

orion™

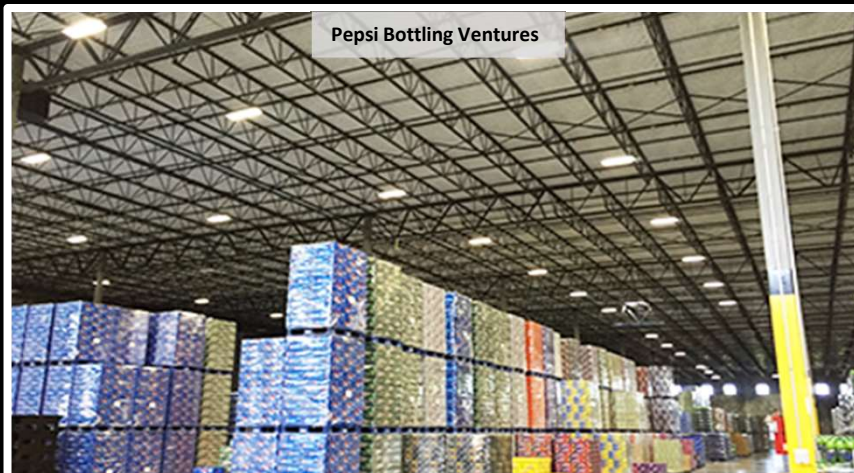


ORION ENERGY SYSTEMS, INC.

ANNUAL  
SHAREHOLDER  
MEETING

AUGUST 7, 2019

Pepsi Bottling Ventures



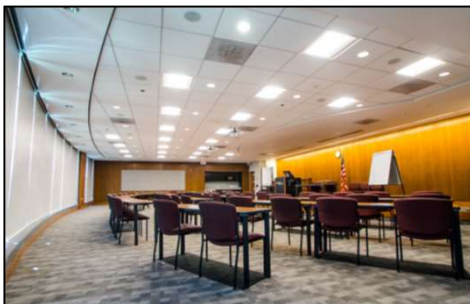
Ford Motor Company



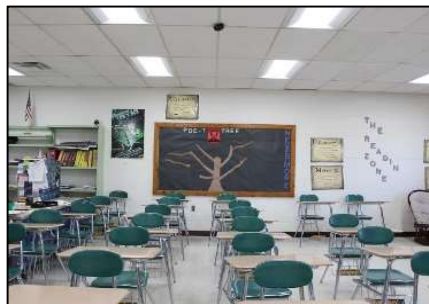
Orion Manufacturing Facility



# SAFE HARBOR



**Office: Chicagoland Laborers**



**Education: Spencer School District**



**Agriculture: Kinnard Dairy**



**Healthcare: Jacksonville Surgery Center**

## Safe Harbor Statement

Certain matters discussed in this press release, including under the headings "Highlights," "CEO Commentary," and "Outlook and Goals," are "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements may generally be identified as such because the context of such statements will include words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" or words of similar import. Similarly, statements that describe our future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that could cause results to differ materially from those expected, including, but not limited to, the following: (i) our ability to achieve our expected revenue growth, gross margin, and other financial objectives in fiscal 2020 and beyond; (ii) our recent and expected fiscal 2020 reliance on revenue generated from the retrofit of a single national account customer; (iii) our ability to achieve profitability and positive cash flows; (iv) our levels of cash and our limited borrowing capacity under our revolving line of credit; (v) the availability of additional debt financing and/or equity capital; (vi) our lack of major sources of recurring revenue, our dependence on a limited number of key customers, and the potential consequences of the loss of one or more key customers or suppliers, including key contacts at such customers; (vii) our risk of potential loss related to single or focused exposure within the current customer base and product offerings; ; (viii) our ability to manage the ongoing decreases in the average selling prices of our products as a result of competitive pressures in the evolving light emitting diode ("LED") market; (ix) our ability to differentiate our products in a highly competitive market, expand our customer base and gain market share; (x) our ability to manage our inventory and avoid inventory obsolescence in a rapidly evolving LED market; (xi) our ability to adapt to increasing convergence in the LED market; (xii) the reduction or elimination of investments in, or incentives to adopt, LED lighting technologies; (xiii) our increasing emphasis on selling more of our products through third party distributors and sales agents, including our ability to attract and retain effective third party distributors and sales agents to execute our sales model; (xiv) our ability to develop and participate in new product and technology offerings or applications in a cost effective and timely manner; (xv) the potential deterioration of market conditions, including our dependence on customers' capital budgets for sales of products and services, and adverse impacts on costs and the demand for our products as a result of the implementation of tariffs; (xvi) our increasing reliance on third parties for the manufacture and development of products and product components; (xvii) our ability to maintain safe and secure information technology systems; (xviii) our failure to comply with the covenants in our revolving credit agreement; (xix) our fluctuating quarterly results of operations as we continue to implement cost reductions, and continue to focus investing in our third party distribution sales channel; (xx) our ability to recruit, hire and retain talented individuals in all disciplines of our company; (xxi) our ability to balance customer demand and production capacity; (xxii) our ability to maintain an effective system of internal control over financial reporting; (xxiii) price fluctuations (including as a result of tariffs), shortages or interruptions of component supplies and raw materials used to manufacture our products; (xxiv) our ability to defend our patent portfolio; (xxv) a reduction in the price of electricity; (xxvi) the cost to comply with, and the effects of, any current and future industry and government regulations, laws and policies; (xxvii) the sale of our corporate office building which will likely result in a non-cash impairment charge, and (xxviii) potential warranty claims in excess of our reserve estimates and (xxviii) the other risks described in our filings with the SEC. Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are made only as of the date of this press release and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. More detailed information about factors that may affect our performance may be found in our filings with the Securities and Exchange Commission, which are available at <http://www.sec.gov> or at <http://investor.orionex.com/> in the Investor Relations section of our Website.

