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### Daktronics, Inc.

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#### OVERVIEW AND KEY FACTS

Daktronics is engaged in the manufacture and sale of visual communication systems. The company supplies light-emitting diode (LED) video displays, message displays, and timings. The company operates in the US, Canada, China, Singapore, Brazil, Belgium, Ireland, the UAE, France, Japan, Hong Kong, Germany, Australia, the UK and Spain. I Brookings, South Dakota.

The company reported revenues of (US Dollars) US\$570.2 million for the fiscal year ended April 2016 (FY2016), a decrease of 7.4% over FY2015. In FY2016, the company's 0.4%, compared to an operating margin of 5.1% in FY2015. In FY2016, the company recorded a net margin of 0.4%, compared to a net margin of 3.4% in FY2015.

##### Daktronics, Inc. - Key Facts

<b>Head Office:</b>	201 Daktronics Dr PO Box 5128
<b>City:</b>	Brookings
<b>State:</b>	South Dakota
<b>ZIP:</b>	57006-5128
<b>Phone:</b>	1 605 6974000
<b>Fax:</b>	1 605 6974700
<b>Country:</b>	United States
<b>Web Address:</b>	<a href="http://www.daktronics.com">www.daktronics.com</a>
<b>Turnover (US \$m):</b>	570
<b>Financial Year-end:</b>	April
<b>Number of Employees:</b>	2,470
<b>Primary Stock Exchange (Ticker):</b>	NASDAQ (DAKT)

#### MAJOR PRODUCTS AND SERVICES

##### Daktronics, Inc. - Major Products and Services

Daktronics offers a complete package of services and products featuring LED technology. The key products and services of the company include the following:

Products:

- Audio Systems
- Digit and Price Displays
- Digital Billboard Displays
- ITS Dynamic Message Signs
- Message Displays
- Scoreboards and Timing Systems
- Software and Controllers
- Space Availability Displays
- Theatre Rigging and Hoists
- Ticker Displays
- Tote / Odd Boards
- Video Displays

Services:

- Creative Services
- Daktronics Sports Marketing
- Design Build Services
- Game Day Operations
- Leasing
- Project Management

Brands:

- Vanguard
- ProRail
- ProPixel
- Galaxy
- GalaxyPro
- Venus 1500

Valo  
Visiconn  
DataTime  
Fuelight

## SWOT ANALYSIS

### Daktronics, Inc. - SWOT Analysis Overview

#### Strengths

Comprehensive Product Offerings  
Vertically Integrated Company

#### Weaknesses

Dependence on Suppliers  
Decline in Financial Performance  
Working Capital Concerns

#### Opportunities

Inorganic Growth Strategies  
Backlog Portfolio  
New Contracts

#### Threats

Changing Technological Trends  
Highly Competitive Market  
Stringent Government Regulation

### Daktronics, Inc. : Strengths

#### Comprehensive Product Offerings

Daktronics leverages its comprehensive portfolio of solutions related to large format electronic display systems for its revenue growth in turn fueling its future profitability. It enables the company to serve various industries. The company's products include large electronic display systems, electronic scoreboards, software and services for sports messaging solutions, commercial and transportation applications. It offers a full range of products, which ranges from small indoor and outdoor scoreboards and electronic million dollar video display systems. It also offers related control, timing, sound and hoist systems and related professional services. Apart from the above products, the company manufactures, markets installing and servicing integrated systems that display real-time data, graphics, animation and video. Further, the company's principal activities consist of sales, engineering and design, manufacturing and professional services. The company's products find application in industries such as sports, transportation, Gaming, Petrol Centers, and Restaurants and QSRs, among others.

#### Vertically Integrated Company

Daktronics is a vertically integrated company which carries all related activities ranging from sub-assembly and substantially all final assembly of its products. Its manufacturing component manufacturing and system manufacturing such as metal fabrication, electronic assembly, sub-assembly and final assembly. Daktronics uses a modular approach to displays. Standard product modules are designed so that it can be used in a variety of different products. This modular approach reduces inventory of parts and improves margins. It builds custom projects according to the customer's specifications through the use of common components. Product modules are designed to maximize reliability and ease of assembly. The company focuses on increasing standardization and commonality of parts and manufacturing processes across all the products through product platform strategies. The company uses lean techniques in the non-manufacturing areas. The goal of implementing it is to eliminate waste and to timely deliver products to a customer while maintaining minimal eliminating non-value added tasks.

