

30 MARCH 2021

DIALIGHT

**FULL YEAR 2020
RESULTS PRESENTATION**



INTRODUCTION

DAVID BLOOD
CHAIRMAN

OUR COVID-19 RESPONSE



**PROTECTING OUR
PEOPLE**



**SUPPLYING OUR
CUSTOMERS**



**PROTECTING
OUR BUSINESS**





FINANCIALS

WAI KUEN CHIANG

CFO

INCOME STATEMENT

	FY-20	FY-19
	£m	£m
Revenue	119.0	151.0
Cost of sales	(85.0)	(107.1)
Gross profit	34.0	43.9
<i>Gross margin %</i>	<i>28.6%</i>	<i>29.1%</i>
SG&A	(40.4)	(48.9)
Underlying EBIT	(6.4)	(5.0)
Non-underlying costs	(2.4)	(6.3)
EBIT	(8.8)	(11.3)

Non-underlying costs	FY-20	FY-19
	£m	£m
Redundancy costs	(0.9)	(1.1)
Litigation costs	(0.7)	
Loss on disposal of subsidiary	(0.8)	(2.5)
Write off receivable from outsourced manufacturer		(2.7)
Total	(2.4)	(6.3)

Revenue

- Reduction of 21%

Gross margin

- Benefits of insourcing negated by COVID-19 impact

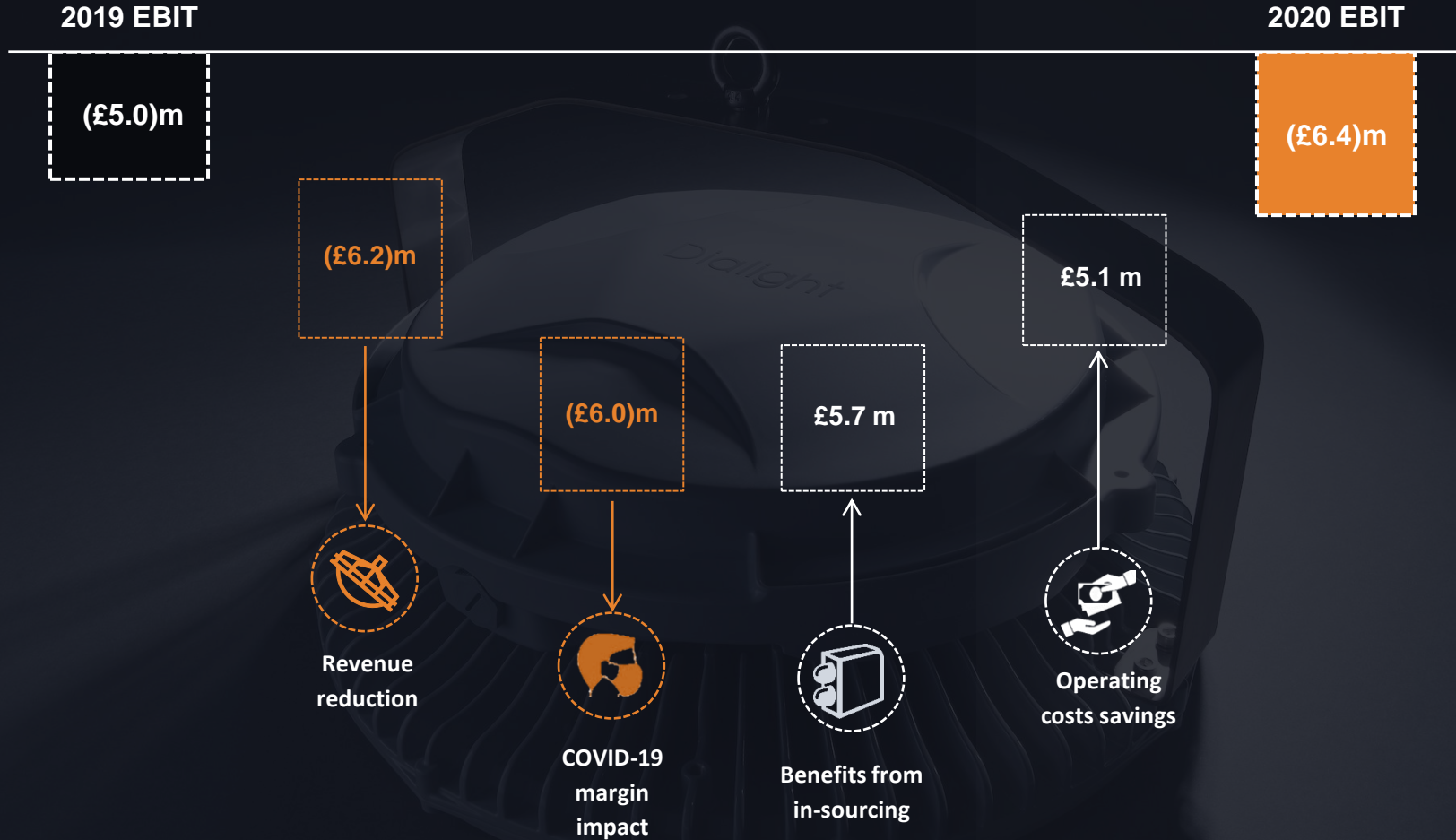
SG&A

- 17% reduction in operating costs
- Headcount costs reduced by furloughs, salary sacrifice and redundancies
- Significant reduction in discretionary spend

Non-underlying items

- Redundancy costs to reduce cost base
- Litigation costs with outsource manufacturer
- MBO by Brazilian JV partner

UNDERLYING EBIT BRIDGE



NET DEBT

	£m	
Net debt at 31 December 2019		(16.5)
Inflows		
Underlying EBITDA	0.1	
Unwind of inventory	12.6	
Tax refunds	2.9	15.6
Outflows		
Net working capital (excl. inventory)	(3.6)	
Investment in new products*	(3.7)	
Maintenance capex/others	(1.1)	
Non-underlying costs	(1.3)	
FX	(0.8)	(10.5)
Net debt at 31 December 2020		(11.4)

*includes software

Working capital

- Inventory reduced by £12.6m
- Receivables reduced by £3m, quality of customer base
- Creditors increased due to enhanced credit terms

Borrowing capacity

- Additional £10m credit line secured, total facilities of £35m at December 2020
- Net debt reduced by £5.1m in year (£6.6m reduction in H2)

Covenants

- Leverage and Interest cover tests replaced by EBITDA target until Q2-21
- Compliant with EBITDA target at 31 December 2020

