



Beacon Lighting Group Limited

The background of the slide is a photograph of a modern dining room. A dark wood dining table is set with several decorative items, including a brass candle holder, a blue and white striped vase, and a white textured vase. A black metal chandelier with five vertical glass tubes hangs above the table. In the background, there is a white wall and a large window with a built-in white seat and cushions. A potted plant is visible on the right side of the frame.

H1 FY2018 RESULTS PRESENTATION

22 FEBRUARY 2018

DISCLAIMER



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The Presentation contains general background information about the Company and its activities current as at the date of this Presentation. The information in this Presentation is in summary form only and does not contain all the information necessary to fully evaluate whether or not to buy or sell shares in the Company. It should be read in conjunction with the Company’s other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

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PLEASE NOTE

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

- H1 FY2018 was for the 26 weeks ending 24 December 2017
- 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



1 RESULTS OVERVIEW

1 H1 FY2018 HIGHLIGHTS



- Record sales result at \$122.4m increased by 12.0%
- Company store retail sales increased by 14.2%
- Commercial office sales increased by 19.2%
- Online sales increased by 45.9%
- Good progress continues to be made with the five emerging businesses
- Strong gross profit margins
- Opened five new company stores, including three competitor lighting stores conversions
- Purchased one franchise store
- Record EBITDA result at \$18.8m increased by 23.9%
- Record NPAT result at \$11.3m increased by 19.7%



1 H1 FY2018 RESULT



| \$'000 | H1 FY2017 | H1 FY2018 | Var \$ | Var % |
|--|-----------------|-----------------|---------|---------|
| Sales | 109,245 | 122,380 | 13,135 | 12.0% |
| Gross Profit | 67,803 | 79,723 | 11,920 | 17.6% |
| <i>Gross Profit Margin %</i> | <i>62.1%</i> | <i>65.1%</i> | | |
| Other Income | 1,766 | 1,327 | (439) | (24.9%) |
| <i>% of Sales</i> | <i>1.6%</i> | <i>1.1%</i> | | |
| Operating Expenses ⁽¹⁾ | (54,432) | (62,294) | (7,862) | 14.4% |
| <i>% of Sales</i> | <i>49.8%</i> | <i>50.9%</i> | | |
| EBITDA | 15,137 | 18,756 | 3,619 | 23.9% |
| <i>EBITDA Margin %</i> | <i>13.9%</i> | <i>15.3%</i> | | |
| EBIT | 13,727 | 16,936 | 3,209 | 23.4% |
| <i>EBIT Margin %</i> | <i>12.6%</i> | <i>13.8%</i> | | |
| Net Profit After Tax | 9,428 | 11,282 | 1,854 | 19.7% |
| <i>NPAT Margin %</i> | <i>8.6%</i> | <i>9.2%</i> | | |

(1) Operating Expenses exclude depreciation, amortisation and finance costs.



