



Beacon Lighting Group Limited



FY2017 RESULTS PRESENTATION

AUGUST 2017

DISCLAIMER



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PLEASE NOTE

For the purposes of this presentation, please note the following:

- FY2017 was for the 52 weeks ending 25 June 2017 as presented in the Annual Report 2017
- FY2016 was for the **underlying profit** result for the 52 weeks ending 26 June 2016 as presented in the Annual Report 2016
- FY2015 was for the 52 weeks ending 28 June 2015 as presented in the Annual Report 2015
- FY2014 was for the 52 weeks ending 29 June 2014 as presented in the Annual Report 2014
- FY2013 was based on the pro forma historical results presented in the Prospectus

A modern dining room interior. In the foreground, a dark, reflective table holds a small potted plant in a wire basket, a pear, and a dark bottle. Two large, black, dome-shaped pendant lights hang from the ceiling. In the background, a window with a geometric pattern is visible, and a white door is partially open. The overall aesthetic is clean and contemporary.

1 RESULTS OVERVIEW

1 FY2017 MILESTONES

50 YEARS
LIVING
BRIGHTER

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FY2017 was a year of very important milestones for the Beacon Lighting Group

- It has been 50 years since the first Beacon Lighting store opened in Chapel Street, Prahran (VIC) in 1967
- The Group opened the 100th Beacon Lighting store at North Lakes (QLD) in March 2017
- There are now more than 1,000 Associates working for the Group
- The annual sales turnover for the Group has now exceeded \$200 million for the first time



1 FY2017 KEY HIGHLIGHTS

50 YEARS
LIVING
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- Record sales result at \$214.4m increased by 11.0%
- The opening of 8 new company stores, the purchase of 4 franchise stores and 4 new company stores in the process of being opened
- Net increase of 11 company owned stores
- Company store retail sales increased by 10.7%
- Commercial Office sales increased by 16.2%
- Beacon Solar sales increased by 142.5%
- Online sales increased by 53.8%
- Acquired 3 Lights for You stores
- Acquired the Masson for Light store
- Acquired the Licence for the GE Street Light business
- Established new Beacon International businesses in Germany and the USA



1 YEAR-ON-YEAR RESULT



\$'000	FY2016 ⁽¹⁾	FY2017	Change \$	Change %
Sales	193,179	214,404	21,225	11.0%
Gross Profit	123,483	135,640	12,157	9.8%
<i>Gross Profit Margin %</i>	<i>63.9%</i>	<i>63.3%</i>		
Other Income⁽²⁾	3,647	3,104	(543)	(14.9%)
<i>% of Sales</i>	<i>1.9%</i>	<i>1.4%</i>		
Operating Expenses⁽³⁾	(97,965)	(111,128)	(13,163)	13.4%
<i>% of Sales</i>	<i>50.7%</i>	<i>51.8%</i>		
EBITDA	29,165	27,616	(1,549)	(5.3%)
<i>EBITDA Margin %</i>	<i>15.1%</i>	<i>12.9%</i>		
EBIT	26,619	24,624	(1,995)	(7.5%)
<i>EBIT Margin %</i>	<i>13.8%</i>	<i>11.5%</i>		
Net Profit After Tax	17,800	16,644	(1,156)	(6.5%)
<i>NPAT Margin %</i>	<i>9.2%</i>	<i>7.8%</i>		

(1) Underlying Profit for FY2016. During FY2016, the Beacon Lighting Group implemented a new inventory valuation system and conducted a review of the supply chain costs to be capitalised into inventory. The effect of this change in methodology was to increase inventory and gross profit by \$0.7 million.

(2) Other Income includes other revenue and other income.

(3) Operating Expenses excludes interest, depreciation and amortisation.

