Zacks Small-Cap Research

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Revolution Lighting Technologies, Inc.

(RVLT-NASDAQ)

RVLT: A Pure Play in Saving Money Through LED Lighting

With 20% revenue growth expected from 2016 to 2017, we believe the company could be valued at a 20 PE multiple. When looking out to 2017, that would yield a stock price of $25.00 per share.

Current Price (05/13/16)	$5.97
Valuation	**$25.00**

OUTLOOK

Revolution Lighting is a pure play in commercial & industrial and government LED end-user lighting products and services. It is consolidating a fragmented market by acquiring companies with complementary products, services or distribution channels addressing incremental markets or geographies. It has no legacy technology dragging down growth and is projected to grow over 20% per year as customers reap increasingly attractive paybacks for using LED as prices continue to come down. To date, only 3% of retrofit lighting consists of LED lighting in the US, providing extensive growth opportunity.

SUMMARY DATA

52-Week High	**$13.80**
52-Week Low	**$5.16**
One-Year Return (%)	**-53.4**
Beta	**3.3**
Average Daily Volume (sh)	**69,087**
Shares Outstanding (mil)	**19.3**
Market Capitalization ($mil)	**$112**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**9**
Insider Ownership (%)	**53**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**102.4**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**49.8**
P/E using 2016 Estimate	**11.9**
P/E using 2017 Estimate	**4.8**

Risk Level	**Above Average**
Type of Stock	**Small-Value**
Industry	**Bldg. Prod. -Ltg Fix**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	5.0 A	17.5 A	26.9 A	27.5 A	76.8 A
2015	20.3 A	27.2 A	37.7 A	44.3 A	129.7 A
2016	27.6 A	42.4 E	54.0 E	62.0 E	185.6 E
2017					222.7 E

Earnings per Share
(Adjusted Non-GAAP EPS before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.41 A	$0.18 A	-$0.17 A	-$0.59 A	-$0.94 A
2015	-$0.09 A	-$0.03 A	$0.09 A	$0.12 A	$0.09 A
2016	-$0.06 A	$0.08 E	$0.23 E	$0.33 E	$0.50 E
2017					$1.25 E

Zacks Projected EPS Growth Rate - Next 5 Years 20%

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KEY POINTS

- Revolution Lighting Technology is a **pure play in the LED lighting products and services space, selling to the commercial, and industrial and government sectors.**

- Revolution is exhibiting **operating leverage** that is beginning to deliver accelerating earnings. With its current structure it believes it can bring 26-28% of every dollar in revenue over $100 million to the bottom line. Remarkably this means the company **could go from $0.50 per share in earnings this year to $1.25 in 2017.**

- Replacing incandescent and fluorescent lighting with LED fixtures and/or lamps typically produces measurably **significant payback** for customers. The industry is now at a point where LED prices are so low that significant savings are possible and deal sizes and opportunities are growing and easier to close. The payback period is lowered as utility and state incentives further reduce overall project costs.

- Unlike competitors, it has **no legacy fluorescent lighting** sales to cannibalize. The company growth reflects LED sales and installations alone.

- The company **does not compete in the consumer market** or direct to consumers, where extensive competition exists.

- The global LED lighting market was $26 billion in 2015 and is expected to reach $31 billion in 2016 as rapid price declines versus legacy technologies have made usage increasingly cost effective.

- The company is a **consolidation play in an extremely fragmented market.** It has brought together product companies, distributors, and turnkey solution providers who cross-pollinate and complement each other.

- The company grew 69% in 2015; 18% was organic growth and the rest via acquisition. We predict sales growth of 43% to $185 million in sales in 2016 versus $130 in 2015, and fully diluted adjusted EPS of $0.50 versus $0.09 in 2015. Adjusted EBITDA in 2016 should surpass $20 million, which is the company's conservative guidance. **In 2017, Adjusted non-GAAP EPS could reach $1.25**.

- Revolution has **opportunities that could provide big upsides to sales** near term that are not in estimates. These are: successful penetration of the Navy and/or other military or government agencies, and additional acquisitions, such as the recently announced acquisition of TNT Energy LLC.

- Given its 20% growth rate, we believe RVLT common stock deserves at 20 PE multiple and could be worth $22.00 when looking at 2017 estimated earnings of $1.10 per share.

OVERVIEW

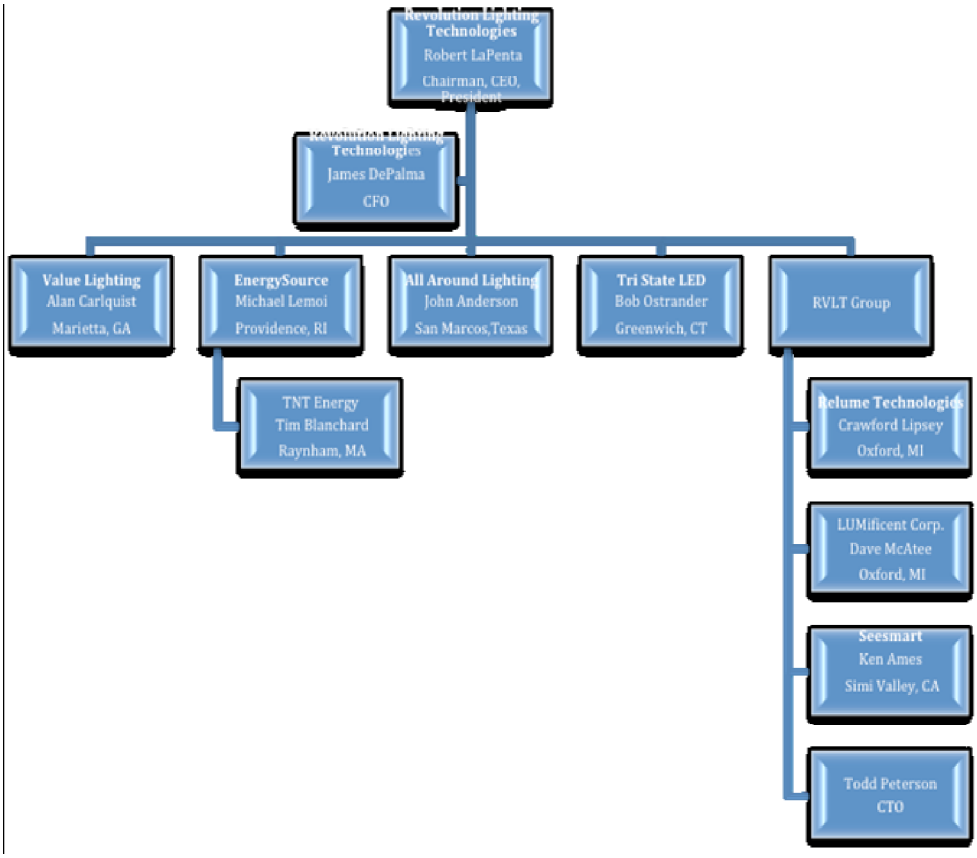
Revolution Lighting Technologies was a small unprofitable lighting company named Nexxus Lighting when RVL LLC acquired it in September of 2012. The name was then changed to Revolution Lighting Technologies. RVL LLC is an investment company created by Ashton Capital and is owned primarily by Robert LaPenta and principals of Aston Capital. These principals were all former executives at L-1 Identity Solutions which was sold in 2011. RVL LLC has never sold any Revolution Lighting stock. Since 2012, the company has acquired eight more companies in LED lighting products, full service turnkey

operations and LED distribution, all of which target commercial, industrial or government end users. Each of these companies either increased the product portfolio, expanded distribution geographically or by channel, or increased the service offerings of the company. In addition, many of the acquisitions provided for pull-through of Revolution's family of products resulting in additional profit to the company.

