

Beacon Lighting Group Limited

# RESULTS PRESENTATION

41 FY2017

50 YEARS  
LIVING  
BRIGHTER

*Beacon*  
LIGHTING

# DISCLAIMER

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# PLEASE NOTE

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

- H1 FY2017 was for the 26 weeks ending 25 December 2016
- H1 FY2016 was for the 26 weeks ending 27 December 2015
- H1 FY2015 was for the 26 weeks ending 28 December 2014
- H1 FY2014 based on the pro forma historical results presented in the Prospectus
- H1 FY2013 based on the pro forma historical results presented in the Prospectus





# 1 RESULTS OVERVIEW

# 1 H1 FY2017 HIGHLIGHTS

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- In FY2017, Beacon Lighting celebrates 50 Years of Living Brighter
- Achieved record sales up \$10.7m, an increase of 10.9%
- Strong value promotions to compete against the national withdrawal of the Masters home improvement stores
- Company store comparative sales increased by 1.2%
- Purchased the Jindalee, Moonah and Frankston franchise stores and converted them into company stores
- Opened the South Melbourne, Marsden Park, Brookvale and Claremont company stores
- Acquired the Masson for Lights business in Richmond
- Designed and developed 278 exclusive new products
- Strong growth for the Beacon Lighting Commercial and Beacon Solar businesses
- Established international businesses in the USA and Germany
- Encouraging finish to H1 FY2017



# 1 H1 FY2017 RESULT



\$'000	H1 FY2016	H1 FY2017	Change \$	Change %
<b>Sales</b>	<b>98,514</b>	<b>109,245</b>	10,731	10.9%
<b>Gross Profit</b>	<b>64,934</b>	<b>67,803</b>	2,869	4.4%
<i>Gross Profit Margin</i>	<i>65.9%</i>	<i>62.1%</i>		
<b>Other Income</b>	<b>1,763</b>	<b>1,766</b>	3	0.2%
<i>% of Sales</i>	<i>1.8%</i>	<i>1.6%</i>		
<b>Operating Expenses <sup>(1)</sup></b>	<b>(49,143)</b>	<b>(54,432)</b>	(5,289)	10.8%
<i>% of Sales</i>	<i>49.9%</i>	<i>49.8%</i>		
<b>EBITDA</b>	<b>17,554</b>	<b>15,137</b>	(2,417)	(13.8%)
<i>EBITDA Margin %</i>	<i>17.8%</i>	<i>13.9%</i>		
<b>EBIT</b>	<b>16,316</b>	<b>13,727</b>	(2,589)	(15.9%)
<i>EBIT Margin %</i>	<i>16.6%</i>	<i>12.6%</i>		
<b>Net Profit After Tax</b>	<b>11,098</b>	<b>9,428</b>	(1,670)	(15.0%)
<i>NPAT Margin %</i>	<i>11.3%</i>	<i>8.6%</i>		

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

A modern living room interior featuring a large window on the left, a brown leather sofa with a patterned blanket, a wooden side table with a lamp, and a large potted plant. A dark green banner with white text is overlaid in the center.

