2018 FULL YEAR RESULTS

25 FEBRUARY 2019

KEY POINTS

Results in line with revised expectations

All product assembly now back in-house, full exit from Former manufacturing partner by end of H1 2019

Expanded market opportunity, 3 new products in 2019

Regional development centres

Two new manufacturing facilities

Board’s expectations of further progress in 2019 unchanged, with usual H2 weighting

FINANCIAL REVIEW

Fariyal Khanbabi

FINANCIAL SUMMARY

Dialight

Revenue

Underlying EBIT

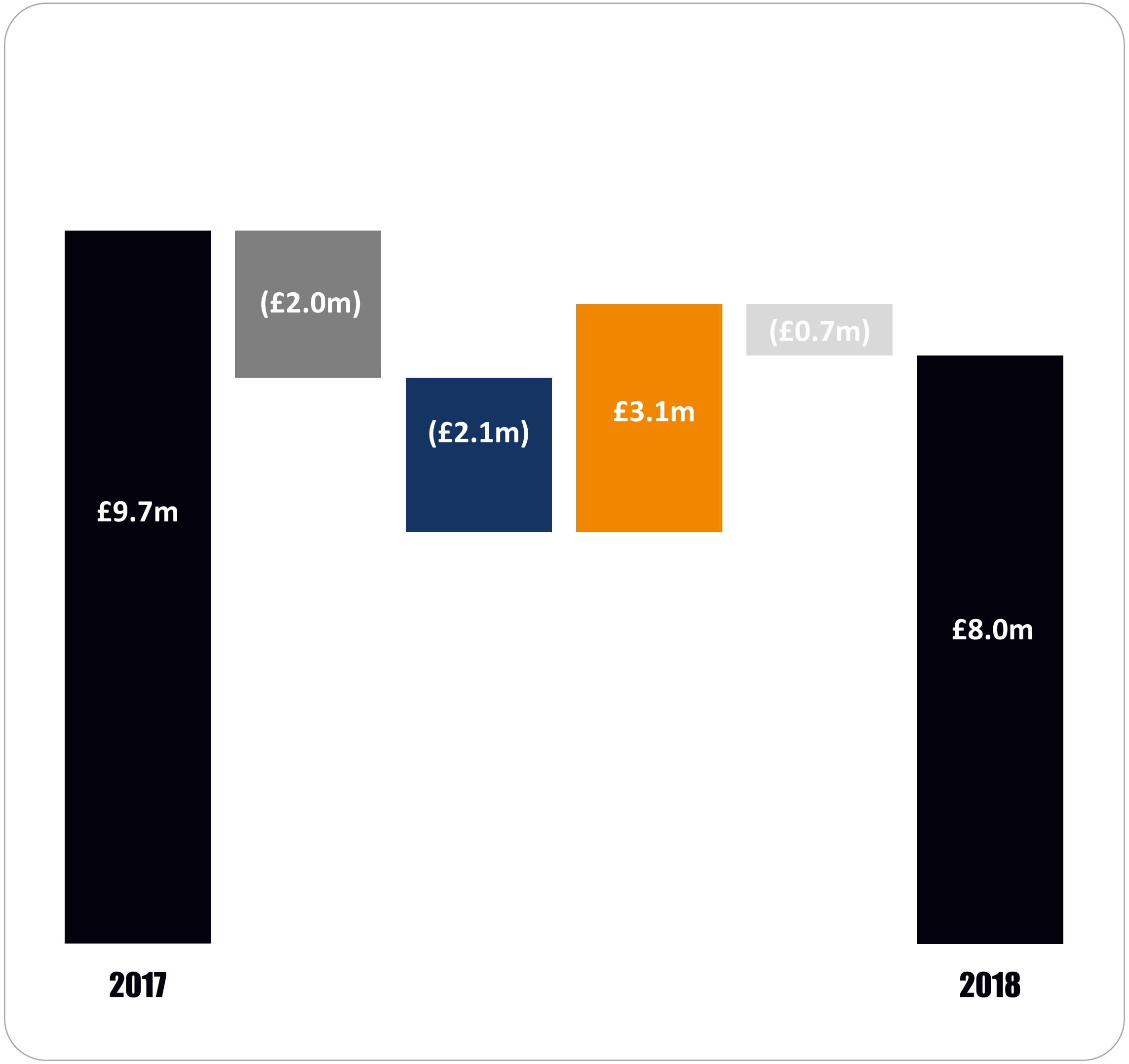
Statutory PBT

36%
Underlying gross margin
(2017: 37%)

