

TRANSFORMATION

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SEPTEMBER 2023



THE PRESENTING TEAM



Neil Johnson
Chairman



Fariyal Khanbabi
CEO

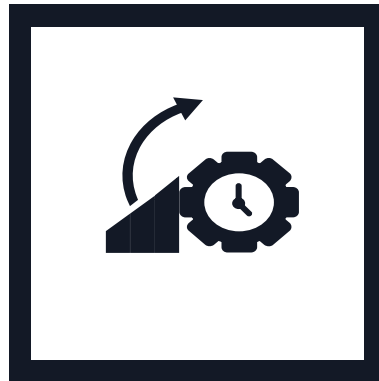
A GOOD BUSINESS WITH POTENTIAL TO UNLOCK GREATER VALUE



- Group's strategy and operations reviewed by the new Board
- Reconfirmed that there are significant opportunities in the growing industrial LED lighting market
- Potential to realise increased growth and improve profitability materially
- In order to capture this the business needs to be restructured



**STREAMLINING THE
GROUP**



**RESETTING COST &
PRODUCTIVITY**



**ACCELERATING
GROWTH IN LIGHTING**

THE GROUP'S CORE STRENGTHS



Core business is focused on a market with long term structural growth dynamics, driven by sustainability and productivity



Established position as the premium Industrial LED lighting fixture for harsh & hazardous applications



Clear competitive advantage supported by proprietary power supply technology and leading 10-year warranty



Market leading position in the US with strong customer and channel partner relationships



Effective and growing key account commercial strategy, which can support international growth

Committed and capable people



CUSTOMER FEEDBACK



100 sites converted to LED
in Europe and US
14k TCO2e avoided per
annum.

“Dialight demonstrated a
robust, long-life solution
to meet the needs of DS
Smith across our many
business operations.”

Martin Mead
Head of Energy Efficiency



“The new lights give us
the flexibility for
scheduling and
integration to digital
platforms.

They operate at 50%
output while still
achieving better results
than from the previous
fixtures.”

Ahmed Usman
Engineering Manager, Singapore



“We love using your
product especially due to
your 10-year warranty.

We have seen very
limited failures and the
few that have failed have
always been taken care of
with a new fixture
promptly.”

Boeing US
Facilities Engineer

SUSTAINABILITY AT OUR CORE



OUR PRODUCTS

- No mercury
- Extended life
- EPD certificate

PRODUCT EFFICIENCIES

- > 20m TCO₂e avoided
- Net Zero enabler
- Up to 70% more efficient than legacy technology



ETHICAL BUSINESS

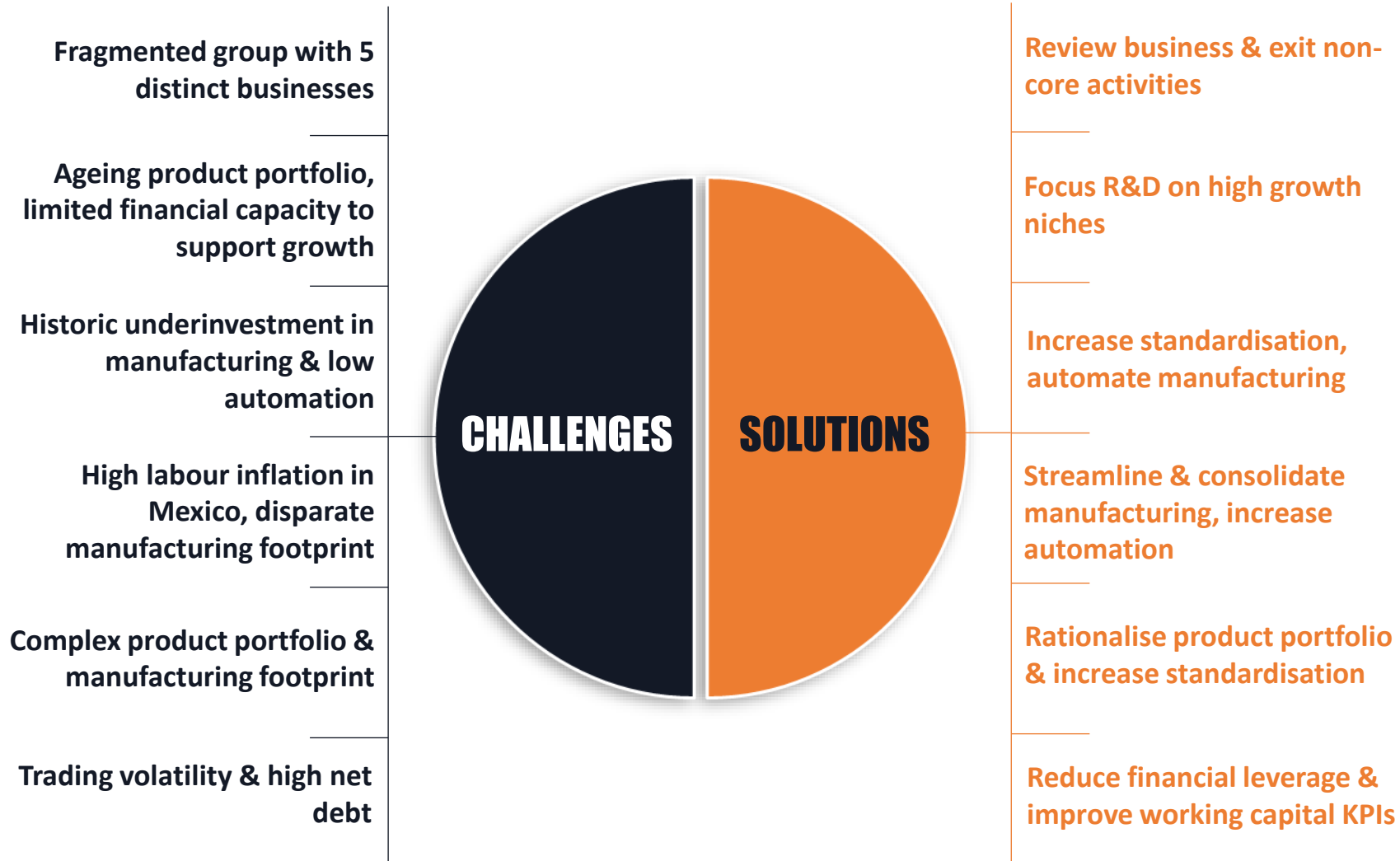
- 100% green revenue
- ESG ratings
- RBA audit*

