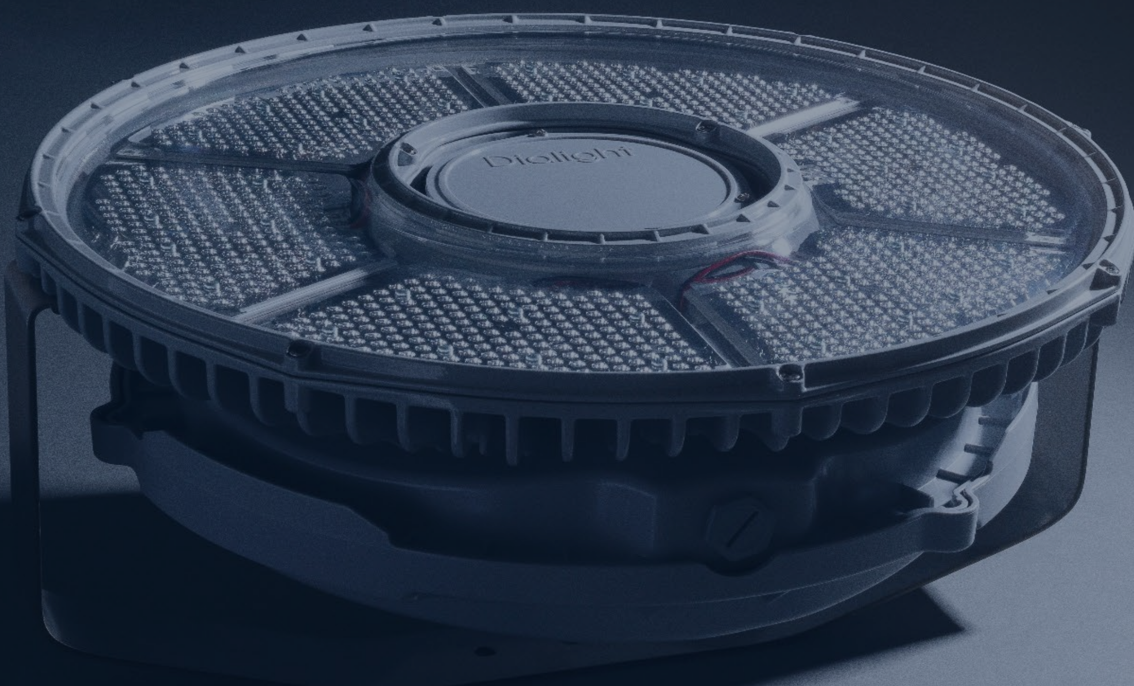
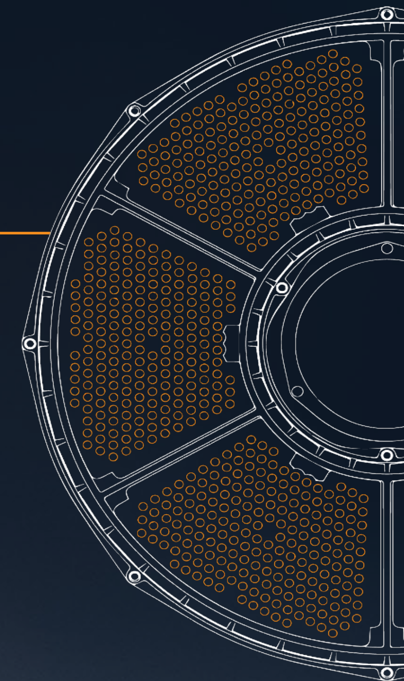
H1 2020 RESULTS

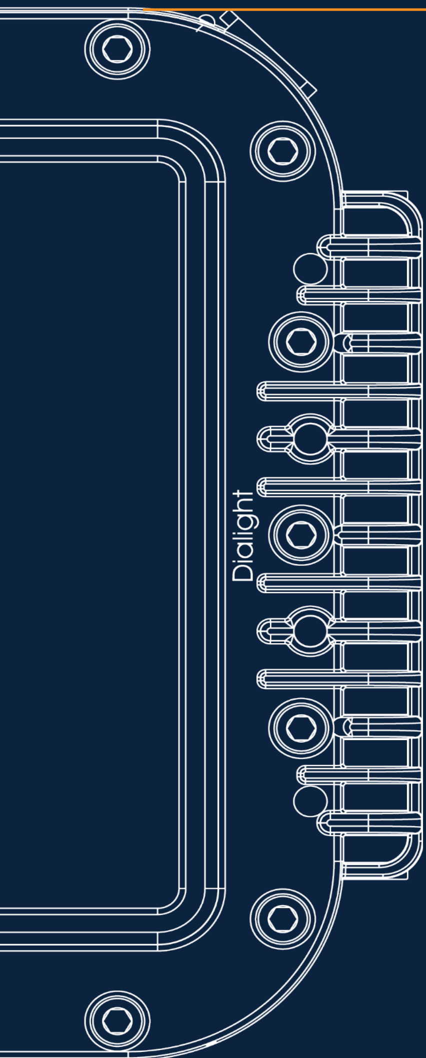




Dialight

For a video of this presentation, click here.

