2 AUGUST 2021

2021 HALF YEAR RESULTS PRESENTATION

Dialight

INTRODUCTION

FARIYAL KHANBABI

CEO

RESULTS INTRODUCTION

- Returned to underlying operating profit, £1.5m in H1-21
  - last underlying operating profit H1-19 (£0.9m)
- Gross margin improved to 35% from 27% in 2020
- Benefits from decisive actions in 2020
  - streamline cost base
  - increased liquidity
  - developing stronger sales and supply platforms
- Continued focus on Health & Safety at all sites
  - despite restrictions being lifted in many regions

FINANCIAL REVIEW

CLIVE JENNINGS

INTERIM CFO

INCOME STATEMENT

	H1-21 £m	Actual H1-20 £m	*Constant currency H1-20 £m*
Revenue	**60.2**	**55.2**	***51.3***
Cost of sales	(39.0)	(40.1)	*(37.4)*
Gross profit	**21.2**	**15.1**	***13.9***
Gross margin %	***35.2%***	***27.4%***	***27.1%***
SG&A	(19.7)	(20.8)	*(19.6)*
Underlying EBIT	**1.5**	**(5.7)**	***(5.7)***
Non-underlying costs	(0.7)	0.2	*0.2*
EBIT	**0.8**	**(5.5)**	***(5.5)***

Non-underlying costs	**H1-21 £m**	**H1-20 £m**
Litigation costs	(0.7)	-
Loss on disposal of subsidiary	-	0.2
Total	**(0.7)**	0.2

2020 numbers have been re-stated following the disposal of Dialight Brazil in the prior period

Revenue

- Increase of 17% at constant currency (9% at actual) with Signals & Components up 37% and Lighting up 10%

Gross Margin

- Improvement of 800bps driven by higher revenues combined with lower cost of materials and production overhead

