



2026

**LSI INDUSTRIES
2026 ANNUAL REPORT**



A Transformational Year

Fifty Years In. Moving Fast Forward.

As I have done in years past, I want to begin by thanking our dedicated team members, whose hard work and commitment to our customers made this a transformational year for LSI, one in which we delivered record sales and profitability within our core business and welcomed the talented team of Royston Group to the LSI family. We also marked a milestone fifty years since our founding in 1976, a moment that reflects not just where we have been, but the strength of the platform we have built for where we are going.



We closed the year with net sales of \$689.4 million, up 20% over fiscal 2025, and adjusted EBITDA of \$69.7 million, an increase of 27% year over year. Importantly, this was not growth by expansion alone. Our base business grew organically through the year, including organic growth of 8% in the fourth quarter, driven by sustained demand across our vertical markets, improved price realization, and disciplined operations. Royston added to that momentum following its addition in March.

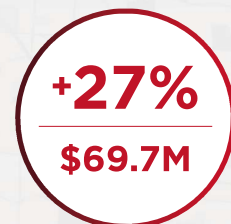
That growth has made us a stronger company. Alongside the teams who joined us from JSI Store Fixtures, EMI Industries, and Canada's Best Holdings, we now offer refrigerated and heated cases, millwork, and metal display solutions together with our lighting, graphics, and display programs. We have deepened our presence in the refueling and convenience store, grocery, and quick service restaurant verticals among others, and we give customers more of what they need from a single partner.

This milestone anniversary year is also a moment to recognize where LSI came from. What began in 1976 as a manufacturer of gas station canopy

lighting has grown into a vertically focused, customer-driven organization spanning lighting, brand imaging, and retail environments, serving many of the nation's leading brands. We are commemorating this milestone throughout calendar 2026, celebrating the people, capabilities, and momentum that define LSI today.



**NET
SALES**



**ADJUSTED
EBITDA**

2026

Fiscal Year Close

27%

Full-year Adjusted EBITDA Growth
vs. fiscal 2025

10.1%

Adjusted EBITDA Margin
An improvement of 50 basis points
vs. fiscal 2025

\$1.25

Adjusted Diluted EPS
Compared with \$1.07 in fiscal 2025

\$39.0M

Free Cash Flow
Full-year fiscal 2026

To bring that shared way of working into sharper focus as we have grown, now approximately 3,000 employees across 23 manufacturing facilities in North America, we introduced DRIVE this year, our shared behavioral framework built around Detail, Respect, Intention, Velocity, and Execution, and our commitment to carry those behaviors across the entire organization so that we act as One LSI. DRIVE is a common language that we will use across the organization to collaborate, make decisions, and hold ourselves accountable, and it is directly connected to how we continue to execute our *Fast Forward* strategy. It gives all of us a common framework for how we work together, regardless of where our LSI journeys began.

Those behaviors were tested this year. The LSI teams met industry market pressures, including tariffs on imported components and materials, with proactive sourcing, disciplined pricing, and steady cost management, protecting both our margins and our continuity of supply to customers. **That work does not end with the fiscal year, and we expect to manage this environment with the same discipline *in the year ahead*.**

Record Results, Built for Scale

Display Solutions net sales grew 30% for the full year to a record \$423.2 million. Momentum built through the second half, with organic growth accelerating from 6% in the third quarter to 18% in the fourth, alongside the addition of Royston. Lighting delivered 7% organic growth for the year to \$266.2 million, driven by increased penetration of national accounts and improved demand for outdoor area lighting, led by our new V-LOCITY™ family of fixtures.

Display Solutions Net Sales +30% YoY

\$423.2M

Lighting Organic Growth, Full Year +7% YoY

\$266.2M

Adjusted EBITDA, adjusted EBITDA margin, adjusted diluted earnings per share, and free cash flow are non-GAAP financial measures. Reconciliations to the most directly comparable GAAP measures are included in the Company's fiscal 2026 fourth quarter earnings release and Annual Report on Form 10-K.

Strength Through Expansion

Expansion has strengthened this company in the ways that matter most to our customers. We have added manufacturing capacity, broadened our engineering and design talent, and widened the range of what we can build and install ourselves. Royston, which joined us in March and is now part of our Display Solutions segment, extended that progress with capabilities that complement ours with very little overlap, and with a team that shares our culture and our customer-first mindset.

What this means for customers is straightforward. Many of them already know part of LSI, even if not by name, through one of our brands or a program delivered in their own locations. Too often, lighting is sourced from one supplier, signage from another, fixtures from a third, and refrigeration from a fourth, and no single party is accountable for the environment as a whole. LSI can design,

manufacture, install, and service the complete environment as one partner accountable for how a location looks, feels, and performs: brand imaging, lighting, and retail environments, built to work as one. Most customers today buy only a portion of what we are able to deliver, so our greatest opportunity is to serve the customers we already know with the whole of what we do.

ONE

PARTNER FOR THE ENTIRE ENVIRONMENT

Because we manufacture the majority of what we install in our own facilities, one company is accountable from the first drawing through every retrofit that follows. That is the promise of One LSI. Bringing our teams, systems, and go-to-market together is our clear priority in the year ahead, and it is where the real value of our expansion will be realized.



**MANUFACTURING
FACILITIES**

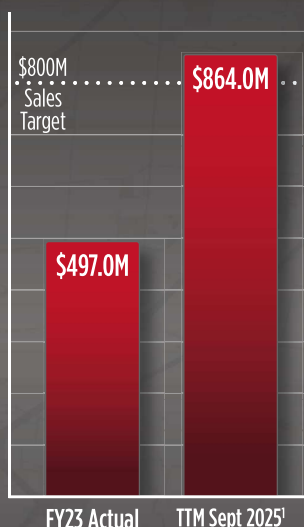


**TEAM
MEMBERS**

Executing Our Fast Forward Plan

Our Fast Forward strategy targets \$800 million in revenue and \$100 million in adjusted EBITDA by 2028, built on three pillars: deepening our presence in our core vertical markets, unlocking growth through integrated, single-source solutions, and leveraging our operating model through cross-selling and operational excellence. Fiscal 2026 marked a pivotal step forward on that roadmap, and our new partnership with U.K.-based Carter Thermal Industries Group added a capital-light entry point into remote refrigeration for our grocery and multi-site retail customers.

Net Sales (\$800M FY28 Target)



Adjusted EBITDA (\$100M FY28 Target)



Positioned for the Next Fifty Years

We enter fiscal 2027 from a position of strength: record full-year revenue and profitability, a broader and more capable platform, and a fifty-year foundation of customer relationships and manufacturing capability that few competitors can match. In the new fiscal year, we expect a sustained, elevated pace of project activity within Display Solutions, continued national account growth within Lighting, and growing momentum from our expanded offering as several of our newest customers enter multi-year renovation and new-store construction cycles.

Behind every milestone in LSI's history is a team of people who believe in what we are building. That belief carried us through a transformational fiscal 2026, and it will carry us into our next fifty years. On behalf of the entire LSI team, thank you for your continued confidence and support.

James A. Clark
President and Chief Executive Officer

¹ Pro forma combined LSI and Royston, trailing twelve months ended September 2025, per the Company's February 25, 2026 acquisition announcement. Presented for illustrative purposes only; not indicative of actual or future results, FY23 figures are actual.

Adjusted EBITDA, adjusted EBITDA margin, adjusted diluted earnings per share, and free cash flow are non-GAAP financial measures. Reconciliations to the most directly comparable GAAP measures are included in the Company's fiscal 2026 fourth quarter earnings release and Annual Report on Form 10-K.



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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JUNE 30, 2026**

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 No. 0-13375

LSI INDUSTRIES INC.

(Exact name of Registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

10000 Alliance Road
Cincinnati, Ohio 45242
(Address of principal executive offices)

IRS Employer I.D.
No. 31-0888951

(513) 793-3200

(Telephone of principal executive offices)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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Common shares, no par value

LYTS

The NASDAQ Stock Market LLC
(NASDAQ Global Select Market)

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐
No ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of December 31, 2025, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$570,002,673 based upon a closing sale price of \$18.32 per share as reported on The NASDAQ Global Select Market.

At August 28, 2026 there were 37,261,336 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the 2026 Annual Meeting of Shareholders to be held on November 24, 2026, are incorporated by reference in Part III, as specified.

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LSI INDUSTRIES INC.
2026 FORM 10-K ANNUAL REPORT
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Note About Forward-Looking Statements

This report includes estimates, projections, statements relating to our business plans, objectives, and expected operating results that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including the following sections: “Business” (Part I, Item 1 of this Form 10-K), “Risk Factors” (Part I, Item 1A of this Form 10-K), “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (Part II, Item 7 of this Form 10-K) and “Quantitative and Qualitative Disclosures about Market Risk” (Part II, Item 7A of this Form 10-K). These forward-looking statements generally are identified by the words “encourage,” “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures about Market Risk.” Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

Website and Social Media Disclosure

We use our website (www.lsicorp.com) and our corporate Facebook, YouTube, LinkedIn, Vimeo, X and Instagram accounts as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, Securities and Exchange Commission, or SEC, filings and public conference calls and webcasts. The contents of our website and social media channels are not, however, a part of this report.

PART I

ITEM 1. BUSINESS

Overview

LSI Industries Inc. (LSI) is a leading producer of non-residential lighting and retail display solutions. Non-residential lighting consists of American-made fixtures and services for both indoor and outdoor applications satisfying the specific performance requirements of our customers. Retail display solutions consist of multiple custom products and services which enhance our customer's brand image and improve the consumer shopping experience. We offer customers in target vertical markets a package solution set of both lighting and display solutions, providing value for the customer by working with one solutions partner to manage their regional and national location programs, versus multiple suppliers.

Our business is organized as follows: the Lighting Segment, which represented 38 % of our fiscal 2026 net sales and the Display Solutions Segment, which represented 62 % of our fiscal 2026 net sales. See Note 5 of Notes to Consolidated Financial Statements of this Form 10-K for additional information on business segments. Net sales by segment are as follows (in thousands):

	2026	2025	2024
Lighting Segment	\$ 266,223	\$ 248,357	\$ 262,413
Display Solutions Segment	423,174	325,020	207,225
Total Net Sales	<u>\$ 689,397</u>	<u>\$ 573,377</u>	<u>\$ 469,638</u>

Lighting Segment

Our Lighting Segment manufactures, markets, and sells outdoor and indoor lighting fixture and controls solutions in several vertical markets such as but not limited to the following: refueling and convenience store, parking lot and garage, quick-service restaurant, retail, grocery and pharmacy, automotive dealership, sports court and field, and warehouse. We service these markets through multiple channels: project business sold through electrical distributors and agents and shipped directly to the customer; standard products sold to and stocked by distributors; and direct to end-use customers. Our products are designed and manufactured to provide maximum customer value and meet the high-quality, competitively priced product requirements of the markets we serve. Focusing on key vertical applications allows us to deliver unique product solutions, which in turn provide differentiated value to our customers.

Our lighting fixtures, poles and accessories are produced in a variety of designs, aesthetics, and finishes. Application of our lighting fixtures vary to include surface, pole, and pendant mounted applications. Functional light distributions from our products varies depending upon application, providing application specific photometric outputs including, but not limited to, interior and exterior downlighting, wall-wash lighting, canopy lighting, floodlighting, emergency exit lighting, industrial lighting, area and parking structure lighting and security lighting. To further energy efficiency gains from our luminaires, we offer a suite of lighting control options, including sensors, photocontrols, dimming, motion detection and circuit controllers in both analog and wireless technologies to further support the application of our luminaires and provide means to additional energy savings. We design and certify to all applicable safety, photometric and performance standards including UL Solutions, Design Lights Consortium, International Dark-Sky Association, Norma Oficial Mexicana (NOM), and Institute for Printed Circuits (IPC). Utilizing LED light sources, our products are designed for energy efficiency, reliability, performance, and ease of installation and service while providing a high degree of overall aesthetic appeal. We focus on providing performance based, energy efficient lighting solutions implemented across all key vertical markets served.

Display Solutions Segment

We recently acquired Royston Group (Royston), an Atlanta-based leader in identity and equipment solutions for retail environments in the third quarter of fiscal 2026. Royston is a vertically integrated provider of custom store fixtures, interior and exterior signage, and refrigerated and heated display cases. In the third quarter of fiscal 2025, we acquired Canada's Best Holdings (CBH), an Ontario Canada-based company which is a leading provider of retail fixtures and custom store design solutions for grocery, quick service restaurant, c-store, banking, and specialty retail industries. We also acquired EMI Industries, LLC (EMI) in the fourth quarter of fiscal 2024. EMI is a metal and millwork manufacturer of standard and customized fixtures, displays, and food equipment for the convenience store, grocery, and restaurant industries. Due to the similarity and complementary nature of the products manufactured by Royston, EMI and CBH with our other current product offerings, we consolidated these companies with our Display Solutions Segment. In addition to the products manufactured by Royston, EMI and CBH, the Display Solutions Segment also manufactures, sells and installs exterior and interior visual image and display elements, including printed graphics, structural graphics, digital signage, digital menu board systems, refrigerated displays, and custom display elements. The major products and services offered by our Display Solutions Segment include signage and canopy graphics, pump dispenser graphics, building fascia graphics, decals, interior signage and marketing graphics, aisle markers, wall mural graphics, and refrigerated food and beverage displays, check-out counters, and an array of merchandising displays and cabinetry specific to the needs of our customers. We also provide a variety of project management services to complement our display elements, such as installation management, site surveys, permitting, and content management which are offered to our customers to support our digital signage. Our professional services group manages and executes the implementation of large rollout programs, which can include hundreds to thousands of individual customer sites. We work with our customers and design firms to establish and implement cost-effective corporate visual image programs to advance our customers' brands and to improve the consumer experience. Increasingly, we have become the primary supplier of exterior and interior visual image and display elements for our customers.

Sales, Customers and Marketing

The products and services we offer are sold primarily throughout the United States, but also in Canada, Mexico, Latin America, and the Caribbean (approximately 7% of consolidated net sales are outside the United States). Our lighting product sales originate from two primary revenue streams. The first revenue stream is from project-based business, quoting and receiving orders as a preferred vendor for product sales to multiple end-users, including customer-owned as well as franchised and licensed dealer operations. The second revenue stream is from selling standard products to stocking distributors, who subsequently provide products to electrical contractors and end users for a variety of lighting applications. Our lighting products are primarily sold through manufacturer's sales representatives and to a lesser degree directly through our own sales force. Our display solution elements and related services, which in many instances are program-driven, are sold primarily through our direct sales force. These programs often represent multiple sites over a period of time. These customers are usually established and have a long-term relationship with LSI. These products and services are sold directly to the customer or a brand marketer acting as an intermediary.

Sales are developed through a wide variety of contacts such as, but not limited to, national retail marketers, branded product companies, and franchised and dealer operations. In addition, sales are also achieved through recommendations from local architects, engineers, electrical distributors, and contractors. The Company utilizes the latest technology to track sales leads and customer quotes with the goal of turning them into orders from our customers.

As the Company grows both organically and through acquisition, the products, services and technologies the Company offers its customers also grows. These offerings provide significant cross-selling opportunities between the segments that enable the Company to be a single-source provider to existing and new customers.

The Company markets its products and service capabilities to end users in multiple channels through a broad spectrum of marketing and promotional methods, including direct customer contact, trade shows, on-site and virtual training, print advertising in industry publications, product brochures and other literature, e-learning, the company's website, as well social media. Our marketing approach and means of distribution vary by product line and by market.

Manufacturing and Distribution

We currently operate out of twenty three manufacturing facilities located within North America.

We design, engineer, and manufacture most of our lighting and display products through the utilization of lean manufacturing principles. Our investment in our production facilities focuses primarily on improving capabilities, product quality, manufacturing efficiency, and environmental, health, and safety compliance. The majority of products we sell are engineered, designed, and assembled by the Company, while a small portion of the products and components we sell are purchased from select qualified vendors. Our lighting and display solutions products are delivered directly from our manufacturing facilities to our customers utilizing third-party common carriers.

The principal raw materials and purchased components used in the manufacturing of our products are steel, aluminum, aluminum castings, fabrications, LEDs, power supplies, sensors, powder paint, steel tubing, wire harnesses, acrylic, silicon and glass lenses, inks, various graphics substrates such as Aluminum Composite Material (ACM), Expanded PVC sheet (EPVC), vinyl film, styrene, foamboards, wood and wood laminates, condensing units, and digital screens. We source these materials and components from a variety of suppliers. Although an interruption of these supplies and components could disrupt our operations, we believe generally that alternative sources of supply exist and could be readily arranged. When faced with supply chain challenges, we increase our safety stock in certain components in order to mitigate potential disruption to our operations resulting from an anticipated shortage of certain components. We are not dependent on any one supplier for critical component parts. We strive to reduce price volatility in our purchases of raw materials and components through annual contracts with strategic suppliers. Our Lighting operations generally carry a certain level of sub-assemblies and finished goods inventory to meet quick delivery requirements. Most lighting products are made to order and shipped shortly after they are manufactured whereas our display solutions operations manufacture custom products for customers who require us to stock certain amounts of finished goods in exchange for their commitment to that inventory.

Research and Development:

We invest in the development of new products and solutions as well as the enhancement of existing product offerings to meet the needs of our customers. Research and development costs are directly attributable to new product development, including the development of new technology for both existing and new products, and consist of salaries, payroll taxes, employee benefits, materials, outside legal costs and filing fees related to obtaining patents, supplies, depreciation, and other administrative costs. Research and development costs related to both product and software development totaled \$3.1 million, \$3.3 million and \$3.5 million for the fiscal years ended June 30, 2026, 2025 and 2024, respectively.

Competition

We experience competition in both segments and in all markets we serve based on numerous factors, including price, brand name recognition, product quality, product design, prompt delivery, energy efficiency, customer relationships, reputation, and service capabilities. Although we have many competitors, both nationally and internationally, some of which have greater financial and other resources, we do not compete with the same companies across both segments and all markets.

Working Capital

For a discussion of our working capital, see “Liquidity and Capital Resources” in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Environmental Regulations

We are subject to a variety of federal, state, and local provisions regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. These include statutory and regulatory provisions under which we are responsible for the management of hazardous materials we use and the disposition of hazardous wastes resulting from our manufacturing processes. Failure to comply with such provisions could result in fines and other liabilities to the governments or third parties.

Seasonality

Our business in both lighting and display solutions segments is subject to some seasonality, with net sales being affected by weather and seasonal demand on construction and installation programs, particularly during the winter months, as well as the annual budget cycles of some major customers. Certain market verticals, grocery and quick-service restaurants (QSR) for example, restrict renovation activity during the November and December holiday season, as these are the high consumer traffic and sales periods. Sales in our Lighting Segment are to customers in both the new construction and renovation and retrofit markets. The construction market is cyclical in nature and subject to changes in general economic conditions and fiscal policies.

Intellectual Property

We own or have rights with respect to various domestic patents, trademarks, and other intellectual property related to our lighting products. These intellectual property rights are important to our businesses. We rely on copyright, patent, trade secret, and trademark laws to protect certain proprietary rights. Despite these protections, unauthorized parties may attempt to infringe on our intellectual property. While patents and patent applications in the aggregate are important to our competitive position, no single patent or patent application is individually material to us.

Human Capital

We recognize that in order to drive innovation, growth, and operational excellence, we must identify, attract, retain, and motivate top talent. Our approach is to develop talent from within and supplement with external hires. We are committed to building a diverse, inclusive, and engaged workforce. Our management teams and all of our employees are expected to exhibit the principles of fairness, honesty, and integrity in the actions we undertake. Our employees must adhere to a code of conduct and ethics that sets standards for appropriate behavior and includes required annual training on preventing, identifying, reporting, and stopping any type of unlawful discrimination or unethical actions.

We invest in programs and processes that develop our employees’ capabilities to ensure that we have the talent we need to execute our strategic business plans. Our performance management program ensures that all leaders have clear priorities, and that their performance relative to these priorities is linked to their compensation. We believe our management team has the experience necessary to effectively execute our strategy. Our business leaders have significant experience and are supported by an experienced and talented management team. For discussion of the risks related to attracting and retention of management and executive employees, refer to “Part I, Item 1A. Risk Factors” of this Annual Report on Form 10-K.

We have approximately 3,000 full-time and part-time employees and approximately 175 agency employees as of June 30, 2026. We offer a comprehensive compensation and benefits program to our employees, including competitive wages, medical and dental insurance, and a 401(k) retirement savings plan.

Information Concerning the Company

We file reports with the Securities and Exchange Commission (“SEC”) on Forms 10-K, 10-Q and 8-K. The SEC maintains an internet website that contains reports, proxy and information statements and other information regarding us. The address of that site is <http://www.sec.gov>. Our internet address is <http://www.lsicorp.com>. We make available free of charge through our internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practical after we electronically file them with the SEC.

The information found on our website is not part of, or incorporated by reference into, this or any other report we file with, or furnish to, the SEC. In addition to these channels, we use social media to communicate to the public. It is possible that the information we post on social media could be deemed to be material to investors. We encourage investors, the media, and others interested in LSI to review the information we post on the social media channels listed on our Investor Relations website.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition, cash flows or future results. Any one of these factors could cause the Company’s actual results to vary materially from recent results or from anticipated future results. The risks described below are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

RISKS RELATED TO OUR STRATEGY

The inability to effectively execute our business strategies could adversely affect our financial condition and results of operations.

Various uncertainties and risks are associated with our approach to strategically penetrate existing and new market verticals, including but not limited to, the development, marketing and selling of new products and solutions, new product development, and the overall development, marketing, and selling of lighting and display solutions. Those uncertainties and risks include but are not limited to diversion of management’s attention; difficulty in retaining or attracting employees; negative impact on business relationships and customers; obsolescence of current products and slow new product development; inability to produce products with quality, performance, and cost attributes equal to or better than provided by our competitors; and unforeseen difficulties in the implementation of the management operating structure. Problems with strategy execution could offset anticipated benefits, disrupt service to customers, and impact product quality as well as adversely affect our business. With the addition of new products and solutions, we may encounter new and different competitors that may have more experience with respect to such products and solutions.

The markets in which we operate are subject to competitive pressures that could affect selling prices, and therefore could adversely affect our operating results.

Our businesses operate in markets that are highly competitive, and we compete on the basis of price, quality, service and/or brand name across the industries and markets served. Some of our competitors for certain products, primarily in the Lighting Segment, have greater sales, assets, and financial resources. Some of our competitors are based in foreign countries and have cost structures and prices in foreign currencies. Accordingly, currency fluctuations could cause our U.S. dollar-priced products to be less competitive than our competitors' products which are priced in other currencies. Aggressive pricing actions of our competitors could affect prices we charge our customers or demand for our products, which could adversely affect our operating results. Additionally, customers for our products may attempt to reduce the number of vendors from which they purchase in order to reduce the size and diversity of their inventories and their transaction costs. To remain competitive, we will need to invest continuously in research and development, manufacturing, marketing, and customer service and support. We may not have sufficient resources to continue to make such investments, and we may be unable to maintain our competitive position.

Two of our largest market verticals are the refueling and convenience store and grocery markets, and any substantial change in these markets could have an adverse effect on our business.

The Company has a concentration of sales in the refueling and convenience store and grocery markets. Sales to the refueling and convenience store market are dependent upon the general conditions prevailing in and the profitability of the Petroleum industry and general market conditions. The refueling and convenience store market can be subject to reactions by the petroleum industry due to world political events, to the price and supply of oil, and to a decline in demand resulting from an economic recession, or other factors. Major disruptions in the petroleum industry generally result in a curtailment of retail marketing efforts, including expansion and refurbishing of retail outlets by the petroleum industry, which could adversely affect our business. The operating environment for the grocery market continues to be characterized by the fragmentation of local, regional, and national retailers, including both retail and digital formats, market consolidation, intense competition, and entry of non-traditional competitors. The changing operating environment along with changes in consumer behaviors within the grocery market could have an adverse impact on the purchasing decisions by one or more of our larger customers in this market. In addition, actions by our competitors, our customers' financial constraints, and industry factors or otherwise, could have an adverse effect on our business in either of these markets.

The Company may pursue future growth through strategic acquisitions and investments, which may not yield anticipated benefits

The Company has grown and strengthened its business through strategic acquisitions, most recently with the closing of our acquisition of Royston in March of 2026, and will continue to do so as opportunities arise in the future in order to meet the Company's growth objectives. The Company will benefit from such activity only to the extent that it can effectively leverage and integrate the assets or capabilities of the acquired businesses including, but not limited to, personnel, technology, and operating processes. Moreover, unanticipated events, negative revisions to valuation assumptions and estimates, diversions of resources and management's attention from other business concerns, and difficulties in attaining synergies, among other factors, could adversely affect the Company's ability to recover initial and subsequent investments, particularly those related to acquired goodwill and intangible assets, which in turn could result in the impairment of the acquired company's goodwill and related assets. In addition, such investment transactions may limit the Company's ability to invest in other activities, which could be more profitable or advantageous.