H1 RESULTS



- Q1 trading in line, Q2 significantly impacted by COVID-19
- Operating loss reflects lower revenue due to COVID-19, impact offset by cost savings
- Maintained un-interrupted supply to our customers
- Net debt increase of £1.5m since year-end
- Inventory reduced by £7.0m, at constant FX
- £10.0m of additional bank finance secured
- Appointment of Wai Kuen Chiang as CFO, start date in Q4 2020

OUR COVID-19 REPSONSE

Prioritising safe work environment

Agility : rapid decision-making

Balancing impact across key stakeholder groups

Central and regional support groups

Focus on cash and liquidity

Focus on key investment priorities

We have continued to ensure delivery of critical safety and environment solutions

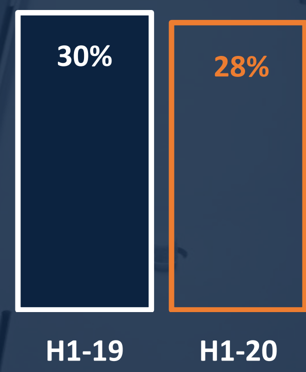
COVID-19 MITIGATIONS

- Salary reductions across the Group ranging from 5% to 20%
- Utilised government incentives of furloughs and payroll tax deferral
- Deferral of rents and capex
- Additional £10m of liquidity with existing covenant waivers to Q3-21
- Costs relating to factory shutdowns estimated to be £3.6m

FINANCIAL RESULTS

Revenue

Gross margin %



Debt facilities

26%

Revenue reduction

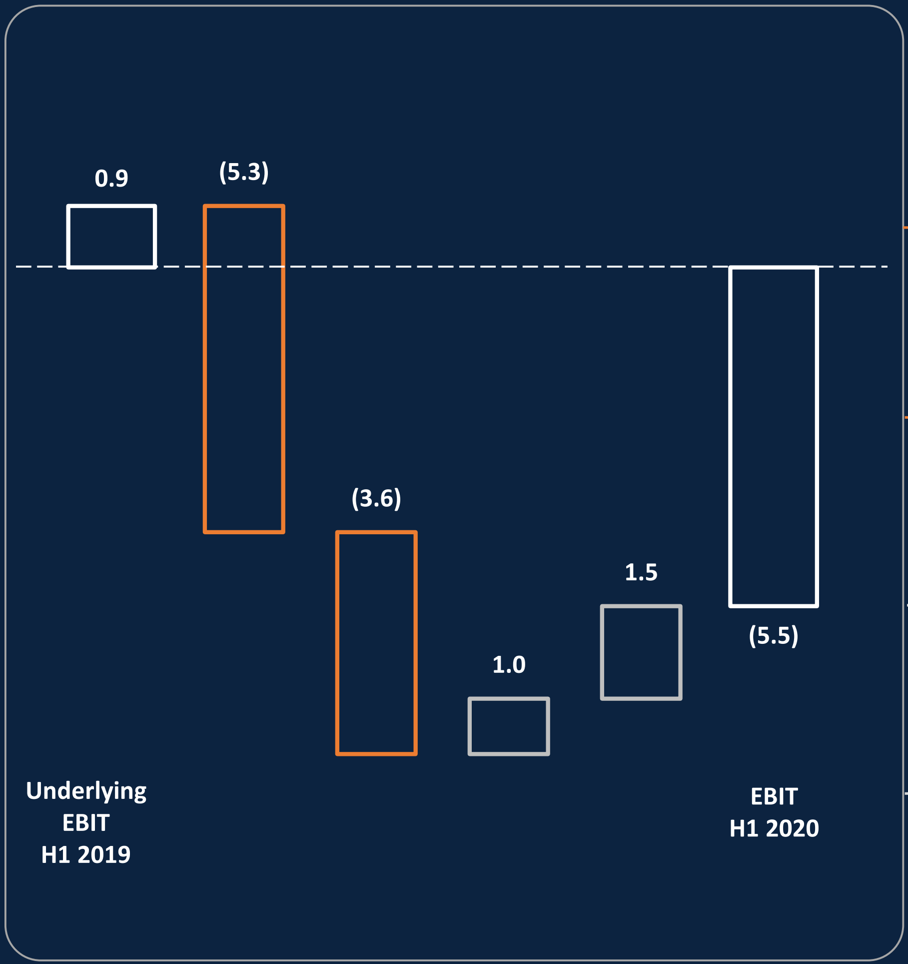
34%

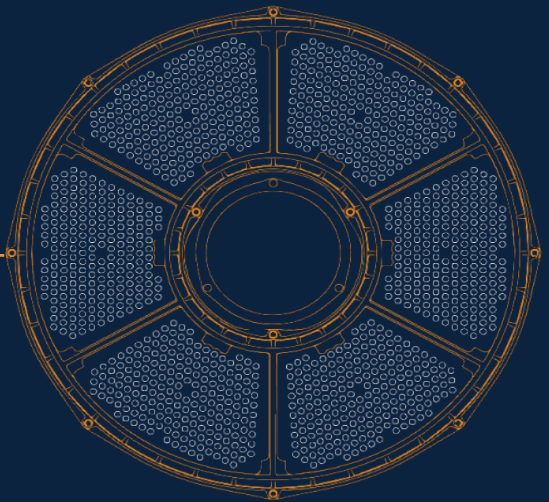
Excluding impact of additional COVID-19 costs

£18.0m

Net debt (FY-19: £16.5m)

