

OUR STRATEGY



ORGANIC GROWTH

Within our core heavy and harsh industrial markets by expanding routes to market, emphasising our product innovations and sustainability credentials



IMPROVE MARGINS

Through continued cost improvement and manufacturing efficiency programmes, supported by supply chain development and automation



INNOVATION

Pushing technological boundaries to support our customers environmental targets



UNDERPINNED BY
OPERATIONAL EXCELLENCE SUPPORTED BY ROBUST
SUPPLY CHAIN MANAGEMENT

STRATEGY EXECUTION IN 2022

ORGANIC GROWTH



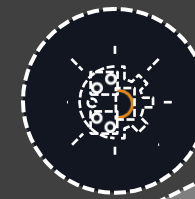
- Lighting only orders up 28% YoY
- Outperforming US market growth
- EMEA orders up 53%
- 11 strategic accounts secured with major US targets

EXPANDED REACH



- 37 new US distributors with 80 additional locations and 22 new EMEA distributors
- 30 new contractor relationships
- Re-joined Affiliated Distributors, largest US buying group

INNOVATION



- £22.4m orders from new products launched in the last 2 years
- Hazardous ProSite floodlight launched
- Source and Sell products launched – wall-packs and emergency lighting

2022 FINANCIAL HIGHLIGHTS

STRONG REVENUE GROWTH



- Group revenue up 29% (17% ccy)
- Lighting revenue up 34% (23% ccy)
- S&C revenues up 18% (7% ccy)
- Lighting only orders up 28%, S&C orders down 13%
- Seasonal Q4 uplift in orders did not materialise

GROSS MARGINS IMPACTED BY GLOBAL SUPPLY CHAIN



- Delivered successfully to our customers
- Gross margin reduced by 350bps due to inflation and global shortages
- Selling prices raised with full benefit in 2023
- Operational efficiencies generating £3m YoY benefit
- Operating profit £5.0m, up 11% YoY

BALANCE SHEET



- High inventory due to lower-December sales
- Targeting £5m inventory reduction in 2023
- Net debt of £20.9m (1.7xs LTM EBITDA)
- Bank facilities of \$34m RCF plus £2m CLBILS loan

FINANCIAL REVIEW

CLIVE JENNINGS



INCOME STATEMENT

		Actual	Constant currency
	FY-22	FY-21	FY-21
	£m	£m	£m
Revenue	169.7	131.6	144.5
Cost of sales	(115.1)	(84.6)	(92.9)
Gross profit	54.6	47.0	51.6
Gross margin %	32.2%	35.7%	35.7%
SG&A	(49.6)	(42.5)	(46.9)
Underlying EBIT	5.0	4.5	4.7
Non-underlying costs	(2.7)	(2.4)	(2.4)
EBIT	2.3	2.1	2.3

REVENUE

- Revenue up 29%
- Lighting up 34% and Signals & Components up 18%
- Key US market up 31%

GROSS MARGIN

- Gross margin reduced by 3.5% to 32.2%
- H2 hit to a greater extent by supply chain shortages, raw material cost inflation (especially microchips) and shipping delays
- Higher selling prices only partially mitigated due to sizeable committed order book
- Margin improvement plan in place for 2023

SG&A

- 29% of revenue – down 300bps YoY
- Increase driven by revenue linked activity and FX

