

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 December 31, 2024

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  
(State or other jurisdiction of  
incorporation or organization)

2210 Woodland Drive, Manitowoc, Wisconsin  
(Address of principal executive offices)

39-1847269  
(I.R.S. Employer  
Identification number)

54220  
(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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

There were 32,952,087 shares of the Registrant's common stock outstanding on February 10, 2025.

**ORION ENERGY SYSTEMS, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE QUARTER ENDED DECEMBER 31, 2024**  
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**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

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

	December 31, 2024	March 31, 2024
<b>Assets</b>		
Cash and cash equivalents	\$ 7,497	\$ 5,155
Accounts receivable, net	12,234	14,022
Revenue earned but not billed	2,186	4,539
Inventories	13,473	18,246
Prepaid expenses and other current assets	1,728	2,860
Total current assets	37,118	44,822
Property and equipment, net	8,403	9,593
Goodwill	1,484	1,484
Other intangible assets, net	3,715	4,462
Other long-term assets	1,993	2,808
Total assets	\$ 52,713	\$ 63,169
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 13,412	\$ 18,350
Accrued expenses and other	12,530	9,440
Deferred revenue, current	287	260
Current maturities of long-term debt	353	3
Total current liabilities	26,582	28,053
Revolving credit facility	7,500	10,000
Long-term debt, less current maturities	3,059	—
Deferred revenue, long-term	356	413
Other long-term liabilities	741	2,161
Total liabilities	38,238	40,627
Commitments and contingencies		
<b>Shareholders' equity:</b>		
Preferred stock, \$0.01 par value: Shares authorized: 30,000,000 at December 31, 2024 and March 31, 2024; no shares issued and outstanding at December 31, 2024 and March 31, 2024	—	—
Common stock, no par value: Shares authorized: 200,000,000 at December 31, 2024 and March 31, 2024; shares issued: 42,409,937 at December 31, 2024 and 42,038,967 at March 31, 2024; shares outstanding: 32,939,922 at December 31, 2024 and 32,567,746 at March 31, 2024	—	—
Additional paid-in capital	162,691	161,869
Treasury stock, common shares: 9,470,015 at December 31, 2024 and 9,471,221 at March 31, 2024	(36,233)	(36,235)
Retained deficit	(111,983)	(103,092)
Total shareholders' equity	14,475	22,542
Total liabilities and shareholders' equity	\$ 52,713	\$ 63,169

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 December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
Product revenue	\$ 14,308	\$ 17,007	\$ 39,442	\$ 46,266
Service revenue	5,276	8,964	19,409	17,904
Total revenue	19,584	25,971	58,851	64,170
Cost of product revenue	9,347	12,302	26,809	33,258
Cost of service revenue	4,483	7,302	17,541	16,805
Total cost of revenue	13,830	19,604	44,350	50,063
Gross profit	5,754	6,367	14,501	14,107
Operating expenses:				
General and administrative	3,857	4,910	12,970	15,689
Acquisition related costs	—	—	—	56
Sales and marketing	2,859	3,170	8,644	9,778
Research and development	287	349	840	1,211
Total operating expenses	7,003	8,429	22,454	26,734
Loss from operations	(1,249)	(2,062)	(7,953)	(12,627)
Other income (expense):				
Other income	—	25	—	37
Interest expense	(255)	(193)	(800)	(561)
Amortization of debt issue costs	(49)	(25)	(155)	(74)
Royalty income	45	—	61	—
Interest income	1	—	1	2
Total other expense	(258)	(193)	(893)	(596)
Loss before income tax	(1,507)	(2,255)	(8,846)	(13,223)
Income tax expense	1	1	44	58
Net loss	\$ (1,508)	\$ (2,256)	\$ (8,890)	\$ (13,281)
Basic net loss per share attributable to common shareholders	\$ (0.05)	\$ (0.07)	\$ (0.27)	\$ (0.41)
Weighted-average common shares outstanding	32,923,321	32,531,563	32,787,107	32,460,398
Diluted net loss per share	\$ (0.05)	\$ (0.07)	\$ (0.27)	\$ (0.41)
Weighted-average common shares and share equivalents outstanding	32,923,321	32,531,563	32,787,107	32,460,398

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		Treasury Stock	Retained Deficit	Total Shareholders' Equity
	Shares	Additional Paid-in Capital			
Balance, March 31, 2024	32,567,746	\$ 161,869	\$ (36,235)	\$ (103,092)	\$ 22,542
Shares issued under Employee Stock Purchase Plan	459	—	1	—	1
Stock-based compensation	175,204	294	—	—	294
Net loss	—	—	—	(3,758)	(3,758)
Balance, June 30, 2024	<u>32,743,409</u>	<u>\$ 162,163</u>	<u>\$ (36,234)</u>	<u>\$ (106,850)</u>	<u>\$ 19,079</u>
Shares issued under Employee Stock Purchase Plan	692	—	1	—	1
Stock-based compensation	161,630	348	—	—	348
Net loss	—	—	—	(3,625)	(3,625)
Balance, September 30, 2024	<u>32,905,731</u>	<u>\$ 162,511</u>	<u>\$ (36,233)</u>	<u>\$ (110,475)</u>	<u>\$ 15,803</u>
Shares issued under Employee Stock Purchase Plan	538	—	—	—	—
Stock-based compensation	34,136	180	—	—	180
Employee tax withholdings on stock-based compensation	(483)	—	—	—	—
Net income	—	—	—	(1,508)	(1,508)
Balance, December 31, 2024	<u>32,939,922</u>	<u>\$ 162,691</u>	<u>\$ (36,233)</u>	<u>\$ (111,983)</u>	<u>\$ 14,475</u>

  

	Shareholders' Equity				
	Common Stock		Treasury Stock	Retained Deficit	Total Shareholders' Equity
	Shares	Additional Paid-in Capital			
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	<u>32,502,558</u>	<u>\$ 161,095</u>	<u>\$ (36,236)</u>	<u>\$ (98,058)</u>	<u>\$ 26,801</u>
Shares issued under Employee Stock Purchase Plan	762	—	1	—	1
Stock-based compensation	—	226	—	—	226
Net income	—	—	—	(4,388)	(4,388)
Balance, September 30, 2023	<u>32,503,320</u>	<u>\$ 161,321</u>	<u>\$ (36,235)</u>	<u>\$ (102,446)</u>	<u>\$ 22,640</u>
Exercise of stock options for cash	5,859	6	—	—	6
Shares issued under Employee Stock Purchase Plan	672	—	1	—	1
Stock-based compensation	41,939	267	—	—	267
Employee tax withholdings on stock-based compensation	(53)	—	—	—	—
Net income	—	—	—	(2,256)	(2,256)
Balance, December 31, 2023	<u>32,551,737</u>	<u>\$ 161,594</u>	<u>\$ (36,234)</u>	<u>\$ (104,702)</u>	<u>\$ 20,658</u>