The company has mainly kept its acquisitions as separately operated companies as shown on the organizational chart, but has recently consolidated certain operations for cost and market effectiveness. Synergy is created via quarterly meetings at which all the operating managers meet and discuss projects and opportunities. The separate entities are incentivized to work together sharing expertise and contacts to optimize the firm's profitability.

Currently the company employs a total of 235 full-time employees and three part-time people. They are distributed among 14 locations.

Chart 1. Revolution Lighting Technologies Organizational Chart



Acquisitions

TNT Energy was acquired in May 2016 for $10 million. It is a provider of full service turnkey comprehensive savings projects primarily in New England**.** It complements the geographies of Energy Source and is headquartered in Raynham, Massachusetts. Similar to Energy Source, TNT works with the state utilities. TNT addresses energy savings projects within commercial, industrial, hospitality, retail, education, and municipal sectors. TNT Energy's 2015 revenue and adjusted EBITDA were approximately $25 million and $2.3 million.

Energy Source LLC was bought in 2015 for $30 million. It is a full service turnkey solutions provider and installer of LED technology primarily in New England. It works with the state utilities. It sells to non-residential customers and is the number one contractor for implementation of utility sponsored energy conservation programs that includes energy audits and rebates.

Value Lighting Inc. was purchased in 2014 for $39 million. It sells lighting solutions direct to building management and developers and is strong in multifamily housing. It is the largest entity in the Revolution Lighting family by sales and employees.

All-Around Lighting was acquired in 2014 for $5 million. Similar to Value, All-Around provides lighting design and solutions to the multi-family residential market and new constructions.

Tri-State LED was bought in 2013 for $6 million. It is a wholesale distributor of Seesmart and Relume products and sells turnkey to large users such as schools and multifamily housing. Its territory is the NY, NJ, and CT region.

RVLT Group

Revolution has recently consolidated three of its acquired businesses in order to enhance operational effectiveness and efficiencies throughout the company.

- Relume Technologies – Acquired in 2013, a leading manufacturer of outdoor LED products. It also sells **Sentinel,** a revolutionary, patented, and licensed monitoring and smart grid control system for outdoor lighting applications, specializing in municipal and campus environments.

- Lumificient – Acquired in 2013, a supplier of LED illumination for the signage industry. A main customer being Starbucks.

- Seesmart Technologies – Acquired in 2012 it designs, engineers, and manufactures the majority of its products. SeeSmart is in charge of all product R&D and sourcing for the company.

Sales and Marketing

In addition to sales people at its various companies, the company also sells through 76 wholesale distributors. In 2015, it brought on one of the biggest lighting distributors in the country, Rexel Holdings USA and in January 2016 it added Fastenal. Fastenal is offering Revolution products to its customers, including extensive electrical contractors and energy services companies (ESCOs.) Its energy division, Rexel Energy Solutions, has already ordered revolution Lighting's thin panel fixtures and line of tubes including its Uni-Fit T5 LED Tube.

The company recently retained the services of The Cohen Group, headed by former Secretary of Defense, William S. Cohen, to pursue Navy and other domestic and international government opportunities. The company is 99% certified to sell to the military and expects full compliance in the next few weeks. Although not factored into estimates, Revolution plans to bid on RFPs in 2016 and possibly win business.

PRODUCTS AND SERVICES

Revolution Lighting designs and manufactures its LED lighting products through its Seesmart and Relume brand groups, addressing both indoor and outdoor lighting products. These products include linear tubes, interior luminaires, high-low bay fixtures, downlights, lamps, hazardous fixtures, street & roadway, floods, wall packs and area lights. In addition, it has LED products for media and display applications, developed through its Lumificient division, and smart lighting controls through its *Sentinel* division. The LED solutions address key market sectors including commercial, industrial/warehouse, education, municipal/government, healthcare, retail, hospitality, military, and signage/billboards. Despite the diversity in these markets, the company focuses on common lighting applications as part of its core product development. This is primarily linear tubes and fixtures, which consists of 85% of the lighting used within commercial and industrial sector.

Its LED products have critical certifications from nationally recognized testing laboratories, including United Laboratories (UL) and Edison Testing Laboratories (ETL) as well as Design Light Consortium (DLC), a certification often required by state and utility incentive programs. The company also provides industry-leading warranties of up to 10 years.

In addition to products, Revolution Lighting also provides comprehensive turnkey services offering technical expertise and project management. Services include: scope development, material testing and selection, budgeting, project bidding, management and incentive procurement.

Exhibit 1. Revolution Lighting LED replacements for fluorescent tubes.



T8 Uni-fit LED Tubes



T8 SEP (Single End Power) T8 LED Tubes



T5 Uni-Fit LED Tubes

COMPETITORS

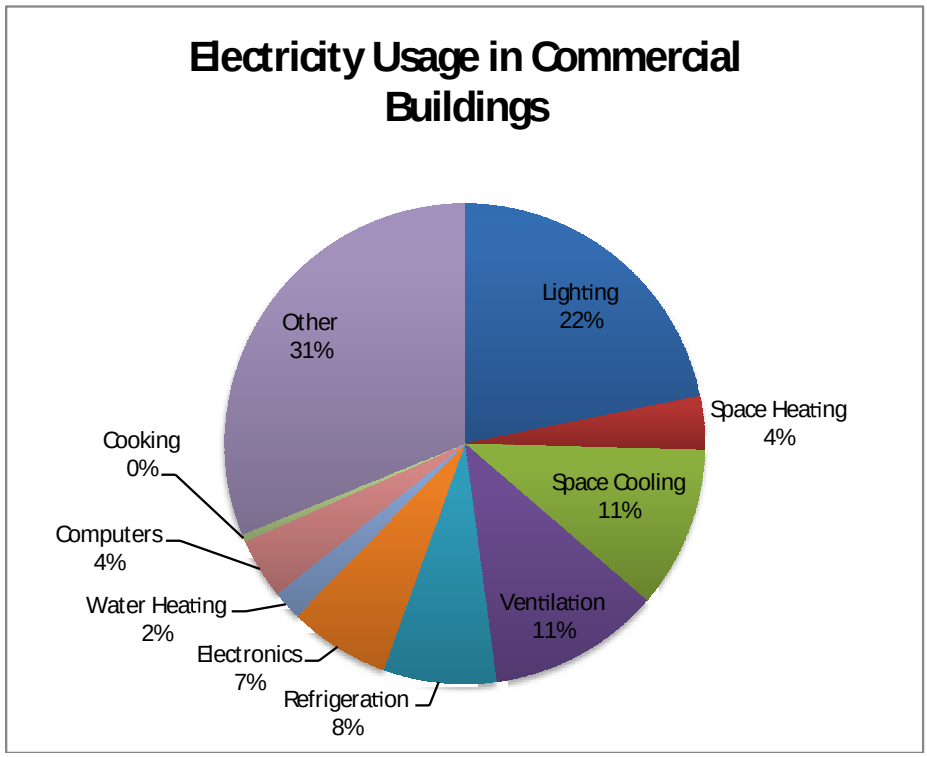
Revolution faces competition from both the traditional lighting companies that provide general lighting products, as well as specialized lighting companies. **In traditional lighting**, the main competitors are Acuity Brands Lighting, Inc. (AYI), Cooper Lighting, now Eaton's lighting division (ETN), Hubbell Inc. (HUBB), Osram *Sylvania* (OSR.DE), GE Lighting (GE), and Royal Philips (PHG). In addition to traditional lighting companies there are specialized lighting companies such as Cree (CREE). Revolution competes via design, innovation, light quality, maintenance costs, safety issues, energy consumption, price, product quality, brightness, and DLC, Energy Star, and UL certifications.

