Beacon Lighting Group Limited

FY2015 RESULTS PRESENTATION

AUGUST 2015

DISCLAIMER

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PLEASE NOTE

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

- FY2015 was for the 52 weeks ending 28 June 2015
- FY2014 was for the 52 weeks ending 29 June 2014
- FY2013 based on the pro forma historical results as presented in the prospectus
- FY2012 based on the pro forma historical results as presented in the prospectus

1 RESULTS OVERVIEW

1 FY2015 HIGHLIGHTS

- Record sales and record profit results
- Sales increased by $29.0m, 19.3% ahead of last year
- Company store comparative sales increase of 10.4%
- Strong gross profit dollar increase of 20.1%
- Opened seven new company stores, purchased one franchise store and closed one company store
- Designed and developed 440 exclusive new products
- Increased sales across all divisions and sales channels
- Achieved expense productivity gains across all aspects of the business
- Operating expenses down 3.0% as a percentage of sales on FY2014
- EBITDA increased by $7.3m, 36.4% ahead of FY2014
- NPAT increased by $5.1m, 43.6% ahead of FY2014
- Inclusion in the ASX All Ordinaries Index

1 YEAR-ON-YEAR RESULT

$'000	FY2014	FY2015	$ Inc / Dec on Last Year	% Inc / Dec on Last Year
Sales	**150,338**	**179,386**	29,048	19.3%
Gross Profit	**96,660**	**116,041**	19,381	20.1%
Gross Profit Margin	*64.3%*	*64.7%*		
Other Income	**5,521**	**3,949**	(1,572)	(28.5%)
% of Sales	*3.7%*	*2.2%*		
Operating Expenses (1)	**(82,095)**	**(92,595)**	(10,500)	12.8%
% of Sales	*54.6%*	*51.6%*		
EBITDA	**20,086**	**27,395**	7,309	36.4%
EBITDA Margin %	*13.4%*	*15.3%*		
EBIT	**18,066**	**25,042**	6,976	38.6%
EBIT Margin %	*12.0%*	*14.0%*		
Net Profit After Tax	**11,797**	**16,939**	5,142	43.6%
NPAT Margin %	*7.8%*	*9.4%*		

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

1 HALF-YEAR SPLIT YOY

$'000	H1 FY2014	H1 FY2015	$ Inc / Dec on Last Year	% Inc / Dec on Last Year	H2 FY2014	H2 FY2015	$ Inc / Dec on Last Year	% Inc / Dec on Last Year
Sales	**74,497**	**90,829**	16,332	21.9%	**75,841**	**88,557**	12,716	16.8%
Gross Profit	**49,145**	**58,247**	9,102	18.5%	**47,515**	**57,794**	10,279	21.6%
Gross Profit Margin	*66.0%*	*64.1%*			*62.7%*	*65.3%*		
Other Income	**3,265**	**2,034**	(1,231)	(37.7%)	**2,319**	**1,915**	(341)	(15.1%)
% of Sales	*4.4%*	*2.2%*			*3.1%*	*2.2%*		
Operating Expenses[1]	**(41,400)**	**(45,817)**	(4,417)	10.7%	**(40,760)**	**(46,778)**	(6,083)	15.1%
% of Sales	*55.6%*	*50.4%*			*53.7%*	*52.8%*		
EBITDA	**11,010**	**14,464**	3,454	31.4%	**9,076**	**12,931**	3,855	42.5%
EBITDA Margin %	*14.8%*	*15.9%*			*12.0%*	*14.6%*		
EBIT	**10,080**	**13,393**	3,313	32.9%	**7,986**	**11,649**	3,663	45.9%
EBIT Margin %	*13.5%*	*14.7%*			*10.5%*	*13.2%*		
Net Profit After Tax	**6,717**	**9,089**	2,372	35.3%	**5,080**	**7,850**	2,770	54.5%
NPAT Margin %	*9.0%*	*10.0%*			*6.7%*	*8.9%*		

