

2018 INVESTOR VISIT

30 OCTOBER 2018

.....Dialight



AGENDA

Morning session

- Introduction – Marty Rapp
- Operations – Luis Ramirez

Site tour

- Product development & Technology – Marty Rapp

Lighting controls demo

Lunch

Afternoon session

- Sales – Tim Cillessen

Dinner



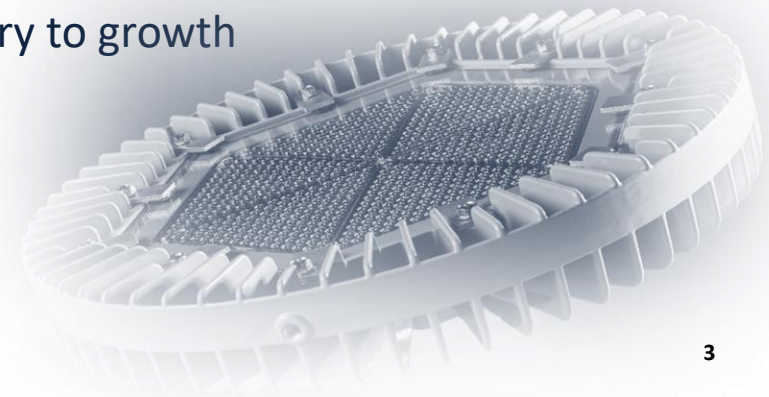
- The Industrial market remains attractive and growing

Manufacturing

- Manufacturing partner issues impacted the business over last two years
- Focus now on bringing all assembly back in house
- Transfer to own facilities on track with good on time delivery
- Ensenada/Tijuana and Penang our future manufacturing bases

Future plans

- As previously disclosed, aggressive approach from recovery to growth
- Three new products to be launched in 2019

