

Dialight plc 2013 Preliminary Results

24 February 2014

- Group revenue increased to £131.2m from £115.1m
- Lighting revenues increased by 51% to £68.5m
- Lighting segment profit increased 34% to £11.5m
- Group underlying profit from operating activities £14.5m (2012 £19.6m)
- Group profit from operating activities £11.6m (2012: £19.6m)
- Underlying EPS 30.8p (2012 41.7p)
- Basic EPS 26.2p (2012 42.0p)
- Final dividend maintained at 9.5p, total dividend up 7% at 14.4p per share
- Net cash of £7.1m (2012: £15.0m)

Summary Profit and Loss

Dialight

Continuing Operations	2013		2012	
	£'m	%	£'m	%
Revenue	<u>131.2</u>		<u>115.1</u>	
Gross Profit	41.6	32%	41.2	36%
Distribution and Administration costs	<u>(27.1)</u>		<u>(21.6)</u>	
Underlying EBIT	14.5	11%	19.6	17%
Non underlying items	<u>(2.9)</u>		0	
Operating Profit	<u>11.6</u>	9%	<u>19.6</u>	17%

- 14% growth in revenue
- Underlying EBIT impacted by - Obstruction, Traffic and deferred Lighting sales

Summary Profit and Loss continued

Dialight

		2013	2012
Underlying Tax Rate		31.6%	32.6%
Tax Rate		30.9%	32.6%
Underlying EPS	Basic	30.8p	41.7p
Statutory EPS	Basic	26.2p	42.0p

- Tax rate as expected

Revenue Bridge – Continuing Business

Dialight

	2013	2012
	£'m	£'m
Lighting	68.5	45.5
Signals	41.8	48.1
Components	20.9	21.5
	<u>131.2</u>	<u>115.1</u>

- Continued strong growth in Lighting business with revenue up 51%
- Signals impacted by Obstruction transition

Underlying EBIT Bridge

Dialight

£'m

2012 EBIT

19.6

Lighting Sales

10.5

Lighting Contribution

0.6

11.1

Signal Sales

(2.6)

Signal Contribution

(2.5)

(5.1)

Components

(0.4)

Increased overhead

(10.6)

Other

(0.1)

2013 EBIT

14.5

Analysis of Overhead Increase

Dialight

	£'m
Lighting sales force costs	5.5
Lighting & Signals production and admin costs	4.4
Components	0.7
Total increase	<u>10.6</u>

- Lighting Salesforce increased from 55 to 103 today
- Full year effect and further recruitment ongoing

2013 Continuing Revenue By Territory

Dialight

	£'m Americas	£'m EMEA	£'m Asia	£'m Total
Lighting	42.2	13.9	12.4	68.5
Signals	27.3	14.5	0.0	41.8
Components	15.3	3.0	2.6	20.9
2013 Total	84.8	31.4	15.0	131.2
2012 Total	80.3	24.0	10.8	115.1

- Strong growth in each principal territory

Segmental Summary – Underlying Business

Dialight

	2013		2012	
	Revenue £'m	Contribution %	Revenue £'m	Contribution %
Lighting	68.5	46%	45.5	44%
Signals	41.8	42%	48.1	47%
Components	20.9	47%	21.5	48%
	131.2	45%	115.1	46%

- Continued growth in Lighting contribution
- Signals impacted by transition within Obstruction

2013 Non-Underlying Items

Dialight

	£'m
Intellectual property past-use access fee	1.4
Goodwill and asset write down - Japan	0.8
Restructuring and other costs	0.7
	<hr/>
	2.9

- Cash impact in 2014 of £1.4m
- Japanese market proving challenging
- Restructuring cash costs all borne in 2013

Summary Cashflow

Dialight

	2013	2012
	£'m	£'m
Underlying EBIT	14.5	19.6
Depreciation & Amortisation	3.0	2.9
Other non cash	0.4	0.2
	<hr/>	<hr/>
	17.9	22.7
Non underlying items paid	(0.7)	-
Capex	(9.2)	(7.0)
Underlying Working Capital	(9.7)	(8.4)
Tax and interest	(2.3)	(4.3)
Dividends	(4.6)	(3.4)
Disposals / Acquisitions	1.2	2.7
Other	(0.5)	(0.5)
FX	-	(0.5)
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Movement in net debt	(7.9)	1.3
Opening net cash	15.0	13.7
Closing net cash	<u>7.1</u>	<u>15.0</u>

