

Beacon Lighting Group Limited

RESULTS PRESENTATION

FY2014

Beacon
LIGHTING

AGENDA



1. BACKGROUND
2. RESULTS OVERVIEW
3. TRADING PERFORMANCE
4. CASH FLOW, BALANCE SHEET, DIVIDEND
5. GROWTH STRATEGY UPDATE
6. FY2015 OUTLOOK
7. QUESTIONS

BACKGROUND



- Beacon Lighting Group is the leading specialist lighting retailer in Australia.
- From a single store in Melbourne in 1967, Beacon Lighting has grown to now operate 85 stores nationally with scope for significant additional expansion.
- The business has continued to experience growth through the difficult retail environment of recent years.
- Trading conditions are stronger this year than in recent years with key indicators such as housing starts and auction clearance rates strengthening.
- We are in the early stage of a dynamic period of change in lighting.
- We successfully listed on the ASX in April 2014.



RESULTS OVERVIEW

PLEASE NOTE

- In the Annual Report 2014, please note the following:
 - FY2014 was for the 52 weeks ending 29 June 2014
 - FY2013 was for the 53 weeks ending 30 June 2013
- For the purposes of this presentation, FY2013 will be presented on a 52 week basis
- The 52 week FY2013 Pro Forma Historical result in the Prospectus is used for comparison purposes

HIGHLIGHTS



- Successful IPO on April 15th 2014
- Prospectus forecast achieved
- Record sales and profit results
- Sales increased by \$17.4m, 13.1% ahead of last year
- Designed and developed 440 exclusive new products
- Opened six new stores, plus purchased one franchise store
- Company store comparative sales increase of 5.7%
- Operating expenses down 0.7% of sales compared to last year
- EBITDA increased \$3.5m, 20.9% ahead of last year
- NPAT increased \$2.3m, 24.8% ahead of last year



YEAR-ON-YEAR RESULT



\$ '000	FY2013 ⁽¹⁾	FY2014	\$ Inc / Dec on Last Year	% Inc / Dec on Last Year
Sales	132,932	150,338	17,406	13.1%
Gross Profit	85,599	96,660	11,061	12.9%
<i>Gross Profit Margin</i>	64.4%	64.3%		
Other Income	4,575	5,521	946	20.7%
<i>% of Sales</i>	3.4%	3.7%		
Operating Expenses ⁽²⁾	(73,559)	(82,095)	(8,536)	11.6%
<i>% of Sales</i>	55.3%	54.6%		
EBITDA	16,615	20,086	3,471	20.9%
<i>EBITDA Margin %</i>	12.5%	13.4%		
EBIT	14,511	18,066	3,555	24.5%
<i>EBIT Margin %</i>	10.9%	12.0%		
Net Profit After Tax	9,456	11,797	2,341	24.8%
<i>NPAT Margin %</i>	7.1%	7.8%		

(1) Based on the 52 Week FY2013 Pro Forma Historical result in the Prospectus dated 12 March 2014

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

PROSPECTUS FORECAST



\$ '000	Prospectus FY2014 ⁽¹⁾	Actual FY2014	\$ Inc / Dec Prospectus	% Inc / Dec Prospectus
Sales	150,261	150,338	77	0.1%
Gross Profit	96,611	96,660	49	0.1%
<i>Gross Profit Margin</i>	<i>64.3%</i>	<i>64.3%</i>		
Other Income	5,503	5,521	18	0.3%
<i>% of Sales</i>	<i>3.7%</i>	<i>3.7%</i>		
Operating Expenses ⁽²⁾	(82,823)	(82,095)	728	(0.9%)
<i>% of Sales</i>	<i>55.1%</i>	<i>54.6%</i>		
EBITDA	19,291	20,086	795	4.1%
<i>EBITDA Margin %</i>	<i>12.8%</i>	<i>13.4%</i>		
EBIT	17,229	18,066	837	4.9%
<i>EBIT Margin %</i>	<i>11.5%</i>	<i>12.0%</i>		
Net Profit After Tax	11,480	11,797	317	2.8%
<i>NPAT Margin %</i>	<i>7.6%</i>	<i>7.8%</i>		