If we do not develop the appropriate new products or if customers do not accept new products, we could experience a loss of competitive position which could adversely affect future revenues.

The Company is committed to product innovation on a timely basis to meet customer demands. Development of new products for targeted markets requires the Company to develop or otherwise leverage leading technologies in a cost-effective and timely manner. Failure to meet these changing demands could result in a loss of competitive position and seriously impact future revenues. Products or technologies developed by others may render the Company's products or technologies obsolete or non-competitive. A fundamental shift in technologies in key product markets could have a material adverse effect on the Company's operating results and competitive position within the industry. More specifically, the development of new or enhanced products is a complex and uncertain process requiring the anticipation of technological and market trends. Rapidly changing product technologies could adversely impact operating results due to potential technological obsolescence of certain inventories or increased warranty expense related to newly developed lighting and refrigeration technologies. We may experience design, manufacturing, marketing, or other difficulties, such as inability to attract a sufficient number of experienced engineers which could delay or prevent our development, introduction or marketing of new products or enhancements and result in unexpected expenses. Such difficulties could cause us to lose business from our customers and could adversely affect our competitive position. In addition, added expenses could decrease the profitability associated with those products that do not gain market acceptance.

If we are unable to adequately protect our intellectual property, we may lose some of our competitive advantage.

Our success is determined in part by our ability to obtain United States and foreign patent protection for our technology and to preserve our trade secrets. Our ability to compete and the ability of our business to grow could suffer if our intellectual property rights are not adequately protected. There can be no assurance that our patent applications will result in patents being issued or that current or additional patents will afford protection against competitors. We rely on a combination of patents, copyrights, trademarks and trade secret protection and contractual rights to establish and protect our intellectual property. Failure of our patents, copyrights, trademarks and trade secret protection, non-disclosure agreements and other measures to provide protection of our technology and our intellectual property rights could enable our competitors to compete with us more effectively and have an adverse effect on our business, financial condition, and results of operations. In addition, our trade secrets and proprietary know-how may otherwise become known or be independently discovered by others. No guarantee can be given that others will not independently develop substantially equivalent proprietary information or techniques or otherwise gain access to our proprietary technology.

RISKS RELATED TO OUR OPERATIONS

Price increases in, and significant shortages of, raw materials and components; and shortages in transportation and increased fuel prices could adversely affect our operating margin.

The Company purchases large quantities of raw materials and components such as steel, aluminum, aluminum castings, fabrications, LEDs, power supplies, powder paint, steel tubing, wire harnesses, acrylic, silicon and glass lenses, inks, various graphics substrates such as Aluminum Composite Material (ACM), Expanded PVC sheet (EPVC), vinyl film, styrene, foamboards, wood and wood laminates, petroleum based resins, condensing units, and digital screens. The Company's operating results could be affected by the availability and price fluctuations of these materials. The Company's strategic sourcing plans include mitigating supply chain risk by utilizing multiple suppliers for a commodity to avoid significant dependence on any single supplier. Although an interruption of these supplies and components could disrupt our operations, we believe generally that alternative sources of supply exist and could be readily arranged. With regard to price fluctuations of our raw material and component purchases, the price risk for materials the Company purchases is related to price increases in commodity items that affect all users of the materials, including the Company's competitors. Significant tariffs or increases in the price of these raw materials and components could further increase the Company's operating costs and materially adversely affect margins. The Company does, however, seek and qualify new suppliers, negotiate with existing suppliers, and arrange stocking agreements to mitigate risk of supply and price increases. The Company can also be impacted by shortages and the availability of transportation of our products to our customers, in addition to rising fuel prices. The Company's Lighting Segment has implemented price increases with customers to offset raw material price increases, rising transportation costs, and to mitigate the impact of trade tariffs. The Company's Display Solutions Segment generally establishes new sales prices, reflective of the then current raw material prices and transportation costs, for each program as it begins with further price increases throughout the life of the program when warranted. Although the Company attempts to pass along increased costs in the form of price increases to its customers, the Company may be unsuccessful in doing so for competitive reasons. Even when price increases are successful, the timing of such price increases may lag behind the incurrence of higher costs.

Our information technology systems are subject to certain cyber risks and could be subject to interruptions that are beyond our control.

We depend heavily on the proper functioning and availability of our information, communications, and data processing systems, including operating and financial reporting systems, in operating our business. Our systems and those of our technology and communications providers are vulnerable to interruptions caused by natural disasters, power loss, telecommunication and internet failures, cyber-attack, and other events beyond our control. Accordingly, information security and the continued development and enhancement of the controls and processes designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority for us.

We could be targeted by malicious cyber activity. Any failure to identify address or prevent malicious cyber activity could result in service interruptions, operational difficulties, loss of revenues or market share, liability to our customers or others, the diversion of corporate resources, injury to our reputation and increased service and maintenance costs. We have significantly enhanced and will continue to improve our cybersecurity controls in order to minimize the likelihood or impact of a malicious cyberactivity.

Our information systems are protected through physical and software security as well as redundant backup systems, however, as cyber-attacks continue to evolve, we are committed to investing in our cyber defenses in order to mitigate the risks. Some of our software systems are provided and/or utilized by third parties who maintain responsibility for mitigating cybersecurity risk. We have invested and continue to invest in technology security initiatives, employee training, information technology risk management and disaster recovery plans. The development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more sophisticated. Despite our efforts, we are not fully insulated from data breaches, technology disruptions or data loss, which could adversely impact our competitiveness and results of operations. Any future successful cyber-attack or catastrophic natural disaster could significantly affect our operating and financial systems and could temporarily disrupt our ability to provide required services to our customers, impact our ability to manage our operations and perform vital financial processes, any of which could have a materially adverse effect on our business.

Labor shortages or increases in labor costs could adversely impact our business and results of operations.

We rely heavily on our employees, and any shortage of qualified labor could adversely affect our business. If we are not successful in our recruiting and retention efforts due to general labor shortages or otherwise, we could encounter a shortage of qualified employees in future periods. Any such shortage would decrease our ability to produce sufficient quantities of our product to serve our customers effectively. Such a shortage may also require us to pay higher wages for employees and incur a corresponding reduction in our profitability. Improvements in the economy and labor markets also could impact our ability to attract and retain key personnel. Rising wages across an improving economy can increase the competition among employers for a scarce labor force and make it difficult for us to attract and retain key personnel.

If the Company's products are improperly designed, manufactured, packaged, or labeled, the Company may need to recall those items, may have increased warranty costs, and could be the target of product liability claims

The Company may need to recall products if they are improperly designed, manufactured, packaged, or labeled, and the Company's insurance may not provide full coverage for such recall events. Many of the Company's products and solutions have become complex and include sophisticated and sensitive electronic components. The Company has manufactured certain of those components and products in its own facilities. Widespread product recalls could result in significant losses due to the costs of a recall, the destruction of product inventory, penalties, and lost sales due to the unavailability of a product for a period of time. In addition, products developed by the Company that incorporate LED technology, generally provide for more extensive warranty protection which may result in increased warranty claim costs. The Company may also be liable if the use of any of its products causes harm and could suffer losses from a significant product liability judgment against the Company in excess of its insurance limits. The Company may not be able to obtain indemnity or reimbursement from its suppliers or other third parties for the warranty costs or liabilities associated with its products. A significant product recall, warranty claim, or product liability case could also result in adverse publicity, damage to the Company's reputation, and a loss of consumer confidence in its products.

Changes in a customer's demands and commitment to proprietary inventory could result in significant inventory write-offs.

Upgrading or replacing a customer's current image requires the manufacture of inventory that is specific to the particular customer. This is particularly true in the Display Solutions Segment. In as many instances as possible, we require a commitment from the customer before the inventory is produced. Our request for a commitment may range from a single site or store to a large rollout program involving many sites or stores. The risk does exist that a customer cannot or will not honor its commitment to us. The reasons a customer cannot or will not honor its commitment can range from the bankruptcy of the customer to the change in the image during the rollout program, to canceling the program before its completion and before the inventory is sold to the customer. In each of these instances, we could be left with significant amounts of inventory required to support the customer's re-imaging. While all efforts are made to hold the customer accountable for its commitment, there is the risk that a significant amount of inventory could be deemed obsolete or no longer usable which could result in significant inventory write-offs.

The turnover of independent commissioned sales representatives could cause a significant disruption in sales volume.

Commissioned sales representatives are critical to generating business in the Lighting Segment. From time to time, commissioned sales representatives representing a particular region resign, are terminated and replaced with new commissioned sales representatives, or consolidated with another local firm. During this period of transition from the previous agency to the new one, sales in the particular region will likely fall as business is disrupted. It may take several months for the new sales representative to generate sales that will equal or exceed the previous sales representative. There is also the risk that the new sales agency will not attain the sales volume of the previous agency. These sales representative changes may occur individually as one agency is replaced due to lack of performance or changes may occur as a result of the mergers or acquisitions within the lighting industry. On the other hand, these sales representative changes can be widespread as a result of the competitive nature of the lighting industry as LSI and its competition vie for the strongest sales agency in a particular region.

The Company may be unable to sustain significant customer and/or channel partner relationships.

Relationships with customers are directly impacted by the Company's ability to deliver quality products and services. The loss of or a substantial decrease in the volume of purchases by certain large customers could significantly harm the Company. The Company has relationships with channel partners such as electrical distributors, independent sales agencies, system integrators, contractors, and value-added resellers, to name a few. While the Company maintains positive, and in many cases long-term relationships with these channel partners, the loss of a number of channel partners or substantial decrease in the volume of purchases from a major channel partner or group of channel partners could adversely affect the Company.

A loss of key personnel or inability to attract qualified personnel could have an adverse effect on our operating results.

The Company's future success depends on the ability to attract and retain highly skilled technical, managerial, marketing and finance personnel, and, to a significant extent, upon the efforts and abilities of senior management. The Company's management philosophy of selecting and empowering high levels of talent could result in a lean workforce. Future success of the Company will depend on, among other factors, the ability to attract and retain other qualified personnel, particularly executive management, research and development engineers, and sales professionals. The loss of the services of any key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on the Company's results of operations.

Changes in a shift in product mix can have a significant impact on our gross margins

Certain of our products have higher gross profit margins than others. Further, the difference in gross margin of the products sold within the Lighting and Display Solutions Segments can also vary significantly. Consequently, changes in the product mix of our sales from quarter-to-quarter or from year-to-year can have a significant impact on our reported gross profit margins.

We may not recognize all revenues from our backlog or receive all payments anticipated under awarded projects and customer contracts.

Our customers have the right under some circumstances to terminate contracts or defer the timing of our shipments or installments and their payments to us. We may not receive all of the revenues from our backlog. If we do not receive all of the revenues we currently expect to receive, our future operating results could be adversely affected. In addition, a delay in the receipt of revenues, even if such revenues are eventually received, may cause our operating results for a particular quarter to fall below our expectations.

We face the potential harm of natural disasters, pandemics, acts of war, terrorism, international conflicts or other disruptions to our operations.

Natural disasters, pandemics, acts or threats of war or terrorism, international conflicts, political instability, and the actions taken by governments could cause damage to or disrupt our business operations, our suppliers or our customers, and could create economic instability. Although it is not possible to predict such events or their consequences, these events could decrease demand for our products or make it difficult or impossible for us to deliver products.

Artificial intelligence presents risks and challenges that can impact our business

Issues in the development and use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability or other adverse consequences to our business operations. As with many technological innovations, artificial intelligence presents risks and challenges that could impact our business. We work with vendors that incorporate artificial intelligence tools into their offerings and the providers of these artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards with respect to privacy and data protection and may inhibit our or our vendors' ability to maintain an adequate level of service and experience. If we, our vendors, or our third-party partners experience an actual or perceived breach or privacy or security incident because of the use of generative artificial intelligence, we may lose valuable intellectual property and confidential information and our reputation and the public perception of the effectiveness of our security measures could be harmed. Further, bad actors around the world use increasingly sophisticated methods, including the use of artificial intelligence, to engage in illegal activities involving the theft and misuse of personal information, confidential information and intellectual property. Any of these outcomes could damage our reputation, result in the loss of valuable property and information and adversely impact our business.

RISKS RELATED TO ROYSTON GROUP ACQUISITION

We may not be able to successfully integrate Royston Group into our operations, including our financial reporting processes, which could adversely affect our business, results of operations, and financial condition

Our acquisition of Royston Group in March 2026 may fail to generate a financial return or realize anticipated sufficient to offset acquisition costs. Integrating Royston Group into the Company involves substantial risks, including, among others: integrating financial reporting processes, policies, and internal controls; implementing consistent accounting policies and reporting timelines; integrating information technology systems; retaining key personnel; and coordinating governance, compliance, and risk management across jurisdictions. Integration activities are complex and may require significant management attention and additional costs. If we are unable to integrate Royston Group effectively or within anticipated timeframes, our results of operations, cash flows, and ability to timely produce accurate financial statements could be adversely affected.

The Company has incurred and will continue to incur significant transaction and integration costs in connection with the acquisition of Royston Group

The Company has incurred a number of non-recurring costs associated with integrating the operations of Royston Group, as well as transaction fees and other costs related to the acquisition of Royston Group. These costs and expenses include fees paid to financial, legal and accounting advisors, and other related charges.

The Company will continue to incur integration costs as there are a large number of processes, policies, procedures, operations, technologies, facilities and systems that must be integrated. Although the Company expects that the elimination of duplicative costs, strategic benefits, additional income as well as the realization of other efficiencies related to the integration of the businesses may offset incremental transaction, acquisition-related and integration costs over time, any net benefit may not be achieved in the near term or at all. While the Company assumed that certain expenses would be incurred in connection with the acquisition of Royston Group, there are many factors beyond the Company's control that could affect the total amount or the timing of the integration and implementation expenses.

The Company may not have discovered undisclosed liabilities of Royston Group, if any

In the course of the due diligence review of Royston Group that the Company conducted prior to the acquisition of Royston Group, the Company may have been unable to quantify undisclosed liabilities of Royston Group and its subsidiaries, if any, and the Company will not be indemnified for any of these liabilities. If Royston Group has undisclosed liabilities, the Company, as a successor owner, will be responsible for such undisclosed liabilities. Such undisclosed liabilities could have an adverse effect on the business, results of operations, financial condition and cash flows of the Company.

RISKS RELATED TO LEGAL AND REGULATORY MATTERS

Potential changes in U.S. trade policies could have a material adverse effect on the Company.

There is uncertainty about the future relationship between the U.S. and various other countries with respect to trade policies and tariffs. There is also uncertainty as to whether trade between the U.S. and other countries, including countries in which we operate along with countries where our customers or suppliers operate, may be impacted by those policy developments. Changes in policy or continued uncertainty could depress economic activity and restrict our access to certain suppliers and customers.

Tariffs implemented on our component parts and certain finished good inventory will increase the cost of our products manufactured at our plants in the U.S. and Canada. Some of our purchased components are sourced from or manufactured in foreign countries. Import tariffs will result in increased prices for imported goods and materials and, in some cases, may result or have resulted in price increases for domestically sourced goods and materials. Changes in U.S. trade policy have resulted and could result in additional reactions from U.S. trading partners, including adopting responsive trade policies making it more difficult or costly for us to export our products or import goods and materials from those countries. These measures could also result in increased costs for goods imported into the U.S. or may cause us to adjust our foreign supply chain. Either of these could require us to increase prices to our customers, which may reduce demand, or, if we are unable to increase prices, result in lowering our margin on products sold which in turn could adversely impact our business, financial condition, and results of operations.

Changes in our tax rates and exposures to additional income tax liabilities could have an unfavorable effect on the Company's reported results.

The Company is subject to income and other taxes in the United States federal jurisdiction and various local, state and foreign jurisdictions. The Company's future effective income tax rates could be unfavorably affected by various factors, including changes in the tax rates as well as rules and regulations in relevant jurisdictions. In addition, the amount of income taxes paid is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. authorities. If these audits result in assessments different from amounts recorded, the Company's future financial results may include unfavorable adjustments.

Emphasis on environmental, social, and governance ("ESG") matters by various stakeholders could negatively affect our business.

Customer, investor and employee expectations relating to ESG have been rapidly evolving. In addition, government organizations are enhancing or advancing legal and regulatory requirements specific to ESG matters. The heightened stakeholder focus on ESG issues related to our business requires the continuous monitoring of various and evolving laws, regulations, standards and expectations and the associated reporting requirements. A failure to adequately meet stakeholder expectations may result in noncompliance, the loss of business, reputational impacts, diluted market valuation, an inability to attract customers and an inability to attract and retain top talent. In addition, our adoption of certain standards or mandated compliance to certain requirements could necessitate additional investments that could impact our profitability.

Climate changes, such as extreme weather conditions, create financial risk to our business. Global physical climate changes, including unseasonable weather conditions, could result in reduced demand or product obsolescence for certain of our customers' products and/or price modifications for our customers' products and the resources needed to produce them. This could in turn put pressure on our manufacturing costs and result in reduced profit margin associated with certain of our customer programs, or loss of customer programs that we may not be able to replace.

RISKS RELATED TO FINANCIAL MATTERS

The Company incurred substantial indebtedness in connection with the acquisition of Royston Group

The Company incurred substantial indebtedness in connection with the acquisition of Royston Group. As of the closing of the acquisition, on a consolidated basis, the Company had approximately \$267.5 million in gross indebtedness outstanding under the Company's Credit Facility.

The Company's debt level could have important consequences, including:

- making it more difficult for the Company to satisfy its obligations with respect to its debt;
- requiring the Company to dedicate a substantial portion of its cash flow from operations to the payment of interest and the repayment of the Company's indebtedness, thereby reducing funds available to it for other purposes;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, business development or other general corporate requirements, including dividends, if and when declared by the board of directors;
- increasing the Company's vulnerability to general adverse economic and industry conditions;
- restricting the Company from making strategic acquisitions, engaging in development activities or exploiting business opportunities;
- exposing the Company to the risk of increased interest rates as certain of the Company's borrowings are and may in the future be at variable rates of interest;
- limiting the Company's flexibility in planning for and reacting to changes in its industry; and

While the Company plans to reduce its debt level over the next few years, any actions in furtherance of this goal may vary and evolve and there can be no assurance the Company will be successful.

A significant decline in our stock price could adversely affect our ability to raise additional capital.

The market price of our common stock can experience significant fluctuations. Our progress in developing and commercializing our products, our quarterly operating results, announcements of new products by us or our competitors, our perceived prospects, changes in general conditions in the economy or the financial markets, adverse events related to our strategic relationships, and other developments affecting us, or our competitors could cause the market price of our common stock to fluctuate substantially. This volatility of the stock market has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These market fluctuations, regardless of the cause, may materially and adversely affect our stock price, regardless of our operating results, and this could impact our ability to raise capital.

Increases in inflation and interest rates in the United States and elsewhere could adversely affect our business.

We are exposed to fluctuations in inflation and interest rates, which could negatively affect our business, financial condition, and results of operations. The United States and other jurisdictions have experienced high levels of inflation. If the inflation rate increases, it will likely affect our expenses, including, but not limited to, employee compensation and labor expenses along with the cost of various goods and services the Company purchases, and we may not be successful in offsetting such cost increases. In addition, an increase in interest rates will further result in increased interest expense.

Anti-takeover provisions in our organizational documents and in Ohio law could make difficult or delay a change in management or negatively impact our share price.

Certain provisions of our Articles of Incorporation and Code of Regulations could make it more difficult for a third party to acquire control of us even if such a change in control would increase the value of our common stock and could prevent or hinder attempts by our shareholders to replace or remove our current board of directors or management.

We have a number of provisions in place that will hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. These provisions include:

- the authorization of undesignated preferred stock, which makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences in a manner that could delay or prevent a transaction or a change in control;
- a provision that specifies that special meetings of our shareholders may be called only by our board of directors, our chairman of the board, if one has been elected, our president, or persons holding 50% of our outstanding voting stock;
- any business combination between us and a beneficial owner of 15% or more of our voting power requires the vote of 66 2/3% of the voting power of disinterested shareholders for five years after a party became an interested shareholder;
- any person who becomes a beneficial owner of 15% or more of our voting power must offer to purchase all of our voting securities and securities convertible into or exercisable for our voting securities within 25 days after achieving 15% ownership. The price to be paid would be the greater of the highest price paid by such 15% owner in acquiring its shares or the highest trading price for a period of time prior to such person becoming a 15% owner;
- the votes of holders of 66 2/3% of all outstanding shares are required to amend our Articles of Incorporation and to approve mergers, reorganizations, and similar transactions; and advance notice requirements by shareholders for director nominations and actions to be taken at annual meetings.

Ohio corporation law contains provisions that may discourage takeover bids for our company that have not negotiated with the board of directors. Such provisions could limit the price that investors might be willing to pay in the future for our shares of common stock. Additionally, shareholders may act by written consent without a meeting only if such written consent is signed by all shareholders.

Due to inherent limitations, there can be no assurance that our system of disclosure and internal controls and procedures will be successful in preventing all errors, theft, and fraud, or in informing management of all material information in a timely manner.

Management does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors or fraud. A control system is designed to give reasonable, but not absolute, assurance that the objectives of the control system are met. In addition, any control system reflects resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations of a control system may include judgments in decision making that may be faulty, breakdowns can occur simply because of error or mistake and controls can be circumvented by collusion or management override. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We have received no written comments regarding our periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of our fiscal year 2026 that remain unresolved.

Item 1C – CYBERSECURITY

Risk Management and Strategy

We are committed to preserving the trust and confidence of our stakeholders by taking appropriate technical and organizational measures for maintaining information security and data privacy. Our cybersecurity program allows us to assess, identify and manage information security and cybersecurity threats through risk assessment and prevention measures to facilitate communication, training, awareness and incident response procedures. We have established policies and procedures to ensure timely and appropriate notifications to relevant parties and regulators as required for cybersecurity threats and data breaches.

Our data breach response designates an incident response team comprised of senior leaders within information technology, finance and compliance functions to ensure timely diagnosis and mitigation of cyber events. The incident response team is responsible for determining whether a cybersecurity incident is material and requires current reporting pursuant to SEC Form 8-K Item 1.05 (Material Cybersecurity Incidents). In conducting the assessment, the team considers factors including but not limited to the probability of an adverse outcome; the potential significance of loss; the nature and extent of harm to individuals, customers, and vendors; the nature and extent of harm to our competitive position or reputation; and the possibility of litigation or regulatory investigations.

To ensure our cybersecurity programs adhere to industry best practices, we have adopted the National Institute of Standards and Technology (NIST) Cybersecurity Framework as a guide for our cybersecurity program. The NIST Cybersecurity Framework models the best practices for security and the capabilities needed to identify, protect, detect and respond to cybersecurity risks and events. In addition to the framework, we have a Security Action Committee comprised of the senior leaders of information technology, finance, and compliance that meets regularly to guide the evolution of our cybersecurity program, review potential incidents, and respond to trends in the cybersecurity landscape. We evaluate our physical, electronic and administrative safeguards on a continuous basis to ensure they are effectively deployed across the business. We also engage third-party services to conduct evaluations of our security controls, whether through penetration testing, independent audits or consulting on best practices to address new challenges. These evaluations include testing both the design and operational effectiveness of security controls.

Despite the Company's security measures and programs, our information technology and infrastructure are susceptible to cybersecurity incidents, intrusions and attacks, any of which could have a materially adverse effect on our business, operating margins, revenues and competitive position. See "Part I—Item 1A. Risk Factors" for further discussion of these risks.

Governance

Our Board of Directors is responsible for the oversight of cybersecurity risks and threats. The Board has delegated certain information security and data privacy oversight to the Audit Committee of the Board. The Audit Committee oversees compliance with information security and data privacy laws and has oversight responsibility for cybersecurity risks related to accounting, audit and financial matters. The Audit Committee and management report to the Board on a periodic basis regarding our information security and data privacy functions, including any cybersecurity threats.

The Audit Committee is responsible for oversight of our cybersecurity policy, procedures and risk mitigation. Our information technology (IT) leadership briefs the Audit Committee and the Board of Directors on a periodic basis on information security matters, including the current cybersecurity landscape, progress on information security initiatives and accomplishments, and reports on material cybersecurity incidents, as needed.

The Audit Committee is responsible for reviewing our disclosures on cybersecurity risk management, strategy and governance in our Annual Report on Form 10-K. The Audit Committee assists in determining materiality for timely reporting of cybersecurity incidents and is notified immediately if the incident response team has assessed that a material event may have occurred that may require filing an SEC Current Report on Form 8-K.