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)

	Nine Months Ended December 31,	
	2024	2023
<b>Operating activities</b>		
Net loss	\$ (8,890 )	\$ (13,281 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	959	1,067
Amortization of intangible assets	754	813
Stock-based compensation	822	681
Amortization of debt issue costs	155	74
Loss on sale of property and equipment	91	84
Provision for inventory reserves	115	325
Provision for credit losses	65	170
Other	197	1
Changes in operating assets and liabilities:		
Accounts receivable	1,723	(2,156 )
Revenue earned but not billed	2,353	(372 )
Inventories	4,462	(2,963 )
Prepaid expenses and other assets	1,792	(1,189 )
Accounts payable	(4,938 )	5,506
Accrued expenses and other	1,668	1,337
Deferred revenue, current and long-term	(30)	(364)
<b>Net cash provided by (used in) operating activities</b>	<b>1,298</b>	<b>(10,267)</b>
<b>Investing activities</b>		
Purchases of property and equipment	(48)	(868)
Proceeds from sale of property, plant and equipment	189	118
Additions to patents and licenses	(7)	—
<b>Net cash provided by (used in) investing activities</b>	<b>134</b>	<b>(750)</b>
<b>Financing activities</b>		
Payment of long-term debt	(116)	(11)
Proceeds from long-term debt	3,525	—
Payments of revolving credit facility	(2,500)	—
Proceeds from employee equity exercises	1	3
<b>Net cash provided by (used in) financing activities</b>	<b>910</b>	<b>(8)</b>
Net increase (decrease) in cash and cash equivalents	2,342	(11,025)
Cash and cash equivalents at beginning of period	5,155	15,992
Cash and cash equivalents at end of period	<u>\$ 7,497</u>	<u>\$ 4,967</u>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Operating lease assets obtained in exchange for new operating lease liabilities	\$ —	\$ 363

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

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

**NOTE 1 — DESCRIPTION OF BUSINESS**

Orion includes Orion Energy Systems, Inc., a Wisconsin corporation, and all consolidated subsidiaries. Orion provides light emitting diode lighting systems, wireless Internet of Things enabled control solutions, project engineering, energy project management design, maintenance services and turnkey electric vehicle charging 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 and Lawrence, Massachusetts. Additionally, Orion had a lease in Pewaukee, Wisconsin that ended in August of the current fiscal year.

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

***Principles of Consolidation***

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

***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, 2025 or other interim periods.

The Condensed Consolidated Balance Sheet as of March 31, 2024 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, 2024 filed with the SEC on June 12, 2024.

***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, net realizable value of inventory, allowance for credit losses, accruals for warranty and loss contingencies, earn-out, income taxes, impairment analyses, and certain equity transactions. Accordingly, actual results could differ from those estimates.

### ***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 nine months ended December 31, 2024, no suppliers accounted for more than 10% of total cost of revenue. For the three months ended December 31, 2023, one supplier accounted for 12.6% of total cost of revenue, and for the nine months ended December 31, 2023, no suppliers accounted for more than 10.0% of total cost of revenue.

For the three months ended December 31, 2024, two customers accounted for 26.7% and 10.4% of total revenue, respectively. For the nine months ended December 31, 2024, one customer accounted for 24.2% of total revenue. For the three and nine months ended December 31, 2023, one customer accounted for 27.1% and 22.4% of total revenue, respectively.

As of December 31, 2024, one customer accounted for 17.0% and one customer accounted for 10.5% of accounts receivable. As of March 31, 2024, two customers accounted for 17.3% and 11.7% of accounts receivable, respectively.

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

On September 20, 2024, Orion received written notice from ("Nasdaq") notifying the Company that it is not in compliance with the Minimum Bid Price Requirement for continued listing on The Nasdaq Capital Market.

The notification letter did not impact the Company's current listing on The Nasdaq Capital Market at this time, and shares of the Company's common stock will continue to trade on the Nasdaq Capital Market under the symbol "OESX". The notification letter stated that the Company has 180 calendar days, or until March 19, 2025, to regain compliance with the Minimum Bid Price Requirement. To regain compliance, the Company's common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by March 19, 2025, an additional 180 days may be granted to regain compliance, so long as the Company meets The Nasdaq Capital Market initial listing criteria (except for the Minimum Bid Price Requirement) and notifies Nasdaq in writing of its intention to cure the deficiency during the second compliance period, including the implementation of a reverse stock split, if necessary. If the Company does not qualify for the second compliance period or fails to regain compliance during the second 180-day period, then Nasdaq will notify the Company of its determination to delist the Company's common stock, at which point the Company would have an opportunity to appeal the delisting determination to a hearings panel.

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

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

In November 2024, the FASB issued ASU No. 2024-03, Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40), which modifies the disclosure and presentation requirements relating to expenses shown on the income statement. The amendments in the update require disclosure, in the notes to financial statements, of specified information about certain costs and expenses. The amendments require that at each interim and annual reporting period an entity: 1. Disclose the amounts of (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas-producing activities. 2. Include certain amounts that are already required to be disclosed under current generally accepted accounting principles in the same disclosure as the other disaggregation requirements. 3. Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. 4. Disclose the total amount of selling expense and, in annual reporting periods, an entity's definition of selling expenses. The amendments in this update are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15,

2027. Early adoption is permitted. Orion is currently evaluating the impact that this guidance will have on the presentation of its consolidated financial statements and accompanying notes.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which modifies the disclosure and presentation requirements of reportable segments. The amendments in the update require the disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (the "CODM") and included within each reported measure of segment profit and loss. The amendments also require disclosure of all other segment items by reportable segment and a description of its composition. Additionally, the amendments require disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. This update is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Orion has concluded this guidance will not impact the presentation of its consolidated financial statements, and will only impact presentation in the accompanying footnotes.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in an entity's income tax rate reconciliation table and disclosures regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2025. Orion is currently evaluating the impact that this guidance will have on the presentation of its consolidated financial statements and accompanying notes.

### **NOTE 3 — REVENUE**

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) when control of the goods or services being provided (which Orion refers to as a performance obligation) is transferred to a customer at an amount that reflects the consideration Orion expects to receive in exchange for those goods or services.

