 30, 2021	February 1, 2020
Net sales:				
Commercial	$ 30,085	$ 36,880	$ 94,947	$ 120,566
Live Events	23,330	40,571	112,626	159,196
High School Park and Recreation	14,644	14,775	71,165	75,433
Transportation	11,769	13,916	41,590	53,264
International	14,311	21,515	44,822	74,365
Total company net sales	94,139	127,657	365,150	482,824
Gross profit:				
Commercial	8,410	5,399	24,730	22,479
Live Events	4,256	7,815	20,910	32,486
High School Park and Recreation	6,437	3,184	25,410	22,595
Transportation	3,845	4,316	14,300	18,073
International	993	3,768	7,666	14,441
	23,941	24,482	93,016	110,074
Operating expenses:				
Selling	12,004	16,552	36,214	51,026
General and administrative	6,389	8,640	20,777	26,698
Product design and development	5,784	8,442	20,053	29,063
	24,177	33,634	77,044	106,787
Operating (loss) income	(236)	(9,152)	15,972	3,287
Nonoperating income (expense):				
Interest income	52	233	203	664
Interest expense	(92)	13	(249)	(53)
Other (expense) income, net	(913)	(331)	(2,377)	(652)
(Loss) income before income taxes	$ (1,189)	$ (9,237)	$ 13,549	$ 3,246
Depreciation and amortization:				
Commercial	$ 760	$ 930	$ 2,253	$ 2,799
Live Events	1,436	1,395	4,311	4,187
High School Park and Recreation	464	501	1,452	1,520
Transportation	233	255	704	771
International	738	646	2,132	1,733
Unallocated corporate depreciation	653	746	1,996	2,187
	$ 4,284	$ 4,473	$ 12,848	$ 13,197

No single geographic area comprises a material amount of our net sales or property and equipment, net of accumulated depreciation, other than the United States. The following table presents information about net sales and property and equipment, net of accumulated depreciation, in the United States and elsewhere:

	Three Months Ended		Nine Months Ended	
	January 30, 2021	February 1, 2020	January 30, 2021	February 1, 2020
Net sales:				
United States	$ 78,152	$ 103,347	$ 314,674	$ 399,913
Outside United States	15,987	24,310	50,476	82,911
	$ 94,139	$ 127,657	$ 365,150	$ 482,824

	January 30, 2021	May 2, 2020
Property and equipment, net of accumulated depreciation:		
United States	$ 52,657	$ 58,422
Outside United States	9,148	9,062
	$ 61,805	$ 67,484

We have numerous customers worldwide for sales of our products and services, and no customer accounted for 10 percent or more of net sales; therefore, we are not economically dependent on a limited number of customers for the sale of our products and services.

We have numerous raw material and component suppliers, and no supplier accounts for 10 percent or more of our cost of sales; however, we have a number of single-source suppliers that could limit our supply or cause delays in obtaining raw material and components needed in manufacturing.

Note 6. Goodwill

The changes in the carrying amount of goodwill related to each reportable segment for the nine months ended January 30, 2021 were as follows:

	Live Events	Commercial	Transportation	International	Total
Balance as of May 2, 2020	$ 2,266	$ 3,144	$ 38	$ 2,295	$ 7,743
Foreign currency translation	30	205	29	255	519
Balance as of January 30, 2021	$ 2,296	$ 3,349	$ 67	$ 2,550	$ 8,262

We perform an analysis of goodwill on an annual basis, and it is tested for impairment more frequently if events or changes in circumstances indicate that an asset might be impaired. Our annual analysis is performed during our third quarter of each fiscal year, based on the goodwill amount as of the first business day of our third fiscal quarter. We performed our annual impairment test on November 2, 2020 and concluded no goodwill impairment existed.

In March 2020, we began to see impacts from the COVID-19 pandemic that could have a negative impact on our forecasted revenue and profitability and stock price. The COVID-19 pandemic continues to cause uncertainty, so during the third quarter of fiscal 2021, we considered if any new events had occurred or if circumstances had changed since our annual impairment such that it was more likely than not that the fair value of any of our reporting units was below its carrying amount. While order volume was low during the quarter, the results did not impact our long-term outlook, and we did not identify any further impairment indicators; therefore, we did not conduct further impairment analysis.

Note 7. Receivables

We invoice customers based on a billing schedule as established in our contracts. We sometimes have the ability to file a contractor's lien against the product installed as collateral and to file claims against surety bonds to protect our interest in receivables. Foreign sales are at times secured by irrevocable letters of credit or bank guarantees. Accounts receivable are reported net of an allowance for doubtful accounts of $4,160 and $2,828 at January 30, 2021 and May 2, 2020, respectively. Included in accounts receivable as of January 30, 2021 and May 2, 2020 was $1,219 and $687, respectively, of retainage on construction-type contracts, all of which is expected to be collected within one year.

In some contracts with customers, we agree to installment payments exceeding 12 months. The present value of these contracts is recorded as a receivable as the revenue is recognized in accordance with GAAP, and profit is recognized to the extent the present value is in excess of cost. We generally retain a security interest in the equipment or in the cash flow generated by the equipment until the contract is paid. The present value of long-term contracts, including accrued interest and current maturities, was $2,490 and $4,633 as of January 30, 2021 and May 2, 2020, respectively. Contract receivables bearing annual interest rates of 5.0 to 9.0 percent are due in varying annual installments through 2024. The face value of long-term receivables was $2,618 as of January 30, 2021 and $5,166 as of May 2, 2020.

Note 8. Financing Agreements

On November 15, 2019, we entered into an amendment to extend the maturity date of our credit agreement and a related revolving bank note from November 15, 2019 to November 15, 2022 and to modify certain other terms and financial covenants. On August 28, 2020, we entered into the third amendment to our credit agreement and a security agreement over certain assets. The third amendment adds a liquidity covenant and revises other financial covenants. The revolving amount of the agreement and note remains at $35,000, including up to $20,000 for commercial and standby letters of credit. The credit agreement and amendments require us to be in compliance with certain financial ratios, including the most sensitive covenant of interest bearing debt to earnings before income taxes, depreciation, and amortization of less than 2.5; and other covenants and contain customary events of default, including failure to comply with covenants, failure to pay or discharge material judgments and taxes, bankruptcy, failure to pay loans and fees, and change of control. The occurrence of an event of default by us would permit the lenders to terminate their commitments and accelerate loans repayment, obtain securitized assets, and require collateralization of outstanding letters of credit. As of January 30, 2021, $15,000 had been advanced to us under the loan portion of the line of credit, which is included in the "Other long-term obligations" line item in our condensed consolidated balance sheets, and the balance of letters of credit outstanding was approximately $6,710. As of January 30, 2021, $13,290 of the credit facility remains in place and available.

We are sometimes required to obtain bank guarantees or other financial instruments for display installations and utilize a global bank to provide such instruments. If we are unable to complete the installation work, our customer would draw on the banking arrangement, and the bank would subrogate its loss to Daktronics restricted cash accounts. As of January 30, 2021, we had $3,637 of such instruments outstanding.

As of January 30, 2021, we were in compliance with all applicable bank loan covenants.

Note 9. Share Repurchase Program

On June 17, 2016, our Board of Directors approved a stock repurchase program under which we may purchase up to $40,000 of the Company's outstanding shares of common stock. Under this program, we may repurchase shares from time to time in open market transactions and in privately negotiated transactions based on business, market, applicable legal requirements and other considerations. The repurchase program does not require the repurchase of a specific number of shares and may be terminated at any time.

During the nine months ended January 30, 2021, we had no repurchases of shares of our outstanding common stock. During the nine months ended February 1, 2020, we repurchased 378 shares of common stock at a total cost of $2,329. As of January 30, 2021, we had $35,846 of remaining capacity under our current share repurchase program.

As part of our COVID-19 response, on April 1, 2020, our Board of Directors voted to suspend stock repurchases under our share repurchase program for the foreseeable future.

Note 10. Commitments and Contingencies

Litigation: We are a party to legal proceedings and claims which arise during the ordinary course of business.