INDUSTRY OUTLOOK

In dollars, LEDinside, a market research firm, estimates that the worldwide LED lighting market was $25.7 billion in 2015 and expanded to $30.5 billion in 2016. LED lighting is expected to continue expanding market share in the lighting sector against older technologies. According to the Department of Energy (DOE), it is expected to increase from 3-5% of light fixture replacements in 2015 to more than 42% in 2020. There is an installed based of commercial and industrial 2.6 billion light fixtures in the U.S. and Revolution Lighting's linear tube LED products address more than 70% of this base.

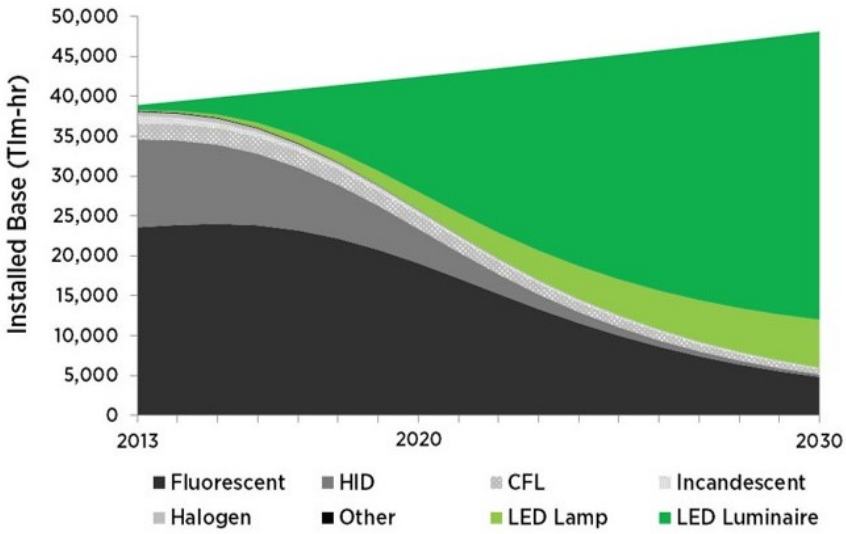
The DOE says that lighting accounts for 22% of annual energy use within a commercial building. Replacing antiquated lighting technology, including fluorescent, with LED solutions improves lighting efficiency by 60%. In addition, LED lighting will last three times longer than fluorescent lighting, while delivering greater light output.

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Source: Department of Energy

In the US, there is a huge replacement (retrofit) market in addition to new construction. Due to the rapid decline in LED prices, most entities have not made the switch to LED as they are often time unaware of the cost savings given the new product prices. While in past years, the company has focused on missionary selling, now potential customers seem to be aware of the new shorter payback periods and are actively seeking solutions. The LED lighting industry will continue to grow with awareness and education as well as with the rapid decline in LED material prices, and increasing number of utility and state incentive programs available to significantly improve a lighting retrofit's return on investment. The company characterizes the stage of the LED industry as being in the end of the first inning, and is well positioned for the growth that is around the corner. Investors will be able to reap this rapid growth stage as demand ramps.



Source: US Department of Energy

THE ECONOMICS OF LED

Each year the cost of LED lighting continues to decline, driven primarily by excess foreign volume and among manufacturers to capture market share. This is further impacted by energy costs, particularly dense urban environments, where energy costs trend higher. Companies and institutions who have not evaluated LED lighting recently would be surprised at the cost savings that was not available a few years or even a few months ago. This is even without the aggressive incentives many government entities and utilities provide to spur conservation. LED lamps and fixtures have already been used extensively, and continue to become more attractive to companies and individuals seeking to reduce energy costs through efficiency measures that offer quick payback opportunities. As shown in the table below, examining the payback opportunity when replacing a fluorescent lamp with a LED lamp, assuming the lamp operates eight hours per day at three varying costs for electricity, it is clear that LED lighting delivers a significant return on investment for end users.

Type	Cost of tube	Annual cost @$0.10/Kwh	Annual cost @$0.15/Kwh	Annual cost @$0.20/Kwh	
Fluorescence 4ft tube 44 watts	$1.00	$12.85	$19.27	$25.70	
LED 4ft tube 17watts	$10.00	$4.96	$7.44	$9.93	
Payback		15.2 months	10 months	7.6 months	

The payback indicated above does not account for the longer life of LED products compared to fluorescents, retrofit labor costs, available state and utility incentives or long term maintenance cost saving due to LED lighting's superior lamp life versus fluorescent. In addition, LED lighting generates less heat than fluorescent and incandescent lighting products, reducing HVAC requirements to benefit building utility costs. These costs would improve the costs savings over the life of the product from what is calculated above.

CASE STUDIES

Compared with most green energy type products, LED lighting has cost savings to users that are not induced solely by government subsidies and regulations. Choosing LED lighting over fluorescent makes sense in new construction and replacing current lighting incandescent and fluorescent technologies is cost effective with or without rebates. The payback from the investment is so quick it is high on the list of conservation measures and with rebates it speeds it even more as to make it a no-brainer for many organizations. Often the only impediment to an LED sale is making the customer aware of the extent of the savings that makes selling turnkey solutions and services even more important.

LED lighting can be applied to both existing facilities, through a retrofit program, and new construction across all sectors including commercial & industrial, warehouse, education, municipal & government, healthcare, retail, hospitality, military and more. We present two case studies to show investors exactly how the math works.

Case1: Simple replacement of fluorescent tubes with LED tubes with no rebates

Problem: Parsippany-Troy Hills K-12 public school system wanted to save money and improve the lighting quality buy replacing its florescent tubes with high efficiency LED lighting throughout classroom, hallway and administrative areas. It had been using fluorescent T8 and T12 lamps and wanted a retrofit solution.

Solution: Parsippany-Troy Hills chose Revolution's plastic T8 Single-End-Power LED tubes were selected for use throughout its facilities. The LED tubes would reduce electricity use by 60%, offer superior light quality and output, combined with an industry leading 10-year warranty and lamp life of 70,000 hours (3x greater than fluorescent). Other pluses were negligible light depreciation over time, instant on (no warm-up time), full spectrum light output and a product that contains no dangerous mercury or glass and makes it 100% recyclable. These features will further reducing maintenance costs down the road as the product needs to be replaced less often.

Costs and Savings: The project cost the school district $1.2 million to yield an estimated $400,000 per year in electricity savings yielding a three-year payback. If we say the lights are on 12 hours a day, the tubes should last over 15 years, providing a total savings of $4.8 million. According to the Department of Energy the average price for electricity in New Jersey is $0.1395 per KwH according to chart from the Department of Energy.

Case 2: Energy Source provides turnkey products and services to improve a bank's facilities with rebates

Problem: RBS Citizens Financial Group, Inc. a $118 billion commercial bank holding company headquartered in Providence, with 1,400 branches and 3,600 ATMs and operations in 30 states was looking to lower costs.