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

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

Revenue from the lighting 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 nine months ended December 31, 2024 and December 31, 2023 (dollars in thousands):

	Three Months Ended December 31, 2024			Nine Months Ended December 31, 2024		
	Product	Services	Total	Product	Services	Total
Revenue from contracts with customers:						
Lighting product and installation	\$ 11,291	\$ 1,754	\$ 13,045	\$ 30,636	\$ 5,725	\$ 36,361
Maintenance services	1,672	2,253	3,925	3,795	7,250	11,045
Electric vehicle charging	1,176	1,269	2,445	4,567	6,434	11,001
Solar energy related revenues	—	—	—	17	—	17
Total revenues from contracts with customers	14,139	5,276	19,415	39,015	19,409	58,424
Revenue accounted for under other guidance	169	—	169	427	—	427
Total revenue	\$ 14,308	\$ 5,276	\$ 19,584	\$ 39,442	\$ 19,409	\$ 58,851

	Three Months Ended December 31, 2023			Nine Months Ended December 31, 2023		
	Product	Services	Total	Product	Services	Total
Revenue from contracts with customers:						
Lighting product and installation	\$ 13,773	\$ 4,745	\$ 18,518	\$ 37,486	\$ 7,190	\$ 44,676
Maintenance services	1,080	3,529	4,609	2,855	9,141	11,996
Electric vehicle charging	2,128	690	2,818	5,862	1,573	7,435
Solar energy related revenues	7	—	7	20	—	20
Total revenues from contracts with customers	16,988	8,964	25,952	46,223	17,904	64,127
Revenue accounted for under other guidance	19	—	19	43	—	43
Total revenue	\$ 17,007	\$ 8,964	\$ 25,971	\$ 46,266	\$ 17,904	\$ 64,170

From time to time, Orion sells the receivables from one customer to a financing institution. The total amount received from the advances of these receivables was \$0.7 million and \$1.3 million for the three and nine months ended December 31, 2024, respectively. Orion's losses on these sales were \$12 thousand and \$30 thousand for the three and nine months ended December 31, 2024, respectively, and are included in Interest expense in the Condensed Consolidated Statement of Operations. There was no activity during the three and nine months ended December 31, 2023.

During the nine months ended December 31, 2024, changes in estimates resulted in a reduction of revenue of \$0.2 million.

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

	December 31, 2024	March 31, 2024
Accounts receivable, net	\$ 12,234	\$ 14,022
Revenue earned but not billed (1)	\$ 1,830	\$ 4,539
Deferred revenue (2)	\$ 212	\$ 124

- (1) Within the revenue earned not billed line on the condensed consolidated balance sheet, \$0.4 million is accounted for as a sales type lease under ASC 842, and therefore not considered a "contract asset", which is an asset defined by ASC 606.
- (2) Includes the unamortized portion of the funds received from the federal government in 2010 and 2011 as reimbursement for the costs to build the two facilities related to the PPAs. As the transaction is not considered a contract with a customer, this value is not a contract liability as defined by ASC 606.

There were no significant changes in the contract assets outside of standard increases due to timing of contract completion, offset by the reclassifications to accounts receivable, net upon billing. Deferred revenue, current as of December 31, 2024 and March 31, 2024, includes \$0.2 million and \$0.1 million, respectively, of contract liabilities which represent consideration received from a new customer contract on which installation has not yet begun and Orion has not fulfilled the promises included. Of the \$0.1 million outstanding as of March 31, 2024, \$0.1 million has been recognized as revenue.

#### NOTE 4 — ACCOUNTS RECEIVABLE

As of December 31, 2024 and March 31, 2024, Orion's accounts receivable and allowance for credit losses balances were as follows (dollars in thousands):

	December 31, 2024	March 31, 2024
Accounts receivable, gross	\$ 12,364	\$ 14,094
Allowance for credit losses	(130)	(72)
Accounts receivable, net	<u>\$ 12,234</u>	<u>\$ 14,022</u>

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Beginning of period	\$ (66)	\$ (272)	\$ (72)	\$ (86)
Reserve adjustment	—	20	—	20
Credit loss expense	(75)	—	(130)	(190)
Write-off	11	—	72	4
End of period	<u>\$ (130)</u>	<u>\$ (252)</u>	<u>\$ (130)</u>	<u>\$ (252)</u>

#### NOTE 5 — INVENTORIES

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

	Inventories
As of December 31, 2024	
Raw materials and components	\$ 4,448
Work in process	324
Finished goods	8,701
Total	<u>\$ 13,473</u>
As of March 31, 2024	
Raw materials and components	\$ 7,219
Work in process	267
Finished goods	10,760
Total	<u>\$ 18,246</u>

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

Prepaid expenses and other current assets consist primarily of prepaid insurance premiums, debt issue costs, prepaid subscription fees and value added tax receivable. Prepaid expenses totaled \$1.5 million and \$1.3 million as of December 31, 2024 and March 31, 2024, respectively.

Other current assets as of December 31, 2024 and March 31, 2024 consists primarily of \$0.3 million and \$1.6 million, respectively, of prepaid software and services.

## NOTE 7 — PROPERTY AND EQUIPMENT

As of December 31, 2024 and March 31, 2024, property and equipment, net, included the following (dollars in thousands):

	December 31, 2024	March 31, 2024
Land and land improvements	\$ 433	\$ 433
Buildings and building improvements	9,530	9,504
Furniture, fixtures and office equipment	7,886	7,941
Leasehold improvements	493	540
Equipment leased to customers	4,997	4,997
Plant equipment	11,013	11,142
Vehicles	534	959
Gross property and equipment	<u>34,886</u>	<u>35,516</u>
Less: accumulated depreciation	<u>(26,483)</u>	<u>(25,923)</u>
Total property and equipment, net	<u>\$ 8,403</u>	<u>\$ 9,593</u>

## 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 Accounting Standards Codification ("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	December 31, 2024	March 31, 2024
<b>Assets</b>			
Operating lease assets	Other long-term assets	\$ 983	\$ 1,770
<b>Liabilities</b>			
Current liabilities			
Operating lease liabilities	Accrued expenses and other	\$ 1,029	\$ 990
Non-current liabilities			
Operating lease liabilities	Other long-term liabilities	167	1,121
Total lease liabilities		<u>\$ 1,196</u>	<u>\$ 2,111</u>

Orion had operating lease costs of \$0.3 million and \$0.9 million for the three and nine months ended December 31, 2024, respectively. Orion had operating lease costs of \$0.5 million and \$1.5 million for the three and nine months ended December 31, 2023, respectively.

