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, 2023

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)

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 32,512,221 shares of the Registrant's common stock outstanding on October 31, 2023.

ORION ENERGY SYSTEMS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

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, 2023	March 31, 2023
Assets		
Cash and cash equivalents	$ 4,025	$ 15,992
Accounts receivable, net	16,117	13,728
Revenue earned but not billed	1,827	1,320
Inventories, net	20,160	18,205
Prepaid expenses and other current assets	3,153	1,116
Total current assets	45,282	50,361
Property and equipment, net	10,368	10,470
Goodwill	1,484	1,484
Other intangible assets, net	5,464	6,004
Other long-term assets	3,232	3,260
Total assets	$ 65,830	$ 71,579
Liabilities and Shareholders' Equity		
Accounts payable	$ 15,561	$ 13,405
Accrued expenses and other	11,612	10,552
Deferred revenue, current	1,864	480
Current maturities of long-term debt	12	17
Total current liabilities	29,049	24,454
Revolving credit facility	10,000	10,000
Long-term debt, less current maturities	—	3
Deferred revenue, long-term	451	489
Other long-term liabilities	3,690	3,384
Total liabilities	43,190	38,330
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $0.01 par value: Shares authorized: 30,000,000 at September 30, 2023 and March 31, 2023; no shares issued and outstanding at September 30, 2023 and March 31, 2023	—	—
Common stock, no par value: Shares authorized: 200,000,000 at September 30, 2023 and March 31, 2023; shares issued: 41,973,543 at September 30, 2023 and 41,767,092 at March 31, 2023; shares outstanding: 32,503,320 at September 30, 2023 and 32,295,408 at March 31, 2023	—	—
Additional paid-in capital	161,321	160,907
Treasury stock, common shares: 9,470,223 at September 30, 2023 and 9,471,684 at March 31, 2023	(36,235)	(36,237)
Retained deficit	(102,446)	(91,421)
Total shareholders' equity	22,640	33,249
Total liabilities and shareholders' equity	$ 65,830	$ 71,579

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, 2023	Three Months Ended September 30, 2022	Six Months Ended September 30, 2023	Six Months Ended September 30, 2022
Product revenue	$ 15,588	$ 12,833	$ 29,259	$ 26,316
Service revenue	4,998	4,727	8,940	9,150
Total revenue	20,586	17,560	38,199	35,466
Cost of product revenue	10,897	9,287	20,956	19,672
Cost of service revenue	5,120	3,838	9,503	7,805
Total cost of revenue	16,017	13,125	30,459	27,477
Gross profit	4,569	4,435	7,740	7,989
Operating expenses:				
General and administrative	5,040	3,945	10,779	7,699
Acquisition related costs	3	333	56	347
Sales and marketing	3,312	2,649	6,608	5,538
Research and development	382	451	862	965
Total operating expenses	8,737	7,378	18,305	14,549
Loss from operations	(4,168)	(2,943)	(10,565)	(6,560)
Other income (expense):				
Other income	12	1	12	—
Interest expense	(192)	(16)	(368)	(33)
Amortization of debt issue costs	(25)	(16)	(49)	(31)
Interest income	—	—	2	—
Total other expense	(205)	(31)	(403)	(64)
Loss before income tax	(4,373)	(2,974)	(10,968)	(6,624)
Income tax expense	15	(643)	57	(1,458)
Net loss	$ (4,388)	$ (2,331)	$ (11,025)	$ (5,166)
Basic net loss per share attributable to common shareholders	$ (0.14)	$ (0.07)	$ (0.34)	$ (0.17)
Weighted-average common shares outstanding	32,502,566	31,330,030	32,424,623	31,240,475
Diluted net loss per share	$ (0.14)	$ (0.07)	$ (0.34)	$ (0.17)
Weighted-average common shares and share equivalents outstanding	32,502,566	31,330,030	32,424,623	31,240,475

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, 2023	32,295,408	$ 160,907	$ (36,237)	$ (91,421)	$ 33,249
Shares issued under Employee Stock Purchase Plan	699	—	1	—	1
Stock-based compensation	206,451	188	—	—	188
Net loss	—	—	—	(6,637)	(6,637)
Balance, June 30, 2023	32,502,558	$ 161,095	$ (36,236)	$ (98,058)	$ 26,801
Shares issued under Employee Stock Purchase Plan	762	—	1	—	1
Stock-based compensation	—	226	—	—	226
Net loss	—	—	—	(4,388)	(4,388)
Balance, September 30, 2023	32,503,320	$ 161,321	$ (36,235)	$ (102,446)	$ 22,640

	Shareholders' Equity				
	Common Stock				
	Shares	Additional Paid-in Capital	Treasury Stock	Retained Deficit	Total Shareholders' Equity
Balance, March 31, 2022	31,097,872	$ 158,419	$ (36,239)	$ (57,080)	$ 65,100
Exercise of stock options for cash	26,646	54	—	—	54
Shares issued under Employee Stock Purchase Plan	443	—	1	—	1
Stock-based compensation	125,744	254	—	—	254
Employee tax withholdings on stock-based compensation	(634)	—	(2)	—	(2)
Net loss	—	—	—	(2,835)	(2,835)
Balance, June 30, 2022	31,250,071	$ 158,727	$ (36,240)	$ (59,915)	$ 62,572
Shares issued under Employee Stock Purchase Plan	648	—	1	—	1
Stock-based compensation	105,192	733	—	—	733
Net loss	—	—	—	(2,331)	(2,331)
Balance, September 30, 2022	31,355,911	$ 159,460	$ (36,239)	$ (62,246)	$ 60,975