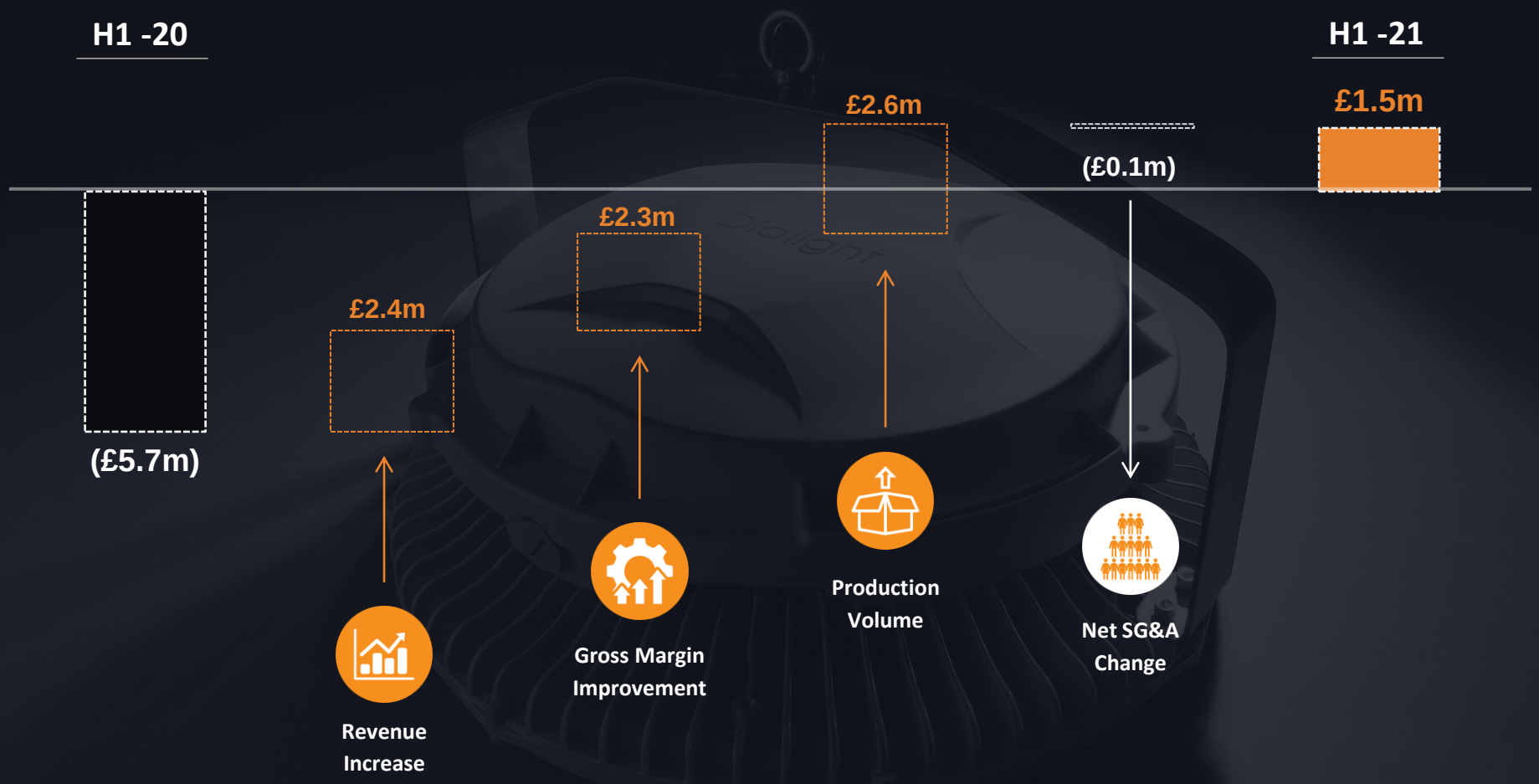
SG&A

- 5% reduction in costs, mainly sales and marketing

Non-underlying items

- On-going litigation costs with previous outsource manufacturer

UNDERLYING EBIT BRIDGE



NET DEBT

		£m
Net debt at 31 December 2020		**(11.4)**
Inflows		
Underlying EBITDA	4.5	
Net working capital (excl. inventory)	2.7	
FX	0.1	**7.3**
Outflows		
Increase in inventory	(4.0)	
Investment in new products	(1.6)	
Maintenance capex/others	(0.9)	
Non-underlying costs	(0.7)	
Interest Paid	(0.7)	**(7.9)**
Net debt at 30 June 2021		**(12.0)**

Working capital

- Short term increase in inventory of £4m
- Quality of customer base - Receivables down £0.8m
- Enhanced credit terms – increase in Creditors

Borrowing capacity

- £8m CLBILS - £2m repaid in H1-21, balance over next 24 months
- £25m RCF to Feb 23 - £18m undrawn, extendable for 2 years
- Compliant with all banking covenants at 30 June 2021

H2 -21 PLANNING ASSUMPTIONS

INCOME STATEMENT	Net Interest	Broadly in line with FY20
	Tax Rate	Effective tax rate c.25%
CASH FLOW	Capex	c.£3m maintenance capex c.£2m product development
	Working capital	Inventory level targeted at £32 - £34m*

