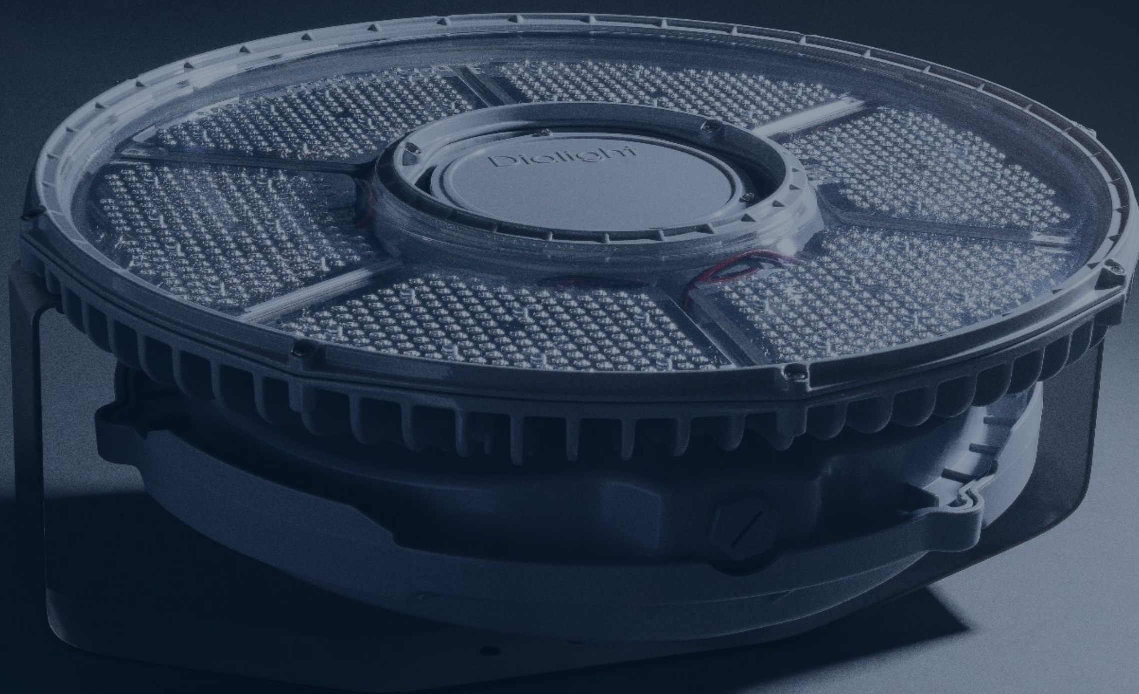
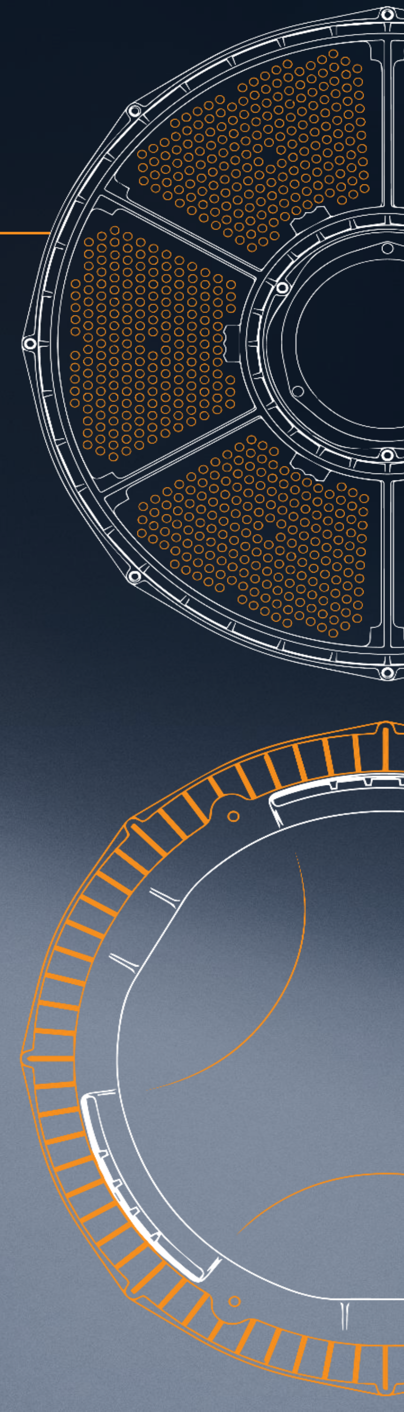
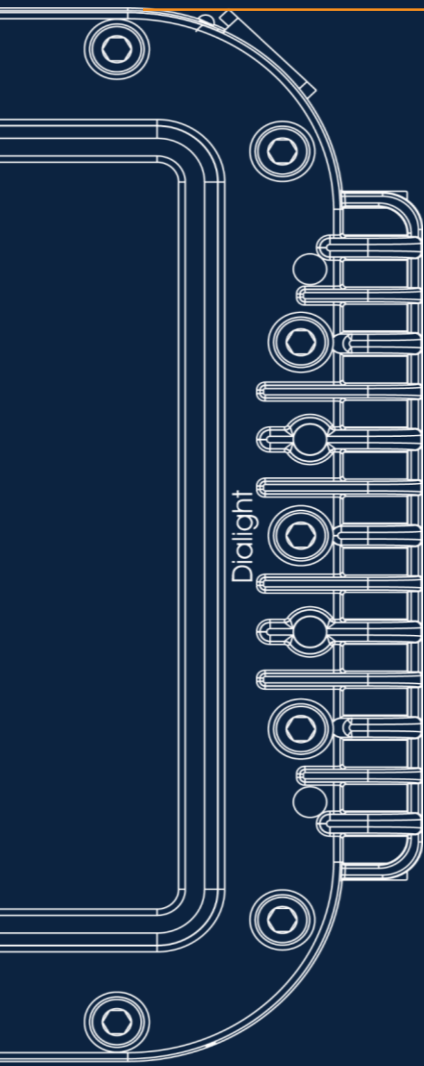
2019 FULL YEAR RESULTS





