

Dialight

Industrials

13 October 2025

Back to the future

Dialight is a global leader in sustainable LED lighting for industrial applications, specifically in demanding and hazardous environments. The company's primary manufacturing facility is in Mexico and falls under the USMCA, which mitigates potential tariff implications, providing a competitive advantage over many of its peers. Dialight holds an estimated 30% share of its core US market, with significant room for growth given macro tailwinds of increased focus on energy efficiency. Despite this, LED penetration remains at around 50%, representing substantial structural growth potential. In the near term, Dialight is close to completion of its transformation strategy, launched in September 2023. At end-FY25, management stated that the financial benefits of the strategy had begun to flow through the business, and it expects a greater impact in FY26.

Transformation beginning to yield results

Dialight's transformation strategy encompasses four operational pillars (stakeholder engagement, sales transformation, operational optimisation and profitability enhancement) plus a strategic innovation platform. Management reported substantial completion of the initial operational phases in FY25, with tangible benefits emerging, including dramatic stock keeping unit (SKU) rationalisation (reducing sub-assembly SKUs to just 10% of the original offering), improved manufacturing productivity, an enhanced focus on the most profitable products and an improved cultural shift across the business.

Focus on profitability and growth

The fifth pillar of Dialight's transformation programme focuses solely on the company's growth prospects now that it is in a stronger financial position (a return to profitability in FY25 and with clarity around the Sanmina case liability). Despite the FY25 underlying EBITDA margin (of 5.8%) remaining below historical double-digit levels, management anticipates an accelerated financial impact in FY26 from its transformation programme, suggesting momentum is building. Dialight is also well positioned to benefit from increased uptake of LEDs across the US due to macro tailwinds, bolstered by its strong market positions and brand reputation.

Valuation: Discount of c 30% to peers

Dialight's stock price has risen strongly recently (up 145% since June). Despite this, it remains at a c 30% discount to peers on a one-year forward EV/EBITDA multiple basis (6.2x), although the stock is more in line with peers on a P/E ratio of 18.8x. The strong rise suggests the market is beginning to price in Dialight's transformation strategy, but upside remains as it is delivered.

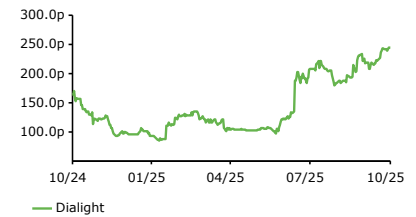
Historical financials and company collated consensus.

Year end	Revenue (\$m)	EBITDA (£m)	PBT (\$m)	EPS (¢)	EV/EBITDA (x)	P/E (x)
3/24	226.0	10.4	(34.3)	(91.10)	10.3	N/A
3/25	183.5	12.6	(14.1)	(34.40)	8.5	N/A
3/26e	174.7	17.1	8.6	17.00	6.2	18.8

Source: Dialight data and company collated consensus. Note. FY24 represents a 15-month period due to Dialight changing its financial year-end.

Price **240.01p**
Market cap **£99m**

Share price performance



Share details

Code	DIA
Listing	LSE
Shares in issue	39.6m
Net cash/(debt) at H126	\$(10.2)m

Business description

Dialight is a global leader in industrial light-emitting diode (LED) technology, with more than 1.8m fixtures installed worldwide. Its products are used for industrial and commercial applications, with a focus on demanding solutions for hazardous environments, including liquefied natural gas plants, oil refineries and high-risk manufacturing environments.

Bull points

- Structural growth in Dialight's markets remains strong, as penetration of LEDs is c 50%.
- High market share in core markets (c 30% in the US).
- The transformation strategy is streamlining the business, reducing costs and focusing on higher-margin products.

Bear points

- Uncertainty surrounding US tariff implications.
- Continued liability to Sanmina until March 2027.
- Potential extended supply chain and logistical risk from raw materials prices and manufacturing locations.

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Investment summary

Dialight is a global leader in sustainable LED lighting for industrial applications. The company's LED products provide the next generation of lighting solutions that deliver reduced energy consumption while creating a safer working environment. Dialight's products are specifically designed to provide superior operational performance, reliability and durability, reducing energy consumption and ongoing maintenance, and achieving a quicker return on investment for its customers. The company is headquartered in the UK, with operations in the US, the UK, Mexico, Malaysia, Singapore, Australia, Germany and UAE. Dialight is also committed to becoming a net-zero company by 2040, and management has stated that it sees the energy transition as both an opportunity for growth and an obligation to help drive meaningful change in the industrial sector. Dialight's LED solutions are installed in demanding environments like liquefied natural gas (LNG) plants, oil refineries and hazardous manufacturing facilities.