\$'000	H1 FY2016	H1 FY2017	\$ Change	% Change	H2 FY2016 ⁽¹⁾	H2 FY2017	\$ Change	% Change
Sales	98,514	109,245	10,731	10.9%	94,665	105,159	10,494	11.1%
Gross Profit	64,934	67,803	2,869	4.4%	58,549	67,837	9,288	15.9%
<i>Gross Profit Margin %</i>	<i>65.9%</i>	<i>62.1%</i>			<i>61.8%</i>	<i>64.5%</i>		
Other Income ⁽²⁾	1,763	1,766	3	0.2%	1,884	1,338	(546)	(29.0%)
<i>% of Sales</i>	<i>1.8%</i>	<i>1.6%</i>			<i>2.0%</i>	<i>1.3%</i>		
Operating Expenses⁽³⁾	(49,143)	(54,432)	(5,289)	10.8%	(48,822)	(56,696)	(7,874)	16.1%
<i>% of Sales</i>	<i>49.9%</i>	<i>49.8%</i>			<i>51.6%</i>	<i>53.9%</i>		
EBITDA	17,554	15,137	(2,417)	(13.8%)	11,611	12,479	868	7.5%
<i>EBITDA Margin %</i>	<i>17.8%</i>	<i>13.9%</i>			<i>12.3%</i>	<i>11.9%</i>		
EBIT	16,316	13,727	(2,589)	(15.9%)	10,303	10,897	594	5.8%
<i>EBIT Margin %</i>	<i>16.6%</i>	<i>12.6%</i>			<i>10.9%</i>	<i>10.4%</i>		
Net Profit After Tax	11,098	9,428	(1,670)	(15.0%)	6,702	7,216	514	7.7%
<i>NPAT Margin %</i>	<i>11.3%</i>	<i>8.6%</i>			<i>7.1%</i>	<i>6.9%</i>		

(1) Underlying Profit for H2 FY2016. (2) Other Income includes other revenue and other income. (3) Operating Expenses excludes interest, depreciation and amortisation.

2 TRADING PERFORMANCE

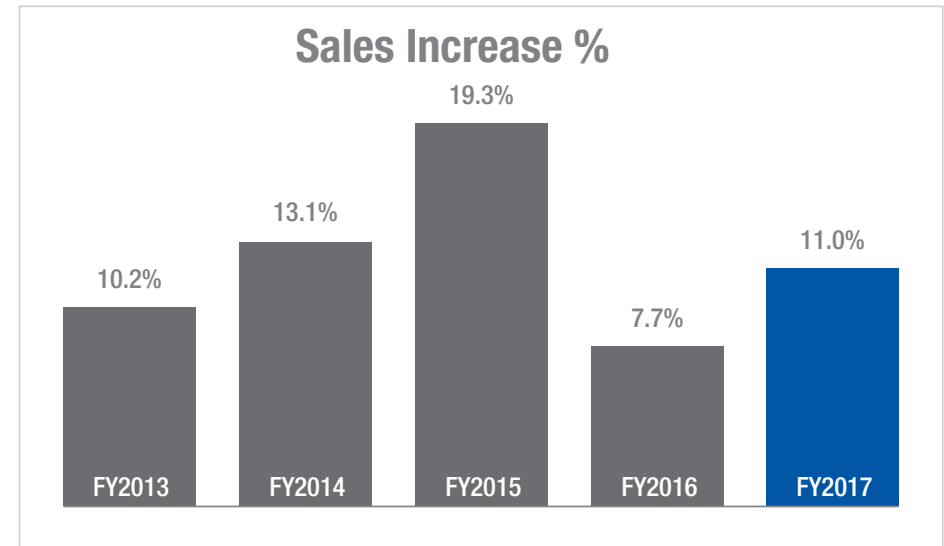
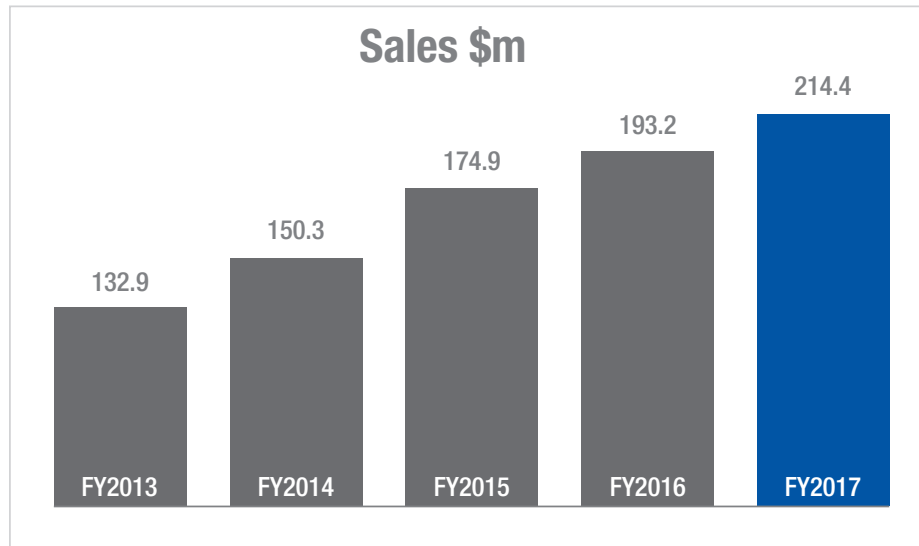