2021 PLANNING ASSUMPTIONS

INCOME STATEMENT

Net Interest

Broadly in line with FY20

Tax Rate

c.25%

CASH FLOW

Capex

c.£2m maintenance capex
c.£5m product development

Working capital

Inventory level targeted at
£30 - £32m

H2 weighting as in previous years

BUSINESS REVIEW

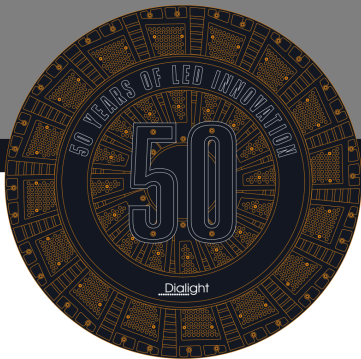
FARIYAL KHANBABI

CEO



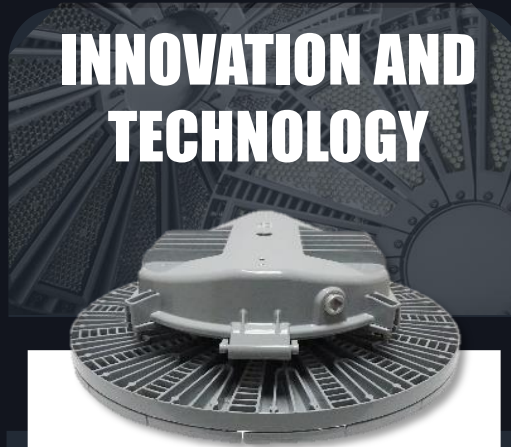
WE REMAIN DIFFERENTIATED

MARKET EXPERIENCE



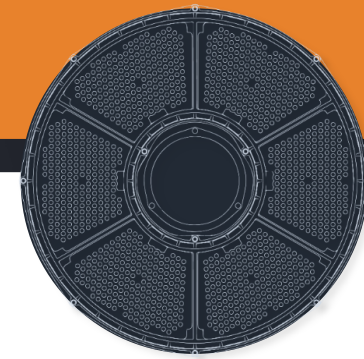
- 50 years of LED experience
- Only pure play LED company
- Largest installed base of LED fixtures

INNOVATION AND TECHNOLOGY



- Best in class designs
- Reliability and efficiency
- Fast development cycle

SALES FOCUSED



- Global footprint
- Large market opportunity
- Highly trained sales team

PRODUCT STRENGTH



POWER SUPPLIES

- Specifically designed for 10 year lifespan
- Able to withstand intense shock and vibration



OPTICS

- Designed for highest light output to energy ratio consumption
- Optimised lighting design to reduce the number of fixtures and improve light utilisation



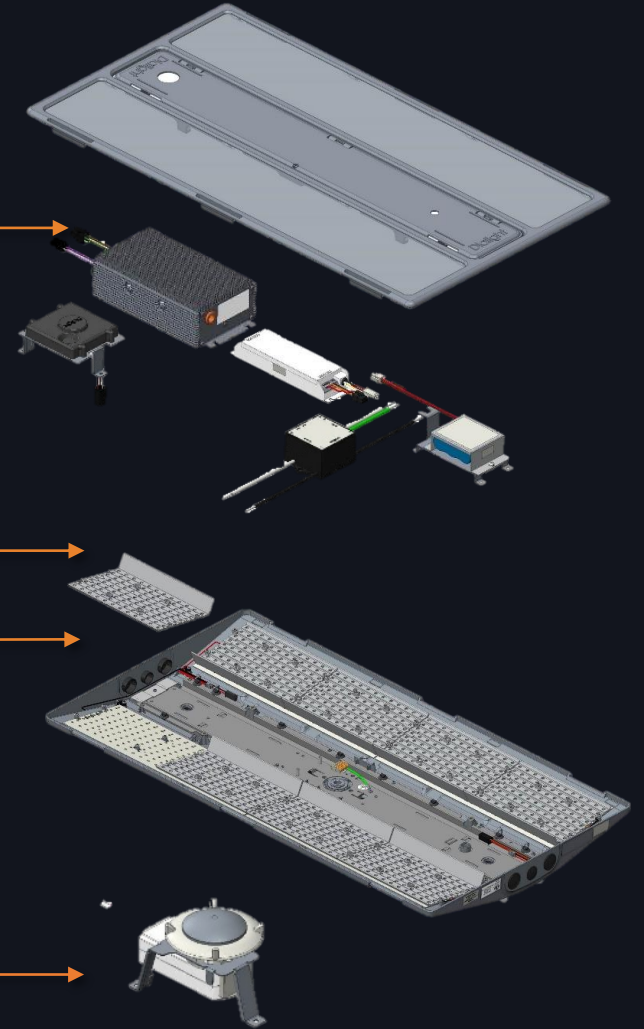
MATERIALS AND MECHANICAL

- Designed for hot, humid and hazardous applications
- Optimised for heat dissipation to prolong life
- Dual powder coat finish for corrosion resistance



SENSORS AND CONTROLS

- Further value proposition for our customers
- Integration with building management systems



