

Orion Energy Systems, Inc



FY 1Q 2011 Earnings Call  
August 5, 2010

NYSE Amex: OESX  
[www.oesx.com](http://www.oesx.com)



# FY 1Q'11 Financial Highlights

## Top-Line Results

<b>Bookings (Contracted Revenues)*</b>	<b>\$18.8 million</b>
<b>Cash</b>	<b>\$14.7 million</b>
<b>OVPP / PPA</b>	<b>\$4.1 million</b>
<b>GAAP Revenues</b>	<b>\$14.7 million</b>

## Bottom-Line Results

<b>GAAP Loss per Share</b>	<b>\$(0.05)</b>
<b>Non-GAAP Loss per Share</b>	<b>\$(0.02)</b>

*\* Contracted Revenues = customer P.O.s received including both cash deals – payable immediately and OVPP / PPA supply deliveries paid out over the life agreements*

# Strategic Initiatives for Growth

## **1. Further expand partner channel**

- Increase number of partners and “feet on the street”

## **2. Grow product offering**

- New Products → LED lighting platform, demand response solution and metering application of InteLite® Wireless controls

## **3. Leverage momentum of OVPP, OTA and PPA supply agreements**

# Expanding Traction

- **Increased number of facilities retrofitted to 5,870, or 923 million square feet**
- **Total deployments of InteLite<sup>®</sup> Wireless controls increased to:**
  - **396 customer locations**
  - **35,631 transceivers**
  - **446 control panels**
- **Total Apollo<sup>®</sup> solar light pipes installed increased to 6,339 total installed units**

