



**Orion Energy Systems, Inc.**  
**Shareholders' Letter and Annual Report on Form 10-K**  
**Fiscal Year Ended March 31, 2024**



June 28, 2024

Dear Fellow Shareholders:

Once again, we thank you for your investment and your confidence in Orion Energy Systems, Inc., the Orion team and its Board of Directors. In fiscal 2024, we continued advancing our mission of helping customers achieve their business and environmental goals, while diversifying our business.

Our strategic moves have placed Orion in a strong position to continue our “customers for life” mission by assisting customers with a broader range of their energy efficiency, environmental and business goals. Fiscal 2024 highlights include:

**LED Lighting.** We achieved solid revenue growth in our LED lighting business in FY 2024, as larger customer projects moved from planning to implementation stages, which we expect to continue in FY 2025. FY 2024 LED lighting revenue increased 8.0% to \$61.1M, largely driven by increased turnkey LED retrofit activity and steady growth in LED fixture sales into our ESCO channel.

**EV Charging Solutions.** In its first full fiscal year within Orion the segment contributed 13.6% or \$12.3M of our total FY 2024 revenue. We envision substantial long-term growth in EV charging revenue, supported by investments we have made in expanding Voltrek’s team, capabilities and geographic reach. We are off to a strong start in FY 2025, having secured over \$11M in construction services contracts with a leading utility focused on sustainability and energy efficiency.

**Maintenance Services.** Maintenance services revenue grew 17.8% to \$17.1M in FY 2024, reflecting a new three-year preventative lighting maintenance service contract for a customer’s approximately 2,000 retail locations we also started to experience the initial benefit of pricing adjustments on certain legacy maintenance contracts. Maintenance services are an ideal complement to Orion’s business, expanding the value we provide to customers while providing a recurring base of revenues.

**Financial Results and Position.** Reflecting the benefits of our diversification efforts, we achieved 17.1% revenue growth in FY 2024 to \$90.6M. We reduced our net loss by about \$22.6M (66%) to (\$11.7M), or (\$0.36) per share, in FY 2024 from (\$34.3M), or (\$1.08) per share, in FY 2023. Our current expectation is for continued revenue growth in a range of 10%-15% compared to FY 2024, or roughly to between \$100M-\$104M. We believe our strategic initiatives and direction will continue to position the business well in the coming year.

Importantly, Orion entered FY 2025 with \$44.8M of current assets, including \$5.2M of cash, \$14.0M of accounts receivable, and \$18.2M of inventory. Net of current liabilities, working capital was \$16.8M. In April 2024, Orion secured \$5.1M in added financial liquidity

through an amendment to our bank credit facility for a \$3.525M mortgage on our corporate headquarters and \$1.6M of borrowing base enhancements. We believe these resources provide a solid financial base to fund our growth goals in FY 2025.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Jenkins", with a stylized flourish at the end.

Mike Jenkins

Chief Executive Officer

**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 March 31, 2024  
or  
 **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-33887

**Orion Energy Systems, Inc.**

(Exact name of Registrant as specified in its charter)

**Wisconsin**  
(State or other jurisdiction of  
incorporation or organization)  
**2210 Woodland Drive, Manitowoc, WI**  
(Address of principal executive offices)

**39-1847269**  
(I.R.S. Employer  
Identification No.)  
**54220**  
(Zip Code)

**(920) 892-9340**

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol (s)	Name of Each Exchange on Which Registered
Common stock, no par value	OESX	The Nasdaq Stock Market LLC (NASDAQ Capital 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 15(d) of the 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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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. Yes  No

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

The aggregate market value of shares of the Registrant's common stock held by non-affiliates as of September 30, 2023, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$40,954,183.

As of May 31, 2024, there were 32,567,746 shares of the Registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2024 Annual Meeting of Shareholders to be held on August 8, 2024 are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

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**ORION ENERGY SYSTEMS, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE YEAR ENDED MARCH 31, 2024**

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements that are based on Orion Energy Systems, Inc.'s ("Orion", "we", "us", "our" and similar references) beliefs and assumptions and on information currently available to us. When used in this Form 10-K, the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" and similar expressions identify forward-looking statements. Although we believe that our plans, intentions, and expectations reflected in any forward-looking statements are reasonable, these plans, intentions or expectations are based on assumptions, are subject to risks and uncertainties, and may not be achieved. These statements are based on assumptions made by us based on our experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the current circumstances. Such statements are subject to a number of risks and uncertainties, many of which are beyond our control. Our actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this Form 10-K. Important factors could cause actual results to differ materially from our forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our beliefs and assumptions only as of the date of this Form 10-K, including particularly the Risk Factors described under Part I. Item 1A. of this Form 10-K. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth in this Form 10-K. Actual events, results and outcomes may differ materially from our expectations due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, the following:

- our ability to manage and respond to ongoing increasing pressures to reduce the selling price of our products driven largely by a return to a more normalized supply chain and reduction in shipping costs for imported products, coupled with the related increase in competition from foreign competitors;
- our ability to regain and sustain our profitability and positive cash flows;
- our ability to achieve our budgeted revenue expectation for fiscal 2025;
- our dependence on a limited number of key customers, and the consequences of the loss of one or more key customers or suppliers, including key contacts at such customers;
- our existing risk that liquidity and capital resources may not be sufficient to allow us to fund or sustain our growth;
- our ability to manage general economic, business and geopolitical conditions, including the impacts of natural disasters, pandemics and outbreaks of contagious diseases and other adverse public health developments;
- our ability to successfully launch, manage and maintain our refocused business strategy to successfully bring to market new and innovative product and service offerings;
- our ability to recruit, hire and retain talented individuals in all disciplines of our company;
- price fluctuations (including as a result of tariffs), shortages or interruptions of component supplies and raw materials used to manufacture our products;
- our risk of potential loss related to single or focused exposure within our current customer base and product offerings;
- our ability to maintain effective information technology systems security measures and manage risks related to cybersecurity;
- our ability to differentiate our products in a highly competitive and converging market, expand our customer base and gain market share;
- our ability to manage and mitigate downward pressure on the average selling prices of our products as a result of competitive pressures in the light emitting diode ("LED") market;
- our ability to manage our inventory and avoid inventory obsolescence in a rapidly evolving LED market;
- our increasing reliance on third parties for the manufacture and development of products, product components, as well as the provision of certain services;
- our increasing emphasis on selling more of our products through third party distributors and sales agents, including our ability to attract and retain effective third party distributors and sales agents to execute our sales model;
- our ability to develop and participate in new product and technology offerings or applications in a cost effective and timely manner;

- our ability to maintain safe and secure information technology systems;
- our ability to balance customer demand and production capacity;
- our ability to maintain an effective system of internal control over financial reporting;
- our ability to defend our patent portfolio and license technology from third parties;
- a reduction in the price of electricity;
- the reduction or elimination of investments in, or incentives to adopt, LED lighting or the elimination of, or changes in, policies, incentives or rebates in certain states or countries that encourage the use of LEDs over some traditional lighting technologies;
- our failure to comply with the covenants in our credit agreement;
- the electric vehicle (“EV”) market and deliveries of passenger and fleet vehicles may not grow as expected;
- incentives from governments or utilities may not materialize or may be reduced, which could reduce demand for EVs, or the portion of regulatory credits that customers claim may increase, which would reduce our revenue from such incentives;
- the cost to comply with, and the effects of, any current and future industry and government regulations, laws and policies; and
- potential warranty claims in excess of our reserve estimates.

You are urged to carefully consider these factors and the other factors described under Part I. Item 1A. “Risk Factors” when evaluating any forward-looking statements, and you should not place undue reliance on these forward-looking statements.

Except as required by applicable law, we assume no obligation to update any forward-looking statements publicly or to update the reasons why actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.



## ITEM 1. BUSINESS

*As used herein, unless otherwise expressly stated or the context otherwise requires, all references to “Orion,” “we,” “us,” “our,” “Company” and similar references are to Orion Energy Systems, Inc. and its consolidated subsidiaries.*

### Overview

We provide state-of-the-art light emitting diode (“LED”) lighting systems, wireless Internet of Things (“IoT”) enabled control solutions, commercial and industrial electric vehicle “EV” charging infrastructure solutions and lighting and electrical maintenance services. We help our customers achieve their sustainability, energy savings and carbon footprint reduction goals through innovative technology and exceptional service. We sell our products and services into many vertical markets within the broader commercial and industrial market segment. Primary verticals include: big box retail, manufacturing, warehousing/logistics, commercial office, federal and municipal government, healthcare and schools. Our services consist of turnkey installation (lighting and EV) and system maintenance. Virtually all of our sales occur within North America.

Our principal lighting customers include large national account end-users, electrical distributors, electrical contractors and energy service companies (“ESCOs”). Currently, a significant amount of our lighting products are manufactured at our leased production facility located in Manitowoc, Wisconsin, although as the LED and related IoT market continues to evolve, we are increasingly sourcing products and components from third parties in order to diversify our product offerings.

We differentiate ourselves from our competitors by offering very efficient light fixtures (measured in lumens per watt) coupled with our project management services to national account customers to retrofit their multiple locations. Our comprehensive services include initial site surveys and audits, utility incentive and government subsidy management, engineering design, and project management from delivery through to installation and controls integration and commissioning. In addition, we began to offer lighting and electrical maintenance services in fiscal 2021. We believe that providing these services enables us to support a long-term business relationship with our customers and results in an increase in our recurring revenue. We completed the acquisition of Stay-Lite Lighting on January 1, 2022, which is intended to further expand our maintenance services capabilities. On October 5, 2022, we acquired Voltrek, which was intended to leverage our project management and maintenance expertise into the rapidly growing EV sector.

Our lighting products consist primarily of LED lighting fixtures, many of which include IoT enabled control systems provided by third parties. We believe the market for LED lighting products continues to grow. Due to their size and flexibility in application, we also believe that LED lighting systems can address opportunities for retrofit applications that cannot be satisfied by other lighting technologies.

We generally do not have long-term contracts with our customers for product or turnkey services that provide us with recurring annual revenue. However, our maintenance services contracts usually consist of multi-year arrangements. We typically generate substantially all of our lighting revenue from sales of lighting systems and related services to governmental, commercial and industrial customers on a project-by-project basis. We also perform work under global services or product purchasing agreements with major customers with sales completed on a purchase order basis. The loss of, or substantial reduction in sales to, any of our significant customers, or our current single largest customer, or the termination or delay of a significant volume of purchase orders by one or more key customers, could have a material adverse effect on our results of operations in any given future period.

We typically sell our lighting systems in replacement of our customers’ existing lighting fixtures. We call this replacement process a “retrofit”. We frequently sell our products and services directly to our customers and in many cases we provide design and installation services as well as project management services. We also sell our lighting systems on a wholesale basis, principally to electrical distributors, electrical contractors and ESCOs which then resell to their own customers.

The gross margins of our products can vary significantly depending upon the types of products we sell, with gross margins typically ranging from 10% to 50%. As a result, a change in the total mix of our sales among higher or lower gross margin products can cause our profitability to fluctuate from period to period.

Our fiscal year ends on March 31. We refer to our current fiscal year which ends on March 31, 2025 as “fiscal 2025”. We refer to our most recently completed fiscal year, which ended on March 31, 2024, as “fiscal 2024”, and our prior fiscal year which ended on

March 31, 2023 as "fiscal 2023". Our fiscal first quarter of each fiscal year ends on June 30, our fiscal second quarter ends on September 30, our fiscal third quarter ends on December 31, and our fiscal fourth quarter ends on March 31.

## **Reportable Segments**

Reportable segments are components of an entity that have separate financial data that the entity's chief operating decision maker ("CODM") regularly reviews when allocating resources and assessing performance. Our CODM is our chief executive officer. Previously, we had four reportable segments: Orion Services Group Segment, Orion Distribution Services Segment, Orion U.S. Markets Segment and Orion Electric Vehicle Charging Segment (the "EV Segment"). Effective during the first quarter of fiscal 2024, we began to evaluate and report the business using three segments: Lighting Segment, Maintenance Segment and the EV Segment.

For financial results by reportable segment, please refer to Note 17 – Segment Data in our consolidated financial statements included in Item 8. of this Annual Report.

## **Lighting Segment**

Our lighting segment develops and sells lighting products and provides construction and engineering services for our commercial lighting and energy management systems. Our lighting segment provides engineering, design, lighting products and in many cases turnkey solutions for large national accounts, governments, municipalities, schools and other customers. Our lighting segment sells mostly through direct sales and also through manufacturer representative agencies and to the wholesale contractor markets through ESCOs and contractors.

## **Maintenance Segment**

Our maintenance segment provides retailers, distributors and other businesses with maintenance, repair and replacement services for the lighting and related electrical components deployed in their facilities.

## **EV Segment**

Our EV segment offers leading electric vehicle charging expertise and provides EV turnkey installation solutions with ongoing support to all commercial verticals.

## **Products and Services**

Our historical primary focus has been the sale of our LED lighting fixtures with integrated controls technology and related installation services. We will continue to focus on these products and services, as well as on expanding our maintenance service offerings and our EV charging station solutions.

Currently, a significant amount of our lighting products are manufactured at our leased production facility location in Manitowoc, Wisconsin, although as the LED market continues to evolve, we are increasing the sourcing of products and components from third parties in order to expand our product offerings. We are focused on researching, developing and/or acquiring new innovative LED products and technologies for the retrofit markets. We plan to continue developing creative new LED retrofit products in order to offer our customers a variety of integrated energy management services, such as system design, project management and installation. We third party source all of the EV charging stations and components that are installed by our EV segment.

### ***Products***

Our Lighting and Maintenance segments market fixtures for both interior and exterior use, including our LED high bay fixtures, LED troffer retrofits and smart lighting controls. Our smart lighting controls provide both lighting control options and data intelligence capabilities for building managers to log, monitor and analyze use of space, energy savings, and provide physical security of space.

In addition, in October 2022, we acquired Voltrek, which offers leading EV charging expertise and provides turnkey EV installation solutions with ongoing support to all commercial verticals. We believe there are significant growth opportunities for Voltrek

both in its existing northeast geographic market, as well as on a national basis. We also plan to focus our growth plans on cross selling our new EV charging solutions to our historical market channels and customers and vice versa.

*Other Products.* We also offer our customers a variety of other LED fixtures to address their lighting and energy management needs, including fixtures designed for agribusinesses, parking lots, retail, mezzanine, outdoor applications and private label resale.

*Warranty Policy.* Our warranty policy generally provides for a limited five-year warranty on our LED products, although we do offer warranties ranging up to 10 years for certain LED products. Drivers, LED chips, EV charging stations and other electrical components are excluded from our standard warranty as they are covered by separate warranties offered by the original equipment manufacturers. We coordinate and process customer warranty inquiries and claims, including inquiries and claims relating to ballast and lamp components, through our customer service department.

## **Services**

We provide a range of lighting-related energy management services to customers, including:

- comprehensive site assessment, which includes a review of the current lighting and controls including IoT enabled devices requirements and energy usage at the customer's facility;
- site field verification, or ("SFV"), during which we perform a test implementation of our energy management system at a customer's facility;
- utility incentive and government subsidy management, where we assist our customers in identifying, applying for and obtaining available utility incentives or government subsidies;
- engineering design, which involves designing a customized system to suit our customers' facility lighting and energy management needs, and providing the customer with a written analysis of the potential energy savings and lighting and environmental benefits associated with the designed system;
- project management, which involves us working with the electrical contractor in overseeing and managing all phases of implementation from delivery through installation for a single facility or through multi-facility roll-outs tied to a defined project schedule;
- installation services, for our products, which we provide through our national network of qualified third-party installers;
- complete facility design commissioning of IoT enabled control devices
- recycling in connection with our retrofit installations, where we remove, dispose of and recycle our customer's legacy lighting fixtures; and
- lighting and electrical system maintenance services both preventative and reactive in nature.

We also provide similar turnkey services to our EV customers that include site audit, engineering, grant filing, installation, commissioning and network services. Our maintenance business provides services that includes both preventative and reactive services. We also provide other services that comprise a small amount of our revenue.

## **Our Customers**

We primarily target commercial, institutional and industrial customers who have warehousing, retail, manufacturing and office facilities. In fiscal 2024, one customer accounted for 25.2% of our total revenue. In fiscal 2023, that same customer accounted for 16.2% of our total revenue, and in fiscal 2022, this same customer accounted for 49.1% of our total revenue. In fiscal 2025, we expect that our customer concentration will continue at the approximate level experienced in fiscal 2024. As we continue to diversify our customer base by expanding our reach to national accounts, ESCOs, the agent driven distribution channel, lighting maintenance customers and the EV market, we expect to continue to derive a significant percentage of our revenue from contracts with one or a few customers. These contracts are entered into in the ordinary course of business and typically provide that we will deliver products and services on a work order or purchase order basis and any purchase order may be terminated prior to shipment. Our maintenance work orders or contracts

may be for discrete projects or may have multi-year terms. These contracts generally do not guarantee that the customer will buy our products or services.

The amount and concentration of our revenues with one or more customer may fluctuate on a year to year or quarter to quarter basis depending on the number of purchase orders issued by our customers. The loss of a significant customer or the termination of a material volume of purchase orders (or the underlying agreements) could have a material adverse effect on our results of operations.

## **Sales and Marketing**

We sell our lighting products in one of three ways: (i) directly where Orion offers turnkey installation services, (ii) indirectly through independent sales agencies and broadline North American distributors; and (iii) through ESCOs. As of the end of fiscal 2024 we had 41 ESCO partners and independent lighting agencies representing us in substantially all of North America. We work cooperatively with our indirect channels through participation in national trade organizations and by providing product and sales training.

We have historically focused our marketing efforts on traditional direct advertising, as well as developing brand awareness through customer education and active participation in trade shows and energy management seminars. These efforts have included participating in national, regional and local trade organizations, exhibiting at trade shows, executing targeted digital campaigns, advertising in select publications, public relations campaigns, social media and other lead generation and brand-building initiatives.

## **Competition**

The market for energy-efficient lighting products, EV charging solutions and maintenance services is fragmented. We face strong competition primarily from manufacturers and distributors of lighting products and services as well as electrical contractors. We compete primarily on the basis of technology, cost, performance, quality, customer experience, energy efficiency, customer service and marketing support. We compete against other value-added resellers and electrical contractors in the EV charging market. We compete against a variety of service providers for lighting maintenance.

There are a number of lighting fixture manufacturers that sell LED products that compete with our lighting product lines. Lighting companies such as Acuity Brands, Inc., Signify Co., Cree, Inc., LSI Industries, Inc. and Current Lighting Solutions, LLC, are some of our main competitors within the commercial office, retail and industrial markets. We are also facing increased competition from manufacturers in low-cost countries.

## **Intellectual Property**

As of March 31, 2024, we had been issued over 100 United States patents and have applied for a number of additional United States patents. The patented and patent pending technologies cover various innovative elements of our products, including our HIF and LED fixtures. Our patented LDR™ product allows for a significantly quicker installation when compared to competitor's commercial office lighting products. We offer smart lighting controls that allow our lighting fixtures to selectively provide a targeted amount of light where and when it is needed most.

We believe that our patent portfolio as a whole is material to our business. We also believe that our patents covering our ability to manage the thermal and optical performance of our lighting products are material to our business, and that the loss of these patents could significantly and adversely affect our business, operating results and prospects.

## **Backlog**

Backlog represents the amount of revenue that we expect to realize in the future as a result of firm, committed orders. Our backlog as of March 31, 2024 and March 31, 2023 totaled \$22.0 million and \$17.2 million, respectively. We generally expect our backlog to be recognized as revenue within one year. Backlog does not include any amounts for contracted maintenance services.

## **Manufacturing and Distribution**

We lease an approximately 266,000 square foot primary manufacturing and distribution facility located in Manitowoc, Wisconsin, where most of our products are manufactured. We utilize both solar and wind power to support the energy requirements for our manufacturing facility, allowing us to reduce our carbon footprint.

We generally maintain a significant supply of raw material and purchased and manufactured component inventory. We contract with transportation companies to ship our products and manage all aspects of distribution logistics. We generally ship our products directly to the end user.

## **Research and Development**

Our research and development efforts are centered on developing new LED products and technologies and enhancing existing products. The products, technologies and services we are developing are focused on increasing end user energy efficiency and enhancing lighting output. Over the last three fiscal years, we have focused on developing additional LED products, resulting in our development and commercialization of several new suites of LED interior high bay products.

We operate a research and development lab and test facilities in our Jacksonville, Florida and Manitowoc, Wisconsin locations.

## **Regulatory Matters**

Our operations are subject to federal, state, and local laws and regulations governing, among other things, emissions to air, discharge to water, the remediation of contaminated properties and the generation, handling, storage, transportation, treatment, and disposal of, and exposure to, waste and other materials, as well as laws and regulations relating to occupational health and safety. We believe that our business, operations, and facilities are being operated in compliance in all material respects with applicable environmental and health and safety laws and regulations.

State, county or municipal statutes often require that a licensed electrician be present and supervise each retrofit project. Further, all installations of electrical fixtures are subject to compliance with electrical codes in virtually all jurisdictions in the United States. In cases where we engage independent contractors to perform our retrofit projects, we believe that compliance with these laws and regulations is the responsibility of the applicable contractor.

## **Our Corporate and Other Available Information**

We were incorporated as a Wisconsin corporation in April 1996 and our corporate headquarters are located at 2210 Woodland Drive, Manitowoc, Wisconsin 54220. Our Internet website address is [www.orionlighting.com](http://www.orionlighting.com). Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available through the investor relations page of our internet website free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). We are not including the information contained on our website as part of, or incorporating it by reference into, this report.

## **Human Capital**

As of March 31, 2024, we had approximately 260 full-time employees. We also employ temporary employees in our manufacturing facility as demand requires. Our employees are not represented by any labor union, and we have never experienced a work stoppage or strike due to employee relations.

We are an employee-centric organization, maintaining a safe and respectful environment that provides opportunity for our employees.

We believe our employees are among our most important resources and are critical to our continued success. We focus significant attention on attracting and retaining talented and experienced individuals to manage and support our operations. We pay our employees competitively and offer a broad range of company-paid benefits, which we believe are competitive with others in our industry.

We are committed to hiring, developing and supporting a diverse and inclusive workplace. Our management teams and all of our employees are expected to exhibit and promote honest, ethical and respectful conduct in the workplace. We will not tolerate discrimination or harassment in any form. All of our employees must adhere to a code of conduct that sets standards for appropriate behavior and includes required annual training on preventing, identifying, reporting and stopping any type of unlawful discrimination.

## ITEM 1A. RISK FACTORS

*You should carefully consider the risk factors set forth below and in other reports that we file from time to time with the Securities and Exchange Commission and the other information in this Annual Report on Form 10-K. The matters discussed in the following risk factors, and additional risks and uncertainties not currently known to us or that we currently deem immaterial, could have a material adverse effect on our business, financial condition, results of operations and future growth prospects and could cause the trading price of our common stock to decline.*

### 1. Risk Factor Summary

Our business is subject to a number of risks and uncertainties, including those highlighted immediately following this summary. Some of these risks are summarized below:

- We are experiencing ongoing increasing pressures to reduce the selling price of our products driven largely by a return to a more normalized supply chain and reduction in shipping costs for imported products, coupled with the related increase in competition from foreign competitors.
- We do not have major sources of recurring revenue and we depend upon a limited number of customers in any given period to generate a substantial portion of our revenue. The reduction of revenue from our most significant customer over the past three fiscal years has had, and the potential future loss of other significant customers or a major customer would likely have, a materially adverse effect on our results of operations, financial condition and cash flows.
- Our existing liquidity and capital resources may not be sufficient to allow us to fund or sustain our growth initiatives.
- A substantial portion of our revenues are derived from major project-based retrofit work that is awarded through a competitive bid process. It is generally difficult to predict the timing of projects that will be awarded, which can impact our ability to achieve our expected financial results.
- Our continued emphasis on indirect distribution channels to sell our products and services to supplement our direct distribution channels has had limited success to date.
- Goodwill and other intangibles acquired through acquisitions could be impacted by net losses and low levels of liquidity, thus resulting in a valuation impairment.
- Our products use components and raw materials that may be subject to price fluctuations, shortages or interruptions of supply.
- Our ability to balance customer demand and production capacity and increased difficulty in obtaining permanent employee staffing could negatively impact our business.
- We increasingly rely on third-party manufacturers for the manufacture and development of our products and product components.
- We are subject to the risk of a cybersecurity breach.
- Macroeconomic pressures in the markets in which we operate or anticipate operating in the future may adversely affect our financial results.
- Adverse conditions in the global economy have negatively impacted, and could in the future negatively impact, our customers, suppliers and business.
- The success of our LED lighting retrofit solutions depends, in part, on our ability to claim market share away from our competitors.
- Government tariffs and other actions may adversely affect our business.

- The reduction or elimination of investments in, or incentives to adopt, LED lighting or the elimination of, or changes in, policies, incentives or rebates in certain states or countries that encourage the use of LEDs over some traditional lighting technologies could cause the growth in demand for our products to slow.

## **Risks Related to Our Business**

### *Operational Risks*

**We do not have major sources of recurring revenue and we depend upon a limited number of customers in any given period to generate a substantial portion of our revenue. The reduction of revenue from our most significant customer over the past three fiscal years has had, and the potential future loss of other significant customers or a major customer would likely have, a materially adverse effect on our results of operations, financial condition and cash flows.**

A substantial portion of our revenues are derived from project-based work that is awarded through a competitive bid process. It is generally difficult to predict the timing and success rate of the projects that we bid and will be awarded. In prior fiscal years, one customer represented more than 40% of total revenues, which has not recurred in recent fiscal years. The reduction of revenue from this customer has had a material adverse effect on our results of operations, financial condition and cash flow. While this customer continues to be a substantial source of business for us, we continue to attempt to replace this reduced revenue by diversifying our customer base and expanding our reach to national accounts, ESCOs, the agent driven distribution channel, lighting maintenance customers and the EV market, there is no assurance we will be successful in replacing this reduced revenue.

**Our ability to replace the substantially reduced revenue from our prior most significant customer, regain and sustain profitability and achieve our desired revenue and profitability goals depends on our ability to effectively and timely execute on our key strategic initiatives.**

Our ability to replace the substantially reduced revenues from our most significant customer, regain profitability and achieve our desired revenue and profitability goals depends on how effectively and timely we execute on our following key strategic initiatives:

- executing and marketing our turnkey LED retrofit capabilities to large national account customers;
- continuing our product innovation;
- leveraging our smart lighting systems to support IoT applications;
- expanding our EV charging business, including increasing cross selling our EV charging solutions to our historical sales channels and customers;
- further developing our maintenance service offerings; and
- supporting the success of our ESCO and distribution sales channels.

There can be no assurance that we will be able to successfully implement these initiatives or, even if implemented, that they will result in the anticipated benefits to our business.