ORION ANNUAL SHAREHOLDER MEETING

**Mike Altschaefl**

CEO & Board Chair



## ORION AT A GLANCE

### Orion Delivers Enterprise-Grade LED Lighting and IoT Solutions

- 50% or greater reduction in energy costs; average payback 1–4 years
- Significant improvement in quality of light
- Industry leading design & technology; highest Lumen per Watt performance
- Quality service, turnkey capabilities, unmatched lead times, U.S. manufacturing
- “One source solutions” for large customer national LED lighting and IoT projects



MADE IN  
  
U. S. A.

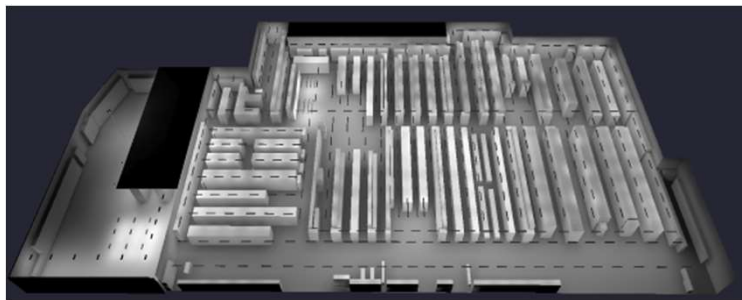


*Orion's manufacturing facility, Manitowoc WI*

# ORION ENGINEERED SYSTEMS: ONE SOURCE SOLUTIONS

- **100% turnkey solutions throughout North America including:**

- Project engineering and design
- Facility survey and auditing
- Custom fixture design
- Fixture manufacturing
- Project logistics and warehousing
- Construction management and installation services
- IoT systems integration and commissioning
- Rebate analysis and processing
- Project financing
- Warranty services



# STRONG US PRESENCE



## TECHNOLOGY CENTER

- Corporate Leadership, Sales Operations, Engineering, Accounting, IT, Marketing



## CORPORATE HEADQUARTERS

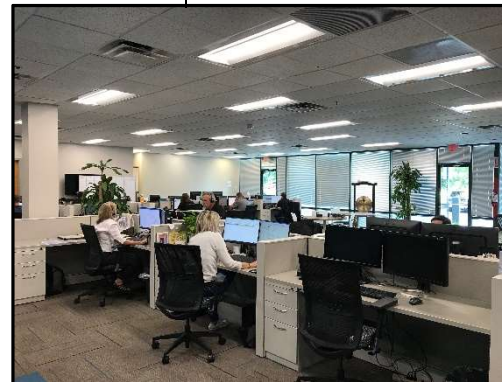
Manitowoc, WI



**MADE IN**  
  
**U. S. A.**

## MANUFACTURING CENTER

- Fabrication, Coating, Assembly & Logistics
- 200,000 square feet



## ENGINEERED SERVICES

Jacksonville, FL

- Project Management, Engineering and New Product Development

# ABOUT ORION ENERGY SYSTEMS

## Main Products

- Custom Product Solutions
- High Bay
- Troffer (suspended ceiling)
- Linear
- Enclosed
- Exterior
- IoT Controls



*Exterior:  
LEXUS OF SACRAMENTO*

*Commercial:  
DELTA FAUCET*



## Paths to Market

- National Accounts
- Agent Driven Distribution
- Energy Service Companies (ESCOs)

## Markets

- Industrial
- Commercial
- Retail
- Automotive
- Food Storage
- Healthcare
- Agriculture
- Public Sector



## NIMBLE TECHNOLOGY & SERVICE LEADER

### Orion Value-Add:

### Competitive Advantage

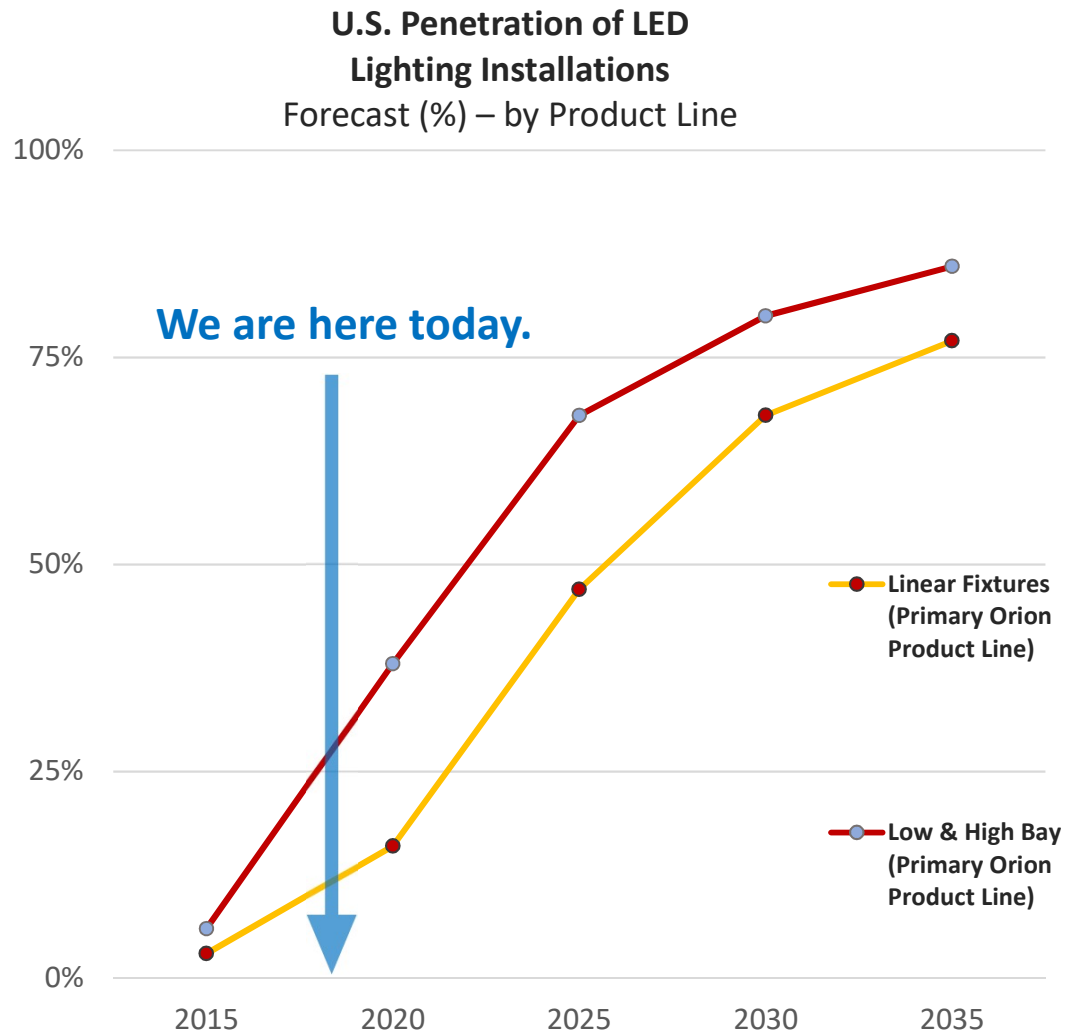
Industry leading technology and design	=	Highest energy efficiency + smart design delivers highest ROI
Unique turnkey capability	=	Able to execute projects from concept to completion
Design and manufacturing flexibility	=	Unmatched quality and lead times – under 10 days & 99% on-time
U.S. based manufacturing	=	Buy American Act (BAA) Compliant
Accelerated product development	=	4-6 months vs. 12+ months enables market leadership
Broad sales reach	=	National accounts + ESCOs + agent network
Significant 50+ year customer base	=	Access to retrofit and connected ceiling IoT opportunities