As of May 2, 2020, we recorded a $2,072 reserve for the probable and reasonably estimated cost to settle a patent litigation claim, which was included in the "Accrued expenses" line item in our condensed consolidated balance sheets. During the third quarter of fiscal 2021, an appellate court ruled in our favor on this matter. Since we no longer estimate we have a probable loss, we recorded a credit to the "Cost of sales" line item in our condensed consolidated statement of operations and removed the liability from our condensed consolidated balance sheet during the third quarter of fiscal 2021.

For other unresolved legal proceedings or claims, we do not believe there is a reasonable probability that any material loss will be incurred. Accordingly, no material accrual or disclosure of a potential range of loss has been made related to these matters. We do not expect the ultimate liability of these unresolved legal proceedings or claims to have a material effect on our financial position, liquidity or capital resources.

Warranties: Changes in our warranty obligation for the nine months ended January 30, 2021 consisted of the following:

	January 30, 2021
Beginning accrued warranty obligations	$ 25,624
Warranties issued during the period	6,473
Settlements made during the period	(4,115)
Changes in accrued warranty obligations for pre-existing warranties during the period, including expirations	(1,520)
Ending accrued warranty obligations	$ 26,462

Performance guarantees: We have entered into standby letters of credit, bank guarantees and surety bonds with financial institutions relating to the guarantee of our future performance on contracts, primarily construction-type contracts. As of January 30, 2021, we had outstanding letters of credit, bank guarantees and surety bonds in the amount of $6,710, $3,637 and $38,929, respectively. Performance guarantees are issued to certain customers to guarantee the operation and installation of the equipment and our ability to complete a contract. These performance guarantees have various terms but are generally one year. We enter into written agreements with our customers, and those agreements often contain indemnification provisions that require us to make the customer whole if certain acts or omissions by us cause the customer financial loss. We make efforts to negotiate reasonable caps and limitations on the recovery of such damages. As of January 30, 2021, we were not aware of any indemnification claim from a customer.

Note 11. Income Taxes

The provision for income taxes during interim reporting periods is calculated by applying an estimate of the annual effective tax rate to "ordinary" income or loss for the reporting period, adjusted for discrete items. Due to various factors, including our estimate of annual income, our effective tax rate is subject to fluctuation.

Our effective tax rate for the three and nine months ended January 30, 2021 was 82.0 percent and 21.3 percent, respectively, as compared to an effective tax rate benefit of 37.9 percent and 51.6 percent for the three and nine months ended February 1, 2020. The tax rate changes each period are primarily driven by the mathematical calculations of estimated tax credits and other permanent difference levels proportionate to estimated pre-tax earnings levels and the related changes in estimates of each of those variables through the year. For the three months ended January 30, 2021, the rate change was mainly driven by a return to provision benefit booked in proportion to an actual small pre-tax loss for the quarter; whereas the three months ended February 1, 2020, was primarily driven by changes in the proportionate percentage of tax credits and other permanent differences compared to estimated pre-tax earnings. The change in the effective tax rate year over year was driven primarily by a decrease in the proportionate percentage of tax credits and other permanent differences compared to estimated pre-tax earnings.

We are subject to U.S. federal income tax as well as income taxes of multiple state and foreign jurisdictions. Fiscal years 2018, 2019 and 2020 remain open to federal tax examinations, and fiscal years 2017, 2018, 2019 and 2020 remain open for various state income tax examinations. Certain subsidiaries are also subject to income tax in several foreign jurisdictions which have open tax years varying by jurisdiction beginning in fiscal 2010. In the event of any future tax assessments, we have elected to record the income taxes and any related interest and penalties as income tax expense in our condensed consolidated statement of operations.

As of January 30, 2021, undistributed earnings of our foreign subsidiaries are considered to be reinvested indefinitely. Additionally, we had $554 of unrecognized tax benefits which would reduce our effective tax rate if recognized.

Note 12. Fair Value Measurement

The following table sets forth by Level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis at January 30, 2021 and May 2, 2020 according to the valuation techniques we used to determine their fair values. There have been no transfers of assets or liabilities among the fair value hierarchies presented.

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Balance as of January 30, 2021				
Cash and cash equivalents	$ 76,877	$ —	$ —	$ 76,877
Restricted cash	3,884	—	—	3,884
Available-for-sale securities:				
Certificates of deposit	—	248	—	248
Derivatives - asset position	—	—	—	—
Derivatives - liability position	—	(331)	—	(331)
Acquisition-related contingent consideration	—	—	(311)	(311)
	$ 80,761	$ (83)	$ (311)	$ 80,367
Balance as of May 2, 2020				
Cash and cash equivalents	$ 40,398	$ —	$ —	$ 40,398
Restricted cash	14	—	—	14
Available-for-sale securities:				
Certificates of deposit	—	1,230	—	1,230
Derivatives - asset position	—	261	—	261
Derivatives - liability position	—	(17)	—	(17)
Acquisition-related contingent consideration	—	—	(761)	(761)

	$ 40,412	$ 1,474	$ (761)	$ 41,125

A roll forward of the Level 3 contingent liabilities, both short- and long-term, for the nine months ended January 30, 2021 is as follows:

Acquisition-related contingent consideration as of May 2, 2020	$ 761
Additions	133
Settlements	(600)
Interest	17
Acquisition-related contingent consideration as of January 30, 2021	$ 311

There have been no changes in the valuation techniques used by us to value our financial instruments since the end of fiscal 2020. For additional information, see our Annual Report on Form 10-K for the fiscal year ended May 2, 2020 for the methods and assumptions used to estimate the fair value of each class of financial instrument.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (including exhibits and any information incorporated by reference herein) contains both historical and forward-looking statements that involve risks, uncertainties and assumptions. The statements contained in this Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21B of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, beliefs, intentions and strategies for the future. These statements appear in a number of places in this Report and include all statements that are not historical statements of fact regarding the intent, belief or current expectations with respect to, among other things: (i.) our competition; (ii.) our financing plans and ability to maintain adequate liquidity; (iii.) trends affecting our financial condition or results of operations; (iv.) our growth and operating strategies; (v.) the declaration and payment of dividends; (vi.) the timing and magnitude of future contracts; (vii.) raw material shortages and lead times; (viii.) fluctuations in margins; (ix.) the seasonality of our business; (x.) the introduction of new products and technology; (xi.) the amount and frequency of warranty claims; (xii.) our ability to manage the impact that new or adjusted tariffs may have on the cost of raw materials and components and our ability to sell product internationally; (xiii.) the resolution of litigation contingencies; (xiv.) the timing and magnitude of any acquisitions or dispositions; (xv.) the impact of governmental laws, regulations, and orders, including as a result of the COVID-19 pandemic caused by the coronavirus; and (xvi.) disruptions to our business caused by geopolitical events, military actions, work stoppages, natural disasters, or international health emergencies, such as the COVID-19 pandemic. The words "may," "would," "could," "should," "will," "expect," "estimate," "anticipate," "believe," "intend," "plan" and similar expressions and variations thereof are intended to identify forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, many of which are beyond our ability to control, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors discussed herein, including those discussed in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended May 2, 2020 in the section entitled "Part I, Item 1A. Risk Factors" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and those factors discussed in detail in our other filings with the Securities and Exchange Commission.

The following discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). This discussion should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements included in this Report. The preparation of these condensed financial statements requires us to make estimates and judgments affecting the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate our estimates, including those related to total costs on long-term construction-type contracts, costs to be incurred for product warranties and extended maintenance contracts, bad debts, excess and obsolete inventory, income taxes, share-based compensation, goodwill impairment and contingencies. Our estimates are based on historical experience and on various other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

OVERVIEW

We design, manufacture and sell a wide range of display systems to customers throughout the world. We focus our sales and marketing efforts on markets, geographical regions and products. Our five business segments consist of four domestic business units and the International business unit. The four domestic business units consist of Commercial, Live Events, High School Park and Recreation, and Transportation, all of which include the geographic territories of the United States and Canada. Disclosures related to our business segments are provided in "Note 5. Segment Reporting" of the Notes to the Condensed Consolidated Financial Statements included elsewhere in this Report.