2 TRADING PERFORMANCE

2 SALES

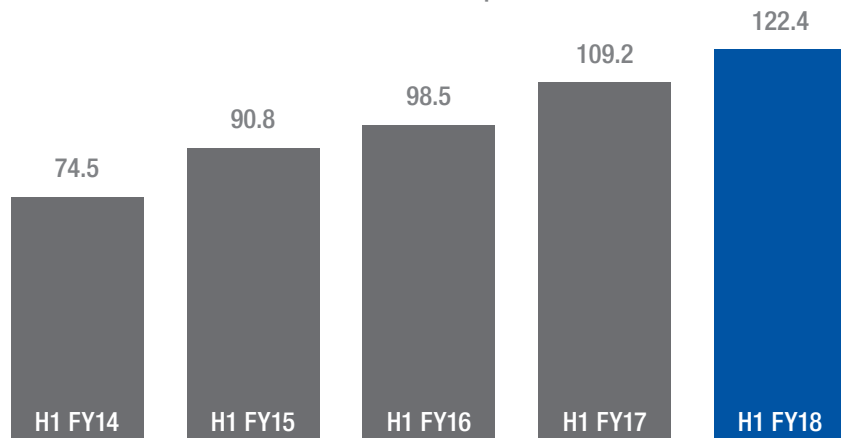


SALES: \$122.4m increased by 12.0%

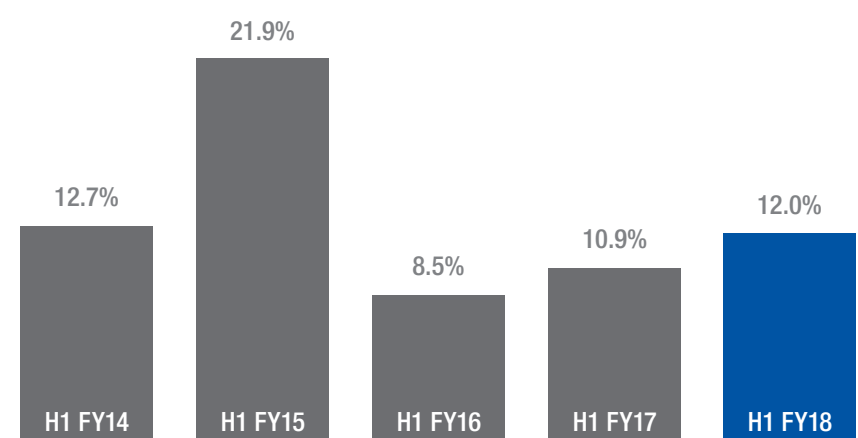
- Record first half year sales
- Company Store sales increased by 14.2%
- Commercial Offices sales increased by 19.2%
- Beacon International sales increased by 37.5%



Total Sales \$m

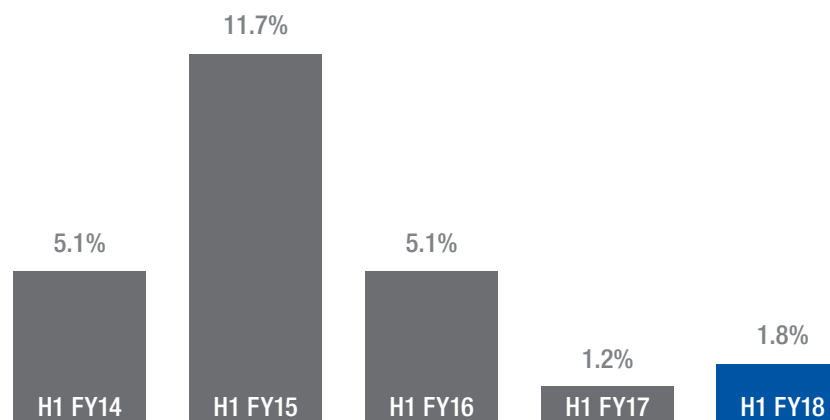


Sales Increase %



**COMPARATIVE SALES: Increased by 1.8%**

- Strong comparative sales growth in VIC and SA
- WA remains a challenging market
- Comparative gross profit dollars increased by 4.4%
- Comparative sales growth excluding impacted stores increased by 5.2% compared to 2.7% in H1 FY2017