**Our ability to achieve our budgeted fiscal 2025 revenue expectations, and related public fiscal 2025 revenue guidance, will have a significant impact on our cash flow and stock price.**

We have historically had difficulties in achieving our budgeted revenue expectations, and related public annual revenue guidance. Our ability to achieve our budgeted fiscal 2025 revenue expectations, and related public fiscal 2025 revenue guidance, will have a significant impact on our cash flow, financial condition and stock price.



**If our information technology systems security measures are breached or fail, our products may be perceived as not being secure, customers may curtail or stop buying our products, we may incur significant legal and financial exposure, and our results of operations, financial condition and cash flows could be materially adversely affected.**

Our information technology systems involve the storage of our confidential information and trade secrets, as well as our customers' personal and proprietary information in our equipment, networks and corporate systems. Security breaches expose us to a risk of loss of this information, litigation and increased costs for security measures, loss of revenue, damage to our reputation and potential liability. Security breaches or unauthorized access may result in a combination of significant legal and financial exposure, increased remediation and other costs, theft and/or unauthorized use or publication of our trade secrets and other confidential business information, damage to our reputation and a loss of confidence in the security of our products, services and networks that could have an adverse effect upon our business. While we take steps to prevent unauthorized access to our corporate systems, because the techniques used to obtain unauthorized access, disable or sabotage systems change frequently or may be designed to remain dormant until a triggering event, we may be unable to anticipate these techniques or implement adequate preventative measures. Further, the risk of a security breach or disruption, particularly through cyber attacks, or cyber intrusion, including by computer hackers, foreign governments, and cyber terrorists, has generally increased as cyber attacks have become more prevalent and harder to detect and fight against. In addition, hardware, software or applications we procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise network and data security. Any breach or failure of our information technology systems could result in decreased revenue, increased expenses, increased capital expenditures, customer dissatisfaction and potential lawsuits, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

**Some of our existing information technology systems are in need of enhancement, updating and replacement. If our information technology systems fail, or if we experience an interruption in their operation, then our business, results of operations and financial condition could be materially adversely affected.**

The efficient operation of our business is dependent on our information technology systems, some of which are in need of enhancement, updating and replacement. We rely on these systems generally to manage day-to-day operations, manage relationships with our customers, maintain our research and development data, and maintain our financial and accounting records. The failure of our information technology systems, our inability to successfully maintain, enhance and/or replace our information technology systems, or any compromise of the integrity or security of the data we generate from our information technology systems, could have a material adverse affect on our results of operations, disrupt our business and product development and make us unable, or severely limit our ability, to respond to customer demands. In addition, our information technology systems are vulnerable to damage or interruption from:

- earthquake, fire, flood and other natural disasters;
- employee or other theft;
- attacks by computer viruses or hackers;
- power outages; and
- computer systems, internet, telecommunications or data network failure.

Any interruption of our information technology systems could result in decreased revenue, increased expenses, increased capital expenditures, customer dissatisfaction and potential lawsuits, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

**We increasingly rely on third-party manufacturers for the manufacture and development of our products and product components.**

We have increased our utilization of third-party manufacturers for the manufacture and development of our products and product components, some of which are located overseas. Our results of operations, financial condition and cash flows could be materially adversely affected if our third-party manufacturers were to experience problems with product quality, credit or liquidity issues, or supply chain and logistics that could cause delays in delivery of the finished products and components or the raw materials used to make such products and components.

**Our products use components and raw materials that may be subject to price fluctuations, shortages or interruptions of supply, including semiconductor chips. If we are unable to maintain supply sources of our components and raw materials or if our sources fail to satisfy our supply requirements, we may lose sales and experience increased component costs.**

We are vulnerable to price increases, as well as transportation and delivery delays, for components and raw materials that we require for our products, including aluminum, copper, certain rare earth minerals, semiconductor chips, power supplies and LED chips and modules. In particular, we utilize semiconductor chips in our LED lighting products and control sensors. For example, our ability to source semiconductor chips has been adversely affected in the recent past and could occur again. Difficulty in sourcing necessary components in the past has resulted in increased component delivery lead times, delays in our product production and increased costs to obtain components with available semiconductor chips. To the extent a semiconductor chip shortage occurs or our ability to acquire the parts necessary to conduct our business operations, such as other necessary finished goods, is materially affected, our production ability and results of operations will be adversely affected.

Limitations inherent within our supply chain of certain of our components, raw materials and finished goods, including competitive, governmental, and legal limitations, natural disasters, and other events, could impact costs and future increases in the costs of these items. For example, the adoption of new tariffs by the United States administration or by other countries could continue to adversely affect our profitability and availability of raw materials and components, as there can be no assurance that future price increases will be successfully passed through to customers or that we will be able to find alternative suppliers. Further, suppliers' inventories of certain components that our products require may be limited and are subject to acquisition by others and we may not, as a result, have the necessary inventory of parts and goods necessary to conduct our operations. We have in the past purchased excess quantities of certain components critical to our product manufacturing, but there is no guarantee that we will be able to follow or continue to follow this practice in the future. As a result, we have had, and may need to continue, to devote additional working capital to support component and raw material inventory purchases that may not be used over a reasonable period to produce saleable products, and we may be required to increase our excess and obsolete inventory reserves to account for these excess quantities, particularly if demand for our products does not meet our expectations. Also, any further delays, shortages or interruptions in the supply of our components or raw materials could further disrupt our operations. If any of these events occur, our results of operations, financial condition and cash flows could be materially adversely affected.

**Our ability to balance customer demand and production capacity and increased difficulty in obtaining permanent employee staffing could negatively impact our business.**

As customer demand for our products changes, we must be able to adjust our production capacity, including increasing or decreasing our employee workforce, to meet demand. We are continually taking steps to address our manufacturing capacity needs for our products. If we are not able to increase or decrease our production capacity at our targeted rate or if there are unforeseen costs associated with adjusting our capacity levels, our ability to execute our operating plan could be adversely affected.

We have, in the past, experienced difficulty in hiring sufficient permanent employees to support our production demands. This circumstance has resulted in our increased reliance on temporary employee staffing to support our production operations. Temporary employees can be less reliable and require more ongoing training than permanent employees. These factors can adversely affect our operational efficiencies. This situation has also placed a significant burden on our continuing employees, has resulted in higher recruiting expenses as we have sought to recruit and train additional new permanent employees, and introduced increased instability in our operations to the extent responsibilities are reallocated to new or different employees. To the extent that we are unable to effectively hire a sufficient number of permanent employees, and our reliance on temporary staffing continues to increase, our operations and our ability to execute our operating plan could be adversely affected.

**Our inability to attract and retain key employees, our reseller network members or manufacturer representative agencies could adversely affect our operations and our ability to execute on our operating plan and growth strategy.**

We rely upon the knowledge, experience and skills of key employees throughout our organization, particularly our senior management team, our sales group that requires technical knowledge or contacts in, and knowledge of, the LED industry, and our innovation and engineering team. In addition, our ability to attract talented new employees, particularly in our sales group and our

innovation and engineering team, is also critical to our success. We also depend on our distribution channels and network of manufacturer sales representative agencies. If we are unable to attract and retain key employees, resellers, and manufacturer sales representative agencies because of competition or, in the case of employees, inadequate compensation or other factors, our results of operations and our ability to execute our operating plan could be adversely affected.

**The success of our business depends upon market acceptance of our energy management products and services.**

Our future success depends upon the continued market acceptance of our energy management products and services and obtaining additional project management retrofit contracts, as well as customer orders for new and expanded products and services to supplement our contract with our current single largest customer. If we are unable to convince current and potential new customers of the advantages of our lighting systems and energy management products and services, or our expanded product and services offerings, then our results of operations, financial condition and cash flows will likely be materially adversely affected. In addition, because the market for energy management products and services, as well as potential new customer uses for our products and services, is rapidly evolving, we may not be able to accurately assess the size of the market, and we may have limited insight into trends that may emerge and affect our business. If the market for our lighting systems and energy management products and services, as well as potential new customer uses for our products and services, does not continue to develop as we anticipate, or if the market does not accept our products or services, then our ability to grow our business could be limited and we may not be able to increase our revenue and our results of operations, financial condition and cash flows will likely be materially adversely affected.

**Macroeconomic pressures in the markets in which we operate or anticipate operating in the future may adversely affect our financial results.**

Geopolitical issues around the world can impact macroeconomic conditions in where we operate and where we anticipate operating in the future and could have a material adverse impact on our financial results. For example, the ultimate impact of the conflicts in Ukraine and the Middle East on fuel prices, inflation, the global supply chain and other macroeconomic conditions is unknown and could materially adversely affect global economic growth, disrupting discretionary spending habits and generally decreasing demand for our products and services. While we do not purchase any of our significant raw materials directly from Russia or Israel, disruption in the markets resulting from such conflicts could negatively impact the macroeconomy. The conflicts in Ukraine and the Middle East may also continue to exacerbate geopolitical tensions globally.

**We operate in a highly competitive industry and, if we are unable to compete successfully, our results of operations, financial condition and cash flows will likely be materially adversely affected.**

We face strong competition, primarily from manufacturers and distributors of energy management products and services, as well as from ESCOs and electrical contractors. We are also facing increased competition from manufacturers in low-cost countries. We compete primarily on the basis of customer relationships, price, quality, energy efficiency, customer service and marketing support. Our products are in direct competition with the expanding availability of LED products, as well as other technologies in the lighting systems retrofit market.

Many of our competitors are better capitalized than we are and have strong customer relationships, greater name recognition, and more extensive engineering, manufacturing, sales and marketing capabilities. In addition, the LED market has seen increased convergence in recent years, resulting in our competition gaining increased market share and resources. Competitors could focus their substantial resources on developing a competing business model or energy management products or services that may be potentially more attractive to customers than our products or services. In addition, we may face competition from other products or technologies that reduce demand for electricity. Our competitors have, and may continue to offer energy management products and services at reduced prices in order to improve their competitive positions. These competitive factors have, and may continue to make it more difficult for us to attract and retain customers, or require us to lower our average selling prices in order to remain competitive, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

**The revenue growth of our EV Segment ultimately depends on consumers' willingness to adopt electric vehicles in a market which is still in its early stages.**

The growth of our EV Segment is highly dependent upon the adoption by consumers of EVs, and we are subject to a risk of any reduced demand for EVs. If the market for EVs does not gain broader market acceptance or develops slower than we expect, our

business, prospects, financial condition and operating results will be harmed. The market for alternative fuel vehicles is relatively new, rapidly evolving, characterized by rapidly changing technologies, price competition, additional competitors, evolving government regulation and industry standards, frequent new vehicle announcements, long development cycles for EV original equipment manufacturers, and changing consumer demands and behaviors. Factors that may influence the purchase and use of alternative fuel vehicles, specifically EVs, include:

- perceptions about EV quality, safety (in particular with respect to lithium-ion battery packs), design, performance and cost, especially if adverse events or accidents occur that are linked to the quality or safety of EVs;
- the limited range over which EVs may be driven on a single battery charge and concerns about running out of power while in use;
- concerns regarding the stability of the electrical grid;
- improvements in the fuel economy of the internal combustion engine;
- consumers' desire and ability to purchase a luxury automobile or one that is perceived as exclusive;
- the environmental consciousness of consumers;
- volatility in the cost of oil and gasoline;
- consumers' perceptions of the dependency of the United States on oil from unstable or hostile countries and the impact of international conflicts;
- government regulations and economic incentives promoting fuel efficiency and alternate forms of energy;
- access to charging stations, standardization of EV charging systems and consumers' perceptions about convenience and cost to charge an EV; and
- the availability of tax and other governmental incentives to purchase and operate EVs or future regulation requiring increased use of nonpolluting vehicles.

The influence of any of the factors described above may negatively impact the widespread consumer adoption of EVs, which could materially and adversely affect our EV Segment business, operating results, financial condition and prospects.

**If we fail to establish and maintain effective internal controls over financial reporting, our business and financial results could be harmed.**

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our consolidated financial statements or fraud. A failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and in a timely manner or to detect and prevent fraud, could result in a restatement of our consolidated financial statements, and could also cause a loss of investor confidence and decline in the market price of our common stock.

***Financial Risks***

**Our existing liquidity and capital resources may not be sufficient to allow us to fund or sustain our growth initiatives.**

Our existing liquidity and capital resources may not be sufficient to allow us to effectively fund or sustain our growth initiatives. If we require additional capital resources, we may not be able to obtain sufficient equity capital and/or debt financing on acceptable terms or conditions, or at all. Factors affecting the availability to us of additional equity capital or debt financing on acceptable terms and conditions, or in sufficient amounts, include:

- Our recent operating losses;

- Our history of operating losses prior to our fiscal 2020;
- Our current and future financial results and condition;
- Our limited collateral availability;
- Our current customer concentration;
- The market's, investors' and lenders' view of our company, industry and products;
- The perception in the equity and debt markets of our ability to execute and sustain our business plan or achieve our operating results expectations; and
- The price, volatility and trading volume and history of our common stock.

Our inability to obtain the equity capital or debt financing necessary to fund our operations could force us to scale back our growth initiatives or take action to restructure or reduce our operations. If we are unable to pursue our growth initiatives, our results of operations, financial condition and cash flows could be materially adversely affected.

**We experienced a net loss in fiscal 2024 and 2023 and, prior to fiscal 2020, we had a history of losses and negative cash flow. We may be unable to regain sustained profitability and positive cash flows in the future.**

We experienced a net loss in fiscal 2024 and 2023, and prior to fiscal 2020 we experienced net losses and negative cash flows for the prior five fiscal years. There is no guarantee that we will be able to regain or sustain profitability and positive cash flows in the future. Our inability to successfully regain or sustain our profitability and positive cash flows could materially and adversely affect our ability to pursue our growth initiatives and continue our current level of operations.

**Our net operating loss carry-forwards provide a future benefit only if we regain sustained profitability and may be subject to limitation based upon ownership changes.**

We have significant federal net operating loss carry-forwards and state net operating loss carry-forwards. If we are unable to regain sustained profitability, we will not be able to fully utilize these tax benefits. Furthermore, generally a change of more than 50% in the ownership of a company's stock, by value, over a three-year period constitutes an ownership change for federal income tax purposes. An ownership change may limit a company's ability to use its net operating loss carry-forwards attributable to the period prior to such change. As a result, our ability to use our net operating loss carry-forwards attributable to the period prior to such ownership change to offset taxable income could be subject to limitations in a particular year, which could potentially result in our increased future tax liability.

**Adverse conditions in the global economy have negatively impacted, and could in the future negatively impact, our customers, suppliers and business.**

Our operations and financial performance are impacted by worldwide economic conditions. Uncertainty about global economic conditions has contributed to customers postponing purchases of our products and services in response to tighter credit, unemployment, negative financial news and/or declines in income or asset values and other macroeconomic factors. The occurrence of these circumstances will likely have a material negative effect on demand for our products and services and, accordingly, on our results of operations, financial condition and cash flows. For example, any economic and political uncertainty caused by the United States tariffs imposed on other countries, and any corresponding tariffs from such other countries in response, may negatively impact demand and/or increase the cost for our products and components used in our products.

The current United States administration may pursue a wide range of monetary, regulatory and trade policies, including the continued imposition of the previous United States administration's tariffs on certain imports. Certain sourced finished products and certain of the components used in our products are impacted by tariffs imposed on China imports. Our efforts to mitigate the impact of added costs resulting from these tariffs include a variety of activities, such as sourcing from non-tariff impacted countries and raising

prices. If we are unable to successfully mitigate the impacts of these tariffs and other trade policies, our results of operations, financial condition and cash flows may be materially adversely affected.

In addition, global economic and political uncertainty has led many customers to adopt strategies for conserving cash, including limits on capital spending. Our lighting systems are often purchased as capital assets and therefore are subject to our customers' capital availability. Uncertainty around such availability has led customers to delay their purchase decisions, which has elongated the duration of our sales cycles. Weak economic conditions in the past have adversely affected our customers' capital budgets, purchasing decisions and facilities managers and, as a result, have adversely affected our results of operations, financial condition and cash flows. The return to a recessionary state of the global economy could potentially have negative effects on our near-term liquidity and capital resources, including slower collections of receivables, delays of existing order deliveries, postponements of incoming orders and reductions in the number and volume of purchase orders received from key customers as a result of reduced capital expenditure budgets. Our business and results of operations will be adversely affected to the extent these adverse economic conditions affect our customers' purchasing decisions.

**We are subject to financial and operating covenants in our credit agreement and any failure to comply with such covenants, or obtain waivers in the event of non-compliance, could limit our borrowing availability under the credit agreement, resulting in our being unable to borrow under our credit agreement and materially adversely impact our liquidity.**

Our credit agreement contains provisions that limit our future borrowing availability and sets forth other customary covenants, including certain restrictions on our ability to incur additional indebtedness, consolidate or merge, enter into acquisitions, make investments, pay any dividend or distribution on our stock, redeem, repurchase or retire shares of our stock, or pledge or dispose of assets.

There can be no assurance that we will be able to comply with the financial and other covenants in our credit agreement. Our failure to comply with these covenants could cause us to be unable to borrow under the credit agreement and may constitute an event of default which, if not cured or waived, could result in the acceleration of the maturity of any indebtedness then outstanding under the credit agreement, which would require us to pay all amounts then outstanding. Such an event could materially adversely affect our financial condition and liquidity. Additionally, such events of non-compliance could impact the terms of any additional borrowings and/or any credit renewal terms. Any failure to comply with such covenants may be a disclosable event and may be perceived negatively. Such perception could adversely affect the market price for our common stock and our ability to obtain financing in the future.

### *Strategic Risks*

**As we evolve our business strategy to increase our focus on new product and service offerings, including our comprehensive energy management and maintenance services and our IoT, “smart-building,” “connected ceilings” and other related technology, software and controls products and services, the nature of our business may be significantly changed, or transformed, and our results of operations, financial condition and cash flows may be materially adversely affected.**

Our future growth and profitability are tied in part to our ability to successfully bring to market new and innovative product and service offerings. Our business strategy is focused on further expanding the nature and scope of our products and services offered to our customers. Our expansion efforts also involve integrating control sensor technology to help customers collect and digitize data for monitoring and decision making purposes. We have experienced recent success offering our comprehensive energy project management services to national account customers to retrofit their multiple locations. We also plan to pursue the expansion of our IoT “smart-building” and “connected ceiling” and other related technology, software and controls products and services we offer to our customers.

**Our evolving business strategies may include exploring potential acquisitions, including potential acquisitions that could significantly change, or even transform, the nature of our business. These potential acquisitions could be unsuccessful or**

**consume significant resources, which could materially adversely affect our results of operations, financial condition and cash flows.**

We may explore additional potential business acquisitions which could more quickly add expanded and different capabilities to our product and services offerings, including potential acquisitions that could significantly change, or even transform, the nature of our business. There can be no assurance that we will identify or successfully complete transactions with suitable acquisition candidates in the future. Similarly, there can be no assurance that our recently completed acquisitions will be successful. Acquisitions may involve significant cash expenditures, debt incurrence, stock issuances, operating losses and expenses that would otherwise be directed to investments in our existing business and could have a material adverse effect on our financial condition, results of operations and cash flows. To pursue acquisitions and other strategic transactions, we may need to raise additional debt and/or equity capital in the future, which may not be available on acceptable terms, in sufficient amounts or at all. In addition, we may issue new shares of our common stock as consideration in such transactions, which may have a dilutive impact on our existing shareholders and may also result in a reduction in the market price of our shares once those newly issued shares are resold in the market. In addition, acquisitions involve numerous other risks, including:

- the failure of the acquired business to achieve its revenue or profit forecasts;
- the business culture of the acquired business may not match well with our culture;
- our business strategies and focus may change in ways that adversely affect our results of operations;
- technological and product synergies, economies of scale and cost reductions from the acquisition may not occur as expected;
- unforeseen expenses, delays or conditions may result from the acquisition, including required regulatory approvals or consents;
- potential changes may result to our management team and/or board of directors;
- we may acquire or assume unexpected liabilities or be subject to unexpected penalties or other enforcement actions or legal consequences;
- faulty assumptions may be made regarding the macroeconomic environment or the integration process that form a basis for the acquisition;
- unforeseen difficulties, delays and costs may arise in integrating the acquired business's operations, processes and systems;
- higher than expected investments may be required to implement necessary compliance processes and related systems, including information technology systems, accounting systems and internal controls over financial reporting;
- we may fail to retain, motivate and integrate key management and other employees of the acquired business;
- higher than expected costs may arise due to unforeseen changes in tax, trade, environmental, labor, safety, payroll or pension policies in any jurisdiction in which the acquired business conducts its operations;
- we may adversely impact our sales channels and our sales channel partners; and
- we may experience problems in retaining customers and integrating customer bases.

Many of these factors will be outside of our control and any one of them could result in increased costs and reduced profitability, decreases in the amount of expected revenues and diversion of our management's time and attention. They may also delay, decrease or eliminate the realization of some or all of the benefits we anticipate when we enter into the transaction.

Our management team has limited experience in, and limited time to dedicate to, pursuing, negotiating or integrating acquisitions. If we do identify suitable candidates, we may not be able to negotiate or consummate such acquisitions on favorable

terms or at all. Any acquisitions we complete may not achieve their initially intended results and benefits, and may be viewed negatively by investors and other stakeholders.

We may undertake acquisitions financed in part through public offerings or private placements of debt or equity securities, including through the new issuance of our common stock or debt securities as consideration in an acquisition transaction. Such acquisition financing could result in dilution to our current shareholders, a decrease in our earnings and/or adversely affect our financial condition, liquidity or other leverage measures.

In addition to committing additional capital resources to complete any acquisitions, substantial additional capital may be required to operate the acquired businesses following their acquisition. Moreover, these acquisitions may result in significant financial losses if the intended objectives of the transactions are not achieved. Some of the businesses we may acquire may have significant operating and financial challenges, requiring significant additional capital commitments to overcome such challenges and adversely affecting our financial condition and liquidity.

Failure to implement our acquisition strategy, including successfully integrating acquired businesses, could have a material adverse effect on our results of operations, financial condition and cash flows.

**If we are unable to attract, incentivize and retain our third-party distributors and sales agents, or our distributors and sales agents do not sell our products and services at the levels expected, our revenues could decline and our costs could increase.**

We utilize manufacturer representative sales agencies that sell our products through distributors. Many of these sales agents and distributors are not exclusive, which means that these sales agents and distributors may sell other third-party products and services in direct competition with us. Since many of our competitors use sales agents and distributors to sell their products and services, competition for such agents and distributors is intense and may adversely affect our product pricing and gross margins. Additionally, due to mismanagement, industry trends, macro-economic developments, or other reasons, our sales agents and distributors may be unable to effectively sell our products at the levels desired or anticipated. In addition, we have historically relied on direct sales to sell our products and services, which were often made in competition with sales agents and distributors. In order to attract and form lasting partnerships with sales agents and distributors, we are attempting to overcome our historical perception as a direct sales competitor. As a result, we may have difficulty attracting and retaining sales agents and distributors and any inability to do so could have a negative effect on our ability to attract and obtain customers, which could have an adverse impact on our business.

**The success of our business depends upon our adaptation to the quickly changing market conditions in the lighting industry and on market acceptance of our lighting retrofit solutions using LED and control technologies.**

The market for lighting products has experienced a significant technology shift to LED lighting systems. In addition, we continue to explore utilizing our system platform as a “connected ceiling” or “smart ceiling”, or a framework or network that can support the installation and integration of other business technology or data information solutions on our lighting platform.

As a result, our future success depends significantly upon the adoption rate of LED products within our primary markets, our ability to participate in this ongoing market trend and our ability to expand into complementary markets. To be an effective participant in the LED market, we must keep up with the evolution of LED and related technologies, which continue to move at a fast pace. We may be unable to successfully develop and market new products or services that keep pace with technological or industry changes, differentiate ourselves from our competition, satisfy changes in customer demands or comply with present or emerging government and industry regulations and technology standards. The development and introduction of new products and services may result in increased warranty expenses and other new product and services introduction expenses. In addition, we will likely continue to incur substantial costs to research and develop new products and services, which will increase our expenses, without guarantee that our new products and services will be commercially viable. We may also spend time and resources to develop and release new products and services only to discover that a competitor has also introduced similar new products and services with superior performance, at a lower price or on better delivery terms. Moreover, if new sources of lighting or lighting-based solutions are developed, our current products and technologies could become less competitive or obsolete, which could result in reduced revenue, reduced earnings or increased losses, and/or inventory and other impairment charges.



Finally, in connection with our historical primary focus on selling our LED products, we expect our results of operations to continue to fluctuate from quarter to quarter to the extent that customers delay purchasing decisions as they evaluate their return on investment from purchasing LED products compared to alternative lighting solutions, the pricing of LED products continues to fall and LED products continue to gain more widespread customer acceptance. Similarly, these circumstances have adversely impacted, and may continue to adversely impact, our product gross margins and our profitability from quarter to quarter.

If we are unable to achieve market acceptance of our lighting retrofit solutions using LED technologies and our system platform as a “connected ceiling” or “smart ceiling” or realize the expected benefits from our focus on promoting new products and services, our results of operations, financial condition and cash flows will likely be materially adversely affected.

**Our financial performance is dependent on our ability to achieve growth in our average selling price of our products.**

The gross margins of our products can vary significantly, with margins ranging from 10% to 50%. While we continue to implement our strategy of transitioning to higher-margin products and reducing the material cost of our products, a change in the total mix of our sales toward lower margin products, a decrease in the margins on our products as a result of competitive pressures driving down the average selling price of our products, lower sales volumes, and promotional programs to increase sales volumes could reduce our profitability and result in a material adverse effect on our results of operations, financial condition and cash flows. Furthermore, the average selling price of our products has been, and may be further, negatively impacted by the re-normalization of the supply chain and reduction in import costs, market over-supply conditions, product feature cannibalization by competitors or component providers, low-cost non-traditional sales methods by new market entrants, and comparison of our retrofit fixture products with replacement lamp equivalents. While we have previously implemented general price increases applicable to many new product orders, there is no assurance that such price increases will be accepted by our customers or succeed in increasing the average selling price of our products. In our highly competitive lighting industry, we must be able to innovate and release new products on a regular basis with features and benefits that generate increases in our average selling price and average gross margin. There can be no assurance we will be successful in achieving these goals.

**The success of our LED lighting retrofit solutions depends, in part, on our ability to claim market share away from our competitors. If we are unable to expand our customer base and increase sales in our targeted markets, our results of operations, financial condition and cash flows will likely be materially adversely affected.**

Participants in the LED market who are able to quickly establish customer relationships and achieve market penetration are likely to gain a competitive advantage as the lighting retrofit solutions offered by us and our competitors generally have a product life of several years following installation. If we are unable to broaden our customer base and achieve greater market penetration in the LED market in a timely manner, we may lose the opportunity to market our LED products and services to significant portions of the lighting systems retrofit market for several years and may be at a disadvantage in securing future business opportunities from customers that have previously established relationships with one or more of our competitors. These circumstances could have a material adverse effect on our results of operations, financial condition and cash flows.