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,	
	2023	2022
Operating activities		
Net loss	$ (11,025)	$ (5,166)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	707	663
Amortization of intangible assets	540	104
Stock-based compensation	414	987
Amortization of debt issue costs	49	31
Deferred income tax	—	(1,620)
Loss on sale of property and equipment	45	10
Provision for inventory reserves	283	175
Provision for credit losses	190	20
Other	(1)	117
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(2,579)	233
Revenue earned but not billed	(507)	1,075
Inventories	(2,238)	2,808
Prepaid expenses and other assets	(2,058)	448
Accounts payable	2,154	(3,954)
Accrued expenses and other	1,365	(2,486)
Deferred revenue, current and long-term	1,346	(40)
Net cash used in operating activities	(11,315)	(6,595)
Investing activities		
Cash to fund acquisition, net of cash received	—	55
Purchases of property and equipment	(747)	(442)
Additions to patents and licenses	—	(10)
Proceeds from sale of property, plant and equipment	100	—
Net cash used in investing activities	(647)	(397)
Financing activities		
Payment of long-term debt	(7)	(8)
Proceeds from revolving credit facility	—	5,000
Payments of revolving credit facility	—	—
Payments to settle employee tax withholdings on stock-based compensation	—	(2)
Proceeds from employee equity exercises	2	56
Net cash (used in) provided by financing activities	(5)	5,046
Net decrease in cash and cash equivalents	(11,967)	(1,946)
Cash and cash equivalents at beginning of period	15,992	14,466
Cash and cash equivalents at end of period	$ 4,025	$ 12,520
Supplemental disclosure of non-cash investing and financing activities:		
Operating lease assets obtained in exchange for new operating lease liabilities	$ 363	$ —

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 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 station installation services to commercial and industrial businesses, and federal and local governments, predominantly in North America.

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 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, 2024 or other interim periods.

The Condensed Consolidated Balance Sheet as of March 31, 2023 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, 2023 filed with the SEC on June 12, 2023.

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.

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 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.

Concentration of Credit Risk and Other Risks and Uncertainties

Orion's cash is primarily deposited with one financial institution. At times, deposits in this institution exceeds 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, 2023 and September 30, 2022, no suppliers accounted for more than 10.0% of total cost of revenue.

For the three months ended September 30, 2023, two customers accounted for 18.2% and 10.7% of total revenue, respectively. For the six months ended September 30, 2023, two customers accounted for 19.3% and 10.8% of total revenue, respectively. For the three and six months ended September 30, 2022, one customer accounted for 16.0% and 14.9% of total revenue, respectively.

As of September 30, 2023, two customers accounted for 11.1% and 10.6% of accounts receivable, respectively. As of March 31, 2023, one customer accounted for 10.8% of accounts receivable.

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”). The Company considers the applicability and impact of all ASUs. The Company, based on its assessment, determined that any recently issued or proposed ASUs are either not applicable to the Company or will have minimal impact on its consolidated financial statements when adopted.

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 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 adopted ASU 2016-13 effective April 1, 2023. The effect of adoption was immaterial.

NOTE 3 — REVENUE

Orion generates revenue primarily by selling manufactured or sourced commercial lighting fixtures and components, sourced electric vehicle chargers and related products, installing these products in customer’s facilities, and providing maintenance services including repairs and replacements for the lighting and related electrical components. 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 we refer to as a performance obligation) is transferred to a customer at an amount that reflects the consideration Orion expects to receive in exchange for those goods or services.

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 Electric Vehicle Charging segment ("EV") and complement Orion’s existing turnkey installation model.

The sale of charging stations and related software subscriptions and renewals 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 and renewals, 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 Condensed Consolidated Statement of Operations.

Revenue from the lighting and 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 Condensed Consolidated Statement of Operations.

The following tables provide detail of Orion's total revenue for the three and six months ended September 30, 2023 and September 30, 2022 (dollars in thousands):

	Three Months Ended September 30, 2023			Six Months Ended September 30, 2023		
	Product	**Services**	**Total**	**Product**	**Services**	**Total**
Revenue from contracts with customers:						
Lighting product and installation	$ 11,928	$ 1,614	$ 13,542	$ 23,713	$ 2,445	$ 26,158
Maintenance services	876	2,757	3,633	1,775	5,612	7,387
Electric vehicle charging	2,752	627	3,379	3,734	883	4,617
Solar energy related revenues	13	—	13	13	—	13
Total revenues from contracts with customers	15,569	4,998	20,567	29,235	8,940	38,175
Revenue accounted for under other guidance	19	—	19	24	—	24
Total revenue	$ 15,588	$ 4,998	$ 20,586	$ 29,259	$ 8,940	$ 38,199

	Three Months Ended September 30, 2022			Six Months Ended September 30, 2022		
	Product	**Services**	**Total**	**Product**	**Services**	**Total**
Revenue from contracts with customers:						
Lighting product and installation	$ 12,059	$ 2,036	$ 14,095	$ 24,463	$ 3,394	$ 27,857
Maintenance services	755	2,691	3,446	1,744	5,756	7,500
Total revenues from contracts with customers	12,814	4,727	17,541	26,207	9,150	35,357
Revenue accounted for under other guidance	19	—	19	109	—	109
Total revenue	$ 12,833	$ 4,727	$ 17,560	$ 26,316	$ 9,150	$ 35,466

