Orion Energy Systems, Inc.

Investor Relations

March 2014 . NYSE MKT: OESX

Forward-Looking Statements

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 "Target Model", 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

Our Mission

To be the supplier of choice as the industry's <u>premier provider</u> of energy retrofit solutions and services and drive increasing returns for our shareholders.

Target Model

20 % CAGR – 5 YEARS

	Trailing 12 months	Growth Potential 3-5 years	
Revenue	$ 98.3	$ 150.0	$ 250.0
Gross Margin %	30.2 %	35.0 %	43.0 %
Operating Expenses	$ 28.9	$ 37.0	$ 60.0
Operating Income	$ 0.8	$ 15.5	$ 47.5
*Net Income	$ 0.6	$ 9.8	$ 30.0
**Earnings per share	$ 0.03	$ 0.44	$ 1.11

($ in millions except per share data)

* Assumes tax rate of 37 %
**Assumes 22.0 million shares outstanding organic + 5.0 million acquisitions at capacity

CUSTOMER PROMISE

Branding Strategy

For all our customers

- Products that perform better than any alternative and provide more value
- Unqualified customer service from people who are smart, create value, and deliver unexpected high quality service

Indirect Customers

Provide products and services that generate more profit

- Products that require less labor to install
- Services and financial solutions unique to the retrofit market
- Be the best manufacturer fulfilling the needs of these customers

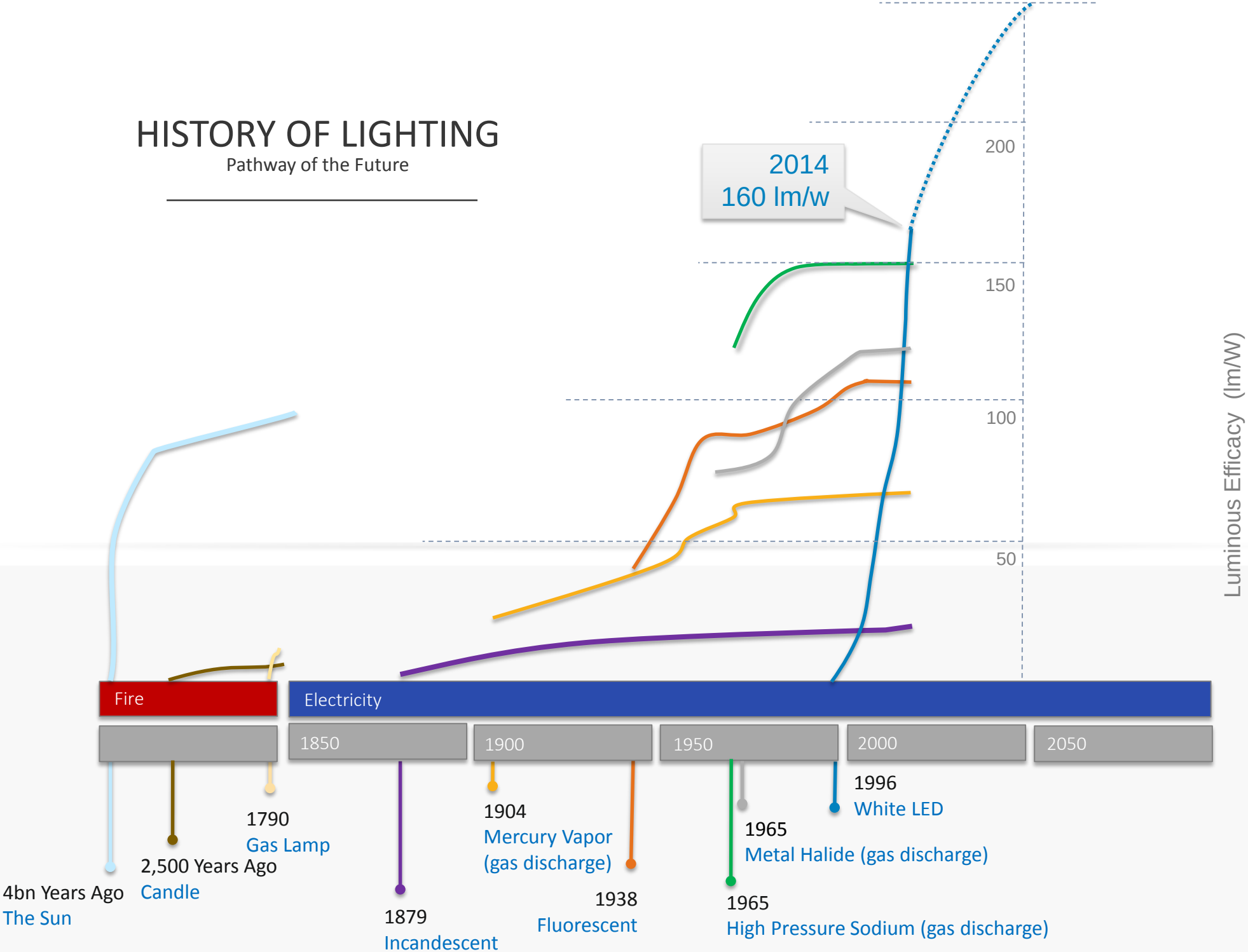
Direct Customers

Provide products and services that maximize their energy savings

- Products that have the lowest lifecycle cost than alternatives
- Services and financial solutions that create energy independence