EBIT BRIDGE





Revenue reduction of 26%

COVID-19 costs

Reduced travel

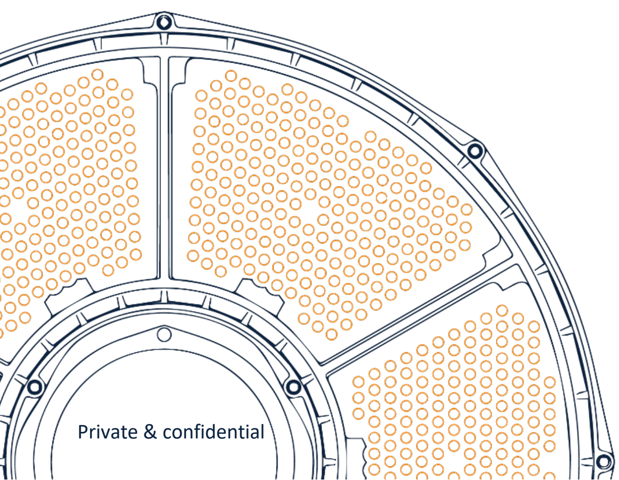
Furlough and salary reductions

LIGHTING

Lighting	Reported		
£m	H1-20	H1-19	Variance
Revenue	40.7	56.4	(28%)
Gross profit	**11.7**	**19.6**	**(40%)**
Gross margin	29%	35%	-600bps
Overheads	(14.4)	(17.7)	19%
EBIT	**(2.7)**	**1.9**	**(242%)**

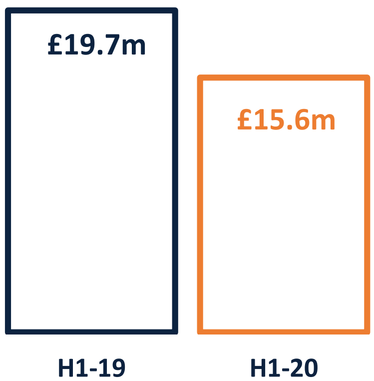
Gross margin bridge	
Underlying gross margin H1-2019	35%
Less non-underlying costs H1-2019	(5%)
Insourcing of painting and machining	5%
COVID-19 costs	(6%)
Gross margin H1-20	**29%**

- Sales channel severely impacted – customer sites closed
- Project business significantly disrupted
- MRO business saw order growth, reclaiming lost market share
- Gross margin benefits from insourcing eroded by COVID-19 disruption
- Cost savings on revenue related costs plus reduced travel

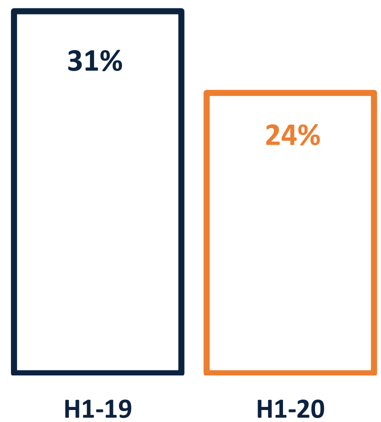


SIGNALS & COMPONENTS

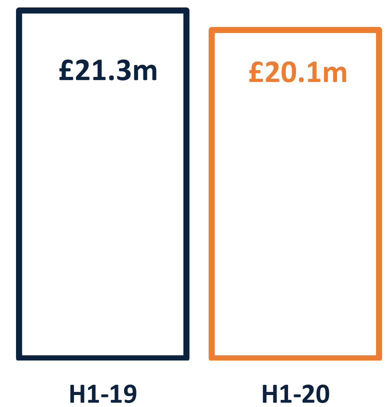
Revenue



Gross margin



Orders

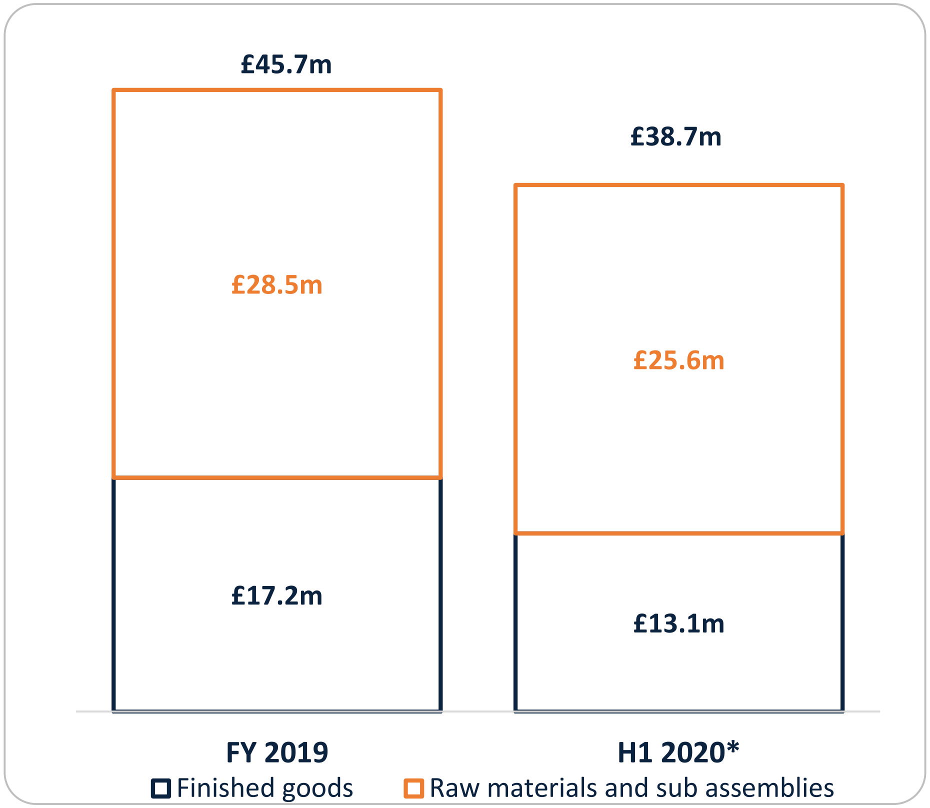


21%
Revenue reduction

100 bps
Improvement in gross margin (excluding impact of COVID-19)

