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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-33887

Orion Energy Systems, Inc.
(Exact name of Registrant as specified in its charter)

Wisconsin	**39-1847269**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification number)**
2210 Woodland Drive, Manitowoc, Wisconsin	**54220**
(Address of principal executive offices)	**(Zip code)**

Registrant's telephone number, including area code: (920) 892-9340

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)
Common stock purchase rights		The Nasdaq Stock Market LLC (NASDAQ Capital Market)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for 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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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

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

There were 31,072,532 shares of the Registrant's common stock outstanding on October 29, 2021.

ORION ENERGY SYSTEMS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2021	March 31, 2021
Assets		
Cash and cash equivalents	$ 14,740	$ 19,393
Accounts receivable, net	23,536	13,572
Revenue earned but not billed	2,208	2,930
Inventories, net	19,714	19,554
Prepaid expenses and other current assets	2,359	1,082
Total current assets	62,557	56,531
Property and equipment, net	11,085	11,369
Other intangible assets, net	1,846	1,952
Deferred tax assets	17,710	19,785
Other long-term assets	3,395	3,184
Total assets	$ 96,593	$ 92,821
Liabilities and Shareholders' Equity		
Accounts payable	$ 16,417	$ 17,045
Accrued expenses and other	11,306	13,226
Deferred revenue, current	81	87
Current maturities of long-term debt	15	14
Total current liabilities	27,819	30,372
Revolving credit facility	—	—
Long-term debt, less current maturities	27	35
Deferred revenue, long-term	602	640
Other long-term liabilities	3,413	3,700
Total liabilities	31,861	34,747
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value: Shares authorized: 30,000,000 at September 30, 2021 and March 31, 2021; no shares issued and outstanding at September 30, 2021 and March 31, 2021	—	—
Common stock, no par value: Shares authorized: 200,000,000 at September 30, 2021 and March 31, 2021; shares issued: 40,537,461 at September 30, 2021 and 40,279,050 at March 31, 2021; shares outstanding: 31,063,630 at September 30, 2021 and 30,805,300 at March 31, 2021	—	—
Additional paid-in capital	157,975	157,485
Treasury stock, common shares: 9,473,831 at September 30, 2021 and 9,473,750 at March 31, 2021	(36,241)	(36,240)
Retained deficit	(57,002)	(63,171)
Total shareholders' equity	64,732	58,074
Total liabilities and shareholders' equity	$ 96,593	$ 92,821

The accompanying notes are an integral part of these Condensed Consolidated Statements.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Product revenue	$ 27,811	$ 20,260	$ 56,057	$ 29,961
Service revenue	8,699	6,021	15,554	7,131
Total revenue	36,510	26,281	71,611	37,092
Cost of product revenue	18,864	14,402	38,297	21,631
Cost of service revenue	6,858	4,616	12,296	5,563
Total cost of revenue	25,722	19,018	50,593	27,194
Gross profit	10,788	7,263	21,018	9,898
Operating expenses:				
General and administrative	2,753	2,638	5,864	5,049
Sales and marketing	2,687	2,332	5,932	4,186
Research and development	317	424	773	839
Total operating expenses	5,757	5,394	12,569	10,074
Income (loss) from operations	5,031	1,869	8,449	(176)
Other income (expense):				
Other income	—	35	1	44
Interest expense	(14)	(1)	(33)	(50)
Amortization of debt issue costs	(15)	(61)	(31)	(122)
Total other expense	(29)	(27)	(63)	(128)
Income (loss) before income tax	5,002	1,842	8,386	(304)
Income tax expense (benefit)	1,343	(72)	2,217	1
Net income (loss)	$ 3,659	$ 1,914	$ 6,169	$ (305)
Basic net income (loss) per share attributable to common shareholders	$ 0.12	$ 0.06	$ 0.20	$ (0.01)
Weighted-average common shares outstanding	31,031,098	30,669,272	30,946,105	30,511,611
Diluted net income (loss) per share	$ 0.12	$ 0.06	$ 0.20	$ (0.01)
Weighted-average common shares and share equivalents outstanding	31,287,826	31,170,139	31,310,965	30,511,611

The accompanying notes are an integral part of these Condensed Consolidated Statements.

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

	Shareholders' Equity				
	Common Stock				
	Shares	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Total Shareholders' Equity
Balance, March 31, 2021	30,805,300	$ 157,485	$ (36,240)	$ (63,171)	$ 58,074
Exercise of stock options for cash	24,045	101	—	—	101
Shares issued under Employee Stock Purchase Plan	496	—	3	—	3
Stock-based compensation	171,470	160	—	—	160
Employee tax withholdings on stock-based compensation	(610)	—	(4)	—	(4)
Net income	—	—	—	2,510	2,510
Balance, June 30, 2021	31,000,701	$ 157,746	$ (36,241)	$ (60,661)	$ 60,844
Exercise of stock options for cash	7,000	18	—	—	18
Shares issued under Employee Stock Purchase Plan	327	—	1	—	1
Stock-based compensation	55,896	211	—	—	211
Employee tax withholdings on stock-based compensation	(294)	—	(1)	—	(1)
Net income	—	—	—	3,659	3,659
Balance, September 30, 2021	31,063,630	$ 157,975	$ (36,241)	$ (57,002)	$ 64,732

	Shareholders' Equity				
	Common Stock				
	Shares	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Total Shareholders' Equity
Balance, March 31, 2020	30,265,997	$ 156,503	$ (36,163)	$ (89,305)	$ 31,035
Exercise of stock options for cash	20,000	41	—	—	41
Shares issued under Employee Stock Purchase Plan	458	—	2	—	2
Stock-based compensation	342,780	208	—	—	208
Employee tax withholdings on stock-based compensation	(4,346)	—	(18)	—	(18)
Net loss	—	—	—	(2,219)	(2,219)
Balance, June 30, 2020	30,624,889	$ 156,752	$ (36,179)	$ (91,524)	$ 29,049
Exercise of stock options for cash	9,000	28	—	—	28
Shares issued under Employee Stock Purchase Plan	151	—	1	—	1
Stock-based compensation	76,351	251	—	—	251
Employee tax withholdings on stock-based compensation	(581)	—	(3)	—	(3)
Net income	—	—	—	1,914	1,914
Balance, September 30, 2020	30,709,810	$ 157,031	$ (36,181)	$ (89,610)	$ 31,240

The accompanying notes are an integral part of these Condensed Consolidated Statements.