The following chart shows the balance of Orion's receivables arising from contracts with customers, contract assets and contract liabilities as of September 30, 2023 and March 31, 2023 (dollars in thousands):

	September 30, 2023	**March 31, 2023**
Accounts receivable, net	$ 16,117	$ 13,728
Contract assets	$ 1,827	$ 1,320
Contract liabilities	$ 1,748	$ 480

There were no significant changes in the contract assets outside of standard reclassifications to accounts receivable, net upon billing. Deferred revenue, current as of September 30, 2023 and March 31, 2023, includes $1.7 million and $0.5 million, respectively, of contract liabilities which represent consideration received from a customer contract on which installation has not yet begun and Orion has not fulfilled the promises included. Of the $0.5 million outstanding as of March 31, 2023, $0.3 million has been recognized as revenue.

NOTE 4 — ACCOUNTS RECEIVABLE, NET

As of September 30, 2023 and March 31, 2023, Orion's accounts receivable and allowance for credit losses balances were as follows (dollars in thousands):

	September 30, 2023	March 31, 2023
Accounts receivable, gross	$ 16,389	$ 13,814
Allowance for credit losses	(272)	(86)
Accounts receivable, net	$ 16,117	$ 13,728

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

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2023	2022	2023	2022
Beginning of period	$ (272)	$ (18)	$ (86)	$ (8)
Credit loss expense	—	(23)	(190)	(33)
Write-off	—	—	4	—
End of period	$ (272)	$ (41)	$ (272)	$ (41)

NOTE 5 — INVENTORIES, NET

As of September 30, 2023 and March 31, 2023, Orion's inventory balances were as follows (dollars in thousands):

	Cost	Excess and Obsolescence Reserve	Net
As of September 30, 2023			
Raw materials and components	$ 7,292	$ (1,085)	$ 6,207
Work in process	512	(141)	371
Finished goods	14,318	(736)	13,582
Total	$ 22,122	$ (1,962)	$ 20,160
As of March 31, 2023			
Raw materials and components	$ 9,988	$ (1,094)	$ 8,894
Work in process	693	(135)	558
Finished goods	9,313	(560)	8,753
Total	$ 19,994	$ (1,789)	$ 18,205

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.

Other current assets as of September 30, 2023 and March 31, 2023 consists primarily of $1.8 million and none, respectively, of prepaid software and services.

NOTE 7 — PROPERTY AND EQUIPMENT, NET

As of September 30, 2023 and March 31, 2023, property and equipment, net, included the following (dollars in thousands):

	September 30, 2023	March 31, 2023
Land and land improvements	$ 433	$ 433
Buildings and building improvements	9,504	9,491
Furniture, fixtures and office equipment	7,910	7,782
Leasehold improvements	540	540
Equipment leased to customers	4,997	4,997
Plant equipment	11,135	11,234
Vehicles	1,027	720
Construction in Progress	103	37
Gross property and equipment	35,649	35,234
Less: accumulated depreciation	(25,281)	(24,764)
Total property and equipment, net	$ 10,368	$ 10,470

NOTE 8 — 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, 2023	March 31, 2023
Assets			
Operating lease assets	Other long-term assets	$ 2,159	$ 2,174
Liabilities			
Current liabilities			
Operating lease liabilities	Accrued expenses and other	$ 948	$ 823
Non-current liabilities			
Operating lease liabilities	Other long-term liabilities	1,625	1,826
Total lease liabilities		$ 2,573	$ 2,649

Orion had operating lease costs of $0.7 million and $1.1 million for the three and six months ended September 30, 2023, respectively. Orion had operating lease costs of $0.3 million and $0.6 million for the three and six months ended September 30, 2022, respectively.

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 2024 (period remaining)	$ 531
Fiscal 2025	1,083
Fiscal 2026	984
Fiscal 2027	177
Thereafter	—
Total lease payments	$ 2,775
Less: Interest	(202)
Present value of lease liabilities	$ 2,573

NOTE 9 — GOODWILL AND OTHER INTANGIBLE ASSETS, NET

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

Orion has $0.6 million of goodwill related to its purchase of Stay-Light Lighting during fiscal year 2022, which has an indefinite life, and is assigned to the Maintenance operating segment.

See Note 18 – Acquisition for further discussion of the Voltrek acquisition.

As of September 30, 2023 and March 31, 2023, the components of, and changes in, the carrying amount of other intangible assets, net, were as follows (dollars in thousands):

	September 30, 2023				March 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net
Amortized Intangible Assets							
Patents	$ 2,521	$ (1,981)	$ 540	8.4	$ 2,521	$ (1,930)	$ 591
Licenses	58	(58)	—	—	58	(58)	—
Trade name and trademarks	464	(117)	347	3.8	464	(73)	391
Customer relationships	5,509	(4,174)	1,335	3.3	5,509	(3,914)	1,595
Vendor relationships	2,600	(368)	2,232	6.0	2,600	(183)	2,417
Developed technology	900	(900)	—	—	900	(900)	—
Total Amortized Intangible Assets	$ 12,052	$ (7,598)	$ 4,454	5.3	$ 12,052	$ (7,058)	$ 4,994
Indefinite-lived Intangible Assets							
Trade name and trademarks	$ 1,010	$ —	$ 1,010		$ 1,010	$ —	$ 1,010
Total Non-Amortized Intangible Assets	$ 1,010	$ —	$ 1,010		$ 1,010	$ —	$ 1,010

Amortization expense on intangible assets was $0.2 million and $0.5 million for the three and six months ended September 30, 2023, respectively.