Our net sales and profitability historically have fluctuated due to the impact of uniquely configured orders, such as display systems for professional sports facilities, colleges and universities, and spectacular projects in the commercial area, as well as the seasonality of the sports market. Uniquely configured orders can include several displays, controllers, and subcontracted structure builds, each of which can occur on varied schedules per the customer's needs. Historically, our third fiscal quarter sales and profit levels are lighter than other quarters due to the seasonality of our sports business, construction cycles, and the reduced number of production days due to holidays in the quarter.

Our gross margins tend to fluctuate more on uniquely configured orders than on limited configured orders. Uniquely configured orders involving competitive bidding and substantial subcontracting work for product installation generally have lower gross margins. Although we follow the over time method of recognizing revenues for uniquely configured orders, we nevertheless have experienced fluctuations in operating results and expect our future results of operations will be subject to similar fluctuations.

Backlog represents the dollar value of orders for integrated electronic display systems and related products and services which are expected to be recognized in net sales in the future. Orders are contractually binding purchase commitments from customers. Orders are included in backlog when we are in receipt of an executed contract and any required deposits or security, and have not yet been recognized into net sales. Certain orders for which we have received binding letters of intent or contracts will not be included in backlog until all required contractual documents and deposits are received. Orders and backlog are not measures defined by GAAP, and our methodology for determining orders and backlog may vary from the methodology used by other companies in determining their orders and backlog amounts.

Order and backlog levels provide management and investors additional details surrounding the results of our business activities in the marketplace and highlights fluctuations caused by seasonality and our large project business. Management uses orders to evaluate market share and performance in the competitive environment. Management uses backlog information for capacity and resource planning. We believe order information is useful to investors because it provides an indication of our market share. We believe backlog information is useful to investors to provide an indication of future revenues.

GENERAL

Our mission is to be the world leader at informing and entertaining audiences through dynamic audiovisual communication systems. We organize into business units to focus on customer loyalty over time to earn new and replacement business because our products have a finite lifetime. See "Note 5. Segment Reporting" of the Notes to the Condensed Consolidated Financial Statements included elsewhere in this Report for further information. Our strategies include the creation of a comprehensive line of innovative solutions and systems and our ability to create and leverage platform designs and technologies. These strategies align us to effectively deliver value to our varied customers and their market needs, while serving our stakeholders over the long-term. We focus on creating local capabilities for sales, service, and manufacturing in geographies with expected digital market opportunities. We believe consistently generating profitable growth will provide value to our stakeholders (customers, employees, shareholders, suppliers, and communities).

We measure our success using a variety of measures including:

- our percentage of market share by comparing our estimated revenue to the total estimated global digital display revenue,
- our order growth compared to the overall digital market order change,
- financial metrics such as annual order volume and profit change as compared to our previous financial results,
- customer retention and expansion rates,
- our ability to generate profits over the long-term to provide a shareholder return.

Certain factors impact our ability to succeed in these strategies and impact our business units to varying degrees. For example, the overall cost to manufacture and the selling prices of our products have decreased over the years and are expected to continue to decrease in the future. Our competitors outside the U.S. are impacted differently by the global trade environment allowing them to avoid tariff costs or reduce prices. As a result, additional competitors have entered the market, and each year we must sell more product to generate the same or greater level of net sales as in previous fiscal years. However, the decline of digital solution pricing over the years and increased user adoption and applications have increased the size of the global market.

Competitor offerings, actions and reactions also can vary and change over time or in certain customer situations. Projects with multimillion-dollar revenue potential attracts competition, and competitors can use marketing or other tactics to win business.

Each business unit's long-term performance can be impacted by economic conditions in different ways and to different degrees. The effects of an adverse economy are generally less severe on our sports related business as compared to our other businesses, although in severe economic downturns with social changes causing decreases in sporting event revenues, the sports business can also be seriously impacted.

Outlook: The COVID-19 pandemic has created disruptions since its initial outbreak, first impacting our China operations. Beginning in February 2020, we created COVID-19 response teams to manage our local and global response activities. Using the guidance from the U.S. Centers for Disease Control and Prevention, the World Health Organization, and other applicable regulatory agencies, we enhanced or implemented robust health, safety, and cleaning protocols across our organization.

Throughout the first nine months of fiscal 2021, employees have worked from home where possible, and travel has been limited. When unable to work safely or within the various regulations put in place in certain geographies and locations and as a result of decreased demand, our sales, manufacturing and field service teams temporarily reduced capacity and furloughed employees.

Our sales teams have continued to engage our customers to promote our value, mostly virtually, across our diverse markets and geographies. However, our customers reduced their spend on audiovisual systems and related services through the first nine months of our fiscal year as they work through the economic and business implications of COVID-19. We took corresponding actions to reduce operating expenses to align with expected order and sales declines expected for the remainder of the year. These expense reductions vary in permanency and may change in future periods.

Our supply chain team has remained alert to potential short supply situations and shipping disruptions, and, if necessary, we are utilizing alternative sources and shipping methods.

We expect the COVID-19 pandemic to continue to have an adverse impact on our revenue and our results of operations, the amount and duration of which we are unable to predict. The global impact of COVID-19 continues to evolve. The extent to which COVID-19 will impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate severity and spread of the disease, the duration of the pandemic, the availability and effectiveness of vaccines, travel restrictions and social distancing requirements in the United States and other countries, the pace and extent of the economic recovery, and any change in trends and practices in how people gather. Given the speed and frequency of continuously evolving developments with respect to this pandemic, we cannot reasonably estimate the magnitude of the impact to our business.

In the near-term, our operating results are going to be challenged due to this crisis. We continue to manage our cost structure to meet the uncertain demand, while making additional cost reductions as needed. Our customers' businesses are subject to the fluctuations in global economic cycles and conditions and other business risk factors which may impact their ability to operate their businesses. The performance and financial condition of our customers may cause us to alter our business terms or to cease doing business with a particular customer. Further, the potential impact of the COVID-19 pandemic on their businesses could adversely impact our customers' ability to pay us for work performed, increasing our future estimate of credit losses.

In addition to the COVID-19 impacts noted above, the outlook and unique key growth drivers and challenges by our business units include:

Commercial Business Unit: In the near-term, our customers who rely on advertising revenues for Out-of-Home ("OOH") advertising or who are reliant on customer foot-traffic to drive sales have been adversely impacted by stay-at-home or quarantine orders which started in March 2020 with varied or no published expiration. These customers are expected to delay their discretionary capital spending through the COVID-19 economic recovery. Businesses using our displays for self-promotion or on-premise advertising may have reduced budgets for the foreseeable future or may choose to utilize displays as part of their recovery, both actions creating an impact to the Commercial business' near-term outlook. We cannot reasonably estimate the magnitude or length of time our Commercial business will be impacted.

Over the long-term, we believe growth in the Commercial business unit will result from a number of factors, including:

- Standard display product market growth due to market adoption and lower product costs, which drive marketplace expansion. Standard display products are used to attract or communicate with customers and potential customers of retail, commercial, and other establishments. Pricing and economic conditions are the principal factors that impact our success in this business unit. We utilize a reseller network to distribute our standard products.
- National accounts standard display market opportunities due to customers' desire to communicate their message, advertising and content consistently across the country. Increased demand is possible from national retailers, quick serve restaurants, petroleum retailers, and other nationwide organizations.
- Additional standard display offerings using micro-light emitting diode ("LED") designs.
- Increasing use of LED technologies replacing signage previously using liquid crystal display ("LCD") technology by existing and new customers.
- Increasing interest in spectaculars, which include very large and sometimes highly customized displays as part of entertainment venues such as casinos, shopping centers, cruise ships and Times Square type locations.
- Dynamic messaging systems demand growth due to market adoption and expanded use of this technology.
- The use of architectural lighting products for commercial buildings, which real estate owners use to add accents or effects to an entire side or circumference of a building to communicate messages or to decorate the building.
- The continued deployment of digital billboards as OOH advertising companies continue developing new sites and replacing digital billboards reaching end of life. This is dependent on no adverse changes occurring in the digital billboard regulatory environment restricting future billboard deployments, as well as maintaining our current market share in a business that is concentrated in a few large OOH companies.
- Replacement cycles within each of these areas.

