



Energy Focus, Inc.

Investor Presentation  
October 2020

# Forward Looking Statement

Forward-looking statements in this presentation are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, these statements can be identified by the use of words such as “believes,” “estimates,” “anticipates,” “expects,” “seeks,” “projects,” “intends,” “plans,” “may,” “will,” “should,” “could,” “would” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words or phrases. These forward-looking statements include all matters that are not historical facts and include statements regarding our current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies, capital expenditures and the industry in which we operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this presentation. We believe that important factors that could cause our actual results to differ materially from forward-looking statements include, but are not limited to: (i) disruptions in the U.S. and global economy and business interruptions resulting from the recent coronavirus (“COVID-19”) health pandemic outbreak and related stay-at-home orders, quarantine policies and restrictions on travel, trade and business operations; (ii) our need for additional financing in the near term to continue our operations; (iii) our liquidity and refinancing demands; (iv) our ability to obtain refinancing or extend maturing debt; (v) our ability to continue as a going concern for a reasonable period of time; (vi) our ability to implement plans to increase sales and control expenses; (vii) our reliance on a limited number of customers for a significant portion of our revenue, and our ability to maintain or grow such sales levels; (viii) our ability to increase sales by adding new customers to reduce the reliance of our sales on a smaller group of customers, and the long sales-cycle that our product requires; (ix) our ability to increase demand in our targeted markets and to manage sales cycles that are difficult to predict and may span several quarters; (x) the timing of large customer orders, significant expenses and fluctuations between demand and capacity as we invest in growth opportunities; (xi) our ability to compete effectively against companies with lower cost structures or greater resources, or more rapid development efforts, and new competitors in our target markets; (xii) our ability to successfully scale our network of sales representatives, agents, and distributors to match the sales reach of larger, established competitors; (xiii) market acceptance of LED lighting technologies and products; (xiv) our ability to attract and retain qualified personnel, and to do so in a timely manner; (xv) the impact of any type of legal inquiry, claim, or dispute; (xvi) general economic conditions in the United States and in other markets in which we operate or secure products; (xvii) our dependence on military maritime customers and on the levels of government funding available to such customers, as well as the funding resources of our other customers in the public sector and commercial markets; (xviii) the possible impact on our military maritime customers and their ability to honor the timing for existing orders or place future orders due to COVID-19 breakouts amongst personnel that might impact the use of ships in service; (xix) business interruptions resulting from geopolitical actions, including war and terrorism, natural disasters, including earthquakes, typhoons, floods and fires or from health epidemics or pandemics or other contagious outbreaks; (xx) our reliance on a limited number of third-party suppliers, our ability to obtain critical components and finished products from such suppliers on acceptable terms, and the impact of our fluctuating demand on the stability of such suppliers; (xxi) our ability to timely and efficiently transport products from our third-party suppliers to our facility by ocean marine channels; (xxii) our ability to respond to new lighting technologies and market trends, and fulfill our warranty obligations with safe and reliable products; (xxiii) any delays we may encounter in making new products available or fulfilling customer specifications; (xxiv) any flaws or defects in our products or in the manner in which they are used or installed; (xxv) our ability to protect our intellectual property rights and other confidential information, and manage infringement claims by others; (xxvi) our compliance with government contracting laws and regulations, through both direct and indirect sale channels, as well as other laws, such as those relating to the environment and health and safety; (xxvii) risks inherent in international markets, such as economic and political uncertainty, changing regulatory and tax requirements and currency fluctuations, including tariffs and other potential barriers to international trade; and (xxviii) our ability to remediate a significant deficiency, maintain effective internal controls and otherwise comply with our obligations as a public company and under Nasdaq listing standards.

