

**ORION** 

The Industry's Premier Provider of Energy Retrofit Solutions and Services

May 2014

# Safe Harbor / Company Snapshot



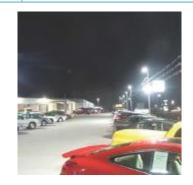
This presentation contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially 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 Energy Systems, Inc. (NYSE MKT: OESX) (at 3/31/2014 unless otherwise noted)				
Corporate Headquarters	Manitowoc, WI			
Industry	Energy			
Business	Retrofitted LED & LFL/HIF lighting and energy management solutions			
Market Cap	\$90.8 million (at 5/20/2014)			
Stock Price	\$4.23 (at 5/20/2014)			
Shares Outstanding	21.6 million			
Total Shareholders' Equity	\$77.0 million			
Book Value Per Diluted Share	\$3.59			
Acronyms / Terms	Light-emitting Diode (LED) Linear Flourescent Lights (LFL) High-intensity Fluorescents (HIF)			









### Designer and Manufacturer of Premier Retro-Fit Lighting Solutions

#### **Market in Transition – LED / HIF Lighting Solutions**

· Re-branding Company in advance of next generation of lighting systems

#### **Superior Product Platform (74 Patents Held or Pending)**

- New products leveraging patented-design for LED fixtures
- Superior quality lighting with lower on-going costs (less bulbs)
- Strong ROI attributes (average 2 year payback)

#### **Operational and Financial Leverage**

- Best-in-Class facility currently operating at less than 20% of capacity
- Manufacturing processes and capacity provides fast order turn
- Growing base of re-sellers across the country create lasting sales relationships
- Working capital as of March 31, 2014 of \$33.1 million

#### **Management Team Leads Turnaround**

- September 2012: New management focused on cost discipline and implementation of sales plan
- July 2013: Acquisition of Harris Lighting provided LED expertise in advance of new technology adoption

#### Well-Positioned for Future Growth

- Company believes it is best-equipped among peers to take advantage of next generation of lighting market
- Company estimates \$80 105 million in sales in current fiscal year 2015





New LED Door Retrofit (LDR) Product

- Quality lighting
- Approx. 2 year customer ROI
- Can be installed in less than 2 minutes

## **Company Milestones Since 2012**



Founded 1996

September 2012
Appoints John
Scribante as CEO

2013 Exceeds 10,000 customer installs May 2013
Reports fiscal 2013
fourth quarter and
year-end results,
\$1.9M in LED
revenues

January 2014 Launches LED Door Retrofit (LDR) Suite

1996 2012

November 2012
Reports fiscal 2013
second quarter
results, announces
strategic refocus and
cost reductions

July 2013

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

2012 Challenge Solution/Result Excessive operating costs, Cash burn Implemented immediate cost reductions, including: Headcount reductions / Discretionary spending Sold corporate jet. \$6.3 million in savings, with a net \$4.0 million accruing to FY15 \$9.9 million in cash from operations in FY 2014 Positioned in a declining non-core segment of solar Redeploy resources towards high-growth LED market industry Acquired Harris Manufacturing and Harris LED in July How to leverage capacity to take advantage of change in lighting generations 2013, opening the Company to new markets



Orion is the best positioned company to take advantage of the coming adoption of building retro-fit LED technology in commercial markets



