

# orion™



## ORION ENERGY SYSTEMS, INC.

WWW.ORIONLIGHTING.COM  
NASDAQ: OESX

Mike Altschaefl, CEO  
Bill Hull, CFO  
ir@oesx.com

*LED Lighting and IoT Solutions  
with Industry-Leading ROI  
and Customer Service*

June 2019

Pepsi Bottling Ventures



Ford Motor Company



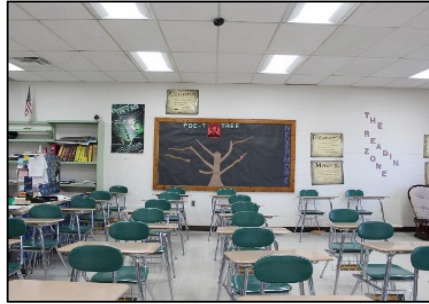
Orion Manufacturing Facility



# SAFE HARBOR



Office: Chicagoland Laborers



Education: Spencer School District



Agriculture: Kinnard Dairy



Healthcare: Jacksonville Surgery Center

Certain matters discussed in this presentation, including fiscal 2020 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 the Company's 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 EBITDA objectives in fiscal 2020 and beyond; (ii) our ability to achieve profitability and positive cash flows; (iii) our levels of cash and our limited borrowing capacity under our revolving line of credit; (iv) the availability of additional debt financing and/or equity capital; (v) 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; (vi) our ability to develop and participate in new product and technology offerings or applications in a cost effective and timely manner; (vii) our ability to manage the ongoing decreases in the average selling prices of our products as a result of competitive pressures in the evolving LED market; (viii) our ability to manage our inventory and avoid inventory obsolescence in a rapidly evolving LED market; (ix) our lack of major sources of recurring revenue and the potential consequences of the loss of one or more key customers or suppliers, including key contacts at such customers; (x) our ability to adapt to increasing convergence in the LED market; (xi) our ability to differentiate our products in a highly competitive market; (xii) the deterioration of market conditions, including our dependence on customers' capital budgets for sales of products and services; (xiii) our ability to complete and execute our strategy in a highly competitive market and our ability to respond successfully to market competition; (xiv) our increasing reliance on third parties for the manufacture and development of products and product components; (xv) our ability to successfully implement our strategy of focusing mainly on lighting solutions using LED technologies; (xvi) the market acceptance of our products and services; (xvii) our ability to realize expected cost savings on the timetable and amounts expected from our cost reduction initiatives; (xviii) adverse developments with respect to litigation and other legal matters pursuant to which we are subject; (xix) our failure to comply with the covenants in our revolving credit agreement; (xx) our fluctuating quarterly results of operations as we focus on new LED technologies and continue to focus investing in our third party distribution sales channel; (xxi) our ability to recruit, hire and retain talented individuals in all disciplines of our company; (xxii) price fluctuations, shortages or interruptions of component supplies and raw materials used to manufacture our products; (xxiii) our ability to defend our patent portfolio; (xxiv) a reduction in the price of electricity; (xxv) the cost to comply with, and the effects of, any current and future government regulations, laws and policies; (xxvi) potential warranty claims in excess of our reserve estimates; (xxvii) our inability to timely and effectively remediate any material weaknesses in our internal control of financial reporting and/or our failure to maintain an effective system of internal control over financial reporting; 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.orionenergy.com/> in the Investor Relations section of our Website.



# 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 quantity and 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



### Attractive Valuation

Share Price (as of 5/21/2019)	\$2.12
Market Cap	\$62.7M
TTM Sales 3/31/2019	\$65.8M
Price-to-Sales *	1.0X

- ❖ Bellwether Comps: AYI & HUBB both recently traded at 1.4X Price-to-Sales.