£2.9m
Net debt
(2017: Net cash £12.8m)

16.4p
Statutory EPS
(2017: 4.8p)

UNDERLYING EBIT BRIDGE



LIGHTING

Dialight

Lighting £m	Reported currency			Constant currency	
	2018	2017	Variance	2017	Variance
Revenue	125.0	137.5	(9%)	133.0	(6%)
Gross Profit	**47.1**	**54.3**	**(13%)**	**52.4**	**(10%)**
Gross margin	*37.6%*	*39.5%*		*39.4%*	
Overheads	(38.6)	(43.1)	11%	(41.7)	8%
EBIT	**8.5**	**11.2**	**(24%)**	**10.7**	**(21%)**

Gross margin bridge

Raw material handling fees (110bps)

Increased freight charges (20bps)

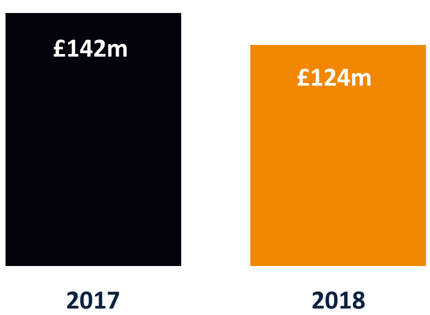
Skilled labour force retention (150bps)

Duplicate plant running costs 90bps

LIGHTING ORDER INTAKE

Dialight

Order intake



The Americas

(14%)

- Operational issues impacted lead times
- Large projects not bid for
- Lower distributor inventory due to supply constraints

EMEA

(15%)

- Narrow product range served from inventory on hand
- Project driven business
- Increased distribution partners

APAC

+21%

- Narrow product range served from inventory on hand
- Strong sales team
- Increased distribution partners

OBSTRUCTION

(31%)

- Project driven business
- Large customers deferred orders
- Updates to product line

