



Beacon Lighting Group Limited

A photograph of a modern dining room interior. A large, conical wooden pendant light hangs from the ceiling. Below it, a wooden dining table is set with a white ceramic bowl, a white mug, and a small white bowl. A wooden sideboard in the background holds a vase of dried flowers, a white cup, and a wooden bowl. The room has a minimalist, natural aesthetic with light wood and white walls.

# FY2019 RESULTS PRESENTATION

20 AUGUST 2019

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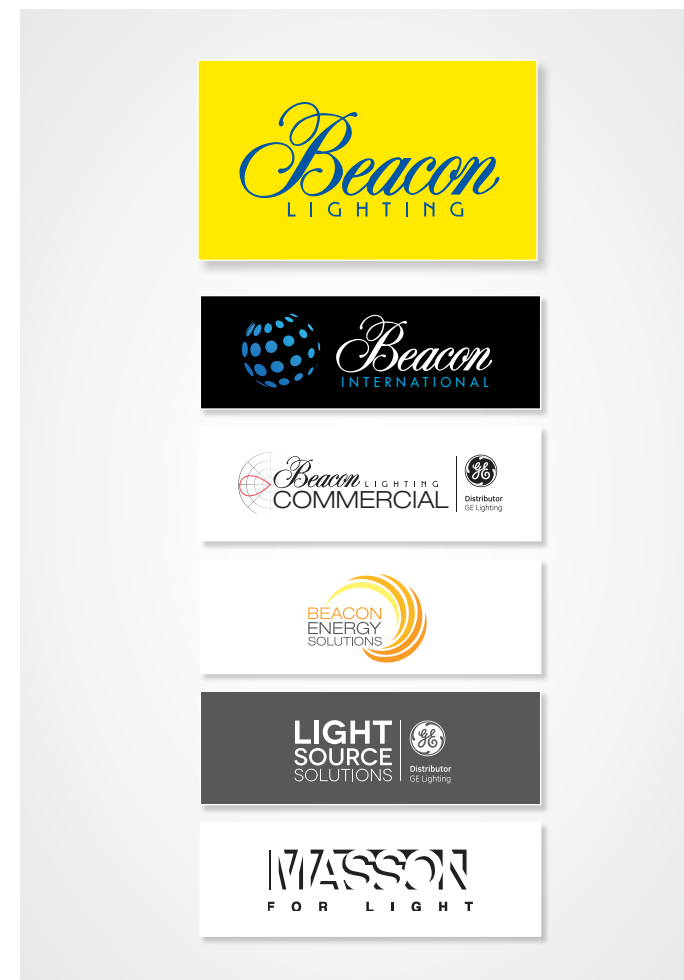
# 1 RESULTS OVERVIEW

# 1 FY2019 HIGHLIGHTS



- Record Group sales at \$241.8m an increase of 2.5%<sup>(1)</sup>
- Record sales result for Beacon Lighting Company Stores, Online Sales Channels, Beacon International, Beacon Energy Solutions, Light Source Solutions Roadway and Masson For Light
- Group EBITDA result of \$29.7m a decrease of 10.4%<sup>(1)</sup>
- Group NPAT result of \$16.2m a decrease of 17.2%<sup>(1)</sup>
- The opening of five new company stores
- Purchased two franchise stores
- Purchased the ex-Masters store in Parkinson (QLD) and transformed it into a Distribution Centre
- Increased momentum of the emerging businesses

(1) FY2019 52 Week Underlying Result (Refer Page 6)