Solution: Energy Source targeted as a first step in its energy efficiency program its back office and support facilities that operate 24/7. It retrofitted over 26 facilities for Citizens bank, including branches, distribution warehouses, call centers and datacenters. In future projects, Energy Source continues to work with Citizens to evaluate and implement savings in branch locations.

Costs and Savings: The project generated $1.35 million in revenues to Revolution. Citizens received over 500K in utility and state incentives to reduce overall project costs to $850,000. The bank projects energy savings of $334,000 per year yielding at project payback to only 2.6 years.

MANAGEMENT

Management compensation is unusual and is totally aligned with shareholders. The CEO and CFO are officers of RVL, the Company's principal shareholder, and as such they beneficially own a substantial portion of the common stock. Because of this they have a direct and substantial interest in the long-term growth of our Company and are **not paid an annual salary**.

Robert V. LaPenta
Chairman, CEO and President

Mr. LaPenta has served as a member of the Board of Directors and as Chairman since September 2012, as CEO since January 2013, and as President since July 2015. Mr. LaPenta is also a founder of Aston Capital, a private investment company specializing in investments in secure military communication companies, and companies with green technologies. He was on the board of Leap Wireless International,

Inc. from March 2005 until its acquisition by AT&T in March 2014. From August 2006 to August 2011, he was Chairman, President, and CEO of L-1 Identity Solutions, Inc. From 1997 to 2005, he was President, CFO and a director of L-3 Communications Holding, a company he cofounded in April 1997. He earned a B.B.A. in accounting from Iona College. Robert V. LaPenta is the father of Robert V. LaPenta, Jr. and is a major stockholder through RVL and Aston Capital.

James DePalma
CFO and Director

Mr. DePalma has been CFO since July 2015 and a board member since September 2012. He has also been is the Vice Chairman and Senior Managing Partner of Aston Capital since August 2011. Prior to Aston Capital, Mr. DePalma was the EVP, CFO and Treasurer of L-1, a founding partner of L-1 Investment Partners, and served as a consultant to L-3 Communications Holdings, Inc. He was CEO of Core Software Technology, a leading software provider to the intelligence community and an equity investment of L-3 Communications Holdings, Inc. Mr. DePalma has worked at Westinghouse Electric, CBS and Viacom including as Corporate VP of Finance at Westinghouse. Before Westinghouse, he was a Senior Partner at PriceWaterhouseCoopers specializing in Defense, Communications and Mergers and Acquisitions. Mr. DePalma serves and has served on a number of boards including Radiant Group, ImageSat International, CBS MarketWatch, Broadband Enterprises and Torrential, Inc. Mr. DePalma is also a major shareholder through RVL and Aston Capital.

BOARD OF DIRECTORS

Robert V. LaPenta
Chairman, CEO and President

James DePalma
CFO and Director

Robert V. LaPenta Jr.

Mr. R. LaPenta joined the board in September 2012. Mr. R. LaPenta has been a Partner of Aston Capital since August 2011. He is also on the board of TherapeuticsMD, Inc. Mr. LaPenta previously served as VP of M&A and Corporate Strategy for L-1 from April 2007 to August 2011 and assisted L-1 senior management in identifying acquisition candidates and investments while assisting in due diligence, structuring, valuation, execution and related financing. Mr. LaPenta graduated in 1991 from Boston College with a B.A. in Accounting and Finance and is a registered CPA in the State of New York. Robert V. LaPenta Jr. is the son of Robert V. LaPenta and a significant shareholder.

Robert A. Basil Jr.

Mr. Basil joined the board in September 2012 and has been a Partner of Aston Capital since August 2011. Mr. Basil brings extensive M&A, operational and financial experience and has been a key member in over 40 transactions and the deployment of $8 billion in capital in the Aerospace, Defense, and Security Sector. Before Aston Capital, Mr. Basil served as the VP of Strategic Planning and Business Operations at L-1. Prior to joining L-1, Mr. Basil served as the Director of M&A for L-1 Investment Partners. Prior to L-3, he worked for Deutsche Bank in their Telecom/Media/Technology Investment Banking group. Mr. Basil is a graduate of Georgetown University. Mr. Basil also holds common stock through RVL and Aston Capital.

William D. Ingram

Mr. Ingram also joined the board in September 2012. He is EVP and acting CFO of Leap Wireless. He came to Leap in 2012, from AudioCodes, Inc., as an acquisition of Nuera Communications, in July 2006. Prior to joining Nuera Communications in 1996, Mr. Ingram served as the COO of the clarity products division of Pacific Communication Sciences, Inc., as President of Ivie Industries, Inc. and as President of KevTon, Inc. Mr. Ingram earned an A.B. in economics from Stanford University and an MBA from Harvard Business School.

Stephen G. Virtue

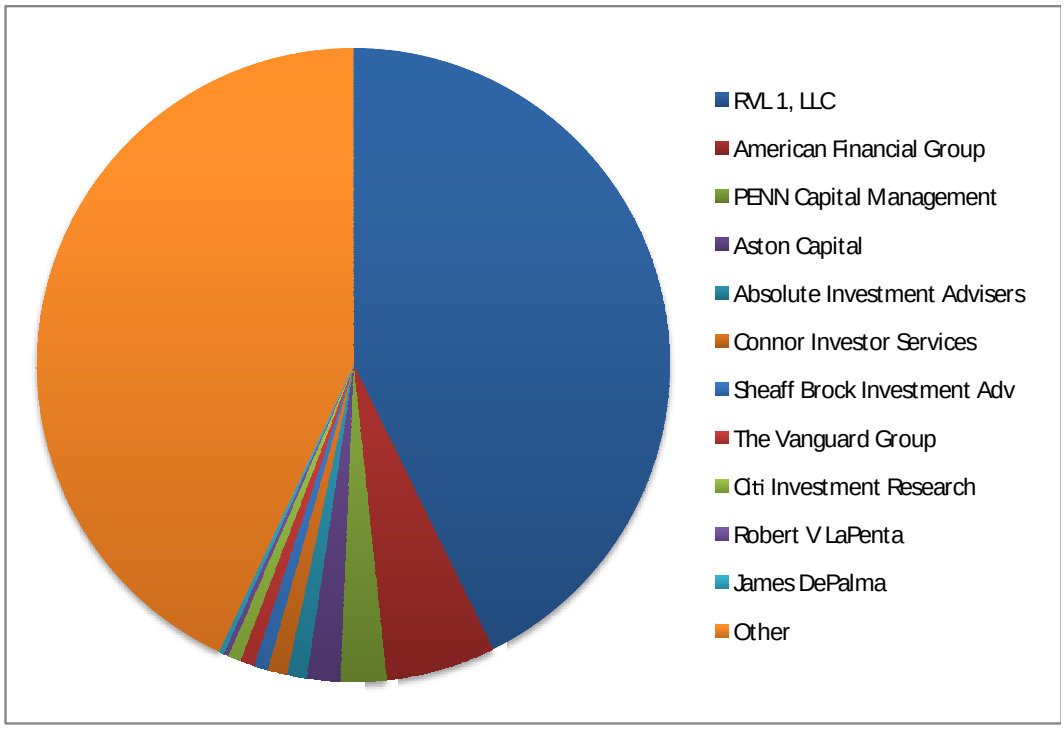
Mr. Virtue also joined the board in September 2012. Mr. Virtue is an MD at Miller Tabak & Co., LLC. Prior to joining Miller Tabak in 2002, he served as the Director of Institutional Equity Capital Markets at Dain Rousher/Royal Bank of Canada. He also worked at Paine Webber as Vice President of Institutional Equity Capital Markets and was a trader at Smith Barney from 1995 to 1997. Mr. Virtue holds a B.S. in marketing from Boston College, Carroll School of Management.