Dialight

SUMMARY



- Operational footprint and performance materially improved with underlying gross margin maintained
- Technological leadership remains strong with sustainability benefits to our customers even more relevant
- Sales recovery gaining momentum but challenging markets
- Strengthened product development

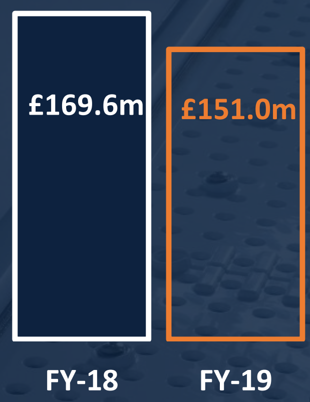
FINANCIAL REVIEW

Ronan Sheehy

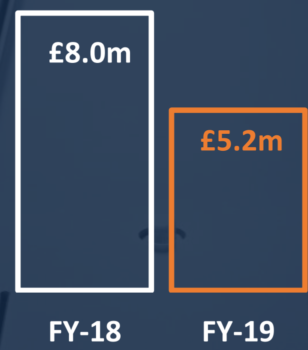
Interim Group Finance Director

FINANCIAL HIGHLIGHTS

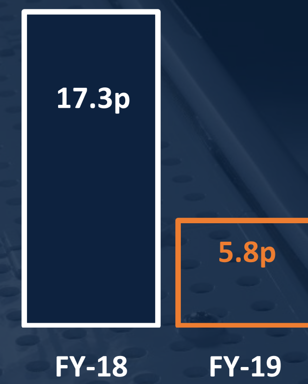
Revenue



Underlying EBIT *



Underlying EPS



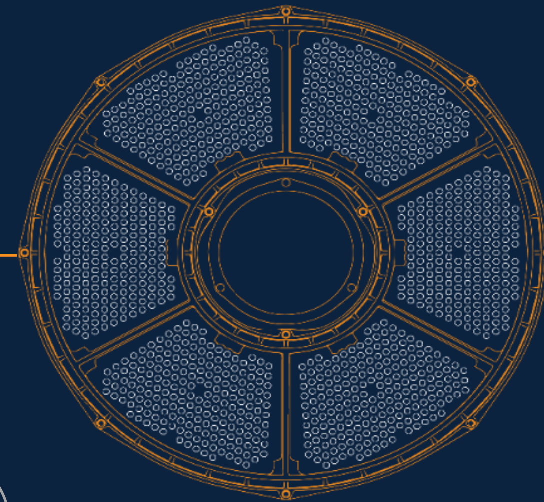
36%
Underlying gross margin
(FY-18: 36%)

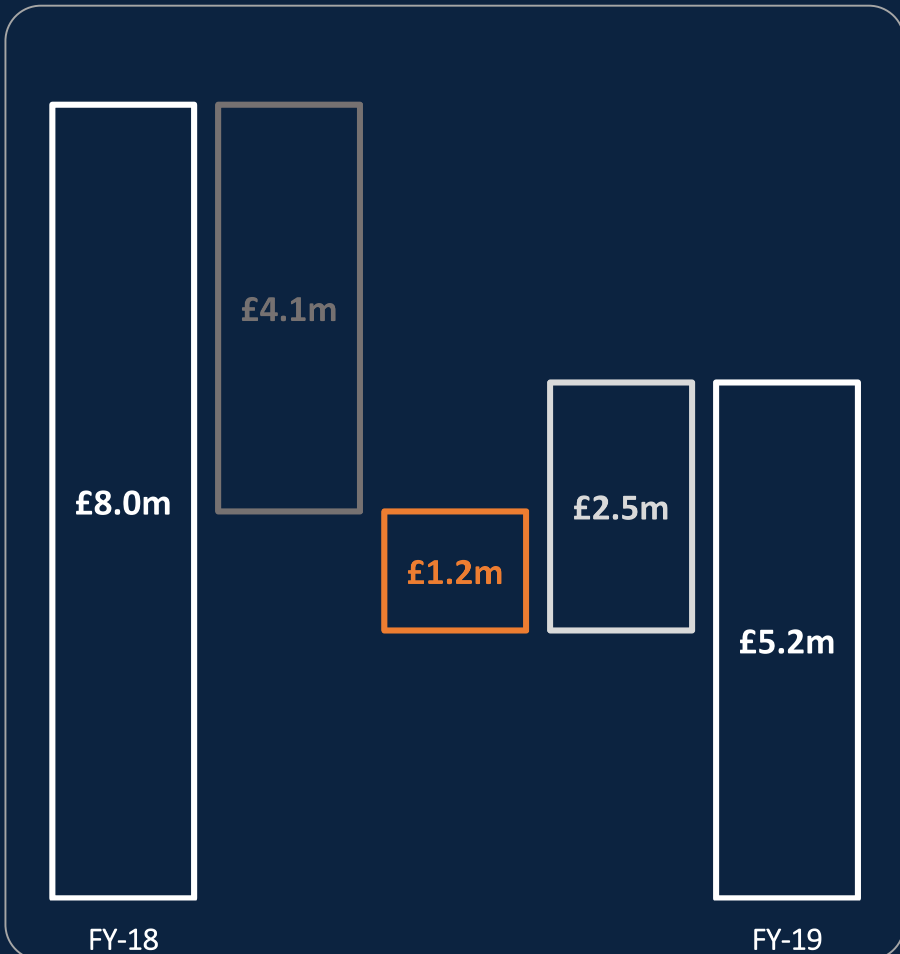
£16.5m
Net debt
(FY-18: Net debt £2.9m)

£16.5m
Non-recurring costs
(FY-18: £0.4m)

