

October 26, 2017



# Revolution Lighting Technologies Reports Third Quarter 2017 Financial Results

STAMFORD, CT -- (Marketwired) -- 10/26/17 --

Revolution Lighting Technologies, Inc. (NASDAQ: RVLT) ("Revolution Lighting"), a leading provider of advanced LED lighting solutions, today announced financial results for the third quarter (Q3) ended September 30, 2017.

- *Revenues of \$43.1 million*
- *Gross margin of 32%*
- *Adjusted EBITDA of \$2.3 million*
- *Non-GAAP net loss (excluding acquisition related costs and stock-based compensation) of \$0.7 million or \$0.03 per share*

"Our quarterly results for the third quarter are in line with previously reported revised guidance which noted that sales for our multi-family division would be lower due to the effects of unprecedented weather conditions in Texas and the south eastern United States and delays relating to a number of energy saving projects" said Robert V. LaPenta, Chairman, CEO and President of Revolution Lighting Technologies. "The recovery of our business levels in the affected areas is slower than we anticipated and in the best interest of our customers, employees, shareholders and Revolution Lighting overall, we have shifted our focus to position the company for a strong 2018.

As a result, we have revised our fourth quarter revenue guidance to a range of \$47 - \$50 million versus our prior guidance of \$60 - \$65 million.

While we are disappointed in our lower than anticipated results for 2017, we are excited that we are able to operationally position our company for double digit growth in 2018 and beyond."

## ***Recent Business Highlights:***

- Selected for inclusion in the Russell 2000® index. Membership in the small-cap Russell 2000® Index means automatic inclusion in the Russell 3000® Index as well as in the appropriate growth and value style indexes. The Russell 3000® Index encompasses the 3,000 largest U.S.-traded stocks by objective, market-capitalization rankings and style attributes.
- Received the United States Navy certification of our advanced LED tube for use throughout the entire U.S. Navy Fleet. The National Stock Number is 6240-01-610-2124, for our two foot LED tube. Shipping of our first Navy order began in the fourth quarter.
- Opened a new 60,000 square foot facility in Simi Valley, California to support the production of Buy American Act (BAA) and Trade Agreement Act (TAA) LED tubes

and fixtures.

- Selected by the City of Stamford, Connecticut for public school LED retrofit. The Company continues its successful penetration of the public education market, with total project wins exceeding \$28 million since the beginning of 2016.
- Secured new agreements, through our division Energy Source, for Connecticut's Small Business Energy Advantage (SBEA) program, administered by The United Illuminating Company and the Upstate New York National Grid program. These additions represent significant potential market opportunities and are expected to result in additional revenue in 2018.
- Awarded several important contracts with one of the largest retailers in the world, which will provide us with a large follow-on opportunity in the future.
- We continue to increase our success in the government market with our Tinker Air Force Base and most recently our Fort Riley awards.
- We have commenced performance on our first Lighting as a Service award (LAAS) for a large north east state that, if completed in its entirety, will become a project with very large potential for this and other states over the near future.

### ***Quarter Ended September 30, 2017***

For the quarter ended September 30, 2017, total revenue was \$43.1 million, compared to \$50.2 million in Q3 2016. The decrease in revenue primarily reflects the impact of the recent hurricane activity in Texas and the southern United States impacting our multi-family lighting revenue, and the slippage of a number of our Energy Source division projects. Gross profit was \$13.9 million and \$15.9 million for the third quarters of 2017 and 2016, respectively. Despite overall lower LED prices, gross profit margin held steady at 32% for 2017 and 2016.

Adjusted EBITDA (as defined below) for the three months ended September 30, 2017 was \$2.3 million compared to \$4.6 million for the comparable period in 2016. The Company reported an operating loss of \$1.6 million for the three months ended September 30, 2017, as compared to operating income of \$2.4 million in the same period in 2016, as a result of lower overall gross profit due to lower revenue and slightly higher operating costs primarily related to our investment in additional sales and marketing resources.

Reported GAAP net loss for the three months ended September 30, 2017 was \$2.5 million compared to net income of \$1.6 million for the comparable period in 2016, and reflects the aforementioned. Basic and diluted GAAP loss per share attributable to common stockholders was \$0.12 for the quarter ended September 30, 2017 as compared to income per share of \$0.08 for the same period in 2016. Excluding the one-time acquisition, work force reductions and stock-based compensation, the non-GAAP net loss per share was \$0.03 in 2017 compared to non-GAAP net income of \$0.11 for the same period in 2016.