(1) Based on the FY2014 Statutory Forecast in the Prospectus dated 12 March 2014

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

HALF-YEAR SPLIT YEAR ON YEAR



\$ '000	H1 FY2013 ⁽¹⁾	H1 FY2014 ⁽²⁾	\$ Inc / Dec on Last Year	% Inc / Dec on Last Year	H2 FY2013 ⁽³⁾	H2 FY2014 ⁽⁴⁾	\$ Inc / Dec on Last Year	% Inc / Dec on Last Year
Sales	66,061	74,497	8,436	12.8%	66,871	75,841	8,970	13.4%
Gross Profit	42,222	49,145	6,923	16.4%	43,377	47,515	4,138	9.5%
<i>Gross Profit Margin</i>	<i>63.9%</i>	<i>66.0%</i>			<i>64.9%</i>	<i>62.7%</i>		
Other Income	2,264	3,202	938	41.4%	2,311	2,319	8	0.3%
<i>% of Sales</i>	<i>3.4%</i>	<i>4.3%</i>			<i>3.5%</i>	<i>3.1%</i>		
Operating Expenses ⁽⁵⁾	(36,230)	(41,335)	(5,105)	14.1%	(37,329)	(40,760)	(3,431)	9.2%
<i>% of Sales</i>	<i>54.8%</i>	<i>55.5%</i>			<i>55.8%</i>	<i>53.7%</i>		
EBITDA	8,256	11,012	2,756	33.4%	8,359	9,074	715	8.6%
<i>EBITDA Margin %</i>	<i>12.5%</i>	<i>14.8%</i>			<i>12.5%</i>	<i>12.0%</i>		
EBIT	7,233	10,081	2,848	39.4%	7,278	7,985	707	9.7%
<i>EBIT Margin %</i>	<i>10.9%</i>	<i>13.5%</i>			<i>10.9%</i>	<i>10.5%</i>		
Net Profit After Tax	4,659	6,717	2,058	44.2%	4,797	5,080	283	5.9%
<i>NPAT Margin %</i>	<i>7.1%</i>	<i>9.0%</i>			<i>7.2%</i>	<i>6.7%</i>		

(1) Based on the H1 Pro Forma Historical results in the Prospectus dated 12 March 2014

(2) H1 FY2014 Statutory result in the Reviewed Half Year Accounts 31 Dec 2013 - Beacon Lighting Corporation Pty Ltd

(3) FY2013 Pro Forma Historical result in the Prospectus less H1 FY2013 Pro Forma Historical result in the Prospectus

(4) FY2014 Statutory result less H1 FY2014 statutory result in the Prospectus

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

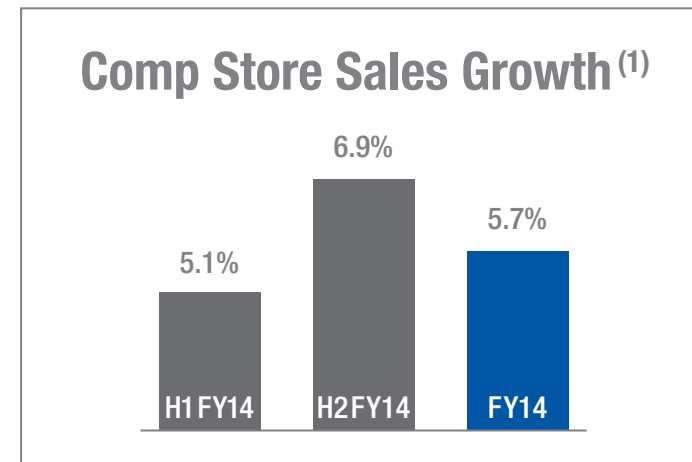
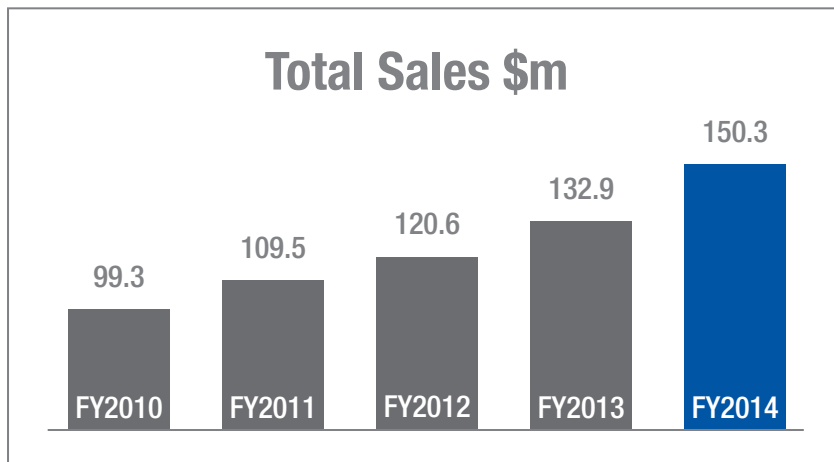
TRADING PERFORMANCE