Amortization expense on intangible assets was $0.1 million for the three and six months ended September 30, 2022, respectively.

The estimated amortization expense for the remainder of fiscal 2024, the next five fiscal years and beyond is shown below (dollars in thousands):

Fiscal 2024 (period remaining)	$ 545
Fiscal 2025	1,083
Fiscal 2026	845
Fiscal 2027	587
Fiscal 2028	516
Fiscal 2029	469
Thereafter	409
Total	$ 4,454

NOTE 10 — ACCRUED EXPENSES AND OTHER

As of September 30, 2023 and March 31, 2023, accrued expenses and other included the following (dollars in thousands):

	September 30, 2023	March 31, 2023
Accrued acquisition earn-out	$ 3,250	$ 3,000
Other accruals	2,739	2,598
Compensation and benefits	1,903	1,412
Accrued project costs	1,532	1,218
Credits due to customers	1,142	1,310
Warranty	517	497
Sales tax	335	274
Sales returns reserve	175	71
Legal and professional fees	19	172
Total	$ 11,612	$ 10,552

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,	
	2023	2022	2023	2022
Beginning of period	$ 654	$ 811	$ 646	$ 860
Accruals	81	29	145	196
Warranty claims (net of vendor reimbursements)	(60)	(142)	(116)	(358)
End of period	$ 675	$ 698	$ 675	$ 698

NOTE 11 — NET LOSS PER COMMON SHARE

Basic net loss per common share is computed by dividing net 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 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 per common share, Orion uses the treasury stock method for outstanding options and restricted shares. For the three and six months ended September 30, 2023 and 2022, Orion was in a net loss position; therefore, the Basic and Diluted weighted-average shares outstanding are equal because any increase to the basic shares would be anti-dilutive. Net (loss) income per common share is calculated based upon the following shares:

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss (in thousands)	$ (4,388)	$ (2,331)	$ (11,025)	$ (5,166)
Denominator:				
Weighted-average common shares outstanding	32,502,566	31,330,030	32,424,623	31,240,475
Weighted-average common shares and common share equivalents outstanding	32,502,566	31,330,030	32,424,623	31,240,475
Net loss per common share:				
Basic	$ (0.14)	$ (0.07)	$ (0.34)	$ (0.17)
Diluted	$ (0.14)	$ (0.07)	$ (0.34)	$ (0.17)

The following table indicates the number of potentially dilutive securities excluded from the calculation of Diluted net income 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,	
	2023	2022	2023	2022
Common stock options	—	85,136	—	85,136
Time-Based Restricted shares	933,808	845,645	933,808	845,645
Performance-Based Restricted shares	708,377	178,669	708,377	178,669
Total	1,642,185	1,109,450	1,642,185	1,109,450

NOTE 12 — LONG-TERM DEBT

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

	September 30, 2023	March 31, 2023
Revolving credit facility	$ 10,000	$ 10,000
Equipment debt obligations	12	20
Total long-term debt	10,012	10,020
Less current maturities	(12)	(17)
Long-term debt, less current maturities	$ 10,000	$ 10,003

Revolving Credit Agreement

On December 29, 2020, Orion entered into a $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, 2023, the borrowing base of the Credit Facility supports $18.9 million of availability, with $8.9 million of remaining availability net of $10.0 million borrowed.

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, Inc. ("Stay-Lite Lighting") and Voltrek, as secured collateral under the Credit Agreement. 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 clarified 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 September 30, 2023, Orion was 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 13 — 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, 2023 and 2022, Orion recorded income tax expense (benefit) of $15 thousand and $(0.6) million, respectively, using this methodology. For the six months ended September 30, 2023 and 2022, Orion recorded income tax (benefit)/expense of $0.1 million and $(1.5) million, respectively, using this methodology.

As of September 30, 2023 and March 31, 2023, Orion had a full valuation allowance against its net deferred tax asset balance. 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 deferred tax assets are able to be realized, an adjustment to the deferred tax asset would increase income in the period such determination is made.

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, 2023, Orion's balance of gross unrecognized tax benefits was approximately $0.2 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 (benefit) expense. Penalties and interest are included in the unrecognized tax benefits.

NOTE 14 — 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.

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". In the three months ended September 30, 2023, Orion issued 762 shares under the ESPP plan at a closing market price of $1.26. In the three months ended September 30, 2022, Orion issued 648 shares under the ESPP plan at a closing market price of $1.56.

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 from time to time, having an aggregate offering price of up to $50 million. No share sales have been effected pursuant to the ATM program through September 30, 2023.

NOTE 16 — STOCK OPTIONS AND RESTRICTED SHARES

At Orion's 2023 annual meeting of shareholders (the "2023 Annual Meeting") held on August 10, 2023, 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 3,500,000 shares to 6,000,000 shares (an increase of 2,500,000 shares) and extended the term of the Amended 2016 Plan to the tenth anniversary of the date of the 2023 Annual Meeting.

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.