Live Events Business Unit: Our customers have been adversely impacted by governmental limitations on the number of people allowed to gather in certain spaces which started in March 2020 with varied or no published expiration. In the near-term, our customers who rely on advertising and event revenues are expected to delay spending on projects because of the COVID-19 pandemic. Changes to the ways and willingness of how people gather may change the demand for our systems.

Over the long-term, we believe growth in the Live Events business unit will result from a number of factors, including:

- Facilities spending more on larger display systems to enhance the game-day and event experience for attendees.
- Lower product costs, driving an expansion of the marketplace.
- Our product and service offerings, including additional micro-LED offerings which remain the most integrated and comprehensive offerings in the industry.
- The competitive nature of sports teams, which strive to out-perform their competitors with display systems.
- The desire for high-definition video displays, which typically drives larger displays or higher resolution displays, both of which increase the average transaction size.
- Dynamic messaging system needs throughout a sports facility.
- Increasing use of LED technologies replacing signage previously using LCD technology in and surrounding live events facilities.
- Replacement cycles within each of these areas.

High School Park and Recreation Business Unit: In the near-term, our customers who rely on advertising revenue for sports installations or who may be impacted by governmental tax revenue availability may choose to delay spending on projects because of the impacts on their business caused by the COVID-19 pandemic.

Over the long-term, we believe growth in the High School Park and Recreation business unit will result from a number of factors, including:

- Increased demand for video systems in high schools as school districts realize the revenue generating potential of these displays compared to traditional scoreboards and these systems' ability to provide or enhance academic curriculum offerings for students.
- Increased demand for different types of displays and dynamic messaging systems, such as message centers at schools to communicate to students, parents and the broader community.
- Lower system costs driving the use of more sophisticated displays in school athletic facilities, such as large integrated video systems.
- Expanding control system options tailored for the markets' needs.

Transportation Business Unit: In the near term, customers in the mass-transit and airport part of the market are expected to delay spending as a result of the limited use of this infrastructure and impact on their financial stability during the COVID-19 pandemic. In the long-term, roadway projects may be impacted due to reduced tax revenues. That impact is expected to increase as the duration of the reduction in infrastructure usage continues.

Over the long-term, we believe growth in the Transportation business unit will result from a number of factors including:

- Increasing applications and acceptance of electronic displays to manage transportation systems, including roadway, airport, parking, transit and other applications.
- Effective use of the United States transportation infrastructure requires intelligent transportation systems. This growth is highly dependent on government spending, primarily by state and federal governments, along with the continuing acceptance of private/public partnerships as an alternative funding source.
- Expanded use of dynamic messaging systems for advertising and wayfinding use in public transport and airport terminals due to expanded market usage and displays, with LED technology replacing prior LCD installations and additional display offerings using micro-LEDs.

International Business Unit: In the near-term, our customers who rely on advertising, retail, event revenues and governmental tax revenue availability are expected to delay spending on projects due to the impacts caused by the COVID-19 pandemic. Changes to the ways and willingness of how people gather may change the demand for our systems.

Over the long-term, we believe growth in the International business unit will result from a number of factors including:

- Achieving greater penetration in various geographies and building products more suited to individual markets. We continue to broaden our product offerings into the transportation segment in Europe and the Middle East.
- Continued focus on sports facility, spectacular-type, OOH advertising products, and architectural lighting market opportunities and the factors listed in each of the other business units to the extent they apply outside of the United States and Canada.
- Additional opportunities exist with expanded market usage of LED technology due to price considerations, usage of LED technology replacing prior LCD installations and additional display offerings using micro-LEDs.

Table of Contents

RESULTS OF OPERATIONS

Daktronics, Inc. operates on a 52- or 53-week fiscal year, with our fiscal year ending on the Saturday closest to April 30 of each year. When April 30 falls on a Wednesday, the fiscal year ends on the preceding Saturday. Within each fiscal year, each quarter is comprised of 13-week periods following the beginning of each fiscal year. In each 53-week year, an additional week is added to the first quarter, and each of the last three quarters is comprised of a 13-week period. The fiscal year ending May 1, 2021 will consist of 52 weeks and the fiscal year ended May 2, 2020 was a 53-week year; therefore, the nine months ended January 30, 2021 contains operating results for 39 weeks while the nine months ended February 1, 2020 contains operating results for 40 weeks.

COMPARISON OF THE THREE MONTHS ENDED JANUARY 30, 2021 AND FEBRUARY 1, 2020

Net Sales

	Three Months Ended			
(in thousands)	January 30, 2021	February 1, 2020	Dollar Change	Percent Change
Net sales:				
Commercial	$ 30,085	$ 36,880	$ (6,795)	(18.4)%
Live Events	23,330	40,571	(17,241)	(42.5)
High School Park and Recreation	14,644	14,775	(131)	(0.9)
Transportation	11,769	13,916	(2,147)	(15.4)
International	14,311	21,515	(7,204)	(33.5)
	$ 94,139	$ 127,657	$ (33,518)	(26.3)%
Orders:				
Commercial	$ 34,806	$ 36,898	$ (2,092)	(5.7)%
Live Events	11,075	41,484	(30,409)	(73.3)
High School Park and Recreation	16,366	20,447	(4,081)	(20.0)
Transportation	12,991	16,203	(3,212)	(19.8)
International	11,650	19,992	(8,342)	(41.7)
	$ 86,888	$ 135,024	$ (48,136)	(35.6)%

Sales and orders in all business units were impacted as a result of the economic downturn caused by the COVID-19 pandemic. The change in sales was also related to fluctuations in the timing of order bookings, and related conversion to sales. Our third quarter historically has been lower than other quarters due to sports and construction seasonality. The change in orders was also impacted by the timing of large contract orders which causes lumpiness.

During the quarter, order activity in all business units were lower as compared to prior periods due to overall low market activity primarily resulting from customers delaying decisions or deferring upgrades and improvements due to the impact of the COVID-19 pandemic. The Commercial business unit had improved orders for on-premise applications.

Product Order Backlog

The product order backlog as of January 30, 2021 was $195 million as compared to $187 million as of February 1, 2020 and $201 million at the end of the second quarter of fiscal 2021. Historically, our product order backlog varies due to the seasonality of our business, the timing of large projects, and customer delivery schedules for these orders. The product order backlog as of January 30, 2021 increased in the Live Events, Transportation, and International business units and decreased in the Commercial and High School Park and Recreation business units from February 1, 2020.

Gross Profit and Contribution Margin

	Three Months Ended			
	January 30, 2021		February 1, 2020	
(in thousands)	Amount	As a Percent of Net Sales	Amount	As a Percent of Net Sales
Gross Profit:				
Commercial	$ 8,410	28.0%	$ 5,399	14.6%
Live Events	4,256	18.2	7,815	19.3
High School Park and Recreation	6,437	44.0	3,184	21.5
Transportation	3,845	32.7	4,316	31.0
International	993	6.9	3,768	17.5
	$ 23,941	25.4%	$ 24,482	19.2%

Gross profit is net sales less cost of sales. Cost of sales consists primarily of inventory, logistics related costs including tariffs and duties, consumables, salaries, other employee-related costs, facilities-related costs for manufacturing locations, machinery and equipment maintenance and depreciation, site sub-contractors, warranty costs, and other service delivery expenses.

The improved gross profit rate is a result of the mix of service agreement and product sales and a $2.1 million litigation claim reversal in the third quarter of fiscal 2021 as compared to the third quarter of fiscal 2020. Excluding the impact of the litigation claim reversal, gross profit as a percentage of sales was 23.2 percent in the third quarter of fiscal 2021. In addition, during the third quarter of fiscal 2021, we have lowered overall staffing and temporarily furloughed employees to achieve lower operating costs to align with the uncertainties created by the COVID-19 pandemic. During the third quarter of fiscal 2020 we experienced additional expenses of approximately $1.1 million for project delivery costs. The gross profit percentage increased in our Commercial and High School Park and Recreation business units primarily due to the reasons described above.