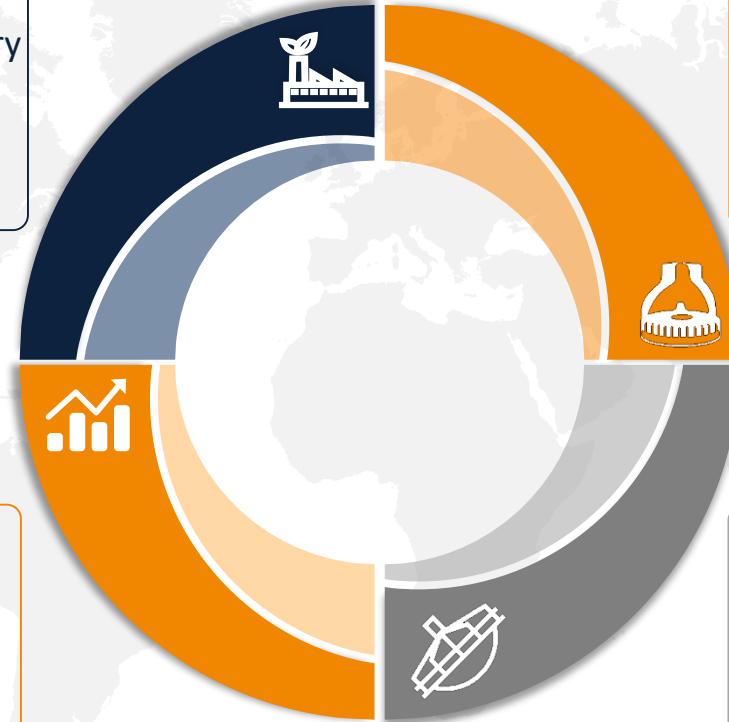


OPERATIONS

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

ENGINEERING

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



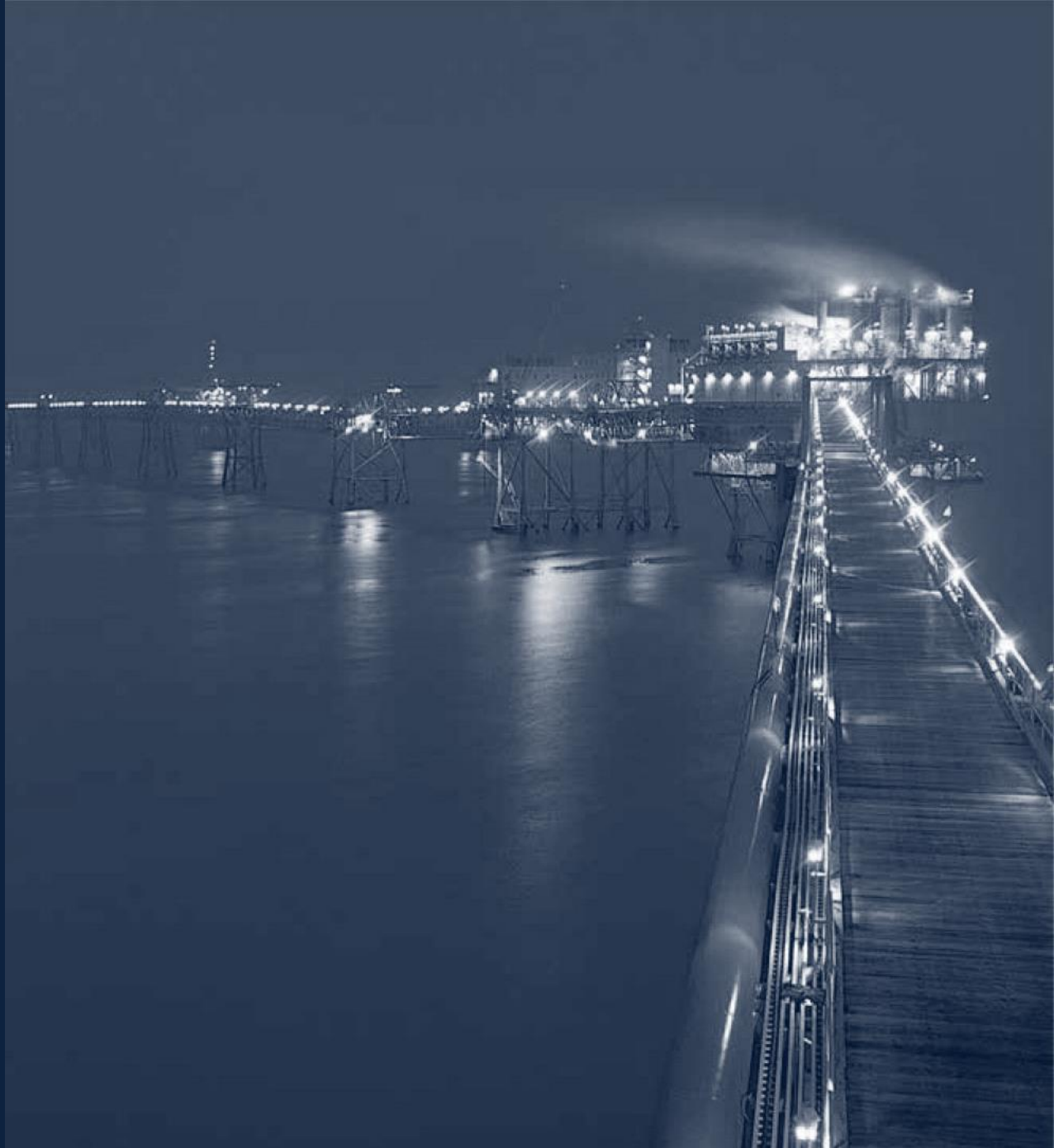
SALES

- Outstanding customer experience
- Global coordination for global customers
- Continued regional teams

PRODUCT MANAGEMENT

- Globally coordinated
- Regionally focused
- Regionally specified products

OPERATIONS
LUIS RAMIREZ



HYBRID MANUFACTURING MODEL

External



Cable harness



PCBAs



Machining
&Painting

Internal



Final assembly and
supply chain management



Customers



- Reduced lead times
- Improved on time delivery
- Competitive pricing

Regional suppliers to support subassemblies requirements:

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

OVERVIEW OF OUR MANUFACTURING CAPABILITIES

	Ensenada	Tijuana	Penang	Roxboro
Size	162,000 sq. ft	100,000 sq. ft	45,000 sq. ft	79,000 sq. ft
Capability	PCBA, CNC, Cable Harness, Assembly	Distribution, Future CNC and paint	Moulding and assembly	Moulding, metallisation and hard coating
Employees	845	400*	162	102
Products produced	All Lighting products, Obstruction and Signals and Components	All Lighting products	All Lighting products and Signals and Components	Lenses and plastic components
Rationale	Established Dialight facility with experience of all product lines	New site closer to the US San Diego Border. Long history of electronics manufacturing, easy access to ports and airports	5 decades of being a manufacturing hub in Asia. Increasingly becoming an alternative to China to avoid US tariffs	Strong manufacturing accounting for 20% of the state gross product

