

# INVESTOR PRESENTATION

LD Micro Conference December 2014

www.oesx.com

## SAFE HARBOR

This presentation contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance, or achievements.

Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in Orion Energy Systems' filings with the Securities and Exchange Commission. If any of these risks or uncertainties materializes, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. Any forward-looking statements that you see or hear during this presentation, including our "Long-term Growth Targets", reflect our current views with respect to future events and are subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. We assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

## ORION AT A GLANCE

## ENERGY RETROFIT SOLUTIONS SINCE 1996

- Headquartered in Manitowoc, WI with an additional office in Jacksonville, FL
- 260+ employees
- Over 20,000 completed installations
- Over 160 Fortune 500 customers
- 100+ patents issued or pending

## Orion Energy Systems, Inc. (NYSE MKT: OESX) (at 3/31/2014 unless otherwise noted)

Corporate Headquarters Regional Offices	Manitowoc, WI Jacksonville, FL
Industry	Energy
Business	LED & LFL/HIF lighting and energy management solutions
Market Cap	\$100 million (at 11/25/2014)
Stock Price	\$4.57 (at 11/25/2014)
Shares Outstanding	21.7 million
Total Shareholder's Equity	\$77 million
Book Value Per Diluted Share	\$3.87
Acronyms/Terms	Light-Emitting Diode (LED) Linear Fluorescent Lights (LFL) High-Intensity Fluorescents (HIF)

## RECENT ACHIEVEMENTS

# NEW MANAGEMENT AND A RENEWED COMMITMENT TO CORE COMPETENCIES AND SHAREHOLDER VALUE

- Exited non-core businesses and assets
- Increased plant efficiency by 67%
- Successful acquisition of accretive business
- Expanded all channels to market
- Introduced over a dozen new LED product suites

September 2012 Appoints John Scribante as CEO	2013 Exceeds 20,000 customer installations	May 2013 Reports fiscal 2013 fourth quarter and year-end results, \$1.9M in LED revenues	January 2014 Launches LED Door Retrofit (LDR) Suite	October 2014 New LED fixture suites unveiled for all addressable markets
2012	2013		2014	
November 2012 Reports fiscal 2013 second quarter results, announces strategic refocus and cost reductions	February 2013 Announces ISON-Class LED products	July 2013 Completes acquisition of Harris Manufacturing and Harris LED	May 2014 Reports fiscal 2014 fourth quarter and year-end results, \$4.8M in LED revenues >20% of revenue	November 2014 Reports fiscal 2014 second quarter results, \$5.2M in LED revenues; >39.2% of revenue; Largest lighting backlog in Company history

## A HISTORY OF SUCCESS

## APPROXIMATELY 3 BILLION SQUARE FEET RETROFITTED AT 20,000+ FACILITIES NATIONWIDE



48 Manufacturing **Facilities** 



405 Bottling and Sales Facilities



168 Bottling and Sales Facilities



9 Manufacturing **Facilities** 



20 Distribution **Facilities** 



107 Bottling and Distribution Facilities







107 Manufacturing and **Distribution Facilities** 



4 Manufacturing Facilities, 678 Dealerships



2,469 Retail **Facilities** 

## A VISION FOR THE FUTURE



Lead the transformation to advanced LED lighting systems



Become the industry leader in retrofit of \$200 billion in legacy lighting\* with solid state LED lighting