2 SALES



SALES: \$214.4m increased by 11.0%

- Record sales result in FY2017
- Retail sales increased by 10.7%
- Continued to gain market share in the Australian retail lighting industry
- Sales increased for each of the emerging businesses
- Sales to franchise stores continued to decline



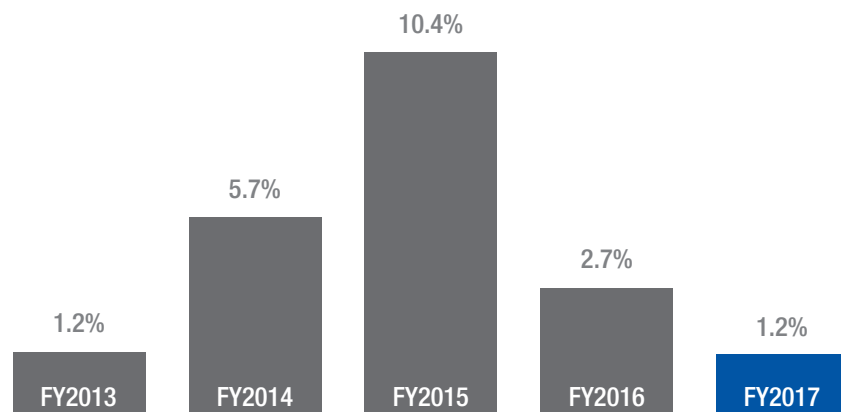
2 COMPANY STORE COMPARATIVE SALES



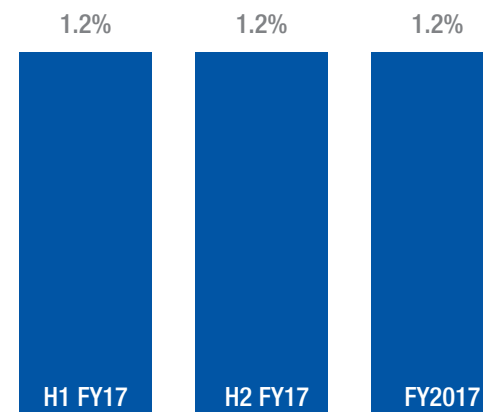
COMPARATIVE SALES: Increased by 1.2%

- In H1 FY2017, operated in a unique environment competing with the liquidation sale of a major competitor
- SA, QLD and NSW were the best performed states, while WA company store comparative sales declined
- Excluding WA stores, company store comparative sales increased by 2.7% (H1 1.7% and H2 3.7%)

Company Store Comparative Sales by Year



Company Store Comparative Sales by Half

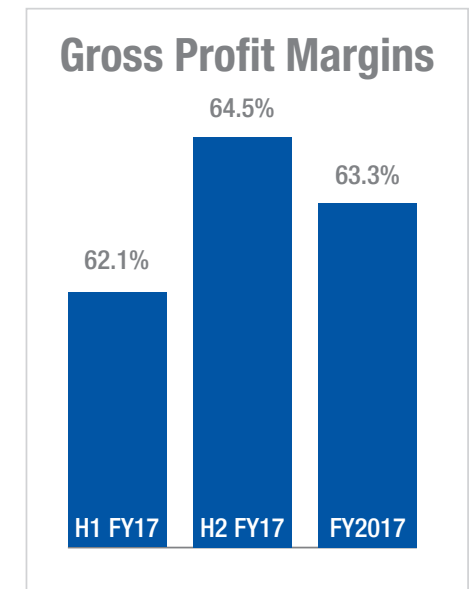
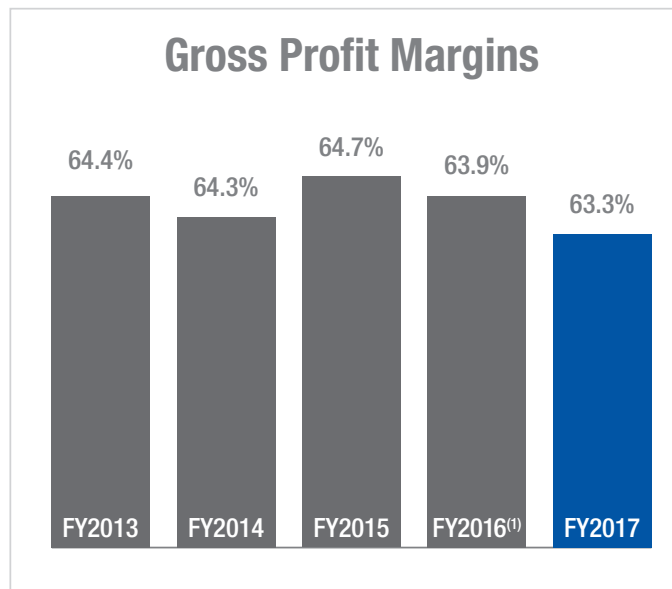
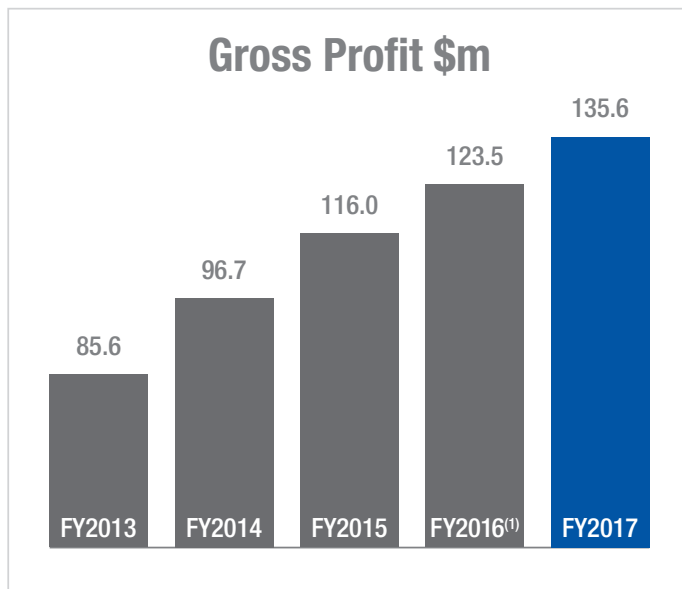


