



Energy Focus, Inc.

Investor Presentation  
September 2022

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# Forward Looking Statements

Forward-looking statements in this release are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “feels,” “seeks,” “forecasts,” “projects,” “intends,” “plans,” “may,” “will,” “should,” “could” or “would” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding our intentions, beliefs or 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 in light of the information currently available to us, 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 release. 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) instability in the U.S. and global economies and business interruptions experienced by us, our customers and our suppliers, particularly in light of supply chain issues, and related long-term impacts on travel, trade and business operations, as a result of the COVID-19 pandemic; (ii) the competitiveness and market acceptance of our LED lighting, control and UVCD technologies, services and products; (iii) our ability to compete effectively against companies with lower prices or cost structures, greater resources, or more rapid development capabilities, and new competitors in our target markets; (iv) our ability to extend our product portfolio into new end markets, including consumer products; (v) our ability to realize the expected novelty, effectiveness, affordability and availability of our UVCD products and their appeal compared to other competing products; (vi) our ability to increase demand in our targeted markets and to manage sales cycles that are difficult to predict and may span several quarters; (vii) the timing of large customer orders, significant expenses and fluctuations between demand and capacity as we manage inventory and invest in growth opportunities; (viii) our ability to successfully scale our network of sales representatives, agents, distributors and other channel partners to compete with the sales reach of larger, established competitors; (ix) our ability to implement plans to increase sales and control expenses; (x) 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; (xi) our ability to add new customers to reduce customer concentration; (xii) our need for and ability to obtain additional financing in the near term, on acceptable terms or at all, to continue our operations; (xiii) our ability to refinance or extend maturing debt on acceptable terms or at all; (xiv) our ability to continue as a going concern for a reasonable period of time; (xv) our ability to attract and retain a new chief executive officer and a new chief financial officer; (xvi) our ability to attract, develop and retain qualified personnel, and to do so in a timely manner; (xvii) our reliance on a limited number of third-party suppliers and development partners, our ability to manage third-party product development and obtain critical components and finished products on acceptable terms and of acceptable quality despite ongoing global supply chain challenges, and the impact of our fluctuating demand on the stability of such suppliers; (xviii) our ability to timely, efficiently and cost-effectively transport products from our third-party suppliers by ocean marine and other logistics channels despite global supply chain and logistics disruptions; (xix) the impact of any type of legal inquiry, claim or dispute; (xx) the macro-economic conditions, including recessionary trends, in the United States and in other markets in which we operate or secure products, which could affect our ability to obtain raw materials, component parts, freight, energy, labor, and sourced finished goods in a timely and cost-effective manner; (xxi) our dependence on military maritime customers and on the levels and timing of government funding available to such customers, as well as the funding resources of our other customers in the public sector and commercial markets; (xxii) business interruptions resulting from geopolitical actions such as war and terrorism, natural disasters, including earthquakes, typhoons, floods and fires, or from health epidemics, or pandemics or other contagious outbreaks; (xxiii) our ability to respond to new lighting and air disinfection technologies and market trends; (xxiv) our ability to fulfill our warranty obligations with safe and reliable products; (xxv) any delays we may encounter in making new products available or fulfilling customer specifications; (xxvi) any flaws or defects in our products or in the manner in which they are used or installed; (xxvii) our ability to protect our intellectual property rights and other confidential information, and manage infringement claims made by others; (xxviii) 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; (xxix) 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; (xxx) our ability to maintain effective internal controls and otherwise comply with our obligations as a public company; and (xxxi) our ability to maintain compliance with the continued listing standards of The Nasdaq Stock Market. For additional factors that could cause our actual results to differ materially from the forward-looking statements, please refer to our most recent annual report on Form 10-K and quarterly reports on Form 10-Q filed with the Securities and Exchange Commission.

## Cutting Edge Technology for the Lighting Market

### Innovator of LED lighting technologies and solutions:

- **Proven track record** for superior quality and innovation in LED since 2004
- **Marquee enterprise customers**, including U.S. and foreign military, U.S. government, healthcare, educational, and Fortune 500 organizations
- Leveraging lighting expertise to provide lighting for human wellness, MIL-SPEC compliant lighting products, innovative emergency lighting solutions and unique, turnkey lighting control systems.

### New, experienced management team

- Decades of industry experience
- Strong engineering, operations and product development team
- Revitalizing business to target near-term opportunities with clear differentiation

### Established, award-winning platform of leading-edge products

- RedCap® emergency lighting solutions
- EnFocus™ Power Line communication (PLC) enabled controls with circadian capability
- nUVo™ UVC disinfection products

Standard  
Lighting

Specialty  
Lighting

Military  
Maritime  
Marine

- Power line communication
- Smart controls
- Circadian capabilities

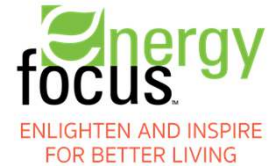
UVC  
disinfection

Large, growing markets (military,  
commercial, residential)

Rapid adoption of LED

But only 25% of market has transitioned

## Senior Leadership



**Lesley Matt, Chief Executive Officer**



- Former SVP of TCP Lighting
- Accomplished the merger of TCP with re-privatization of the organization and setting a new brand standard for the Company

**Randy Gianas, VP of Engineering**



- Over a decade of experience in lighting engineering, operations, supply chain and sales
- Speaks fluent Mandarin and Taiwanese and has extensive experience working in Asia covering engineering and supplier development

**Greg Galluccio, Senior VP of Product Management and Engineering**



- Joined Energy Focus in 2021
- 35 years of experience in the electrical and lighting industries.
- VP of Product Development at Maxlite, Inc.
- Underwriters Laboratories (UL) engineering team leader and Director of UL's Canada operations
- Leviton manufacturing product management team and Director of LED Business Development

**Robert Hannegan, VP of Sales**



- Commercial lighting sales leader with over 20 years of experience
- Roles include national sales management, special design projects, and custom operations

**James Warren, Senior VP, General Counsel**



- Corporate and securities lawyer with GrafTech International Ltd. (NYSE:EAF), and FirstEnergy Corp. (NYSE:FE)
- Private practice experience focused on M&A, securities, and other corporate transactions
- Previously, electrical engineer for R&D of naval sensor systems and digital communications systems

**Clifford R. Griffin, SVP Corporate Controller and Chief Accounting Officer**



- Previously, Corporate Controller at Babcock & Wilcox Enterprises, Inc. a large manufacturer of power generation and environmental equipment
- Previously, Corporate Controller for Advanced Lighting Technologies, LLC, a producer of lighting products, components and systems.