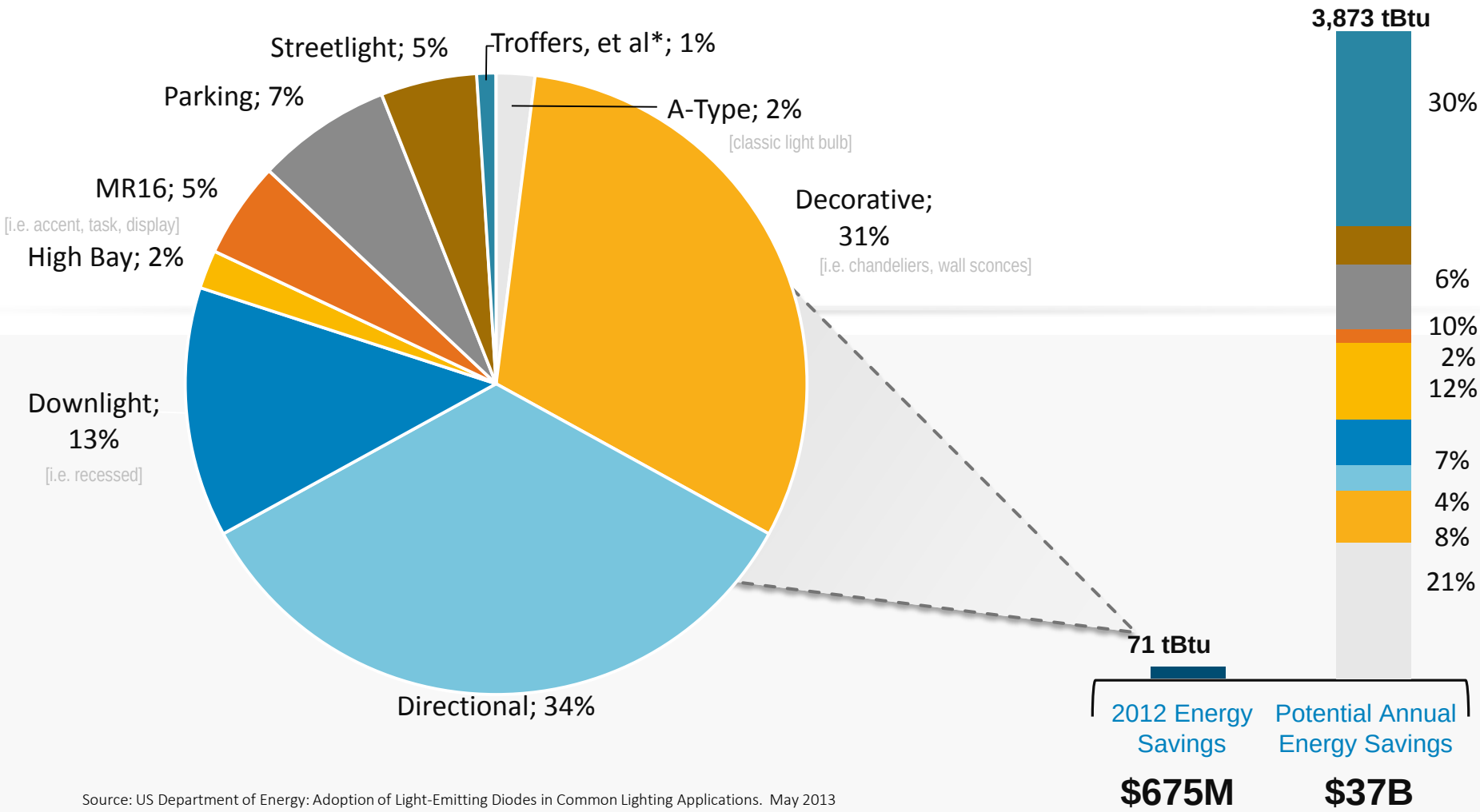
HISTORY OF LIGHTING

Pathway of the Future



Market Potential

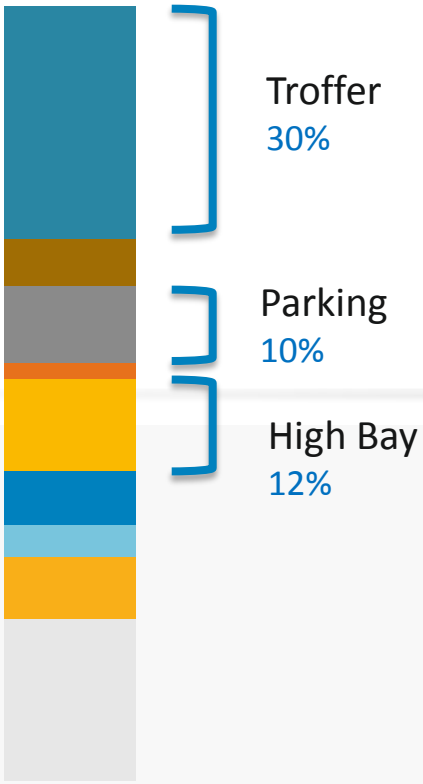
Potential Energy Savings



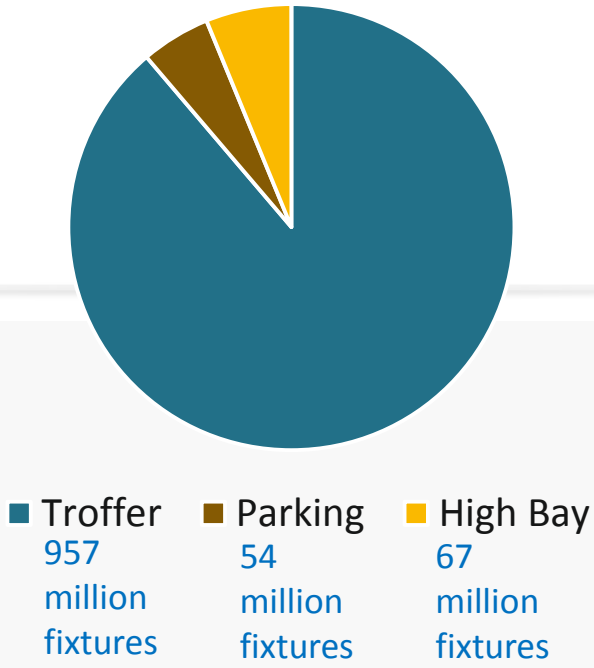
Source: US Department of Energy: Adoption of Light-Emitting Diodes in Common Lighting Applications. May 2013

LONG TERM GROWTH OPPORTUNITIES

Orion Market Segment Potential

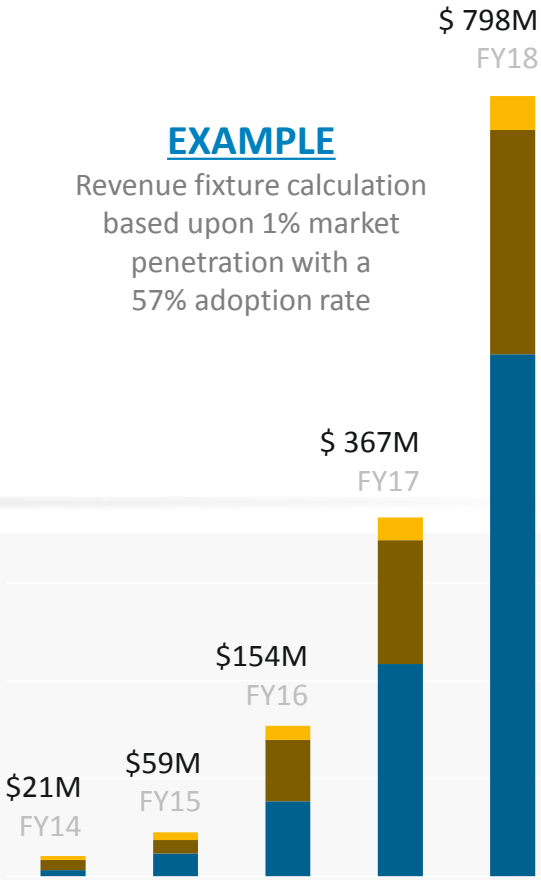


Energy Savings by Market Segment



EXAMPLE

Revenue fixture calculation based upon 1% market penetration with a 57% adoption rate



$ 1.4B Revenue Potential

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

CUSTOMER ACQUISITION TEAMS

Sources

Manufactured Core Products

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

3rd Party Products

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

Channels

US Markets

- Wholesale

