

Beacon Lighting Group Limited

RESULTS PRESENTATION

H1 FY2015

Beacon
LIGHTING



DISCLAIMER



The purpose of this presentation is to provide background material in relation to the H1 FY2015 results of Beacon Lighting Group Limited.

All information provided in this presentation is provided for information purposes only. Whilst care and diligence has been taken to ensure the accuracy of this presentation, Beacon Lighting Group Limited and its directors, officers, employees, associates, affiliates and agents:

- make no warranties implied relation to this accuracy make representations or warranties, express or implied, in presentation or the accuracy, reliability or completeness of any information in it;
- accept no responsibility for the accuracy or completeness of this presentation and the information contained in it; and
- make no recommendation as to whether you should invest in Beacon Lighting Group Limited

To the maximum extent permitted by law, none of Beacon Lighting Group Limited, its directors, officers, employees, associates, affiliates and agents, nor any other person accepts any liability for any loss, claim, damages, costs or expenses of whatever nature (whether or not foreseeable), including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it or any errors or omission in it.

CONTENTS



1. RESULTS OVERVIEW
2. TRADING PERFORMANCE
3. CASH FLOW, BALANCE SHEET, DIVIDENDS
4. GROWTH STRATEGY UPDATE
5. H2 FY2015 OUTLOOK
6. QUESTIONS

RESULTS OVERVIEW

HIGHLIGHTS



- Record sales and profit results.
- Sales increased by \$16.3m, 21.9% ahead of H1 FY14.
- Company store comparative sales increase by 11.7%.
- Opened four new stores, closed one store and purchased one franchise store.
- Designed and developed 226 exclusive new products.
- Solid gross profit margins at 64.1%.
- Operating expenses⁽¹⁾ down 5.2% of sales compared to H1 FY14.
- EBITDA increased \$3.4m, 31.4% ahead of H1 FY14.
- NPAT increased \$2.4m, 35.3% ahead of H1 FY14.



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

YEAR-ON-YEAR RESULT



\$ '000	H1 FY14	H1 FY15	\$ Inc / Dec on H1 FY14	% Inc / Dec on H1 FY14
Sales	74,497	90,829	16,332	21.9%
Gross Profit	49,145	58,247	9,102	18.5%
<i>Gross Profit Margin</i>	<i>66.0%</i>	<i>64.1%</i>		
Other Income	3,265	2,034	(1,231)	(37.7%)
<i>% of Sales</i>	<i>4.4%</i>	<i>2.2%</i>		
Operating Expenses ⁽¹⁾	(41,400)	(45,817)	(4,417)	10.7%
<i>% of Sales</i>	<i>55.6%</i>	<i>50.4%</i>		
EBITDA	11,010	14,464	3,454	31.4%
<i>EBITDA Margin %</i>	<i>14.8%</i>	<i>15.9%</i>		
EBIT	10,080	13,393	3,313	32.9%
<i>EBIT Margin %</i>	<i>13.5%</i>	<i>14.7%</i>		
Net Profit After Tax	6,717	9,089	2,372	35.3%
<i>NPAT Margin %</i>	<i>9.0%</i>	<i>10.0%</i>		