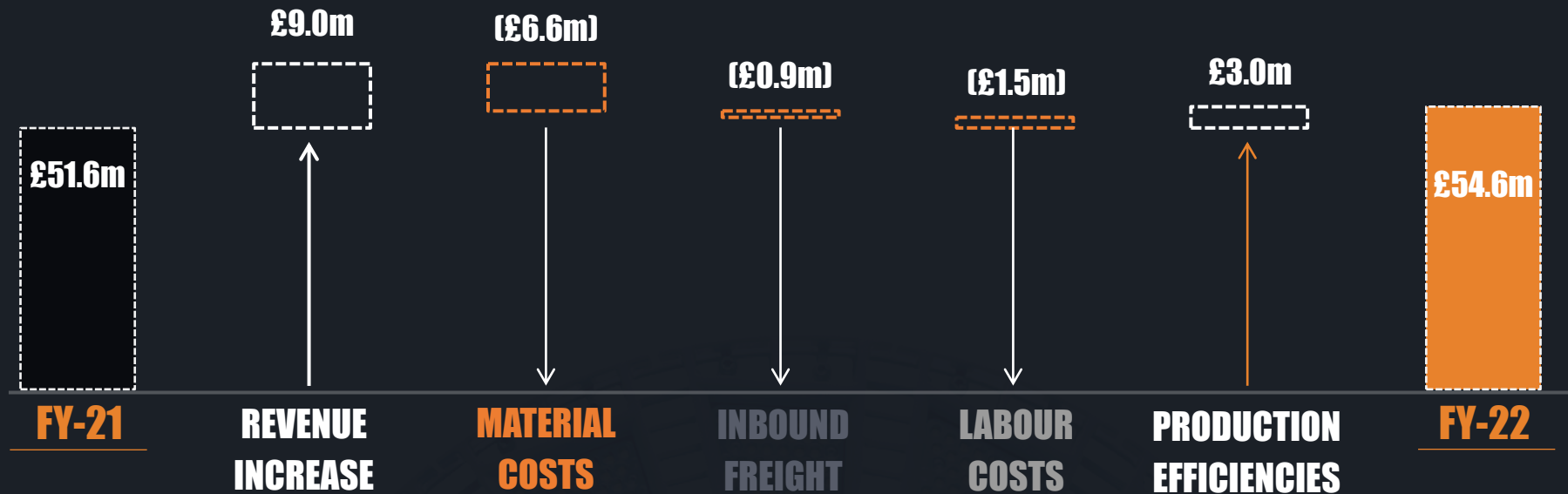
UNDERLYING EBIT

- 11% increase to £5.0m

NON-UNDERLYING ITEMS

- £1.4m in litigation costs and £1.3m non-cash impairment in Obstruction

GROSS PROFIT BRIDGE (CCY)



MATERIALS

- £4.6m impact of purchase price variance (PPV)
- £0.9m excess/obsolete (E&O) inventory provision
- £0.8m sales mix and contract priced sales
- £0.3m additional scrap

