



30th Annual ROTH Conference

Dr. Ted Tewksbury - Chairman, President and CEO

Michael Port - Chief Financial Officer

March 11- 14, 2018

Energy Focus – The Big Picture



Investment Thesis

Pure play LED lighting company undergoing turnaround with new leadership creates unique value creation opportunity

Mission

Deliver advanced technology solutions that enable our customers to run their facilities with greater energy efficiency, productivity and wellness

Vision

Be the retrofit technology solutions leader

Energy Focus at a Glance



Products

High Performance LED
Tubes and Fixtures

Markets

- Commercial & Industrial
- Military / Maritime
- Healthcare, Education, Government

Locations

- Solon, OH (Headquarters, Engineering, Assembly)
- Taipei, Taiwan (Engineering, Test, Manufacturing)

Revenue

\$20M (2017)

Employees

Approx. 75

Patents

80+

Key Dates and Strategic Turnaround



1985 FiberStars founded in Silicon Valley -- lights for pools and hot tubs, efficient and safe fiber optic lighting

2001 FiberStars rebrands to Energy Focus
Energy Focus Headquarters relocates to Solon, Ohio
Energy Focus acquires John Davenport's LED company (Unison)

2002 Energy Focus wins four DARPA contracts for Globe lights, berth lights, and 2-foot T12 replacement (M1).
The Intellitube® is born.

2011 First shipments of M1 Intellitube® to U.S. Navy

2012-2016 FiberStars divested in November 2013
Company becomes sole supplier of TLEDs to U.S. Navy and M1 growth ramp begins
Record 2015 annual results with \$64M revenue and \$0.88 diluted EPS from continuing operations
2016 revenue declines by 50% and company returns to a loss due to military market saturation, inventory accumulation, new competition

2017 **Dr. Ted Tewksbury appointed Chairman, CEO and President to turn company around**
Turnaround strategy announced in February 2017
Sharpened focus on being the retrofit technology leader for LED lighting and smart building automation
Company focuses on commercial & industrial markets

New Executive Team



Dr. Ted Tewksbury

Chairman, President & CEO
(since February 2017)



- Public technology company turnaround specialist
- CEO, Entropic; CEO, IDT; President & COO, AMI Semiconductor
- Manager at Analog Devices, Maxim, IBM
- B.S. Architecture, MIT
- MSEE, Ph.D. Electrical Engineering, MIT
- Board Director at MaxLinear and Jarjet Technologies

Michael Port

Chief Financial Officer
(since March 2017)



- Former EFOI Controller and Interim CFO
- Consultant, Resources Global Professionals
- Mgr at Mork Process, Hitachi Medical Systems, Oglebay Norton; Ernst & Young
- CPA; B.S.B.A. Accounting, The Ohio State U; MBA, Case Western Reserve

Larry Fallon

Sr. VP, Sales & Marketing
(since May 2017)



- VP Sales, CIMCON Lighting
- VP Sales, Sensity Systems
- Mgr at Accuity, Osram-Sylvania, ETi Solid State Lighting, Lighting Science Group
- B.A. Bus Admin, Wittenburg U.

Laszlo Takacs

Chief Technology Officer
(since December 2017)



- Sr. Principal Engineer, Soraa
- Sr. Principal Engineer, Rambus
- VP, R&D, Energy Focus
 - Architect of military Intellitube®
 - CEO of Activation Research
- CTO, GENVAC Aerospace
- BSEE, MSEE, Ohio State University

Bill Wright

VP, Operations
(since October 2017)



- Director of Operations, NetShape Technologies
- Plant Manager, Kennametal
- Quality, Operations, Plant Manager, Swagelok Company
- Staff Consultant, Andersen Consulting
- BS, Mech Engineering, U. of Cincinnati

Energy Focus Products Today



Military & Maritime Markets

- M1 Intellitube®
 - M2 Intellitube®
 - T5 Replacement
 - Globes
 - Hazloc Globes
 - Fixtures
-
- *Military Spec Qualified*
 - *Made in the USA, Buy American Act (BAA) and Trade Agreement Act (TAA) compliant products available*