The Chief Information Officer with the support from the Chief Executive Officer and Chief Financial Officer, assisted by our broader IT team, is responsible for setting the strategic direction and priorities for information security, coordination of enterprise-wide compliance with information security policies and procedures, as well as day-to-day information security management. Additionally, information security awareness trainings and testing are a compliance requirement for employees.

Item 2. Properties

Description	Size	Location	Status
1a) Corporate Headquarters and Lighting and Display Solutions manufacturing	243,000 sq. ft. (includes 66,000 sq. ft. of office space)	Cincinnati, OH	Owned
1b) Lighting manufacturing	122,000 sq. ft.	Cincinnati, OH	Owned
2) Lighting office and manufacturing	96,000 sq. ft. (includes 5,000 sq. ft. of office space)	Independence, KY	Owned
3) Display Solutions office and manufacturing	183,000 sq. ft. (includes 34,000 sq. ft. of office space)	Houston, TX	Leased
4) Display Solutions office	10,000 sq. ft.	Uniontown, OH	Leased
5a) Lighting office and manufacturing	57,000 sq. ft. (includes 5,000 sq. ft. of office space)	Columbus, OH	Owned
5b) Lighting office and manufacturing	56,500 sq. ft. (includes 9,000 sq. ft. of office space)	Columbus, OH	Leased
6) Lighting office and manufacturing	336,000 sq. ft. (includes 60,000 sq. ft. of office space)	Burlington, NC	Leased
7) Display Solutions office and manufacturing	77,000 sq. ft. (includes 8,000 sq. ft. of office space)	Milo, ME	Owned
8) Display Solutions office and manufacturing	106,000sq. ft. (includes 4,000 sq. ft. of office space)	Bangor, ME	Leased
9) Display Solutions manufacturing	77,000 sq. ft.	Collingwood, ON	Leased
10) Display Solutions manufacturing	68,000 sq. ft.	Payson, UT	Leased
11) Display Solutions office and manufacturing	124,000 sq. ft.	Tampa, FL	Leased
12) Display Solutions manufacturing	61,000 sq. ft.	Arlington, TX	Leased
13) Display Solutions office and manufacturing	110,000 sq. ft. (includes 4,000 sq. ft. of office space)	Cranston, RI	Leased
14) Display Solutions manufacturing	37,000 sq. ft.	Boonton, NJ	Leased
15) Display Solutions manufacturing	62,000 sq. ft.	Alpharetta, GA	Leased
16) Display Solutions warehouse	5,400 sq. ft.	Queretaro, Mexico	Leased
17a) Display Solutions manufacturing	47,500 sq. ft. (includes 1,050 sq. ft. of office space)	Ontario, Canada	Leased
17b) Display Solutions manufacturing and distribution warehouse	57,500 sq. ft.	Ontario, Canada	Leased
17c) Distribution warehouse	12,000 sq. ft.	Ontario, Canada	Leased
18) Distribution warehouse	12,000 sq. ft.	Alberta, Canada	Leased
19) Distribution warehouse	257,300 sq. ft.	Pendergrass, GA	Leased
20) Display Solutions manufacturing	96,400 sq. ft.	Bell Garden, CA	Leased
21) Display Solutions manufacturing	69,400 sq. ft. (includes 4,300 sq. ft. of office space)	Jacksboro, TN	Leased
22) Display Solutions manufacturing	396,000 sq. ft.	Jasper, GA	Leased
23) Display Solutions manufacturing	228,500 sq. ft. (includes 7,000 sq. ft. of office space)	Royston, GA	Leased
24) Display Solutions manufacturing	97,700 sq. ft.	Bessemer, AL	Leased
25) Office space	1,600 sq. ft.	Atlanta, GA	Leased
26) Office space	600 sq. ft.	Manitowoc, WI	Leased

Note: Some properties are close in proximity and therefore are grouped together in this schedule

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 16 – Contingencies of the Notes to the Consolidated Financial Statements of this Form 10-K for information regarding legal proceedings in which we are involved.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

LSI’s shares of common stock are traded on the NASDAQ Global Select Market under the symbol “LYTS.” At August 14, 2026, there were approximately 472 registered holders of record of our common stock.

The Company’s Board of Directors has adopted a dividend policy which indicates that dividends will be determined by the Board of Directors in its discretion based upon its evaluation of earnings, cash flow requirements, financial condition, debt levels, stock repurchases, future business developments and opportunities, and other factors deemed relevant by the Board of Directors. The Company has paid annual cash dividends beginning in fiscal 1987 through fiscal 1994, and quarterly cash dividends since fiscal 1995. The Company’s indicated annual rate for payment of a cash dividend at the end of fiscal 2026 was \$0.20 per share.

On April 28, 2022, the Company announced that its Board of Directors authorized a new share repurchase program under which the Company may repurchase up to \$15 million of its outstanding shares of common stock in the open market, in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The Company’s decision to repurchase its shares, as well as the timing of such repurchases, will depend on a variety of factors, including the ongoing assessment of the Company’s capital needs, the market price of the Company’s common stock, general market conditions and other corporate considerations, as determined by management. The repurchase program may be suspended or discontinued at any time. The Company did not repurchase any shares in the fiscal year ended June 30, 2026.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

See the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in variable interest rates, changes in prices of raw materials and purchased component parts, and changes in foreign currency translation rates. Each of these risks is discussed below.

Interest Rate Risk

The Company earns interest income on its cash, cash equivalents, and short-term investments (if any) and pays interest expense on its debt (if any). Because of variable interest rates, the Company is exposed to the risk of interest rate fluctuations, which impact interest income, interest expense, and cash flows.

The Company’s \$150 million revolving line of credit and \$200 million term loan is subject to interest rate fluctuations. Additionally, the Company expects to generate cash from its operations that will subsequently be used to pay down as much of the debt (if any is outstanding) as possible or invest cash in short-term investments (if no debt is outstanding), while still funding the growth of the Company.

Raw Material Price Risk

The Company purchases large quantities of raw materials and components such as steel, aluminum, aluminum castings, fabrications, LEDs, power supplies, powder paint, steel tubing, wire harnesses, acrylic, silicon and glass lenses, inks, various graphics substrates such as Aluminum Composite Material (ACM), Expanded PVC sheet (EPVC), vinyl film, styrene, foamboards, wood and wood laminates, condensing units, and digital screens. The price risk for materials the Company purchases is related to price increases in commodity items that affect all users of the materials, including the Company's competitors. For the fiscal year ended June 30, 2026, the purchased material component of cost of goods sold subject to price risk was approximately \$313.1 million. The Company does not actively hedge or use derivative instruments to manage its risk in this area. The Company does, however, seek and qualify new suppliers, negotiate with existing suppliers, and arrange stocking agreements to mitigate risk of supply and price increases. The Company's Lighting Segment has historically implemented price increases with customers to offset raw material price increases. The Company's Display Solutions Segment generally establishes new sales prices, reflective of the then current raw material prices, for each program as it begins with further price increases throughout the life of the program when warranted.

Foreign Currency Translation Risk

The Company has some foreign currency risk with respect to its Mexican and Canadian subsidiaries. The sales transacted by these subsidiaries in pesos and Canadian dollars combined represents approximately 7% of the Company's fiscal 2026 consolidated net sales. All other business conducted by the Company is in U.S. dollars.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Schedules other than those listed above are omitted for the reason(s) that they are either not applicable or not required or because the information required is contained in the financial statements or notes thereto. Selected quarterly financial data is found in Note 16 of the accompanying consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within required time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We conducted, under the supervision of our management, including the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2026, our disclosure controls and procedures were effective. Management believes that the consolidated financial statements included in this Annual Report on Form 10-K are fairly presented in all material respects in accordance with U.S GAAP, and the Company’s Chief Executive Officer and Chief Financial Officer have certified that, based on their knowledge, the consolidated financial statements included in this report fairly present in all material respects the Company’s financial condition, results of operations, statement of shareholders’ equity, and cash flows for each of the periods presented in this report.

The Company acquired Royston Group (“Royston”) on March 24, 2026. Management excluded Royston from its evaluation of the effectiveness of internal control over financial reporting as of June 30, 2026. Including goodwill and acquired intangible assets, Royston represented 50% of the Company’s total consolidated assets as of June 30, 2026, and 11% of the Company’s total consolidated sales for the fiscal year ended June 30, 2026.

Management's Report on Internal Control over Financial Reporting appearing on page 36 of this report is incorporated by reference in this Item 9A.

Changes in Internal Control

There have been no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. See Management’s Report On Internal Control Over Financial Reporting on page 36.

ITEM 9B. OTHER INFORMATION

During the three months ended June 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted or terminated “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as defined in Item 408 of Regulation S-K.

The Board of Directors has determined to hold the 2026 annual meeting of shareholders (the “2026 Annual Meeting”) on November 24, 2026. The time, location and details of the 2026 Annual Meeting will be specified in our 2026 proxy statement.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about our directors and officers may be found under the captions “Nominees for Board of Directors” and “Executive Officers” in our Proxy Statement for the Annual Meeting of Shareholders to be held November 24, 2026 (the “Proxy Statement”). Information about our Audit Committee may be found under the caption “Committees of the Board” in the Proxy Statement. That information is incorporated herein by reference. Information about our trading policies and procedures can be found under the caption “Long-Term Incentive Plan” in the proxy statement. That information is incorporated herein by reference.

We have adopted a code of business conduct that applies to all of our employees, including our Chief Executive Officer, Chief Financial, and other finance organization employees. The code of business conduct is publicly available on our website at lsicorp.com. If we make any substantive amendments to the code of business conduct or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer and Chief Financial Officer, we will disclose the nature of the amendment or waiver on our website or in a report on Form 8-K.

We will provide disclosures of delinquent Section 16(a) reports, if any, in our Proxy Statement under the caption “Delinquent Section 16(a) Reports,” and such disclosures, if any, in incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information in the Proxy Statement set forth under the captions “Director Compensation,” “Compensation Discussion and Analysis” “Compensation Committee Interlocks and Insider Participation,” and “Compensation Committee Report” is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information in the Proxy Statement set forth under the captions “Security Ownership,” and “Equity Compensation Plan Information” is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth in the Proxy Statement under the captions “Corporate Governance” and “Related Person Transactions” is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning fees and services provided by our principal accountant, Grant Thornton LLP (PCAOB ID No. [248]), appears in the Proxy Statement under the headings “Ratification of Appointment of Independent Registered Public Accounting Firm” and “Committees of the Board” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

- (1) Consolidated Financial Statements appear as part of Item 8 of this Form 10-K.
- (2) Exhibits – Exhibits set forth below are either on file with the Securities and Exchange Commission and are incorporated by reference as exhibits hereto, or are filed with this Form 10-K.

Exhibit No.	Exhibit Description
2.1	Agreement and Plan of Merger dated February 20, 2026 by and among LSI Industries Inc., SRR Holdings, Inc. and Rhino Acquisition Company, Inc. (incorporated by reference to Exhibit 2.1 to LSI's Form 8-K filed on February 25, 2026). ++
3.1	Amended and Restated (Consolidated) Articles of Incorporation of LSI (incorporated by reference to Exhibit 3.1 to LSI's Form 8-K filed on November 7, 2022).
3.2	Amended and Restated Code of Regulations of LSI (incorporated by reference to Exhibit 3.2 to LSI's Form 10-K filed on September 11, 2020).
4.1	Description of Securities (incorporated by reference to Exhibit 4.1 to LSI's Annual Report on Form 10-K filed on September 6, 2019).
10.1	Credit Agreement by and among LSI Industries Inc., the guarantors party thereto, the lenders party thereto, PNC Bank, National Association, and PNC Capital Markets LLC dated March 24, 2026 (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed on March 24, 2026).
10.2*	Amended and Restated 2019 Omnibus Award Plan
10.3	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed on June 23, 2016)
10.4*	LSI Industries Inc. Nonqualified Deferred Compensation Plan (Amended and Restated as of January 24, 2024) (incorporated by reference to Exhibit 10.1 of LSI's Form 10-Q filed on May 6, 2024).
10.5*	Employment Agreement between LSI and James A. Clark (incorporated by reference to Exhibit 10.1 to LSI's 8-K filed on October 17, 2018).
10.6*	Employment Offer Letter between LSI and James E. Galeese (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed on June 13, 2017).
10.7*	Employment Offer Letter between LSI and Thomas A. Caneris (incorporated by reference to Exhibit 10.1 to LSI's Form 8-K filed on August 5, 2019).

- 10.8* Form of Change in Control Agreement (incorporated by reference to Exhibit 10.1 to LSI's Form 10-Q filed on January 29, 2021).
- 10.9* Form of Supplemental Benefits Agreement (incorporated by reference to Exhibit 10.2 to LSI's Form 10-Q filed on January 29, 2021).
- 10.10* Form of 2019 Omnibus Award Plan Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.3 to LSI's Form 10-Q filed on November 5, 2020).
- 10.11* Form of 2019 Omnibus Award Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to LSI's Form 10-Q filed on February 4, 2022).
- 10.12* Form of 2019 Omnibus Award Plan Performance Stock Unit Award Agreement++ (incorporated by reference to Exhibit 10.4 to LSI's Form 10-Q filed on February 4, 2022).
- 10.13* LSI Industries Inc. 2021 Employee Stock Purchase Plan (incorporated by reference to LSI's Proxy Statement on Schedule 14A filed on September 15, 2021).
- 10.14* LSI Industries Inc. Non-Employee Director Deferred Compensation Program Amended & Restated as of June 17, 2026
- 10.15* Fiscal Year 2026 Long-Term Incentive Plan (LTIP)++ (incorporated by reference to Exhibit 10.1 to LSI's Form 10-Q filed on November 7, 2025
- 10.16* Fiscal Year 2025 Long-Term Incentive Plan (LTIP) ++ (Incorporated by reference to Exhibit 10.1 of LSI's Form 10-Q filed on November 8, 2024)
- 10.17* Form of 2019 Omnibus Award Plan Restricted Stock Unit Award Agreement - Form for Non-Employee Directors.
- 10.18* Form of 2019 Omnibus Award Plan Restricted Stock Unit Award Agreement - Form for Non-Employee Directors Making Deferral Elections.
- 14 Code of Business Conduct
- 19 Insider Trading Policy and Anti-Hedging and Pledging Policy (incorporated by reference to Exhibit 19 to LSI's Form 10-Q filed on February 7, 2025).
- 21 Subsidiaries of the Registrant
- 23.1 Consent of Independent Registered Public Accounting Firm (Grant Thornton LLP)
- 24 Power of Attorney (included as part of signature page)
- 31.1 Certification of Principal Executive Officer required by Rule 13a-14(a)
- 31.2 Certification of Principal Financial Officer required by Rule 13a-14(a)
- 32.1 18 U.S.C. Section 1350 Certification of Principal Executive Officer
- 32.2 18 U.S.C. Section 1350 Certification of Principal Financial Officer
- 97.1 Executive Compensation Recoupment Policy (incorporated by reference to Exhibit 97.1 to LSI's Form 10-K filed on September 11, 2024).

101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

*Management compensatory agreement.

++ Certain portions of this exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K. The omitted information is not material and would likely cause competitive harm to the Registrant if publicly disclosed. The Registrant hereby agrees to furnish a copy of any omitted portion to the SEC upon request.

LSI will provide shareholders with any exhibit upon the payment of a specified reasonable fee, which fee shall be limited to LSI's reasonable expenses in furnishing such exhibit. The exhibits identified herein as being filed with the SEC have been so filed with the SEC but may not be included in this version of the Annual Report to Shareholders.

ITEM 16. FORM 10-K SUMMARY

Not included.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

LSI INDUSTRIES INC.

September 3, 2026

Date

BY: /s/ James A. Clark

James A. Clark

Chief Executive Officer and President

We, the undersigned directors, and officers of LSI Industries Inc. hereby severally constitute James A. Clark and James E. Galeese, and each of them singly, our true and lawful attorneys with full power to them and each of them to sign for us, in our names in the capacities indicated below, any and all amendments to this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature

Title

/s/ James A. Clark

James A. Clark

Date: September 3, 2026

Chief Executive Officer and President
(Principal Executive Officer)

/s/ James E. Galeese

James E. Galeese

Date: September 3, 2026

Executive Vice President, and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

/s/ Robert P. Beech

Robert P. Beech

Date: September 3, 2026

Director

/s/ Ronald D. Brown

Ronald D. Brown

Date: September 3, 2026

Director

/s/ Amy L. Hanson

Amy L. Hanson

Date: September 3, 2026

Director

/s/ Ernest W. Marshall, Jr.

Ernest W. Marshall, Jr.

Date: September 3, 2026

Director

/s/ Chantel E. Lenard

Chantel E. Lenard

Date: September 3, 2026

Director

/s/ Wilfred T. O’Gara

Wilfred T. O’Gara

Date: September 3, 2026

Director

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of the Company's operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying Notes to Financial Statements (Part II, Item 8 of this Form 10-K). This section generally discusses the results of our operations for the year ended June 30, 2026, compared to the year ended June 30, 2025, and for the year ended June 30, 2025, compared to June 30, 2024.

Overview

LSI Industries Inc. (LSI) is a leading producer of non-residential lighting and retail display solutions. Non-residential lighting consists of American-made fixtures and services for both indoor and outdoor applications satisfying the specific performance requirements of our customers. Retail display solutions consist of multiple custom products and services which enhance our customer's brand image and improve the consumer shopping experience. We offer customers in target vertical markets a package solution set of both lighting and display solutions, providing value for the customer by working with one partner to manage their regional and national location programs, versus multiple suppliers.

Summary of Consolidated Results

Net Sales by Business Segment

<i>(In thousands)</i>	2026	2025	2024
Lighting Segment	\$ 266,223	\$ 248,357	\$ 262,413
Display Solutions Segment	423,174	325,020	207,225
Total Net Sales	<u>\$ 689,397</u>	<u>\$ 573,377</u>	<u>\$ 469,638</u>

Operating Income (Loss) by Business Segment

<i>(In thousands)</i>	2026	2025	2024
Lighting Segment	\$ 32,728	\$ 30,253	\$ 33,327
Display Solutions Segment	31,828	26,353	19,969
Corporate and Eliminations	(26,153)	(20,837)	(17,779)
Total Operating Income	<u>\$ 38,403</u>	<u>\$ 35,769</u>	<u>\$ 35,517</u>

Fiscal 2026 net sales of \$689.4 million increased 20% compared to fiscal 2025 net sales of \$573.4 million. The increase in net sales was attributed to a \$98.2 million or 30% increase in net sales of the Display Solutions Segment and a \$17.9 million or 7% increase in net sales of the Lighting Segment. The Display Solutions Segment generated organic growth of 18% driven by increased sales across several product categories and vertical markets supported mostly by the grocery and refueling/ C-Store verticals. The Company's acquisition of Royston contributed an additional \$73.5 million of the year-over-year sales growth of the Display Solutions Segment. The increase in sales in the Lighting Segment is attributed to increased penetration of national accounts, together with improved demand for outdoor area lighting.

Fiscal 2025 net sales of \$573.4 million increased 22% compared to fiscal 2024 net sales of \$470.0 million. The increase in net sales was attributed to a \$117.8 million or 57% increase in net sales of the Display Solutions Segment, partially offset by a \$14.1 or 5% decline in net sales of the Lighting Segment. The Display Solutions Segment generated organic growth of 17% driven by increased sales across all product categories and vertical markets supported mostly by the grocery and refueling/ C-Store verticals. The Company's acquisition of EMI and CBH contributed an additional \$85.3 million of the year-over-year sales growth of the Display Solutions Segment. The decline in sales in the Lighting Segment is attributed to the comparison of year-over-year sales of large lighting projects. In fiscal 2024, the Company had several large lighting projects that did not repeat in fiscal 2025. While there was a year-over-year decline in large lighting projects, small project activity continued to increase over the prior year period while large lighting projects order activity increased in the fourth quarter of fiscal 2025.

Fiscal 2026 operating income of \$38.4 million represents a 7% increase from fiscal 2025 operating income of \$35.8 million. Fiscal 2026 adjusted operating income, a Non-GAAP financial measure, was \$61.8 million compared to adjusted fiscal 2025 operating income of \$48.4 million. The 28% increase in adjusted operating income was the result of an increase in sales along with sustained operational discipline and a favorable margin contribution from the Royston acquisition. Refer to “Non-GAAP Financial Measures” below for a reconciliation of Non-GAAP financial measures to U.S. GAAP measures.

Fiscal 2025 operating income of \$35.8 million represents a 1% increase from fiscal 2024 operating income of \$35.5 million. Fiscal 2025 adjusted operating income, a Non-GAAP financial measure, was \$48.4 million compared to adjusted fiscal 2024 operating income of \$46.4 million. While sales increased 22% compared to the same period last year, Non-GAAP operating income rose 4%. The increase in sales was partially offset by the dilutive impact of acquisitions and by customer mix. Refer to “Non-GAAP Financial Measures” below for a reconciliation of Non-GAAP financial measures to U.S. GAAP measures.

This report includes adjustments to GAAP operating income, net income, and earnings per share for the fiscal years 2026, 2025, and 2024. Operating income, net income, and earnings per share, which exclude the impact of long-term performance-based compensation expense, the amortization expense of acquired intangible assets, commercial growth opportunity expense, acquisition costs, the lease expense on the step-up basis of acquired leases, and restructuring and severance costs, are non-GAAP financial measures. We further note that while the amortization expense of acquired intangible assets is excluded from the non-GAAP financial measures, the revenue of the acquired companies is included in the measures, and the acquired assets contribute to the generation of revenue. We believe these non-GAAP measures will provide increased transparency to our core operating performance of the business. This report includes additional non-GAAP financial measures, including Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA and Adjusted EBITDA), Net Debt to Adjusted EBITDA, Free Cash Flow, and organic sales growth. We believe that these are useful as supplemental measures in assessing the operating performance of our business. These measures are used by our management, including our chief operating decision maker, to evaluate business results, and are frequently referenced by those who follow the Company. These non-GAAP measures may be different from non-GAAP measures used by other companies. In addition, the non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations, in that they do not reflect all amounts associated with our results as determined in accordance with U.S. GAAP. Therefore, these measures should be used only to evaluate our results in conjunction with corresponding GAAP measures. Below is a reconciliation of these non-GAAP measures to net income and earnings per share reported for the periods indicated along with the calculation of EBITDA, Adjusted EBITDA, Free Cash Flow, Net Debt to Adjusted EBITDA, and organic sales growth.

Non-GAAP Financial Measures

Reconciliation of net income to adjusted net income:

(In thousands, except per share data)

	<u>2026</u>		<u>2025</u>		<u>2024</u>	
		Diluted EPS		Diluted EPS		Diluted EPS
Net income as reported	\$ 22,579	\$ 0.67	\$ 24,383	\$ 0.79	\$ 24,977	\$ 0.83
Long-term performance based compensation	3,458 (1)	\$ 0.10	3,951 (6)	\$ 0.13	3,272 (12)	\$ 0.11
Consulting expense: commercial growth opportunities	-	-	62 (7)	-	-	-
Acquisition costs	8,340 (2)	\$ 0.25	838 (8)	\$ 0.03	735 (13)	\$ 0.02
Lease expense on the step-up basis of acquired leases	508 (3)	\$ 0.02	285 (9)	\$ 0.01	-	-
Restructuring/severance costs	63 (4)	\$ -	240 (10)	\$ 0.01	396 (14)	\$ 0.01
Amortization expense of acquired intangible assets	7,220 (5)	\$ 0.21	4,745 (11)	\$ 0.16	3,671 (15)	\$ 0.13
Foreign currency transaction gain on intercompany loan	329	\$ 0.01	(489)	\$ (0.02)	-	-
Tax rate difference between reported and adjusted net income	(293)	\$ (0.01)	(1,132)	\$ (0.04)	(757)	\$ (0.03)
Net income adjusted	<u>\$ 42,204</u>	<u>\$ 1.25</u>	<u>\$ 32,883</u>	<u>\$ 1.07</u>	<u>\$ 32,294</u>	<u>\$ 1.07</u>

Effective in the first quarter of fiscal 2025, LSI includes the amortization expense related to acquired intangible assets as an add-back to its non-GAAP reconciliation. Prior quarter non-GAAP reconciliations have been adjusted accordingly.

The following represents the income tax effects of the adjustments in the tables above, which were calculated using the estimated combined U.S., Canada and Mexico effective income tax rates for the periods indicated:

- (1) \$659
- (2) \$1,639
- (3) \$97
- (4) \$12
- (5) \$1,425
- (6) \$988
- (7) \$19
- (8) \$209
- (9) \$71
- (10) \$60
- (11) \$1,124
- (12) \$1,108
- (13) \$266
- (14) \$143
- (15) \$1,287

The reconciliation of reported earnings per share to adjusted earnings per share may not produce identical amounts due to rounding differences.