# Channel Contribution to Sales

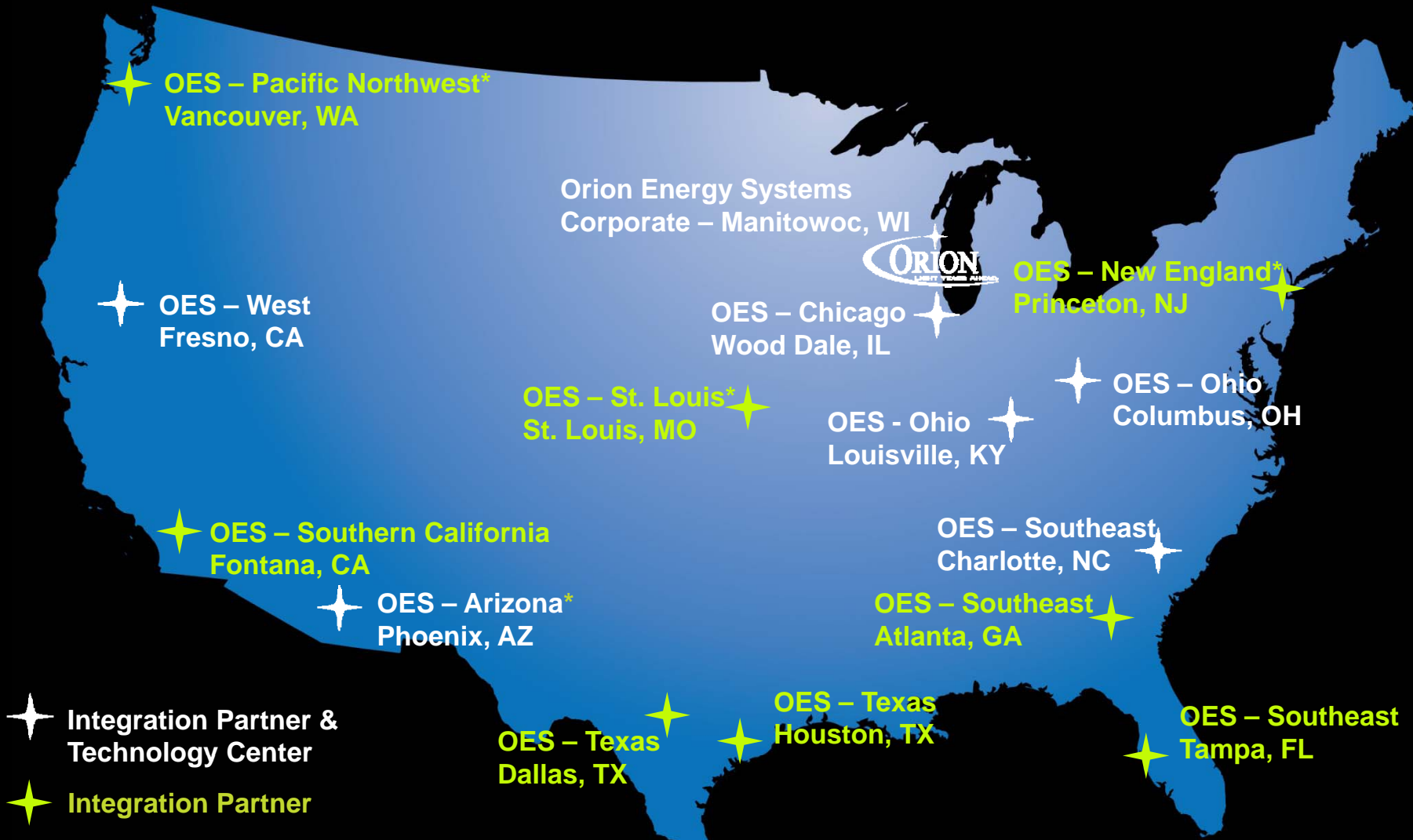
**Full Year 2010**  
*Percent of Sales*



**First Quarter 2011**  
*Percent of Sales*



# Geographical Sales Coverage (1Q'11)



✦ Integration Partner &  
Technology Center

✦ Integration Partner

\*Future Integration Partner

# Expanding Product Offering

- **Exterior lighting**
  - **Successful “bake-off” at existing national account**
- **Photovoltaic offering**
  - **Three sizeable projects underway in 1Q’11**
- **Entry into demand response business**
  - **Deal with PJM Interconnection**
- **Metering with InteLite® Wireless controls**
- **LED lighting platform**

# Orion Asset Management

- **Wholly owned subsidiary of Orion Energy Systems**
- **Works with utilities, grid operators, commercial and industrial companies to leverage financial, energy and environmental mechanisms**
- **Services include:**
  - **Program development consultation;**
  - **Market research for capacity sizing / land load potential;**
  - **Education programs for end users;**
  - **Customer acquisition strategies;**
  - **Trade ally integration; and,**
  - **Measurement and verification.**



# Fiscal 1Q 2011 Operating Results

(\$ in Millions)	FY1Q'10	FY1Q'11	Change
Contracted Revenues (Bookings)	\$15.4	\$18.8	22%
GAAP Revenue	\$12.6	\$14.7	17%
Gross Margin %	27.7%	35.7%	
Operating Expenses	\$6.7	\$7.1	6%
Operating Loss	\$(3.2)	\$(2.0)	(41)%
Net Loss	\$(2.8)	\$(1.1)	(61)%
Earnings (Loss) per Share	\$(0.13)	\$(0.05)	(62)%
Non-GAAP Earnings (Loss) per Share	\$(0.11)	\$(0.02)	(82)%

# Balance Sheet

## Strong Cash / Low-Debt Position

(\$ in Millions)	As of March 31, 2010	As of June 30, 2010
Cash	\$23.3	\$16.2
Short-term investments	\$1.0	\$1.0
Inventory	\$26.0	\$30.0
PP&E (net)	\$30.5	\$31.9
Total Debt	\$3.7	\$3.6
Shareholders' Equity	\$87.7	\$87.0

# Fiscal Year 2011 Guidance

Contracted Revenues/CR (Bookings) \$100 million - \$110 million

% of CR driven by OVPP / PPA  
supply agreements 20% to 25%

GAAP Revenues \$78 million - \$84 million

Earnings Per Share\* \$0.02 to \$0.10

*\* Earnings per share full year guidance highly dependent upon the percentage of revenue realized from OVPP and PPA supply agreements*