## Board of Directors Includes Strong Recent Adds

### Steve Socolof, Lead Director



- Experienced venture capitalist
- Managing Partner of Tech Council Ventures
- 25 years investing in enterprise technology and cleantech
- Started Lucent's Bell Laboratories venture incubator in 1996 and have been partnering with corporate innovators ever since

### Jeff Parker, Independent Director



- 30 years managing LED companies in the display, lighting, and medical markets
- CEO of Luminii, LLC, an industry-leading manufacturer of architectural LED lighting systems.
- CEO & Chairman at Soraa, Inc., an LED lighting company pioneering LEDs built from GaN substrates
- President of Lighting and Display Business at Rambus

### Jennifer Cheng, Independent Director



- Co-founder of Social Energy Partners LLC, pioneer of the Intelligent Building as-a-Service model.
- Founder and Chairwoman of The X/Y Group, a marketing enterprise that markets and distributes global consumer brand products in China

### Brian Lagarto, Independent Director



- Retired EVP & CFO of SharkNinja Operating LLC, a leading global producer of small household appliances
- Led the successful sale process of SharkNinja during 2017, then retired after serving as COO and Chief People & Strategy Officer, with responsibility for corporate strategy, organizational design, talent and culture
- Division Vice President & CFO at Aramark

### Gina Huang (Mei Yun Huang), Independent Director



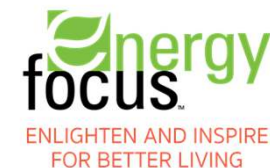
- Founder and Honorary Consultant of Ti Town Technology, an advanced industrial equipment manufacturer
- Founder and Chairwoman of Da Fa Industrial Limited, an investment company focusing on the global mining sector
- Founder and Chairwoman of Brilliant Start Limited and Jag International Limited, both investment companies focusing on technologies and special situations

### Kaj den Daas, Independent Director



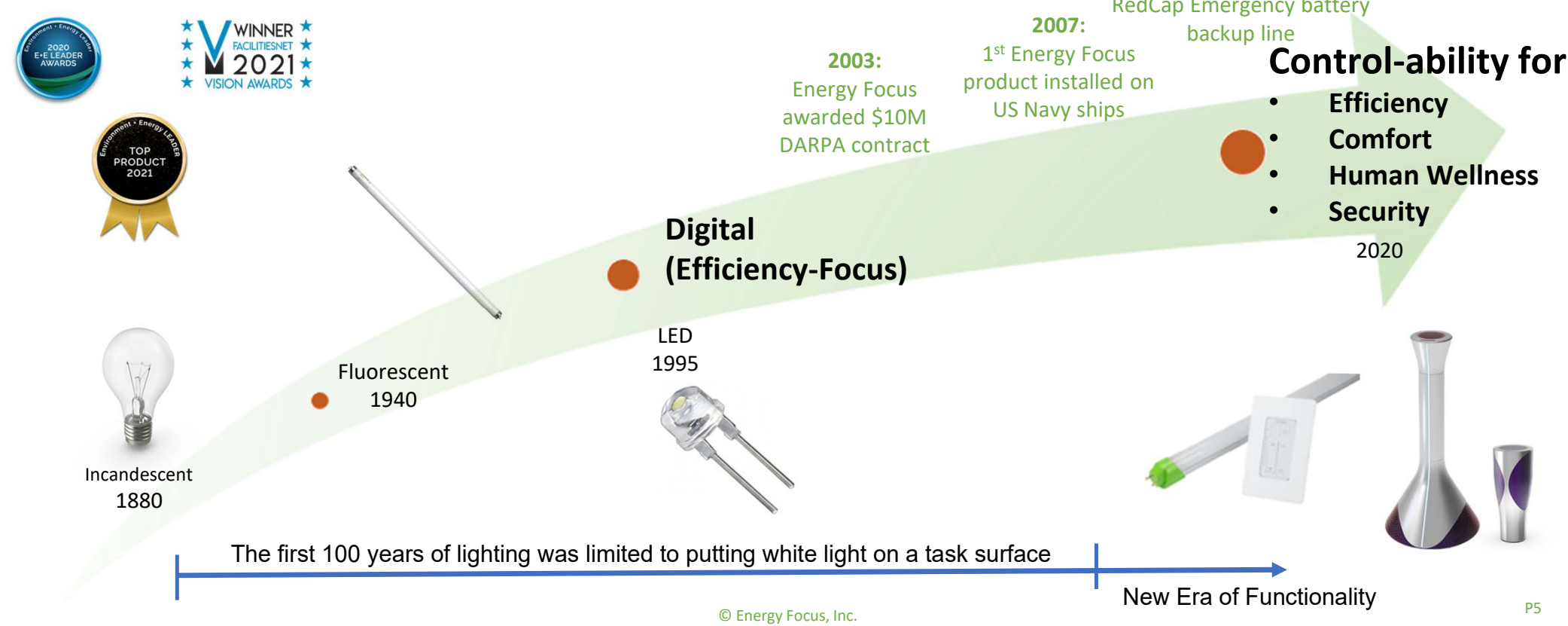
- Retired EVP of Philips Lighting B.V. of the Netherlands and Chairman of its North American Operations
- Former CEO of Quality Light Source as well as TCP International Holdings, Ltd.
- Director on the board of Valmont Industries, Inc.