6%
Reduction in orders

INVENTORY



- Distribution centres key to order fulfilment during COVID-19 enforced plant shutdowns
- H1 2020 position includes £2.5m of advanced raw materials purchases
- Expecting further inventory reduction by full year

* Constant currency basis, adjustment of £2.4m of FX to get balance sheet value of £41.1m

NET DEBT

		£m
Net debt at 31 December 2019		**(16.5)**
Inflows		
EBITDA (before COVID 19-costs)	0.8	
Unwind of inventory	7.0	7.8
Outflows		
Working capital (excl. inventory)	(1.8)	
Investment in new products	(2.2)	
COVID-19 related costs	(3.6)	
Maintenance capex/other	(0.6)	
FX	(1.1)	(9.3)
Net debt at 30 June 2020		**(18.0)**

£7.0m – Unwind in inventory

£3.6m- COVID-19 related costs

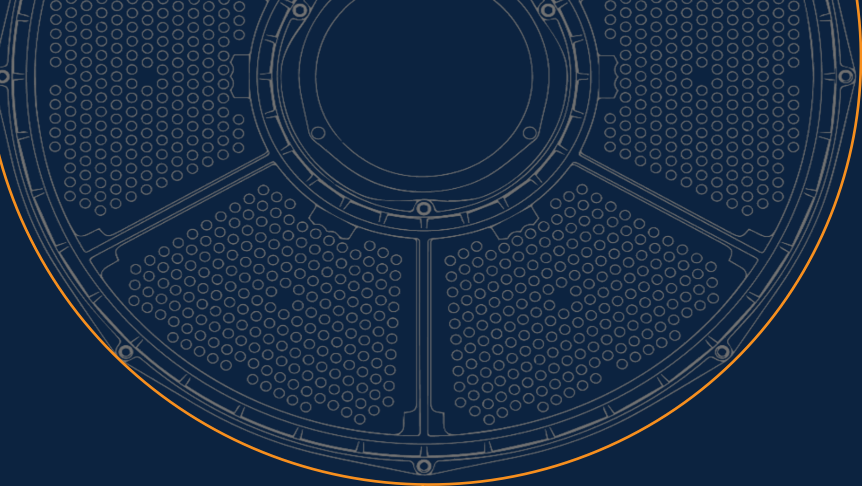
£2.2m - Investment in R&D

Bank facilities increased from £25m to £35m, cash on hand £15.8m

FY 20 PLANNING ASSUMPTIONS

INCOME STATEMENT	Net Interest	Broadly in line with FY-19
	Tax Rate	c.26% (before any one-off tax credits)
CASH FLOW	Capex	c.£1m operational capex c.£5m product development
	Working capital	Expecting further H2 improvement

Revenue performance dependent on impact of COVID-19 on end markets and any enforced factory shutdowns

