2019 HALF YEAR RESULTS

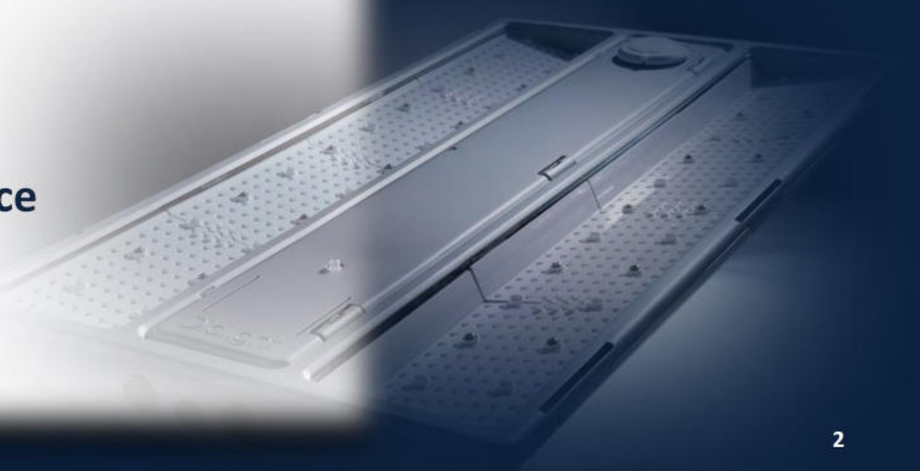
5 AUGUST 2019

Dialight

KEY POINTS

Dialight

- H1 2019 financial results were disappointing
- Physical separation from contract manufacturer now complete
- Mexico facilities performing well
- Penang operations relocated to new facility and expected to be fully operational within next two months
- 2 of 3 platform-level new products launched and the third coming soon
- Increased NPD capacity and capabilities in place
- Full year outlook for 2019 remains unchanged