Dennis McCarthy

Mr. McCarthy also joined the board on September 2012. Mr. McCarthy is the Financial Director and board member of The Bloomingdale Family Program. Prior to joining Bloomingdales in 2008, Mr. McCarthy spent nearly four decades at PricewaterhouseCoopers, where he led the firm's Global Telecommunications tax practice from 1997 to 2005 in addition to client responsibilities. Mr. McCarthy holds a B.S. in accounting from Clarkson University and is a CPA.

OWNERSHIP

Aston Capital owns RVL 1 LLC as well as an additional 330,000 shares. Certain management and directors of Revolution Lighting including Robert LaPenta and James DePalma are also owners of Aston Capital.



RISKS

- Revolution Lighting was only profitable one quarter in 2015. While it is expected to be profitable later this year, there is no assurance it will be.
- LED lighting products are experiencing rapid declines in price due to extraordinary competition here and in China. The company must be able to maintain parity in pricing and generate margin in order to be profitable.
- The industry is highly fragmented and currently undergoing a shake out leading to unpredictable prospects.
- Management may not be able to manage so many separately operating companies and channel conflict and overlap may be a problem in growing internally.
- Governments and utilities may stop offering subsidies and rebates making LED installation less cost effective. Alternatively given the price of oil, electricity prices may come down in some markets with the same effect.

VALUATION

In the public markets the average lighting company trades at an enterprise value to estimated 2016 revenues of 1.1 times. The range however is 0.2 times for TCP International (TCPI) with declining revenues to large cap Acuity Brands (AYI) at 3.7 times. Using the average for the group would give us a current valuation of $7.52 per share for Revolution Lighting. However, its growth could make it much more comparable to Acuity Brands. At Acuity's valuation, the stock would be worth more than three times that. When looking at 2017 revenues, investors could expect the stock to be worth almost $10.00 just based on an average valuation at that point in time.

	Ticker	Cal Yr Rev		TTM	Enterprise Value / Sales		EV/	Included	Enterprise
Company		2016E	LTM	EBITDA	2016E	LTM	EBITDA	in Average?	Value
Acuity Brands	AYI	$3,448	$2,960	$499	3.2x	3.7x	22.2x	y	11,090
Cree	CREE	$1,587	$1,610	$119	1.2x	1.2x	16.1x	y	1,910
Energy Focus	EFOI	$57	$64	$10	0.7x	0.6x	4.0x	y	40
Lighting Science Group Corp.	LSCG	NA	$80	-$15	NA	0.7x	-3.8x	n	59
LSI Industries	LYTS	$330	$317	$22	0.8x	0.9x	12.5x	y	271
Orion Energy Systems	OESX	$78	$68	-$9	0.4x	0.4x	-3.0x	y	28
TCP International Holdings	TCPI	$428	$486	$41	0.2x	0.2x	2.4x	y	98
Average				**113.6**	**1.1x**	**1.2x**	**9.0x**		**$2,239**

	Cal Yr Rev		TTM	Enterprise Value / Sales		Valuation Range	
	2016E	LTM	EBITDA	2016E	LTM	Low	High
Revolution Lighting	$186	$130	8.6	1.1x	1.2x	$152	$202
Conclusion of Enterprise Value			$177,088,786				
Market Value			$148,526,786				
Fully Diluted Shares Outstanding			19,750,000				
Price per Share			**$7.52**				

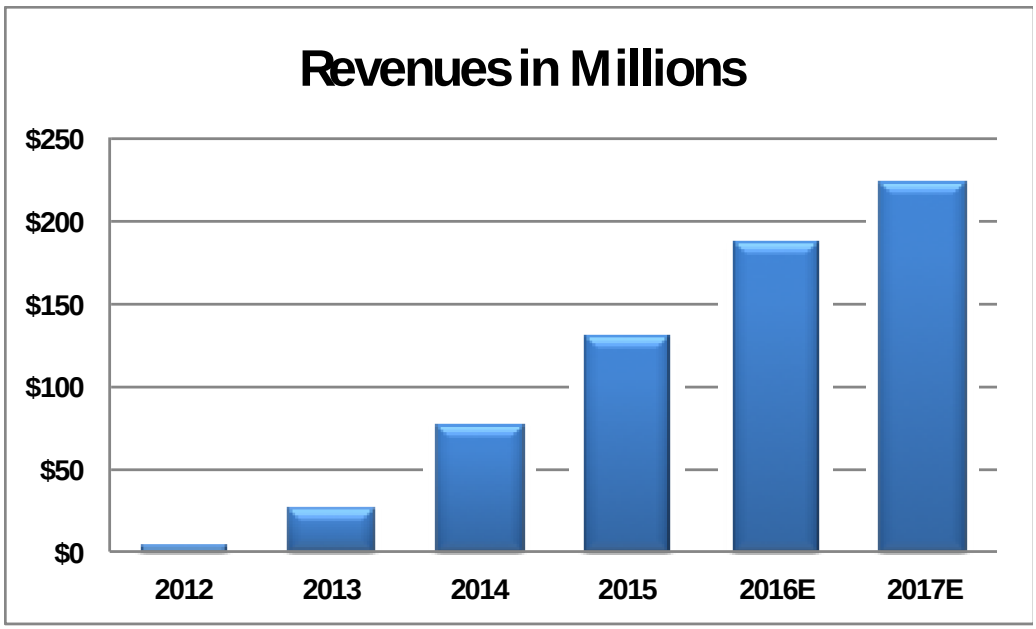
	Cal Yr Rev		2016E	Enterprise Value / Sales		Valuation Range	
	2017E	2016E	EBITDA	2017E	2016E	Low	High
Revolution Lighting	$223	$186	17.0	1.1x	1.2x	$218	$243
YoY growth							
Conclusion of Enterprise Value			$230,299,075				
Market Value			$201,737,075				
Shares Outstanding			20,297,966				
Price per Share			**$9.94**				

Another comp that is may come to market is Royal Philips (PHG) lighting business which is in the process of being spun off as an IPO after failing to find a buyer. Its 2015 lighting revenues were $8.3 billion and price talk is a valuation range of $3.2 to $3.8 billion for a midpoint of $3.5 billion. Its LED lighting business is 50% of sales and grew 27% in the first quarter. Conventional lighting was down 20% and the overall entity generated $1.9 billion in revenues in Q1 2016, or 0.5 times EV to revenue run rate.

FINANCIALS

2015 Year

For the year ending December 31, 2015 the company reported **revenues of $129.7 million versus $76.8 million, growth of 68.7% year over year.** This growth was 18% pro-forma organic growth and the rest through the acquisition of Energy Source. Gross profit was up 79% as margins improved from 31.5% to 33.4%. Operating expenses however only grew 26%, or 29% if you exclude on-time expenses. We are choosing not to take out stock-based compensation in the comparison as stock is the primarily way the management team is compensated. The Company reported an operating loss of $0.9 million in the full year ended December 31, 2015 as compared to an operating loss of $10.9 million in the same period of 2014. On a continuing basis, the company reported a $1.1 million profit in 2015 versus an $8.4 million loss in 2014. On a non-GAAP basis, excluding one-time charges and stock-based compensation, the company earned **$0.09 per share versus a loss of $0.94 per share**. Adjusted EBITDA for the full year ended December 31, 2015 was $8.6 million compared to a negative $1.1 million for 2014.