Founded in 1938 and currently listed on the London Stock Exchange, the company operates through two key divisions: LED Industrial Lighting and Signals & Components. The Lighting division addresses low-volume, high-complexity use cases ranging from tower obstruction systems to plant lighting, where energy efficiency (up to 70% savings), regulatory compliance and safety drive adoption. Despite this, LED penetration remains at around 50%, representing substantial future growth potential.

The global industrial LED market exceeds \$10bn and is underpinned by sustainability mandates, energy regulation and rising maintenance costs from ageing fluorescent and incandescent systems. Dialight holds an estimated 30% share of the core US market, benefiting from its strong brand reputation, proprietary certifications and durability in extreme environments, all key factors that result in high barriers to entry. Its Signals & Components business complements this with mature, profitable lines used in the electronics and automotive sectors.

Since September 2023, management has implemented a multipronged transformation strategy aimed at restoring profitability and unlocking shareholder value. Core pillars include stakeholder alignment, sales process overhauls (eg customer relationship management (CRM) and pipeline management), operational optimisation (automation and SKU rationalisation) and enhanced cash generation. An innovation committee has also been established to pursue future growth avenues. Notably, the company has consolidated its manufacturing footprint by moving to a new facility in Mexico to mitigate potential tariff exposure under the United States-Mexico-Canada Agreement (USMCA), while downsizing its Malaysian operations to reduce inefficiencies. Dialight also maintains an in-house R&D programme focused on energy efficiency advancements, net-zero product lines, integration with factory automation and a focus on reaching new niche markets, backed by dedicated teams and its new innovation committee. The Mexico manufacturing hub plays a central role in Dialight's operations, supporting US sales, and benefits from the USMCA trade terms. It is being upgraded with highly automated production capabilities, targeting >70% labour reduction and reduced unit costs.

Dialight's unique selling point versus peers

Dialight has been involved in LEDs for over 50 years and has a premium brand reputation as well as strong relationships among its customer base. The company claims to offer the largest selection of cutting-edge LED lighting products to suit virtually any industrial application, with all of its products developed in-house. Its controls seamlessly integrate with existing factory and building automation solutions, allowing for smooth installation and cost reductions for its customers. According to management, Dialight also offers an industry-leading 10-year warranty, based on the low-maintenance mechanical design of its products.

Financials

Revenues have rebounded strongly in the last five years, with Dialight's Lighting and Signalling divisions growing ~11% and 10% in 2021 respectively and 34% and 18% in 2022. FY24 and FY25, however, saw slightly slower revenue growth, due to a greater focus being placed on the company's self-help/transformation strategy. In FY25 the financial benefits of the strategy began to flow through the business, including increased savings from product cost reduction and improved margins. Management further commented that it expects greater effects of its transformation strategy to be seen in FY26, with the company stating in its H126 trading update statement that margin improvement, overhead cost reduction and higher cash generation has continued to improve with strong Q226 profit delivery.

Valuation

Dialight's stock price has risen strongly recently (up 145% since the beginning of June). Despite this, it remains at a discount to peers on a forward EV/EBITDA multiple (6.2x on a one-year forward basis, a c 30% discount, although the stock is more in line with peers on a P/E ratio of 18.8x). The strong rise in the stock price suggests that the market is beginning to price in Dialight's transformation strategy, but upside remains as this is delivered, particularly its relative growth profile as it increasingly focuses on market penetration and product innovation (driven by the fifth pillar of its transformation programme and its innovation committee).

Summary

Dialight is well positioned as a specialist LED provider in niche hazardous markets with high structural growth and regulatory tailwinds. Its two core segments, robust Lighting and steady Signalling, have recovered post-COVID and post-Sanmina, with FY22 performance affirming its operational resilience and FY25 demonstrating a return to profitability pre-exceptionals. The company's transformation agenda, anchored by automation, SKU rationalisation and strategic manufacturing relocation, is delivering tangible cost savings and setting the stage for margin expansion. Dialight therefore represents a compelling turnaround and growth investment, albeit one contingent on successful execution of its transformation roadmap and stability in macroeconomic and geopolitical headwinds.