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

	Six Months Ended September 30,	
	2021	2020
Operating activities		
Net income (loss)	$ 6,169	$ (305)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	622	587
Amortization of intangible assets	113	152
Stock-based compensation	372	459
Amortization of debt issue costs	31	122
Deferred income tax	2,075	—
(Gain) loss on sale of property and equipment	(15)	6
Provision for inventory reserves	313	112
Provision for bad debts	8	—
Other	—	4
Changes in operating assets and liabilities:		
Accounts receivable	(9,972)	(5,909)
Revenue earned but not billed	722	(2,674)
Inventories	(495)	(3,723)
Prepaid expenses and other assets	(1,015)	206
Accounts payable	(633)	(6,305)
Accrued expenses and other	(2,208)	3,058
Deferred revenue, current and long-term	(43)	72
Net cash used in operating activities	(3,956)	(14,138)
Investing activities		
Cash paid for investment	(500)	—
Purchases of property and equipment	(312)	(397)
Additions to patents and licenses	(7)	(30)
Proceeds from sale of property, plant and equipment	17	—
Net cash used in investing activities	(802)	(427)
Financing activities		
Payment of long-term debt	(7)	(28)
Proceeds from revolving credit facility	—	8,000
Payments of revolving credit facility	—	(10,085)
Payments to settle employee tax withholdings on stock-based compensation	(6)	(20)
Deferred financing costs	(5)	—
Net proceeds from employee equity exercises	123	71
Net cash provided by (used in) financing activities	105	(2,062)
Net decrease in cash and cash equivalents	(4,653)	(16,627)
Cash and cash equivalents at beginning of period	19,393	28,751
Cash and cash equivalents at end of period	$ 14,740	$ 12,124
Supplemental disclosure of non-cash investing and financing activities:		
Operating lease assets obtained in exchange for new operating lease liabilities	$ —	$ 355

The accompanying notes are an integral part of these Condensed Consolidated Statements.

NOTE 1 — DESCRIPTION OF BUSINESS

Orion includes Orion Energy Systems, Inc., a Wisconsin corporation, and all consolidated subsidiaries. Orion is a developer, manufacturer and provider of energy-efficient LED lighting, controls and Internet of Things ("IoT") systems, including turnkey project implementation, program management and system maintenance to commercial and industrial businesses, and federal and local governments, predominantly in North America.

NOTE 2 — IMPACT OF COVID-19

The COVID-19 pandemic has disrupted business, trade, commerce, financial and credit markets, in the U.S. and globally. Orion's business was adversely impacted by measures taken by government entities and others to control the spread of the virus beginning in March 2020, the last month of Orion's fiscal 2020 year, and continuing most significantly into the second quarter of fiscal 2021. During the second half of fiscal 2021, Orion experienced a rebound in business. Project installations resumed for Orion's largest customer and installations for a new large specialty retail customer began, with no further significant COVID-19 impacts. However, some customers continue to refrain from awarding new projects and potential future risks remain due to the COVID-19 pandemic. In addition, the COVID-19 pandemic has led to various supply chain challenges, especially related to shipping and logistics issues, component availability, rising input costs and a tight labor market.

As an essential business, Orion provides products and services to ensure energy and lighting infrastructure and Orion therefore continued to operate throughout the pandemic. If there is a resurgence of the COVID-19 pandemic, Orion's markets and operations could be impacted and there could be a further material adverse financial impact, including supply chain disruption for certain components.

NOTE 3 — 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.

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements of Orion have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement have been included. Interim results are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2022 or other interim periods.

The Condensed Consolidated Balance Sheet March 31, 2021 has been derived from the audited consolidated financial statements at that date but does not include all of the information required by GAAP for complete financial statements.

The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in Orion's Annual Report on Form 10-K for the fiscal year ended March 31, 2021 filed with the SEC on June 1, 2021.

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, inventory obsolescence, allowance for doubtful accounts, accruals for warranty and loss contingencies, income taxes, impairment analyses, and certain equity transactions. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk and Other Risks and Uncertainties

Orion's cash is deposited with two financial institutions. 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 the three and six months ended September 30, 2021, no suppliers accounted for more than 10.0% of total cost of revenue. For the three months ended September 30, 2020, one supplier accounted for 10.3%, of total cost of revenue. For the six months ended September 30, 2020, no supplier accounted for more than 10% of total cost of revenue.

For the three and six months ended September 30, 2021, one customer accounted for 58.9% and 55.0% of total revenue, respectively. For the three months ended September 30, 2020, one customer accounted for 60.7 % of total revenue. For the six months ended September 30, 2020, two customers accounted for 44.4% and 14.9% of total revenue, respectively.

As of September 30, 2021, one customer accounted for 66.7% of accounts receivable. As of March 31, 2021, three customers accounted for 33.9%, 16.4% and 10.1% of accounts receivable, respectively.

Recent Accounting Pronouncements

Issued: Not Yet Adopted

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 are 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 is currently evaluating the impact of adoption of this standard on its consolidated statements of operations, cash flows, and the related footnote disclosures.

NOTE 4 — REVENUE

The following tables provide detail of Orion's total revenues for the three and six months ended September 30, 2021 and September 30, 2020 (dollars in thousands):

	Three Months Ended September 30, 2021			Six Months Ended September 30, 2021		
	Product	Services	Total	Product	Services	Total
Revenue from contracts with customers:						
Lighting revenues, by end user						
Federal government	$ 106	$ 138	$ 244	$ 599	$ 408	$ 1,007
Commercial and industrial	27,574	8,561	36,135	54,538	15,146	69,684
Total lighting	27,680	8,699	36,379	55,137	15,554	70,691
Solar energy related revenues	12	—	12	28	—	28
Total revenues from contracts with customers	27,692	8,699	36,391	55,165	15,554	70,719
Revenue accounted for under other guidance	119	—	119	892	—	892
Total revenue	$ 27,811	$ 8,699	$ 36,510	$ 56,057	$ 15,554	$ 71,611

	Three Months Ended September 30, 2020			Six Months Ended September 30, 2020		
	Product	Services	Total	Product	Services	Total
Revenue from contracts with customers:						
Lighting revenues, by end user						
Federal government	$ 85	$ 26	$ 111	$ 135	$ 26	$ 161
Commercial and industrial	18,816	5,995	24,811	27,525	7,105	34,630
Total lighting	18,901	6,021	24,922	27,660	7,131	34,791
Solar energy related revenues	20	—	20	42	—	42
Total revenues from contracts with customers	18,921	6,021	24,942	27,702	7,131	34,833
Revenue accounted for under other guidance	1,339	—	1,339	2,259	—	2,259
Total revenue	$ 20,260	$ 6,021	$ 26,281	$ 29,961	$ 7,131	$ 37,092

From time to time, Orion sells the receivables from one customer to a financing institution. The total amount received from the sales of these receivables during the three and six months ended September 30, 2021, was $0 and $2.4 million, respectively. Orion's losses on these sales were $1 thousand and $3 thousand, for the three and six months ended September 30, 2021, respectively and are included in Interest expense in the Condensed Consolidated Statements of Operations.

The total amount received from the sales of these receivables during the three and six months ended September 30, 2020 was $2.1 million and $2.3 million, respectively. Orion's losses on these sales were $9 thousand for the three and six months ended September 30, 2020 and are included in Interest expense in the Condensed Consolidated Statement of Operations.