2 GROSS PROFIT



Gross Profit \$: Increased by 9.8% to \$135.6m

- Gross profit dollars increased by \$12.2m
- Deeper discounting impacted H1 margins but margin recovered in H2 across the Group
- Margin mix is changing with the growth of the emerging businesses



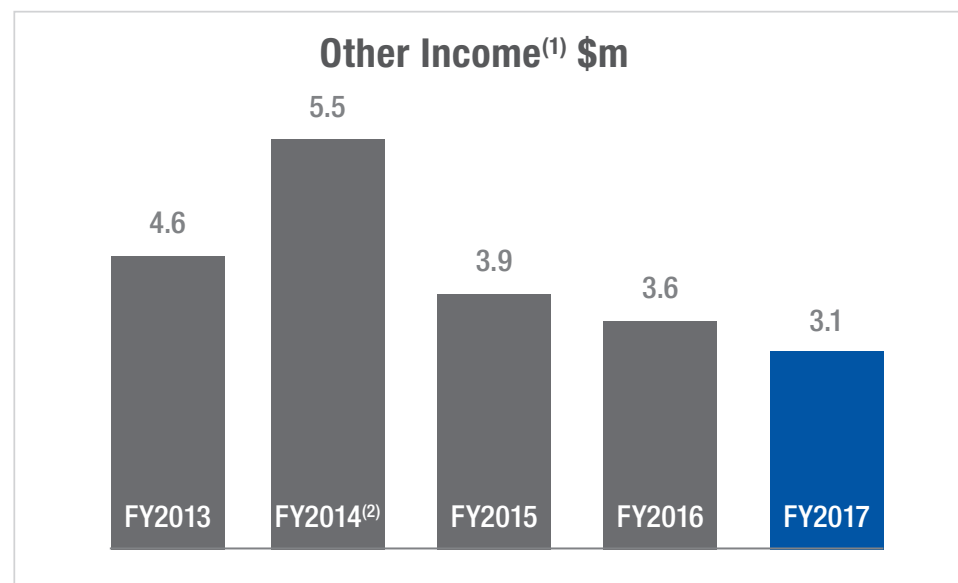
(1) Underlying Profit for FY2016.

2 OTHER INCOME



Other Income⁽¹⁾ : Decreased by 14.9% to \$3.1m

- Core marketing and royalty income from franchise stores continues to decline as franchise stores are acquired
- Selling licence fees for the right to use the Group Intellectual Property continues to increase



(1) Other Income includes other revenue and other income.