* Subject to supply chain constraints easing

H2 weighting as in previous years

BUSINESS REVIEW

FARIYAL KHANBABI

CEO

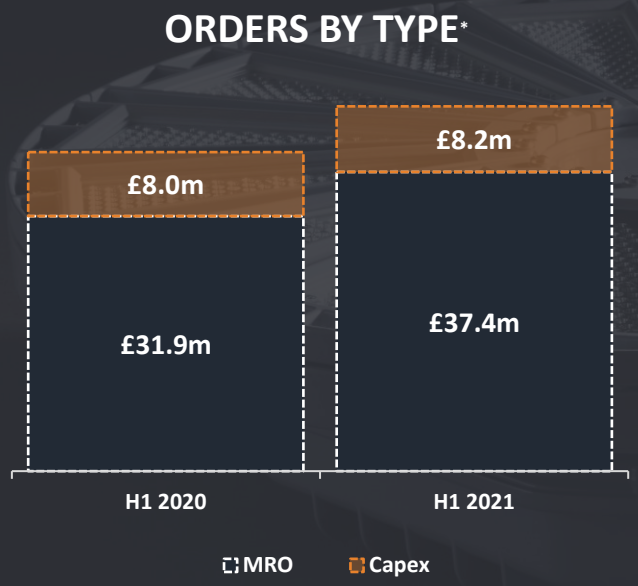
SUMMARY

COVID-19 CHALLENGES

RETURN TO PROFITABILITY

FOCUS ON GROWTH

LIGHTING ORDERS PERFORMANCE



AMERICAS 18% YoY

- Regaining MRO business
- Capex projects deferred

EMEA 9% YoY

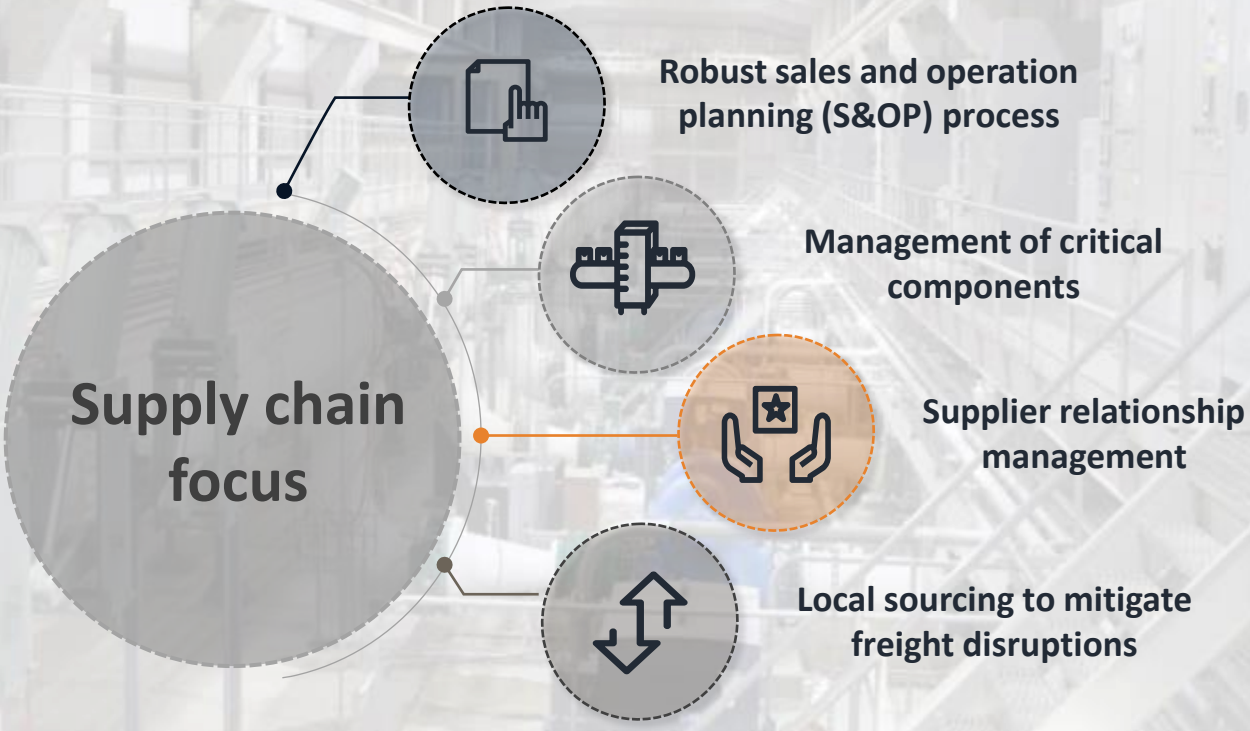
- Continued impact of repeated lockdowns

APAC 3% YoY

- Strong mining sector
- Asia lockdowns impacted performance

** Constant currency*

OPERATIONS



80%
On Time Delivery

3 week
Lead times

Strong H&S record

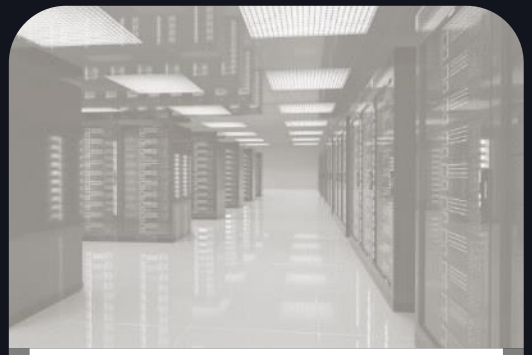
Gross margin

- Reversal of major COVID-19 impacts in H1-20
- Volume increase, giving better absorption
- Redesigns reducing material costs