In addition, as we continue to seek to expand our customer base within our national account, agent and ESCO sales channels, our success will depend, in part, on our ability to attract and retain talent to execute on our sales model. If we are unable to attract and retain sufficient talent, we may be unable to broaden our customer base, which will adversely affect our results of operations, financial condition and cash flows.

***Legal, Regulatory and Compliance Risks***

**Our retrofitting process frequently involves responsibility for the removal and disposal of components containing hazardous materials.**

When we retrofit a customer’s facility, we typically assume responsibility for removing and disposing of its existing lighting fixtures. Certain components of these fixtures typically contain trace amounts of mercury and other hazardous materials. Older components may also contain trace amounts of polychlorinated biphenyls, or PCBs. We currently rely on contractors to remove the components containing such hazardous materials at the customer job site. The contractors then arrange for the disposal of such components at a licensed disposal facility. Failure by such contractors to remove or dispose of the components containing these hazardous materials in a safe, effective and lawful manner could give rise to liability for us, or could expose our workers or other persons

to these hazardous materials, which could result in claims against us which may have a material adverse effect on our results of operations, financial condition and cash flows.

**Government tariffs and other actions may adversely affect our business.**

The United States government has, from time to time, implemented various monetary, regulatory, and trade importation restraints, penalties, and tariffs. Certain sourced finished products and certain of the components used in our products have been impacted by tariffs imposed on China imports. Our efforts to mitigate the impact of added costs resulting from these government actions include a variety of activities, such as sourcing from non-tariff impacted countries and raising prices. If we are unable to successfully mitigate the impacts of these tariffs and other trade policies, our results of operations may be adversely affected. Any future policy changes that may be implemented by the current or future United States administration could have a negative consequence on our financial performance.

**The reduction or elimination of investments in, or incentives to adopt, LED lighting or the elimination of, or changes in, policies, incentives or rebates in certain states or countries that encourage the use of LEDs over some traditional lighting technologies could cause the growth in demand for our products to slow, which could have a material adverse effect on our results of operations, financial condition and cash flows.**

Reductions in (including as a result of any budgetary constraints), or the elimination of, government investment and favorable energy policies designed to accelerate the adoption of LED lighting could result in decreased demand for our products and adversely affect our results of operations, financial condition and cash flows. Further, if our products fail to qualify for any financial incentives or rebates provided by governmental agencies or utilities for which our competitors' products qualify, such programs may diminish or eliminate our ability to compete by offering products at lower prices than ours.

**Changes in government budget priorities and political gridlock, and future potential government shutdown, could negatively impact our results of operations, financial condition and cash flows.**

Actual and perceived changes in governmental budget priorities, and future potential government shutdowns, could adversely affect our results of operations, financial condition and cash flows. Certain government agencies purchase certain products and services directly from us. When the government changes budget priorities, such as in times of war, financial crisis, or a changed administration, or reallocates spending to areas unrelated to our business, our results of operations, financial condition and cash flows can be negatively impacted. For example, demand and payment for our products and services may be affected by public sector budgetary cycles, funding authorizations or rebates. Funding reductions or delays, including delays caused by political gridlock, and future potential government shutdowns, could negatively impact demand and payment for our products and services. If any of these events occur, our results of operations, financial condition and cash flows could be materially adversely affected.

**Product liability claims could adversely affect our business, results of operations and financial condition.**

We face exposure to product liability claims in the event that our energy management products fail to perform as expected or cause bodily injury or property damage. Since virtually all of our products use electricity, it is possible that our products could result in injury, whether by product malfunctions, defects, improper installation or other causes. Particularly because our products often incorporate new technologies or designs, we cannot predict whether or not product liability claims will be brought against us in the future or result in negative publicity about our business or adversely affect our customer relations. Moreover, we may not have adequate resources in the event of a successful claim against us. A successful product liability claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages and could materially adversely affect our results of operations, financial condition and cash flows.

**Our inability to protect our intellectual property, or our involvement in damaging and disruptive intellectual property litigation, could adversely affect our results of operations, financial condition and cash flows or result in the loss of use of the related product or service.**

We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as employee and third-party nondisclosure and assignment agreements. Our failure to obtain or maintain adequate protection of

our intellectual property rights for any reason could have a material adverse effect on our results of operations, financial condition and cash flows.

We own United States patents and patent applications for some of our products, systems, business methods and technologies. We offer no assurance about the degree of protection which existing or future patents may afford us. Likewise, we offer no assurance that our patent applications will result in issued patents, that our patents will be upheld if challenged, that competitors will not develop similar or superior business methods or products outside the protection of our patents, that competitors will not infringe upon our patents, or that we will have adequate resources to enforce our patents. Effective protection of our United States patents may be unavailable or limited in jurisdictions outside the United States, as the intellectual property laws of foreign countries sometimes offer less protection or have onerous filing requirements. In addition, because some patent applications are maintained in secrecy for a period of time, we could adopt a technology without knowledge of a pending patent application, and such technology could infringe a third party's patent.

We also rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise learn of our unpatented technology. To protect our trade secrets and other proprietary information, we generally require employees, consultants, advisors and collaborators to enter into confidentiality agreements. We cannot assure you that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. If we are unable to maintain the proprietary nature of our technologies, our business could be materially adversely affected.

We rely on our trademarks, trade names, and brand names to distinguish our company and our products and services from our competitors. Some of our trademarks may conflict with trademarks of other companies. Failure to obtain trademark registrations could limit our ability to protect our trademarks and impede our sales and marketing efforts. Further, we cannot assure you that competitors will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks.

In addition, third parties may bring infringement and other claims that could be time-consuming and expensive to defend. Also, parties making infringement and other claims against us may be able to obtain injunctive or other equitable relief that could effectively block our ability to provide our products, services or business methods and could cause us to pay substantial damages. In the event of a successful claim of infringement against us, we may need to obtain one or more licenses from third parties, which may not be available at a reasonable cost, or at all. It is possible that our intellectual property rights may not be valid or that we may infringe upon existing or future proprietary rights of others. Any successful infringement claims could subject us to significant liabilities, require us to seek licenses on unfavorable terms, prevent us from manufacturing or selling products, services and business methods and require us to redesign or, in the case of trademark claims, re-brand our company or products, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

**The cost of compliance with environmental laws and regulations and any related environmental liabilities could adversely affect our results of operations, financial condition and cash flows.**

Our operations are subject to federal, state and local laws and regulations governing, among other things, emissions to air, discharge to water, the remediation of contaminated properties and the generation, handling, storage, transportation, treatment and disposal of, and exposure to, waste and other materials, as well as laws and regulations relating to occupational health and safety. These laws and regulations frequently change, and the violation of these laws or regulations can lead to substantial fines, penalties and other liabilities. The operation of our manufacturing facility entails risks in these areas and there can be no assurance that we will not incur material costs or liabilities in the future that could adversely affect our results of operations, financial condition and cash flows.

***Risks Related to Our Common Stock***

**We expect our quarterly revenue and operating results to fluctuate. If we fail to meet the expectations of market analysts or investors, the market price of our common stock could further decline, and we could become subject to securities litigation or a potential de-listing from NASDAQ.**

Our quarterly revenue and operating results have fluctuated in the past and will likely vary from quarter to quarter in the future. Our results for any particular quarter are not an indication of our future performance. Our revenue and operating results may fall below the expectations of market analysts or investors in some future quarter or quarters. Our failure to meet these expectations could cause the market price of our common stock to further decline. If the price of our common stock is volatile or falls significantly below our

current price, we may be the target of securities litigation or could be de-listed from NASDAQ. On April 5, 2024, we received written notice from NASDAQ that we were not in compliance with NASDAQ's minimum bid price requirement for continued listing on NASDAQ. If we do not regain compliance by October 2, 2024, an additional 180 days may be granted to regain compliance. If we become involved in this type of litigation or are de-listed, regardless of the outcome, we could incur substantial legal costs, management's attention could be diverted from the operation of our business, and our reputation could be damaged, which could adversely affect our results of operations, financial condition and cash flows.

**The price of our common stock has been, and may continue to be, volatile.**

Historically, the market price of our common stock has fluctuated over a wide range, and it is likely that the price of our common stock will continue to be volatile in the future. The market price of our common stock could be impacted due to a variety of factors, including:

- actual or anticipated fluctuations in our operating results or our competitors' operating results;
- our ability to achieve our analyst's results of operations expectations;
- actual or anticipated changes in the growth rate of the general LED lighting industry, our growth rates or our competitors' growth rates;
- conditions in the financial markets in general or changes in general economic conditions;
- novel and unforeseen market forces and trading strategies;
- actual or anticipated changes in governmental regulation, including taxation and tariff policies;
- interest rate or currency exchange rate fluctuations;
- our ability to forecast or report accurate financial results; and
- changes in stock market analyst recommendations regarding our common stock, other comparable companies or our industry generally.

In addition, due to one or more of the foregoing factors in one or more future quarters, our results of operations may fall below the expectations of securities analysts and investors. In the event any of the foregoing occur, the market price of our common stock could be highly volatile and may materially decline.

**If securities or industry analysts do not continue to publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.**

The trading market for our common stock may continue to depend, in part, on the research reports that securities or industry analysts publish about us and our peer group companies. If these analysts do not continue to provide adequate research coverage or if one or more of the analysts who covers us downgrades our stock, lowers our stock's price target or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

**The market price of our common stock could be adversely affected by future sales of our common stock in the public market by us or our executive officers and directors.**

We and our executive officers and directors may from time to time sell shares of our common stock in the public market or otherwise. We cannot predict the size or the effect, if any, that future sales of shares of our common stock by us or our executive officers and directors, or the perception of such sales, will have on the market price of our common stock.

**We are not currently paying dividends on our common stock and will likely continue not paying dividends for the foreseeable future.**

We have never paid or declared any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to fund the continued development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, the terms of our existing revolving credit agreement restrict the payment of cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, contractual restrictions and other factors that our board of directors deems relevant. The restrictions on, and decision not to, pay dividends on our common stock may impact our ability to attract certain investors and raise funds, if necessary, in the capital markets.

**Anti-takeover provisions included in the Wisconsin Business Corporation Law, provisions in our amended and restated articles of incorporation or bylaws and the common share purchase rights that accompany shares of our common stock could delay or prevent a change of control of our company, which could adversely impact the value of our common stock and may prevent or frustrate attempts by our shareholders to replace or remove our current board of directors or management.**

A change of control of our company may be discouraged, delayed or prevented by certain provisions of the Wisconsin Business Corporation Law. These provisions generally restrict a broad range of business combinations between a Wisconsin corporation and a shareholder owning 15% or more of our outstanding common stock. These and other provisions in our amended and restated articles of incorporation, including our staggered board of directors and our ability to issue “blank check” preferred stock, as well as the provisions of our amended and restated bylaws and Wisconsin law, could make it more difficult for shareholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including to delay or impede a merger, tender offer or proxy contest involving our company or result in a lower price per share paid to our shareholders.

In addition, our employment arrangements with senior management provide for severance payments and accelerated vesting of benefits, including accelerated vesting of stock options and restricted stock awards, upon a change of control and a subsequent qualifying termination. These provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby adversely affecting the market price of our common stock. These provisions may also discourage or prevent a change of control or result in a lower price per share paid to our shareholders.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 1C. CYBERSECURITY**

Our Board of Directors and Audit Committee oversee risks from cybersecurity threats. Our Audit Committee of the board on a quarterly basis reviews cybersecurity risks and our board periodically reviews cybersecurity risks as part of its overall risk management oversight and specifically reviews cybersecurity in detail at least annually. The board relies on management and its use of the third-party consultants for expertise for assessing and managing our risks from cybersecurity threats. In conjunction with management, the board considers the nature of the work provided by our operations, the potential impact of a cybersecurity event, costs, potential likelihood of an event, prior events, and benefits in its general oversight of the cybersecurity risk management.

We have experienced targeted and non-targeted cybersecurity attacks and incidents in the past that have resulted in unauthorized persons gaining limited access to our information and systems, and we could in the future experience similar attacks. To date, no cybersecurity incident or attack, or any risk from cybersecurity threats, has materially affected or has been determined to be reasonably likely to materially affect us or our business strategy, results of operations, or financial condition.

See also “Item 1A. Risk Factors — Operational Risks.”

## **ITEM 2. PROPERTIES**

We lease our approximately 266,000 square foot manufacturing and distribution facility located in Manitowoc, Wisconsin. On January 31, 2020, we entered a new lease for the facility with a ten-year term, and an option to terminate after six years.

We own our approximately 70,000 square foot technology center and corporate headquarters adjacent to our leased Manitowoc manufacturing and distribution facility. We also lease approximately 10,500 square feet of office space in Jacksonville, Florida, 5,375 square feet in Lawrence, Massachusetts and 9,180 square feet of office space in Pewaukee, Wisconsin.

The Manitowoc and Jacksonville facilities noted above are utilized by all our business segments, the Lawrence facility by our EV Segment and the Pewaukee facility by our Lighting segment.

## **ITEM 3. LEGAL PROCEEDINGS**

We are subject to various claims and legal proceedings arising in the ordinary course of business. As of the date of this report, we do not believe that the final resolution of any of such claims or legal proceedings would have a material adverse effect on our future results of operations.

## **ITEM 4. MINE SAFETY DISCLOSURES**

None.

## **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Shares of our common stock are traded on the NASDAQ Capital Market under the symbol "OESX".

### **Shareholders**

As of May 31, 2024, there were approximately 158 record holders of the 32,567,746 outstanding shares of our common stock. The number of record holders does not include shareholders for whom shares are held in a "nominee" or "street" name.

### **Dividend Policy**

We have never paid or declared any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. In addition, the terms of our existing credit agreement restrict the payment of cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, contractual restrictions (including those under our loan agreements) and other factors that our board of directors deems relevant.

## Securities Authorized for Issuance under Equity Compensation Plans

The following table represents shares outstanding under our 2004 Stock and Incentive Awards Incentive Plan, and our 2016 Omnibus Incentive Plan as of March 31, 2024.

<b>Plan Category</b>	<b>Equity Compensation Plan Information</b>		
	<b>Number of Shares to be Issued Upon Exercise of Outstanding Options and Vesting of Restricted Shares</b>	<b>Weighted Average Exercise Price of Outstanding Options</b>	<b>Number of Shares Remaining Available for Future Issuances Under the 2016 Omnibus Incentive Plan (1)</b>
Equity Compensation plans approved by security holders	1,014,104	—	1,788,994
Equity Compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>1,014,104</b>	<b>—</b>	<b>1,788,994</b>

- (1) Excludes shares reflected in the column titled “Number of Shares to be Issued Upon Exercise of Outstanding Options and Vesting of Restricted Shares”.

## Issuer Purchase of Equity Securities

We did not purchase shares of our common stock during the fiscal year ended March 31, 2024.

## Unregistered Sales of Securities

We did not effect any unregistered sales of our common stock during the year ended March 31, 2024.

## ITEM 6. [RESERVED]

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

*The following discussion and analysis of our financial condition and results of operations should be read together with our audited consolidated financial statements and related notes included in this Annual Report on Form 10-K for the fiscal year ended March 31, 2024. See also "Forward-Looking Statements" and Item 1A "Risk Factors".*

### Overview

We provide state-of-the-art light emitting diode ("LED") lighting systems, wireless Internet of Things ("IoT") enabled control solutions, project engineering, energy project management design and maintenance services and electric vehicle ("EV") charging infrastructure solutions. We help our customers achieve their sustainability, energy savings and carbon footprint reduction goals through innovative technology and exceptional service. We research, design, develop, manufacture, market, sell, install, and implement energy management systems consisting primarily of high-performance, energy-efficient commercial and industrial interior and exterior LED lighting systems and related services. Our products are targeted for applications in the following primary market segments: commercial office and retail, area lighting, industrial applications and government, although we do sell and install products into other markets. Our services consist of turnkey installation and system maintenance. Virtually all of our sales occur within North America or for the US Department of Defense's military bases operating in foreign countries.

Our lighting products consist primarily of LED lighting fixtures, many of which include IoT enabled control systems. Our principal lighting customers include large national account end-users, federal and state government facilities, large regional account end-users, electrical distributors, electrical contractors and energy service companies ("ESCOs"). Currently, most of our interior lighting products are manufactured at our leased production facility located in Manitowoc, Wisconsin, although as the LED and related IoT market continues to evolve, we are increasingly sourcing products and components from third parties in order to provide versatility in our product development and offerings.

We differentiate ourselves from our competitors by offering comprehensive project management services to national account customers to retrofit their multiple locations. Our comprehensive services include initial site surveys and audits, utility incentive and government subsidy management, engineering design, and project management from delivery through to installation and controls integration. In addition, we offer lighting and electrical maintenance services which enables us to support a lifetime business relationship with our customer (which we call "Customers for Life"). We completed the acquisition of Voltrek on October 5, 2022, which was intended to further expand our turnkey services capabilities as well as capitalize on the rapidly growing market for EV charging solutions. We completed the Stay-Lite Lighting acquisition on January 1, 2022, which was intended to further expand our maintenance services capabilities.

We believe the market for LED lighting products and related controls continues to grow. Due to their size and flexibility in application, we also believe that LED lighting systems can address opportunities for retrofit applications that cannot be satisfied by other lighting technologies. Our LED lighting technologies have become the primary component of our revenue as we continue to strive to be a leader in the LED market.

We see significant opportunity to cross-sell our three platforms of Lighting, Maintenance Services and EV Charging installation systems to our Commercial and Industrial customer base. We are pursuing opportunities to cross-sell to direct customers as well as through select partners. While we currently intend to primarily pursue growth organically, we also may explore potential additional business acquisitions to expand and add different capabilities to our product and services offerings.

We generally do not have long-term contracts with our customers for product or turnkey services that provide us with recurring annual revenue. However, our maintenance services contracts usually consist of multi-year arrangements. We typically generate substantially all of our revenue from sales of lighting and control systems and related services to governmental, commercial and industrial customers on a project-by-project basis. We also perform work under master services or product purchasing agreements with major customers with sales completed on a purchase order basis. In addition, in order to provide quality and timely service under our



multi-location master retrofit agreements we make substantial working capital expenditures and advance inventory purchases that we intend to recoup through the completion of these or similar projects.

We typically sell our lighting systems in replacement of our customers' existing fixtures. We call this replacement process a "retrofit". We frequently engage our customer's existing electrical contractor to provide installation and project management services. We also sell our lighting systems on a wholesale basis, principally to electrical distributors and ESCOs to sell to their own customer bases.

The gross margins of our products can vary significantly depending upon the types of products we sell, with margins typically ranging from 10% to 50%. As a result, a change in the total mix of our sales among higher or lower margin products can cause our profitability to fluctuate from period to period.

Our fiscal year ends on March 31. We refer to our just completed fiscal year, which ended on March 31, 2024, as "fiscal 2024", and our prior fiscal years which ended on March 31, 2023 and March 31, 2022 as "fiscal 2023" and "fiscal 2022", respectively. Our fiscal first quarter of each fiscal year ends on June 30, our fiscal second quarter ends on September 30, our fiscal third quarter ends on December 31 and our fiscal fourth quarter ends on March 31.

Reportable segments are components of an entity that have separate financial data that the entity's chief operating decision maker ("CODM") regularly reviews when allocating resources and assessing performance. Our CODM is our chief executive officer. Previously, we had four reportable segments: Orion Services Group Segment, Orion Distribution Services Segment, Orion U.S. Markets Division and Orion Electric Vehicle Charging (the "EV Segment"). Effective during the first quarter of fiscal 2024, we began to evaluate and report the business using three segments: Lighting Segment, Maintenance Segment and EV Segment.

## **Fiscal 2025 Outlook**

In fiscal 2025, we plan on focusing on the following initiatives:

*Executing and Marketing our Turnkey LED Retrofit Capabilities to Large National Account Customers.* We believe one of our competitive advantages is our ability to deliver full turnkey LED lighting project capabilities. These turnkey services were the principal reason we achieved significant recent revenue growth as we executed on our commitment to retrofit multiple locations for a major national account customer. Our success in the national account market segment centers on our turnkey design, engineering, manufacturing and project management capabilities, which represent a very clear competitive advantage for us among large enterprises seeking to benefit from the illumination benefits and energy savings of LED lighting across locations nationwide. We believe one of our competitive advantages is that we are organized to serve every step of a custom retrofit project in a comprehensive, non-disruptive and timely fashion, from custom fixture design and initial site surveys to final installations. We are also able to help customers deploy state-of-the-art control systems that provide even greater long-term value from their lighting system investments.

Looking forward, we are focused on continuing to successfully execute on existing national account opportunities while also actively pursuing new national account opportunities that leverage our customized, comprehensive turnkey project solutions, and expanding our addressable market with high-quality, basic lighting systems to meet the needs of value-oriented customer segments served by our other market channels. Given our compelling value proposition, capabilities and focus on customer service, we are optimistic about our business prospects and working to build sales momentum with existing and new customers.

*Continued Product Innovation.* We continue to innovate, developing lighting fixtures and features that address specific customer requirements, while also working to maintain a leadership position in energy efficiency, smart product design and installation benefits. For interior building applications, we recently expanded our product line to include a family of ceiling air movement solutions, some of which incorporate LED lighting and others which utilize ultraviolet C light waves to kill viruses, bacteria and germs. We also continue to deepen our capabilities in the integration of smart lighting controls. Orion launched a new line of interior and exterior products in FY'24 Q2 designed to increase sales and market share which we expect to continue to accelerate in FY'25. Our goal is to provide state-

of-the-art lighting products with modular plug-and-play designs to enable lighting system customization from basic controls to advanced IoT capabilities.

*Leverage of our Smart Lighting Systems to Support Internet of Things Applications.* We believe we are ideally positioned to help customers to efficiently deploy new IoT controls and applications by leveraging the “Smart Ceiling” capabilities of their Orion solid state lighting system. IoT capabilities can include the management and tracking of facilities, personnel, resources and customer behavior, driving both sales and lowering costs. As a result, these added capabilities provide customers an even greater return on investment from their lighting system and make us an even more attractive partner. We plan to pursue the expansion of our IoT, “smart-building” and “connected ceiling” and other related technology, software and controls products and services that we offer to our customers. While we intend to pursue these expansion strategies organically, we also are actively exploring potential business acquisitions which would more quickly add these types of expanded and different capabilities to our product and services offerings.

*Increase Profitability within our Maintenance Service Offerings.* We believe we can leverage our construction management process expertise to develop a high-quality, quick-response, multi-location maintenance service offering. Our experience with large national customers and our large installed base of fixtures positions us well to extend a maintenance offering to historical customers, as well as to new customers. Our focus is ensuring all multi-year contracts are bid and executed at rates that will contribute reasonable profitability for the segment.

*Support Success of our ESCO and Agent-Driven Distribution Sales Channels.* We continue to focus on building our relationships and product and sales support for our ESCO and agent driven distribution channels. These efforts include an array of product and sales training efforts as well as the development of new products to cater to the unique needs of these sales channels.

*Grow EV Charging Installation Business.* We acquired Voltrek, a turnkey EV charging installation business, in fiscal 2023. We believe there are significant growth opportunities in Voltrek’s existing northeast geographic market as well as on a national basis. We plan to focus our growth plans on maximizing the initial positive momentum realized in fiscal 2024 from our Voltrek acquisition and on cross selling our EV charging solutions into our historical market channels and customers.

## **Recent Acquisitions**

### **Acquisition of Voltrek**

Effective on October 5, 2022, we acquired all of the outstanding membership interests of Voltrek LLC, a leading electric vehicle charging company that provides turnkey installation solutions with ongoing support to all commercial verticals. The initial purchase price consisted of \$5.0 million cash and \$1.0 million of stock. We also paid \$3.0 million based on Voltrek's performance in fiscal 2023 and will pay an additional \$0.9 million and could pay up to an additional \$9.8 million if Voltrek exceeds certain earnings targets in fiscal 2024 and 2025, respectively. The acquisition was funded from existing cash and credit resources and has been operating as Voltrek, a division of Orion Energy Systems.

### **Acquisition of Stay-Lite Lighting**

Effective on January 1, 2022, we acquired all of the issued and outstanding capital stock of Stay-Lite Lighting, a nationwide lighting and electrical maintenance service provider, for a cash purchase price of \$4.0 million. The acquisition was funded from existing cash resources. Stay-Lite Lighting has been operating as Stay-Lite, an Orion Energy Systems business. The acquisition accelerates the growth of our maintenance services offerings through our Orion Services Group, which provides lighting and electrical services to customers.

### **Replacing Reduced Revenue from Primary Customer**

In fiscal 2024, 2023 and 2022, one customer accounted for 25.2%, 16.2% and 49.1% of our total revenue, respectively. In fiscal 2025, we expect that our customer concentration will continue at the approximate range experienced in fiscal 2024 and 2023. We

continue to attempt to diversify our customer base by expanding our reach to national accounts, ESCOs, the agent driven distribution channel, lighting maintenance customers and the EV market.

## Selected Financial Data

The selected historical consolidated financial data are not necessarily indicative of future results.