Reconciliation of operating income to adjusted operating income:

	2026	2025	2024
<i>(In thousands)</i>			
Operating income as reported	\$ 38,403	\$ 35,769	\$ 35,517
Long-term performance based compensation.....	4,117	4,939	4,380
Consulting expense: commercial growth opportunities	-	81	-
Acquisition costs	9,979	1,047	1,001
Lease expense on the step-up basis of acquired leases.....	605	356	-
Restructuring/severance costs	75	300	539
Amortization expense of acquired intangible assets.....	8,645	5,869	4,958
Adjusted operating income	<u>\$ 61,824</u>	<u>\$ 48,361</u>	<u>\$ 46,395</u>

Reconciliation of net income to EBITDA to adjusted EBITDA:

	2026	2025	2024
<i>(In thousands)</i>			
Net income - reported	\$ 22,579	\$ 24,383	\$ 24,977
Income tax	8,895	8,655	8,122
Interest expense, net	5,928	3,129	2,156
Other expense (income).....	1,001	(398)	262
Operating income as reported	<u>\$ 38,403</u>	<u>\$ 35,769</u>	<u>\$ 35,517</u>
Depreciation and amortization	16,565	12,575	9,999
EBITDA	<u>\$ 54,968</u>	<u>\$ 48,344</u>	<u>\$ 45,516</u>
Acquisition costs	9,979	1,047	1,001
Long-term performance based compensation.....	4,117	4,939	4,380
Restructuring/severance costs	75	300	539
Lease expense on the step-up basis of acquired leases.....	605	356	-
Consulting expense: commercial growth opportunities	-	81	-
Adjusted EBITDA	<u>\$ 69,744</u>	<u>\$ 55,067</u>	<u>\$ 51,436</u>

Reconciliation of cash flow from operations to free cash flow:

	2026	2025	2024
<i>(In thousands)</i>			
Cash flow from operations	\$ 44,148	\$ 38,118	\$ 43,392
Capital expenditures	(5,142)	(3,465)	(5,388)
Free cash flow	<u>\$ 39,006</u>	<u>\$ 34,653</u>	<u>\$ 38,004</u>

Net debt to adjusted EBITDA:

<i>(In thousands)</i>	June 30, 2026	June 30, 2025	June 30, 2024
Debt as reported	\$ 255,931	\$ 48,557	\$ 54,229
Less:			
Cash and cash equivalents as reported	14,249	3,457	4,110
Net debt	\$ 241,682	\$ 45,100	\$ 50,119
Adjusted EBITDA	\$ 89,027	\$ 55,067	\$ 51,436
Net debt to adjusted EBITDA	2.71	0.82	0.97

Adjusted EBITDA above includes Royston adjusted EBITDA from July 1, 2025 through June 30, 2026.

Results of Operations**2026 Compared to 2025 and 2025 Compared to 2024****Display Solutions Segment**

<i>(In thousands)</i>	2026	2025	2024
Net Sales.....	\$ 423,174	\$ 325,020	\$ 207,225
Gross Profit	\$ 80,625	\$ 57,476	\$ 44,195
Operating Income	\$ 31,828	\$ 26,353	\$ 19,969

Display Solutions net sales of \$423.2 million increased 30% from same period in fiscal 2025. Sales growth was driven by increased sales across several major product categories and vertical markets supported mostly by the grocery and refueling/ C-Store verticals. The Company's acquisition of Royston also contributed \$73.5 million of the year-over-year sales growth of the Display Solutions Segment.

Display Solutions net sales of \$325.0 million in fiscal 2025 increased 57% from same period in fiscal 2024. Sales growth was driven by increased sales across all major product categories and vertical markets supported mostly by the grocery and refueling/ C-Store verticals. The Company's acquisitions of EMI and CBH also contributed \$85.3 million of the year-over-year sales growth of the Display Solutions Segment.

Gross profit of \$80.6 million in fiscal 2026 increased 40% from the same period of fiscal 2025. Gross profit as a percentage of net sales increased to 19.1% from 17.7% in the same period of fiscal 2025 as a result of the impact of the acquisition of Royston and by customer mix.

Gross profit of \$57.5 million in fiscal 2025 increased 30% from the same period of fiscal 2024. Gross profit as a percentage of net sales decreased to 18% from 21% in the same period of fiscal 2024 as a result of the dilutive impact of acquisitions and by customer mix.

Operating expenses of \$48.8 million in fiscal 2026 increased 57% from the same period of fiscal 2025, primarily driven by the acquisitions of Royston and by continued investment in commercial initiatives to drive growth.

Operating expenses of \$31.1 million in fiscal 2025 increased 29% from the same period of fiscal 2024, primarily driven by the acquisitions of EMI and CBH and by continued investment in commercial initiatives to drive growth.

Fiscal 2026 operating income of \$31.8 million in fiscal 2026 increased 21% from the same period of fiscal 2025. Fiscal 2026 operating income was negatively impacted by acquisition-related charges of \$6.1 million. When these acquisition-related charges are excluded from the fiscal 2026 results, operating income grew 44%. The increase in operating income was driven by increased sales and a favorable customer and product mix.

Fiscal 2025 operating income of \$26.4 million in fiscal 2025 increased 32% from the same period of fiscal 2024. The increase in operating income of \$6.4 million was driven by the net effect of an increase in net sales partially offset by the dilutive impact of acquisitions and by customer mix.

Lighting Segment

(In thousands)

	2026	2025	2024
Net Sales.....	\$ 266,223	\$ 248,357	\$ 262,413
Gross Profit	\$ 92,739	\$ 84,390	\$ 89,026
Operating Income	\$ 32,728	\$ 30,253	\$ 33,327

Lighting Segment net sales of \$266.2 million in fiscal 2026 increased 7% compared to net sales of \$248.4 million in the same period in fiscal 2025. The increase in sales in the Lighting Segment is attributed to increased penetration of national accounts, together with improved demand for outdoor area lighting.

Lighting Segment net sales of \$248.4 million in fiscal 2025 decreased 5% compared to net sales of \$262.4 million in the same period in fiscal 2024. In fiscal 2024, the Company had several large lighting projects that did not repeat in fiscal 2025. While there was a year-over-year decline in large lighting projects, small project activity continued to increase over the prior year period while large lighting projects order activity increased in the fourth quarter of fiscal 2025.

Gross profit of \$92.7 million fiscal 2026 increased 10% from the same period of fiscal 2025. The increase in gross profit is attributed to the increase in sales and also due to a higher mix of value applications along with effective pricing and cost management.

Gross profit of \$84.4 million in fiscal 2025 decreased 5% from the same period of fiscal 2024. The decline in gross profit is attributed to the decline in sales. Despite a decline in gross profit due to a decline in sales, gross profit as a percentage of sales improved marginally. Maintaining a comparable gross margin rate on lower sales was the result of an increase in a higher mix of value applications, and effective cost management.

Operating expenses of \$60.0 million in fiscal 2026 increased 10% from the same period of fiscal 2025, driven mostly by higher sales incentive expenses.

Operating expenses of \$54.1 million in fiscal 2025 decreased 3% from the same period of fiscal 2024, driven mostly by lower commission expense from lower sales, and effective cost management.

Fiscal 2026 Lighting Segment operating income of \$32.7 million increased 8% from operating income of \$30.3 million in the same period of fiscal 2025 primarily driven by increased net sales along with effective pricing and cost management.

Fiscal 2025 Lighting Segment operating income of \$30.3 million decreased 9% from operating income of \$33.3 million in the same period of fiscal 2024 primarily driven by decreased net sales partially offset by an increase in a higher mix of value applications, stable pricing, and effective cost management.

Corporate and Eliminations

(In thousands)

	2026	2025	2024
Gross (Loss)/Profit	\$ 1	\$ 4	\$ (53)
Operating (Loss).....	\$ (26,153)	\$ (20,837)	\$ (17,779)

The gross (loss) relates to the intercompany profit in inventory elimination.

Operating expenses of \$26.1 million in fiscal 2026 increased 26% from the same period of fiscal 2025. The increase in expense is mostly attributed to \$3.9 million of acquisition-related costs and the result of an increase in investment in commercial initiatives to support the growth of the Company.

Operating expenses of \$20.8 million in fiscal 2025 increased 17% from the same period of fiscal 2024. The increase in expense is the result of an increase in investment in commercial initiatives to support the growth of the Company, including the cost associated with acquisitions, and performance related compensation programs.

Consolidated Results

The Company reported \$5.9 million and \$3.1 million of net interest expense in fiscal 2026 and 2025, respectively. The increase in interest expense is the result of the funds borrowed to acquire Royston in the third quarter of fiscal 2026, partially offset by decreased borrowing costs. The Company also recorded other (income)/expense of \$1.0 million and (\$0.4) million in fiscal 2026 and 2025, respectively, both of which is related to net foreign exchange currency transaction gains and losses through the Company's Mexican and Canadian subsidiaries.

The Company reported \$3.1 million and \$2.2 million of net interest expense in fiscal 2025 and 2024, respectively. The increase in interest expense is the result of the funds borrowed to acquire EMI in the fourth quarter of fiscal 2024 along with the funds borrowed to acquire CBH in the third quarter of fiscal 2025, partially offset by decreased borrowing costs. The Company also recorded other (income)/expense of (\$0.4) million and \$0.3 million in fiscal 2025 and 2024, respectively, both of which is related to net foreign exchange currency transaction gains and losses through the Company's Mexican and Canadian subsidiaries.

The \$8.9 million of income tax expense in fiscal 2026 represents a consolidated effective tax rate of 28.3%. The \$8.7 million of income tax expense in fiscal 2025 represents a consolidated effective tax rate of 26.2%. The increase in the effective tax rate from fiscal 2025 to fiscal 2026 is primarily driven by non-deductible acquisition related expenses resulting from the acquisition of Royston.

The \$8.7 million of income tax expense in fiscal 2025 represents a consolidated effective tax rate of 26.2%. The \$8.1 million of income tax expense in fiscal 2024 represents a consolidated effective tax rate of 24.5%. The increase in the effective tax rate from fiscal 2024 to fiscal 2025 is primarily driven by an increase in state, local and foreign income taxes across the multiple tax jurisdictions where LSI has a physical presence partially offset by the favorable tax treatment of the Company's long-term performance-based compensation.

The Company reported net income of \$22.6 million in fiscal 2026, compared to net income of \$24.4 million in fiscal 2025. Non-GAAP adjusted net income was \$42.2 million for fiscal 2026, compared to adjusted net income of \$32.9 million for fiscal 2025 (Refer to the Non-GAAP tables above). The increase in Non-GAAP adjusted net income is primarily the result of an increase in sales and by favorable customer and product mix along with effective pricing and cost management. Diluted adjusted earnings per share of \$1.25 was reported in fiscal 2026, compared to the same diluted adjusted earnings per share of \$1.07 in the same period of fiscal 2025. The weighted average common shares outstanding for purposes of computing diluted earnings per share in fiscal 2026 were 33,707,000 shares compared to 30,832,000 shares in the same period last year.

The Company reported net income of \$24.4 million in fiscal 2025, compared to net income of \$25.0 million in fiscal 2024. Non-GAAP adjusted net income was \$32.9 million for fiscal 2025, compared to adjusted net income of \$32.3 million for fiscal 2024 (Refer to the Non-GAAP tables above). The increase in Non-GAAP adjusted net income is primarily the net result of an increase in net sales partially offset by unfavorable product mix. Diluted adjusted earnings per share of \$1.07 was reported in fiscal 2025, compared to the same diluted adjusted earnings per share of \$1.07 in the same period of fiscal 2024. The weighted average common shares outstanding for purposes of computing diluted earnings per share in fiscal 2025, were 30,832,000 shares compared to 30,068,000 shares in the same period last year.

Liquidity and Capital Resources 2026 Compared to 2025

The Company considers our level of cash on hand, borrowing capacity, current ratio and working capital levels to be our most important measures of short-term liquidity. For long-term liquidity indicators, we believe our ratio of long-term debt to equity and our historical levels of net cash flows from operating activities to be the most important measures.

Working capital was \$146.0 million at June 30, 2026, compared to \$96.8 million at June 30, 2025. The ratio of current assets to current liabilities was 2.0 to 1 as of June 30, 2026, compared to the same ratio of current assets to liabilities as of June 30, 2025. The acquisition of Royston in the third quarter of fiscal 2026 accounted for \$41.1 million of the increase in net working capital. When the impact of the acquisition of Royston is removed from the year-over-year comparison, net working capital increased \$8.1 million. The net increase in net working capital excluding Royston was the result of a \$9.3 million increase in net accounts receivable, an increase of \$4.0 million in net inventory, a \$5.4 million increase in cash, and a \$5.8 million increase in refundable income taxes, partially offset by a \$10.8 million increase in accounts payable and accrued expenses.

Net accounts receivable were \$151.2 million and \$104.3 million at June 30, 2026, and June 30, 2025, respectively with Royston accounting for \$37.6 million of net accounts receivable as of June 30, 2026. Net accounts receivable increased \$9.3 million excluding Royston's net accounts receivable, primarily the result of a period-over period increase in sales. Days Sales Outstanding (DSO) was 65 days as of June 30, 2026 when excluding Royston, and 57 days as June 30, 2025, when excluding CBH. We believe that our receivables are ultimately collectible or recoverable, net of certain reserves, and that aggregate allowances for credit losses are adequate.

Net inventories were \$112.3 million and \$79.8 million at June 30, 2026, and June 30, 2025, respectively, with Royston accounting for \$28.5 million of the \$112.3 million total net inventory at June 30, 2026. Net inventory increased \$4.0 million excluding Royston's net inventory. The increase of \$4.0 million is the net result of a \$5.3 million increase in Lighting Segment inventory and a \$1.3 million decrease in Display Solutions Segment inventory, excluding Royston.

Cash generated from operations and borrowing capacity under our credit facility is our primary source of liquidity. Our credit facility consists of a \$200 million term loan and \$150 million secured revolving line of credit. Both facilities expire in the first quarter of fiscal 2031. As of June 30, 2026, \$90 million of the revolving line of credit was available. As of June 30, 2026, we are in compliance with all of our loan covenants. We believe that our \$350 million credit facility plus cash flows from operating activities are adequate for operational and capital expenditure needs for the next 12 months.

The Company generated \$44.1 million of cash from operating activities in fiscal 2026 compared to a generation of cash of \$38.1 million in fiscal 2025. The Company continues to effectively manage its working capital while generating cash flow from earnings, resulting in strong cash flow from operations.

The Company consumed \$336.6 million of cash from investing activities in fiscal 2026 compared to a consumption of cash of \$28.0 million in fiscal 2025. The Company acquired Royston for \$338.2 million in the third quarter of fiscal 2026 and acquired Canada's Best Holdings in the third quarter of fiscal 2025 for \$24.6 million both of which contributed significantly to the consumption of cash in both reporting periods. The Company also invested \$5.1 million and \$3.5 million of cash related to purchases of equipment and tooling in fiscal 2026 and 2025, respectively, to support sales growth initiatives.

The Company generated cash of \$303.6 million in fiscal 2026 compared to a consumption of cash of \$11.4 million in fiscal 2025 related to financing activities. While the cash generated from operating activities continues to pay down its debt, the Company borrowed funds from its line of credit and raised \$98.1 million from an equity offering to acquire Royston and CBH, which impacted net debt activity over the course of the two fiscal years.

The Company has on its balance sheet financial instruments consisting primarily of cash and cash equivalents, revolving lines of credit, and long-term debt. The fair value of these financial instruments approximates carrying value because of their short-term maturity and/or variable, market-driven interest rates.

Liquidity and Capital Resources 2025 Compared to 2024

The Company considers our level of cash on hand, borrowing capacity, current ratio and working capital levels to be our most important measures of short-term liquidity. For long-term liquidity indicators, we believe our ratio of long-term debt to equity and our historical levels of net cash flows from operating activities to be the most important measures.

Working capital was \$96.8 million at June 30, 2025, compared to \$83.3 million at June 30, 2024. The ratio of current assets to current liabilities was 2.0 to 1 as of June 30, 2025, compared to a ratio of 2.1 to 1 as of June 30, 2024. The acquisition of Canada's Best Holding (CBH) in the third quarter of fiscal 2025 accounted for \$9.7 million of the increase in net working capital. When the impact of the acquisition of CBH is removed from the year-over-year comparison, net working capital increased \$5.4 million. The net increase in net working capital excluding CBH was mostly due to a \$18.8 million increase in net accounts receivable, an increase of \$4.0 million in net inventory, partially offset by a \$13.6 million increase in accounts payable and accrued expenses and a \$3.2 million reduction in refundable income taxes.

Net accounts receivable were \$104.3 million and \$78.6 million at June 30, 2025, and June 30, 2024, respectively with CBH accounting for \$6.9 million of net accounts receivable as of June 30, 2025. Net accounts receivable increased \$18.8 million excluding CBH's net accounts receivable, primarily the result of a period-over period increase in sales. Days Sales Outstanding (DSO) was 57 days and 58 days as of June 30, 2025, and June 30, 2024, respectively. We believe that our receivables are ultimately collectible or recoverable, net of certain reserves, and that aggregate allowances for credit losses are adequate.

Net inventories were \$79.8 million and \$70.9 million at June 30, 2025, and June 30, 2024, respectively, with CBH accounting for \$5.0 million of the \$79.8 million total net inventory at June 30, 2025. Net inventory increased \$3.9 million excluding CBH's net inventory. The increase of \$3.9 million is the result of a \$1.7 million increase in Lighting Segment inventory and a \$2.2 million increase in Display Solutions Segment inventory. Inventory levels increased in both reportable segments to support the growth in sales.

Cash generated from operations and borrowing capacity under our credit facility is our primary source of liquidity. Our credit facility consists of a \$25 million term loan and \$75 million secured revolving line of credit. Both facilities expire in the first quarter of fiscal 2027. As of June 30, 2025, \$35.7 million of the revolving line of credit was available. As of June 30, 2025, we are in compliance with all of our loan covenants. We believe that our \$100 million credit facility plus cash flows from operating activities are adequate for operational and capital expenditure needs for the next 12 months.

The Company generated \$38.1 million of cash from operating activities in fiscal 2025 compared to a generation of cash of \$43.4 million in fiscal 2024. The Company continues to effectively manage its working capital while generating cash flow from earnings, resulting in strong cash flow from operations.

The Company consumed \$28.0 million of cash from investing activities in fiscal 2025 compared to a consumption of cash of \$55.3 million in fiscal 2024. The Company acquired Canada's Best Holdings for \$24.6 million in the third quarter of fiscal 2025 and acquired EMI Industries, LLC in the fourth quarter of fiscal 2024 for \$49.9 million which contributed significantly to the consumption of cash in both reporting periods. The Company also invested \$3.5 million and \$5.4 million of cash related to purchases of equipment and tooling in fiscal 2025 and 2024, respectively, to support sales growth initiatives.

The Company had a net consumption of cash of \$11.4 million in fiscal 2025 compared to a net generation of cash of \$14.3 million in fiscal 2024 related to financing activities. While the cash generated from operating activities continues to pay down its debt, the Company borrowed funds from its line of credit to acquire EMI and CBH, which impacted net debt activity over the course of the two fiscal years.

The Company has on its balance sheet financial instruments consisting primarily of cash and cash equivalents, revolving lines of credit, and long-term debt. The fair value of these financial instruments approximates carrying value because of their short-term maturity and/or variable, market-driven interest rates.

Off-Balance Sheet Arrangements

We have no financial instruments with off-balance sheet risk.

Cash Dividends

In August 2026, the Board of Directors declared a regular quarterly cash dividend of \$0.05 per share payable September 8, 2026, to shareholders of record as of August 31, 2026. The indicated annual cash dividend rate for fiscal 2026 was \$0.20 per share. The Board of Directors has adopted a policy regarding dividends which indicates that dividends will be determined by the Board of Directors at its discretion based upon its evaluation of earnings, cash flow requirements, financial conditions, debt levels, stock repurchases, future business developments and opportunities, and other factors deemed relevant.

Critical Accounting Policies and Use of Estimates

We have adopted various accounting policies to prepare the consolidated financial statements in accordance with U.S. GAAP. Our significant accounting policies are described in Note 1. "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements. Some of those significant accounting policies require us to make difficult, subjective, or complex judgments or estimates. An accounting estimate is considered to be critical if it meets both of the following criteria: (i) the estimate requires assumptions about matters that are highly uncertain at the time the accounting estimate is made, and (ii) different estimates reasonably could have been used, or changes in the estimate that are reasonably likely to occur may have a material impact on our financial condition or results of operations. The significant accounting policy that management believes is critical to the understanding and evaluating our reported financial results is the warranty reserve. For further information see Note 1. "Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Warranty Reserves:

The Company offers a limited warranty that its products are free from defects in workmanship and materials. The specific terms and conditions vary somewhat by product line, but generally cover defective products returned within one to five years, with some exceptions where the terms extend to 10 years, from the date of shipment. The Company records warranty liabilities to cover the estimated future costs for repair or replacement of defective returned products as well as products that need to be repaired or replaced in the field after installation. The Company calculates its liability for warranty claims by applying estimates based upon historical claims as a percentage of sales to cover unknown claims, as well as estimating the total amount to be incurred for known warranty issues. Warranty reserves are subject to large reserve adjustments when actual warranty costs differ significantly from cost estimates due to unforeseen claim activity which exceeds historical claim activity such as product failures across several customers or over a wide geographic area. The Company also periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amount as necessary, which can also cause large reserve adjustments. These adjustments may be required in the future, which could adversely affect our gross profit and results of operations. The same methodology was used for calculating warranty reserves in fiscal 2025 and fiscal 2026 which resulted in an increase in the reserves in fiscal 2026.

Business Combination:

From time to time, the Company enters into business combinations. Business acquisitions are accounted for using the acquisition method of accounting, which allocates the fair value of the purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. In the fair value evaluation of intangible assets acquired, there are significant estimates and assumptions, including forecasts of future cash flows, revenues; and earnings before interest, taxes, depreciation and amortization; as well as the selection of the royalty rates and discount rates. The excess of the purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. The acquisition method of accounting also requires us to refine these estimates over a measurement period not to exceed one year to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. If we are required to adjust provisional amounts that we have recorded for the fair values of assets and liabilities in connection with acquisitions, these adjustments could have a material impact on our financial condition and results of operations.

Additionally, uncertain tax positions and tax-related valuation allowances are initially recorded in connection with a business combination as of the acquisition date. We continue to collect information and reevaluate these estimates and assumptions periodically and record any adjustments to preliminary estimates to goodwill, provided we are within the measurement period. If outside of the measurement period, any subsequent adjustments are recorded to the consolidated statement of operations.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management of LSI Industries Inc. and subsidiaries (the “Company” or “LSI”) is responsible for the preparation and accuracy of the financial statements and other information included in this report. LSI’s Management is also responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act Rules 13a-15(f). Under the supervision and with the participation of Management, including LSI’s principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting as of June 30, 2026, based on the criteria set forth in “the 2013 Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the reality that judgments in decision making can be faulty, the possibility of human error, and the circumvention or overriding of the controls and procedures.

In meeting its responsibility for the reliability of the financial statements, the Company depends upon its system of internal accounting controls. The system is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly authorized and recorded. The system is supported by policies and guidelines, and by careful selection and training of financial management personnel. The Company also has a Disclosure Controls Committee, whose responsibility is to help ensure appropriate disclosures and presentation of the financial statements and notes thereto. Additionally, the Company has an Internal Audit Department to assist in monitoring compliance with financial policies and procedures.

The Board of Directors meets its responsibility for overview of the Company’s financial statements through its Audit Committee which is composed entirely of independent Directors who are not employees of the Company. The Audit Committee meets periodically with Management and Internal Audit to review and assess the activities of each in meeting their respective responsibilities. Grant Thornton LLP has full access to the Audit Committee to discuss the results of their audit work, the adequacy of internal accounting controls, and the quality of financial reporting.

The Company acquired Royston Group (Royston) on March 24, 2026. Management excluded Royston from its evaluation of the effectiveness of internal control over financial reporting as of June 30, 2026. Including goodwill and acquired intangible assets, Royston represented 50% of the Company’s total consolidated assets as of June 30, 2026, and 11% of the Company’s total consolidated sales for the fiscal year ended June 30, 2026.

Based upon LSI’s evaluation, the Company’s principal executive officer and principal financial officer concluded that internal control over financial reporting was effective as of June 30, 2026. We reviewed the results of Management’s assessment with the Audit Committee of our Board of Directors. Additionally, our independent registered public accounting firm audited and independently assessed the effectiveness of the Company’s internal control over financial reporting. Grant Thornton LLP, an independent registered public accounting firm, has issued an opinion on the effectiveness of the Company’s internal control over financial reporting, which is presented in the financial statements.