Orion Engineered Systems

- National Accounts
- High Touch

Orion Distribution Services

- Broad Reach
- Low Touch

ORION OPERATIONS

World Headquarters – Manitowoc, WI

ORION ENERGY SYSTEMS

The Impact We Make

$2.39 Billion Saved

165 Fortune 500 Companies

10,189 Facilities

19.0 Million Tons CO_2 Removed

22.2 Solar PV MW Under Contract

The Company We Keep

47 Facilities

398 Facilities

20 Facilities

117 Facilities

174 Facilities

9 Facilities

104 Facilities

97 Facilities

Validation

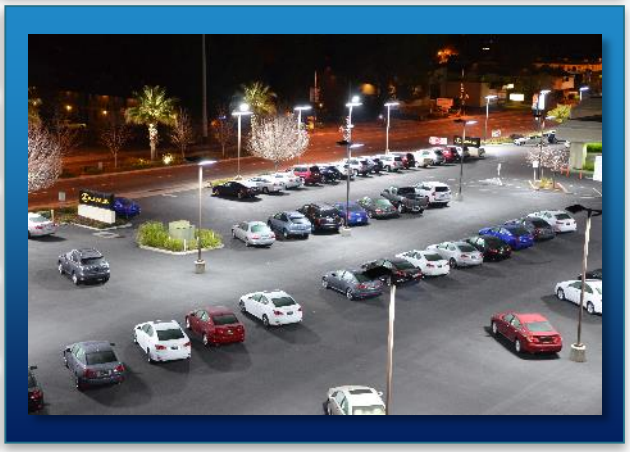
- **Inc. 500 Magazine** as one of the fastest growing companies
- National Society of Professional Engineers **Product of the Year**
- MIT Club of Wisconsin **Technology Achievement Award**
- **President of the United States** Endorsement (2010, 2011)
- Coca-Cola **Supplier of the Year**
- Sysco Corp.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

