

investor news

Key Statistics

ASX code	GLG
Share price ¹	70 cents
Market capitalisation ¹	\$123.9 million
Dividends (prior 12 mths)	5.5 cps ²
Shares on issue	177,000,000
S&P/ASX Index inclusion	All Ordinaries

¹ Market statistics at December 8 2011

² 100% franked

“We’ve delivered, but market conditions patchy & challenging”

At the 2011 AGM held on 26 October, Gerard Lighting Group Chairman Robert Gerard AO and Managing Director Simon Gerard briefed shareholders on the Company’s successful performance in the year to June 30, 2011.

Simon Gerard presented a GLG investor scorecard that showed that in every major category of financial performance the Group exceeded expectations.

In particular, GLG’s Earnings Before Interest and Tax (EBIT) and Net Profit After Tax (NPAT) in FY11 came in, respectively, 7.4 per cent and 6.1 per cent above Prospectus estimates. GLG made a number of value-accretive bolt-on acquisitions, and reduced the Group’s gearing ratio from 40 per cent to 35 per cent year-on-year. Since balance date, interest costs have been further reduced through a new banking partnership.

Looking ahead, Simon described the Australian lighting market as ‘patchy and challenging’, with the Group’s operational outlook expected to be impacted by continued subdued demand in the building and construction industry. On the positive side, Mr Gerard said that order books in Australia were at healthy levels.

“We are encouraged by the level of quoting activity,” he said, “and we anticipate good growth in the specific categories of roadway, mining and healthcare. We remain confident that, by 2016, 20 per cent of total Group revenue will be derived from GLG’s Intelligent Lighting Products (iLP).”

Looking further ahead, the Board and management are more optimistic about performance beyond FY12.

“Forecast improved market conditions in FY13 through to FY15 mean that the business outlook for the Group in Australia and New Zealand is very positive.

“In addition, our offshore operations in Indian Ocean rim countries are in markets that support huge populations with growing middle classes and we expect to see sales growth there translate into profitability,” Mr Gerard added.

December market update

On 8 December 2011, the company announced FY12 earnings guidance, confirming it expects NPAT for H1 FY12 to be in the range of \$7.75 million to \$8.25 million (\$9.6 million in

H1 FY11). With H2 FY12 NPAT expected to be broadly in line with the previous corresponding period, the company confirmed NPAT for the full 2012 financial year in the range of \$17.5 million to \$18.5 million.

Consistent with its Dividend Payout policy of 40%-60% of available NPAT, the Board reaffirmed that dividends for the full year are expected to remain in line with the previous year (5.5 cps in FY11).

Earnings for H1 FY12 have been impacted by:

- current year sales growth not fully offsetting the end of one-off Government stimulus spending in the prior year; and
- a previously disclosed break cost associated with refinancing fixed interest loans with lower interest loans.

“We have a strong balance sheet and are well-placed to meet the challenges of the current market conditions. Looking beyond FY12, we have a robust business model delivering results. We continue to invest in people, process and strategic initiatives to build a platform required to support our long-term growth expectations,” Mr Gerard noted.

Proposed NZ acquisitions

GLG also announced on December 8 that it has entered into a Heads of Agreement to acquire the businesses and assets of leading NZ lighting manufacturers and distributors, **Nimbus Lighting Group Ltd** and **Home Lighting Ltd** for a combined consideration of NZ\$15.5 million.

Nimbus Lighting Group trades as DOT Downlights, the largest designer, developer and manufacturer of commercial downlights in New Zealand with annual sales of about NZ\$2.5m to the NZ market and approximately NZ\$6.5 million annually into the Australian market through an existing exclusive distributorship with GLG’s Pierlite business.

Home Lighting is the largest assembler of residential downlights in NZ, having an estimated market share of about 60% with annual sales of NZ\$2.8m.

The proposed acquisitions, which are expected to be immediately Earnings Per Share accretive, will assist in positioning GLG as a leader in the New Zealand Lighting market.

eneSolve



Everybody loves good NABERS

It's one of those odd acronyms, but NABERS has now taken its place in the national lexicon as the accepted scale by which the "greenness" of a commercial building (including offices, hotels and retail premises) is assessed. The ultimate purpose of NABERS – the National Australian Built Environment Ratings System – is aspirational. It is ultimately aimed at getting major Australian buildings to consume less electricity and driving overall improved environmental performance. **Since November 1, a NABERS rating is a key element of the energy efficiency report that all large commercial office buildings are required to provide under the Commercial Building Disclosure Program.**

The Federal Government is currently developing a program for commercial property environmental improvements to be called 'Tax Breaks for Green Buildings'. This program will use NABERS as a scale against which improvements are measured.

