INVESTOR VISIT

30 OCTOBER 2018
AGENDA

Morning session
• Introduction – Marty Rapp
• Operations – Luis Ramirez

Site tour
• Product development & Technology – Marty Rapp

Lighting controls demo

Lunch

Afternoon session
• Sales – Tim Cillessen

Dinner
**SUMMARY**

- The Industrial market remains attractive and growing

**Manufacturing**

- Manufacturing partner issues impacted the business over last two years
- Focus now on bringing all assembly back in house
- Transfer to own facilities on track with good on time delivery
- Ensenada/Tijuana and Penang our future manufacturing bases

**Future plans**

- As previously disclosed, aggressive approach from recovery to growth
- Three new products to be launched in 2019
REGIONAL EMPHASIS — TO SUPPORT LOCAL EXPANSION

**OPERATIONS**
- Regional assembly facilities
- Global purchasing with local delivery
- Fulfilment from regional hubs
- Regional customer service

**ENGINEERING**
- Global technology leadership deployed regionally
- Dialight design rules
- Increase speed to market

**PRODUCT MANAGEMENT**
- Globally coordinated
- Regionally focused
- Regionally specified products

**SALES**
- Outstanding customer experience
- Global coordination for global customers
- Continued regional teams
OPERATIONS
LUIS RAMIREZ
HYBRID MANUFACTURING MODEL

External
- Cable harness
- PCBAs
- Machining & Painting

Internal
- Final assembly and supply chain management

Customers
- Reduced lead times
- Improved on time delivery
- Competitive pricing

Regional suppliers to support subassemblies requirements:
- suppliers expertise in specific process/products
- Competitive prices
- Risk Managed supply chain
## OVERVIEW OF OUR MANUFACTURING CAPABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Ensenada</th>
<th>Tijuana</th>
<th>Penang</th>
<th>Roxboro</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size</strong></td>
<td>162,000 sq. ft</td>
<td>100,000 sq. ft</td>
<td>45,000 sq. ft</td>
<td>79,000 sq. ft</td>
</tr>
<tr>
<td><strong>Capability</strong></td>
<td>PCBA, CNC, Cable Harness, Assembly</td>
<td>Distribution, Future CNC and paint</td>
<td>Moulding and assembly</td>
<td>Moulding, metallisation and hard coating</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>845</td>
<td>400*</td>
<td>162</td>
<td>102</td>
</tr>
<tr>
<td><strong>Products produced</strong></td>
<td>All Lighting products, Obstruction and Signals and Components</td>
<td>All Lighting products</td>
<td>All Lighting products and Signals and Components</td>
<td>Lenses and plastic components</td>
</tr>
<tr>
<td><strong>Rationale</strong></td>
<td>Established Dialight facility with experience of all product lines</td>
<td>New site closer to the US San Diego Border. Long history of electronics manufacturing, easy access to ports and airports</td>
<td>5 decades of being a manufacturing hub in Asia. Increasingly becoming an alternative to China to avoid US tariffs</td>
<td>Strong manufacturing accounting for 20% of the state gross product</td>
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* Future headcount post transfer from Manufacturing partner
UPGRADES AT OUR ENSENADA FACILITY

PEOPLE
- Upgraded operations leadership
- Labour force skilled in complex assembly process
- Enhanced sustaining engineering on site

PROCESSES
- Improved shop floor controls – upgraded manufacturing practices
- Improved Sales and Operations Planning process
- Improved visibility and response to Key Performance Indicators
TIJUANA PLANT

• Proximity to the US border
• Proximity to Suppliers
• Proximity to Ensenada
• Proximity to component imports from Asia
• Proximity to major Airports
• Servicing APAC and EMEA markets
• Proximity to regional supplier base
• Key manufacturing hub in Asia
• In place since 2012
• New building to expand with additional capabilities for CNC, paint and PCBA
• Dialight’s high SKU, low volume business requires a flexible system for materials management

• Sales and Operations Planning process is challenging due to forecast accuracy and short order time