# 1 FY2019 RESULT



\$'000	FY2018	FY2019 <sup>(1)</sup>	Change \$	Change %
<b>Sales</b>	<b>235,964</b>	<b>241,784</b>	5,820	2.5%
<b>Gross Profit</b>	<b>155,065</b>	<b>154,745</b>	(320)	(0.2%)
<i>Gross Profit Margin %</i>	<i>65.7%</i>	<i>64.0%</i>		
<b>Other Income</b>	<b>1,819</b>	<b>1,630</b>	(189)	(10.4%)
<i>% of Sales</i>	<i>0.8%</i>	<i>0.7%</i>		
<b>Operating Expenses <sup>(2)</sup></b>	<b>(123,712)</b>	<b>(126,641)</b>	(2,929)	2.4%
<i>% of Sales</i>	<i>52.4%</i>	<i>52.4%</i>		
<b>EBITDA</b>	<b>33,172</b>	<b>29,734</b>	(3,438)	(10.4%)
<i>EBITDA Margin %</i>	<i>14.1%</i>	<i>12.3%</i>		
<b>EBIT</b>	<b>29,308</b>	<b>25,318</b>	(3,990)	(13.6%)
<i>EBIT Margin %</i>	<i>12.4%</i>	<i>10.5%</i>		
<b>Net Profit After Tax</b>	<b>19,590</b>	<b>16,227</b>	(3,363)	(17.2%)
<i>NPAT Margin %</i>	<i>8.3%</i>	<i>6.7%</i>		

(1) FY2019 52 Week Underlying Result (Refer Page 6)

(2) Operating Expenses excludes interest, depreciation and amortisation

# 1 FY2019 PROFIT RECONCILIATION



\$'000	Statutory FY2019 <sup>(1)</sup>	Less 53rd Week <sup>(2)</sup>	Less Parkinson DC <sup>(3)</sup>	Underlying FY2019 <sup>(4)</sup>
<b>Sales</b>	<b>246,304</b>	<b>4,520</b>		<b>241,784</b>
<b>Gross Profit</b>	<b>157,711</b>	<b>2,966</b>		<b>154,745</b>
<i>Gross Profit Margin %</i>	<i>64.0%</i>	<i>65.6%</i>		<i>64.0%</i>
<b>Other Income</b>	<b>1,655</b>	<b>25</b>		<b>1,630</b>
<i>% of Sales</i>	<i>0.7%</i>	<i>0.6%</i>		<i>0.7%</i>
<b>Operating Expenses <sup>(5)</sup></b>	<b>(129,768)</b>	<b>(2,522)</b>	<b>(605)</b>	<b>(126,641)</b>
<i>% of Sales</i>	<i>52.7%</i>	<i>55.8%</i>		<i>52.4%</i>
<b>EBITDA</b>	<b>29,598</b>	<b>469</b>	<b>(605)</b>	<b>29,734</b>
<i>EBITDA Margin %</i>	<i>12.0%</i>	<i>10.4%</i>		<i>12.3%</i>
<b>EBIT</b>	<b>25,088</b>	<b>375</b>	<b>(605)</b>	<b>25,318</b>
<i>EBIT Margin %</i>	<i>10.2%</i>	<i>8.3%</i>		<i>10.5%</i>
<b>Net Profit After Tax</b>	<b>16,044</b>	<b>241</b>	<b>(424)</b>	<b>16,227</b>
<i>NPAT Margin %</i>	<i>6.5%</i>	<i>5.3%</i>		<i>6.7%</i>

(1) Statutory FY2019 result was for a 53 week year based on the retail accounting calendar

(2) Eliminating the 53rd week in FY2019 based on the alignment to the retail marketing program in FY2018

(3) Eliminating one off non recurring costs associated with the establishment of the new Parkinson (QLD) Distribution Centre

(4) FY2019 52 week underlying result to be used as a comparison to the FY2018 statutory result in this presentation