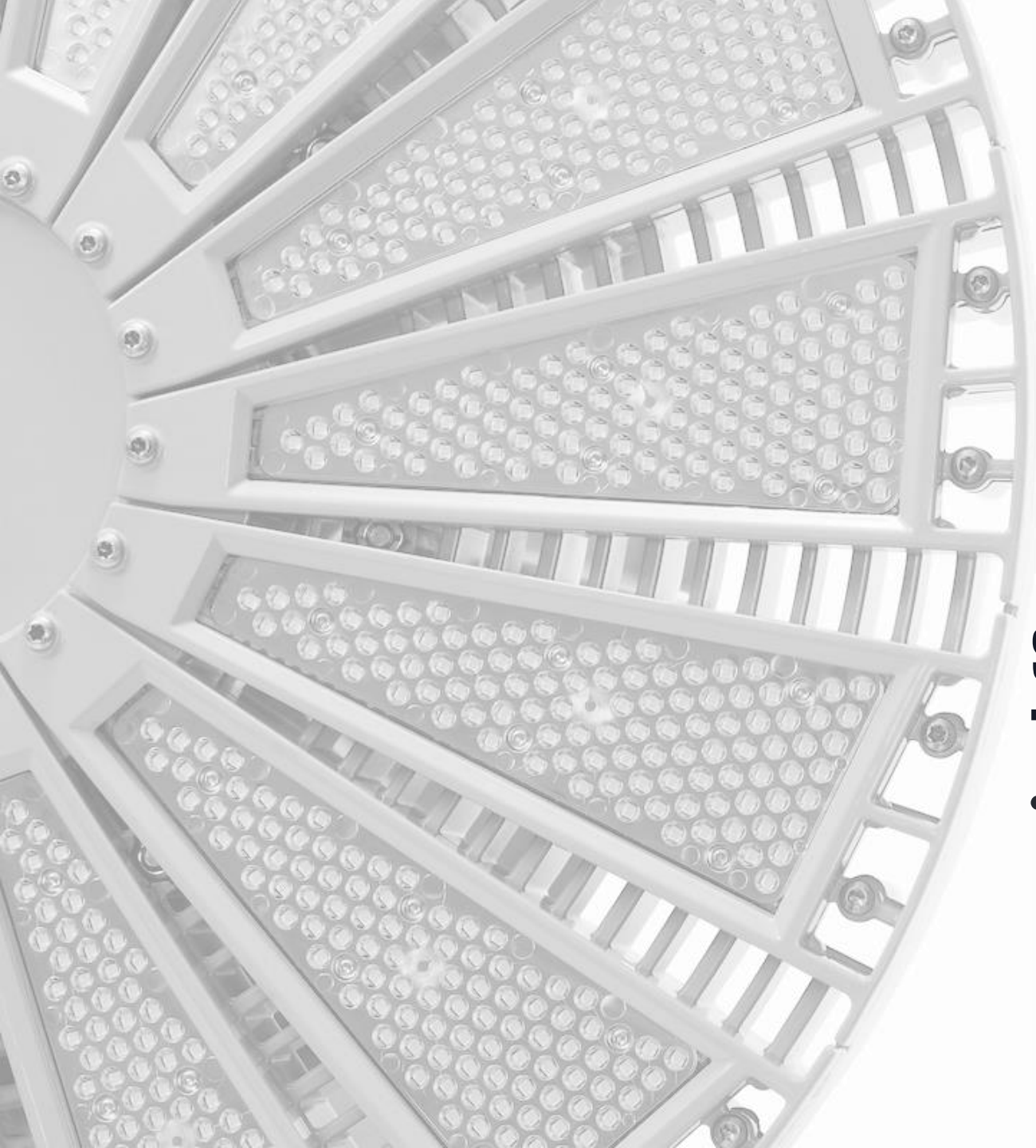
**Ensenada only*

OUR PEOPLE

- Excellent H&S record
- Dialight Foundation
- Long serving employees

DELIVERING UPON THE OPPORTUNITY





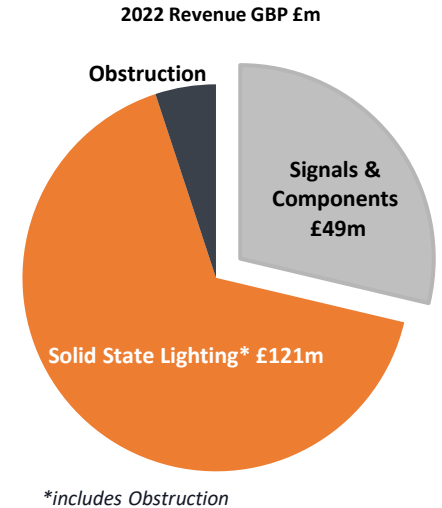
STREAMLINING THE GROUP

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LED LIGHTING IS THE CORE OF OUR BUSINESS



- Our largest business, generating c.66% of group sales in 2022
- Focused on harsh & hazardous industrial applications
- Sales are a mix of maintenance (MRO) or capital projects
- Direct specification sale to end users through distributors
- 72 sales heads with dedicated engineering teams, sharing admin services
- Production split across 2 locations:
 - Mexico – predominantly supporting Americas sales
 - Malaysia – predominantly supporting EMEA/APAC sales



AMERICAS

75% OF LIGHTING SALES



- 47 sales heads
- Our core market across the US, Canada, Mexico, and LATAM

EMEA

10% OF LIGHTING SALES



- 11 total headcount (6 sales)
- On track for 19% growth in 2023 and becoming profitable for the first time

APAC

15% OF LIGHTING SALES



- 32 total headcount (19 sales)
- Australia the dominant region with 73% of region sales

FOUR SMALLER GROUP BUSINESSES



COMPONENTS

16% OF GROUP SALES



- ✓ Diverse customer base with high degree of order visibility
- ✓ Consistently profitable and cash generative
- ! Exposed to some highly cyclical markets
- ! Sub-scale as a global business

TRAFFIC

7% OF GROUP SALES



- ✓ Market leader
- ✓ Limited commercial resource required
- ! Mature market
- ! Historically loss making

OBSTRUCTION

5% OF GROUP SALES



- ✓ Profitable with high margins
- ✓ Good relationships with distributors
- ! Historical underinvestment in product development – requires significant investment to maintain revenues
- ! Market at risk from transition to 5G towers