# At the Forefront of Lighting Evolution



Lighting industry is transitioning to new platform of full-spectrum controllability and multi-purpose functionality

Energy Focus remains at the forefront of development





# Critical Installations for a Variety of Use-Cases

## Military (MMM)

**Energy and maintenance savings,** and improved **quality of lighting** for sailors important to the U.S. Navy and other mission-critical military applications



- **160+** unique military customers including US Navy, Australian Navy, Canadian Navy, ConocoPhillips

## Commercial

**LEDs** replace linear fluorescents which quickly burn out and change colors. LEDs create a pleasant shopping venue and provide lighting to **enhance displays**



- **1330+** unique commercial and industrial customers including Costco, Truline, Dick's Sporting Goods, and FedEx

## Healthcare

Environmental **sustainability,** **quality of lighting,** **low flicker** environment and circadian rhythm capabilities for hospitals and **elder care** facilities



- **70+** unique hospital customers including National Institute of Health, Cleveland Clinic, Mayo Clinic, Cardinal Health, Northwestern Univ. Medical

## Education

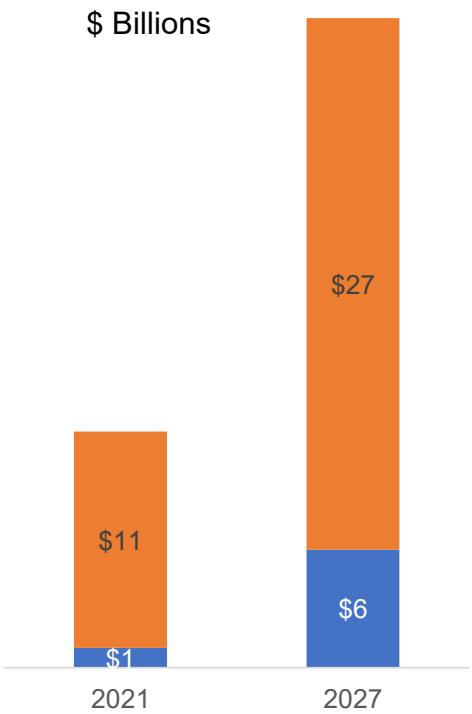
**Quality of lighting** and **low flicker** environment is important to schools for enhanced, focused concentration and learning



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

# Smart Lighting & Wellness Lighting to Emerge & Grow Rapidly

## Estimated Market Sizes 2021-2027\*



■ Human Centric Lighting ■ Smart Lighting

\*Sources: "Smart Lighting Global Forecast to 2026", Markets & Markets; "Human Centric Lighting Forecast 2021-2027", Global Market Insights

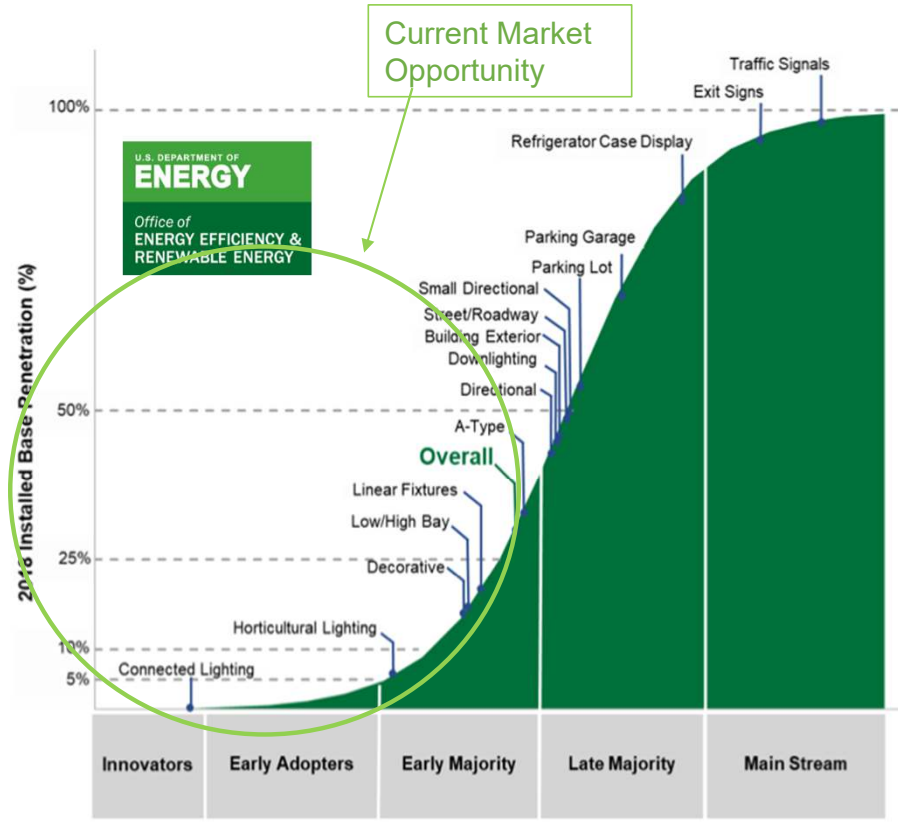


Figure 3.2 2018 Installed Adoption of LED Lighting Applications. Many general illumination LED applications have now reached the early and late majority phases of adoption.

© Energy Focus, Inc.