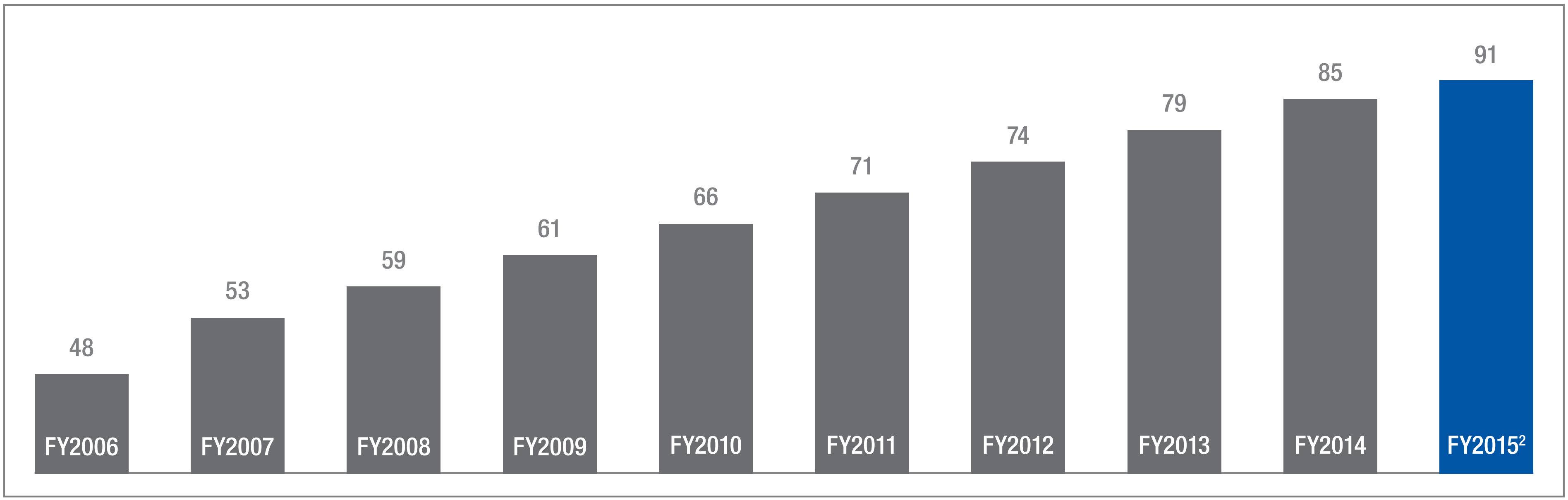
(1) Operating Expenses exclude depreciation, amortisation and financing costs.

2 FY2015 KEY STRATEGIES

2 STORES UPDATE[1]

FY2015 Store Movements:

- Opened seven new company stores at Mittagong (NSW), Coburg (VIC), Port Macquarie (NSW), Camberwell (VIC), Churchill (SA), Pakenham (VIC) and Ipswich (QLD)
- Purchased the Fountain Gate (VIC) franchise store and converted it to a company store
- Closed the Hawthorn (VIC) company store



(1) Excludes the four Commercial Sales Offices
(2) 91 Beacon Lighting stores includes 78 company operated stores and 13 franchise stores.

2 LATEST PRODUCTS

Beacon LIGHTING

Latest fashion, trend and technology advanced products for our customers

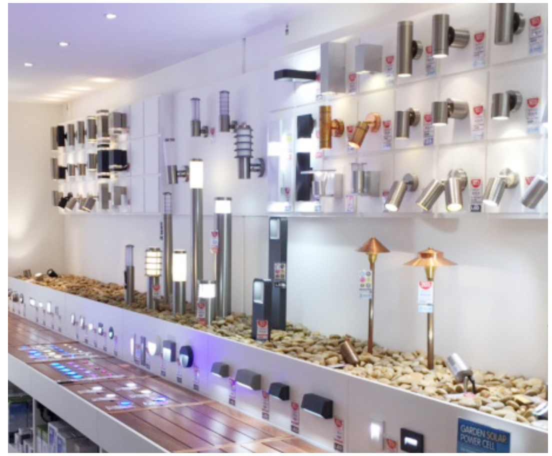





2 MERCHANDISE UPDATES

Beacon LIGHTING

Innovative merchandise displays create greater engagement with our customers



2 OMNI CHANNEL

www.beaconlighting.com.au

- Online sales grew by 32.2% on FY2014
- Unique website visitations grew by 29.3% on FY2014 to an average of 60,000 per week
- Continued to leverage the benefits of a strong online presence combined with our bricks and mortar stores
- Online fulfilment from all 91 stores
- Click and collect available in all stores
- Customers socially engaged through Facebook, Pinterest and Instagram