Q1 2016

For the quarter ending March 31, 2016 the company reported revenues of $27.6 million versus $20.3, up 36%. Gross margins declined to 33% versus 35% last year due mainly to product mix. The company had $1.1 million in one-time expenses from the acquisition of TNT Lighting and the subsequent equity financing. Depreciation and amortization was up $300,000 from last year's $1 million from acquisitions. SG&A was $7.6 million versus $6.5 million. Eliminating extraordinary items, the operating loss was reduced to $0.9 million versus last year's $1.6 million as the company grew to cover more of its fixed costs. Interest expense grew to $0.6 million versus $0.2 million, but since the company's capital raise that should decline going forward. The company paid no income tax and still has a $65 million net operating loss tax carryforwards and amortizable goodwill of intangibles, which should last for quite a few more years. The share count in the quarter rose to 16.1 million versus 13.8 million in 2015. In May, the company sold 2.8 million shares of stock and the current share count is now 19.3 million shares.

Fully diluted adjusted EPS for the quarter was a loss of $0.06 versus a loss of $0.09 in 2015. Barring any extraordinary charges due to future acquisitions, that is the last loss quarter we expect to see as sales volumes are now at levels over the breakeven point.

Q2 2016 Forecast

The Company has given Q2 2016 guidance of revenues in the $41 - $43 million range, and adjusted EBITDA of 8-10%. The midpoint of such guidance gives us Q2 revenues of $42 million versus $27.2 million in 2015, up 54%, and an adjusted fully diluted non-GAAP EPS of $0.08 versus a loss of $0.03. We believe the company has good near term visibility, and should be able to slightly beat those numbers.

Full Year 2016 Forecast

Full year 2016 revenue guidance is $180-190 million of which 20%+ is from organic growth). It also expects EBITDA of 10-12% and free cash flow of approximately $10 million. Using those metrics we see the company able to reach fully diluted adjusted earnings of **$0.50 per share for the year versus $0.09 in 2015**. These revenues could be beat by better than expected results from the new TNT Energy acquisition as well as the company making any headway in military and government sales. There are no revenues from the latter in the forecast or the company guidance.

Full Year 2017 Forecast

In 2017, we see the full force of the operating leverage of the company kick in. The company has said they believe 26-28% of each dollar sold over an annualized $100 million can be added to EBITDA of the company. So if we anticipate EBIDTA of $10 million in 2015, and the company grows 20% in 2017 that leaves us with near $30 million in EBITDA for 2017. We have used $28.4 million in or model and reach an untaxed adjusted EPS of $1.25 for the year.

INCOME STATEMENT

Revolution Lighting Technologies	Q1 2015 31-Mar	Q2 2015 30-Jun	Q3 2015 30-Sep	Q4 2015 31-Dec	Q1 2016 31-Mar	Q2 2016E 30-Jun	Q3 2016E 30-Sep	Q4 2016E 31-Dec	2014	2015	2016E	2017E
Total revenue	**20.3**	**27.2**	**37.7**	**44.3**	**27.6**	**42.0**	**54.0**	**62.0**	**76.8**	**129.7**	**185.6**	**222.7**
Yr-to-yr Growth	311%	56%	40%	61%	36%	54%	43%	40%	194.9%	68.7%	43.1%	20.0%
Cost of services	13.2	18.2	25.5	29.5	18.5	28.6	36.5	41.5	52.6	86.4	125.1	144.8
Gross profit	7.2	9.1	12.2	14.9	9.1	13.4	17.5	20.5	24.2	43.3	60.4	77.9
Gross Margin	35.3%	33.3%	32.3%	33.5%	32.8%	32.0%	32.4%	33.0%	31.5%	33.4%	32.6%	35.0%
Operating expenses:												
Acquisition, severagnce and transition costs	0.3	0.5	0.7	0.5	1.1	1.0	0.0	0.0	2.5	2.0	2.1	0.0
Amortization and depreciation	1.0	1.1	1.2	1.5	1.3	1.5	1.5	1.5	5.6	4.9	5.8	8.0
Stock-based compensation	0.5	0.6	0.9	0.6	0.4	0.6	0.9	0.8	1.7	2.7	2.7	3.0
Other SG&A	6.5	7.7	8.4	9.5	7.6	9.0	10.0	11.0	23.2	32.2	37.6	39.5
R&D	0.7	0.2	0.7	0.8	0.6	0.8	0.8	0.8	2.1	2.5	3.0	3.5
Total operating expenses	9.0	10.2	12.0	13.0	11.1	12.9	13.2	14.1	35.1	44.2	51.3	54.0
Operating income:	(1.9)	(1.1)	0.2	1.9	(2.1)	0.6	4.3	6.4	(10.9)	(0.9)	9.2	24.0
Operating margin	-9.1%	-4.1%	0.5%	4.3%	-7.4%	1.4%	7.9%	10.3%	-14%	-0.7%	4.9%	10.8%
Other income:												
Interest expense, net	(0.2)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.8)	(1.5)	(2.3)	(1.0)
Total other income	(0.2)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)	(0.8)	(1.5)	(2.3)	(1.0)
Income before income taxes	(2.0)	(1.5)	(0.3)	1.4	(2.6)	0.0	3.7	5.8	(11.7)	(2.4)	6.9	23.0
Pretax Margin	-10.1%	-5.5%	-0.8%	3.2%	-9.5%	0.1%	6.9%	9.4%	-15%	-2%	4%	10%
Income tax	-	-	-	-	-	-	-	-	6.6	-	-	-
Tax rate	0%	0%	0%	0%	0%	0%	0%	0%	-4291%	0.0%	0.0%	0.0%
Net income to common shareholders	(2.0)	(1.5)	(0.3)	1.4	(2.6)	0.0	3.7	5.8	(12.8)	(2.4)	6.9	23.0
Stk based compensation	0.5	0.6	0.9	0.6	0.4	0.6	0.9	0.8	1.7	2.7	2.7	2.7
One-time expenses	0.3	0.5	0.7	-	1.1	1.0	-	-	2.5	-	-	-
Non-GAAP Income from continuing	(1.2)	(0.4)	1.4	2.1	(1.0)	1.6	4.6	6.6	(8.6)	0.3	9.7	25.7
Yr-over-Yr										-103.9%	2769.7%	166.2%
Net income per share:												
EPS	(0.15)	(0.10)	(0.02)	0.09	(0.16)	0.00	0.19	0.29	(1.39)	(0.16)	0.37	1.15
EPS Diluted	(0.13)	(0.09)	(0.02)	0.08	(0.16)	0.00	0.18	0.28	(1.24)	(0.14)	0.36	1.12
Adjusted Non-GAAP Diluted	**(0.09)**	**(0.03)**	**0.09**	**0.12**	**(0.06)**	**0.08**	**0.23**	**0.33**	**(0.94)**	**0.09**	**0.50**	**1.25**
	-78.5%	-115.9%	-151.0%	-119.8%	-26.5%	-398.4%	164.4%	183.3%		-109.3%	470.6%	151%
Shares												
Basic	13.8	14.4	15.5	15.8	16.1	19.3	20.0	20.0	9.2	14.9	18.9	20.0
Diluted	15.9	16.5	17.6	17.9	16.7	19.8	20.6	20.6	10.4	16.9	19.4	20.6
	95.0%	49.6%	57.2%	59.8%	5.2%	20.5%	17.2%	15.3%		63.3%	14.7%	6.0%
Adjusted EBITDA	0.0	1.1	3.0	4.5	0.8	3.6	6.7	8.7	(1.1)	8.6	19.8	28.60
EBITDA Margin	0%	4%	8%	10%	3%	9%	12%	14%			11%	13%
	-101%	-196%	101%	407%	6800%	227%	121%	93%		-917%	130%	44%