During the three and six months ended September 30, 2023 and 2022, the following amounts of stock-based compensation were recorded in Orion's Condensed Consolidated Statements of Operations (dollars in thousands):

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2023	2022	2023	2022
Cost of product revenue	$ 2	$ 1	$ 3	$ 2
General and administrative	218	729	400	979
Sales and marketing	4	2	8	4
Research and development	2	1	3	2
Total	$ 226	$ 733	$ 414	$ 987

During the three and six months ended September 30, 2023, Orion had the following activity related to its stock-based compensation.

	Time-Based Restricted Shares	Performance-Based Restricted Shares	Stock Options
Awards outstanding at March 31, 2023	612,819	130,635	73,136
Awards granted	532,690	577,742	—
Awards vested or exercised	(206,451)	—	—
Awards forfeited	(5,250)	—	(73,136)
Awards outstanding at September 30, 2023	933,808	708,377	—
Per share weighted average price on grant date	$ 1.56	$ 1.55	—

As of September 30, 2023, the amount of deferred stock-based compensation expense to be recognized, over a remaining period of 2.6 years, was approximately $1.8 million.

NOTE 17 — 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. Orion's CODM is the chief executive officer. Previously, Orion had four reportable segments: Orion Services Group Division ("OSG"), Orion Distribution Services Division ("ODS"), Orion U.S. Markets Division (“USM”) and Orion Electric Vehicle Charging Division (“EV Segment”). Effective during the first quarter of fiscal 2024, Orion began to evaluate and report the business using three segments: Orion Lighting Division, Orion Maintenance Division and Orion Electric Vehicle Charging Division. 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 year 2023 has 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 though 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 Charging 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 allocated to Orion’s segments and adjustments to reconcile to consolidated results (dollars in thousands).

	Revenues		Operating Loss		Total Assets	
	For the Three Months Ended September 30,		For the Three Months Ended September 30,			
	2023	2022	2023	2022	September 30, 2023	March 31, 2023
Segments:						
Lighting Segment	$ 13,573	$ 14,115	$ (1,962)	$ (2,296)	$ 27,827	$ 25,009
Maintenance Segment	3,634	3,445	(1,760)	(795)	8,051	10,372
Electric Vehicle Charging Segment	3,379	—	(1,029)	—	16,626	11,501
Corporate and Other	—	—	583	148	13,326	24,697
	$ 20,586	$ 17,560	$ (4,168)	$ (2,943)	$ 65,830	$ 71,579

	Revenues		Operating Income (Loss)	
	For the Six Months Ended September 30,		For the Six Months Ended September 30,	
	2023	2022	2023	2022
Segments:				
Lighting Segment	$ 26,194	$ 27,967	$ (2,728)	$ (3,300)
Maintenance Segment	7,388	7,499	(3,600)	(1,085)
Electric Vehicle Charging Segment	4,617	—	(2,963)	—
Corporate and Other	—	—	(1,274)	(2,175)
	$ 38,199	$ 35,466	$ (10,565)	$ (6,560)

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 September 30, 2023, Orion recorded $3.0 million to accrued expenses for its fiscal 2023 earn-out payment and an additional $2.1 million to other long-term liabilities for the cumulative potential earn-out opportunity which is anticipated to 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 allocated a 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:

(in thousands)	Opening Balance Sheet
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	$ 6,871

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):

	Estimated Fair Value	Estimated Useful Life (Years)
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 Condensed Consolidated Statements of Operations. The operating results of Voltrek are included in the EV segment. See note 17 – Segments, for results.

Transaction costs related to the Voltrek Acquisition are recorded in acquisition costs in the Condensed Consolidated Statements of Operations. Transaction costs totaled $3 thousand and $0.1 million in the three and six months ended September 30, 2023, respectively, and $0.3 million in each of the three and six months ended September 30, 2022, respectively.

If Voltrek had been acquired on April 1, 2022, the pro forma Orion revenue for the three and six months ended September 30, 2022 would have been $18.8 million and $37.9 million, respectively. Proforma net loss for the three and six months ended September 30, 2022 would have been $(2.7) million and $(6.0) million, respectively.

The pro forma information was determined based on the historical results of Orion and unaudited financial results from 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.

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, 2023.

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 several 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, 2023. 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, sourced wireless Internet of Things ("IoT") enabled control solutions, commercial and industrial electric vehicle ("EV") charging infrastructure solutions and 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 and system maintenance. Virtually all of our sales occur within North America.

Our lighting products consist primarily of LED lighting fixtures, many of which include sourced 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 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.

We differentiate ourselves from our competitors through 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 began to offer lighting and electrical maintenance services in fiscal 2021 which enables us to support a lifetime business relationship with our customer (which we call "Customers for Life"). We completed the Stay-Lite Lighting acquisition on January 1, 2022, which has allowed us to further expand our maintenance services capabilities. We completed the acquisition of Voltrek on October 5, 2022, which has allowed us to further expand our turnkey services capabilities as well as capitalize on the rapidly growing market for EV charging solutions.

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 been the primary component of our revenue as we continue to strive to be a leader in the LED market.