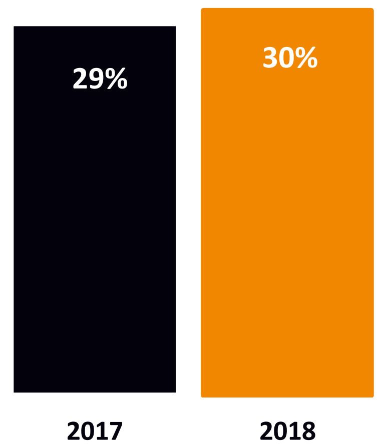
SIGNALS AND COMPONENTS

Revenue

3%
Revenue growth

6%
At constant currency

Gross margin



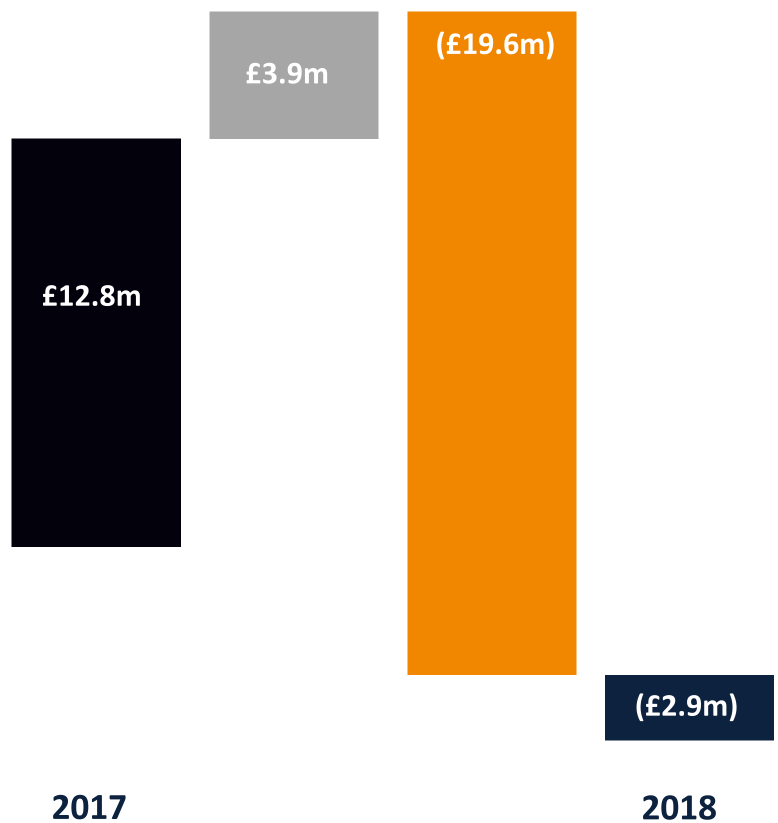
100 bps
Improvement in gross margin

Underlying EBIT

15%
Improvement in EBIT

23%
At constant currency

CASH BRIDGE



Operating cash

Inventory increase

Inventory increase, mainly raw material, due to termination of manufacturing partnership

Expect to unwind in 2019 as utilised

2019 PLANNING ASSUMPTIONS

Dialight

INCOME STATEMENT	Net interest	Broadly in line with 2018
	Tax rate	c25%
CASH FLOW	Capex	c.£8-10m new facilities c.£8-9m product development
	Working capital	Inventory levels to unwind in 2019

H2 weighting as in previous years

BUSINESS REVIEW

Marty Rapp

OUR PRIORITIES

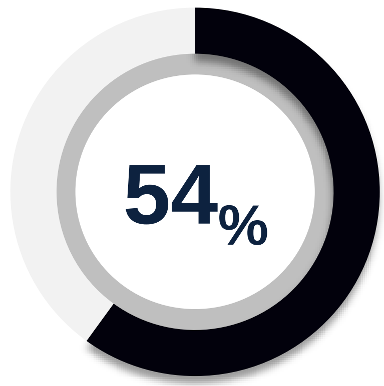
Dialight

SCALEABLE OPERATIONS

MARKET EXPANSION

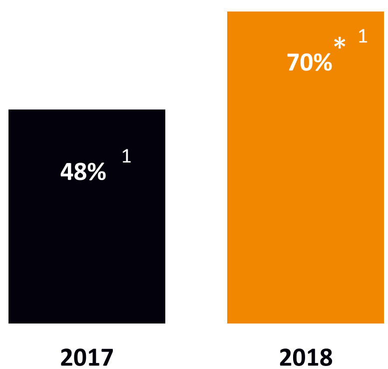
INCREASED CAPACITY FOR NEW PRODUCT DEVELOPMENT

OPERATIONAL HIGHLIGHTS



% improvement in level of late orders

On time delivery



- **All final assembly in house**
- **Manufacturing partnership terminated on 27 September 2018**
- **Machinery to be transferred by end of H1 2019**
- **New plants in Mexico and Malaysia**
- **Remaining inventory at former manufacturing partner under negotiation**
- **Targeting 95% on time delivery**

** On time delivery includes overdue order backlog transferred from former manufacturing partner*

1 Lighting on time delivery at the end of the year

OPERATIONAL IMPROVEMENTS

Dialight

New plant in Tijuana, Mexico, augmenting Ensenada

New plant in Penang, Malaysia

Upgraded leadership

Hybrid model - local sub-assembly supply, internal assembly

Enhanced global supply chain management

Establish new plant and distribution centre in Europe in the future

HYBRID MANUFACTURING IN PLACE

Dialight

External/Internal

Cables

PCBAS

Machining & painting

Regional suppliers to support sub-assembly requirements:

- Suppliers expertise in specific process/products
- Competitive prices
- Risk Managed supply chain

Internal

Final assembly & supply chain

Distribution

- Regional assembly facilities
- Global purchasing with local delivery
- Fulfilment from regional hubs
- Regional customer service