* Future headcount post transfer from Manufacturing partner



PEOPLE

- Upgraded operations leadership
- Labour force skilled in complex assembly process
- Enhanced sustaining engineering on site



PROCESSES

- Improved shop floor controls – upgraded manufacturing practices
- Improved Sales and Operations Planning process
- Improved visibility and response to Key Performance Indicators



- Proximity to the US border
- Proximity to Suppliers
- Proximity to Ensenada
- Proximity to component imports from Asia
- Proximity to major Airports



- Servicing APAC and EMEA markets
- Proximity to regional supplier base
- Key manufacturing hub in Asia
- In place since 2012
- New building to expand with additional capabilities for CNC, paint and PCBA



- Dialight's high SKU, low volume business requires a flexible system for materials management
- Sales and Operations Planning process is challenging due to forecast accuracy and short order time
- Dialight has an experienced team for sourcing components
- Component market is still experiencing shortages and time delays

**PRODUCT
MANAGEMENT &
TECHNOLOGY
MARTY RAPP**



TECHNOLOGY DIFFERENTIATION OF DIALIGHT



CUSTOM POWER SUPPLIES

Long-life drivers with optimised thermal dissipation for protection against environmental contaminants and vibration related failures

INTEGRATED DESIGN

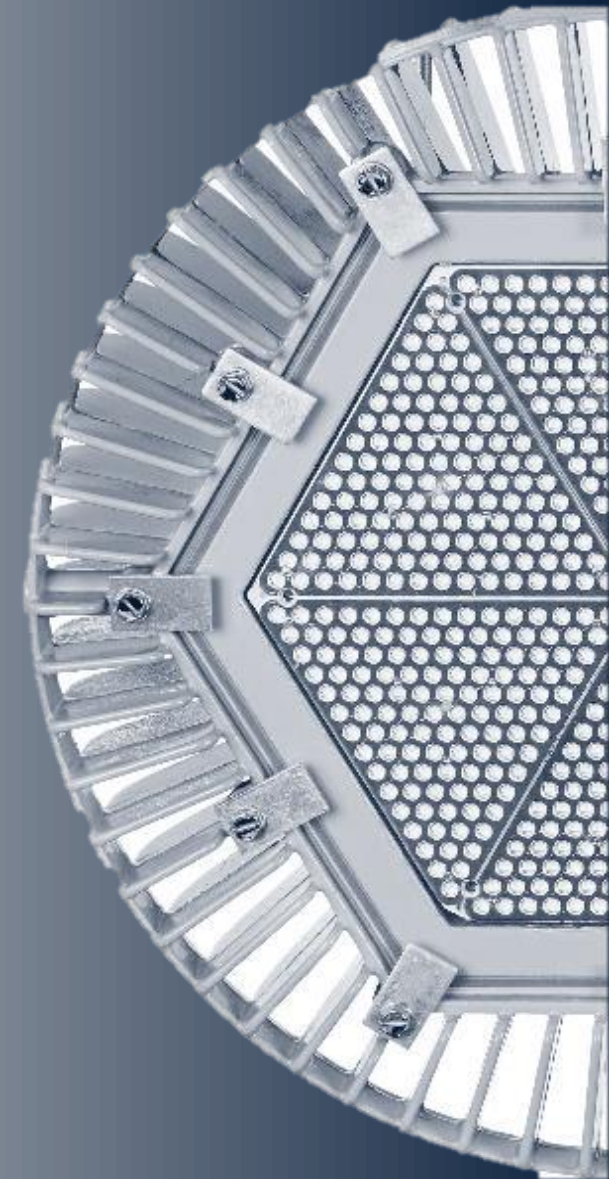
Built for longevity in harsh environments: Simple installation, advanced protective coatings, and no replacement parts - virtually eliminating maintenance for up to 10 years

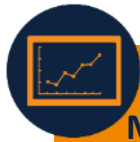
LATEST LEDS AND ADVANCED OPTICS

Highly efficient, crisp, uniform, low-glare illumination. Lighting where you need it

INTELLIGENT CONTROLS

Flexibility to group, dim and schedule lights around the unique needs of a facility to maximize energy savings. Plus, seamless integration with existing factory automation