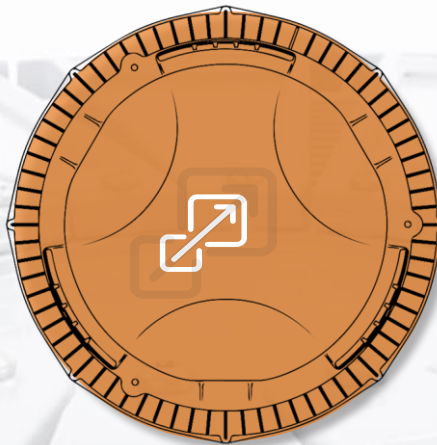
STRATEGY

INVEST IN OUR CORE



Strong focus on increasing conversion to LED in our core heavy and harsh hazardous markets

EXPAND MARKET REACH



Expanding our market reach by establishing a strategic accounts team and developing new routes to market

CONTINUED INNOVATION



Continue to lead the market in innovation widening our market leading position and filing portfolio gaps

Grow the business in global industrial markets by a combination of our products, strong ESG credentials, people and culture differentiating us from our peers

PRODUCT STRATEGY

BULKHEAD

First upgrade in 10 years

Efficiency upgrades

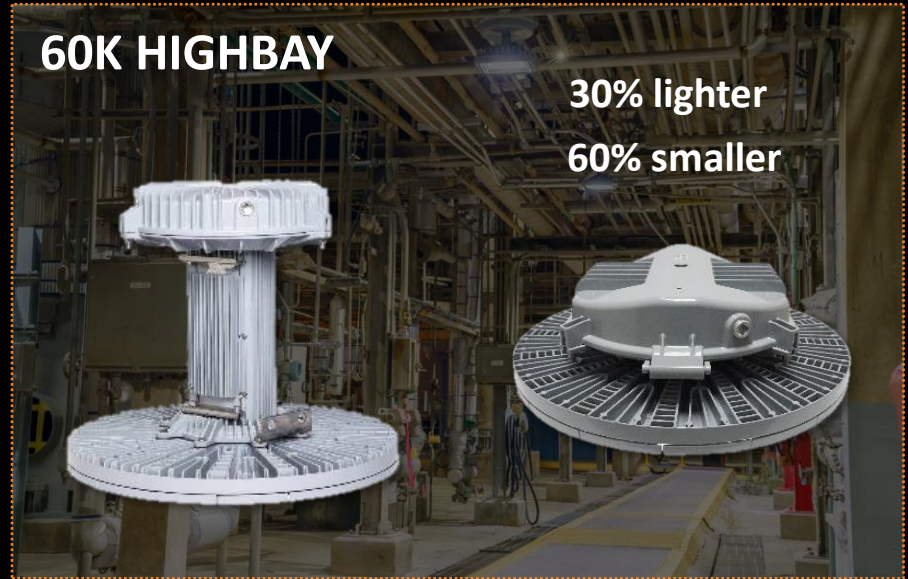
New design features



60K HIGHBAY

30% lighter

60% smaller



Reducing payback
period



Value added
offering

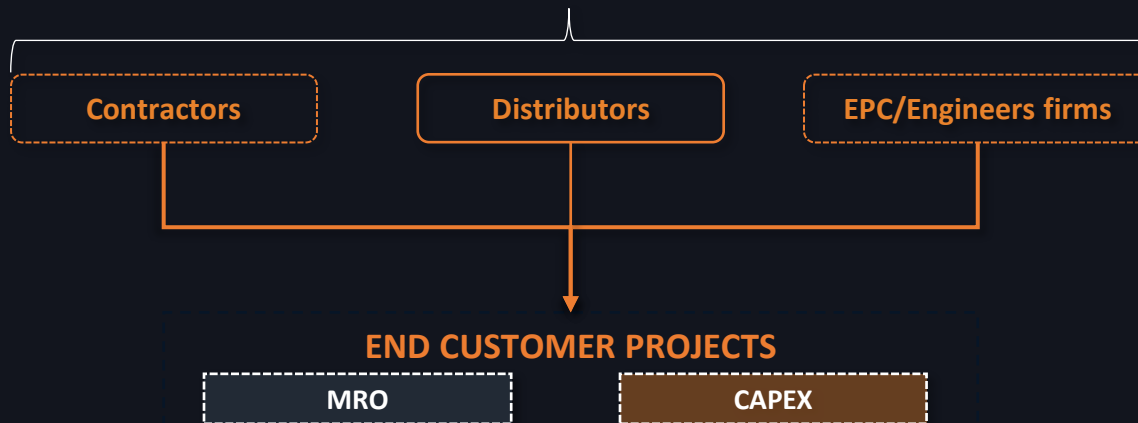


Expanding operating
limits

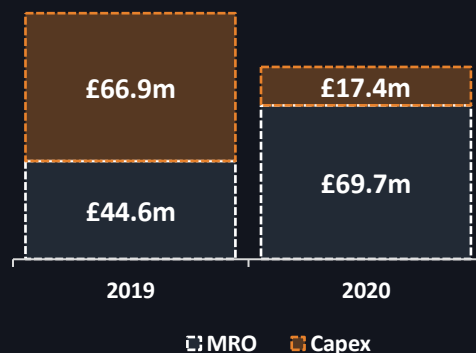


Expanding serviceable
market

LIGHTING



ORDERS BY TYPE



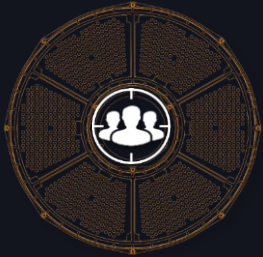
Capex

- Represented 60% prior to COVID-19
- Significantly reduced from Q2
- Customers conserved their cash
- Orders deferred not cancelled

MRO

- Significant number of customers deemed “essential businesses”
- Maintenance spend continued
- Clawback of lost customers
- Secured customers
- Expanded distribution channels
- Many competitors had supply issues

LIGHTING ORDERS PERFORMANCE



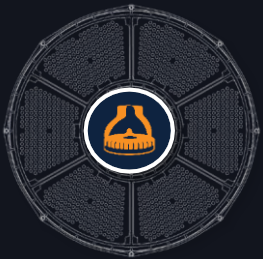
Strong market focus maintained

- US Sales force were not furloughed
- Leads followed up on virtual platforms
- Proactive targeting of MRO opportunities



Strengthening relationships