** Underlying excludes audited and unaudited non-recurring costs*

EBIT BRIDGE





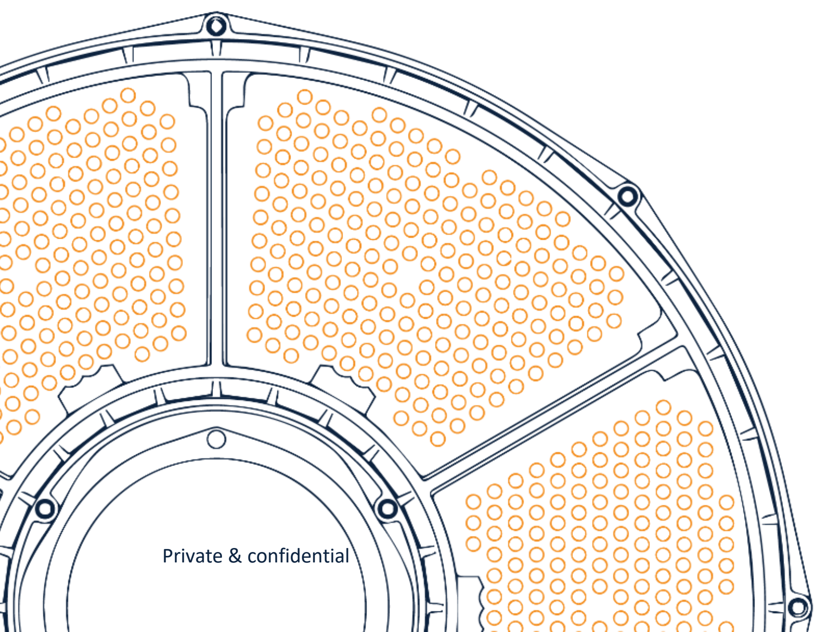
Lighting revenue

S&C revenue

Operating cost savings

LIGHTING

Lighting	Reported currency			Constant currency	
£m	FY-19	FY-18	Variance	FY-18	Variance
Revenue	111.5	125.0	(11%)	128.7	(13%)
Underlying gross profit	**41.5**	**47.1**	**(12%)**	**48.3**	**(14%)**
Gross margin	37%	38%	-100bps	*38%*	*-100bps*
Overheads	(34.5)	(38.6)	11%	(39.8)	13%
EBIT	**7.0**	**8.5**	**(18%)**	**8.5**	**(18%)**



- Revenue down 11% as operations not fully recovered until Q4 2019 and challenges in certain end markets
- Underlying gross margin broadly flat
- Cost savings to mitigate impact of some of the revenue reduction

NON-RECURRING COSTS

£m	Reported currency FY-19	FY-18
Additional costs for 3rd party vendors	6.1	-
Freight and handling - inventory	3.2	
Removal cost - equipment	0.9	
Costs related to exit from outsource manufacturer	**10.2**	
Redundancy	1.1	
Loss on disposal	2.5	
Write-off receivable from outsource manufacturer	2.7	
Pension (GMP Equalisation)	-	0.4
Total	**16.5**	**0.4**
Cash impact	**11.8**	**-**

Costs related to exit from outsource manufacturer (£10.2m)

- Premium for using small local vendors & ramp-up costs for Tijuana Plant (£6.1m)
- Cost to move materials from outsource manufacturer (£3.2m)
- Removal and re-commissioning of paint line and CNC machines (£0.9m)

Right-sizing costs base (£1.1m)

- Redundancies (£1.1m)

Loss on disposal (£2.5m)

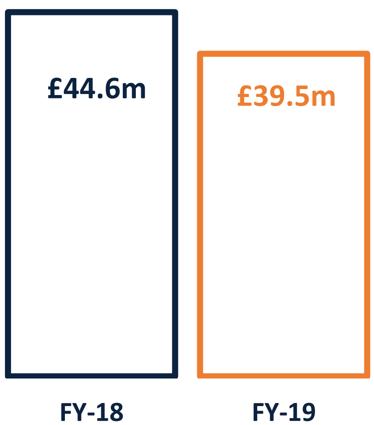
- European Obstruction business disposal

Receivable write off (£2.7m)