## 2 TRADING PERFORMANCE



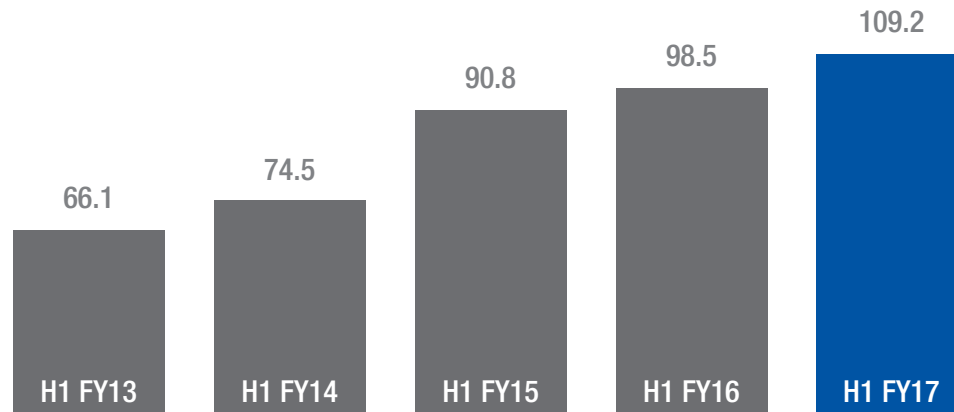
## 2 SALES



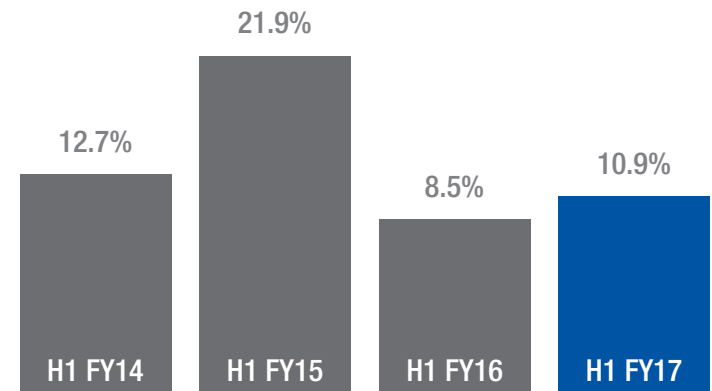
**SALES: \$109.2m increased by 10.9%**

- Record first half year sales
- Company store sales increased by 9.2%
- Commercial Offices sales increased by 23.5%
- Beacon Solar sales have increased by 222.4%

**Total Sales \$m**



**Sales Increase %**



## 2 COMPANY STORE COMPARATIVE SALES

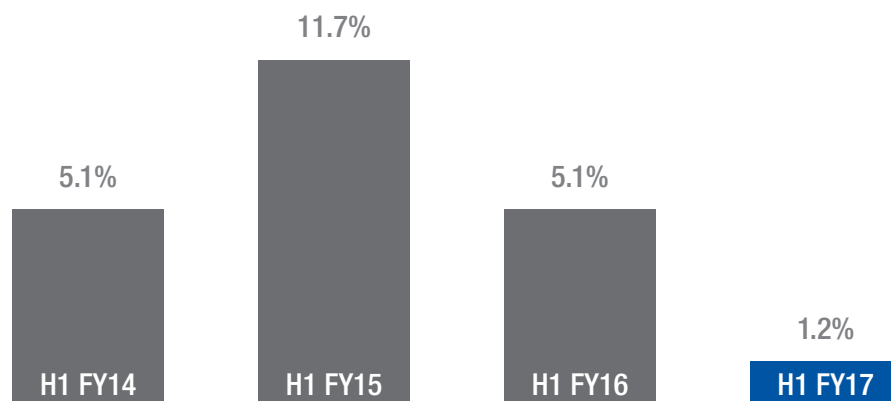
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### COMPARATIVE SALES: Increased by 1.2%

- Operating in a unique competitive environment with a national competitor in Masters closing down
- Good comparative sales growth in NSW and SA
- December 2016 comparative sales growth was encouraging