Summary Cashflow continued

Dialight

Working Capital Movements

	£'m
Inventory	(5.2)
Accounts Receivable	(1.5)
Accounts Payable	(3.0)
Underlying Working capital	<u>(9.7)</u>
Non-underlying Working Capital	1.8
FX	1.0
Net working capital	<u><u>(6.9)</u></u>

- Impact of deferred sales on inventory
- 2012 – Impact of creditor on business disposal £2.6m

Summary Balance Sheet

Dialight

	2013	2012
	£'m	£'m
Fixed and Intangible Assets	34.5	29.1
Net Cash	7.1	15.0
Net Working Capital	31.1	24.2
Pension Provision	(0.4)	(1.2)
Other Provisions	(5.6)	(4.1)
Net assets	<u>66.7</u>	<u>63.0</u>

- Valuation of principal pension scheme (closed to future accrual), at 31 Mar 2013, finalisation expected soon.

Business Overview

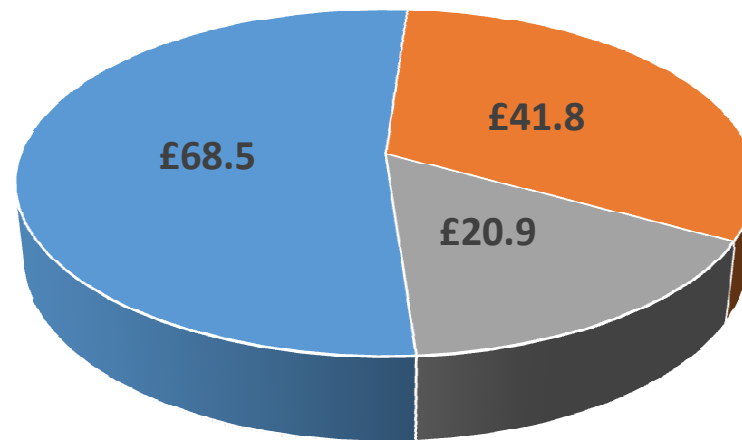
Three Key Business Segments

Lighting

Signals

Components

Revenue 2013 £'m By Segment



■ Lighting ■ Signals ■ Components

- Small indicators for the professional electronics sector
- Multiple customers with majority of sales through electronics distributors
- Revenues down marginally in 2013
- Contribution margins stable
- Ongoing revenues expected to be broadly in line with 2013
- No customer concentration issues
- Little to no investment