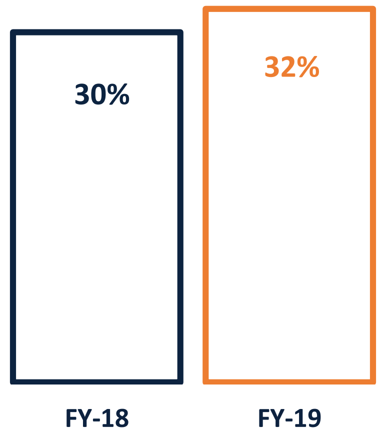
- IFRS adjustment

SIGNALS & COMPONENTS

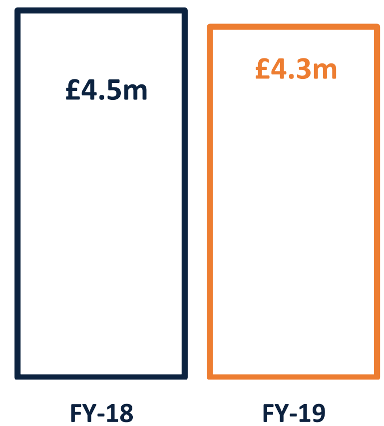
Revenue



Gross margin



EBIT

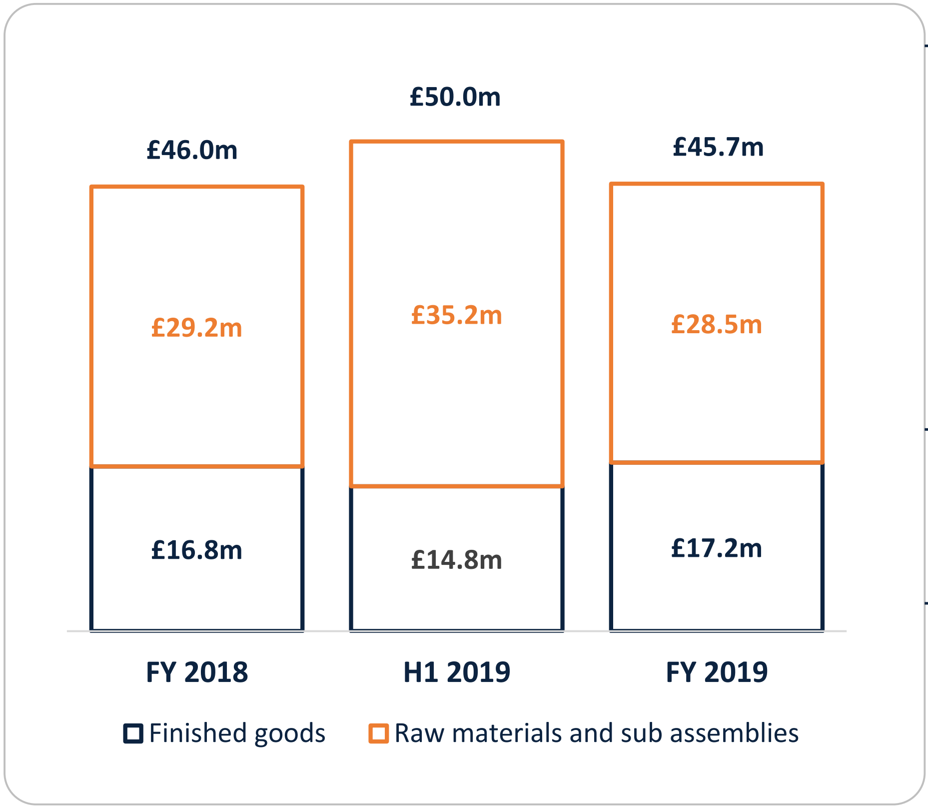


11%
Revenue reduction

200 bps
Improvement in gross margin

4%
Reduction in EBIT

INVENTORY



£6.7m reduction in sub assemblies and raw materials

Increase in finished goods, will be maintained to support growth

Continued focus on optimising inventory levels

Expecting further progress during 2020

NET DEBT

		£m
Net debt at 31 December 2018		**(2.9)**
Inflows		
Underlying EBITDA	10.1	
Net working capital	2.0	12.1
Outflows non recurring		
Cost of exiting outsource manufacturer	(10.2)	
Investment in operating facilities	(6.8)	(17.0)
Other outflows		
Redundancy costs and disposal of subsidiary	(1.6)	
Investment in new products	(6.0)	
Other	(1.1)	(8.7)
Net debt at 31 December 2019		**(16.5)**

£2.0m - Improvement in working capital

£10.2m – Paying 3rd party vendors

£6.0m - Investment in R&D

£6.8m - Investment in new facilities

RCF facility renewed for three years, net debt/EBITDA at 1.6x

2020 PLANNING ASSUMPTIONS

INCOME STATEMENT	Net Interest	Broadly in line with FY-19
	Tax Rate	c.26%
CASH FLOW	Capex	c.£2m operational capex c.£5m product development
	Working capital	Inventory level targeted at £38-40m

H2 weighting as in previous years

Dialight

BUSINESS REVIEW

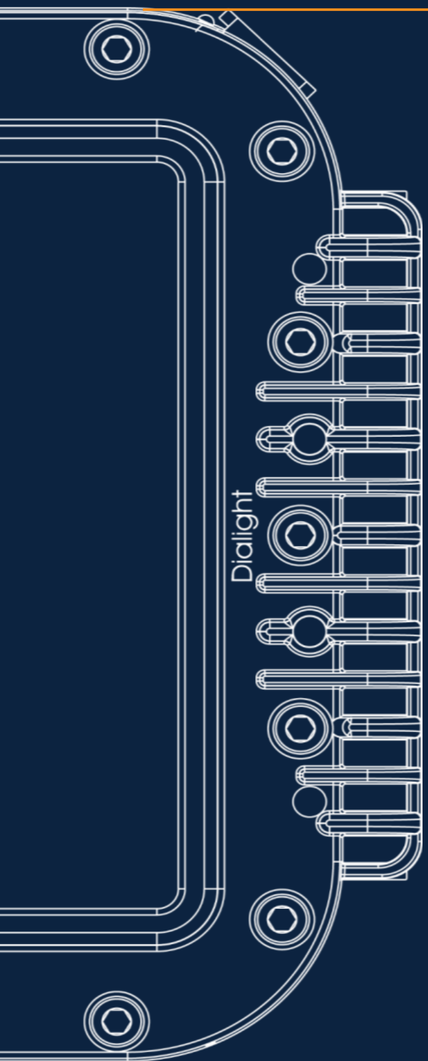
Fariyal Khanbabi

Group Chief Executive

2019 REVIEW

- Exited from outsource manufacturer; two new plants in Mexico & Malaysia
- Operational performance much improved from Q4, enhanced capability & capacity
- Lead times significantly reduced, overdue orders eliminated
- Focused on rebuilding customer & distributor confidence
- Positive customer response but tough conditions in certain markets
- Signals & Components challenging year