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

Maturity of Lease Liabilities	Operating Leases
Fiscal 2025 (period remaining)	\$ 251
Fiscal 2026	889
Fiscal 2027	106
Thereafter	—
Total lease payments	<u>\$ 1,246</u>
Less: Interest	<u>(50)</u>
Present value of lease liabilities	<u>\$ 1,196</u>

### *Assets Orion Leases to Other Parties*

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

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

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

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2024	2023	2024	2023
Product revenue	\$ 147	\$ —	\$ 356	\$ —
Cost of product revenue	\$ 123	\$ —	\$ 319	\$ —

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

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

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

As of December 31, 2024 and March 31, 2024, the components of, and changes in, the carrying amount of other intangible assets, net, were as follows (dollars in thousands):

	December 31, 2024				March 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net
<b>Amortized Intangible Assets</b>							
Patents	\$ 2,528	\$ (2,110)	\$ 418	8.1	\$ 2,521	\$ (2,029)	\$ 492
Licenses	58	(58)	—	—	58	(58)	—
Trade name and trademarks	300	(134)	166	2.8	300	(90)	210
Customer relationships	5,000	(4,646)	354	0.8	5,000	(4,296)	704
Vendor relationships	2,600	(833)	1,767	4.8	2,600	(554)	2,046
Developed technology	900	(900)	—	—	900	(900)	—
Total Amortized Intangible Assets	\$ 11,386	\$ (8,681)	\$ 2,705	4.6	\$ 11,379	\$ (7,927)	\$ 3,452
<b>Indefinite-lived Intangible Assets</b>							
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 \$0.3 million and \$0.8 million for the three and nine months ended December 31, 2024 and 2023, 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 2025 (period remaining)	\$ 244
Fiscal 2026	745
Fiscal 2027	499
Fiscal 2028	455
Fiscal 2029	408
Thereafter	354
Total	\$ 2,705

#### NOTE 10 — ACCRUED EXPENSES AND OTHER

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

	December 31, 2024	March 31, 2024
Accrued acquisition earn-out	\$ 2,784	\$ 875
Other accruals	2,277	1,854
Compensation and benefits	2,574	2,255
Credits due to customers	1,523	1,167
Accrued project costs	2,419	2,366
Warranty	470	552
Sales returns reserve	165	106
Sales tax	296	219
Legal and professional fees	22	46
Total	\$ 12,530	\$ 9,440

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 December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Beginning of period	\$ 692	\$ 675	\$ 725	\$ 646
Accruals	88	156	259	301
Warranty claims (net of vendor reimbursements)	(122)	(125)	(326)	(241)
End of period	<u>\$ 658</u>	<u>\$ 706</u>	<u>\$ 658</u>	<u>\$ 706</u>

Effective on October 5, 2022, Orion acquired all the membership interests of Voltrek, an electric vehicle charging station solutions provider (the "Voltrek Acquisition"). The Voltrek Acquisition agreement provided that, 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 has been, and will be, expensed over the course of the earn-out periods to the extent they were or are earned. As of December 31, 2024, Orion has recorded \$2.8 million to accrued acquisition earn-out that remains unpaid.

#### NOTE 11 — NET LOSS PER COMMON SHARE

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

Diluted net loss per common share reflects the dilution that would occur if restricted shares were vested. In the computation of diluted net loss per common share, Orion uses the treasury stock method for outstanding options and restricted shares. For the three and nine months ended December 31, 2024 and 2023, 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 per common share is calculated based upon the following shares:

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Numerator:				
Net loss (in thousands)	\$ (1,508)	\$ (2,256)	\$ (8,890)	\$ (13,281)
Denominator:				
Weighted-average common shares outstanding	32,923,321	32,531,563	32,787,107	32,460,398
Weighted-average common shares and common share equivalents outstanding	<u>32,923,321</u>	<u>32,531,563</u>	<u>32,787,107</u>	<u>32,460,398</u>
Net loss per common share:				
Basic	\$ (0.05)	\$ (0.07)	\$ (0.27)	\$ (0.41)
Diluted	\$ (0.05)	\$ (0.07)	\$ (0.27)	\$ (0.41)

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Time-Based Restricted shares	1,329,556	881,870	1,329,556	881,870
Performance-Based Restricted shares	1,529,936	708,377	1,529,936	708,377
Total	<u>2,859,492</u>	<u>1,590,247</u>	<u>2,859,492</u>	<u>1,590,247</u>

## NOTE 12 — LONG-TERM DEBT

Long-term debt, including the revolving credit facility, consisted of the following (dollars in thousands):

	December 31, 2024	March 31, 2024
Revolving credit facility	\$ 7,500	\$ 10,000
Term Loan	3,412	—
Equipment debt obligations	—	3
Total long-term debt	10,912	10,003
Less current maturities	(353)	(3)
Long-term debt, less current maturities	<u>\$ 10,559</u>	<u>\$ 10,000</u>

### *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 provides for a five-year \$25.0 million revolving credit facility (the “Credit Facility”) that matures on June 30, 2027. Borrowings under the Credit Facility are subject to a borrowing base requirement based on eligible receivables, inventory and cash. As of December 31, 2024, the borrowing base of the Credit Facility supported approximately \$15.6 million of availability, with \$8.1 million of remaining availability net of \$7.5 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”) 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.

Effective April 22, 2024, the Company, with Bank of America, N.A. as lender, executed Amendment No. 2 to its Credit Agreement (“Amendment No. 2”). The primary purpose of Amendment No. 2 was to add a \$3.525 million mortgage loan facility to the Credit Agreement secured by the Company’s office headquarters property in Manitowoc, Wisconsin. Amendment No. 2 also broadened the definition of receivables to encompass government receivables as being eligible to be included in the Company’s borrowing base calculation for the purpose of establishing the Company’s monthly borrowing availability under the Credit Agreement. Quarterly installments of \$88,125 are due on the first day of each fiscal quarter beginning October 1, 2024.

Effective October 30, 2024, the Company, with Bank of America, N.A. as lender, executed Amendment No. 3 (“Amendment No. 3”) to its Credit Agreement. The primary purpose of Amendment No. 3 was to extend the maturity date of the Credit Facility from December 29, 2025 to June 30, 2027.

As of December 31, 2024, Orion was in compliance with all debt covenants.

## 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 December 31, 2024 and 2023, Orion recorded income tax expense of \$1 thousand, using this methodology. For the nine months ended December 31, 2024 and 2023, Orion recorded income tax expense of \$44 thousand and \$58 thousand, respectively, using this methodology.

As of December 31, 2024 and March 31, 2024, 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 December 31, 2024, 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 December 31, 2024, Orion issued 538 shares under the ESPP plan at a closing market price of \$0.80. In the three months ended December 31, 2023, Orion issued 672 shares under the ESPP plan at a closing market price of \$0.87.