MARKETING STRATEGIES

Markets We Serve

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



Harris acquisition creates new markets

Channels of Distribution

Retail – Engineered Systems

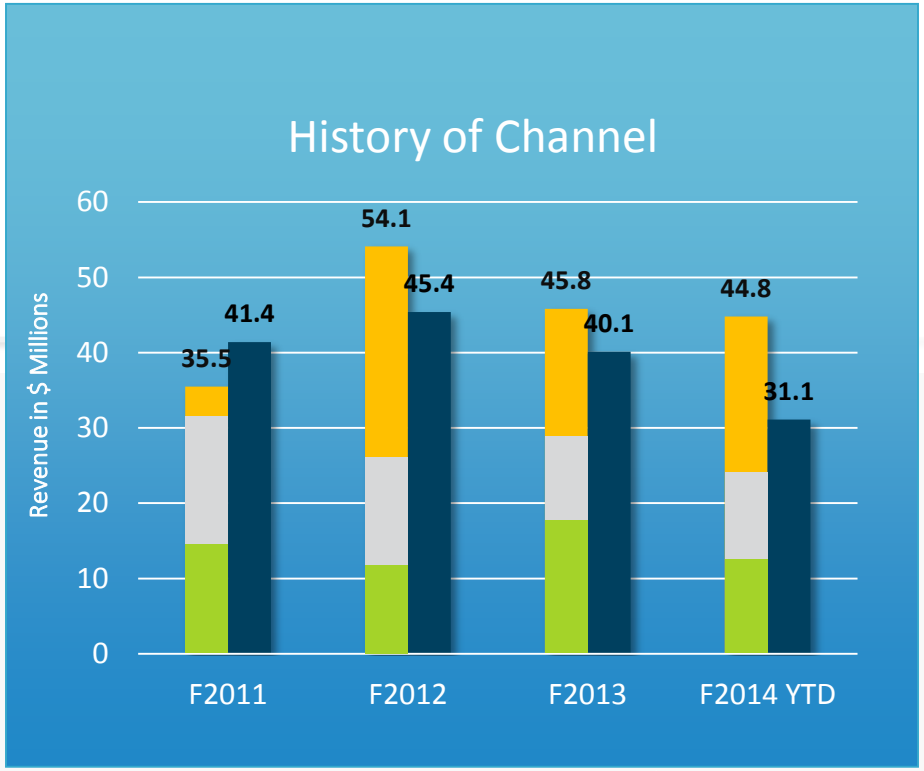
In Market Sales
Forecasting Accuracy
Higher Gross Margin