- Distributor product training program initiated
- Rebuilt MRO business



Benefit of finished goods

- Quick supply to customers
- Supplied while factories were closed
- Finished goods unwound by £4.6m



AMERICAS (24% YoY)

- Regaining MRO business
- Capex projects deferred



EMEA (24% YoY)

- Severely impacted by repeated lockdowns



APAC 8% YoY

- Australia achieved order growth from strong mining sector

SIGNALS AND COMPONENTS

Essential business

- Suppliers of opto-electronic components to many critical businesses during COVID-19
- As part of a critical business supply chain, we obtained “essential business” status

Performance in 2020

- Orders up 7% on 2019
- Raw material shortages constrained revenue growth
- Surge in traffic light replacement programmes
- Increased components sales due to demand from the medical sector and home-working increased IT equipment manufacture

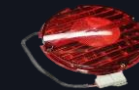


Components used in ventilators



Signals market

- North America only
- Buses, trucks and train marker lights
- Traffic lights for road and rail



Components market

- 50% North America
- 35% Asia
- 15% EMEA
- Low customer concentration



OPERATIONS



80%
Lighting On Time Delivery



3 weeks
Lead times



Essential business
All sites

Disruption to operations

- 3-6 weeks factory closures
- Restrictions on staff numbers on-site
- Productivity impact of social distancing measures
- Re-training to replace 200 experienced staff in high risk category unable to work

Gross margin

- Majority of benefit from insourcing offset by impact of COVID-19
- Lighting gross margin up by 100bps
- Production costs mainly fixed