Orion's Wisconsin manufacturing facility

### Investment Merits

- ✓ Massive market driven by compelling ROI
- ✓ Significant recent growth
- ✓ Recently awarded very large project
- ✓ Strong, long-term customer base
- ✓ Nimble engineering & customization
- ✓ Superior customer service & fast delivery
- ✓ 12.7% insider (director/officer) ownership

# ABOUT ORION ENERGY SYSTEMS

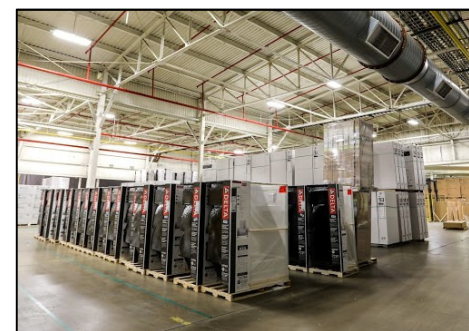
## Main Products

- 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
- Energy Service Companies (ESCOs) and Electrical Contractors
- Agent Driven Distribution

## Markets

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

# NIMBLE TECHNOLOGY & SERVICE LEADER

## Orion Value-Add:

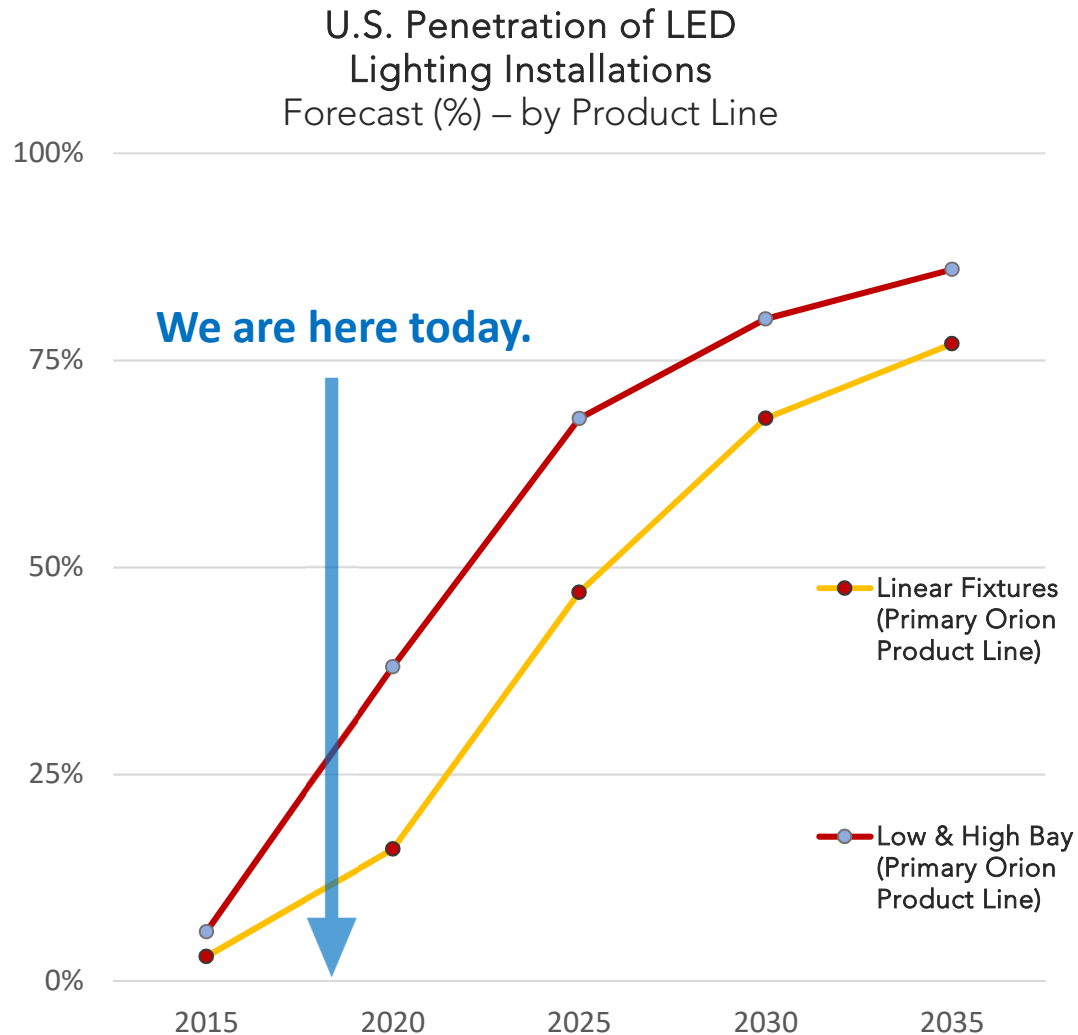
## Competitive Advantage

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 and electrical contractors + agent network
Significant 50+ year customer base	=	Access to retrofit and connected ceiling IoT opportunities