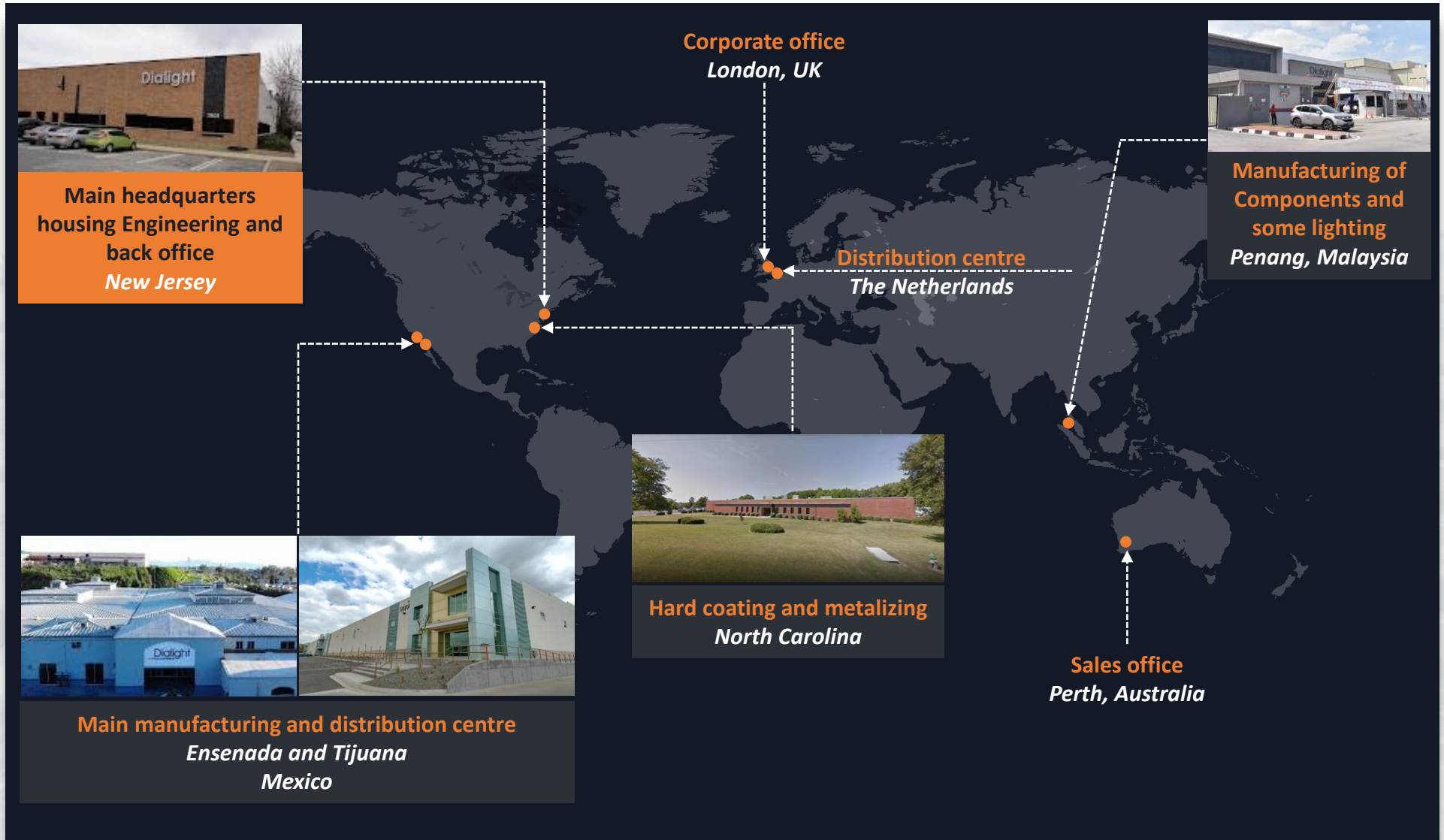
VEHICLE

6% OF GROUP SALES



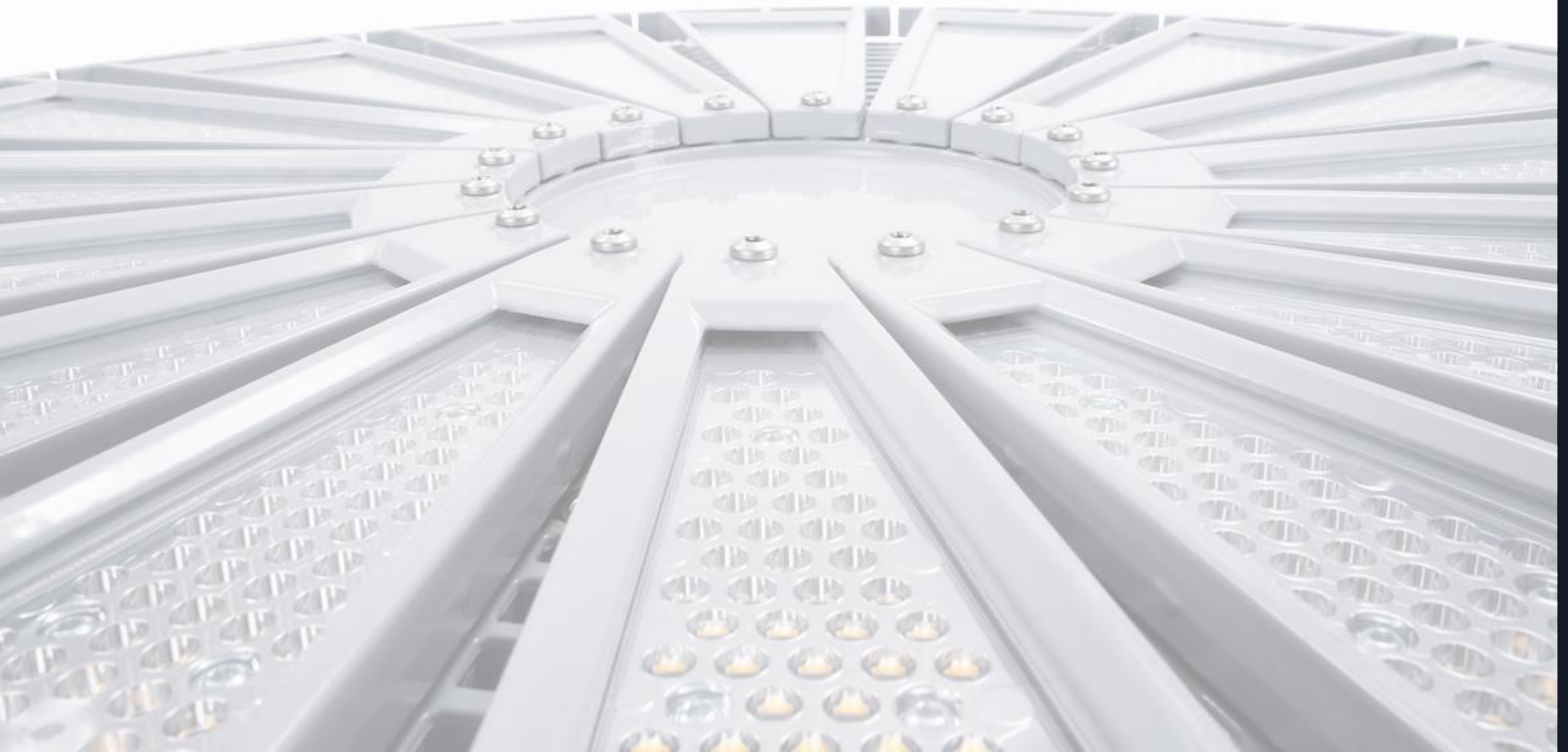
- ✓ Leader in North America bus market
- ✓ No dedicated headcount with good margins
- ! Market outlook uncertain with key customer exiting
- ! Requires significant investment to maintain profitability