National Accounts
Lower Gross Margin

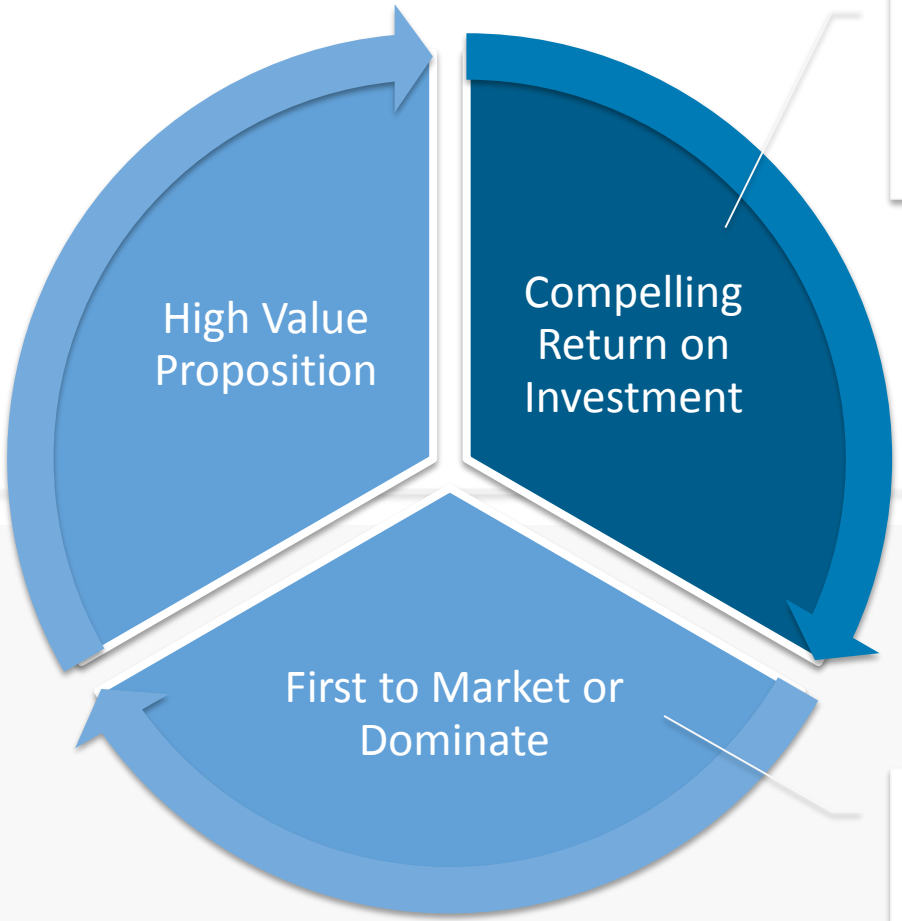
Solar and Third Party Products

Wholesale

Buy Orion and resell to End User
Reduced Revenue
Lower Gross Margin



PRODUCT STRATEGIES



Shortening the sales cycle by offering a competitive financial benefit

Delivering premium energy solutions with a full suite of services

Capturing and increasing market share with new product offerings

Your Logo

IP STRATEGIES

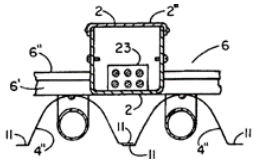
Intellectual Property

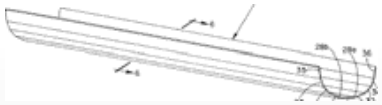
LIGHT FIXTURE

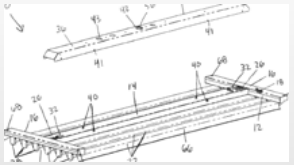
ELECTRONICS	DESIGN	APPLICATION
COMMODITY	PROPRIETARY	VALUE PROPOSITION
Non Proprietary	**72 Design or Utility Patents** *Held or pending*	

- Lamps
- Ballasts
- LED Chips
- LED Drivers

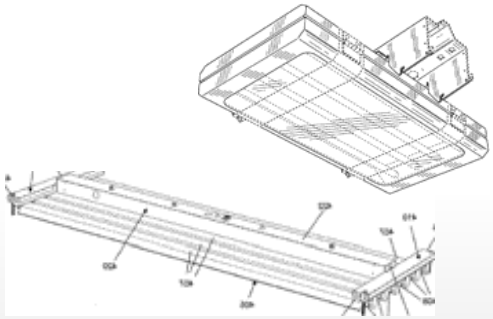
- Optical Performance
- Thermal Management





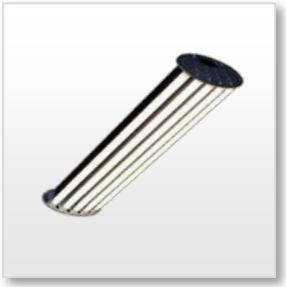
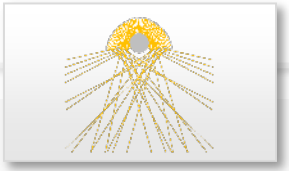
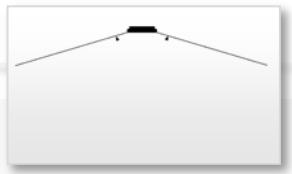


- Application Specific Design
- Controllable Technology
- Conformable



PRODUCT STRATEGIES

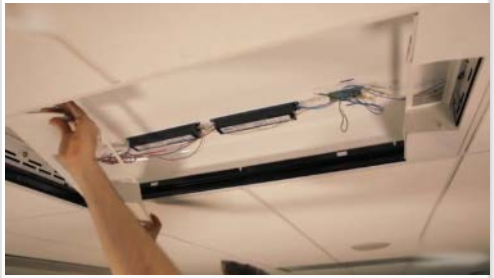
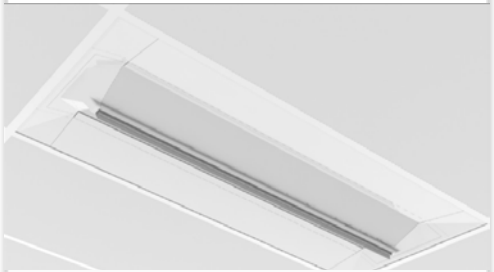
High Bay Technology Comparison

	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

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

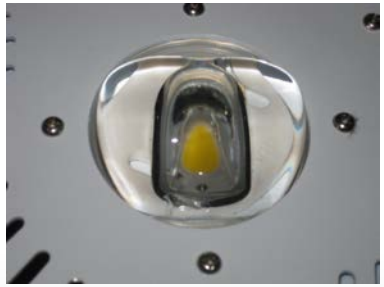
PRODUCT STRATEGIES

Office Troffer Technology Comparison

	ASSEMBLY	INSTALLATION	AESTHETICS	TECHNICAL
COMPETITOR	Kit components	 Assembled onsite	 One option	Efficacy 90 – 100 LPW Light Output: 2200 – 5000 lumens Input Power 22 – 50 watts
ORION	One piece from factory	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

PRODUCT STRATEGIES

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	 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