Transformation plan: Returning to historical levels of profitability

Dialight's management has implemented a comprehensive transformation strategy to restore the company to historical profitability levels. The initiative, formally announced in September 2023, represents a multifaceted approach targeting operational efficiency, revenue growth and margin expansion across the organisation.

Strategic framework

The transformation plan is structured around four core operational pillars, supplemented by a fifth strategic pillar focused on long-term value creation:

Core operational pillars:

1. **Stakeholder engagement.** A comprehensive programme to align employee, shareholder and customer interests through enhanced communication, culture and value proposition refinement.
2. **Sales transformation.** A systematic overhaul of sales processes, including enhanced CRM capabilities, improved demand forecasting accuracy, strengthened pipeline management and expanded sales support infrastructure to drive order conversion rates.
3. **Operational optimisation.** Manufacturing and process streamlining initiatives designed to capture incremental revenue opportunities while reducing unit costs across core product lines.
4. **Profitability enhancement and cash generation.** Focus on sustainable margin improvement and cash flow generation to ensure long-term financial stability and operational resilience, returning the group to historical levels of double-digit earnings (underlying EBITDA margin of 5.8% at FY25).

Strategic growth platform:

1. **Innovation and future growth.** Establishment of a dedicated strategy and innovation committee to identify emerging opportunities in lighting, signalling and component technologies, positioning the company for sustained competitive advantage.

Implementation progress and financial impact

Management has reported substantial completion of the initial four operational pillars as at FY25, with measurable financial benefits beginning to materialise. Key performance indicators demonstrate:

- **Cultural transformation:** demonstrable shift in organisational culture and employee engagement metrics.
- **Sales process optimisation:** enhanced efficiency in sales operations with an increased focus on higher-margin opportunities.

- **SKU rationalisation:** significant portfolio simplification, reducing sub-assembly SKUs to 10% of the original offering, focusing on the most profitable products, resulting in:
 1. improved manufacturing productivity,
 2. enhanced focus on premium product segments, and
 3. streamlined operational complexity.

Sensitivities and outlook

While the transformation progress is encouraging, management acknowledges ongoing geopolitical uncertainties, particularly potential US tariff implications, which could have an impact on operational costs and competitive positioning. Despite these headwinds, the board maintains confidence in the medium-term growth trajectory, citing the strategic foundation established through the transformation initiative.

Investment implications

The transformation plan represents a comprehensive approach to operational turnaround, with early indicators suggesting successful execution across key metrics. The combination of operational efficiency gains, portfolio optimisation and strategic positioning for future growth creates a potentially compelling investment thesis, contingent upon continued execution and macroeconomic stability. Management has stated that it expects the financial impact from its transformation plan to be greater in FY26 than in FY25, suggesting that there is more to come.

Management-led turnaround driving recovery

Dialight has endured a challenging decade, with legacy management decisions significantly impairing the company's operational and financial performance. However, the appointment of almost an entirely new management team and board over the past two years has catalysed a comprehensive turnaround in strategy that is beginning to yield tangible results.

Strategic repositioning under new leadership

The current leadership team has implemented a focused self-help strategy designed to restore the company to historical profitability levels. This operational restructuring addresses the fundamental issues that have constrained performance, while simultaneously positioning Dialight for sustainable growth as financial stability improves.

The management transition has introduced a performance-oriented culture that emphasises operational excellence and strategic clarity. Importantly, the leadership team brings directly relevant experience in executing similar turnaround initiatives, providing confidence in their ability to deliver on stated objectives.

Investment thesis

We believe Dialight's turnaround momentum will drive meaningful value creation through:

- **Operational recovery:** management's self-help initiatives should restore margins toward historical levels.
- **Strategic refocus:** clear prioritisation of core competencies and market positioning.
- **Cultural transformation:** enhanced execution capability under experienced leadership.
- **Financial rehabilitation:** an improved balance sheet provides the foundation for growth investments.

The combination of operational improvements and strategic repositioning suggests that investor confidence should gradually return as financial performance stabilises and growth prospects become more apparent.

Key personnel

Group CEO: Stephen Blair

Stephen was appointed CEO on 15 February 2024. He is a qualified electronic engineer with considerable experience in international business development, with a particular focus on North American markets. He held senior roles at Invensys

Process Systems, as president of its North American operations, and at Spectris, as COO of its instrumentation and industrial controls division. He was also CEO of e2v, steering the group through a complex organisational transformation to its acquisition by Teledyne in 2017. He was CEO of The Ordnance Survey until retirement in 2021, and held a non-executive director role at Oxford Instruments where he was the senior independent director and a member of the audit, nominations and remuneration committees before stepping down in September 2021.

