KEY POINTS

- H1 2019 financial results were disappointing
- Physical separation from contract manufacturer now complete
- Mexico facilities performing well
- Penang operations relocated to new facility and expected to be fully operational within next two months
- 2 of 3 platform-level new products launched and the third coming soon
- Increased NPD capacity and capabilities in place
- Full year outlook for 2019 remains unchanged
FINANCIAL REVIEW

Fariyal Khanbabi
FINANCIAL SUMMARY*

**Revenue**
- H1-18: £77.7m
- H1-19: £76.1m

**Underlying EBIT**
- H1-18: £2.8m
- H1-19: £0.9m

**Underlying EPS**
- H1-18: 6.4p
- H1-19: 1.5p

**34%**
Underlying gross margin
(H1-18: 35%)

**£11.0m**
Net debt
(Dec-2018: Net debt £2.9m)

**£2.7m**
Non Underlying
(H1-18: Nil)

*All prior year numbers restated to exclude the European wind business

Private and confidential
UNDERLYING EBIT BRIDGE

H1-18

£2.8m

(£1.7m)

H1-19

(£1.1m)

£0.7m

£0.2m

£0.9m

Impact of revenue decrease

Gross margin

Operating costs

Foreign exchange

Private and confidential
<table>
<thead>
<tr>
<th>Lighting</th>
<th>Reported currency</th>
<th>Constant currency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1-19</td>
<td>H1-18</td>
</tr>
<tr>
<td>Revenue</td>
<td>56.4</td>
<td>56.9</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>19.6</td>
<td>21.1</td>
</tr>
<tr>
<td>Gross margin</td>
<td>35%</td>
<td>37%</td>
</tr>
<tr>
<td>Overheads</td>
<td>(17.7)</td>
<td>(17.9)</td>
</tr>
<tr>
<td>EBIT</td>
<td>1.9</td>
<td>3.2</td>
</tr>
</tbody>
</table>

**Gross margin bridge**

- 37% (H1-18)
- (1.0)%
- (0.6)%
- (0.4)%
- 35% (H1-19)

- Outsourced machining/painting
- Production overhead ramp up
- Air freight

Sanmina exit costs of £2.7m treated as non-underlying
## NON UNDERLYING COSTS

### Freight & Handling (£1.9m)
- Handling charges for materials purchased from Sanmina
- Cost to move materials from Sanmina to our Plant in Mexico
- Cost to airfreight materials from Sanmina to our Plant in Malaysia to reduce production downtime

### Removal & Installation (£0.8m)
- Cost to remove our Paint line and CNC machines from Sanmina and reinstall at our Plant in Mexico

<table>
<thead>
<tr>
<th>(£m)</th>
<th>Reported currency</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1-19</td>
<td>H1-18</td>
</tr>
<tr>
<td>Freight and handling costs</td>
<td>1.9</td>
<td>-</td>
</tr>
<tr>
<td>Removal costs</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.7</strong></td>
<td>-</td>
</tr>
<tr>
<td>Cash impact</td>
<td>2.7</td>
<td>-</td>
</tr>
</tbody>
</table>
Order intake

- Impact of operational issues reduced
- Confidence in delivery returning slower than expected
- Large customers deferred orders
- New products H2 focused
- Delays on start-up of production in Malaysia for two products serving EMEA and APAC
**Signals and Components**

**Revenue**
- **H1-18**: £20.8m
- **H1-19**: £19.7m

5% Revenue reduction

**Gross Margin**
- **H1-18**: 30%
- **H1-19**: 31%

100 bps Improvement in gross margin

**Underlying EBIT**
- **H1-18**: £2.2m
- **H1-19**: £2.0m

9% reduction in EBIT
## NET DEBT BRIDGE

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt at 31 December 2018</td>
<td>(2.9)</td>
</tr>
<tr>
<td>Underlying EBITDA</td>
<td>3.0</td>
</tr>
<tr>
<td>Inventory</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Receivables/payables</td>
<td>2.4</td>
</tr>
<tr>
<td>Capex</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Non-underlying costs</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Interest &amp; other</td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Net debt at 30 June 2019</strong></td>
<td>(11.0)</td>
</tr>
</tbody>
</table>