FINANCIAL REVIEW

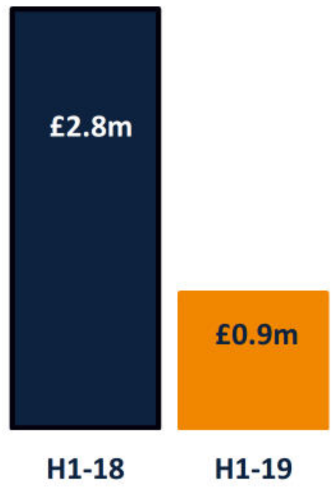
Fariyal Khanbabi

FINANCIAL SUMMARY*

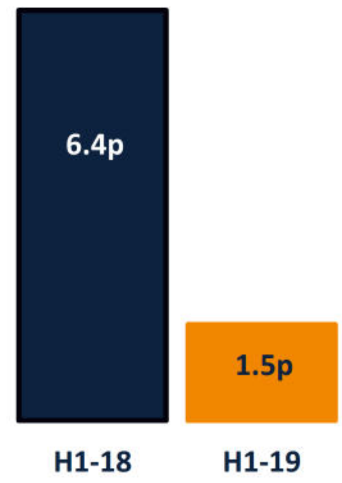
Dialight

Revenue

Underlying EBIT



Underlying EPS



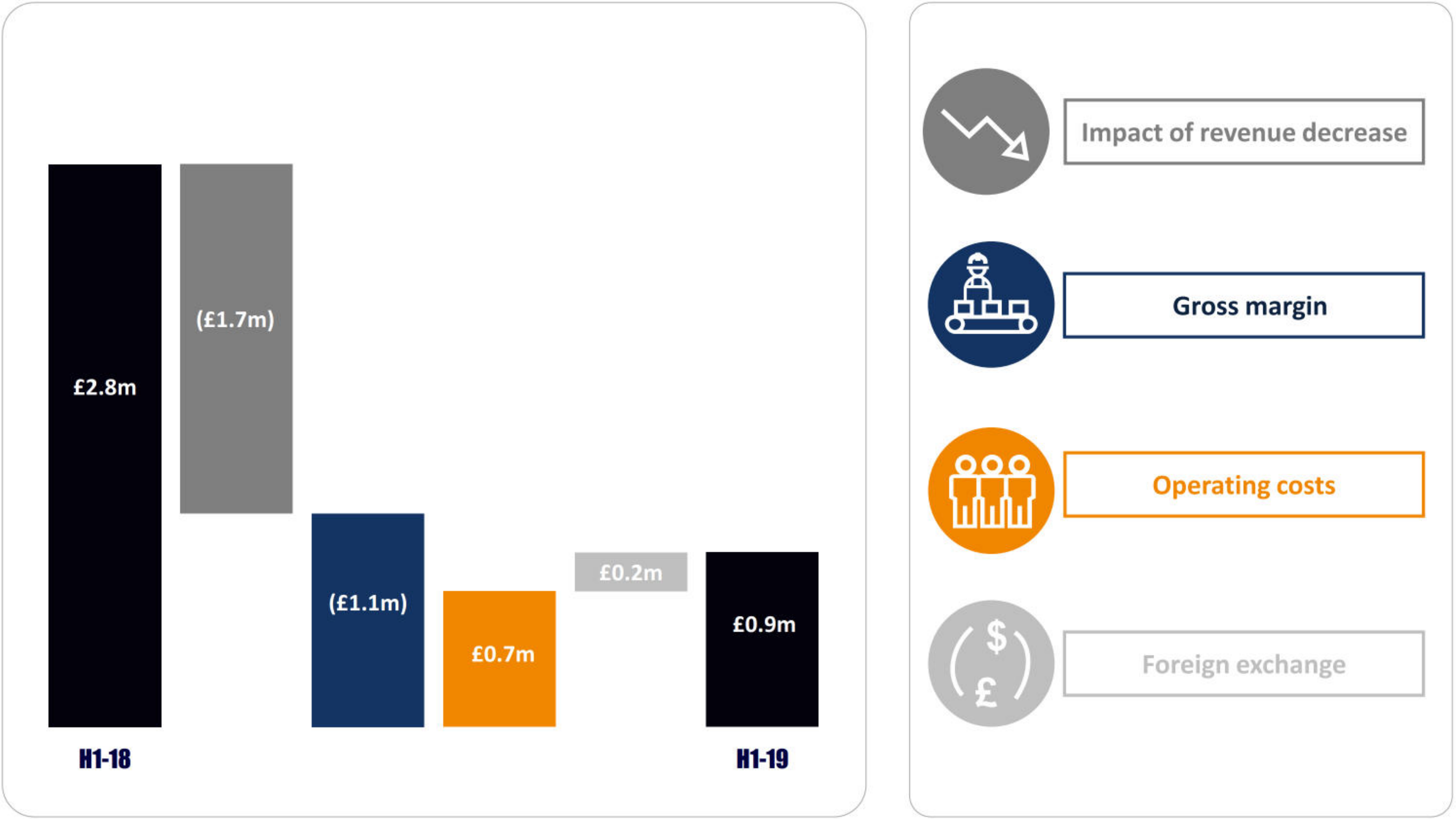
34%
Underlying gross margin (H1-18: 35%)

£11.0m
Net debt (Dec-2018: Net debt £2.9m)

£2.7m
Non Underlying (H1-18: Nil)