The following chart shows the balance of Orion's receivables arising from contracts with customers, contract assets and contract liabilities as of September 30, 2021 and March 31, 2021 (dollars in thousands):

	September 30, 2021	March 31, 2021
Accounts receivable, net	$ 23,536	$ 13,572
Contract assets	$ 2,102	$ 2,367
Contract liabilities	$ 6	$ 11

There were no significant changes in the contract assets outside of standard reclassifications to accounts receivable, net upon billing. There were no significant changes to contract liabilities.

NOTE 5 — ACCOUNTS RECEIVABLE, NET

As of September 30, 2021, and March 31, 2021, Orion's accounts receivable and allowance for doubtful accounts balances were as follows (dollars in thousands):

	September 30, 2021	March 31, 2021
Accounts receivable, gross	$ 23,552	$ 13,583
Allowance for doubtful accounts	(16)	(11)
Accounts receivable, net	$ 23,536	$ 13,572

NOTE 6 — INVENTORIES, NET

As of September 30, 2021, and March 31, 2021, Orion's inventory balances were as follows (dollars in thousands):

	Cost	Excess and Obsolescence Reserve	Net
As of September 30, 2021			
Raw materials and components	$ 11,162	$ (1,079)	$ 10,083
Work in process	959	(342)	617
Finished goods	9,751	(737)	9,014
Total	$ 21,872	$ (2,158)	$ 19,714
As of March 31, 2021			
Raw materials and components	$ 12,410	$ (967)	$ 11,443
Work in process	758	(356)	402
Finished goods	8,295	(586)	7,709
Total	$ 21,463	$ (1,909)	$ 19,554

NOTE 7 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of September 30, 2021, and March 31, 2021, prepaid expenses and other current assets include the following (dollars in thousands):

	September 30, 2021	March 31, 2021
Payroll tax credit	$ 1,587	$ —
Other prepaid expenses	772	1,082
Total	$ 2,359	$ 1,082

During the three months ended September 30, 2021, Orion recorded a $1.6 million current asset for the anticipated employee retention payroll tax credit (“payroll tax credit”), as expanded and extended by the American Rescue Plan Act of 2021. The credit was recorded as an offset to payroll expense in the following income statement categories: $0.7 million in cost of product revenue, $0.1 million in cost of service revenue, $0.3 million in general and administrative, $0.4 million in sales and marketing, and $0.1 million in research and development expenses. The timing of the refundable portion of the payroll tax credit is subject to Internal Revenue Service processing times.

NOTE 8 — PROPERTY AND EQUIPMENT, NET

As of September 30, 2021, and March 31, 2021, property and equipment, net, included the following (dollars in thousands):

	September 30, 2021	March 31, 2021
Land and land improvements	$ 433	$ 433
Buildings and building improvements	9,491	9,477
Furniture, fixtures and office equipment	7,526	7,372
Leasehold improvements	429	340
Equipment leased to customers	4,997	4,997
Plant equipment	12,205	12,451
Construction in Progress	45	135
Gross property and equipment	35,126	35,205
Less: accumulated depreciation	(24,041)	(23,836)
Total property and equipment, net	$ 11,085	$ 11,369

NOTE 9 — LEASES

From time to time, Orion leases assets from third parties. Orion also leases certain assets to third parties.

Orion accounts for leases in accordance with ASC 842. 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. 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.

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

	Balance sheet classification	September 30, 2021	March 31, 2021
Assets			
Operating lease assets	Other long-term assets	$ 2,315	$ 2,585
Liabilities			
Current liabilities			
Operating lease liabilities	Accrued expenses and other	$ 667	$ 647
Non-current liabilities			
Operating lease liabilities	Other long-term liabilities	2,302	2,642
Total lease liabilities		$ 2,969	$ 3,289

Orion had operating lease costs of $0.2 million and $0.4 million for the three and six months ended September 30, 2021. Orion had operating lease costs of $0.2 million and $0.4 million for the three and six months ended September 30, 2020.

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

Maturity of Lease Liabilities	**Operating Leases**
Fiscal 2022 (period remaining)	$ 394
Fiscal 2023	819
Fiscal 2024	756
Fiscal 2025	735
Fiscal 2026	628
Total lease payments	$ 3,332
Less: Interest	(363)
Present value of lease liabilities	$ 2,969

Assets Orion Leases to Other Parties

One of Orion's frequent customers purchases products and installation services under agreements that provide for monthly payments, at a fixed monthly amount, of the contract price, plus interest, typically over a five-year period. 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. The portions of the transaction associated with the sale of the light fixtures is accounted for as a sales-type lease under ASC 842. The total transaction price in these contracts is allocated between the lease and non-lease components in the same manner as the total transaction price of other turnkey projects containing lighting fixtures and installation services.

Revenues, and production and acquisition costs, associated with sales-type leases are included in Product revenue and Costs of product revenues in the Condensed Consolidated Statement of Operations.

The following chart shows the amount of revenue and cost of sales arising from sales-type leases during the three and six months ended September 30, 2021 and September 30, 2020 (dollars in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2021	2020	2021	2020
Product revenue	$ 100	$ 938	$ 651	$ 1,382
Cost of product revenue	$ 104	$ 813	$ 583	$ 1,251

NOTE 10 — OTHER INTANGIBLE ASSETS, NET

As of September 30, 2021, and March 31, 2021, the components of, and changes in, the carrying amount of other intangible assets, net, were as follows (dollars in thousands):

	September 30, 2021			March 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Patents	$ 2,801	$ (1,967)	$ 834	$ 2,796	$ (1,875)	$ 921
Licenses	58	(58)	—	58	(58)	—
Trade name and trademarks (indefinite lived)	1,012	—	1,012	1,011	—	1,011
Customer relationships	3,600	(3,600)	—	3,600	(3,591)	9
Developed technology	900	(900)	—	900	(889)	11
Total	$ 8,371	$ (6,525)	$ 1,846	$ 8,365	$ (6,413)	$ 1,952

Amortization expense on intangible assets was $46 thousand and $0.1 million for the three and six months ended September 30, 2021, respectively.

Amortization expense on intangible assets was $0.1 million and $0.2 million for the three and six months ended September 30, 2020, respectively.

As of September 30, 2021, the weighted average remaining useful life of intangible assets was 8.8 years.