We earned a higher rate of gross profit on our service agreements due to reduced stand ready services conducted during the quarter. This was due to lower on-site demand as events were either not being held or held at a reduced frequency as compared to prior quarters. We believe this higher gross profit level will not be sustained in future quarters. This was offset by total warranty as a percent of sales was 1.6 percent for the three months ended January 30, 2021 as compared to 1.3 percent during the three months ended February 1, 2020.

Table of Contents

	Three Months Ended					
	January 30, 2021				February 1, 2020	
(in thousands)	Amount	As a Percent of Net Sales	Dollar Change	Percent Change	Amount	As a Percent of Net Sales
Contribution Margin:						
Commercial	$ 5,061	16.8%	$ 4,241	517.2%	$ 820	2.2%
Live Events	2,062	8.8	(1,993)	(49.1)	4,055	10.0
High School Park and Recreation	4,276	29.2	4,553	(1,643.7)	(277)	(1.9)
Transportation	3,212	27.3	(46)	(1.4)	3,258	23.4
International	(2,674)	(18.7)	(2,748)	(3,713.5)	74	0.3
	$ 11,937	12.7%	$ 4,007	50.5%	$ 7,930	6.2%

Contribution margin is a non-GAAP measure and consists of gross profit less selling expenses. Selling expenses consist primarily of salaries, other employee-related costs, travel and entertainment expenses, facility-related costs for sales and service offices, bad debt expenses, third-party commissions and expenditures for marketing efforts, including the costs of collateral materials, conventions and trade shows, product demonstrations, customer relationship management systems, and supplies.

Contribution margin is impacted by the previously discussed sales and gross margin for each business unit. Each business unit's contribution margin was impacted by a decrease in personnel related expenses, continued reductions in travel and entertainment, marketing, and convention related expenses due to limited ability to travel or delayed conventions, which was partly offset by a $1.3 million increase in bad debt expenses. We have lowered overall staffing and furloughed employees to achieve lower operating costs to align with the uncertainties created by the COVID-19 pandemic.

Reconciliation from non-GAAP contribution margin to operating margin GAAP measure is as follows:

	Three Months Ended					
	January 30, 2021				February 1, 2020	
(in thousands)	Amount	As a Percent of Net Sales	Dollar Change	Percent Change	Amount	As a Percent of Net Sales
Contribution margin	$ 11,937	12.7%	$ 4,007	50.5%	$ 7,930	6.2%
General and administrative	6,389	6.8	(2,251)	(26.1)	8,640	6.8
Product design and development	5,784	6.1	(2,658)	(31.5)	8,442	6.6
Operating loss	$ (236)	(0.3)%	$ 8,916	(97.4)%	$ (9,152)	(7.2)%

General and administrative expenses consist primarily of salaries, other employee-related costs, professional fees, shareholder relations costs, facilities and equipment-related costs for administrative departments, training costs, and the cost of supplies.

General and administrative expenses in the third quarter of fiscal 2021 decreased as compared to the same period one year ago primarily due to decreases in personnel related expenses and professional fees. We have lowered overall staffing and furloughed employees to achieve lower operating costs to align with the uncertainties created by the COVID-19 pandemic.

Product design and development expenses consist primarily of salaries, other employee-related costs, professional services, facilities costs and equipment-related costs and supplies. Product design and development investments in the near term are focused on developing or improving our video technology over a wide range of pixel pitches for both indoor and outdoor applications. These new or improved technologies are focused on varied pixel density for image quality and use, expanded product line offerings for our various markets and geographies, improved quality and reliability, and improved cost points. We plan to make continued investments in our software and controller capabilities throughout our various product offerings. Through our design efforts, we focus on standardizing display components and control systems for both single site and network displays.

Our costs for product design and development represent an allocated amount of costs based on time charges, professional services, material costs and the overhead of our engineering departments. Generally, a significant portion of our engineering time is spent on product design and development, while the rest is allocated to large contract work and included in cost of sales.

Product design and development expenses in the third quarter of fiscal 2021 decreased as compared to the same period one year ago primarily due to decreased labor costs and professional services assigned to product design and development projects. We have lowered overall staffing, furloughed employees, and lowered the use of contractors in our development area to achieve lower operating costs to align with the uncertainties created by the COVID-19 pandemic.

Other Income and Expenses

	Three Months Ended					
	January 30, 2021				February 1, 2020	
(in thousands)	Amount	As a Percent of Net Sales	Dollar Change	Percent Change	Amount	As a Percent of Net Sales
Interest (expense) income, net	$ (40)	(0.0)%	$ (286)	(116.3)%	$ 246	0.2%
Other (expense) income, net	$ (913)	(1.0)%	$ (582)	175.8%	$ (331)	(0.3)%

Interest (expense) income, net: We generate interest income through short-term cash investments, marketable securities, and product sales on an installment basis or in exchange for the rights to sell and retain advertising revenues from displays, which result in long-term receivables. Interest expense is comprised primarily of interest costs on our line of credit and any long-term obligations.

The change in interest income and expense, net for the third quarter of fiscal 2021 compared to the same period one year ago was primarily due to the change in investment levels caused by the volatility of working capital needs and interest expense for our drawings on the line of credit.

Other (expense) income, net: The change in other income and expense, net for the third quarter of fiscal 2021 as compared to the same period one year ago was primarily due to foreign currency volatility and the increases in the losses recorded for equity method affiliates.

Table of Contents

Income Taxes

The provision for income taxes during interim reporting periods is calculated by applying an estimate of the annual effective tax rate to “ordinary” income or loss for the reporting period, adjusted for discrete items. Due to various factors, including our estimate of annual income, our effective tax rate is subject to fluctuation.

We have recorded an effective tax rate of 82.0 percent for the third quarter of fiscal 2021 as compared to a negative effective tax rate of 37.9 percent for the third quarter of fiscal 2020. The tax rate changes each period are primarily driven by the mathematical calculations of estimated tax credits and other permanent difference levels proportionate to estimated pre-tax earnings levels and the related changes in estimates of each of those variables through the year. For the three months ended January 30, 2021, the rate change was mainly driven by a return to provision benefit booked in proportion to an actual small pre-tax loss for the quarter; whereas the three months ended February 1, 2020, was primarily driven by changes in the proportionate percentage of estimated tax credits and other permanent differences compared to estimated pre-tax earnings.

COMPARISON OF THE NINE MONTHS ENDED JANUARY 30, 2021 AND FEBRUARY 1, 2020

Net Sales

	Nine Months Ended			
(in thousands)	January 30, 2021	February 1, 2020	Dollar Change	Percent Change
Net sales:				
Commercial	$ 94,947	$ 120,566	$ (25,619)	(21.2)%
Live Events	112,626	159,196	(46,570)	(29.3)
High School Park and Recreation	71,165	75,433	(4,268)	(5.7)
Transportation	41,590	53,264	(11,674)	(21.9)
International	44,822	74,365	(29,543)	(39.7)
	$ 365,150	$ 482,824	$ (117,674)	(24.4)%
Orders:				
Commercial	$ 92,929	$ 119,059	$ (26,130)	(21.9)%
Live Events	93,619	149,461	(55,842)	(37.4)
High School Park and Recreation	64,582	73,852	(9,270)	(12.6)
Transportation	37,713	55,410	(17,697)	(31.9)
International	55,864	75,827	(19,963)	(26.3)
	$ 344,707	$ 473,609	$ (128,902)	(27.2)%

Sales and orders in all business units were impacted as a result of the economic downturn caused by the COVID-19 pandemic as well as the nine months ended February 1, 2020 included 40 weeks compared to the more common 39 weeks. The nine months ended January 30, 2021 contained 39 weeks.

For net sales, during the first nine months ended January 30, 2021, we achieved a $9.4 million per week average run rate as compared to $12.1 million per week during the first nine months ended February 1, 2020, or an approximate 22 percent decrease. The change in sales was also related to fluctuations in the timing of order bookings, and related conversion to sales.

