



Beacon Lighting Group Limited

FY2016 RESULTS PRESENTATION

AUGUST 2016

DISCLAIMER



The Presentation contains “forward-looking statements”. All statements other than those of historical facts included in the Presentation are forward-looking statements. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. The Company will not necessarily release publicly any revisions to any such forward-looking statement.

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CONTENTS



- 1 RESULTS OVERVIEW
- 2 TRADING PERFORMANCE
- 3 CASH FLOW, BALANCE SHEET, DIVIDEND
- 4 GROWTH STRATEGIES
- 5 FY2017 OUTLOOK
- 6 QUESTIONS



PLEASE NOTE

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

- FY2016 was for the **underlying profit** result for the 52 weeks ending 26 June 2016 as presented in the Annual Report 2016
- FY2015 was for the 52 weeks ending 28 June 2015 as presented in the Annual Report 2015
- FY2014 was for the 52 weeks ending 29 June 2014 as presented in the Annual Report 2014
- FY2013 based on the pro forma historical results presented in the Prospectus
- FY2012 based on the pro forma historical results presented in the Prospectus



1 RESULTS OVERVIEW

1 FY2016 HIGHLIGHTS

- Record sales and profit result
- Sales increased by \$13.8m, 7.7% ahead of FY2015
- Gross profit dollar increase of \$7.4m, 6.4% ahead of FY2015
- Opened 5 new company stores and purchased 2 franchise stores
- Established Light Source Solution, the GE globe distribution business
- Designed and developed 509 exclusive new products
- Implemented a new inventory forecasting and replenishment system
- Operating expenses down 0.9% of sales compared to last year
- EBITDA increased \$1.8m, 6.5% ahead of FY2015
- NPAT increased \$0.9m, 5.1% ahead of FY2015
- FY2016 dividend of 4.7 cents per share, an increase of 11.9% over FY2015



1 YEAR-ON-YEAR RESULT



\$'000	FY2015	FY2016 ⁽¹⁾	\$ Inc / Dec on Last Year	% Inc / Dec on Last Year
Sales	179,386	193,179	13,793	7.7%
Gross Profit	116,041	123,483	7,442	6.4%
<i>Gross Profit Margin</i>	64.7%	63.9%		
Other Income	3,949	3,647	(302)	(7.6%)
<i>% of Sales</i>	2.2%	1.9%		
Operating Expenses ⁽²⁾	(92,595)	(97,965)	(5,370)	5.8%
<i>% of Sales</i>	51.6%	50.7%		
EBITDA	27,395	29,165	1,770	6.5%
<i>EBITDA Margin %</i>	15.3%	15.1%		
EBIT	25,042	26,619	1,577	6.3%
<i>EBIT Margin %</i>	14.0%	13.8%		
Net Profit After Tax	16,939	17,800	861	5.1%
<i>NPAT Margin %</i>	9.4%	9.2%		

(1) Underlying Profit for FY2016.

(2) Operating Expenses excludes interest, depreciation and amortisation.

1 PROFIT RECONCILIATION



During FY2016, the Beacon Lighting Group implemented a new inventory valuation system and conducted a review of the supply chain costs to be capitalised into inventory. The effect of this change in methodology was to increase inventory and gross profit by \$0.7 million.

\$'000	Statutory Profit FY2016	Underlying Profit Adjustments	Underlying Profit FY2016
Sales	193,179		193,179
Gross Profit	124,194	(711)	123,483
<i>Gross Profit Margin</i>	<i>64.3%</i>		<i>63.9%</i>
Other Income	3,647		3,647
<i>% of Sales</i>	<i>1.9%</i>		<i>1.9%</i>
Operating Expenses ⁽¹⁾	(97,965)		(97,965)
<i>% of Sales</i>	<i>50.7%</i>		<i>50.7%</i>
EBITDA	29,896	(711)	29,165
<i>EBITDA Margin %</i>	<i>15.5%</i>		<i>15.1%</i>
EBIT	27,330	(711)	26,619
<i>EBIT Margin %</i>	<i>14.1%</i>		<i>13.8%</i>
Net Profit After Tax	18,298	(498)	17,800
<i>NPAT Margin %</i>	<i>9.5%</i>		<i>9.2%</i>

(1) Operating Expenses exclude interest, depreciation and amortisation.

\$'000	H1 FY2015	H1 FY2016	\$ Inc / Dec on Last Year	% Inc / Dec on Last Year	H2 FY2015	H2 FY2016 ⁽¹⁾	\$ Inc / Dec on Last Year	% Inc / Dec on Last Year
Sales	90,829	98,514	7,685	8.5%	88,557	94,665	6,108	6.9%
Gross Profit	58,247	64,934	6,687	11.5%	57,794	58,549	755	1.3%
<i>Gross Profit Margin</i>	<i>64.1%</i>	<i>65.9%</i>			<i>65.3%</i>	<i>61.8%</i>		
Other Income	2,034	1,763	(271)	(13.3%)	1,915	1,884	(31)	(1.6%)
<i>% of Sales</i>	<i>2.2%</i>	<i>1.8%</i>			<i>2.2%</i>	<i>2.0%</i>		
Operating Expenses⁽²⁾	(45,817)	(49,143)	(3,326)	7.3%	(46,778)	(48,822)	(2,044)	4.4%
<i>% of Sales</i>	<i>50.4%</i>	<i>49.9%</i>			<i>52.8%</i>	<i>51.6%</i>		
EBITDA	14,464	17,554	3,090	21.4%	12,931	11,611	(1,320)	(10.2%)
<i>EBITDA Margin %</i>	<i>15.9%</i>	<i>17.8%</i>			<i>14.6%</i>	<i>12.3%</i>		
EBIT	13,393	16,316	2,923	21.8%	11,649	10,303	(1,346)	(11.6%)
<i>EBIT Margin %</i>	<i>14.7%</i>	<i>16.6%</i>			<i>13.2%</i>	<i>10.9%</i>		
Net Profit After Tax	9,089	11,098	2,009	22.1%	7,850	6,702	(1,148)	(14.6%)
<i>NPAT Margin %</i>	<i>10.0%</i>	<i>11.3%</i>			<i>8.9%</i>	<i>7.1%</i>		