2 OTHER STRATEGIES

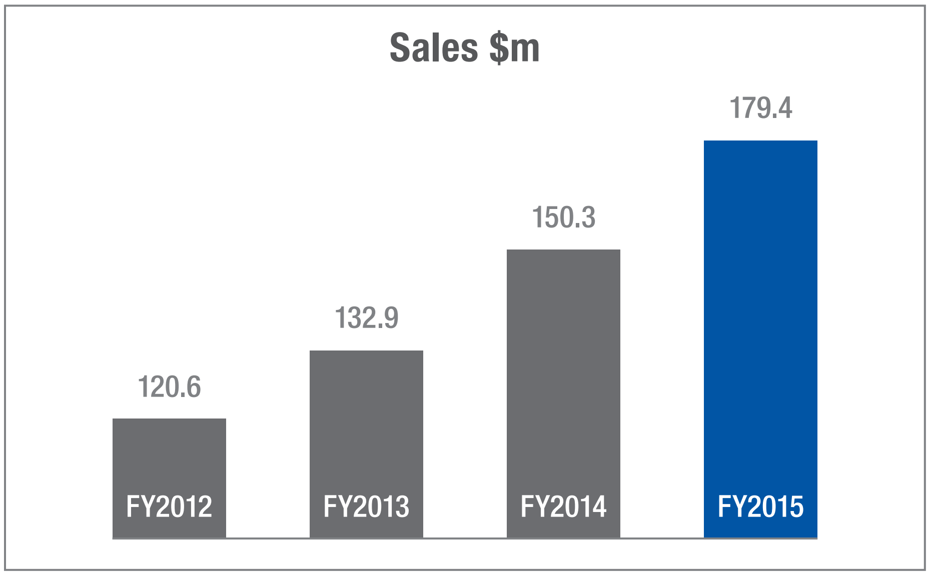
- VIP customers have grown to 104,000
- Opened a new Commercial Sales Office in Perth (WA)
- New product releases, price management and stock control have contributed to the gross profit increases
- Increased product supply through the 3PL network up to 22.9%
- 193 Accredited Lighting Design Consultants working in our stores, including franchise stores
- Managed expenses to achieve productivity benefits across all major expense categories
- Strategic investment in inventory improved the in stock position and customer service

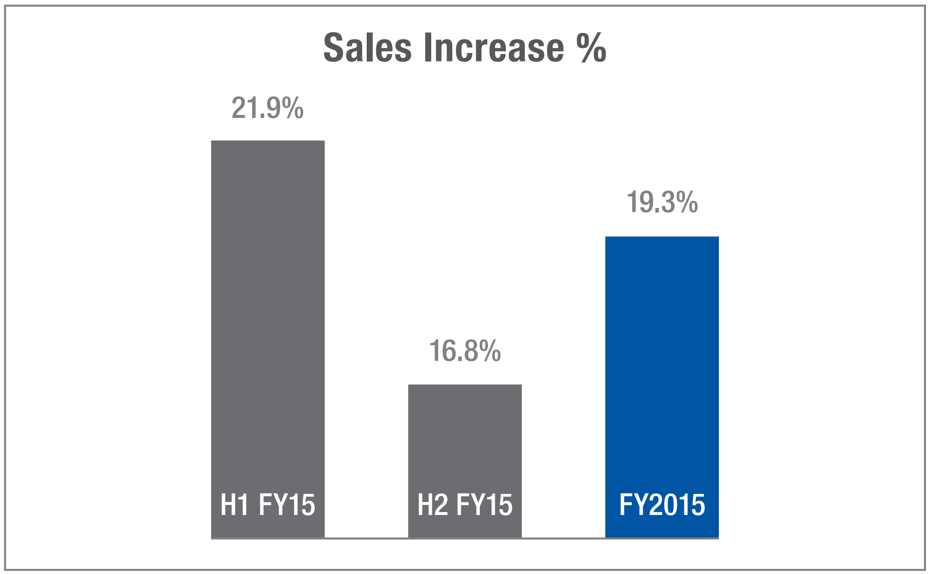
3 TRADING PERFORMANCE

3 SALES

Sales: +19.3% to $179.4m

- Another record sales result, increased by 19.3%
- Sales increase in H1 +21.9% and H2 +16.8%
- Online sales grew by 32.2%
- Sales to trade customers increased by 26.6%