* All prior year numbers restated to exclude the European wind business

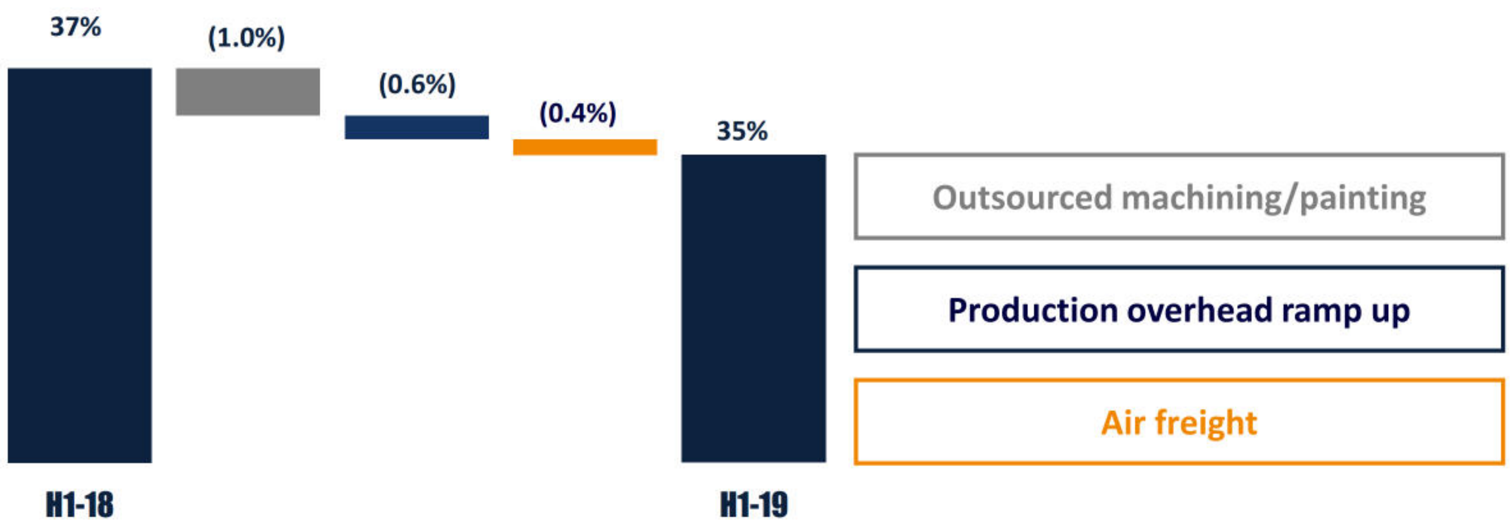
UNDERLYING EBIT BRIDGE



LIGHTING

Lighting £m	Reported currency H1-19	H1-18	Variance	Constant currency H1-18	Variance
Revenue	56.4	56.9	(1%)	59.4	(5%)
Gross Profit	**19.6**	**21.1**	**(7%)**	**21.6**	**(9%)**
Gross margin	*35%*	*37%*	*-200bps*	*36%*	*-100bps*
Overheads	(17.7)	(17.9)	1%	(18.5)	4%
EBIT	**1.9**	**3.2**	**(41%)**	**3.1**	**(38%)**

Gross margin bridge



Sanmina exit costs of £2.7m treated as non-underlying

NON UNDERLYING COSTS

Dialight

£m	Reported currency H1-19	H1-18
Freight and handling costs	1.9	-
Removal costs	0.8	-
Total	**2.7**	**-**
Cash impact	**2.7**	**-**

Freight & Handling (£1.9m)

- Handling charges for materials purchased from Sanmina
- Cost to move materials from Sanmina to our Plant in Mexico
- Cost to airfreight materials from Sanmina to our Plant in Malaysia to reduce production downtime

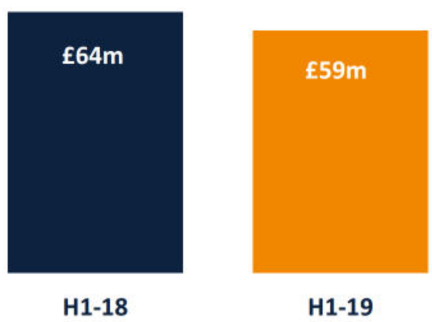
Removal & Installation (£0.8m)

- Cost to remove our Paint line and CNC machines from Sanmina and reinstall at our Plant in Mexico