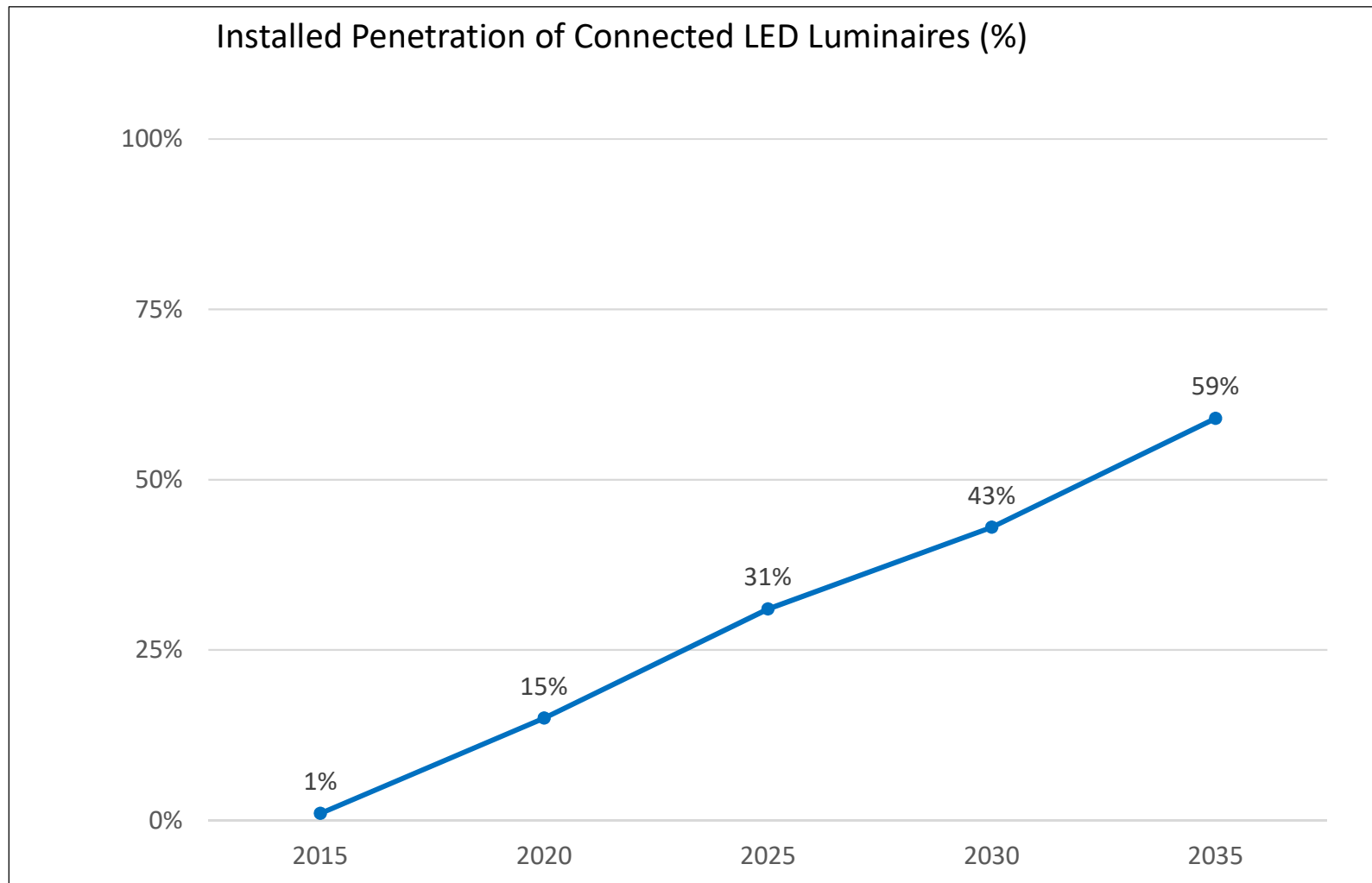
# LED LIGHTING GROWTH FORECAST

LED market projected to grow to >75% of installed lighting in key Orion segments:



\*U.S. Department of Energy: *Energy Savings Forecast of Solid-State Lighting in General Illumination Applications*; September 2016

## LED LIGHTING CONNECTED CEILING/IoT GROWTH FORECAST



\*U.S. Department of Energy: *Energy Savings Forecast of Solid-State Lighting in General Illumination Applications*; September 2016

## LONG TERM CUSTOMERS



40+ Manufacturing  
Facilities



400+ Bottling &  
Sales Facilities



3,000+  
Distribution &  
Retail Facilities

**Office DEPOT.**  
**OfficeMax**

20+ Distribution  
Facilities



180+ Bottling &  
Sales Facilities



14 Manufacturing  
Facilities and 700+  
Dealerships



2,000+  
Retail Facilities



400+  
Retail Facilities



400+  
Retail Facilities



3  
Distribution Centers



ANHEUSER-BUSCH  
Companies

100+ Bottling &  
Distribution  
Facilities



30+  
Facilities



140+ Distribution  
Facilities



100+ Manufacturing &  
Distribution Facilities



TOYOTA

12+ Manufacturing  
Facilities



50+  
Facilities



500+  
Retail Facilities



5,000+  
Retail Facilities

## ORION TESTIMONIALS – BEFORE/AFTER



***Change Racing  
Concord, NC***

“In a sport where money buys speed, we can divert the energy savings from our lighting retrofit to other areas that will increase our performance on the track.”

*Robby Benton  
Team Owner*



***US Toy  
Grandview, MO***

“We’re able to reduce maintenance costs by not having to replace bulbs, and free up those staff to address other priority jobs in our facility. Plus the cost savings in replacement lamps let us move capital toward other key projects.”

*Seth Freiden  
Chief Executive Officer*



***Chicagoland Laborers  
Chicago IL***

“I have never really thought of lighting as part of education, and how it impacted the learning environment until we went from our yellow lights to the Orion LED lights.”

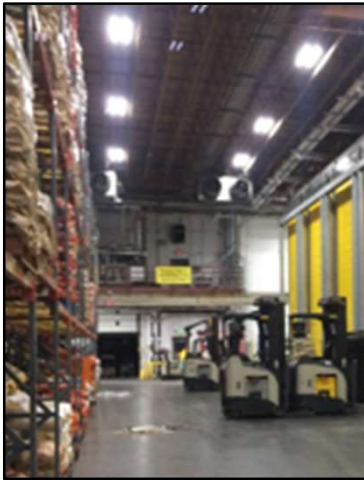
*Keith Vitale  
Training Director*



## ORION CASE STUDIES

### Toyota Manufacturing Plant Georgetown, KY

**\$4.3m project**  
**3.7 year ROI**



ISON™ high bay, Apollo® high bay,  
LED strip retrofit kits

Energy savings funded  
connected ceiling IoT applications.