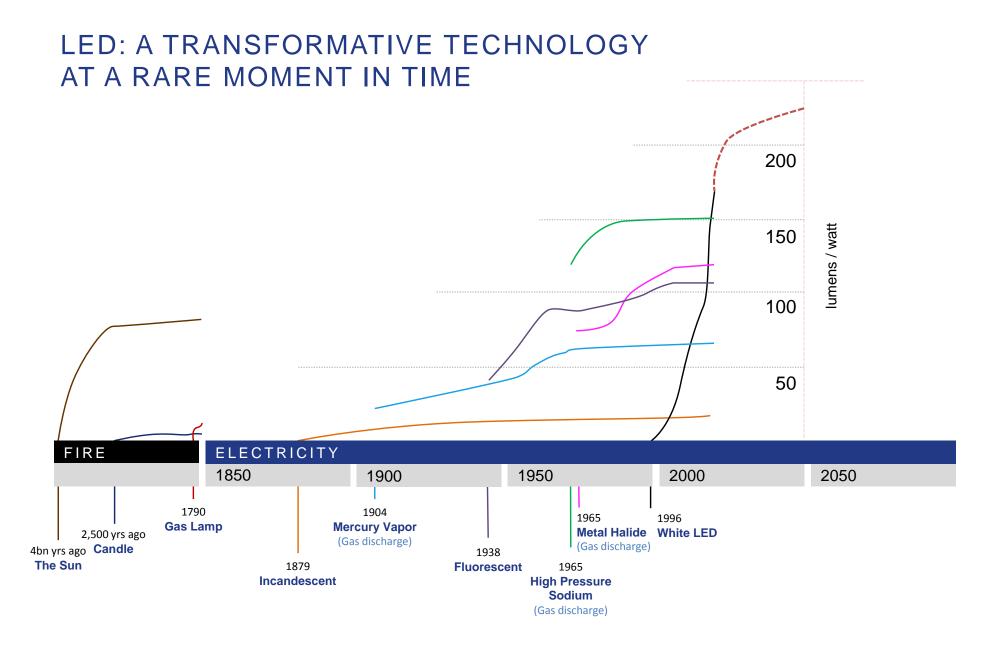
Own the commercial and industrial LED retrofit space through better products and superior customer experience



Maintain competitive edge through lower install costs, shorter lead times, exceptional customer service, financing, and comprehensive design and engineering support

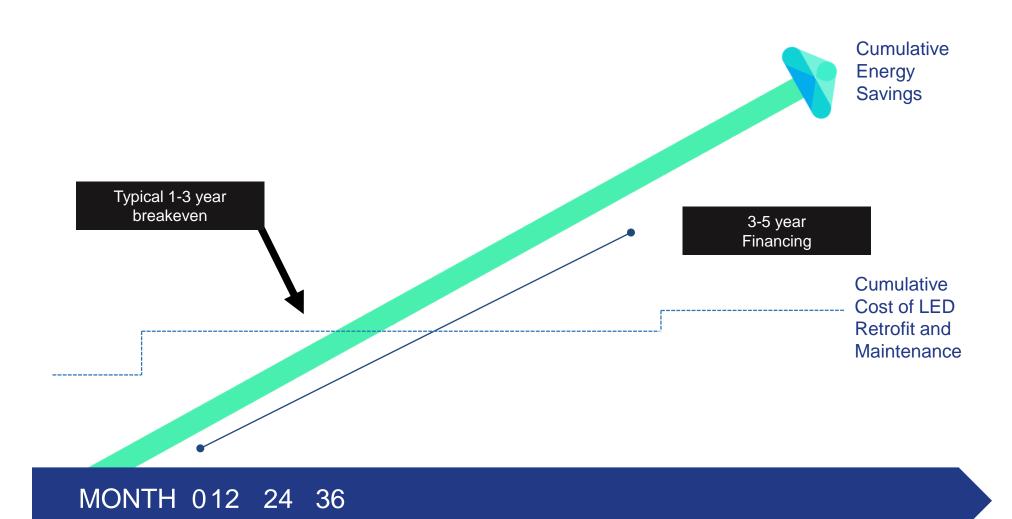
<sup>\*</sup>Estimated value of converting existing base of high-bay, suspended ceiling, and parking area light to LED.

