

March 8, 2018



Revolution Lighting Technologies Reports Fourth Quarter and Full Year 2017 Financial Results

STAMFORD, Conn., March 08, 2018 (GLOBE NEWSWIRE) -- Revolution Lighting Technologies, Inc. (NASDAQ:RVLT) ("Revolution Lighting"), a leading provider of advanced LED lighting solutions, today announced financial results for the fourth quarter (Q4) and full year (FY) ended December 31, 2017, which are in line with our pre-release provided in late December 2017.

- Revenues of \$35.2 million for Q4 2017 and \$152.3 million for full year 2017
- Adjusted EBITDA of \$(0.4) million for Q4 2017 and \$4.7 million for full year 2017
- Non-GAAP net loss of \$3.5 million or \$0.15 per share for Q4 2017 and \$6.7 million or \$0.34 per share for full year 2017 (excluding one-time charges related to goodwill and intangible asset impairments, restructuring, other charges and stock-based compensation)

As noted in our December release, we announced a restructuring plan to further streamline our operations, by eliminating redundancies at certain divisions and combining certain operational functions. As part of the restructuring, we consolidated the operations of three divisions into one, expanded and refocused our marketing resources, exited certain product lines and related operations, and reduced the number of warehouse locations. In connection with this restructuring, we took a charge of \$16.9 million in the fourth quarter. In addition, we reduced the carrying value of goodwill and intangible assets in the amount of \$21.2 million. The aggregate non-cash charge of \$38.1 million regarding the aforementioned is below the range of \$65 - \$70 million that we provided in December due primarily to our overall market capitalization.

"While we are disappointed in our fourth quarter and full year 2017 results, the actions that we have taken in 2017 will result in a significantly improved organization focused on delivering increased revenue, operating results and cash flow," said Robert V. LaPenta, Chairman, CEO and President of Revolution Lighting Technologies. "We begin 2018 with a record backlog and a determined leadership team, an effective and streamlined operating organization and a more efficient working capital structure. We are extremely excited about the short-term and long-term business prospects of our company, and our entire team is looking forward to a great 2018 and beyond."

2017 Business Highlights:

While 2017 was a transitional year for Revolution Lighting, we achieved a number of important accomplishments to support a strong 2018 and the future:

- Received the U.S. Navy certification of our advanced LED tube for use throughout the

entire U.S. Navy Fleet and commenced delivery in the fourth quarter of 2017 and continued in the first quarter of 2018.

- Won a position in a LED multi-year retrofit program with a major big box retailer with phase one performed during 2017 and phase two orders beginning to ship in the second quarter of 2018.
- 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. Shipped over 225,000 LED tubes in 2017, including success in the government market, including Tinker Air Force Base and Fort Riley awards. Increased shipments are expected in 2018.
- Commenced our initial Lighting as a Service (LAAS) program in the Northeast.
- Secured a new agreement, through our division Energy Source, for United Illuminating's Connecticut's Small Business Energy Advantage (SBEA) program, administered by The United Illuminating Company.
- Continued as a leading provider of LED lighting solutions among education facilities, including selection by the City of Stamford, Connecticut for public school LED retrofit.
- Selected for inclusion in the Russell 2000® index.
- Strengthened our marketing and sales organization, including completion of key management changes at our Value Lighting and Energy Source divisions.
- Significantly expanded our product portfolio, including flat panels, wall packs, high bays and other products to capitalize on the changing product mix taking place in the LED space.
- Developed a leading lighting control solution (rNET controls platform), providing a simple, flexible and scalable system to meet any need, now and in the future for IOT, POE and important security programs.
- Completed the development of our real-time, cloud based software system which integrates, end-to-end, all operational aspects unique to the lighting business. In addition to using this ground breaking system throughout our business, we will begin to market this mobile-based solution to lighting companies in 2018.

Market Outlook

LED lighting continues to advance throughout all industries, offering high energy efficiency solutions that deliver superior light output, longevity, color quality and versatility compared to conventional lighting (metal halide, florescent, incandescent and halogen). These factors, combined with increasing cost competitiveness, allow The Company's LED solutions to meet the evolving needs of sectors including office, education, retail and healthcare. This includes the [Eco Thin Panel](#) and [Single Barrel Troffer](#) fixtures, [Eco Linear High Bay fixtures](#), [Eco Wall Packs](#), as well as single end power, ballast ready and externally driven linear [LED tube solutions](#), which offers [Buy American Act \(BAA\) and Trade Agreement Act \(TAA\) Compliant](#)

options to support key federal and military sector opportunities. These high performance LED solutions offer an attractive opportunity to replace these conventional lighting products, capable of 68% greater lighting efficiency, superior light output, and lamp life exceeding 70,000 hours. These unique benefits, combined with market leading warranties of up to ten (10) years, will significantly reduce long term facility operating and maintenance costs.