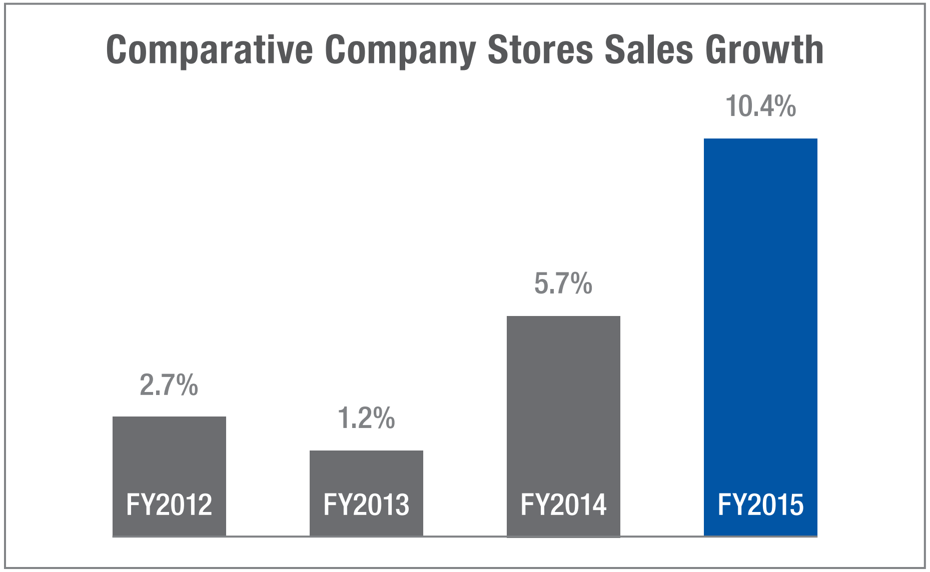


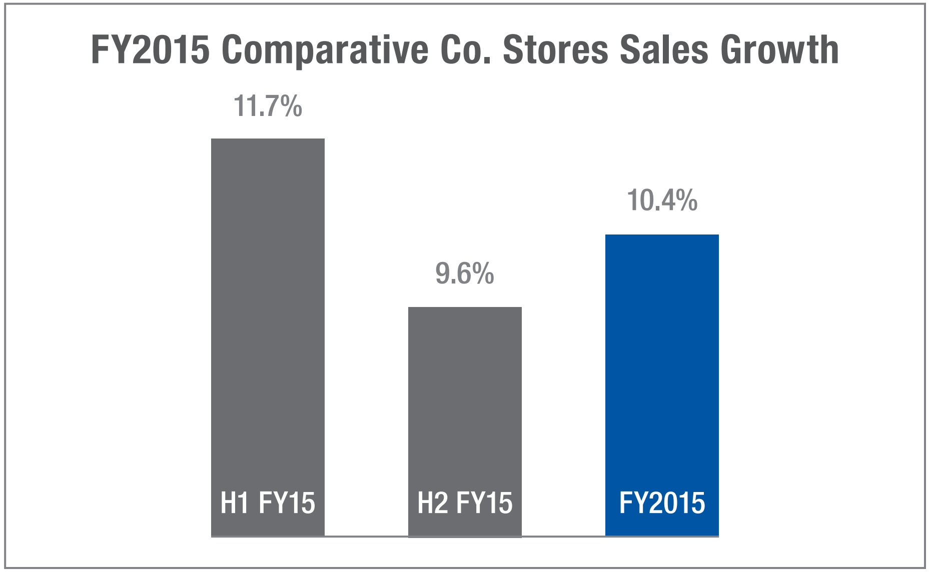


3 COMPANY STORE COMPARATIVE SALES

Comparative Sales: +10.4% Increase

- Company stores comparative sales growth was very strong
- Comparative increase for FY2015 was 10.4%
- Comparative increase in H1 FY15 was 11.7% and H2 FY15 was 9.6%
- Outstanding comparative results achieved in NSW, QLD and VIC