(2) FY2014 Other Income was supported by customs duty refund of \$1.2m

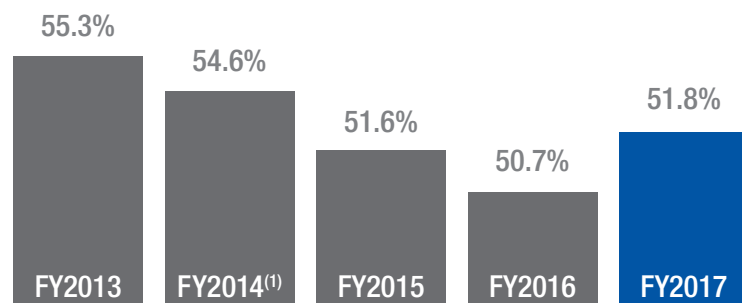
2 OPERATING EXPENSES



Opex: Increase 1.1% of Sales to \$111.1m

- Operating expenses increased by 1.1% as a percentage of sales
- Invested in Selling and Distribution activities to open new stores, establish new businesses and to grow market share
- Sales for new stores and new businesses were \$6.3m while expenses were \$4.4m (69.8% of sales)
- Productivity gains realised for Marketing and for General and Administration expenses

Operating Expenses % of Sales



\$'000	FY2016	FY2017	Chg \$	Chg %
Marketing	12,083	12,839	756	6.3%
<i>% of Sales</i>	6.3%	6.0%		
Selling and Distribution	70,827	82,977	12,150	17.2%
<i>% of Sales</i>	36.7%	38.7%		
General and Admin.	15,055	15,312	257	1.7%
<i>% of Sales</i>	7.8%	7.1%		
Operating Expenses ⁽²⁾	97,965	111,128	13,163	13.4%
<i>% of Sales</i>	50.7%	51.8%		
Depreciation	2,546	2,992	446	17.5%
<i>% of Sales</i>	1.3%	1.4%		
Finance Costs	1,168	1,254	86	7.4%
<i>% of Sales</i>	0.6%	0.6%		

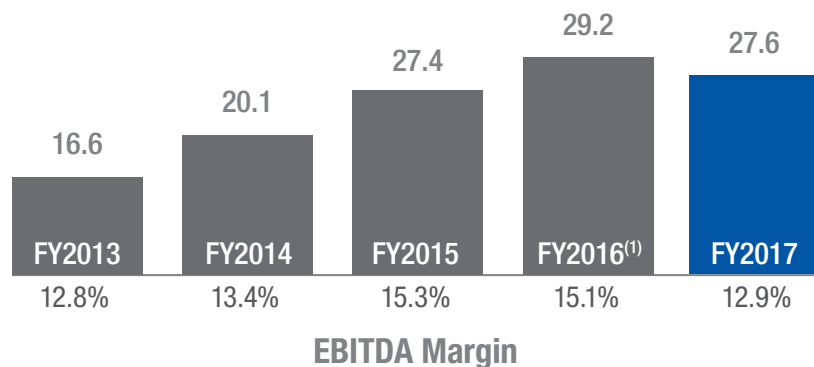
(1) FY2014 included significant one off expenses of 1.3m