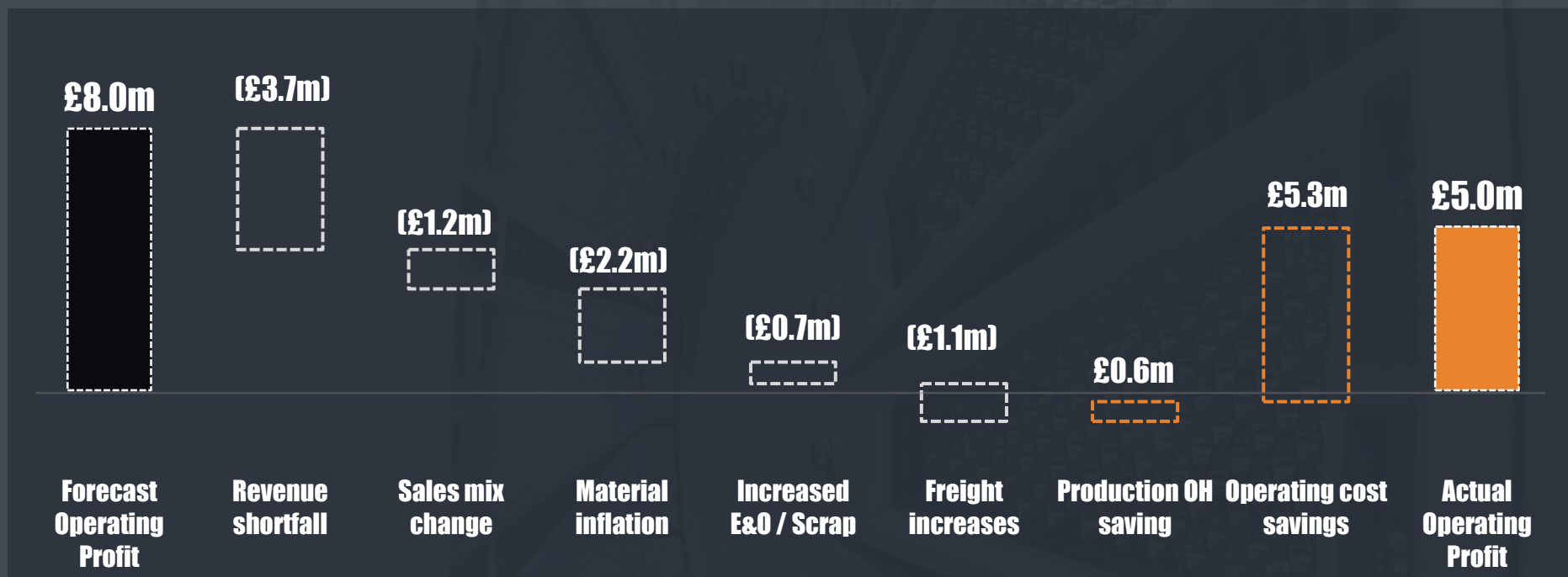
FREIGHT

- £0.7m expedited modes incl. air freight
- £0.2m inflation

LABOUR

- £1.0m impact of minimum wage increase
- £0.5m inefficiency

FORECAST OPERATING PROFIT BRIDGE



REVENUE SHORTFALL LARGELY DUE TO Q4 SEASONAL DEMAND UPLIFT BEING BELOW HISTORIC LEVELS

MATERIAL INFLATION / SUPPLY CONSTRAINTS INCREASED FURTHER THAN EXPECTED, WITH GREATER REQUIREMENT TO EXPEDITE MATERIALS

RECOVERY THROUGH OPERATING COST SAVINGS, INCLUDING LOWER SALES RELATED COSTS & BONUS REDUCTION

Prepared at forecast FX rates

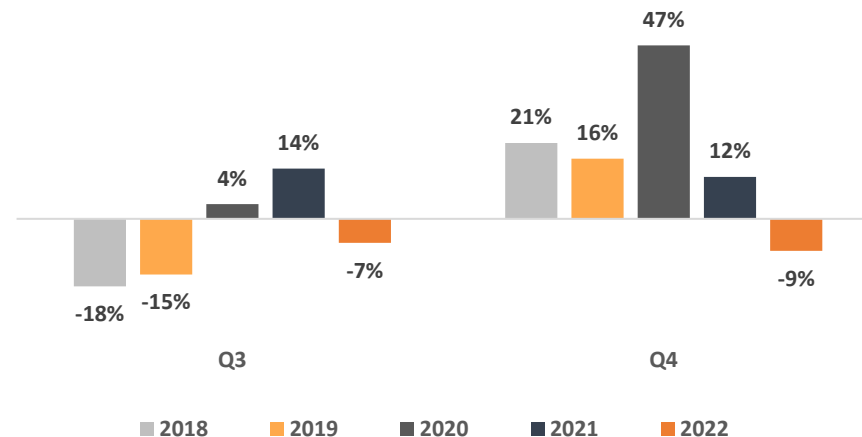
LIGHTING PERFORMANCE

£m	FY-2022	FY-2021	Variance	Constant Currency FY-2021
Revenue	121.0	90.5	+34%	98.8
Gross Profit	40.6	33.7	+20%	36.9
Gross margin	33.6%	37.2%	-360bps	37.3%
Overheads	(33.7)	(28.4)	(19%)	(31.2)
Underlying EBIT	6.9	5.3	+30%	5.7

16%
VOLUME GROWTH (ccy)

5%
PRICE GROWTH (ccy)

H2 2022 QUARTER ON QUARTER US LIGHTING ORDERS % INCREASE / DECREASE



REVENUE

- Strong growth with US +37%; EMEA +36%; Asia +133% but Australia -4% due to lockdowns
- H2 impacted by Q4 seasonal demand below historic levels, with several strategic customers deferring anticipated orders
- Distribution channels lowering their inventory levels also impacted Q4

GROSS MARGIN

- Strategic decision to keep supplying our customers on time resulted in additional costs
- Margin hit by supply chain shortages, raw material cost inflation and shipping delays with partial offset from price increases and production efficiency programmes
- Overcoming shortages had significant short-term financial impact

SIGNALS & COMPONENTS PERFORMANCE

£m (Actual)				Constant
	FY-2022	FY-2021	Variance	Currency FY-2021
Revenue	48.7	41.1	+18%	45.7
Gross Profit	14.0	13.3	+5%	14.8
Gross margin	28.7%	32.4%	-370bps	32.4%
Overheads	(8.3)	(7.8)	(6%)	(8.4)
Underlying EBIT	5.7	5.5	+4%	6.4

2%
VOLUME GROWTH (ccy)

5%
PRICE GROWTH (ccy)



REVENUE

- Growth of 18% driven by strong demand for OE and large opening order book
- OE market correction started in H2 as expected with orders down 13% YoY
- Traffic still weak with lack of major project bids and Vehicle hampered by low bus ridership

GROSS MARGIN

- 370bps reduction due to increased input prices, mainly in H2
- Selling price raised for all new orders but benefit will come through in 2023