LIGHTING ORDER INTAKE

Dialight

Order intake



The Americas	EMEA	APAC	OBSTRUCTION
(7%)	(17%)	(9%)	2%

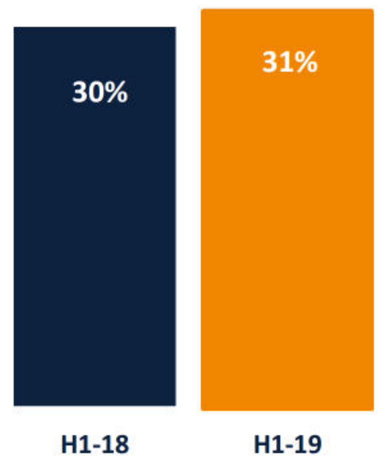
- Impact of operational issues reduced
- Confidence in delivery returning slower than expected
- Large customers deferred orders
- New products H2 focused
- Delays on start-up of production in Malaysia for two products serving EMEA and APAC

SIGNALS AND COMPONENTS

Revenue

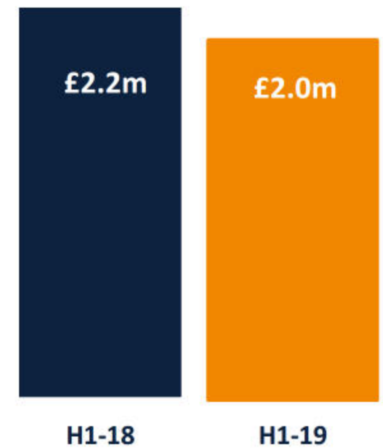
5%
Revenue reduction

Gross margin



100 bps
Improvement in gross margin

Underlying EBIT



9%
reduction in EBIT

NET DEBT BRIDGE

Dialight

	£m
Net debt at 31 December 2018	(2.9)
Underlying EBITDA	3.0
Inventory	(3.8)
Receivables/payables	2.4
Capex	(6.1)
Non-underlying costs	(2.7)
Interest & other	(0.9)
Net debt at 30 June 2019	**(11.0)**

£3.3m new facilities
£2.8m new product development

£3.8m inventory

£2.7m Non-Underlying costs

RCF facility

Value: £25m
Expiry: December 2021

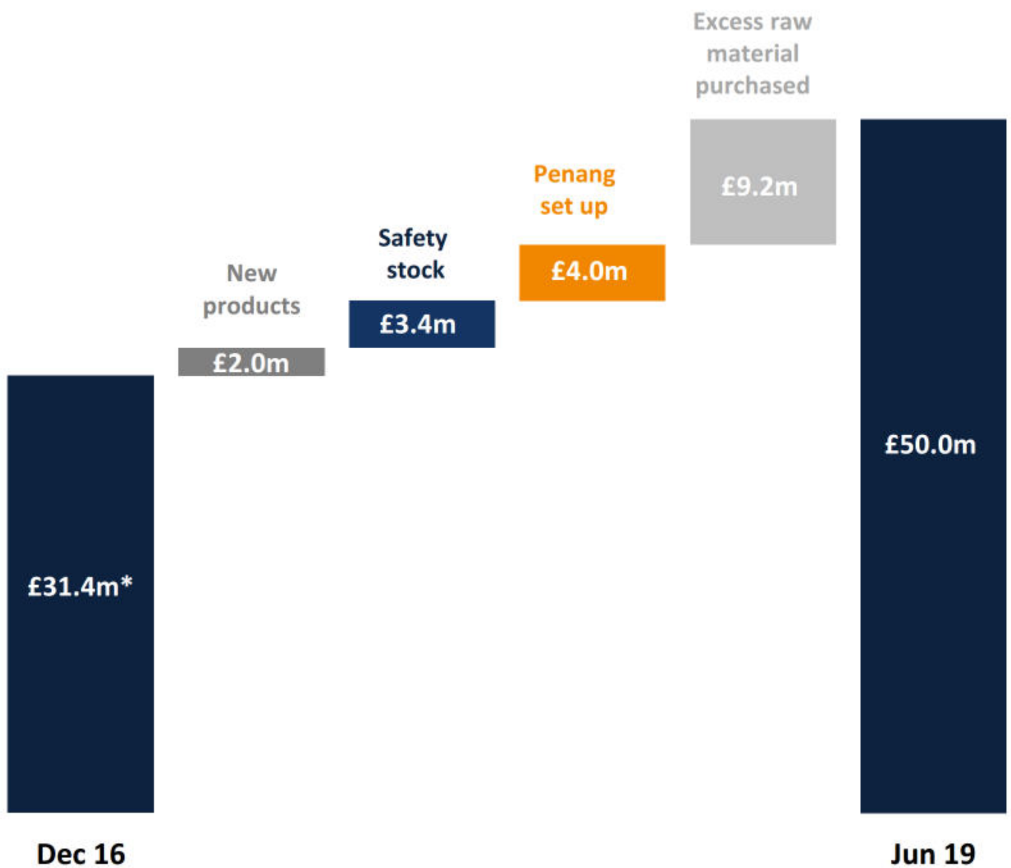
Debt leverage covenant
Actual 1x
Threshold <3X