For orders, during the first nine months ended January 30, 2021, we achieved a $8.8 million per week average run rate as compared to $11.8 million per week during the first nine months ended February 1, 2020, or an approximate 25 percent decrease. The change in orders was also impacted by the timing of large contract orders which causes lumpiness.

Gross Profit and Contribution Margin

Nine Months Ended	
January 30, 2021	February 1, 2020

(in thousands)		Amount	As a Percent of Net Sales		Amount	As a Percent of Net Sales
Gross Profit:						
Commercial	$	24,730	26.0%	$	22,479	18.6%
Live Events		20,910	18.6		32,486	20.4
High School Park and Recreation		25,410	35.7		22,595	30.0
Transportation		14,300	34.4		18,073	33.9
International		7,666	17.1		14,441	19.4
	$	93,016	25.5%	$	110,074	22.8%

Gross profit is net sales less cost of sales. Cost of sales consists primarily of inventory, logistics related costs including tariffs and duties, consumables, salaries, other employee-related costs, facilities-related costs for manufacturing locations, machinery and equipment maintenance and depreciation, site sub-contractors, warranty costs, and other service delivery expenses.

The increase in our gross profit percentage for the nine months ended January 30, 2021 compared to the same period one year ago was the result of the mix of service agreement and product sales, a $2.1 million litigation claim reversal in High School Park and Recreation, and the following impacts across all business units: $2.8 million of severance costs to reducing our workforce, offset by $1.6 million of COVID relief governmental subsidies. In addition, during fiscal 2021, we have lowered overall staffing and temporarily furloughed employees to achieve lower operating costs to align with the uncertainties created by the COVID-19 pandemic. During fiscal 2020, we experienced additional expenses of approximately $3.2 million for project delivery costs, and $2.5 million in tariff related expenses, decreasing the gross profit rate for the year.

We earned a higher rate of gross profit on our service agreements due to reduced stand ready services conducted during the nine months ended January 30, 2021. This was due to lower on-site demand as events were not being held. We believe this higher gross profit level will not be sustained in future quarters. Total warranty as a percent of sales decreased to 1.5 percent for the nine months ended January 30, 2021 as compared to 1.9 percent during the nine months ended February 1, 2020.

Table of Contents

	Nine Months Ended								
	January 30, 2021						February 1, 2020		
(in thousands)		Amount	As a Percent of Net Sales		Dollar Change	Percent Change		Amount	As a Percent of Net Sales
Contribution Margin:									
Commercial	$	14,283	15.0%	$	6,526	84.1%	$	7,757	6.4%
Live Events		14,081	12.5		(7,208)	(33.9)		21,289	13.4
High School Park and Recreation		18,142	25.5		5,839	47.5		12,303	16.3
Transportation		12,039	28.9		(2,566)	(17.6)		14,605	27.4
International		(1,743)	(3.9)		(4,837)	(156.3)		3,094	4.2
	$	56,802	15.6%	$	(2,246)	(3.8)%	$	59,048	12.2%

Contribution margin is a non-GAAP measure and consists of gross profit less selling expenses. Selling expenses consist primarily of salaries, other employee-related costs, travel and entertainment expenses, facility-related costs for sales and service offices, bad debt expenses, third-party commissions and expenditures for marketing efforts, including the costs of collateral materials, conventions and trade shows, product demonstrations, customer relationship management systems, and supplies.

Contribution margin is impacted by the previously discussed sales and gross margin for each business unit. Each business unit's contribution margin was impacted as a result of the economic downturn caused by the COVID-19 pandemic, as well as the nine months ended February 1, 2020 included 40 weeks compared to the more common 39 weeks. The nine months ended January 30, 2021 contained 39 weeks. In addition, each business unit's contribution margin had a decrease in personnel related expenses offset by severance costs for reductions in force, as well as reductions in travel and entertainment, marketing, and convention related expenses. This was partially offset by a $2.0 million increase in bad debt expenses. We have lowered overall staffing and furloughed employees to achieve lower operating costs to align with the uncertainties created by the COVID-19 pandemic.

Reconciliation from non-GAAP contribution margin to operating margin GAAP measure is as follows:

	Nine Months Ended								
	January 30, 2021						February 1, 2020		
(in thousands)		Amount	As a Percent of Net Sales		Dollar Change	Percent Change		Amount	As a Percent of Net Sales
Contribution margin	$	56,802	15.6%	$	(2,246)	(3.8)%	$	59,048	12.2%
General and administrative		20,777	5.7		(5,921)	(22.2)		26,698	5.5
Product design and development		20,053	5.5		(9,010)	(31.0)		29,063	6.0
Operating income	$	15,972	4.4%	$	12,685	385.9%	$	3,287	0.7%

All areas of operating expenses were impacted as a result of the economic downturn caused by the COVID-19 pandemic. In addition, the nine months ended February 1, 2020 included 40 weeks compared to the 39 weeks in the nine months ended January 30, 2021.

General and administrative expenses consist primarily of salaries, other employee-related costs, professional fees, shareholder relations costs, facilities and equipment-related costs for administrative departments, training costs, and the cost of supplies.

General and administrative expenses in the nine months ended January 30, 2021 decreased as compared to the same period one year ago primarily due to decreases in personnel related expenses and professional fees offset by severance costs from the reduction in force. We have lowered overall staffing and furloughed employees to achieve lower operating costs to align with the uncertainties created by the COVID-19 pandemic.

Product design and development expenses consist primarily of salaries, other employee-related costs, professional services, facilities costs and equipment-related costs and supplies. Product design and development investments in the near term are focused on developing or improving our video technology over a wide range of pixel pitches for both indoor and outdoor applications. These new or improved technologies are focused on varied pixel density for image quality and use, expanded product line offerings for our various markets and geographies, improved quality and reliability, and improved cost points. We plan to make continued investments in our software and controller capabilities throughout our various product offerings. Through our design efforts, we focus on standardizing display components and control systems for both single site and network displays.

Our costs for product design and development represent an allocated amount of costs based on time charges, professional services, material costs and the overhead of our engineering departments. Generally, a significant portion of our engineering time is spent on product design and development, while the rest is allocated to large contract work and included in cost of sales.

Product design and development expenses in the nine months ended January 30, 2021 as compared to the same period one year ago decreased primarily due to decreased labor costs and professional services assigned to product design and development projects offset by severance costs for the reduction in force. We have lowered overall staffing and furloughed employees to achieve lower operating costs to align with the uncertainties created by the COVID-19 pandemic.

Other Income and Expenses

	Nine Months Ended					
	January 30, 2021				February 1, 2020	
(in thousands)	**Amount**	**As a Percent of Net Sales**	**Dollar Change**	**Percent Change**	**Amount**	**As a Percent of Net Sales**
Interest (expense) income, net	$ (46)	(0.0)%	$ (657)	(107.5)%	$ 611	0.1%
Other (expense) income, net	$ (2,377)	(0.7)%	$ (1,725)	264.6%	$ (652)	(0.1)%

Interest (expense) income, net: We generate interest income through short-term cash investments, marketable securities, and product sales on an installment basis or in exchange for the rights to sell and retain advertising revenues from displays, which result in long-term receivables. Interest expense is comprised primarily of interest costs on our line of credit and any long-term obligations.

The change in interest income and expense, net in the nine months ended January 30, 2021 compared to the same period one year ago was primarily due to the change in investment levels caused by the volatility of working capital needs and interest expense for our drawings on the line of credit.

Table of Contents

Other (expense) income, net: The change in other income and expense, net for the nine months ended January 30, 2021 compared to the same period one year ago was primarily due to foreign currency volatility and the increases in the losses recorded for equity method affiliates. During the nine months ended January 30, 2021, we recorded equity method affiliate losses of $1.7 million as compared to $0.4 million during the nine months ended February 1, 2020.

Income Taxes

The provision for income taxes during interim reporting periods is calculated by applying an estimate of the annual effective tax rate to "ordinary" income or loss for the reporting period, adjusted for discrete items. Due to various factors, including our estimate of annual income, our effective tax rate is subject to fluctuation.