Additional
PPE



£0.4m

Factory
closure



£1.5m

Lower production
volume



£4.1m

COVID-19
costs



£6.0m

SOURCING STRATEGY



Forecast process

Refining process to drive targeted inventory reductions



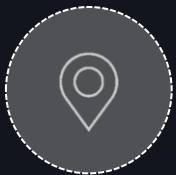
Enhanced terms

Enabling greater purchasing power



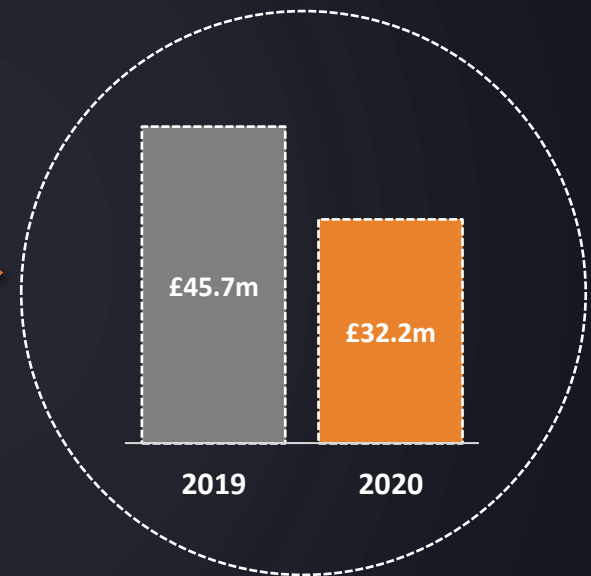
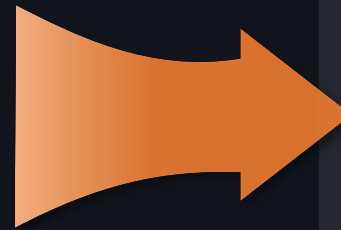
VMI/Consignment inventory

Reducing inventory held, safeguarding against shortages



Localising supply

Utilising local suppliers to reduce lead times/risk



**£13.5m reduction in
inventory**

ESG - SOCIAL



Engagement

- Weekly/Monthly global calls by CEO
- All staff Q&A sessions
- Non-Exec designated as employee liaison