(2) Operating Expenses exclude depreciation, amortisation and financing costs

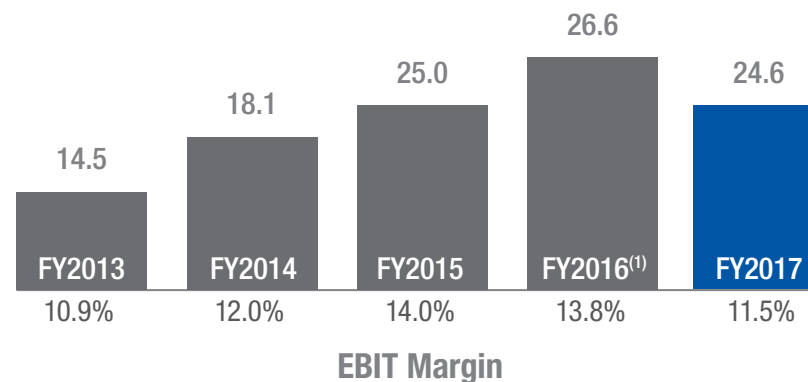
2 EARNINGS



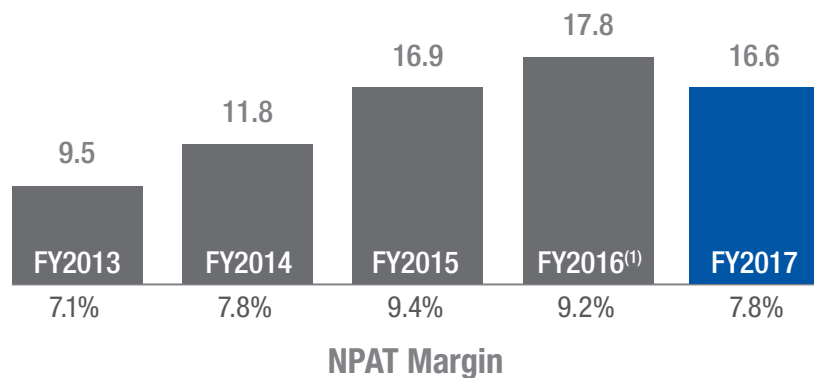
EBITDA: (5.3%) to \$27.6m



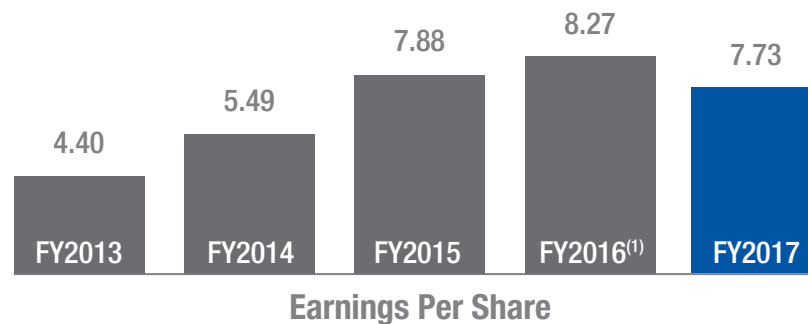
EBIT: (7.5%) to \$24.6m



NPAT: (6.5%) to \$16.6m



EPS: (6.5%) to 7.73cents



(1) Underlying Profit for FY2016.



3 CASH FLOW, BALANCE SHEET & DIVIDEND

Capital Expenditure \$9.9m

- New Stores Capex \$6.0m
- Other Store Capex \$0.9m
- Information Tech. \$0.9m
- Other Capex \$0.8m
- New Businesses \$0.7m
- Motor Vehicles \$0.6m

\$'000	FY2016	FY2017
Cash Flow from Operations		
Receipts from Customers	208,300	238,846
Payments to Suppliers & Employees	(187,815)	(209,926)
Other	(1,068)	(1,211)
Income Tax Paid	(8,849)	(6,774)
Net Operating Cash Flow	10,568	20,935

\$'000	FY2016	FY2017
Other Items		
Capital Expenditure	(5,636)	(9,891)
Acquisitions	(1,425)	(6,025)
Borrowings	2,791	8,109
Dividends Paid	(10,111)	(10,224)

3 BALANCE SHEET



Debtors

- Commercial \$7.5m
- Franchise \$1.9m

Borrowings

- Inventory Finance \$23.3m
- General Finance \$5.8m
- Asset Finance \$1.2m

FX Position

- Purchases into mid Oct 2017

Gearing Ratio

- Gearing Ratio⁽¹⁾ 21.3%

\$'000	FY2016	FY2017
Cash	9,128	12,925
Receivables	9,315	9,613
Inventories	51,737	55,267
Other	970	1,175
Total Current Assets	71,150	78,980
PPE	22,076	28,865
Intangible	6,063	10,342
Other	4,965	5,890
Total Non Current Assets	33,104	45,097
Total Assets	104,254	124,077
Payables	16,171	20,282
Borrowings	20,939	23,928
Other	5,561	6,428
Total Current Liabilities	42,671	50,638
Borrowings	1,220	6,340
Other	2,940	2,981
Total Non Current Liabilities	4,160	9,321
Total Liabilities	46,831	59,959
Net Assets	57,423	64,118

(1) Net Debt / (Net Debt + Equity) at balance date



- Paid 2.35 cents per share for H1 FY2017 (2.30 cents for H1 FY2016)
- Declared a 2.40 cents per share for H2 FY2017 (2.40 cents for H2 FY2016)
- Fully franked dividend of 4.75 cents per share for FY2017 (4.70 cents for FY2016)
- Record date 15th September 2017
- Payment date 29th September 2017
- FY2017 payout ratio was 61.4% of NPAT
- Payout ratio in the future expected to be 50% to 60% of NPAT
- Introducing a Dividend Reinvestment Plan at a discount of 5% to the market price for all shareholders



4 GROWTH STRATEGIES

4 OPTIMISE EXISTING STORES

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Beacon Lighting will target the growth of sales and profit through the optimisation of the existing stores network.