## HISTORY OF LIGHT



# A MODERATE INVESTMENT...

## ...THAT RESULTS IN MAJOR RETURNS



## WHY ORION?

# PROVIDING THE BEST CUSTOMER EXPERIENCE IN THE INDUSTRY

- Retrofit-focused products and services
- Installed retrofit base of over 20,000 customer sites with legacy lighting
- Over 40 years of experience in the lighting retrofit space
- High engagement but scalable sales channels put us very close to end-use customer decisions
- Product line with exceedingly high performance
- Proprietary ISON Class high-efficiency LED technology maximizes one-for-one replacements and reduces total cost of ownership
- Knowledgeable, experienced, responsive, in-market support

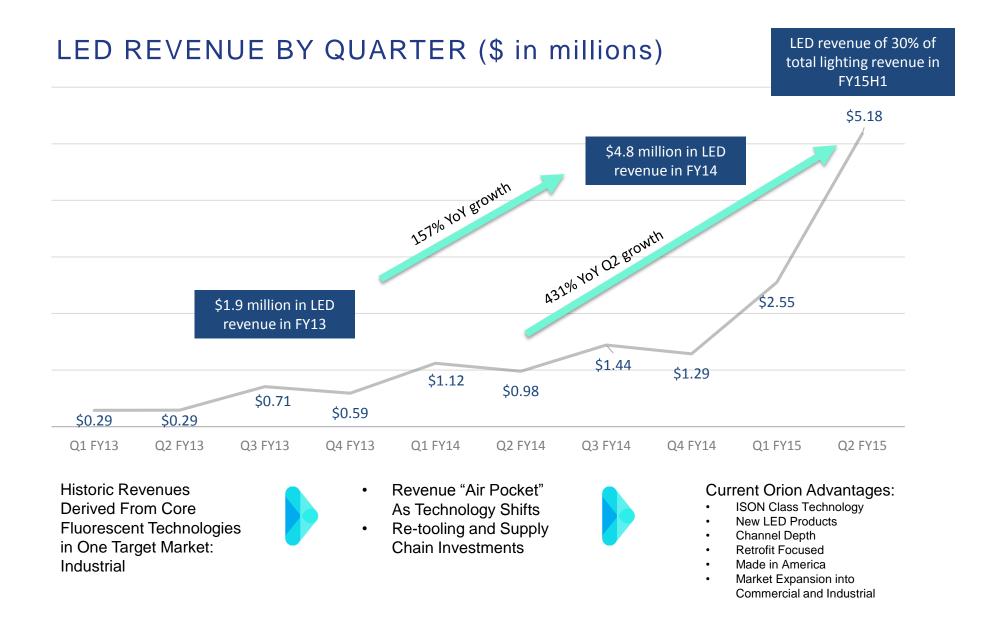






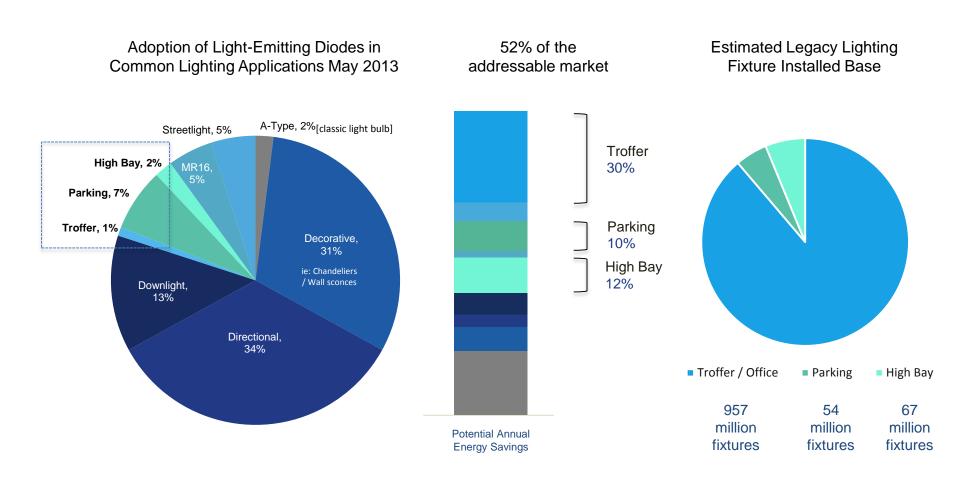


## ORION LED: PARADIGM SHIFT



# TARGETING THE TROFFER MARKET (OFFICE, RETAIL, INSTITUTIONAL)

# THE LARGEST POTENTIAL MARKETS ARE ALSO THE LEAST PENETRATED



Source: US Department of Energy

# ORION'S TROFFER RETROFIT TECHNOLOGY

# QUICKEST, LOWEST-COST INSTALLATION DELIVERS HIGHEST ROI

- Quick, low-cost installation, high ROI/IRR to customer
- Minute and half install saves labor costs
- One piece from the factory, saves labor cost
- Virtually no disruption to work environment during installation
- Long life