CURRENT FOOTPRINT IS TOO BROAD



ACCELERATING GROWTH IN LIGHTING

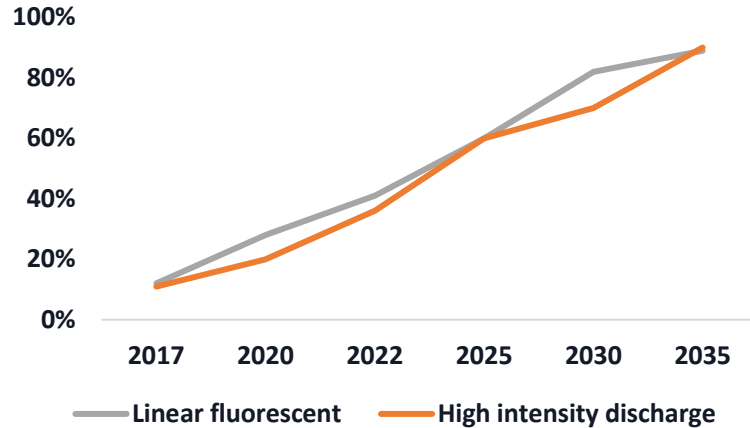
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OPPORTUNITY DRIVEN BY LONG TERM STRUCTURAL GROWTH



PROJECTED CONVERSION OF INDUSTRIAL FIXTURES BY LIGHTING TECHNOLOGY, LED PENETRATION RATES

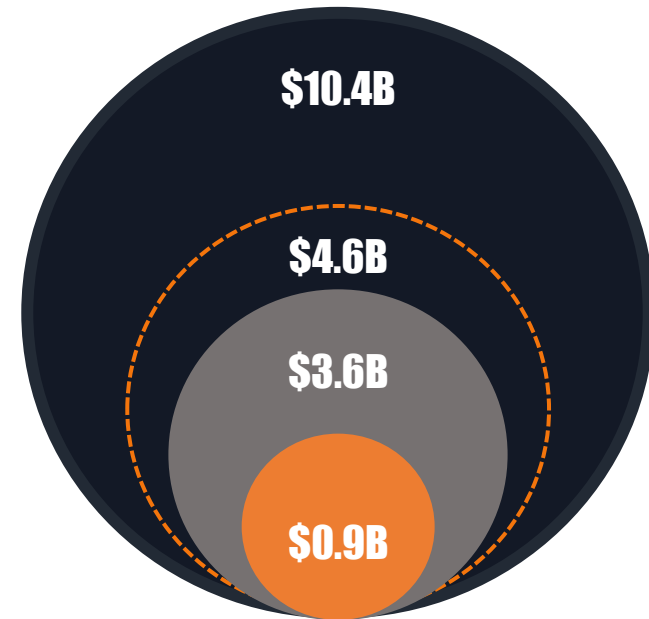


4-5% OF INSTALLED FIXTURES CONVERTED TO LED PER YEAR

TOTAL INDUSTRIAL CONVERSION RATES OF 60% BY 2025

HEAVY INDUSTRIAL MARKET ESTIMATED AT 20% CONVERSION

DIALIGHT'S SAM COULD INCREASE BY \$1.0BN THROUGH EXTENSION INTO F&B



TOTAL INDUSTRIAL LIGHTING LED MARKET

DIALIGHT SAM + FOOD & BEVERAGE

DIALIGHT SAM - HARSH & HAZARDOUS

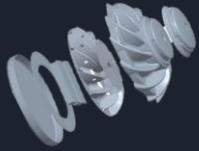
HAZLOC RATED FIXTURE MARKET

LIGHTING TECHNOLOGY DEVELOPMENT



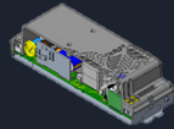
CORE FIXTURE TECHNOLOGY

DESIGN FOR SUSTAINABILITY



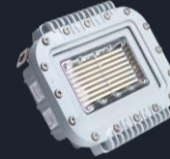
- Lower cost, lighter, high efficiency, longer life = lower carbon impact
- Recyclable materials
- Modularity and scalability

4TH GENERATION POWER SUPPLIES



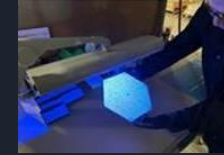
- Fully automated assembly
- Battery Backup option
- Sensor ready
- Dual channel
- Light data recorder

4TH GENERATION OPTICS



- High uniformity & low glare = fewer fixtures
- Higher lumen maintenance
- Human centric lighting
- Color tuning

VOC / RG-SHIELD

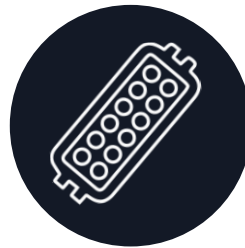


- Dialight has a patented technology to protect LEDs against
 - Reactive gases
 - Volatile organic compounds

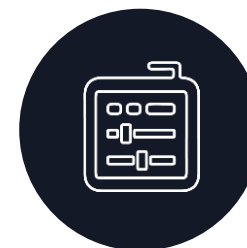
NEW REVENUE STREAM TECHNOLOGY DEVELOPMENT