BALANCE SHEET

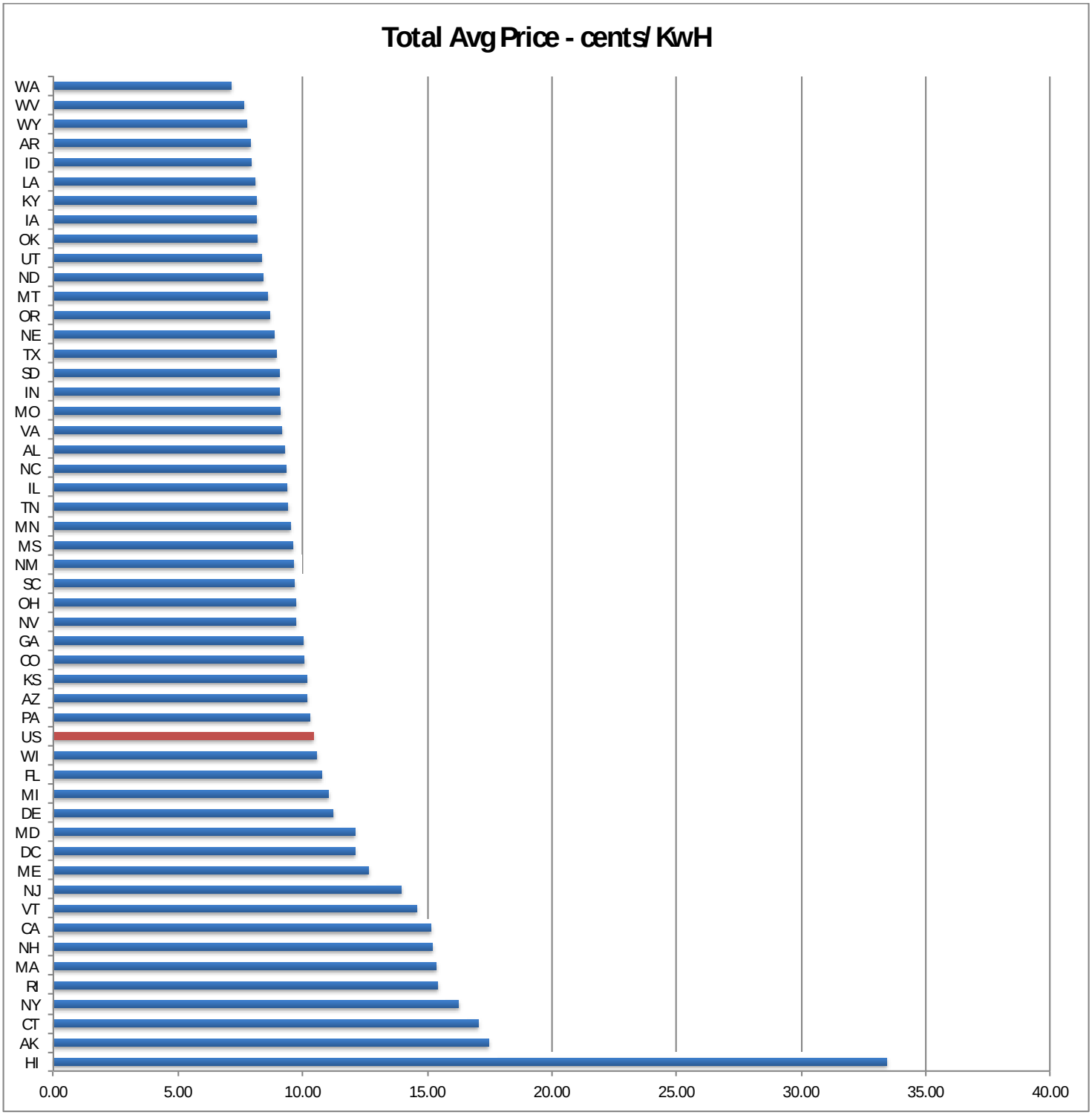
Since March 31, 2016, the company raised $15.4 million by selling 3.2 million shares of common stock and used $8 million of it to fund the purchase of TNT Lighting. Its cash position is much improved.

	March 31, 2016	Dec. 31, 2015	% Change Mar - Dec	Sept. 30, 2015	% Change Sept - Dec
Current assets					
Cash and equivalents	**$1,290**	**$219**	489%	**$882**	-75%
Accounts receivable, net	36,013	41,132	-12%	34,310	20%
Unbilled contract receivable	3,495	4,559	-23%	5,268	-13%
Inventories, net	25,869	22,135	17%	20,590	8%
Other current assets	4,003	3,830	5%	3,313	16%
Total current assets	70,670	71,875	-2%	64,363	12%
Property and equipment, net	2,673	2,702	-1%	2,780	-3%
Accumulated depreciation and amortization	(1,482)	(1,455)	2%	(1,441)	1%
Net property and equipment	1,191	1,247	-4%	1,339	-7%
Other assets					
Goodwill	64,267	64,267	0%	64,978	-1%
Intangible assets, net of accumulated amortization	38,523	39,595	-3%	40,400	-2%
Other assets	561	651	-14%	670	-3%
Total other assets	103,351	104,513	-1%	106,048	-1%
Total assets	175,212	177,635	-1%	171,750	3%
Current liabilities					
Accounts payable	18,262	19,908	-8%	15,830	26%
Accrued compensation and benefits	3,716	3,388	10%	2,694	26%
Notes payable	10,390	10,360	0%	10,360	0%
Accrued and other current liabilities	5,420	5,329	2%	4,404	21%
Purchase price obligations, current	7,990	7,039	14%	7,027	0%
Total current liabilities	45,778	46,024	-1%	40,315	14%
Long-term liabilities					
Revolving credit facility	**23,170**	**22,026**	5%	**22,856**	-4%
Related party payable	**2,565**	**2,565**	0%	**2,565**	0%
Note payable	**2,336**	**2,426**	-4%	**2,516**	-4%
Purchase price obligations, non-current	**1,023**	**1,764**	-42%	**2,046**	-14%
Other liabilities	530	727	-27%	895	-19%
Total Liabilities	75,402	75,532	0%	71,193	6%
Stockholder's equity					
Common stock	16	16	0%	157	-90%
Additional paid-in capital	177,083	176,760	0%	176,510	0%
Accumulated deficit	(77,289)	(74,673)	4%	(76,110)	-2%
Total stockholders' equity	99,810	102,103	-2%	100,557	2%
Total liabilities and stockholders' equity	$175,212	$177,635	-1%	$171,750	3%
Current ratio	1.5	1.6	-1%	1.6	-2%
Quick ratio	1.0	1.1	-9%	1.1	0%
Working Capital	24,892	25,851	-4%	24,048	7%
Net Cash as % of assets	1%	0%	NM	1%	-76%
Cash per share	$0.00	$0.00	NM	$0.00	-72%
Debt % of assets	63%	61%	3%	67%	-8%
Inventory Turnover	1.8	2.5	-29%	2.1	21%
Days Sales	126	68	86%	73	-7%