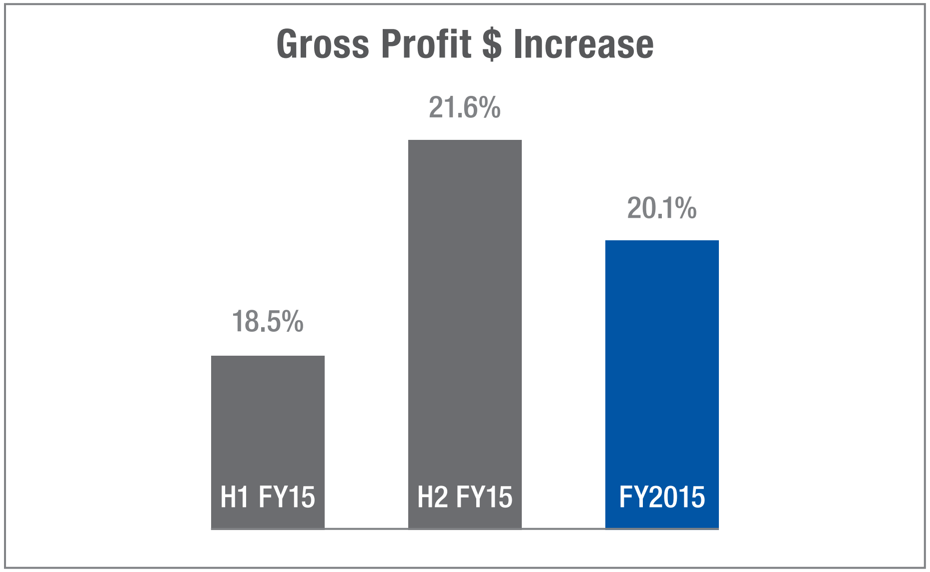


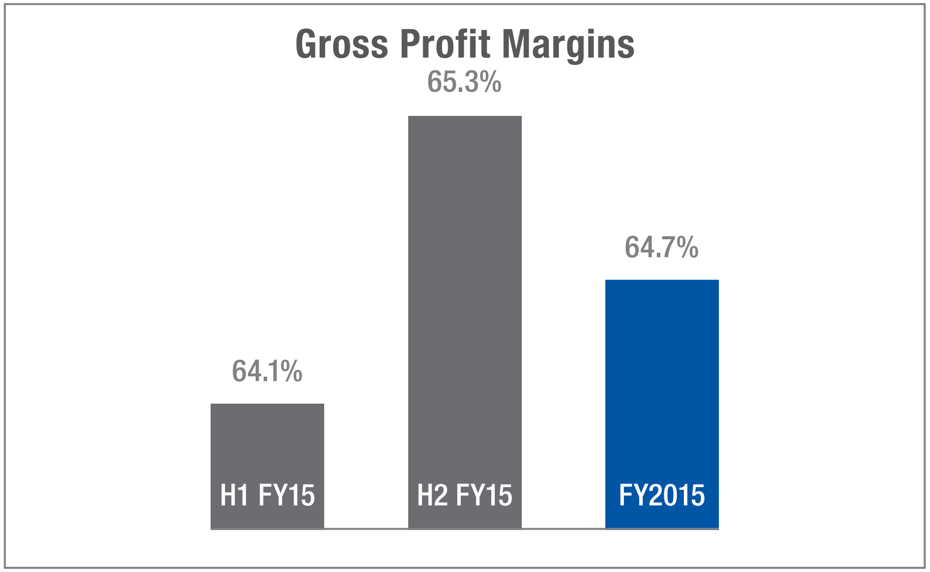


3 GROSS PROFIT

Gross Profit $: +20.1% Increase

- Gross profit $ increased in FY2015 by 20.1%, H1 FY2015 by 18.5% and in H2 FY2015 by 21.6%
- Gross profit margin for FY2015 was 64.7%, for H1 FY2015 was 64.1% and H2 FY2015 was 65.3%
- Strong result due to innovative new product releases, price management, stock management and improved stock position