INVESTMENT CASE

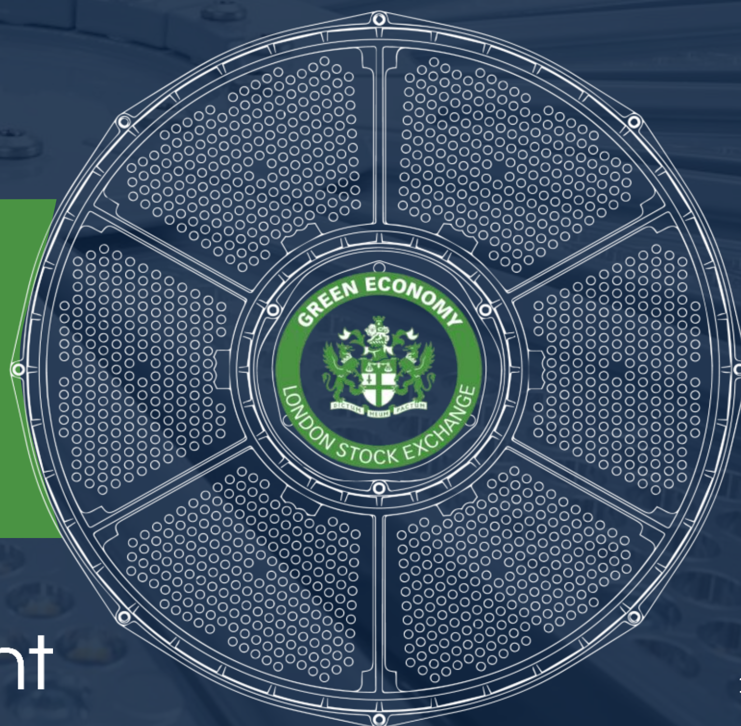


- **POSITIONED FOR GROWTH** → Diverse customer base
- **DIFFERENTIATED** → Technological leadership
- **INTELLIGENT** → Integrated controls
- **TRUSTED** → Long term track record
- **SUSTAINABLE** → Environmentally friendly
- **SCALABLE** → Significant capacity

ENVIRONMENTAL, SOCIAL & GOVERNANCE

- Strong health & safety performance
- Board diversity
- Continue as a group to reduce carbon footprint

Dialight now qualifies for the Green Economy Mark and is part of the FTSE4Good Index



Dialight

MARKET SEGMENTATION

CORE

HIGH TIER

Hazardous and heavy industrial

- Lower price erosion
- Lower volume growth
- Smaller market
- ~ 10 competitors

GROWTH

MID TIER

Light industrial and warehouse

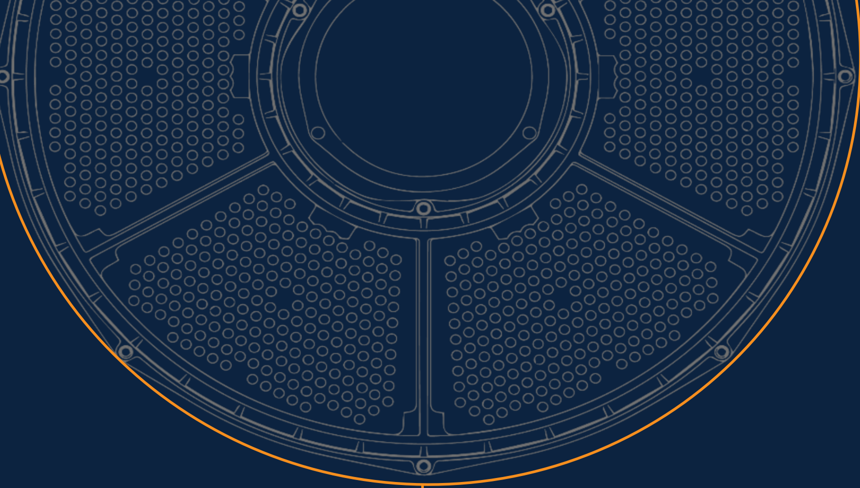
- Lower cost
- Low - Med price erosion
- Larger market & growth
- ~ 30 competitors

NOT TARGETED

LOW TIER

Light industrial

- Lowest cost
- High price erosion
- Highest volume growth
- Medium sized market
- > 200 Competitors