- New company stores that have opened in the recent years are yet to mature from a sales perspective
- Ongoing marketing program refinement to drive store traffic, online traffic and in turn increase sales
- Managing energy expenses through globe replacements and installation of solar systems
- Premium Beacon Design Services continues to be rolled out to stores
- Now have 279 Accredited Lighting Design Consultants up from 203 in FY2016



Beacon Lighting will target the growth of sales and profit of the emerging businesses

- Beacon Solar growth is driven by providing innovative energy efficient solutions to our commercial customers
- Beacon International opened new businesses in Germany and USA
- Beacon International continued to sell a number of new licences for the Group Intellectual Property
- Light Source Solution Globes continues to win new major customer accounts
- Acquired the GE Street Lighting Licence which is exceeding our early expectations
- Acquired the Masson for Light (VIC) and Masson Manufacturing (VIC) businesses
- Established a new Commercial Office in SA and relocated the NSW Office to larger premises

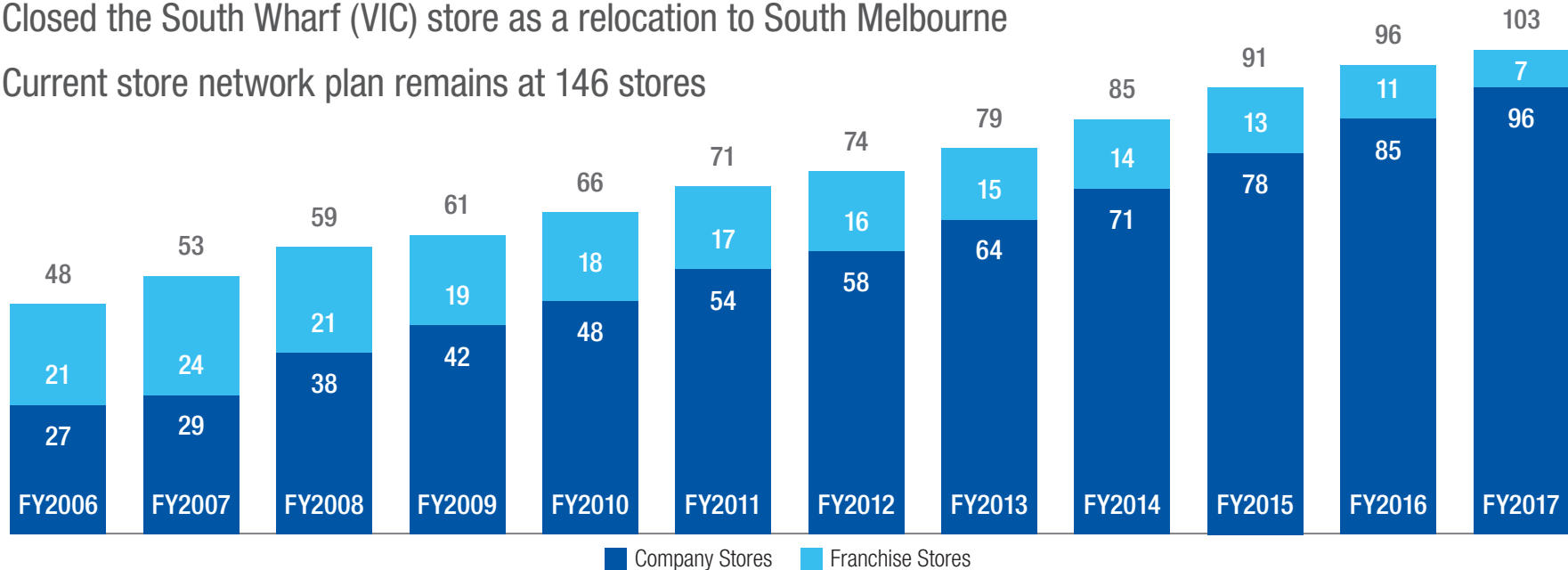


4 NEW STORE ROLLOUT



Beacon Lighting will continue to target the opening of six new company operated stores in Australia each year

- Opened eight new company stores at South Melbourne (VIC), Marsden Park (NSW), Brookvale (NSW), Claremont (WA), North Lakes (QLD), Burwood (VIC), Balwyn North (VIC) and Killara (NSW).
- Four stores were in the processing of being opened at the end of FY2017
- Closed the South Wharf (VIC) store as a relocation to South Melbourne
- Current store network plan remains at 146 stores



Excludes the five Commercial State Offices.