### Company Store Comparative Sales Growth

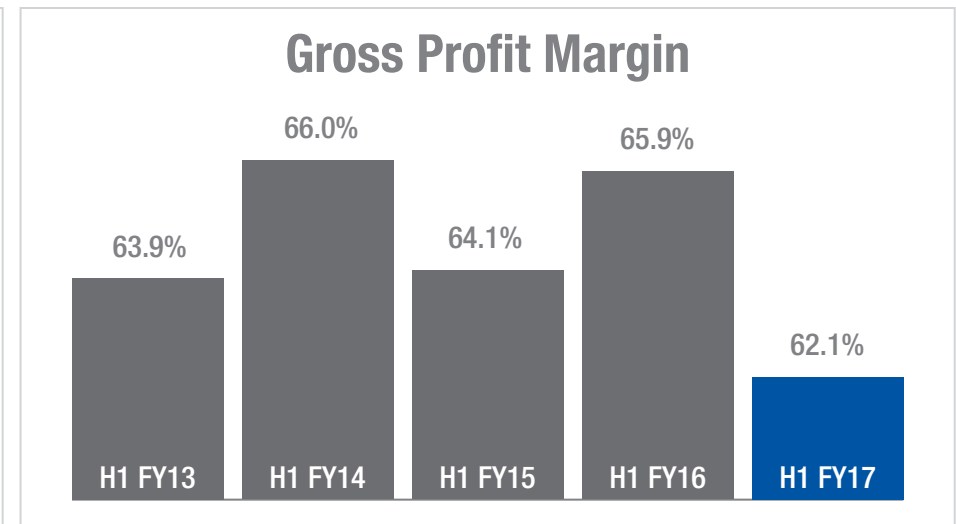
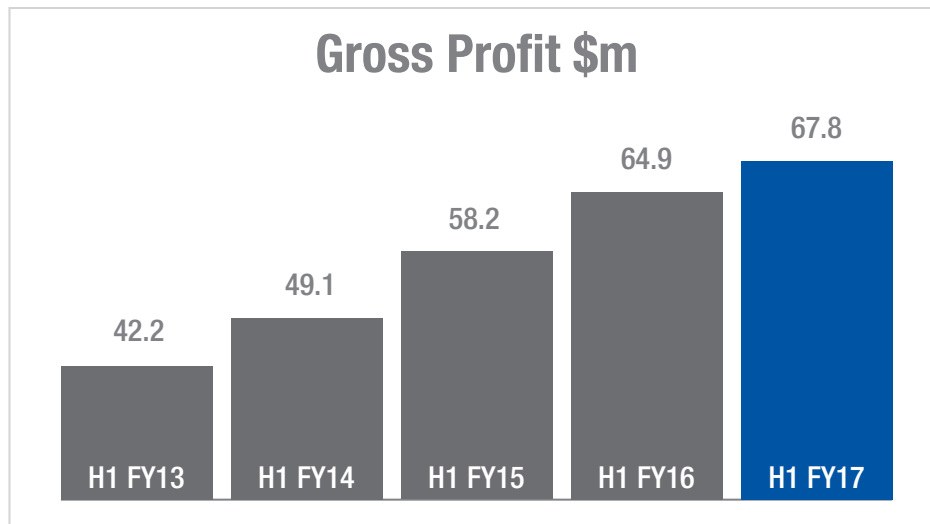


## 2 GROSS PROFIT



### Gross Profit Dollars: Increased by 4.4% to \$67.8m

- Strong value promotional pricing was necessary in order to maintain market share
- Margin mix is changing with the growth in emerging businesses
- FX benefits in H1 FY16 gross margin were not repeated in H1 FY17
- Gross profit dollars increased by \$2.9m