- Covid slowed adoption over the past two years
- Expect penetration to accelerate
- Significant greenfield opportunity (75% of the total market)



# Post-Pandemic Construction Upturn

Commercial Construction Starts in Energy Focus Target Sectors Are In Upswing.  
Significant Increases Forecast in Years 2023- 2026



Table 3: U.S. Type-of-Structure Forecasts							
(\$ Billions USD)							
	Actuals		Forecasts				
	2020	2021	2022	2023	2024	2025	2026
TOTAL INDUSTRIAL (manufacturing)	21.741	32.123	34.003	39.003	42.016	43.015	44.001
(Yr/yr % change)	-61.0%	47.8%	5.9%	14.7%	7.7%	2.4%	2.3%
Religious	1.623	1.025	1.232	1.431	1.511	1.579	1.612
Hospitals/Clinics	13.352	17.568	18.198	20.500	22.500	24.004	25.001
Nursing Homes/Assisted Living	7.485	5.814	6.287	7.394	8.389	9.004	9.544
Libraries/Museums	3.807	3.571	3.768	4.161	4.572	4.788	4.972
Courthouse	2.376	2.484	2.194	2.790	2.954	3.108	3.247
Police/Fire	3.313	3.032	3.178	3.455	3.616	3.775	3.926
Prisons	2.389	2.243	2.364	2.618	2.835	2.977	3.088
Military	9.207	9.388	9.608	12.001	13.475	13.736	13.928
Educational Facilities	67.540	59.576	64.194	70.853	76.347	81.102	84.344
MED misc	8.212	7.164	8.126	9.707	11.538	12.453	13.004



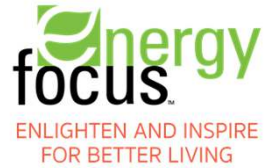
## Go-forward Strategy Commercial Lighting Market

- Enhanced and expanded commercial lighting portfolio encompassing both LED tubes and fixtures
- Improved sourcing and quality assurance across all product lines
- New products for military and industrial applications
- Broadened application for EnFocus™ control platform to include T-LED's, lamps, and fixtures
- Expansion of Redcap® emergency lighting capability to include EnFocus™ controllability



## EnFocus™ Groundbreaking HCL Control Platform

- No additional control wires
- No wireless connections
- Simple, secure, cost effective, turnkey lighting control system
- Market opportunity to interface with all 0-10v commercial lighting fixtures
- EnFocus help usher in and foster adoption of control



## EnFocus™ Controls – First Deployments



**Sites where EnFocus™ system has been installed for evaluation. All sites are reporting excellent operation and functionality:**

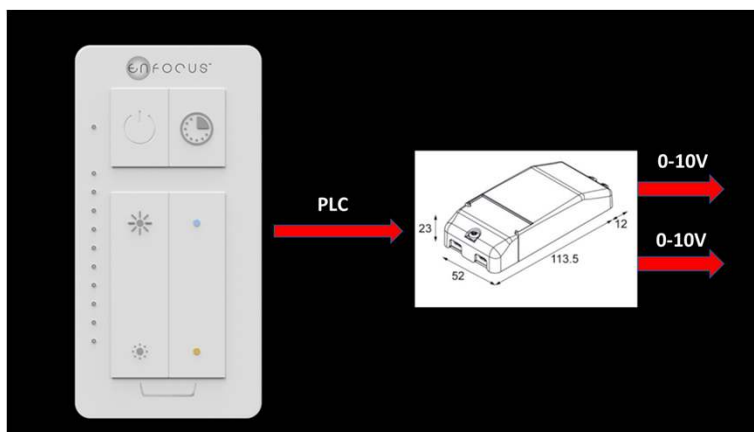
- Texas Facilities Commission
- Bushland High School
- HHSC Winters Building
- H.W. Byers High School
- Penn State University
- Get A Grip on Lighting Podcast Studio
- United Resource Group (URG)
- BDI
- Gexpro
- Premier Lighting
- Afterimage Lighting Inc
- Hossley Lighting and Power
- Lighting Unlimited
- SUNY Downstate Medical Center
- Port St Joe High School



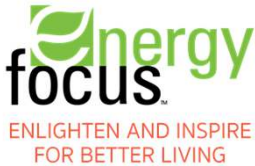
**Customers have installed over \$1 million of EnFocus™ lamps and are planning on adding EnFocus™ switches with next round of project funding**

## OEM Opportunity with the EnFocus™ Module

- The EnFocus™ “translation” module allows EnFocus™ controllers to control any standard dimmable or color-tunable commercial fixture. Currently in prove-out phase, product launch is scheduled for end of Q4
- Rollout to OEM market channel has begun



# EnFocus™ Enables Circadian Lighting



## Features



Autonomously set your lights to be **cooler and brighter** in the morning, promoting alertness, graduating to **warmer and dimmer** as the day progresses to allow melatonin production and better sleep.

Timing of Light (i.e., when)



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



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



Sleep:  
2/3 of adults fail to obtain the recommended **8 hours** of nightly sleep.

Source: *Why We Sleep* (2017),  
Matthew Walker, PhD



"Since 2010, studies in patients with **Alzheimer's disease** have demonstrated '**extreme success**' with circadian lighting in restoring normal sleep patterns".

Dr. Mariana Figueiro, Lighting Research Center, Rensselaer Institute of Technology;  
<https://www.lrc.rpi.edu/programs/lighealth/lightolderadults.asp>