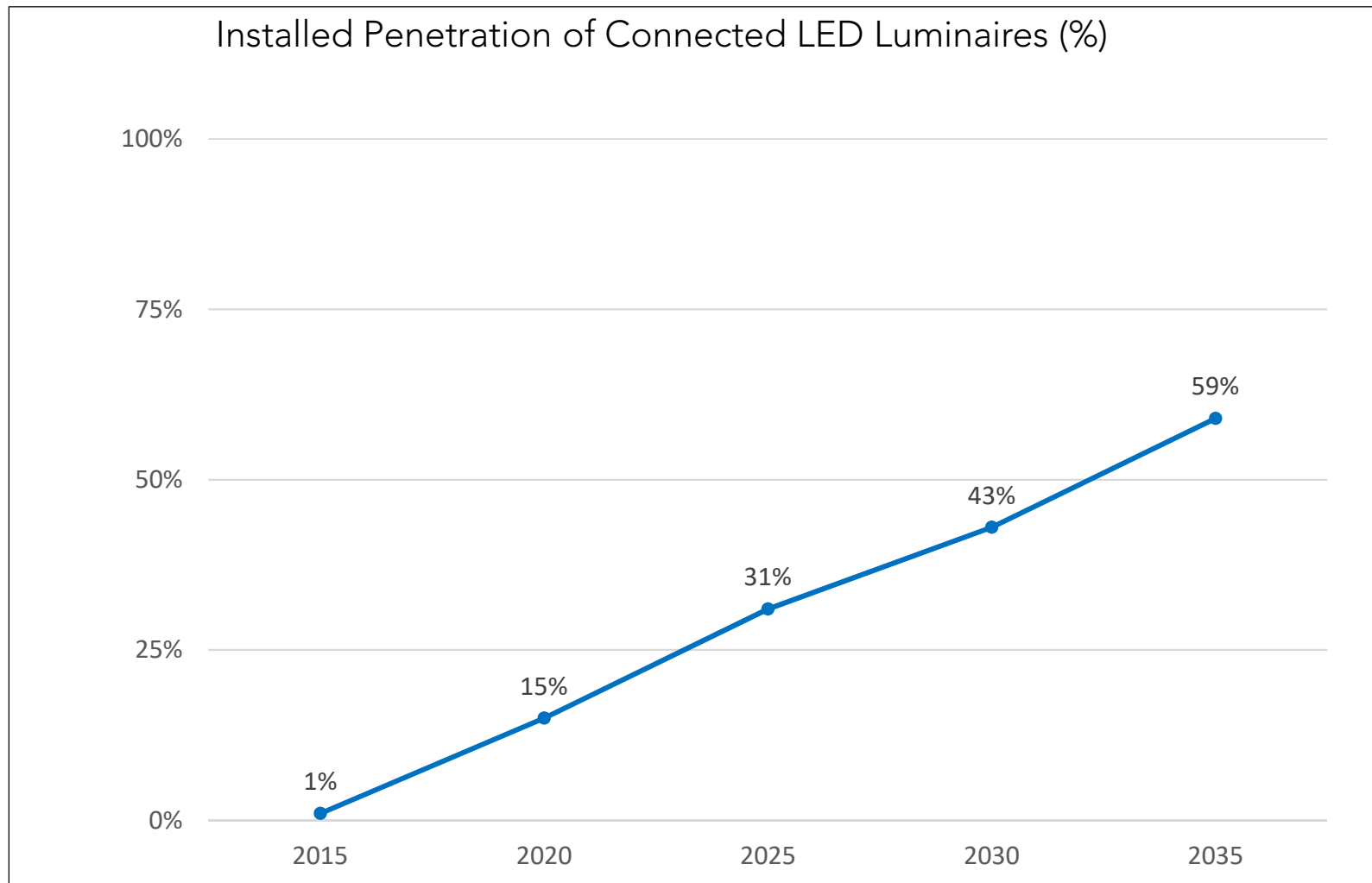
# LED LIGHTING GROWTH FORECAST

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

# 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

<u>Installation Costs*</u>	
Fixtures installed per hour:	2
Total days to install:	20
Labor cost to install:	\$37,500

<u>Installation Costs*</u>	
Fixtures installed per hour:	4
Total days to install:	10
Labor cost to install:	\$18,750

orion™

## LDR® Troffer Retrofit



**0** components to assemble

<u>Installation Costs*</u>	
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

# 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



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*

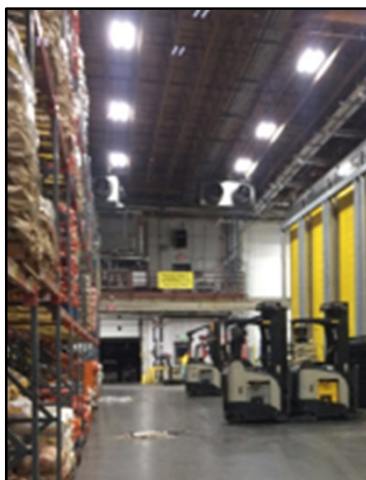


# ORION CASE STUDIES

## 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.

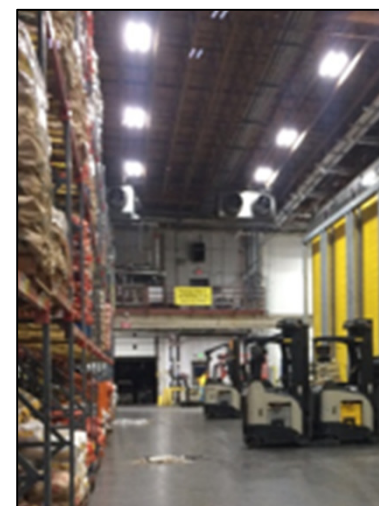
# INVESTMENT HIGHLIGHTS

## Attractive investment relative to growth potential.

- **Massive LED lighting market in early days:** projected to grow to >75% of lighting installations from ~15-20% in key Orion segments
  - LED delivers a 50% or greater reduction in energy costs and significant improvement in quantity and quality of light
- **Orion energy efficiency + smart design:** delivers industry leading long term ROI – key measure for largest accounts
- **Proven competitive advantages:** quality, energy efficiency, rapid order fulfillment, customization & turnkey national project capabilities
- **Return to growth + improved profitability under new leadership:**
  - Achieved 9% revenue growth in FY 2019
  - Reached break-even adjusted EBITDA in 2H FY 2019
  - Revenue growth goal of at least 100% with positive EPS expected in FY 2020
- **Yet Orion's \$62.7M market cap is only 1.0x TTM sales**
  - Industry bellwethers (e.g. AYI & HUBB) trade at ~1.4x Price-to-Sales.