James A. Clark
President and Chief Executive Officer
(Principal Executive Officer)

James E. Galeese
Executive Vice President and Chief Financial Officer
(Principal Financial Officer, Principal Accounting Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
LSI Industries Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of LSI Industries Inc. (an Ohio corporation) and subsidiaries (the “Company”) as of June 30, 2026 and 2025, the related consolidated statements of operations, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended June 30, 2026, and the related notes and financial statement schedule included under Item 8 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2026 and 2025, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2026, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of June 30, 2026, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated September 3, 2026 expressed an unqualified opinion.

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquisition of SRR Holdings, Inc.

As discussed in Note 4 to the consolidated financial statements, the Company completed an acquisition agreement wherein the Company acquired 100% ownership of SRR Holdings, Inc. (“Royston”) on March 24, 2026 for total consideration of \$338.2M resulting in the addition of \$179.9M of intangible assets. The acquisition was accounted for as a business combination. We identified the valuation of the acquired customer relationships, tradenames and technology, which represents 100% of the acquired intangible assets, as a critical audit matter.

The principal considerations for our determination that the valuation of the acquired customer relationships, tradenames and technology is a critical audit matter is that the valuation of the acquired customer relationships, tradenames and technology was considered especially challenging and required significant auditor judgment due to the judgmental assumptions established by management in determining fair value measurements of the acquired customers relationships, tradenames, and technology, which includes prospective financial information, discount rates, and royalty rates. The Company, utilizing third-party specialists, used an income approach – excess earnings to measure the identified customer relationships and income approach – relief from royalty to measure the identified tradenames and technology. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve professionals having expertise in the valuation of acquired intangible assets, when performing audit procedures to evaluate management’s judgments and conclusions related to the valuation of the acquired customer relationships, tradenames and technology.

Our audit procedures related to the prospective financial information, discount rates and royalty rates for the valuation of the acquired customer relationships, tradenames and technology included the following, among others:

- Tested the effectiveness of internal controls over the valuation of acquired intangible assets, including those over prospective financial information, discount rates and royalty rates
- Evaluated the reasonableness of management’s prospective financial information by comparing the projections to historical results and industry trends
- Evaluated, with the assistance of our fair value specialists, the reasonableness of the valuation methodologies, discount rates and royalty rates by:
 - Testing the source information underlying the determination of the discount and royalty rates, and the mathematical accuracy of the calculations.
 - Performing corroborative calculations and sensitivities and comparing those results to the royalty rates and discounts rates, respectively, selected by management.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2009.

Chicago, Illinois
September 3, 2026

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
LSI Industries Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of LSI Industries Inc. (an Ohio corporation) and subsidiaries (the “Company”) as of June 30, 2026, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2026, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended June 30, 2026, and our report dated September 3, 2026 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of SRR Holdings, Inc. (“Royston”), a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 50 percent and 11 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended June 30, 2026. As indicated in Management’s Report on Internal Control Over Financial Reporting, Royston was acquired during fiscal year 2026. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of Royston.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Chicago, Illinois
September 3, 2026

LSI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended June 30, 2026, 2025 and 2024
(In thousands, except per share data)

	Twelve Months Ended		
	2026	2025	2024
Net Sales.....	\$ 689,397	\$ 573,377	\$ 469,638
Cost of products and services sold	<u>516,032</u>	<u>431,597</u>	<u>336,470</u>
Gross profit	173,365	141,780	133,168
Selling and administrative expenses.....	<u>134,962</u>	<u>106,011</u>	<u>97,651</u>
Operating income.....	38,403	35,769	35,517
Interest expense.....	5,928	3,129	2,156
Other (income) and expense.....	<u>1,001</u>	<u>(398)</u>	<u>262</u>
Income before income taxes.....	31,474	33,038	33,099
Income tax expense	<u>8,895</u>	<u>8,655</u>	<u>8,122</u>
Net income	<u>\$ 22,579</u>	<u>\$ 24,383</u>	<u>\$ 24,977</u>
Earnings per common share (see Note 6)			
Basic.....	<u>\$ 0.69</u>	<u>\$ 0.82</u>	<u>\$ 0.86</u>
Diluted.....	<u>\$ 0.67</u>	<u>\$ 0.79</u>	<u>\$ 0.83</u>
Weighted average common shares outstanding			
Basic.....	<u>32,871</u>	<u>29,903</u>	<u>29,049</u>
Diluted.....	<u>33,707</u>	<u>30,832</u>	<u>30,068</u>

The accompanying notes are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended June 30, 2026, 2025 and 2024
(In thousands)

(In thousands)

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Net Income	\$ 22,579	\$ 24,383	\$ 24,977
Foreign currency translation adjustment	<u>(331)</u>	<u>627</u>	<u>(137)</u>
Comprehensive Income	<u><u>\$ 22,248</u></u>	<u><u>\$ 25,010</u></u>	<u><u>\$ 24,840</u></u>

The accompanying notes are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2026 and 2025
(In thousands, except shares)

	June 30, 2026	June 30, 2025
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 14,249	\$ 3,457
Accounts receivable, less allowance for credit losses of \$1,895, and \$1,152, respectively.....	151,231	104,347
Inventories.....	112,291	79,818
Refundable income tax.....	6,331	-
Other current assets	11,783	6,544
Total current assets.....	295,885	194,166
Property, plant and equipment, at cost		
Land	4,010	4,029
Buildings	30,871	24,575
Machinery and equipment.....	100,133	77,858
Construction in progress	2,094	989
	137,108	107,451
Less accumulated depreciation.....	(80,394)	(76,297)
Net property, plant and equipment.....	56,714	31,154
Goodwill.....	172,125	64,548
Intangible assets, net	249,183	78,258
Operating lease right-of-use assets.....	49,490	17,187
Deferred tax assets	-	7,302
Other long-term assets, net.....	6,467	3,747
Total assets.....	\$ 829,864	\$ 396,362

The accompanying notes are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONSOLIDATED BALANCE SHEETS (continued)
June 30, 2026 and 2025
(In thousands, except shares)

	June 30, 2026	June 30, 2025
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt.....	\$ 10,000	\$ 3,571
Accounts payable	71,998	48,526
Accrued expenses.....	67,921	45,252
	<u>149,919</u>	<u>97,349</u>
Total current liabilities.....		
Long-term debt.....	245,931	44,986
Operating lease liabilities	38,462	12,047
Other long-term liabilities	2,948	4,695
Deferred tax liabilities.....	27,001	3,209
Commitments and contingencies (Note 16)	4,926	3,354
Shareholders' Equity		
Preferred shares, without par value; Authorized 1,000,000 shares, none issued.....	-	-
Common shares, without par value; Authorized 50,000,000 shares; Outstanding 36,972,819, and 30,054,532 shares, respectively	277,860	163,692
Treasury shares, without par value.....	(11,240)	(10,011)
Key executive compensation.....	11,240	10,011
Retained earnings.....	82,319	66,201
Accumulated other comprehensive income	498	829
	<u>360,677</u>	<u>230,722</u>
Total shareholders' equity		
Total liabilities & shareholders' equity	<u><u>\$ 829,864</u></u>	<u><u>\$ 396,362</u></u>

The accompanying notes are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended June 30, 2026, 2025 and 2024
(amounts in thousands)

	Common Shares		Treasury Shares		Key Executive		Accumulated	
	Number	Amount	Number	Amount	Compensation	Retained	Other	Total
	Of Shares		Of Shares		Amount	Earnings	Comprehensive	Shareholders'
							Income (Loss)	Equity
Balance at June 30, 2023	<u>28,488</u>	<u>\$ 148,691</u>	<u>(922)</u>	<u>\$ (7,166)</u>	<u>\$ 7,166</u>	<u>\$ 28,548</u>	<u>\$ 339</u>	<u>\$ 177,578</u>
Net Income.....	-	-	-	-	-	24,977	-	24,977
Other comprehensive (loss)	-	-	-	-	-	-	(137)	(137)
Board stock compensation.....	32	450	-	-	-	-	-	450
ESPP stock awards.....	14	194	-	-	-	-	-	194
Restricted stock units issued, net of shares withheld for tax withholdings	324	(447)	-	-	-	-	-	(447)
Shares issued for deferred compensation.....	131	1,875	-	-	-	-	-	1,875
Activity of treasury shares, net	-	-	(114)	(1,729)	-	-	-	(1,729)
Deferred stock compensation.....	-	-	-	-	1,729	-	-	1,729
Stock-based compensation expense	-	3,814	-	-	-	-	-	3,814
Stock options exercised, net.....	233	1,788	-	-	-	-	-	1,788
Dividends — \$0.20 per share	-	-	-	-	-	(5,737)	-	(5,737)
Balance at June 30, 2024	<u>29,222</u>	<u>\$ 156,365</u>	<u>(1,036)</u>	<u>\$ (8,895)</u>	<u>\$ 8,895</u>	<u>\$ 47,788</u>	<u>\$ 202</u>	<u>\$ 204,355</u>
Net Income.....	-	-	-	-	-	24,383	-	24,383
Other comprehensive gain	-	-	-	-	-	-	627	627
Board stock compensation.....	27	450	-	-	-	-	-	450
ESPP stock awards.....	17	218	-	-	-	-	-	218
Restricted stock units issued, net of shares withheld for tax withholdings	534	(509)	-	-	-	-	-	(509)
Shares issued for deferred compensation.....	114	1,943	-	-	-	-	-	1,943
Activity of treasury shares, net	-	-	(16)	(1,116)	-	-	-	(1,116)
Deferred stock compensation.....	-	-	-	-	1,116	-	-	1,116
Stock-based compensation expense	-	4,164	-	-	-	-	-	4,164
Stock options exercised, net.....	140	1,061	-	-	-	-	-	1,061
Dividends — \$0.20 per share	-	-	-	-	-	(5,970)	-	(5,970)
Balance at June 30, 2025	<u>30,054</u>	<u>\$ 163,692</u>	<u>(1,052)</u>	<u>\$ (10,011)</u>	<u>\$ 10,011</u>	<u>\$ 66,201</u>	<u>\$ 829</u>	<u>\$ 230,722</u>
Net Income	-	-	-	-	-	22,579	-	22,579
Other comprehensive gain.....	-	-	-	-	-	-	(331)	(331)
Board stock compensation.....	19	360	-	-	-	-	-	360
ESPP stock awards	19	335	-	-	-	-	-	335
Restricted stock units issued, net of shares withheld for tax withholdings.....	392	178	-	-	-	-	-	178
Shares issued for deferred compensation	89	1,884	-	-	-	-	-	1,884
Activity of treasury shares, net.....	-	-	(31)	(1,229)	-	-	-	(1,229)
Deferred stock compensation.....	-	-	-	-	1,229	-	-	1,229
Equity raise shares.....	5,290	98,109	-	-	-	-	-	98,109
Shares used for business acquisition ..	227	5,000	-	-	-	-	-	5,000
Stock-based compensation expense ..	-	3,946	-	-	-	-	-	3,946
Stock options exercised, net.....	882	4,356	-	-	-	-	-	4,356
Dividends — \$0.20 per share	-	-	-	-	-	(6,461)	-	(6,461)
Balance at June 30, 2026	<u>36,972</u>	<u>\$ 277,860</u>	<u>(1,083)</u>	<u>\$ (11,240)</u>	<u>\$ 11,240</u>	<u>\$ 82,319</u>	<u>\$ 498</u>	<u>\$ 360,677</u>

The accompanying notes are an integral part of these financial statements.

LSI INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2026, 2025 and 2024
(In thousands)

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities			
Net income	\$ 22,579	\$ 24,383	\$ 24,977
Non-cash items included in net income			
Depreciation and amortization	16,565	12,575	9,999
Deferred income taxes	5,902	(2,362)	(1,606)
Deferred compensation plan	1,884	1,943	1,875
Stock compensation expense	3,946	4,164	3,814
ESPP discount	335	218	194
Issuance of common shares as compensation	360	450	450
Loss on disposition of fixed assets	102	204	306
Allowance for credit losses	(7)	231	57
Inventory obsolescence reserve	(643)	528	(1,259)
Changes in certain assets and liabilities:			
Accounts receivable	(10,401)	(22,100)	10,384
Inventories	(2,422)	(5,250)	6,310
Refundable income taxes	(3,359)	3,197	(77)
Accounts payable	6,611	16,306	(4,117)
Accrued expenses and other	2,696	3,631	(7,915)
Net cash flows provided by operating activities	<u>44,148</u>	<u>38,118</u>	<u>43,392</u>
Cash Flows from Investing Activities			
Acquisition of Royston, EMI and CBH, net of cash acquired, and shares used in acquisition	(331,584)	(24,552)	(49,900)
Purchases of property, plant, and equipment	(5,142)	(3,465)	(5,388)
Proceeds from the sale of fixed assets	146	50	35
Net cash flows used in investing activities	<u>(336,580)</u>	<u>(27,967)</u>	<u>(55,253)</u>
Cash Flows from Financing Activities			
Payments on long-term debt	(1,275,776)	(199,790)	(139,884)
Borrowings on long-term debt	1,483,149	194,117	158,912
Equity raise	98,109	-	-
Cash dividends paid	(6,461)	(5,970)	(5,737)
Shares withheld on employees' taxes	178	(509)	(447)
Payments on financing lease obligations	-	(340)	(324)
Proceeds from stock option exercises	4,356	1,061	1,788
Net cash flows provided by (used in) financing activities	<u>303,555</u>	<u>(11,431)</u>	<u>14,308</u>
Change related to Foreign Currency	(331)	627	(165)
Increase (decrease) in cash and cash equivalents	10,792	(653)	2,282
Cash and cash equivalents at beginning of period	3,457	4,110	1,828
Cash and cash equivalents at end of period	<u>\$ 14,249</u>	<u>\$ 3,457</u>	<u>\$ 4,110</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation:

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of LSI Industries Inc. (an Ohio corporation) and its subsidiaries (collectively, the “Company”), all of which are wholly owned. All intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition:

The Company recognizes revenue when it satisfies the performance obligation in its customer contracts or purchase orders. Most of the Company’s products have a single performance obligation which is satisfied at a point in time when control is transferred to the customer. Control is generally transferred at the time of shipment when title and risk of ownership passes to the customer. For customer contracts with multiple performance obligations, the Company allocates the transaction price and any discounts to each performance obligation based on relative standalone selling prices. Payment terms are typically within 30 to 90 days from the shipping date, depending on the terms with the customer. The Company offers standard warranties that do not represent separate performance obligations.

Installation is a separate performance obligation, except for the Company’s digital signage products. For digital signage products, installation is not a separate performance obligation as the product and installation is the combined item promised in digital signage contracts. The Company is not always responsible for installation of products it sells and has no post-installation responsibilities other than standard warranties.

A number of the Company's display solutions and select lighting products are customized for specific customers. As a result, these customized products do not have an alternative use. For these products, the Company has a legal right to payment for performance to date and generally does not accept returns on these items. The measurement of performance is based upon cost plus a reasonable profit margin for work completed. Because there is no alternative use and there is a legal right to payment, the Company transfers control of the item as the item is being produced and therefore recognizes revenue over time. The customized product types are as follows:

- Customer Main Identification (MID) signage, print / digital graphics, and customer specific metal and millwork products
- Electrical components based on customer specifications

The Company also offers installation services for its display solutions elements and select lighting products. Installation revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided through the installation process.

For these customized products and installation services, revenue is recognized using a cost-based input method: recognizing revenue and gross profit as work is performed based on the relationship between the actual cost incurred and the total estimated cost for the performance obligation.

On occasion, the Company enters into bill-and-hold arrangements on a limited basis. Each bill-and-hold arrangement is reviewed and revenue is recognized only when certain criteria have been met: (1) the customer has requested delayed delivery and storage of the products by the Company because the customer wants to secure a supply of the products but lacks storage space; (ii) the risk of ownership has passed to the customer; (iii) the products are segregated from the Company’s other inventory items held for sale; (iv) the products are ready for shipment to the customer; and (v) the Company does not have the ability to use the products or direct them to another customer.

Disaggregation of Revenue

The Company disaggregates the revenue from contracts with customers by the timing of revenue recognition because the Company believes it best depicts the nature, amount, and timing of its revenue and cash flows. The table below presents a reconciliation of the disaggregation by reportable segments:

	Twelve Months Ended June 30, 2026	
	Lighting Segment	Display Solutions Segment
Timing of revenue recognition		
Products and services transferred at a point in time	\$ 219,613	\$ 368,166
Products and services transferred over time	46,610	55,008
	<u>\$ 266,223</u>	<u>\$ 423,174</u>

Type of Product and Services		
Lighting, poles, electronic components	\$ 263,543	\$ -
Signage and display products	-	355,114
Project management, installation services, shipping and handling	2,680	68,060
	<u>\$ 266,223</u>	<u>\$ 423,174</u>

	Twelve Months Ended June 30, 2025	
	Lighting Segment	Display Solutions Segment
Timing of revenue recognition		
Products and services transferred at a point in time	\$ 208,193	\$ 259,432
Products and services transferred over time	40,164	65,588
	<u>\$ 248,357</u>	<u>\$ 325,020</u>

Type of Product and Services		
Lighting, poles, electronic components	\$ 245,763	\$ -
Signage and display products	-	259,936
Project management, installation services, shipping and handling	2,594	65,084
	<u>\$ 248,357</u>	<u>\$ 325,020</u>

	Twelve Months Ended June 30, 2024	
	Lighting Segment	Display Solutions Segment
Timing of revenue recognition		
Products and services transferred at a point in time	\$ 219,820	\$ 151,972
Products and services transferred over time	42,593	55,253
	<u>\$ 262,413</u>	<u>\$ 207,225</u>

Type of Product and Services		
Lighting, poles, electronic components	\$ 259,477	\$ -
Signage and display products	-	165,125
Project management, installation services, shipping and handling	2,936	42,100
	<u>\$ 262,413</u>	<u>\$ 207,225</u>

Practical Expedients and Exemptions

- The Company's contracts with customers have an expected duration of one year or less, as such, the Company applies the practical expedient to expense sales commissions as incurred and has omitted disclosures on the amount of remaining performance obligations.
- Shipping costs that are not material in context of the delivery of products are expensed as incurred.
- The Company's accounts receivable balance represents the Company's unconditional right to receive payment from its customers with contracts. Payments are generally due within 30 to 90 days of completion of the performance obligation and invoicing; therefore, payments do not contain significant financing components.
- The Company collects sales tax and other taxes concurrent with revenue-producing activities which are excluded from revenue. Shipping and handling costs are treated as fulfillment activities and included in cost of products and services sold on the Consolidated Statements of Operations.

Credit and Collections:

The Company maintains allowances for credit losses for probable estimated losses resulting from either customer disputes or the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in their inability to make the required payments, the Company may be required to record additional allowances or charges against income. The Company determines its allowance for credit losses by first considering all known collectability problems of customers' accounts and then applying certain percentages against the various aging categories based on the due date of the remaining receivables. The resulting allowance for credit losses is an estimate based upon the Company's knowledge of its business and customer base, the current economic climate, and historical trends. Receivables deemed uncollectable are written off against the allowance for credit losses after all reasonable collection efforts have been exhausted. The Company also establishes allowances, at the time revenue is recognized, for returns, discounts, pricing, and other possible customer deductions. These allowances are based upon historical trends. The following table presents the Company's net accounts receivable at the dates indicated.

Net Accounts Receivable

(In thousands)

	<u>June 30, 2026</u>	<u>June 30, 2025</u>
Accounts receivable	\$ 153,126	\$ 105,499
Less: Allowance for credit losses	(1,895)	(1,152)
Accounts receivable, net	<u>\$ 151,231</u>	<u>\$ 104,347</u>

The net accounts receivable balance as of June 30, 2024, was \$78.6 million.

Cash and Cash Equivalents:

The cash balance includes cash and cash equivalents which have original maturities of less than three months. Cash and cash equivalents consist primarily of bank deposits and a bank money market account that is stated at cost, which approximates fair value. The Company maintains balances at financial institutions in the United States, Canada, and Mexico. In the United States, the FDIC limit for insurance coverage on non-interest-bearing accounts is \$250,000 per institution. As of June 30, 2026, and 2025, the Company had bank balances of \$11.6 million and \$3.5 million, respectively, without insurance coverage.

Inventories, Net:

Inventories are stated at the lower of cost or net realizable value. Cost of inventories includes the cost of purchased raw materials and purchased components, direct labor, as well as manufacturing overhead which is generally applied to inventory based on direct labor and on material content, is determined on the first-in, first-out basis.

The Company maintains an inventory reserve for obsolete and excess inventory. The Company first determines its excess and obsolete inventory reserve by considering specific known obsolete items, and then by applying certain percentages to specific inventory categories based upon inventory turns. The Company uses various tools, in addition to inventory turns, to identify which inventory items have the potential to become obsolete. Judgment is used to establish excess and obsolete inventory reserves and management adjusts these reserves as more information becomes available about the ultimate disposition of the inventory item.

Property, Plant and Equipment and Related Depreciation:

Property, plant, and equipment are stated at cost. Major additions and betterments are capitalized while maintenance and repairs are expensed. For financial reporting purposes, depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings (in years)	28 - 40
Machinery and equipment (in years)	3 - 10
Computer software (in years)	3 - 8

Costs related to the purchase, internal development, and implementation of the Company's fully integrated enterprise resource planning/business operating software system are either capitalized or expensed. Leasehold improvements are depreciated over the shorter of fifteen years or the remaining term of the lease.

The Company recorded \$7.9 million, \$6.7 million and \$5.0 million of depreciation expense in the years ended June 30, 2026, 2025, and 2024, respectively.

Goodwill and Intangible Assets:

Intangible assets consisting of customer relationships, trade names and trademarks, patents, technology and software are recorded on the Company's balance sheet. The definite-lived intangible assets are being amortized to expense over periods ranging between five and twenty years. The Company evaluates definite-lived intangible assets for possible impairment when triggering events are identified. Neither indefinite-lived intangible assets nor the excess of cost over fair value of assets acquired ("goodwill") are amortized, however, they are subject to review for impairment. See additional information about goodwill and intangible assets in Note 9.

Fair Value:

The Company has financial instruments consisting primarily of cash and cash equivalents, revolving lines of credit, accounts receivable, accounts payable, and long-term debt. The fair value of these financial instruments approximates carrying value because of their short-term maturity and/or variable, market-driven interest rates. The Company has no financial instruments with off-balance sheet risk.

Fair value measurements of nonfinancial assets and nonfinancial liabilities are primarily used in goodwill and other intangible asset impairment analyses, long-lived asset impairment analyses and valuation of acquired assets and assumed liabilities. The accounting guidance on fair value measurement was used to measure the fair value of these nonfinancial assets and nonfinancial liabilities.

Product Warranties:

The Company offers a limited warranty that its products are free from defects in workmanship and materials. The specific terms and conditions vary somewhat by product line, but generally cover defective products returned within one to five years, with some exceptions where the terms extend to 10 years, from the date of shipment. The Company records warranty liabilities to cover the estimated future costs for repair or replacement of defective returned products as well as products that need to be repaired or replaced in the field after installation. The Company calculates its liability for warranty claims by applying estimates based upon historical claims as a percentage of sales to cover unknown claims, as well as estimating the total amount to be incurred for known warranty issues. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amount as necessary.

Changes in the Company's warranty liabilities, which are included in accrued expenses in the accompanying consolidated balance sheets, during the periods indicated below were as follows:

<i>(In thousands)</i>	<u>June 30, 2026</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Balance at beginning of the period.....	\$ 7,505	\$ 6,623	\$ 6,501
Addition from acquired company.....	500	73	345
Additions charged to expense.....	3,801	5,304	3,781
Deductions for repairs and replacements.....	(4,475)	(4,495)	(4,004)
Balance at end of the period.....	<u>\$ 7,331</u>	<u>\$ 7,505</u>	<u>\$ 6,623</u>

Employee Benefit Plans:

The Company has a 401(k)-retirement plan whereby employee's contributions to the 401(k) are matched by the Company. The 401(k)-match program covers substantially all of its employees. The Company also has a non-qualified deferred compensation plan covering certain employees. The costs of employee benefit plans are charged to expense and funded annually. Total costs were \$2.5 million, \$2.4 million and \$2.3 million in June 30, 2026, 2025 and 2024, respectively.

Research and Development Costs:

Research and development costs are directly attributable to new product development, including the development of new technology for both existing and new products, and consist of salaries, payroll taxes, employee benefits, materials, outside legal costs and filing fees related to obtaining patents, supplies, depreciation, and other administrative costs. The Company expenses as research and development all costs associated with development of software used in solid-state LED products. All costs are expensed as incurred and are included in selling and administrative expenses. Research and development costs related to both product and software development totaled \$3.1 million, \$3.3 million and \$3.5 million for the fiscal years ended June 30, 2026, 2025 and 2024, respectively.