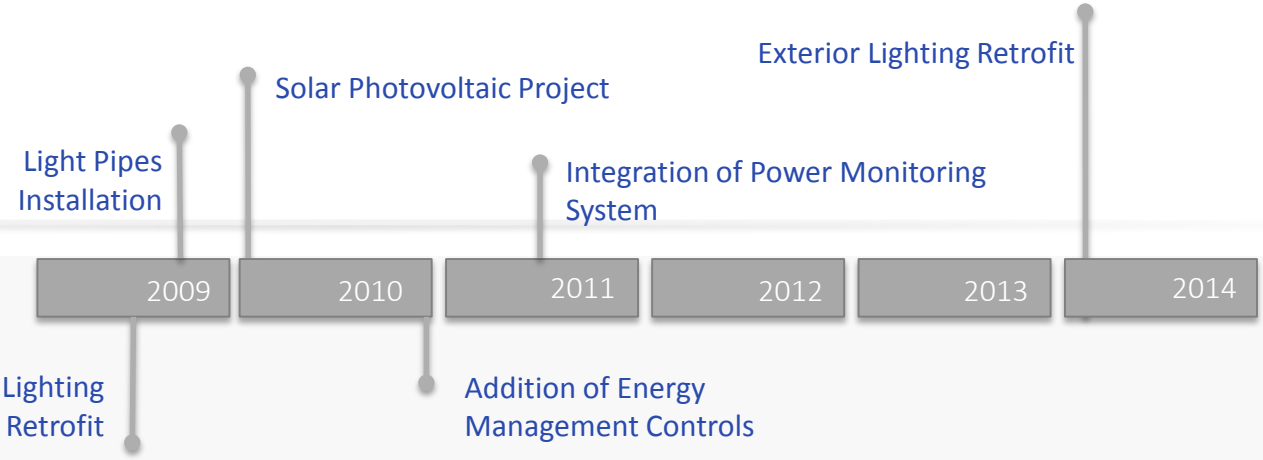
Customer Relationship

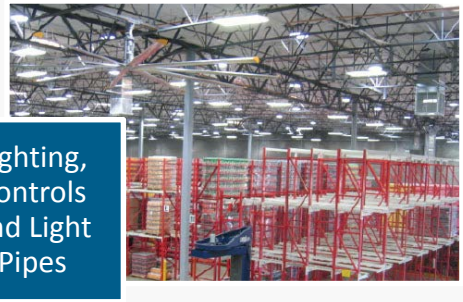
Compelling Return on Investment

Example Site

By retrofitting the lighting system with an integrated system, Orion was able to cut the lighting load by more than 70 percent. A 50 kW wind turbine at 6.5 m/s wind speed provides for nearly 60 percent of the modified load level. Coupled with a 90 kW solar system at an annual generation of 1,390 kWh/m2/year, a significant portion of the remaining load is provided for, leaving only the customer charge.

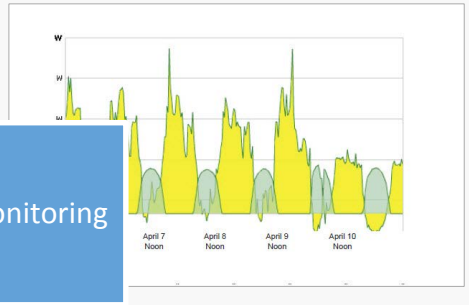
Original Total Load	**743,000 kWh**
Lighting Load Reduction	**- 376,600 kWh**
Wind Generation	**- 194,000 kWh**
Solar Generation	**- 105,100 kWh**