	Fiscal Year Ended March 31,				
	2024	2023	2022	2021	2020
	(in thousands, except per share amounts)				
<b>Consolidated statements of operations data:</b>					
Product revenue	\$ 63,307	\$ 57,210	\$ 91,889	\$ 87,664	\$ 113,352
Service revenue	27,274	20,173	32,494	29,176	37,489
Total revenue	90,581	77,383	124,383	116,840	150,841
Cost of product revenue (1) (2) (7)	44,466	42,979	65,249	63,233	83,588
Cost of service revenue (1) (3) (7)	25,204	16,893	25,222	23,483	30,130
Total cost of revenue	69,670	59,872	90,471	86,716	113,718
Gross profit	20,911	17,511	33,912	30,124	37,123
General and administrative expenses (1) (4) (7)	16,740	19,487	11,680	11,262	11,184
Impairment of assets (5)	456	—	512	—	—
Acquisition related costs	56	765	—	—	—
Sales and marketing expenses (1) (5) (7)	12,988	11,392	11,628	10,341	11,113
Research and development expenses (1) (7)	1,495	1,852	1,701	1,685	1,716
(Loss) income from operations	(10,824)	(15,985)	8,391	6,836	13,110
Other income	39	—	1	56	28
Interest expense	(752)	(339)	(80)	(127)	(279)
Amortization of debt issue costs	(95)	(73)	(62)	(157)	(243)
Loss on debt extinguishment	—	—	—	(90)	—
Dividend and interest income	2	34	—	—	5
(Loss) income before income tax	(11,630)	(16,363)	8,250	6,518	12,621
Income tax expense (benefit) (6)	41	17,978	2,159	(19,616)	159
Net (loss) income	<u>\$ (11,671)</u>	<u>\$ (34,341)</u>	<u>\$ 6,091</u>	<u>\$ 26,134</u>	<u>\$ 12,462</u>
<b>Net (loss) income per share attributable to common shareholders:</b>					
Basic	\$ (0.36)	\$ (1.08)	\$ 0.20	\$ 0.85	\$ 0.41
Diluted	\$ (0.36)	\$ (1.08)	\$ 0.19	\$ 0.83	\$ 0.40
<b>Weighted-average shares outstanding:</b>					
Basic	32,486	31,704	31,018	30,635	30,105
Diluted	32,486	31,704	31,295	31,304	30,965

- (1) Includes stock-based compensation expense recognized under Financial Accounting Standards Board Accounting Standards Codification Topic 718, or ASC Topic 718, as follows:

	Fiscal Year Ended March 31,				
	2024	2023	2022	2021	2020
	(in thousands)				
Cost of product revenue	\$ 5	\$ 4	\$ 5	\$ 4	\$ 3
Cost of service revenue	—	—	—	—	(1)
General and administrative expenses	923	1,596	793	716	576
Sales and marketing expenses	17	8	12	29	38
Research and development expenses	5	4	3	4	2
Total stock-based compensation expense	<u>\$ 950</u>	<u>\$ 1,612</u>	<u>\$ 813</u>	<u>\$ 753</u>	<u>\$ 618</u>

- (2) Fiscal 2024 and Fiscal 2020 includes expense of \$26 thousand and \$0.1 million related to restructuring, respectively.
- (3) Fiscal 2024 and Fiscal 2020 includes expense of \$48 thousand and \$0.1 million related to restructuring, respectively.
- (4) Fiscal 2024 and Fiscal 2020 include expenses of \$28 thousand and \$28 thousand related to restructuring, respectively.
- (5) Fiscal 2024 and Fiscal 2020 includes expense of \$21 thousand and \$0.2 million related to restructuring, respectively.

- (6) Fiscal 2021 includes tax benefit of \$20.9 million related to the release of the valuation allowance on deferred tax assets. Fiscal 2023 includes tax expense of \$17.8 million related to the recording of the valuation allowance on deferred tax assets.
- (7) Fiscal 2022 includes an offset to payroll expenses of \$1.6 million related to the anticipated employee retention payroll tax credit (“payroll tax credit”), as expanded and extended by the American Rescue Plan Act of 2021, as follows:

	<b>Fiscal Year Ended March 31, 2022</b>	
	<b>(in thousands)</b>	
Cost of product revenue	\$	649
Cost of service revenue		144
General and administrative expenses		273
Sales and marketing expenses		416
Research and development expenses		105
Total payroll tax credit	\$	<u>1,587</u>

### Results of Operations: Fiscal 2024 versus Fiscal 2023

The following table sets forth the line items of our consolidated statements of operations and as a relative percentage of our total revenue for each applicable period, together with the relative percentage change in such line item between applicable comparable periods (in thousands, except percentages):

	<b>Fiscal Year Ended March 31,</b>				
	<b>2024</b>	<b>2023</b>	<b>% Change</b>	<b>2024</b>	<b>2023</b>
	<b>Amount</b>	<b>Amount</b>		<b>% of Revenue</b>	<b>% of Revenue</b>
Product revenue	\$ 63,307	\$ 57,210	10.7%	69.9%	73.9%
Service revenue	27,274	20,173	35.2%	30.1%	26.1%
Total revenue	90,581	77,383	17.1%	100.0%	100.0%
Cost of product revenue	44,466	42,979	3.5%	49.1%	55.5%
Cost of service revenue	25,204	16,893	49.2%	27.8%	21.8%
Total cost of revenue	69,670	59,872	16.4%	76.9%	77.4%
Gross profit	20,911	17,511	19.4%	23.1%	22.6%
General and administrative expenses	16,740	19,487	(14.1)%	18.5%	25.2%
Impairment on Intangibles	456	—	NM	0.5%	0.0%
Acquisition related costs	56	765	(92.7)%	0.1%	1.0%
Sales and marketing expenses	12,988	11,392	14.0%	14.3%	14.7%
Research and development expenses	1,495	1,852	(19.3)%	1.7%	2.4%
(Loss) income from operations	(10,824)	(15,985)	NM	(11.9)%	(20.7)%
Other income	39	0	NM	0.0%	0.0%
Interest expense	(752)	(339)	(121.8)%	(0.8)%	(0.4)%
Amortization of debt issue costs	(95)	(73)	(30.1)%	(0.1)%	(0.1)%
(Loss) income before income tax	(11,630)	(16,363)	NM	(12.8)%	(21.1)%
Income tax expense	41	17,978	NM	0.0%	23.2%
Net (loss) income	<u>\$ (11,671)</u>	<u>\$ (34,341)</u>	<u>NM</u>	<u>(12.9)%</u>	<u>(44.4)%</u>

\* NM = Not Meaningful

*Revenue, Cost of Revenue and Gross Margin.* Product revenue increased by 10.7%, or \$6.1 million, for fiscal 2024 versus fiscal 2023. Service revenue increased by 35.2%, or \$7.1 million, for fiscal 2024 versus fiscal 2023. The increase in product and service revenue was primarily due to the execution of a significant government retrofit Lighting segment project along with increased EV segment revenues. Cost of product revenue increased by 3.5%, or \$1.5 million, in fiscal 2024 versus the comparable period in fiscal 2023. Cost of service revenue increased by 49.2%, or \$8.3 million, in fiscal 2024 versus fiscal 2023. The increases were primarily because of increases in revenue described above along with higher cost in our Maintenance Segment. Gross margin increased to 23.1% of revenue in fiscal 2024 from 22.6% in fiscal 2023, due primarily to improved absorption of fixed costs on increased revenue volume and mix.

#### *Operating Expenses*

*General and Administrative.* General and administrative expenses decreased 14.1%, or \$2.7 million, in fiscal 2024 compared to fiscal 2023. This comparative decrease was primarily due to a reduction in estimate of \$0.9 million of earn-out compensation costs recorded in fiscal 2023 related to the Voltrek acquisition, partially offset by a full year of cost at Voltrek.

*Acquisition Related Costs.* In fiscal 2024, we incurred acquisition costs of \$56 thousand, primarily relating to the Voltrek acquisition. In fiscal 2023, we incurred acquisition expenses of \$0.8 million relating to the acquisition of Voltrek.

*Sales and Marketing.* Our sales and marketing expenses increased 14.0%, or \$1.6 million, in fiscal 2024 compared to fiscal 2023. The increase was primarily due to an increase in commission expense on higher sales volume.

*Research and Development.* Research and development expenses decreased 19.3%, or \$0.4 million, in fiscal 2024 compared to fiscal 2023 primarily due to a decrease in testing costs.

*Interest Expense.* Interest expense in fiscal 2024 increased by \$0.4 million to \$0.8 million primarily because of a full year of borrowings in fiscal 2024 and a higher interest rate on our credit facility.

*Income Taxes.* Income tax expense decreased \$18.0 million, or 99.9%, to \$41 thousand compared to fiscal 2023. The fiscal 2023 expense included a one-time \$17.8 million non-cash charge to increase the valuation allowance on a significant portion of our deferred tax assets. We do not expect to remit significant cash taxes for the next several years.

## Results of Operations: Fiscal 2023 versus Fiscal 2022

The following table sets forth the line items of our consolidated statements of operations and as a relative percentage of our total revenue for each applicable period, together with the relative percentage change in such line item between applicable comparable periods (in thousands, except percentages):

	Fiscal Year Ended March 31,				
	2023	2022	% Change	2023	2022
	Amount	Amount		% of Revenue	% of Revenue
Product revenue	\$ 57,210	\$ 91,889	(37.7)%	73.9%	73.9%
Service revenue	20,173	32,494	(37.9)%	26.1%	26.1%
Total revenue	77,383	124,383	(37.8)%	100.0%	100.0%
Cost of product revenue	42,979	65,249	(34.1)%	55.5%	52.5%
Cost of service revenue	16,893	25,222	(33.0)%	21.8%	20.3%
Total cost of revenue	59,872	90,471	(33.8)%	77.4%	72.7%
Gross profit	17,511	33,912	(48.4)%	22.6%	27.3%
General and administrative expenses	19,487	11,680	66.8%	25.2%	9.4%
Acquisition related costs	765	512	49.4%	1.0%	0.4%
Sales and marketing expenses	11,392	11,628	(2.0)%	14.7%	9.3%
Research and development expenses	1,852	1,701	8.9%	2.4%	1.4%
(Loss) income from operations	(15,985)	8,391	(290.5)%	(20.7)%	6.7%
Other income	-	1	(100.0)%	0.0%	0.0%
Interest expense	(339)	(80)	(323.8)%	(0.4)%	(0.1)%
Amortization of debt issue costs	(73)	(62)	(17.7)%	(0.1)%	(0.0)%
(Loss) income before income tax	(16,363)	8,250	(298.3)%	(21.1)%	6.6%
Income tax expense (benefit)	17,978	2,159	NM	23.2%	1.7%
Net (loss) income	\$ (34,341)	\$ 6,091	(663.8)%	(44.4)%	4.9%

\* NM = Not Meaningful

*Revenue, Cost of Revenue and Gross Margin.* Product revenue decreased by 37.7%, or \$34.7 million, for fiscal 2023 versus fiscal 2022. Service revenue decreased by 37.9%, or \$12.3 million, for fiscal 2023 versus fiscal 2022. The decrease in product revenue was primarily due to the completion of a significant project for our largest customer and delays in the commencement of certain projects partially offset by revenue associated with the Stay-Lite and Voltrek acquisitions. The decrease in service revenue was primarily due to the completion of the significant project for our largest customer partially offset by revenue association with the acquisition of Stay-Lite and Voltrek. Cost of product revenue decreased by 34.1%, or \$22.3 million, in fiscal 2023 versus the comparable period in fiscal 2022. Cost of service revenue decreased by 33.0%, or \$8.3 million, in fiscal 2023 versus fiscal 2022. The decreases were primarily because of decreases in revenue described above. Gross margin decreased to 22.6% of revenue in fiscal 2023 from 27.3% in fiscal 2022, due primarily to lower absorption of fixed costs on reduced revenue volume.

### *Operating Expenses*

*General and Administrative.* General and administrative expenses increased 66.8%, or \$7.8 million, in fiscal 2023 compared to fiscal 2022. This comparative increase was primarily due to the acquisition of Stay-Lite Lighting and Voltrek, which included \$4.0 million for compensatory Voltrek earn-out payments. In addition, there were lower employment costs in fiscal 2022 as a result of COVID-19 related actions and the payroll tax credit.

*Acquisition Related Costs.* In fiscal 2023, we incurred acquisition costs of \$0.8 million, primarily relating to the Voltrek acquisition. In fiscal 2022, we incurred acquisition expenses of \$0.5 million relating to the acquisition of Stay-Lite Lighting.

*Sales and Marketing.* Our sales and marketing expenses decreased 2.0%, or \$0.2 million, in fiscal 2023 compared to fiscal 2022. The decrease was primarily due to an decrease in commission expense on lower sales partially offset by expenses associated with the Stay-Lite Lighting and Voltrek businesses.

*Research and Development.* Research and development expenses increased 8.9%, or \$0.2 million, in fiscal 2023 compared to fiscal 2022.

*Interest Expense.* Interest expense in fiscal 2023 increased by \$0.2 million to \$0.3 million primarily because of higher borrowings on Orion’s credit facility and increased third party financing costs related to the sale of receivables.

*Income Taxes.* In fiscal 2023, we recognized tax expense of \$18.0 million. The fiscal 2023 expense was driven by a \$17.8 million non-cash charge to increase the valuation allowance on a significant portion of our deferred tax assets. This resulted in substantially and disproportionately decreasing our reported net income and our earnings per share compared to our operating results. Historical and future comparisons to these amounts are not, and will not be, indicative of actual profitability trends for our business. Our fiscal 2022 income tax provision reflects a more normalized effective income tax rate. We do not expect to remit significant cash taxes for the next several years.

## Lighting Segment

Our lighting segment develops and sells lighting products and provides construction and engineering services for our commercial lighting and energy management systems. Our lighting segment provides engineering, design, lighting products and in many cases turnkey solutions for large national accounts, governments, municipalities, schools and other customers. Our lighting segment sells through ESCOs, Lighting Agents, Distributors and direct (turnkey) to end users.

The following table summarizes our lighting segment operating results (dollars in thousands):

	Fiscal Year Ended March 31,		
	2024	2023	2022
Revenues	\$ 61,102	\$ 56,553	\$ 118,557
Operating (loss) income	\$ (1,352)	\$ (5,150)	\$ 21,647
Operating margin	(2.2)%	(9.1)%	18.3%

### *Fiscal 2024 Compared to Fiscal 2023*

Lighting segment revenue increased in fiscal 2024 by 8.0%, or \$4.6 million, and operating loss decreased \$3.8 million, compared to fiscal 2023, due to increased project volume on a government retrofit project. This increase led to a corresponding operating loss decrease in this segment, along with improved project margins.

### *Fiscal 2023 Compared to Fiscal 2022*

Lighting segment revenue decreased in fiscal 2023 compared to fiscal 2022 by 52.3%, or \$62.0 million, and operating income decreased by 123.8%, or \$26.8 million, compared to fiscal 2022, due to an overall reduction in project volume performed for our largest customer.

## Maintenance Segment

Our maintenance segment provides retailers, distributors and other businesses with maintenance, repair and replacement services for the lighting and related electrical components deployed in their facilities.

The following table summarizes our maintenance segment operating results (dollars in thousands):

	Fiscal Year Ended March 31,		
	2024	2023	2022
Revenues	\$ 17,147	\$ 14,555	\$ 5,826
Operating (loss) income	\$ (5,523)	\$ (2,221)	\$ 337
Operating margin	(32.2)%	(15.3)%	5.8%

### ***Fiscal 2024 Compared to Fiscal 2023***

Maintenance segment revenue increased \$2.6 million, or 17.8% in fiscal 2024 compared to fiscal 2023 primarily due to increased volume at a major customer. Operating loss increased \$3.3 million, or 148.6%, in fiscal 2024 compared to fiscal 2023 primarily due to increased costs on fixed price contracts.

### ***Fiscal 2023 Compared to Fiscal 2022***

Maintenance segment revenue increased \$8.7 million, or 149.8% in fiscal 2023 compared to fiscal 2022 primarily due to a full year of operations from the Stay-Lite acquisition. Operating loss increased \$2.6 million, or 759.1%, in fiscal 2023 compared to fiscal 2022 primarily due to inflationary pressures causing increased costs on fixed price contracts.

## **EV Charging Segment**

Our EV segment offers leading electric vehicle charging expertise and provides EV turnkey installation solutions with ongoing support to all commercial verticals.

The following table summarizes our EV segment operations results (dollars in thousands):

	Fiscal Year Ended March 31,		
	2024	2023	2022
Revenues	\$ 12,332	\$ 6,275	—
Operating loss	\$ (1,563)	\$ (4,158)	—
Operating margin	(12.7)%	(66.3)%	—

### ***Fiscal 2024 Compared to Fiscal 2023***

EV segment revenue increased 96.5% or \$6.1 million in fiscal 2024 compared to fiscal 2023 primarily due to a full year of Voltrek results being included in segment results. EV segment operating loss decreased \$2.6 million or 62.4% in fiscal 2024 compared to fiscal 2023 due to increased revenue volume in the segment, partially offset by reduced gross margins.

## **Liquidity and Capital Resources**

### ***Overview***

We had \$5.2 million in cash and cash equivalents as of March 31, 2024, compared to \$16.0 million at March 31, 2023. Our cash position decreased due to the results in our operations and a \$3.0 million Voltrek earnout payment.

As of March 31, 2024, our borrowing base supported \$20.1 million of availability under our credit facility, with \$10.0 million drawn against that availability. As of March 31, 2023, our borrowing base supported \$17.3 million of availability under our credit facility, with \$10.0 million drawn against that availability.

Additional information on our Credit Agreement can be found in the “Indebtedness” section located below.

In March 2023, we filed a universal shelf registration statement with the Securities and Exchange Commission. Under our shelf registration statement, we currently have the flexibility to publicly offer and sell from time to time up to \$100 million of debt and/or equity securities. The filing of the shelf registration statement may help facilitate our ability to raise public equity or debt capital to expand existing businesses, fund potential acquisitions, invest in other growth opportunities, repay existing debt, or for other general corporate purposes.



In March 2021, we entered into an At Market Issuance Sales Agreement to undertake an “at the market” (ATM) public equity capital raising program pursuant to which we may offer and sell shares of our common stock, having an aggregate offering price of up to \$50 million from time to time through or to the Agent, acting as sales agent or principal. No share sales have yet been affected pursuant to the ATM program through March 31, 2024.

In April 2024, we executed Amendment No.2 to our Loan Security Agreement to add a \$3.5 million term loan to the credit facility. The amendment also expanded the pool of eligible receivables to include government receivables in the calculation of the borrowing base. See Note 20 - Subsequent Event to our accompanying audited consolidated financial statements for more information.

We regularly explore various alternative sources of liquidity to help ensure that we will have the best allocation of invested capital to satisfy our working capital needs.

Our future liquidity needs and forecasted cash flows are dependent upon many factors, including our relative revenue, gross margins, cash management practices, cost containment, working capital management, capital expenditures. While we believe that we will likely have adequate available cash and equivalents and credit availability under our Credit Agreement to satisfy our currently anticipated working capital and liquidity requirements during the next 12 months and beyond based on our current cash flow forecast, there can be no assurance to that effect. If we experience significant liquidity constraints, we may be required to issue equity or debt securities, reduce our sales efforts, implement additional cost savings initiatives or undertake other efforts to conserve our cash.

### **Cash Flows**

The following table summarizes our cash flows for our fiscal 2024, fiscal 2023 and fiscal 2022:

	Fiscal Year Ended March 31,		
	2024	2023	2022
	(in thousands)		
Operating activities	\$ (10,092)	\$ (2,291)	\$ (113)
Investing activities	(731)	(6,195)	(4,918)
Financing activities	(14)	10,012	104
(Decrease) increase in cash and cash equivalents	<u>\$ (10,837)</u>	<u>\$ 1,526</u>	<u>\$ (4,927)</u>

*Cash Flows Related to Operating Activities.* Cash (used in) provided by operating activities primarily consisted of net loss adjusted for certain non-cash items, including depreciation, amortization of intangible assets, stock-based compensation, amortization of debt issue costs, provisions for reserves, and the effect of changes in working capital and other activities.

Cash used in operating activities for fiscal 2024 was \$10.1 million and consisted of our net loss of \$11.7 million adjusted for non-cash expense items and net cash used in changes in operating assets of \$1.6 million, the largest of which was a \$5.0 million increase in accounts payable, an increase of \$3.2 million in revenue earned not billed, and a \$2.3 million decrease in accrued liabilities.

Cash used in operating activities for fiscal 2023 was \$2.3 million and consisted of our net loss of \$34.3 million adjusted for non-cash expense items and net cash used in changes in operating assets of \$32.1 million, the largest of which was a \$17.8 million decrease in deferred income tax assets as a result of the valuation allowance.

Cash used in operating activities for fiscal 2022 was \$0.1 million and consisted of a net income of \$6.1 million adjusted for non-cash expense items of \$5.0 million and offset by net cash used by changes in operating assets and liabilities of \$11.2 million. Cash used by changes in operating assets and liabilities consisted primarily of decreases in accounts payable of \$8.1 million and accrued liabilities of \$6.9 million, partially offset by cash provided by a decrease in accounts receivable of \$4.4 million, all caused by changes in business volume late in fiscal 2022 compared to late fiscal 2021.

*Cash Flows Related to Investing Activities.* Cash used in investing activities in fiscal 2024 was \$0.7 million and consisted primarily of \$0.8 million of purchases of property and equipment.

Cash used in investing activities in fiscal 2023 was \$6.2 million and consisted primarily of the \$5.6 million acquisition of Voltrek and \$0.6 million of purchases of property and equipment.

Cash used in investing activities in fiscal 2022 was \$4.9 million and consisted primarily of the \$4.0 million acquisition of Stay-Lite Lighting, and an investment of a non-controlling equity stake in Industrial, Inc. of \$0.5 million and purchases of property and equipment.

*Cash Flows Related to Financing Activities.* Cash used in financing activities in fiscal 2024 was \$14 thousand.

Cash provided by financing activities in fiscal 2023 was \$10.0 million which consisted of proceeds from our revolving credit facility.

Cash provided by financing activities in fiscal 2022 was \$0.1 million.

### ***Working Capital***

Our net working capital as of March 31, 2024 was \$16.7 million, consisting of \$44.8 million of current assets and \$28.1 million of current liabilities. Our net working capital as of March 31, 2023 was \$25.9 million, consisting of \$50.4 million of current assets and \$24.5 million of current liabilities. The change was primarily due to a decrease in cash and cash equivalents and an increase in accounts payable, partially offset by an increase in revenue earned not billed.

Our net working capital as of March 31, 2022 was \$32.9 million, consisting of \$51.2 million in current assets and \$18.4 million in current liabilities. The increase in our working capital in fiscal 2023 from our fiscal 2022 year-end was primarily due to an overall reduction in project volume performed for our largest customer and partially offset by the acquisition of Stay-Lite Lighting.

We generally attempt to maintain a three-month supply of on-hand inventory of purchased components and raw materials to meet anticipated demand, as well as to reduce our risk of unexpected raw material or component shortages or supply interruptions.

### ***Indebtedness***

#### ***Revolving Credit Agreement***

Our credit agreement provides for a five-year \$25.0 million revolving credit facility (the “Credit Facility”) that matures on December 29, 2025. Borrowings under the Credit Facility are subject to a borrowing base requirement based on eligible receivables, inventory and cash. As of March 31, 2024, the borrowing base supported approximately \$20.1 million of availability under the Credit Facility with \$10.0 million drawn against that availability. As of March 31, 2023, the borrowing base supported approximately \$17.3 million of availability under the Credit Facility with \$10.0 million drawn against that availability.

The credit agreement is secured by a first lien security interest in substantially all of our assets.

Borrowings under the credit agreement are permitted in the form of SOFR or prime rate-based loans and generally bear interest at floating rates plus an applicable margin determined by reference to our availability under the Credit Agreement. Among other fees, we are required to pay an annual facility fee of \$15,000 and a fee of 25 basis points on the unused portion of the Credit Facility.

The credit agreement includes a springing minimum fixed cost coverage ratio of 1.0 to 1.0 when excess availability under the Credit Facility falls below the greater of \$3.0 million or 15% of the committed facility. Currently, the required springing minimum fixed cost coverage ratio is not required.

The credit agreement also contains customary events of default and other covenants, including certain restrictions on our ability to incur additional indebtedness, consolidate or merge, enter into acquisitions, pay any dividend or distribution on our stock, redeem, retire or purchase shares of our stock, make investments or pledge or transfer assets. If an event of default under the credit agreement occurs and is continuing, then the lender may cease making advances under the credit agreement and declare any outstanding obligations

under the credit agreement to be immediately due and payable. In addition, if we become the subject of voluntary or involuntary proceedings under any bankruptcy or similar law, then any outstanding obligations under the credit agreement will automatically become immediately due and payable.

We did not incur any early termination fees in connection with the termination of the prior credit agreement, but did recognize a loss on debt extinguishment of \$0.1 million on the write-off of unamortized debt issue costs related to the prior credit agreement.

### ***Capital Spending***

Our capital expenditures are primarily for general corporate purposes for our corporate headquarters and technology center, production equipment and tooling and for information technology systems. Our capital expenditures totaled \$0.8 million in fiscal 2024, \$0.7 million in fiscal 2023 and \$0.5 million in fiscal 2022. Our capital spending plans predominantly consist of investments related to maintenance fleet vehicles, new product development tooling and equipment and information technology systems, exclusive of any capital spending for potential acquisitions. We expect to finance these capital expenditures primarily through our existing cash, equipment secured loans and leases, to the extent needed, long-term debt financing, or by using our Credit Facility.

### **Critical Accounting Estimates**

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of our consolidated financial statements requires us to make certain estimates and judgments that affect our reported assets, liabilities, revenue and expenses, and our related disclosure of contingent assets and liabilities. We re-evaluate our estimates on an ongoing basis, including those related to revenue recognition, inventory valuation, collectability of receivables, stock-based compensation, warranty reserves and income taxes. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. A summary of our critical accounting estimates is set forth below.

*Revenue Recognition.* We recognize revenue in accordance with the guidance in “Revenue from Contracts with Customers” (Topic 606) (“ASC 606”) when control of the goods or services being provided (which we refer to as a performance obligation) is transferred to a customer at an amount that reflects the consideration we expect to receive in exchange for those goods or services. The amount of expected consideration includes estimated deductions and early payment discounts calculated based on historical experience, customer rebates based on agreed upon terms applied to actual and projected sales levels over the rebate period, and any amounts paid to customers in conjunction with fulfilling a performance obligation.

If there are multiple performance obligations in a single contract, the contract’s total transaction price per GAAP is allocated to each individual performance obligation based on their relative standalone selling price. A performance obligation’s standalone selling price is the price at which we would sell such promised good or service separately to a customer. We use an observable price to determine the stand-alone selling price for separate performance obligations or an expected cost-plus margin per GAAP approach when one is not available. The expected cost-plus margin per GAAP approach is used to determine the stand-alone selling price for the installation performance obligation and is based on average historical installation margin.

Revenue derived from customer contracts which include performance obligation(s) for the sale of lighting fixtures and components we manufacture, lighting fixtures we source, and EV charging stations and related software and warranty arrangements we source, are classified as product revenue in the Consolidated Statements of Operations. The revenue for these transactions is recorded at the point in time when management believes that the customer obtains control of the products, generally either upon shipment or upon delivery to the customer’s facility. This point in time is determined separately for each contract and requires judgment by management of the contract terms and the specific facts and circumstances concerning the transaction.

Revenue from a customer contract which includes both the sale of Orion manufactured or sourced fixtures and the installation of such fixtures (which we refer to as a turnkey project) is allocated between each lighting fixture and the installation performance obligation based on relative standalone selling prices.

Revenue from turnkey projects that is allocated to the single installation performance obligation is reflected in Service revenue. Service revenue is recorded over-time as we fulfill our obligation to install the light fixtures. We measure our performance toward fulfilling our performance obligations for installations using an output method that calculates the number of light fixtures completely removed and installed as of the measurement date in comparison to the total number of light fixtures to be removed and installed under the contract.

Revenue from the maintenance offering that includes both the sale of Orion manufactured or sourced product and service is allocated between the product and service performance obligations based on relative standalone selling prices, and is recorded in Product revenue and Service revenue, respectively, in the Consolidated Statement of Operations. .