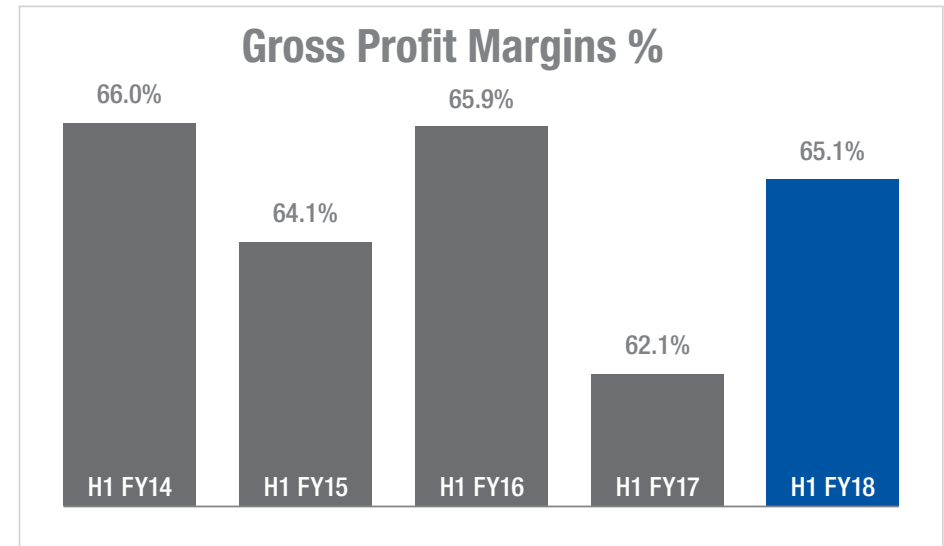
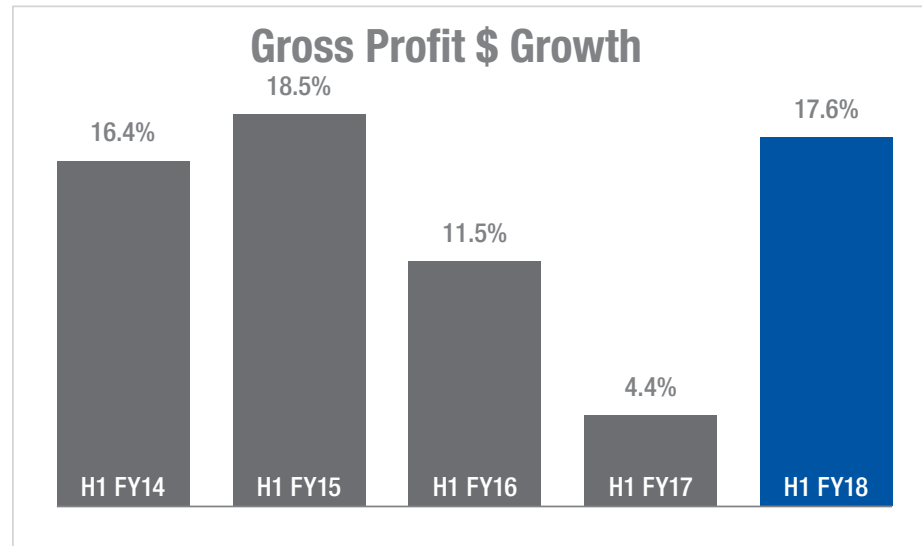
Company Store Comparative Sales by Year

2 GROSS PROFIT



Gross Profit \$: Increased by 17.6% to \$79.7m

- Return to the regular marketing program has assisted in the recovery of the gross profit dollars and margins
- Stronger AUD also helped improve gross profit margins
- Gross profit dollars increased by 17.6% or \$11.9m
- Gross profit margin increased by 3.0% of sales to 65.1%

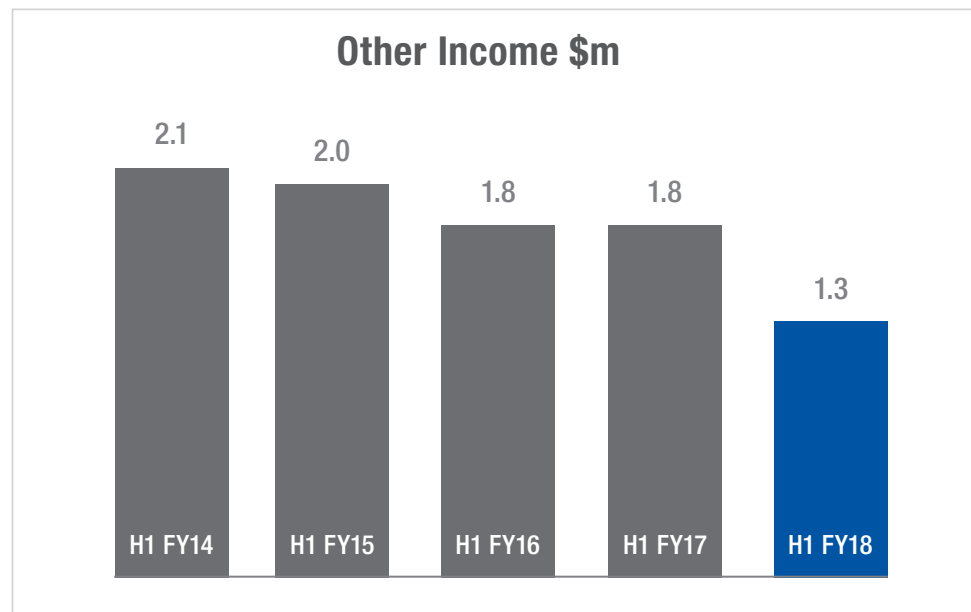


2 OTHER INCOME



Other Income: Decreased by 24.9% to \$1.3m

- Core marketing and royalty income continues to decline as franchise stores have been acquired
- Continued to sell licences for the right to use the Group Intellectual Property in international markets