# Non-GAAP Pro Forma Results

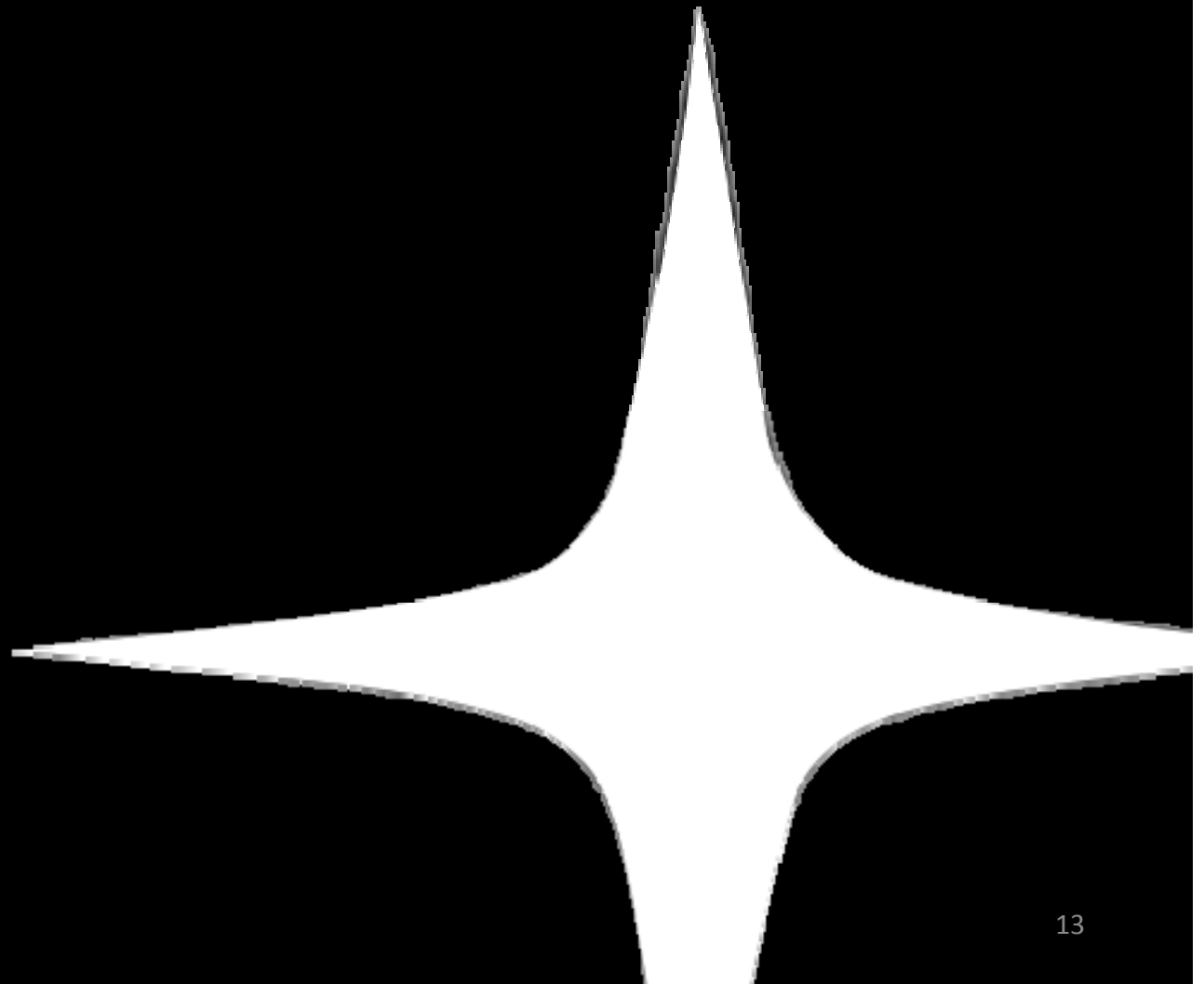
(\$ in Millions)	Actual FY Q1 2011	Non-GAAP Adjusted FY Q1 2010	Estimated Fiscal Year 2011 (Midpoint)	Non-GAAP Adjusted Fiscal Year 2011 (Midpoint)
Contracted Revenues (Bookings)(1)	\$14.7		\$81.0	
Contracted Revenues: OVPP & PPA	\$4.1		\$24.0	
<b>Total Contracted Revenues</b>	<b>\$18.8</b>		<b>\$105.0</b>	
GAAP Revenue (3)	\$14.7		\$81.0	
GAAP Net Income (Loss) (3)	\$(1.1)			
GAAP Earnings (Loss) Per Share	\$(0.05)		\$0.06	
NPV of future impact of Non-GAAP Adjusted Earnings Per Share from future contracted revenues (2)		\$0.03		\$0.23
Adjusted Non-GAAP Earnings (Loss) Per Share		\$(0.02)		\$0.29

(1) Contracted revenues, or bookings are defined in the Company's Form 10-Q reports.

(2) Non-GAAP reconciliation of the net present value (NPV) of future anticipated GAAP earnings per share assumes OVPP and PPA contracts are carried to full term, including all contract renewals, and are discounted at the Company's weighted average cost of capital of 7.5%.

(3) The Company has not provided fiscal 2011 guidance for net income.

# Questions



# Non-GAAP Pro Forma Results

Management believes that the non-GAAP reconciliation for earnings per share presented on the previous slide better reflects the financial impact of the Company's increased volume of OVPP contracts in fiscal 2010 and the expectation for increasing OVPP contract volumes in future periods. The Company expenses all SG&A costs as incurred related to the customer sale and administrative costs of OVPP contracts, while deferring revenue recognition from these contracts over the full life of the contract term, including annual renewals. These up-front costs reduce near-term profitability as revenue and gross profit are recorded under GAAP in future periods. Non-GAAP earnings per share, as presented, restates the financial statement impact and the accretive earnings impact of discounting future operating contribution margin dollars from OVPP contracts into the fiscal period where the OVPP contract was executed.

*While the forward looking information on the previous slide has been prepared in good faith, such forward looking information has not been prepared in accordance with generally accepted accounting principles and includes assumptions, estimates and projections about future results of the Company and general business conditions and such forward looking information, assumptions, estimates and forecasts are inherently uncertain. Actual results may differ, and may differ materially, from the forward looking information on the previous slide. The Company has no obligation to update or revise this forward looking information based on subsequent events or circumstances.*