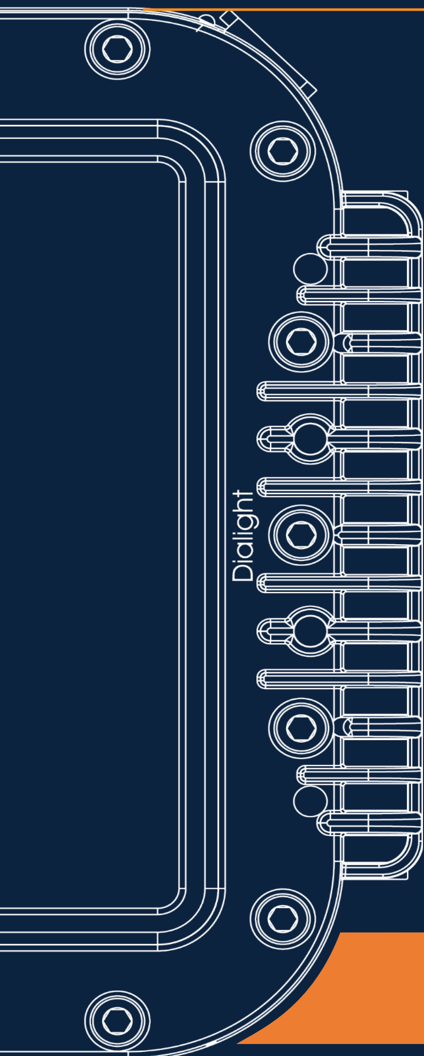


OPERATIONS

PRODUCT DEVELOPMENT

SALES

IMPROVING OPERATIONAL PERFORMANCE



84%

On time delivery %

3 WEEKS

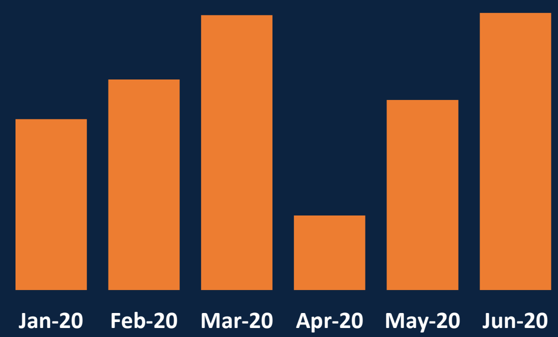
Lead time

200 people unavailable to work due to health restrictions

Additional shift capacity

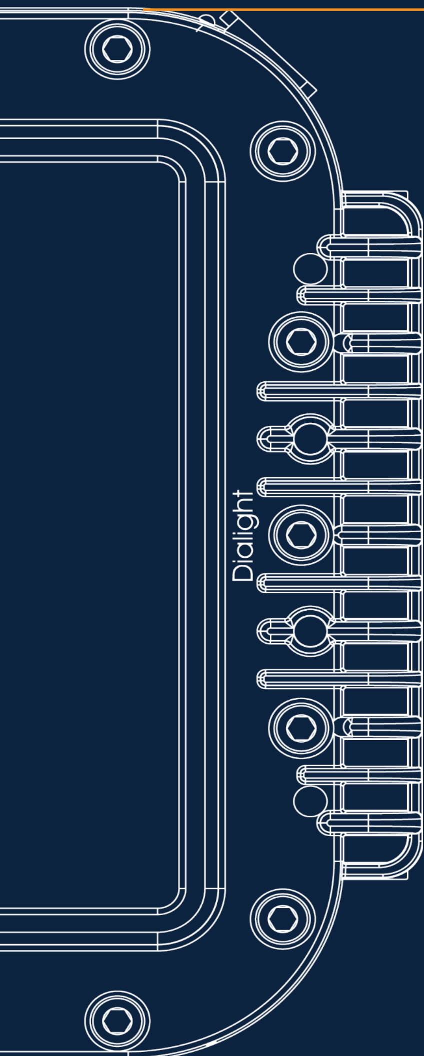
Strong H&S record

Production units



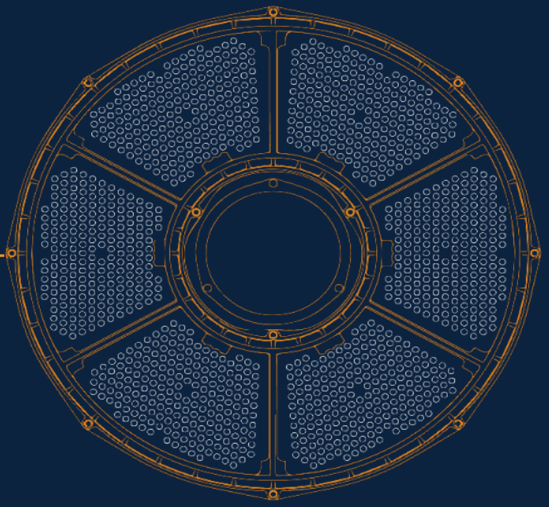
60% Additional capacity

HEALTH & SAFETY MEASURES

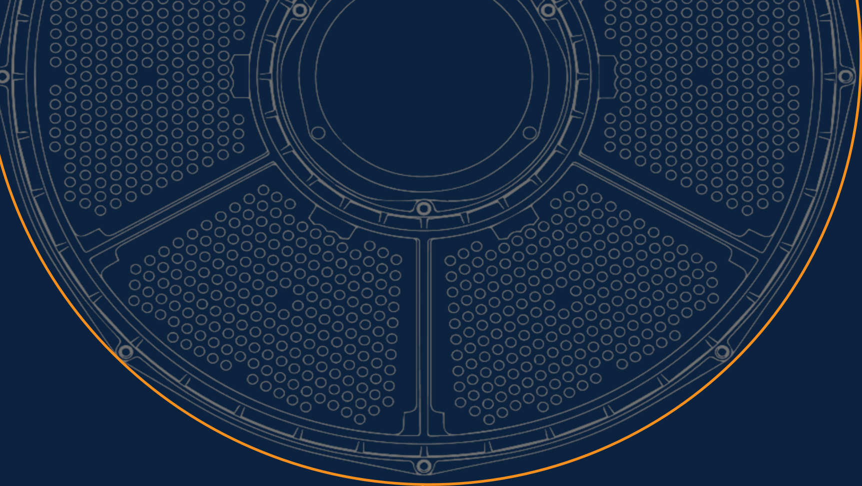


- All facilities have implemented safety and hygiene measures to minimise infection risk
- 1.5m distance between employees maintained resulting in layout changes to production lines
- Dialight is supporting employees with additional benefits such as lunch and groceries
- Increased employee engagement

SUPPLY CHAIN



- **Order fulfilment** → Robust sales and operation planning (S&OP) process
- **Management of critical components** → Focus on long lead time components
- **Supplier Relationship Management** → Re-negotiated supplier terms
- **Cost reductions** → Strong focus on achieving lower prices
- **Local sourcing** → Reduce lead times