Obtaining a NABERS rating is good business. Recent research from IPD Australia has shown a direct link between the rating and a building's total investment return, based on rental income and capital growth. Office buildings that gain high NABERS ratings could lift value premiums up

to 13 per cent over traditional buildings and rental premiums over 2 per cent.

The research also reveals that some institutional landlords are being encouraged by their tenants to retrofit office buildings to achieve a NABERS rating. The commercial reality is that while blue chip tenants will not pay more for a high star rated (> 4 stars) property, they will expect a discount for a less efficient property with higher running costs.

The universal adoption of the NABERS rating system offers Gerard Lighting significant business opportunities and a high profile, recent example is installation of state-of-the-art Austube extruded lighting products in No.1 Bligh St, Sydney, considered one of Australia's 'greenest' and most desirable office buildings with a 5-star NABERS rating.

eneSolve at Carbon Expo 2011
In November eneSolve, Gerard Lighting's energy solutions company, exhibited at Melbourne's Carbon Expo 2011 and found themselves the centre of attention as major companies such as QANTAS, Rio Tinto and ConocoPhillips stopped by the company's display stand, keen to learn more.

Gerard Lighting to measure carbon footprint

eneSolve has been commissioned by Gerard Lighting to audit the wider Group's carbon footprint and recommend energy usage reduction measures. The audit should be completed within six months, with principal outcomes scheduled to be published in the June 2012 edition of Investor News.

The Carbon Expo was **eneSolve's** most recent illustration of its commitment to developing Carbon Intelligence Services, services that provide the right business information to the right level of management for action on value-added options such as: sub-metering solutions; project financing options; the identification of Government grants and funding; carbon offset programs and the generation of carbon 'white certificates'.

An improvement in energy efficiency is a fundamentally sound business strategy as companies seek to reduce their energy and carbon output while lowering operating costs.

The company **eneSolve** is ideally qualified to help clients reduce their energy usage by finding and unlocking hidden savings within their operations.

eneSolve develops and implements NABERS rating improvement projects and is presently delivering such a project for a major 4.5 Star hotel in Melbourne. eneSolve was instrumental in gaining a \$490k grant for this project under the Federal Government's Green Building Fund program.

The project includes improvements to lighting, building controls and air-conditioning systems.

GLG Around the Globe



Gerard Lighting products brighten the night sky, welcoming visitors to Kuala Lumpur's Little India

Sydney International Sales Conference "Best Ever"

"Nothing stands still in this business and, if you don't make the effort to keep up, you soon get left behind."

David Blackley, International Sales and Marketing Manager for Pierlite, says constant change is the rationale for sharply-targeted, practical and highly informative workshops and conferences that enable staff around the world to drive sales intelligently and with confidence.

"Our most recent International Sales Conference in Sydney was, perhaps, one of the best we've ever held in terms of what it achieved for attendees.

"We had General Managers from every one of our global ventures – whether owned or franchised – plus key distributors from the Pacific as a captive audience for three days. In total, we had 60 people in Sydney, 25 from all parts of the globe.

Several key themes emerged during the intensive discussions. Among them was the growing interest in energy-saving and the wider application of Gerard Group's iLP products. In fact, the conference has already led to substantial

orders for new technology solid state lighting products while the first shipment of LED lamps to UK was almost sold out before it arrived. Follow up orders are already being received.

According to David, there was a continual exchange of excellent ideas which reinforced the commitment of these business leaders to the Group's success.

The gathering was deemed so important that the Chairman, Rob Gerard, and other Board members attended some sessions.

"At Gerard, we've learnt that ideas are not the sole prerogative of a particular group of people. This conference

showed very clearly that good ideas exist throughout our global network. A good deal of time was spent discussing new products, marketing strategies and tactics and, of course, how we intend to grow the business.

"The final day – in order to cement the confidence that emerged during the previous sessions - we conducted a special training workshop on new technology products and iLP developments.

"All in all, I count this particular conference as one of the most successful ever. The contributions from everybody were noteworthy and extremely welcome," David added.

TRIBE Member Profile

The Tribe, Gerard Lighting's contractor loyalty program and the brainchild of Gerard Lighting Group Chairman, Robert Gerard AO, now has 1530 members and continues to grow. Many TRIBE members are also Gerard Lighting shareholders.



gerardtribe.com/au/

Investor News talks to TRIBE member Peter Telford of Mount Gambier-based Stuckey Electrical Contractors.



IN – Peter, can give us a little background on your company and its operations?

PT – Certainly. Stuckey Electrical has been operating for more than 50 years. I bought the business in 1989 and we now have 12 employees. We service customers within about 100 kms radius of Mount Gambier and have particularly good relationships with a number of wineries in the Coonawarra Region to our north. We recently completed a large project for one of the Region's oldest and largest wineries, Wynns of Coonawarra, which commissioned Stuckey Electrical to install LED lighting in the Wynns' cellar door facility.