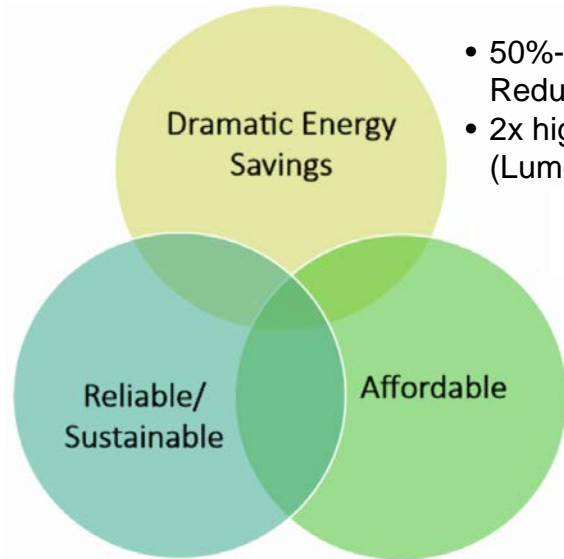


Commercial & Industrial Markets

- Commercial Intellitube®
- RedCap™ Emergency Backup
- T5 TLED
- Twin Tube
- Downlights
- Dock Lights
- Retrofit Kits
- Fixtures



LED Retrofits Offer Numerous Benefits

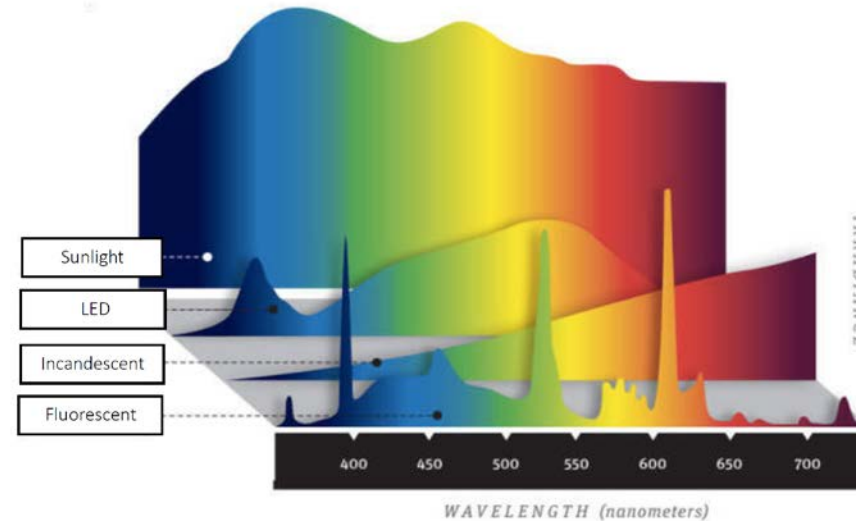


- 50%-75% Power Reduction*
- 2x higher Efficacy (Lumens/Watt)

- 4x longer life*
- No Mercury
- Lower Total Cost of Ownership (TCO)
- Payback < 2 years

* vs. fluorescent tubes

Superior Quality of Light



LED spectrum is better than incandescent and far superior to fluorescent, both for vision and for health

- Best spectral match to the sun
- No Ultraviolet (UV)
- Superior Color Rendering Index (CRI > 80)
- Lower instances of cataracts, macular degeneration, circadian rhythm sleep disorders and scotopic sensitivity syndrome^{1,2}
- Lower optical flicker

1) nei.nih.gov/eyedata

2) Based on in vitro tests on swine (pig) cells. RPE = Retinal Pigment Epithelium. Source: IDV/Essilor R&D 20

Why are Energy Focus LEDs Better?



Military-Tough Products for the Most Demanding Applications

Premium Performance

- Industry-leading combination of efficacy, efficiency, power factor and Total Harmonic Distortion (THD)
- Highest Optical Quality
- Ultra-Low Flicker (< 1% UL-certified)

Longest Lifetime

- Highest efficiency LED drivers
- Industry-leading 10-year warranty

Highest Quality and Durability

- Aluminum backbone and heat sink so product will not bow, break or melt
- < 1% failure rate on all products shipped to date
- Ideal for harsh, demanding and extreme applications

Buy American / Made-in-the-USA available

- Assembled in our Ohio factory

The LED solution of choice when performance, quality and health matter

Industry-Leading, Ultra-Low Optical Flicker

- Optical Flicker: Rapid modulation of light caused by AC power variations
- Stroboscopic effect can cause dangerous aliasing and distortion of moving objects (machine parts, power tools, etc.)
- Can interfere with electronic equipment (e.g. bar code scanners)
- Substropic (faster than the eye can see) flicker has deleterious effect on visual processing and human health
 - Headaches, eyestrain, fatigue, mood triggers
 - Interference with learning and concentration
 - Individuals on autism spectrum or with epilepsy may have heightened sensitivity
- IEEE* recommends $\leq 5\%$ flicker



Energy Focus first to market with Ultra-Low flicker TLEDs (UL-Certified < 1% optical flicker)