INVENTORY



**£6.8M INCREASE IN INVENTORY
LARGELY THE RESULT OF HIGH PPV &
DECEMBER SALES MISS**



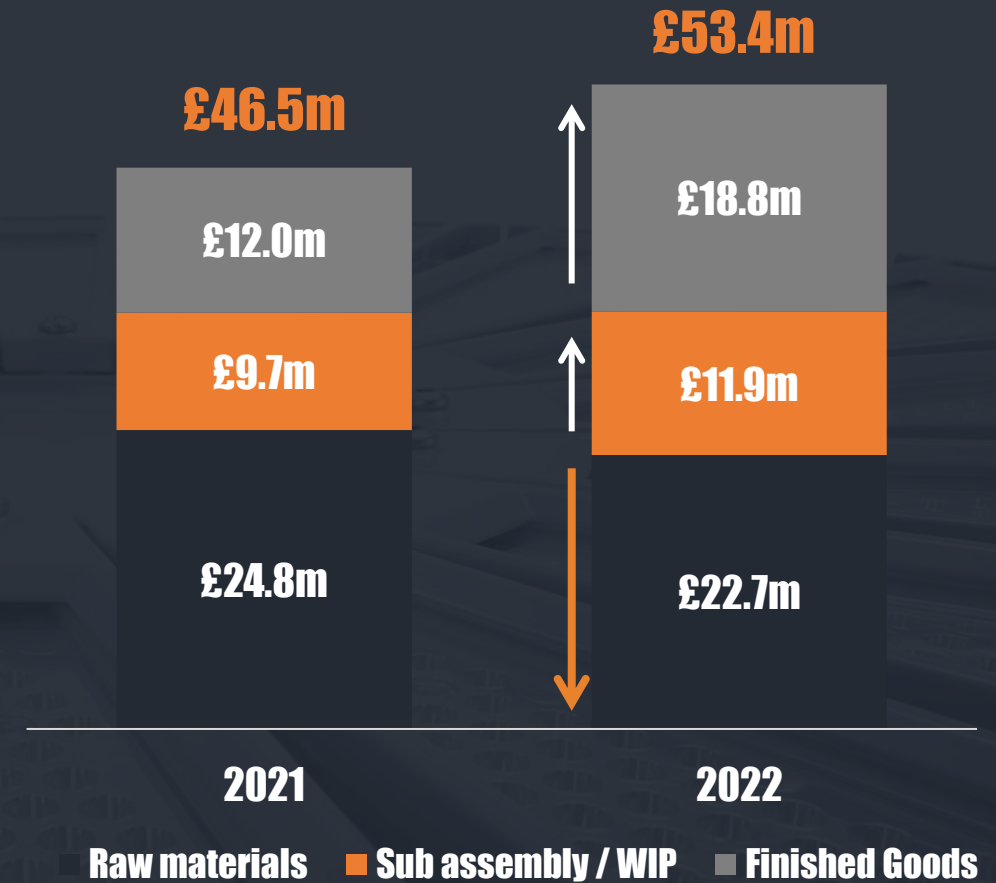
**£2.1m RAW MATERIAL REDUCTION
ACHIEVED DESPITE ADVERSE PPV**



**NORMAL Q4 SALES UPLIFT DID NOT
MATERIALISE RESULTING IN HIGHER
CLOSING FINISHED GOODS AND WIP
WHICH WILL REDUCE IN 2023**

**£5M REDUCTION
TARGETED IN 2023**

CLOSING INVENTORY* (ccy)



*Excludes spare parts

NET DEBT

	£m	
Net debt at 31 December 2021		(15.7)
Inflows		
Underlying EBITDA	12.3	
Net working capital (excl. Inventory)	0.2	12.5
Outflows		
Increase in inventory	(6.7)	
Investment in new products	(3.6)	
Maintenance capex/others	(3.7)	
Provisions and other movements	(0.1)	
Non-underlying costs	(1.4)	
Interest and tax paid	(2.6)	(18.1)
Foreign exchange		0.4
Net debt at 31 December 2022		(20.9)

UNDERLYING EBITDA

- Higher EBITDA, up £1.2m on 2021

WORKING CAPITAL

- Flat net working capital (excluding inventory)

CAPEX

- Continued investment into new products (Floodlight, battery backup, new power supply)
- Investment into surface mount technology (SMT) automation and new tooling

BORROWING CAPACITY

- £2m balance on CLBILS loan repayable over next 6 months (fully repaid by June 23)
- RCF renegotiated to \$34m and extended to max of July 2027 (3+1+1)