Cost of Products and Services Sold:

Cost of products sold is primarily comprised of direct materials and supplies consumed in the manufacture of products, as well as manufacturing labor, depreciation expense and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished product. Cost of products sold also includes the cost to distribute products to customers, inbound freight costs, warehousing costs and other shipping and handling activity. Cost of services sold is primarily comprised of the internal and external labor costs required to support the Company's project management and installation costs to support its service revenue along with the management of media content.

Stock-Based Compensation:

The Company accounts for stock-based compensation to certain employees in accordance with accounting guidance for stock-based compensation. The accounting guidance requires companies to measure the cost of employee services received in exchange for an award of equity instruments, including stock options, restricted stock units, and performance stock units, based on the grant date fair value of the award and to recognize it as compensation expense over the period the employee is required to provide service in exchange for the award, usually the vesting period. Equity award forfeitures are recognized at the date of employee termination.

Earnings Per Common Share:

The computation of basic earnings per common share is based on the weighted average common shares outstanding for the period net of treasury shares held in the Company's non-qualified deferred compensation plan. The computation of diluted earnings per share is based on the weighted average common shares outstanding for the period and includes common share equivalents. Common share equivalents include the dilutive effect of stock options, restricted stock units, contingently issuable shares and common shares to be issued under a deferred compensation plan, all of which totaled 1,982,000 shares, 2,024,000 shares and 2,087,000 shares for the fiscal years ending June 30, 2026, 2025 and 2024, respectively. See further discussion in Note 6.

Income Taxes:

The Company accounts for income taxes in accordance with the accounting guidance for income taxes. Accordingly, deferred income taxes are provided on items that are reported as either income or expense in different time periods for financial reporting purposes than they are for income tax purposes. Deferred income tax assets are reported on the Company's balance sheet. Significant management judgment is required in developing the Company's income tax provision, including the estimation of taxable income and the effective income tax rates in the multiple taxing jurisdictions in which the Company operates, the estimation of the liability for uncertain income tax positions, the determination of deferred tax assets and liabilities, and any valuation allowances that might be required against deferred tax assets.

Foreign Exchange:

The functional currency of the Company's Mexican subsidiary is the Mexican Peso and the functional currency of the Company's Canadian subsidiary is the Canadian Dollar. Assets and liabilities of foreign operations are translated using period end exchange rates. Revenue and expenses are translated using average exchange rates during each period reported. Translation losses (gains) are reported in accumulated other comprehensive loss (gain) as a component of shareholders equity and was \$0.3 million as of June 30, 2026, (\$0.6) million as of June 30, 2025, and \$0.1 million as of June 30, 2024. The Company recognizes foreign currency transaction (gains) and losses on certain assets and liabilities that are denominated in the Mexican Peso and Canadian Dollar. These transaction (gains) and losses are reported in other expense in the consolidated statements of operations and was \$1.0 million, (\$0.4) million and \$0.3 million for the fiscal year ended June 30, 2026, 2025 and 2024, respectively.

New Accounting Pronouncements:

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU requires additional disclosures of various income tax components that affect the rate reconciliation based on the applicable taxing jurisdictions, as well as the qualitative and quantitative aspects of those components. The standard also requires information pertaining to taxes paid to be disaggregated for federal, state and foreign taxes, and contains other disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025, with early adoption permitted. The Company has adopted this new guidance on its consolidated financial statements and related disclosures by providing greater visibility into the rate reconciliation by jurisdiction, and disaggregation of taxes paid by jurisdiction. The Company adopted the ASU on a retrospective basis, with applicable disclosures included in Note 14 – Income Taxes. The adoption of ASU 2023-09 did not have a significant impact on the Company's consolidated financial statements, other than requiring expanded income tax disclosures.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications:

Restructuring and severance costs reported in the prior year consolidated statements of operations have been reclassified within cost of products and services sold and selling and administrative expenses to conform to the current year's presentation. These reclassifications had no impact to gross profit or operating income amounts reported in prior years.

Subsequent Events:

The Company has evaluated subsequent events for potential recognition and disclosure through the date the consolidated financial statements were filed. No items were identified during this evaluation that required adjustment to or disclosure in the accompanying consolidated financial statements.

NOTE 2 — ACQUISITION OF EMI INDUSTRIES, LLC

On April 18, 2024, the Company acquired EMI Industries, LLC (EMI), a Florida-based metal and millwork manufacturer of standard and customized fixtures, displays and equipment for the convenience store, supermarket and restaurant industries, for \$50.0 million, of which \$0.1 million of the purchase price was retained pending a review of the acquired working capital. In the first quarter of fiscal 2025, the company funded an additional \$59,000 related to the final settlement of the acquired working capital. The Company incurred acquisition-related costs totaling \$1.0 million which are included in the selling and administrative expense line of the consolidated statements of operations during fiscal year 2024. The acquisition of EMI will further expand LSI's vertical market presence within Grocery, C-Store, and QSR/Restaurant, while providing a compelling entry point into other diverse markets. The Company funded the acquisition totaling \$49.9 million with a combination of cash on hand and from the \$75 million revolving line of credit.

The Company accounted for this transaction as a business combination. The Company has allocated the purchase price of approximately \$49.9 million which includes an estimate of customary post-closing purchase price adjustments to the assets acquired and liabilities assumed at estimated fair values, and the excess of the purchase price over the aggregate fair values is recorded as goodwill. This allocation of the final determination of the purchase price was finalized in fiscal 2025, as well as the potential revision resulting from the finalization of pre-acquisition tax filings. The preliminary allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed as of April 18, 2024, is as follows:

(In thousands)

	April 18, 2024 as initially reported	Measurement period adjustments	April 18, 2024 as adjusted
Accounts Receivable.....	\$ 11,386	\$ -	\$ 11,386
Inventory.....	12,246	-	12,246
Property, Plant and Equipment.....	7,719	-	7,719
Operating Lease Right-Of-Use Assets.....	8,734	-	8,734
Other Assets.....	1,176	-	1,176
Intangible Assets.....	15,670	-	15,670
Accounts Payable.....	(7,103)	-	(7,103)
Accrued Expenses.....	(6,308)	-	(6,308)
Operating Lease Liabilities.....	(5,987)	-	(5,987)
Identifiable Assets.....	37,533	-	37,533
Goodwill.....	12,367	59	12,426
Net Purchase Consideration.....	<u>\$ 49,900</u>	<u>\$ 59</u>	<u>\$ 49,959</u>

The gross amount of accounts receivable acquired was \$11.9 million.

Goodwill recorded from the acquisition of EMI is attributable to the impact of the positive cash flow from EMI in addition to expected synergies from the business combination. The goodwill resulting from the acquisition is deductible for tax purposes. The trade name and technology used an income (relief from royalty) approach, the non-compete used an income (with or without) approach, and the customer relationships used an income (excess earnings) approach. The following table presents the details of the intangible assets acquired at the date of acquisition:

(in thousands)

	Estimated Fair Value	Estimated Useful Life (Years)
Tradename.....	\$ 4,880	Indefinite life
Technology assets.....	3,160	7
Non-compete.....	140	5
Customer relationships.....	7,490	20
	<u>\$ 15,670</u>	

EMI's post-acquisition results of operations for the period from April 18, 2024, through June 30, 2024, are included in the Company's Consolidated Statements of Operations. Since the acquisition date, net sales of EMI for the period from April 18, 2024, through June 30, 2024, were \$18.1 million and operating income was \$0.7 million. The operating results of EMI are included in the Display Solutions Segment.

Pro Forma Impact of the Acquisition of EMI (Unaudited)

The following table represents unaudited pro forma results of operations and gives effect to the acquisition of EMI as if the transaction had occurred on July 1, 2023. The unaudited pro forma results of operations have been prepared for comparative purposes only and are not necessarily indicative of what would have occurred had the business combination been completed at the beginning of the period or the results that may occur in the future. Furthermore, the unaudited pro forma financial information does not reflect the impact of any synergies or operating efficiencies resulting from the acquisition of EMI.

The unaudited pro forma financial information for the twelve months ended June 30, 2024 is prepared using the acquisition method of accounting and has been adjusted to reflect the pro forma events that are: (1) directly attributable to the acquisition; (2) factually supportable; and (3) expected to have a continuing impact on the combined results. The fiscal 2024 unaudited pro forma operating income of \$36.3 million excludes acquisition-related expenses of \$1.0 million.

(in thousands; unaudited)

		Twelve Months Ended June 30 2024
Sales	\$	535,849
Gross Profit	\$	141,788
Operating Income	\$	36,303

NOTE 3—ACQUISITION OF CANADA’S BEST HOLDINGS

On March 11, 2025, the Company acquired Canada’s Best Holdings (CBH), an Ontario Canada-based leading provider of retail fixtures and custom store design solutions for grocery, quick service restaurant, c-store, banking, and specialty retail environments, for \$25.9 million, subject to a working capital adjustment and future potential earnout payments up to \$7.0 million. As of the acquisition date, total purchase consideration of \$29.1 million includes the current fair value of the contingent consideration related to future earnout payments of \$3.3 million. The future earnout payments include revenue and EBITDA goals for the fiscal years ending June 30, 2026 and June 30, 2027. The Company incurred acquisition-related costs totaling \$1.0 million which are included in the selling and administrative expense line of the consolidated statements of operations. The Company funded the initial purchase consideration totaling \$25.9 million with a combination of cash on hand and from the \$75 million revolving line of credit.

The Company accounted for this transaction as a business combination. The Company has preliminarily allocated the purchase price of \$29.1 million, which includes an estimate of customary post-closing purchase price adjustments to the assets acquired and liabilities assumed at estimated fair values, and the excess of the purchase price over the aggregate fair values is recorded as goodwill. This preliminary allocation is subject to the final determination of the purchase price which was finalized in fiscal 2026, as well as potential revision resulting from the finalization of pre-acquisition tax filings and earnout payment calculations. The Company has finalized the third-party valuations of certain assets including fixed assets and intangible assets. The allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed as of March 11, 2025, is as follows:

<i>(In thousands)</i>	March 11, 2025 as reported	Measurement period adjustments	March 11, 2025 as adjusted
Cash and cash equivalents	\$ 4,592	\$ -	\$ 4,592
Accounts receivable	3,907	(55)	3,852
Inventory	4,287	(104)	4,183
Property, plant and equipment.....	640	1,422	2,062
Operating lease right-of-use assets.....	5,211	(386)	4,825
Other assets	204	1,790	1,994
Intangible assets	9,955	(353)	9,602
Accounts payable	(29)	2	(27)
Accrued expenses	(472)	(639)	(1,111)
Operating lease liabilities	(2,954)	-	(2,954)
Other long-term liabilities	-	(1,515)	(1,515)
Deferred tax liability	(3,700)	573	(3,127)
Identifiable assets	21,641	735	22,376
Goodwill.....	5,748	962	6,710
Net purchase consideration	<u>\$ 27,389</u>	<u>\$ 1,697</u>	<u>\$ 29,086</u>

The gross amount of accounts receivable is \$4.3 million.

Goodwill recorded from the acquisition of CBH is attributable to the impact of the positive cash flow from CBH in addition to expected synergies from the business combination. The intangible assets include amounts recognized for the fair value of the trade name, non-compete agreements and customer relationships. The fair value of the intangible assets was determined based upon the income (discounted cash flow) approach. The following table presents the details of the intangible assets acquired at the date of acquisition:

<i>(in thousands)</i>	Estimated Fair Value	Estimated Useful Life (Years)
Tradename.....	\$ 991	10
Non-compete agreements	180	3 - 5
Customer relationships	8,431	20
	<u>\$ 9,602</u>	

CBH's post-acquisition results of operations for the period from March 11, 2025, through June 30, 2025, are included in the Company's Consolidated Statements of Operations. Since the acquisition date, net sales of CBH for the period from March 11, 2025, through June 30, 2025, were \$8.5 million and operating income was \$1.2 million. The operating results of CBH are included in the Display Solutions Segment.

Pro Forma Impact of the Acquisition of CBH (Unaudited)

The following table represents unaudited pro forma results of operations and gives effect to the acquisition of CBH as if the transaction had occurred on July 1, 2023. The unaudited pro forma results of operations have been prepared for comparative purposes only and are not necessarily indicative of what would have occurred had the business combination been completed at the beginning of the period or the results that may occur in the future. Furthermore, the unaudited pro forma financial information does not reflect the impact of any synergies or operating efficiencies resulting from the acquisition of CBH.

The unaudited pro forma financial information for the twelve months ended June 30, 2025, and June 30, 2024, is prepared using the acquisition method of accounting and has been adjusted to reflect the pro forma events that are: (1) directly attributable to the acquisition; (2) factually supportable; and (3) expected to have a continuing impact on the combined results. The unaudited pro-form operating income of \$37.8 million excludes acquisition-related expenses of \$1.0 million.

<i>(in thousands; unaudited)</i>	Twelve Months Ended June 30	
	2025	2024
Sales	\$ 587,874	\$ 496,965
Gross Profit	\$ 146,962	\$ 142,984
Operating Income	\$ 37,848	\$ 41,337

NOTE 4 — ACQUISITION OF ROYSTON GROUP

On February 20, 2026 the Company entered into an agreement and a plan of merger to acquire SRR Holdings, Inc. (Royston) which was completed on March 24, 2026. Royston is a leading U.S.-based designer and manufacturer of cabinetry and store fixtures, refrigerated and heated cases, and signage for multiple end markets. Royston's customer base spans across large, attractive end-markets of convenience, grocery and gas stations and other retail. Royston was acquired for \$325.0 million; \$320.0 million in cash and \$5.0 million in the Company's common stock, subject to a working capital adjustment. The Company prefunded \$13.2 million as an estimate of the cash and working capital acquired which brings the total purchase consideration to \$338.2 million. The amount prefunded for cash and working capital will be adjusted in the first quarter of 2027 fiscal year to reflect the actual amounts acquired. The Company incurred acquisition-related costs totaling \$9.9 million which are included in the selling and administrative expense line of the consolidated statements of operations. The Company funded the initial purchase consideration totaling \$338.2 million with a combination of cash on hand, the \$150.0 million revolving line of credit, the \$200.0 million five-year term loan, and the \$98.1 million of net proceeds from the Company's February 26, 2026 public common stock offering.

The Company accounted for this transaction as a business combination. The Company has preliminarily allocated the purchase price of \$338.2 million, which includes an estimate of customary post-closing purchase price adjustments to the assets acquired and liabilities assumed at estimated fair values, and the excess of the purchase price over the aggregate fair values is recorded as goodwill. This preliminary allocation is subject to the final determination of the purchase price which will be finalized in fiscal 2027, as well as potential revision resulting from the finalization of pre-acquisition tax filings and net working capital adjustments. The Company has finalized the third-party valuations of certain assets including fixed assets and intangible assets. The allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed as of March 24, 2026, is as follows:

<i>(In thousands)</i>	March 24, 2026 as reported	Measurement period adjustments	March 24, 2026 as adjusted
Cash and cash equivalents	\$ 1,353	\$ -	\$ 1,353
Accounts receivable	36,990	(514)	36,476
Inventory	32,400	(2,992)	29,408
Property, plant and equipment	28,500	464	28,964
Prepaid expenses and other current assets	8,135	-	8,135
Income tax provision refund	1,792	450	2,242
Operating lease right-of-use assets	22,538	-	22,538
Other assets	1,291	-	1,291
Intangible assets	127,000	52,940	179,940
Accounts payable	(16,861)	-	(16,861)
Accrued expenses	(18,558)	66	(18,492)
Operating lease liabilities	(19,638)	-	(19,638)
Deferred tax liability	(10,919)	(14,386)	(25,305)
Identifiable assets	194,023	36,028	230,051
Goodwill	144,176	(36,028)	108,148
Net purchase consideration	<u>\$ 338,199</u>	<u>\$ -</u>	<u>\$ 338,199</u>

The gross amount of accounts receivable is \$37.2 million.

Goodwill recorded from the acquisition of Royston is attributable to the impact of the positive cash flow from Royston in addition to expected synergies from the business combination. The intangible assets include amounts recognized for the fair value of the trade name, technology assets, and customer relationships. The fair value of the intangible assets was determined based upon the income (discounted cash flow) approach. The following table presents the details of the intangible assets acquired at the date of acquisition:

	Estimated Fair Value	Estimated Useful Life (Years)
<i>(in thousands)</i>		
Tradename.....	\$ 23,780	Indefinite life
Technology assets	12,160	7
Customer relationships	144,000	20
	<u>\$ 179,940</u>	

Royston's post-acquisition results of operations for the period from March 24, 2026, through June 30, 2026, are included in the Company's Condensed Consolidated Statements of Operations. Since the acquisition date, net sales of Royston for the period from March 24, 2026, through June 30, 2026, were \$73.5 million and operating income was \$2.4 million. The operating results of Royston are included in the Display Solutions Segment.

Pro Forma Impact of the Acquisition of Royston (Unaudited)

The following table represents unaudited pro forma results of operations and gives effect to the acquisition of Royston as if the transaction had occurred on July 1, 2023. The unaudited pro forma results of operations have been prepared for comparative purposes only and are not necessarily indicative of what would have occurred had the business combination been completed at the beginning of the period or the results that may occur in the future. Furthermore, the unaudited pro forma financial information does not reflect the impact of any synergies or operating efficiencies resulting from the acquisition of Royston.

The unaudited pro forma financial information for the twelve months ended June 30, 2026, 2025 and 2024, is prepared using the acquisition method of accounting and has been adjusted to reflect the pro forma events that are: (1) directly attributable to the acquisition; (2) factually supportable; and (3) expected to have a continuing impact on the combined results. The unaudited pro forma operating income for the twelve months ended June 30, 2026 of \$48.4 million includes acquisition-related expenses of \$21.8 million.

	Twelve Months Ended June 30		
<i>(in thousands; unaudited)</i>	2026	2025	2024
Sales	\$ 872,167	\$ 844,489	\$ 750,149
Gross Profit	\$ 213,437	\$ 208,906	\$ 196,006
Operating Income	\$ 48,424	\$ 56,590	\$ 56,344

Note: The pro forma results presented above exclude the pro forma results related to the acquisition of Canada's Best Holding and EMI Industries, LLC. Including the pro forma results of these acquisitions would allow for a meaningful year-over-year comparison.

NOTE 5 — BUSINESS SEGMENT INFORMATION

The accounting guidance on Segment Reporting establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in financial statements. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker (the Company's Chief Executive Officer or "CODM") in making decisions on how to allocate resources and assess performance. The Company's two operating segments are Lighting and Display Solutions, with one executive leadership team reporting directly to the CODM with responsibilities for managing the performance across the segments.

The Company's methods for measuring profitability under GAAP on a reportable segment basis and used by the CODM to assess performance is adjusted net income. These measurements are used to monitor performance compared to prior periods and forecasted results. The CODM does not look at disaggregated expenses at the segment level. The CODM does review expenses on a consolidated basis which is consistent with the categories of expense reported on the consolidated statements of operations.

The Lighting Segment includes non-residential outdoor and indoor lighting fixtures utilizing LED light sources that have been fabricated and assembled for the Company's markets, primarily the refueling and convenience store markets, parking lot and garage markets, quick-service restaurant market, retail and grocery store markets, the automotive market, the warehouse market, and the sports court and field market. The Company also services lighting product customers through the commercial and industrial project, stock and flow, and renovation channels. In addition to the manufacture and sale of lighting fixtures, the Company offers a variety of lighting controls to complement its lighting fixtures which include sensors, photocontrols, dimmers, motion detection and Bluetooth systems. The Lighting Segment also includes the design, engineering and manufacturing of electronic circuit boards, assemblies and sub-assemblies which are sold directly to customers.

The Display Solutions Segment manufactures, sells and installs exterior and interior visual image and display elements, including printed graphics, structural graphics, digital signage, non-digital signage, menu board systems, millwork and metal display fixtures, refrigerated displays, heated displays, food equipment, countertops, and other custom display elements. These products are used in visual image programs in several markets including the refueling and convenience store markets, quick-service and casual restaurant market, retail and grocery store, and other retail markets. The Company accesses its customers primarily through a direct sale model utilizing its own sales force. Sales through distribution represent a small portion of Display Solutions sales. The Display Solutions Segment also provides a variety of project management services to complement our display elements, such as installation management, site surveys, permitting, and content management which are offered to our customers to support our digital signage.

The Company's corporate administration activities are reported in the Unallocated corporate expenses net of tax line item. These activities primarily include expense related to certain corporate officers and support staff, the Company's internal audit staff, expense related to the Company's Board of Directors, equity compensation expense for various equity awards granted to corporate administration employees, certain consulting expenses, investor relations activities, and a portion of the Company's legal, auditing, and professional fee expenses. Corporate identifiable assets primarily consist of cash, invested cash (if any), refundable income taxes (if any), and deferred income taxes.

There were no customers or customer programs representing a concentration of 10% or more of the Company's net sales in the fiscal year ended June 30, 2026, 2025, or 2024. There was no concentration of accounts receivable at June 30, 2026, 2025, or 2024.

Summarized financial information for the Company's reportable business segments is provided for the indicated periods and as of June 30, 2026, June 30, 2025 and June 30, 2024:

(In thousands)

	Twelve Months Ended June 30, 2026		
	Lighting	Display	Total
Total sales	\$ 281,169	\$ 424,526	\$ 705,695
Inter-segment sales.....	(14,946)	(1,352)	(16,298)
Net Sales	266,223	423,174	689,397
Other segment items *.....	(236,788)	(384,235)	(621,023)
Adjusted net income	29,435	38,939	68,374
Unallocated corporate expenses			(20,242)
Interest expense			(5,928)
Long-term performance based compensation.....			(3,458)
Amortization expense of acquired intangible assets.....			(7,220)
Severance costs and restructuring costs.....			(63)
Acquisition costs			(8,340)
Lease expense on the step-up basis of acquired leases.....			(508)
Foreign currency translation loss on intercompany loan.....			(329)
Tax rate difference between reported and adjusted net income.....			293
Net Income			\$ 22,579

(In thousands)

	Twelve Months Ended June 30, 2025		
	Lighting	Display	Total
Total sales	\$ 268,332	\$ 325,914	\$ 594,246
Inter-segment sales.....	(19,975)	(894)	(20,869)
Net Sales	248,357	325,020	573,377
Other segment items *.....	(222,588)	(302,403)	(524,991)
Adjusted net income	25,769	22,617	48,386
Unallocated corporate expenses			(12,374)
Interest expense			(3,129)
Long-term performance based compensation.....			(3,951)
Amortization expense of acquired intangible assets.....			(4,745)
Severance costs and restructuring costs.....			(240)
Acquisition costs			(900)
Lease expense on the step-up basis of acquired leases.....			(285)
Foreign currency translation loss on intercompany loan.....			489
Tax rate difference between reported and adjusted net income.....			1,132
Net Income			\$ 24,383

(In thousands)

**Twelve Months Ended
June 30, 2024**

	Lighting	Display	Total
Total sales	\$ 285,264	\$ 208,023	\$ 493,287
Inter-segment sales.....	(22,851)	(798)	(23,649)
Net Sales	262,413	207,225	469,638
Other segment items *.....	(233,643)	(188,514)	(422,157)
Adjusted net income	28,770	18,711	47,481
Unallocated corporate expenses			(13,031)
Interest expense.....			(2,156)
Long-term performance based compensation.....			(3,272)
Amortization expense of acquired intangible assets.....			(3,671)
Severance costs and restructuring costs.....			(396)
Acquisition costs			(735)
Tax rate difference between reported and adjusted net income.....			757
Net Income			\$ 24,977

* Costs of products and services sold, selling and administrative expenses, other income and expense and income tax expense.