(5) Operating Expenses excludes interest, depreciation and amortisation





## **2** FINANCIAL RESULTS

## 2 SALES



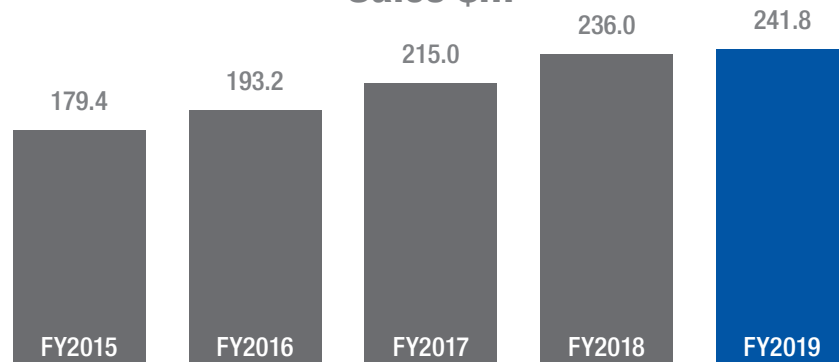
**SALES:** \$241.8m Increased by 2.5%

**COMPARATIVE SALES:** Decreased by 2.3%

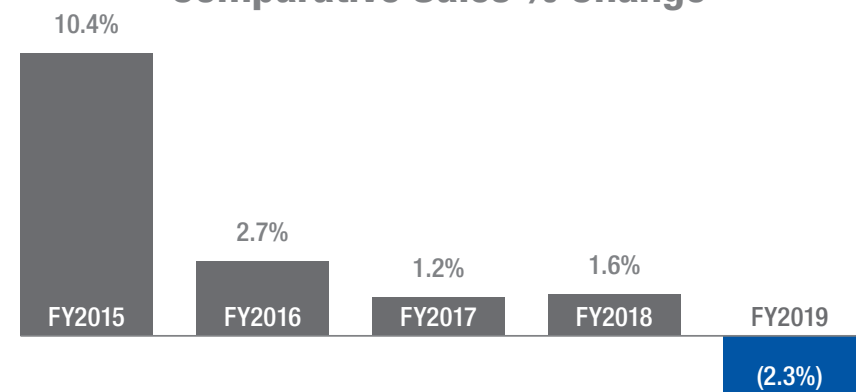
- Group sales increased by 2.5%. Comparative sales decreased by 2.3%
- Emerging businesses sales increased by more than 43.0%
- Record sales result for Online Sales, Beacon International, Light Source Solutions Roadway, Beacon Energy Solutions and Masson For Light



**Sales \$m**



**Comparative Sales % Change**





## 2 GROSS PROFIT

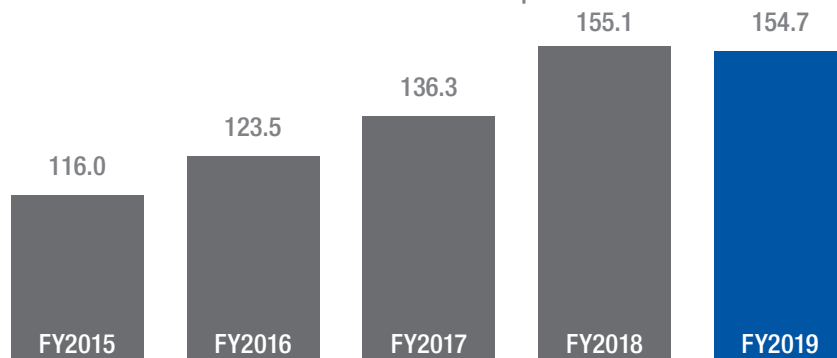


### GROSS PROFIT: 64.0% of Sales to \$154.7m

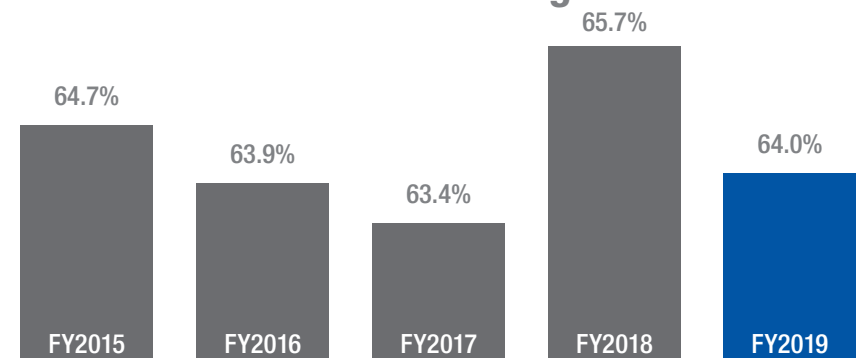
- Continued innovation in product development throughout all businesses has supported the Group gross profit margin despite the fall in the AUD
- Core business margin in retail, commercial and wholesale declined slightly
- With strong sales growth in the lower margin emerging businesses, the margin mix of the Group is changing