The estimated amortization expense for the remainder of fiscal 2022, the next five fiscal years and beyond is shown below (dollars in thousands):

Fiscal 2022 (period remaining)	$ 93
Fiscal 2023	115
Fiscal 2024	111
Fiscal 2025	101
Fiscal 2026	90
Fiscal 2027	75
Thereafter	249
Total	$ 834

NOTE 11 — ACCRUED EXPENSES AND OTHER

As of September 30, 2021, and March 31, 2021, accrued expenses and other included the following (dollars in thousands):

	September 30, 2021	March 31, 2021
Accrued project costs	$ 3,858	$ 5,010
Compensation and benefits	2,176	2,851
Other accruals	2,158	1,730
Credits due to customers	1,149	1,009
Sales tax	1,047	1,318
Warranty	727	705
Legal and professional fees	99	497
Sales returns reserve	92	106
Total	$ 11,306	$ 13,226

Orion generally offers a limited warranty of one to ten years on its lighting products, including the pass through of standard warranties offered by major original equipment component manufacturers. The manufacturers' warranties cover lamps, power supplies, LED modules, chips and 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):

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2021	2020	2021	2020
Beginning of period	$ 1,038	$ 865	$ 1,009	$ 1,069
Accruals	89	178	205	147
Warranty claims (net of vendor reimbursements)	(113)	(158)	(200)	(331)
End of period	$ 1,014	$ 885	$ 1,014	$ 885

NOTE 12 — NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) 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 income (loss) per common share reflects the dilution that would occur if stock options were exercised and restricted shares vested. In the computation of diluted net income (loss) per common share, Orion uses the treasury stock method for outstanding options and restricted shares. Due to the net loss incurred during the six months ended September 30, 2020, the assumed exercise of all equity incentive instruments was anti-dilutive and, therefore, was not included in the diluted loss per common share calculation for those periods. Net income (loss) per common share is calculated based upon the following shares:

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss) (in thousands)	$ 3,659	$ 1,914	$ 6,169	$ (305)
Denominator:				
Weighted-average common shares outstanding	31,031,098	30,669,272	30,946,105	30,511,611
Weighted-average common shares and common share equivalents outstanding	31,287,826	31,170,139	31,310,965	30,511,611
Net income (loss) per common share:				
Basic	$ 0.12	$ 0.06	$ 0.20	$ (0.01)
Diluted	$ 0.12	$ 0.06	$ 0.20	$ (0.01)

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

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2021	2020	2021	2020
Common stock options	—	—	—	71,817
Restricted shares	26,205	—	26,205	125,880
Total	26,205	—	26,205	197,697

NOTE 13 — LONG-TERM DEBT

Long-term debt consisted of the following (dollars in thousands):

	September 30, 2021	March 31, 2021
Revolving credit facility	$ —	$ —
Equipment debt obligations	42	49
Total long-term debt	42	49
Less current maturities	(15)	(14)
Long-term debt, less current maturities	$ 27	$ 35

Revolving Credit Agreement

On December 29, 2020, Orion entered into a new $25 million Loan and Security Agreement with Bank of America, N.A., as lender (the “Credit Agreement”). The Credit Agreement replaced Orion’s prior $20.15 million secured revolving credit and security agreement (the “Prior Credit Agreement”).

The replacement of the Prior Credit Agreement with the Credit Agreement provides Orion with increased financing capacity and liquidity to fund its operations and implement its strategic plans.

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 September 30, 2021, the borrowing base supports the full availability of the Credit Facility. As of September 30, 2021, no amounts were borrowed under the Credit Facility.

As of September 30, 2021, Orion is in compliance with all debt covenants.

Equipment Debt Obligations

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

NOTE 14 — INCOME TAXES

Orion’s income tax provision was determined by applying an estimated annual effective tax rate, based upon the facts and circumstances known, to book income (loss) before income tax, adjusting for discrete items. Orion’s actual effective tax rate is adjusted each interim period, as appropriate, for changes in facts and circumstances. For the three months ended September 30, 2021 and 2020, Orion recorded income tax expense (benefit) of $1.3 million and $(0.1) million, respectively, using this methodology. For the six months ended September 30, 2021 and 2020, Orion recorded income tax expense of $2.2 million and $1 thousand, respectively, using this methodology.

As of September 30, 2021 and March 31, 2021, Orion recorded a valuation allowance of $1.3 million against its net deferred tax asset balance. 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.

Uncertain Tax Positions

As of September 30, 2021, Orion’s balance of gross unrecognized tax benefits was approximately $0.4 million, all of which would reduce Orion’s effective tax rate if recognized.

Orion has classified the amounts recorded for uncertain tax benefits in the balance sheet as Other long-term liabilities 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.

NOTE 15 — COMMITMENTS AND CONTINGENCIES

Litigation

Orion is subject to various claims and legal proceedings arising in the ordinary course of business. Orion does not believe the final resolution of any of such claims or legal proceedings will have a material adverse effect on Orion’s future results of operations or financial condition.

State Tax Assessment

During fiscal 2018, Orion was notified of a pending sales and use tax audit by the Wisconsin Department of Revenue for the period covering April 1, 2013 through March 31, 2017. Although the final resolution of Orion's sales and use tax audit is uncertain, the ultimate disposition of this matter is not expected to have a material adverse effect on Orion's future results of operations or financial conditions.

NOTE 16 — SHAREHOLDERS' EQUITY

Shareholder Rights Plan

On January 3, 2019, Orion entered into Amendment No. 1 to the Rights Agreement, which amended the Rights Agreement dated as of January 7, 2009 and extended its terms by three years to January 7, 2022. Under the amendment, each common share purchase right (a "Right"), if exercisable, will initially represent the right to purchase from Orion, one share of Orion's common stock, no par value per share, for a purchase price of $7.00 per share.

The Rights will not be exercisable (and will be transferable only with Orion's common stock) until a "Distribution Date" occurs (or the Rights are earlier redeemed or expire). A Distribution Date generally will occur on the earlier of a public announcement that a person or group of affiliated or associated persons ("Acquiring Person") has acquired beneficial ownership of 20% or more of Orion's outstanding common stock ("Shares Acquisition Date") or 10 business days after the commencement of, or the announcement of an intention to make, a tender offer or exchange offer that would result in any such person or group of persons acquiring such beneficial ownership.

If a person becomes an Acquiring Person, holders of Rights (except as otherwise provided in the Rights Agreement) will have the right to receive upon exercise that number of shares of Orion's common stock having a market value of two times the then-current purchase price, and all Rights beneficially owned by an Acquiring Person, or by certain related parties or transferees, will be null and void. If, after a Shares Acquisition Date, Orion is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provision will be made so that each holder of a Right (except as otherwise provided in the Rights Agreement) will thereafter have the right to receive upon exercise that number of shares of the acquiring company's common stock which at the time of such transaction will have a market value of two times the then-current purchase price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of Orion. At any time prior to a person becoming an Acquiring Person, the Board of Directors of Orion may redeem the Rights in whole, but not in part, at a price of $0.001 per Right. Unless they are extended or earlier redeemed or exchanged, the Rights will expire on January 7, 2022.

Employee Stock Purchase Plan

In August 2010, Orion's Board of Directors approved a non-compensatory employee stock purchase plan, or "ESPP". In the three months ended September 30, 2021, Orion issued 327 shares under the ESPP plan at a closing market price of $3.89.