Wellbeing & development

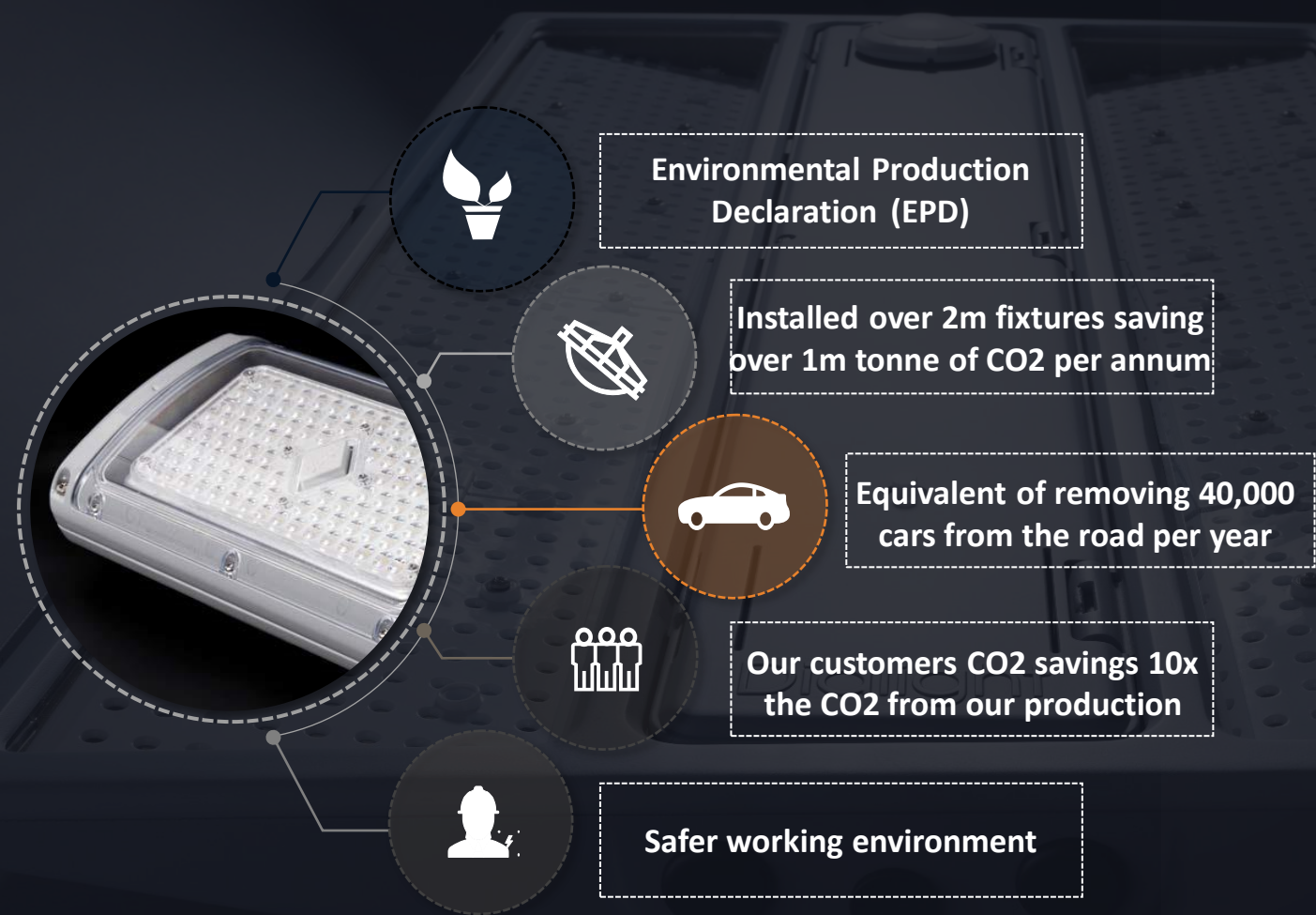
- 'Best practice' workplace safety and legal support
- Employee assistance and mental health support
- Expanded online/virtual employee training
- Continued investment in Future Leaders



Community

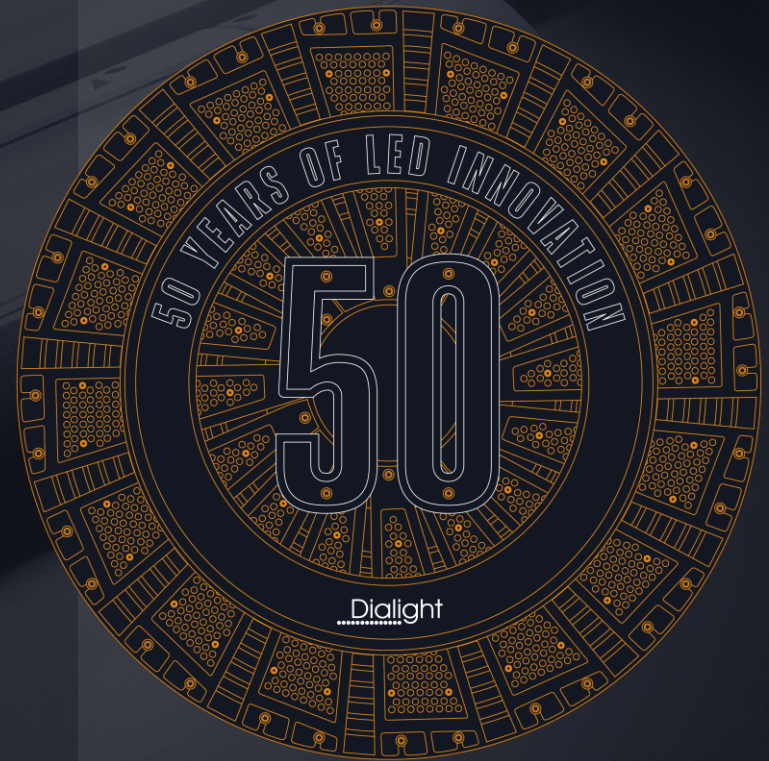
- Dialight Foundation created
- Assist the communities where we do business
- Partnered with orphanage near Mexico factory
- Funded by employees and company