Group CFO: Mark Fryer

Mark was appointed CFO on 1 May 2025, having been appointed interim CFO on 6 January 2025. Mark is a qualified chartered accountant and experienced CFO with extensive private limited company, private equity and private company experience in global manufacturing and industrial service companies. Mark was Dialight CFO from 2010 to 2014 and previously has held roles as a director of Augean Limited (previously Augean), Manganese Bronze Holdings, Franchise Brands and Anexo Group.

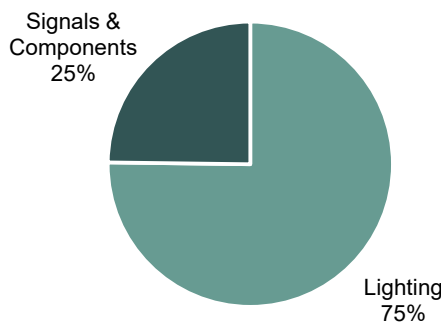
Group chair: Neil Johnson

Neil was appointed chairperson on 17 May 2023. He has considerable experience in international business development and a varied range of strategic corporate activity in multiple sectors and geographies. He has also held a number of senior board roles, including chair of Unbound Group and Synthomer, Motability Operations Group, e2v technologies and Centaur Media. He was formerly CEO of the RAC and chaired telematics company Cybit Holdings through its IPO and ultimate sale to a US private equity firm in 2010. Neil is currently chair of QinetiQ, a UK top 250 science and engineering company, and is deputy chair of the Business Growth Fund, an independent investment company supporting UK small and medium-sized enterprises.

Business description: A leader in industrial LED solutions

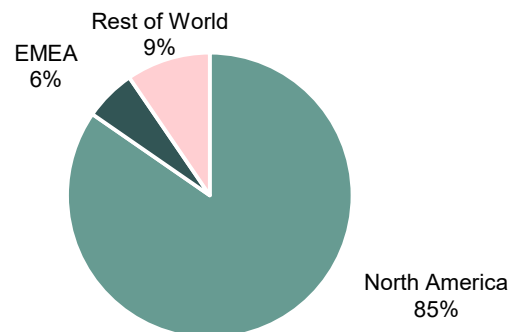
Dialight is a global leader in industrial LED technology, with more than 1.8m fixtures installed worldwide. Founded in the United States in 1938, its US headquarters remain in New Jersey, but it is currently listed on the Main Market of the London Stock Exchange. Dialight focuses on providing industrial and commercial LED lighting solutions for hazardous environments, including LNG plants, oil refineries and high-risk manufacturing facilities. The specifications for its products are typically very demanding and build quality must comply strictly with all regulations. Its products are regarded as ‘low volume and high mix’ (ie there is a high degree of differentiation between supplied solutions but a low volume of any given solution). Dialight’s products provide customers with some of the most cost-effective ways to drive down energy usage, while enhancing workplace and public safety. Its global headquarters are in London, but it has manufacturing capacity in Mexico, the Americas, Malaysia, Asia-Pacific and Europe. Dialight has two business divisions: LED Industrial Lighting (Lighting) and Signals & Components (Signalling).

Exhibit 1: Revenue by segment (2025: \$183.5m)



Source: Dialight, Edison Investment Research

Exhibit 2: Revenue by geography (2025)



Source: Dialight, Edison Investment Research

LED industrial lighting supplies for specialist industrial markets

Dialight’s Lighting division makes products for speciality industrial applications in harsh and hazardous environments. The business specialises in applications in which lighting performance is critical, and includes anti-collision obstruction lighting. Its target market has been particularly slow to adopt LED technology; Dialight estimates that only 20% of customers have converted from older, less energy-efficient solutions such as fluorescent and incandescent lights. Strong

growth is expected from this business as customers are driven by the prospect of energy savings, lower maintenance costs and alignment with ever more stringent regulation. Revenues grew 11% year-on-year in 2021 and 34% year-on-year in 2022, when the company split out the performances of the divisions. The Lighting business has suffered from substantial one-off charges related to legacy Sanmina issues and new cost-related problems, which dragged its headline operating loss to £9.5m in 2019 and to £5.5m in 2020, although, with the exception of 2019, the underlying operating margin has been between 5.7% and 9.9% over the last 10 years.