2023 ASSUMPTIONS

INCOME STATEMENT

NET INTEREST

Small increase in 2023

TAX RATE

Effective tax rate c.25%

CASH FLOW

CAPEX

**c.£6m production capex
c.£4m product development**

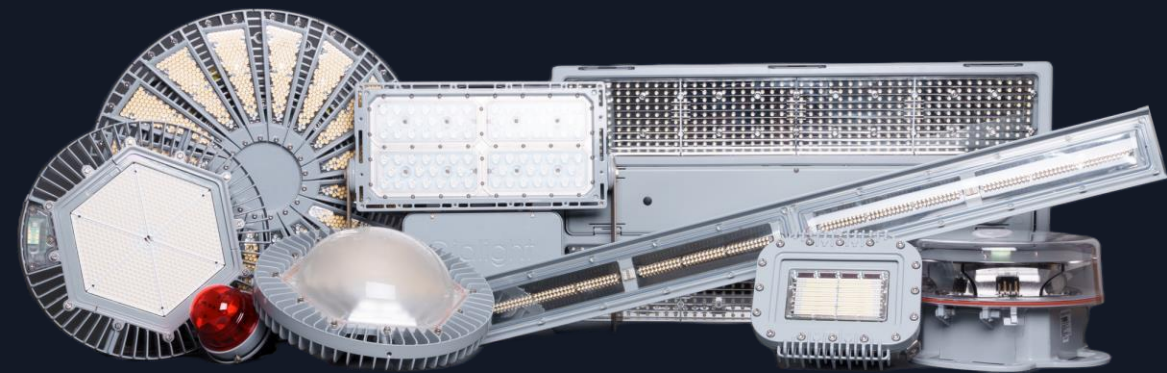
WORKING CAPITAL

**£5m targeted inventory reduction
Net debt at 1x EBITDA**

Results will be H2 weighted as in previous years

BUSINESS REVIEW

FARIYAL KHANBABI

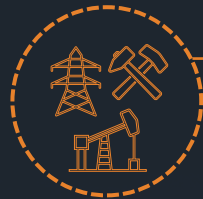


THE LIGHTING MARKET

**THE MACRO-ECONOMIC
BACKDROP PRESENTS
UNCERTAINTY**

**INFLATION HIGHEST
SINCE 1970**

**WE ARE TARGETING MARKET
NICHEs WITH MORE
RESILIENT DEMAND AND
WHERE GROWTH IS DRIVEN
BY STRUCTURAL, SAFETY AND
SUSTAINABILITY FACTORS**



CORE MARKETS

Resource markets expect solid demand in the short-medium term
Global energy shortages have led to expansion in oil extraction -
US on shore drilling up 60% year over year.
Mining customers benefitting from high battery production
demand for Lithium / Nickel.



MARKET EXPANSION

Increasing success into process industries including aerospace,
electric vehicle and food & beverage

Advancements in efficiencies and controls are building a path
to a more sustainable fixture

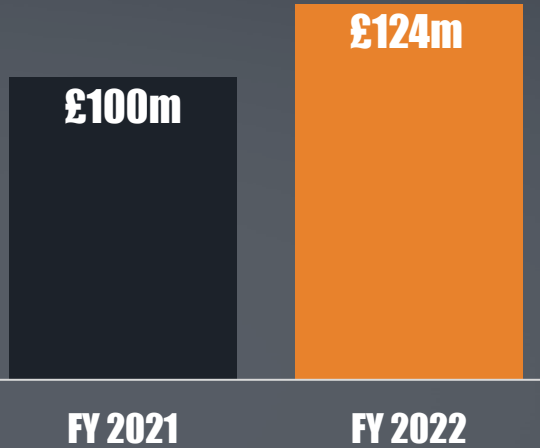
Older technologies have become more expensive to maintain
while LED fixtures use 75% less energy and last 25 times longer

Companies and global economies are trying to figure how they
will reach their net zero targets.

**US INDUSTRIAL ANNUAL
CARBON EMISSIONS
c.2bn TONNES.
HIGH EFFICIENCY LED
LIGHTING PROVIDES
AN IMMEDIATE &
SUSTAINABLE REDUCTION
IN EMISSIONS.**

LIGHTING YoY ORDER PERFORMANCE

ORDERS



**23% YoY
GROWTH**

**18%
VOLUME
GROWTH**

**5%
PRICE
GROWTH**

AMERICAS



- +30% (+17% ccy)
- Robust MRO market
- Larger capex projects deferred
- Growing strategic sales

EMEA



- +53% (+38% ccy)
- Improved performance as restrictions lifted
- Benefit from new product launches

APAC



- +7% (-3% ccy)
- Key Australian market impacted Covid-19 lockdown
- Asia growing, with orders +60%