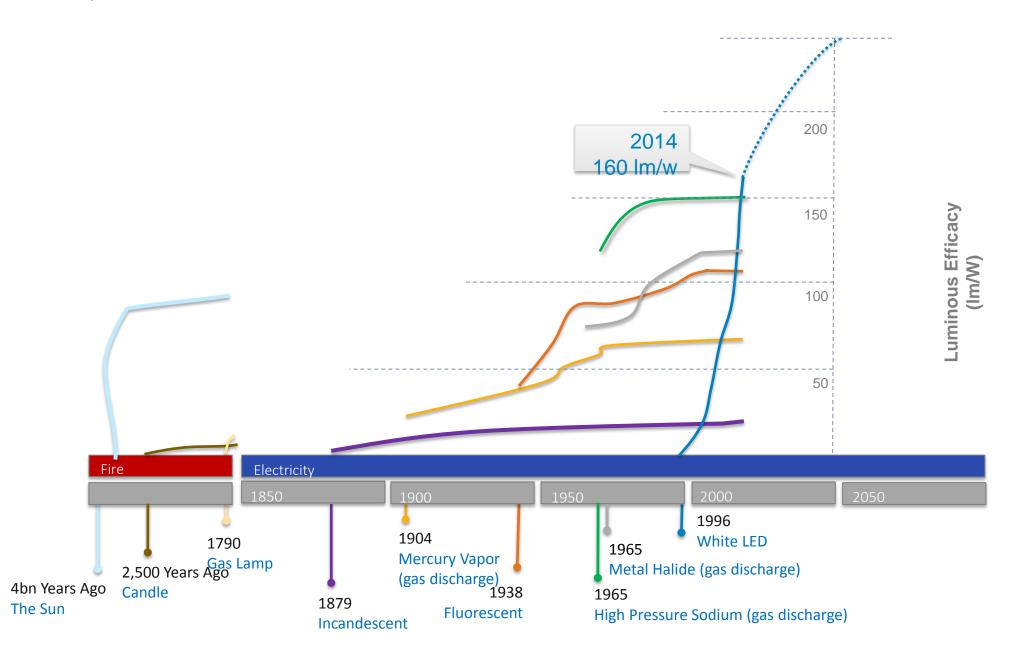




# History of Light



Pathway to the Future



## Current Lighting Market: Commercial / Office / Industrial



- Commercial and industrial facilities in the United States employ a variety of lighting technologies, including:
  - HID
  - Traditional fluorescents
  - LED
  - Incandescent lighting fixtures

### **LED Continuing to Drive Lighting Systems Growth**

 Total addressable market in office / parking / high bay sectors of approximately \$130 billion.

# Total Market for Installed Retro-fit Considerably Larger

#### **LED Catalysts**

Improving cost environment

Superior light and energy quality

Minimized operating / maintenance cost

Customer ROI (payback) significantly improved

Installation is becoming easier

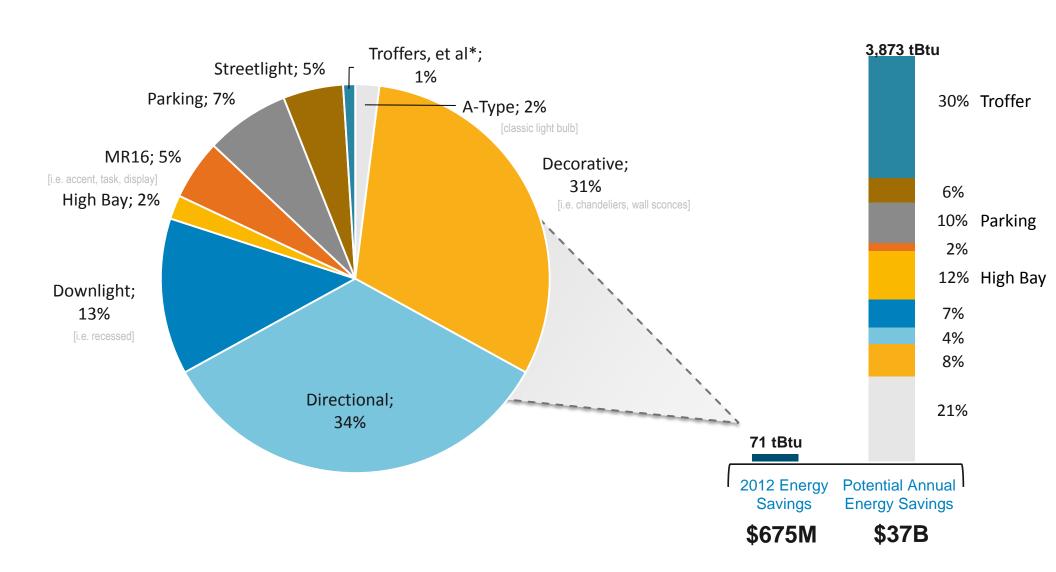
Resellers and Wholesalers are becoming better versed on the product cycle