CASH FLOW

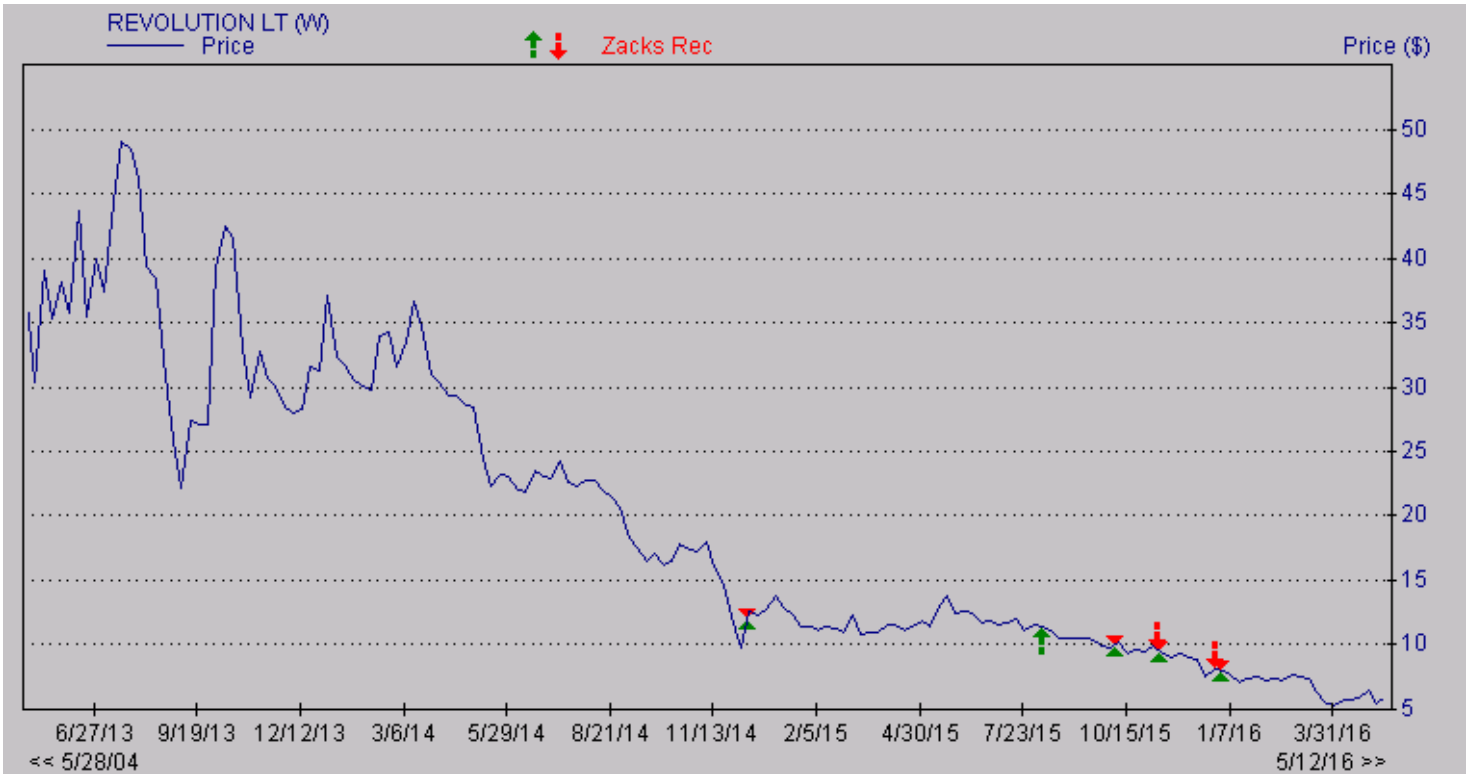
$ in Thousands	3 Months Ended March 31, 2015	3 Months Ended June 30, 2015	3 Months Ended Sep. 30, 2015	3 Months Ended Dec. 31, 2015	Year 2015	3 Months Ended March 31, 2016
Cash Flows from Operating Activities:						
Net loss	$ (2,046)	$ (1,488)	$ (285)	$ 1,437	$ (2,382)	$ (2,616)
Adjustments to reconcile net loss to net cash used in operating activities:						
Depreciation	143	136	136	135	550	100
Amortization of intangibles and other assets	890	1,009	1,077	1,342	4,318	1,210
Reacquired common stock issued for acquisition	(547)	0	0	547	0	0
Change in fair value of contingent consideration	406	79	254	125	864	377
Deferred income tax benefit	$ 0	0	0	0	0	0
Stock-based compensation	534	629	919	637	2,719	430
Cash flow	(620)	365	2,101	4,223	6,069	(499)
Free cash flow	(780)	285	1,921	4,181	5,607	(545)
Changes in operating assets and liabilities, net of the effect of acquisitions (Note 2):						
Increase in trade accounts receivable, net	2,916	(5,700)	(5,505)	(6,822)	(15,111)	5,119
Increase in unbilled contract receivables	0	0	(2,955)	709	(2,246)	1,064
Increase in inventories, net	(4,604)	(1,325)	239	(1,544)	(7,234)	(3,734)
Increase in other assets	(142)	(295)	360	(622)	(699)	(222)
Decrease in accounts payable and other liabilities	(4,223)	(88)	1,672	5,171	2,532	(1,751)
Decrease in accrued compensation and benefits	(527)	326	201	0	0	116
Net cash used in operating activities	(7,200)	(6,717)	(3,887)	(6,085)	(16,689)	93
Cash Flows from Investing Activities:						
Acquisition of businesses, net of cash acquired	(100)	0	(10,148)	(251)	(10,499)	0
Purchase of property and equipment	(160)	(80)	(180)	(42)	(462)	(46)
Net cash used in investing activities	(260)	(80)	(10,328)	(553)	(10,961)	(46)
Cash Flows from Financing Activities:						
Fee pertaining to the issuance of common stock	(287)	68	219	0	0	(60)
Issuance of common stock, net of fees and expenses	0	0	9,525	(565)	8,960	0
Repayments of short-term borrowings and notes payable	(120)	120	(300)	(90)	(390)	(60)
Repayments of loans from affiliates of controlling stockholder	0	(180)	180	0	0	0
Proceeds from revolving credit facility, net	3,469	5,637	$ 4,990	(830)	13,266	1,144
Net cash provided by financing activities	3,062	5,645	$ 14,614	1,577	21,836	1,024
(Decrease) increase in Cash and Cash Equivalents	(4,398)	(1,152)	399	(5,061)	(5,814)	(4,398)
Cash and Cash Equivalents, beginning of period	6,033	1,635	483	882	6,033	219
Cash and Cash Equivalents, end of period	1,635	483	882	219	219	1,290
Supplemental Disclosure of Cash Flow Information:						
Cash paid during period for interest	59	186	228	274	688	195

ELECTRICITY PRICES BY STATE



Source: Department of Energy, as of 2014 (latest data)

HISTORICAL STOCK PRICE



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