SALES



SALES: +13.1% to \$150.3m

- Sales increase in H1 +12.8% and H2 +13.4%.
- Record sales exceeding \$150m.
- Strong company stores comparative sales throughout FY2014 of 5.7%
- Online sales grew by 41%
- Sales to trade customers strengthened by 21%



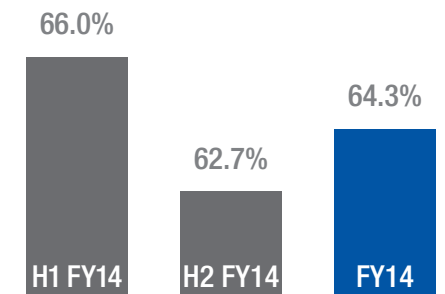
(1) Company Stores Comparative Sales Growth

GROSS MARGIN

Gross Margin: 64.3%

- Gross Margin 64.3% in line with last year
- H1 FY2014: 66.0% strong AUD and retail price management
- H2 FY2014: 62.7% AUD fall and promotions impact

Gross Profit Margins



OTHER INCOME

Other Income: + 20.7% to \$5.5m

- Other income increased as a result of customs import duty refunds by \$1.2m
- Core other income (royalties & marketing contribution) fell as franchise stores were purchased.



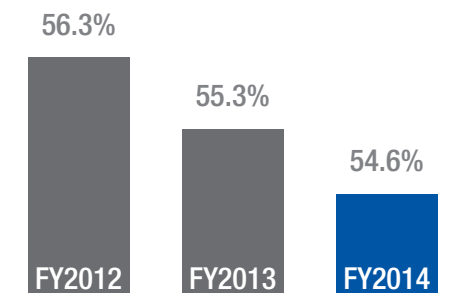
OPERATING EXPENSES



Operating Expenses: Down 0.73% of sales to \$82.1m

- Operating expenses decreased by 0.73% of sales on previous year
- Productivity gains realised in distribution and marketing
- General and Admin productivity gain (excl. significant items)

Opex % of Sales



\$ '000	FY2013 ⁽¹⁾	% to Sales	FY2014	% to Sales
Sales	132,932		150,338	
Operating Expenses				
- Marketing Expenses	8,966	6.7%	9,629	6.4%
- Selling and Distribution	52,337	39.4%	58,560	39.0%
- General and Admin ⁽²⁾	12,256	9.2%	13,906	9.2%
Total	73,559	55.3%	82,095	54.6%