## Benefits



"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>



"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/>





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



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



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



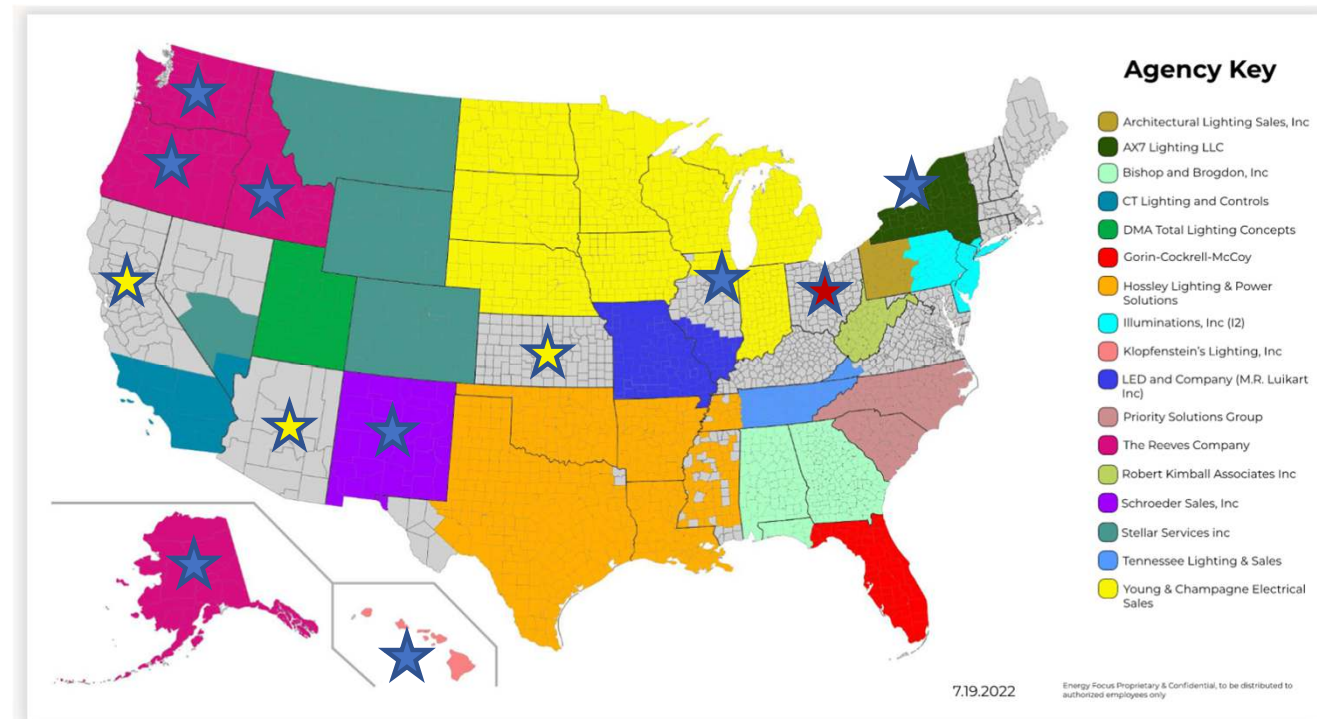
- **The most sustainable and affordable** lighting control solution versus other LED alternatives. EnFocus™ LED lamps replace existing tubes instead of replacing the whole fixture

## Improving Market Channel Coverage

### Commercial Channel

Expanded existing agency coverage to handle Northwest, Southwest and Central

Hiring new agencies for deeper coverage into Northeast and Northern CA



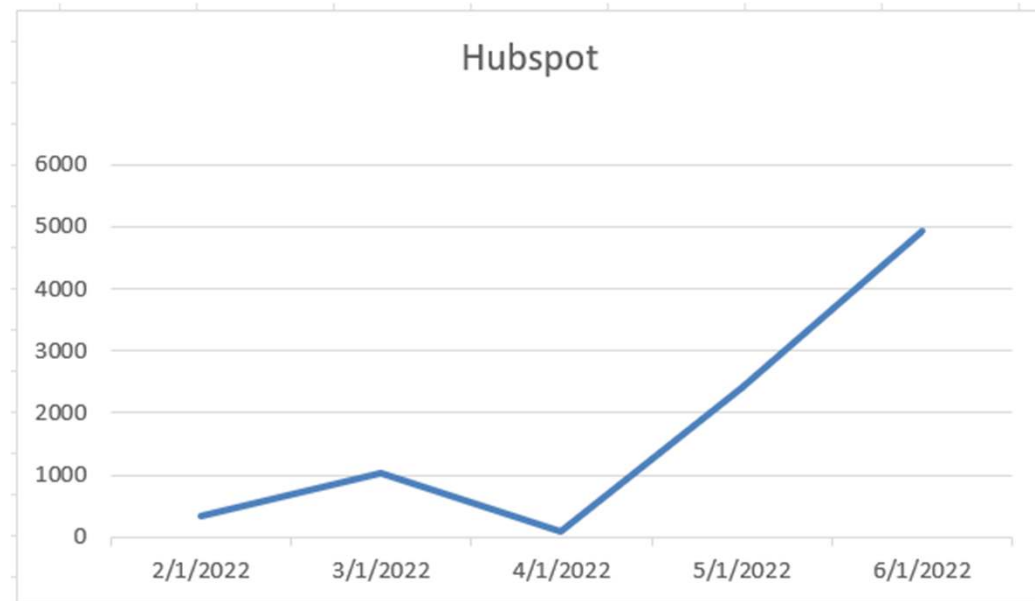
## Improving Coverage Already Demonstrating Results

### RedCap Sales Improvement

Redcap quote requests averaged 1000/month in January, increased to 5000/month in June, and still growing

Distributors increasing stock inventory as well

Redcap Quote Requests (Units)



## Improving Market Channel Coverage

### Military Channel

Addition of Senior Director for Government Sales resulted in increased number of bid requests and higher quote conversion rate.

Over \$1MM of new projects on schedule for 2023 – all new business



## Finally, Continuing to Focus on Cost-Out Initiatives

- Aggressively pursuing cost reduction opportunities above and below the line to improve margins and reduce SG&A
- Headquarters/plant footprint trimmed effective 7/1, reducing annual rent costs by ~\$415k annually
- Logistics optimization expected to lower freight costs per unit up to 50%
- Product line simplification and improved supply chain management will increase margins over time
- Entered Q3 with expense run rate 21% lower than start of year
- Carefully reducing headcount to align with current sales level
- Identifying other opportunities to reduce operating and SG&A expenses