#### ***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, subject to regulatory limitations. 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 exercised pursuant to the ATM program through December 31, 2024.

### **NOTE 16 — RESTRICTED SHARES**

At Orion's 2023 annual meeting of shareholders, Orion's shareholders approved the Orion Energy Systems, Inc. 2016 Omnibus Incentive Plan, as amended and restated (the "Amended 2016 Plan"). 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); added a minimum vesting period for all awards granted under the Amended 2016 Plan (with limited exceptions); and added a specific prohibition on the payment of dividends and dividend equivalents on unvested awards.

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

Prior to the 2016 Omnibus Incentive Plan, Orion maintained its 2004 Stock and Incentive Awards Plan, as amended, which authorized the grant of cash and equity awards to employees (the "2004 Plan"). No new awards are being granted under the 2004 Plan; however, all awards granted under the 2004 Plan that are outstanding will continue to be governed by the 2004 Plan. Forfeited awards originally issued under the 2004 Plan are canceled and are not available for subsequent issuance under the 2004 Plan or under the Amended 2016 Plan. The Amended 2016 Plan and the 2004 Plan also permit accelerated vesting in the event of certain changes of control of Orion as well as under other special circumstances. Certain non-employee directors have from time to time elected to receive stock awards in lieu of cash compensation pursuant to elections made under Orion's non-employee director compensation program.

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Cost of product revenue	\$ 1	\$ 1	\$ 5	\$ 4
General and administrative	175	261	793	661
Sales and marketing	2	4	17	12
Research and development	2	1	7	4
Total	\$ 180	\$ 267	\$ 822	\$ 681

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

	Time-Based Restricted Shares		Performance-Based Restricted Shares	
	Shares	Weighted Average Fair Value Price	Shares	Weighted Average Fair Value Price
Balance at March 31, 2024	1,014,104	\$ 1.87	708,377	\$ 1.66
Shares issued	685,322	\$ 1.09	821,559	\$ 1.09
Shares vested	(369,870)	\$ 2.37	—	—
Shares outstanding at December 31, 2024	1,329,556	\$ 1.33	1,529,936	\$ 1.35
Per share price on grant date	\$1.09		\$1.09	

As of December 31, 2024, the amount of deferred stock-based compensation expense to be recognized, over a remaining period of 2.8 years, was approximately \$1.5 million.

#### NOTE 17 — SEGMENT DATA

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. Orion evaluates and reports on the business using three segments: Lighting Segment, Maintenance Segment and Electric Vehicle Charging Segment ("EV Segment").

### 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 mostly through direct sales and also sells lighting products through manufacturer representative agencies and to the wholesale contractor markets through energy service companies and contractors.

### Maintenance Segment

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

### Electric Vehicle Charging Segment

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

### Corporate and Other

Corporate and Other is comprised of operating expenses not allocated to Orion's segments and adjustments to reconcile to consolidated results (dollars in thousands).

	Revenues		Operating Income (Loss)		Total Assets	
	For the Three Months Ended December 31,		For the Three Months Ended December 31,		December 31, 2024	March 31, 2024
	2024	2023	2024	2023		
Segments:						
Lighting Segment	\$ 13,214	\$ 18,545	\$ 429	\$ 951	\$ 20,896	\$ 25,911
Maintenance Segment	3,925	4,608	309	(1,060)	5,006	8,827
Electric Vehicle Charging Segment	2,445	2,818	(1,166)	(1,454)	13,192	15,291
Corporate and Other	—	—	(821)	(499)	13,619	13,140
	<u>\$ 19,584</u>	<u>\$ 25,971</u>	<u>\$ (1,249)</u>	<u>\$ (2,062)</u>	<u>\$ 52,713</u>	<u>\$ 63,169</u>

	Revenues		Operating Loss	
	For the Nine Months Ended December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Segments:				
Lighting Segment	\$ 36,805	\$ 44,739	\$ (2,058)	\$ (1,777)
Maintenance Segment	11,045	11,996	(1,019)	(4,660)
Electric Vehicle Charging Segment	11,001	7,435	(2,001)	(4,417)
Corporate and Other	—	—	(2,875)	(1,773)
	<u>\$ 58,851</u>	<u>\$ 64,170</u>	<u>\$ (7,953)</u>	<u>\$ (12,627)</u>

### NOTE 18 — RESTRUCTURING EXPENSE

As part of Orion's restructuring effort, we entered into certain retention bonus agreements with certain key employees. The remainder of those retention bonuses were paid in Q3 and are not anticipated to recur. In addition, an inventory write-off was recognized in the first quarter of fiscal 2025 for inventory related to a customer Orion no longer does business with due to the restructuring, along with a lease breakage fee that occurred in the second quarter of fiscal 2025 due to the closing of the Pewaukee

office. Orion's restructuring expense for the three and nine months ended December 31, 2024 and 2023 is reflected within its consolidated statement of operations as follows (dollars in thousands):

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Cost of product revenue	\$ —	\$ —	\$ 197	\$ —
Cost of service revenue	—	—	149	—
General and administrative	20	—	388	—
Total Restructuring	<u>\$ 20</u>	<u>\$ —</u>	<u>\$ 734</u>	<u>\$ —</u>

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

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2024	2023	2024	2023
Segments:				
Maintenance	20	—	719	—
Corporate and Other	—	—	15	—
Total Restructuring	<u>\$ 20</u>	<u>\$ —</u>	<u>\$ 734</u>	<u>\$ —</u>

In the fourth quarter of fiscal 2025, Orion approved a cost reduction plan as part of its restructuring effort of approximately \$1.5 million in annualized savings through targeted staffing reductions.

## 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, 2024.*

### 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, 2024. We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or uncertainties after the date hereof or to reflect the occurrence of unanticipated events.

### Overview

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

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

We differentiate ourselves from our competitors by offering very efficient light fixtures (measured in lumens per watt) coupled with our project management services to national account customers to retrofit their multiple locations. Our comprehensive services include initial site surveys and audits, utility incentive and government subsidy management, engineering design, and project management from delivery through to installation and controls integration and commissioning. In addition, we began to offer lighting and electrical maintenance services in fiscal 2021. We believe that providing these services enables us to support a long-term business relationship with our customers and results in an increase in our recurring revenue. We completed the acquisition of Stay-Lite on January 1, 2022, which was intended to further expand our maintenance services capabilities. We subsequently dissolved the Stay-Lite business and merged the net assets into Orion effective October 11, 2024. On October 5, 2022, we acquired Voltrek, which was intended to leverage our project management and maintenance expertise into the rapidly growing EV sector.