* Institute of Electrical and Electronics Engineers

Case Studies

U.S. Navy



- Awarded \$53M in development contracts since 2002 by U.S. Gov.
- Shipped over 500k M1 TLEDs to US Navy (\$62M) with negligible defects
- In all 185 ships of the U.S. fleet
- 50% penetrated
- Changeover from T12 fluorescent to LED in minutes
- Could save the Navy \$150M/yr in energy costs
- Led to wins with MSC, Allied Navies

Healthcare



- Cleveland Clinic: Multimillion dollar contract signed in 2002 to retrofit 56 buildings
- Shipped 230,000 tubes to date for 38 buildings
- Success with TLEDs led to award of downlights and exterior lighting
- Strong reference has led to wins with other leading healthcare facilities
- Completed retrofits in over 75 healthcare facilities, VA hospitals.

Education



- K-12: Retrofitted over 100 schools through direct sales and Energy Service Company (ESCO) partners
- Higher education: Retrofits include U. Minnesota, U. Central Florida and Wayne State University
- Ultra-low flicker important to schools for enhanced concentration and learning

Large and Growing C&I Market Opportunity



- U.S. Consumer & Industrial (C&I) market represents a Total Addressable Market (TAM) in excess of \$16B in 2017 growing to \$17.1B in 2023⁽¹⁾
- Commercial electricity costs are expected to continue rising at 2.7% annually 2015-2020⁽¹⁾
- Lighting represents single largest power draw (~23%) in commercial buildings
- Adoption and market penetration of LED's can drive a 75% reduction in energy consumption in 2035⁽¹⁾
- LED payback now <3 years in most parts of the U.S., Asia, and Europe
- Legislation / regulatory environment create economic incentives to reduce power/carbon emissions

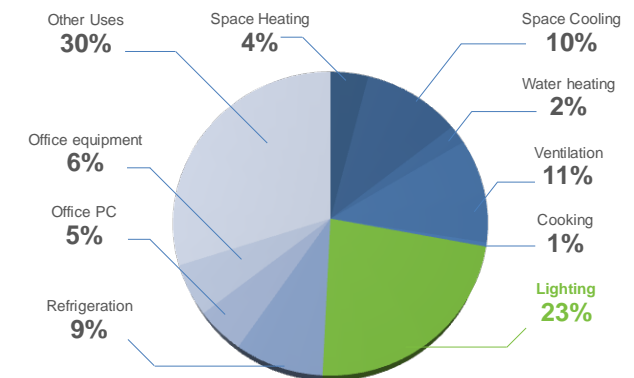
Record High Electricity Prices Every Year Since 2003⁽²⁾

U.S. residential electricity price



eia Source: Short-Term Energy Outlook, September 2016

Addresses Largest Energy Savings Opportunity⁽³⁾



1) Source: DOE "Energy Savings Forecast for Solid-State Lighting General Illumination Applications", September 2016.

2) Source: Energy Information Agency "Short Term Outlook, September 2016".

3) Source: eia Annual Energy Outlook 2011 http://www.columbia.edu/cu/alliance/documents/EDF/Wednesday/Heal_material.pdf

Financial Summary – Snapshot



Key Statistics *(as of 12/31/17)*

Stock Price	EFOI: \$2.45
Market Cap	\$29.1 M
Total Enterprise Value	\$18.3 M
Exchange	NASDAQ

Capitalization *(as of 12/31/17)*

Shares Outstanding	11.9 M
Total Debt	Nil
Cash	\$10.8 M
Insider Ownership	21%

	2017	2016	2015	2014	2013
Net Sales	\$19.8 M	\$31.0 M	\$64.4 M	\$22.7 M	\$9.4 M
Gross Margin %	24.3%	24.8%	45.5%	34.3%	22.1%
Operating Expenses*	\$16.1 M	\$24.5 M	\$19.6 M	\$8.9 M	\$7.7M
Net Income (Loss) – Continuing	\$(11.3 M)	\$(16.9 M)	\$9.5 M	\$(4.3 M)	\$(5.9 M)
Net Income (Loss)	\$(11.3 M)	\$(16.9 M)	\$8.8 M	\$(5.8 M)	\$(2.4 M)
Diluted Net Income (Loss) per Share – Continuing	\$(0.95)	\$(0.67)	\$0.88	\$(0.55)	\$(1.24)
Employee Count	74	131	122	77	59

*Operating expenses for the year ended 12/31/2017 include \$1.8 M in restructuring and asset impairment charges. Operating expenses for the year ended 12/31/2016 include \$0.9 M in asset impairment charges.