OPERATIONS

PRODUCT DEVELOPMENT

SALES

PRODUCT DEVELOPMENT

Quick wins

- Specification lock with customers

Protecting our core products

- Cost reductions
- Performance upgrades

New products

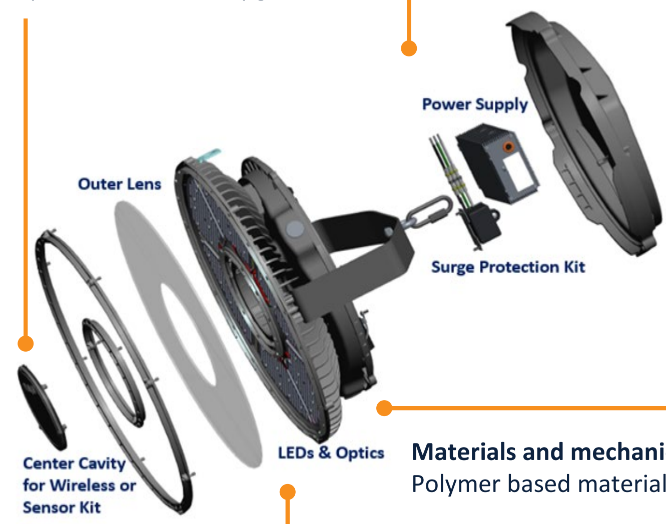
- Filling portfolio gaps

New technologies

- For the next generation of luminaires
- Integrated controls

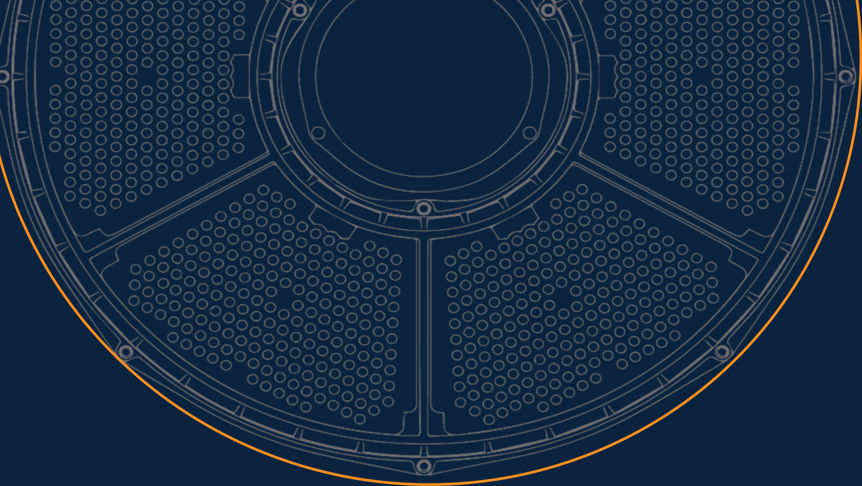
Power supply
Largest differentiator

Controls & sensors
New products are field upgradeable



Materials and mechanical
Polymer based materials

Optics
Higher LPW (Lumen/Watt)

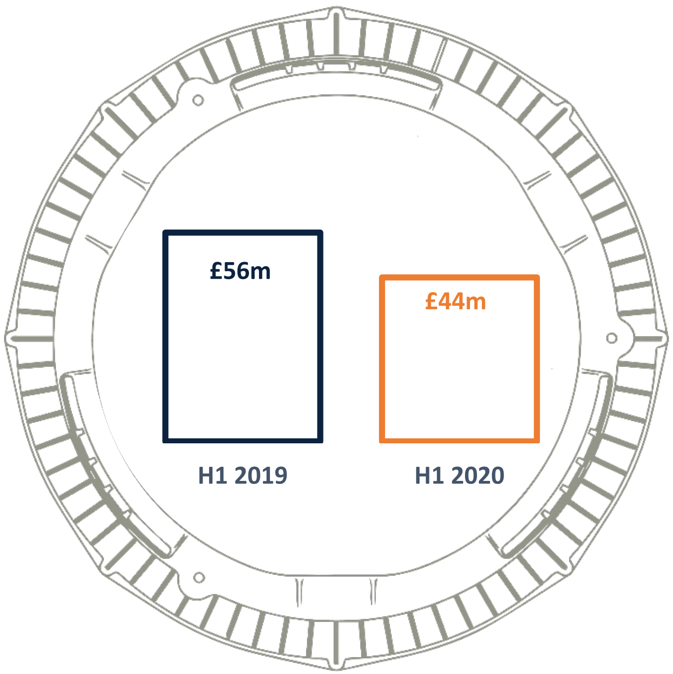


OPERATIONS

PRODUCT DEVELOPMENT

SALES

LIGHTING ORDER INTAKE



AMERICAS (31%)

- US market impacted by customer site closures and soft end markets
- US well positioned despite these headwinds, recovering MRO market share

EMEA (37%)

- Positive start to year before COVID-19
- Heavily project reliant
- Geographical focus under review

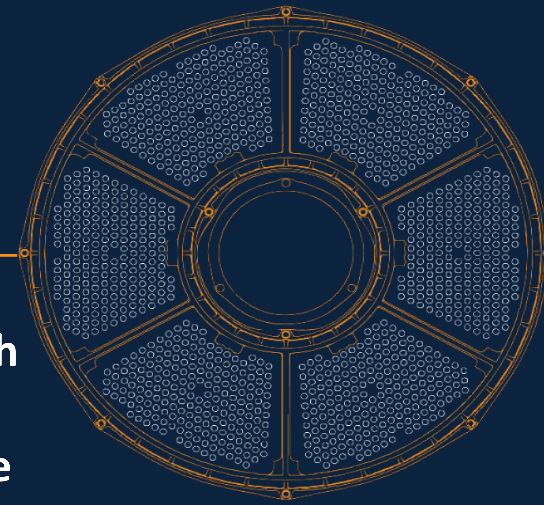
APAC (1%)

- Australia grew due to mining recovery
- Rest of Asia weak, largely project based, plans in place to drive recovery

