

ASX code: HNG



SUPPLYING
MARKET
LEADING
BRANDED
PRODUCTS

HGL Limited

Annual General Meeting
4 February 2015

Computershare Offices,
Level 4, 60 Carrington Street,
Sydney

www.hgl.com.au

BIANTE
MODEL CARS

BLC.
COSMETICS



Leutenegger
EST. 1891



SPOSgroup

Agenda:






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- Progress on GPS strategy
- Trading update for Q1-FY15 and last 6 months
- Business Improvement Initiatives
- Outlook



Continuing Businesses (Feb 2015)

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	Company	Industry	Ownership
	SPOS	Point of Sale	100%
	JSB Lighting	Commercial Lighting	100%
	Leutenegger	Contemporary Craft	100%
	Biante	Model Cars	100%
	BLC Cosmetics	Health & Beauty	100%
	Mountcastle	Apparel & Uniforms	50% JV

GPS Strategy (Growth, Profit & Sustainability)

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Rebuild Foundation

Turnaround to create operational efficiency and arrest sales decline



Reduce working capital levels



Grow and Develop

Business development and new product launches



Investment in staff development



Expand and Sustain

Develop own IP product ranges



Pursue strategic acquisitions



*Target
Performance
Benchmarks*

5-8%
Organic
Revenue
Growth

10% EBIT
ratio

ROCE
20%

Maintain
Dividend
Policy

Trading Performance Summary

(Q1-FY15 vs Q1-FY14)

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Revenue*
(Modest Growth)

↑ 1.8%

First quarterly (YOY) sales increase recorded since commencing GPS Plan

- Revenue growth in JSB Lighting (31%) and Leutenegger (15%)
- Temporary decline in Biante due to delayed shipment of new products (-5%)
- Decline in SPOS due to planned exit of non-profitable project revenue (-29%)

Expenses**
(Continued Decline)

↓ 4.0%

Well managed expenses continue to decrease by \$0.2m.

- Reduced expenses in SPOS (-35%) and Leutenegger (-12%)
- Increased expenses in JSB Lighting with investment in sales force (31%)
- Investment in head office capabilities with new HR position

* Revenue and Expense figures reflect 100% owned companies

** Expenses figures excluding depreciation

Trading Performance Summary

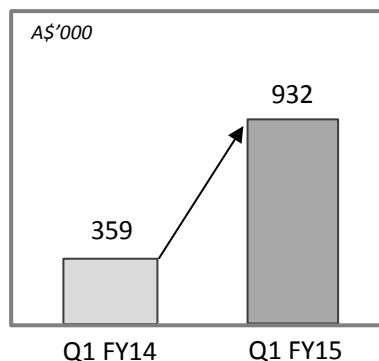
(Q1-FY15 vs Q1-FY14)

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Underlying
EBIT*

(Improving)

↑ 160% (8% LFL)



Underlying EBIT result of \$0.9m in Q1-FY15 (YOY increase of \$0.6m)

- All business units delivered positive underlying EBIT results in Q1-FY15
- Increased EBIT result of 47% in JSB Lighting
- Mountcastle EBIT performance is 10% ahead of last year
- Biante EBIT behind last year due to lower sales from delayed shipments

* Underlying EBIT reflect 100% owned companies and 50% share of NPAT of Mountcastle

Like-for-like (LFL): Q1-FY14 includes loss of \$236k in Anitech divested in Sep 2014 and includes \$287k in Q1-FY15 of depreciation and rent benefits from provisions and impairments made in FY14

Working Capital Performance Summary

(30 Sept 2014 to 31 Dec 2014)