OPERATIONS

PRODUCT DEVELOPMENT

SALES

OPERATIONAL PERFORMANCE

80%

On time delivery %

3 WEEKS

Lead time

70%

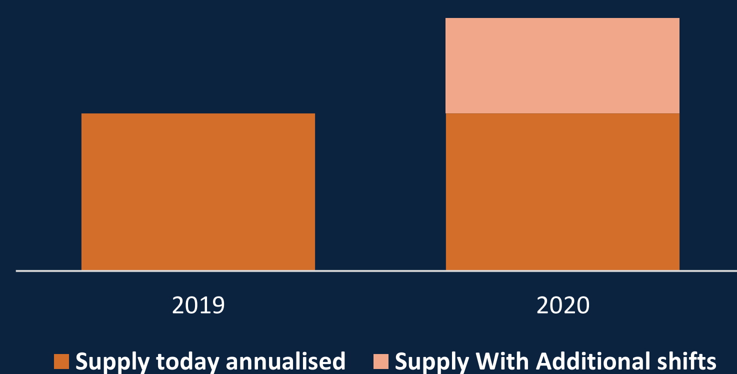
Orders shipped in one day

Number of shifts

Physical space

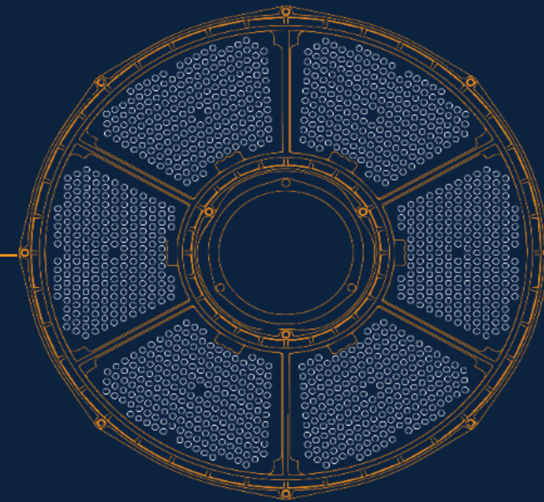
Supply chain

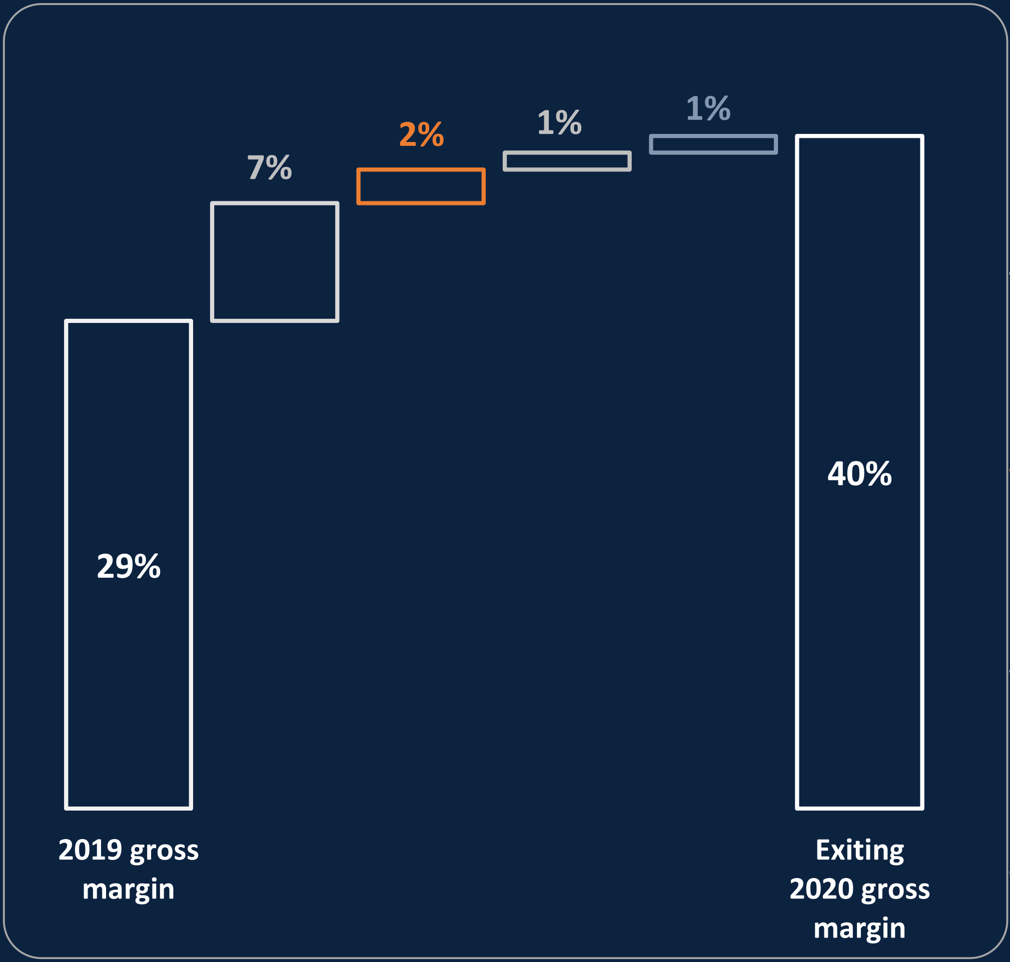
Demand vs Supply (Units 000s)