• Dialight has an experienced team for sourcing components

• Component market is still experiencing shortages and time delays
PRODUCT MANAGEMENT & TECHNOLOGY
MARTY RAPP
CUSTOM POWER SUPPLIES
Long-life drivers with optimised thermal dissipation for protection against environmental contaminants and vibration related failures

INTEGRATED DESIGN
Built for longevity in harsh environments: Simple installation, advanced protective coatings, and no replacement parts - virtually eliminating maintenance for up to 10 years

LATEST LEDS AND ADVANCED OPTICS
Highly efficient, crisp, uniform, low-glare illumination. Lighting where you need it

INTELLIGENT CONTROLS
Flexibility to group, dim and schedule lights around the unique needs of a facility to maximize energy savings. Plus, seamless integration with existing factory automation
**Estimated Market Size / Dialight Share**

Database of Current and Adjacent Markets, Existing Share & Growth Opportunities

- **Leverage existing sales channel**
  - Existing channel partners to support

- **Target current customer base**
  - Focus on lighter duty applications in current customer facilities

- **New products designed for large niches**
  - Reduce need to discount price of established high performance products
Core product offering in hazardous environments of the heavy industrial space

Expand our offering to provide a more competitive product for the lighter industrial areas of our existing customers

OPPORTUNITY – EXTEND PRODUCT RANGE TO OUR EXISTING CUSTOMERS
SALES STRUCTURE

- **Americas**
  - 79 Direct sales heads
  - No. of distributors: 622

- **EMEA**
  - 27 Direct sales heads
  - No. of distributors: 52

- **APAC**
  - 24 Direct sales heads
  - No. of distributors: 31
GROWTH AND SUCCESS

End Users (1,500+)

- Oil & Gas (Downstream)
- Metals & Mining
- Power Generation
- Oil & Gas (Drilling)
- Pulp & Paper
- Food & Beverage

CAPEX

- Ranges from lighting upgrade to new facility
- We supply ~30% of lighting schedule
- Distributor consolidate all vendors
- Bidding process through multiple Contractors

MRO

- Maintenance, Repair, Operate
- Long term contracts with Distributors
- Local inventory mandatory (daily deliveries)
- Vendor Management Inventory in a lot of customers

OEM

- Narrow product range served from inventory – mandatory safety stock
- Distributor kits with other components (just in time)
- Distributor becomes service arm for electrical
DISTRIBUTION CHANNEL

Top 2 Global - $42B
- Sonepar - $26B
- Rexel - $16B

Top 5 in US - $34B
- Sonepar - $10.1B
- WESCO - $7.3B
- Graybar - $6.7B
- Rexel - $5.6B
- CED - $4.6B
The Americas showed significant growth over last 10 years

The current operational challenges have impacted:
  - Our ability to keep inventory levels through our Channel partners
  - Extended lead times affected capex spend
  - Our multiple value propositions still dominate our core markets
  - Our product portfolio still best in class for our markets
  - Highly skilled and focused salesforce
  - Our product reliability is world class in our markets
• Dialight Australia has shown significant YoY growth for the last 7 years
• Dialight Australia have secured every large Greenfields and brownfields mining project for 2017
• New sales team established in Asia
• New channel partners signed increasing geographical coverage
• EMEA has refocused sales efforts since 2016
• Distribution channel expansion is key to driving growth
• New territories such as South Africa (mining and Oil & Gas) and Iceland (largest Aluminium plants in Europe) are now being explored
SUMMARY

• Industrial LED market opportunity largely untapped
• High Bay transfer back to our own facilities is largely completed
• Significant reduction in level of late orders
• Assembly of lighting products commenced in Penang to serve EMEA and APAC
• Active steps to materially de-risk supply chain
• 50% of lighting products produced at our own facilities
• Hybrid manufacturing model
• Developed strategy to address expanded industrial LED market
• Three major product launches in 2019
• Progress on regional hybrid structure
Questions
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