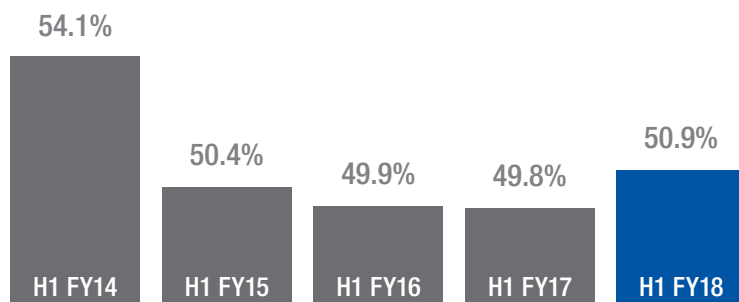


2 OPERATING EXPENSES

Opex: Increased 1.1% of sales to \$62.3m

- Continued investment in the selling and distribution expenses for established and new investments
- Occupancy costs have increased with the growth of new stores
- Power costs increased significantly after the expiration of a long term contract
- Productivity gains realised in relation to Marketing and General and Administration expenses

Opex % of Sales

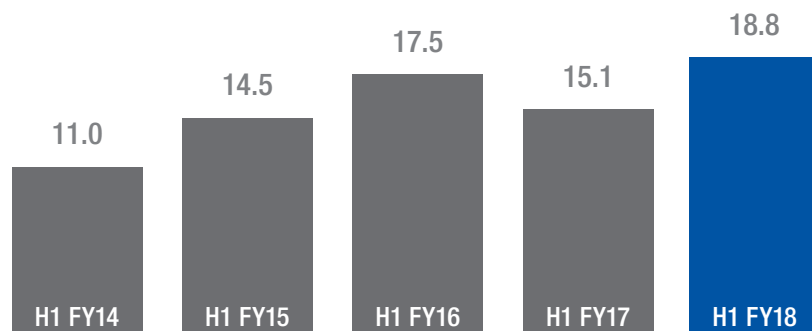


| \$'000 | H1 FY2017 | H1 FY2018 | Var \$ | Var % |
|---------------------------------|---------------|---------------|--------|-------|
| Marketing | 6,568 | 7,201 | 633 | 9.6% |
| <i>% of Sales</i> | <i>6.0%</i> | <i>5.9%</i> | | |
| Selling and Distribution | 40,004 | 46,909 | 6,905 | 17.3% |
| <i>% of Sales</i> | <i>36.6%</i> | <i>38.3%</i> | | |
| General and Admin. | 7,861 | 8,184 | 324 | 4.1% |
| <i>% of Sales</i> | <i>7.2%</i> | <i>6.7%</i> | | |
| Operating Expenses | 54,432 | 62,294 | 7,862 | 14.4% |
| <i>% of Sales</i> | <i>49.8%</i> | <i>50.9%</i> | | |
| Depreciation | 1,410 | 1,820 | 410 | 29.1% |
| <i>% of Sales</i> | <i>1.3%</i> | <i>1.5%</i> | | |
| Finance Costs | 582 | 786 | 204 | 35.1% |
| <i>% of Sales</i> | <i>0.5%</i> | <i>0.6%</i> | | |