# Macro LED Opportunities: Adoption Potential



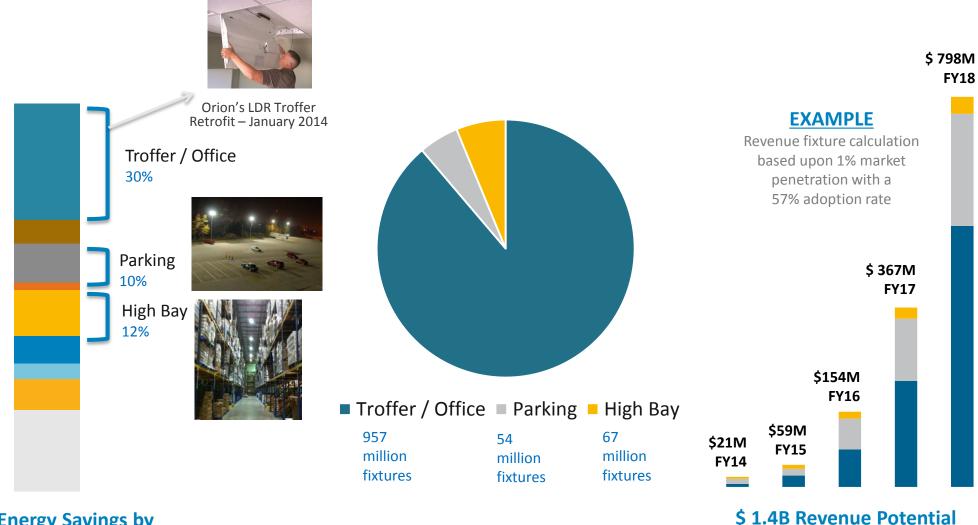
Source: US Department of Energy:

#### Adoption of Light-Emitting Diodes in Common Lighting Applications. May 2013



# Specific LED Growth Opportunities: Office / Troffer Market





**Energy Savings by Market Segment** 

**Troffer Market is Large with Faster Customer ROI** 

Source: US Department of Energy: Adoption of Light-Emitting Diodes in Common Lighting Applications. May 2013

# Product Strategies – First to Market or Dominate



#### First to Market

- LED door retrofit system for troffers / office
- LED for cold storage applications
- Application specific fluorescent high bays
- Wireless energy management system for C&I market

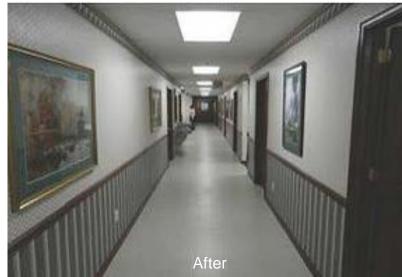
#### **Market Domination**

High bay applications

#### **New Market Penetration**

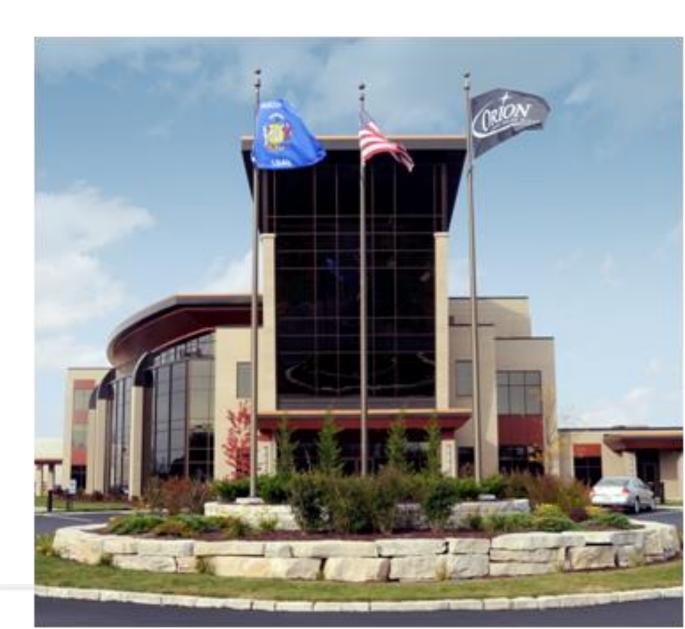
- General Office and High-rise
- Hospitality
- Government
- Educational Institutions