OBSTRUCTION



- Orders -28% (-35% ccy)
- Reduced tower construction

OPERATIONS PERFORMANCE

OPERATIONS HAVE MADE KEY IMPROVEMENTS & SUPPORTED REVENUE GROWTH



INFLATION ACROSS MATERIALS, LABOUR, LOGISTICS



MAJOR COMPONENT SHORTAGES, EXTENDED LEAD TIMES

MARKET CONDITIONS HAVE HAD A SIGNIFICANT IMPACT ON OPERATIONS IN 2022

KEY ACHIEVEMENTS

EQUIPMENT EFFICIENCY INCREASED TO 80%+

EXPANDED LIGHTING CAPACITY IN PENANG

BURN IN REDUCED 8-4 HRS

RAW MATERIAL REDUCTION £2.1M

PRODUCTION RECORD IN MEXICO



**77%
On Time Delivery**

Above current industry standard

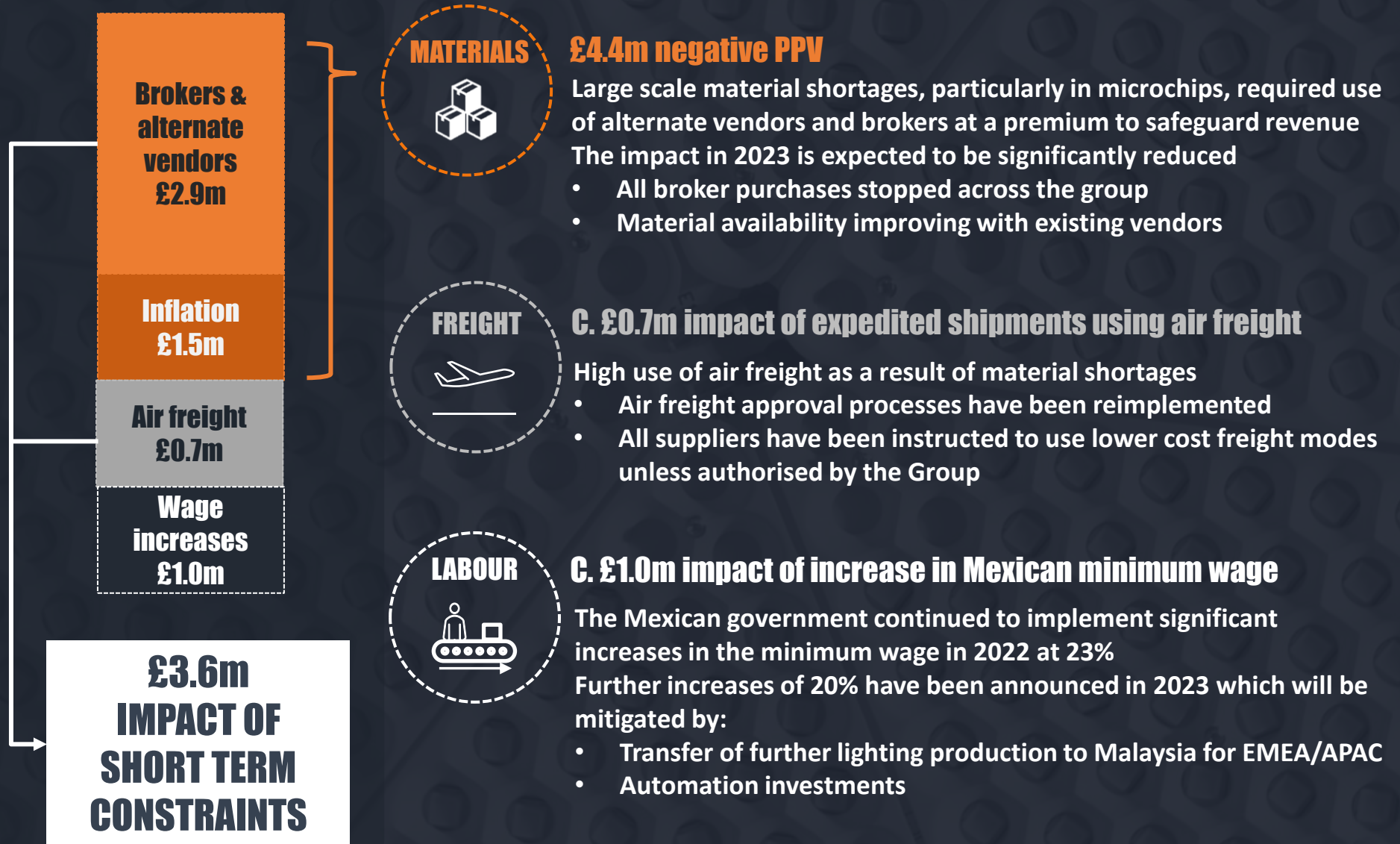


**3 week
Customer Lead times**



**Strong
H&S record**

MAJOR IMPACTS ON GROSS PROFIT



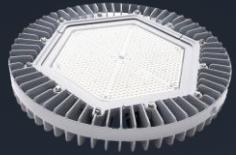
GROSS MARGIN IMPROVEMENTS



FURTHER PRICE INCREASES IMPLEMENTED ACROSS MULTIPLE REGIONS IN Q4 2022

PRODUCT COST REDUCTIONS

COMPLETED COST REDUCTION PROJECTS



HIGHBAY

- 50% Weight reduction (480V models)
- 25% Cost reduction



60K Highbay

- 32% Weight reduction
- 25% Cost reduction



AREA LIGHT

- 15% Cost reduction

COST REDUCTION PROJECTS UNDER DEVELOPMENT IN 2023

- SECOND STAGE REDUCTIONS:
 - Highbay & 60K
 - AREALIGHT

- FLOODLIGHT GEN II

IN ADDITION, 6 RAPID COST OPTIMISATION PROJECTS UNDERWAY TO EXPEDITE SAVINGS

STREAMLINING SUPPLY CHAIN



PRODUCTION DOWNTIME



NEGATIVE PPV



PLANNING COMPLEXITY



DUAL SOURCING

Single sourced components have caused the most disruption in the supply chain
42% of critical components now dual sourced
58% to be completed by Q2 2024



REGIONALISATION

Major opportunity identified to insource lens manufacturing
Evaluating further production transfer of Lighting products to Malaysia for EMEA/APAC



SKU REDUCTION & MODULARITY

24% reduction in finished goods SKUs completed
2 major power supply standardisations completed

KEY BENEFITS

Shorter lead times

Lower logistics expense

Capacity maximisation

PRODUCTION EFFICIENCY

WE CONTINUED TO SEE HIGH LEVELS OF MINIMUM WAGE INFLATION IN MEXICO, WITH A 23% INCREASE IN 2022