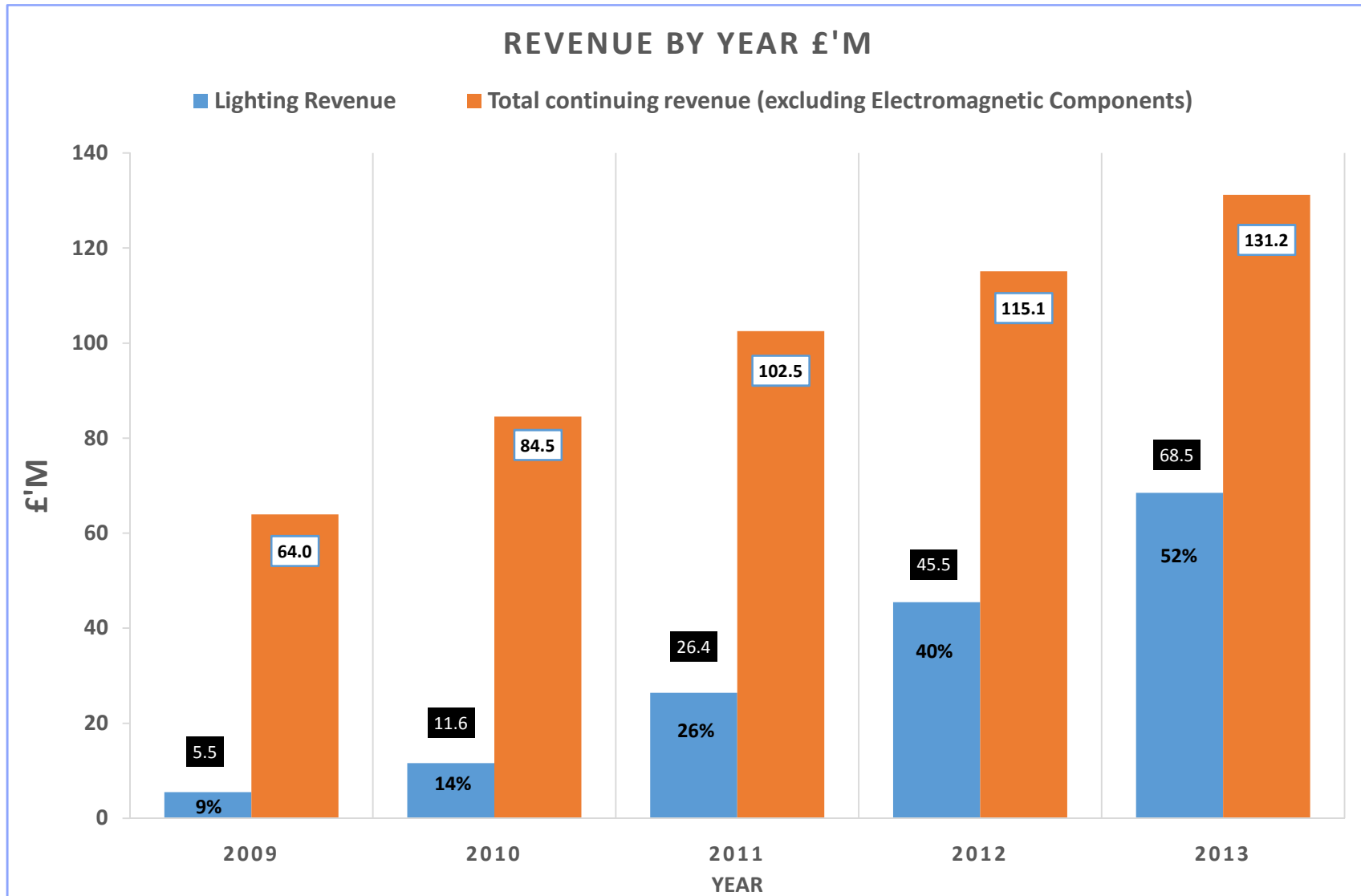
- Transportation flat and expected to continue flat
 - Niche business with high share
 - Sales to US Transit bus market only
 - Sales expected to continue at 2013 level
- Traffic down 13% due to soft US market
 - Adoption of LED technology well advanced in US
 - European sales flat helped by Manchester contract
 - Adoption less mature in Europe than US
 - Budget constraints inhibit adoption
 - Little/no opportunity for growth

- Americas business down 44% versus 2012
H2 2013 showing solid recovery
Sales to top 4 US Tower Operators
Good acceptance of “Dialight Cloud” solution
Sales for both Medium and High Intensity systems
Business stabilised
Well positioned to compete for any major contracts
- European business focus mainly Wind Turbines.
Strong performance in 2013
Expanding customer base
Stable 2014 based on project timing

Industrial Lighting – The Engine for Growth

Dialight





- Market focus is Heavy Industrial and Lighting for Hazardous Locations or where Lighting is seen as being mission critical
 - This would be where Lighting is used 24x7
 - Where access is difficult
 - Where energy is expensive/scarce
 - Where the environment is challenging
 - Where flammable/explosive materials are handled

This translates into.....

Markets Served- Hazardous & Industrial

Dialight



Oil, Gas & Petrochem

- Upstream (exploring & drilling)
- Downstream (refining)
- Transportation (terminals & pipelines)



Heavy Industrial

- Steel processing
- Pulp & paper
- Auto plants
- Aircraft plants



Power Generation

- Nuclear
- Fossil (coal, natural gas, petroleum)
- Renewable (wind, solar, geothermal)