POWER SUPPLY TOPOLOGY

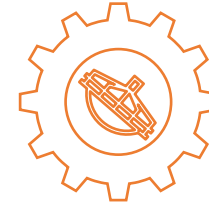


OPTICAL PATTERNS AND PROFILES



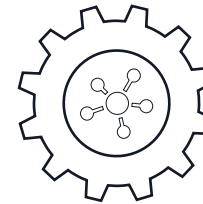
IIOT AND COMMUNICATION OF DATA

OUR INTELLIGENT FRAMEWORK



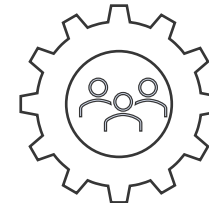
DIFFERENTIATED PRODUCTS

Known for safe reliable with extended warranty



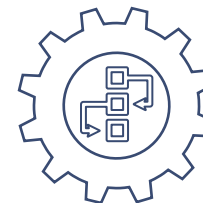
KNOWLEDGE & EXPERTISE

To develop harsh industrial and hazardous electrical equipment



CUSTOMER BASE

Access to worldwide industrial customers



OPEN ARCHITECTURE

We have an open way solution that is compatible with third party systems

THE FUTURE OF LIGHTING IS IN THE REAL ESTATE IT OCCUPIES

EXPANDED COMMERCIAL STRATEGY FOR LIGHTING



NEW REVENUE STREAMS

TECHNOLOGY BUILDING BLOCKS

Monetising our technology through sale of key building blocks

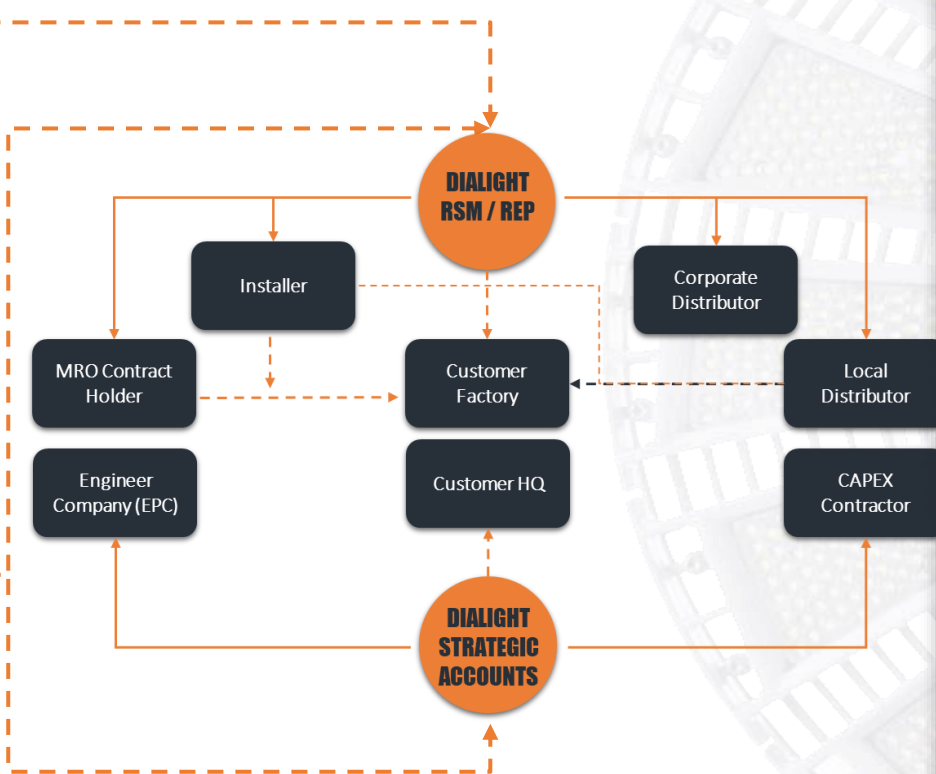
Sold to existing OE distributors e.g., Future/Arrow and new OEM manufacturers

IIoT & DATA COMMUNICATION

Becoming a key part of intelligent networks by integrating monitoring technology into our fixtures

Sold through existing sales channels

DIALIGHT'S EXISTING SALES CHANNELS



CORE REVENUE STREAMS

LIGHTING SALES TEAMS

Focus remaining on our core harsh & hazardous market, accelerating conversion to LED

Supported by our expansion into Food & Beverage and our Source & Sell product portfolio, capturing more of the available market