**3rd Party
Market Data**



**Competitive
Results Reporting**



**Channel Results
Reporting**



**Internal SAM
Workshops**

Estimated Market Size / Dialight Share

Database of Current and Adjacent Markets, Existing Share & Growth Opportunities

**Leverage existing sales
channel**

Existing channel partners
to support

**Target current customer
base**

Focus on lighter duty
applications in current
customer facilities

**New products designed
for large niches**

Reduce need to discount
price of established high
performance products

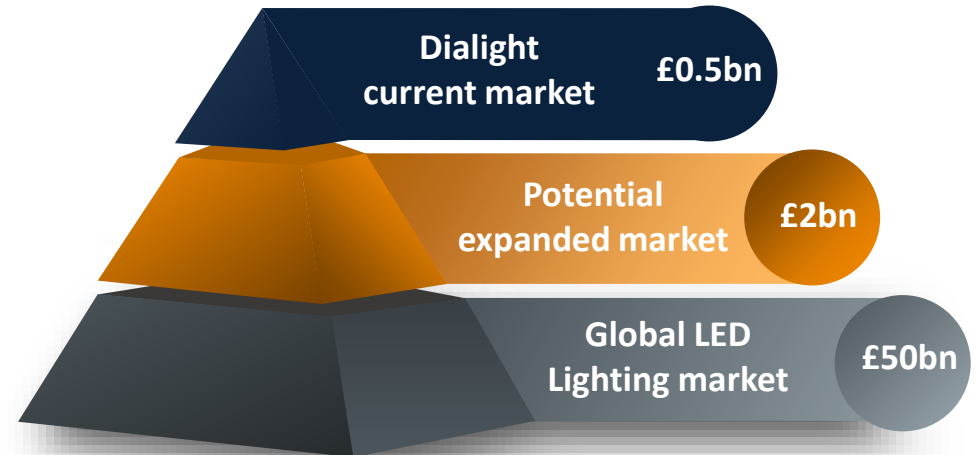
OPPORTUNITY – EXTEND PRODUCT RANGE TO OUR EXISTING CUSTOMERS