Reduced lead times

Competitive pricing

Improved margins

OPERATIONAL FOOTPRINT

Dialight

Roxboro, US

Injection molding

- 79,000 sq ft
- *All products*

Tijuana, Mexico

Distribution, molding, CNC & Painting

100,000 sq ft

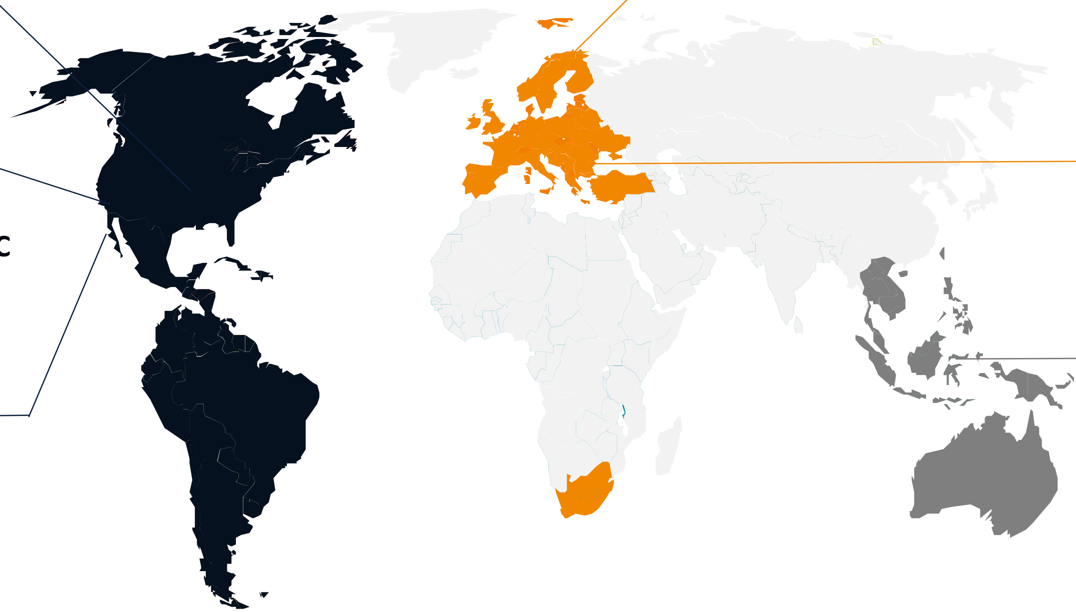
All products

Ensenada, Mexico

Final assembly

162,000 sq ft

All products



Copenhagen, Denmark

Obstruction and wind systems

Europe (proposed)

New facility for final assembly, molding, CNC & painting & distribution

Penang, Malaysia

New facility for final assembly, molding, CNC & painting

90,000 sq ft

All products

OUR PRIORITIES

MARKET EXPANSION

EXPANDED MARKET OPPORTUNITY

Dialight

Current market

£0.5 bn

Expanded market

£2.0 bn

Leverage existing sales channel

Existing channel partners to support

Target current customer base

Focus on lighter duty applications in current customer facilities

New products for large niches

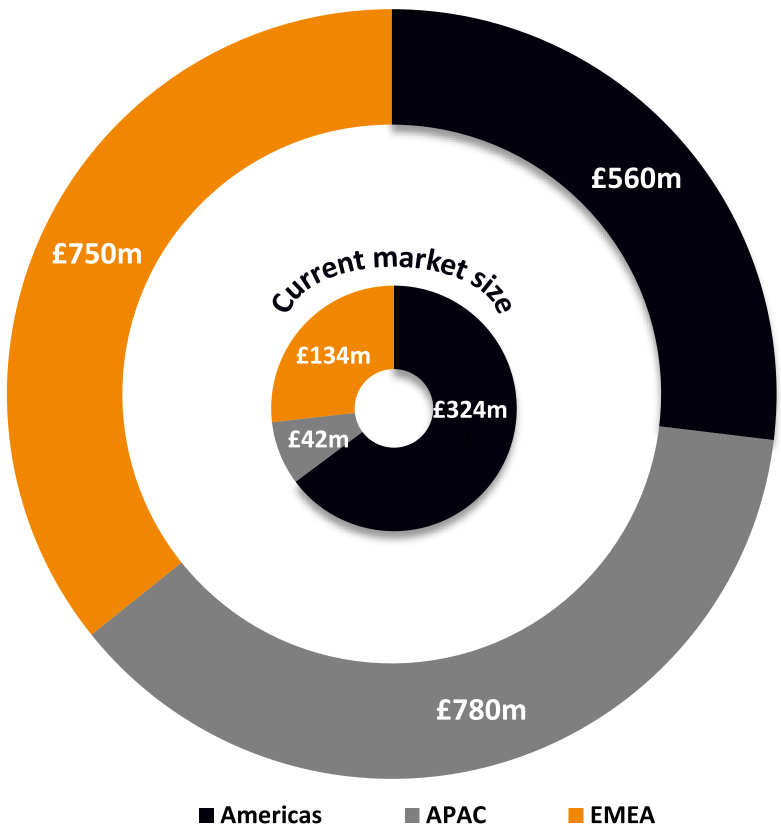
Reduce need to discount price of established high performance products