### ***Nine Months Ended September 30, 2017***

For the nine months ended September 30, 2017, total revenue was \$117.0 million, compared to \$120.9 million for the comparable period in 2016. The decrease in revenue primarily reflects, as noted above, the impact of the recent hurricane activity in Texas and the southern United States impacting our multi-family lighting revenue, and the slippage of a number of our Energy Source division projects from the third quarter to the fourth quarter. Overall, we continue to experience strong volume growth in product sales, as the demand for LED lighting continues to rise. Gross profit was \$38.2 million and \$38.3 million for the

nine months ended of 2017 and 2016, respectively. Gross profit margin was 33% in 2017 compared to 32% in 2016.

Adjusted EBITDA for the nine months ended September 30, 2017 was \$5.1 million compared to \$8.9 million for the comparable period in 2016. The Company reported an operating loss of \$5.7 million for the nine months ended September 30, 2017, as compared to a loss of \$0.2 million in the same period in 2016, reflecting our investment in sales and marketing resources, higher intangible asset amortization charges relating to the 2016 TNT acquisition and an increase in stock-based compensation. We also experienced one-time charges associated with the consolidation of three locations into one new state of the art facility in Simi Valley, California and will eliminate duplicate operating costs. In addition, operating expenses include the effect of our investment in sales and marketing resources that were made in the later part of 2016.

Reported GAAP net loss for the nine months ended September 30, 2017 was \$8.2 million compared to a loss of \$2.1 million for the comparable period in 2016, and reflect the aforementioned. Basic and diluted GAAP loss per share attributable to common stockholders was \$0.39 for the nine months ended September 30, 2017 as compared to a loss per share of \$0.11 for the same period in 2016. Excluding the one-time acquisition, work force reductions and stock-based compensation, the non-GAAP net loss per share was \$0.15 in 2017 compared to income of \$0.14 in 2016.

### ***Liquidity Position***

Cash used in operating activities for the nine months ended September 30, 2017 was \$9.6 million and primarily reflects an investment in inventory and vendor deposits in preparation of the expected sales increase in the fourth quarter of 2017 and reduction in accounts payable.

On January 26, 2017, Revolution Lighting entered into an amended Revolving Credit Facility, which enables the Company to borrow up to \$50.0 million on a revolving basis, based upon specified percentages of eligible receivables and inventory. As of September 30, 2017, our availability, including cash, under the aforementioned agreement was approximately \$8.6 million.

### ***Guidance***

- The Company expects Q4 2017 revenue in the \$47 - \$50 million range and Adjusted EBITDA in the 7% - 9% range and free cash flow in the \$9 - \$10 million range.
- The Company expects full year 2017 revenue in the \$165 - \$170 million range (\$172 million in 2016), Adjusted EBITDA in the 5% - 7% range, and non-GAAP net loss (excluding acquisition related costs and stock-based compensation) in the \$0.12 - \$0.14 per share range.
- 2018 guidance will be provided when our fourth quarter results are reported.

Further information on Revolution Lighting Technologies' quarterly results can be found in the Company's Form 10-Q for the quarter ended September 30 2017, filed with the U.S. Securities and Exchange Commission (SEC) and may be accessed on the SEC's website at [www.sec.gov](http://www.sec.gov).

### ***Q3 2017 Conference Call***

Revolution Lighting Technologies will host a conference call and live audio webcast to discuss these financial results at 11 a.m. ET on October 26, 2017. To access the conference call by phone, dial 1-877-326-9228 for the U.S. and 1-412-317-5110 for international callers. All Participants should request to be joined into the Revolution Lighting Technologies Call. The webcast will be available on the Company's website at [www.rvlti.com](http://www.rvlti.com). An audio replay of the call will also be available to investors by phone beginning at approximately 2 p.m. ET on October 26, 2017 until 11:59 p.m. ET on November 9, 2017 by dialing 1-877-344-7529 within the U.S. or 1-412-317-0088 for international callers and entering passcode # 10113047.

### ***Non-GAAP Measures***

Management uses non-GAAP net income (loss), non-GAAP net income (loss) per share and adjusted EBITDA as non-U.S. GAAP measures of financial performance. We consider these non-GAAP measures to be important indicators of our operational strength and performance, and a useful measure of historical and prospective trends. However, there are significant limitations of the use of these non-GAAP measures since they exclude acquisition related charges and stock-based compensation, both of which affect profitability. We believe that these limitations are compensated by providing these non-GAAP measures along with U.S. GAAP performance measures and clearly identifying the differences between the two measures.