CARBON IMPACT



SUMMARY

- Utilising our existing sales team to drive growth in our core markets
- Building a strategic accounts team focused on expanding our market reach, leveraging corporate ESG goals
- Ensuring our product development is strategically relevant for our customers
- Developing the next generation of technology to widen our innovation gap
- Continued focus on building a robust and sustainable supply chain to continue to respond quickly to customer demands



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APPENDIX

SEGMENTS

Lighting

£m	Reported currency		
	FY-20	FY-19	Variance
Revenue	81.7	111.5	(27%)
Gross profit	23.7	31.3	(24%)
Gross margin	29%	28%	+100bps
Overheads	(26.8)	(34.5)	+22%
EBIT	(3.1)	(3.2)	+3%

Signals and Components

£m	Reported currency		
	FY-20	FY-19	Variance
Revenue	37.3	39.5	(6%)
Gross profit	10.3	12.6	(18%)
Gross margin	27%	32%	-500bps
Overheads	(7.7)	(8.3)	7%
EBIT	2.6	4.3	(40%)



Private and confidential

Dialight



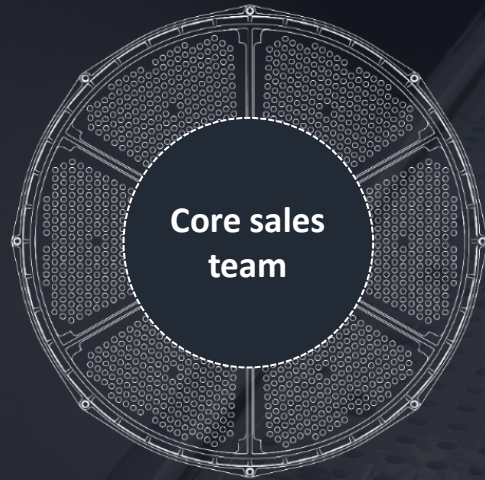
LIGHTING VERTICAL MARKETS

Sales per vertical market

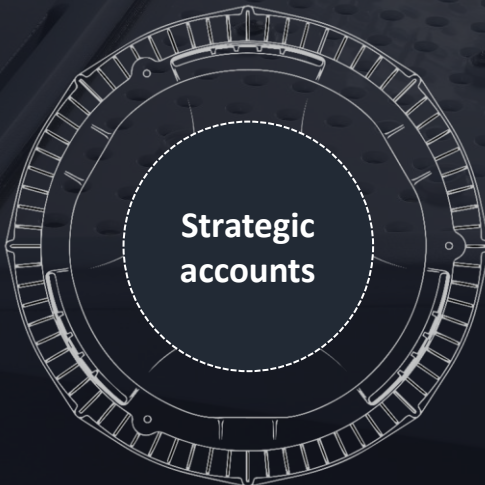
	FY-20	FY-19
Oil & Gas	22%	24%
Heavy industrial	14%	17%
Mining	12%	14%
Power	12%	14%
Pulp & Paper	10%	10%
Food & Beverage	7%	5%
Obstruction	4%	3%
Other industrials	19%	13%
	100%	100%



SALES FOCUS



Plant level



Corporate level

Energy savings & maintenance

Safety

Total cost of ownership

Corporate ESG targets and reducing carbon footprint