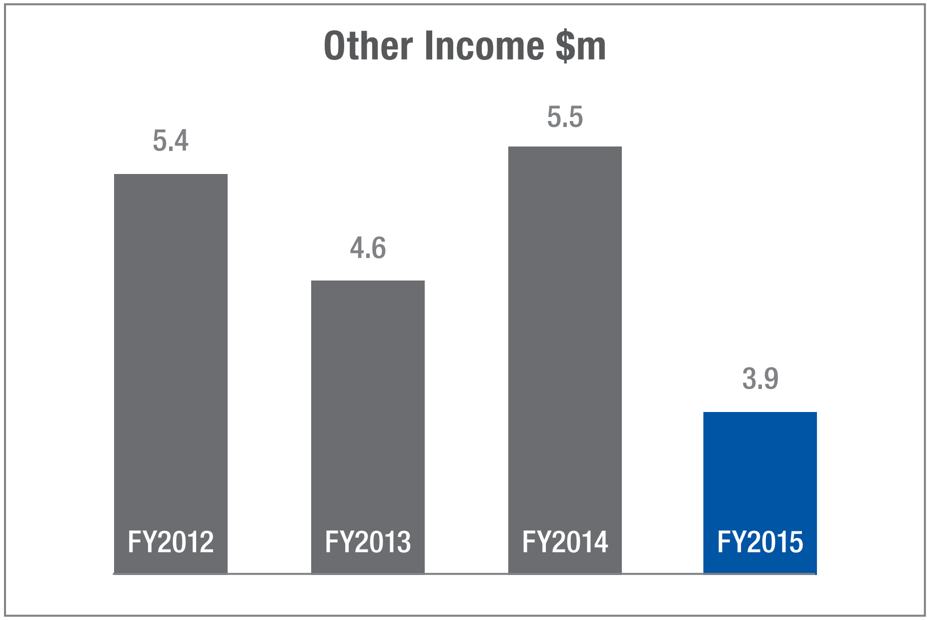




3 OTHER INCOME

Other Income: -28.5% to $3.9m

- Core marketing and royalty income continues to decline as franchise stores are acquired and converted into company operated stores
- FY2014 other income was supported by customs duty refund of $1.2m



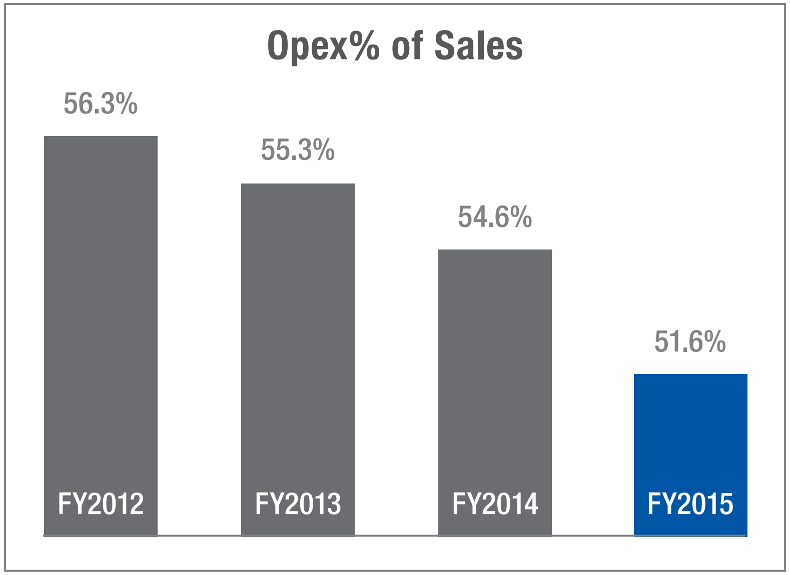
3 OPERATING EXPENSES

Opex: Down 300BPS to $92.6m

- Operating expenses decreased by 3.0% of sales compared to FY2014
- Productivity gains realised across all operating expense types
- Significant one off expenses of $1.3m in FY2014
- Income tax expense reduced by $347k due to one off adjustments

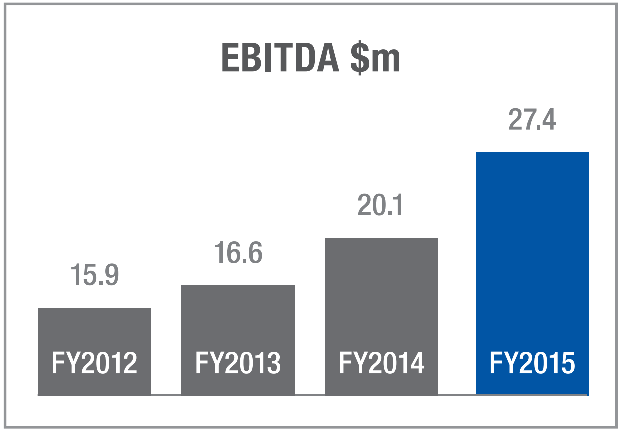
$'000	FY2014	% to Sales	FY2015	% to Sales
Sales	150,338		179,386	
Operating Expenses				
- Marketing Expenses	9,629	6.4%	11,004	6.1%
- Selling and Distribution	58,560	39.0%	65,452	36.5%
- General and Admin[2]	13,906	9.2%	16,139	9.0%
Total	**82,095**	**54.6%**	**92,595**	**51.6%**