Signals & Components business is stable and profitable

Signalling develops, manufactures and supplies status indication components for electronics original equipment manufacturers, together with niche industrial and automotive electronic components and high-energy-efficiency LED signalling solutions for the traffic and signals markets. The business has an excellent reputation and a loyal customer base. The division's operating margin ranged between 7.0% and 13.4% between 2015 and the present, including during the COVID-19 pandemic.

Dialight's two businesses are well positioned to recover

Understandably, investors have been focused on Dialight's legal issues over the past six years, to the extent that we believe Dialight's underlying business is underappreciated. The situation has been further complicated by the costs involved in rectifying the Sanmina outsourcing dispute, the effects of the COVID-19 pandemic during 2020 and 2021 and cost inflation, both in terms of raw materials and labour at its Mexico plant. Fundamentally, we see two very solid businesses, albeit affected by the disruption from the failed outsourcing project, potentially a lack of investment and not least the impact of management turnover (the entire C-suite has changed since 2018) and distraction due to the legal issues. Both businesses have shown a solid rebound from the issues with Sanmina and the COVID-19 pandemic. Sales for Lighting and Signalling grew by 10.8% and 10.2%, respectively, in 2021, and by 33.7% and 18.5% in 2022. Furthermore, orders for the Lighting business grew 24.0% year-on-year in 2022, indicating a good sales performance for 2023.

Lighting business has strong growth as a result of low penetration of LEDs

The Lighting business operates in a segment of the LED market that is still dominated by older, more inefficient technologies. The company estimates that penetration of LED solutions is at only 50% and that it currently has around a 30% share in the core US market. With low levels of conversion to LED, the catalysts for mass conversion are:

- increased energy savings,
- lower maintenance costs, and
- regulations aimed at phasing out older technologies.

Dialight's controls integrate with existing factory and building automation solutions, reducing energy costs by up to 70% compared with fluorescent and incandescent alternatives. Its products are specifically designed to provide superior operational performance, reliability and durability, reducing energy consumption and ongoing maintenance and achieving a rapid return on investment. Competing in this segment requires significant development costs and regulatory certifications that create barriers to entry.

Demand is driven by:

- low market penetration in the industrial LED market,
- customer sustainability targets to reduce CO₂,
- productivity and safety benefits of better-quality lights,
- the reliability of Dialight's fixtures in the harshest environments, at both extremes on the temperature scale,
- long-term cost savings of LEDs through lower energy use and reduced maintenance demands, and

- web-enabled solutions that integrate with other building controls.

The customers and types of products in this segment include:

- heavy industry: steel processing, pulp and paper, automotive plants;
- oil and gas: upstream, midstream and downstream;
- mining: surface and underground;
- chemical and pharmaceutical;
- power generation: from oil and coal to nuclear and wind powered;
- collision avoidance lighting: for towers, chimneys and wind farms; and
- food and beverage: processing, grain storage, flour milling and cold storage areas.

Exhibit 3: Lighting key financial metrics

\$m	2016	2017	2018	2019	2020	2021	2022	2023*	2024	2025
Sales	136.3	137.5	125.0	111.5	81.7	90.5	121.0		137.9	138.0
Growth		0.9%	-9.1%	-10.8%	-26.7%	10.8%	33.7%			0.1%
Gross profit	57.4	54.3	47.1	31.3	23.7	33.7	40.6		46.9	54.1
Margin	42.1%	39.5%	37.7%	28.1%	29.0%	37.2%	33.5%		34.0%	39.2%
Underlying operating profit	13.5	11.2	8.5	7.0	(3.1)	5.3	6.9		7.6	12.9
Margin	9.9%	8.1%	6.8%	6.3%	-3.8%	5.9%	5.7%		5.5%	9.3%

Source: Dialight data. Note: *No data for FY23 due to changing of the financial year-end. FY24/25 underlying operating profit is before central costs. 2016–22 numbers to converted to US dollars.