OBSTRUCTION (31%)

- Reduced customer capex budgets
- Focus on broadening customer base

SALES INITIATIVES



- Sales teams – most have been on “lockdown” since end of March
- Orders stabilised in June and in some regions starting to increase
- MRO business has grown – recapturing lost share
- Pivoted to electronic selling techniques
- Conducted over 250 sales calls over Zoom
- Conducted hundreds of technical training sessions
- Full rollout of a customer retention programme
- Retooled search engine optimisation to drive traffic to website

ENVIRONMENTAL, SOCIAL & GOVERNANCE

Enhanced health and safety culture and training

Increased support to workforce during COVID-19, including establishing Dialight Foundation

Strong Board diversity – when new CFO joins Board will be gender balanced

Core product drives:

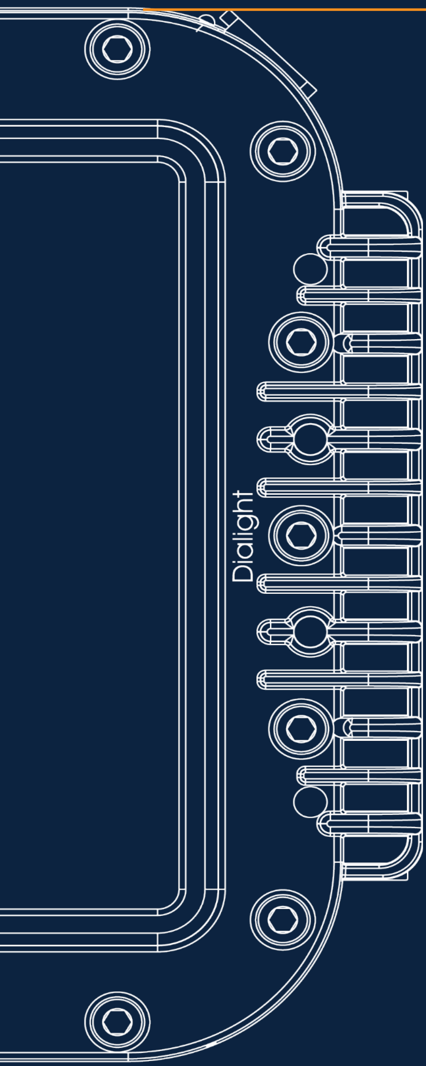
- energy savings
- reduces carbon footprint
- provides better working environment

Localisation of supply chain reduces carbon emissions

DF

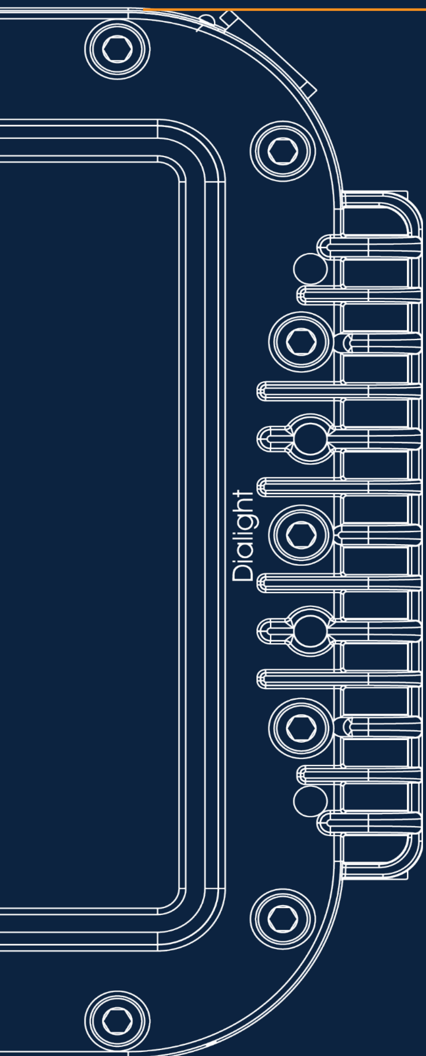
Dialight

SUMMARY



- Q1 started positively, Q2 impacted by COVID-19
- Operational performance continues to improve
- Balance sheet strengthened in H1, expecting further inventory unwind in H2