## Industry leader of advanced LED lighting technologies and solutions:

- With a proven track record for superior quality and innovation in LED since 2004
- Delivering substantial **“triple-bottom-line”** (financial, environmental and human) impacts (“total sustainability”)
- Marquee enterprise customers, including U.S. and foreign navies, U.S. governments, healthcare, educational, and Fortune 500 organizations

## New management since April 2019 restructured and resumed growth:

- Aiming to build a global industry leader and create exceptional value as **LED and connected lighting** adoption accelerates
- Reduced losses by 60%+ and started growing sales from Q4 2019
- Q1 2020 sales grew 19% yoy and 7% sequentially
- Q2 2020 sales grew 8% yoy, with Q3 2020 sales expected to be up 106% - 140% yoy

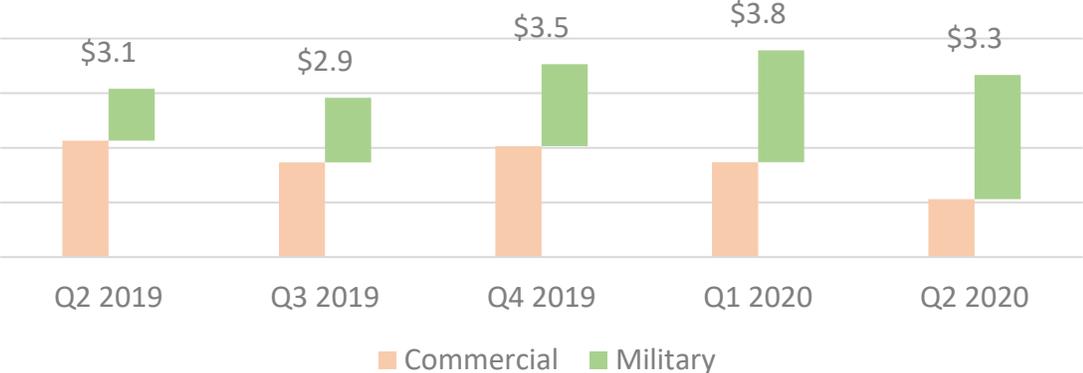
## Recently introduced **EnFocus™** and launching UVGI product portfolio:

- A breakthrough, patent-pending lighting control platform with Human-Centric Lighting (HCL) capabilities, initially including flicker-free, dimming and color tuning
- Targeting the retrofit market--5.6M commercial buildings and 1+ billion lighting fixtures in the US alone with global applications
- Rapidly expanding multi-layer distribution channel network

# Recent Quarterly Financial Overview

*\$ in millions* **Improving financial performance driven by relaunch initiatives Since Q2 2019**

### Net Sales



### Operating Expenses



### Adjusted EBITDA

(Net loss excluding restructuring, interest, depreciation and amortization, stock-based compensation, change in fair value of warrants, other incentive compensation)



### Inventories, net



# Current Commercial & Industrial Products— Covering **80%+** Indoor Lighting Needs for C&I Buildings

- **Linear Lamps:**

- T12 TLED
- T8 TLED
- T8 Intellitube® TLED
- T5 High Output TLED
- Twin Tube
- LED Retrofit Kit
- RedCap® Emergency Backup TLED



- **Luminaires:**

- Docklight
- Downlight
- Flood and Area Light
- Explosion and Hazardous Location Globes



- **TLED-based Fixtures:**

- High and Low Bay
- Vapor Tight
- Troffer



- **EnFocus™ Control Platform:**



- **UV-C Disinfection Solutions**

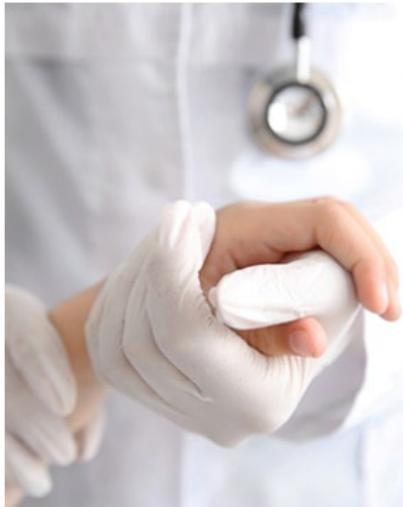
- nUVo™
- mUVe™
- abUV™



# Energy Focus: Trusted LED Lighting Partner for Mission Critical Facilities

**26+**

Years we've been a publicly traded company



## Healthcare

- **70+** unique hospital customers including National Institute of Health, Cleveland Clinic, and Mayo Clinic