Consequently, non-GAAP net income (loss), non-GAAP net income (loss) per share and adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss), operating income (loss) or net income (loss) per share presented in accordance with U.S. GAAP. Moreover, non-GAAP net income (loss), non-GAAP net income (loss) per share and adjusted EBITDA as defined by Revolution Lighting may not be comparable to similarly titled measures provided by other entities. These non-GAAP measures are provided to investors to supplement the results of operations reported in accordance with U.S. GAAP. Management believes that these non-GAAP measures are useful to help investors analyze the operating trends in the business and to assess the relative underlying performance of the business. Management believes that these non-GAAP measures provide an additional tool for investors to use in comparing our financial results with other companies that use non-GAAP net income (loss), non-GAAP net income (loss) per share and adjusted EBITDA in their communications with investors. Management also uses non-GAAP net income (loss), non-GAAP net income (loss) per share and adjusted EBITDA to evaluate potential acquisitions establish internal budgets and goals and evaluate the performance of business units and management.

A reconciliation of Revolution Lighting GAAP net income (loss) to non-GAAP Adjusted EBITDA for the three months and nine months ending September 30, 2017 and 2016 respectively follows:

(in millions)		(in millions)	
Three Months Ended		Nine Months Ended	
September	September	September	September
30,	30,	30,	30,
2017	2016	2017	2016

Net income (loss)	\$ (2.5)	\$ 1.6	\$ (8.2)	\$ (2.1)
Amortization and depreciation	2.1	1.6	5.8	4.5
Stock-based compensation	0.6	0.5	2.2	1.5
Acquisition, severance and transition costs	1.2	0.1	2.8	3.1
Interest and other expense	0.9	0.8	2.5	1.9
Adjusted EBITDA	<u>\$ 2.3</u>	<u>\$ 4.6</u>	<u>\$ 5.1</u>	<u>\$ 8.9</u>

The following table reconciles net income (loss) to non-GAAP net income (loss) for the periods presented:

	(in millions)		(in millions)	
	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income (loss)	\$ (2.5)	\$ 1.6	\$ (8.2)	\$ (2.1)
Acquisition, severance and transition costs	1.2	0.1	2.8	3.1
Stock-based compensation	0.6	0.5	2.2	1.5
Non-GAAP net income (loss)	<u>\$ (0.7)</u>	<u>\$ 2.2</u>	<u>\$ (3.2)</u>	<u>\$ 2.5</u>

The following table reconciles diluted net income (loss) per share to non-GAAP net income (loss) per share for the periods presented:

	(in millions)		(in millions)	
	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Net income (loss)	\$ (0.12)	\$ 0.08	\$ (0.39)	\$ (0.11)
Acquisition, severance and transition costs	0.06	0.01	0.13	0.17
Stock-based compensation	0.03	0.02	0.11	0.08
Non-GAAP net income (loss)	<u>\$ (0.03)</u>	<u>\$ 0.11</u>	<u>\$ (0.15)</u>	<u>\$ 0.14</u>
Weighted average shares outstanding, diluted (In thousands)	<u>20,936</u>	<u>21,143</u>	<u>20,766</u>	<u>18,519</u>

### ***About Revolution Lighting Technologies Inc.***

Revolution Lighting Technologies, Inc. is a leader in the design, manufacture, marketing, and sale of LED lighting solutions focusing on the industrial, commercial and government markets in the United States, Canada, and internationally. Through advanced LED technologies, Revolution Lighting has created an innovative lighting company that offers a

comprehensive advanced product platform of high-quality interior and exterior LED lamps and fixtures, including signage and control systems. Revolution Lighting is uniquely positioned to act as an expert partner, offering full service lighting solutions through our operating divisions including Energy Source, Value Lighting, Tri-State LED, E-Lighting, All-Around Lighting and TNT Energy to transform lighting into a source of superior energy savings, quality light and well-being. Revolution Lighting Technologies markets and distributes its products through a network of regional and national independent sales representatives and distributors, as well as through energy savings companies and national accounts. Revolution Lighting Technologies trades on the NASDAQ under the ticker RVLT. For more information, please visit [www.rvlti.com](http://www.rvlti.com) and connect with the Company on [Twitter](#), [LinkedIn](#) and [Facebook](#).

### ***Cautionary Statement for Forward-Looking Statements***

Certain of the above statements contained in this press release are forward-looking statements that involve a number of risks and uncertainties, including statements relating to our business pipeline and sales opportunities, our revenue, Adjusted EBITDA and cash flow outlook. Such forward-looking statements are within the meaning of that term in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Reference is made to Revolution Lighting's filings under the Securities Exchange Act for additional factors that could cause actual results to differ materially, including our history of losses, customer concentration risks, the potential for future dilution to our existing common stockholders, the risk that demand for our LED products fails to emerge as anticipated, the availability of financing for our customers, competition from larger companies, and risks relating to third party suppliers and manufacturers, as well as the other Risk Factors described in Item 1A of our Form 10-K for the fiscal year ended December 31, 2016. Revolution Lighting Technologies, Inc. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those indicated in the forward-looking statements as a result of various factors. Readers are cautioned not to place undue reliance on these forward-looking statements.

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Source: Revolution Lighting Technologies