Gross Profit \$m



Gross Profit Margins



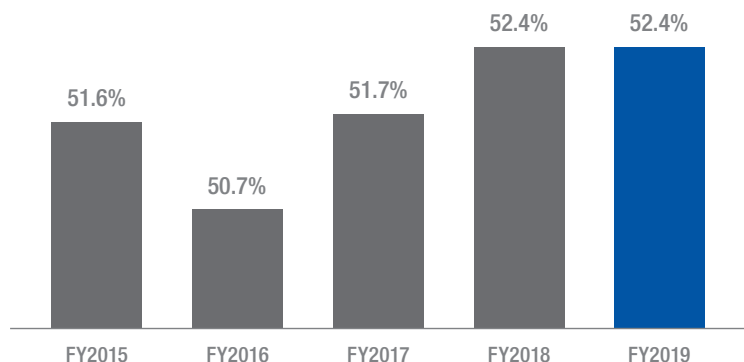
## 2 OPERATING EXPENSES / OTHER INCOME



### Opex: No Change as % of Sales

- Other Income continues to decline as franchise stores are converted into company stores
- Savings in remuneration costs throughout the Group
- Energy savings achieved as a result of solar systems on stores and new energy contracts
- Continued investment in Selling and Distribution activities of the Group
- Productivity gains realised for Marketing and for General and Administration expenses

### Operating Expenses % of Sales



\$'000	FY2018	FY2019	Change \$	Change %
<b>Other Income</b>	<b>1,819</b>	<b>1,630</b>	(189)	(10.4)%
<i>% of Sales</i>	0.8%	0.7%		

<b>Marketing</b>	<b>13,722</b>	<b>13,508</b>	(214)	(1.6)%
<i>% of Sales</i>	5.8%	5.6%		
<b>Selling &amp; Distribution</b>	<b>93,947</b>	<b>97,805</b>	3,858	4.1%
<i>% of Sales</i>	39.8%	40.5%		
<b>General &amp; Admin.</b>	<b>16,043</b>	<b>15,328</b>	(715)	(4.5)%
<i>% of Sales</i>	6.8%	6.3%		
<b>Operating Expenses <sup>(1)</sup></b>	<b>123,712</b>	<b>126,641</b>	2,929	2.4%
<i>% of Sales</i>	52.4%	52.4%		

<b>Depreciation</b>	<b>3,864</b>	<b>4,415</b>	551	14.3%
<i>% of Sales</i>	1.6%	1.8%		

<b>Finance Costs</b>	<b>1,603</b>	<b>1,940</b>	337	21.0%
<i>% of Sales</i>	0.7%	0.8%		

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



3

## CASH FLOW, BALANCE SHEET AND DIVIDENDS



### 3 CASH FLOW



- Cash flow has declined in line with the profit
- Capital expenditure increased with the purchase and establishment of the Parkinson (QLD) Distributed Centre (\$15.0m)
- Total Dividend \$11.0m: Paid \$8.5m, Reinvested \$2.5m

\$'000	FY2018	FY2019
<b>Cash Flow from Operations</b>		
Receipts from Customers	259,833	269,876
Payments to Suppliers & Employees	(236,360)	(247,766)
Other	(1,560)	(1,969)
Income Tax Paid	(6,370)	(7,393)
<b>Net Operating Cash Flow</b>	<b>15,543</b>	<b>12,748</b>

\$'000	FY2018	FY2019
<b>Other Items</b>		
Capital Expenditure	(5,075)	(20,146)
Acquisitions	(782)	(1,138)
(Repayments)/Proceeds from Borrowings	(3,938)	24,609
Dividends Paid	(8,008)	(8,447)