Industrial:  
TOYOTA



Grocery:  
KROGER DISTRIBUTION



*Since 1996 Orion has been working in partnership with customers to deliver lighting systems that significantly reduce energy and other costs while improving lighting quality.*

*We are proud of our customer relationships, including many of the largest of the Fortune 500, across North America. These discriminating customers recognize the quality and performance of their lighting system is essential to achieving meaningful long-term cost of ownership improvements.*



*Orion Booth: LIGHTFAIR International 2018*



# APPENDIX

## FINANCIAL SUMMARY

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*TEMPUR SEALY*

# ORION SENIOR MANAGEMENT



## **Mike Altschaefl, CEO & Board Chair**

Mike has served as CEO since May 2017, Board Chair since August 2016, and has been a Director since 2009. He brings 10 years of relevant manufacturing and management experience as Chairman and President at E-S Plastic Products, VP at Shiloh Industries, CEO of Albany-Chicago Company (purchased by Shiloh Industries), and 27 years at international public accounting firms.



## **Scott Green, COO**

Scott joined Orion upon the 2013 acquisition of Harris Lighting. Prior to being named Orion's COO in May 2017, he served as Executive VP Innovation, Project Engineering, Construction Management and Orion Engineered Systems. At Harris Lighting, Scott served as Executive VP and CEO. Prior, Scott served as CEO of Green Enterprises, Inc, a real estate development and multi-location restaurant owner and operator.