	Shares Issued Under ESPP Plan	Closing Market Price
Quarter Ended June 30, 2021	496	5.73
Quarter Ended September 30, 2021	327	3.89
Total issued in fiscal 2022	823	$ 3.89 - 5.73

Sale of shares

In March 2020, 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 $100.0 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 from time to time, having an aggregate offering price of up to $50 million. No share sales were effected pursuant to the ATM program through September 30, 2021.

NOTE 17 — STOCK OPTIONS AND RESTRICTED SHARES

At Orion's 2019 annual meeting of shareholders held on August 7, 2019, Orion's shareholders approved the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, as amended and restated (the "Amended 2016 Plan"). The Amended 2016 Plan increased the number of shares of Orion's common stock available for issuance under the Amended 2016 Plan from 1,750,000 shares to 3,500,000 shares (an increase of 1,750,000 shares); added a minimum vesting period for all awards granted under the Amended 2016 Plan (with limited exceptions); and added a specific prohibition on the payment of dividends and dividend equivalents on unvested awards.

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, Orion 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. 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.

Certain non-employee directors have from time to time elected to receive stock awards in lieu of cash compensation pursuant to elections made under Orion's non-employee director compensation program.

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

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2021	2020	2021	2020
Cost of product revenue	$ 1	$ 1	$ 3	$ 2
General and administrative	205	241	360	439
Sales and marketing	4	1	7	2
Research and development	1	8	2	16
Total	$ 211	$ 251	$ 372	$ 459

During the first six months of fiscal 2022, Orion had the following activity related to its stock-based compensation:

	Restricted Shares	Stock Options
Awards outstanding at March 31, 2021	469,639	196,318
Awards granted	185,833	—
Awards vested or exercised	(227,366)	(31,045)
Awards forfeited	—	(22,045)
Awards outstanding at September 30, 2021	428,106	143,228
Per share price on grant date	$ 5.98	—

As of September 30, 2021, the amount of deferred stock-based compensation expense to be recognized, over a remaining period of 2.8 years, was approximately $1.7 million.

NOTE 18 — SEGMENTS

Orion has the following business segments: Orion Engineered Services Division ("OES"), Orion Distribution Services Division ("ODS"), and Orion U.S. Markets Division ("USM"). The accounting policies are the same for each business segment as they are on a consolidated basis.

Orion Engineered Systems Division

The OES segment develops and sells lighting products and provides construction, engineering and maintenance services for Orion's commercial lighting and energy management systems. OES provides engineering, design, lighting products and in many cases turnkey solutions for large national accounts, governments, municipalities, schools and other customers.

Orion Distribution Services Division

The ODS segment sells lighting products through manufacturer representative agencies and a network of North American broadline electrical distributors and contractors.

Orion U.S. Markets Division

The USM segment sells commercial lighting systems and energy management systems to contractors and ESCOs.

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 For the Three Months Ended September 30,		Operating Income (Loss) For the Three Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Segments:				
Orion Engineered Systems	$ 26,952	$ 18,470	$ 4,281	$ 1,764
Orion Distribution Services	4,036	5,500	560	926
Orion U.S. Markets	5,522	2,311	1,297	304
Corporate and Other	—	—	(1,107)	(1,125)
	$ 36,510	$ 26,281	$ 5,031	$ 1,869

	Revenues For the Six Months Ended September 30,		Operating Income (Loss) For the Six Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Segments:				
Orion Engineered Systems	$ 48,940	$ 20,726	$ 6,145	$ (86)
Orion Distribution Services	13,322	12,129	2,682	1,678
Orion U.S. Markets	9,349	4,237	1,948	385
Corporate and Other	—	—	(2,326)	(2,153)
	$ 71,611	$ 37,092	$ 8,449	$ (176)

Operating Income above includes a payroll tax credit for the three and six months ended September 30, 2021.

ITEM 2. 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 unaudited Condensed Consolidated Financial Statements and related notes included in this Form 10-Q, as well as our audited Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021.

Cautionary Note Regarding Forward-Looking Statements

Any statements in this Quarterly Report on Form 10-Q about our expectations, beliefs, plans, objectives, prospects, financial condition, assumptions or future events or performance are not historical facts and are "forward-looking statements" as that term is defined under the federal securities laws. These statements are often, but not always, made through the use of words or phrases such as "believe", "anticipate", "should", "intend", "plan", "will", "expects", "estimates", "projects", "positioned", "strategy", "outlook" and similar words. You should read the statements that contain these types of words carefully. Such forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied in such forward-looking statements. There may be events in the future that we are not able to predict accurately or over which we have no control. Potential risks and uncertainties include, but are not limited to, those discussed in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021. We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or uncertainties after the date hereof or to reflect the occurrence of unanticipated events.

Overview

We provide state-of-the-art light emitting diode ("LED") lighting systems, wireless Internet of Things ("IoT") enabled control solutions, project engineering, design energy project management and maintenance services. We help our customers achieve energy savings with healthy, safe and sustainable solutions that enable them to reduce their carbon footprint and digitize their business. 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 three primary market segments: commercial office and retail, area lighting, and industrial applications, although we do sell and install products into other markets. Virtually all of our sales occur within North America.

Our lighting products consist primarily of LED lighting fixtures, many of which include IoT enabled control systems. Our principal 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 products are manufactured at our 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.

We have experienced recent success offering our 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 fiscal 2021, we successfully capitalized on our capability of being a full service, turnkey provider of LED lighting and controls systems with design, build, installation and project management services, as we continued a very large project for a major national account. As a result of this success, we have begun to evolve our business strategy to focus on further expanding the nature and scope of our products and services offered to our customers. This further expansion of our products and services includes pursuing projects to develop recurring revenue streams, including providing lighting and electrical maintenance services and utilizing control sensor technology to collect data and assisting customers in the digitization of this data, along with other potential services. 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 that we offer to our customers. We currently plan on investing significant time, resources and capital into expanding our offerings in these areas with no expectation that they will result in us realizing material revenue in the near term and without any assurance they will succeed or be profitable. In fact, it is likely that these efforts will reduce our profitability, at least in the near term as we invest resources and incur expenses to develop these offerings. 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. It is possible that one or more of such potential acquisitions, if successfully completed, could significantly change, and potentially transform, the nature and extent of our business.

We generally do not have long-term contracts with our customers that provide us with recurring revenue from period to period and 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 are required to make substantial working capital expenditures and advance inventory purchases that we may not be able to recoup if the agreements or a substantial volume of purchase orders under the agreements are delayed or terminated. 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 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 profits of our products and services can vary significantly depending upon the types of products and services 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 and services can cause our profitability to fluctuate from period to period.

Our fiscal year ends on March 31. Our current fiscal year ends on March 31, 2022 and is referred to as "fiscal 2022". We refer to our just completed fiscal year, which ended on March 31, 2021, as "fiscal 2021", and our prior fiscal year which ended on March 31, 2020 as "fiscal 2020". 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. Orion has three reportable segments: Orion Engineered Systems Division ("OES"), and Orion Distribution Services Division ("ODS"), and Orion U.S. Markets Division ("USM").