Core product offering in hazardous environments of the heavy industrial space

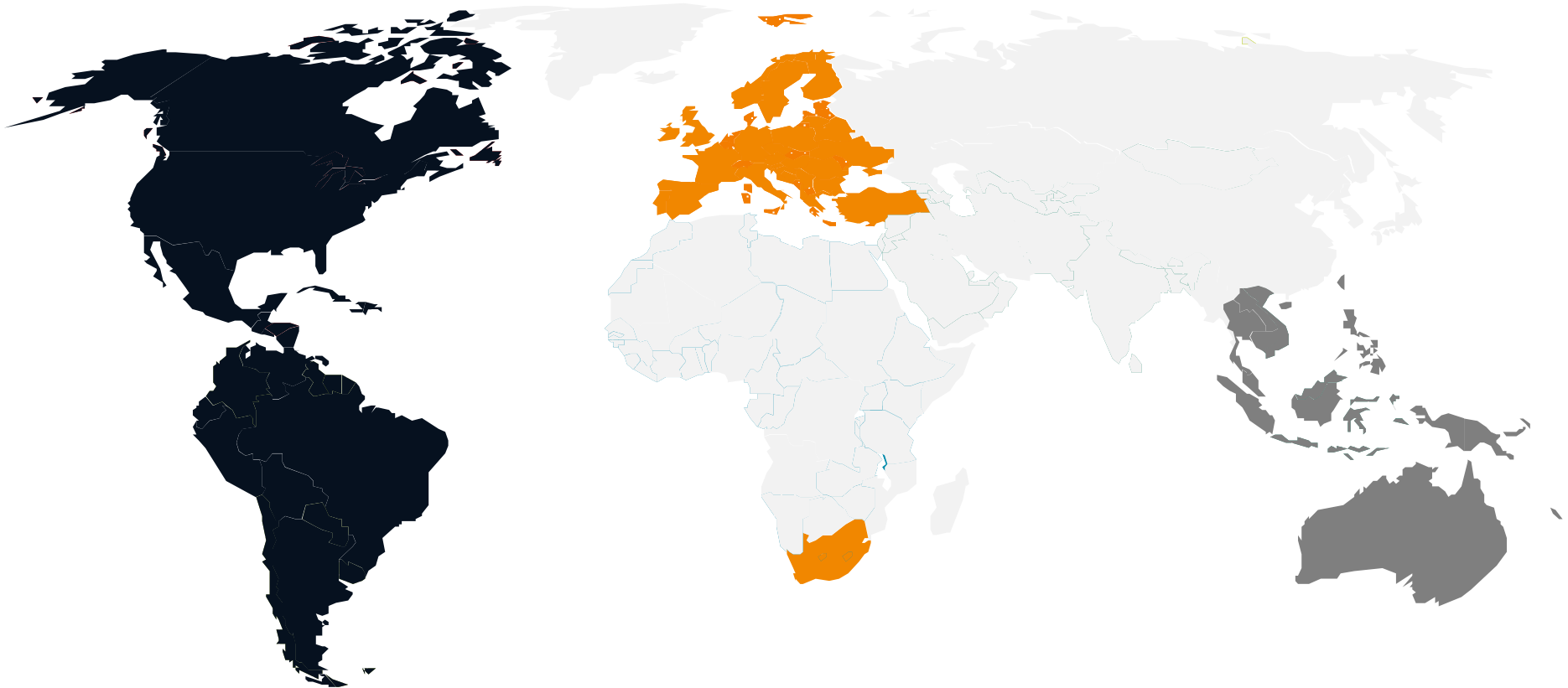


Expand our offering to provide a more competitive product for the lighter industrial areas of our existing customers



SALES
TIM CILLESSEN





Americas
79 Direct sales heads

No. of distributors: 622

EMEA
27 Direct sales heads

No. of distributors: 52

APAC
24 Direct sales heads

No. of distributors: 31



End Users (1,500+)

- Oil & Gas (Downstream)
- Metals & Mining
- Power Generation
- Oil & Gas (Drilling)
- Pulp & Paper
- Food & Beverage

CAPEX

- Ranges from lighting upgrade to new facility
- We supply ~30% of lighting schedule
- Distributor consolidate all vendors
- Bidding process through multiple Contractors

MRO

- Maintenance, Repair, Operate
- Long term contracts with Distributors
- Local inventory mandatory (daily deliveries)
- Vendor Management Inventory in a lot of customers

OEM

- Narrow product range served from inventory – mandatory safety stock
- Distributor kits with other components (just in time)
- Distributor becomes service arm for electrical