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

TRADING PERFORMANCE

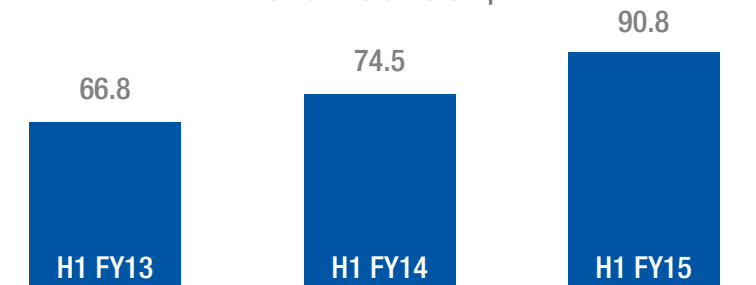
SALES



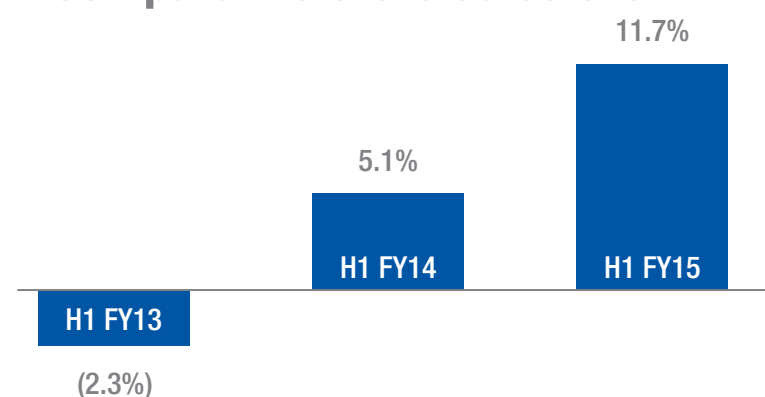
SALES: +21.9% to \$90.8m

- Record half year sales for H1 FY15.
- Sales of \$90.8m, up 21.9% on H1 FY14.
- Outstanding company stores comparative sales growth of 11.7%.
- Online sales grew by 29.9%.
- Sales to trade customers strengthened by 22.0%.

Total Sales \$m



Comparative Store Sales Growth



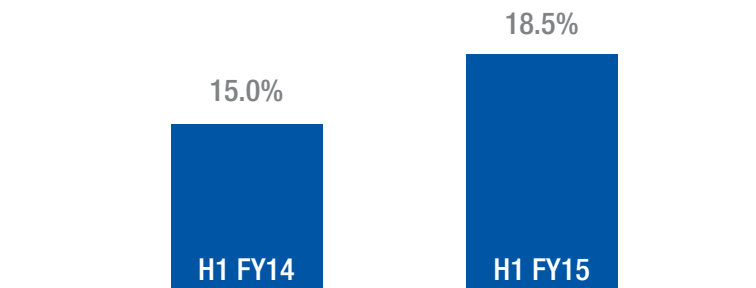
GROSS MARGIN



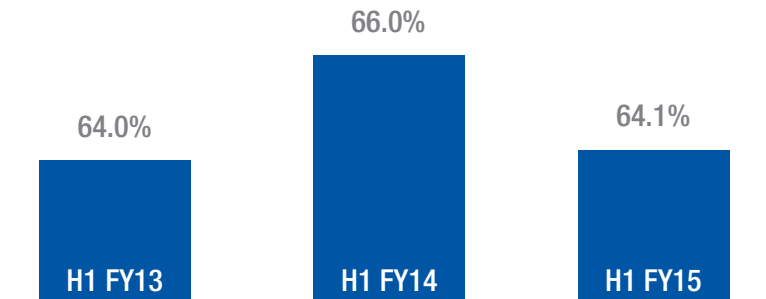
Gross Margin \$: +18.5% to \$58.2m

- Gross Margin \$ increased by \$9.1m or 18.5% on H1 FY14.
- Gross Margin \$ of \$58.2m.
- Solid Gross Margin % down on H1 FY14 but in line with H1 FY13 and expectations.

Gross Profit \$ Growth



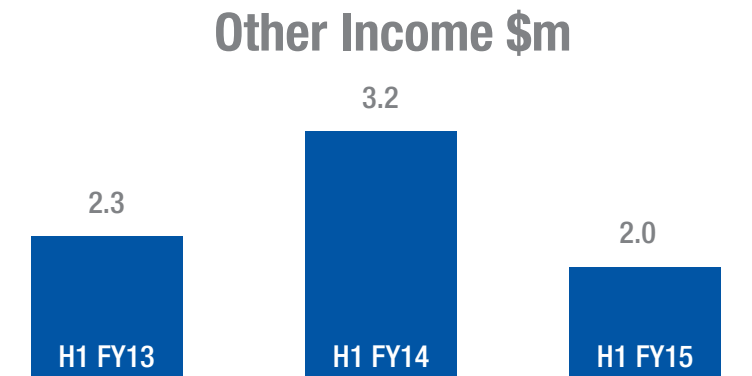
Gross Profit Margins %



OTHER INCOME

Other Income: (37.7%) to \$2.0m

- Core other income (royalties & marketing contribution) has fallen as franchise stores have been purchased.
- Other income decreased as a result of customs import duty refunds received in H1 FY14.