(In thousands)

**Twelve Months Ended
June 30**

	2026	2025	2024
Capital expenditures:			
Lighting Segment.....	\$ 2,192	\$ 1,883	\$ 3,555
Display Solutions Segment.....	2,852	1,499	1,386
	<u>\$ 5,044</u>	<u>\$ 3,382</u>	<u>\$ 4,941</u>
Total segment capital expenditures:.....	\$ 5,044	\$ 3,382	\$ 4,941
Other unallocated capital expenditures.....	98	83	447
Consolidated capital expenditures:	<u>\$ 5,142</u>	<u>\$ 3,465</u>	<u>\$ 5,388</u>
Income tax expense:			
Lighting Segment.....	\$ 6,064	\$ 7,318	\$ 7,172
Display Solutions Segment.....	4,062	8,292	4,424
	<u>\$ 10,126</u>	<u>\$ 15,610</u>	<u>\$ 11,596</u>
Total segment income tax expense:	\$ 10,126	\$ 15,610	\$ 11,596
Other unallocated income tax benefit	(1,231)	(6,955)	(3,474)
Consolidated income tax expense:.....	<u>\$ 8,895</u>	<u>\$ 8,655</u>	<u>\$ 8,122</u>
Depreciation and Amortization:			
Lighting Segment.....	\$ 5,089	\$ 5,060	\$ 5,167
Display Solutions Segment.....	11,066	7,190	4,480
	<u>\$ 16,155</u>	<u>\$ 12,250</u>	<u>\$ 9,647</u>
Total segment depreciation and amortization:	\$ 16,155	\$ 12,250	\$ 9,647
Other unallocated depreciation and amortization	410	325	352
	<u>\$ 16,565</u>	<u>\$ 12,575</u>	<u>\$ 9,999</u>

	June 30, 2026	June 30, 2025
Identifiable Assets:		
Lighting Segment.....	\$ 139,921	\$ 132,960
Display Solutions Segment.....	675,628	253,299
	<u>\$ 815,549</u>	<u>\$ 386,259</u>
 Total segment assets:	\$ 815,549	\$ 386,259
Deferred tax assets	-	7,302
Corporate and Eliminations	14,315	2,801
Consolidated assets:.....	<u>\$ 829,864</u>	<u>\$ 396,362</u>

The segment net sales reported above represent sales to external customers. Identifiable assets are those assets used by each segment in its operations.

NOTE 6 — EARNINGS PER SHARE

The following table presents the amounts used to compute basic and diluted earnings per common share, as well as the effect of dilutive potential common shares on weighted average shares outstanding:

(in thousands, except per share data)

	2026	2025	2024
BASIC EARNINGS PER SHARE			
Net Income	<u>\$ 22,579</u>	<u>\$ 24,383</u>	<u>\$ 24,977</u>
Weighted average shares outstanding during the period, net of treasury shares	31,725	28,808	27,981
Weighted average vested restricted stock units outstanding	66	76	81
Weighted average shares outstanding in the Deferred Compensation Plan during the period.....	<u>1,080</u>	<u>1,019</u>	<u>987</u>
Weighted average shares outstanding	<u>32,871</u>	<u>29,903</u>	<u>29,049</u>
Basic income per share.....	<u>\$ 0.69</u>	<u>\$ 0.82</u>	<u>\$ 0.86</u>
<u>DILUTED EARNINGS PER SHARE</u>			
Net Income	<u>\$ 22,579</u>	<u>\$ 24,383</u>	<u>\$ 24,977</u>
Weighted average shares outstanding			
Basic.....	32,871	29,903	29,049
Effect of dilutive securities (a):			
Impact of common shares to be issued under stock option plans, and Contingently issuable shares, if any	<u>836</u>	<u>929</u>	<u>1,019</u>
Weighted average shares outstanding	<u>33,707</u>	<u>30,832</u>	<u>30,068</u>
Diluted income per share.....	<u>\$ 0.67</u>	<u>\$ 0.79</u>	<u>\$ 0.83</u>
Anti-dilutive securities (b).....	2	261	54

(a) Calculated using the “Treasury Stock” method as if dilutive securities were exercised and the funds were used to purchase common shares at the average market price during the period.

(b) Anti-dilutive securities were excluded in the computation of diluted earnings per share for the year ended June 30, 2026, June 30, 2025 & June 30, 2024, because the exercise price was greater than the fair market price of the common shares or because the assumed proceeds from the award’s exercise or vesting was greater than the average fair market price of the common shares.

NOTE 7 — INVENTORIES, NET

The following information is provided as of the dates indicated:

<i>(In thousands)</i>	<u>June 30, 2026</u>	<u>June 30, 2025</u>
Inventories:		
Raw materials	\$ 85,258	\$ 60,726
Work-in-progress	9,721	7,942
Finished goods	17,312	11,150
Total Inventories	<u>\$ 112,291</u>	<u>\$ 79,818</u>

The Company has open purchase orders primarily related to inventory totaling \$61.6 million as of June 30, 2026.

NOTE 8 — ACCRUED EXPENSES

The following information is provided as of the dates indicated:

<i>(In thousands)</i>	<u>June 30, 2026</u>	<u>June 30, 2025</u>
Accrued expenses:		
Customer prepayments	\$ 6,432	\$ 4,070
Compensation and benefits	16,690	12,471
Accrued warranty	7,331	7,505
Accrued sales commissions	3,761	3,956
Accrued freight	2,230	1,978
Accrued FICA	597	567
Operating lease liabilities	12,333	6,037
Accrued rebates	4,126	1,653
Accrued sales and use tax	2,457	-
Accrued commitments and contingency	2,114	-
Accrued income taxes	2,284	1,848
Other accrued expenses	7,566	5,167
Total Accrued Expenses	<u>\$ 67,921</u>	<u>\$ 45,252</u>

NOTE 9 — GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying values of goodwill and other intangible assets with indefinite lives are reviewed at least annually for possible impairment. The Company may first assess qualitative factors in order to determine if goodwill and indefinite-lived intangible assets are impaired. If through the qualitative assessment it is determined that it is more likely than not that goodwill and indefinite-lived assets are not impaired, no further testing is required. If it is determined more likely than not that goodwill and indefinite-lived assets are impaired, or if the Company elects not to first assess qualitative factors, the Company's impairment testing continues with the estimation of the fair value of the reporting unit using a combination of a market approach and an income (discounted cash flow) approach, at the reporting unit level. The estimation of the fair value of the reporting unit requires significant management judgment with respect to revenue and expense growth rates, changes in working capital and the selection and use of an appropriate discount rate. The estimates of the fair value of reporting units are based on the best information available as of the date of the assessment. The use of different assumptions would increase or decrease estimated discounted future operating cash flows and could increase or decrease an impairment charge. Company management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as adverse business conditions, economic factors and technological change or competitive activities may signal that an asset has become impaired.

The Company identified its reporting units in conjunction with its annual goodwill impairment testing. The Company has a total of eight reporting units that contain goodwill. One reporting unit is within the Lighting Segment and seven reporting units are within the Display Solutions Segment. The tradename intangible assets have an indefinite life and are also tested separately on an annual basis. The Company relies upon a number of factors, judgments and estimates when conducting its impairment testing including, but not limited to, the Company's stock price, operating results, forecasts, anticipated future cash flows, and marketplace data. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill impairment.

Fiscal 2026:

As of March 1, 2026, the Company performed its annual goodwill impairment test on the five reporting units that contain goodwill, acknowledging that the Company acquired three reporting units as part of the Royston acquisition after the designated measurement date. The goodwill impairment test of the reporting unit in the Lighting Segment passed with a business enterprise value of \$34.7 million or 15% above the carrying value of the reporting unit including goodwill. The goodwill impairment test of one reporting unit with goodwill in the Display Solutions Segment passed with an estimated business enterprise value of \$26.5 million which is substantially above the carrying value of the reporting unit including goodwill. The goodwill impairment test of the second reporting unit with goodwill in the Display Solutions Segment passed with an estimated business enterprise value of \$114.9 million or 41% above the carrying value of the reporting unit including goodwill. The goodwill impairment test of the third reporting unit with goodwill in the Display Solutions Segment passed with an estimated business enterprise value of \$63.4 million or 42% above the carrying value of the reporting unit including goodwill. The goodwill impairment test of the fourth reporting unit with goodwill in the Display Solutions Segment passed with an estimated business enterprise value of \$26.6 million or 132% above the carrying value of the reporting unit including goodwill.

The Company has three indefinite-lived intangible assets as of our March 1, 2025 measurement date, acknowledging the Company acquired three additional indefinite-lived intangible assets as part of the Royston acquisition after the designated measurement date. The Company engaged a third-party valuation specialist to perform a quantitative annual impairment assessment review of indefinite-lived intangible assets as of March 1, 2026, and determined there was no impairment. The impairment test of the first indefinite-lived intangible asset passed with a fair market value of \$5.1 million or 5% above its carrying value. The impairment test of the second indefinite-lived intangible asset passed with a fair market value of and \$10.9 million or 25% above its carrying value. The impairment test of the third indefinite-lived intangible asset passed with a fair market value of and \$15.4 million which is substantially above the carrying value.

Fiscal 2025:

As of March 1, 2025, the Company performed its annual goodwill impairment test on the four reporting units that contain goodwill. The goodwill impairment test of the reporting unit in the Lighting Segment passed with a business enterprise value of \$30.1 million or 6% above the carrying value of the reporting unit including goodwill. The goodwill impairment test of one reporting unit with goodwill in the Display Solutions Segment passed with an estimated business enterprise value of \$22.3 million which is substantially above the carrying value of the reporting unit including goodwill. The goodwill impairment test of the second reporting unit with goodwill in the Display Solutions Segment passed with an estimated business enterprise value of \$106.6 million or 29% above the carrying value of the reporting unit including goodwill. The goodwill impairment test of the third reporting unit with goodwill in the Display Solutions Segment passed with an estimated business enterprise value of \$63.1 million or 39% above the carrying value of the reporting unit including goodwill.

The Company has three indefinite-lived intangible assets. The Company performed its annual review of two of our indefinite-lived intangible assets utilizing qualitative factors associated with the step zero methodology, as of March 1, 2025, and determined there was no impairment. The Company engaged a third-party valuation specialist to perform a quantitative annual impairment assessment of one of our indefinite-lived intangible assets as of March 1, 2025, and determined there was no impairment.

The following table presents information about the Company's goodwill on the dates or for the periods indicated:

(In thousands)

	Lighting Segment	Display Solutions Segment	Total
Balance as of June 30, 2025			
Goodwill	\$ 70,971	\$ 75,714	\$ 146,685
Goodwill acquired, net of adjustments	-	6,769	6,769
Foreign currency translation	-	382	382
Accumulated impairment losses	(61,763)	(27,525)	(89,288)
Goodwill, net as of June 30, 2025.....	<u>\$ 9,208</u>	<u>\$ 55,340</u>	<u>\$ 64,548</u>
Balance as of June 30, 2026			
Goodwill	\$ 70,971	\$ 82,865	\$ 153,836
Goodwill acquired, net of adjustments	-	108,148	108,148
Foreign currency translation	-	(571)	(571)
Accumulated impairment losses	(61,763)	(27,525)	(89,288)
Goodwill, net as of June 30, 2026	<u>\$ 9,208</u>	<u>\$ 162,917</u>	<u>\$ 172,125</u>

In fiscal 2026, the Company acquired Royston, which impacted the amount of goodwill reported, and in fiscal 2025, the Company acquired Canada's Best Holdings (CBH), which impacted the amount of goodwill reported.

The gross carrying amount and accumulated amortization by major other intangible asset class is as follows:

(In thousands)

	June 30, 2025		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	\$ 78,485	\$ 25,251	\$ 53,234
Patents	268	268	-
LED technology, software	24,126	18,694	5,432
Trade name	3,704	1,404	2,300
Non-compete	590	280	310
Total Amortized Intangible Assets.....	<u>\$ 107,173</u>	<u>\$ 45,897</u>	<u>\$ 61,276</u>
Indefinite-lived Intangible Assets			
Trademarks and trade names	16,982	-	16,982
Total indefinite-lived Intangible Assets	<u>16,982</u>	<u>-</u>	<u>16,982</u>
Total Other Intangible Assets	<u>\$ 124,155</u>	<u>\$ 45,897</u>	<u>\$ 78,258</u>

(In thousands)

	June 30, 2026		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized Intangible Assets			
Customer relationships	\$ 222,146	\$ 31,426	\$ 190,720
Patents	268	268	-
LED technology, software	36,286	20,801	15,485
Trade name	3,665	1,612	2,053
Non-compete	583	420	163
Total Amortized Intangible Assets.....	<u>\$ 262,948</u>	<u>\$ 54,527</u>	<u>\$ 208,421</u>
Indefinite-lived Intangible Assets			
Trademarks and trade names	40,762	-	40,762
Total indefinite-lived Intangible Assets	<u>40,762</u>	<u>-</u>	<u>40,762</u>
Total Other Intangible Assets	<u>\$ 303,710</u>	<u>\$ 54,527</u>	<u>\$ 249,183</u>

(In thousands)

	2026	2025	2024
Amortization expense of other intangible assets	\$ 8,635	\$ 5,806	\$ 4,957

The Company expects to record annual amortization expense as follows:

(In thousands)

2027	\$ 14,921
2028	\$ 14,482
2029	\$ 13,841
2030	\$ 13,834
2031	\$ 13,729
After 2031	\$ 137,614

NOTE 10 — REVOLVING LINE OF CREDIT AND LONG-TERM DEBT

The Company's long-term debt as of June 30, 2026 and June 30, 2025, consisted of the following:

<i>(In thousands)</i>	June 30, 2026	June 30, 2025
Secured line of credit.....	\$ 60,000	\$ 36,956
Term loan, net of debt issuance costs of \$1,569, and \$8, respectively.....	195,931	11,601
Total debt.....	255,931	48,557
Less: amounts due within one year	10,000	3,571
Total amounts due after one year, net.....	<u>\$ 245,931</u>	<u>\$ 44,986</u>

In March of 2026, the Company entered into a \$350 million senior secured credit facility consisting of a \$200 million five-year term loan and a \$150 million revolving credit facility. The Company is required to make quarterly principal payments of \$2.5 million against the term loan, starting in the quarter ending June 30, 2026, with an increase to \$3.75 million of such quarterly payments scheduled in June 2028 and with an increase to \$5.0 million of such quarterly payments scheduled in June 2030, and the balance of the term loan due at maturity on March 24, 2031. The revolving credit facility is also scheduled to expire on March 24, 2031. Interest on the term loan and any loans made under the revolving credit facility is based on the Secured Overnight Financing Rate ("SOFR") or a customary base rate (which may include Daily Simple SOFR or the Prime Rate), to be determined by reference to customary market benchmarks, in each case plus an applicable margin that is anticipated to vary based on the Company's consolidated total net leverage ratio, which is calculated to be consolidated funded debt minus unrestricted cash and cash equivalents against earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as defined in the line of credit agreement. As of June 30, 2026, the interest rate applicable to the term loan was 5.5% and the Company's borrowing rate against its revolving line of credit was 6.2%. The increment over the SOFR borrowing rate is 250 basis points for the fourth quarter of fiscal year 2026. In addition to interest on outstanding amounts, the Company also pays a commitment fee on the unused balance of the revolving credit facility, fluctuates between 17.5 and 27.5 basis points based on the Company's consolidated total net leverage ratio. Under the terms of the credit agreement, the Company is required to comply with a financial covenant that limits the ratio of indebtedness and unrestricted cash to EBITDA measured on a quarterly basis, with a maximum net leverage ratio of 4.00 to 1.00 at closing, which is reduced to 3.75 to 1.00 in the fiscal quarter ending December 31, 2026, and further to 3.50 to 1.00 in the fiscal quarter ending September 30, 2027. The Company is also required to maintain an interest coverage ratio, measured on a quarterly basis, equal to or above the minimum set forth in the agreement, which as of closing was to 1.00. As of June 30, 2026, there was \$90.0 million available for borrowing under the combined \$150 million line of credit.

The Company is in compliance with all of its loan covenants as of June 30, 2026.

NOTE 11 — CASH DIVIDENDS

The Company paid cash dividends of \$6.5 million, \$6.0 million and \$5.7 million in fiscal years 2026, 2025 and 2024, respectively. Dividends on restricted stock units in the amount of \$0.1 million were accrued for the fiscal years ending June 30, 2026, 2025 & 2024. These dividends are paid upon the vesting of the restricted stock units when shares are issued to the award recipients. In August 2026, the Board of Directors declared a regular quarterly cash dividend of \$0.05 per share payable September 8, 2026, to shareholders of record August 31, 2026.

NOTE 12 — EQUITY COMPENSATION

In November 2019, the Company's shareholders approved the 2019 Omnibus Award Plan (as amended on November 1, 2022, the "2019 Omnibus Plan"). The purpose of the 2019 Omnibus Plan is to provide a means through which the Company may attract and retain key personnel and to provide a means by which directors, officers, and employees can acquire and maintain an equity interest in the Company. The 2019 Omnibus Plan replaced the 2012 Stock Incentive Plan ("2012 Stock Plan"). The number of shares of common stock authorized for issuance under the 2019 Omnibus Plan is 5,000,000 which are combined with the remaining shares available under the 2012 Stock Plan. The number of shares reserved for issuance under the 2019 Omnibus Plan is 994,651 shares all of which are available for future grant or award as of June 30, 2026. The 2019 Omnibus Plan allows for the grant of non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance stock units and other stock-based awards.

Inducement awards are granted by the Company to attract and retain key executives. Inducement awards are separately registered securities and are not part of the 2019 Omnibus Plan. In fiscal 2026 85,958 RSUs and 203,614 PSUs were granted, and in fiscal 2025, 107,217 RSUs and 279,359 PSUs were granted.

Employee Stock Purchase Plan

In November of 2021, our board of directors and shareholders approved the LSI Employee Stock Purchase Plan (“ESPP”). A total of 270,000 shares of common stock were provided for issuance under the ESPP. Employees may participate at their discretion and are able to purchase, through payroll deduction, common stock at a 10% discount on a quarterly basis. Employees may end their participation at any time during the offering period, and participation ends automatically upon termination of employment with the company. During fiscal year 2026 and 2025 employees purchased 19,000 and 17,000 shares, respectively. At June 30, 2026, 206,000 shares remained available for purchase under the ESPP.

Stock Options

The fair value of each option on the date of grant was estimated using the Black-Scholes option pricing model. The following table summarizes the weighted-average assumptions used in the Black-Scholes option pricing model to value the stock options granted in the periods indicated. There were no options granted in fiscal 2026 and 2025.

	2024
Dividend yield	1.4%
Expected volatility	35%
Risk-free interest rate	0.3%
Expected life (in years)	5.0
Fair value per share	\$ 5.25

Stock option expense is recorded on a straight-line basis, or sooner if the grantee is retirement eligible as defined in the 2019 Omnibus Plan, net of forfeitures. The forfeiture rate is based on historical rates and reduces the compensation expense recognized. The expected volatility of the Company’s stock was calculated based upon the historic monthly fluctuation in stock price for a period approximating the expected life of option grants. The risk-free interest rate is the rate of a five-year Treasury security at constant, fixed maturity on the approximate date of the stock option grant. The expected life of outstanding options is determined to be less than the contractual term for a period equal to the aggregate group of option holders’ estimated weighted average time within which options will be exercised. It is the Company’s policy that when stock options are exercised, new common shares shall be issued.

Service-based options have a three-year ratable vesting period beginning one year after the date of grant. Inducement stock options have a term of ten years only if the employee is employed for three years from the date of grant. The maximum exercise period of service-based and performance-based stock options granted under the 2019 Omnibus Plan is ten years.

The Company recorded \$0.4 million, \$0.5 million and \$0.1 million of expense related to stock options in fiscal years 2026, 2025 and 2024, respectively.

A summary of stock option activity as of June 30, 2026, and changes during the period from July 1, 2025, through June 30, 2026, are as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at June 30, 2025	1,559,566	\$ 6.56	4.5	\$16,294,427
Granted	-	\$ -		
Exercised	(890,225)	\$ 5.00		
Forfeited	(30,000)	\$ 14.60		
Expired	-	\$ -		
Outstanding at June 30, 2026	<u>639,341</u>	<u>\$ 8.37</u>	<u>4.5</u>	<u>\$11,644,947</u>
Exercisable at June 30, 2026	<u>469,341</u>	<u>\$ 6.13</u>	<u>3.4</u>	<u>\$ 9,598,347</u>
Vested and expected to vest at June 30, 2026	<u>631,786</u>	<u>\$ 8.29</u>	<u>4.5</u>	<u>\$11,553,631</u>

The aggregate intrinsic value of options exercised during the years ended June 30, 2026, was \$16.3 million, \$1.3 million as of June 30, 2025, and \$1.7 million as of June 30, 2024. The Company received \$4.4 million, \$1.1 million and \$1.8 million of proceeds from stock options exercises in fiscal 2026, 2025, and 2024 respectively.

As of June 30, 2026, there was \$0.6 million of unrecognized compensation cost, net of forfeitures, related to stock options, which is expected to be recognized over a weighted-average remaining period of 0.4 years.

For fiscal year 2026, the Company recognized a current income tax benefit of \$1.2 million for tax deductions related to equity compensation.

For fiscal year 2025, the Company recognized a current income tax benefit of \$1.8 million for tax deductions related to equity compensation.

For fiscal year 2024, the Company recognized a current income tax benefit of \$1.4 million for tax deductions related to equity compensation.

Restricted Stock Units

A total of 85,958 RSUs with a weighted average fair value of \$19.54 per share were awarded to employees during fiscal 2026. The RSUs awarded during fiscal 2026 have a three-year vesting period, with one-third vesting on each of the anniversary dates. The Company determined the fair value of the awards based on the closing price of the Company stock on the date the RSUs were awarded. The unvested RSUs are non-voting but accrue cash dividends at the same per share rate as those cash dividends declared and paid on LSI's common stock. Dividends on RSUs in the amount of \$103,679, and \$88,148 were accrued as of June 30, 2026, and 2025, respectively. Accrued dividends are paid to the holder upon vesting of the RSUs and issuance of shares.

The Company recorded \$1.3 million, \$1.3 million and \$1.5 million of expense related to RSUs during fiscal year 2026, 2025, and 2024, respectively.

A summary of outstanding and unvested RSU activity as of June 30, 2026, and changes during the period from July 1, 2025, through June 30, 2026, are as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at June 30, 2025	246,590	\$ 12.29
Granted	85,958	\$ 19.54
Vested	(142,180)	\$ 10.91
Forfeited	(9,664)	\$ 19.76
Unvested at June 30, 2026	<u>180,704</u>	<u>\$ 12.29</u>

As of June 30, 2026, there was \$1.5 million of unrecognized compensation cost, net of forfeitures, related to RSUs, which is expected to be recognized over a weighted-average remaining period of 1.5 years. The total fair value of RSUs that became fully vested during fiscal 2026 was \$2.6 million.

Performance Stock Units

A total of 203,615 PSUs with a weighted average fair value of \$14.30 per share were awarded to employees during fiscal 2026. The Company determined the fair value of the awards based on the closing price of the Company stock on the date the PSUs were awarded. PSUs vest if the Company meets certain financial metrics over a three-year period. The PSUs are non-voting but accrue cash dividends at the same per share rate as those cash dividends declared and paid on LSI's common stock.

The Company recorded \$2.3 million, \$2.3 million and \$2.2 million of expense related to PSUs during fiscal years 2026, 2025, and 2024 respectively.

A summary of outstanding and unvested PSU activity as of June 30, 2026, and changes during the period from July 1, 2025, through June 30, 2026, are as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at June 30, 2025	511,182	\$ 11.64
Granted	203,615	\$ 14.30
Vested	(250,005)	\$ 7.00
Forfeited	(12,324)	\$ 14.90
Unvested at June 30, 2026	<u>452,468</u>	<u>\$ 15.31</u>

As of June 30, 2026, there was \$2.7 million of unrecognized compensation cost, net of forfeitures, related to PSUs, which is expected to be recognized over a weighted-average remaining period of 2.0 years.

Director and Employee Stock Compensation Awards

The Company awarded a total of 18,354, 27,264 and 31,608 common shares as stock compensation awards in fiscal years 2026, 2025, and 2024, respectively. These common shares were valued at their approximate \$0.4 million fair market values based on their stock price at dates of issuance multiplied by the number of common shares awarded, pursuant to the compensation programs for non-employee directors who receive a portion of their compensation as an award of Company stock and for employees who received a nominal recognition award in the form of Company stock. Stock compensation awards are made in the form of newly issued common shares of the Company.

The Company awarded a total of 9,720 common promissory shares as stock compensation awards in fiscal year 2026. These common shares were valued at their approximate \$0.2 million fair market values based on their stock price at dates of issuance multiplied by the number of common shares awarded, pursuant to the compensation programs for non-employee directors who receive a portion of their compensation as an award of Company stock and for employees who received a nominal recognition award in the form of Company stock. Stock compensation awards are made in the form of promissory common shares of the Company to be transferred to the non-employee director at the end of the board service.

Deferred Compensation Plan

The Company has a non-qualified deferred compensation plan providing for both Company matching contributions and participant funded deferrals of compensation. This plan is fully funded in a Rabbi Trust. All plan investments are in common shares of the Company. As of June 30, 2026, there were 29 participants, all with fully vested account balances. A total of 1,082,850 common shares with a cost of \$11.2 million, 1,052,692 common shares with a cost of \$10.1 million, and 1,036,714 common shares with a cost of \$8.9 million, both of which included the Company contributions and the participant deferrals, were held in the plan as of June 30, 2026, 2025 and 2024, respectively, and accordingly, have been recorded as treasury shares.