### US Postal Service Distribution Center

**\$768k project**  
**2 year ROI**



Apollo® high bays, LED tubes,  
LDR® (LED Door Retrofit),  
exterior parking lot lighting

Over 30 USPS locations awarded in  
FY19.

### US Foods Cold Storage Alcoa, TN

**\$257k project**  
**3 year ROI**



Apollo® high bay  
and parking lot lighting

Won over multiple competitors  
based on turnkey capability.

# ORION CASE STUDIES

## Naval Air Station

Jacksonville, Florida

\$2.1m project yielding  
>\$260,000 savings per year



LDR® (LED Door Retrofit)  
high bays, exteriors

20+ U.S. Navy projects since 2006,  
8th project at this base.

## Costco Retail Store

Morris, Illinois

\$230k project



Apollo® NSF VaporTight high bays

Originally specified a large competitor  
but was unhappy with quality and  
performance.

Orion exceeded specification and  
delivered on accelerated schedule.

## Veteran's Administration Healthcare Facility

Puget Sound, Washington

\$199k project



LDRE® (LED Door Retrofit Edge)

VA designed and specified made-in-USA  
Orion solutions from the start.

6th VA facility completed to date.

# BROAD MARKET ACCEPTANCE



Commercial: Delta Faucet



Healthcare: Jacksonville Surgery Ctr



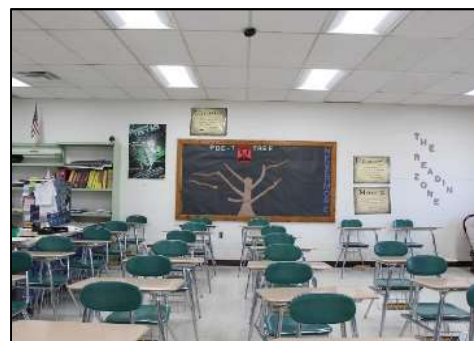
Office: Chicagoland Laborers



Exterior: Lexus of Sacramento

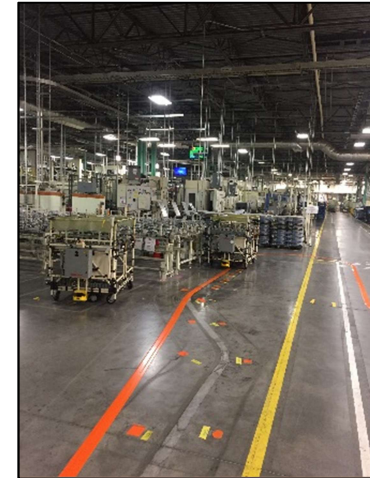


Agricultural: Kinnard Dairy

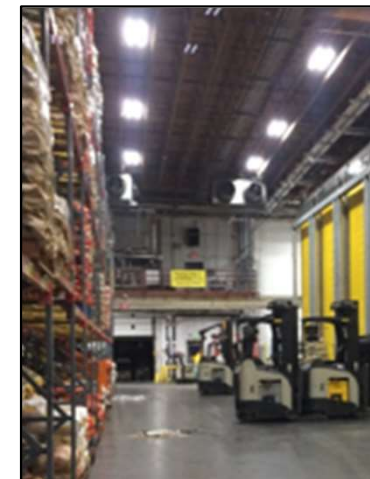


Education: Spencer School District

Industrial: Toyota



Grocery: Kroger Distribution



ORION ANNUAL SHAREHOLDER MEETING

**Bill Hull**

Chief Financial Officer



## YEAR END SUMMARY

(\$ in millions, except loss per share)	TWELVE MONTHS ENDED	
	3/31/19	3/31/18
Revenue	\$ 65.8	\$ 60.3
Gross Margin %	22.1%	24.3%
Operating Expenses	\$ 20.7	\$ 27.7
Operating Loss	\$ (6.2)	\$ (13.0)
Net Loss	\$ (6.7)	\$ (13.1)
Loss per share	\$ (0.23)	\$ (0.46)
EBITDA*	\$ (4.3)	\$ (10.7)

\*See Non-GAAP Reconciliation

## FISCAL 2019 HIGHLIGHTS

- Revenue increased 9.1% year over year
- Operating Expenses were reduced by \$6.9 million compared to the prior fiscal year

(1) FY18 includes \$1.3 million of COGS inventory adjustments/reserves and \$0.7 million of operating expenses related to an intangible asset impairment

# NON-GAAP RECONCILIATION

	TWELVE MONTHS ENDED	
	3/31/19	3/31/18
(\$ in millions, except loss per share)		
GAAP Revenue	\$ 65.8	\$ 60.3
GAAP Net Loss	\$ (6.7)	\$ (13.1)
ITDA	\$ 2.4	\$ 2.4
EBITDA	\$ (4.3)	\$ (10.7)

- FY18 includes \$1.3 million of COGS inventory adjustments/reserves and \$.7 million of operating expenses related to an intangible asset impairment

## BALANCE SHEET AND CASH FLOW

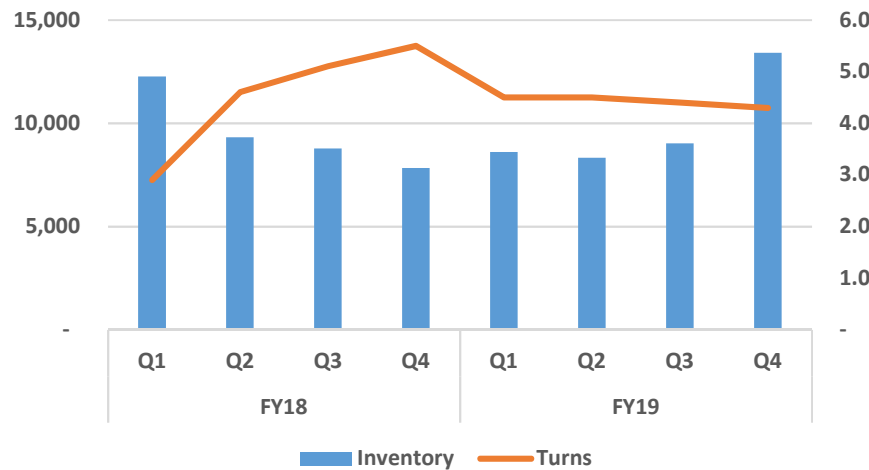
(\$ in millions)	BALANCE SHEET AS OF 3/31/19	BALANCE SHEET AS OF 3/31/18
Cash & Equivalents	\$ 8.7	\$ 9.4
Receivables	\$ 14.8	\$ 8.7
Inventory	\$ 13.4	\$ 7.8
Total Assets	\$ 56.0	\$ 45.3
Debt	\$ 9.4	\$ 4.1
Total Liabilities	\$ 38.1	\$ 21.9
Total Equity	\$ 17.9	\$ 23.4