4 NEW PRODUCT RANGES

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Beacon Lighting will continue to offer an extensive range of the latest fashion, trend and energy efficient products to our customers

- Designed and developed 450 exclusive new products for our customers
- Introduced a broad range of GE LED Globes for the Retail and Wholesale businesses
- Developed architectural lighting products for the Masson for Light team
- Continue to manage the product ranges to meet the local store demographics
- Continue to develop new energy efficient products to counter the ever increasing power prices



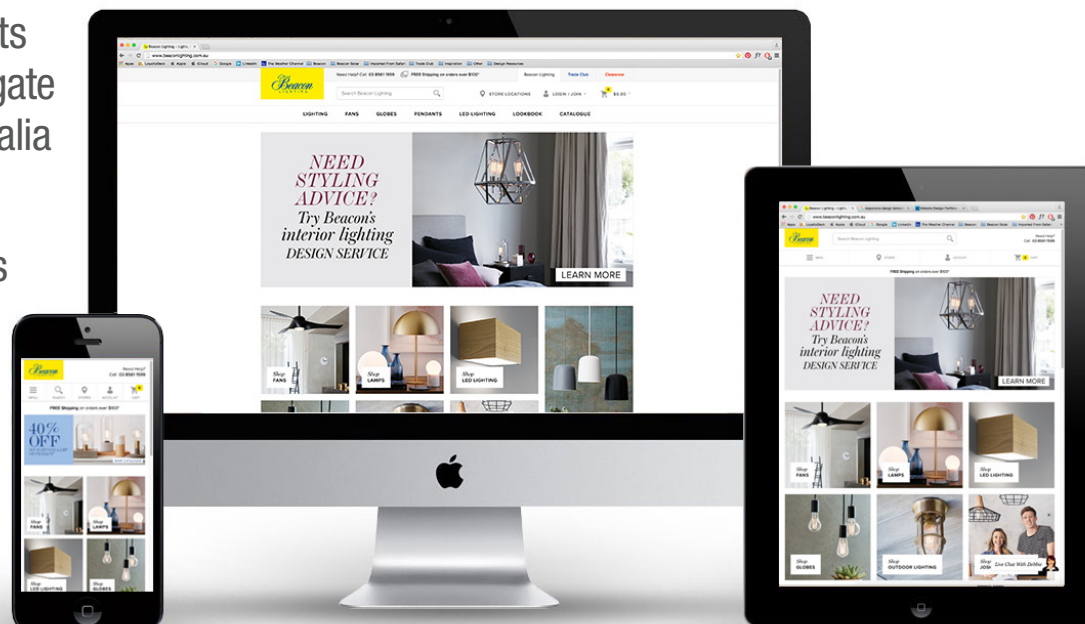
4 ONLINE AND SOCIAL MEDIA

50 YEARS
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BRIGHTER

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Beacon Lighting will continue to enhance our online presence in order to drive incremental sales

- Online sales increased by 53.8% over FY2016
- Beacon International is already selling products on Amazon in Europe and USA. Plan to investigate the use of the Amazon sales channel in Australia
- Launched Afterpay on the Beacon Lighting website to provide extended payment options to our customers
- Now have over 216,000 VIP customers up from 169,000 in FY2016
- Continue to grow and monitor strong relationships with social influencers who engage and endorse Beacon Lighting



4 ACQUISITIONS



Beacon Lighting will continue to investigate local and international business opportunities that complement the core business activities

- Purchased the Jindalee (QLD), Moonah (TAS), Frankston (VIC) and Midland (WA) franchise stores and converted them to company stores
- Acquired the Masson for Light architecture lighting design store in Richmond (VIC)
- Acquired the Masson Manufacturing business in order to create bespoke lighting solutions for our customers
- Acquired the Lights for You stores at Killara (NSW), Carlton (NSW) and Crows Nest (NSW) to be converted into Beacon Lighting stores



4 EFFICIENCY GAINS

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Beacon Lighting will continue to target expense efficiency gains and manage the growth of expenses

- As new stores and new businesses mature, expense efficiency gains can be expected to be realised
- Direct factory deliveries to the 3PL network continue to increase and improve margins and supply chain costs
- Continue to realise the opportunities for synergy between the core business and the emerging businesses
- Continue with a cost conscious approach to the management of all expenses in the Group





5

FY2018 OUTLOOK

5 FY2018 OUTLOOK



Beacon Lighting

- Company store comparative sales have made an encouraging start to FY2018
- Emerging businesses have also made an encouraging start to FY2018
- The Nunawading (VIC) franchise store was purchased and converted into a company store in July 2017
- Three new company stores in Carlton (NSW), Bayswater (VIC) and Crows Nest (NSW) have opened
- The new company store at Gladesville (NSW) is expected to open in September 2017
- New opportunities will continue to be investigated
- Focusing on improving the financial returns on the investments that were made in recent years

Summary

- Beacon Lighting is looking forward to record sales and profits in FY2018



6 QUESTIONS