Chemical & Pharma



Mining

- Surface mining

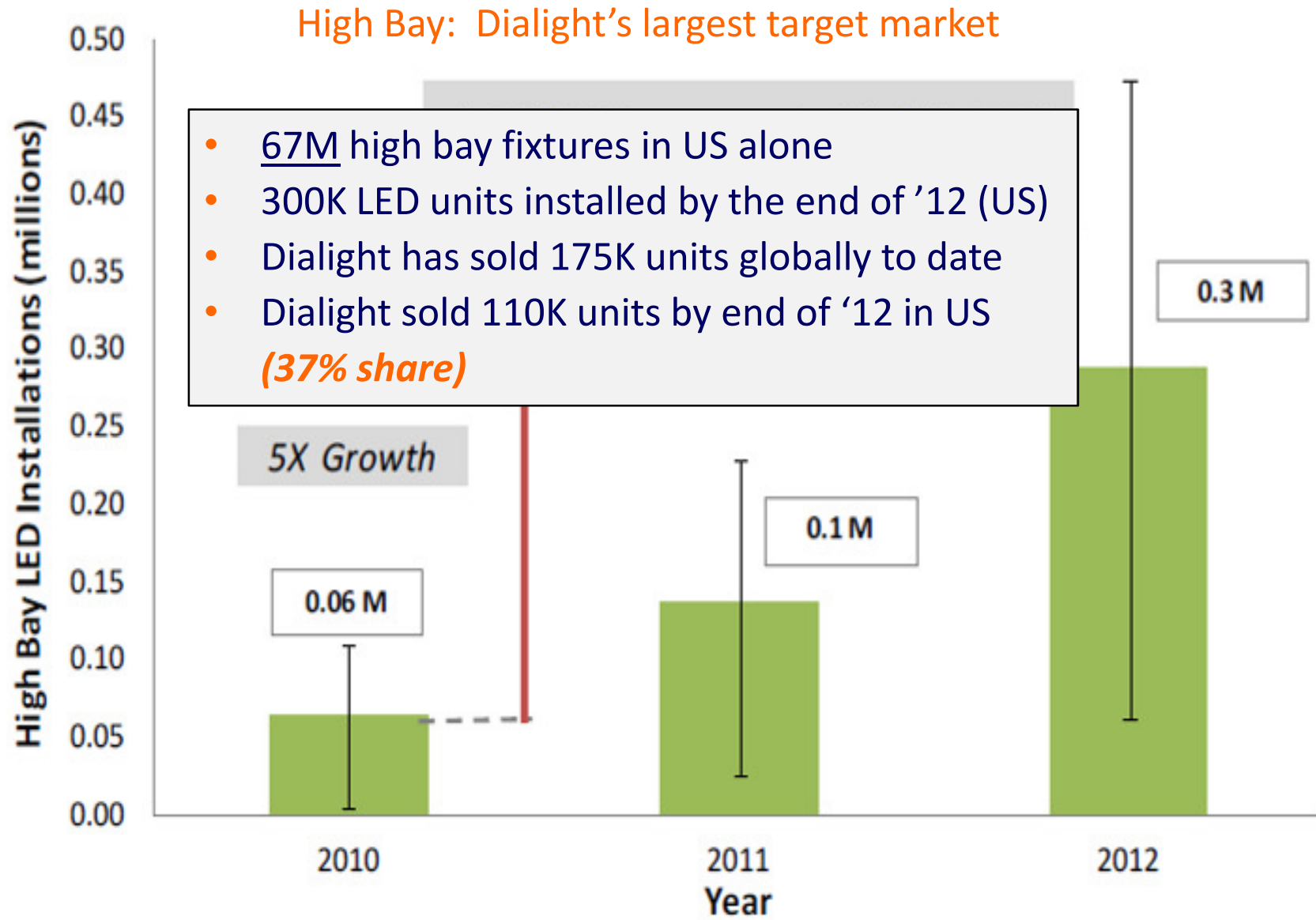


Food & Beverage

- Food processing
- Agricultural
- Cold Storage
- Food grains

- Market is installed base not new build sales
- We are replacing existing lights
- Hazardous only is estimated to be \$1bn in new sales annually
- Installed base at least 10 times that
- Non Hazardous estimated order of magnitude larger
- Market penetration low single digit
- Longer term opportunity in new build with a need to design in with EPCs

Market sizes Freedonia and Dialight estimates












Dialight Difference

Dialight

- LED only. We are THE Solid State Lighting experts
- State of the art products – driven to improve
- Complete product portfolio
- Unprecedented 'No Quibble' 10 year warranty
- Vertically integrated manufacturing, not a building-block approach
- Exceptional in-house power supply capability – superior efficiency, lifetime
- Design for performance in our target markets
- Global qualifications