Lighting, Controls and Light Pipes

Solar



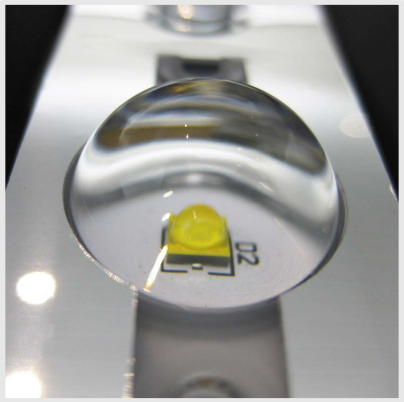
Monitoring

Product Strategies

First to Market or Dominate

First to Market

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



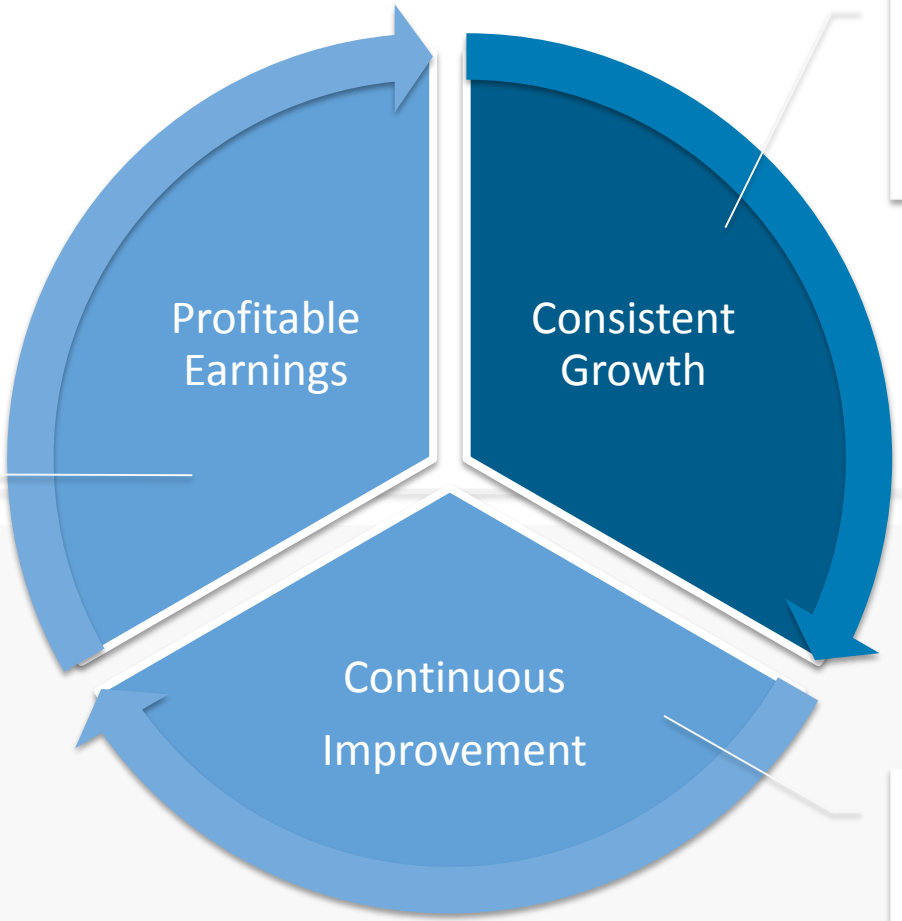
Market Domination

- High bay applications
- Parking applications

New Market Penetration

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

FINANCIAL STRATEGIES



Capital investment in support of growth and margin expansion initiatives, including strategic acquisitions

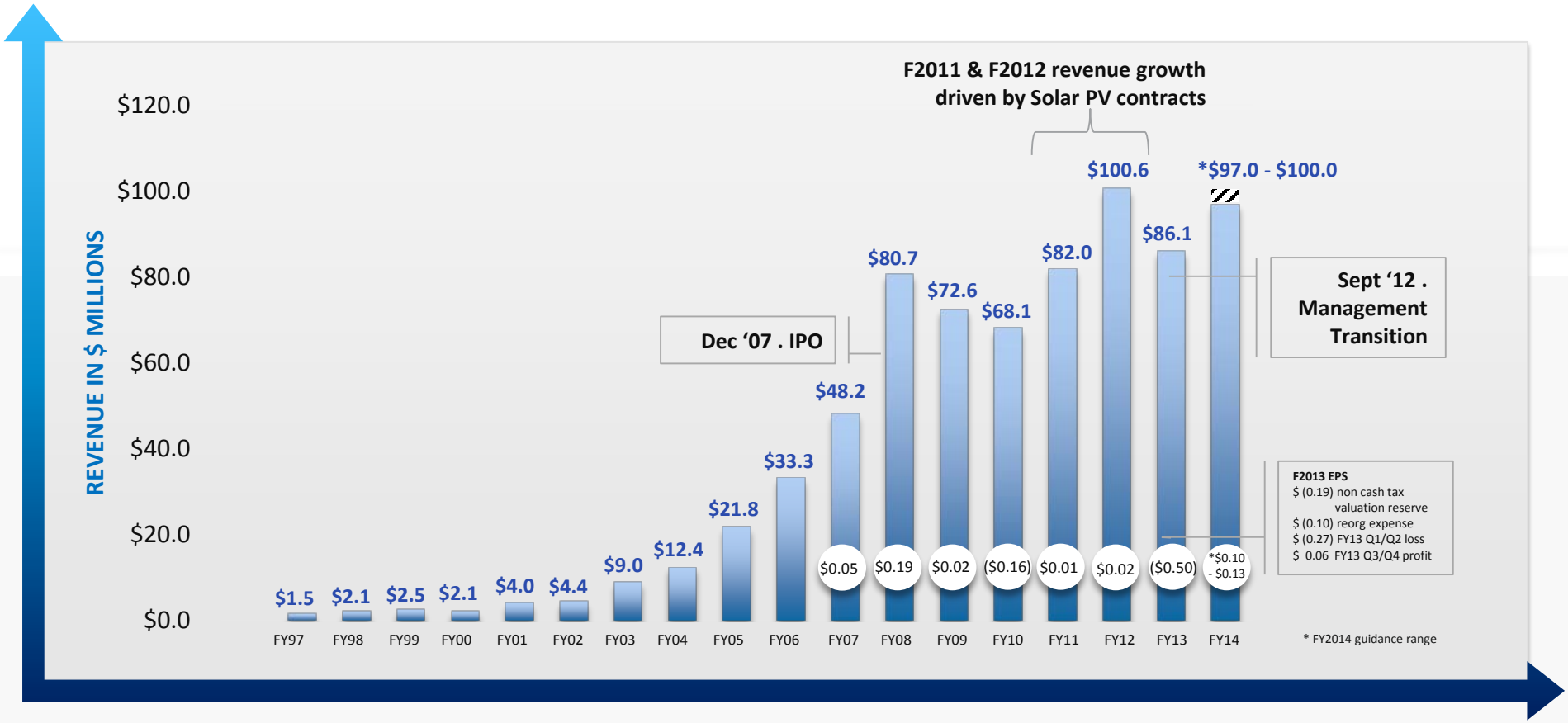
Enhance our more profitable Retail In-Market Sales team

Improve manufacturing production efficiencies and lower product costs to increase margins