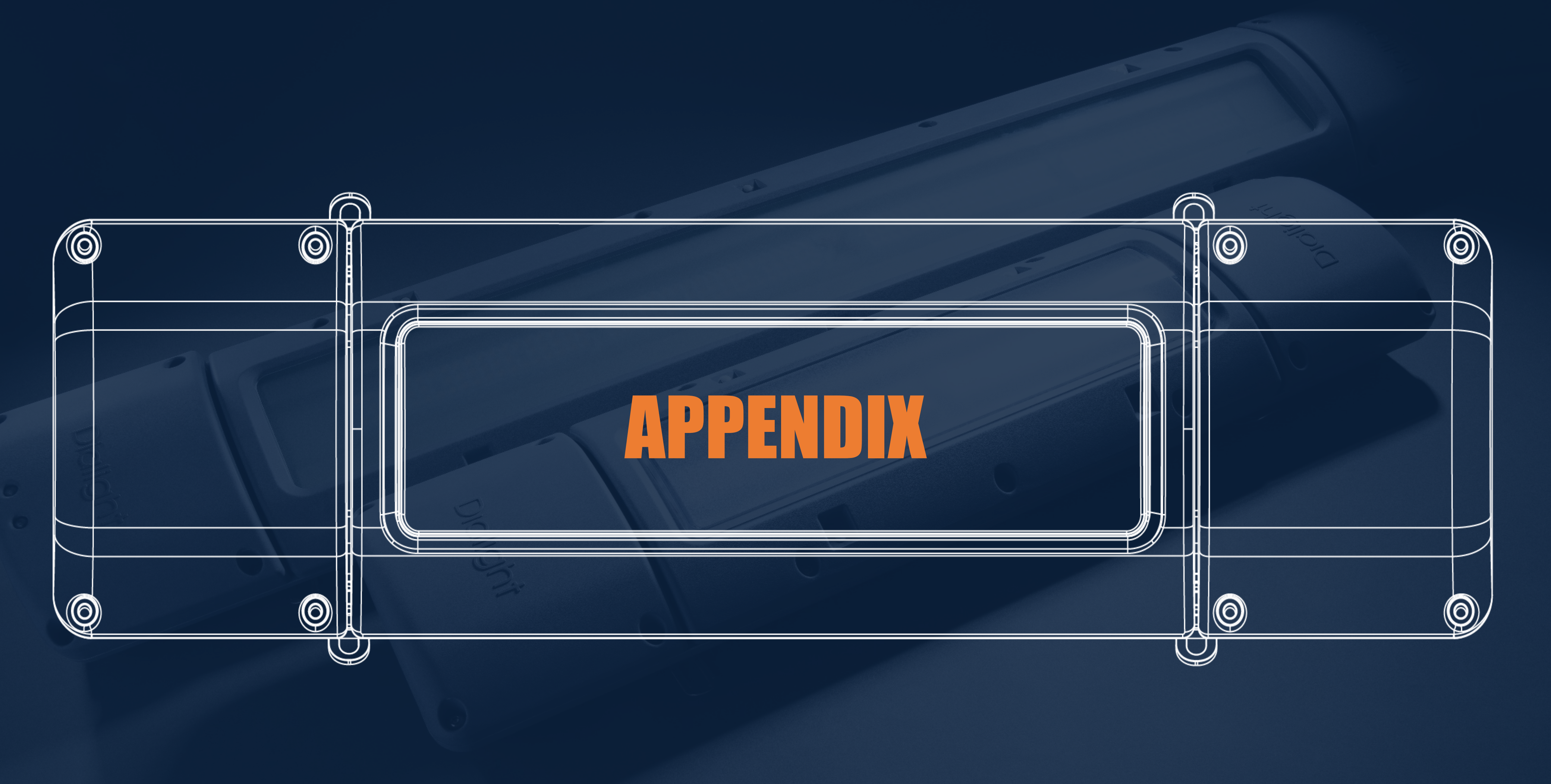
OUTLOOK



In the remainder of 2020, the impact of COVID-19 on the economies in which we operate is likely to continue to impact demand from industrial customers and add to operating costs. With the current economic uncertainty, we continue to focus on our employees, our customers, our communities and on our operating efficiency and cash generation and stopping non-essential expenditure. We continue to expect FY 2020 net debt to be at a similar level to FY 2019.

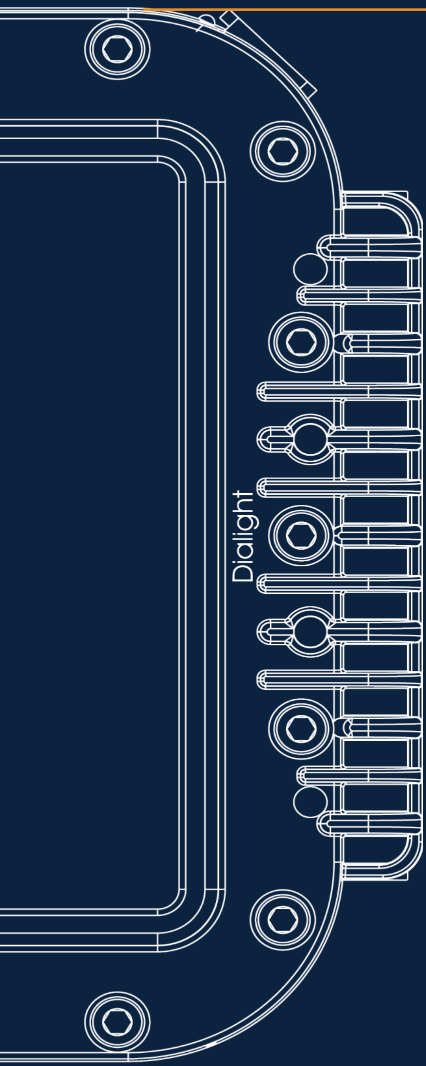
As we enter H2 2020, we have seen an improvement in quoting activity but it is too early to tell whether this is sustainable and there are a range of possible outcomes for the full year.

In the longer-term, the growth drivers of LED lighting and sustainability are as strong as ever. The COVID-19 crisis is also expected to accelerate the structural drivers for LED lighting and our scale and innovation led customer offering positions us well and gives us confidence for the future.



APPENDIX

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

VERTICAL SEGMENTS

	H1 2020	H1 2019
Obstruction	**4%**	9%
Food & Beverage	**6%**	6%
Heavy industrial	**18%**	17%
Mining	**12%**	10%
Oil & Gas	**23%**	21%
Power	**12%**	10%
Pulp & Paper	**11%**	14%
Other industrials	**14%**	13%
	100%	100%

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