Dialight LED Lighting – Broad Portfolio

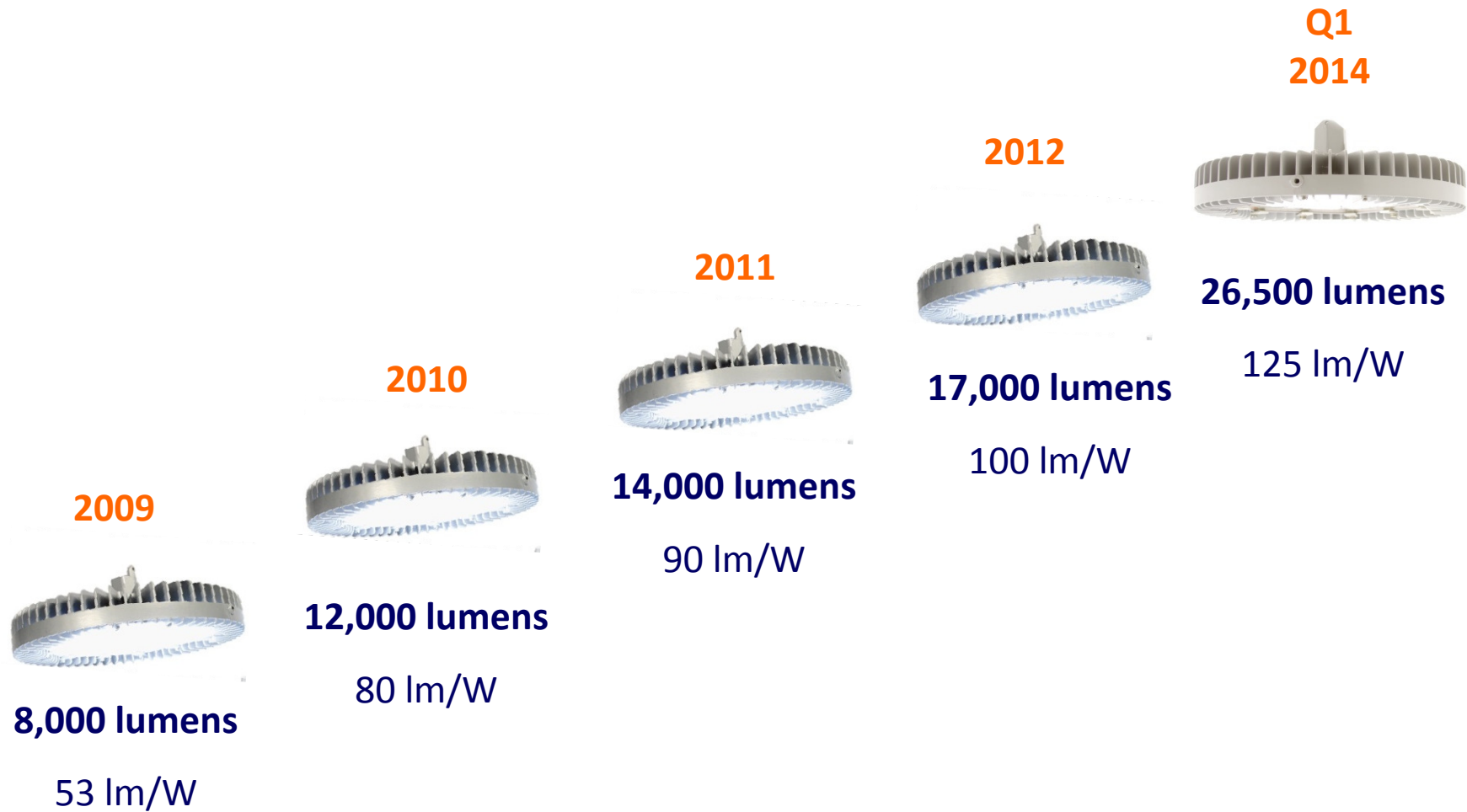
Dialight

	Lumen Range	Max Mounting Heights	Typ. Replacement
	26,500 – 17,500	> 50'	>400W
	25,000		
	17,000 - 8,000		
	10,000		
	8,750 - 4,000		
	7,250 - 3,500		
	7,000 - 4,000		
	2,250 - 800		
	800 - 470	6'	70W

LED Progression

Dialight

Here's what we were able to accomplish with our high bay



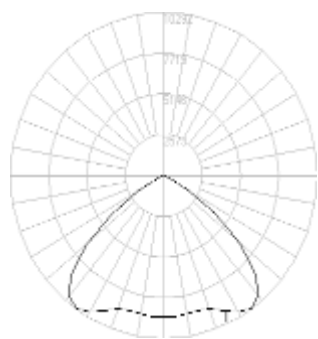
Introducing the *Vigilant*[®] LED High Bay