Turnaround Strategy

- 1. Cost Reductions:** Expand gross margins and reduce operating expenses, COGS and inventory to restore profitability.
- 2. Sales Expansion:** Transition from small, local direct sales team to nationwide network of Energy Focus-trained agents, distributors and channel partners.
- 3. Product Portfolio Diversification and Differentiation:** Expand product roadmap into controls, fixtures, sensors and connectivity for smart lighting and building automation.

“Every Product a World’s First or a World’s Best”

Cost Reduction Initiatives Drive Profitability



Operating Expense Reduction

- Achieved \$8.4M y/y opex reduction from 2016 to 2017 (34%), excluding restructuring expense and impairment losses opex reduction of \$9.4M y/y
- Reduced full-time equivalent headcount by 51%
- Closed offices in New York, Minnesota, and Arlington, Virginia
- Exited money losing and non-strategic business activities: energy audits, installations, buy/resell (pass through) products, Lighting-as-a-Service
- Reduced external consulting and services (marketing, finance, legal, recruiting)

Gross Margin Improvement

- Product cost downs
- Component price negotiations
- Product selection criteria prioritize value, differentiation and GM

Inventory Reduction

- Improved demand forecasting, purchasing and inventory management processes
- Reduced SKUs from 160 to 80
- \$5.4M y/y inventory reduction from 2016 to 2017 (34%)

New Sales Structure to Drive Growth



30 Sales Agents and Growing

- Represent multiple manufacturers
- Provide complete portfolio of lighting solutions to customers
- Extensive customer and ecosystem partner relationships (Energy Service Companies, Lighting Retrofit Contractors, Distributors)
- Access to energy audits, installations and financing
- Paid on commission relative to specified quotas
- Agencies not paid until we get paid
- Proven sales model in lighting industry

6 Regional Sales Managers (RSMs)

- Direct sales personnel on EFOI payroll
- One for each of 6 territories
- New hires with extensive lighting sales experience
- Train, manage and support agents



Before	Now
Local Company (25% of sales in OH and TX; no coverage in key regions)	Nationwide Company (100% coverage of US)
9 direct sales people with 26 years of combined experience	9 direct sales people with 177 years of combined experience
No agencies	30 agencies hired & trained; Effective sales headcount >100

New Products: The Engine of Growth

RedCap™ Emergency Backup TLED

- The industry's first fully-integrated, UL approved, TLED emergency battery back-up provides 90 minutes of illumination time in the event of a power failure
- Emergency backup batteries required by code (~1 for every 10 tubes)
- Replaces bulky above-ceiling external battery packs with simple retrofit TLED
- Makes emergency backup lighting “as easy as changing a lightbulb”