**90+**

Patents issued to Energy Focus

## Education

- **230+** unique customers, including U. of Minnesota, Yale, St. John's, Penn State, Michigan State, over 100 school districts

**1330+**

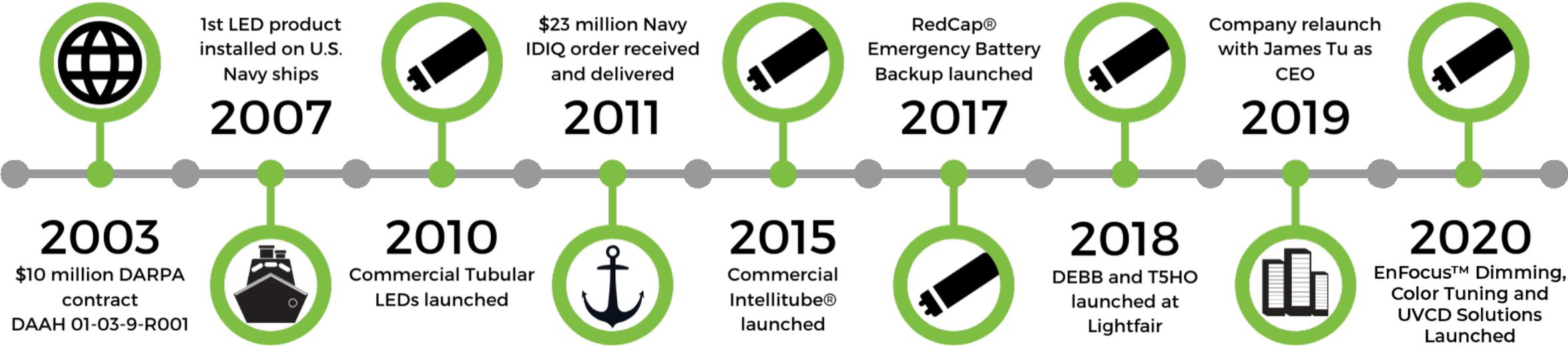
Industrial and Commercial customers served



## U.S. Navy

- **70%+** market share in U.S. Navy LED lighting & 800K+ lamps installed
- **<0.1%** Failure Rate across all products

# Distinguished History of Disruptive Technology Innovations



# Global C&I LED Lighting Market TAM from 2017-2026



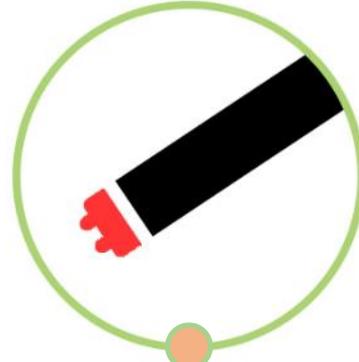
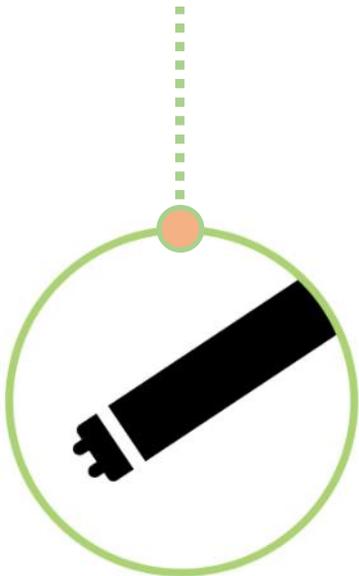
\*Source: "Market data: LED Global Outlook", Q3 2019, Navigant Research; "Global LED and Smart Streetlight: Market Forecast 2017-2027", November 2017, Research & Markets.