The sale of installation and services related to the EV charging business is presented in Service revenue. Revenue from the EV segment that includes both the sale of product and service is allocated between the product and service performance obligations based on relative standalone selling prices, and is recorded in Product revenue and Service revenue, respectively, in the Consolidated Statement of Operations.

*Inventory.* Inventories consist of raw materials and components, such as drivers, metal sheet and coil stock and molded parts; work in process inventories, such as frames and reflectors; and finished goods, including completed fixtures and systems, and accessories. All inventories are stated at the lower of cost or net realizable value with cost determined using the first-in, first-out (FIFO) method. In determining the lower of cost or net realizable value, we consider assumptions such as business and economic conditions, expected demand for our products, changes in technology or customer requirements, recent historical sales activity (including usage in the preceding 9 to 12 months) and selling prices, as well as estimates of future selling prices. When the net realizable value of inventories exceeds the carrying value, Orion records, as a charge to cost of product revenue, the amount required to reduce the carrying value of inventory to net realizable value.

*Recoverability of Long-Lived Assets.* We evaluate long-lived assets such as property, equipment and definite lived intangible assets, such as patents, for impairment whenever events or circumstances indicate that the carrying value of the assets recognized in our financial statements may not be recoverable. Factors that we consider include whether there has been a significant decrease in the market value of an asset, a significant change in the way an asset is being utilized, or a significant change, delay or departure in our strategy for that asset, or a significant change in the macroeconomic environment. Our assessment of the recoverability of long-lived assets involves significant judgment and estimation. These assessments reflect our assumptions, which, we believe, are consistent with the assumptions hypothetical marketplace participants use. Factors that we must estimate when performing recoverability and impairment tests include, among others, forecasted revenue, margin costs and the economic life of the asset. If impairment is indicated, we determine if the total estimated future cash flows on an undiscounted basis are less than the carrying amounts of the asset or assets. If so, an impairment loss is measured and recognized.

As of January 1, 2024, due to a change in our forecast, a triggering event occurred requiring us to evaluate certain long-lived assets in our Maintenance segment. We performed the recoverability test for the asset group by comparing its carrying value to the group's expected future undiscounted cash flows. We concluded that the carrying value exceeded the undiscounted cash flows of the long-lived asset group. As such the asset group was deemed not recoverable and an impairment charge of \$0.5 million was recorded.

Our impairment loss calculations require that we apply judgment in identifying asset groups, estimating future cash flows, determining asset fair values, and estimating asset's useful lives. To make these judgments, we may use internal discounted cash flow estimates, quoted market prices, when available, and independent appraisals, as appropriate, to determine fair value.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be required to recognize future impairment losses which could be material to our results of operations.

*Indefinite Lived Intangible Assets and Goodwill.* We test indefinite lived intangible assets and goodwill for impairment at least annually on the first day of our fiscal fourth quarter, or when indications of potential impairment exist. We monitor for the existence of potential impairment indicators throughout the fiscal year. Our annual impairment test may begin with a qualitative test to determine

whether it is more likely than not that an indefinite lived intangible asset's carrying value is greater than its fair value. If our qualitative assessment reveals that asset impairment is more likely than not, we perform a quantitative impairment test by comparing the fair value of the indefinite lived intangible asset to its carrying value. Alternatively, we may bypass the qualitative test and initiate impairment testing with the quantitative impairment test.

We performed a qualitative assessment in conjunction with our annual impairment test of our indefinite lived intangible assets and goodwill as of January 1, 2024. These qualitative assessments considered our operating results for the first nine months of fiscal 2024 in comparison to prior years as well as its anticipated fourth quarter results and fiscal 2024 plan. As a result of the conditions that existed as of the assessment date, we determined a quantitative assessment was necessary for our Maintenance segment reporting unit. We concluded that the undiscounted cash flows exceeded the carrying value for the indefinite lived intangibles and goodwill, and therefore no impairment charge was recorded.

As a result of the conditions that existed as of the assessment date, an asset impairment was not deemed to be more likely than not in the Lighting and EV segments and a quantitative analysis was not required.

*Stock-Based Compensation.* We currently issue restricted stock awards to our employees, executive officers and directors. Prior to fiscal 2015, we also issued stock options to these individuals. We apply the provisions of ASC 718, *Compensation - Stock Compensation*, to these restricted stock and stock option awards which requires us to expense the estimated fair value of the awards based on the fair value of the award on the date of grant. Compensation costs for equity incentives are recognized in earnings, on a straight-line basis over the requisite service period.

*Accounting for Income Taxes.* As part of the process of preparing our consolidated financial statements, we are required to determine our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax expenses, together with assessing temporary differences resulting from recognition of items for income tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must reflect this increase as an expense within the tax provision in our statements of operations.

Our judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our net deferred tax assets. We continue to monitor the realizability of our deferred tax assets and adjust the valuation allowance accordingly. During fiscal 2023, we established a full valuation allowance on our net deferred tax assets due to end of the period of sustained profitability. In making these determinations, we considered all available positive and negative evidence, including projected future taxable income, tax planning strategies, recent financial performance and ownership changes.

We believe that past issuances and transfers of our stock caused an ownership change in fiscal 2007 that affected the timing of the use of our net operating loss carry-forwards, but we do not believe the ownership change affects the use of the full amount of the net operating loss carry-forwards. As a result, our ability to use our net operating loss carry-forwards attributable to the period prior to such ownership change to offset taxable income will be subject to limitations in a particular year, which could potentially result in increased future tax liability for us.

As of March 31, 2024, we had net operating loss carryforwards of approximately \$78.2 million for federal tax purposes, \$70.3 million for state tax purposes, and \$0.8 million for foreign tax purposes.

We also had federal tax credit carryforwards of \$1.3 million and state tax credit carryforwards of \$0.3 million, which are reserved for as part of our valuation allowance. Of these tax attributes, \$25.8 million of the federal and state net operating loss carryforwards are not subject to time restrictions on use but may only be used to offset 80% of future adjusted taxable income. The \$123.5 million net operating loss and tax credit carryforwards will begin to expire in varying amounts between 2024 and 2044.

We recognize penalties and interest related to uncertain tax liabilities in income tax expense. Penalties and interest were immaterial as of the date of adoption and are included in unrecognized tax benefits.

By their nature, tax laws are often subject to interpretation. Further complicating matters is that in those cases where a tax position is open to interpretation, differences of opinion can result in differing conclusions as to the amount of tax benefits to be recognized under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, Income Taxes. ASC 740 utilizes a two-step approach for evaluating tax positions. Recognition (Step 1) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (Step 2) is only addressed if Step 1 has been satisfied. Under Step 2, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis that is more likely than not to be realized upon ultimate settlement. Consequently, the level of evidence and documentation necessary to support a position prior to being given recognition and measurement within the financial statements is a matter of judgment that depends on all available evidence. As of March 31, 2024, the balance of gross unrecognized tax benefits was approximately \$0.2 million, all of which would reduce our effective tax rate if recognized. We believe that our estimates and judgments discussed herein are reasonable, however, actual results could differ, which could result in gains or losses that could be material.

### **Recent Accounting Pronouncements**

See Note 3 – Summary of Significant Accounting Policies to our accompanying audited consolidated financial statements for a full description of recent accounting pronouncements including the respective expected dates of adoption and expected effects on results of operations and financial condition.

### **Item 7A. Quantitative and Qualitative Disclosure About Market Risk**

Market risk is the risk of loss related to changes in market prices, including interest rates, foreign exchange rates and commodity pricing that may adversely impact our consolidated financial position, results of operations or cash flows.

*Inflation.* We have experienced increases in various input costs including labor, components and transportation in the past year. In response, we have implemented multiple price increases, and we have substantially mitigated the inflationary pressures, such that our results from operations have not been materially affected by inflation. We are monitoring input costs and cannot currently predict the future impact to our operations by inflation.

*Foreign Exchange Risk.* We face minimal exposure to adverse movements in foreign currency exchange rates. Our foreign currency losses for all reporting periods have been nominal.

*Interest Rate Risk.* We do not believe that we are subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments. It is our policy not to enter into interest rate derivative financial instruments. As a result, we do not currently have any significant interest rate exposure.

As of March 31, 2024, we had \$10.0 million of outstanding debt with floating interest rates.

*Commodity Price Risk.* We are exposed to certain commodity price risks associated with our purchases of raw materials, most significantly our aluminum purchases. During fiscal 2024, we have experienced commodity price increases; however, as of the date of this report, we are not able to predict the future impact of on this risk. A hypothetical additional 20% increase in aluminum prices would have had a negative impact of \$0.7 million on our net income in fiscal 2024.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors

Orion Energy Systems, Inc.

Manitowoc, Wisconsin

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Orion Energy Systems, Inc. (the “Company”) as of March 31, 2024 and 2023, the related consolidated statements of operations, shareholders’ equity, and cash flows for each of the three years in the period ended March 31, 2024, and the related notes (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 at March 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

### 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 Public Company Accounting Oversight Board (United States) (“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 consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.



## **Inventory Excess and Obsolescence Reserve**

As described in Note 2 to the Company's consolidated financial statements, the Company reports inventory using the first-in, first-out (FIFO) method. The Company records the amount required to reduce the carrying value of its inventories to net realizable value as a charge to cost of product revenue. As of March 31, 2024, the Company had inventories of approximately \$18.2 million.

We identified the Company's evaluation of excess and obsolete inventory as a critical audit matter. The principal considerations for this determination was management's significant judgments utilized to determine the inventory reserve, specifically the assumptions related to the recent historical sales activity (including usage in the preceding 9 to 12 months) and expected demand for the products. Auditing these elements involved especially subjective auditor judgment due to the nature and extent of audit effort required to address these matters.

The primary procedures we performed to address this critical audit matter included:

- Testing the completeness and accuracy of underlying data and calculations used to determine the reserve, including inventory quantities, carrying costs, and usage on a sample basis.
- Evaluating the inputs to management's assumptions, including corroborating management's considerations of usage trends during the year, usage subsequent to year-end, and comparing parts identified for substitutions when applicable on a sample basis.

/s/ BDO USA, P.C.

We have served as the Company's auditor since 2011.

Milwaukee, Wisconsin

June 12, 2024

**ORION ENERGY SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share amounts)

	March 31,	
	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 5,155	\$ 15,992
Accounts receivable, net	14,022	13,728
Revenue earned but not billed	4,539	1,320
Inventories	18,246	18,205
Prepaid expenses and other current assets	2,860	1,116
Total current assets	44,822	50,361
Property and equipment, net	9,593	10,470
Goodwill	1,484	1,484
Other intangible assets, net	4,462	6,004
Other long-term assets	2,808	3,260
Total assets	<u>\$ 63,169</u>	<u>\$ 71,579</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 18,350	\$ 13,405
Accrued expenses and other	9,440	10,552
Deferred revenue, current	260	480
Current maturities of long-term debt	3	17
Total current liabilities	28,053	24,454
Revolving credit facility	10,000	10,000
Long-term debt, less current maturities	—	3
Deferred revenue, long-term	413	489
Other long-term liabilities	2,161	3,384
Total liabilities	40,627	38,330
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, \$0.01 par value: Shares authorized: 30,000,000 shares at March 31, 2024 and 2023; no shares issued and outstanding at March 31, 2024 and 2023	—	—
Common stock, no par value: Shares authorized: 200,000,000 at March 31, 2024 and 2023; shares issued: 42,038,967 and 41,767,092 at March 31, 2024 and 2023; shares outstanding: 32,567,746 and 32,295,408 at March 31, 2024 and 2023	—	—
Additional paid-in capital	161,869	160,907
Treasury stock: 9,471,221 and 9,471,684 common shares at March 31, 2024 and 2023	(36,235)	(36,237)
Retained deficit	(103,092)	(91,421)
Total shareholders' equity	22,542	33,249
Total liabilities and shareholders' equity	<u>\$ 63,169</u>	<u>\$ 71,579</u>

**ORION ENERGY SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share amounts)

	Fiscal Year Ended March 31,		
	2024	2023	2022
Product revenue	\$ 63,307	\$ 57,210	\$ 91,889
Service revenue	27,274	20,173	32,494
Total revenue	90,581	77,383	124,383
Cost of product revenue	44,466	42,979	65,249
Cost of service revenue	25,204	16,893	25,222
Total cost of revenue	69,670	59,872	90,471
Gross profit	20,911	17,511	33,912
Operating expenses:			
General and administrative	16,740	19,487	11,680
Impairment on Intangibles	456	—	—
Acquisition related costs	56	765	512
Sales and marketing	12,988	11,392	11,628
Research and development	1,495	1,852	1,701
Total operating expenses	31,735	33,496	25,521
(Loss) income from operations	(10,824)	(15,985)	8,391
Other income (expense):			
Other income	39	—	1
Interest expense	(752)	(339)	(80)
Amortization of debt issue costs	(95)	(73)	(62)
Interest income	2	34	—
Total other expense	(806)	(378)	(141)
(Loss) income before income tax	(11,630)	(16,363)	8,250
Income tax expense	41	17,978	2,159
Net (loss) income	\$ (11,671)	\$ (34,341)	\$ 6,091
Basic net (loss) income per share attributable to common shareholders	\$ (0.36)	\$ (1.08)	\$ 0.20
Weighted-average common shares outstanding	32,486,240	31,703,712	31,018,356
Diluted net (loss) income per share	\$ (0.36)	\$ (1.08)	\$ 0.19
Weighted-average common shares and share equivalents outstanding	32,486,240	31,703,712	31,294,573

**ORION ENERGY SYSTEMS, INC. AND SUBSIDIARIES**  
**STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands, except share amounts)

	Shareholders' Equity				
	Common Stock		Treasury Stock	Retained Earnings (Deficit)	Total Shareholders' Equity
	Shares	Additional Paid-in Capital			
Balance, March 31, 2021	30,805,300	\$ 157,485	\$ (36,240)	\$ (63,171)	\$ 58,074
Exercise of stock options for cash	31,845	121	—	—	121
Shares issued under Employee Stock Purchase Plan	1,617	—	6	—	6
Stock-based compensation	260,014	813	—	—	813
Employee tax withholdings on stock-based compensation	(904)	—	(5)	—	(5)
Net income	—	—	—	6,091	6,091
Balance, March 31, 2022	31,097,872	158,419	(36,239)	(57,080)	65,100
Issuance of common stock for acquisition	620,067	800	—	—	800
Issuance of stock and shares for services	12,848	22	—	—	22
Exercise of stock options for cash	26,646	54	—	—	54
Shares issued under Employee Stock Purchase Plan	2,274	—	4	—	4
Stock-based compensation	536,622	1,612	—	—	1,612
Employee tax withholdings on stock-based compensation	(921)	—	(2)	—	(2)
Net loss	—	—	—	(34,341)	(34,341)
Balance, March 31, 2023	32,295,408	160,907	(36,237)	(91,421)	33,249
Issuance of stock and shares for services	11,320	12	—	—	12
Shares issued under Employee Stock Purchase Plan	2,817	—	4	—	4
Stock-based compensation	260,555	950	—	—	950
Employee tax withholdings on stock-based compensation	(2,354)	—	(2)	—	(2)
Net loss	—	—	—	(11,671)	(11,671)
<b>Balance, March 31, 2024</b>	<b>32,567,746</b>	<b>\$ 161,869</b>	<b>\$ (36,235)</b>	<b>\$ (103,092)</b>	<b>\$ 22,542</b>

**ORION ENERGY SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Fiscal Year Ended March 31,		
	2024	2023	2022
<b>Operating activities</b>			
Net (loss) income	\$ (11,671)	\$ (34,341)	\$ 6,091
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Depreciation	1,410	1,369	1,327
Amortization of intangible assets	1,085	653	227
Stock-based compensation	950	1,612	813
Impairment on intangibles	456	—	—
Amortization of debt issue costs	95	73	62
Deferred income tax benefit	(5)	17,881	1,980
Impairment of property and equipment	69	—	—
Loss (gain) on sale of property and equipment	84	27	(77)
Provision for inventory reserves	562	628	623
Provision for credit losses/bad debts	170	65	10
Other	12	96	26
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(464)	(586)	4,407
Revenue earned but not billed	(3,219)	1,426	851
Inventories	(603)	1,879	(420)
Prepaid expenses and other assets	(1,384)	2,017	(888)
Accounts payable	4,990	2,372	(8,125)
Accrued expenses and other liabilities	(2,334)	2,209	(6,933)
Deferred revenue, current and long-term	(295)	329	(87)
<b>Net cash (used in) provided by operating activities</b>	<b>(10,092)</b>	<b>(2,291)</b>	<b>(113)</b>
<b>Investing activities</b>			
Cash to fund acquisitions, net of cash received	—	(5,600)	(4,012)
Cash paid for investment	—	—	(500)
Purchase of property and equipment	(837)	(586)	(518)
Additions to patents and licenses	—	(9)	(10)
Proceeds from sales of property, plant and equipment	106	—	122
<b>Net cash used in investing activities</b>	<b>(731)</b>	<b>(6,195)</b>	<b>(4,918)</b>
<b>Financing activities</b>			
Payment of long-term debt	(15)	(15)	(14)
Proceeds from revolving credit facility	—	10,000	—
Payments to settle employee tax withholdings on stock-based compensation	(2)	(2)	(5)
Debt issue costs	—	(29)	(4)
Proceeds from employee equity exercises	3	58	127
<b>Net cash (used in) provided by financing activities</b>	<b>(14)</b>	<b>10,012</b>	<b>104</b>
Net (decrease) increase in cash and cash equivalents	(10,837)	1,526	(4,927)
Cash and cash equivalents at beginning of period	15,992	14,466	19,393
Cash and cash equivalents at end of period	<u>\$ 5,155</u>	<u>\$ 15,992</u>	<u>\$ 14,466</u>
<b>Supplemental cash flow information:</b>			
Cash paid for interest	\$ (691)	\$ (346)	\$ (68)
Cash paid for income taxes	\$ (59)	\$ (87)	\$ (203)
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Issuance of common stock in connection with acquisition	\$ —	\$ 800	\$ —

**ORION ENERGY SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 — DESCRIPTION OF BUSINESS**

Orion includes Orion Energy Systems, Inc., a Wisconsin corporation, and all consolidated subsidiaries. Orion provides light emitting diode lighting systems, wireless Internet of Things enabled control solutions, project engineering, energy project management design, maintenance services and turnkey electric vehicle charging stations and related installation services to commercial and industrial businesses, and federal and local governments, predominantly in North America and Germany.

Orion's corporate offices and leased primary manufacturing operations are located in Manitowoc, Wisconsin. Orion also leases office space in Jacksonville, Florida, Lawrence, Massachusetts and Pewaukee, Wisconsin.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Consolidation*

The consolidated financial statements include the accounts of Orion Energy Systems, Inc. and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during that reporting period. Areas that require the use of significant management estimates include revenue recognition, net realizable value of inventory, allowance for credit losses, accruals for warranty and loss contingencies, earn-out, income taxes, impairment analyses, and certain equity transactions. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents*

Orion considers all highly liquid, short-term investments with original maturities of three months or less to be cash equivalents.

*Fair Value of Financial Instruments*

Orion's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other, revolving credit facility and long-term debt. In addition, other long-term assets includes an equity investment of \$0.5 million that is carried at cost less impairment, of which there has been no impairment as of March 31, 2024. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP describes a fair value hierarchy based on the following three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1 — Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 — Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The carrying amounts of Orion’s financial instruments approximate their respective fair values due to the relatively short-term nature of these instruments. Long-term debt and revolving credit facility are classified as Level 2 in the fair value hierarchy because of the interest rates currently available to Orion for similar obligations.

### ***Allowance for Credit Losses***

Orion performs ongoing evaluations of its customers and continuously monitors collections and payments. Orion estimates an allowance for credit losses based upon the historical collectability based on past due status and makes judgments about the creditworthiness of customers based on ongoing credit evaluations. We also consider customer-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions. See Note 4 – Accounts Receivable for further discussion of the allowance for credit losses.

### ***Inventory.***

Inventories consist of raw materials and components, such as drivers, metal sheet and coil stock and molded parts; work in process inventories, such as frames and reflectors; and finished goods, including completed fixtures and systems, and accessories. All inventories are stated at the lower of cost or net realizable value with cost determined using the first-in, first-out (FIFO) method. In determining the lower of cost or net realizable value, we consider assumptions such as business and economic conditions, expected demand for our products, changes in technology or customer requirements, recent historical sales activity (including usage in the preceding 9 to 12 months) and selling prices, as well as estimates of future selling prices. When the net realizable value of inventories exceeds the carrying value, Orion records, as a charge to cost of product revenue, the amount required to reduce the carrying value of inventory to net realizable value.

### ***Incentive Plan***

Orion’s human capital management and compensation committee annually approves an executive annual cash incentive program. Based upon the results for the fiscal years ended March 31, 2024, 2023, and 2022, Orion accrued approximately \$0.2 million, \$0, and \$0.1 million expense related to these programs, respectively.

### ***Revenue Recognition***

Orion generates revenues primarily by selling commercial lighting fixtures and components, installing these fixtures in its customer’s facilities, and providing maintenance services including repairs and replacements for the lighting and related electrical components deployed in its customer’s facilities. Orion recognizes revenue in accordance with the guidance in “Revenue from Contracts with Customers” (Topic 606) (“ASC 606”) when control of the goods or services being provided (which Orion refers to as a performance obligation) is transferred to a customer at an amount that reflects the consideration that management expects to receive in exchange for those goods or services. Prices are generally fixed at the time of order confirmation, either for the contract as a whole or for the hourly rates that will be charged for the type of maintenance services delivered. The amount of expected consideration includes estimated deductions and early payment discounts calculated based on historical experience, customer rebates based on agreed upon terms applied to actual and projected sales levels over the rebate period, and any amounts paid to customers in conjunction with fulfilling a performance obligation.

If there are multiple performance obligations in a single contract, the contract’s total transaction price is allocated to each individual performance obligation based on their relative standalone selling price. A performance obligation’s standalone selling price is the price at which Orion would sell such promised good or service separately to a customer. Orion uses an observable price to determine the stand-alone selling price for separate performance obligations or an expected cost-plus margin approach when one is not available. The expected cost-plus margin approach is used to determine the estimated stand-alone selling price for the service performance obligation and is based on average historical installation margin.

Revenue derived from customer contracts which include only performance obligation(s) for the sale of Orion manufactured or sourced lighting fixtures and components is classified as Product revenue in the Consolidated Statements of Operations. The revenue for these transactions is recorded at the point in time when management believes that the customer obtains control of the products,

generally either upon shipment or upon delivery to the customer's facility. This point in time is determined separately for each contract and requires judgment by management of the contract terms and the specific facts and circumstances concerning the transaction.

Revenue from a customer contract which includes both the sale of Orion manufactured or sourced fixtures and the installation of such fixtures (which Orion refers to as a turnkey project) is allocated between each lighting fixture and the installation performance obligation based on relative standalone selling prices.

Revenue from turnkey projects that is allocated to the sale of the lighting fixtures is recorded at the point in time when management believes the customer obtains control of the product(s) and is reflected in Product revenue. This point in time is determined separately for each customer contract based upon the terms of the contract and the nature and extent of Orion's control of the light fixtures during the installation. Product revenue associated with turnkey projects can be recorded (a) upon shipment or delivery, (b) subsequent to shipment or delivery and upon customer payments for the light fixtures, (c) when an individual light fixture is installed and working correctly, or (d) when the customer acknowledges that the entire installation project is substantially complete. Determining the point in time when a customer obtains control of the lighting fixtures in a turnkey project can be a complex judgment and is applied separately for each individual light fixture included in a contract. In making this judgment, management considers the timing of various factors, including, but not limited to, those detailed below:

- when there is a legal transfer of ownership;
- when the customer obtains physical possession of the products;
- when the customer starts to receive the benefit of the products;
- the amount and duration of physical control that Orion maintains on the products after they are shipped to, and received at, the customer's facility;
- whether Orion is required to maintain insurance on the lighting fixtures when they are in transit and after they are delivered to the customer's facility;
- when each light fixture is physically installed and working correctly;
- when the customer formally accepts the product; and
- when Orion receives payment from the customer for the light fixtures.

Revenue from turnkey projects that is allocated to the single installation performance obligation is reflected in Service revenue. Service revenue is recorded over-time as Orion fulfills its obligation to install the light fixtures. Orion measures its performance toward fulfilling its performance obligations for installations using an output method that calculates the number of light fixtures removed and installed as of the measurement date in comparison to the total number of light fixtures to be removed and installed under the contract.

Revenue from the maintenance offering that includes both the sale of Orion manufactured or sourced product and service is allocated between the product and service performance obligations based on relative standalone selling prices, and is recorded in Product revenue and Service revenue, respectively, in the Consolidated Statement of Operations.

Orion offers a financing program, called an Orion Throughput Agreement, or OTA, for a customer's lease of Orion's energy management systems. The OTA is structured as a sales-type lease and upon successful installation of the system and customer acknowledgment that the system is operating as specified, revenue is recognized at Orion's net investment in the lease, which typically is the net present value of the future cash flows.

Orion also records revenue in conjunction with several limited power purchase agreements ("PPAs") still outstanding. Those PPAs are supply-side agreements for the generation of electricity. Orion's last PPA expires in 2031. Revenue associated with the sale of energy generated by the solar facilities under these PPAs is within the scope of ASC 606. Revenues are recognized over-time and are equal to the amount billed to the customer, which is calculated by applying the fixed rate designated in the PPAs to the variable amount of electricity generated each month. This approach is in accordance with the "right to invoice" practical expedient provided for in ASC



606. Orion also recognizes revenue upon the sale to third parties of tax credits received from operating the solar facilities and from amortizing a grant received from the federal government during the period starting when the power generating facilities were constructed until the expiration of the PPAs; these revenues are not derived from contracts with customers and therefore not under the scope of ASC 606.

During the third quarter of fiscal 2023, Orion acquired Voltrek LLC ("Voltrek"), which sells and installs sourced electric vehicle charging stations and related software subscriptions and renewals. The results of Voltrek are included in the Orion EV segment and compliment Orion's existing turnkey installation model.

The sale of charging stations and related software subscriptions, renewals and extended warranty is presented in Product revenue. Orion is the principal in the sales of charging stations as it has control of the physical products prior to transfer to the customer. Accordingly, revenue is recognized on a gross basis. For certain sales, primarily software subscriptions, renewals and extended warranty, Orion is the sales agent providing access to the content and recognize commission revenue net of amounts due to third parties who fulfill the performance obligation. For these sales, control passes at the point in time upon providing access of the content to the customer.

The sale of installation and services related to the EV charging business is presented in Service revenue. Revenue from the EV segment that includes both the sale of product and service is allocated between the product and service performance obligations based on relative standalone selling prices, and is recorded in Product revenue and Service revenue, respectively, in the Consolidated Statement of Operations.