The change in the number of shares held by this plan is the net result of newly issued shares as compensation deferred into the plan offset by distributions to terminated employees. The Company issued 89,416, 113,176 and 131,226 new common shares for purposes of the non-qualified deferred compensation plan during fiscal 2026, 2025, and 2024 respectively.

NOTE 13 — LEASES

The Company leases certain manufacturing facilities along with a small office space, several forklifts, several small tooling items, and various items of office equipment. All of the Company's leases are operating leases. Leases have a remaining term of one to seven years some of which have an option to renew. The Company does not assume renewals in determining the lease term unless the renewals are deemed reasonably certain. The lease agreements do not contain any material residual guarantees or material variable lease payments. The number of operating leases increased in fiscal 2025 as a result of the acquisition of CBH; most of CBH's operating leases are building leases, and the number of operating leases increased in fiscal 2026 as a result of the acquisition of Royston; most of Royston's operating leases are building leases.

The Company has periodically entered into short-term operating leases with an initial term of twelve months or less. The Company elected not to record these leases on the balance sheet. The rent expense for these leases was immaterial for June 30, 2026, 2025 and 2024.

The Company has certain leases that contain lease and non-lease components and has elected to utilize the practical expedient to account for these components together as a single lease component.

Lease expense is recognized on a straight-line basis over the lease term. The Company used its incremental borrowing rate when determining the present value of lease payments.

<i>(In thousands)</i>	2026	2025	2024
Operating lease cost	\$ 14,112	\$ 6,822	\$ 6,248
Financing lease cost:			
Amortization of right of use assets	-	288	291
Interest on lease liabilities.....	-	38	53
Variable lease cost.....	-	7	87
Sublease income	-	(38)	(464)
Total lease cost.....	<u>\$ 14,112</u>	<u>\$ 7,117</u>	<u>\$ 6,215</u>

Supplemental Cash Flow Information

<i>(in thousands)</i>	2026	2025	2024
Cash flows from operating leases.....			
Fixed payments - operating lease cash flows.....	\$ 13,771	\$ 6,991	\$ 5,996
Liability reduction - operating cash flows	\$ 11,205	\$ 5,998	\$ 4,984
Assets obtained in exchange for operating lease obligations.....	\$ 20,433	\$ 7,462	\$ -
Cash flows from finance leases			
Interest - operating cash flows	\$ -	\$ 63	\$ 53
Repayments of principal portion - financing cash flows	\$ -	\$ 340	\$ 324

	2026	2025
Operating Leases:		
Total operating right-of-use assets	<u>\$ 49,490</u>	<u>\$ 17,187</u>
Accrued Expenses	12,333	6,037
Long-term operating lease liability	<u>38,462</u>	<u>12,047</u>
Total operating lease liabilities.....	<u>\$ 50,795</u>	<u>\$ 18,084</u>
Weighted Average remaining Lease Term (in years).....	<u>6.28</u>	<u>3.29</u>
Weighted Average Discount Rate	<u>5.30%</u>	<u>5.70%</u>

Maturities of Lease Liability:	Operating Lease Liabilities
2027.....	\$ 12,333
2028.....	12,206
2029.....	7,729
2030.....	5,760
2031.....	4,477
Thereafter.....	17,667
Total lease payments.....	<u>\$ 60,172</u>
Less: Interest.....	<u>(9,377)</u>
Present Value of Lease Liabilities.....	<u>\$ 50,795</u>

NOTE 14 — INCOME TAXES

The following information is provided for the years ended June 30, 2026, 2025 and 2024:

(In thousands)

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Components of income before income taxes:			
United States.....	\$ 30,396	\$ 30,083	\$ 32,295
Foreign.....	1,078	2,955	804
Income before income taxes.....	<u>\$ 31,474</u>	<u>\$ 33,038</u>	<u>\$ 33,099</u>
Provision (benefit) for income taxes - current			
U.S. Federal.....	\$ 637	\$ 8,384	\$ 6,907
Foreign.....	1,781	700	(30)
State and local.....	575	1,933	2,851
Total current.....	<u>\$ 2,993</u>	<u>\$ 11,017</u>	<u>\$ 9,728</u>
Provision (benefit) for income taxes - deferred			
U.S. Federal.....	5,485	(2,279)	(983)
International.....	(446)	202	(665)
State and local.....	863	(285)	42
Total deferred.....	<u>\$ 5,902</u>	<u>\$ (2,362)</u>	<u>\$ (1,606)</u>
Total provision for income taxes.....	<u>\$ 8,895</u>	<u>\$ 8,655</u>	<u>\$ 8,122</u>

(In thousands)	2026		2025		2024	
	Amount	Rate	Amount	Rate	Amount	Rate
Reconciliation to federal statutory rate:						
Federal statutory rate	\$ 6,610	21.0	\$ 6,937	21.0	\$ 6,951	21.0
State and local taxes, net of federal benefit (a)	1,135	3.6	1,146	3.5	1,402	
Foreign tax effects						4.2
Canada						
Transaction costs	884	2.8	-	-	-	-
Statutory income tax rate differential	247	0.8	299	1.0	39	0.1
Other	156	0.5	-	-	(208)	(0.6)
Other foreign jurisdictions	41	0.1	(19)	(0.1)	11	0.1
Effects of changes in tax laws or rates enacted						
Effects of cross-border tax laws	(32)	(0.1)	155	0.5	(47)	(0.1)
Tax credits	(429)	(1.4)	(284)	(0.9)	(353)	(1.1)
Non-taxable or non-deductible items						
Transaction costs	830	2.7	220	0.6	-	-
Officer's compensation	3,886	12.5	591	1.8	615	1.8
Other	129	0.4	124	0.4	49	0.1
Changes in unrecognized tax (benefit) expense	(58)	(0.2)	122	0.3	177	0.5
Stock-based compensation	(4,259)	(13.5)	(927)	(2.8)	(763)	(2.3)
Other	(245)	(0.8)	291	0.9	249	0.8
Effective tax rate	<u>\$ 8,895</u>	<u>28.4</u>	<u>\$ 8,655</u>	<u>26.2</u>	<u>\$ 8,122</u>	<u>24.5</u>

(a) In 2026, 2025, and 2024 state and local income taxes in California, Florida, Illinois, Massachusetts, New Jersey, Rhode Island, Texas, Blue Ash (OH) comprise the majority of the state and local income taxes, net of federal effect category.

The components of deferred income tax assets and (liabilities) at June 30, 2026 and 2025 are as follows:

Components of deferred income tax assets and liabilities

<i>(In thousands)</i>	<u>2026</u>	<u>2025</u>
Uncertain tax positions.....	\$ 316	\$ 241
Reserves against current assets.....	3,230	2,384
Accrued expenses.....	4,260	3,962
Deferred compensation.....	2,659	2,479
Stock-based compensation.....	1,964	2,017
Interest.....	1,820	-
Capitalized R&D.....	123	3,885
State net operating loss carryover and credits.....	938	108
Lease Liability.....	10,111	4,841
U.S. Federal net operating loss carryover and credits.....	4,817	-
Deferred income tax asset before valuation allowance.....	<u>30,238</u>	<u>19,917</u>
Valuation allowance.....	<u>(108)</u>	<u>(108)</u>
Deferred income tax asset.....	<u>30,130</u>	<u>19,809</u>
Goodwill, acquisition costs and intangible assets.....	(37,295)	(7,578)
Depreciation.....	(9,827)	(3,436)
Foreign investment.....	(280)	-
Right of Use Asset.....	(9,729)	(4,702)
Deferred income tax liability.....	<u>(57,131)</u>	<u>(15,716)</u>
Net deferred income tax asset (liability).....	<u>\$ (27,001)</u>	<u>\$ 4,093</u>

The Company has US net operating loss carry forward deferred tax assets of \$4.8 million and \$0 million at June 30, 2026 and June 30, 2025 respectively. The increase of \$4.8 million for the year is from the acquisition of SRR Holdings Inc. and has an unlimited carryforward period. Utilization of the federal net operating loss is limited by Internal Revenue Code Section 382.

The company has Interest expense limitation carry forward deferred tax asset of \$1.8 million at June 30, 2026. The increase of \$1.8 million for the year is from the acquisition of SRR Holdings Inc. and has an unlimited carryforward period. Utilization of the interest expense is limited by Internal Revenue Code Section 382.

The Company has state net operating loss carryovers and tax credit deferred tax assets of \$0.9 million and \$0 million at June 30, 2026 and June 30, 2025 respectively. The increase of \$0.9 million for the year is from the acquisition of SRR Holdings Inc. A valuation allowance of \$0.1 million exists at June 30, 2026, against Oregon tax credits not expected to be used. The Oregon credits are otherwise expected to expire over a 4-year period beginning June 30, 2027.

At June 30, 2026, tax, interest, and penalties, net of potential federal tax benefits, were \$1.7 million, \$0.4 million, and \$0.2 million, respectively, of the total reserve for uncertain tax positions of \$2.3 million. The entire uncertain tax position of \$2.3 million, net of federal tax benefit, would impact the effective tax rate if recognized. An uncertain tax position and tax indemnification receivable of \$0.9 million was recognized as a result of the CBH acquisition. The liability for uncertain tax position is included in Other Long-Term Liabilities.

At June 30, 2025, tax, interest, and penalties, net of potential federal tax benefits, were \$1.8 million, \$0.3 million, and \$0.2 million, respectively, of the total reserve for uncertain tax positions of \$2.3 million. The entire uncertain tax position of \$2.3 million net of federal tax benefit, would impact the effective tax rate if recognized. An uncertain tax position and tax indemnification receivable of \$1.1 million was recognized as a result of the CBH acquisition. The liability for uncertain tax position is included in Other Long-Term Liabilities.

At June 30, 2024, tax, interest, and penalties, net of potential federal tax benefits, were \$0.6 million, \$0.3 million, and \$0.2 million, respectively, of the total reserve for uncertain tax positions of \$1.1 million. The entire uncertain tax position of \$0.6 million, net of federal tax benefit, would impact the effective tax rate if recognized.

The amounts of cash taxes paid by LSI are as follows:

<i>(In thousands)</i>	<u>2026</u>	<u>2025</u>	<u>2024</u>
Federal.....	\$ 6,650	\$ 4,585	\$ 8,571
State.....	1,928	1,282	1,000
Canada.....	542	-	-
Total cash taxes paid	<u>\$ 9,120</u>	<u>\$ 5,867</u>	<u>\$ 9,571</u>

The Company is recording estimated interest and penalties related to potential underpayment of income taxes as a component of tax expense in the Consolidated Statements of Operations. The Company recognized a \$(0.1) million net tax (benefit) in fiscal 2026 and a net tax expense of \$0.1 million in both fiscal years 2025 and 2024, related to the change in reserves for uncertain tax positions. The Company recognized interest net of federal benefit and penalties of \$72,000 and \$25,000, respectively, in fiscal 2026, \$12,000 and \$21,000, respectively, in fiscal 2025, and \$17,000 and \$37,000, respectively, in fiscal 2024.

The tax activity in the liability for uncertain tax positions was as follows:

<i>(In thousands)</i>	<u>2026</u>	<u>2025</u>	<u>2024</u>
Balance at the beginning of the fiscal year.....	\$ 2,086	\$ 825	\$ 656
Decreases - tax positions in prior period.....	(364)	(101)	(63)
Increase - tax positions from acquired company	-	1,149	-
Increase - tax positions in current period.....	201	213	232
Balance at end of the fiscal year.....	<u>\$ 1,923</u>	<u>\$ 2,086</u>	<u>\$ 825</u>

The Company files a consolidated federal income tax return in the United States, and files various combined and separate tax returns in numerous state and local jurisdictions, and also in Canada, Mexico, Jamaica, Barbados, and Puerto Rico. In general, the Company is no longer subject to U.S. Federal, state, and local tax examinations by tax authorities for fiscal years ending prior to June 30, 2023.

NOTE 15 — SUPPLEMENTAL CASH FLOW INFORMATION

(in thousands)

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Cash Payments:			
Interest	\$ 5,597	\$ 2,833	\$ 1,906
Income taxes	\$ 9,120	\$ 5,867	\$ 9,571
Non-cash investing and financing activities			
Issuance of common shares as compensation	\$ 360	\$ 450	\$ 450
Issuance of common shares in the acquisition of a business.....	\$ 5,000	\$ -	\$ -
Issuance of common shares to fund deferred compensation plan.....	\$ 1,884	\$ 1,943	\$ 1,877
Issuance of common shares to fund ESPP plan	\$ 335	\$ 218	\$ 194

NOTE 16 — COMMITMENTS AND CONTINGENCIES

The Company is party to various negotiations, customer bankruptcies, and legal proceedings arising in the normal course of business. The Company provides reserves for these matters when a loss is probable and reasonably estimable. The Company does not disclose a range of potential loss because the likelihood of such a loss is remote. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

The Company has recorded a \$7.0 million contingent liability related to the future earnout payments as part of the acquisition of Canada's Best Holding (CBH), of which \$2.1 million is classified as short term, while \$4.9 million is classified as long term. The \$7.0 million represents the value of the earnout converted from its functional currency to USD as of June 30, 2026. As of June 30, 2025, the company recorded a \$3.4 million contingent liability related to the future earnout payments, and \$3.4 million represents the value of the earnout converted from its functional currency to USD as of June 30, 2025.

NOTE 17 — FAIR VALUE MEASUREMENTS

Fair value measurements are categorized into one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs available at the measurement date, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of June 30, 2026 and 2025, the estimated fair value of the Company's cash, cash equivalents, receivables, inventory, debt, and accounts payable approximated their carrying values.

The Company recorded the estimated fair value of the contingent consideration liability assumed with the acquisition of CBH. The estimated fair value of the contingent consideration liability is included in the Consolidated Balance Sheets within other noncurrent liabilities, totaling \$7.0 million at June 30, 2026. The earnout liability is adjusted at fair value quarterly until settled, and changes in fair value will be reported in our Consolidated Statements of Operations.

Changes in the earn-out liability measured at fair value using Level 3 inputs were as follows:

	(in thousands)
Earnout liability at June 30, 2024	\$ -
Addition for acquisition.....	<u>3,354</u>
Earnout liability at June 30, 2025	<u>\$ 3,354</u>
Increase in estimated earnout liability	<u>3,690</u>
Earnout liability at June 30, 2026	<u>\$ 7,044</u>

The following provides information regarding fair value measurements for our remaining contingent earnout liability as of June 30, 2026, according to the three-level fair value hierarchy:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>(in thousands)</i>				
Recurring Fair Value Measurement				
Earnout liability.....	\$ -	\$ -	\$ 3,354	\$ 3,354
Balance as of June 30, 2025	\$ -	\$ -	\$ 3,354	\$ 3,354

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>(in thousands)</i>				
Recurring Fair Value Measurement				
Earnout liability.....	\$ -	\$ -	\$ 7,044	\$ 7,044
Balance as of June 30, 2026	\$ -	\$ -	\$ 7,044	\$ 7,044

NOTE 18 - RELATED PARTY

A limited liability company owned (the “LLC”) and controlled by LSI's Chief Executive Officer, James A. Clark, owns an aircraft that is dry leased to an unrelated third party. Pursuant to a separate arrangement, the third-party dry leases the aircraft to LSI for qualifying business travel by certain of the Company’s executive officers. Payments made by LSI depend on actual usage. For the period from July 1, 2025 through June 30, 2026, the LLC received aggregate payments of \$236,000 in connection with this arrangement.

NOTE 19 — SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

<i>(In thousands except per share data)</i>	Quarter Ended				Fiscal Year
	Sep. 30	Dec. 31	Mar. 31	Jun. 30	
2026					
Net Sales	\$ 157,249	\$ 147,002	\$ 150,525	\$ 234,621	\$ 689,397
Gross Profit	40,277	37,434	38,239	57,415	173,365
Net Income	7,264	6,348	2,091	6,876	22,579
Earnings per share					
Basic	\$ 0.24	\$ 0.20	\$ 0.06	\$ 0.19	\$ 0.69
Diluted	\$ 0.23	\$ 0.20	\$ 0.06	\$ 0.18	\$ 0.67
Range of share prices					
High	\$ 23.83	\$ 23.73	\$ 23.25	\$ 26.80	\$ 26.80
Low	\$ 17.24	\$ 17.25	\$ 18.22	\$ 18.51	\$ 17.24
2025					
Net Sales	\$ 138,095	\$ 147,734	\$ 132,481	\$ 155,067	\$ 573,377
Gross Profit	33,647	34,861	32,843	40,429	141,780
Net Income	6,682	5,647	3,883	8,171	24,383
Earnings per share					
Basic	\$ 0.23	\$ 0.19	\$ 0.13	\$ 0.27	\$ 0.82
Diluted	\$ 0.22	\$ 0.18	\$ 0.13	\$ 0.26	\$ 0.79
Range of share prices					
High	\$ 17.06	\$ 20.86	\$ 24.72	\$ 17.43	\$ 24.72
Low	\$ 13.90	\$ 15.88	\$ 17.00	\$ 14.65	\$ 13.90
2024					
Net Sales	\$ 123,441	\$ 109,005	\$ 108,186	\$ 129,006	\$ 469,638
Gross Profit	36,589	31,536	31,210	33,833	133,168
Net Income	8,028	5,906	5,375	5,668	24,977
Earnings per share					
Basic	\$ 0.28	\$ 0.20	\$ 0.18	\$ 0.19	\$ 0.86
Diluted	\$ 0.27	\$ 0.20	\$ 0.18	\$ 0.19	\$ 0.83
Range of share prices					
High	\$ 16.05	\$ 16.75	\$ 15.47	\$ 16.07	\$ 16.75
Low	\$ 11.90	\$ 12.19	\$ 13.40	\$ 13.97	\$ 11.90

LSI INDUSTRIES INC. AND SUBSIDIARIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 30, 2026, 2025 AND 2024
(In thousands)

Description	Balance Beginning of Period	Additions Charged to Costs and Expenses	Additions from Company Acquired	Deductions (a)	Balance End of Period
Allowance for Credit Losses:					
Year Ended June 30, 2026.....	\$ 1,152	\$ 47	\$ 750	\$ (54)	\$ 1,895
Year Ended June 30, 2025.....	\$ 848	\$ 333	\$ 73	\$ (102)	\$ 1,152
Year Ended June 30, 2024.....	\$ 435	\$ (8)	\$ 477	\$ (56)	\$ 848
Inventory Obsolescence Reserve:					
Year Ended June 30, 2026.....	\$ 8,025	\$ 1,175	\$ 5,300	\$ (1,819)	\$ 12,681
Year Ended June 30, 2025.....	\$ 6,838	\$ 2,339	\$ 662	\$ (1,814)	\$ 8,025
Year Ended June 30, 2024.....	\$ 6,288	\$ 1,058	\$ 1,428	\$ (1,936)	\$ 6,838
Deferred Tax Asset Valuation Reserve:					
Year Ended June 30, 2026.....	\$ 108	\$ -	\$ -	\$ -	\$ 108
Year Ended June 30, 2025.....	\$ 108	\$ -	\$ -	\$ -	\$ 108
Year Ended June 30, 2024.....	\$ 108	\$ -	\$ -	\$ -	\$ 108

(a) For Allowance for credit losses, deductions are uncollectible accounts charged off, less recoveries.

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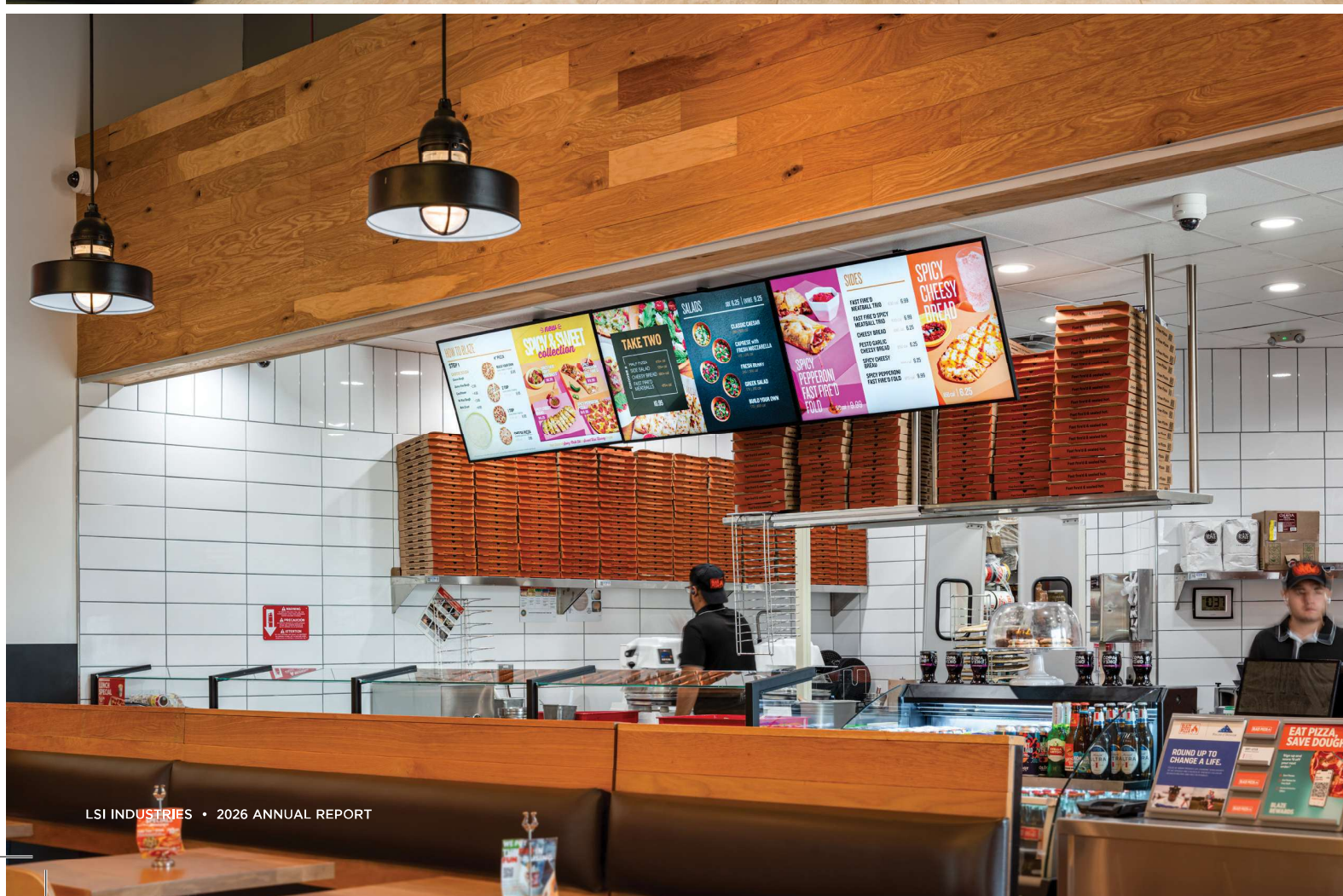
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Fiscal 2026 Corporate Information

Corporate Office

10000 Alliance Road
Blue Ash, OH 45242
(513) 793-3200

Transfer Agent

Computershare

P.O. BOX 30170
College Station, TX 77842-3170
(866) 770-0656
web.queries@computershare.com
www.computershare.com/Investor

Drip / Stock Purchase

The LSI Industries Automatic Dividend Reinvestment and Stock Purchase Plan offers registered shareholders and employees an opportunity to purchase additional shares through automatic dividend reinvestment and/or optional cash investments.

For additional information contact:

Computershare

250 Royall Street
Canton, MA 02021
(866) 770-0656
web.queries@computershare.com
www.computershare.com

LSI Contacts

Investors and Analysts

Noel R. Ryan, IRC
Senior Partner, Vallum Advisors
(720) 778-2415

Media

Mike Burcham
Marketing Communications Manager
(513) 814-3087

Board of Directors

Wilfred T. O’Gara^{2,3}

Chairman of the Board of LSI Industries Inc.

James A. Clark³

Chief Executive Officer of LSI Industries

Amy L. Hanson^{1,2}

Chair, Audit Committee

Chantel E. Lenard^{1,4}

Robert P. Beech^{1,2}

Chair, Nominating and Corporate Governance Committee

Ronald D. Brown^{3,4}

Chair, Compensation Committee

Ernest W. Marshall, Jr.⁴

Executive Officers

James A. Clark

Chief Executive Officer

James E. Galeese

Executive Vice President and
Chief Financial Officer

Thomas A. Caneris

Executive Vice President of Human Resources
and General Counsel

¹ Member of the Audit Committee

² Member of the Nominating and Corporate Governance Committee

³ Member of the Executive Committee

⁴ Member of the Compensation Committee

LSI INDUSTRIES 2026 ANNUAL REPORT



LSIcorp.com | (800) 436-7800

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