# LED Lighting: Going Beyond Energy Efficiency To HCL & IoT

*Transforming LED from an “Energy Efficiency” Story to Total Sustainability*

## LED Lighting

- Flicker-Free
- 10-Year Warranty
- “Military-Tough” with best industry reliability record



## Emergency Battery Backup

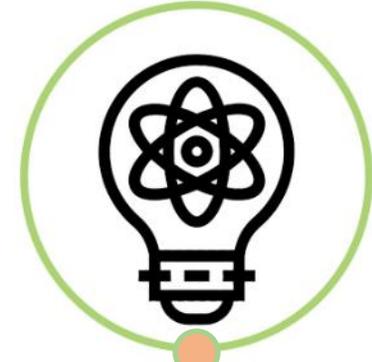
- RedCap™

## Human Centric Lighting (HCL)

- Color Temperature Tuning
- Circadian Rhythm
- UV Disinfection

## Networked Lighting

- Occupancy Sensing
- Daylight Harvesting
- Social Distancing

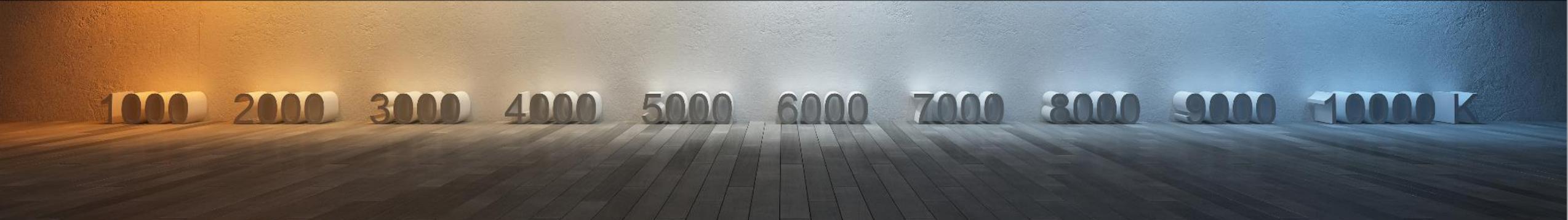


## Internet-of-Things (IoT)

- Energy Monitoring & Mgt.
- Building Automation
- Smoke / Fire Detection
- Air Quality/HVAC control
- Security / Surveillance
- LiFi



*EnFocus™: Enabling buildings to provide sustainable & affordable HCL*



1000 2000 3000 4000 5000 6000 7000 8000 9000 10000 K

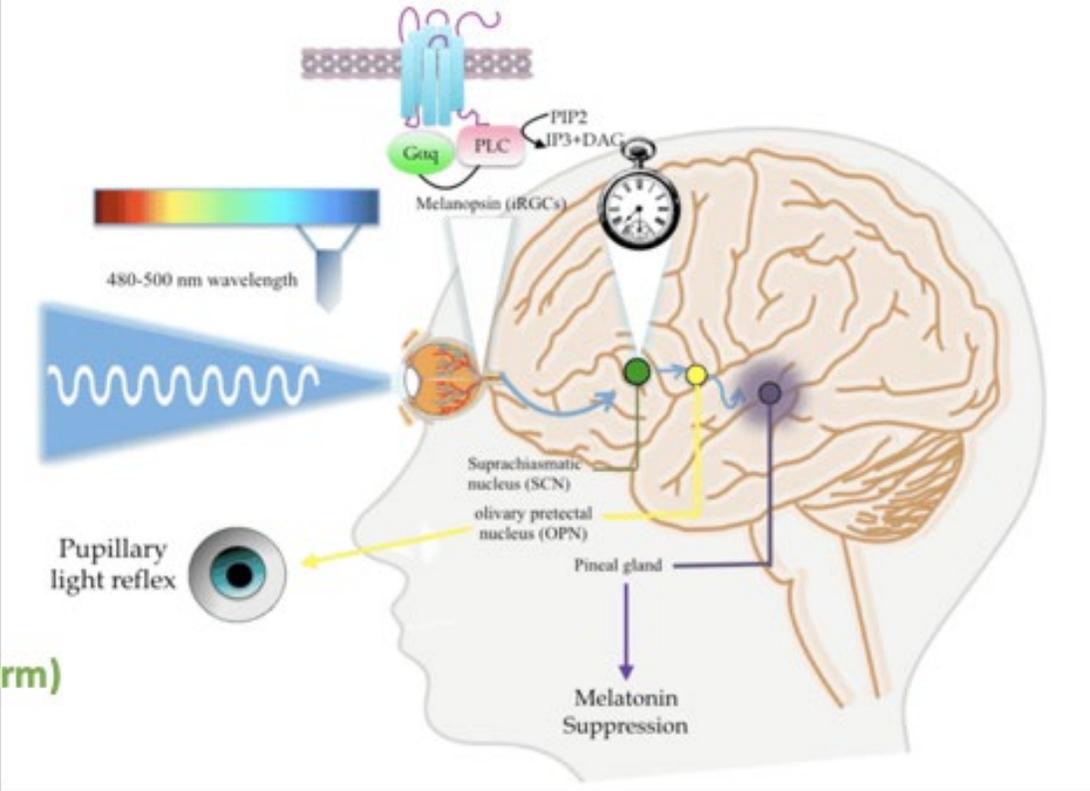
# Dimming and Color Tuning For Optimal Circadian Wellness