### 3 BALANCE SHEET

- Inventories increased to support new stores, new supply chains and emerging businesses
- Receivables increased with the growth in the emerging businesses
- PPE reflecting Parkinson (QLD) Distribution Centre purchase which was funded by increased borrowings



\$'000	FY2018	FY2019
Cash	10,671	18,305
Receivables	10,091	12,053
Inventories	62,446	68,698
Other	2,725	2,277
<b>Total Current Assets</b>	<b>85,933</b>	<b>101,333</b>
PPE	29,862	46,009
Intangible	5,941	5,834
Other	10,870	11,646
<b>Total Non Current Assets</b>	<b>46,673</b>	<b>63,489</b>
<b>Total Assets</b>	<b>132,606</b>	<b>164,822</b>
Payables	18,166	17,848
Borrowings	19,965	31,480
Other	8,414	8,974
<b>Total Current Liabilities</b>	<b>46,545</b>	<b>58,302</b>
Borrowings	6,365	19,459
Other	3,367	3,881
<b>Total Non Current Liabilities</b>	<b>9,732</b>	<b>23,340</b>
<b>Total Liabilities</b>	<b>56,277</b>	<b>81,642</b>
<b>Net Assets</b>	<b>76,329</b>	<b>83,180</b>

- Paid a full franked dividend of 2.55 cents per share for H1 FY2019 (compared to 2.50 cents per share for H1 FY2018)
- Declared a fully franked dividend of 2.00 cents per share for H2 FY2019 (compared to 2.50 cents per share for H2 FY2018)
- Fully franked dividend of 4.55 cents per share for FY2019 (compared to 5.00 cents per share for FY2018)
- H2 FY2019 Dividend: Record date 6th September 2019, payment date 26th September 2019
- Annual payout ratio expected to be 50% to 60% of NPAT







## 4 GROWTH STRATEGIES

STRATEGY		UPDATE
<b>Brand and Customer</b>	Beacon Lighting will continue to enhance the brand and the customer experience in order to increase differentiation and drive incremental sales	<ul style="list-style-type: none"> <li>• Core range of more than 3,000 of the latest fashionable, technological advance and energy efficient lighting and fan products</li> <li>• 333 Accredited Lighting Design Consultants in the Group</li> <li>• 433,000 VIP Customers compared to 312,000 in FY2018</li> <li>• 29,000 Trade Club Customers compared to 24,000 in FY2018</li> <li>• Provided inspiration to our customers through alignment with Ch9's The Block, Ch7's House Rules and Foxtel's Selling Houses</li> <li>• 113 stores and online sales channel alignment providing customers with increased convenience and choice</li> <li>• Beacon Design Studio service now operating in 28 stores</li> <li>• Live and interactive Smart Lighting display bays have been rolled out to 58 stores</li> <li>• Fan installation service available in all stores</li> </ul>

STRATEGY		UPDATE
<b>Store Optimisation</b>	Beacon Lighting will target the growth of sales and profit through the optimisation of the existing store network	<ul style="list-style-type: none"> <li>• Since FY2014, 31 new company stores have opened which are yet to mature</li> <li>• Closed the Subiaco (WA) store in order to improve the store network performance in the Perth (WA) market</li> <li>• Store rosters continue to be managed to better meet the needs of our customers</li> <li>• Installed 50 solar systems onto our stores in order to mitigate energy price increases</li> <li>• Re-negotiated better energy contracts with major utility providers</li> </ul>
<b>New Store Rollout</b>	Beacon Lighting will target the opening of new company operated stores in Australia each year	<ul style="list-style-type: none"> <li>• Opened five new company stores at Warrnambool (VIC), MacKay (QLD), Moore Park (QLD), Modbury (SA) and Craigieburn (VIC)</li> <li>• Market research supports future store network expansion</li> </ul>