- Patents pending
- 3 lens profiles
- Custom fixture colors
- Wide range of light color
- Wide range of lumen packages
- 100,000 375,000 hour rated life industry best

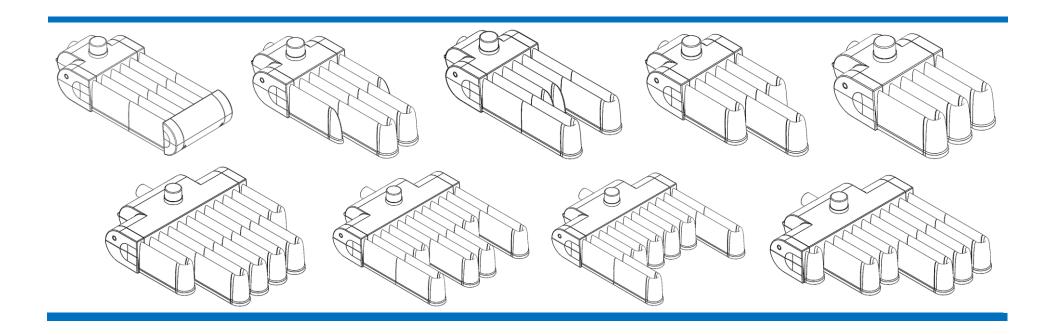


# ORION'S ISON BEST IN CLASS EXTERIOR LED SUITE

# INNOVATIVE DESIGN COUPLED WITH SUPERIOR PERFORMANCE

- Superior Engineering
- Controls Options

- Modular Components
- Auxiliary Direct Options
- Unlimited Combinations
- Custom Colors



## ORION LED RETROFIT TECHNOLOGIES

## A COMPLETE PORTFOLIO OF BETTER SOLUTIONS

- Best performance in market, high ROI/IRR for customer
- Optical efficiency and thermal management for greater performance (ISON Class)
- Modularity for simple and low-cost upgrades

#### INDUSTRIAL



## COMMERCIAL



## **EXTERIOR**



## OPTIMIZED SALES AND MARKETING STRATEGY

# A MULTI-CHANNEL APPROACH FOCUSED ON CORE BUSINESSES

Orion Engineered

**Systems** 

United

**States** 

Markets

Orion

Distribution

Services

Mid-to-Large Enterprise Accounts / Public Sector Energy Service
Companies/Value-Added
Resellers

Domestic/International
Lighting Distribution
Electrical Contractor

## DEDICATED LEADERSHIP TEAM

# COMMITTED TO CONTINUALLY INCREASING SHAREHOLDER VALUE



John H. Scribante
Chief Executive Officer

- 10 years at Orion
- Bachelor of Science in Finance Creighton University
- 30 years professional selling and business management experience
- · Entrepreneurial focus



Scott R. Jensen, C.P.A. Chief Financial Officer

- 10 years at Orion
- Bachelor of Business Administration, Accounting

   University of Wisconsin-Milwaukee
- 18 years of financial management experience
- Business startup experience



Michael J. Potts
President and Chief Operating Officer

- 13 years at Orion
- Bachelor of Science in Mechanical Engineering Milwaukee School of Engineering
- Bachelor of Arts in Business Administration Lakeland College
- 28 years experience in energy and utility industry



Marc E. Meade Executive Vice President

- 5 years at Orion
- Bachelor of Science in Accounting with emphasis on Tax and minor in Economics Lakeland College
- 9 years of business and financial management
- Business planning and startup experience



James Jackson President, USM

- 1 year at Orion
- Bachelor of Business Administration, Finance University of Wisconsin Whitewater
- 19 years of business and sales leadership experience
- Strategy, acquisition, channel sales and significant startup experience