LDR Retrofit

# The Orion Solution



# Value Proposition



- Suite of innovative, energy efficient, reliable lighting technologies made in the USA that perform better than alternatives in terms of optical, thermal, and application performance
- Aggressive ROI 2-year payback in many instances
- Customer promise to deliver the best customer experience in the industry
  - Years of winning relationships Potential leads for upgrade business
- Lower installation and life-cycle costs than competitors
- Services and financial solutions unique to the retrofit market needs
- Application-specific design, controllable technology, conformable
- 74 design/utility patents held or pending

Orion Energy Systems has helped 165 Fortune 500 companies save \$2.4 billion dollars in energy costs.

























#### The Impact We Make

#### **The Company We Keep**

#### **Validation**

\$2.52 Billion Saved

**165 Fortune 500 Companies** 

10,461 Facilities

20.0 Million Tons CO<sub>2</sub> Removed

22.2 Solar PV MW Under Contract







47 Facilities

398 Facilities





20 Facilities

119 Facilities





174 Facilities

9 Facilities





104 Facilities

96 Facilities

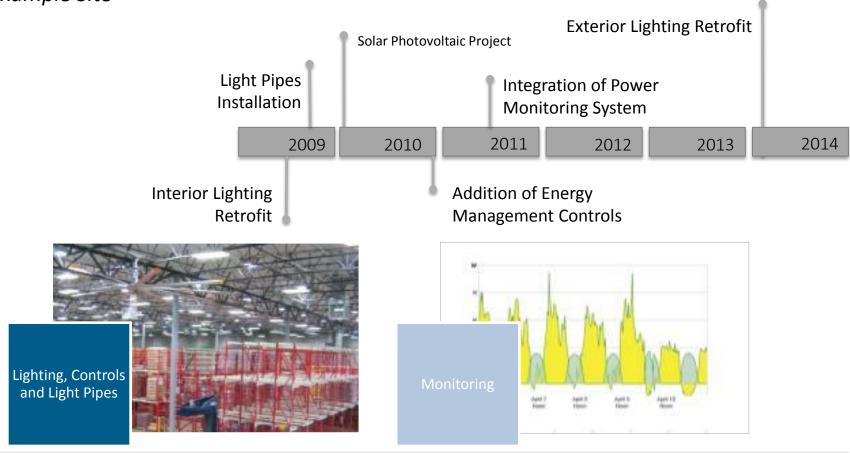
- Inc. 500 Magazine as one of the fastest growing companies
- National Society of Professional Engineers
   Product of the Year
- MIT Club of Wisconsin
   Technology Achievement
   Award
- President of the United
   States Endorsement
   (2010, 2011)
- Coca-Cola Supplier of the Year
- Sysco Corp. Facility Supplier of the Year (2x)

# **Providing Compelling ROI for Customers**





By retrofitting the company's existing lighting system with an integrated system, Orion was able to cut the lighting load by more than 70 percent.