### Daktronics, Inc. : Weaknesses

#### Dependence on Suppliers

Daktronics depends upon third-party suppliers for the raw materials required for manufacturing of its products. The company requires raw material such as LEDs, power supplies, plastics, among others. Further, the company outsources certain raw material from sole supplier or a limited group of suppliers. This could adversely affect the operations if there are any uneven changes if the suppliers are unable to supply products reliably, if there are disruptions in international trade, trade restrictions and import duties, disruption of geographic points of exit and entry or any production and supply constraints leading to additional cost burden on the company. The loss of significant suppliers of products or their inability to produce the required quantities, could result in a material adverse impact on the company's operating results in turn affecting the financial.

#### Decline in Financial Performance

Daktronics reported a decline in revenue and income levels in the fiscal year ended April 2016. The company's revenue decreased from US\$615.9 million in 2015 to US\$570 million indicating a decline of 7.4%. This decline could be mainly attributed to decrease in net sales in Commercial and Live Event categories. The commercial segment sales decreased from US\$148.2 million in FY2015 to US\$148.2 million mainly due to decline in billboard niche due to volatility of order timing and general market delay in placing orders. Decline in sales from Live Event segment was mainly due to the decrease in orders for fiscal 2016 compared to fiscal 2015 which was primarily the result of the order timing variability on large projects. Its operating income decreased from US\$31.2 million in 2015 to US\$2.49 million in 2016 reflecting a decline of over 92% and its net income registered a 90% decline from US\$20.8 million in FY2015 to US\$2 million in FY2016.

#### Working Capital Concerns

The company reported a decrease in its working capital during FY2016, which reduced from US\$148.05 million in FY2015 to US\$123.71 million indicating a decline of 16.4%. The decline in working capital was due to decline in current assets coupled with lesser decline in current liabilities. In FY2016, the company's total current assets decreased by 15.5% to US\$290.07 million in FY2015. On the other hand its current liabilities decreased by 14.4% to JPY121.51 from JPY142.02 million. The company's cash balance decreased from US\$82.63 million in FY2015 to US\$53 million in FY2016, reflecting a decline of 35.9%.

### Daktronics, Inc. : Opportunities

#### Inorganic Growth Strategies

The company's inorganic growth strategies helped it to diversify and expand the scope of business operations further. In March 2016, Daktronics acquired ADFLOW Network Networks), a Canadian provider of digital signage, interactive and marketing solutions. Following the transaction, ADFLOW Networks will operate as a subsidiary of Daktronics Ontario, Canada. The acquisition of ADFLOW Networks will complement the company's existing Commercial business unit on-premise solutions.

#### Backlog Portfolio

Daktronics's strong backlog position strengthens its revenue stream under economic downturn. The company has consolidated product order backlog of US\$181.2 million as in FY2016, the company's orders stood at US\$560.78 million. Daktronics' Live Events segment accounted for 39.3% of its total orders; followed by commercial segment with Park and Recreation with 13.6%; International with 12.7%; and Transportation with 10.1%.

#### New Contracts

Daktronics received several new contracts in FY2016, which could provide revenue generating opportunities for the company. In November 2016, the company received a contract from University to upgrade its Carnesecca arena with new Daktronics video displays. In October 2016, the company received a contract from Sprint Center in Kansas City, Missouri to manufacture and install a new six-display centerhung video system. In the same month the company was also selected to add its video display to California Lutheran University; Idaho State University; and Norfolk State University among several others. In October 2015, Calgary Flames entered into partnership with the company for a new configuration above center ice inside Scotiabank Saddledome in Calgary, Alberta. In the same month, The National Association of Intercollegiate Athletics (NAIA) entered into partnership with the company. The company will be the official scoring, digital display and audio partner of the NAIA. In September 2015, the James Madison University (JMU) entered into partnership with Daktronics Creative Services of Brookings, for the production of multiple digital pieces for their game-day presentation. In July 2015, Old Dominion University entered into partnership with the company, for the design, manufacture and installation of new LED video displays at Ted Constant Convocation Center. In the same month, the University of New Hampshire entered into partnership with the company to install a new four-sided, centerhung video display system. Also, Wortham Center and Jones Hall, entered into partnership with the company for outdoor marquee video displays. In June 2015, the company entered into partnership with Loyola University Maryland of Baltimore, Maryland, to upgrade Reitz Arena with new

### Daktronics, Inc. : Threats

#### Changing Technological Trends

Technology has been changing at a faster pace with rising technological competition and price war, thereby affecting the company's overall product and service sales. The company depends on the ability to adapt itself to the rapid changes in technology. In the era of computer, the prevalence of change in technology is high. The company has to mold itself to these global changes effectively, in order to process its data to the clients without arising any complex situations. To come up with a new or novel technology that suits current market conditions takes much time. It may experience difficulties that could delay or prevent the successful design, development, testing, introduction or marketing of products and services. New product enhancements to existing products and services, may not adequately meet the requirements of current and prospective clients or achieve any degree of significant market penetration. A significant technological change could render the company's products and services obsolete.