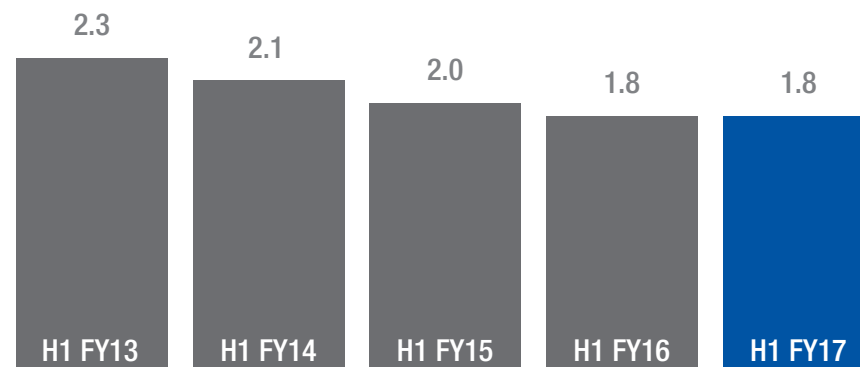
## 2 OTHER INCOME



### Other Income: Increased by 0.2% to \$1.8m

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

### Other Income \$m





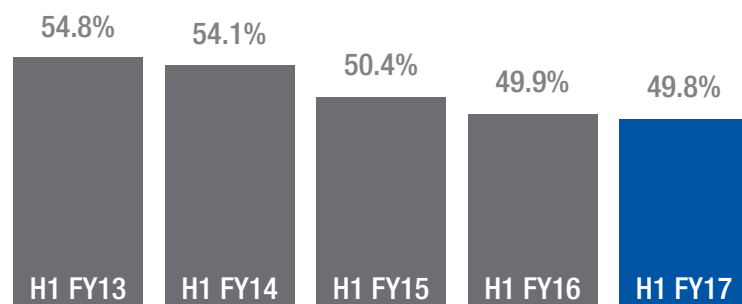
## 2 OPERATING EXPENSES



### Opex: Decreased by 0.1% of Sales

- Operating expense decrease of 0.1% of sales to \$54.4m
- Productivity gains realised in relation to Marketing and General and Administration expenses
- Continued to invest in the Selling and Distribution activities to protect market share

### Opex % of Sales



\$'000	H1 FY2016	H1 FY2017	Chg \$	Chg %
<b>Marketing</b>	<b>6,003</b>	<b>6,298</b>	295	4.9%
<i>% of Sales</i>	<i>6.1%</i>	<i>5.8%</i>		
<b>Selling and Distribution</b>	<b>34,839</b>	<b>39,578</b>	4,739	13.6%
<i>% of Sales</i>	<i>35.4%</i>	<i>36.2%</i>		
<b>General and Admin.</b>	<b>8,302</b>	<b>8,557</b>	225	3.1%
<i>% of Sales</i>	<i>8.4%</i>	<i>7.8%</i>		
<b>Operating Expenses <sup>(1)</sup></b>	<b>49,143</b>	<b>54,432</b>	5,289	10.8%
<i>% of Sales</i>	<i>49.9%</i>	<i>49.8%</i>		
<b>Depreciation</b>	<b>1,238</b>	<b>1,410</b>	172	13.9%
<i>% of Sales</i>	<i>1.3%</i>	<i>1.3%</i>		
<b>Finance Costs</b>	<b>531</b>	<b>581</b>	50	9.4%
<i>% of Sales</i>	<i>0.5%</i>	<i>0.5%</i>		

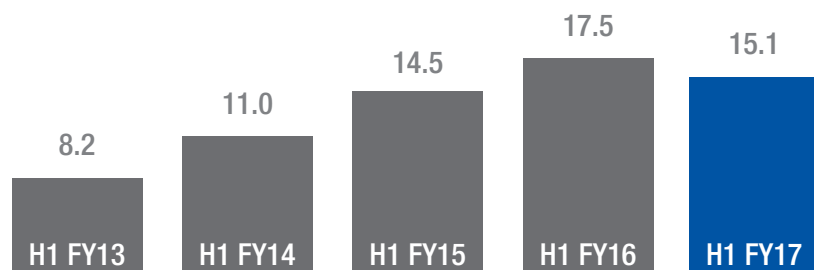
(1) Operating Expenses exclude depreciation, amortisation and financing costs