1st Place Winner
of 2017 LEDs
Magazine
Sapphire Award



Smart Lighting: The Next Big Growth Vector



Transforming Ordinary Environments into Smart Environments through Retrofit

LED Lighting

Ultra-Low Flicker
10-Year Warranty
Military-Tough



Emergency Battery Backup

RedCap™



Smart Lighting

Energy Efficiency
Occupancy Sensing
Daylight Harvesting

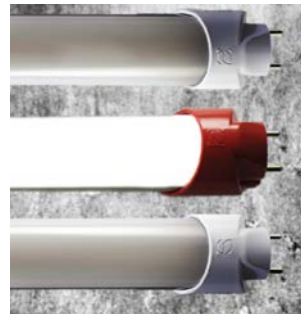
Human Centric Lighting

Task Tuning
Color Temperature Tuning
Circadian Rhythm / Spectrum Optimization

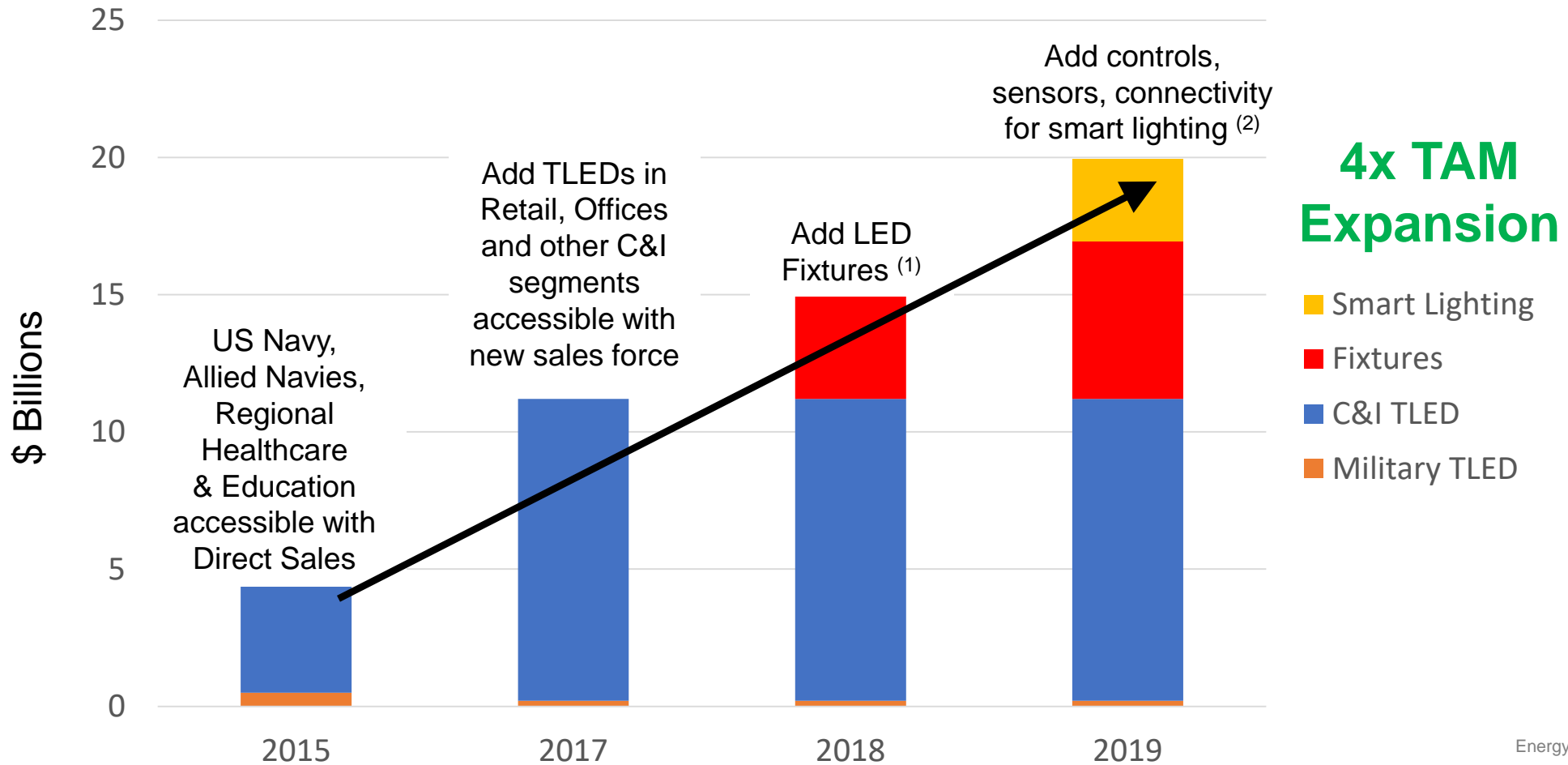


Internet-of-Things (IoT)

Building Automation
Asset Tracking
Smoke / Fire Detection
Air Quality
Security / Surveillance
WiFi / LiFi



Expanding the Total Available Market (TAM)



Energy Focus Estimates

1) Source: "Connected Indoor Lighting, Market Analysis and Forecast", 2015, Strategies Unlimited
 2) Source: "LED Global Market Trends", 2014, Philip Smallwood, Strategies Unlimited

Turnaround Progress



Cost Reductions

- \$8.4M in y/y operating expense reductions, excluding restructuring expenses and impairment losses y/y opex reduction of \$9.4M
- FTE headcount reduction of 51%
- Closed offices in NYC, MN and Arlington, VA
- Exited audits, installations, LaaS



Sales Force

- Recruited and trained experienced Sr. VP of Sales, 30 agents and 6 Regional Sales Managers
- Now have 100% coverage of USA
- Plan on growing agencies to 50 in 2018
- Increasing quoting activity and design funnel



New Products

- Roadmap formulated, products in definition & development
- RedCap™ market release in Q4 2017
- At least 2 new products in 2018 and 1 per quarter in 2019



Revenue Growth

- 2017 revenue determined by legacy pipeline (6-12 mo sales cycle)
- Expect contributions from agents starting in Q4, increasing in 2018
- New product revenue layers on starting in 2018 (12-18 mo design cycles)

Why invest in Energy Focus?



- High performance, military-tough products and stellar reputation with marquis customers provide solid platform for growth
- TAM expansion into large, growing commercial and industrial LED retrofit market (previously untapped by the company)
- Portfolio extension into higher value product categories drives additional TAM and gross margin expansion
- New sales structure provides 100% geographical coverage, transforming Energy Focus from a regional to a nationwide company
- Strategy to return to profitability and revenue growth in 2018
- Turnaround by experienced executive team represents unique value creation opportunity

Thank you!



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