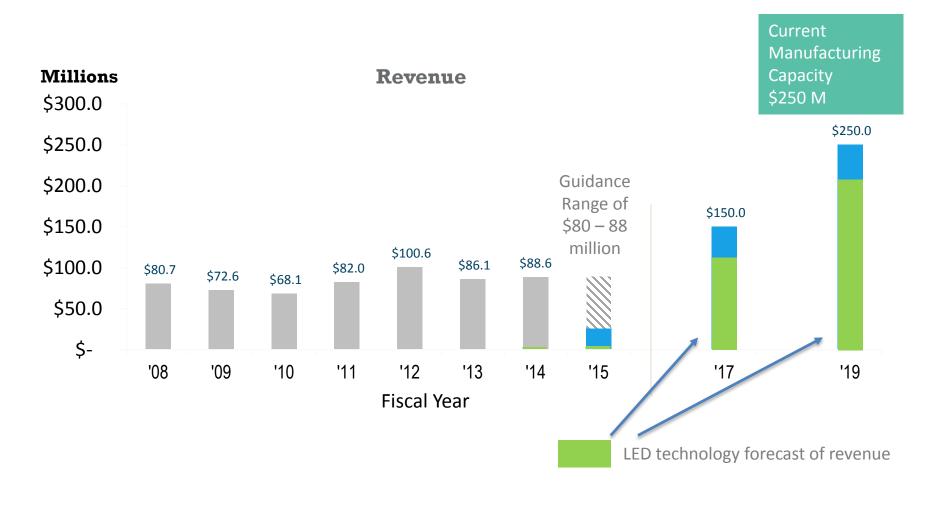


Scott Green President, OES

- 17 years at Orion
- Bachelor of Science in Business Central Michigan University
- · MBA Northwestern University
- 33 years of entrepreneurial, CEO and President level experience

## **ROOM TO GROW**

# MANUFACTURING CAPACITY ~2.5X CURRENT SALES



## STRONG GROWTH STRATEGY IN PLACE

# DISRUPTIVE APPROACH TO BECOMING THE #1 COMMERCIAL AND INDUSTRIAL LED RETROFIT PROVIDER

- Fully leverage customer engagement and customer experience model
- Launch game-changing products designed for retrofit markets where we can dominate
- Acquire accretive companies
- Aggressively and systematically expand channels
- Deliver price-performing products to open up new markets

## 2019 FINANCIAL TARGETS

## 20% CAGR - 5 YEARS



## **GROWTH POTENTIAL 3-5 YEARS**

Revenue	\$150.0M	\$250.0M
Gross margin	35%	43%
Net Income	\$9.8M	\$30.0M
Earnings per share*	\$0.44	\$1.11



## FINANCIAL HIGHLIGHTS

## FIRST QUARTER AND YEAR END SUMMARY

	For the year er	nded March 31	For the six months er	nded September 30
	2014	2013	2014	2013
(\$ in Millions)	FY14*	FY13	FY15H1	FY14H1
Revenue	\$ 88.6	\$ 86.1	\$ 26.7	\$ 48.3
Gross Margin %	25.9%	31.1%	15.5%**	28.0%
Operating Expenses	\$ 31.3	\$ 33.3	\$ 14.7	\$ 14.2
Operating Income (Loss)	\$ (8.3)	\$ (6.6)	\$ (22.7)	\$ (0.6)
Net Income (Loss)	\$ (6.2)	\$ (10.4)	\$ (22.7)	\$ 1.6
Earnings (Loss) per share	\$ (0.30)	\$ (0.50)	\$ (1.04)	\$ 0.08

<sup>\*</sup> Includes operations from Harris Mfg.

## FISCAL 2015

- First half revenue impacted by reduction in non-core solar of \$12.8 million year over year, and decline in fluorescent lighting revenue due to delayed customer purchase decisions as market transitions to LED products.
- Company continues to penetrate LED market
  - Revenue from LED lighting systems increased 266% to \$7.7 million in FY15H1, from \$2.1 million in FY14H1
- Operating expense reductions. FY15 target Op ex of \$28 million. FY15H1 impacted by product development costs for new LED product offerings and sales headcount adds.