A FURTHER 20% INCREASE HAS BEEN ANNOUNCED IN 2023, WHICH WE INTEND TO OFFSET WHILST IMPLEMENTING LONGER TERM ACTIONS



EFFICIENCY IMPROVEMENTS

2022 had higher labour inefficiency due to supply chain interruptions

We expect this to improve in 2023 as material supply improves, alongside benefits of improvement projects



PRODUCTION TRANSFER

Further transfer of production of SSL products to Malaysia for EMEA/APAC planned in 2023

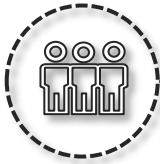
Wages in Malaysia are lower, with lower annual increases



INVESTMENT IN AUTOMATION

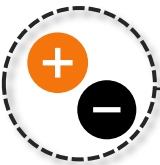
Investment in automated production lines planned in 2023, enabling longer term headcount reductions

SIGNALS & COMPONENTS



THE MARKET

- Opto-Electronic (OE) market has normalised after 2 years of exceptional growth
- Vehicle market flat on low demand from key bus market
- Traffic down due to lack of major projects bids
- Price rises implemented to maintain margins



BUSINESS PERFORMANCE

- Revenue up 7% (ccy) – winning business from competitors
- Gross margin -370bps to 29% as mix moved to lower margin traffic products and higher input prices
- Underlying EBIT £5.7m +4%
- Distributors lowering inventory in the channel



STRATEGIC FOCUS

- Increase NPD – 7 launched and 10 under evaluation
- Increase digitisation - website covers 70% of active SKUs
- Legacy product re-design to SMT increasing automation / capacity
- Continue to expand sales channel, targeting EMEA/Asia

ENVIRONMENTAL PERFORMANCE

Emissions (excluding usage of lights)	Tonnes m's
Scope 1 & 2	0.006
Scope 3	<u>0.120</u>
Total	0.126

Emissions related to usage of lights	
Scope 3**	<u>1.099</u>
Total per GHG protocol	1.225

Customer Emissions**	Tonnes m's
- if they did not switch to Dialight	(3.2)
- Actual emissions (Dialight Scope 3)	<u>1.1</u>
- Avoided emissions	(2.1)

Intensity reduction Targets for FY-22

	<u>Actual</u>	Target
Scope 1 & 2	9%	3%
Water usage	21%	5%



SBTi

- Targets to be submitted in H1-2023
- Internal processes are not resource intensive
- Major dependency on green energy