As a standalone, the benefits of LEDs are substantial, however the continued advancement in control based solutions, particularly those achieved exclusively through LED technology, are rapidly advancing lighting's role among facilities today. Maintenance and operations are improved through advanced global and localized monitoring capabilities; efficiency is maximized through lighting controls based on occupancy, time of day, daylight levels and motion; and regulation of LED lighting through color tuning and dimming, combined with LED's superior color rendering, is enhancing the quality of light within interior and exterior environments. Most interestingly though, is the utilization of "smart" Internet-based technologies, commonly referred to as the Internet of Things (IoT) that is shifting the paradigm of lighting, allowing it to move beyond its primary purpose of delivering a highly efficient lighting, to act as networked nodes, supporting broader digital initiatives, including connectivity, monitoring and engagement.

As a result, Revolution Lighting continues to see increased demand for its advanced [rNET controls](#) platform, in conjunction with its expanding line of [indoor and outdoor LED solutions](#), offering simple, flexible and scalable solutions to meet any lighting and controls need, now and in the future. Through the support of its robust sales network, including agents, ESCO's, distributors and contractors, Revolution Lighting is well positioned to support continued growth throughout commercial and industrial markets.

The overall global market for LED lighting, according to Strategies Unlimited, is expected to [approximate \\$32.2 billion in 2018](#). Given its significant advantages, the North America lighting market share for LED solutions is expected to increase from approximately 15% of today's total installed lighting base, to 35% by 2020 and 65% by 2025. As LED lighting replaces conventional lighting technologies, including fluorescent and HID, LED lighting revenues across U.S. commercial and industrial markets is expected to grow significantly from 2015 to 2022.

Revolution Lighting has also seen the continued growth in the multi-family sector, which experienced robust growth in 2017 with [Fannie Mae \(FNMA/OTC\) providing more than \\$67 billion in financing and supported over 750,000 units of multifamily housing in 2017 – the highest volume in the history of its Delegated Underwriting and Servicing \(DUS®\) program](#). The Company believes this trend will continue to increase further as developers and property managers look to reduce energy and maintenance expenses, while increasing the quality of lighting throughout their projects. While overall momentum is expected to be measured in 2018, due to current elevated supply levels, growth is still expected to trend positively at a moderate pace. This signals continued opportunities for Revolution Lighting, who are in a unique position with multi-family operations in Texas, Georgia, Washington DC, Arizona, and California, and prepared to address opportunities including apartment, condominium, senior care, and student housing nationally.

Quarter Ended December 31, 2017

For the quarter ended December 31, 2017, total revenue was \$35.2 million, compared to

\$51.2 million in Q4 2016. The decrease in revenue primarily reflects a slower recovery from the unprecedented weather conditions in Texas and the southeastern United States at our Value Lighting division coupled with a slip of a number of energy savings projects to 2018. Gross profit, excluding restructuring charges, was \$12.7 million and \$17.6 million for the fourth quarters of 2017 and 2016, respectively. Despite overall lower LED sale prices, gross profit margin, excluding restructuring charges, was 36% in 2017 compared to 34% in 2016. The margin increase reflects a favorable mix of lighting fixtures as we continue to expand our product portfolio. Adjusted EBITDA (as defined below) for the three months ended December 31, 2017 was \$(0.4) million compared to \$5.2 million for the comparable period in 2016. The Company reported an operating loss of \$44.4 million, primarily due to restructuring, impairment of goodwill and intangible assets and other one-time charges aggregating \$41.4 million for the three months ended December 31, 2017, as compared to operating income of \$2.2 million in the same period in 2016. Reported GAAP net loss for the three months ended December 31, 2017 was \$45.7 million (reflecting charges above) compared to net income of \$1.6 million in 2016. Basic and diluted GAAP loss per share attributable to common stockholders was \$2.17 for the quarter ended December 31, 2017 as compared to income per share of \$0.08 for the same period in 2016. Excluding one-time charges, restructuring, impairment of goodwill and intangible assets and stock-based compensation, the non-GAAP net loss per share was \$0.15 in 2017 compared to non-GAAP net income of \$0.14 for the same period in 2016.