20

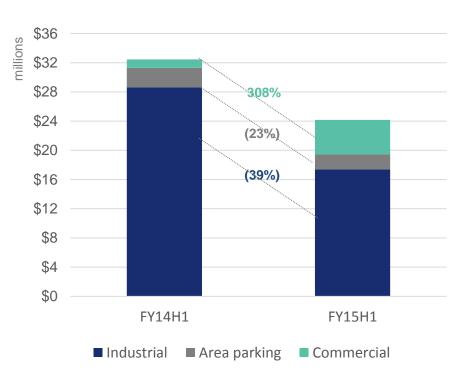
<sup>\*\*</sup> Adjusted for the impact of \$12.1 controls impairment charge

## SALES BY PRODUCT LINE

## **REVENUE BY PRODUCT**

#### \$52 \$48 \$44 \$40 267% \$36 \$32 (91%) \$28 \$24 (33%) \$20 \$16 (47%) \$12 \$8 \$4 \$0 FY14H1 FY15H1 ■ LFL ■ Service ■ Solar ■ LED

## LIGHTING REVENUE BY MARKET APPLICATION



- Strong growth in total LED product line and commercial applications
- Expected transition to LED away from Linear Fluorescent (LFL)
- Strategic exit out of solar business

## **BALANCE SHEET**

(\$ in millions)	AS OF SEPTEMBER 30, 2014	AS OF MARCH 31, 2014	
Cash	\$ 11.1	\$ 17.6	
Short-term investments	\$ 0.5	\$ 0.5	
Total inventory	\$ 12.1	\$ 22.4	
Total assets	\$ 75.5	\$ 98.9	
Total debt	\$ 5.0	\$ 6.6	
Total liabilities	\$ 20.0	\$ 21.9	

## **CASH FLOW**

	For the year ended March 31	For the six months ended September 30	
	2014	2014	2013
(\$ in millions)	FY2014	FY15H1	FY14H1
Net (loss) income	\$ (6.2)	\$ (22.7)	\$ 1.6
ITDA	\$ 5.0	\$ 2.2	\$ 2.2
EBITDA	\$ (1.2)	\$ (8.4)*	\$ 3.8
Cash flow from operations	\$ 9.9	\$ (5.1)	\$ 9.6
Cash flow from investing	\$ (4.8)	\$ (0.1)	\$ (5.2)
Cash flow from financing	\$ (1.9)	\$ (1.3)	\$ (1.2)
Net cash flow	\$ 3.2	\$ (6.4)	\$ 3.2

\*Adjusted \$12.1 million due to inventory and asset impairment

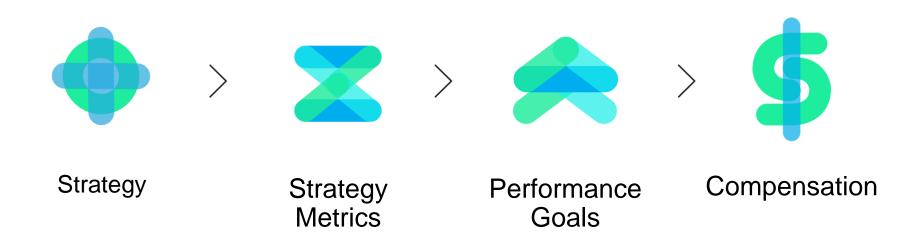
- Operating EBITDA Additional \$5.3 million of non-cash expense in FY14 (Stock compensation, inventory reserves, loss on aviation asset) not reflected in EBITDA
- Investing Harris acquisition in FY14
- Investing Sale of Plymouth property in FY15 H1



## MOVING FORWARD

## **MOVING FORWARD**

# CREATING A CULTURE TO SUPPORT LONG-TERM STRATEGIC GROWTH



2012 New Management
Organizational Structure – Matrix
Channel Alignment
Customer Experience

Product Ingenuity
Financial Discipline
Strategic Investments
Performance Accountability