From time to time, the EV segment enters into bill and hold arrangements, whereby the Company sells EV charging stations and the charging stations are warehoused at a Company location for a specified period of time in accordance with directions received from the Company's customers. Even though the charging stations are held at a Company location, a sale is recognized at the point in time when the customer obtains control of the product. Control is transferred to the customer in a bill and hold arrangement when: customer acceptance specifications have been met, legal title has transferred, the customer has a present obligation to pay for the product and the risk and rewards of ownership have transferred to the customer. Additionally, all the following bill and hold criteria have been met in order for control to be transferred to the customer: the reason for the bill and hold arrangement is substantive -the customer has requested the product be warehoused, the product has been identified as separately belonging to the customer, the product is currently ready for physical transfer to the customer, and the Company does not have the ability to use the product or direct it to another customer.

See Note 10 – Accrued Expenses and Other for a discussion of Orion's accounting for the limited warranty it provides to customers for its products and services.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

### ***Shipping and Handling Costs***

Orion records costs incurred in connection with shipping and handling of products as cost of product revenue. Amounts billed to customers in connection with these costs are included in product revenue.

### ***Research and Development***

Orion expenses research and development costs as incurred. Amounts are included in the Consolidated Statement of Operations on the line item Research and development.

### ***Income Taxes***

Orion recognizes deferred tax assets and liabilities for the future tax consequences of temporary differences between financial reporting and income tax basis of assets and liabilities, measured using the enacted tax rates and laws expected to be in effect when the temporary differences reverse. Deferred income taxes also arise from the future tax benefits of operating loss and tax credit

carryforwards. A valuation allowance is established when management determines that it is more likely than not that all or a portion of a deferred tax asset will not be realized. For the fiscal year ended March 31, 2024 and 2023, Orion recognized a valuation allowance for all of its net deferred tax assets.

ASC 740, *Income Taxes*, also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination. Orion has classified the amounts recorded for uncertain tax benefits in the balance sheet as other liabilities (non-current) to the extent that payment is not anticipated within one year. Orion recognizes penalties and interest related to uncertain tax liabilities in income tax expense. Penalties and interest are immaterial and are included in the unrecognized tax benefits.

### ***Stock Based Compensation***

Orion's share-based payments to employees are measured at fair value and are recognized against earnings, on a straight-line basis over the requisite service period.

Orion accounts for stock-based compensation in accordance with ASC 718, Compensation - Stock Compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period. As more fully described in Note 16 – Stock Options and Restricted Shares, Orion currently awards non-vested restricted stock (and in some cases, in conjunction with associated cash award accounted for as a liability) to employees, executive officers and directors.

### ***Acquisition Related Costs***

Acquisition related costs includes legal fees, consulting and success fees, and other integration related costs.

### ***Concentration of Credit Risk and Other Risks and Uncertainties***

Orion's cash is primarily deposited with one financial institution. At times, deposits in these institutions exceed the amount of insurance provided on such deposits. Orion has not experienced any losses in such accounts and believes that it is not exposed to any significant financial institution viability risk on these balances.

Orion purchases components necessary for its lighting products, including lamps and LED components, from multiple suppliers. For fiscal 2024, 2023 and 2022, no supplier accounted for more than 10% of total cost of revenue.

In fiscal 2024, one customer accounted for 25.2% of revenue. In fiscal 2023, one customer accounted for 16.2% of total revenue. In fiscal 2022, one customer accounted for 49.1% of total revenue. The revenue from this customer is recorded in Orion's Lighting and Maintenance segments.

As of March 31, 2024, two customers accounted for 17.3% and 11.7% of accounts receivable. As of March 31, 2023, one customer accounted for 10.8 % of accounts receivable.

### ***Compliance with the Continued Listing Standards of the Nasdaq Capital Market (“Nasdaq”)***

On December 21, 2023, Orion received a deficiency notice from Nasdaq that Orion was not in compliance with Rule 5450(a)(1) of the listing requirements (the “Minimum Bid Price Requirement”) because the per share closing bid price had been below \$1.00 for thirty consecutive business days. On January 26, 2024, Orion received notice from Nasdaq Capital Market that Orion had regained compliance with Nasdaq's Minimum Bid Price Requirement.

On April 5, 2024, Orion Energy Systems, Inc. (the “Company”) received written notice (the “Notification Letter”) from the Listing Qualifications Department of The NASDAQ Stock Market LLC (“Nasdaq”) notifying the Company that it is not in compliance with the

minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) (the “Bid Price Rule”) for continued listing on The Nasdaq Capital Market. The Bid Price Rule requires listed securities to maintain a minimum bid price of \$1.00 per share, and Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of 30 consecutive business days. Based on the closing bid price of the Company’s common stock for the 30 consecutive business days prior to the date of the Notification Letter, the Company no longer meets the Bid Price Rule.

The Notification Letter does not impact the Company’s current listing on The Nasdaq Capital Market at this time, and shares of the Company’s common stock will continue to trade on the Nasdaq Capital Market under the symbol “OESX”. The Notification Letter states that the Company has 180 calendar days, or until October 2, 2024, to regain compliance with the Bid Price Rule. To regain compliance, the Company’s common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by October 2, 2024, an additional 180 days may be granted to regain compliance, so long as the Company meets The Nasdaq Capital Market initial listing criteria (except for the Bid Price Rule) and notifies Nasdaq in writing of its intention to cure the deficiency during the second compliance period, including the implementation of a reverse stock split, if necessary. If the Company does not qualify for the second compliance period or fails to regain compliance during the second 180-day period, then Nasdaq will notify the Company of its determination to delist the Company’s common stock, at which point the Company would have an opportunity to appeal the delisting determination to a hearings panel.

### ***Recent Accounting Pronouncements***

Changes to U.S. GAAP are typically established by the Financial Accounting Standards Board (“FASB”) in the form of accounting standards updates (“ASUs”) to the FASB’s Accounting Standards Codification (“ASC”). Orion considers the applicability and impact of all ASUs.

### **Recently Adopted Standards**

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses. Since the issuance of ASU 2016-13, the FASB released several amendments to improve and clarify the implementation guidance. The provisions of ASU 2016-13 and the related amendments were effective for Orion for fiscal years (and interim reporting periods within those years) beginning after December 15, 2022. Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. Orion adopted ASU 2016-13 effective April 1, 2023. The effect of adoption was immaterial.

### **Issued: Not Yet Adopted**

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which modifies the disclosure and presentation requirements of reportable segments. The amendments in the update require the disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (the “CODM”) and included within each reported measure of segment profit and loss. The amendments also require disclosure of all other segment items by reportable segment and a description of its composition. Additionally, the amendments require disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. This update is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Orion is currently evaluating the impact that this guidance will have on the presentation of its consolidated financial statements and accompanying notes.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in an entity’s income tax rate reconciliation table and disclosures regarding cash taxes paid both in the U.S.

and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2025. Orion is currently evaluating the impact that this guidance will have on the presentation of its consolidated financial statements and accompanying notes.

### NOTE 3 — REVENUE

#### *Revenue Recognition*

See Note 2 – Summary of Significant Accounting Policies for a discussion of Orion’s accounting policies related to revenue recognition.

#### *Contract Fulfillment Costs*

Costs associated with product sales are accumulated in inventory as the fixtures are manufactured and are transferred to Cost of product revenue at the time revenue is recorded. See Note 5 – Inventories. Costs associated with installation sales are expensed as incurred.

#### *Disaggregation of Revenue*

The primary end-users of Orion’s lighting products and services are (a) the federal government, and (b) commercial or industrial companies.

The federal government obtains Orion products and services primarily through turnkey project sales that Orion makes to a select group of contractors who focus on the federal government. Revenues associated with government end-users are primarily included in the Orion Lighting and EV Segments.

Commercial or industrial end-users obtain Orion products and services through turnkey project sales or by purchasing products either direct from Orion or through distributors or energy service companies ("ESCOs"). Revenues associated with commercial and industrial end-users are included within each of Orion’s segments.

See Footnote 17 - Segment Data, for additional discussion concerning Orion’s reportable segments.

The following table provides detail of Orion’s total revenues for the year ended March 31, 2024 (dollars in thousands):

	Year Ended March 31, 2024			Year Ended March 31, 2023			Year Ended March 31, 2022		
	Product	Services	Total	Product	Services	Total	Product	Services	Total
Revenue from contracts with customers:									
Lighting product and installation	\$ 50,229	\$ 10,783	\$ 61,012	\$ 46,500	\$ 7,088	\$ 53,588	\$ 89,827	\$ 27,242	\$ 117,069
Maintenance services	4,687	12,460	17,147	3,266	11,289	14,555	573	5,252	5,825
Electric vehicle charging	8,301	4,031	12,332	4,479	1,796	6,275	—	—	—
Solar energy-related revenues	28	—	28	—	—	—	42	—	42
Total revenues from contracts with customers	63,245	27,274	90,519	54,245	20,173	74,418	90,442	32,494	122,936
Revenue accounted for under other guidance <sup>(1)</sup>	62	—	62	2,965	—	2,965	1,447	—	1,447
Total revenue	<u>\$ 63,307</u>	<u>\$ 27,274</u>	<u>\$ 90,581</u>	<u>\$ 57,210</u>	<u>\$ 20,173</u>	<u>\$ 77,383</u>	<u>\$ 91,889</u>	<u>\$ 32,494</u>	<u>\$ 124,383</u>

- (1) Revenue accounted for under other guidance is recognized as Product revenue in the consolidated statements of operations and includes \$0, \$2.8 million, and \$1.2 million derived from sales-type leases for light fixtures for the fiscal years ended March 31, 2024, 2023, and 2022, respectively; \$0.1 million, \$0.1 million, and \$0.2 million derived from the sale of tax credits generated from Orion’s legacy operation for distributing solar energy for the fiscal years ended March 31, 2024, 2023, and 2022, respectively; and \$0.1 million derived from the amortization of federal grants received in 2010 and 2011 as reimbursement for a portion of the costs to construct the legacy solar facilities for the fiscal years ended March 31, 2024, 2023, and 2022.

As of March 31, 2024 \$0.8 million of bill and hold revenue had not shipped. No bill-and-hold revenue was recognized during the years ended March 31, 2023 or 2022.

### *Cash Flow Considerations*

Material only orders are short-term in nature generally having terms of significantly less than one year. We record revenue from these contracts when the customer obtains control of those goods, which is generally consistent with the payment due date. There is not a significant impact on the nature, amount, timing, and uncertainty of revenue or cash flows based on when control transfers.

Turnkey projects and repair services provided to commercial or industrial companies typically span between one week to three months. Customer payment requirements for these projects vary by contract. Some contracts provide for customer payments for products and services as they are delivered, other contracts specify that the customer will pay for the project in its entirety upon completion of the installation.

Turnkey projects where the end-user is the federal government typically span a three to six-month period. The contracts for these sales often provide for monthly progress payments equal to ninety percent (90%) of the value provided by Orion during the month.

Orion provides long-term financing to one customer who frequently engages Orion in large turnkey projects that span between three and nine months. The customer executes an agreement providing for monthly payments of the contract price, plus interest, over a five-year period. The total transaction price in these contracts is allocated between product and services in the same manner as all other turnkey projects. The portion of the transaction associated with the installation is accounted for consistently with all other installation related performance obligations. The portion of the transaction associated with the sale of the multiple individual light fixtures is accounted for as sales-type leases in accordance with the guidance for leases. Revenues associated with the sales-type leases are included in Product revenue and recorded for each fixture separately based on the customer's monthly acknowledgment that specified fixtures have been installed and are operating as specified.

The payments associated with these transactions that are due during the twelve months subsequent to March 31, 2024 are included in Accounts receivable, net in Orion's Consolidated Balance Sheets. The remaining amounts due that are associated with these transactions are included in Long-term accounts receivable in Orion's Consolidated Balance Sheets. As of March 31, 2024 and 2023, there were no such transactions included in Long-term accounts receivable.

The customer's monthly payment obligation commences after completion of the turnkey project. Orion generally sells the receivable from the customer to a financial institution either during, or shortly after completion of, the installation period. Upon execution of the receivables purchase / sales agreement, all amounts due from the customer are included in Revenues earned but not billed on Orion's Consolidated Balance Sheets until cash is received from the financial institution. The financial institution releases funds to Orion based on the customer's monthly acknowledgment of the progress Orion has achieved in fulfilling its installation obligation. Orion provides the progress certifications to the financial institution one month in arrears.

The total amount received from the sales of these receivables during the twelve months ended March 31, 2024, 2023, and 2022 was \$0, \$6.3 million and \$2.8 million, respectively. Orion's losses on these sales aggregated to \$0, \$0.1 million and \$13 thousand for the fiscal years ended March 31, 2024, 2023, and 2022, respectively, and are included in Interest expense in the Consolidated Statements of Operations.

### *Practical Expedients and Exemptions*

Orion expenses sales commissions when incurred because the amortization period is one year or less. These costs are recorded within Sales and marketing expense. There are no other capitalizable costs associated with obtaining contracts with customers.

Orion's performance obligations related to lighting fixtures and EV charging stations typically do not exceed nine months in duration. As a result, Orion has elected the practical expedient that provides an exemption to the disclosure requirements regarding information about value assigned to remaining performance obligations on contracts that have original expected durations of one year or less.

Orion also elected the practical expedient that permits companies to not disclose quantitative information about the future revenue when revenue is recognized as invoices are issued to customers for services performed.

Other than the turnkey projects which result in sales-type leases discussed above, Orion generally receives full payment for satisfied performance obligations in less than one year. Accordingly, Orion does not adjust revenues for the impact of any potential significant financing component as permitted by the practical expedients provided in ASC 606.

#### *Contract Balances*

A receivable is recognized when Orion has an enforceable right to payment in accordance with contract terms and an invoice has been issued to the customer. Payment terms on invoiced amounts are typically 30 days from the invoice date.

Revenue earned but not billed represents revenue that has been recognized in advance of billing the customer, which is a common practice in Orion contracts for turnkey installations and repairs / replacement services. Once Orion has an unconditional right to consideration under these contracts, Orion typically bills the customer accordingly and reclassifies the amount to Accounts receivable, net. The change in contract assets is due to higher fiscal 2024 revenue and timing of project completions and invoicing.

Deferred revenue, current as of March 31, 2024, includes \$0.3 million of contract liabilities which represent consideration received from customers on which installation has not yet begun or is partially complete and Orion has not fulfilled its contractual obligations. The amount of revenues recognized in the period that were included in the opening deferred revenue balances were \$0.5 million, \$0, and \$0 for the years ended March 31, 2024, 2023, and 2022 respectively. This revenue consists primarily of work performed on previous billings to customers. The difference between the opening and closing balances of Orion's deferred revenue primarily results from the timing of Orion's billings in relation to the performance of work.

The following chart shows the balance of Orion's receivables arising from contracts with customers, contract assets and contract liabilities as of March 31, 2024, and March 31, 2023 (dollars in thousands):

	<u>March 31, 2024</u>	<u>March 31, 2023</u>
Accounts receivable, net	\$ 14,022	\$ 13,728
Revenue earned but not billed	\$ 4,539	\$ 1,320
Deferred revenue (1)	\$ 124	\$ 480

- (1) Includes the unamortized portion of the funds received from the federal government in 2010 and 2011 as reimbursement for the costs to build the two facilities related to the PPAs. As the transaction is not considered a contract with a customer, this value is not a contract liability as defined by ASC 606.

#### **NOTE 4 — ACCOUNTS RECEIVABLE**

Orion's accounts receivable are due from companies in the commercial, governmental, industrial and agricultural industries, as well as wholesalers. Credit is extended based on an evaluation of a customer's financial condition. Generally, collateral is not required for end users; however, the payment of certain trade accounts receivable from wholesalers is secured by irrevocable standby letters of credit and/or guarantees. Accounts receivable are generally due within 30-60 days. Accounts receivable are stated at the amount Orion expects to collect from outstanding balances. Orion provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for credit losses based on its assessment of the current status of individual accounts. Balances that are still outstanding after Orion has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. Orion's accounts receivable and allowance for credit losses balances were as follows (dollars in thousands):

	<u>2024</u>	<u>2023</u>
Accounts receivable, gross	\$ 14,094	\$ 13,814
Allowance for credit losses	(72)	(86)
Accounts receivable, net	<u>\$ 14,022</u>	<u>\$ 13,728</u>

Changes in Orion's allowance for credit losses were as follows (dollars in thousands):

	Fiscal Year Ended March 31,		
	2024	2023	2022
Beginning of period	\$ (86)	\$ (8)	\$ (11)
Reserve adjustment	—	(16)	—
Credit loss/bad debt expense	(170)	(65)	(10)
Write-off	184	3	13
End of period	<u>\$ (72)</u>	<u>\$ (86)</u>	<u>\$ (8)</u>

#### NOTE 5 — INVENTORIES

As of March 31, 2024 and 2023, Orion's inventory balances were as follows (dollars in thousands):

	Inventories
As of March 31, 2024	
Raw materials and components	\$ 7,219
Work in process	267
Finished goods	10,760
Total	<u>\$ 18,246</u>
As of March 31, 2023	
Raw materials and components	\$ 8,894
Work in process	558
Finished goods	8,753
Total	<u>\$ 18,205</u>

Costs associated with the procurement and warehousing of inventories, such as inbound freight charges and purchasing and receiving costs, are also included in cost of product revenue.

#### NOTE 6 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses consists primarily of prepaid insurance premiums, debt issue costs, prepaid subscription fees and sales tax receivable. Prepaid expenses totaled \$1.3 million and \$1.0 million as of March 31, 2024 and March 31, 2023, respectively.

Other current assets as of March 31, 2024 and March 31, 2023 consists primarily of \$1.6 million and \$32 thousand, respectively, of prepaid software and services.

## NOTE 7 — PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Expenditures for additions and improvements are capitalized, while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Properties and equipment sold, or otherwise disposed of, are removed from the property and equipment accounts, with gains or losses on disposal credited or charged to income from operations.

Orion periodically reviews the carrying values of property and equipment for impairment in accordance with ASC 360, Property, Plant and Equipment, if events or changes in circumstances indicate that the assets may be impaired. The estimated future undiscounted cash flows expected to result from the use of the assets and their eventual disposition are compared to the assets' carrying amount to determine if a write down to market value is required.

Property and equipment were comprised of the following (dollars in thousands):

	March 31, 2024	March 31, 2023
Land and land improvements	\$ 433	\$ 433
Buildings and building improvements	9,504	9,491
Furniture, fixtures and office equipment	7,941	7,782
Leasehold improvements	540	540
Equipment leased to customers	4,997	4,997
Plant equipment	11,142	11,234
Vehicles	959	720
Construction in progress	—	37
Gross property and equipment	35,516	35,234
Less: accumulated depreciation and amortization	(25,923)	(24,764)
Total property and equipment, net	<u>\$ 9,593</u>	<u>\$ 10,470</u>

Depreciation is recognized over the estimated useful lives of the respective assets, using the straight-line method. Orion recorded depreciation expense of \$1.4 million, \$1.4 million and \$1.3 million for the years ended March 31, 2024, 2023 and 2022, respectively.

Depreciable lives by asset category are as follows:

Land improvements	10-15 years
Buildings and building improvements	10-39 years
Furniture, fixtures and office equipment	2-10 years
Leasehold improvements	Shorter of asset life or life of lease
Equipment leased to customers under Power Purchase Agreements	20 years
Plant equipment	3-10 years
Vehicles	5-7 years

No interest was capitalized for construction in progress during fiscal 2024 or fiscal 2023.

## NOTE 8 — LEASES

From time to time, Orion leases assets from third parties. Orion also leases certain assets to third parties. Leases are accounted for, and reported upon, following the requirements of ASC 842, Leases.

Whether it is the lessee or the lessor, Orion's determination of whether a contract includes a lease, and assessing how the lease should be accounted for, is a matter of judgment based on whether the risks and rewards, as well as substantive control of the assets specified in the contract, have been transferred from the lessor to the lessee. The judgment considers matters such as whether the assets are transferred from the lessor to the lessee at the end of the contract, the term of the agreement in relation to the asset's remaining economic useful life, and whether the assets are of such a specialized nature that the lessor will not have an alternative use for such assets at the termination of the agreement. Other matters requiring judgment are the lease term when the agreement includes renewal or termination options and the interest rate used when initially determining the ROU asset and lease liability.



ROU assets represent Orion’s right to use an underlying asset for the lease term and lease liabilities represent Orion’s obligation to make lease payments arising from the lease. Under ASC 842, both finance and operating lease ROU assets and lease liabilities for leases with initial terms in excess of 12 months are recognized at the commencement date based on the present value of lease payments over the lease term. When available, Orion uses the implicit interest rate in the lease when completing this calculation. However, as most of Orion’s operating lease agreements generating ROU assets do not provide the implicit rate, Orion’s incremental borrowing rate under its line of credit, adjusted for differences in duration and the relative collateral value in relation to the payment obligation, at the commencement of the lease is generally used in this calculation. The lease term includes options to extend or renew the agreement, or for early termination of the agreement, when it is reasonably certain that Orion will exercise such option. ROU assets are depreciated using the straight-line method over the lease term.

Orion recognizes lease expense for leases with an initial term of 12 months or less, referred to as short term leases, on a straight-line basis over the lease term.

***Assets Orion Leases from Other Parties***

On January 31, 2020, Orion entered into the current lease for its primary manufacturing and distribution facility in Manitowoc, WI. The lease has a 10-year term, with the option to terminate after six years. The lease also has an option to renew for two additional successive periods of five years each. The renewal option is not in the calculation of the right of use asset or liability as the company has considered the termination option in the calculation. Orion is responsible for the costs of insurance and utilities for the facility. These costs are considered variable lease costs. The agreement is classified as an operating lease.

In February 2014, Orion entered into a multi-year lease agreement for use of office space in a multi-use office building in Jacksonville, Florida. The lease has since been extended, most recently during the first quarter of fiscal 2024, and presently terminates on June 30, 2026. The agreement is classified as an operating lease.

We lease office space in Lawrence, Massachusetts. The lease presently terminates in October, 2026. The agreement is classified as an operating lease.

We also lease office space in Pewaukee, Wisconsin. The lease has an option to renew one additional period of five years. The lease presently terminates in December, 2026. The renewal option is not in the calculation of the right of use asset or liability as the company is not reasonably certain to exercise the option. The agreement is classified as an operating lease.

Orion has leased other assets from third parties, principally office and production equipment. The terms of our other leases vary from contract to contract and expire at various dates in the next five years.

The weighted average discount rate for Orion’s lease obligations as of March 31, 2024 and 2023 is 5.3% and 5.4%, respectively. The weighted average remaining lease term as of March 31, 2024 and 2023 is 2.1 years and 3.0 years, respectively.

A summary of Orion’s assets leased from third parties follows (dollars in thousands):

	<u>Balance sheet classification</u>	<u>March 31, 2024</u>	<u>March 31, 2023</u>
<b>Assets</b>			
Operating lease assets	Other long-term assets	\$ 1,770	\$ 2,174
<b>Liabilities</b>			
Current liabilities			
Operating lease liabilities	Accrued expenses and other	990	823
Non-current liabilities			
Operating lease liabilities	Other long-term liabilities	1,121	1,826
Total lease liabilities		<u>\$ 2,111</u>	<u>\$ 2,649</u>

Orion had operating lease costs of \$1.9 million for the year ended March 31, 2024. This includes short-term leases and variable lease costs, which are immaterial.

The estimated maturity of lease liabilities for each of the next five years is shown below (dollars in thousands):

<b>Maturity of Lease Liabilities</b>	<b>Operating Leases</b>	
Fiscal 2025	\$	1,083
Fiscal 2026		984
Fiscal 2027		177
Fiscal 2028		—
Thereafter		—
Total lease payments	\$	2,244
Less: Interest		(133)
Present value of lease liabilities	\$	2,111

#### ***Assets Orion Leases to Other Parties***

Orion provides long-term financing to one customer who frequently engages Orion in large turnkey projects that span between three and nine months. The customer executes an agreement providing for monthly payments, at a fixed monthly amount, of the contract price, plus interest, over typically a five-year period. The total transaction price in these contracts is allocated between product and services in the same manner as all other turnkey projects. The portion of the transaction associated with the installation is accounted for consistently with all other installation related performance obligations under ASC 606.

While Orion retains ownership of the light fixtures during the financing period, the transaction terms and the underlying economics associated with used lighting fixtures results in Orion essentially ceding ownership of the lighting fixtures to the customer after completion of the agreement. Therefore, the portions of the transaction associated with the sale of the multiple individual light fixtures is accounted for as a sales-type lease under ASC 842.

Revenues, and production and acquisition costs, associated with sales-type leases are included in Product revenue and Costs of product revenues in the Consolidated Statement of Operations. These amounts are recorded for each fixture separately based on the customer's monthly acknowledgment that specified fixtures have been installed and are operating as specified. The execution of the acknowledgment is considered the commencement date as defined in ASC 842.

The following chart shows the amount of revenue and cost of sales arising from sales-type leases during the year ended March 31, 2024, 2023 and 2022 (dollars in thousands):

	March 31, 2024		March 31, 2023		March 31, 2022	
Product revenue	\$	—	\$	2,818	\$	1,169
Cost of product revenue		—		2,771		1,073

The Consolidated Balance Sheet as of March 31, 2024 does not include a net investment in sales-type leases as all amounts due from the customer associated with lighting fixtures that were acknowledged to be installed and working correctly prior to period end were transferred to the financing institution prior to the respective balance sheet dates.

#### **Other Agreements where Orion is the Lessor**

Orion has leased unused portions of its corporate headquarters to third parties. The length and payment terms of the leases vary from contract to contract and, in some cases, include options for the tenants to extend the lease terms. Annual lease payments are recorded as a reduction in administrative operating expenses and were not material in the years ended March 31, 2024, 2023 and 2022. Orion has accounted for these transactions as operating leases.

#### **NOTE 9 — GOODWILL AND OTHER INTANGIBLE ASSETS**

Orion has \$0.9 million of goodwill related to its purchase of Voltrek in the third quarter of fiscal 2023, which is assigned to the EV Charging operating segment.

Orion has \$0.6 million of goodwill related to its purchase of Stay-Lite Lighting during fiscal year 2022, which is assigned to the Orion Maintenance operating segment.

See Note 18 – Acquisition for further discussion of the Stay-Lite Lighting and Voltrek acquisitions.

The costs of specifically identifiable intangible assets that do not have an indefinite life are amortized over their estimated useful lives. Goodwill and intangible assets with indefinite lives are not amortized.