Full Year Ended December 31, 2017

For the full year ended December 31, 2017, total revenue was \$152.3 million, compared to \$172.1 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 to the first quarter of 2018. Gross profit, excluding restructuring charges, was \$50.9 million and \$55.9 million for the full year 2017 and 2016, respectively. Gross profit margin, excluding restructuring charges, was 33% in 2017 compared to 32% in 2016. Adjusted EBITDA for the full year ended December 31, 2017 was \$4.7 million compared to \$14.1 million for the comparable period in 2016. The Company reported an operating loss of \$50.1 million for the full year ended December 31, 2017, as compared to operating income of \$2.0 in the same period in 2016 primarily due to an impairment of goodwill and intangible assets, a restructuring charge associated with streamlining our operations, eliminating operating redundancies at certain divisions and the combination of certain operational functions, and other one-time charges. Reported GAAP net loss for the full year ended December 31, 2017 was \$53.9 million compared to a loss of \$0.5 million for the comparable period in 2016, and reflect the aforementioned. Basic and diluted GAAP loss per share attributable to common stockholders was \$2.59 for the full year ended December 31, 2017 as compared to a loss per share of \$0.03 for the same period in 2016. Excluding the restructuring, goodwill and intangible asset impairment, one-time acquisition charges and stock-based compensation, the non-GAAP net loss per share was \$0.34 in 2017 compared to income of \$0.29 in 2016.

Liquidity Position

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. For the fourth quarter of 2017, we generated \$4 million in unlevered free cash flow reducing our outstanding net debt under our credit facility to \$37.7 million. As of December 31, 2017, our availability, under the aforementioned agreement was approximately \$7.4 million. The effects of our actions taken in the fourth quarter of 2017 with respect to our restructuring and other charges had no impact on our debt covenants and we were in compliance as of December 31, 2017.

Guidance

First quarter is our slowest quarter of the year and we expect revenue for Q1 2018 to be in the \$33 - \$35 million range, gross profit margin of 32% and Adjusted EBITDA of 3%.

The Company expects full year 2018 revenue in the \$165 - \$175 million range, an increase of 9% - 15% over 2017, gross profit margin of 32% - 33% and Adjusted EBITDA in the 8% - 10% range with positive free cash flow in the 6% - 7% range.

Further information on Revolution Lighting Technologies' quarterly results can be found in the Company's Form 10-K for the year ended December 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.

Q4 and FY 2018 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 March 12, 2018. 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 March 12, 2018 until 11:59 p.m. ET on March 26, 2018 by dialing 1-877-344-7529 within the U.S. or 1-412-317-0088 for international callers and entering passcode # 10116114.

Non-GAAP Measures

Management uses non-GAAP net income (loss), non-GAAP net income (loss) per share, adjusted EBITDA and free cash flow 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, adjusted EBITDA and free cash flow 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 full year ended December 31, 2017 and 2016 respectively follows:

	(in millions) Three Months Ended		(in millions) Full Year Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net income (loss)	\$ (45.7)	\$ 1.6	\$ (53.9)	\$ (0.5)
Amortization and depreciation	1.8	1.6	7.6	6.1
Acquisition, severance and transition costs	3.3	0.7	6.1	3.9
Stock-based compensation	0.8	0.7	3.0	2.1
Impairment of goodwill	10.7	-	10.7	-
Impairment of intangible assets	10.5	-	10.5	-
Restructuring costs	16.9	-	16.9	-
Interest and other expense	1.3	0.6	3.8	2.5
Adjusted EBITDA	<u>\$ (0.4)</u>	<u>\$ 5.2</u>	<u>\$ 4.7</u>	<u>\$ 14.1</u>

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

	(in millions) Three Months Ended		(in millions) Full Year Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net income (loss)	\$ (45.7)	\$ 1.6	\$ (53.9)	\$ (0.5)
Acquisition, severance and transition costs	3.3	0.7	6.1	3.9
Impairment of goodwill	10.7	-	10.7	-
Impairment of intangible assets	10.5	-	10.5	-
Restructuring costs	16.9	-	16.9	-
Stock-based compensation	0.8	0.7	3.0	2.1
Non-GAAP net income (loss)	<u>\$ (3.5)</u>	<u>\$ 3.0</u>	<u>\$ (6.7)</u>	<u>\$ 5.5</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		Full Year Ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net income (loss)	\$ (2.17)	\$ 0.08	\$ (2.59)	\$ (0.03)
Acquisition, severance and transition costs	0.16	0.03	0.29	0.20
Impairment of goodwill	0.51	-	0.51	-

Impairment of intangible assets	0.50	-	0.50	-
Restructuring costs	0.81	-	0.81	-
Stock-based compensation	0.03	0.03	0.14	0.12
Non-GAAP net income (loss)	<u>\$ (0.15)</u>	<u>\$ 0.14</u>	<u>\$ (0.34)</u>	<u>\$ 0.29</u>
Weighted average shares outstanding, diluted (In thousands)	<u>21,087</u>	<u>21,197</u>	<u>20,846</u>	<u>19,034</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, Tri-State LED, Multifamily, 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 RVLV. 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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Source: Revolution Lighting Technologies, Inc.