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Revolution Lighting Technologies Reports First Quarter 2017 Financial Results

STAMFORD, CT -- (Marketwired) -- 05/02/17 --

Revolution Lighting Technologies, Inc. (NASDAQ: RVLT) ("Revolution Lighting"), a leading provider of advanced LED lighting solutions, today announced financial results for the first quarter (Q1) ended March 31, 2017.

- *Revenues of \$30.6 million for Q1 2017, an increase of 11% over Q1 2016*
- *Gross margin of 33% with Adjusted EBITDA loss of \$0.4 million*
- *Non-GAAP net loss (excluding acquisition related costs and stock-based compensation) of \$3.2 million or \$0.15 per share*

"I am pleased with our financial and operational performance to begin 2017. We achieved sales of \$30.6 million in the seasonally slow first quarter of 2017, an increase of 11% from the prior year," said Robert V. LaPenta, Chairman, CEO and President of Revolution Lighting Technologies. "During the quarter we continued the expansion of our sales and marketing team, adding internal resources in our regional sales management, national account, government, and control areas. In addition, we expanded our agent and representative network to over 60 at the end of the first quarter. We are seeing a robust LED pipeline and expect the expanded marketing resources to begin contributing to our sales beginning in the second quarter and accelerating throughout the year."

Recent Business Highlights:

- 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.
- 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. We are ramping up production dramatically and currently have a backlog of over 100,000 BAA compliant products, which we expect to ship in the second quarter.
- Secured a new agreement, through our division Energy Source, for Connecticut's Small Business Energy Advantage (SBEA) program, administered by The United Illuminating Company. This is in addition to the Eversource Small Business Energy Advantage program award announced previously, representing a potential market of over \$30 million annually.
- Continued the expansion of our agent and rep network to over 60 as of March 31st, 2017, in addition to distributors, electrical supply companies and direct sales.
- Awarded \$5.2 million as part of recent multi-family project development.
- Awarded \$4.0 million for recent LED retrofit projects among public education facilities located in Rhode Island, New Jersey, New York and Connecticut. These recent program wins, coupled with previous 2016 LED retrofit projects among primary and

higher education institutions, exceed \$20.0 million.

- Began shipment of our industry leading flat panel fixtures as we see an acceleration towards fixtures versus LED tubes, resulting in higher selling prices and improved margins.
- Installed our Buy American Act compliant LED tubes on the Battleship NJ, the historic memorial and museum, reducing the vessel's lighting energy use by 72%.
- Subsequent to quarter end, we were awarded several important contracts with one of the largest retailers in the world, Tinker Air Force Base and a leading supplier of energy efficient products.

Quarter Ended March 31, 2017

For the quarter ended March 31, 2017, total revenue was \$30.6 million, compared to \$27.6 million in Q1 2016, representing an increase of 11%. The increase in revenue reflects strong volume growth in product sales, as the demand for LED lighting continues to rise. Overall revenue growth was impacted by lower prices in certain retrofit and related-LED products in 2017 offset by an improved product mix of fixtures when compared to early 2016. Gross profit was \$10.1 million and \$9.1 million for the first quarters of 2017 and 2016, respectively. Gross profit margin for both periods was approximately 33%.

Adjusted EBITDA (as defined below) for the three months ended March 31, 2017 was in line with expectations at the near break-even level (\$0.4 million loss) compared to \$0.8 million for the comparable period in 2016. The Company reported an operating loss of \$4.2 million for the three months ended March 31, 2017, as compared to a loss of \$2.0 million in the same period in 2016, reflecting added sales and marketing costs, higher non-cash intangible asset amortization charges relating to the 2016 TNT acquisition and an increase in stock-based compensation due to our higher stock price. 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, which is expected to be completed in the second quarter and eliminate duplicate operating costs as we shut down our other operations. 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 three months ended March 31, 2017 was \$5.0 million compared to a loss of \$2.6 million for the comparable period in 2016, and reflect the aforementioned. Basic and diluted GAAP loss per share attributable to common stockholders was \$0.24 for the quarter ended March 31, 2017 as compared to a loss per share of \$0.16 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 a loss of \$0.06 in 2016.

Liquidity Position

Cash used in operating activities in the first quarter of 2017 primarily reflects an investment in inventory in preparation of the expected sales increase in the second quarter.

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.

Guidance

- The Company expects Q2 2017 revenue in the \$43 - \$45 million range and Adjusted EBITDA of approximately 8%.
- The Company expects full year 2017 revenue in the \$195 - \$205 million range, an increase of 13% - 19% over 2016, Adjusted EBITDA of approximately 10%, and non-GAAP net income (excluding acquisition related costs and stock-based compensation) in the \$0.40 - \$0.45 per share range.
- The Company expects to have positive free cash flow for the year in the \$15 - \$20 million range.

Further information on Revolution Lighting Technologies' quarterly results can be found in the Company's Form 10-Q for the quarter ended March 31, 2017, filed with the U.S. Securities and Exchange Commission (SEC) and may be accessed on the SEC's website at www.sec.gov.

Q1 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 May 2, 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. An audio replay of the call will also be available to investors by phone beginning at approximately 2 p.m. ET on May 2, 2017 until 11:59 p.m. ET on May 16, 2017 by dialing 1-877-344-7529 within the U.S. or 1-412-317-0088 for international callers and entering passcode # 10105225.

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 ending March 31, 2017 and 2016 respectively follows:

	(in millions)	
	Three Months Ended March 31,	
	2017	2016
Net income (loss)	\$ (5.0)	\$ (2.6)
Amortization and depreciation	2.0	1.3
Acquisition, severance and transition costs	0.7	1.1
Interest and other expense	0.8	0.6
Stock-based compensation	1.1	0.4
Adjusted EBITDA	<u>\$ (0.4)</u>	<u>\$ 0.8</u>

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

	(in millions)	
	Three Months Ended March 31,	
	2017	2016
Net income (loss)	\$ (5.0)	\$ (2.6)
Acquisition, severance and transition costs	0.7	1.1
Stock-based compensation	1.1	0.4
Non-GAAP net income	<u>\$ (3.2)</u>	<u>\$ (1.1)</u>

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

	Three Months Ended March 31,	
	2017	2016
Net income (loss)	\$ (0.24)	\$ (0.16)
Acquisition, severance and transition costs	0.03	0.07
Stock-based compensation	0.06	0.03
Non-GAAP net income	<u>\$ (0.15)</u>	<u>\$ (0.06)</u>
Weighted average shares outstanding, diluted (In thousands)	<u>20,599</u>	<u>16,147</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 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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