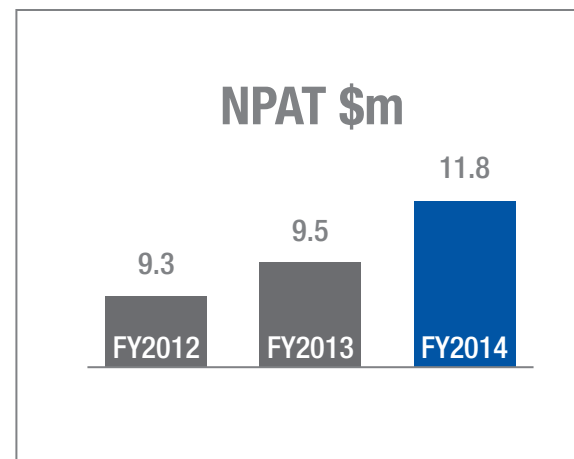
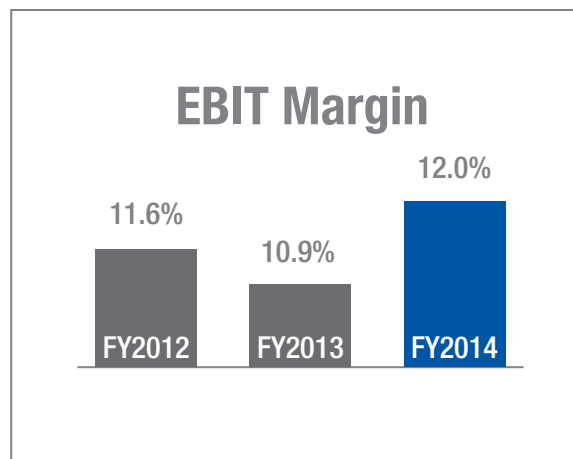
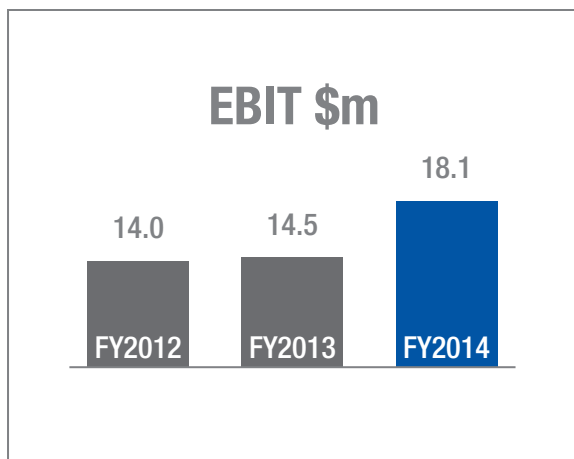
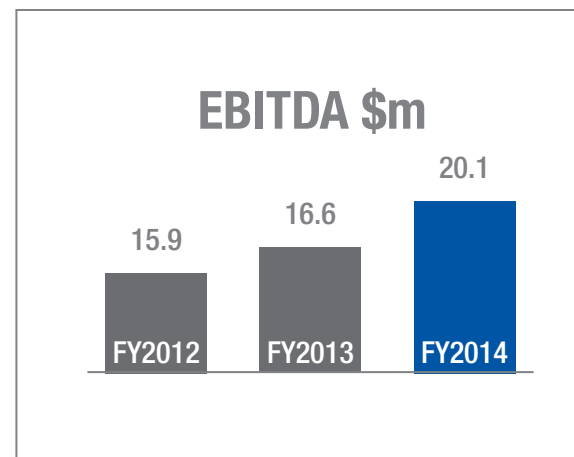
(1) Based on the 52 Week FY2013 Pro Forma Historical result in the Prospectus dated 12 March 2014

(2) Includes significant items: Warranty provision expense and import duty refunded collection fees \$1.3 million

EARNINGS



EBITDA:	+ 20.9% to \$20.1m
EBIT:	+ 24.5% to \$18.1m
NPAT:	+ 24.8% to \$11.8m



CASH FLOW, BALANCE SHEET, DIVIDENDS

CASH FLOW



Capital Expenditure \$5.0m

- New Stores Capex \$2.5m
- Relocation \$0.4m
- Exist Store Capex \$1.4m
- Motor Vehicles \$0.4m

\$ '000	FY2013	FY2014
Cash flow from Operations		
Receipts from customers	154,777	167,236
Payment to suppliers & employees	(135,378)	(144,612)
Other	(836)	(892)
Income Tax Paid	(4,990)	(6,026)
Net Operating Cash Flow	13,573	15,706

\$ '000	FY2013	FY2014
Other Items		
Capital Expenditure	(3,018)	(4,962)
Acquisitions	(1,748)	(790)
Lease Funding	161	1,341