STRATEGY		UPDATE
<b>New Product Ranges</b>	Beacon Lighting will offer an extensive range of the latest fashion, on trend, energy efficient and home automation lighting and fan products at great prices to our customers	<ul style="list-style-type: none"> <li>• Designed and developed more than 600 exclusive new products for our customers</li> <li>• Introduced a complete Smart Lighting range including Google Home, Amazon Echo, LIFX, Phillips Hue and Lucci Connect</li> </ul>
<b>Online and Social Media</b>	Beacon Lighting will continue to enhance our online presence in order to drive incremental sales	<ul style="list-style-type: none"> <li>• Online sales increased by 22.0% across all online sales channels</li> <li>• Launched enhanced Click and Collect on our website allowing customers to see stock on hand balances across the store network</li> <li>• Introduced the ability for our customers to shop directly off social media platforms</li> </ul>

STRATEGY		UPDATE
<b>Emerging Businesses</b>	Beacon Lighting will target the growth of sales and profits of the emerging businesses	<ul style="list-style-type: none"> <li>• Emerging businesses sales increased by more than 43% and profits increased by more than 59%</li> <li>• Light Source Solutions Roadway and Globes sales increased by more than 50% by winning new customers and more market share from existing customers</li> <li>• Beacon Energy Solutions sales increased by more than 50% and continued to grow the future sales pipeline</li> <li>• Masson For Light sales increased by more than 30% in the architecture lighting market</li> <li>• Beacon International sales increased by more than 50% as the businesses continues to expand in the USA and Europe</li> </ul>
<b>New Business Opportunities</b>	Beacon Lighting will investigate and pursue local and international business opportunities that complement the core activities of the Group	<ul style="list-style-type: none"> <li>• Purchased the ex Masters store in Parkinson (QLD) to operate as a Distribution Centre servicing the QLD and NSW markets</li> <li>• Purchased the Underwood (QLD) and Albury (NSW) franchised stores and converted them into company stores</li> </ul>

A modern dining room interior featuring a wooden wall and a black chandelier with six spherical light bulbs. In the foreground, a dark wooden table is set with a pink plate and a textured glass. A black chair is visible on the right.

# 5 FY2020 OUTLOOK



## 5 FY2020 OUTLOOK

- Recent comparative sales trends have continued into the early weeks of FY2020
- The Myaree (WA) franchise store will be converted into a company store in September 2019
- Opening new company stores at Virginia (QLD) and Belmont (WA)
- Relocation of the Midland (WA) store
- Further optimisation of the store network with the closure of Sunshine (VIC) and Mandurah (WA) stores
- Re-platforming of the [beaconlighting.com.au](http://beaconlighting.com.au) website and online sales channel
- Introduction of exciting new product ranges for Stores, Commercial, International, Light Source Solutions (Globes and Roadway) and Masson For Light
- Beacon Lighting is looking forward to a successful year in FY2020



The image features two modern pendant lights made of thin copper wire cages, each containing a glowing Edison-style bulb. They are suspended by black cords against a dark, textured background. A semi-transparent dark grey box in the lower-left corner contains the text '6 QUESTIONS'.

## 6 QUESTIONS

## 7 APPENDICES



1. Disclaimer
2. AASB16 – New Lease Accounting Standard





## 7 APPENDIX 1: DISCLAIMER



The Presentation contains “forward-looking statements”. All statements other than those of historical facts included in the Presentation are forward-looking statements. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. The Company will not necessarily release publicly any revisions to any such forward-looking statement.

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# 7 APPENDIX 2: AASB16 – NEW LEASE ACCOUNTING STANDARD



## Estimated Impact on Balance Sheet as at 1 July 2019

Balance Sheet Item	Impact	Range \$m
Right of Use Assets	Increase	\$83.0 to \$85.0
Lease Liabilities	Increase	\$101.0 to \$103.0
Lease Receivables	Increase	\$2.5 to \$3.5
Retained Earnings	Decrease	\$14.5 to \$16.5

- AASB16, the new lease accounting standard becomes effective FY2020
- Modified Retrospective Approach has been adopted
- Please note the financial impacts in the future may differ to these estimates due to changes in the lease portfolio (CPI, market valuations, new leases and renegotiations) and changes in judgement (expectations of exercising options and borrowing costs)