# Financials

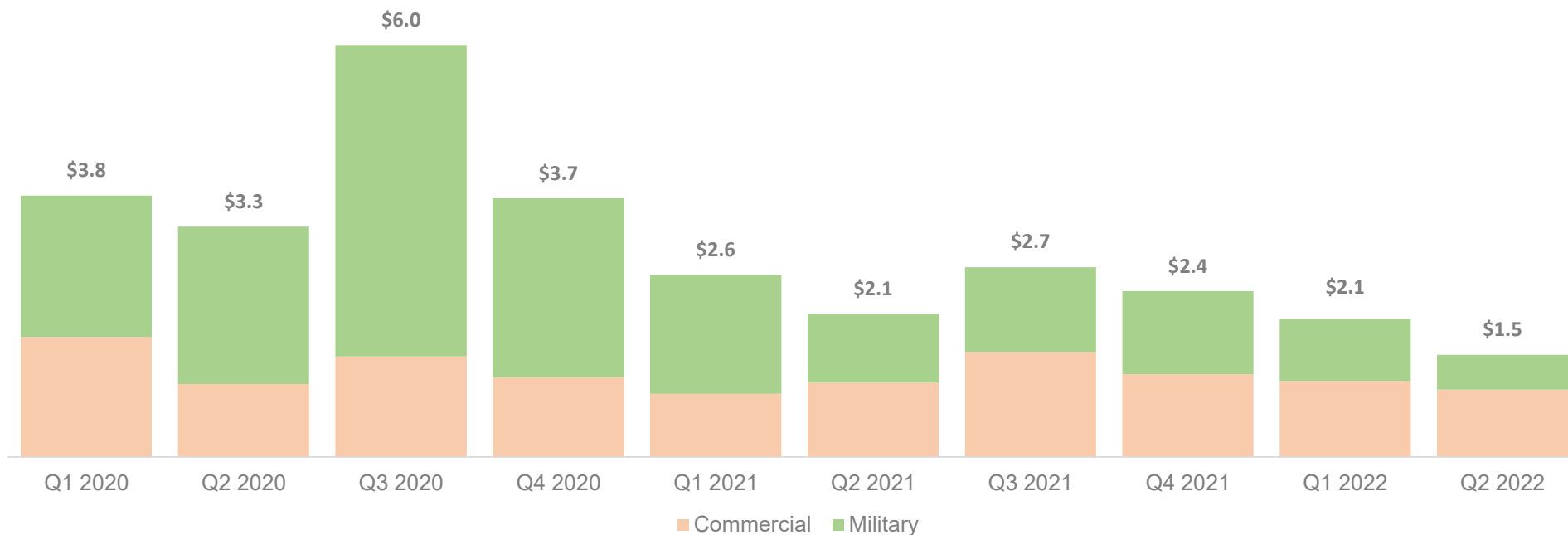


## Revenue Trend Demanded Action

- Revenue trend driven by COVID, lack of new product introduction, and execution
- Actions taken to turn the business around in 2<sup>nd</sup> half