** Based on Dialight internal calculations

SOCIAL RESPONSIBILITY



Our people

- Long service awards for staff with 5 to 50 years service across various sites
- Continued focus on safety
- Dialight Foundation hardship fund supported vulnerable staff

Supply Chain

- First survey of Top 30 suppliers as part of on-going ESG surveillance
- Broad divergence in distributor versus manufacturer responses
- EcoVadis rating maintained at Silver



Communities where we operate

- Renewed sponsorship of Women's Earth Alliance (WEA) grassroots accelerator program in Mexico
- Sponsoring learning support for Orphanage in Ensenada, Mexico
- New Australian charity identified



Influencing Change

- Speaking at industry forums
- Publishing white papers
- Podcasts

KEY MESSAGES

Our markets are underpinned by long term sustainability, safety and regulatory drivers

The strong growth in Lighting orders demonstrates the increasing relevance of our products as energy efficiency became more urgent

We strengthened our competitive position as we executed on our strategic priorities

Increasing confidence in delivering significant revenue and margin growth over the medium to longer term

APPENDIX



OVERVIEW

LED INDUSTRIAL LIGHTING

MARKET PENETRATION

- Dialight current serviceable addressable market estimated at £2.0bn
- LED conversion in this market at c. 20%

THE LED ADVANTAGE

- Low energy consumption
- Long lifetime
- Enhanced versatility

MARKET ADOPTION DRIVERS

- Energy efficiency following energy cost increases
- Return on investment and total cost of ownership, utilising energy and maintenance cost savings
- Health, safety and wellbeing
- Increased government focus on climate change with evolving environmental policies
- Achieving ESG targets set by Corporates

MARKET SEGMENTS

- Direct specification sale to end users, transacting through distributors
- Distributor inclusion enables simplified contracting and increases customer reach as many distributors possess large supply contracts
- Projects are a mix of maintenance (MRO) spending characterised by small volume purchases over long periods of time, or capital projects



SIGNALS & COMPONENTS

OVERVIEW

- Dialight has operated in these well-established markets since 1938
- Sales channels comprise of six in-house sales staff and a well-established web platform
- Greater visibility of sales pipeline with orders being placed up to six months in advance
- Significantly lower investment in R&D and capex

OPTOELECTRONICS

- Diverse end customers with over 40,000 globally
- Strong distribution network, operating with 7 of the top 10 distributors
- Cyclical market with strong growth in last 2 yrs

VEHICLE

- Products designed for transit bus market in North America
- Dialight is the 'standard' at three largest OEMs

TRAFFIC

- Supply traffic signals in North America
- Highly commoditised, mature market with high LED adoption rate
- Sales focused on cyclical replenishment

SEGMENTS

Lighting £m	Actual currency			Constant currency	
	FY-2022	FY-2021	Variance	FY-2021	Variance
Revenue	121.0	90.5	+34%	98.8	+23%
Gross Profit	40.6	33.7	+20%	36.9	+10%
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EBIT	6.9	5.3	+30%	5.7	+21%

Signal and Components £m	Actual currency			Constant currency	
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Revenue	48.7	41.1	+18%	45.7	+7%
Gross Profit	14.0	13.3	+5%	14.8	(5%)
Gross margin	28.7%	32.4%	-370bps	32.4%	-370bps
Overheads	(8.3)	(7.8)	(6%)	(8.4)	+1%
EBIT	5.7	5.5	+4%	6.4	(11%)

PRODUCT STRATEGY

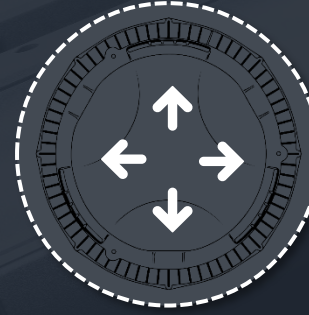
CORE PRODUCT COST/SIMPLIFICATION



ADDITIONAL APPLICATIONS



EXPANSION/ ADJACENT VERTICALS



REDUCTION OF CARBON FOOTPRINT



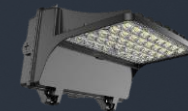
Area Light 90° Bracket



SafeSite Bulkhead –
Zone 1 & 2



ProSite Floodlight –
Zone 2



Source & sell products

SUSTAINABLE BUSINESS

Revenue

100% green revenue – FTSE Russell



Products

No mercury or hazardous substances



People

Focus on safety and fair treatment



Business Operations

Integrity and values



Financing

Sustainability linked RCF with intensity reduction targets