- **£3.3m new facilities**
- **£2.8m new product development**
- **£3.8m inventory**
- **£2.7m Non-Underlying costs**

**RCF facility**

- Value: £25m
- Expiry: December 2021

**Debt leverage covenant**

- Actual: 1x
- Threshold: <3X

**Interest cover covenant**

- Actual: 27x
- Threshold: >4X

**Lease liabilities recognised on the Balance Sheet are carved out of covenant calculations**
INVENTORY LEVELS

**Current actions**
- Stricter purchasing controls implemented
- Consignment inventory programs in negotiation
- H2 weighting will assist consumption of excess raw material
- Sales teams targeting slow moving finished goods
- Reduction in safety stock levels

Target inventory level £35 - £40m (5 turns p.a.)

*last comparable period when all production was insourced*
2019 PLANNING ASSUMPTIONS

**INCOME STATEMENT**
- Net Interest: Broadly in line with H1-19
- Tax Rate: c26%

**CASH FLOW**
- Capex: c.£2m operational capex, c.£4m product development
- Working capital: Inventory levels to partly unwind in 2019

**H2 weighting as in previous years**
BUSINESS REVIEW

Marty Rapp
SCALEABLE OPERATIONS

REVENUE RECOVERY & MARKET EXPANSION

INCREASED CAPACITY FOR NEW PRODUCT DEVELOPMENT
**OPERATIONAL TIMELINE**

- **Sept 2018**
  - Exit from Sanmina contract
  - Q4 2018
    - All manufacturing moved to Ensenada, Mexico
  - Tijuana facility opened

- **Q2 2019**
  - All equipment removed from Sanmina

- **Aug 2019**
  - All CNC machines and paint line operational in Tijuana

- **Sept 2019**
  - New Penang facility fully operational
Lead Times & On Time Delivery %

Pre Sanmina:
- Lead Time: 4 weeks in 2016

Sanmina:
- Lead Time: 12-18 weeks in 2018
- On-time delivery: 53% in 2018

Post Sanmina:
- Lead Time: 3 weeks in 2019
- On-time delivery: 82% in 2019

* Lead times are for all lighting products
**ENSÉNADA**

**Weekly production units**
- Jan 19: 3,200
- Jun 19: 5,100

**60% increase in weekly production**

**Overdue units**
- Graph showing a downward trend from Jan-19 to Jun-19.

**Overdue units equal to one day production capacity**

**On time delivery %**
- Jan 19: 55%
- Jun 19: 82%

**27% improvement**

*On time delivery for June 2019*
Penang continues to ramp production
Continuous improvement of all product lines

Overdue units have increased as Stainless Steel Linear and Bulkhead product lines transferred from Sanmina

- High bay products running at 87% on time delivery with stabilised production
- On time delivery % is not representative of performance when production is ramping
- Stabilisation in supply chain for Stainless Steel Linear and Bulkhead products
- Full recovery expected by end of Q3
OPERATIONAL FOCUS FOR H2

- Ramp in Penang production
- Start up paint lines in Tijuana and Penang
- Inventory reduction
- Localised supply chain management
- Vendor managed inventory
- Supply chain cost reductions
REGAINING MARKET SHARE

- Re-building confidence internally
- Weekly operational and lead time calls, senior management engagement with customers and sales team
- Build distribution partner confidence with consistent on time delivery and short lead times
- Continued expansion of routes to market
- New product launches supported by strong marketing plans
- Special incentives for new product launches
EXPANDED MARKET OPPORTUNITY

Remaining expanded market opportunity

£1.2bn

Current market size

£0.5bn

£0.2bn

£0.3bn

Reliant round High Bay

Reliant US High Bay

Vigilant Linear

Products launching in 2019 address £0.8bn of expanded market
OUR PRIORITIES

INCREASED CAPACITY FOR NEW PRODUCT DEVELOPMENT
NEW PRODUCT DEVELOPMENT CAPACITY

**Legacy team**
Capacity to handle 3 new projects by the New Jersey team

**Regional teams**
Capacity to handle two new projects by the team in London

**Additional hires**
Add capacity to handle a further two projects by H2 2020

---

22 new platform products targeted over the medium term
Investment funded through growth
RELIANT HIGH BAY (EMEA & APAC)