## **William Hull, CFO**

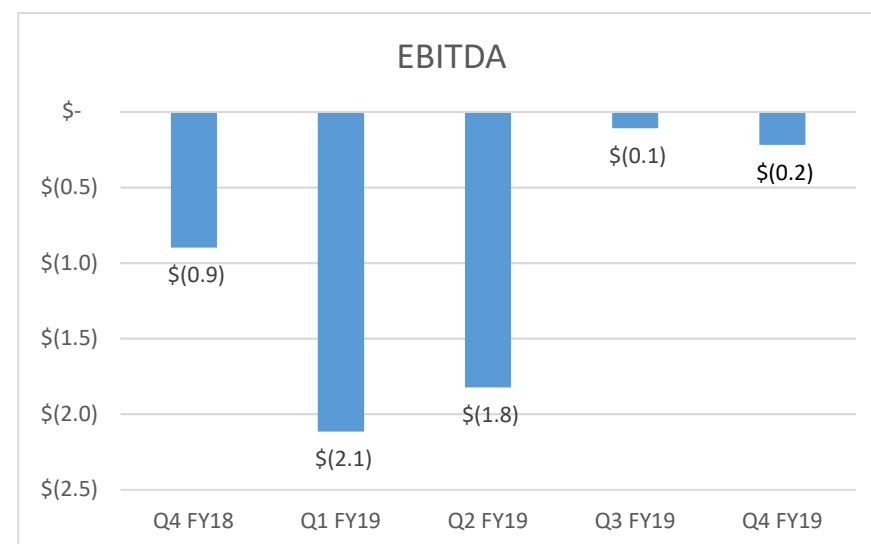
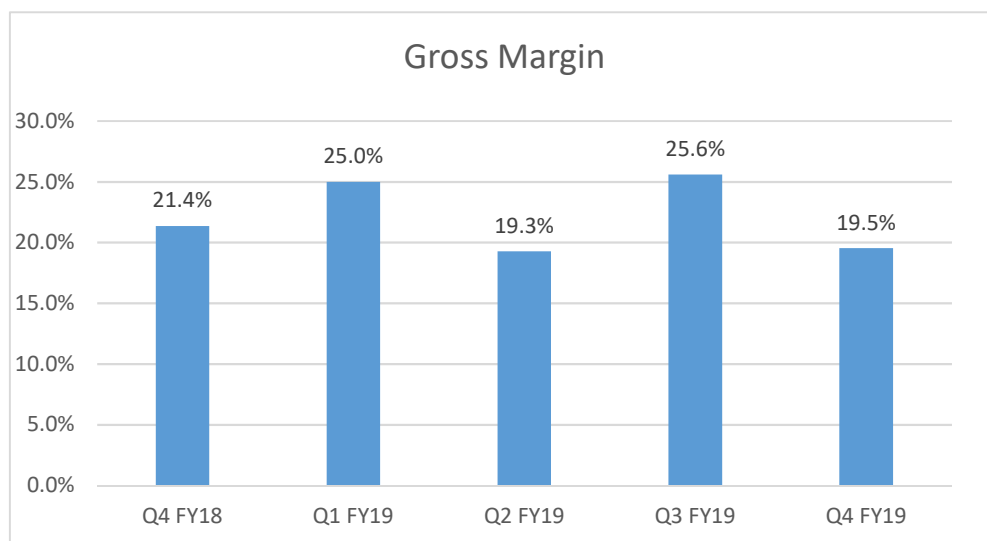
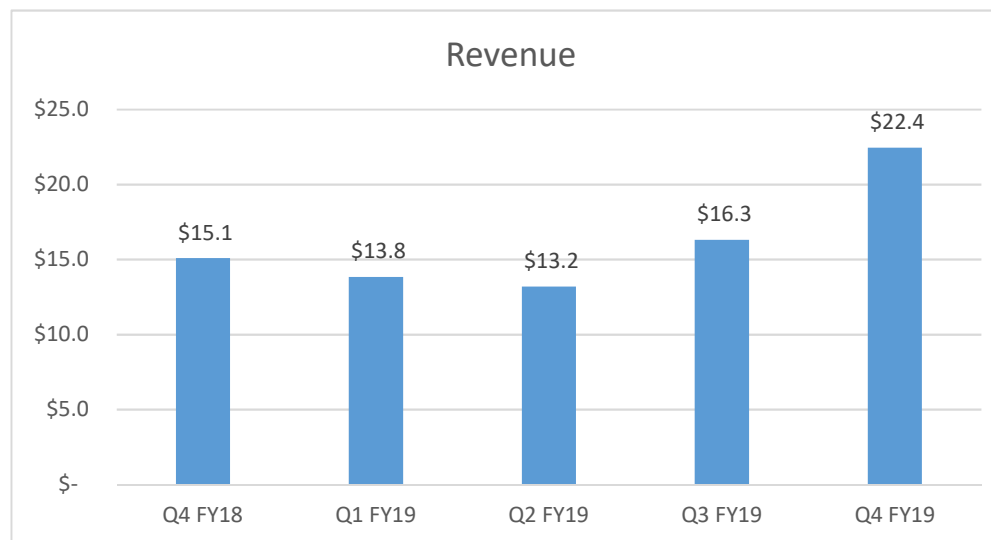
Bill was named Orion's CFO in October 2015. Prior, Bill was Senior VP, CFO, CRO and CAO with RTI International Metals, a NYSE listed, vertically integrated global supplier of advanced titanium and specialty metal products and components since 2005. Prior to joining RTI, Mr. Hull served as Corporate Controller of Stoneridge, Inc., a NYSE listed company.



## **Marc Meade, EVP**

Marc has served as Executive VP since 2014. He most recently served as Senior VP, Finance & Operations, overseeing management of operations, corporate financial, and project finance. Prior to joining Orion, Marc worked with Schenck Business Solutions, and also as a retail division manager for a large agricultural cooperative.