Interest cover covenant
Actual 27x
Threshold >4x

Lease liabilities recognised on the Balance Sheet are carved out of covenant calculations

INVENTORY LEVELS

Dialight



Current actions

- Stricter purchasing controls implemented
- Consignment inventory programs in negotiation
- H2 weighting will assist consumption of excess raw material
- Sales teams targeting slow moving finished goods
- Reduction in safety stock levels

Target inventory level £35 - £ 40m (5 turns p.a.)

**last comparable period when all production was insourced*

2019 PLANNING ASSUMPTIONS

Dialight

INCOME STATEMENT	Net Interest	Broadly in line with H1-19
	Tax Rate	c26%
CASH FLOW	Capex	c.£2m operational capex c.£4m product development
	Working capital	Inventory levels to partly unwind in 2019

H2 weighting as in previous years

BUSINESS REVIEW

Marty Rapp

Dialight

SCALEABLE OPERATIONS

REVENUE RECOVERY & MARKET EXPANSION

INCREASED CAPACITY FOR NEW PRODUCT DEVELOPMENT

OPERATIONAL TIMELINE

Dialight

Sept 2018
Exit from Sanmina contract

Q4 2018
All manufacturing moved to Ensenada, Mexico

Tijuana facility opened

Q2 2019
All equipment removed from Sanmina

Aug 2019
All CNC machines and paint line operational in Tijuana

Sept 2019
New Penang facility fully operational

LEAD TIMES & ON TIME DELIVERY %

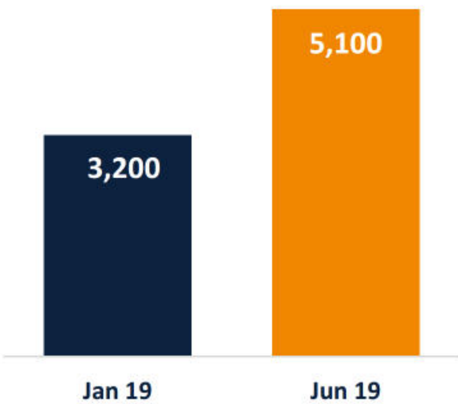
Dialight

	Pre Sanmina	Sanmina	Post Sanmina
Lead Time	4 weeks 2016	12-18 weeks 2018	3 weeks 2019
On time delivery % *	76% 2016	53% 2018	82% 2019