60% Additional capacity

GROSS MARGIN IMPROVEMENT



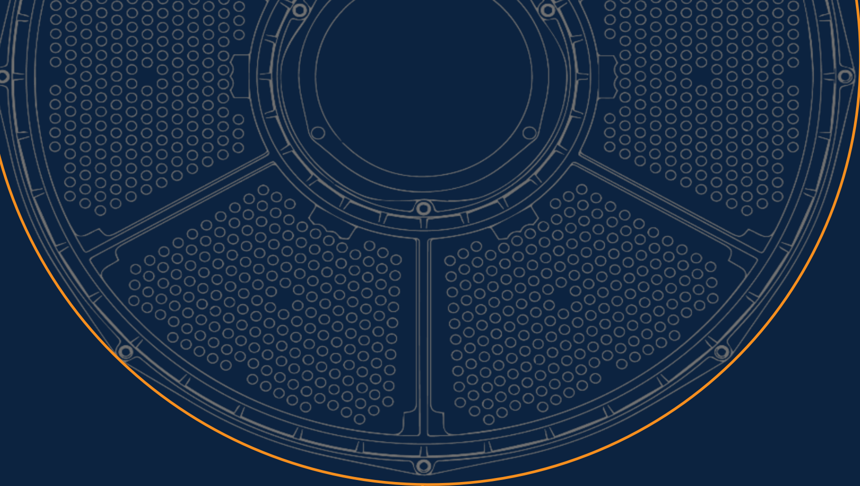


Reduced use of hybrid model

Product cost reductions

Material cost reductions

Improved efficiency



OPERATIONS

PRODUCT DEVELOPMENT

SALES

PRODUCT DEVELOPMENT

Growing our core products

- Cost reductions
- Performance upgrades

New products

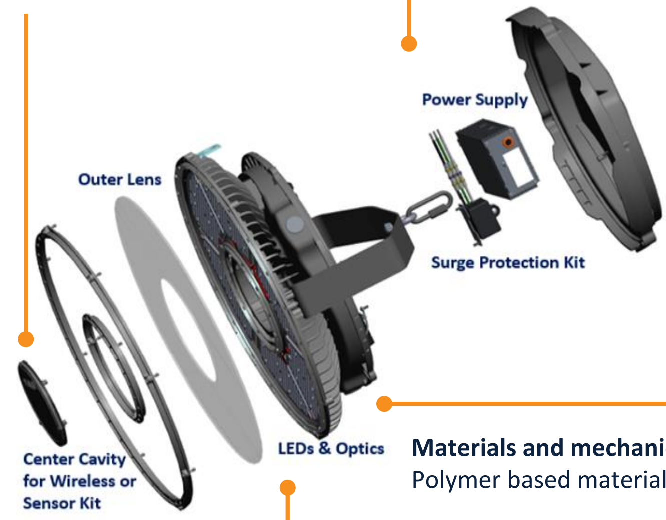
- Filling portfolio gaps

New technologies

- For the next generation of luminaires
- Integrated controls

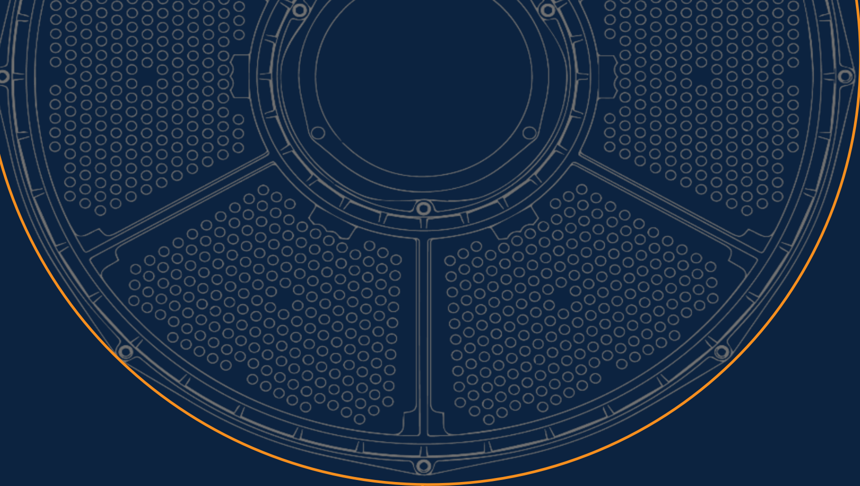
Power supply
Largest differentiator

Controls & sensors
New products are field upgradeable



Materials and mechanical
Polymer based materials

Optics
Higher LPW (Lumen/Watt)

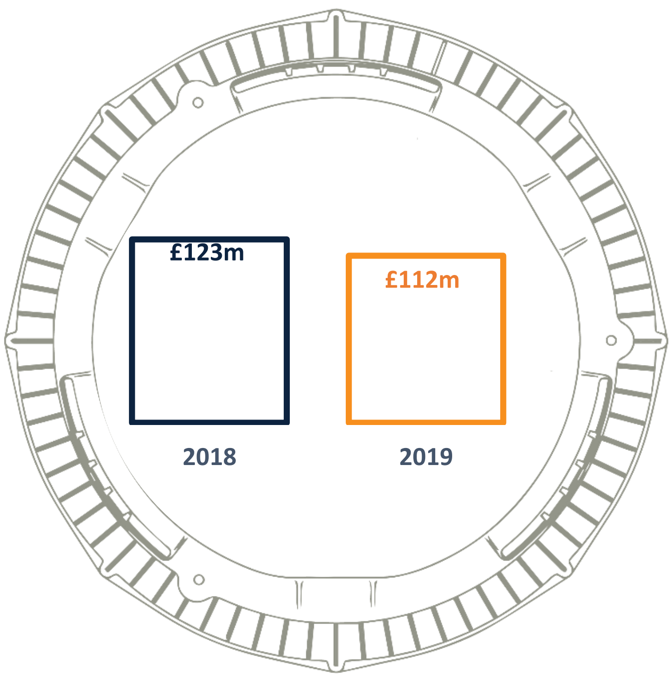


OPERATIONS

PRODUCT DEVELOPMENT

SALES

LIGHTING ORDER INTAKE



AMERICAS (7%)

- US market impacted by US/China tariffs
- Oil & Gas end market down
- US well positioned despite these headwinds

EMEA (21%)

- New management team led by a member of US team
- Establishing stronger distribution network

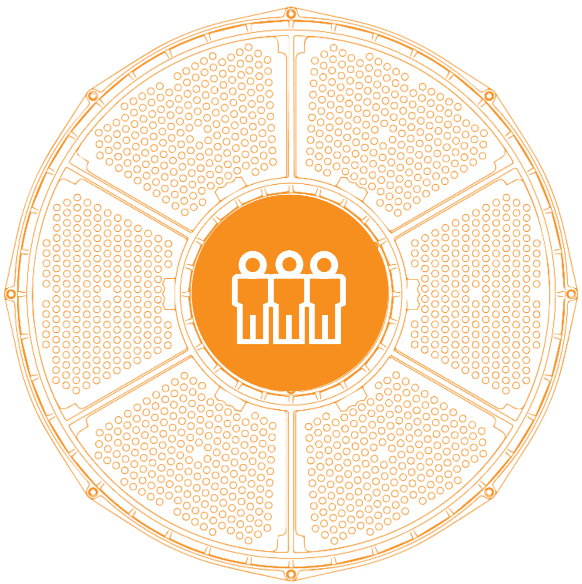
APAC (8%)

- Australia down due to mining weakness
- Rest of Asia performing well

OBSTRUCTION (10%)

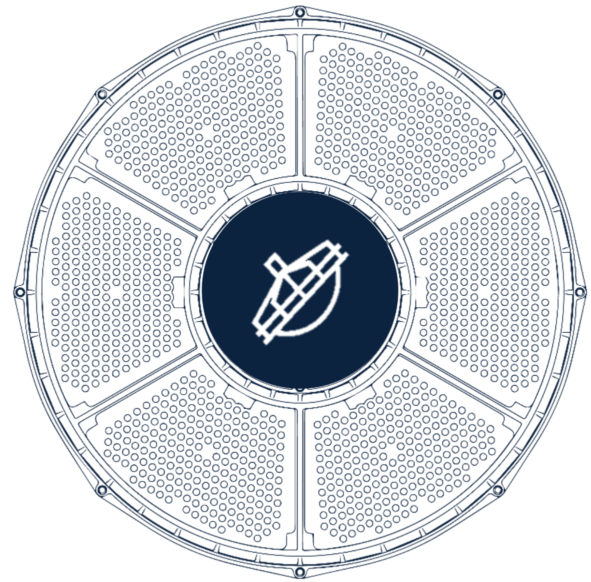
- New products to enter market during Q2 2020
- Focus on broadening customer base