Top 2 Global - \$42B

Sonepar - \$26B

Rexel - \$16B

Top 5 in US - \$34B

Sonepar - \$10.1B

WESCO - \$7.3B

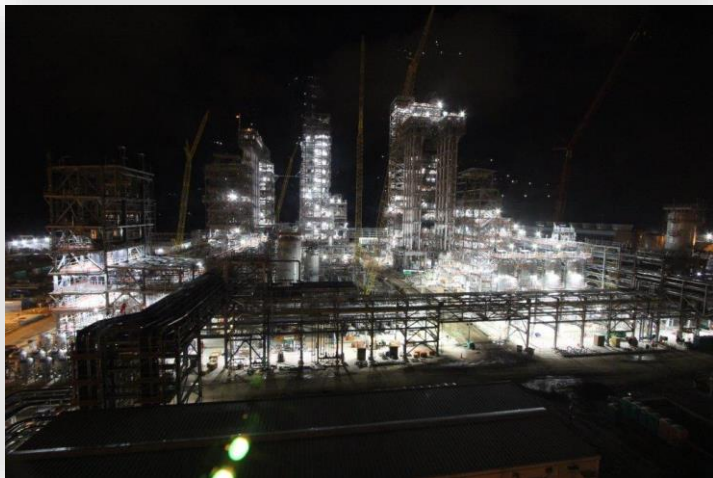
Graybar - \$6.7B

Rexel - \$5.6B

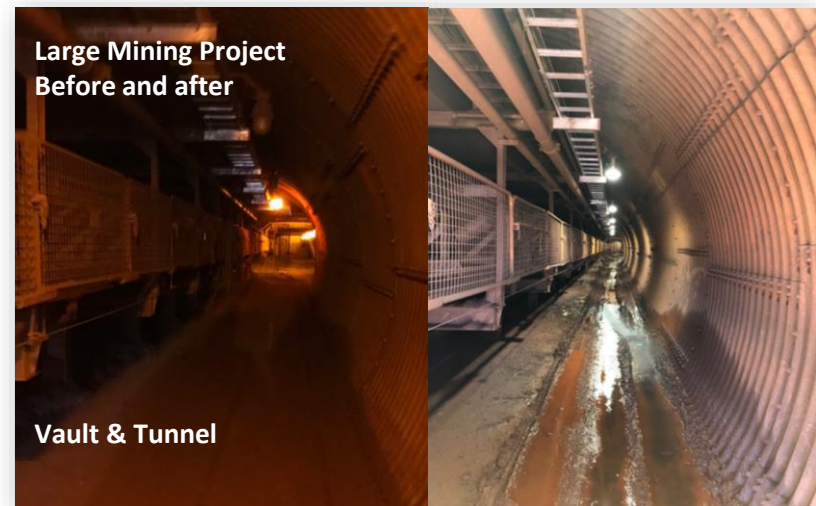
CED - \$4.6B



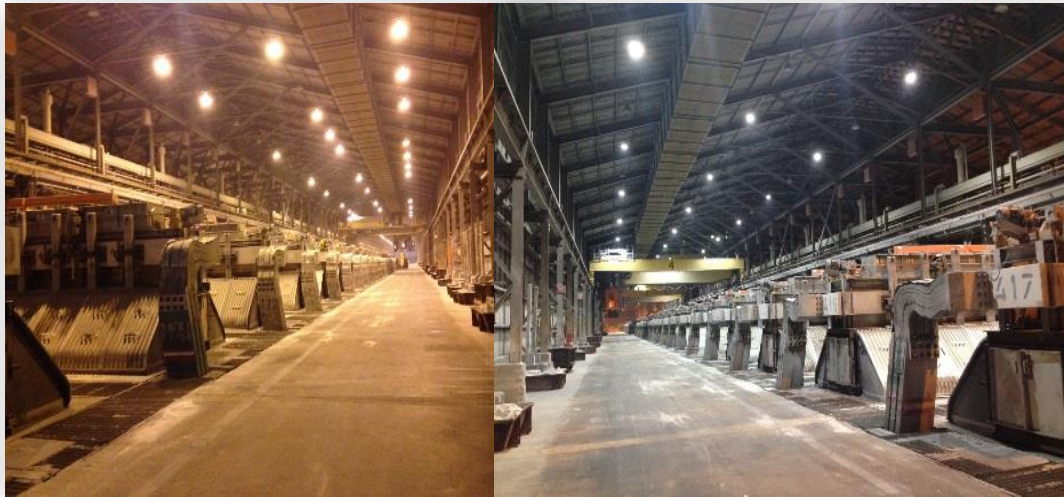
- The Americas showed significant growth over last 10 years
- The current operational challenges have impacted:
 - Our ability to keep inventory levels through our Channel partners
 - Extended lead times affected capex spend
- Our multiple value propositions still dominate our core markets
- Our product portfolio still best in class for our markets
- Highly skilled and focused salesforce
- Our product reliability is world class in our markets



- Dialight Australia has shown significant YoY growth for the last 7 years
- Dialight Australia have secured every large Greenfields and brownfields mining project for 2017
- New sales team established in Asia
- New channel partners signed increasing geographical coverage

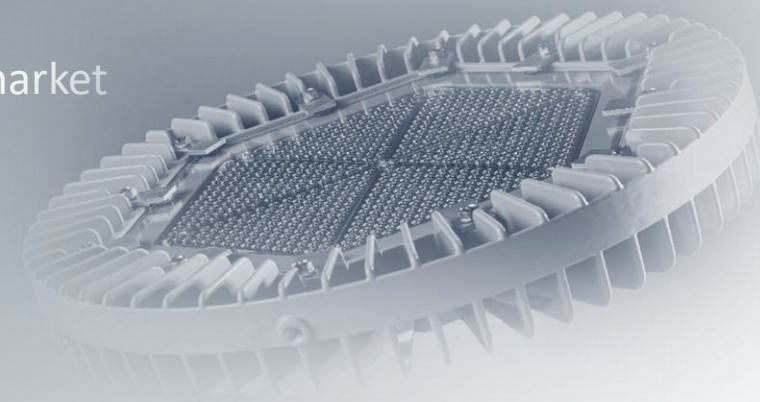


- EMEA has refocused sales efforts since 2016
- Distribution channel expansion is key to driving growth
- New territories such as South Africa (mining and Oil & Gas) and Iceland (largest Aluminium plants in Europe) are now being explored



SUMMARY

- Industrial LED market opportunity largely untapped
- High Bay transfer back to our own facilities is largely completed
- Significant reduction in level of late orders
- Assembly of lighting products commenced in Penang to serve EMEA and APAC
- Active steps to materially de-risk supply chain
- 50% of lighting products produced at our own facilities
- Hybrid manufacturing model
- Developed strategy to address expanded industrial LED market
- Three major product launches in 2019
- Progress on regional hybrid structure



Questions

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