## 2 EARNINGS



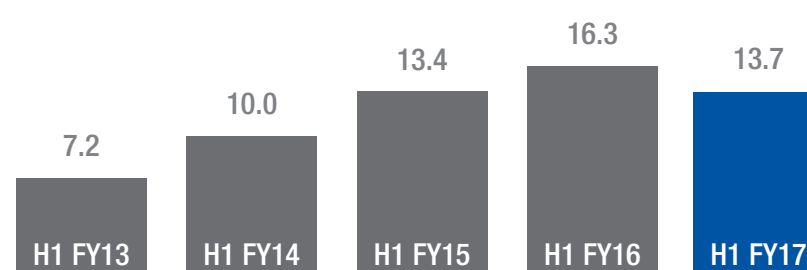
### EBITDA: -13.8% to \$15.1m

#### EBITDA \$m



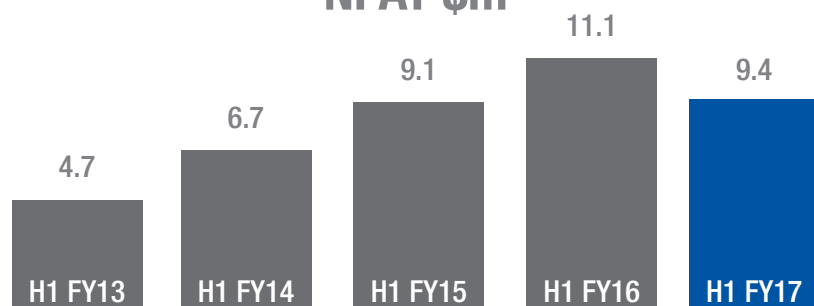
### EBIT: -15.9% to \$13.7m

#### EBIT \$m



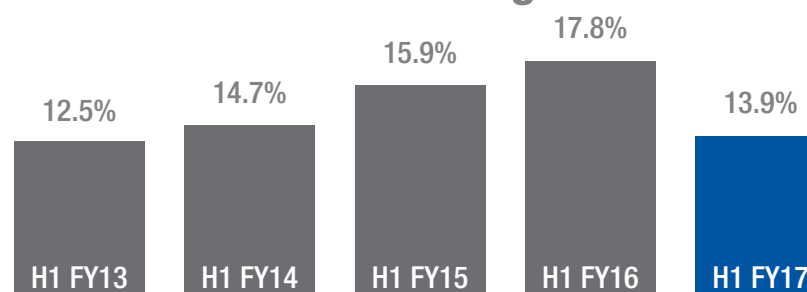
### NPAT: -15.0% to \$9.4m

#### NPAT \$m



### EBITDA Margin: 13.9%

#### EBITDA Margin



The image shows the storefront and interior of a Beacon Lighting store. The storefront has a large yellow sign with the 'Beacon LIGHTING' logo. The glass doors and side panels also feature the logo. The interior is brightly lit and filled with various lighting fixtures, including lamps, chandeliers, and pendant lights, displayed on white pedestals and shelves. A blue semi-transparent banner is overlaid on the center of the image, containing the text '3 CASH FLOW, BALANCE SHEET & DIVIDENDS'.

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3 CASH FLOW,  
BALANCE SHEET & DIVIDENDS

**Capital Expenditure \$4.6m**

- New Stores Capex \$3.2m
- Information Tech. \$0.5m
- Major Refits \$0.3m
- Motor Vehicles \$0.3m
- Other \$0.3m

\$ '000	H1 FY2016	H1 FY2017
<b>Cash Flow from Operations</b>		
Receipts from Customers	105,935	122,079
Payments to Suppliers & Employees	(94,869)	(108,096)
Other	(499)	(557)
Income Tax Paid	(3,379)	(3,701)
<b>Net Operating Cash Flow</b>	<b>7,188</b>	<b>9,725</b>
Net Cash (Outflow) from Investing	(4,110)	(7,303)
Net Cash (Outflow) from Financing	(1,750)	(3,407)
<b>Net Increase (Decrease) Cash</b>	<b>1,328</b>	<b>(985)</b>

\$ '000	H1 FY2016	H1 FY2017
<b>Other Details</b>		
Capital Expenditure / Acquisitions	(3,698)	(7,343)
Dividends Paid	(5,164)	(5,166)



### 3 BALANCE SHEET



#### Debtors

- Commercial \$5.3m
- Franchise \$2.0m
- Solar \$1.6m

#### Borrowings

- Trade Finance \$21.1m
- Other \$2.8m

**Gearing Ratio<sup>(1)</sup> 20.0%**

\$ '000	H1 FY2016	H1 FY2017
Cash	13,107	8,270
Receivables	8,317	9,334
Inventories	52,251	53,616
Other	837	1,793
<b>Total Current Assets</b>	<b>74,512</b>	<b>73,013</b>
PPE	20,526	25,216
Intangible	6,073	8,008
Other	6,225	5,680
<b>Total Non Current Assets</b>	<b>32,824</b>	<b>38,904</b>
<b>Total Assets</b>	<b>107,336</b>	<b>111,918</b>
Payables	17,742	16,579
Borrowings	21,932	22,702
Other	9,236	5,911
<b>Total Current Liabilities</b>	<b>48,910</b>	<b>45,192</b>
Borrowings	849	1,216
Other	2,629	2,911
<b>Total Non Current Liabilities</b>	<b>3,478</b>	<b>4,127</b>
<b>Total Liabilities</b>	<b>52,388</b>	<b>49,319</b>
<b>Net Assets</b>	<b>54,948</b>	<b>62,598</b>