## APPLYING OUR BUSINESS STRATEGIES

# CREATING A CULTURE TO SUPPORT LONG-TERM STRATEGIC GROWTH



## **Talent**

Recruit "A" talent throughout Expect continuous improvement Remove barriers for growth



## Customers

Acquire high-quality, high-volume resellers Re-cultivate enterprise account relationships with LED opportunity Provide unmatched customer experience



## **Product Ingenuity**

ISON-Class technology Modular product design Short lead times Made in America

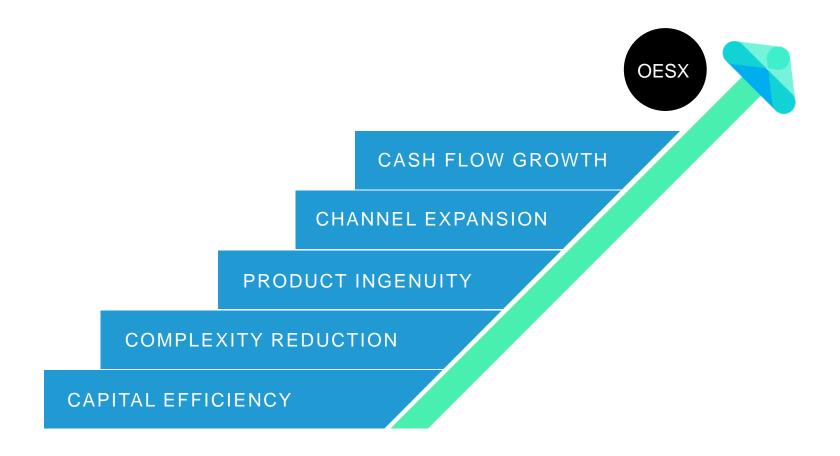


## Financial Performance

Divest non-core assets, reduce inventories Strategic investment in R&D, LED tooling, branding, sales Discretionary spending discipline Cash generation

## FOUNDATIONAL ELEMENT FOR VALUE CREATION

# CREATING A CULTURE TO SUPPORT LONG-TERM STRATEGIC GROWTH



27

## **UPSIDE POTENTIAL**

CASH FLOW GROWTH, UNLOCKING SHAREHOLDER VALUE & CAPTURING EMERGING MARKET TRENDS



\$4.57

Stock Price (11/25/2014)



## THANK YOU!

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## **APPENDIX**

ORION INTELLECTUAL PROPERTY / PRODUCT PORTFOLIO

## **INTELLECTUAL PROPERTY**

# BY OTHERS BY OTHERS CRION ELECTRONICS DESIGN APPLICATION Nichia General Electric Samsung Osram Sylvania 100+ Design or Utility Patents Held or pending