Exhibit 4: Signalling key financial metrics

\$m	2016	2017	2018	2019	2020	2021	2022	2023*	2024	2025
Sales	45.6	43.5	44.6	39.5	37.3	41.1	48.7		44.3	45.5
Growth		-4.6%	2.5%	-11.4%	-5.6%	10.2%	18.5%			2.7%
Gross profit	12.1	12.4	13.2	12.6	10.3	13.3	14.0		10.9	11.2
Margin	26.5%	28.5%	29.6%	31.9%	27.6%	32.4%	28.7%		24.6%	24.6%
Underlying operating profit	4.9	3.9	4.5	4.3	2.6	5.5	5.7		0.2	3.3
Margin	10.7%	9.0%	10.1%	10.9%	7.0%	13.4%	11.7%		0.5%	7.3%

Source: Dialight data. Note: *No data for FY23 due to changing of the financial year-end. FY24/25 underlying operating profit is before central costs. 2016–22 numbers to converted to US dollars.

Financials

Active management beginning to result in positive signs in FY25

During FY25, Dialight restored itself to profitability (operating profit pre non-underlying items including \$17.8m from the Sanmina settlement and litigation costs) after an extended period of financial pressures, as the company's transformation plan started to show promise of success. Management stated, however, that it expects the impact from its transformation plan to be greater in FY26 than in FY25, with its newly added fifth pillar contributing to the company's growth potential. FY25's revenue performance remained relatively flat on a comparable 12-month basis with Dialight achieving \$183.5m in FY25 and \$182.1m in FY24 (note: 12-month end-March 2024 audited results). Underlying gross margin significantly improved year-on-year to 35.6%, up from 31.5% for the previous 12 months. This increase in margin was a result of the company selling larger quantities of profitable products, a reduction in product costs, purchase savings on components and better financial discipline on pricing and margin.

Non-underlying costs amounted to \$21.6m, primarily relating to the transformation plan (\$4.1m) and to the settlement

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with Sanmina (\$17.8m). Dialight also completed the disposal of its Traffic business (non-core) in July 2024. This realised gross cash proceeds of \$5.2m and a profit on sale of \$5.8m.

Debt

At FY25, total net bank debt stood at \$17.8m (excluding right-of-use asset liabilities (\$10m) and the Sanmina liability, of which \$8m remains outstanding). Dialight's revolving credit facility was extended to July 2027 with an outstanding balance of \$28.8m. FY25 net debt to EBITDA currently stands at 1.66x, in line with the peer average.

Dialight's internal debt covenants are a leverage ratio (net bank debt/pro forma unaudited EBITDA) of <3.0x and an interest cover ratio (pro forma unaudited EBITDA/interest expense) of >4.0x.

H126 trading update

Dialight announced in its H126 trading statement that demand trends and operating conditions in the group's end-markets remain soft, with sales marginally down year-on-year as a result of tariff uncertainty, the softer macroeconomic climate and the impact of the group's hazardous end-market sectors.

The company also stated that the ongoing margin improvement, overhead cost reduction and higher cash generation have continued to improve due to strong second-quarter profit delivery. In the trading update, Dialight further highlighted that the benefits of the delivery of its transformation plan are expected to exceed market expectations for adjusted operating profit for FY26 (excluding cash benefits from the receipt of two COVID credits from the US Internal Revenue Service of \$3.0m, which were received in the last six months and with no more to come).

Net debt for H126 was \$10.2m, demonstrating positive profit and cash generation in the period.

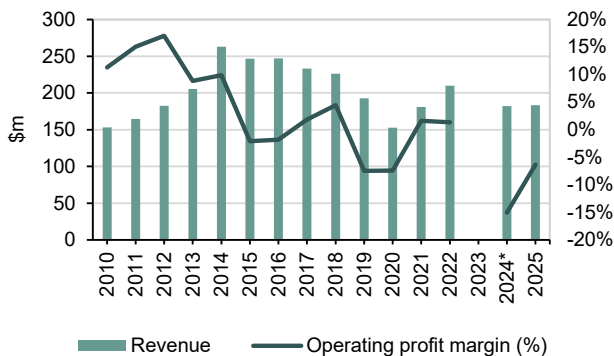
Medium-term growth ambitions

Exhibit 5: Dialight's medium-term growth and financial targets

	2012	Current (2025)**	3–5 year growth target
Revenue growth	12.3%	0.8%	3–5%
Underlying gross margin	39.2%	35.6%	45%
Underlying EBITDA margin	20.0%	5.8%	15%*
Return on sales	17.0%	2.3%	11–13%+*
Net bank debt \$m	N/A	17.8	Eliminate (0)
Return on average net assets	54.7%	8.9%	25%+
Inventory value \$m	31.60	46.6 (2023: 65)	35–40