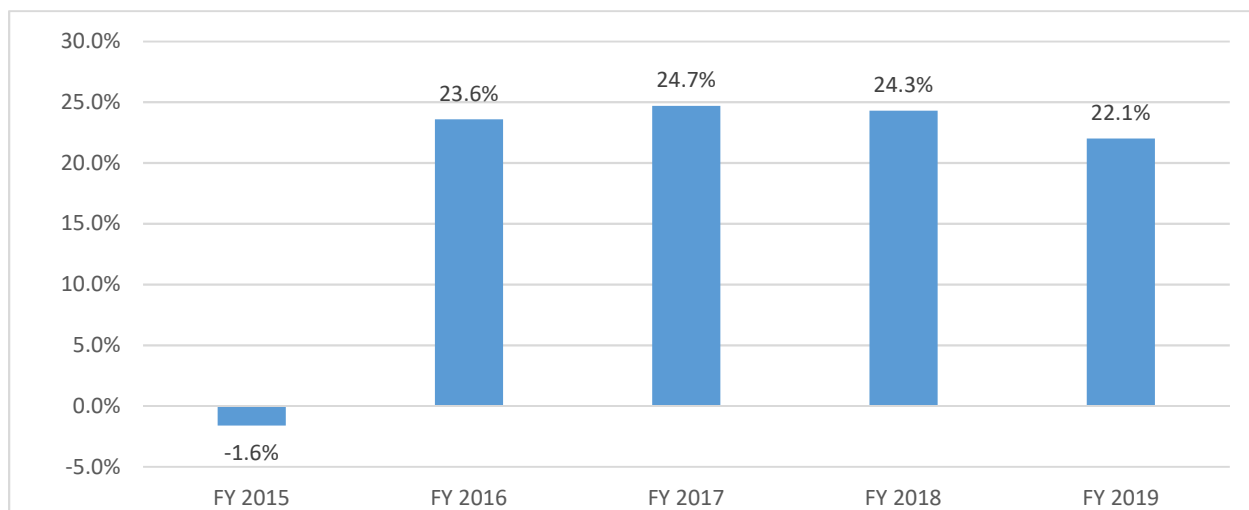
# QUARTERLY REVENUE, MARGIN & EBITDA



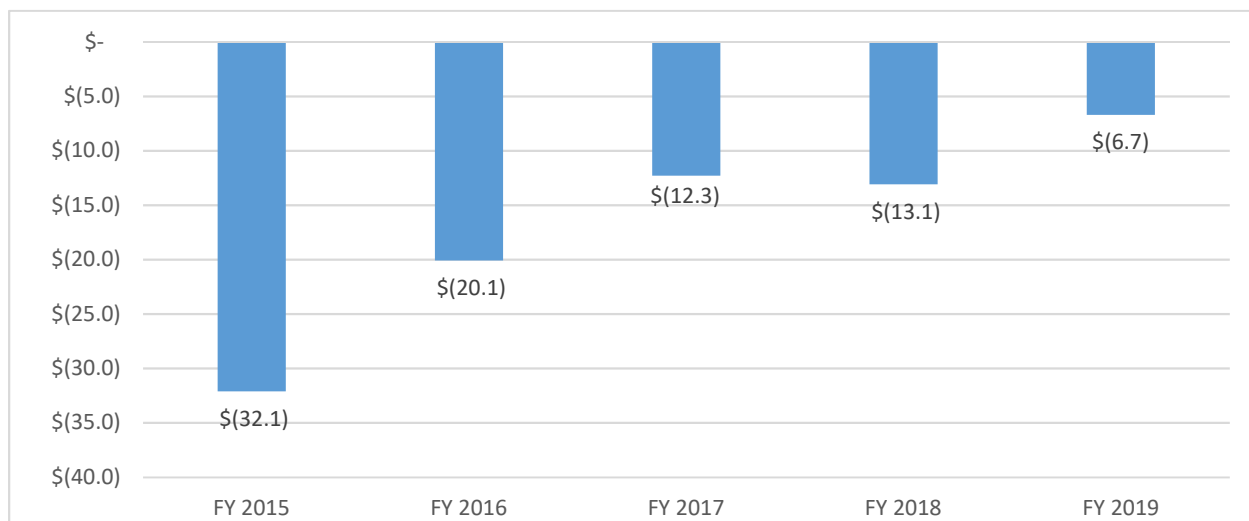
*Note: FY'18 Q4 EBITDA includes \$1.4M reversal of loss contingency.*