### Path One (Visual)

- Rods  
Dim light
- Cones  
Daylight / Color

### Path Two (Non-Visual)

- ipRGCs (intrinsically photosensitive Retinal Ganglion Cells)  
Roughly 1% of RGCs
- Melanopsin: light sensitive protein (long term)**
- Direct to SCN (suprachiasmatic nucleus (hypothalamus))



# Circadian Influencers

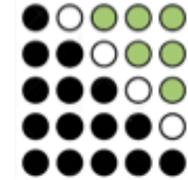
Timing of Light (i.e., when)



Three Conditions for Circadian Entrainment

1. High in Melanopic Content (High CCT)
2. Low in Melanopic Content (Low CCT)
3. Darkness

Intensity of Light (i.e., how much)



Most acutely influenced by blue wavelengths  
(~480-500nm)  
Daylight: 4,000 to 25,000 kelvin

CCT of Light (i.e., what color temperature)



Sunny day: 100,000 lux  
Cloudy/rainy day: 2,000 to 10,000 lux  
Typical office space: 200 to 800 lux

*You can, for example, make your lights **bluer and brighter** in the morning to promote alertness and assist in waking up, and then set your lights to be **redder and dimmer** as the day progresses to allow melatonin production.*

# Circadian Lighting Significantly Boosts - Learning Effectiveness

RESPONSIBLE  
BUY OLD  
IONS!

Aa Bb Cc Dd Ee Ff Gg Hh Ii Jj Kk Ll Mm Nn Oo Pp Qq Rr Ss Tt Uu Vv Ww Xx Yy Zz



*“Students exposed to lighting with **higher light intensity** and light temperature levels had, by the end of the year, **increases in performance** that were **33% higher** than the increases in performance of the control group.”*

- Human Centric Lighting, Stan Walerczyk, CLEP, LC,  
<https://humancentriclighting.org/wpcontent/uploads/2012/07/Stan-Article-SSL1.pdf>

# Circadian Lighting Significantly Boosts - Worker Productivity



*“Occupancy study shows that productivity was boosted by up to **20%**. Additionally, employees were **38% calmer**, and **10% more focused** than their colleagues in the rest of the office.”*

- Dr. Marcella Ucci, head of the MSc in Health, Wellbeing and Sustainable Buildings at the University College of London <https://www.luxreview.com/2019/05/22/office-with-circadian-lighting-boosts-productivity/>

# Benefits of HCL To Dwarf Energy Efficiency: 1% Productivity Gain=100% Total Energy Cost

*Jones Lang Lasalle's real estate industry rule of thumb, called the "3-30-300", states that each year it costs a building...*



<https://www.us.jll.com/en/trends-and-insights/workplace/a-surprising-way-to-cut-real-estate-costs>



2700K

6500K



EnFocus | dm  
(Dimming Only)



EnFocus | dct  
(Dimming and  
Color Tuning)



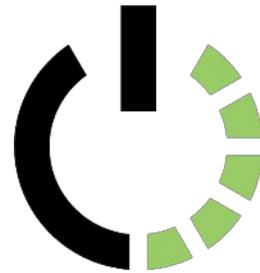
## Bringing HCL To Existing Buildings For the First Time