In fiscal 2022, we continued to successfully capitalize on our capability of being a full service, turn-key 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 evolved 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 are pursuing 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 currently intend to primarily pursue these expansion strategies organically, we also may explore potential additional business acquisitions, like our acquisition of Stay-Lite Lighting and Voltrek, which have more quickly added these types of expanded and 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 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 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. Our current fiscal year ends on March 31, 2024 and is referred to as “fiscal 2024”. We refer to our just completed fiscal year, which ended on March 31, 2023, as "fiscal 2023", and our prior fiscal year which ended on March 31, 2022 as "fiscal 2022". 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 Division ("OSG"), Orion Distribution Services Division ("ODS"), Orion U.S. Markets Division (“USM”) and Orion Electric Vehicle Charging Division (“EV Segment”). Effective during the first quarter of fiscal 2024, we began to evaluate and report the business using three segments: Orion Lighting Division, Orion Maintenance Division and Orion Electric Vehicle Charging Division.

Acquisition

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 an additional $3.0 million based on Voltrek's performance in fiscal 2023 and could pay up to an additional $3.5 million and $7.15 million in compensatory consideration 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.

Results of Operations - Three Months Ended September 30, 2023 versus Three Months Ended September 30, 2022

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,				
	2023	2022		2023	2022
	Amount	Amount	% Change	% of Revenue	% of Revenue
Product revenue	$ 15,588	$ 12,833	21.5 %	75.7 %	73.1 %
Service revenue	4,998	4,727	5.7 %	24.3 %	26.9 %
Total revenue	20,586	17,560	17.2 %	100.0 %	100.0 %
Cost of product revenue	10,897	9,287	17.3 %	52.9 %	52.9 %
Cost of service revenue	5,120	3,838	33.4 %	24.9 %	21.9 %
Total cost of revenue	16,017	13,125	22.0 %	77.8 %	74.7 %
Gross profit	4,569	4,435	3.0 %	22.2 %	25.3 %
General and administrative expenses	5,040	3,945	27.8 %	24.5 %	22.5 %
Acquisition related costs	3	333	(99.1)%	0.0 %	1.9 %
Sales and marketing expenses	3,312	2,649	25.0 %	16.1 %	15.1 %
Research and development expenses	382	451	(15.3)%	1.9 %	2.6 %
Loss from operations	(4,168)	(2,943)	(41.6)%	(20.2)%	(16.8)%
Other income	12	1	1100.0 %	0.1 %	0.0 %
Interest expense	(192)	(16)	1100.0 %	(0.9)%	(0.1)%
Amortization of debt issue costs	(25)	(16)	56.3 %	(0.1)%	(0.1)%
Loss before income tax	(4,373)	(2,974)	(47.0)%	(21.2)%	(16.9)%
Income tax expense (benefit)	15	(643)	NM	0.1 %	(3.7)%
Net loss	$ (4,388)	$ (2,331)	(88.2)%	(21.3)%	(13.3)%

* NM - Not Meaningful

Revenue, Cost of Revenue and Gross Margin. Product revenue increased 21.5%, or $2.8 million, for the second quarter of fiscal 2024 versus the second quarter of fiscal 2023. Service revenue increased 5.7%, or $0.3 million, for the second quarter of fiscal 2024 versus the second quarter of fiscal 2023. The increase in total revenue was due to the addition of EV revenue from the Voltrek acquistion and a new 3-year preventive maintenance contract. Cost of product revenue increased by 17.3%, or $1.6 million, in the second quarter of fiscal 2024 versus the comparable period in fiscal 2023. Cost of service revenue increased by 33.4%, or $1.3 million, in the second quarter of fiscal 2024 versus the comparable period in fiscal 2023. Gross margin decreased from 25.3% of revenue in the second quarter of fiscal 2023 to 22.2% in the second quarter of fiscal 2024, due primarily to inflationary cost pressures related to subcontractor costs and maintenance technician costs on fixed price contracts.

Operating Expenses

General and Administrative. General and administrative expenses increased 27.8%, or $1.1 million, in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023. This comparative increase was primarily due to the $1.1 million accrual of the expected Voltrek earn-out payment.

Acquisition Related Costs. Acquisition related costs decreased 99.1% or $0.3 million, in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023.

Sales and Marketing. Sales and marketing expenses increased 25.0%, or $0.7 million, in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023. This comparative increase was primarily due to the inclusion of Voltrek in the current year and commissions on higher revenues.

Research and Development. Research and development expenses decreased 15.3% or $0.1 million, in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023. This comparative decrease was primarily due to the reduction of site testing costs.

Interest Expense. Interest expenses increased 1100.0% or $0.2 million, in the second quarter of fiscal 2024 compared to the second quarter of fiscal 2023. This comparative increase was primarily due to the interest on increased outstanding borrowings.

Lighting Division

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

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

	Three Months Ended September 30,		
	2023	2022	% Change
Revenues	$ 13,573	$ 14,115	(3.8)%
Operating loss	$ (1,962)	$ (2,296)	14.5%
Operating margin	(14.5)%	(16.3)%	

Lighting division revenue in the second quarter of fiscal 2024 decreased by 3.8%, or $0.5 million, compared to the second quarter of fiscal 2023. The decrease in lighting division revenue was due to variability in the timing of larger lighting projects. The decrease in corresponding operating loss in this segment is a result of a decrease in under absorption of fixed costs.

Maintenance Division

Our maintenance division 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 division operating results (dollars in thousands):

	Three Months Ended September 30,		
	2023	2022	% Change
Revenues	$ 3,634	$ 3,445	5.5%
Operating loss	$ (1,760)	$ (795)	(121.4)%
Operating margin	(48.4)%	(23.1)%	

Maintenance division revenue in the second quarter of fiscal 2024 increased by 5.5%, or $0.2 million, compared to the second quarter of fiscal 2023, primarily due to a new 3-year preventive maintenance contract. Operating loss in this segment increased as a result of a decrease in gross margins primarily due to inflationary cost pressures related to subcontractor costs and maintenance technician costs on fixed price contracts.