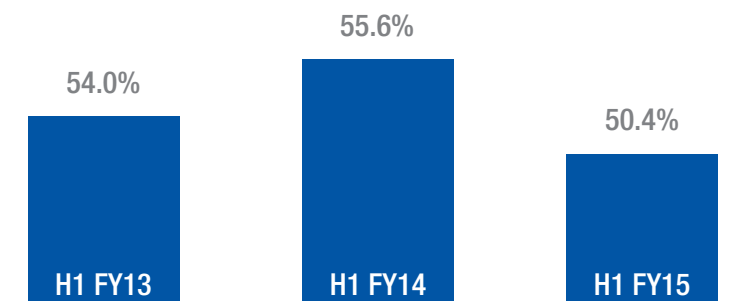
OPERATING EXPENSES



Operating Expenses: Down 5.2% of sales to \$45.8m

- Strong sales growth and moderate expense growth.
- Significant productivity gains realised in S&D.
- Productivity gains in Marketing and G&A.

Opex % of Sales



\$ '000	H1 FY14	% to Sales	H1 FY15	% to Sales
Sales	74,497		90,829	
Operating Expenses ⁽¹⁾				
- Marketing Expenses	4,844	6.5%	5,619	6.2%
- Selling and Distribution	29,298	39.3%	32,216	35.5%
- General and Admin	7,258	9.7%	7,982	8.8%
Total	41,400	55.6%	45,817	50.4%

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

EARNINGS



EBITDA: +31.4% to \$14.5m

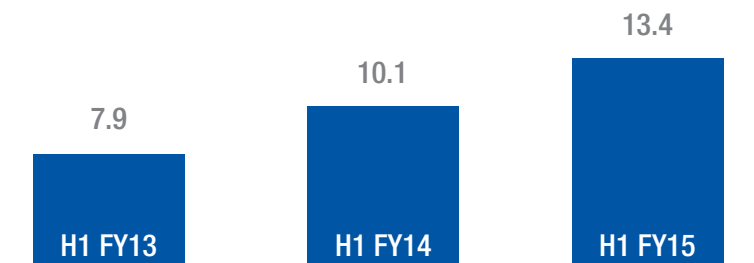
EBIT: +32.9% to \$13.4m

NPAT: +35.3% to \$9.1m

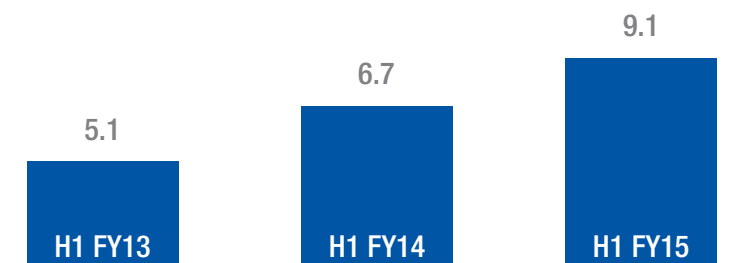
EBITDA \$m



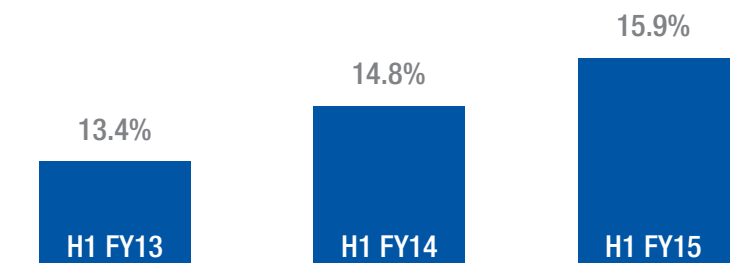
EBIT \$m



NPAT \$m



EBITDA Margin



CASH FLOW, BALANCE SHEET, DIVIDENDS

CASH FLOW



Capital Expenditure \$2.5m

- New Stores Capex \$1.3m
- Refit Capex \$0.6m
- Motor Vehicles \$0.2m
- Existing Store Capex \$0.1m

\$ '000	H1 FY14	H1 FY15
Cash Flow from Operations		
Receipts from customers	83,110	101,629
Payments to suppliers & employees	(67,838)	(92,292)
Other	(223)	(590)
Income Tax Paid	(2,861)	(2,404)
Net Operating Cash Flow	12,188	6,343
Net Cash (Outflow) from Investing	(241)	(3,898)
Net Cash (Outflow) from Financing	(4,775)	(3,325)
Net Increase (Decrease) Cash	7,172	(880)

\$ '000	H1 FY14	H1 FY15
Other Details		
Capital Expenditure	(793)	(2,516)
Dividends	(4,140)	(3,011)