** Lead times are for all lighting products*

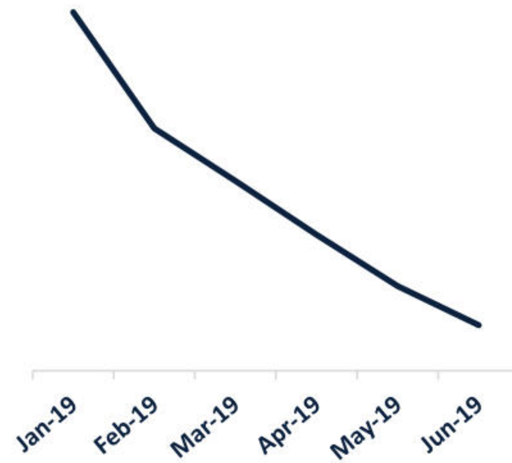
ENSENADA

Weekly production units



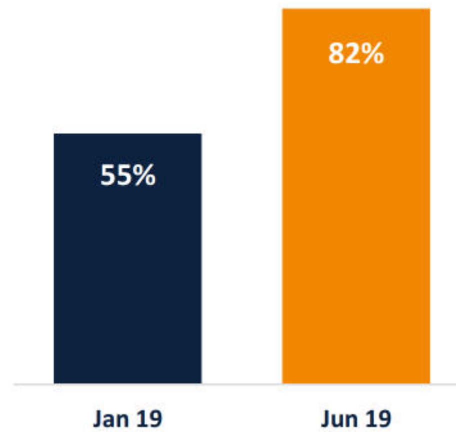
60% increase in weekly production

Overdue units



Overdue units equal to one day production capacity

On time delivery %



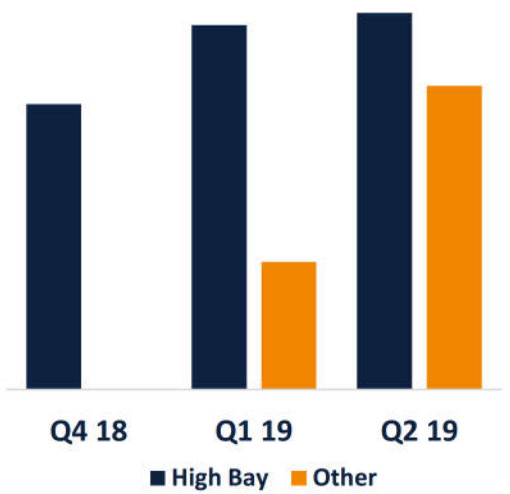
27% improvement

** On time delivery for June 2019*

PENANG

Dialight

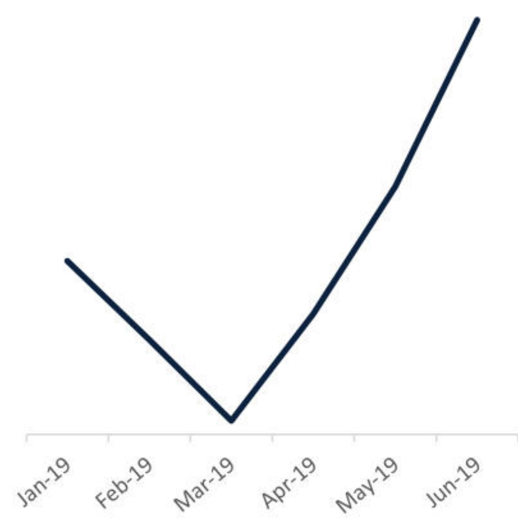
Production per product family



Penang continues to ramp production

Continuous improvement of all product lines

Overdue units



Overdue units have increased as Stainless Steel Linear and Bulkhead product lines transferred from Sanmina

- **High bay products running at 87% on time delivery with stabilised production**
- **On time delivery % is not representative of performance when production is ramping**
- **Stabilisation in supply chain for Stainless Steel Linear and Bulkhead products**
- **Full recovery expected by end of Q3**

OPERATIONAL FOCUS FOR H2

Dialight

Ramp in Penang production

Start up paint lines in Tijuana and Penang

Inventory reduction

Localised supply chain management

Vendor managed inventory

Supply chain cost reductions

REVENUE RECOVERY & MARKET EXPANSION

REGAINING MARKET SHARE

Dialight

Re-building confidence internally

Weekly operational and lead time calls, senior management engagement with customers and sales team