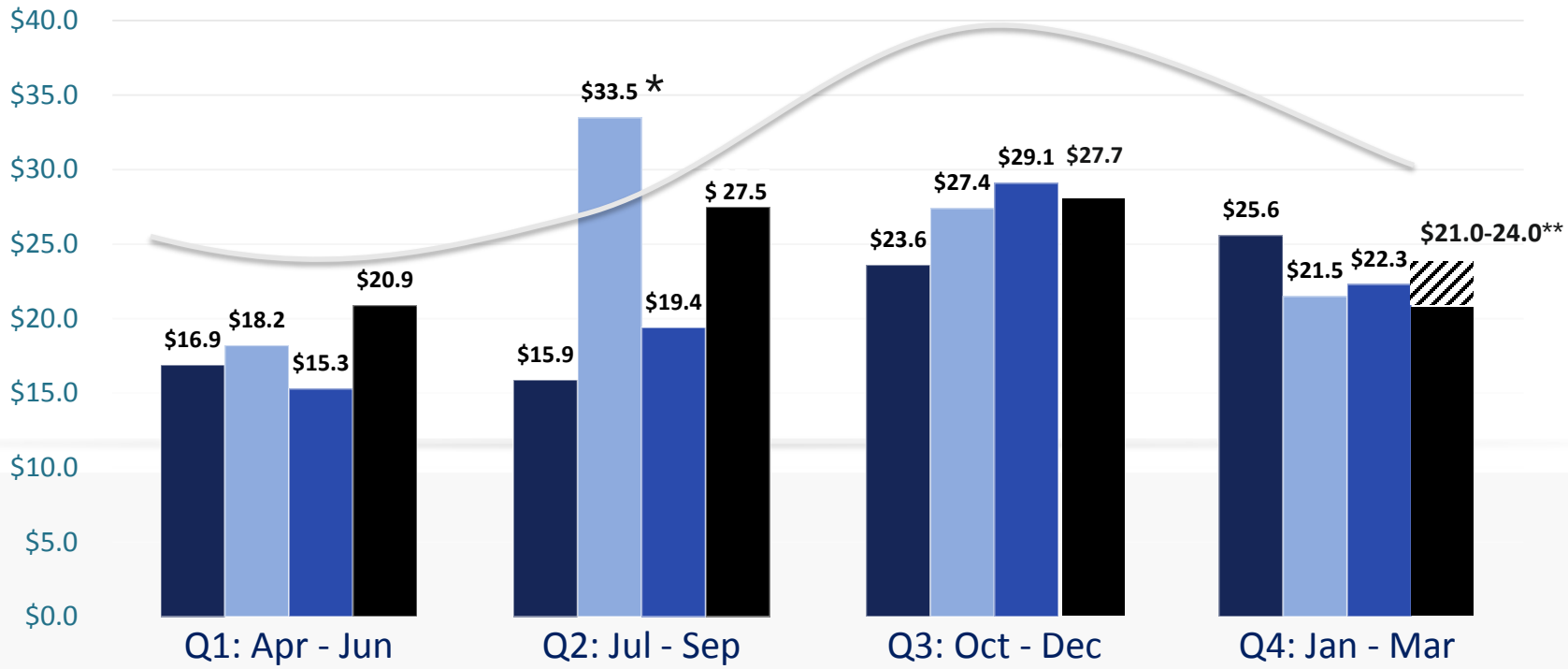
Your Logo

Financial Performance

Fiscal Year End March 31



Revenue Track Record



	Q1: Apr - Jun	Q2: Jul - Sep	Q3: Oct - Dec	Q4: Jan - Mar
FY2011	$16.9	$15.9	$23.6	$25.6
FY2012	$18.2	$33.5	$27.4	$21.5
FY2013	$15.3	$19.4	$29.1	$22.3
FY2014	$20.9	$27.5	$27.7	$21.0 - $24.0

* FY2012 Q2 Revenue includes atypical $16m in Solar PV revenue

** FY2014 Q4 Revenue guidance range

Three and Nine Months

Ending December 31, 2013

	FY14 YTD	FY13 YTD	FY14Q3	FY13Q3	FYQ3Δ
Revenue	$ 76.0	$ 63.8	$ 27.7	$ 29.1	(5) %
Gross Margin %	28.5%	29.4%	29.4%	29.5%	(10)bp
Operating Expenses	$ 21.4	$ 25.9	$ 7.2	$ 8.0	(10) %
Operating Income (Loss)	$ 0.3	$ (7.1)	$ 0.9	$ 0.6	58 %
Net Income (Loss)	$ 2.6	$ (10.9)	$ 1.0	$ 0.7	56 %
Earnings (Loss) per share	$ 0.12	$ (0.51)	$ 0.05	$ 0.03	67 %

($ in millions)

Balance Sheet and Liquidity

	As of December 31, 2012	As of March 31, 2013	As of December 31, 2013	Change From FYE
Cash	$ 13.1	$ 14.4	$ 18.3	28 %
Short-term Investments	$ 1.0	$ 1.0	$ 1.0	
Total Inventory	$ 29.6	$ 26.7	$ 23.1*	(14) %
Total Assets	$ 109.4	$ 102.1	$ 111.1	9 %
Total Debt	$ 7.5	$ 6.7	$ 7.4**	11 %
Total Liabilities	$ 32.5	$ 24.3	$ 26.7	10 %
Revolving credit facility - availability	$ 13.3	$ 13.3	$ 13.3	

($ in millions)

* Includes $1.0 million of acquired Harris inventory

** Includes $2.9 million outstanding of original $3.2 million to help fund Harris acquisition

www.oesx.com

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