(\$ in millions)	CASH FLOW FY ENDING 3/31/19	CASH FLOW FY ENDING 3/31/18
Net Loss	\$ (6.7)	\$ (13.1)
EBITDA*	\$ (4.3)	\$ (10.7)
Cash Flow From Operations	\$ (5.1)	\$ (4.4)
Cash Flow From Investing	\$ (0.4)	\$ (0.6)
Cash Flow From Financing	\$ 4.8	\$ (2.9)
Net Cash Flow	\$ (0.7)	\$ (7.9)

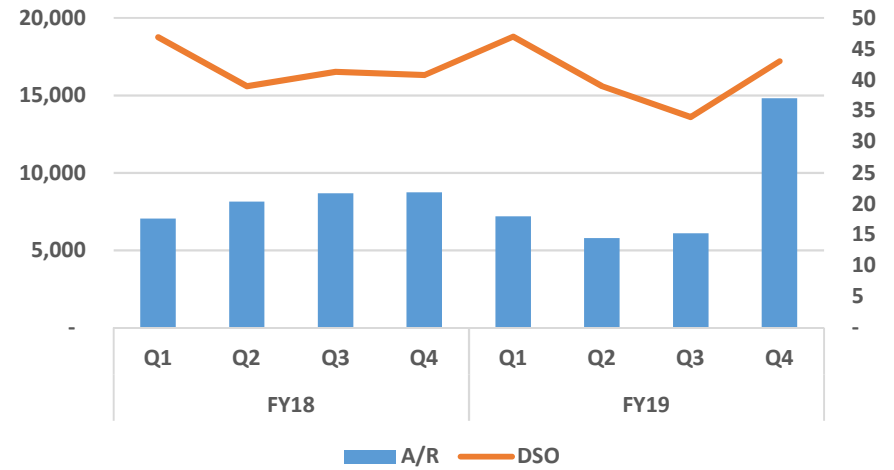
\*See Non-GAAP Reconciliation

# PERFORMANCE

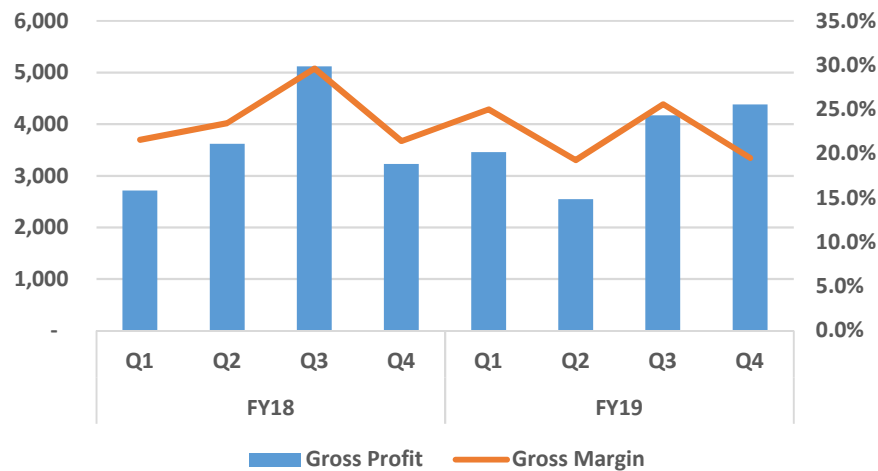
## Inventory and Turns



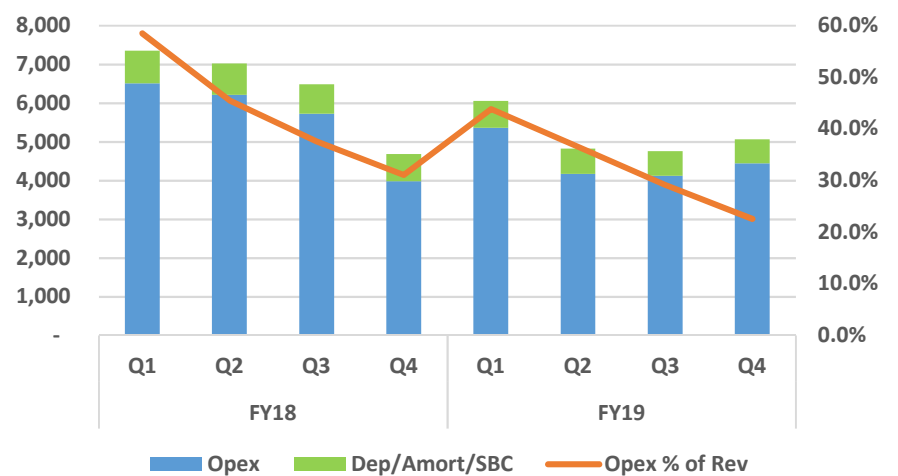
## Accounts Receivable and DSO



## Gross Profit and Gross Margin



## Operating Expenses



- FY18 includes \$1.3 million of inventory adjustments/reserves and \$0.7 million asset impairment
- FY 2018 OPEX excludes \$2.1 million in severance expense



## FQ1 2020 HIGHLIGHTS

- Q1'20 revenue improved 207% to \$42.4M versus Q1'19, principally reflecting strength in national account activity
- Q1'20 EBITDA rose to \$4.6M versus (\$2.1M) in Q1'19
- Gross profit increased 198% to \$10.3M in Q1'20 for a gross margin of 24.3% versus 25% in Q1'19
- Orion held operating expenses flat at \$6.1M in Q1'20 versus Q1'19 despite higher revenue
- Orion achieved profitability with net income of \$4.0M or \$0.13 per diluted share
- Cash flow from operating activities improved to \$2.0M in Q1'20 versus \$0.1M in Q1'19
- Orion continues to anticipate strong business activity throughout FY'20, driven particularly by customer demand for Orion's unique turnkey solutions, including customized LED lighting design, project management and installation services

ORION ANNUAL SHAREHOLDER MEETING

**Scott Green**

Chief Operating Officer

## TECHNOLOGY AND DESIGN LEADERSHIP

**LED fixture costs represent less than 10% of total lighting costs over an estimated 25-year life - so true customer ROI is achieved through:**

- greater energy efficiency – measured in lumens per watt;
- faster, lower cost installation/ease of retrofit;
- reduced repair and maintenance; and
- value-added controls and IoT features.