We have recorded an effective tax rate of 21.3 percent for the nine months ended January 30, 2021 as compared to an effective tax rate of 51.6 percent for the nine months ended February 1, 2020. The tax rate changes each period are primarily driven by the mathematical calculations of estimated tax credits and other permanent difference levels proportionate to estimated pre-tax earnings levels and the related changes in estimates of each of those variables through the year. The change in the effective tax rate year over year was driven primarily by a decrease in the proportionate percentage of tax credits and other permanent differences compared to estimated pre-tax earnings.

LIQUIDITY AND CAPITAL RESOURCES

	Nine Months Ended		
(in thousands)	**January 30, 2021**	**February 1, 2020**	**Percent Change**
Net cash provided by (used in):			
Operating activities	$ 48,221	$ 6,190	679.0%
Investing activities	(6,811)	10,034	(167.9)
Financing activities	(556)	(11,424)	(95.1)
Effect of exchange rate changes on cash	(505)	(166)	204.2
Net increase in cash, cash equivalents and restricted cash	$ 40,349	$ 4,634	770.7%

Cash increased by $40.3 million for the first nine months of fiscal 2021 as compared to an increase of $4.6 million in the first nine months of fiscal 2020, which is primarily due to cash generation of operations, a decrease in capital expenditures, and suspending our dividend and share repurchase programs.

Net cash provided by operating activities: Cash generated by operating activities is primarily derived from cash received from customers, offset by cash payments for inventories, subcontractors, employee related costs, and operating expense outflows. Operating cash flows consist primarily of net income adjusted for non-cash items, including depreciation and amortization, stock-based compensation, deferred income taxes, and the effect of changes in operating assets and liabilities. Overall, changes in net operating assets and liabilities can be impacted by the timing of cash flows on large orders, which can cause significant short-term and seasonal fluctuations in inventory, accounts receivables, accounts payable, contract assets and liabilities, and various other operating assets and liabilities. Variability in contract assets and liabilities relates to the timing of billings on construction-type contracts and revenue recognition, which can vary significantly depending on contractual payment terms and build and installation schedules. Balances are also impacted by the seasonality of the sports market.

Net cash provided by operating activities was $48.2 million for the first nine months of fiscal 2021 compared to net cash provided by operating activities of $6.2 million in the first nine months of fiscal 2020. The $42.0 million increase in cash provided by operating activities was primarily the result of changes in net operating assets and liabilities and an increase of $9.1 million in net income.

The changes in operating assets and liabilities consisted of the following:

	Nine Months Ended	
	January 30, 2021	February 1, 2020
(Increase) decrease:		
Accounts receivable	$ 9,089	$ (14,253)
Long-term receivables	2,318	(2,048)
Inventories	15,757	(1,523)
Contract assets	5,558	(1,602)
Prepaid expenses and other current assets	2,342	201
Income tax receivables	492	884
Investment in affiliates and other assets	594	(578)
Increase (decrease):		
Accounts payable	(14,355)	237
Contract liabilities	1,480	3,335
Accrued expenses	(7,557)	3,711
Warranty obligations	998	53
Long-term warranty obligations	(166)	1,192
Income taxes payable	1,185	484
Long-term marketing obligations and other payables	2,380	(128)
	$ 20,115	$ (10,035)

Net cash (used in) provided by investing activities: Net cash used in investing activities totaled $6.8 million in the first nine months of fiscal 2021 compared to net cash provided by investing activities of $10.0 million in the first nine months of fiscal 2020. We had $1.0 million proceeds from sales or maturities of marketable securities in the first nine months of fiscal 2021 as compared to $24.7 million in the first nine months of fiscal 2020. Net proceeds of marketable securities in fiscal 2020 were utilized to cover working capital needs for changes in operating assets and liabilities described above. Purchases of property and equipment totaled $6.9 million in the first nine months of fiscal 2021 compared to $13.6 million in the first nine months of fiscal 2020.

Net cash used in financing activities: Net cash used in financing activities was $0.6 million for the nine months ended January 30, 2021 compared to $11.4 million in the same period one year ago. Principal payments on long-term obligations for the first nine months of fiscal 2021 were $0.4 million compared to $2.1 million during the first nine months of fiscal 2020, which was mostly related to contingent liability payments. Dividends of $6.8 million, or $0.15 per share, paid to Daktronics shareholders during the first nine months of fiscal 2020, while there were no dividends paid during the first nine months of fiscal 2021. During the first nine months of fiscal 2020, we repurchased $2.3 million of shares as part of the $40.0 million share repurchase plan authorized by our Board of Directors. There were no share repurchases in the first nine months of fiscal 2021. As part of our COVID-19 response, our Board of Directors has suspended dividends and stock repurchases for the foreseeable future.

Other Liquidity and Capital Resources Discussion: The timing and amounts of working capital changes, dividend payments, stock repurchase program, and capital spending impact our liquidity.

Working capital was $132.7 million and $106.0 million at January 30, 2021 and May 2, 2020, respectively. The changes in working capital, particularly changes in accounts receivable, accounts payable, inventory, and contract assets and liabilities, and the sports market seasonality can have a significant impact on the amount of net cash provided by operating activities largely due to the timing of payments and receipts. On multimillion-dollar orders, the time between order acceptance and project completion may extend up to or exceed 12 months or more depending on the amount of custom work and a customer’s delivery needs. We often receive down payments or progress payments on these orders.

We had $5.5 million of retainage on long-term contracts included in receivables and contract assets as of January 30, 2021, which has an impact on our liquidity. We expect to collect these amounts within one year. We have historically financed our cash needs through a combination of cash flow from operations and borrowings under bank credit agreements.

On November 15, 2019, we entered into an amendment to extend the maturity date of our credit agreement and a related revolving bank note from November 15, 2019 to November 15, 2022 and to modify certain other terms and financial covenants. On August 28, 2020, we entered into the third amendment to our credit agreement and a security agreement over certain assets. The third amendment adds a liquidity covenant and revises other financial covenants. The revolving amount of the agreement and note remains at $35.0 million, including up to $20.0 million for commercial and standby letters of credit. The credit agreement and amendments require us to be in compliance with certain financial ratios, including the most sensitive covenant of interest bearing debt to earnings before income taxes, depreciation, and amortization of less than 2.5; and other covenants and contain customary events of default, including failure to comply with covenants, failure to pay or discharge material judgments and taxes, bankruptcy, failure to pay loans and fees, and change of control. The occurrence of an event of default by us would permit the lenders to terminate their commitments and accelerate loans repayment, obtain securitized assets, and require collateralization of outstanding letters of credit. As of January 30, 2021, $15.0 million had been advanced to us under the loan portion of the line of credit, and the balance of letters of credit outstanding was approximately $6.7 million. As of January 30, 2021, $13.3 million of the credit facility remains in place and available. As of January 30, 2021, we were in compliance with all applicable bank loan covenants.

We are sometimes required to obtain bank guarantees or other financial instruments for display installations and utilize a global bank to provide such instruments. If we are unable to complete the installation work, our customer would draw on the banking arrangement, and the bank would subrogate its loss to Daktronics restricted cash accounts. As of January 30, 2021, we had $3.6 million of such instruments outstanding.

We are sometimes required to obtain performance bonds for display installations, and we have a bonding line available through a surety company for an aggregate of $150.0 million in bonded work outstanding. If we were unable to complete the installation work, and our customer would call upon the bond for payment, the surety company would subrogate its loss to Daktronics. As of January 30, 2021, we had $38.9 million of bonded work outstanding against this line.

Our business growth and profitability improvement strategies depend on investments in capital expenditures and strategic investments. We are projecting capital expenditures to be approximately $10 million for fiscal 2021. Projected capital expenditures include manufacturing equipment for new or enhanced product production, expanded capacity, investments in quality and reliability equipment, and continued information infrastructure investments. We also evaluate and may invest in new technologies or acquire companies aligned with our business strategy.

We believe our working capital available from all sources will be adequate to meet the cash requirements of our operations and strategies in the foreseeable future. If our growth extends beyond current expectations, or if we make significant strategic investments, we may need to utilize and possibly increase our credit facilities or seek other means of financing. We anticipate we will be able to obtain any needed funds under commercially reasonable terms from our current lenders or other sources, although this availability cannot be guaranteed, especially given the uncertainties resulting from the COVID-19 pandemic.