Stuckey Electrical work across the whole gamut of power and lighting equipment supply and installation, from commercial to residential and including industrial systems. We also undertake specialized work such as fire detection and more recently solar installation.

We derive ongoing business from both local and State Governments in the essential areas of road illumination and traffic lights.

IN – Can you describe your past and current relationship with the Gerard Lighting Group?

PT – I have been closely linked to the Gerard Group since I bought the Stuckey Electrical business in 1989 so we're now approaching a quarter century of association. The beauty of working with the Gerards is that they not only offer an unmatched product range spread across industry-leading brands (we stock mostly Pierlite, Sylvania and Crompton products) but this range is backed up by outstanding R & D that ensures that we stay at the cutting edge of industry global advances.

I have been aware for some years that Intelligent Lighting Products (iLP) are the way of the future, offering the combined benefits of improved illumination and

lower energy consumption. Gerard's are leaders in technical expertise and knowledge of iLP.

Increasingly, Stuckey Electrical's industrial and commercial customers are also coming to understand the long-term benefits of iLP, although domestic lighting customer take-up is slower owing to the higher initial price of the products.

And there are many marketing and product development opportunities still ahead of both our Companies. For example, we are looking forward to working with Gerards to maximize the potential of energy efficient flood lighting, which is now becoming a big part of the lighting industry.

IN – What benefits do you derive from your membership of The TRIBE?

PT – I was keen to become a member of The TRIBE when it was launched last year as I was so closely associated with its predecessor Club Clipsal.

I was privileged to be a member of the Club Clipsal Advisory Committee and I therefore experienced at close quarters the multiple networking and information exchange benefits that this unique association brought to hundreds of small electrical contractors, especially those in regional and rural areas.

The TRIBE has incorporated and expanded the features and benefits of Club Clipsal (which is still successful) and performs a vital function in keeping contractors and Gerard Lighting stockists fully informed about product and industry trends. While the TRIBE's primary purpose is educational, membership also delivers opportunities for us to meet and learn together at TRIBE gatherings, sometimes held in exotic locations!

The TRIBE is essentially a networking 'community' and offers an informational gateway to the international world of lighting that lies beyond our busy day-to-day routine.

IN – What, if anything, is special about your relationship with the Gerard Lighting Group?

PT – It's really all about mutual trust and that's how I would characterise Stuckey Electrical's relationship with Gerard Lighting. The Gerards have always understood that while the commercial 'supplier-customer' relationship is a vital framework for doing business together, it is the personal links between our business and theirs (built up over 22 years) that add icing to the cake.

Outside the business I am grateful for the way in which the Gerards treat me and my family at a personal level, such as inviting my wife and me to join them at many events, including a memorable invitation to come aboard their boat with our children after an AFL Grand Final in Melbourne a few years ago.

IN – Tell us something of your background and about your family.

PT – Well, I was born and bred in Mount Gambier and then went to Adelaide to finish serving my electrical apprenticeship which I had started in Mount Gambier. I married a Mount Gambier girl, Wendy, and we have two beautiful daughters in their 20's. One of our daughters works part-time at Stuckey Electrical.

IN – What encouraged you to invest your own money in the Gerard Lighting Group?

PT – I was keen to invest. The Gerard people are passionate about their business and Robert and Simon Gerard are fantastic leaders giving me great confidence in their success. They are also passionate about my home State, South Australia, and an investment in an Adelaide headquartered company, especially one I believe in so strongly, has to be a good thing over the long-term.

Business Division Profile

In each newsletter, we highlight a particular arm or segment of our business. In this issue we focus on INLITE.



INLITE – if you really want the best

1. Cylindro by Viabizzuno
2. E27 suspension by Viabizzuno
3&4. Viabizzuno Sydney Showroom

“What we provide to our customers – and, it has to be said, they are extremely discerning – is different, artistic, beautiful, integrated and, frankly, not far removed from being ‘works of art’. With **INLITE**, you might say that ‘lights aren’t just lights’ – they’re much more.”

Phil Eaton, Executive General Manager of **INLITE**, easily waxes lyrical about his division of the Gerard Group.

“We’re only a small, although growing division generating \$25m in annual turnover, but what we supply is highly specialised and highly sought-after by some of Australia’s leading architects and interior designers.”

“Everything we supply is a direct response to a required design or lighting specification, generally for high-end residential developments or projects but we also meet highly-demanding specs for both commercial and industrial space. We’re involved right from the very early stages of any design process, what we supply is never an after-thought.

“Exclusivity as sole distributors in Australia and New Zealand of acknowledged luxury, high-end European brands is what sets **INLITE** apart. When integrated design and appearance matter as much as function in highly prestigious developments, **INLITE** is the ‘go to’ firm,” Phil says.