*Accordingly, Orion focuses on smart fixture design, paired with best in class energy efficiency and state of the art controls and smart ceiling capabilities in order to deliver superior long-term customer ROI. Orion produces three product classes to cater to differing customer needs:*

### ISON™

#### HIGH PERFORMANCE | 214 LPW

Highest performance in market, US made



**vs. ~170 - 195 LPW**  
in competitive products

### APOLLO®

#### MADE IN US | 174 LPW

Feature rich, ultimate flexibility



**vs. ~140 - 160 LPW**  
in competitive products

### HARRIS

#### VALUE PRODUCT | 141 LPW

Economical energy savings



**vs. ~115 - 130 LPW**  
in competitive products

*Lumens Per Watt (LPW), a measure of how much visible light is emitted, divided by the power used, to illustrate the energy efficiency of various LED fixtures.*  
**Higher Lumens Per Watt performance = less energy consumption = lower operating costs = greater long-term ROI.**

# SMART DESIGN REDUCES INSTALLATION COST/TIME

## Competitor Offerings



**16** components per fixture to assemble



**6** components per fixture to assemble

## orion™ LDR® Troffer Retrofit



**0** components to assemble

### Installation Costs\*

Fixtures installed per hour:	2
Total days to install:	20
Labor cost to install:	\$37,500

### Installation Costs\*

Fixtures installed per hour:	4
Total days to install:	10
Labor cost to install:	\$18,750

### Installation Costs\*

Fixtures installed per hour:	20
Total days to install:	2
Labor cost to install:	\$3,750

### Orion's Competitive Edge

- Patented design installs in under two minutes, *significantly reducing installation cost*
- Fully assembled
- Factory installed wireless controls
- Reuses existing housing, requiring virtually no tools
- May not require a licensed electrician\*\*
- Virtually no disruption to operations

\*Based on 1,000 fixture installation; \$75 per hour labor cost; 25 man hours per day.

\*\*Regulations vary by state.

## DIVERSIFIED PRODUCT OFFERING

Over 20,000 configured products and countless customizable options

### COMMERCIAL AND OFFICE



Commercial, retail,  
hospitality



Office, hospital,  
retail

### ENCLOSED



Food prep, brewery,  
cooler and freezer,  
wash down applications



Agricultural, exterior,  
high impact environment  
(gymnasiums, warehouses)

### LIGHT AND HEAVY INDUSTRIAL



Industrial, warehouse, manufacturing, commercial,  
wholesale and distribution centers



### EXTERIOR



Parking garage, surface lot,  
auto dealership



## NOTABLE PRODUCT LAUNCHES



LDR modular medical series



Field Adjustable  
Output

Harris Lumen Select



LTHE



Wireless and IoT enabled  
system options



High Efficacy

Harris LED Door Retrofit,  
Generation 2



Patriot contractor grade  
series of high bays

## NOTABLE PRODUCT LAUNCHES

ISON LED Streamline Linear High Bay Retrofit (LSAR)



Fixture Options [Factory Installed]



Enlighted Sensor - 8' Models Only  
[-EN]

ISON LED Modular Linear High Bay Retrofit (LMAR)



Accessories [Field Installed]



Enlighted Sensor Option- 8' Models Only  
[-EN]

## NOTABLE PRODUCT UPDATES



Harris Slimline Patriot High Bay  
Factory End-Mounted Blue Tooth Control  
(Wattstopper)

**PHILIPS**

**enlighted™**  
A Siemens Company



Harris Multipurpose Strip  
Factory End-Mounted Smart Control Devices

## EXPANSION OF IOT ENABLED DEVICES



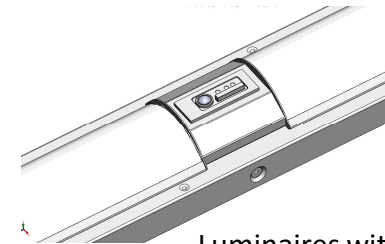
LSAR with state of the art IoT control integration



Patriot low bay with wireless Web based integration



Recessed luminaire with wireless Bluetooth systems



Luminaires with embedded wireless IoT enabled controls

All luminaires are now designed and offered with connected device compatibility

Sales of IoT connected luminaires continue to increase

Lighting systems are integrated with IoT systems to solve business concerns and provide big data to customers

ORION ANNUAL SHAREHOLDER MEETING

**Marc Meade**

Executive Vice President



## ORION - A TRANSFORMATIONAL BUSINESS PARTNER

Hey Orion!

*"I want to..."*

- Achieve my project ROI
  - Mitigate project hassle or facility disruption risk
  - Improve customer experience
  - Implement Smart Building IoT solutions
  - Modernize lighting & energy infrastructure
- ... and fit it into my existing facility lighting footprint
- ... with a **single point of accountability, nationwide.**"



## OUR OPERATIONS APPROACH

**Flexible operation built on a foundation of  
Safety, Quality and Reliability**



RESPONSIVE US-BASED  
DESIGN, PRODUCTION  
& LOGISTICS



GLOBAL SUPPLY  
CHAIN PARTNERS



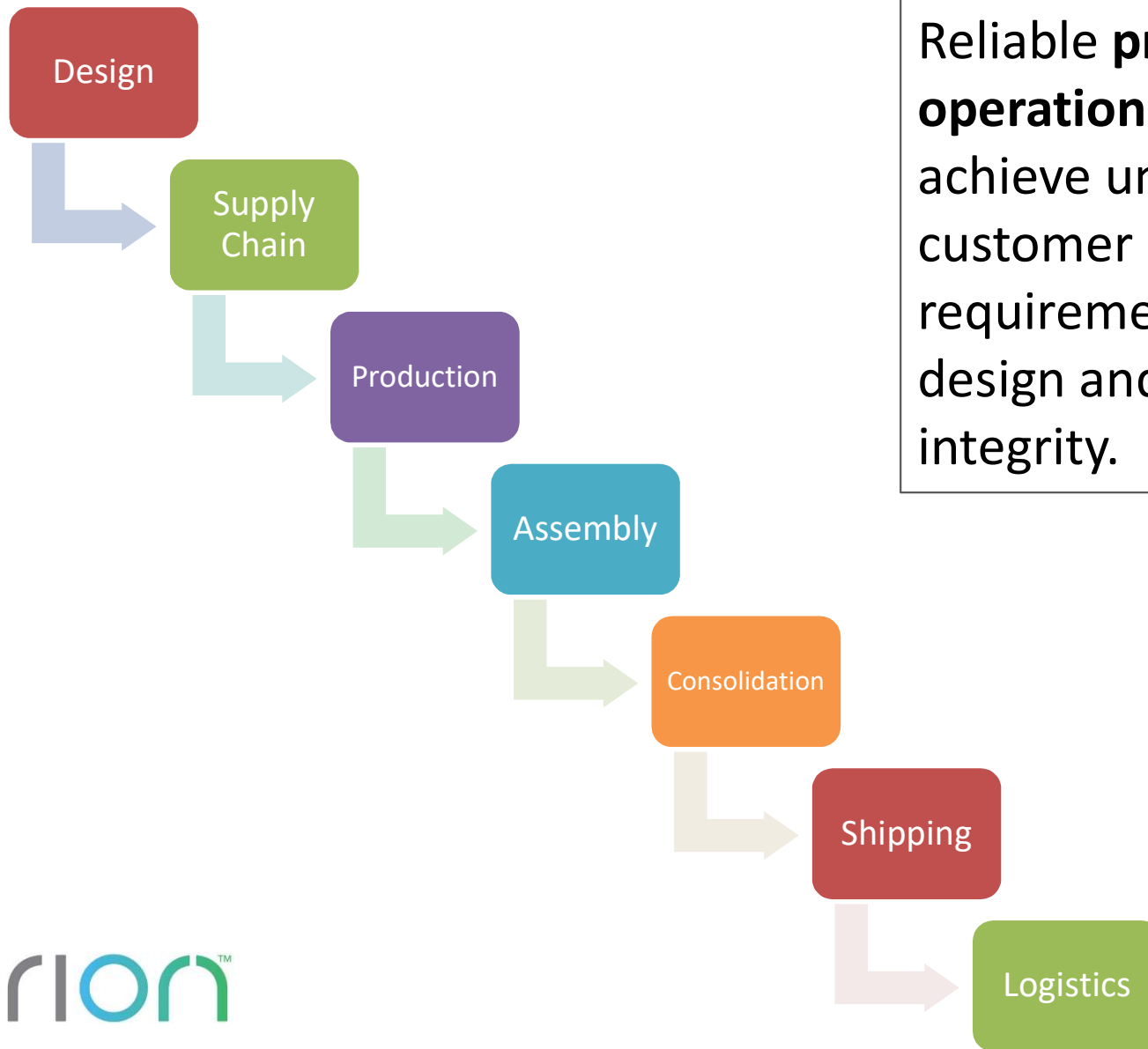
EXPERT  
NATIONWIDE  
PROJECT  
SERVICES