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Inventory*

↓ 12.3%

Trade Debtors

↓ 1.1%

Trade Creditors

↓ 24.5%

Continued positive development of working capital position

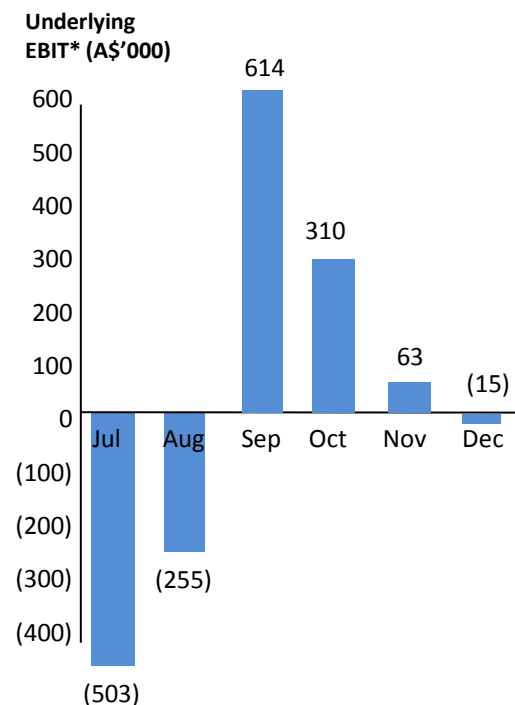
- Reduced inventory by \$836k
- Trade debtors reduced by \$86k
- Decreased trade creditors through repayment of \$1.0m
- Stable Net Cash position at 31 Dec 2014 compared to 30 Sept 2014

Performance Trend (6 Months Jul – Dec)

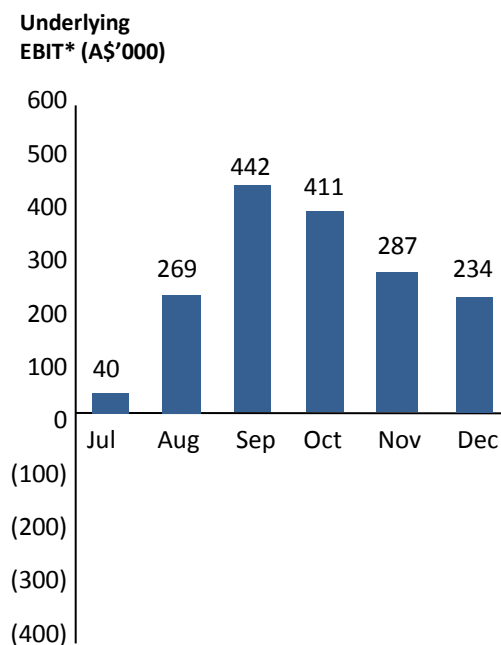
Underlying EBIT Result* (2013 vs 2014)

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July – Dec 2013



July – Dec 2014



COMMENTS

- Stable and positive monthly Underlying EBIT results in the July to December 2014 period.
- Accumulated increase in Underlying EBIT for the six months period of Jul-Dec 2014 compared to Jul-Dec 2013.
- Underlying EBIT improvement driven by sales growth in JSB, Biante, Mountcastle and Leutenegger and lower operating expenses in SPOS and BLC Cosmetics.

* Underlying EBIT reflect 100% owned companies and 50% share of NPAT in Mountcastle and Anitech (Divested Sept 2014)
Normalised figures excluding provisions and impairments

Recent Business Highlights

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New Product Initiatives

- JSB Lighting has introduced two new commercial outdoor lighting brands in Aug/Dec 2014
- BLC Cosmetics has introduced several new brands to offset continued sales decline in Thalgo
- Leutenegger has launched new One-Duck-Two Spring/Summer cushion collection
- Biante is launching a new exclusive V8 Supercar range from Holden Racing Team and other supercar teams



Recent Business Highlights

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Operational Initiatives

- Implementation of “Lean” concept to eliminate wastage and optimise operations
- Best practice knowledge transfer between business units
- Review of head office structure and relocation to existing Macquarie Park premises

Employee Development Initiatives

- Roll-out of new Human Resource policies and procedures
- Implementation of employee learning and development programs
- Promotion of common corporate culture and staff engagement surveys

- Trading conditions expected to remain tough
- Fall in Australian dollar against US dollar driving cost price inflation
 - *Ongoing cost price negotiations and retail price alignment*
 - *Positive effect from AUD/Euro exchange rate appreciation in several business units*
- JSB Lighting, Mountcastle and Biante expected to perform well in FY15
- SPOS, Leutenegger and BLC Cosmetics expected to improve profitability based on individual turnaround programs
- Maintain working capital levels in spite of growth initiatives
- Increased focus on launching new brands and pursuing strategic acquisitions



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Basis of Preparation

Underlying EBIT represented as a normalised EBIT figure are non-IFRS measures that reflects, in the opinion of the Directors, the ongoing operating activities of HGL Limited in a way that appropriately presents its underlying performance. The non-IFRS underlying EBIT measures exclude restructuring expenses, asset write-downs and impairment charges.