- **Network safe and secure** LED lighting control solution



- **Simple retrofit installation**, with no additional wiring for control capabilities



- **Preserving high power factor and low total harmonic distortion (THD)**, unlike traditional phase-cut dimming approaches



- **Much lower cost to install** than other wired or wireless dimming and color tuning LED lighting systems



- **The most sustainable and affordable** lighting control solution versus other LED alternatives. EnFocus™ LED lamps replace existing tubes instead of replacing the whole fixture

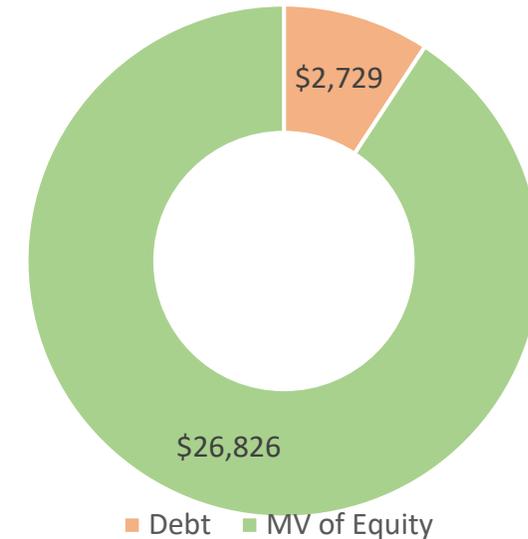
		L* switch + integrated color tuning fixture	E* Control System w/ sensors	P*, O* Dali Control Systems
Hardware	\$225	\$700	\$1,400	\$1,400
Labor (4 fixtures: removal & installation)	\$60	\$150	\$150	\$150
Labor (1 switch: installation & conduit wiring)	\$15	\$150	\$150	\$300
Total	\$300	\$1,000	\$1,700	\$1,850
Cost Multiple		3.3x	5.7x	6.2x

# Summary Balance Sheets

(\$ in thousands)	As of 6/30/2020	As of 12/31/2019
Cash	\$2,727	\$350
Total current assets	\$11,822	\$9,334
<b>Total assets</b>	<b>\$13,907</b>	<b>\$11,739</b>
Total current liabilities	\$11,036	\$6,542
Total liabilities	\$12,193	\$7,743
Stockholders' equity	\$1,714	\$3,996
<b>Total liabilities and stockholders' equity</b>	<b>\$13,907</b>	<b>\$11,739</b>
<b>Excess Availability under credit facility<sup>2</sup></b>	<b>\$1,169</b>	<b>\$1,579</b>
<b>Total Availability<sup>3</sup></b>	<b>\$3,896</b>	<b>\$1,929</b>

- 1 Additional capital includes \$2.3M in gross proceeds from January 2020 equity offering + \$795K in proceeds from April 2020 PPP loan
- 2 Represents difference between maximum borrowing capacity of credit facility and actual borrowings
- 3 Represents Company's 'access' to cash if needed at point in time (Cash + Excess Availability)

Capital Structure  
(as of June 30, 2020)



Market value of equity based on closing stock price of \$8.28 on August 21, 2020 and 3.240M shares outstanding as of June 30, 2020

# Energy Focus: Key Investment Attributes

1

Significant enterprise LED lighting market opportunity with **accelerating adoption propelled by HCL and IoT**

2

**Proven and vested** executive team leading and completing corporate relaunch with quarterly growth starting in **4Q 2019**

3

Proven industry **innovation leader**, with high performance LED lighting products installed in numerous military, healthcare, education and enterprise mission-critical facilities

4

Introduction of breakthrough, **EnFocus™**, the breakthrough lighting control and HCL platform specifically targeting existing **5.6M commercial buildings and 1+ billion fluorescent fixtures in the US and many more globally**