Impact of COVID-19

The COVID-19 pandemic has disrupted business, trade, commerce, financial and credit markets, in the U.S. and globally. Our business was adversely impacted by measures taken by government entities and others to control the spread of the virus beginning in March 2020, the last few weeks of our 2020 fiscal year, and continuing most significantly into the second quarter of fiscal 2021. During the second half of fiscal 2021, we experienced a rebound in business. Project installations for our largest customer recommenced, as well installations for a new large specialty retail customer began, with no further significant COVID-19 impacts. However, some customers continue to refrain from awarding new projects and potential future risks remain due to the COVID-19 pandemic. In addition, the COVID-19 pandemic has led to various supply chain challenges, especially related to shipping and logistics issues, component availability, rising input costs and a tight labor market.

As a deemed essential business, we provide products and services to ensure energy and lighting infrastructure and we therefore have continued to operate throughout the pandemic. We have implemented a number of safety protocols, including limiting travel and restricting access to our facilities along with monitoring processes, physical distancing, physical barriers, enhanced cleaning procedures and requiring face coverings.

As part of our response to the impacts of the COVID-19 pandemic, during the fourth quarter of fiscal 2020 we implemented a number of cost reduction and cash conservation measures, including reducing headcount. While certain restrictions have lessened in certain jurisdictions, some restrictions continue. Some customers and projects are in areas where travel restrictions have been imposed, certain customers have either closed or reduced on-site activities, and timelines for the completion of several projects have been delayed, extended or terminated. These modifications to our business practices, including any future actions we take, may cause us to experience reductions in productivity and disruptions to our business routines. In addition, we are required to make substantial working capital expenditures and advance inventory purchases that we may not be able to recoup if our customer agreements or a substantial volume of purchase orders under our customer agreements are delayed or terminated as a result of COVID-19. At this time, it is not possible to predict the overall impact the COVID-19 pandemic will have on our business, liquidity, capital resources or financial results, although the economic and regulatory impacts of COVID-19 significantly reduced our revenue and profitability in the first half of fiscal 2021. If there is a resurgence of the COVID-19 pandemic, our markets and operations could be impacted and there could be a further material adverse financial impact.

Results of Operations - Three Months Ended September 30, 2021 versus Three Months Ended September 30, 2020

The following table sets forth the line items of our Condensed 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 (dollars in thousands, except percentages):

	Three Months Ended September 30,				
	2021	2020		2021	2020
	Amount	Amount	% Change	% of Revenue	% of Revenue
Product revenue	$ 27,811	$ 20,260	37.3%	76.2%	77.1%
Service revenue	8,699	6,021	44.5%	23.8%	22.9%
Total revenue	36,510	26,281	38.9%	100.0%	100.0%
Cost of product revenue	18,864	14,402	31.0%	51.7%	54.8%
Cost of service revenue	6,858	4,616	48.6%	18.8%	17.6%
Total cost of revenue	25,722	19,018	35.3%	70.5%	72.4%
Gross profit	10,788	7,263	48.5%	29.5%	27.6%
General and administrative expenses	2,753	2,638	4.4%	7.5%	10.0%
Sales and marketing expenses	2,687	2,332	15.2%	7.4%	8.9%
Research and development expenses	317	424	(25.2)%	0.9%	1.6%
Income from operations	5,031	1,869	169.2%	13.8%	7.1%
Other income	—	35	(100.0)%	—	0.1%
Interest expense	(14)	(1)	1300.0%	(0.0)%	(0.0)%
Amortization of debt issue costs	(15)	(61)	(75.4)%	(0.0)%	(0.2)%
Income before income tax	5,002	1,842	171.6%	13.7%	7.0%
Income tax expense	1,343	(72)	NM	3.7%	(0.3)%
Net income	$ 3,659	$ 1,914	91.2%	10.0%	7.3%

* NM - Not Meaningful

Revenue. Product revenue increased 37.3%, or $7.6 million, for the second quarter of fiscal 2022 versus the second quarter of fiscal 2021. Service revenue increased 44.5%, or $2.7 million, for the second quarter of fiscal 2022 versus the second quarter of fiscal 2021. The increase in product and service revenue was primarily due to an increase of installations from our existing large national retail customer, which represented 58.9% of total revenue in the second quarter of fiscal 2022.

Cost of Revenue and Gross Profit. Gross profit percentage increased to 29.5% of revenue in the second quarter of fiscal 2022 from 27.6% in the second quarter of fiscal 2021, due primarily to an improvement in product margin on the coverage of fixed costs with significantly higher sales volume, as well as a portion of a payroll tax credit. Cost of product revenue increased 31.0%, or $4.5 million, in the second quarter of fiscal 2022 versus the second quarter of fiscal 2021 due to the increase in our sales. Cost of service revenue increased 48.6%, or $2.2 million, in the second quarter of fiscal 2022 versus the second quarter of fiscal 2021 due to the increase in sales.

Operating Expenses

General and Administrative. General and administrative expenses increased 4.4%, or $0.1 million, in the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021. This comparative increase was primarily due to lower employment costs in fiscal 2021 as a result of COVID-19 related actions, partially offset by the payroll tax credit.

Sales and Marketing. Sales and marketing expenses increased 15.2%, or $0.4 million, in the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021. This comparative increase was primarily due to an increase in commission expense on higher sales and increased travel, partially offset by the payroll tax credit.

Research and Development. Research and development expenses decreased 25.2%, or $0.1 million, in the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021, primarily due to the payroll tax credit.

Interest Expense. Interest expense in the second quarter of fiscal 2022 increased $14 thousand compared to the second quarter of fiscal 2021. The increase in interest expense was primarily due to comparatively higher sales of receivables than in the prior year period.

Orion Engineered Systems Division

Our OES segment develops and sells lighting products and provides construction, engineering and maintenance services for our commercial lighting and energy management systems. OES provides engineering, design, lighting products and in many cases turnkey solutions for large national accounts, governments, municipalities, schools and other customers.

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

	Three Months Ended September 30,		
	2021	2020	% Change
Revenues	$ 26,952	$ 18,470	45.9%
Operating income	$ 4,281	$ 1,764	142.7%
Operating margin	15.9%	9.6%	

OES segment revenue in the second quarter of fiscal 2022 increased $8.5 million from the second quarter of fiscal 2021 due to multiple projects put on hold in the prior year period as a result of COVID-19, including the projects with one large national account customer that represented 58.9% of total revenue in the second quarter of fiscal 2022. The project installations for this customer resumed during the second quarter of fiscal 2021. This sales increase led to a corresponding increase in operating income in this segment.

Orion Distribution Services Division

Our ODS segment focuses on selling lighting products through manufacturer representative agencies and a network of North American broadline and electrical distributors and contractors.