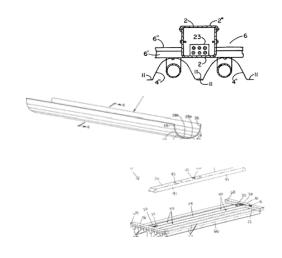
## Commodity

- Lamps
- Ballasts
- LED Chips
- LED Drivers



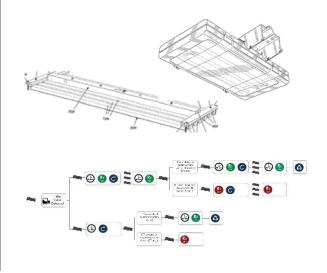
## Performance ISON Class

- Optical Performance
- Thermal Management

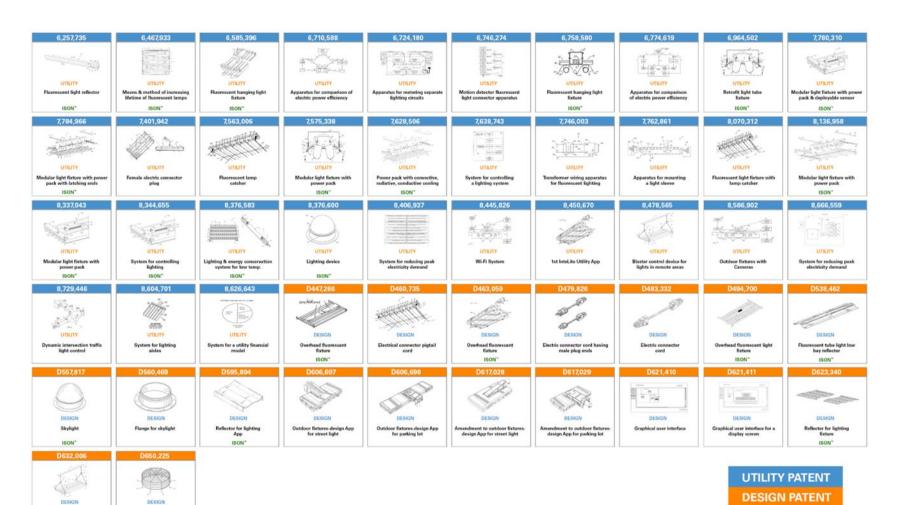


## Value Proposition

- Application Specific Design
- Controls



## ORION PATENT PORTFOLIO: ISSUED



41 additional patents pending

## TECHNOLOGY COMPARISON

	High Intensity Discharge	Competitor High Intensity Fluorescent	Orion High Intensity Fluorescent	Competitor LED	Orion LED
		6 Lamp	4 Lamp		
THERMAL / LIGHT	Most heat Less light	More heat Omni Directional	Less heat Focused light	More heat Omni Directional	Less heat Focused light
OPTICS					
WATTS	465 w	221 w	145 w	215 w	173 w
LUMENS	40,000	20,000	13,800	18,000	14,400
FOOT CANDLES	25 FC	25 FC	25 FC	25 FC	25 FC
OPERATING COST	\$ 407.34	\$ 193.60	\$ 127.02	\$ 188.34	\$ 148.92

## OFFICE TROFFER TECHNOLOGY COMPARISON

#### **INSTALLATION AESTHETICS TECHNICAL ASSEMBLY Efficacy** 90 - 100 LPW COMPETITOR **Light Output:** 2200 - 5000 lumens **Input Power** 22 - 50 watts Assembled onsite One option Kit components UL listed as retrofit **Efficacy** 85 - 105 LPW ORION **Light Output:** 3261 - 4935 lumens **Input Power** Installs in approximately Various lens options: 35 - 58 watts 1 minute with no Three panel, contour tools required and flat panel UL listing as Luminaire pending

## EXTERIOR LED TECHNOLOGY COMPARISON

## **OPTICS**

## **DURABILITY**

## **TECHNICAL**

# COMPETITOR

LEDs close together without shaped optic

Optics not individually protected and minimal heat sinking

#### **Lumens Per Watt**

70 - 85 LPW

#### **Initial Lumens**

31,957 Lumens

## **Input Power**

384 watts

# ORION



Chips are double heat sinked and individually fitted with acrylic optics for superior thermal management and light output



Each optic is enclosed within a self cleaning heat blade and spaced symmetrically to allow airflow to convectively cool LEDs

#### **Lumens Per Watt**

90 - 100 LPW

#### **Initial Lumens**

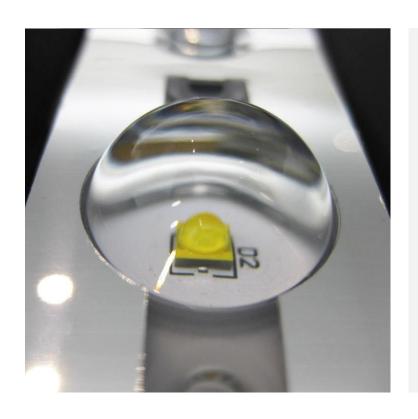
34,960 Lumens

## **Input Power**

368 watts

## ISON CLASS HIGH-EFFICIENCY LED SYSTEMS

## MORE LIGHT, LESS ENERGY, GREATER RETURN ON INVESTMENT



Best lifecycle cost

Latest thermal and optical performance enhancing technologies

Orion proprietary and patented technologies



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