#### Highly Competitive Market

The visual display systems industry in which the company operates is characterized by high competition. The list of strong competitors under its commercial business unit includes Optec Displays, Inc. and Watchfire. It is highly exposed to consumer-related markets, which affect its profitability due to growing pressure on price and demand from customers. The company faces severe competition from Skyline Products, Inc., Ledstar Inc. and others in Transportation Business Unit. Apart from established players in developed countries, players in emerging countries too are competing hard to garner highest market share. In Live Events Business Unit it competes with Mitsubishi, Lighthouse, and others. Other competitors include Optec Technologies, Inc, Toshiba America, Inc., Hibino Corporation and Colorado Time Systems among others. Since many of its competitors have a longer operating history, greater established customer and supplier relationships and greater financial resources, it could become difficult for the company to compete with them.

#### Stringent Government Regulation

The company's businesses are subject to extensive federal, state, local, and international laws and regulations. The company's operations are regulated by zoning ordinance and installation of outdoor signs and displays particularly in the commercial market. The company's digital properties and activities are regulated based on various aspects such as data protection, data retention and data protection and content regulation. The company's manufacturing operations utilizes some chemical products and chemical processes. They are related to safety and health which affect discharge of water, the generation and handling of waste and air emission. The company needs to regulate generation, storage, transportation and disposal of hazardous chemicals. The company needs high level of potential expenditure to meet the environmental regulations and laws related to health and safety and regulations affect the business operations of the company.

### KEY EMPLOYEES

Name	Job Title	Board
Byron J. Anderson	Director	Non Executive Board
James B. Morgan	Director	Non Executive Board
John Friel	Director	Non Executive Board
John L. Mulligan	Director	Non Executive Board
Kevin P. McDermott	Director	Non Executive Board
Nancy D. Frame	Director	Non Executive Board
<b>Reece A. Kurtenbach</b>	Chairman, Chief Executive Officer	Executive Board
Robert G. Dutcher	Director	Non Executive Board
<b>Sheila M. Anderson</b>	Chief Financial Officer	Senior Management

#### Reece A. Kurtenbach

Board: Executive Board

Job Title: Chairman, Chief Executive Officer

Biographies: Mr. Reece A. Kurtenbach has been the Chairman, Chief Executive Officer of the company since 2013. Prior to this, he served as Executive Vice President in 2012 and Vice Events and International in 2007. He served as Vice President for Video Systems in 2004, and manager for video products engineering in 1994. Mr. Kurtenbach joined the applications engineer.

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#### Sheila M. Anderson

Board: Senior Management

Job Title: Chief Financial Officer

Biographies: Mrs. Sheila M. Anderson is the Chief financial officer of the Company since 2012. Previously, she served as the Corporate Controller of the company from 2006 to 2012

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#### LATEST NEWS

##### August 2017 - Daktronics announces first quarter fiscal 2018 results

Daktronics, Inc. has reported fiscal 2018 first quarter net sales of \$172.7 million, operating income of \$11.7 million, and net income of \$8.4 million, or \$0.19 per diluted share sales of \$157.1 million, operating income of \$8.0 million, and net income of \$5.5 million, or \$0.13 per diluted share, for the first quarter of fiscal 2017.

##### June 2017 - Large video display, audio upgrades to improve fan experience for Northwestern State University

Daktronics of Brookings, South Dakota, announces the company will design, manufacture and install a new LED video display and audio upgrades for Northwestern State University Turpin Stadium on campus in Natchitoches, Louisiana.

##### May 2017 - Daktronics caters to the retail market with Narrow Pixel Pitch offering at the Retail Digital Signage Expo in London

Daktronics exhibited for the first time at Retail Digital Signage Expo (RDSE) in Olympia, London.

##### May 2017 - Daktronics announces fourth quarter and fiscal 2017 results

Daktronics, Inc. reported fiscal 2017 fourth quarter net sales of \$143.7 million, operating income of \$1.7 million, and net income of \$0.9 million, or \$0.02 per diluted share, of \$138.5 million, operating loss of \$3.7 million, and a net loss of \$2.9 million, or \$0.07 per diluted share, for the fourth quarter of fiscal 2016.

##### May 2017 - Daktronics wins national contract with cooperative purchasing group

Daktronics of Brookings, South Dakota, has been awarded a national cooperative contract to provide scoreboards and electronic signs to government agencies and educational institutions across the nation.

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*Note: All values are mentioned in US\$m.*