Example of How Orion Can Adapt to Fit Their Customer's Energy Goals
Strong Lead to LED Upgrades

### **Sources**

# US Markets

### Manufactured Core Products

Fluorescent & LED Lighting . Daylighting . Building Controls . Power Monitoring

### 3<sup>rd</sup> Party Products

Solar Photovoltaic . LED Lighting . Thermal Storage Chiller . Variable Frequency Drives . Wind Turbines

• Wholesale

### **Orion Engineered Systems**

**Channels** 

- National Accounts
- High Touch

### **Orion Distribution Services**

- Broad Reach
- Low Touch



#### **Orion Sells Predominantly Through Two Methods**

#### Mid to Large National Accounts / Governments

- Orion intends to focus on in-market and national account customer opportunities.
- Continue to go deeper into the sales cycle, from one pilot, to one store, to a corporate headquarters, and likely more.
- In fiscal 2014, Orion generated approximately 37% of revenue through direct sales relationships with end users, compared to 41% in the prior year.
- Company was recently awarded two additional Ford Motor Company plants
- Other markets include school districts / municipal office buildings



















# Sales Channels: Growth of the Company's Reseller Program



#### **Orion Sells Predominantly Through Two Methods**

#### **Energy Service Companies ("ESCOs")**

- Orion intends to expand our ESCO partnerships significantly through the first six months of fiscal 2015 and work diligently to get these businesses up to speed on our product offering.
- Currently has relationships with 30 key ESCOs out of several hundred resellers, all geographically dispersed throughout the United States.
- Can increase overall market coverage and awareness in regional and local markets cost-effectively by working with electrical contractors who provide installation services for these projects.
- In fiscal 2014, Orion generated approximately 63% of our revenues from such indirect sales, compared to 59% in fiscal 2013.





# **GROWTH DRIVERS**



## Long-term Growth Targets



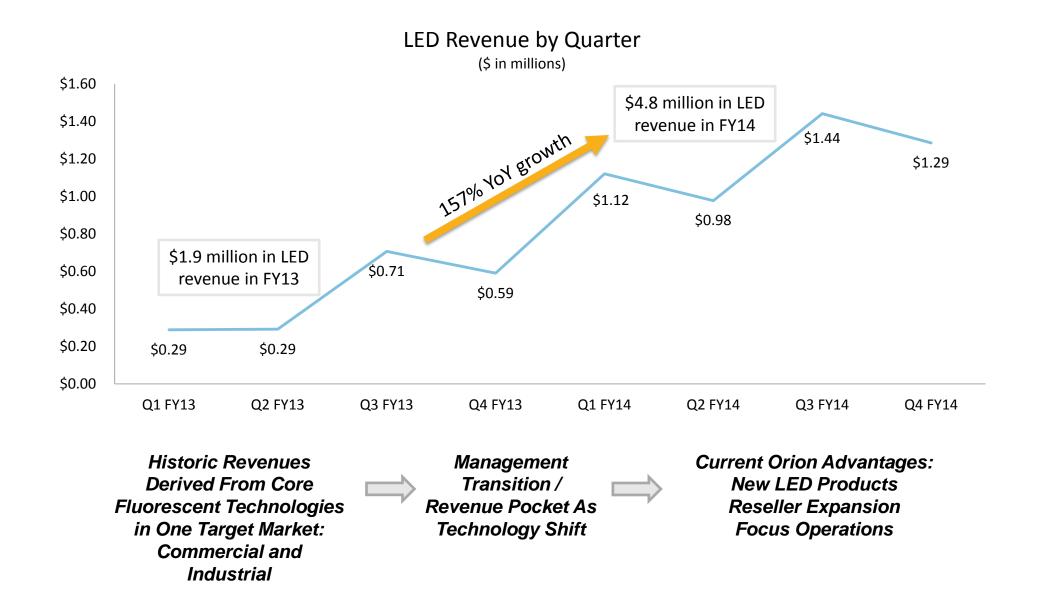
Orion's goal is to leverage the relationships and operational efficiencies gained through years of success in fluorescent lighting business to take advantage of the transition to LED

	20 % CAGR – 5 YEARS				
	Growth Potential 3-5 years		What Orion Needs to Do		
Revenue	\$ 150.0	\$ 250.0	New Product Launches / Stay Ahead of LED Transition / ESCO growth		
Gross Margin %	35.0 %	43.0 %	Improvements as Company increases efficiency in manufacturing		
Operating Expenses	\$ 37.0	\$ 60.0	LED branding initiative / With existing infrastructure, incremental sales drop		
Operating Income	\$ 15.5	\$ 47.5	straight to the bottom line		
Net Income	\$ 9.8	\$ 30.0	Company can seek out acquisitions, but only as		
**Earnings per share	\$ 0.44	\$ 1.11	appropriate to immediately be accretive to earnings		
	( \$ in millions except	t per share data)			