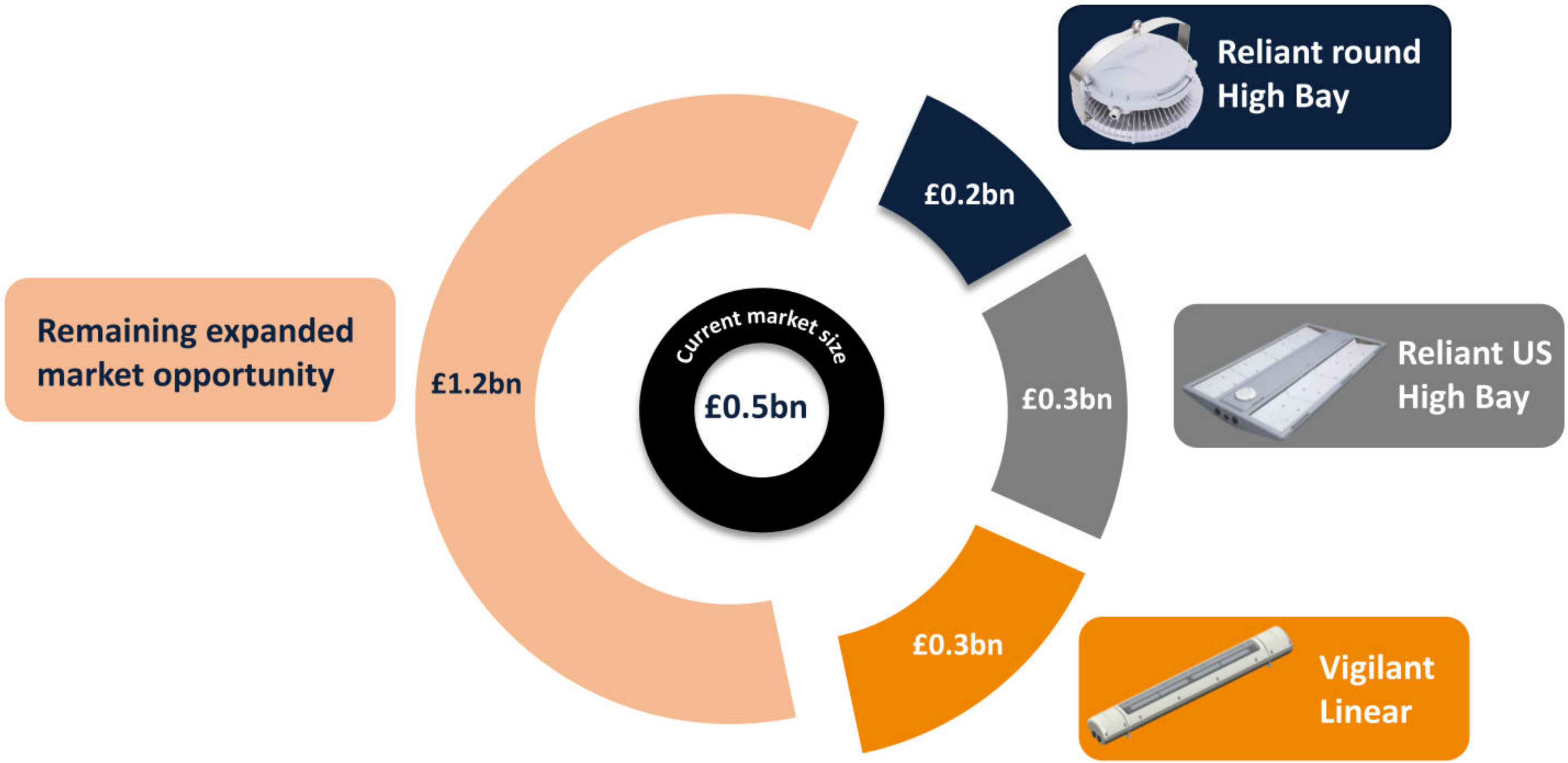
Build distribution partner confidence with consistent on time delivery and short lead times