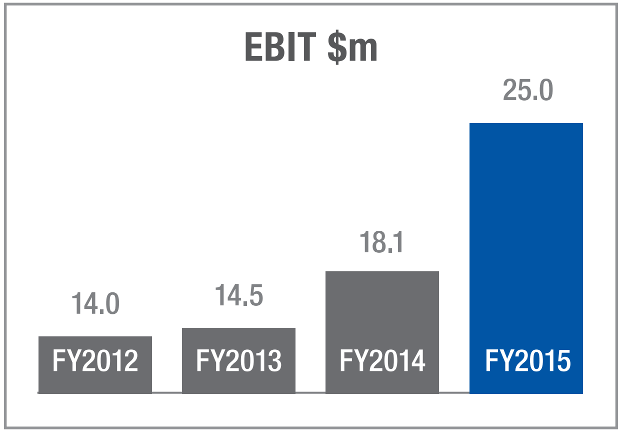
$'000	FY2014	% to PBIT	FY2015	% to PBIT
Profit Before Income Tax	17,057		23,832	
Income Tax Expense	5,260	30.8%	6,893	28.9%

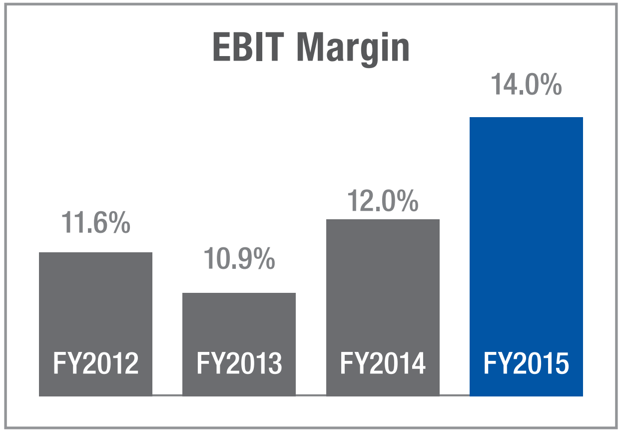


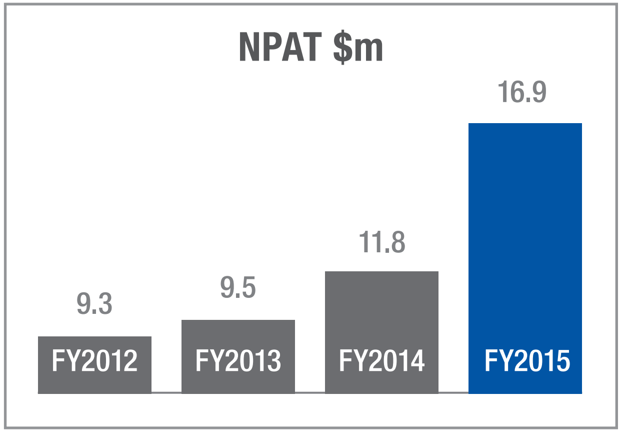
3 EARNINGS

EBITDA:	**+36.4% to $27.4m**
EBIT:	**+38.6% to $25.0m**
EBIT Margin:	**+2.0% of sales to 14.0% of sales**
NPAT:	**+43.6% to $16.9m**









4 CASH FLOW, BALANCE SHEET, DIVIDENDS

4 CASH FLOW

Capital Expenditure $5.5m

- New Stores Capex $2.5m
- Major Refits $1.0m
- Information Tech. $0.7m
- Other Store Capex. $0.6m
- Motor Vehicles $0.6m

$'000	FY2014	FY2015
Cash flow from Operations		
Receipts from customers	167,236	201,208
Payment to suppliers & employees	(144,612)	(184,439)
Other	(892)	(1,119)
Income Tax Paid	(6,026)	(6,566)
Total Net Operating Cash Flow	**15,706**	**9,084**

$'000	FY2014	FY2015
Other Items		
Capital Expenditure	(4,962)	(5,527)
Borrowings	(908)	3,461
Dividends Paid	N/A	(6,882)