Product customisation

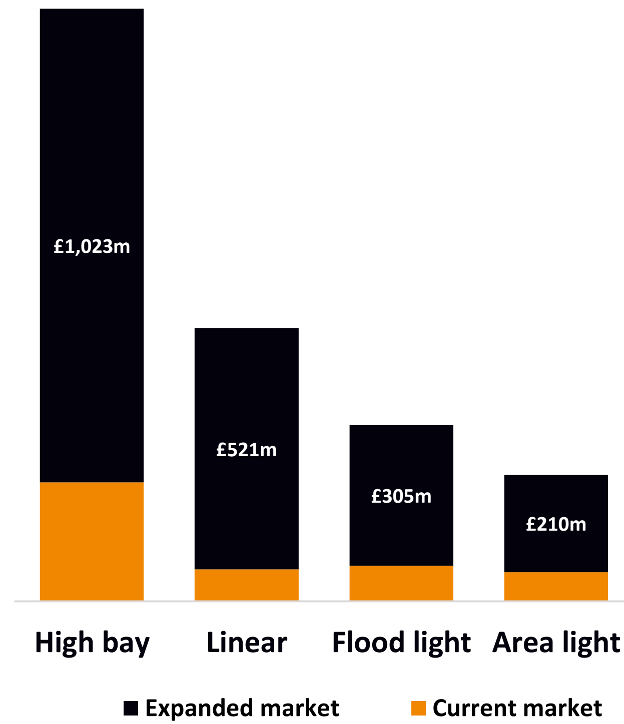
Improved alignment of pricing with features

EXPANDED ADDRESSABLE MARKET

Potential expanded market – per annum



Market size by major product



3rd Party Market Data

Competitive Results Reporting

Channel Results Reporting

Internal SAM Workshops

OUR PRIORITIES

INCREASED CAPACITY FOR NEW PRODUCT DEVELOPMENT

REGIONAL FOCUS

- Installation
- Voltage
- Form factor
- Certification

Engineering

- Global technology leadership deployed regionally
- Dialight design rules
- Increase speed to market

Product management

- Globally coordinated
- Regionally focused
- Regionally specified products

Increase capacity for new product development

NEW PRODUCT DEVELOPMENT CAPACITY

Dialight

Current team

Improve efficiency and output by process optimisation

New regional teams

New teams set up in London and Penang

External support

Use of ODMs and design firms

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

SUMMARY

- Primary focus on improving service levels to our customers
- New facilities in Mexico and Malaysia
- Improved go to market approach centred on technical and product innovation regionally
- Upgrade of existing products and new product launches to significantly expand served market

OUTLOOK

2018 was a challenging year for Dialight but one in which we made considerable progress to address the operational issues we faced at the start of the year, reducing late orders significantly during the year. This improvement is primarily due to moving manufacturing under our hybrid model back in-house and terminating the relationship with our manufacturing partner. Further improvement in our operations remains a priority for us.

With a strong focus on product development and expansion of the available market, we have laid the foundations to drive growth and restore market share. We are planning to launch three major products in 2019 that will significantly expand the Group's served market. We have two new facilities, in Mexico and Malaysia, to provide us with sufficient capacity to meet our growth aspirations.

Our market proposition remains compelling, with the sustainability benefits of reduced energy usage, lower carbon emissions, reduced maintenance and improved safety offering real value to our customers. We remain excited by the Group's prospects over the medium to long term and are confident of delivering future growth. The Board's expectations of further progress in 2019 remain unchanged, again with a second half weighting.