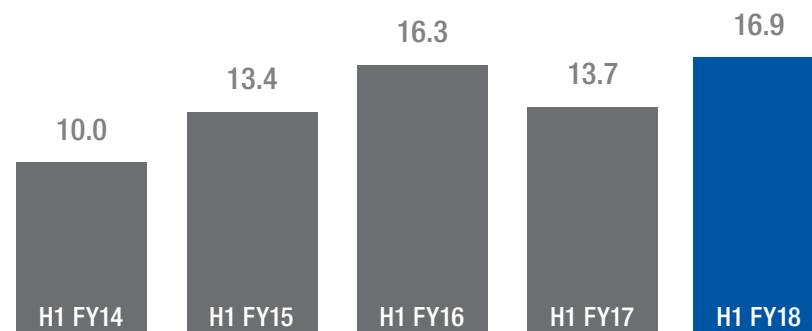
2 EARNINGS



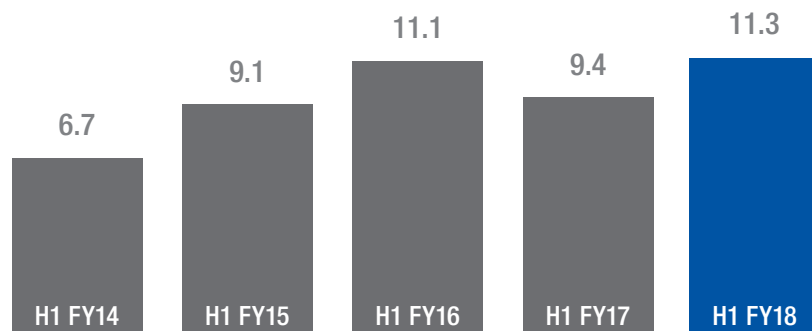
EBITDA: +23.9% to \$18.8m



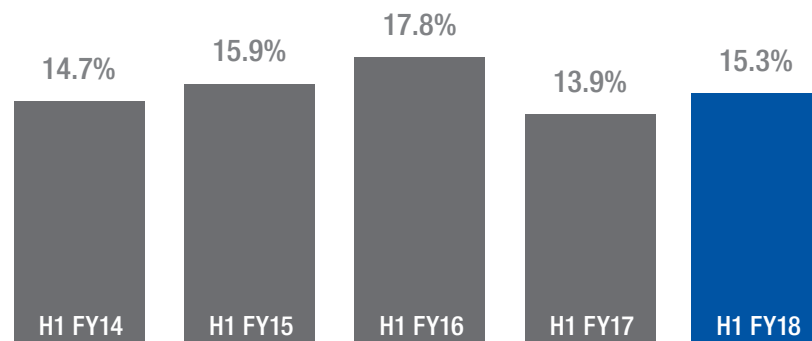
EBIT: +23.4% to \$16.9m



NPAT: +19.7% to \$11.3m



EBITDA Margin: 15.3%



A modern interior scene featuring a long, black horizontal light fixture with multiple spherical glass bulbs. The bulbs are arranged in two rows, with some hanging above a white rectangular table and others below it. The background shows a living area with a grey sofa, a blue patterned rug, and large windows with sheer curtains. In the foreground, a wooden table and a black chair are visible.

CASH FLOW, BALANCE SHEET & DIVIDEND

3

3 CASH FLOW

- Strong operating cash flow continues to be generated
- Capital expenditure \$2.5m, including \$1.6m on new stores
- Dividend paid \$3.9m, dividend reinvested \$1.2m



| \$'000 | H1 FY2017 | H1 FY2018 |
|-------------------------------------|--------------|--------------|
| Cash Flow from Operations | | |
| Receipts from Customers | 122,079 | 135,438 |
| Payments to Suppliers & Employees | (108,096) | (123,533) |
| Other | (557) | (763) |
| Income Tax Paid | (3,701) | (3,536) |
| Net Operating Cash Flow | 9,725 | 7,606 |
| Net Cash (Outflow) from Investing | (7,303) | (3,266) |
| Net Cash (Outflow) from Financing | (3,407) | (1,072) |
| Net Increase (Decrease) Cash | (985) | 3,268 |

| \$'000 | H1 FY17 | H1 FY18 |
|------------------------------------|---------|---------|
| Other Details | | |
| Capital Expenditure / Acquisitions | (7,343) | (3,266) |
| Dividends Paid | (5,166) | (3,930) |