BALANCE SHEET



Debtors

- Franchise \$3.5m
- Commercial \$3.4m

Payables

- Trade Finance \$20.1m
- In Transit Creditors \$7.3m
- Creditors \$5.7m

FX Position

- 100% Hedged for Stock on Hand

Gearing Ratio ⁽¹⁾: 19.2%

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

\$ '000	DEC 2013	DEC 2014
Cash	14,774	10,547
Receivables	14,819	8,079
Inventories	34,624	47,612
Other	275	681
Total Current Assets	64,493	66,919
PPE	15,291	18,083
Intangible	3,435	4,926
Other	2,651	5,515
Total Non Current Assets	21,377	28,524
Total Assets	85,870	95,443
Payables	36,503	39,272
Borrowings	748	448
Other	5,286	8,000
Total Current Liabilities	42,537	47,720
Borrowings	1,024	576
Other	525	2,290
Total Non Current Liabilities	1,549	2,866
Total Liabilities	44,086	50,586
Net Assets	41,784	44,857

DIVIDENDS

- Paid 1.4 cents per share for H2 FY14
- 1.8 cents per share for H1 FY15
- Record date 5th March 2015
- Payment date 26th March 2015
- Annual target payout ratio 50% to 60% of NPAT



GROWTH STRATEGY UPDATE

GROWTH STRATEGY UPDATE



GROWTH STRATEGY	TARGET DETAIL	UPDATE
New store rollout	Target 6 new stores per year	<ul style="list-style-type: none"> Opened 4 new stores – Mittagong (NSW), Coburg (VIC), Camberwell (VIC), Port Macquarie (NSW). Expect to open Churchill (SA), Pakenham (VIC) and Ipswich (QLD) in H2 FY15. Closed the Hawthorn store in H1 FY15.
Optimising store portfolio and operations	Optimise store size, fit out, merchandising and operations	<ul style="list-style-type: none"> Completed 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 – trade sales growth of 22% over H1 FY14.
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 and technical advanced products, developed by our own internal team exclusively for Beacon Lighting. H1 FY15 saw a record 226 new items introduced to the business. Focus around LED, energy efficient items, decorative items and ceiling fans. The globe category has grown by adding new LED alternatives and lower cost models.
Online	Optimise customer experience across our online assets	<ul style="list-style-type: none"> Developed better functionality within our core website. Launched social media communications/marketing with Facebook, Pinterest and Instagram. Launched the new look Beacon Lighting Commercial website. Investigating new websites to capture additional sales opportunities.

GROWTH STRATEGY UPDATE



GROWTH STRATEGY	DETAIL	UPDATE
Technology in Lighting	Energy efficiency is driving rapid development of LED technology	<ul style="list-style-type: none"> Introduced many new technically advanced products to the range, including new filament type LED globes, lower cost LED downlights, LED in ceiling fans, direct current ceiling fans, high output dimmable LED spotlights and oversized 200cm ceiling fans.
Acquisitions	Must be core to the business	<ul style="list-style-type: none"> Purchased the Beacon Lighting Fountain Gate store. Investigated a number of opportunities for acquisitions of independent lighting stores, none have met the requirements of the business as yet.
Emerging businesses	Beacon Solar and Beacon International	<ul style="list-style-type: none"> Beacon Solar has increased its focus on the Commercial Solar market. Beacon International has achieved good sales increases on H1 FY14 and selling into more countries. Both businesses are emerging and still small in scale.
Efficiency gains	Improve productivity throughout the business	<ul style="list-style-type: none"> Further efficiency gains have been realised during the period, with expenses coming down as a % of sales from 55.6% to 50.4% for the comparable halves, good efficiency gains across all areas of the business. A new forecasting and replenishment system from JustEnough has been selected with implementation to commence in H2 FY15.

H2 FY15 OUTLOOK

FY2015 OUTLOOK



Beacon Lighting

- Store roll out target of 6 stores for the year is on track, with Mittagong (NSW), Camberwell (VIC), Coburg (VIC), Port Macquarie (NSW) already open. Preparing for openings at Pakenham (VIC), Churchill (SA) and Ipswich (QLD). Hawthorn (VIC) closed in H1 FY15.
- Demand for greater energy efficiency continues to drive rapid innovation in LED technology.
- Operating efficiencies remain a focus throughout the business with good gains achieved in H1.
- Continued retail price management to counter the impact of the AUD/USD FX rate movements.
- Implementation of the 'JustEnough' forecasting and replenishment system will see further optimisation of our investment in inventory.

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 H2 FY15.