

Dialight

Focusing on growth

Dialight delivered solid H126 results, with underlying operating profit up sixfold to \$5.5m (H125: \$0.9m) driven by higher gross margin and lower overheads. Underlying operating cash flow more than doubled to \$13.9m (H125: \$6.3m) due to increased profitability and improved working capital management (particularly inventory). The company achieved this despite revenue declining 4.3% y-o-y to \$86.4m (H125: \$90.3m), reflecting the continued challenging market conditions amid tariff uncertainty and higher cost of materials, delaying sales orders. Lighting revenue fell 9.4% y-o-y to \$60.4m (H125: \$66.7m), while Signals & Components revenue rose 10.2% y-o-y to \$26.0m (H125: \$23.6m). Group EBITDA was \$9.6m (H125: \$5.2m), while earnings per share was 6.8c. The board stated it remains confident in achieving the company's recently upgraded FY26 expectations.

Gross margin expanded 230bp to 35.3% (H125: 33.0%), driven by a reduction in sub-assembly stock-keeping units, procurement savings and freight optimisation, while underlying overheads fell \$3.9m to \$25.0m (H125: \$28.9m) through headcount reductions and tighter cost control. Dialight stated it will accelerate all payments to Sanmina (\$5.65m) by end-December 2025, removing the contingent liability risk. Dialight's products, which are manufactured in Mexico, have been tariff-free under the USMCA free trade agreement for almost all of H126. The company continues to monitor the situation and has a range of contingency plans should the situation change. Some of the group's components imported from outside the US and Mexico are subject to tariffs, however this has been offset by supplier price reductions, with the overall impact of tariffs to date being less than 1% of the group's material costs.

Across the past 18 months, Dialight has focused on stabilising the company, returning the business to profitability, generating cash and reducing net bank debt (\$10.2m from \$17.8m in FY25). During H126, Dialight has focused its attention on the future growth of the business, looking at short-, medium- and long-term strategic opportunities. The group opened new geographic markets (Lighting sales in Nigeria and Angola for oil and gas) and launched several new Lighting products (including self-developed instance lights for use in hydrogen production and storage environments and source and sell products). Through a strategic review, Dialight also decided to reinvigorate and invest into its opto-electronics product line. The company stated that it intends to reduce lead times in the product range, as well as as partner with Asian contract equipment manufacturers, which should stimulate growth as this is directly correlated to the expansion in data centre warehouses and AI tailwinds.

Management stated that it expects to continue to deliver 'strong and tangible' progress on its Transformation Plan in H226 (including further improvements in working capital) with a focus on accelerating progress on its sales transformation and generating growth in Lighting, despite current headwinds in the US.

Consensus estimates

Year end	Revenue (\$m)	EBITDA (\$m)	PBT (\$m)	EPS (¢)	EV/EBITDA (x)	EV/Adj EBITDA (x)	P/E (x)
3/24	226.0	10.4	(34.3)	(91.10)	11.7	18.0	N/A
3/25	183.5	12.6	(14.1)	(34.40)	9.7	15.0	N/A
3/26e	174.7	17.1	8.6	17.00	7.1	9.4	22.0

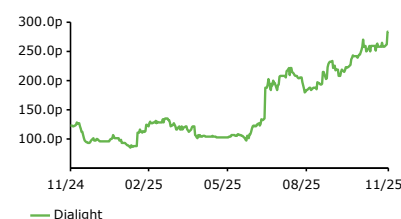
Source: Company collated consensus. Note. FY24 represents a 15-month period due to Dialight changing its financial year-end.

Industrials

12 November 2025

Price 284.00p
Market cap £114m

Share price performance



Share details

Code	DIA
Listing	LSE
Shares in issue	40.2m
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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