4 BALANCE SHEET

Debtors

- Franchise $3.6m
- Commercial $2.4m

Payables

- Trade Creditors $5.9m

Borrowings

- Trade Finance $17.2m
- Asset Finance $2.1m

FX Position

- Purchases to Oct 2015

Gearing Ratio[(1)] : 13.3%

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

$'000	FY2014	FY2015
Cash	11,427	11,779
Receivables	8,217	7,017
Inventories	32,194	44,656
Other	365	997
Total Current Assets	**52,203**	**64,449**
PPE	16,818	19,121
Intangible	4,125	5,085
Other	3,832	5,481
Total Non Current Assets	**24,775**	**29,687**
Total Assets	**76,978**	**94,135**
Payables	16,566	15,686
Borrowings	13,592	18,090
Other	5,621	7,336
Total Current Liabilities	**35,779**	**41,112**
Borrowings	774	1,278
Other	2,221	2,340
Total Non Current Liabilities	**2,995**	**3,618**
Total Liabilities	**38,774**	**44,730**
Net Assets	**38,204**	**49,406**

4 DIVIDENDS

- Paid 1.8 cents per share for H1 FY2015
- Declared a 2.4 cents per share for H2 FY2015
- Total of 4.2 cents per share for FY2015
- All dividends are fully franked
- Record date 4th September 2015
- Payment date 25th September 2015
- Future payout ratio expected to be 50% to 60% of annual NPAT

5 GROWTH STRATEGIES

5 GROWTH STRATEGIES

GROWTH STRATEGY	DETAIL	UPDATE
NEW STORE ROLLOUT	Target six new stores per year	• Target six new stores dependant upon suitable sites, negotiations and availability. • Independent analysis conducted showing growth for additional locations for the foreseeable future.
OPTIMISING STORE PORTFOLIO AND OPERATIONS	Optimise store size, fit out, merchandising and operations	• Major store refurbishment to occur at Osborne Park (WA). • Store expansion occurred at Alexandria (NSW) in July 2015. • JustEnough forecasting and replenishment system to manage our stock investment to go live in September 2015. • 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	• Introduce the latest fashion orientated products, developed by our own internal team exclusively for Beacon Lighting. • Already released 132 new products in FY2016 for the Lamps and Spring/Summer Catalogues. • Continue to build awareness with the GE brand and our internal product brand 'Lucci'. • Increase the range of trade lighting, globes and ceiling fans to better cater for this customer segment.
ONLINE	Optimise customer experience across our online assets	• Implement better functionality within our core website. • Implemented a new sales channel through ebay.com.au in July 2015. • Continue to use social media to drive traffic and brand awareness. • Investigate other online sales channels.

5 GROWTH STRATEGY UPDATE

GROWTH STRATEGY	DETAIL	UPDATE
TECHNOLOGY IN LIGHTING	Energy efficiency is driving rapid development of LED technology	• Research and develop the latest in technologically advanced lighting, globes and ceiling fans. • Bring appropriate technologies to market. • Continuing to roll out LED technology throughout the product range.
ACQUISITIONS	Must be core to the business	• Essendon and Watergardens franchise stores to be acquired in September 2015. • Consider further acquisitions of existing lighting retail stores throughout Australia. • Acquisitions need to meet strict financial parameters.
EMERGING BUSINESSES	GE, Beacon Solar and Beacon International	• GE Distribution and Product Development Licence Agreement to become operational in September 2015. • Encourage the emerging businesses as they continue to generate synergies with the core business.
EFFICIENCY GAINS	Improve productivity throughout the business	• Further efficiency gains can be realised by managing the cost base as the business grows, this includes processes, systems and technology to make better use of resources within the Group.

6 FY2016 OUTLOOK

6 FY2016 OUTLOOK

Beacon Lighting

- Company store comparative sales have made a positive start to the year
- Maribyrnong (VIC), Fairfield (QLD) and Preston (VIC) stores to open in FY2016. Major refurbishment planned for Osborne Park (WA)
- Acquire the Essendon (VIC) and Watergardens (VIC) franchise stores in September 2015
- Demand for latest fashion, trend and energy efficient products continues to drive product innovation for our customers
- Operating efficiencies gains remain a focus throughout the Group
- GE Globes Licence and Sole Distribution Agreement to commence operation in September 2015

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 FY2016

7 QUESTIONS