

Results Announcement

23rd February 2017

Beacon Lighting Group Ltd: H1 FY2017 Result

Result Summary

- Sales up 10.9% to \$109.2m
- Company stores comparative sales increased by 1.2%
- Gross profit increased by 4.4%
- Operating expenses improved as a percentage of sales by 0.1%
- EBITDA reduced by 13.8% to \$15.1m
- NPAT reduced by 15.0% to \$9.4m
- Fully franked interim dividend of 2.35 cents per share

| \$'000 | H1 FY2016 | H1 FY2017 | Change \$ | Change % |
|------------------------|-----------|-----------|-----------|----------|
| Sales | 98,514 | 109,245 | 10,731 | 10.9% |
| Gross Profit | 64,934 | 67,803 | 2,869 | 4.4% |
| Other Income | 1,763 | 1,766 | 3 | 0.2% |
| Operating Expenses (1) | (49,143) | (54,432) | (5,289) | 10.8% |
| EBITDA | 17,554 | 15,137 | (2,417) | (13.8%) |
| Net Profit After Tax | 11,098 | 9,428 | (1,670) | (15.0%) |

(1) Operating expenses exclude depreciation, amortisation and financing costs.

Result Commentary

Throughout the 26 weeks ending 25th December 2016 (H1 FY2017), the Beacon Lighting Group Limited (the "Group") (ASX: BLX) has competed against the Masters closure by offering great value to our customers in order to protect our market share. Operating within this unique retail environment, the Group has been able to achieve an encouraging total sales increase and positive company store comparative sales growth. Today, the Group announced a Net Profit After Tax (NPAT) result of \$9.4m for H1 FY2017. This was a decrease of \$1.7m or 15.0% compared to the corresponding 26 weeks ending 27th December 2015 (H1 FY2016).

In H1 FY2017, Beacon Lighting sales increased by 10.9% to \$109.2m. Company store comparative sales increased by 1.2% over H1 FY2016. Sales increases for the Commercial Sales Offices, Beacon Solar, Light Source Solutions, new store openings and franchise store acquisitions all contributed to the overall sales increase.

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As a result of our competitive marketing campaigns and changing margin mix, the gross profit dollars increased by 4.4% and the gross profit margin was 62.1%. Despite franchise stores acquisitions, other income increased as a result of licencing the intellectual property of the Group. Small productivity gains were also realised with operating expenses as a percentage of sales improving by 0.1%.

Beacon Lighting has continued to reinvest in the business with the opening of new stores and the purchase of franchised stores. To support this reinvestment, the Group has used operating cash flows but still maintains a conservative Balance Sheet. The Group paid a fully franked dividend of 2.4 cents for H2 FY2016. The Directors have also declared a fully franked dividend of 2.35 cents per share for H1 FY2017 (compared to 2.30 cents per share for H1 FY2016).

Strategy Highlights

In H1 FY2017, Beacon Lighting opened four new company stores at South Melbourne (VIC), Marsden Park (NSW), Brookvale (NSW) and Claremont (WA). The Jindalee (QLD), Moonah (TAS) and Frankston (VIC) franchised stores were also purchased and converted to company operated stores, bringing the total number of Beacon Lighting stores to 99. The Group also acquired the Masson for Lights architectural lighting store in Richmond (VIC). Beacon Lighting introduced 278 new fashion, on trend and technologically advanced products and opened new companies in Germany and the USA to support our Beacon International business. Beacon Solar also had a strong half year in terms of sales and profitability.

Outlook

Beacon Lighting had an encouraging finish to H1 FY2017 and company store comparative sales have made a positive start to the new half year. With the closure of Masters, the Group will continue to focus on key strategies to grow market share and improve performance. These strategies include continuing new store rollouts, optimising the existing stores portfolio, developing new product ranges, ongoing development of online and social media activities, continuing support of our emerging businesses, considering aligned acquisition opportunities, expanding into new markets and targeting expense efficiency gains.

Beacon Lighting is looking forward to a successful H2 FY2017.

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