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

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

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

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

Our fiscal year ends on March 31. We refer to our current fiscal year which ends on March 31, 2025 as "fiscal 2025". We refer to our most recently completed fiscal year, which ended on March 31, 2024, as "fiscal 2024", and our prior fiscal year which ended on March 31, 2023 as "fiscal 2023". Our fiscal first quarter of each fiscal year ends on June 30, our fiscal second quarter ends on September 30, our fiscal third quarter ends on December 31, and our fiscal fourth quarter ends on March 31.

Reportable segments 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. Orion evaluates and reports on the business using three segments: Lighting Segment, Maintenance Segment and Electric Vehicle Charging Segment ("EV Segment").

## Results of Operations - Three Months Ended December 31, 2024 versus Three Months Ended December 31, 2023

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 December 31,				
	2024	2023	% Change	2024	2023
	Amount	Amount		% of Revenue	% of Revenue
Product revenue	\$ 14,308	\$ 17,007	(15.9)%	73.1 %	65.5 %
Service revenue	5,276	8,964	(41.1)%	26.9 %	34.5 %
Total revenue	19,584	25,971	(24.6)%	100.0 %	100.0 %
Cost of product revenue	9,347	12,302	(24.0)%	47.7 %	47.4 %
Cost of service revenue	4,483	7,302	(38.6)%	22.9 %	28.1 %
Total cost of revenue	13,830	19,604	(29.5)%	70.6 %	75.5 %
Gross profit	5,754	6,367	(9.6)%	29.4 %	24.5 %
General and administrative expenses	3,857	4,910	(21.4)%	19.7 %	18.9 %
Sales and marketing expenses	2,859	3,170	(9.8)%	14.6 %	12.2 %
Research and development expenses	287	349	(17.8)%	1.5 %	1.3 %
Loss from operations	(1,249)	(2,062)	(39.4)%	(6.4)%	(7.9)%
Interest expense	(255)	(193)	32.1 %	(1.3)%	(0.7)%
Amortization of debt issue costs	(49)	(25)	96.0 %	(0.3)%	(0.1)%
Royalty income	45	—	NM	0.5 %	0.0 %
Other income	—	25	(100.0)%	0.0 %	0.1 %
Interest income	1	—	NM	0.0 %	0.0 %
Loss before income tax	(1,507)	(2,255)	(33.2)%	(7.7)%	(8.7)%
Income tax expense	1	1	—	0.0 %	0.0 %
Net loss	\$ (1,508)	\$ (2,256)	(33.2)%	(7.7)%	(8.7)%

\* NM - Not Meaningful

*Revenue, Cost of Revenue and Gross Margin.* Product revenue decreased 15.9%, or \$2.7 million, for the third quarter of fiscal 2025 versus the third quarter of fiscal 2024. Service revenue decreased 41.1%, or \$3.7 million, for the third quarter of fiscal 2025 versus the third quarter of fiscal 2024. The resulting decrease in total revenue was due to decreased revenues in all three segments because of lower volume. Cost of product revenue decreased by 24.0%, or \$3.0 million, in the third quarter of fiscal 2025 versus the comparable period in fiscal 2024. Cost of service revenue decreased by 38.6%, or \$2.8 million, in the third quarter of fiscal 2025 versus the comparable period in fiscal 2024. Gross margin increased from 24.5% of revenue in the third quarter of fiscal 2024 to 29.4% in the third quarter of fiscal 2025, due primarily to increased margins in the lighting and maintenance segments.

### Operating Expenses

*General and Administrative.* General and administrative expenses decreased 21.4%, or \$1.1 million, in the third quarter of fiscal 2025 compared to the third quarter of fiscal 2024. This comparative decrease was primarily due to a decrease in Voltrek acquisition earn out expense to \$0.5 million in the third quarter of fiscal 2025 compared to \$1.1 million in the third quarter of fiscal 2024, along with decreased wages and benefits as a result of the restructuring that took place in fiscal 2025.

*Sales and Marketing.* Sales and marketing expenses decreased 9.8%, or \$0.3 million, in the third quarter of fiscal 2025 compared to the third quarter of fiscal 2024. This comparative decrease was primarily due to the lower volume of product sales resulting in lower commission expense.

*Research and Development.* Research and development expenses decreased 17.8%, or \$0.1 million, in the third quarter of fiscal 2025 compared to the third quarter of fiscal 2024.

## Lighting Segment

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

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

	Three Months Ended December 31,		
	2024	2023	% Change
Revenues	\$ 13,214	\$ 18,545	(28.7)%
Operating income	\$ 429	\$ 951	54.9%
Operating margin	3.2%	5.1%	

Lighting segment revenue in the third quarter of fiscal 2025 decreased by 28.7%, or \$5.3 million, compared to the third quarter of fiscal 2024. The decrease in lighting segment revenue was primarily due to United States Department of Defense project in Germany boosting the third quarter fiscal 2024 revenue. The project concluded in the second quarter of fiscal 2025. The decrease in operating income in this segment was a result of decreased production volume which was partially offset by increased volumes from sourced goods.

## Maintenance Segment

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

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

	Three Months Ended December 31,		
	2024	2023	% Change
Revenues	\$ 3,925	\$ 4,608	(14.8)%
Operating income (loss)	\$ 309	\$ (1,060)	129.2%
Operating margin	7.9%	(23.0)%	

Maintenance segment revenue in the third quarter of fiscal 2025 decreased by 14.8%, or \$0.7 million, compared to the third quarter of fiscal 2024 primarily due to decreased work orders from our major customer. Operating income in this segment increased as a result of an increase in gross margins driven by a more favorable revenue mix.

## Electric Vehicle Charging Segment

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

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

	Three Months Ended December 31,		
	2024	2023	% Change
Revenues	\$ 2,445	\$ 2,818	(13.2)%
Operating loss	\$ (1,166)	\$ (1,454)	(19.8)%
Operating margin	(47.7)%	(51.6)%	

EV segment revenue in the third quarter of fiscal 2025 decreased by 13.2%, or \$0.4 million, compared to the third quarter of fiscal 2024. The decrease in revenue compared to the third quarter of fiscal 2024 was due to a lower revenue volume to municipalities. Operating loss decreased \$0.3 million in the third quarter of fiscal 2025 due to increased margins from a more favorable sales mix.