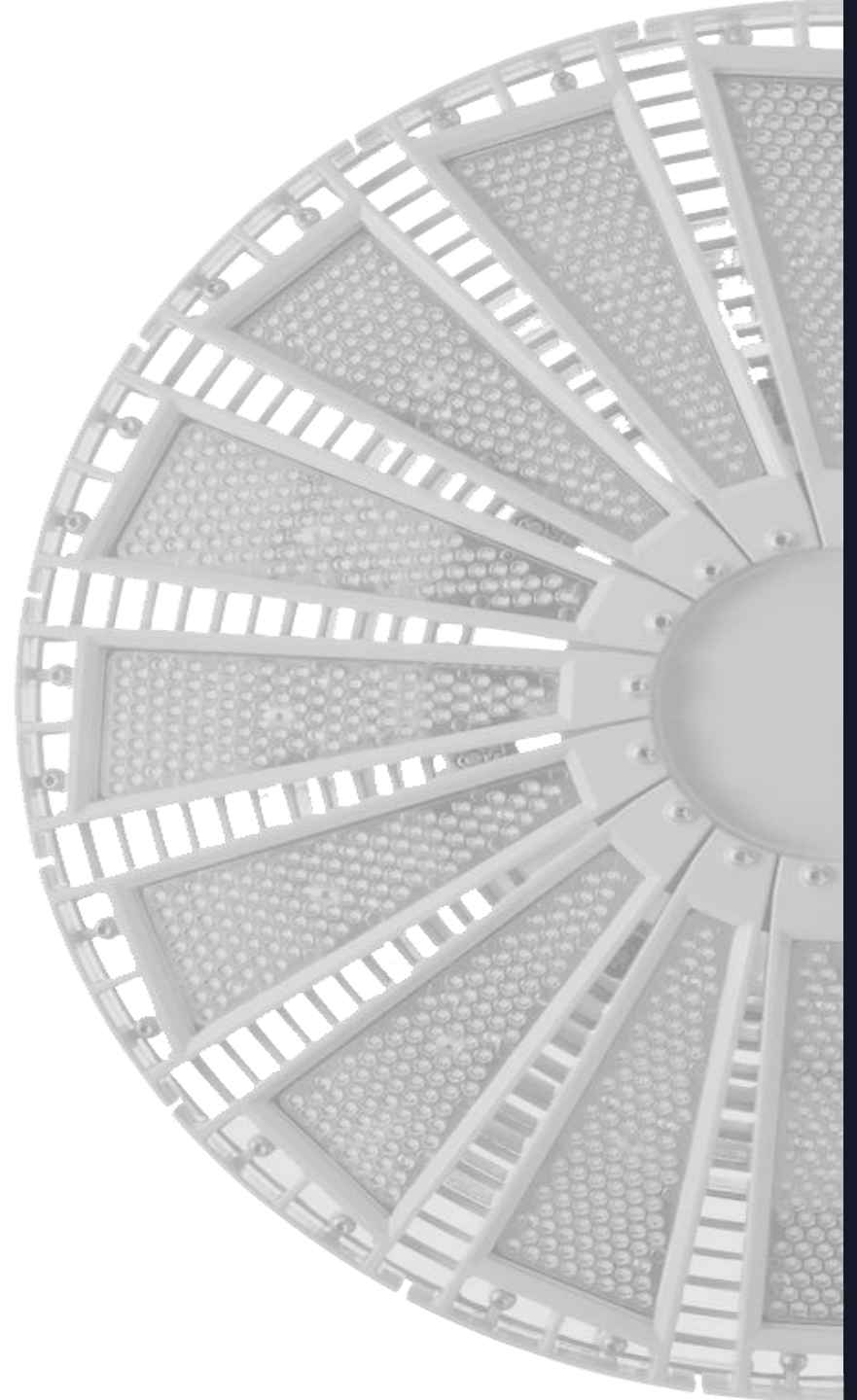
STRATEGIC ACCOUNTS

Leveraging our key account strategy in all regions

Building on recent successes totaling c.£11m in 2023 orders across 25 accounts

RESETTING COSTS & PRODUCTIVITY

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CREATING A LEANER AND MORE EFFICIENT BUSINESS



Consolidate manufacturing operations

Realign cost base to a more focused Group

Increase in product standardisation

Consolidate supply chains

Transition to 31st March year end

Change to USD \$ reporting

OPERATIONS STRATEGY

GIVEN POTENTIAL DIVESTMENTS WE HAVE THE OPPORTUNITY TO REMOVE INEFFICIENCIES AND INVEST IN AUTOMATION



Revised site layout, improving operational performance and allowing for further automation



Removal of transportation costs, material handling and transport time between sites



Mitigation of high wage inflation in Mexico through automation and potential role consolidation

FUTURE SITE EXPECTATIONS:

- C. 200k Sq Ft
- Located close to existing sites to maintain key personnel
- Target site identified with development to complete in 2024
- Investment in consolidation / automation c.£19.5m

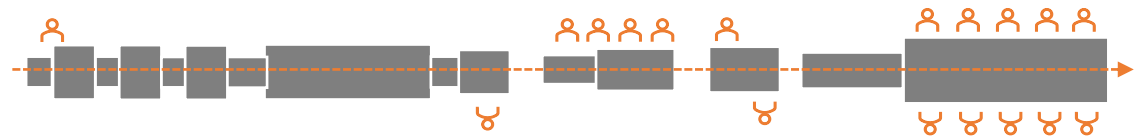
**ESTIMATED ANNUAL SAVINGS FROM
CONSOLIDATION / AUTOMATION c.£9m+***

**from 2026 post completion*

AUTOMATION BENEFITS



CURRENT SMT LINE PROCESS – 5 LINES



FUTURE SMT LINE PROCESS – 3 AUTOMATED LINES, 1 SUPPORT LINE



320 HEADCOUNT REDUCTION

MINIMUM WAGE INCREASES EXPECTED TO REMAIN >15% IN MEXICO

CURRENT SMT PROCESSES ARE MANUAL, OFTEN LEADING TO REWORK

SIGNIFICANT THROUGHPUT INCREASE WITH NO ADDITIONAL FOOTPRINT

c.£3m ANNUAL SAVING BEFORE WAGE INCREASES

£8m INVESTMENT



REALISING OUR AMBITION

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2026 TARGETS



GROWTH

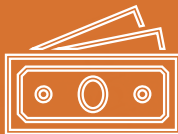


GROUP REVENUE
c.£180m

Post non-core divestments

- 2022 Group revenue £170m
- Growth in Lighting and new product revenues to more than offset revenue lost through divestment