# ANNUAL MARGIN AND NET LOSS

## Gross Margin



## Net Loss



*Note: FY 2015 Gross Margin & Net Loss includes a \$12.1M write-off from wireless control inventory, fixed assets and intangible assets*

*FY 2016 Net Loss includes a \$4.4M goodwill impairment and \$1.6M write down to fair value of the manufacturing facility*

*FY 2017 Gross Margin and Net Loss includes \$2.2m of inventory adjustments/reserves*

*FY 2018 Net Loss includes \$2.1m of employee separation expense, \$1.4m reversal of contingency loss*



## SUMMARY P&L

	(Amounts in thousands, except share and per share data)			
	Three Months Ended March 31,		Twelve Months Ended March 31,	
	2019	2018	2019	2018
Total revenue	\$22,443	\$15,057	\$65,754	\$60,300
Gross profit	4,384	3,225	14,552	14,672
Loss from operations	(684)	(1,588)	(6,157)	(12,981)
Net loss	(882)	(1,462)	(6,674)	(13,143)
Diluted net loss per share	(\$0.03)	(\$0.05)	(\$0.23)	(\$0.46)
Weighted-average common shares and share equivalents outstanding	29,590,206	28,934,885	29,429,540	28,783,830

# SUMMARY BALANCE SHEET

## Summary Balance Sheet

	March 31, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	\$8,729	\$6,596
Other current	<u>32,648</u>	<u>18,872</u>
<b>Total Current Assets</b>	<b>41,377</b>	<b>25,468</b>
Property and equipment	12,010	12,056
Other intangible assets, net	2,469	2,554
Other long-term assets	<u>165</u>	<u>255</u>
<b>Total Assets</b>	<b><u>\$56,021</u></b>	<b><u>\$40,333</u></b>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and accrued expenses	\$27,116	\$16,659
Other Current	<u>219</u>	<u>201</u>
<b>Total Current Liabilities</b>	<b>27,335</b>	<b>16,860</b>
Revolving credit facility	9,202	3,329
Other	<u>1,514</u>	<u>1,479</u>
<b>Total Liabilities</b>	<b><u>38,051</u></b>	<b><u>21,668</u></b>
<b>Total Shareholders' Equity</b>	<b><u>17,970</u></b>	<b><u>18,665</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>\$56,021</u></b>	<b><u>\$40,333</u></b>

# NON-GAAP RECONCILIATION

## Net Loss to EBITDA

(Amount in thousands)

	<u>FY'18 Q4</u>	<u>FY'19 Q1</u>	<u>FY'19 Q2</u>	<u>FY'19 Q3</u>	<u>FY'19 Q4</u>
<b>Net loss</b>	<b>\$(1,462)</b>	<b>\$(2,692)</b>	<b>\$(2,438)</b>	<b>\$(662)</b>	<b>\$(882)</b>
Interest	105	86	166	75	155
Taxes	8	22	4	0	(12)
Depreciation	354	347	332	327	333
Amortization of intangible assets	121	121	111	111	101
Amortization of debt issue costs	9	0	0	31	70
EBITDA	\$(865)	\$(2,116)	\$(1,825)	\$(118)	\$(235)
Stock-based compensation	234	228	211	200	186
<b>ADJUSTED EBITDA</b>	<b>\$(631)</b>	<b>\$(1,888)</b>	<b>\$(1,614)</b>	<b>82</b>	<b>(49)</b>

*Note: FY'18 Q4 Adjusted EBITDA includes \$1.4M reversal of loss contingency.*



"The service and product Orion provided were terrific.  
The light spread, color and CRI are great."

**Michael Zalvis**  
Army Air Force Exchange Service

June 2019

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