*\$ in millions*

### Net Sales

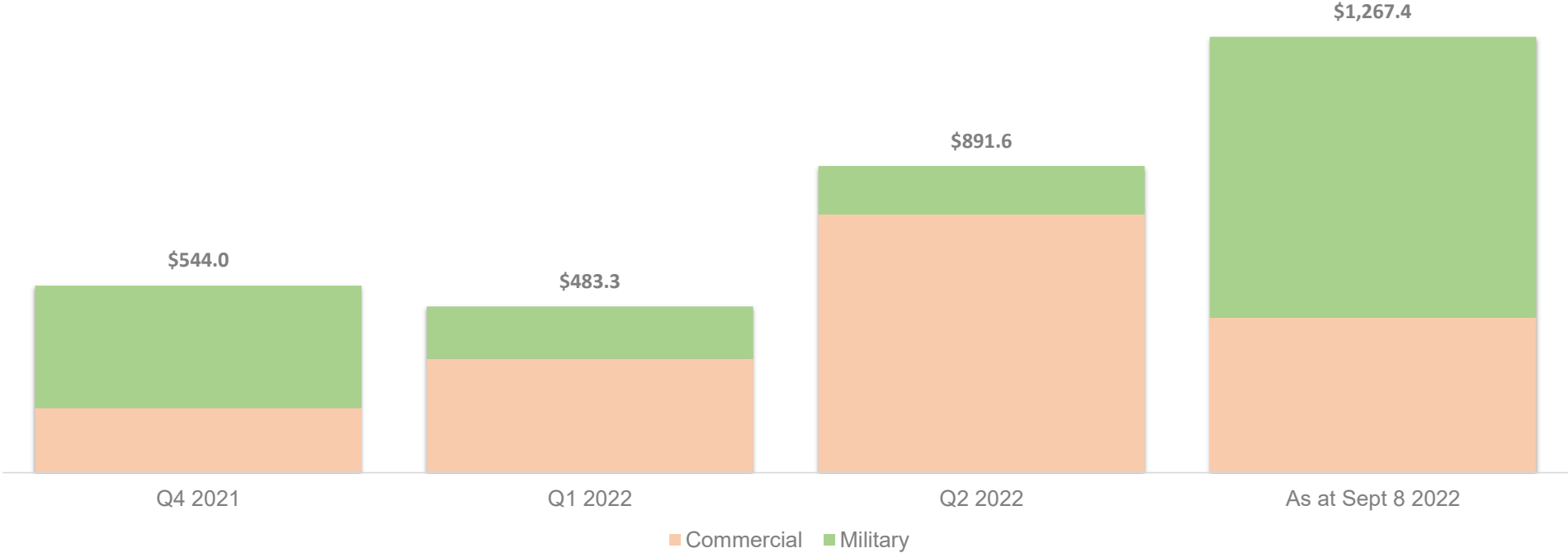


# Building Backlog Beginning to Show Improving Sales Traction



\$ in thousands

Backlog at End of Quarter

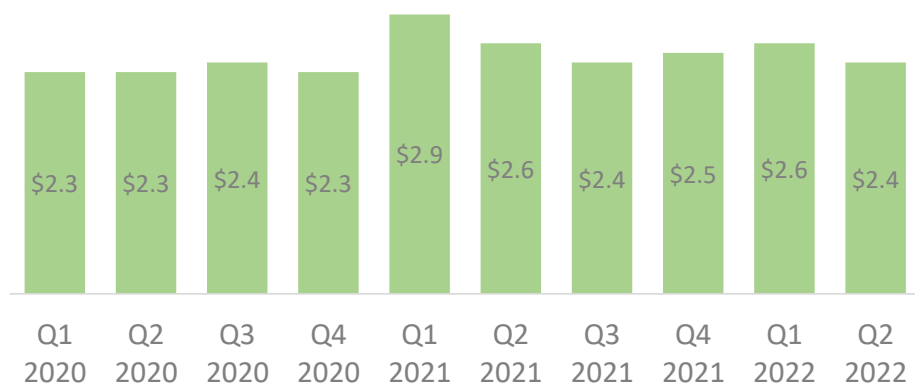


## Expenses and Adjusted EBITDA

- Some cost improvements showing up in Q2, but most will be realized in 2<sup>nd</sup> half

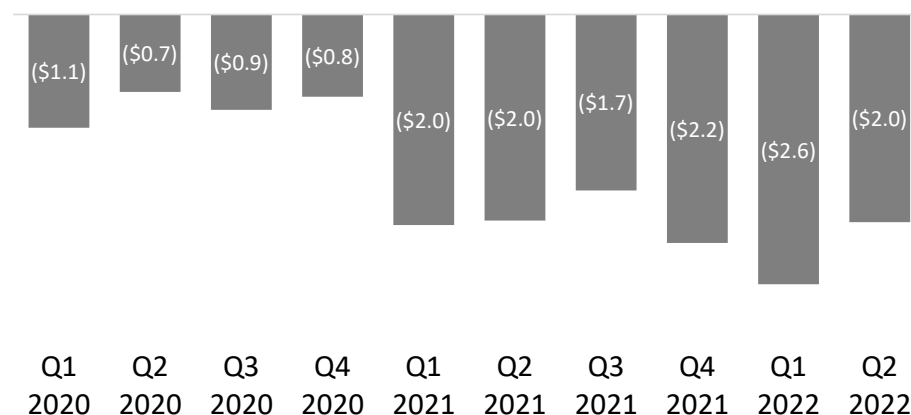
\$ in millions

### Operating Expenses



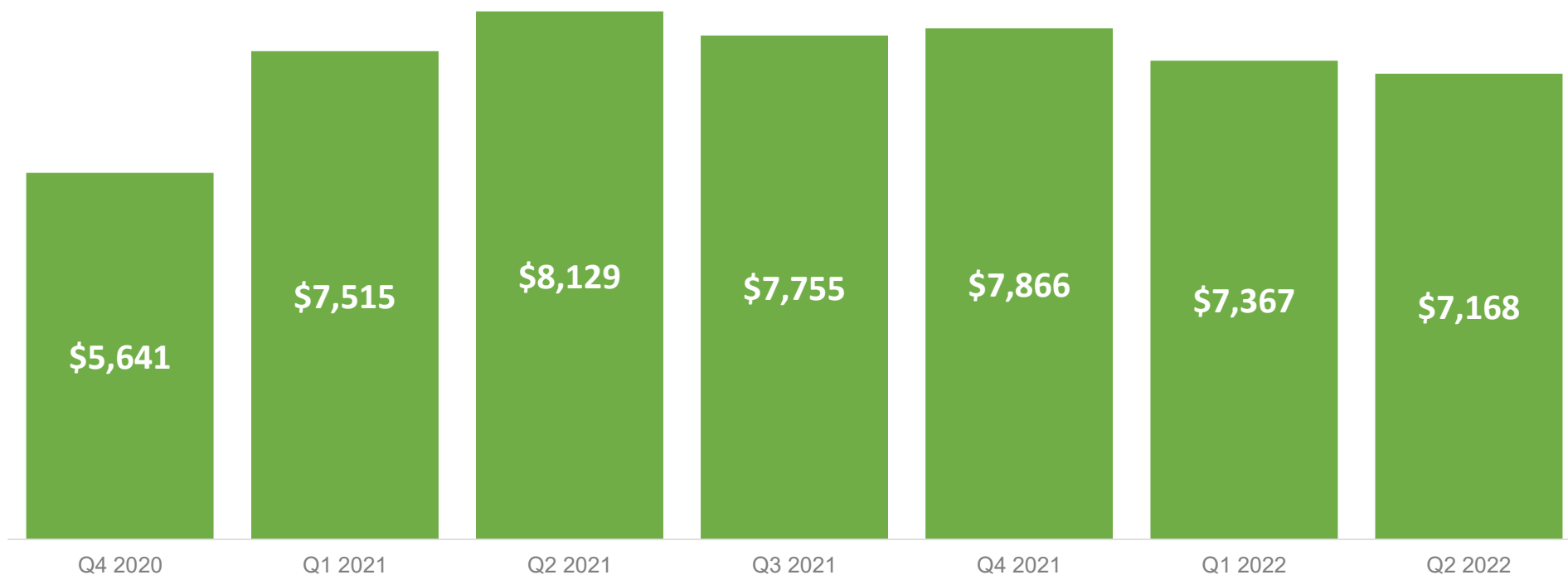
### Adjusted EBITDA

(Net loss excluding restructuring, interest, other income (loss), depreciation and amortization, stock-based compensation, change in fair value of warrants, other incentive compensation, a reconciliation can be found on page 27)