5

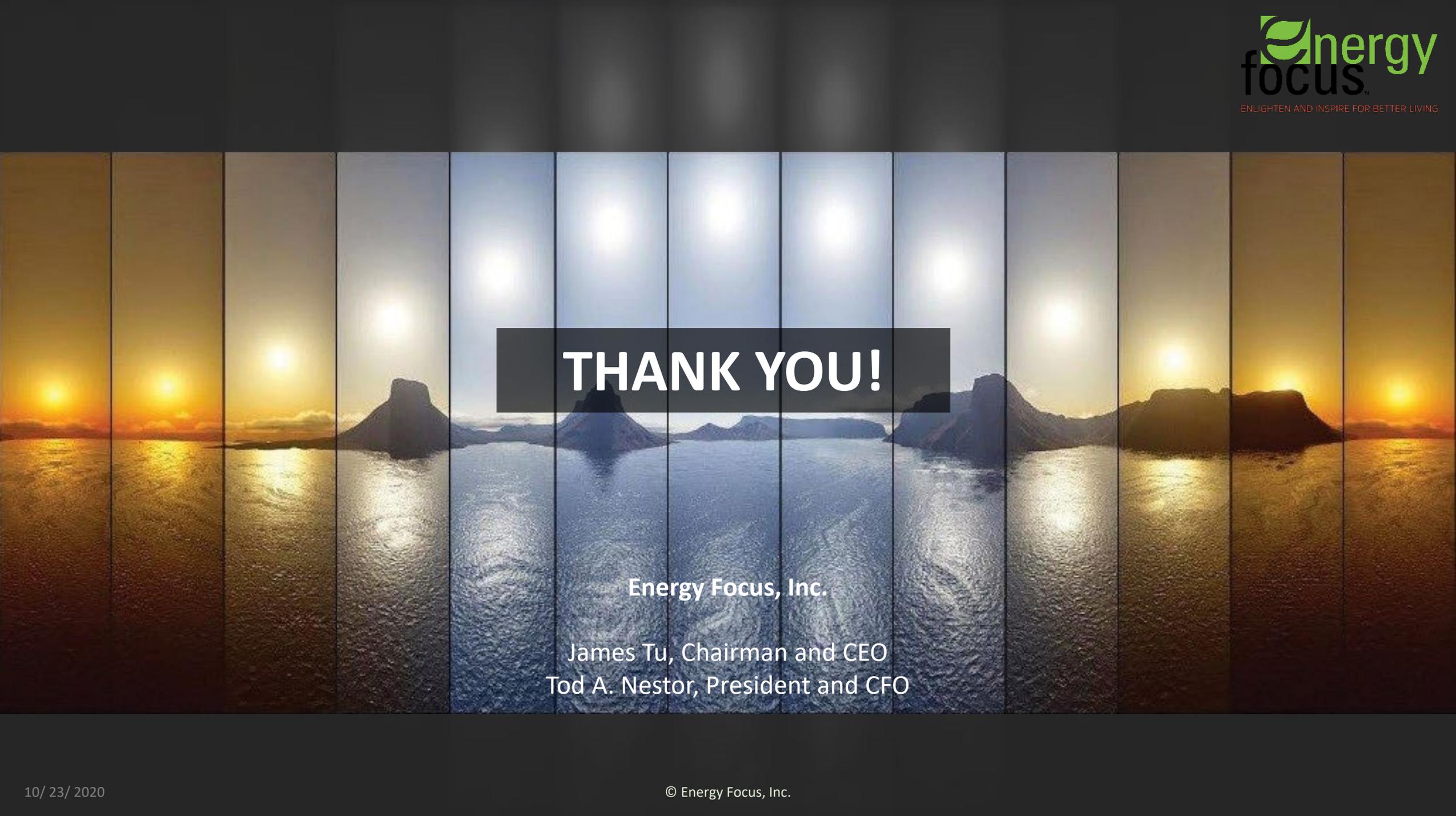
Continuing expansion of functionalities and applications built upon EnFocus™, such as **UV disinfection** and **autonomous controls**

6

**Strengthened balance sheet** and liquidity to support aggressive growth

7

Significant management and insider ownership **~30%**



**THANK YOU!**

**Energy Focus, Inc.**

James Tu, Chairman and CEO  
Tod A. Nestor, President and CFO