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

	Three Months Ended September 30,		
	2021	2020	% Change
Revenues	$ 4,036	$ 5,500	(26.6)%
Operating income	$ 560	$ 926	(39.5)%
Operating margin	13.9%	16.8%	

ODS segment revenue in the second quarter of fiscal 2022 decreased $1.5 million, compared to the second quarter of fiscal 2021, primarily due to a decrease in sales to one customer who represented 7.5% of total revenue in the second quarter of fiscal 2021. The decrease in sales resulted in a corresponding decrease in operating income in this segment based on operating leverage.

Orion U.S. Markets Division

Our USM segment sells commercial lighting systems and energy management systems to the wholesale contractor markets. USM customers include ESCOs and contractors.

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

	Three Months Ended September 30,		
	2021	2020	% Change
Revenues	$ 5,522	$ 2,311	138.9%
Operating income	$ 1,297	$ 304	326.6%
Operating margin	23.5%	13.2%	

USM segment revenue in the second quarter of fiscal 2022 increased $3.2 million, compared to the second quarter of fiscal 2021, primarily due to the impact of COVID-19 in the fiscal 2021 period, and resulted in a corresponding increase in operating income in this segment based on operating leverage.

Results of Operations - Six Months Ended September 30, 2021 versus Six Months Ended September 30, 2020

The following table sets forth the line items of our Condensed 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 (dollars in thousands, except percentages):

	Six Months Ended September 30,				
	2021	2020		2021	2020
	Amount	Amount	% Change	% of Revenue	% of Revenue
Product revenue	$ 56,057	$ 29,961	87.1%	78.3%	80.8%
Service revenue	15,554	7,131	118.1%	21.7%	19.2%
Total revenue	71,611	37,092	93.1%	100.0%	100.0%
Cost of product revenue	38,297	21,631	77.0%	53.5%	58.3%
Cost of service revenue	12,296	5,563	121.0%	17.2%	15.0%
Total cost of revenue	50,593	27,194	86.0%	70.6%	73.3%
Gross profit	21,018	9,898	112.3%	29.4%	26.7%
General and administrative expenses	5,864	5,049	16.1%	8.2%	13.6%
Sales and marketing expenses	5,932	4,186	41.7%	8.3%	11.3%
Research and development expenses	773	839	(7.9)%	1.1%	2.3%
Income (loss) from operations	8,449	(176)	NM	11.8%	(0.5)%
Other income	1	44	(97.7)%	0.0%	0.1%
Interest expense	(33)	(50)	(34.0)%	(0.0)%	(0.1)%
Amortization of debt issue costs	(31)	(122)	(74.6)%	(0.0)%	(0.3)%
Income (loss) before income tax	8,386	(304)	NM	11.7%	(0.8)%
Income tax expense	2,217	1	NM	3.1%	0.0%
Net Income (loss)	$ 6,169	$ (305)	NM	8.6%	(0.8)%

* NM - Not Meaningful

Revenue. Product revenue increased 87.1%, or $26.1 million, for the first six months of fiscal 2022 versus the first six months of fiscal 2021. Service revenue increased 118.1%, or $8.4 million, for the first six months of fiscal 2022 versus the first six months of fiscal 2021. The increase in product and service revenue was primarily due to multiple projects put on hold in the prior year period as a result of COVID-19 concerns, including the projects for one large national account customer which represented 55.0% of total revenue in the first six months of fiscal 2022, but only 44.4% of total revenue in the first six months of fiscal 2021.

Cost of Revenue and Gross Profit. Gross profit percentage increased to 29.4% of revenue in the first six months of fiscal 2022 from 26.7% in the first six months of fiscal 2021, due primarily to an improvement in product margin on the coverage of fixed costs with significantly higher sales volume, as well as the payroll tax credit. Cost of product revenue increased 77.0%, or $16.7 million, in the first six months of fiscal 2022 versus the first six months of fiscal 2021 due to the increase in our sales. Cost of service revenue increased 121.0%, or $6.7 million, in the first six months of fiscal 2022 versus the first six months of fiscal 2021 due to the increase in sales.

Operating Expenses

General and Administrative. General and administrative expenses increased 16.1%, or $0.8 million, in the first six months of fiscal 2022 compared to the first six months of fiscal 2021. This comparative increase was primarily due to lower employment costs in fiscal 2021 as a result of COVID-19 related actions, partially offset by the payroll tax credit.

Sales and Marketing. Sales and marketing expenses increased 41.7%, or $1.7 million, in the first six months of fiscal 2022 compared to the first six months of fiscal 2021. This comparative increase was primarily due to an increase in commission expense on higher sales, partially offset by the payroll tax credit.

Research and Development. Research and development expenses decreased 7.9%, or $0.1 million, in the first six months of fiscal 2022 compared to the first six months of fiscal 2021. This comparative decrease was primarily due to the payroll tax credit.

Interest Expense. Interest expense in the first six months of fiscal 2022 decreased by 34.0%, or $17 thousand, from the first six months of fiscal 2021. The decrease in interest expense was primarily due to comparatively lower sales of receivables than in the prior year period.

Orion Engineered Systems Division

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

	Six Months Ended September 30,		
	2021	2020	% Change
Revenues	$ 48,940	$ 20,726	136.1%
Operating income (loss)	$ 6,145	$ (86)	NM
Operating margin	12.6%	(0.4)%	

* NM - Not Meaningful

OES segment revenue in the first six months of fiscal 2022 increased $28.2 million from the first six months of fiscal 2021 due to multiple projects put on hold in the prior year period as a result of COVID-19, including the projects with one large national account customer that represented 55.0% of total revenue in the first six months of fiscal 2022, but only 44.4% of total revenue in the first six months fiscal 2021. The project installations for this customer resumed during the first six months of fiscal 2021. This sales increase led to a corresponding increase in operating income in this segment.

Orion Distribution Services Division

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

	Six Months Ended September 30,		
	2021	2020	% Change
Revenues	$ 13,322	$ 12,129	9.8%
Operating income	2,682	1,678	59.8%
Operating margin	20.1%	13.8%	

ODS segment revenue in the first six months of fiscal 2022 increased $1.2 million, compared to the first six months of fiscal 2021, primarily due to the increase of sales to one customer in the fiscal 2022 period, and resulted in a corresponding increase in operating income in this segment based on operating leverage.

Orion U.S. Markets Division

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

	Six Months Ended September 30,		
	2021	2020	% Change
Revenues	$ 9,349	$ 4,237	120.7%
Operating income	$ 1,948	$ 385	406.0%
Operating margin	20.8%	9.1%	

USM segment revenue in the first six months of fiscal 2022 increased $5.1 million, compared to the first six months of fiscal 2021, primarily due to the impact of COVID-19 in the fiscal 2021 period, and resulted in a corresponding increase in operating income in this segment based on operating leverage.