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

## 3 DIVIDENDS

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- Fully franked dividend of 2.35 cents per share for H1 FY2017 (2.30 cents per share in H1 FY2016)
- Record date 3rd March 2017
- Payment date 24th March 2016
- Annual payout ratio expected to be 50% to 60% of NPAT

A modern interior scene featuring a large, sculptural wooden pendant lamp with a warm, glowing light. Below it, a grey sofa is adorned with several pillows in shades of green, olive, and white. A potted plant with broad green leaves sits on the sofa. The background is a light-colored, textured wall, and a window with white curtains is visible on the right.

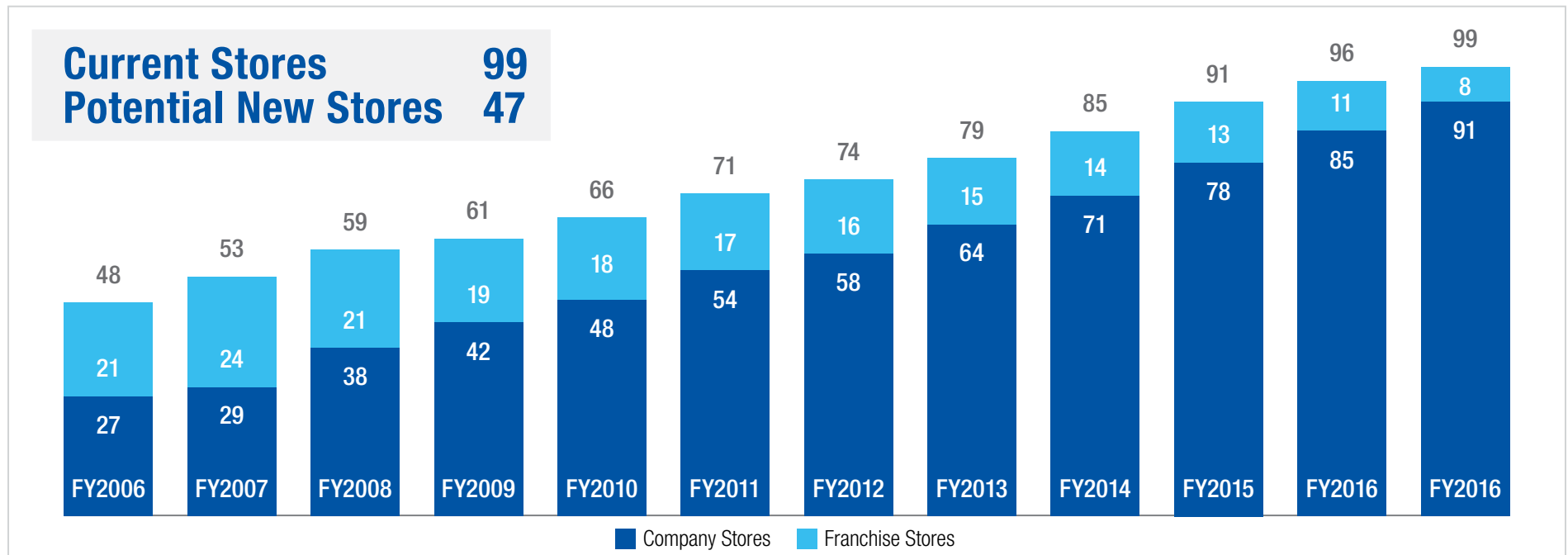
## 4 GROWTH STRATEGIES

## 4 NEW STORE ROLLOUT



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

- Opened four new company stores at South Melbourne (VIC), Marsden Park (NSW), Brookvale (NSW) and Claremont (WA)
- Closed the South Wharf (VIC) store after the opening of the South Melbourne (VIC) store



Excludes the four Commercial State Offices.