**Robust dependable  
platform to execute  
nationwide projects  
and to serve channel  
partners efficiently.**

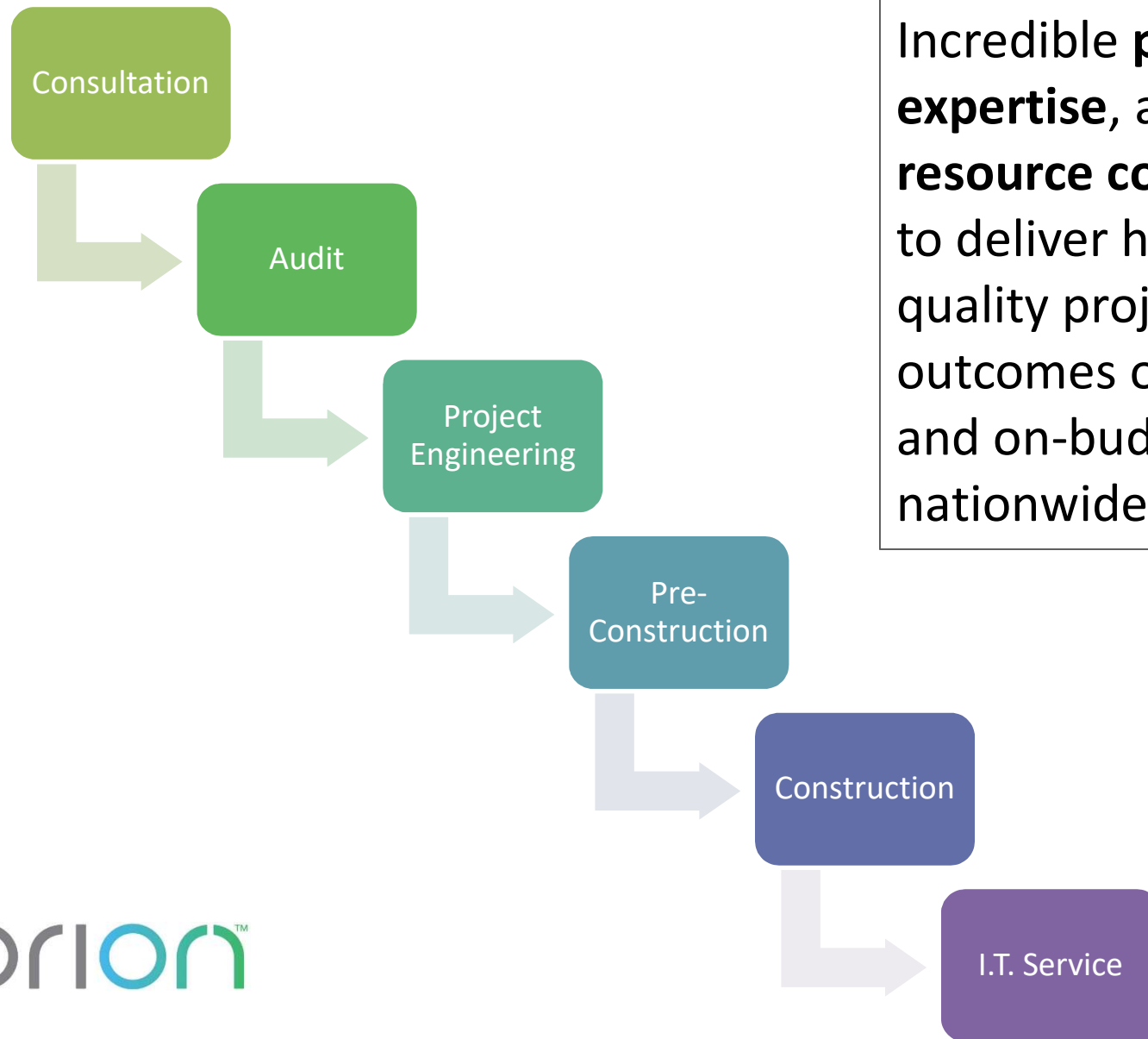


## MANUFACTURING AS A SERVICE



Reliable **product operations** to achieve unique customer requirements with design and quality integrity.

## PROJECT SERVICES



Incredible **process**, **expertise**, and **resource coverage** to deliver high quality project outcomes on-time and on-budget, nationwide.

## Quality and Reliability

<http://www.orionlighting.com/>

- On Time Shipment
- Days Out Past 10 Day Promise
- Order Quality Yield
- Product Quality

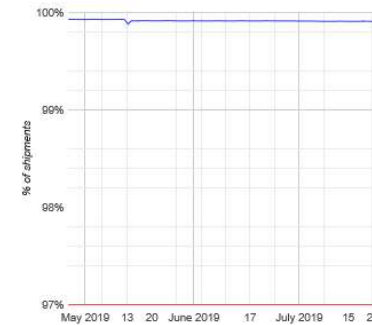
We are our customer's  
ally in accountability.

Mission: Be Reliable.

### On-Time Shipment

On-time to committed customer shipment date from Orion's facility.