Amortizable intangible assets are amortized over their estimated economic useful life to reflect the pattern of economic benefits consumed based upon the following lives and methods:

Patents	10-17 years	Straight-line
Licenses	7-13 years	Straight-line
Customer relationships	5-8 years	Accelerated based upon the pattern of economic benefits consumed
Vendor relationships	5-8 years	Accelerated based upon the pattern of economic benefits consumed
Developed technology	8 years	Accelerated based upon the pattern of economic benefits consumed
Tradename	5-10 years	Straight-line

Intangible assets that have a definite life are evaluated for potential impairment whenever events or circumstances indicate that the carrying value may not be recoverable based primarily upon whether expected future undiscounted cash flows are sufficient to support the asset recovery. If the actual useful life of the asset is shorter than the estimated life, the asset may be deemed to be impaired and accordingly a write-down of the value of the asset determined by a discounted cash flow analysis or shorter amortization period may be required.

Indefinite lived intangible assets and goodwill are evaluated for impairment at least annually on the first day of Orion’s fiscal fourth quarter, or when indications of potential impairment exist. This annual impairment review may begin with a qualitative test to determine whether it is more likely than not that an indefinite lived intangible asset’s carrying value is greater than its fair value. If the qualitative assessment reveals that asset impairment is more likely than not, a quantitative impairment test is performed comparing the fair value of the indefinite lived intangible asset to its carrying value. Alternatively, the qualitative test may be bypassed and the quantitative impairment test may be immediately performed. If the fair value of the indefinite lived intangible asset exceeds its carrying value, the indefinite lived intangible asset is not impaired and no further review is performed. If the carrying value of the indefinite lived intangible asset exceeds its fair value, an impairment loss would be recognized in an amount equal to such excess. Once an impairment loss is recognized, the adjusted carrying value becomes the new accounting basis of the indefinite lived intangible asset.

Orion performed a qualitative assessment in conjunction with its annual impairment test of its indefinite lived intangible assets as of January 1, 2024. This qualitative assessment considered Orion’s operating results for the first nine months of fiscal 2024 in comparison to prior years as well as its anticipated fourth quarter results and fiscal 2024 plan. Orion determined a triggering event existed with the acquired intangible assets from the Stay-Lite acquisition, which represents the asset group, within the Maintenance segment, resulting in the need for a quantitative assessment on the definite-lived intangible assets. The Company recognized non-cash intangible impairment losses of \$0.5 million in G&A in fiscal 2024 related to the acquired Stay-Lite trade name and customer list within the Maintenance segment. We utilized the relief from royalty method and multi-period excess earnings method under the income approach to estimate fair value. The impairment charges are due to sustained expectations of declining revenue growth in future years and decreased margin expectations related to those acquired assets. After these impairments, the aggregate carrying amount of these intangible assets was \$0.

Orion performed a qualitative assessment in conjunction with its annual impairment test of its goodwill as of January 1, 2024. This qualitative assessment considered Orion segment’s operating results for the first nine months of fiscal 2024 in comparison to prior years as well as its anticipated fourth quarter results and fiscal 2024 plan. As a result of the conditions that existed as of the assessment date, Orion determined a triggering event existed and a quantitative assessment was required for the goodwill within the Maintenance segment. We utilized the multi-period excess earnings method under the income approach to estimate fair value. The quantitative assessment determined the undiscounted future cash flows exceeded the carrying value of the assets, and as such impairment conditions

did not exist at the measurement date. No triggering event existed in the EV segment, and as such an asset impairment was not deemed to be more likely than not and a quantitative analysis was not required.

The components of, and changes in, the carrying amount of other intangible assets were as follows (dollars in thousands):

	March 31, 2024				March 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net
<b>Amortized Intangible Assets</b>							
Patents	\$ 2,521	\$ (2,029)	\$ 492	8.2	\$ 2,521	\$ (1,930)	\$ 591
Licenses	58	(58)	—	—	58	(58)	—
Trade name and trademarks	300	(90)	210	3.5	464	(73)	391
Customer relationships	5,000	(4,296)	704	1.5	5,509	(3,914)	1,595
Vendor relationships	2,600	(554)	2,046	5.5	2,600	(183)	2,417
Developed technology	900	(900)	—	—	900	(900)	—
Total Amortized Intangible Assets	\$ 11,379	\$ (7,927)	\$ 3,452	4.9	\$ 12,052	\$ (7,058)	\$ 4,994
<b>Indefinite-lived Intangible Assets</b>							
Trade name and trademarks	\$ 1,010	\$ —	\$ 1,010		\$ 1,010	\$ —	\$ 1,010
Total Indefinite-lived Intangible Assets	\$ 1,010	\$ —	\$ 1,010		\$ 1,010	\$ —	\$ 1,010
Total Other Intangible Assets	\$ 12,389	\$ (7,927)	\$ 4,462		\$ 13,062	\$ (7,058)	\$ 6,004

The estimated amortization expense for each of the next five years is shown below (dollars in thousands):

Fiscal 2025	\$	989
Fiscal 2026		751
Fiscal 2027		501
Fiscal 2028		455
Fiscal 2029		407
Thereafter		349
	\$	3,452

Amortization expense is set forth in the following table (dollars in thousands):

	Fiscal Year Ended March 31,		
	2024	2023	2022
Amortization included in cost of sales:			
Patents	\$ 99	\$ 107	\$ 183
Total	\$ 99	\$ 107	\$ 183
Amortization included in operating expenses:			
Customer relationships	\$ 525	\$ 296	\$ 27
Vendor relationships	371	183	—
Developed technology	—	—	11
Tradename	90	67	6
Total	986	546	44
Total amortization of intangible assets	\$ 1,085	\$ 653	\$ 227

Orion's management periodically reviews the carrying value of patent applications and related costs. When a patent application is probable of being unsuccessful or a patent is no longer in use, Orion writes off the remaining carrying value as a charge to general and administrative expense within its Consolidated Statements of Operations. In fiscal years 2024, 2023, and 2022, write-offs were immaterial.

## NOTE 10 — ACCRUED EXPENSES AND OTHER

As of March 31, 2024 and March 31, 2023, Accrued expenses and other included the following (dollars in thousands):

	March 31, 2024	March 31, 2023
Accrued acquisition earn-out	\$ 875	\$ 3,000
Other accruals	1,854	2,598
Compensation and benefits	2,255	1,412
Credits due to customers	1,167	1,310
Accrued project costs	2,366	1,218
Warranty	552	497
Sales tax	219	274
Legal and professional fees	46	172
Sales returns reserve	106	71
Total	<u>\$ 9,440</u>	<u>\$ 10,552</u>

Accrued earn-out is related to recent acquisitions. Refer to discussion of acquisitions at Note 18 – Acquisitions.

Orion generally offers a limited warranty of one to 10 years on its lighting products including the pass through of standard warranties offered by major original equipment component manufacturers. The manufacturers' warranties cover lamps, ballasts, LED modules, LED chips, LED drivers, control devices, and other fixture related items, which are significant components in Orion's lighting products.

Changes in Orion's warranty accrual (both current and long-term) were as follows (dollars in thousands):

	2024	March 31, 2023	2022
Beginning of year	\$ 646	\$ 860	\$ 1,009
Accruals	473	382	434
Warranty claims (net of vendor reimbursements)	(394)	(596)	(583)
Ending balance	<u>\$ 725</u>	<u>\$ 646</u>	<u>\$ 860</u>

## NOTE 11 — NET (LOSS) INCOME PER COMMON SHARE

Basic net (loss) income per common share is computed by dividing net (loss) income attributable to common shareholders by the weighted-average number of common shares outstanding for the period and does not consider common stock equivalents.

Diluted net (loss) income per common share reflects the dilution that would occur if stock options were exercised and restricted shares vested. In the computation of diluted net (loss) income per common share, Orion uses the treasury stock method for outstanding options and restricted shares. Net (loss) income per common share is calculated based upon the following shares:

	Fiscal Year Ended March 31,		
	2024	2023	2022
<b>Numerator:</b>			
Net (loss) income (dollars in thousands)	\$ (11,671)	\$ (34,341)	\$ 6,091
<b>Denominator:</b>			
Weighted-average common shares outstanding	32,486,240	31,703,712	31,018,356
Weighted-average effect of assumed conversion of stock options and restricted stock	—	—	276,217
Weighted-average common shares and share equivalents outstanding	<u>32,486,240</u>	<u>31,703,712</u>	<u>31,294,573</u>
Net (loss) income per common share:			
Basic	\$ (0.36)	\$ (1.08)	\$ 0.20
Diluted	\$ (0.36)	\$ (1.08)	\$ 0.19

The following table indicates the number of potentially dilutive securities excluded from the calculation of Diluted net (loss) income per common share because their inclusion would have been anti-dilutive. The number of shares is as of the end of each period:

	March 31,		
	2024	2023	2022
Common stock options	—	—	—
Restricted shares	1,485,485	883,899	17,803
Total	1,485,485	883,899	17,803

## NOTE 12 — LONG-TERM DEBT

Long-term debt as of March 31, 2024 and 2023 consisted of the following (dollars in thousands):

	March 31,	
	2024	2023
Revolving credit facility	\$ 10,000	\$ 10,000
Equipment debt obligations	3	20
Total long-term debt	10,003	10,020
Less current maturities	(3)	(17)
Long-term debt, less current maturities	\$ 10,000	\$ 10,003

### *Revolving Credit Agreement*

On December 29, 2020, Orion entered into a Loan and Security Agreement with Bank of America, N.A., as lender (the “Credit Agreement”). The Credit Agreement provides for a five-year \$25.0 million revolving credit facility (the “Credit Facility”) that matures on December 29, 2025. Borrowings under the Credit Facility are subject to a borrowing base requirement based on eligible receivables, inventory and cash. As of March 31, 2024, the borrowing base of the Credit Facility supports \$20.1 million of availability, with \$10.1 million remaining availability net of \$10.0 million borrowed.

The Credit Agreement is secured by a first lien security interest in substantially all of Orion’s assets.

Borrowings under the Credit Agreement are permitted in the form of SOFR or prime rate-based loans and generally bear interest at floating rates plus an applicable margin determined by reference to Orion’s availability under the Credit Agreement. Among other fees, Orion is required to pay an annual facility fee and a fee on the unused portion of the Credit Facility.

The Credit Agreement includes a springing minimum fixed cost coverage ratio of 1.0 to 1.0 when excess availability under the Credit Facility falls below the greater of \$3.0 million or 15% of the committed facility. Currently, the required springing minimum fixed cost coverage ratio is not required.

The Credit Agreement also contains customary events of default and other covenants, including certain restrictions on Orion’s ability to incur additional indebtedness, consolidate or merge, enter into acquisitions, pay any dividend or distribution on Orion’s stock, redeem, retire or purchase shares of Orion’s stock, make investments or pledge or transfer assets. If an event of default under the Credit Agreement occurs and is continuing, then the lender may cease making advances under the Credit Agreement and declare any outstanding obligations under the Credit Agreement to be immediately due and payable. In addition, if Orion becomes the subject of voluntary or involuntary proceedings under any bankruptcy or similar law, then any outstanding obligations under the Credit Agreement will automatically become immediately due and payable.

Effective November 4, 2022, Orion, with Bank of America, N.A. as lender, executed Amendment No. 1 to its Credit Agreement. The primary purpose of the amendment was to include the assets of the acquired subsidiaries, Stay-Lite Lighting and Voltrek, as secured collateral under the Credit Agreement and to document the conversion from LIBOR to SOFR based loans. Accordingly, eligible assets of Stay-Lite and Voltrek will be included in the borrowing base calculation for the purpose of establishing the monthly borrowing availability under the Credit Agreement. The amendment also clarifies that the earn-out liabilities associated with the Stay-Lite and Voltrek transactions are permitted under the Credit Agreement and that the expenses recognized in connection with those earn-outs should be added back in the computation of EBITDA, as defined, under the Credit Agreement.

As of March 31, 2024, Orion is in compliance with all debt covenants.

### ***Equipment Debt Obligation***

In February 2019, Orion entered into additional debt agreements with a financing company in the principal amount of \$44 thousand and \$30 thousand fund certain equipment. The debts are secured by the related equipment. The debts bear interest at a rate of 6.43% and 8.77% respectively and both debts matured in January 2024.

### ***Aggregate Maturities***

As of March 31, 2024, aggregate maturities of long-term debt were as follows (dollars in thousands):

Fiscal 2025	\$	3
Fiscal 2026		10,000
Fiscal 2027		-
	<u>\$</u>	<u>10,003</u>

### **NOTE 13 — INCOME TAXES**

The total provision (benefit) for income taxes consists of the following for the fiscal years ended (dollars in thousands):

	<b>Fiscal Year Ended March 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Current	\$ 46	\$ 97	\$ 179
Deferred	(5)	17,881	1,980
Total	<u>\$ 41</u>	<u>\$ 17,978</u>	<u>\$ 2,159</u>
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Federal, Current	\$ —	\$ —	\$ —
Federal, Deferred	(1)	14,557	1,658
Total Federal	<u>\$ (1)</u>	<u>14,557</u>	<u>1,658</u>
State, Current	46	97	179
State, Deferred	(4)	3,324	322
Total State	<u>\$ 42</u>	<u>3,421</u>	<u>501</u>
Total	<u>\$ 41</u>	<u>\$ 17,978</u>	<u>\$ 2,159</u>

A reconciliation of the statutory federal income tax rate and effective income tax rate is as follows:

	Fiscal Year Ended March 31,		
	2024	2023	2022
Statutory federal tax rate	21.0%	21.0%	21.0%
State taxes, net	3.2%	4.0%	5.2%
State tax credits, net	(0.2)%	(1.9)%	—%
Federal tax credit	(0.4)%	—%	—%
Change in valuation reserve	(22.7)%	(131.3)%	(0.4)%
Permanent items	(0.8)%	(1.0)%	(1.9)%
Change in tax contingency reserve	(0.1)%	(0.1)%	0.1%
Equity compensation cancellations	(0.2)%	(0.1)%	0.1%
State return to provision	0.1%	(0.9)%	2.3%
Other, net	(0.3)%	0.4%	(0.2)%
Effective income tax rate	<u>(0.4)%</u>	<u>(109.9)%</u>	<u>26.2%</u>

The net deferred tax assets reported in the accompanying consolidated financial statements include the following components (dollars in thousands):

	March 31,	
	2024	2023
Deferred tax assets:		
Inventory, accruals and reserves	737	680
Interest deduction carry-forward	248	71
Federal and state operating loss carry-forwards	20,515	18,849
Tax credit carry-forwards	1,459	1,537
Equity compensation	200	188
Deferred revenue	21	25
Lease liability	527	669
Intangible assets	1,296	984
Other	1,164	798
Total deferred tax assets	<u>26,167</u>	<u>23,801</u>
Valuation allowance	<u>(25,367)</u>	<u>(22,731)</u>
Deferred tax assets, net of valuation allowance	<u>800</u>	<u>1,070</u>
Deferred tax liabilities:		
Lease ROU asset	(442)	(549)
Fixed assets	(430)	(598)
Total deferred tax liabilities	<u>(872)</u>	<u>(1,147)</u>
Total net deferred tax (liabilities) assets	<u>\$ (72)</u>	<u>\$ (77)</u>

For fiscal year ended March 31, 2024, Orion's deferred tax assets were primarily the result of U.S. NOL and tax credit carryforwards. Orion recorded a valuation allowance of \$25.4 million and \$22.7 million against its net deferred tax asset balance as of March 31, 2024 and March 31, 2023, respectively, due to the uncertainty of its realization value in the future. For the fiscal year ended March 31, 2024, the valuation allowance against Orion's deferred tax assets increased by \$2.7 million, primarily due to the current year book loss. For the fiscal year ended March 31, 2023, the valuation allowance against Orion's deferred tax assets increased by \$21.5 million due to management's reassessment of the realizability of the domestic deferred tax assets.

As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. Orion considers future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event that Orion determines that the more or less of its deferred tax assets are able to be realized, an adjustment to the valuation allowance would be reflected in the company's provision for income taxes.



As of March 31, 2024, Orion has federal NOL carryforwards of approximately \$78.2 million, state NOL carryforwards of approximately \$70.3 million, and foreign NOL carryforwards of approximately \$0.8 million. Orion also had federal tax credit carryforwards of approximately \$1.3 million and state tax credits of \$0.3 million. All of Orion's tax credit carryforwards and \$123.5 million of its NOL carryforwards will begin to expire in varying amounts between 2024 and 2044. The remaining \$25.8 million of its federal and state NOL carryforwards are not subject to time restrictions but may only be used to offset 80% of adjusted taxable income. Orion believes it is more likely than not that the benefit from its state credit carryforwards, foreign NOL carryforwards, federal credit carryforwards, and state loss carryforwards will not be realized. In recognition of this risk, Orion has provided a net valuation allowance of \$25.4 million on the deferred tax assets related to these carryforwards.

Generally, a change of more than 50% in the ownership of Orion's stock, by value, over a three-year period constitutes an ownership change for federal income tax purposes as defined under Section 382 of the Internal Revenue Code. As a result, Orion's ability to use its net operating loss carryforwards, attributable to the period prior to such ownership change, to offset taxable income can be subject to limitations in a particular year, which could potentially result in increased future tax liability for Orion. There was no limitation of NOL carryforwards that occurred for fiscal 2024, fiscal 2023, or fiscal 2022.

Orion records its tax provision based on the respective tax rules and regulations for the jurisdictions in which it operates. Where Orion believes that a tax position is supportable for income tax purposes, the item is included in their income tax returns. Where treatment of a position is uncertain, a liability is recorded based upon the expected most likely outcome taking into consideration the technical merits of the position based on specific tax regulations and facts of each matter. These liabilities may be affected by changing interpretations of laws, rulings by tax authorities, or the expiration of the statute of limitations.

Orion files income tax returns in the United States federal jurisdiction and in several state jurisdictions. The Company's federal tax returns for tax years beginning April 1, 2020 or later are open. For states in which Orion files state income tax returns, the statute of limitations is generally open for tax years beginning April 1, 2020 or later.

State income tax returns are generally subject to examination for a period of 3 to 5 years after filing of the respective return. The state effect of any federal changes remains subject to examination by various states for a period of up to two years after formal notification to the states. Orion currently has no state income tax return positions in the process of examination, administrative appeals or litigation.

### ***Uncertain tax positions***

As of March 31, 2024, the balance of gross unrecognized tax benefits was approximately \$0.2 million, all of which would affect Orion's effective tax rate if recognized.

Orion has classified the amounts recorded for uncertain tax benefits in the balance sheet as other liabilities (non-current) to the extent that payment is not anticipated within one year. Orion recognizes penalties and interest related to uncertain tax liabilities in income tax expense. Penalties and interest are included in the unrecognized tax benefits. Accrued interest and penalties for such unrecognized tax benefits as of March 31, 2024 and 2023 were \$0.1 million. Orion had the following unrecognized tax benefit activity (dollars in thousands):

	<b>Fiscal Year Ended March 31,</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Unrecognized tax benefits as of beginning of fiscal year	\$ 225	\$ 215	\$ 285
Additions based on tax positions related to the current period positions	1	1	39
Additions/(reductions) for tax positions of prior years	11	9	(109)
Unrecognized tax benefits as of end of fiscal year	<u>\$ 237</u>	<u>\$ 225</u>	<u>\$ 215</u>

## **NOTE 14 — COMMITMENTS AND CONTINGENCIES**

### ***Purchase Commitments***

Orion enters into non-cancellable purchase commitments for certain inventory items in order to secure better pricing and ensure materials on hand. As of March 31, 2024, Orion had entered into \$5.4 million of purchase commitments related primarily to inventory purchases. Orion expects the purchase commitments to be fulfilled during fiscal 2025.

### ***Retirement Savings Plan***

Orion sponsors a tax deferred retirement savings plan that permits eligible employees to contribute varying percentages of their compensation up to the limit allowed by the Internal Revenue Service. This plan also provides for discretionary contributions by Orion. In fiscal 2024, 2023 and 2022, Orion made matching contributions of approximately \$0.2 million, \$0.2 million, and \$0.1 million, respectively.

### ***Litigation***

Orion is subject to various claims and legal proceedings arising in the ordinary course of business. As of the date of this report, Orion does not believe that the final resolution of any of such claims or legal proceedings would have a material adverse effect on its future results of operations.

## **NOTE 15 — SHAREHOLDERS' EQUITY**

### ***Employee Stock Purchase Plan***

In August 2010, Orion's Board of Directors approved a non-compensatory employee stock purchase plan, or ESPP. The ESPP authorizes 2,500,000 shares to be issued from treasury or authorized shares to satisfy employee share purchases under the ESPP. All full-time employees of Orion are eligible to be granted a non-transferable purchase right each calendar quarter to purchase directly from Orion up to \$20,000 of Orion's common stock at a purchase price equal to 100% of the closing sale price of Orion's common stock on The NASDAQ Capital Market on the last trading day of each quarter.

### ***Sale of shares***

In March 2023, Orion filed a universal shelf registration statement with the Securities and Exchange Commission. Under the shelf registration statement, Orion currently has the flexibility to publicly offer and sell from time to time up to \$100 million of debt and/or equity securities. The filing of the shelf registration statement may help facilitate Orion's ability to raise public equity or debt capital to expand existing businesses, fund potential acquisitions, invest in other growth opportunities, repay existing debt, or for other general corporate purposes.

In March 2021, Orion entered into an At Market Issuance Sales Agreement to undertake an "at the market" (ATM) public equity capital raising program pursuant to which Orion may offer and sell shares of common stock, having an aggregate offering price of up to \$50 million from time to time through or to the Agent, acting as sales agent or principal. No share sales have been effected pursuant to the ATM program through March 31, 2024.

## **NOTE 16 — STOCK OPTIONS AND RESTRICTED SHARES**

At Orion's 2023 annual meeting of shareholders, Orion's shareholders approved the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, as amended and restated (the "Amended 2016 Plan"). Approval of the Amended 2016 Plan increased the number of shares of Orion's common stock available for issuance under the Amended 2016 Plan from 3,500,000 shares to 6,000,000 shares (an increase of 2,500,000 shares). As of March 31, 2024, the number of shares available for grant under the Amended 2016 Plan was 1,788,994.

The Amended 2016 Plan authorizes grants of equity-based and incentive cash awards to eligible participants designated by the Plan's administrator. Awards under the Amended 2016 Plan may consist of stock options, stock appreciation rights, performance shares, performance units, common stock, restricted stock, restricted stock units, incentive awards or dividend equivalent units.

Prior to the 2016 Omnibus Incentive Plan, the Company maintained its 2004 Stock and Incentive Awards Plan, as amended, which authorized the grant of cash and equity awards to employees (the "2004 Plan"). No new awards are being granted under the 2004 Plan; however, all awards granted under the 2004 Plan that are outstanding will continue to be governed by the 2004 Plan. Forfeited awards originally issued under the 2004 Plan are canceled and are not available for subsequent issuance under the 2004 Plan or under the Amended 2016 Plan.

Certain non-employee directors have elected to receive stock awards in lieu of cash compensation pursuant to elections made under Orion's non-employee director compensation program. The Amended 2016 Plan and the 2004 Plan also permit accelerated vesting in the event of certain changes of control of Orion as well as under other special circumstances.

Orion historically granted stock options and restricted stock under the 2004 Plan. Orion has not issued stock options since fiscal 2014 and instead has issued restricted stock.

Orion accounts for stock-based compensation in accordance with ASC 718, Compensation - Stock Compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period. Orion recognizes forfeitures as they occur.

Orion added performance conditions to a portion of the annual long-term incentive grants for fiscal 2023 and 2024 for Orion's executive compensation program. The performance-vesting restricted stock will vest to the extent Orion achieves revenue growth targets over a three-year period. Orion recognizes performance-vesting restricted stock expense ratably over the requisite service period based on the likelihood of meeting the performance conditions. As of March 31, 2024 and 2023, Orion recognized \$0.3 million and \$0 in stock-based compensation expense for performance-vesting restricted stock.

The following amounts of stock-based compensation expense for restricted shares were recorded (dollars in thousands):

	Fiscal Year Ended March 31,		
	2024	2023	2022
Cost of product revenue	\$ 5	\$ 4	\$ 5
General and administrative	923	1,596	793
Sales and marketing	17	8	12
Research and development	5	4	3
	<u>\$ 950</u>	<u>\$ 1,612</u>	<u>\$ 813</u>

The following table summarizes information with respect to outstanding stock options:

	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2023	73,136	\$ 2.41
Granted	—	\$ —
Exercised	—	\$ —
Forfeited	(73,136)	\$ 2.41
Outstanding at March 31, 2024	—	\$ —
Exercisable at March 31, 2024	—	\$ —

The following table summarizes information with respect to performance-vesting restricted stock and time vesting-restricted stock activity:

	Time-Based Restricted Shares		Performance-Based Restricted Shares	
	Shares	Weighted Average Fair Value Price	Shares	Weighted Average Fair Value Price
Balance at March 31, 2023	612,819	\$ 2.82	130,635	\$ 2.15
Shares issued	677,090	\$ 1.42	577,742	\$ 1.55
Shares vested	(260,555)	\$ 3.19	—	—
Shares forfeited	(15,250)	\$ 2.01	—	—
Shares outstanding at March 31, 2024	1,014,104	\$ 1.87	708,377	\$ 1.66
Per share price on grant date	\$0.95 - 1.55		\$1.55 - 2.18	

During fiscal 2024, Orion recognized \$1.0 million of stock-based compensation expense related to restricted shares.

As of March 31, 2024, 2023 and 2022, the weighted average grant-date fair value of restricted shares granted was \$1.42, \$2.16 and \$5.55, respectively. The total fair value of shares vested during fiscal years ended March 31, 2024, 2023 and 2022 are \$0.8 million, \$1.0 million and \$1.4 million, respectively.

Unrecognized compensation cost related to non-vested common stock-based compensation as of March 31, 2024 is expected to be recognized as follows (dollars in thousands):

Fiscal 2025	\$ 696
Fiscal 2026	384
Fiscal 2027	137
Thereafter	—
Total	\$ 1,217
Remaining weighted average expected term	2.1 years

#### NOTE 17 — SEGMENT DATA

Reportable segments are components of an entity that have separate financial data that the CODM regularly reviews when allocating resources and assessing performance. Orion's CODM is the chief executive officer. Previously, Orion had four reportable segments: Orion Services Group Segment, Orion Distribution Services Segment, Orion U.S. Markets Segment and Orion Electric Vehicle Charging Segment (the "EV Segment"). Effective during the first quarter of fiscal 2024, Orion began to evaluate and report its business using three segments: Orion Lighting Segment, Orion Maintenance Segment and Orion Electric Vehicle Charging Segment. Orion configured its fiscal 2024 budget in order to compare actual performance to plan performance for these segments. Due to the change in composition of reportable segments in the first quarter of fiscal 2024, the corresponding segment information for fiscal years 2023 and 2022 have been restated for presentation on a comparable basis.