<sup>\*</sup> Assumes tax rate of 37 %

<sup>\*\*</sup>Assumes 22.0 million shares outstanding organic + 5.0 million shares for acquisitions





# Marketing Strategies – End Markets

Harris acquisition creates new markets



#### Innovating and being the market leader in product performance and return on investment

	Distribution and Warehouses	
	Manufacturing	
	Automobile Dealerships	
	Surface Lots and Parking Garages	
	Agricultural	
	Hospitality	
+	New Construction	
+	Government and Educational Institutions	
+	Commercial Office Space	
+	Retail Stores	

## Growth Strategy in 2015

How we're going to get there



- Capitalize on LED product cycle via national account wins resulting from quality service and product offerings
- Aggressively build out reseller sales
- Drive capacity utilization in manufacturing facility
- Offensive investments in corporate rebranding and R&D initiative to highlight LED capabilities
- Actively pursue acquisitions
- Expects total revenues for fiscal 2015 to range from \$80 million to \$105 million, based on projected sales growth of LED/lighting solutions; intends to update guidance range quarterly or as necessary



Orion has the customer relationships, management, operational leverage, financial flexibility and people to apply its retrofitted lighting solutions to a variety of markets.



# Orion switch back 'On'

New leadership helps revitalization of maker of energy-efficient lighting

#### Featured in Milwaukee Journal Sentinel August 17, 2013

Written By: Thomas Content

Investor interest in Orion Energy Systems Inc. had dimmed in recent years.

Shares of the Manitowoc maker of energy-efficient lighting tumbled to below \$1.50 a share in September 2012 from more than \$20 following its initial public offering in 2007. Its market capitalization tumbled with it, falling below \$50 million from \$450 million.

Under new leadership since September, however, Orion has rebounded with higher sales, a new focus on profitability and an acquisition that positions the company for growth. That has reignited interest in Orion's stock, which hit a two-year high earlier this month.

In an interview last week, Chief Executive John Scribante said his attention has been on cost discipline, sales execution and a significant acquisition to take advantage of brightening demand for LED energy-saving lighting technology



John Scribante Chief Executive Officer



### **At the Company**

**Orion Energy Systems** Scott Jensen 920.892.5454

sjensen@oriones.com

www.oesx.com

### **Investor Relations**

The Equity Group **Adam Prior** 212.836.9606









# **LIGHT FIXTURE ELECTRONICS DESIGN APPLICATION COMMODITY PROPRIETARY VALUE PROPOSITION 74 Design or Utility Patents Non Proprietary** Held or pending **Optical Performance** Lamps **Application Specific Design** Thermal Management **Controllable Technology Ballasts LED Chips** Conformable **LED Drivers**

# Product Strategies: Technology Comparison



	High Intensity Discharge	Competitor High Intensity Fluorescent	Orion High Intensity Fluorescent	Competitor LED	Ori
		6 Lamp	4 Lamp		M
Thermal / Light	Most heat Less Light	More heat Omni Directional	Less heat Focused Light	More heat Omni Directional	Fo
Optics				Side View	
Watts	465 w	221 w	145 w	215 w	
Lumens	40,000	20,000	13,800	18,000	
Foot Candles	25 FC	25 FC	25 FC	25 FC	
Operating Cost	\$ 407.34	\$ 193.60	\$ 127.02	\$ 188.34	\$

Assumptions: Annual Operating Costs Calculations based upon 8,760 annual hours of operation with \$0.10 kW rate.