IMMEDIATE SALES STRATEGY



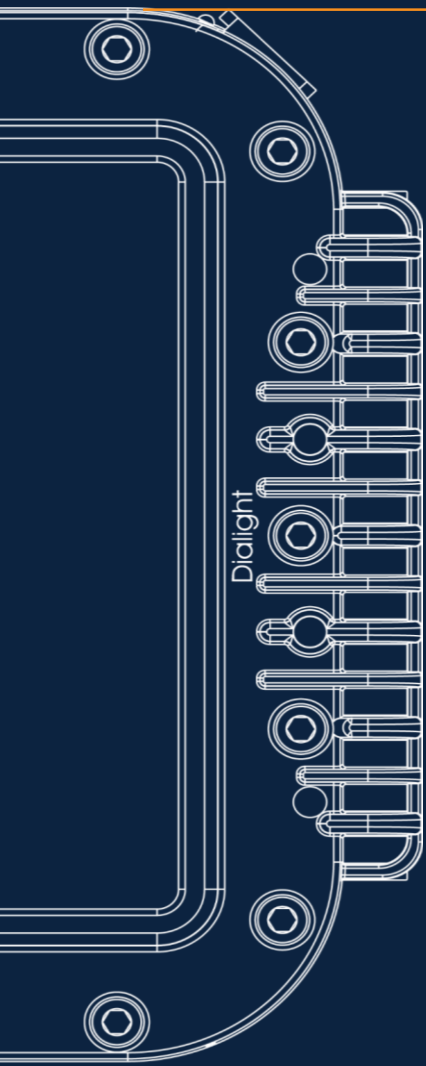
- Weekly operational and lead time metrics
- Senior management engagement

- Consistent on time delivery and short lead times
- Continued expansion of routes to market



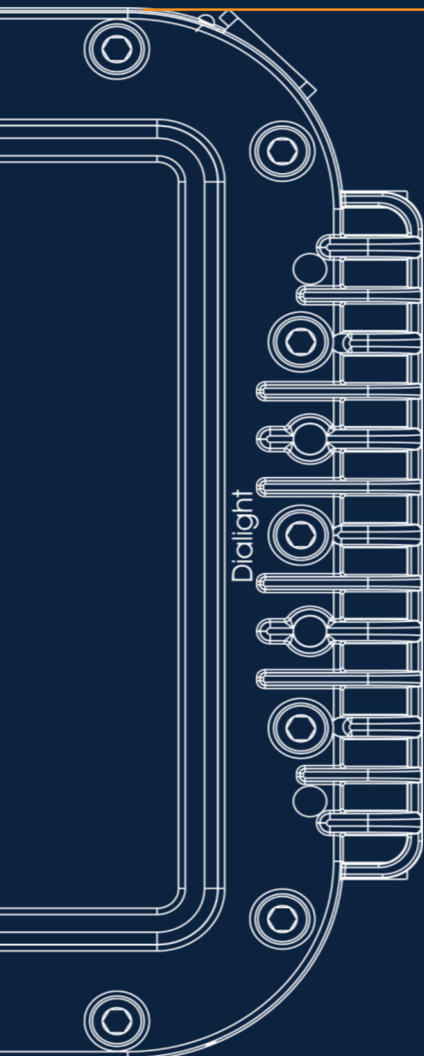
- New product launches
- Regionally specific products

SUMMARY



- Operational footprint and performance materially improved with underlying gross margin maintained
- Technological leadership remains strong with sustainability benefits to our customers even more relevant
- Sales recovery gaining momentum but challenging markets
- Strengthened product development

OUTLOOK

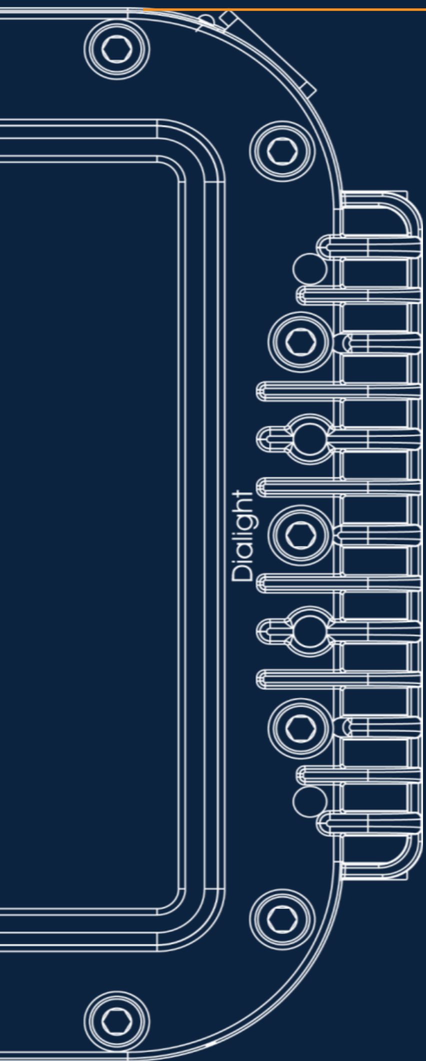


Most of our end markets are likely to remain challenging short-term, exacerbated by the possible impacts of the COVID-19 virus. Nonetheless, in 2020 we continue to target a materially improved trading performance, with a strong focus on sales and new product development, and again with an H2 weighting and we expect a significant reduction in our year-end net debt.

The longer-term prospects from the ongoing conversion to industrial LED lighting remain strong and the sustainability benefits to our customers are even more relevant.

APPENDIX

OUR TECHNOLOGY DIFFERENTIATION



Custom Power Supplies — 10 year warranty

Latest LEDs & Advanced Optics — Better light utilisation, fewer lights to illuminate

Integrated Design — Reduced installation and maintenance time

Sensors & Controls — Further value proposition for our customers

VERTICAL SEGMENTS

	2019	2018
Obstruction	**3%**	10%
Food & Beverage	**5%**	6%
Heavy industrial	**17%**	16%
Mining	**14%**	11%
Oil & Gas	**24%**	22%
Power	**14%**	9%
Pulp & Paper	**10%**	13%
Other industrials	**13%**	13%
	100%	100%

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