Continued expansion of routes to market

New product launches supported by strong marketing plans

Special incentives for new product launches

EXPANDED MARKET OPPORTUNITY



Products launching in 2019 address £0.8bn of expanded market

OUR PRIORITIES

INCREASED CAPACITY FOR NEW PRODUCT DEVELOPMENT

NEW PRODUCT DEVELOPMENT CAPACITY

Dialight

Legacy team

Capacity to handle 3 new projects by the New Jersey team

Regional teams

Capacity to handle two new projects by the team in London

Additional hires

Add capacity to handle a further two projects by H2 2020

22 new platform products targeted over the medium term
Investment funded through growth

RELIANT HIGH BAY (EMEA & APAC)

Easy to install with single-point hook mounting

All units are controls enabled with plug and play occupancy senor

Exclusive in-house designed power supply and thermal management system

Replacement parts offered (including lenses, power supplies and surge protection)

Launched 24 May, production ramp in Penang, Finished goods inventory in place for APAC & EMEA

Industry leading 10 year warranty

RELIANT HIGH BAY (US)

Dialight

Next generation polymeric housing

10,000-72,000 lumens with up to 100ft mounting heights

Exclusive in-house designed power supply and thermal management system

All units are controls enabled with plug and play occupancy senor

Replacement parts offered (including lenses, power supplies and surge protection)

Industry leading 10 year warranty

SUMMARY

- H1 2019 financial results were disappointing
- Physical separation from contract manufacturer now complete
- Mexico facilities performing well
- Penang operations relocated to new facility and expected to be fully operational within next two months
- 2 of 3 platform-level new products launched and the third coming soon
- Increased NPD capacity and capabilities in place
- Full year outlook for 2019 remains unchanged

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TECHNOLOGY DIFFERENTIATION

Dialight

CUSTOM POWER SUPPLIES

- Long-life drivers
- Optimised thermal dissipation
- Protection against environmental contaminants
- Protection from vibration related failures

INTEGRATED DESIGN

- Longevity in harsh environments
- Simple installation
- Advanced protective coatings
- No replacement parts
- Eliminating maintenance for up to 10 years

INTELLIGENT CONTROLS

- Flexibility to group, dim and schedule lights
- Maximise energy savings
- Seamless integration with existing factory automation

LATEST LEDS AND ADVANCED OPTICS

- Highly efficient
- Uniform
- Low-glare illumination. Lighting where you need it

INCOME STATEMENT

Dialight

£m	H1 2019	H1 2018	Variance Reported	Variance Constant Currency
Revenue	**76.1**	**77.7**	**(2%)**	**(7%)**
Cost of goods sold	(50.4)	(50.3)		
Gross Profit	**25.7**	**27.4**	**6%**	**9%**
Distribution costs	(14.1)	(14.6)		
Administrative expenses	(10.7)	(10.0)		
Underlying EBIT	**0.9**	**2.8**	**(68%)**	**(83%)**
Non-underlying costs	(2.7)	-		
Finance expense	(0.3)	(0.1)		
(Loss)/Profit before tax	**(2.1)**	2.7		
Tax	0.5	(0.7)		
(Loss)/Profit after tax	**(1.6)**	**2.0**		
Underlying EPS	1.5p	6.4p		

MARKET SEGMENTS

Dialight

	H1 2019	H1 2018
Obstruction	**9%**	10%
Food & Beverage	**6%**	8%
Heavy industrial	**17%**	14%
Mining	**10%**	11%
Oil & Gas	**21%**	21%
Power	**10%**	8%
Pulp & Paper	**14%**	10%
Other industrials	**13%**	18%
	100%	100%

SIGNALS AND COMPONENTS

Dialight

Signal & components £m	Actual currency H1 2019	Actual currency H1 2018	Actual currency Variance	Constant currency H1 2018	Constant currency Variance
Revenue	**19.7**	20.8	(5%)	22.2	(11%)
Direct costs	(13.6)	(14.5)	6%	(15.5)	
Gross Profit	**6.1**	6.3	(3%)	6.7	(9%)
Gross margin	*31%*	*30%*	*+100bps*	*30%*	*+100bps*
Overheads	(4.1)	(4.1)	-	(4.3)	
EBIT	**2.0**	2.2	(9%)	2.4	(17%)