Easy to install with single-point hook mounting

All units are controls enabled with plug and play occupancy sensor

Exclusive in-house designed power supply and thermal management system

Replacement parts offered (including lenses, power supplies and surge protection)

Launched 24 May, production ramp in Penang, Finished goods inventory in place for APAC & EMEA

Industry leading 10 year warranty
Next generation polymeric housing

10,000-72,000 lumens with up to 100ft mounting heights

Exclusive in-house designed power supply and thermal management system

All units are controls enabled with plug and play occupancy sensor

Replacement parts offered (including lenses, power supplies and surge protection)

Industry leading 10 year warranty
SUMMARY

- H1 2019 financial results were disappointing
- Physical separation from contract manufacturer now complete
- Mexico facilities performing well
- Penang operations relocated to new facility and expected to be fully operational within next two months
- 2 of 3 platform-level new products launched and the third coming soon
- Increased NPD capacity and capabilities in place
- Full year outlook for 2019 remains unchanged
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TECHNOLOGY DIFFERENTIATION

CUSTOM POWER SUPPLIES
- Long-life drivers
- Optimised thermal dissipation
- Protection against environmental contaminants
- Protection from vibration related failures

INTEGRATED DESIGN
- Longevity in harsh environments
- Simple installation
- Advanced protective coatings
- No replacement parts
- Eliminating maintenance for up to 10 years

INTELLIGENT CONTROLS
- Flexibility to group, dim and schedule lights
- Maximise energy savings
- Seamless integration with existing factory automation

LATEST LEDS AND ADVANCED OPTICS
- Highly efficient
- Uniform
- Low-glare illumination. Lighting where you need it
## INCOME STATEMENT

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2019</th>
<th>H1 2018</th>
<th>Reported</th>
<th>Constant Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>76.1</td>
<td>77.7</td>
<td>(2%)</td>
<td>(7%)</td>
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<tr>
<td>Cost of goods sold</td>
<td>(50.4)</td>
<td>(50.3)</td>
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<tr>
<td>Gross Profit</td>
<td>25.7</td>
<td>27.4</td>
<td>6%</td>
<td>9%</td>
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<tr>
<td>Distribution costs</td>
<td>(14.1)</td>
<td>(14.6)</td>
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<tr>
<td>Administrative expenses</td>
<td>(10.7)</td>
<td>(10.0)</td>
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<tr>
<td>Underlying EBIT</td>
<td>0.9</td>
<td>2.8</td>
<td>(68%)</td>
<td>(83%)</td>
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<td>Non-underlying costs</td>
<td>(2.7)</td>
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<tr>
<td>Finance expense</td>
<td>(0.3)</td>
<td>(0.1)</td>
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<tr>
<td>(Loss)/Profit before tax</td>
<td>(2.1)</td>
<td>2.7</td>
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<td>Tax</td>
<td>0.5</td>
<td>(0.7)</td>
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<td>(Loss)/Profit after tax</td>
<td>(1.6)</td>
<td>2.0</td>
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<td>Underlying EPS</td>
<td>1.5p</td>
<td>6.4p</td>
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## Market Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>H1 2019</th>
<th>H1 2018</th>
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</thead>
<tbody>
<tr>
<td>Obstruction</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Heavy industrial</td>
<td>17%</td>
<td>14%</td>
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<tr>
<td>Mining</td>
<td>10%</td>
<td>11%</td>
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<tr>
<td>Oil &amp; Gas</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Power</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Pulp &amp; Paper</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>Other industrials</td>
<td>13%</td>
<td>18%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
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### SIGNALS AND COMPONENTS

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<tr>
<th>Signal &amp; components</th>
<th>Actual currency</th>
<th>Constant currency</th>
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<tbody>
<tr>
<td></td>
<td>H1 2019</td>
<td>H1 2018</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>19.7</td>
<td>20.8</td>
</tr>
<tr>
<td><strong>Direct costs</strong></td>
<td>(13.6)</td>
<td>(14.5)</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>6.1</td>
<td>6.3</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>31%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Overheads</strong></td>
<td>(4.1)</td>
<td>(4.1)</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>2.0</td>
<td>2.2</td>
</tr>
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</table>