3 BALANCE SHEET



Inventory

- New Investments \$4.3m

Debtors

- Commercial \$4.2m
- Other \$3.1m
- Franchising \$2.0m

Borrowings

- Trade Finance \$27.1m
- General Finance \$5.2m
- Asset Finance \$0.8m

Gearing Ratio

- Gearing Ratio⁽¹⁾ 19.1%

| \$'000 | DEC 2016 | DEC 2017 |
|--------------------------------------|----------------|----------------|
| Cash | 8,270 | 16,193 |
| Receivables | 9,334 | 10,323 |
| Inventories | 53,617 | 59,582 |
| Other | 1,793 | 1,105 |
| Total Current Assets | 73,014 | 87,203 |
| PPE | 25,216 | 29,369 |
| Intangible | 8,008 | 10,880 |
| Other | 5,680 | 6,317 |
| Total Non Current Assets | 38,904 | 46,566 |
| Total Assets | 111,918 | 133,769 |
| Payables | 16,579 | 17,527 |
| Borrowings | 22,702 | 27,523 |
| Other | 5,911 | 8,324 |
| Total Current Liabilities | 45,192 | 53,374 |
| Borrowings | 1,216 | 5,604 |
| Other | 2,911 | 3,105 |
| Total Non Current Liabilities | 4,127 | 8,709 |
| Total Liabilities | 49,319 | 62,083 |
| Net Assets | 62,599 | 71,686 |

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



- Fully franked dividend of 2.5 cents per share for H1 FY2018 (compared to 2.35 cents per share for H1 FY2017)
- Record date 5th March 2018
- Payment date 26th March 2018
- Annual payout ratio expected to be 50% to 60% of NPAT
- Dividend reinvestment plan remains at a discount of 5.0% to the market price for all shareholders

A modern dining room interior featuring a dark-colored ceiling fan with five blades. Below the fan, a potted plant with long, thin green leaves sits on a light-colored wooden table. On the table, there is a bowl of fruit, including a coconut and some green leaves. A dark blue chair is visible on the left, and a yellow chair is on the right. The background shows a white wall and a dark doorway.

4 GROWTH STRATEGIES

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

- Opened 15 new company stores in the last 19 months which will all mature in the coming years
- Store rosters continue to be managed to better service the needs of our customers and all stakeholders
- Ongoing marketing program refinement to drive store traffic, online traffic and in turn increase sales
- Continued to mitigate energy expenses through the rollout of solar systems
- Introduced Afterpay and trialling zipPay into stores in two states
- Premium Beacon Design Services continued to be rolled out to stores
- Now have 299 Accredited Lighting Design Consultants in the Group (an increase of 60 from December 2016)