## 4 OPTIMISE EXISTING STORES

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**Beacon Lighting believes it is able to grow sales and profit through the continued investment in the existing stores network**

- Strong value promotional pricing was necessary to maintain to our market share
- Launched the Premium Beacon Design Service including accredited Lighting Designers and developed a Lighting Design Software Solution
- Expanded the Bunbury (WA) store
- Now have 239 Lighting Design Consultants
- Rolled out 20 installations of Solar Systems on Beacon Lighting locations including stores and the DC



## 4 NEW PRODUCT RANGES



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

- Designed and developed 278 exclusive new products for our customers
- Introduced 89 new technically advanced LED Light Globes for the GE business
- Developing architectural lighting products with the Masson For Light team
- Introduced new trends across lighting and ceiling fans



## 4 ONLINE AND SOCIAL MEDIA



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

- Online sales increased by 48.4% over H1 FY2016
- Launched Afterpay on the Beacon Lighting website to provide extended payment options for our customers
- Offering exclusive benefits to 187,000 VIP customers
- Continue to grow and monitor strong relationships with social influencers who engage and endorse Beacon Lighting



## Beacon Lighting will continue to grow our emerging businesses: Beacon International, Light Source Solutions, Beacon Solar and Masson for Light

- Beacon Solar has had an outstanding half year in terms of sales and profitability
- Beacon International has continued to successfully licence the Group Intellectual Property to more international customers
- Opened new companies in the USA and Europe to operate E-Commerce and Wholesale businesses in those markets
- Market share for the Light Source Solutions business continues to grow
- Masson for Light is in its early stages of development into the architectural lighting market

**BEACON SOLAR**  
COMMERCIAL ENERGY  
EFFICIENCY SPECIALISTS

 *Beacon*  
INTERNATIONAL  
LIGHT & FAN SOURCING

**LIGHT  
SOURCE  
SOLUTIONS** |   
Distributor  
GE Lighting

**MASSON**  
FOR LIGHT

## 4 ACQUISITIONS



### **Beacon Lighting intends to investigate and pursue local and international business opportunities that complement the core activities of the Group**

- Purchased the Jindalee (QLD), Moonah (TAS) and Frankston (VIC) franchise stores and converted them into company stores
- Acquired the Masson for Light architecture lighting design store in Richmond (VIC)
- Continued to investigate a variety of different but complementary business opportunities



## 4 EFFICIENCY GAINS



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

- Continue to maintain customer service levels within our stores in order to grow market share
- Continue to invest in the emerging businesses ahead of the revenue generation of these businesses
- Continued with a cost conscious approach to all operating expenses in the Group





A modern interior scene featuring a marble wall and a wooden shelf. On the shelf, there is a white lamp with a textured shade, a glass light bulb in a grey base, a large round wooden cutting board, a small white bowl, and a grey desk lamp with a copper-colored base. The text "5 H2 FY2017 OUTLOOK" is overlaid on the image.

## 5 H2 FY2017 OUTLOOK

## 5 H2 FY2017 OUTLOOK



### Beacon Lighting

- Company store comparative sales have made a positive start to the second half
- Looking forward to advancing our market share in the retail lighting market
- Celebrating the opening of the 100th Beacon Lighting store in North Lakes (QLD)
- Four new stores, North Lakes (QLD), Burwood (VIC), Balwyn North (VIC) and Gladesville (NSW) are expected to open in the second half
- Agreed to acquire the Lights For You stores at Crows Nest (NSW), Killara (NSW) and Carlton (NSW) and will convert them into Beacon Lighting stores
- The Midland (WA) franchise store was purchased and converted into a company store in January 2017



## 5 H2 FY2017 OUTLOOK CONTINUED



- Opportunities for new Beacon Lighting stores at ex Masters store locations will continue to be investigated
- Acquired Masson Manufacturing business to develop bespoke lighting products
- Beacon International in the USA and Germany will generate their first sales
- Beacon Solar remains an exciting opportunity for the Group

### Summary

- Record number of new company stores in FY2017. 10 net new stores and 4 franchise store conversions
- Beacon Lighting expects the current growth strategies to continue to drive improved sales and profits in H2 FY2017





A modern interior scene featuring a white staircase on the left, a large chandelier with multiple glowing spherical lights in the center, and a marble countertop in the foreground. On the counter are several decorative vases. A semi-transparent dark blue rectangle is centered over the image, containing the text '6 QUESTIONS'.

## 6 QUESTIONS