PROFIT



GROSS MARGIN c.40%

EBIT MARGIN >10%

- Plan initiatives to realise GM progress from FY24
- Potential divestments would be EBIT margin dilutive in short term
- Footprint actions in FY25 unlock largest cost savings

TRANSFORMATION INVESTMENT

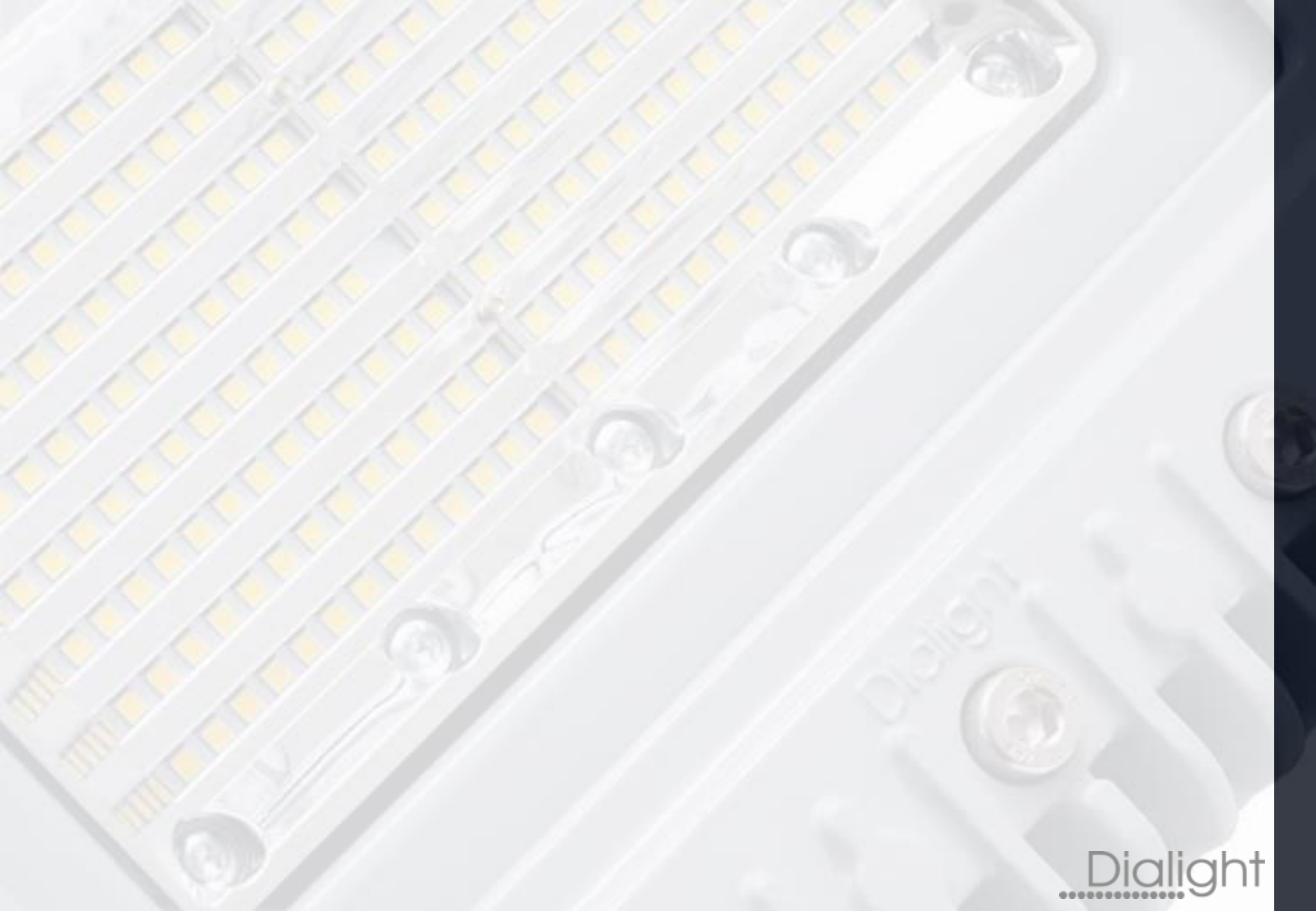


£m	2023	2024	2025	2026	Y0-Y3
CAPITAL EXPENDITURE	-	3.4	14.7	0.4	18.5
CAPITALISED PRODUCT DEVELOPMENT	-	0.4	1.1	1.2	2.7
IMPLEMENTATION & RESTRUCTURING COSTS	0.5	1.8	3.5	0.3	6.1
TOTAL INVESTMENT	0.5	5.7	19.2	2.0	27.4

TOTAL EXPECTED INVESTMENT OVER PERIOD c.£27.4m

CONTINGENCY INCLUDED AT 20%

EXCLUDES POTENTIAL DIVESTMENT COSTS



Dialight