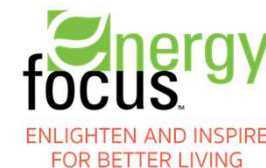


## Net Inventory (After Reserves)

- Significant Assets to Convert to Cash With Improved Sales Execution

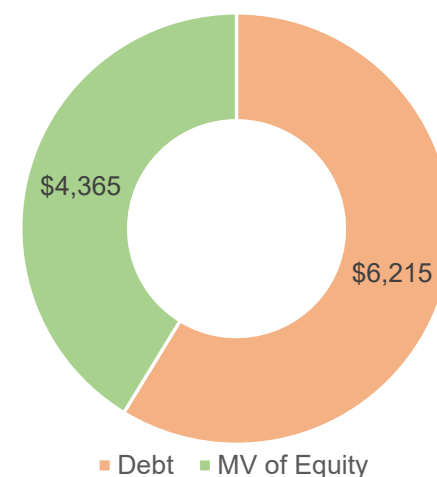


## Summary Balance Sheets



(\$ in thousands)	As of 6/30/2022	As of 12/31/2021
Cash	\$938	\$2,682
Total current assets	\$1,155	\$13,424
<b>Total assets</b>	<b>\$12,510</b>	<b>\$14,391</b>
Total current liabilities	\$6,418	\$8,156
Total liabilities	\$8,339	\$8,182
Stockholders' equity <sup>1</sup>	\$3,432	\$6,209
<b>Total liabilities and stockholders' equity</b>	<b>\$12,510</b>	<b>\$14,391</b>
Availability (non-GAAP)		
Cash	\$938	\$2,682
Excess Availability under credit facility <sup>2</sup>	\$1,553	\$1,763
<b>Total Availability<sup>3</sup></b>	<b>\$2,491</b>	<b>\$4,445</b>

**Capital Structure  
(as of June 30, 2022)**



<sup>1</sup> 2021 Additional capital includes \$5.0M & \$4.5M in gross proceeds from the June & December 2021 equity offerings, respectively. 2022 additional capital includes \$3.2M in gross proceeds from the June 2022 equity offering

<sup>2</sup> Represents difference between maximum borrowing capacity of credit facility and actual borrowings

<sup>3</sup> Represents Company's 'access' to cash if needed at point in time (Cash + Excess Availability)

Market value of equity based on closing stock price of \$0.67 on September 7, 2022 and 9.19M shares outstanding as of June 30, 2022



THANK YOU!

Energy Focus, Inc.



## APPENDIX - Adjusted EBITDA Reconciliation

(\$ in thousands)	As of 3/31/20	As of 6/30/20	As of 9/30/20	As of 12/31/20	As of 3/31/21	As of 6/30/21	As of 9/30/21	As of 12/31/21	As of 3/31/22	As of 6/30/22
Net Loss	\$ (541)	\$ (4,340)	\$ (1,165)	\$ 65	\$ (1,642)	\$ (2,473)	\$ (1,140)	\$ (2,631)	\$ (2,821)	\$ (2,486)
Restructuring (recovery)/expense	(14)	(14)	(16)	(16)	(19)	(3)	1	-	-	-
<b>Net Loss, excluding restructuring</b>	<b>(555)</b>	<b>(4,354)</b>	<b>(1,181)</b>	<b>49</b>	<b>(1,661)</b>	<b>(2,476)</b>	<b>(1,139)</b>	<b>(2,631)</b>	<b>(2,821)</b>	<b>(2,486)</b>
Interest expense	133	87	124	137	127	216	177	272	184	260
Gain on forgiveness of PPP loan	-	-	-	-	(801)	-	-	-	-	-
Loss on extinguishment of debt	-	-	159	117	-	-	-	-	-	-
Other income	-	-	-	-	-	-	(862)	(14)	(30)	-
Income tax (benefit)/expense	-	-	(2)	(3)	-	-	-	(1)	-	-
Depreciation	46	46	48	44	47	53	43	45	44	43
Stock-based compensation	20	41	35	35	140	208	39	42	44	54
Change in fair value of warrant liability	(873)	3,300	(153)	(1,188)	-	-	-	-	-	-
Other incentive compensation	139	134	52	17	118	12	47	68	(5)	33
<b>Adjusted EBITDA</b>	<b>\$ (1,090)</b>	<b>\$ (746)</b>	<b>\$ (918)</b>	<b>\$ (792)</b>	<b>\$ (2,030)</b>	<b>\$ (1,987)</b>	<b>\$ (1,695)</b>	<b>\$ (2,219)</b>	<b>\$ (2,584)</b>	<b>\$ (2,096)</b>

## APPENDIX – Total Availability Reconciliation

(\$ in thousands)	As of 3/31/20	As of 6/30/20	As of 9/30/20	As of 12/31/20	As of 3/31/21	As of 6/30/21	As of 9/30/21	As of 12/31/21	As of 3/31/22	As of 6/30/22
Total borrowing capacity under credit facilities	\$ 2,025	\$ 2,566	\$ 4,577	\$ 4,121	\$ 4,250	\$ 4,490	\$ 4,552	\$ 4,042	\$ 4,026	\$ 3,568
Less: credit line borrowings, gross <sup>1</sup>	(875)	(1,397)	(2,290)	(2,459)	(3,561)	(1,698)	(2,802)	(2,279)	(3,175)	(2,015)
<b>Excess availability under credit facilities<sup>2</sup></b>	<b>1,150</b>	<b>1,169</b>	<b>2,287</b>	<b>1,662</b>	<b>689</b>	<b>2,792</b>	<b>1,750</b>	<b>1,763</b>	<b>851</b>	<b>1,553</b>
Cash	2,911	2,727	2,574	1,836	548	1,327	381	2,682	225	938
<b>Total Availability<sup>3</sup></b>	<b>\$ 4,061</b>	<b>\$ 3,896</b>	<b>\$ 4,861</b>	<b>\$ 3,498</b>	<b>\$ 1,237</b>	<b>\$ 4,119</b>	<b>\$ 2,131</b>	<b>\$ 4,445</b>	<b>\$ 1,076</b>	<b>\$ 2,491</b>

<sup>1</sup> Forms 10-Q and 10-K Balance Sheets reflect the Line of credit net of debt financing costs

<sup>2</sup> Excess availability under credit facilities – represents the difference between maximum borrowing capacity of credit facilities and actual borrowings

<sup>3</sup> Total availability – represents Company's 'access' to cash if needed at point in time