### Results of Operations - Nine Months Ended December 31, 2024 versus Nine Months Ended December 31, 2023

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):

	Nine Months Ended December 31,				
	2024	2023	% Change	2024	2023
	Amount	Amount		% of Revenue	% of Revenue
Product revenue	\$ 39,442	\$ 46,266	(14.7)%	67.0%	72.1%
Service revenue	19,409	17,904	8.4%	33.0%	27.9%
Total revenue	58,851	64,170	(8.3)%	100.0%	100.0%
Cost of product revenue	26,809	33,258	(19.4)%	45.6%	51.8%
Cost of service revenue	17,541	16,805	4.4%	29.8%	26.2%
Total cost of revenue	44,350	50,063	(11.4)%	75.4%	78.0%
Gross profit	14,501	14,107	2.8%	24.6%	22.0%
General and administrative expenses	12,970	15,689	(17.3)%	22.0%	24.4%
Acquisition related costs	—	56	(100.0)%	0.0%	0.2%
Sales and marketing expenses	8,644	9,778	(11.6)%	14.7%	15.2%
Research and development expenses	840	1,211	(30.6)%	1.4%	1.9%
(Loss) income from operations	(7,953)	(12,627)	(37.0)%	(13.5)%	(19.7)%
Interest expense	(800)	(561)	42.6%	(1.4)%	(0.9)%
Amortization of debt issue costs	(155)	(74)	109.5%	(0.3)%	(0.1)%
Royalty income	61	—	NM	0.2%	0.0%
Other income	—	37	(100.0)%	0.0%	0.1%
Interest income	1	2	(50.0)%	0.0%	0.0%
(Loss) income before income tax	(8,846)	(13,223)	(33.1)%	(15.0)%	(20.6)%
Income tax (benefit) expense	44	58	(24.1)%	0.1%	0.1%
Net loss	\$ (8,890)	\$ (13,281)	(33.1)%	(15.1)%	(20.7)%

\* NM - Not Meaningful

*Revenue, Cost of Revenue and Gross Margin.* Product revenue decreased 14.7%, or \$6.8 million, for the first nine months of fiscal 2025 versus the first nine months of fiscal 2024. Service revenue increased 8.4%, or \$1.5 million, for the first nine months of fiscal 2025 versus the first nine months of fiscal 2024. Total revenue decreased due to revenue declines in both the lighting and maintenance segments as a result of decreased volumes, which was partially offset due to a revenue increase in the EV segment, due to increased sales to municipalities. Cost of product revenue decreased by 19.4%, or \$6.4 million, in the first nine months of fiscal 2025 versus the comparable period in fiscal 2024. Cost of service revenue increased by 4.4%, or \$0.7 million, in the first nine months of fiscal 2025 versus the comparable period in fiscal 2024. Gross margin increased from 22.0% of revenue in the first nine months of fiscal 2024 to 24.6% in the first nine months of fiscal 2025, due primarily to increased margins within the lighting and maintenance segments.

### Operating Expenses

*General and Administrative.* General and administrative expenses decreased 17.3%, or \$2.7 million, in the first nine months of fiscal 2025 compared to the first nine months of fiscal 2024. This comparative decrease was primarily due to the decreased accrual of the expected Voltrek acquisition earn-out payment, along with decreased wages and benefits as a result of the restructuring that took place in fiscal 2025.

*Acquisition Related Costs.* There were no acquisition related costs in the first nine months of fiscal 2025 in comparison to the \$0.1 million in the first nine months of fiscal 2024.

*Sales and Marketing.* Sales and marketing expenses decreased 11.6%, or \$1.1 million, in the first nine months of fiscal 2025 compared to the first nine months of fiscal 2024. This comparative decrease was primarily due to the lower volume of product sales resulting in lower commission expense, along with decreased wages and benefits as a result of the restructuring that took place in fiscal 2025.

*Research and Development.* Research and development expenses decreased 30.6%, or \$0.4 million, in the first nine months of fiscal 2025 compared to the first nine months of fiscal 2024. This comparative decrease was primarily due to the reduction of employee compensation costs.

*Interest Expense.* Interest expenses increased 42.6%, or \$0.2 million, in the first nine months of fiscal 2025 compared to the first nine months of fiscal 2024. This comparative increase was primarily due to the interest on outstanding borrowings and a higher incremental borrowing rate.

### Lighting Division

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

	Nine Months Ended December 31,		
	2024	2023	% Change
Revenues	\$ 36,805	\$ 44,739	(17.7)%
Operating loss	\$ (2,058)	\$ (1,777)	15.8%
Operating margin	(5.6)%	(4.0)%	

Lighting division revenue in the first nine months of fiscal 2025 decreased by 17.7%, or \$7.9 million, compared to the first nine months of fiscal 2024. The decrease in lighting segment revenue was due to variability in the timing of larger lighting projects along with the completion of the United States Department of Defense project in Germany in the second quarter of fiscal 2025. The increase in operating loss in this segment was a result of decreased production volume which was partially offset by increased volumes from sourced goods.

### Maintenance Division

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

	Nine Months Ended December 31,		
	2024	2023	% Change
Revenues	\$ 11,045	\$ 11,996	(7.9)%
Operating loss	\$ (1,019)	\$ (4,660)	(78.1)%
Operating margin	(9.2)%	(38.8)%	

Maintenance division revenue in the first nine months of fiscal 2025 decreased by 7.9%, or \$1.0 million, compared to the first nine months of fiscal 2024, primarily due to the loss of three large customers who decided not to renew their contracts, due to our decision to substantially increase service pricing, partially offset by increased work orders from our major customer. Operating loss in this segment decreased as a result of an increase in gross margin primarily due to a more favorable revenue mix.

## Electric Vehicle Charging Division

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

	Nine Months Ended December 31,			% Change
	2024	2023		
Revenues	\$ 11,001	\$ 7,435	48.0 %	
Operating loss	\$ (2,001)	\$ (4,417)	(54.7)%	
Operating margin	(18.2)%	(59.4)%		

EV segment revenue in the first nine months of fiscal 2025 increased by 48.0%, or \$3.6 million, compared to the first nine months of fiscal 2024, primarily due to strong revenue volumes to municipalities in the first two quarters of fiscal 2025. Operating loss in this segment decreased primarily as a result of the Voltrek acquisition earn-out expense decreasing in fiscal 2025 compared to 2024 along with the significant increase in revenue allowing for greater absorption of fixed costs.

## 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, 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 longer-term capital requirements for periods beyond at least one year from the date of this report.

We had approximately \$7.5 million in cash and cash equivalents as of December 31, 2024, compared to \$5.2 million at March 31, 2024. Our cash position increased as a result of the proceeds of our \$3.525 million mortgage loan, which closed in the second quarter of fiscal 2025, along with strong cash receipts in the third quarter, which were partially offset by an operating loss along with \$2.5 million repayment of debt during the third quarter of fiscal 2025.