Dialight

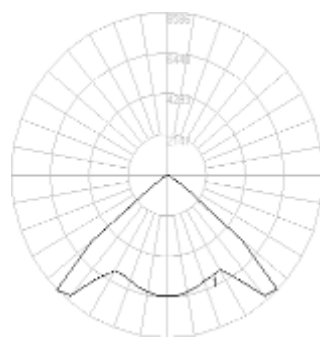
- **125 LPW**
- 26,500 lumens and lower
- Dialight next generation Resonant Power Supply
- Low glare
- 10 year warranty



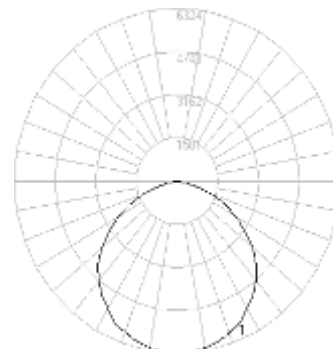
Dialight game changer: 25% more efficient than the nearest competition!



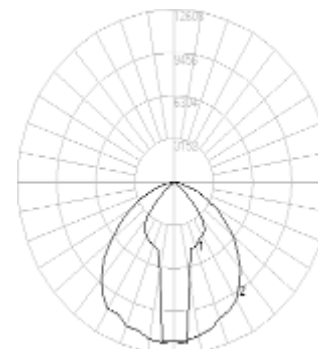
Medium



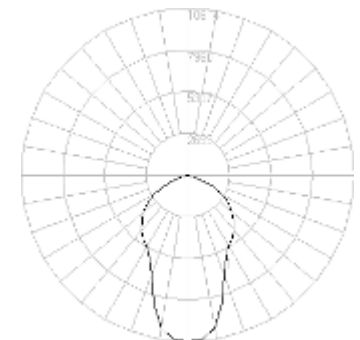
Wide



Lambertian



Oval



Narrow



- Chosen by Ford Motor Company as preferred Lighting for factory installation.
- Ford has 75 factory locations
- No volume guarantees
- First orders in hand



Some successes in 2013

Coal-fired Power Plant – Euharlee, Georgia

Dialight



One of the largest coal power plants in the country

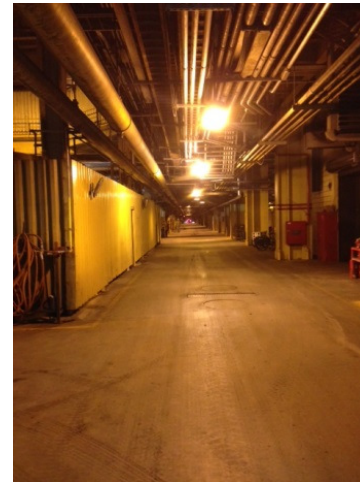
Installed capacity of more than 3,000 MW

The Challenge

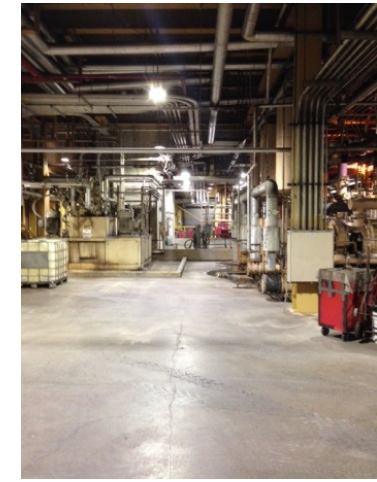
- Safety is a key concern for this facility
- Existing lighting did not provide sufficient light levels
- Needed the correct solution to match their specific criteria

The Solution

- 175 – 400W HID and Fluorescents replaced with Dialight High Bay and Linear Fixtures
- Dialight is the only manufacture able to meet this criteria
- High temperature ratings on hazardous rated fixtures is a huge plus
- LED Lighting saved facility 1 MW of energy