Reversal of H1-20 impacts

Factory closure	Production volume	Cost-downs
£1.5m	£1.1m	£2.3m

SIGNALS & COMPONENTS

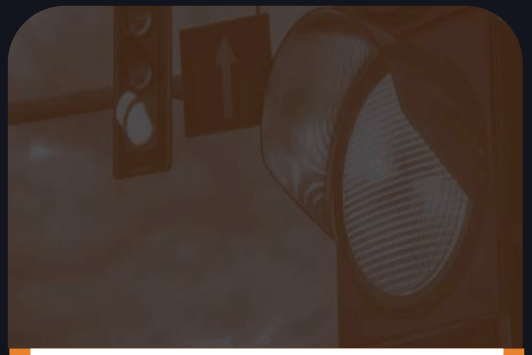


Orders

- 41% increase over H1-20
- Significant demand in component market
- Traffic light replacement demand continues

Sales

- 37% increase over H1-20
- Increase in backlog
- Margin recovery due to increased volume



Supply Chain

- Raw material shortages
- Supply chain delays
- Constraining revenue

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

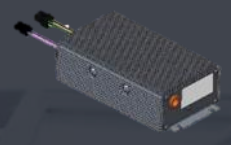
Continue to lead the market in innovation, widening our market leading position and filing portfolio gaps

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

Filling Portfolio Gaps

Next Generation High Bay



Next Generation Power Supply

Protecting Our Core

DESIGNED WITH SUSTAINABILITY IN MIND

- Lower cost
- Smaller size
- Easier to install
- Superior performance
- Replaceable parts & field customisation

ESG

Environmental

- Carbon footprint for 2020 verified
- Continued EPD program (now 3 published)
- Initial review of EOL impacts from material choices

First CDP reporting completed

Social

- Partnership with Women's Earth Alliance in Tijuana, Mexico
- Dialight Foundation continues to support staff in need

SBTi for net zero commitment

Governance

- Established a CEO led ESG Committee to oversee all aspects of ESG Roadmap and the transition to Net Zero

First ESG report to be published in H2 2021

SUMMARY

The first half of 2021 has been encouraging with a significant improvement in order intake, revenue and a return to profit combined with ongoing cash flow discipline. We expect our markets to continue to recover, albeit at varying rates, while acknowledging that there are potential ongoing headwinds including currency, inflation, and supply chain constraints. We have a good pipeline of projects for the second half of the year and our expectations remain unchanged at this stage.

Longer term, our sales pipeline, ongoing product development, team strengthening, and operational performance mean we are strongly positioned to deliver significant growth as end market conditions normalise. Our customers are increasingly seeking more environmentally friendly products to help meet their net zero commitments and as market leader we are at the forefront of providing their solution.

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APPENDIX

SEGMENTS

Lighting	Actual currency			Constant currency	
£m	H1-2021	H1-2020	Variance	H1-2020	Variance
Revenue	40.8	**39.6**	+3.0%	37.1	+10.0%
Gross Profit	**15.1**	**11.3**	**+33.6%**	**10.6**	**+42.5%**
Gross margin	*37%*	*28.5%*	*+850bps*	*28.6%*	*+840bps*
Overheads	(12.8)	(14.2)	+9.9%	(13.3)	+3.7%
EBIT	**2.3**	**(2.9)**	**+179%**	**(2.5)**	**+185%**

Signal and Components	Actual currency			Constant currency	
£m	H1-2021	H1-2020	Variance	H1-2020	Variance
Revenue	19.4	15.6	+24.4%	14.2	+36.6%
Gross Profit	**6.1**	**3.8**	**+60.5%**	**3.3**	**+84.8%**
Gross margin	*31.4%*	*24.4%*	*+700bps*	*23.2%*	*+820bps*
Overheads	(3.8)	(3.8)	-	(3.5)	(8.6)%
EBIT	**2.3**	**-**	**-**	**(0.2)**	**+1250%**

LIGHTING VERTICAL MARKETS

Sales per vertical market

	H1-21	H1-20
Oil & Gas	**26%**	23%
Heavy industrial	**14%**	18%
Mining	**24%**	12%
Power	**5%**	12%
Pulp & Paper	**4%**	11%
Food & Beverage	**9%**	6%
Obstruction	**4%**	4%
Other industrials	**14%**	14%
	100%	100%