Electric Vehicle Charging Division

Our EV division 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):

	Three Months Ended September 30,		
	2023	2022	% Change
Revenues	$ 3,379	$ —	NM
Operating loss	$ (1,029)	$ —	NM
Operating margin	(30.5)%	—%	

* NM - Not Meaningful

EV segment revenue generated by Voltrek in the second quarter of fiscal 2024 was $3.4 million. Operating loss in this segment was primarily a result of the $1.1 million of earn-out expense included in general and administrative costs and the allocation of corporate expenses.

Results of Operations - Six Months Ended September 30, 2023 versus Six Months Ended September 30, 2022

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,				
	2023	2022		2023	2022
	Amount	Amount	% Change	% of Revenue	% of Revenue
Product revenue	$ 29,259	$ 26,316	11.2 %	76.6 %	74.2 %
Service revenue	8,940	9,150	(2.3)%	23.4 %	25.8 %
Total revenue	38,199	35,466	7.7 %	100.0 %	100.0 %
Cost of product revenue	20,956	19,672	6.5 %	54.9 %	55.5 %
Cost of service revenue	9,503	7,805	21.8 %	24.9 %	22.0 %
Total cost of revenue	30,459	27,477	10.9 %	79.7 %	77.5 %
Gross profit	7,740	7,989	(3.1)%	20.3 %	22.5 %
General and administrative expenses	10,779	7,699	40.0 %	28.2 %	21.7 %
Acquisition related costs	56	347	(83.9)%	0.1 %	1.0 %
Sales and marketing expenses	6,608	5,538	19.3 %	17.3 %	15.6 %
Research and development expenses	862	965	(10.7)%	2.3 %	2.7 %
Loss from operations	(10,565)	(6,560)	(61.1)%	(27.7)%	(18.5)%
Other income	12	—	NM	0.0 %	—
Interest expense	(368)	(33)	1015.2 %	(1.0)%	(0.1)%
Amortization of debt issue costs	(49)	(31)	58.1 %	(0.1)%	(0.1)%
Loss before income tax	(10,970)	(6,624)	(65.6)%	(28.7)%	(18.7)%
Income tax expense (benefit)	57	(1,458)	NM	0.1 %	(4.1)%
Net loss	$ (11,027)	$ (5,166)	(113.5)%	(28.9)%	(14.6)%

Revenue, Cost of Revenue and Gross Margin. Product revenue increased 11.2%, or $2.9 million, for the first six months of fiscal 2024 versus the first six months of fiscal 2023. Service revenue decreased 2.3%, or $0.2 million, for the first six months of fiscal 2024 versus the first six months of fiscal 2023. The resulting increase in total revenue was due to the addition of EV revenue from the Voltrek acquisition, offset by variability in the timing of larger lighting projects. Cost of product revenue increased by 6.5%, or $1.3 million, in the first six months of fiscal 2024 versus the comparable period in fiscal 2023. Cost of service revenue increased by 21.8%, or $1.7 million, in the first six months of fiscal 2024 versus the comparable period in fiscal 2023. Gross margin decreased from 22.5% of revenue in the first six months of fiscal 2023 to 20.3% in the first six months of fiscal 2024, due primarily to inflationary cost pressures related to subcontractor costs and maintenance technician costs on fixed price contracts.

Operating Expenses

General and Administrative. General and administrative expenses increased 40.0%, or $3.1 million, in the first six months of fiscal 2024 compared to the first six months of fiscal 2023. This comparative increase was primarily due to the $2.3 million accrual of the expected Voltrek earn-out payment.

Acquisition Related Costs. Acquisition related costs decreased 83.9%, or $0.3 million, in the first six months of fiscal 2024 compared to the first six months of fiscal 2023.

Sales and Marketing. Sales and marketing expenses increased 19.3%, or $1.1 million, in the first six months of fiscal 2024 compared to the first six months of fiscal 2023. This comparative increase was primarily due to the acquisition of Voltrek and commissions on higher revenues.

Research and Development. Research and development expenses decreased 10.7%, or $0.1 million, in the first six months of fiscal 2024 compared to the first six months of fiscal 2023. This comparative decrease was primarily due to the reduction of employment costs.

Interest Expense. Interest expenses increased 1015.2% or $0.3 million, in the first six months of fiscal 2024 compared to the first six months of fiscal 2023. This comparative increase was primarily due to the interest on outstanding borrowings.

Lighting Division

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

	Six Months Ended September 30,		
	2023	**2022**	**% Change**
Revenues	$ 26,194	$ 27,967	(6.3)%
Operating loss	$ (2,728)	$ (3,300)	17.3%
Operating margin	(10.4)%	(11.8)%	

Lighting division revenue in the first six months of fiscal 2024 decreased by 6.3%, or $1.8 million compared to the first six months of fiscal 2023. The decrease in lighting division revenue was due to variability in the timing of larger lighting projects. The decrease in corresponding operating loss in this segment is a result of a decrease in under absorption of fixed costs.