BALANCE SHEET



Receivables

- Franchise \$3.3m
- Commercial \$4.1m

Payables

- Creditors \$6.8m
- Trade Finance \$16.1m

FX Position

- Purchases to Nov 2014

Gearing Ratio ⁽¹⁾: 13.5%

\$ '000	FY2013	FY2014
Cash	7,602	11,427
Receivables	15,207	8,217
Inventories	29,073	32,194
Other	673	365
Total Current Assets	52,555	52,203
PPE	14,025	16,818
Intangible	3,356	4,125
Other	2,467	3,832
Total Non Current Assets	19,848	24,775
Total Assets	72,403	76,978
Payables	22,892	29,594
Borrowings	639	564
Other	4,036	5,621
Total Current Liabilities	27,567	35,779
Borrowings	267	774
Other	2,056	2,221
Total Non Current Liabilities	2,323	2,995
Total Liabilities	29,890	38,774
Net Assets	42,513	38,204

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

DIVIDENDS

- 1.4 cents per share for H2 FY2014
- Record date 4th September 2014
- Payment date 26th September 2014
- Payout ratio in the future expected to be 50% to 60% of NPAT



GROWTH STRATEGY UPDATE

GROWTH STRATEGY UPDATE



GROWTH STRATEGY	DETAIL	UPDATE
NEW STORE ROLLOUT	Target 6 new stores per year	<ul style="list-style-type: none"> Committed to 6 net new stores Opened Mittagong (NSW) in July 2014 Small store formats and regional store success enables expansion to new locations Independent analysis conducted showing growth for additional locations for the foreseeable future Closure of Hawthorn (VIC) in FY2015, will open Camberwell (VIC) in FY2015
OPTIMISING STORE PORTFOLIO AND OPERATIONS	Optimise store size, fit out, merchandising and operations	<ul style="list-style-type: none"> 2 major refurbishments at Moorabbin (VIC) and Taren Point (NSW) Drive increased sales and profit from the existing store network Continue to grow trade sales by catering to their product and service requirements
NEW PRODUCTS AND RANGES	Refresh the range with new fashion, technical and energy efficient items	<ul style="list-style-type: none"> Introduce the latest fashion orientated products, developed by our own internal team exclusively for Beacon Lighting Increase the breadth and depth of our exclusive globe range Introduce new LED products and the latest advancements in that technology Continue to build awareness of our internal product brand 'Lucci' Increase the range of trade lighting, globes and ceiling fans to better cater to that market
ONLINE	Optimise customer experience across our online assets	<ul style="list-style-type: none"> Better functionality within our core website Introduce social media to drive traffic and brand awareness Introduce potential new websites to capture additional sales opportunities

GROWTH STRATEGY UPDATE



GROWTH STRATEGY	DETAIL	UPDATE
ACQUISITIONS	Businesses that have synergies with the core Beacon business	<ul style="list-style-type: none">• Consider acquisitions of existing lighting retail stores in Australia• Consider acquisitions of Franchise operated Beacon Lighting stores• Acquisitions need to meet strict financial parameters
EMERGING BUSINESSES	Beacon Solar and Beacon International	<ul style="list-style-type: none">• Continue to support the emerging business as they continue to have synergies with the core business
EFFICIENCY GAINS	Improve productivity throughout the business	<ul style="list-style-type: none">• Further efficiency gains can be realised by better control of the cost base as the business grows, this includes evaluating processes, systems and technology to make better use of resources within the business

FY2015 OUTLOOK

FY2015 OUTLOOK



Beacon Lighting

- Company store comparative sales have made a positive start to the year
- Store roll out is on track for 6 new stores. Mittagong (NSW) opened in July 2014. Further confirmed new stores at Port Macquarie (NSW), Pakenham (VIC), Maribyrnong (VIC), North Lakes (QLD), Coburg (VIC) and Camberwell (VIC). Hawthorn (VIC) store will close in FY2015
- Need for greater energy efficiency continues to drive rapid innovation in lighting technology
- Operating efficiencies remain a focus throughout the business
- A solid pipeline of fashion, technical lighting and ceiling fan releases for FY2015

Market Conditions

- General market conditions remain supportive of Beacon Lighting and the lighting industry in Australia

Summary

- Beacon Lighting expects the current growth strategies to continue to drive improved sales and profits in FY2015