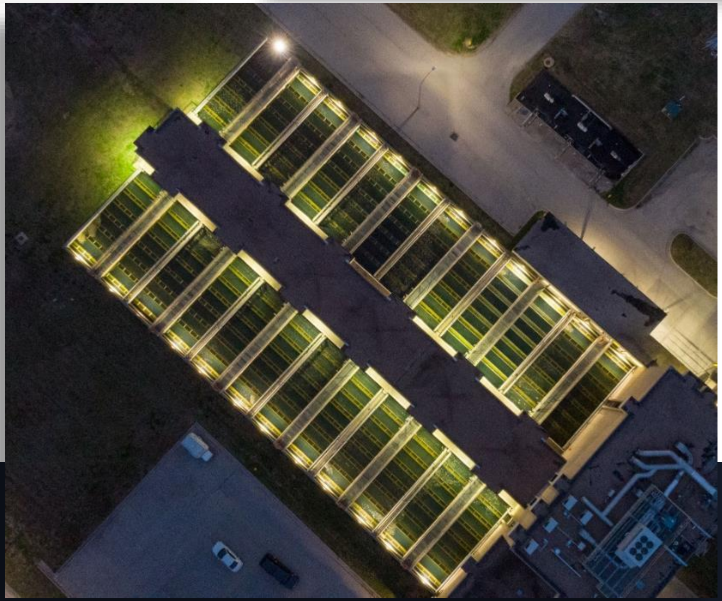
INTERIM RESULTS 2023

SEPTEMBER 2023



Dialight

H1 HIGHLIGHTS

CHALLENGING MARKET BACKDROP THROUGH H1 2023 RESULTING IN REVENUE REDUCTION OF 13% (9% AT REPORTED CURRENCY)

- Lighting revenue down 7% at constant currency
- Subdued demand for large capex projects
- Continued market share gains in MRO and further progress in strategic account penetration
- Signals & Components revenue down 28% at constant currency, impacted by cyclical downturn in Components segment

GROSS MARGIN DECREASE OF 530 BPS TO 29.6%, WITH UNDERLYING OPERATING LOSS FOR H1 OF £2.5m

- High component costs with consumption of materials purchased in 2022 at elevated prices
- Higher labour costs with the impact of increases in the Mexico minimum wage
- Lower fixed cost absorption
- Margin impacts partially offset by pricing, lower freight costs and £0.9m of SG&A savings

NET DEBT AT 30 JUNE OF £22.7m, AN INCREASE OF £1.8m FROM YEAR END

- Cash impact of weaker trading partially offset by £4.6m of inventory reduction*

**£2.2m at constant currency*

INCOME STATEMENT

	H1 2023 £m	Actual H1 2022 £m	*Constant currency H1 2022 £m*
Revenue	**73.2**	**80.8**	***84.5***
Cost of sales	(51.5)	(52.6)	*(54.9)*
Gross profit	**21.7**	**28.2**	***29.6***
Gross margin %	***29.6%***	***34.9%***	***35.0%***
SG&A	(24.2)	(25.1)	*(26.1)*
Underlying EBIT	**(2.5)**	**3.1**	***3.5***
Non-underlying costs	(0.3)	(0.8)	*(0.8)*
EBIT	**(2.8)**	**2.3**	***2.7***
Finance expense	(1.4)	**(0.7)**	***(0.7)***
PBT	(4.2)	**1.6**	***2.0***
EPS	(9.6p)	**3.7p**	

- **Revenue down 9% at reported currency**
- **Continuing headwinds from component cost inflation, including higher cost inventory purchased to mitigate availability issues**
- **Significant step up in Mexico labour costs following, 20% increase in minimum wage**
- **Reducing freight costs supported by change to shipping policy**
- **SG&A cost savings of £0.9m in H1 and further cost improvement programmes in place that will benefit H2**
- **Net finance expense £0.7m higher, reflecting increased interest rates**
- **Non-underlying costs lower than prior year at £0.3m, largely related to Sanmina litigation**

NET DEBT

		£m
Net debt at 1 January 2023		**(20.9)**
Inflows		
Underlying EBITDA	1.4	
Decrease in inventory	2.2	3.6
Outflows		
Net working capital excl. inventory	(1.4)	
Investment in new products	(1.9)	
Maintenance capex/others	(0.7)	
Provisions and other movements	(0.2)	
Interest and tax paid	(1.7)	**(5.9)**
Foreign exchange		**0.5**
Net debt at 30 June 2023		**(22.7)**

Operational cash flows

- Underlying EBITDA lower, reflecting weaker trading
- Inventory reduction initiative delivered £2.2m cash benefit
- Reduction in trade payables following payment of materials purchased in Q4 2022, offset by improved collection of trade receivables

Investment

- Continued investment into new product development and maintenance capex

Sanmina

- No change from previous disclosure, awaiting court ruling on Sanmina's appeal

Financing position

- $34m RCF to July 2027 (3+1+1), of which $29.4m drawn at 30 June 2023
- Leverage at 30 June 2023 of 2.9x (covenant of 3.0x) and interest cover of 4.1x (covenant of 4.0x)

OUTLOOK

Very challenging first half, driven by demand backdrop

Action take to reduce costs and inventory which will have an increasing benefit in H2

Continue to expect stronger H2 performance:

- Q4 expected to be the Group's strongest period, in line with seasonal profile
- Lighting orderbook has grown significantly since the start of the year
- Continuing reduction in inventory cost impact on gross margins
- Additional contribution from cost savings initiatives to be launched

However, the Board is now more cautious on the pace of demand recovery in the remainder of the year

Good progress expected in FY 2024, albeit results will be influenced by both market conditions and rationalisation actions taken as part of the transformation plan