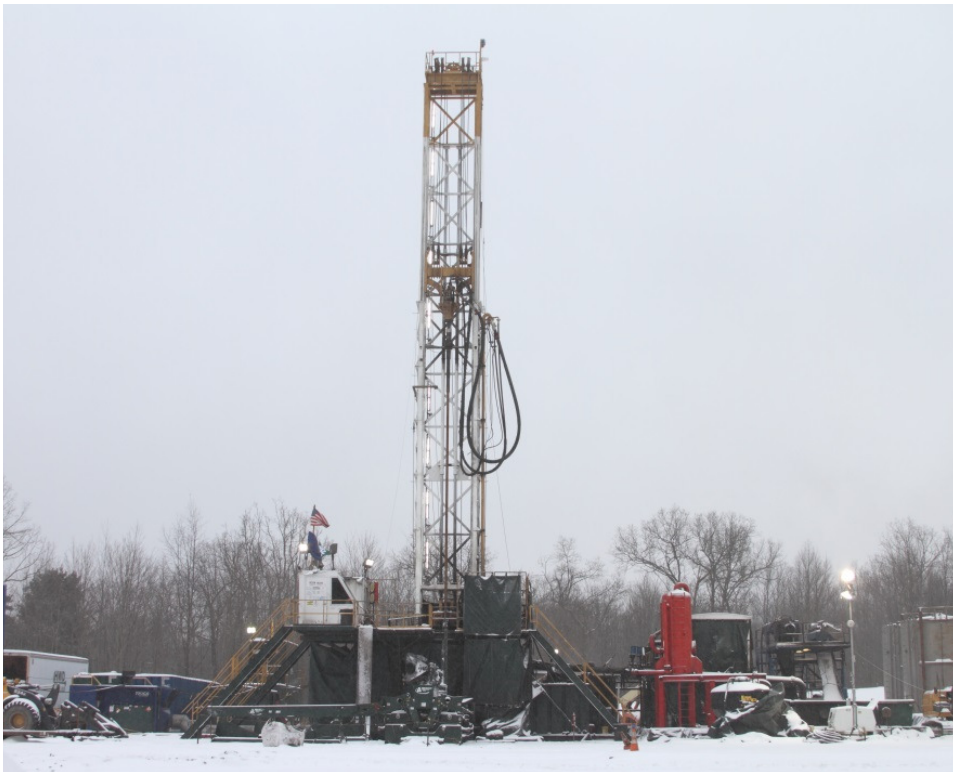
Before



After

Horizontal Well Drillers – Renovo, PA

Dialight



92 ft., 250-ton drilling rig

17,000 foot drilling depth

The Challenge

- Traditional Fluorescent & HID failed constantly due to high vibration, shock
- Looked to LED lighting fixtures to eliminate maintenance

The Solution

- Switched to Dialight's SafeSite
- High Bays, Linear fixtures
- Maintenance Eliminated
- Immediate ROI



“Switching out from fluorescents to the Dialight LEDs on the derrick saved us about 60 percent in our energy costs immediately ... “- Mike Dillard, Northeast Operations Manager

Offshore Marine Liftboats– Louisiana

Dialight

World's largest fleet of modern liftboats

29 Vessels in Gulf of Mexico

The Challenge

- High cost of maintenance for existing HID and quartz systems
- Replacing a fixture could cost up to \$3,000

The Solution

Replaced:

- (10) 1,000W HID Floods with
(10) 100W LED Floods
 - (2) 1,000W Floods with
(2) 270W LED High Bays
 - (4) 500W quartz and 400W HID Area Lights with
(4) 70W LED Area Lights
 - (3) Crane Boom sign markers with
(3) 14.5W LED Flashing Signal Lights
 - (3) 10W Incandescent fixtures with
(1) 40W LED Area Light
- Reduced total energy load from 87A to 18A
- Achieved zero maintenance with one-year payback





Large Paper Mill

The problem

- Existing Metal Halide fixtures (440W) used an excessive amount of energy
 - 24/7 operation
- Suffered from lens discoloration due to high content of cellulose fibre in the atmosphere
- Impaired performance

The Solution

- (164) 440W Metal Halides replaced with (164) 171W LED High Bays
- Energy use down by 64%
 - 436,740 kWh annually
- CO2 emissions reduced by 308 tonnes annually
- W/sq.m. down from 8.66 to 3.12