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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	2018	2017	Variance Reported	Variance Constant Currency
Revenue	**169.6**	**181.0**	**(6%)**	**(3%)**
Cost of goods sold	(109.3)	(114.3)		
Gross Profit	**60.3**	**66.7**	**(10%)**	**(6%)**
Distribution costs	(30.4)	(34.0)		
Administrative expenses	(21.9)	(23.0)		
Underlying EBIT	**8.0**	**9.7**	**(18%)**	**(11%)**
Non-underlying costs	(0.4)	(6.4)		
Finance expense	(0.2)	(0.3)		
Profit before tax	**7.4**	3.0		
Tax	(2.1)	(1.3)		
Profit after tax	**5.3**	**1.7**		
Underlying EPS	17.3p	17.9p		

MARKET SEGMENTS

	2018	2017
Obstruction	**10%**	14%
Food & Beverage	**6%**	7%
Heavy industrial	**16%**	14%
Mining	**11%**	10%
Oil & Gas	**22%**	18%
Power	**9%**	10%
Pulp & Paper	**13%**	11%
Other industrials	**13%**	16%
	100%	100%

SIGNALS AND COMPONENTS

Signal & components £m	Actual currency 2018	2017	Variance	Constant currency 2017	Variance
Revenue	44.6	43.5	3%	42.0	6%
Direct costs	(31.4)	(31.1)		(30.1)	
Gross Profit	**13.2**	**12.4**	**6%**	**11.9**	**11%**
Gross margin	*30%*	*29%*	*+100bps*	*28%*	*+200bps*
Overheads	(8.7)	(8.5)	(2%)	(8.3)	(4%)
EBIT	**4.5**	**3.9**	**15%**	**3.7**	**23%**

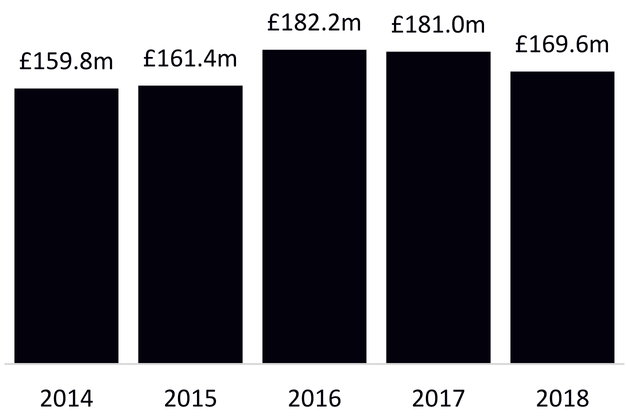
CASH FLOW

Dialight

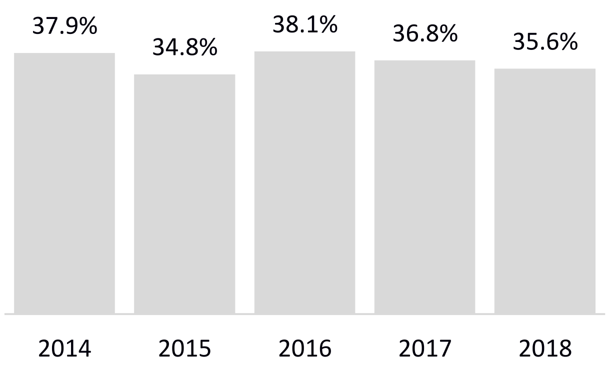
£m	
Net cash at 31 December 2017	**12.8**
EBITDA	**12.6**
Net working capital excluding inventory	**0.6**
Increase in inventory	**(19.6)**
Capex	**(6.4)**
Taxes	**(2.1)**
Provisions and other movements	**(0.8)**
Net debt at 31 December 2018	**(2.9)**

FIVE YEAR TRACK RECORD

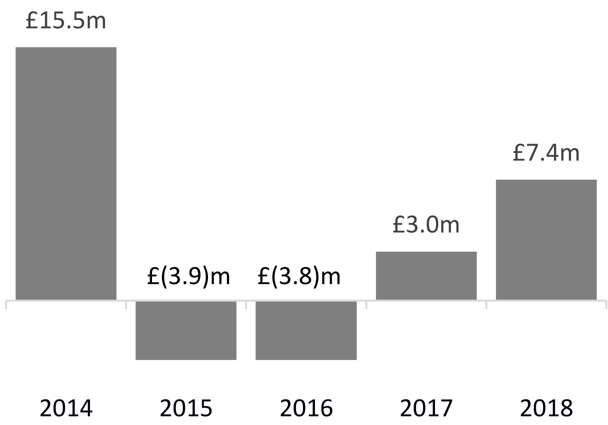
Revenue



Gross margin %



Statutory profit before tax



Cash/(net debt)