#### *Lighting Segment*

The Lighting Segment develops and sells lighting products and provides construction and engineering services for Orion's commercial lighting and energy management systems. The Lighting Segment provides engineering, design, lighting products and in many cases turnkey solutions for large national accounts, governments, municipalities, schools and other customers. The Lighting Segment sells mostly through direct sales, but it also sells lighting products through manufacturer representative agencies and to the wholesale contractor markets through energy service companies and contractors.

### *Maintenance Segment*

The Maintenance Segment provides retailers, distributors and other businesses with maintenance, repair and replacement services for the lighting and related electrical components deployed in their facilities.

### *Electric Vehicle Charging Segment*

The EV Segment offers leading electric vehicle charging expertise, sells and installs sourced electric vehicle charging stations with related software subscriptions and renewals and provides EV turnkey installation solutions with ongoing support to all commercial verticals.

### *Corporate and Other*

Corporate and Other is comprised of operating expenses not directly allocated to Orion's segments and adjustments to reconcile to consolidated results.

(dollars in thousands)	Revenues			Operating Income (Loss)		
	For the year ended March 31,			For the year ended March 31,		
	2024	2023	2022	2024	2023	2022
Segments:						
Lighting Segment	\$ 61,102	\$ 56,553	\$ 118,557	\$ (1,352)	\$ (5,150)	\$ 21,647
Maintenance Segment	17,147	14,555	5,826	(5,523)	(2,221)	337
EV Segment	12,332	6,275	-	(1,563)	(4,158)	-
Corporate and Other	-	-	-	(2,386)	(4,456)	(13,593)
	<u>\$ 90,581</u>	<u>\$ 77,383</u>	<u>\$ 124,383</u>	<u>\$ (10,824)</u>	<u>\$ (15,985)</u>	<u>\$ 8,391</u>

(dollars in thousands)	Depreciation and Amortization			Capital Expenditures		
	For the year ended March 31,			For the year ended March 31,		
	2024	2023	2022	2024	2023	2022
Segments:						
Lighting Segment	\$ 747	\$ 1,094	\$ 1,255	\$ 92	\$ 71	\$ 302
Maintenance Segment	453	317	132	535	194	43
EV Segment	979	465	-	56	5	-
Corporate and Other	411	219	229	154	316	153
	<u>\$ 2,590</u>	<u>\$ 2,095</u>	<u>\$ 1,616</u>	<u>\$ 837</u>	<u>\$ 586</u>	<u>\$ 498</u>

(dollars in thousands)	Total Assets	
	March 31, 2024	March 31, 2023
Segments:		
Lighting Segment	\$ 25,911	\$ 28,641
Maintenance Segment	8,827	6,739
EV Segment	15,291	11,502
Corporate and Other	13,140	24,697
	<u>\$ 63,169</u>	<u>\$ 71,579</u>

Orion's Lighting segment revenue outside the United States in Germany was \$6.4 million, \$0.2 million and \$0 in for the fiscal years ended March 31, 2024, 2023 and 2022, respectively. Orion has no long-lived assets outside the United States.

### **NOTE 18 — ACQUISITION**

#### *Acquisition of Voltrek*

Effective on October 5, 2022, Orion acquired all the membership interests of Voltrek, an electric vehicle charging station solutions provider for a purchase price of \$5.0 million in cash and \$1.0 million of shares of common stock of Orion, subject to normal and customary closing adjustments of \$0.9 million (the "Voltrek Acquisition"). In addition, depending upon the relative EBITDA growth of Voltrek's business in fiscal 2023, 2024 and 2025, Orion could pay up to an additional \$3.0 million, \$3.5 million and \$7.15 million, respectively, in earn-out payments. These compensatory payments do not fall within the scope of ASC 805, Business Combinations,

and will be expensed over the course of the earn-out periods to the extent they are earned. As of March 31, 2024, Orion paid \$3.0 million related to the fiscal 2023 earn-out opportunity and recorded \$0.9 million to accrued expenses for the fiscal 2024 earn-out opportunity with an additional \$0.5 million to other long-term liabilities for the cumulative potential earn-out opportunity which would be paid in fiscal 2026. The Voltrek Acquisition was funded with cash and Orion shares. Voltrek operates as Voltrek, an Orion Energy Systems business. The Voltrek Acquisition leverages Orion's project management and maintenance expertise into a rapidly growing sector.

Orion has accounted for the Voltrek Acquisition as a business combination. Orion has preliminarily allocated the purchase price of approximately \$6.9 million 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. The purchase price and closing adjustments were paid in cash and 620,067 shares of common stock with a total fair market value of \$1.0 million, which is recorded in the opening balance sheet at fair value of \$0.8 million, the discount on which is due to lock-up requirements on the shares.

The following table summarizes the purchase price allocation for Voltrek:

<i>(in thousands)</i>	<b>Opening Balance Sheet</b>
Cash	\$ 416
Accounts receivable	1,363
Revenue earned but not billed	325
Inventory	880
Prepaid expenses and other current assets	39
Property and equipment	4
Goodwill	920
Other intangible assets	4,300
Other long-term assets	223
Accounts payable	(1,133)
Accrued expenses and other	(286)
Other long-term liabilities	(180)
Net purchase consideration	<u>\$ 6,871</u>

Goodwill recorded from the Voltrek Acquisition is attributable to the skillset of the acquired workforce. The goodwill resulting from the Voltrek Acquisition is expected to be deductible for tax purposes. The intangible assets include amounts recognized for the fair value of the trade name, vendor relationship and customer relationships.

The tradename intangible asset was valued using a relief from royalty method. The significant assumptions used include the estimated revenue and royalty rate, among other factors.

The vendor relationship intangible asset was valued using the income approach - excess earnings method. The significant assumptions include estimated revenue, cost of goods sold, and probability of renewal, among other factors.

The customer relationship intangible asset was valued using the income approach - with-and-without method. The significant assumptions include estimated cash flows (including appropriate revenue, cost of revenue and operating expenses attributable to the asset, retention rate, among other factors), and discount rate, reflecting the risks inherent in the future cash flow stream, among other factors.

The categorization of the framework used to measure fair value of the intangible assets is considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used.

The following table presents the details of the intangible assets acquired at the date of Voltrek Acquisition (dollars in thousands):

	<b>Estimated Fair Value</b>	<b>Estimated Useful Life (Years)</b>
Tradename	\$ 300	5
Vendor relationship	\$ 2,600	7
Customer relationships	\$ 1,400	3

Voltrek's post-acquisition results of operations since October 5, 2022 are included in Orion's Consolidated Statements of Operations. The operating results of Voltrek are included in the EV segment. See note 17 - Segments, for results.

### ***Acquisition of Stay-Lite Lighting***

Effective on January 1, 2022, Orion acquired all of the issued and outstanding capital stock of Stay-Lite Lighting, a nationwide lighting and electrical maintenance service provider, for \$4.3 million (the “Stay-Lite Acquisition”). Stay-Lite Lighting operates as Stay-Lite Lighting, an Orion Energy Systems business. The Stay-Lite Acquisition accelerates the growth of Orion's maintenance services offerings through its Orion Services Group, which provides lighting and electrical services to customers.

Orion has accounted for this transaction as a business combination. Orion has allocated the purchase price of approximately \$4.3 million, which included an estimate of the earn-out liability of \$0.2 million and \$0.1 million for the working capital adjustment received in the first quarter fiscal 2023, 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. The remaining was \$4.0 million funded with cash. The agreement also included an earn-out related purchase price adjustment of up to \$0.7 million based on performance during the 2022 and 2023 calendar years. During fiscal 2023, the earn-out liability of \$0.2 million was reversed, through acquisition related costs, based on Stay-Lite Lighting's actual performance during fiscal 2023. No adjustment was recorded in fiscal 2024 to the earn-out liability, and the earn-out period is now complete.

The following table summarizes the purchase price allocation for Stay-Lite:

<i>(in thousands)</i>	<b>Opening Balance Sheet</b>
Cash	\$ 95
Accounts receivable	2,690
Revenue earned but not billed	342
Inventory	504
Prepaid expenses and other current assets	41
Property and equipment	725
Goodwill	564
Other intangible assets	673
Other long-term assets	537
Accounts payable	(965)
Accrued expenses and other	(492)
Other long-term liabilities	(411)
Net purchase consideration	<u>\$ 4,303</u>

Goodwill recorded from the Stay-Lite Acquisition is attributable to the expected synergies from the business combination. The goodwill resulting from the Stay-Lite Acquisition is deductible for tax purposes. The intangible assets include amounts recognized for the fair value of the trade name 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 Stay-Lite Acquisition (dollars in thousands):

	<b>Estimated Fair Value</b>	<b>Estimated Useful Life (Years)</b>
Tradename	\$ 164	5
Customer relationships	509	8

The value of the acquired definite-lived intangible assets from Stay-Lite were deemed fully impaired in fiscal 2024, and as such no future amortization expense will be recorded.

Stay-Lite Lighting's post-acquisition results of operations since January 1, 2022 are included in Orion's Consolidated Statements of Operations. The operating results of Stay-Lite Lighting are included in the Orion Maintenance segment.

### **Unaudited pro forma**

The pro forma information was determined based on the historical results of Orion and unaudited financial results from Stay-Lite Lighting and Voltrek. These proforma results reflect additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment and intangible asset occurred at the beginning of the period, along with consequential tax effects. The unaudited pro forma results have been prepared for comparative purposes only and are not necessarily

indicative of what would have occurred had the business combinations 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 resulting from the acquisitions.

If Voltrek was acquired on April 1, 2021, the pro forma Orion revenue for the twelve-month period ended on March 31, 2023 would have been \$79.8 million and proforma net loss would have been \$(33.5) million. Orion pro forma fiscal 2022 revenue would have been \$128.0 million and net income would have been \$5.9 million. If Stay-Lite was acquired on April 1, 2020, the pro forma Orion full year fiscal 2022 revenue would have been \$131.3 million and net income would have been \$6.0 million.

Transaction costs related to the Stay-Lite Acquisition and the Voltrek Acquisition are recorded in acquisition related costs in the Consolidated Statements of Operations. Transaction costs totaled \$0.8 million in the twelve months ending March 31, 2023 and \$0.5 million twelve months ended March 31, 2022, respectively.

#### **NOTE 19 - RESTRUCTURING EXPENSE**

During the fourth quarter of fiscal 2024, as part of Orion's response to declining financial results, Orion entered into separation agreements with multiple employees and recognized \$0.1 million of expense. Orion's restructuring expense for the 12 months ended March 31 2024, 2023 and 2022 is reflected within its consolidated statement of operations as follows (dollars in thousands):

	Fiscal Year Ended March 31,		
	2024	2023	2022
Cost of product revenue	\$ 26	\$ -	\$ -
Cost of service revenue	48		
General and administrative	28	-	-
Sales and marketing	21	-	-
	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ -</u>

Total restructuring expense by segment was recorded as follows (dollars in thousands):

Segments:	Fiscal Year Ended March 31,		
	2024	2023	2022
Lighting	\$ 52	\$ -	\$ -
Maintenance	48	-	-
EV	-	-	-
Corporate and Other	23	-	-
	<u>\$ 123</u>	<u>\$ -</u>	<u>\$ -</u>

#### **NOTE 20 — SUBSEQUENT EVENT**

On April 22, 2024, the Company, with Bank of America, N.A. as lender, executed Amendment No. 2 (“Amendment No. 2”) to its Loan and Security Agreement dated December 29, 2020 and amended previously on November 4, 2022 (the “LSA”). The primary purpose of Amendment No. 2 was to add a \$3.525 million mortgage loan facility to the LSA secured by the Company’s office headquarters property in Manitowoc, Wisconsin. Amendment No. 2 also broadened the definition of receivables to encompass government receivables as being eligible to be included in the Company’s borrowing base calculation for the purpose of establishing the Company’s monthly borrowing availability under the LSA.



## NOTE 21 — QUARTERLY FINANCIAL DATA (UNAUDITED)

Summary quarterly results for the years ended March 31, 2024 and March 31, 2023 are as follows:

	Three Months Ended				Total
	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	March 31, 2024	
	(in thousands, except per share amounts)				
Total revenue	\$ 17,613	\$ 20,586	\$ 25,971	\$ 26,411	\$ 90,581
Gross profit	\$ 3,171	\$ 4,569	\$ 6,367	\$ 6,804	\$ 20,911
Net (loss) income <sup>(2)</sup>	\$ (6,637)	\$ (4,388)	\$ (2,256)	\$ 1,610	\$ (11,671)
Basic net (loss) income per share <sup>(2)</sup>	\$ (0.21)	\$ (0.14)	\$ (0.07)	\$ 0.05	\$ (0.36)
Shares used in basic per share calculation	32,346	32,503	32,531	32,486	32,486
Diluted net (loss) income per share <sup>(2)</sup>	\$ (0.21)	\$ (0.14)	\$ (0.07)	\$ 0.05	\$ (0.36)
Shares used in diluted per share calculation	32,346	32,503	32,531	33,965	32,486

	Three Months Ended				Total
	Jun 30, 2022	Sep 30, 2022	Dec 31, 2022	Mar 31, 2023	
	(in thousands, except per share amounts)				
Total revenue	\$ 17,906	\$ 17,560	\$ 20,288	\$ 21,629	\$ 77,383
Gross profit	\$ 3,554	\$ 4,435	\$ 4,781	\$ 4,741	\$ 17,511
Net loss <sup>(1)</sup>	\$ (2,835)	\$ (2,331)	\$ (24,059)	\$ (5,116)	\$ (34,341)
Basic net loss per share <sup>(1)</sup>	\$ (0.09)	\$ (0.07)	\$ (0.75)	\$ (0.16)	\$ (1.08)
Shares used in basic per share calculation	31,138	31,031	32,048	32,294	31,704
Diluted net loss per share <sup>(1)</sup>	\$ (0.09)	\$ (0.07)	\$ (0.75)	\$ (0.16)	\$ (1.08)
Shares used in diluted per share calculation	31,138	31,031	32,048	32,294	31,704

- (1) Includes \$17.8 million of tax expense related to the booking of the valuation allowance on deferred tax assets during the three months ended December 31, 2022.
- (2) Includes \$3.0 million reversal of prior period recognized earnout expense related to the Voltrek earnout compensation in the three months ended March 31, 2024.

The four quarters for net earnings per share may not add to the total year because of differences in the weighted average number of shares outstanding during the quarters and the year.

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

None

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) of the Exchange Act. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures and our internal control over financial reporting as of March 31, 2024, pursuant to Exchange Act Rule 13a-15(b) and 15d-15. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a level of reasonable assurance as of March 31, 2024.

Management, including our Chief Executive Officer and Chief Financial Officer, believes the consolidated financial statements included in this Annual Report on Form 10-K fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with GAAP.

#### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- i. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of 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.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, our management has assessed the effectiveness of our internal control over financial reporting based on the criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management believes that, as of March 31, 2024, our internal control over financial reporting was effective.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

During the year ended March 31, 2024, no director or section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item with respect to directors, executive officers and corporate governance is incorporated by reference to our Proxy Statement for our 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2024.

#### **Code of Conduct**

We have adopted a Code of Conduct that applies to all of our directors, employees and officers, including our principal executive officer, our principal financial officer, our controller and persons performing similar functions. Our Code of Conduct is available on our web site at [www.orionlighting.com](http://www.orionlighting.com). Future material amendments or waivers relating to the Code of Conduct will be disclosed on our web site referenced in this paragraph within four business days following the date of such amendment or waiver.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference to our Proxy Statement for our 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2024.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS**

See Item 5, *Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchaser of Securities*, under the heading "Equity Compensation Plan Information" for information regarding our securities authorized for issuance under equity compensation plans. The additional information required by this item is incorporated by reference to our Proxy Statement for its 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2024.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated by reference to our Proxy Statement for our 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2024.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is incorporated by reference to our Proxy Statement for our 2024 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended March 31, 2024.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) Financial Statements**

Our financial statements are set forth in Item 8 of this Form 10-K.

## EXHIBIT INDEX

Number	Exhibit Title
3.1	<a href="#"><u>Amended and Restated Articles of Incorporation of Orion Energy Systems, Inc., filed as Exhibit 3.3 to the Registrant's Form S-1 filed August 20, 2007, is hereby incorporated by reference.</u></a>
3.2	<a href="#"><u>Second Amended and Restated Bylaws of Orion Energy Systems, Inc., filed as Exhibit 3.1 to the Registrant's Form 8-K filed November 14, 2022, is hereby incorporated by reference.</u></a>
4.1	<a href="#"><u>Description of Orion Energy Systems, Inc. Capital Stock. +</u></a>
10.1	<a href="#"><u>Loan and Security Agreement dated as of December 29, 2020 among Orion Energy Systems, Inc., Bank of America, N.A., as lender, and the subsidiary borrowers party thereto, filed as Exhibit 10.1 to Registrant's Form 8-K filed on January 5, 2021, is hereby incorporated by reference.</u></a>
10.2	<a href="#"><u>Agreement No. 1 to Loan and Security Agreement, dated effective as of November 4, 2022, among Orion Energy Systems, Inc., Bank of America, N.A., as lender, and the subsidiary borrowers party thereto, filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q filed November 8, 2022, is hereby incorporated by reference.</u></a>
10.3	<a href="#"><u>Amendment No. 2 to Loan and Security Agreement, dated effective as of April 22, 2024, among Orion Energy Systems, Inc., Bank of America, N.A., as lender, and the subsidiary borrowers party thereto, filed as Exhibit 10.1 to Registrant's Form 8-K filed on April 24, 2024, is hereby incorporated by reference.</u></a>
10.4	<a href="#"><u>Orion Energy Systems, Inc. 2004 Stock and Incentive Awards Plan, filed as Exhibit 10.9 to the Registrant's Form S-1 filed August 20, 2007, is hereby incorporated by reference.*</u></a>
10.5	<a href="#"><u>Amendment to Orion Energy Systems, Inc. 2004 Stock and Incentive Awards Plan, filed September 9, 2011 as Appendix A to the Registrant's definitive proxy statement is hereby incorporated by reference.*</u></a>
10.6	<a href="#"><u>Form of Stock Option Agreement under the Orion Energy Systems, Inc. 2004 Equity Incentive Plan, filed as Exhibit 10.10 to the Registrant's Form S-1 filed August 20, 2007, is hereby incorporated by reference.*</u></a>
10.7	<a href="#"><u>Form of Stock Option Agreement as of May 14, 2013 under the Orion Energy Systems, Inc. 2004 Stock and Incentive Awards Plan, filed as Exhibit 10.7 to the Registrant's Form 10-K filed on June 13, 2014, is hereby incorporated by reference.*</u></a>
10.8	<a href="#"><u>Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, as amended and restated, filed as Annex A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on June 30, 2023, is hereby incorporated by reference.*</u></a>
10.9	<a href="#"><u>Form of Non-Employee Director Tandem Restricted Stock and Cash Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 4.5 to the Registrant's Form S-8 filed August 10, 2016, is hereby incorporated by reference.*</u></a>
10.10	<a href="#"><u>Form of Non-Employee Director Restricted Stock Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 4.6 to the Registrant's Form S-8 filed August 10, 2016, is hereby incorporated by reference.*</u></a>
10.11	<a href="#"><u>Form of Executive Tandem Restricted Stock and Cash Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 4.7 to the Registrant's Form S-8 filed August 10, 2016, is hereby incorporated by reference.*</u></a>
10.12	<a href="#"><u>Form of Executive Restricted Stock Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 4.8 to the Registrant's Form S-8 filed August 10, 2016, is hereby incorporated by reference.*</u></a>
10.13	<a href="#"><u>Orion Energy Systems, Inc. Non-Employee Director Compensation Plan, effective as of February 16, 2023, filed as Exhibit 10.12 to the Registrant's Form 10-K filed on June 12, 2023, is hereby incorporated by reference.*</u></a>
10.14	<a href="#"><u>Executive Employment and Severance Agreement, effective as of October 19, 2020, between Orion Energy Systems, Inc. and J. Per Brodin, filed as Exhibit 10.1 to the Registrant's Form 8-K filed on October 15, 2020, is hereby incorporated by reference.*</u></a>
10.15	<a href="#"><u>Amended and Restated Executive Employment and Severance Agreement, dated as of June 1, 2020, by and between Orion Energy Systems, Inc. and Scott A. Green, filed as Exhibit 10.17 to the Registrant's Form 10-K filed on June 1, 2021, is hereby incorporated by reference.*</u></a>
10.16	<a href="#"><u>At Market Issuance Sales Agreement between Orion Energy Systems, Inc. and B. Riley Securities, Inc., dated March 26, 2021, filed as Exhibit 10.1 to the Registrant's Form 8-K filed on March 26, 2021, is hereby incorporated by reference.</u></a>

- 10.17 [Amended Executive Employment and Severance Agreement, effective as of November 10, 2022, by and between Orion Energy Systems, Inc. and Michael H. Jenkins, filed as Exhibit 10.2 to the Registrant's Form 8-K filed on August 3, 2022, is hereby incorporated by reference.\\*](#)
- 10.18 [Form of Executive Performance Share Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 10.19 to the Registrant's Form 10-K filed on June 10, 2022, is hereby incorporated by reference.\\*](#)
- 10.19 [Form of Non-Employee Director Restricted Stock Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 10.20 to the Registrant's Form 10-K filed on June 10, 2022, is hereby incorporated by reference.\\*](#)
- 10.20 [Form of Executive Tandem Restricted Stock and Cash Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 10.21 to the Registrant's Form 10-K filed on June 10, 2022, is hereby incorporated by reference.\\*+](#)
- 10.21 [Form of Non-Employee Director Tandem Restricted Stock and Cash Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 10.22 to the Registrant's Form 10-K filed on June 10, 2022, is hereby incorporated by reference.\\*](#)
- 10.22 [Form of Executive Restricted Stock Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, filed as Exhibit 10.23 to the Registrant's Form 10-K filed on June 10, 2022, is hereby incorporated by reference.\\*](#)
- 10.23 [Form of Executive Tandem Performance Share and Cash Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, effective May 24, 2023, filed as Exhibit 10.24 to the Registrant's Form 10-K filed on June 12, 2023, is hereby incorporated by reference.\\*](#)
- 10.24 [Form of Non-Employee Director Tandem Restricted Stock and Cash Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, effective May 24, 2023, filed as Exhibit 10.25 to the Registrant's Form 10-K filed on June 12, 2023, is hereby incorporated by reference.\\*](#)
- 10.25 [Form of Executive Tandem Restricted Stock and Cash Award Agreement under the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, effective May 24, 2023, filed as Exhibit 10.26 to the Registrant's Form 10-K filed on June 12, 2023, is hereby incorporated by reference.\\*](#)
- 10.26 [Cooperation Agreement, dated January 3, 2023, by and among Orion Energy Systems, Inc., Kanen Wealth Management, LLC, Philotimo Fund, LP and David Kanen and Charles McDulin \(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 4, 2023\).](#)
- 10.27 [Consulting Agreement, dated as of August 2, 2022 and effective as of August 4, 2022, between Orion Energy Systems, Inc. and Alan Howe, filed as Exhibit 10.3 to the Registrant's Form 8-K filed on August 3, 2022, is hereby incorporated by reference.\\*](#)
- 21.1 [Subsidiaries of Orion Energy Systems, Inc.+](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm. +](#)
- 31.1 [Certification of Chief Executive Officer of Orion Energy Systems, Inc. pursuant to Rule 13a-14\(a\) or Rule 15d-14\(a\) promulgated under the Securities Exchange Act of 1934, as amended. +](#)
- 31.2 [Certification of Chief Financial Officer of Orion Energy Systems, Inc. pursuant to Rule 13a-14\(a\) or Rule 15d-14\(a\) promulgated under the Securities Exchange Act of 1934, as amended. +](#)
- 32.1 [Certification of Chief Executive Officer and Chief Financial Officer of Orion Energy Systems, Inc. pursuant to Rule 13a-14\(b\) promulgated under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +](#)
- 97 Orion Energy Systems, Inc. Compensation Recovery Policy. +
- 101 101.INS Inline XBRL Instance Document+
- 101.SCH Inline XBRL Taxonomy extension schema document+
- 101.CAL Inline XBRL Taxonomy extension calculation linkbase document+
- 101.DEF Inline XBRL Taxonomy extension definition linkbase document+
- 101.LAB Inline XBRL Taxonomy extension label linkbase document+
- 101.PRE Inline XBRL Taxonomy extension presentation linkbase document+
- 104 The cover page from the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2024, has been formatted in Inline XBRL

Documents incorporated by reference by Orion Energy Systems, Inc. are filed with the Securities and Exchange Commission under File No. 001-33887.

\* Management contract or compensatory plan or arrangement.

+ Filed herewith

**ITEM 16. FORM 10-K SUMMARY**

None.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on June 12, 2024.

ORION ENERGY SYSTEMS, INC.

By: /s/ Michael H. Jenkins

Michael H. Jenkins

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant in the capacities indicated on June 12, 2024.

<u>Signature</u>	<u>Title</u>
<u>/s/ Michael H. Jenkins</u> Michael H. Jenkins	Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ J. Per Brodin</u> J. Per Brodin	Chief Financial Officer, Executive Vice President, Chief Accounting Officer and Treasurer (Principal Financial Officer)
<u>/s/ Anthony L. Otten</u> Anthony L. Otten	Board Chair
<u>/s/ Heather L. Wishart-Smith</u> Heather L. Wishart-Smith	Director
<u>/s/ Ellen B. Richstone</u> Ellen B. Richstone	Director
<u>/s/ Sally Washlow</u> Sally Washlow	Director
<u>/s/ Richard A. Shapiro</u> Richard A. Shapiro	Director

**Executive Officers**

Michael H. Jenkins

*Chief Executive Officer*

John Per Brodin

*Executive Vice President, Chief Financial Officer,  
Chief Accounting Officer and Treasurer*

Scott A. Green

*President, Orion Services Group*

**Board of Directors**

Anthony L. Otten (1), (2), (3a), (4)

*Retired Chief Executive Officer, Versar, Inc.,  
Managing Member, Stillwater, LLC*

Sally A. Washlow (1), (2a), (3)

*Former Chief Executive Officer, Cedar Electronics*

Ellen B. Richstone (1a), (2), (3)

*Director, National Association of Corporate Directors  
(NACD-New England), Cognition Therapeutics, Inc.,  
Superior Industries International and eMargin  
Corporation*

Richard A. Shapiro (2)

*Founder/CIO, Ridge Run Partners, LLC*

Heather Wishart-Smith (1), (3)

*Former Senior Vice President, Technology and  
Innovation, Jacobs Solutions Inc.*

Michael H. Jenkins

*Chief Executive Officer, Orion Energy Systems, Inc.*

(1) *Audit and Finance Committee*

(2) *Human Capital Mgmt & Compensation  
Committee*

(3) *Nominating and Corporate Governance  
Committee*

(4) *Board Chair*

(a) *Committee Chair*

orion™

**NASDAQ Capital Market: OESX**

2210 Woodland Drive, Manitowoc, WI 54220