Maintenance Division

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

	Six Months Ended September 30,		
	2023	**2022**	**% Change**
Revenues	$ 7,388	$ 7,499	(1.5)%
Operating loss	(3,600)	(1,085)	(231.8)%
Operating margin	(48.7)%	(14.5)%	

Maintenance division revenue in the first six months of fiscal 2024 increased by 1.5%, or $0.1 million, compared to the first six months of fiscal 2023, primarily due to a new 3-year preventive maintenance contract. Operating loss in this segment increased as a result of a decrease in gross margins primarily due to inflationary cost pressures related to subcontractor costs and maintenance technician costs on fixed price contracts.

Electric Vehicle Charging Division

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

	Six Months Ended September 30,		
	2023	2022	% Change
Revenues	$ 4,617	$ —	NM
Operating loss	(2,963)	—	NM
Operating margin	(64.2)%	—%	

* NM - Not Meaningful

EV segment revenue generated by Voltrek in the first six months of fiscal 2024 was $4.6 million. Operating loss in this segment was primarily a result of the $2.3 million of earn-out expense included in general and administrative costs and the allocation of corporate expenses.

Liquidity and Capital Resources

Overview

We believe our existing cash and operating cash flow provide us with the financial flexibility needed to meet our capital requirements, based on our current cash flow forecast, including to fund our budgeted capital expenditures and working capital needs for at least one year from the date of this report, as well as our currently anticipated longer-term capital requirements for periods beyond at least one year from the date of this report.

We had approximately $4.0 million in cash and cash equivalents as of September 30, 2023, compared to $16.0 million at March 31, 2023. Our cash position decreased as a result of an operating loss and an overall use of working capital during the first six months of fiscal 2024. We expect our operating cash flows to be positive during the second half of fiscal 2024.

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 and 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 for at least the next 12 months based on our current cash flow forecast, 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. We are also currently pursuing other potential supplemental liquidity sources.

Cash Flows

The following table summarizes our cash flows for the six months ended September 30, 2023 and 2022 (in thousands):

	Six Months Ended September 30,	
	2023	2022
Operating activities	$ (11,315)	$ (6,595)
Investing activities	(647)	(397)
Financing activities	(5)	5,046
Decrease in cash and cash equivalents	$ (11,967)	$ (1,946)

Cash Flows Related to Operating Activities. Cash used in operating activities primarily consists 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 the first six months of fiscal 2024 was $11.3 million and consisted of our net loss of $11.1 million adjusted for non-cash expense items and net cash used in changes in operating assets of $0.2 million, the largest of which was a $2.6 million increase in accounts receivable.

Cash used in operating activities for the first six months of fiscal 2023 was $6.6 million and consisted of our net loss of $5.2 million adjusted for non-cash expense items and net cash used in changes in working capital of $1.3 million, the largest of which was a $4.0 million decrease in accounts payable.

Cash Flows Related to Investing Activities. Cash used in investing activities of $0.6 million in the first six months of fiscal 2024 consisted primarily of purchases of property and equipment, partially offset by proceeds from sale of property and equipment.

Cash used in investing activities of $0.4 million in the first six months of fiscal 2023 consisted primarily of purchases of property and equipment.

Cash Flows Related to Financing Activities. Cash used by financing activities of $5 thousand in the first six months of fiscal 2024 consisted primarily of payment of long-term debt.

Cash provided by financing activities of $5.0 million in the first six months of fiscal 2023 consisted primarily of proceeds from our revolving credit facility, which was drawn down to subsequently pay the cash purchase price to acquire Voltrek.

Working Capital

Our net working capital as of September 30, 2023 was $16.2 million, consisting of $45.3 million in current assets and $29.0 million in current liabilities. Our net working capital as of March 31, 2023 was $25.9 million, consisting of $50.4 million in current assets and $24.5 million in current liabilities.

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.

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, 2023, the borrowing base of the Credit Facility supports $18.9 million of availability, with $8.9 million of remaining availability net of $10.0 million borrowed.

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

Effective November 4, 2022, we, along with the Lender, executed Amendment No. 1 to the Credit Agreement. The primary purpose of the amendment was to include the assets of our acquired subsidiaries, Stay-Lite Lighting and Voltrek as secured collateral under the Credit Agreement. Accordingly, eligible assets of Stay-Lite and Voltrek are now included in our borrowing base calculation for the purpose of establishing our monthly borrowing availability under the Credit Agreement. The amendment also clarified 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.

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 $21.2 million and $17.2 million as of September 30, 2023 and March 31, 2023, respectively. We generally expect our backlog to be recognized as revenue within one year. Backlog does not include any amounts for contracted maintenance services.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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 to date 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, stock-based compensation and income taxes. The estimates of forecasted cash flows are used in the assessment for impairment of long-lived assets and the realizability of deferred tax assets. 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, 2023. For the quarter ended September 30, 2023, 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, 2023. There have been no material changes to such exposures since March 31, 2023.

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, 2023, 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, 2023.

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 quarter ended September 30, 2023, 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, 2023, which we filed with the SEC on June 12, 2023 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, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

(a) Exhibits

10.1	Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, as amended and restated [Incorporated by reference to Annex A to the Registrant's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 30, 2023 (File No. 001-33887)].
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	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ 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, 2023.

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 H. Jenkins, 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, 2023

/s/ Michael H. Jenkins

Michael H. Jenkins

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, 2023

/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, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael H. Jenkins, 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, 2023

/s/ Michael H. Jenkins

Michael H. Jenkins

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, 2023, 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, 2023

/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.