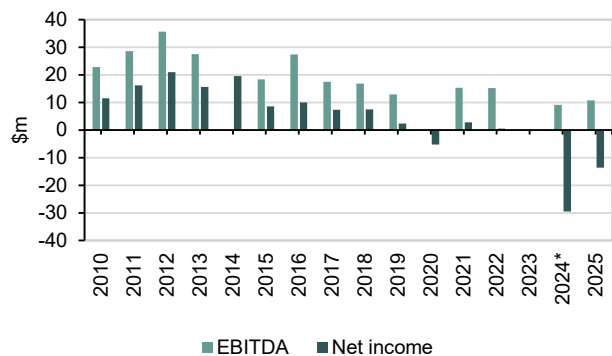
Source: Dialight, Edison Investment Research. Note: *Underlying EBITDA margin and return on sales reliant on future automation capex. **On a 12-month comparable basis to previous year.

Exhibit 6: Revenue and operating margin (2010–25)



Source: Dialight, LSEG Data & Analytics, Edison Investment Research. Note: *2024 is on a comparable 12-month basis rather than the 15-month basis used throughout. No published data for FY23.

Exhibit 7: EBITDA and net income (2010–25)



Source: Dialight, LSEG Data & Analytics, Edison Investment Research. Note: *2024 is on a comparable 12-month basis rather than the 15-month basis used throughout. No published data for FY23.

Note that Dialight changed both its year-end from 31 December historically to 31 March and its reporting currency to US

dollars from pounds sterling as of FY24, with the group's final audited 15-month period ended 31 March 2024 released in July 2024. More recently, Dialight released its audited preliminary results for the 12-month period ended 31 March 2025 on 24 June 2025.

Sensitivities

US tariffs

Dialight is taking proactive management steps in scenario planning and analysis in preparing for the evolving situation surrounding US President Donald Trump's new tariffs. Currently, Dialight is exempt under the USMCA on exports from Mexico to the US. However, Dialight will have to pay a small price increase to cover blended tariff impacts on components imported from Asia. The company is hoping to mitigate some of the effects of the tariffs through streamlining its supply chains and manufacturing flows and modest price increases. Despite the above, there are early indications that the new US tariffs may be marginally beneficial for Dialight, as some of its competitors source materials from China.

Sanmina

On 31 March 2025, Dialight settled its long-standing litigation with Sanmina for \$12.0m, which will be paid in instalments moving forward. This required an initial payment of \$4.0m on 31 March 2025 and eight quarterly payments of \$1.0m per quarter, with the final payment due on 27 March 2027. These quarterly payments are expected to be made using operating cash flow.

This agreement ends a period of uncertainty for the group, allowing Dialight to focus on returning the company to its previous levels of profitability. The Sanmina litigation settlement and legal fees have resulted in non-underlying costs of \$21.6m, which contributed to a loss before tax of \$14.1m in FY25.

Valuation

Dialight's stock price has risen strongly recently (up 145% since the beginning of June). Despite this, it remains at a forward EV/EBITDA multiple discount to peers (6.2x on a one-year forward basis, a c 30% discount, although the stock is more in line with peers on a P/E ratio of 18.8x). The strong rise in the stock price suggests that the market is beginning to price in Dialight's transformation strategy, but upside remains as this is delivered, particularly its relative growth profile as it increasingly focuses on market penetration and product innovation (driven by the fifth pillar of its transformation programme and its innovation committee).

Exhibit 8: Peer comparison

	Market Cap (\$m)	EV/EBITDA current (x)	EV/EBITDA 1yr forward (x)	P/E current (x)	P/E 1yr forward (x)
Dialight	110	8.5	6.2	N/A	18.9
Oxford Instruments	1,340	12.1	12.0	18.1	19.7
Volusion Group	1,484	17.3	12.7	19.8	18.8
discoverIE Group	667	10.0	9.0	15.3	14.9
XP Power	306	9.8	11.1	23.1	43.1
TT electronics	212	5.7	5.7	9.8	12.8
Videndum	53	19.8	5.6	-	4.4
Luceco	251	7.3	7.2	11.3	10.4
Median	506	10.0	9.0	16.2	17.7

Source: LSEG Data & Analytics, Edison Investment Research. Note: As at 9 October 2025.