We believe the audiovisual industry fundamentals will drive long-term growth for our business, but the near-term outlook shows contraction and greater volatility overall. We expect our customers will continue to have disruptions in revenue caused by COVID-19. While it is difficult to estimate the longevity and severity of the COVID-19 pandemic impact to the economy and to our financial position, operating results, and cash flows, we continue to take proactive steps to solidify our financial position and mitigate any adverse consequences. These steps include:

- preserving liquidity by drawing down $15 million from our existing line of credit and pursuing other sources of financing;
- reducing investments in capital assets; we estimate approximately $10 million in capital expenses in fiscal year 2021;
- reducing executive pay and Board member compensation;
- utilizing tax and other government opportunities to improve liquidity;
- temporarily furloughing and permanently reducing our staffing and associated salaries, where necessary, to maintain a right-sized skilled workforce;
- instituting other cost reductions across the business;
- suspending stock repurchases under our share repurchase program; and
- suspending dividend declarations for the foreseeable future.

We believe these measures are necessary to help preserve our ability to borrow for liquidity needs and provide adequate working capital to weather the economic downturn caused by the COVID-19 pandemic. However, no assurance can be made that we will be able to secure such financing, if needed, on favorable terms or at all, or that these strategies will be successful. We continue to carefully monitor this crisis, its impact on market demand, and our expense structure and will take additional actions as needed.

Off-Balance Sheet Arrangements and Contractual Obligations

There has been no material change in our off-balance sheet arrangements and contractual obligations since the end of our 2020 fiscal year on May 2, 2020. For additional information, see our Annual Report on Form 10-K for the fiscal year ended May 2, 2020.

Significant Accounting Policies and Estimates

We describe our significant accounting policies in "Note 1. Nature of Business and Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended May 2, 2020. We discuss our critical accounting estimates in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended May 2, 2020. In the first quarter of fiscal 2021, we adopted Accounting Standards Update ("ASU") 2017-04, *Intangibles-Goodwill and Other (Topic 350)* and ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, as described in "Note 1. Basis of Presentation" of the Notes to the Condensed Consolidated Financial Statements included elsewhere in this Report. There have been no other significant changes in our significant accounting policies or critical accounting estimates since the end of fiscal 2020.

New Accounting Pronouncements

For a summary of recently issued accounting pronouncements and the effects of those pronouncements on our financial results, refer to "Note 1. Basis of Presentation" of the Notes to the Condensed Consolidated Financial Statements included elsewhere in this Report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain interest rate, foreign currency, and commodity risks as disclosed in our Annual Report on Form 10-K for the fiscal year ended May 2, 2020. There have been no material changes in our exposure to these risks during the first nine months of fiscal 2021.

Item 4. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures," as that term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as of January 30, 2021, which is the end of the period covered by this Report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of January 30, 2021, our disclosure controls and procedures were effective.

Based on the evaluation described in the foregoing paragraph, our Chief Executive Officer and Chief Financial Officer concluded that during the quarter ended January 30, 2021, there was no change in our internal control over financial reporting which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Not applicable.

Item 1A. RISK FACTORS

The discussion of our business and operations included in this Quarterly Report on Form 10-Q should be read together with the risk factors described in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended May 2, 2020. They describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties, together with other factors described elsewhere in this Report, have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. New risks may emerge at any time, and we cannot predict those risks or estimate the extent to which they may affect our financial condition or financial results.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchases

During the nine months ended January 30, 2021, we did not repurchase any shares of our common stock.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS

A list of exhibits required to be filed as part of this report is set forth in the Index of Exhibits, which immediately precedes such exhibits, and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

/s/ Sheila M. Anderson
Daktronics, Inc.
Sheila M. Anderson
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Date: March 3, 2021

Index to Exhibits

Certain of the following exhibits are incorporated by reference from prior filings. The form with which each exhibit was filed and the date of filing are as indicated below; the reports described below are filed as Commission File No. 0-23246 unless otherwise indicated.

3.1	Amended and Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 of the Current Report on Form 10-Q/A (Amendment No. 1) of Daktronics, Inc. filed on December 21, 2018).
3.2	Amended and Restated Bylaws of the Company (Incorporated by reference to Exhibit 3.4 filed with our Annual Report on Form 10-K on June 12, 2013).
4.1	Rights Agreement dated as of November 16, 2018 between Daktronics, Inc. and Equiniti Trust Company, as Rights Agent (Incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K of Daktronics, Inc. filed on November 16, 2018).
10.1	Credit Agreement dated November 15, 2016 by and between the Company and U.S. Bank National Association (Incorporated by reference to

	Exhibit 10.1 filed with our Current Report on Form 8-K filed on November 16, 2016).
10.2	Revolving Note dated November 15, 2016 issued by the Company to U.S. Bank National Association (Incorporated by reference to Exhibit 10.2 filed with our Current Report on Form 8-K filed on November 16, 2016).
10.3	Second Amendment to Credit Agreement dated as of November 15, 2019 by and between the Company and U.S. Bank National Association (Incorporated by reference to Exhibit 10.1 filed with our Current Report on Form 8-K filed on November 15, 2019).
10.4	Third Amendment to Credit Agreement dated as of August 28, 2020 by and between the Company and U.S. Bank National Association (Incorporated by reference to Exhibit 10.4 filed with our Current Report on Form 10-Q of Daktronics, Inc. filed on August 28, 2020).
10.5	Security Agreement dated as of August 28, 2020 by and between the Company and U.S. Bank National Association (Incorporated by reference to Exhibit 10.5 filed with our Current Report on Form 10-Q of Daktronics, Inc. filed on August 28, 2020).
10.6	Daktronics, Inc. 2020 Stock Incentive Plan ("2020 Plan") (Incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement on Schedule 14A filed on July 16, 2020).
10.7	Form of Restricted Stock Award Agreement under the 2020 Plan (Incorporated by reference to Exhibit 10.2 filed with our Current Report on Form 8-K on September 3, 2020).
10.8	Form of Non-Qualified Stock Option Agreement Terms and Conditions under the 2020 Plan (Incorporated by reference to Exhibit 10.3 filed with our Current Report on Form 8-K on September 3, 2020).
10.9	Form of Incentive Stock Option Terms and Conditions under the 2020 Plan (Incorporated by reference to Exhibit 10.4 filed with our Current Report on Form 8-K on September 3, 2020).
10.10	Form of Restricted Stock Unit Terms and Conditions under the 2020 Plan (Incorporated by reference to Exhibit 10.5 filed with our Current Report on Form 8-K on September 3, 2020).
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350). (1)
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350). (1)
101	The following financial information from our Quarterly Report on Form 10-Q for the period ended January 30, 2021 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Shareholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements. (1)
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)
	(1)Filed herewith electronically.

EXHIBIT 31.1

DAKTRONICS, INC.
CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER REQUIRED BY RULE 13a-14(e)
OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Reece A. Kurtenbach, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended January 30, 2021 of Daktronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financially reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Reece A. Kurtenbach
Reece A. Kurtenbach
Chief Executive Officer
Date: March 3, 2021

DAKTRONICS, INC.
CERTIFICATION OF THE CHIEF FINANCIAL OFFICER REQUIRED BY RULE 13a-14(e)
OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sheila M. Anderson, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended January 30, 2021 of Daktronics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financially reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Sheila M. Anderson
Sheila M. Anderson
Chief Financial Officer
Date: March 3, 2021

EXHIBIT 32.1

DAKTRONICS, INC.
CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Daktronics, Inc. (the "Company") for the quarterly period ended January 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Reece A. Kurtenbach, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Reece A. Kurtenbach
Reece A. Kurtenbach
Chief Executive Officer
Date: March 3, 2021

EXHIBIT 32.2

DAKTRONICS, INC.
CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Daktronics, Inc. (the “Company”) for the quarterly period ended January 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sheila M. Anderson, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Sheila M. Anderson
Sheila M. Anderson
Chief Financial Officer
Date: March 3, 2021