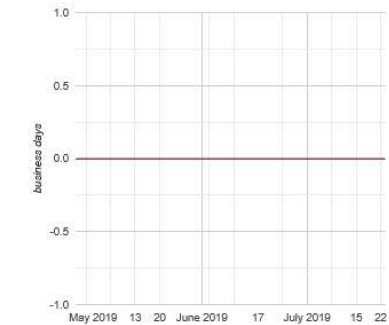
**99.91 %** On-Time Shipments



### Days Out Past Standard Lead-Time

Number of business days past standard 10 business day lead-time promise, average for all orders.

**0.00 days** Days-Out Past Standard Lead-Time



### Order Quality Yield

"End-to-end" order quality throughout the life of the order which includes everything from order-entry to shipping.

**97.1 %** Order Quality Yield



### Product Quality

Product defect rate including production defects and component failures upon installation.

**0.0576 %** Product Defect Rate





ORION ANNUAL SHAREHOLDER MEETING

**Mike Altschaefl**

CEO & Board Chair

### Vision

Orion provides enterprise-grade LED lighting and energy project solutions.

### Mission

Be reliable.

## CORE VALUES

1. Integrity: We have the courage to do the right thing. We maintain a strict adherence to honesty, ethics and equality.
2. Respect: We value the relationships with our customers, partners, suppliers and each other. We act in the same way that we want to be treated. We respect our customers and partners by keeping our promise to get their energy projects done with high quality, on schedule and on budget.
3. Flexibility: We foster a culture that supports nimbleness and timely decision making to meet the ever-changing needs of our customers and partners. We learn from our mistakes to support continuous improvement. We need to add value to everything we do.
4. Customer Promise:
  - A prompt response to your inquiry, no later than sundown the day you contacted us.
  - Full transparency of your order, inquiry or claim status.
  - Knowledgeable and courteous staff with accurate and prompt answers.
  - A full commitment to continuous improvement to achieve an exceptional customer experience.

## FISCAL 2019 PRIORITIES AND KEY INITIATIVES

### GOAL

1. Achieve revenue growth of at least 10%
2. Achieve breakeven EBITDA by Q4 of fiscal 2019
3. Achieve gross margins of 30% by Q4 of fiscal 2019
4. Exercise cost discipline
5. Continue focus on cash management

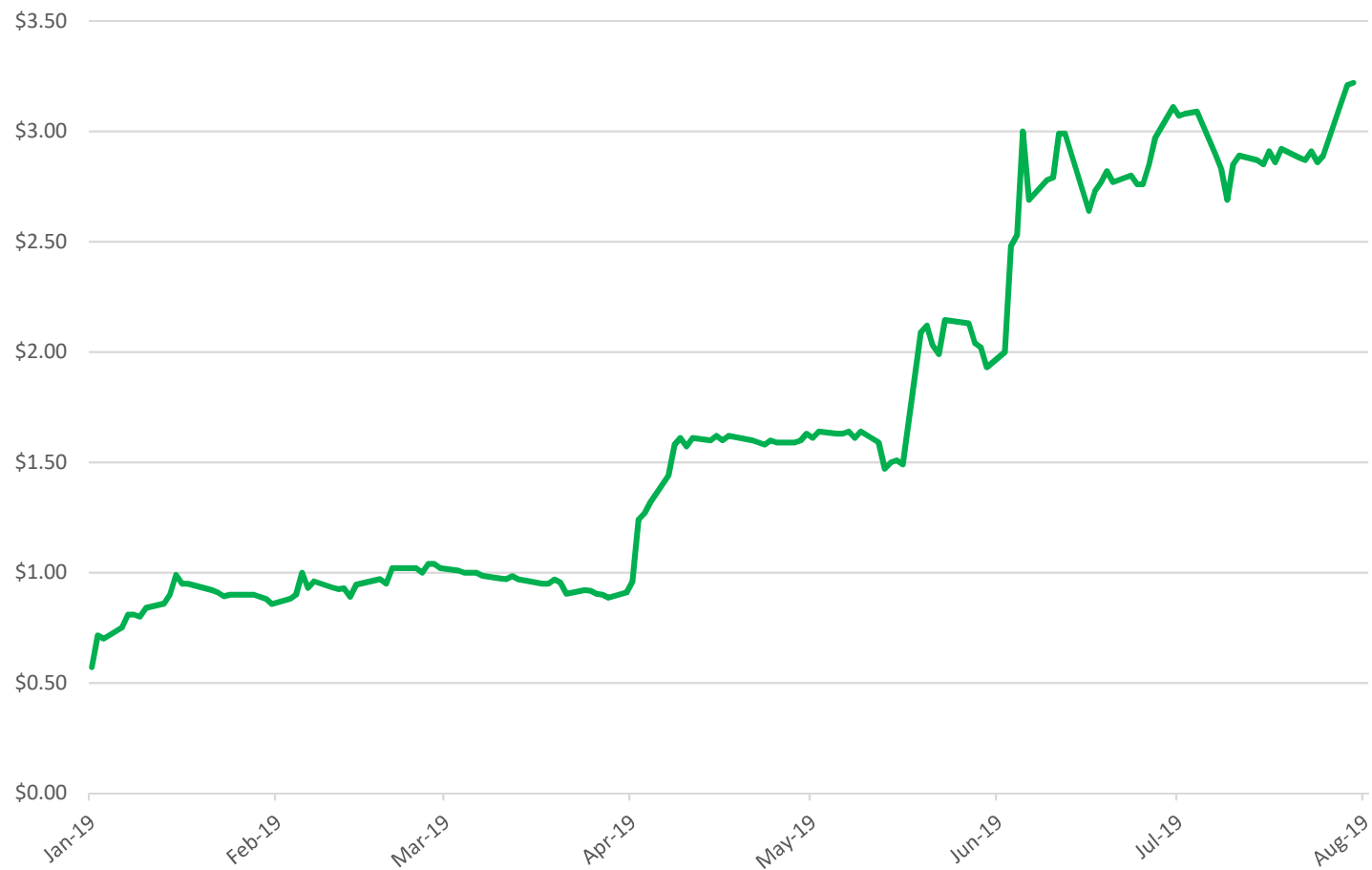
### RESULT

1. Growth of 9%
2. Breakeven adjusted EBITDA for second half of fiscal 2019
3. Fiscal 2019 actual gross margin of 22%
4. Fiscal 2019 operating expenses approximately \$7 million less than 2018 operating expenses
5. \$8.7 million of cash on hand at end of fiscal year

## STOCK PRICE

**462% increase**

Stock Price January – August 1, 2019 Year-to-Date





## FISCAL 2020 PRIORITIES AND KEY INITIATIVES

1. Achieve revenue growth of at least 100%
2. Achieve EBITDA margins of at least 10%
3. Lay groundwork for a successful 2021 and beyond
4. Exercise cost discipline
5. Continue to provide exceptional quality and service to our customers

# THANK YOU



*LIGHTFAIR International 2019*