# Product Strategies: Office Troffer Technology Comparison



#### **ASSEMBLY**

#### **INSTALLATION**

#### **AESTHETICS**

#### **TECHNICAL**

Efficacy

90 - 100 LPW

Light Output:







2200 – 5000 lumens

Kit components

Assembled onsite

One option

Input Power

22 - 50 watts

# ORION

COMPETITOR





Installs in approximately 1 minute with no tools required



Various lens options: Three panel, contour and flat panel

#### **Efficacy**

85 - 105 LPW

#### **Light Output:**

3261 - 4194 lumens

#### **Input Power**

35 – 47 watts

Assumptions: Annual Operating Costs Calculations based upon 8,760 annual hours of operation with \$0.10 kW rate.



### **OPTICS**

#### **DURABILITY**

#### **TECHNICAL**



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

COMPETITOR



Chip on board (COB) and shaped optic for better light control and thermal management



Large covered heat sink and sealed glass lenses have IP66 rating

**Lumens Per Watt** 

90 - 100 LPW

**Initial Lumens** 

36,000 Lumens

**Input Power** 

405 watts

## Fourth Quarter and Year End Summary



	For the year ended March 31, 2014 2013		For the three mont 2014	ths ended March 31, 2013	
(\$ in millions)	FY14	FY13	FY14Q4	FY13Q4	
Revenue	\$ 88.6	\$ 86.1	\$ 12.6	\$ 22.3	
Gross Margin %	25.9%	31.1%	10.2%	35.8%	
Operating Expenses	\$ 31.3	\$ 33.3	\$ 9.9	\$ 7.5	
Operating Income (Loss)	\$ (8.3)	\$ (6.6)	\$ (8.6)	\$ 0.5	
Net Income (Loss)	\$ (6.2) \$ (10.4)		\$ (8.8)	\$ 0.5	
Earnings (Loss) per share	\$ (0.30)	\$ (0.50)	\$ (0.41)	\$ 0.03	

#### Fiscal 2014

- Total revenue of \$88.6 million, compared to \$86.1 million in prior fiscal year
  - Revenues affected in Q4 2014 due to delayed product sales due to market transition and a decline in number of solar projects as
     Company exits its non-core solar business
- Generated \$9.9 million in cash from operations
- Company continued to penetrate LED market
  - Revenue from LED lighting systems increased 157% to \$4.8 million, from \$1.9 million in prior-year period

# Balance Sheet and Liquidity



(\$ in millions)	As of December 31, 2013	As of March 31, 2013	As of March 31, 2014
Cash	\$ 18.3	\$ 14.4	\$ 17.6
Short-term Investments	\$ 1.0	\$ 1.0	\$ 0.5
Total Inventory	\$ 23.1	\$ 26.7	\$ 22.4 <sup>*</sup>
Total Assets	\$ 111.1	\$ 102.1	\$ 99.1
Total Debt	\$ 7.4	\$ 6.7	\$ 6.6*
Total Liabilities	\$ 26.7	\$ 24.3	\$ 21.9
Revolving credit facility - availability	\$ 13.3	\$ 13.3	\$ 15.0

<sup>\*</sup> Includes \$1.0 million of acquired Harris inventory \*\* Includes \$2.6 million outstanding of original \$3.1 million to help fund Harris acquisition

## Strong and Aligned Leadership Team





John H. Scribante
Chief Executive Officer

- 9 years at Orion
- Bachelor of Science in Finance with emphasis on Economics – Creighton University



Michael J. Potts

President and Chief Operating Officer

- 12 years at Orion
- Bachelor of Science in Mechanical Engineering Technology – Milwaukee School of Engineering
- Bachelor of Arts in Business Administration Lakeland College



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

- 9 years at Orion
- Bachelor of Business Administration with emphasis on Accounting – University of Wisconsin-Milwaukee
- Licensed Certified Public Accountant



Marc E. Meade
Executive Vice President

- 4 years at Orion
- Bachelor of Science in Accounting with emphasis on Tax and minor in Economics – Lakeland College

Committed to Increasing Shareholder Value
No Open Market Sells Since September 2012
Officers and Directors have Purchased Over 150,000 Shares Since Appointment