Large German Automaker

The Problem

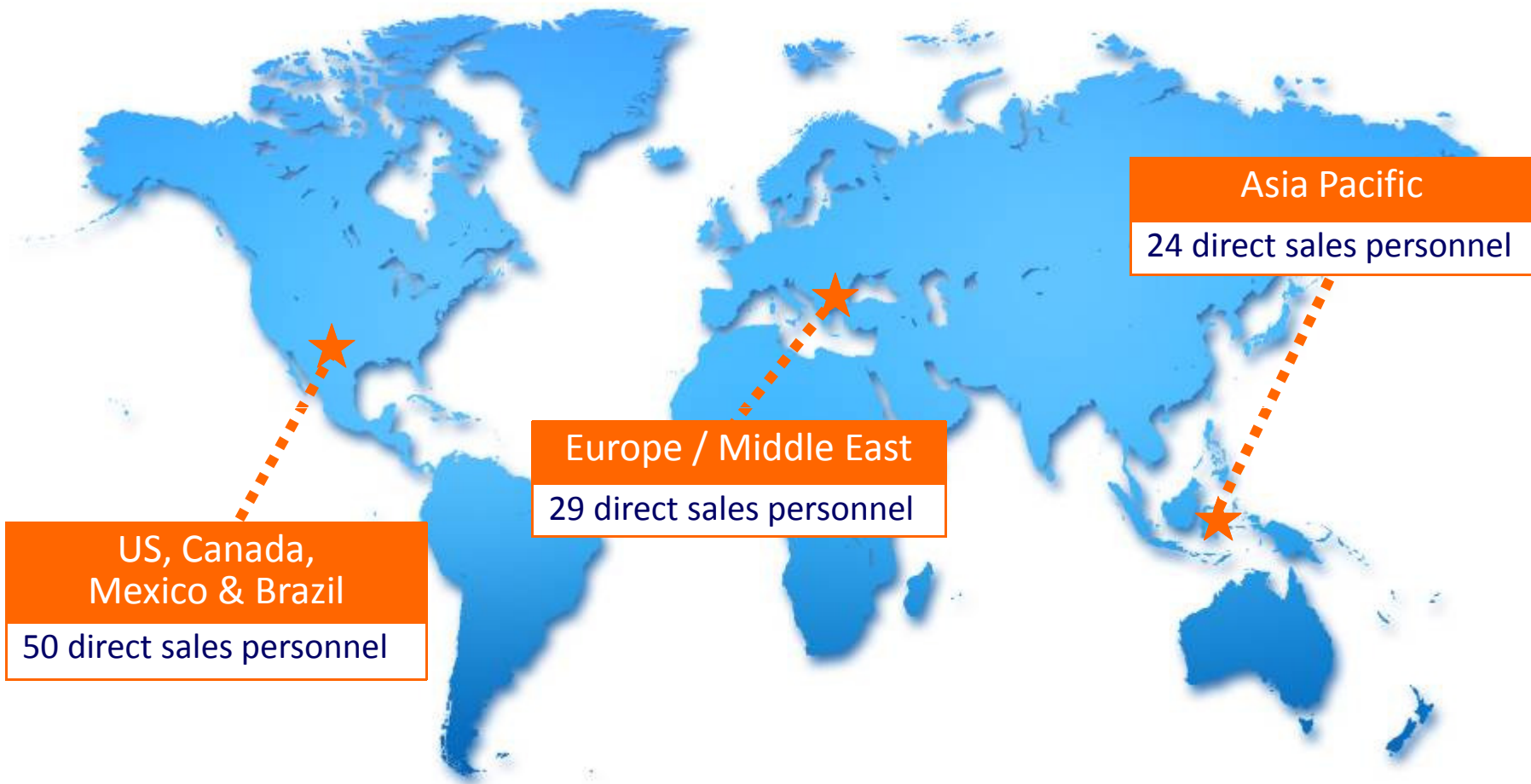
- Wasted energy with the existing metal halide fixtures
- Needed a solution that would greatly reduce this energy load while also making financial sense

The Solution

- Dialight's newly-released High Bays with Controls
- Replaced 400W Metal Halide with 1,600 LED High Bays with controls
- Achieved a payback period of less than 2 years



- Most sales are to replace existing lights
- This is a project sale – once sold the customer does not need a visit for some years
- Timing of project approval can be variable and therefore difficult to predict accurately
- Dialight sells through its own sales force
- Channels of distribution and agents can be important to gain easy access to customers
- As channels mature, sales force will become more efficient
- Sales force expansion likely to moderate
- Customers are often global so our presence needs to be global



- In many cases this is not a competitive sell
- Competition exists – in Hazardous markets it is 3 principal competitors globally with both LED and conventional products
- Dialight has superior product performance, comparable sales force and channel
- Dialight offers a better value proposition
- Competition in non Hazardous Industrial markets is more varied
- A few LED only competitors but at the lower end of the market
- Dialight is the largest pure play LED supplier with the broadest portfolio and the best performance
- Prices have remained stable

- Continued product development to stay ahead of competition
- Continued expansion of sales force and channels
- Reassessment of geographical coverage
- Continued aggressive growth in Lighting
- Broadly stable Component and Signals Segments
- Return to profit growth through Lighting performance