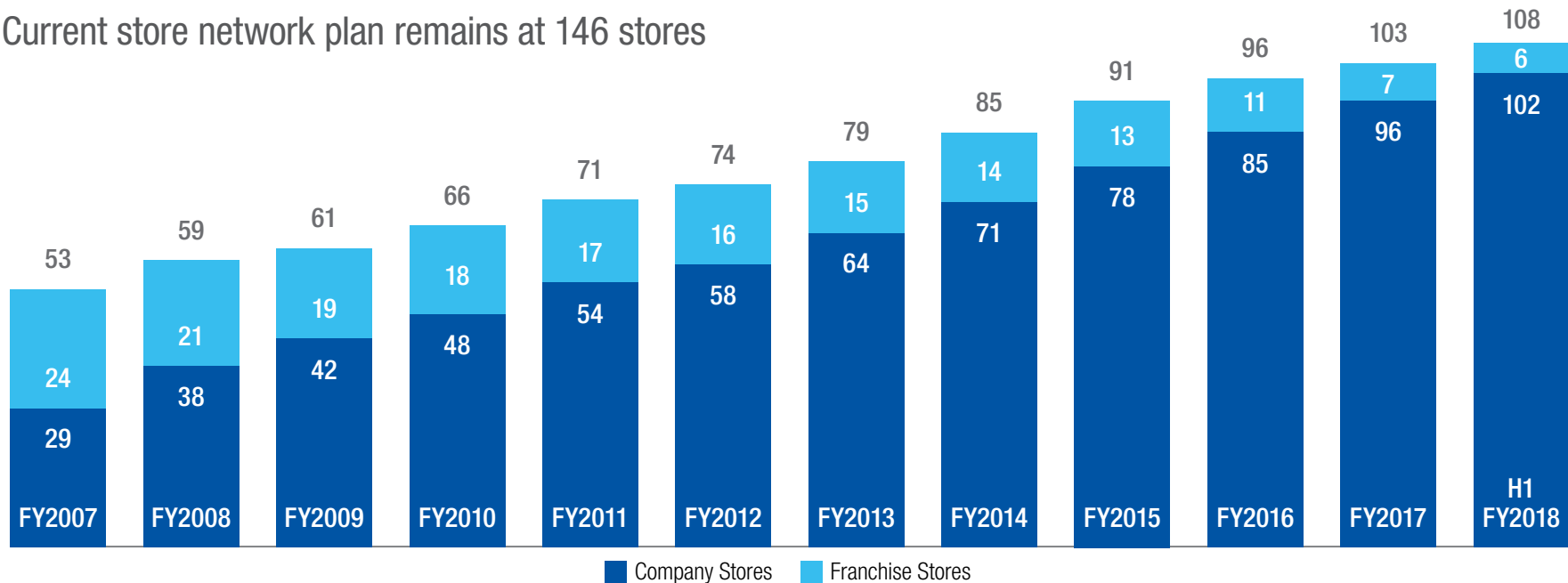


4 NEW STORE ROLLOUT



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

- Opened five new company stores at Carlton (NSW), Bayswater (VIC), Crows Nest (NSW), Gladesville (NSW) and Mentone (VIC).
- Currently operate five Commercial Sales Offices
- Current store network plan remains at 146 stores



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 393 exclusive new products for our customers
- Continued expansion of premium products including architectural lighting, limited release ranges and MFL by Masson range
- Further growth in the classical and traditional ranges
- Trialling a complementary range of new homewares in stores
- Enhanced the GE globe and lighting fixture ranges



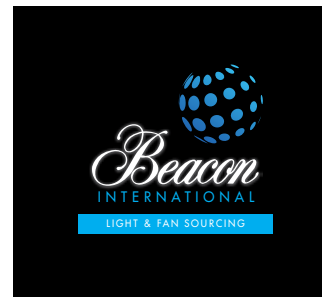
Beacon Lighting will continue to enhance our online presence in order to drive incremental sales

- Online sales increased by 45.9% over H1 FY2017
- Successfully launched the Beacon Lighting store on the Amazon Australia website
- Beacon International USA is now selling through 10 online sales channels (including Amazon, Houzz and Wayfair)
- Now have 263,000 VIP customers, an increase of 40.6% over H1 FY2017
- Continue to grow and monitor strong relationships with social influencers who engage and endorse Beacon Lighting



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

- Beacon International continues to make exciting progress in the USA and European markets
- Light Source Solutions Globes is growing strongly in the NZ market
- Light Source Solutions Roadway continue to grow sales in the replacement market
- Masson for Lights store is demonstrating strong sales growth over last year
- Beacon Solar continues to offer a strong value proposition and has exciting growth opportunities



4 ACQUISITIONS



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

- Converted two Lights for You stores at Carlton (NSW) and Crows Nest (NSW) into Beacon Lighting stores
- Converted the Australian Lighting store at Bayswater (VIC) into a Beacon Lighting store
- Purchased the Nunawading (VIC) franchise store and converted it into a company store
- 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

- New stores and the emerging businesses currently requiring investment ahead of their sales
- As the new investments mature, expense efficiency gains can be expected to be delivered
- Solar systems have been installed on 37 Beacon Lighting stores
- Efficiency gains continued to be realised for marketing and general and administration expenses
- Continued with a cost conscious approach to all operating expenses within the Group





5 H2 FY2018 OUTLOOK

5 H2 FY2018 OUTLOOK

Beacon Lighting

- Company stores comparative sales have experienced modest growth in the new half year
- Gross profit dollar growth continues to be encouraging
- Looking forward to advancing our market share in the retail lighting market
- Emerging businesses are well positioned for further growth
- New company store at South Morang (VIC) is expected to open in May 2018
- New store and business opportunities continue to be investigated
- Focus on optimising the financial returns on the investments that have been made in recent years

Summary

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





6 QUESTIONS