INLITE was established in 1984 in Melbourne. It grew slowly and was generating \$8m annual turnover by 2000 when it was acquired by Lighting Corporation. In the past ten years, **INLITE** has grown more quickly, increasing turnover by an additional 200%. With 56 staff, **INLITE** has branches in every Australian state and in New Zealand.

November saw the most recent development in **INLITE**'s growth. On 10 November, **INLITE** officially opened a new showroom specifically for its range of Italy's Viabizzuno products.

“We are very excited by this,” says Phil, “because Viabizzuno manufactures exceptional, high-end products. To acknowledge this, we have opted to run the Viabizzuno business as a separate operation within **INLITE**. The showroom, at Chippendale in Sydney, will only feature Viabizzuno products. We have very high hopes for this arm of our business and a lot of confidence that Viabizzuno quality will prove immensely appealing to Australia’s architects and interior designers.”

Works of art, though? “Absolutely,” says Phil, “because the products we’re asked to supply must fit the requirements of some of the country’s best designers and architects. When lighting, in its own right, is admired – not just for what it does but for how it looks, I think we can reasonably call them works of art. It is no accident

that some of the country’s most desirable residences feature integrated lighting supplied by **INLITE**.”

What are the advantages of being part of a large group like Gerard Lighting – after all, **INLITE** is involved in a highly-specialised aspect of lighting.

“There are several, notable advantages,” says Phil.

“Firstly, we have the benefits of the Group’s commitment to R&D and the resulting continual pipeline of new products. Furthermore, there is also significant credibility that attaches to being part of GLG because of its strength, broad reach, longevity and with a business division in every lighting segment.

“This is not an industry that stands still. Technology and now, ‘green’ considerations continually drive change.”

“In our own case, I estimate that there are changes to perhaps a quarter of all products each year with LED growing market share.

“Our business objective is to supply the highest quality products that meet the strict criteria demanded by our customers. We’re well set up to continue to deliver on that front and we work hard both to maintain long-established relationships and to create new links with the emerging leaders in Australian design and architecture,” Phil added.

Shenzhen – A rising star in the GLG group

As divisions go, Shenzhen is tiny – just six staff but set to double in 2012. However, the Gerard Group's Shenzhen facility in China is playing a role for the group much more important than the number of staff would suggest. **Shenzhen, among other things, is one of the Group's assets that fast tracks new technology to market.**

Jason Gerard, Group General Manager, Intelligent Lighting Products (iLP) says the Shenzhen facility, small as it is at present, offers the group a high level of flexibility and responsiveness.

"Most core research into new technology or a new lighting platform is undertaken in the Adelaide R&D facility and this generally results in the development of a set of base specifications. These are forwarded to Shenzhen where one or more of the seven specialists work to bring the idea to fruition. Shenzhen may adapt what we suggest, may add to the idea or suggest changes to the look, feel, or performance of a product.

"It's a smart outfit which often has its own ideas for improving a design or how it might be manufactured and the exchange of ideas with Adelaide continually challenges how we think about new products."

Shenzhen's current workforce includes an engineering manager, a mechanical engineer, an electronics engineer, a quality engineer, an industrialisation engineer a project manager and an administration assistant.



The team in Shenzhen. From left: Felix, Kenny, Selena, Mark, Wind and Derek

"Within the group, there is expertise which is able to look at every aspect of design, manufacture and performance. The group can quickly spot flaws in the specifications provided and make suggestions to remedy them. As well, the facility can and does run with its own ideas and projects. **The overall impact of that innovation, efficiency and capability is that it cuts time to market for new products by a considerable margin and 'first to market' is a major advantage in an industry which never stands still," says Jason.**

"The way the Shenzhen facility works is efficient and effective. The Group further underpins that effectiveness

by ensuring effective partnerships and high quality recruitment. Shenzhen's function is expanding and we expect that by mid-2012, the facility will be employing about 15 staff."

Group MD, Simon Gerard, has previously indicated that he wants the iLP Division to be generating 20% of group revenue by 2016.

"Shenzhen is a critical facility in helping us to achieve that goal," says Jason **"and every indication to date is that the Group's investment there is reaping significant rewards."**

About Gerard Lighting Group

Gerard Lighting Group is the leader in the Australian lighting industry, holding a diverse product and business portfolio across all significant market segments, from high volume commodity lighting products to high value, high margin architectural lighting products.

The Group's brand portfolio incorporates Pierlite, Sylvania, Crompton, Moonlighting, Inlite and Austube, all of which are leading lighting entities in their respective market segments.

Investor Updates

Gerard Lighting website:
www.gerardlighting.com.au

- ASX Announcements
- Annual Reports and financial information
- Share price and dividend details
- Corporate Governance policies

Share Registry:

Telephone: 1300 556 161 or
www.computershare.com.au/investor

- Check shareholding details
- Change of address
- Tax File Number notification
- Dividend – direct debit bank account
- Elect to receive Annual Reports via email

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