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.

### Cash Flows

The following table summarizes our cash flows for the nine months ended December 31, 2024 and 2023 (in thousands):

	Nine Months Ended December 31,		
	2024	2023	
Operating activities	\$ 1,298	\$ (10,267)	
Investing activities	134	(750)	
Financing activities	910	(8)	
Increase (decrease) in cash and cash equivalents	\$ 2,342	\$ (11,025)	

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

Cash provided by operating activities for the first nine months of fiscal 2025 was \$1.3 million and consisted of our net loss of \$8.9 million adjusted for non-cash expense items and net cash provided in changes in operating assets of \$10.2 million, the largest of which were accounts receivable, revenue earned but not billed, and inventories totaling \$8.5 million. These increases were partially offset by a \$4.9 million decrease in accounts payable.

Cash used in operating activities for the first nine months of fiscal 2024 was \$10.3 million and consisted of our net loss of \$13.3 million adjusted for non-cash expense items and net cash used in changes in operating assets of \$3.0 million, the largest of which was a benefit from a \$5.5 million accounts payable.

*Cash Flows Related to Investing Activities.* Cash provided by investing activities of \$134 thousand in the first nine months of fiscal 2025 consisted primarily of sales of property and equipment.

Cash used in investing activities of \$0.8 million in the first nine months of fiscal 2024 consisted primarily of purchases of property and equipment, partially offset by proceeds from the sale of property and equipment.

*Cash Flows Related to Financing Activities.* Cash provided by financing activities of \$910 thousand in the first nine months of fiscal 2025 was primarily due to the mortgage term loan discussed in Note 12 above, which was partially offset by payments on our revolving credit facility and long-term debt.

Cash used in financing activities of \$8 thousand in the first nine months of fiscal 2024 consisted primarily of payment of long-term debt.

### ***Working Capital***

Our net working capital as of December 31, 2024 was \$10.5 million, consisting of \$37.1 million in current assets and \$26.6 million in current liabilities. Our net working capital as of March 31, 2024 was \$16.7 million, consisting of \$44.8 million in current assets and \$28.1 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. Our accounts receivables, inventory, payables and unbilled revenue may increase to the extent our revenue and order levels increase.

### ***Indebtedness***

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

Our credit agreement provides for a five-year \$25.0 million revolving credit facility (the "Credit Facility") that matures on June 30, 2027. Borrowings under the Credit Facility are subject to a borrowing base requirement based on eligible receivables, inventory and cash. As of December 31, 2024, the borrowing base supported approximately \$15.6 million of availability under the Credit Facility, with \$7.5 million drawn against that availability. As of December 31, 2023, the borrowing base supported approximately \$22.5 million of availability under the Credit Facility, with \$10.0 million drawn against that availability.

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

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

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

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

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

Effective April 22, 2024, we, along with our lender, executed Amendment No. 2 ("Amendment No. 2") to the credit agreement. The primary purpose of Amendment No. 2 was to add a \$3.525 million mortgage loan facility to the credit agreement secured by our office headquarters property in Manitowoc, Wisconsin. Amendment No. 2 also broadened the definition of receivables to encompass government receivables as being eligible to be included in our borrowing base calculation for the purpose of establishing our monthly borrowing availability under the credit agreement. Quarterly installments of \$88,125 are due on the first day of each fiscal quarter beginning October 1, 2024.

Effective October 30, 2024, we and our lender, executed Amendment No. 3 ("Amendment No. 3") to our Credit Agreement. The primary purpose of Amendment No. 3 was to extend the maturity date of the Credit Facility from December 29, 2025 to June 30, 2027.

### **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 \$14.4 million and \$22.0 million as of December 31, 2024 and March 31, 2024, 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.

### **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, 2024. For the quarter ended December 31, 2024, there were no material changes in our accounting policies.

### **Recent Accounting Pronouncements**

For a complete discussion of recent accounting pronouncements, refer to Note 2 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, 2024. There have been no material changes to such exposures since March 31, 2024.

### **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 our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2024, 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 December 31, 2024.

#### **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 December 31, 2024, 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 14 – 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, 2024, which we filed with the SEC on June 12, 2024 and in Part 1 - Item 2 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q.

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

None.

### **ITEM 5. OTHER INFORMATION**

#### **Rule 10b5-1 Trading Plans**

During the three months ended December 31, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement," or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## ITEM 6. EXHIBITS

### (a) Exhibits

- 10.1 [Amendment No. 3 to Loan and Security Agreement, dated effective as of October 30, 2024, among Orion Energy Systems, Inc., Bank of America, N.A., as lender, and the subsidiary borrowers party thereto, file as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on October 31, 2024, is hereby incorporated by reference.](#)
- 31.1 [Certification of Chief Executive Officer of Orion Energy Systems, Inc. pursuant to Rule 13a-14\(a\) or Rule 15d-14\(a\) promulgated under the Securities Exchange Act of 1934, as amended.+](#)
- 31.2 [Certification of Chief Financial Officer of Orion Energy Systems, Inc. pursuant to Rule 13a-14\(a\) or Rule 15d-14\(a\) promulgated under the Securities Exchange Act of 1934, as amended.+](#)
- 32.1 [Certification of Chief Executive Officer of Orion Energy Systems, Inc. pursuant to Rule 13a-14\(b\) promulgated under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+](#)
- 32.2 [Certification of Chief Financial Officer of Orion Energy Systems, Inc. pursuant to Rule 13a-14\(b\) promulgated under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+](#)
- 101.INS Inline XBRL Instance Document+
- 101.SCH Inline XBRL Taxonomy extension schema document+
- 101.CAL Inline XBRL Taxonomy extension calculation linkbase document+
- 101.DEF Inline XBRL Taxonomy extension definition linkbase document+
- 101.LAB Inline XBRL Taxonomy extension label linkbase document+
- 101.PRE Inline XBRL Taxonomy extension presentation linkbase document+
- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2024, has been formatted in Inline XBRL and is 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 February 11, 2025.

ORION ENERGY SYSTEMS, INC.

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

*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: February 11, 2025

/s/ Michael H. Jenkins

Michael H. Jenkins  
Chief Executive Officer

*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: February 11, 2025

/s/ J. Per Brodin

J. Per Brodin  
Chief Financial Officer

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**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 December 31, 2024, 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: February 11, 2025

/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.

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**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 December 31, 2024, 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: February 11, 2025

/s/ J. Per Brodin

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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.

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