Exhibit 9: Financial summary

	2021	2022	2024	2025
Year-end	31-Dec	31-Dec	31-Mar	31-Mar
	£m	£m	\$m	\$m
PROFIT & LOSS				
Revenue	131.6	169.7	226.0	183.5
Cost of Sales	(84.6)	(115.1)	(158.9)	(117.0)
Gross Profit	47.0	54.6	67.1	66.5
EBITDA	11.1	12.3	8.9	10.7
Operating profit (before amortisation and exceptionals)	4.5	5.0	(4.6)	4.2
Exceptionals	(2.3)	(2.7)	(25.6)	(15.8)
Operating Profit	2.1	2.3	(30.2)	(11.6)
Net Interest	(1.4)	(1.8)	(4.1)	(2.5)
Profit Before Tax (norm)	0.7	0.5	(34.3)	(14.1)
Profit Before Tax (reported)	0.7	0.5	(34.3)	(14.1)
Tax	(0.4)	(0.1)	1.8	0.5
Profit After Tax (norm)	0.3	0.4	(32.5)	(13.6)
Profit After Tax (FRS 3)	0.3	0.4	(32.5)	(13.6)
Minority interests	0.2	0.0	0.0	0.2
Average Number of Shares Outstanding (m)	32.4	32.6	35.6	39.6
Net income (normalised)	0.3	0.4	(32.5)	(13.6)
Net income (FRS3)	0.3	0.4	(32.5)	(13.6)
EPS – normalised (pence in 2021 and 2022; cents in 2024 and 2025)	0.9	1.2	(91.1)	(34.4)
EPS – normalised fully diluted (pence in 2021 and 2022; cents in 2024 and 2025)	0.9	1.2	(91.1)	(34.4)
EPS – reported (pence in 2021 and 2022; cents in 2024 and 2025)	0.9	1.2	(91.1)	(34.4)
Final distributed dividend per share (\$)	0.0	0.0	0.0	0.0
Gross Margin (%)	35.7%	32.2%	29.7%	36.2%
EBITDA Margin (%)	8.4%	7.3%	3.9%	5.8%
Operating Margin (before GW and except.) (%)	3.4%	2.9%	-2.0%	2.3%
BALANCE SHEET				
Fixed Assets	54.6	58.3	46.7	42.7
Intangible Assets	21.4	21.4	8.1	9.0
Tangible Assets	12.0	13.9	12.7	13.5
Right of use assets	11.3	10.5	8.8	9.0
Investments/Other	9.9	12.5	17.1	11.2
Current Assets	54.6	58.3	93.7	89.2
Stocks	42.4	53.6	49.1	46.6
Debtors	26.2	30.2	32.3	34.3
Cash	1.2	1.7	11.5	7.9
Other	1.2	0.6	0.8	0.4
Current Liabilities	(40.4)	(43.4)	(66.8)	(45.5)
Creditors	(32.9)	(37.3)	34.3	(40.1)
Short-term borrowings	(4.0)	(2.0)	(27.9)	0.0
Long-Term Liabilities	(25.0)	(32.3)	(9.7)	(39.1)
Long-term borrowings	(12.9)	(20.6)	0.0	(25.7)
Other long-term liabilities	(12.1)	(11.7)	(9.7)	(13.4)
Net Assets (ex minority)	60.2	68.7	63.9	4.3
CASH FLOW				
Operating Cash Flow	11.5	13.2	3.0	5.3
Net Interest	(1.4)	(1.8)	(4.1)	(2.8)
Tax	(0.6)	(0.8)	(1.8)	(0.5)
Capex	(5.6)	(7.2)	(6.8)	(8.0)
Acquisitions/disposals	0.0	(0.1)	0.0	5.2
Financing	0.2	3.5	12.3	(2.2)
Dividends	0.0	0.0	0.0	0.0
Other	(2.4)	(1.8)	0.0	(4.0)
Net Cash Flow	(3.8)	(1.1)	9.1	(3.6)
Opening net debt/(cash)	-	15.7	25.4	16.4
Other	-	(4.1)	(0.1)	2.2
Closing net debt/(cash)	15.7	20.9	16.4	17.8

Source: Dialight data, Edison Investment Research.

Note: FY21 and FY22 figures are in pounds sterling; FY24 and FY25 figures are in US dollars. FY24 was reported as a 15-month period due to Dialight changing its financial year-end (hence there is no reported full-year data for FY23).

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