Liquidity and Capital Resources

Overview

We had approximately $14.7 million in cash and cash equivalents as of September 30, 2021, compared to $19.4 million at March 31, 2021. Our cash position decreased as a result of an increase in accounts receivable of $10.0 million, a decrease in accrued expenses of $1.9 million, and a non-controlling equity investment of $0.5 million, partially offset by net income of $6.2 million, and a decrease in revenue earned not billed of $0.7 million.

Our future liquidity needs and forecasted cash flows are dependent upon many factors, including our relative revenue, gross profits, cash management practices, cost reduction initiatives, working capital management, capital expenditures, pending or future litigation results and cost containment measures. In addition, we tend to experience higher working capital costs when we increase sales from existing levels.

Cash Flows

The following table summarizes our cash flows for the six months ended September 30, 2021 and 2020 (in thousands):

	Six Months Ended September 30,	
	2021	2020
Operating activities	$ (3,956)	$ (14,138)
Investing activities	(802)	(427)
Financing activities	105	(2,062)
Decrease in cash and cash equivalents	$ (4,653)	$ (16,627)

Cash Flows Related to Operating Activities. Cash used in operating activities primarily consists of net income (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 the first six months of fiscal 2022 was $4.0 million and consisted of our net income of $6.2 million adjusted for non-cash expense items of $3.5 million offset by working capital uses of $13.7 million, the largest of which was a $10.0 million increase in accounts receivable.

Cash used in operating activities for the first six months of fiscal 2021 was $14.1 million and consisted of our net loss adjusted for non-cash expense items of $1.0 million and net cash used in changes in operating assets and liabilities of $15.2 million. Cash used by operating assets and liabilities consisted primarily of a decrease in accounts payable of $6.3 million and an increase in accounts receivable of $5.9 million and inventory of $3.7 million based on increased second quarter and anticipated third quarter sales.

Cash Flows Related to Investing Activities. Cash used in investing activities of $0.8 million in the first six months of fiscal 2022 consisted primarily of cash paid for a non-controlling equity stake in ndustrial, Inc. of $0.5 million and purchases of property and equipment.

Cash used in investing activities of $0.3 million in the first six months of fiscal 2021 consisted primarily of purchases of property and equipment.

Cash Flows Related to Financing Activities. Cash provided by financing activities of $0.1 million in the first six months of fiscal 2022 consisted primarily of proceeds from employee equity exercises.

Cash used in financing activities of $2.1 million in the first six months of fiscal 2021 consisted primarily of net repayments of $(2.1) million on our Credit Facility.

Working Capital

Our net working capital as of September 30, 2021 was $34.7 million, consisting of $62.6 million in current assets and $27.8 million in current liabilities. Our net working capital as of March 31, 2021 was $26.2 million, consisting of $56.5 million in current assets and $30.4 million in current liabilities. Our current accounts receivable, net balance increased by $10.0 million from the fiscal 2021 year-end primarily due to the timing of invoicing and customer collections. Our accrued expenses decreased from our fiscal 2021 year-end by $1.9 million due primarily to a decrease in accrued project costs.

We generally attempt to maintain at least 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. Because of recent supply chain challenges, we have been making additional incremental inventory purchases. Our accounts receivables, inventory and payables may increase to the extent our revenue and order levels increase. In addition, in order to provide quality and timely service under our multi-location master retrofit agreements we are required to make substantial working capital expenditures and advance inventory purchases, including purchases to support the provision of products and services to our largest customer.

Indebtedness

Revolving Credit Agreement

On December 29, 2020, we entered into a new $25 million Loan and Security Agreement (the “Credit Agreement”) with Bank of America, N.A., as lender (the “Lender”). The Credit Agreement replaced our prior $20.15 million secured revolving credit and security agreement (the “Prior Credit Agreement”).

The replacement of the Prior Credit Agreement with the Credit Agreement provides us with increased financing capacity and liquidity to fund our operations and implement our strategic plans.

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 September 30, 2021, the borrowing base supports the full availability of the Credit Facility. As of September 30, 2021, no amounts were borrowed under the Credit Facility.

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

Backlog

Backlog represents the amount of revenue that we expect to realize in the future as a result of firm, committed purchase orders. Backlog totaled $15.5 million and $19.2 million as of September 30, 2021 and March 31, 2021, respectively. We generally expect our backlog to be recognized as revenue within one year, although the COVID-19 pandemic may extend this time period.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Inflation

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.

Critical Accounting Policies and 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 policies is set forth in the “Critical Accounting Policies and Estimates” section of our Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended March 31, 2021. For the six months ended September 30, 2021, there were no material changes in our accounting policies.

Recent Accounting Pronouncements

For a complete discussion of recent accounting pronouncements, refer to Note 3 in the Condensed Consolidated Financial Statements included elsewhere in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk was discussed in the "Quantitative and Qualitative Disclosures About Market Risk" section contained in our Annual Report on Form 10-K for the year ended March 31, 2021. There have been no material changes to such exposures since March 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2021, an evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based on this evaluation, such officers have concluded that our disclosure controls and procedures were effective as of September 30, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) for the six months ended September 30, 2021, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. 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 will have a material adverse effect on our future results of operations.

See Note 15 – Commitments and Contingencies, to the Condensed Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I - Item 1A under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021, which we filed with the SEC on June 1, 2021 and in Part 1 - Item 2 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q.

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits

10.1	Executive Employment and Severance Agreement, effective as of November 11, 2021, between Orion Energy Systems, Inc. and Michael H. Jenkins, filed as Exhibit 10.1 to the Registrant's Form 8-K filed on November 4, 2021, is hereby incorporated by reference.*
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 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.+
32.2	Certification of 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.+
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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, has been formatted in Inline XBRL.

\+ Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 9, 2021.

ORION ENERGY SYSTEMS, INC.

By /s/ J. Per Brodin

J. Per Brodin
Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)

Exhibit 31.1

Certification

I, Michael W. Altschaefl, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Orion Energy Systems, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2021

/s/ Michael W. Altschaefl
Michael W. Altschaefl
Chief Executive Officer

Exhibit 31.2

Certification

I, J. Per Brodin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Orion Energy Systems, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: November 9, 2021

/s/ J. Per Brodin

J. Per Brodin
Chief Financial Officer

Exhibit 32.1

Certification of CEO Pursuant To

18 U.S.C. Section 1350,

As Adopted Pursuant To

Section 906 Of The Sarbanes-Oxley Act Of 2002

In connection with the Quarterly Report of Orion Energy Systems, Inc., a Wisconsin corporation (the “Company”), on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael W. Altschaefl, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2021

/s/ Michael W. Altschaefl
Michael W. Altschaefl
Chief Executive Officer

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

Exhibit 32.2

Certification of CFO Pursuant To

18 U.S.C. Section 1350,

As Adopted Pursuant To

Section 906 Of The Sarbanes-Oxley Act Of 2002

In connection with the Quarterly Report of Orion Energy Systems, Inc., a Wisconsin corporation (the “Company”), on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Per Brodin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2021

/s/ J. Per Brodin
J. Per Brodin
Chief Financial Officer

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