(1) Underlying Profit for H2 FY2016.

(2) Operating Expenses excludes interest, depreciation and amortisation.

Beacon
LIGHTING

Beacon LIGHTING

LIGHTING *Beacon*

2 TRADING PERFORMANCE

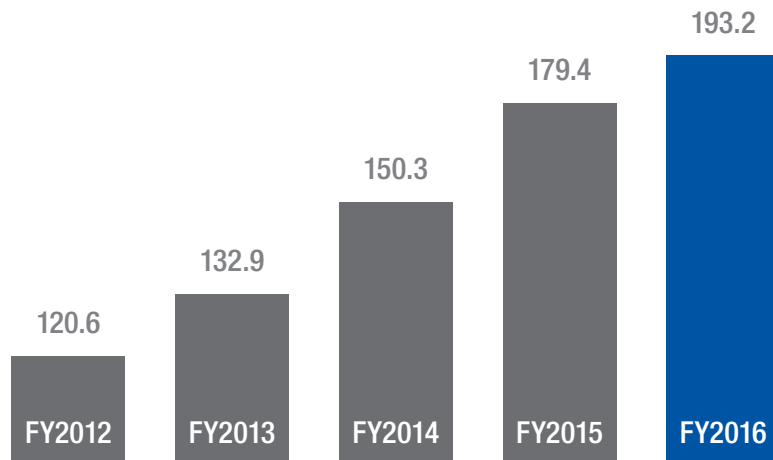
2 SALES

Sales: +7.7% to \$193.2m

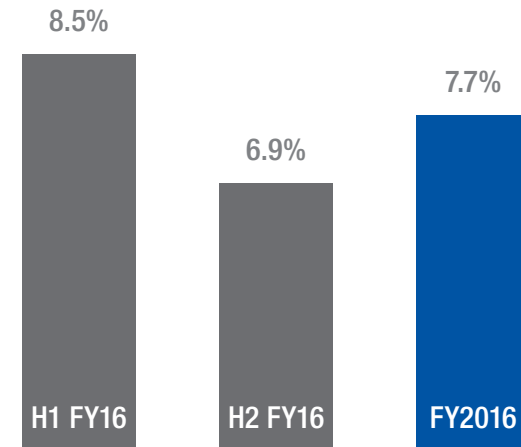
- Record sales result in FY2016
- Sales increase in H1 +8.5% and H2 +6.9%
- Strong sales growth in Trade, Commercial and Beacon International
- Online sales increased by 20.3% over FY2015



Sales \$m

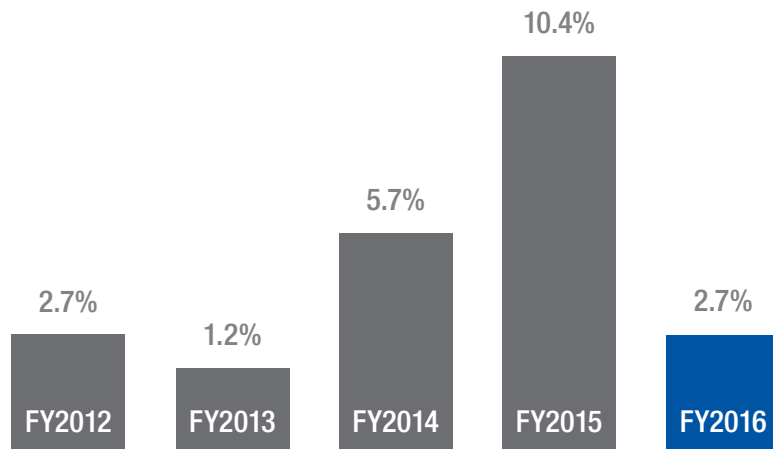
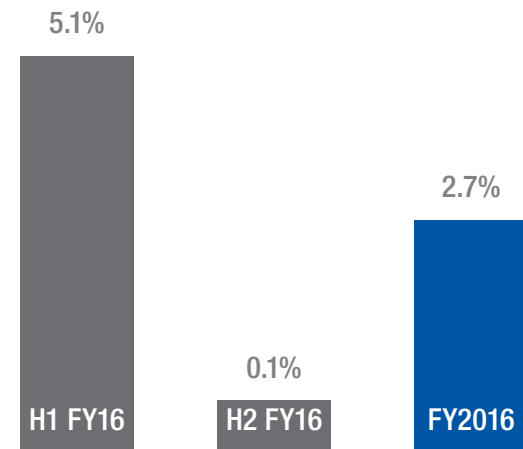


Sales Increase %



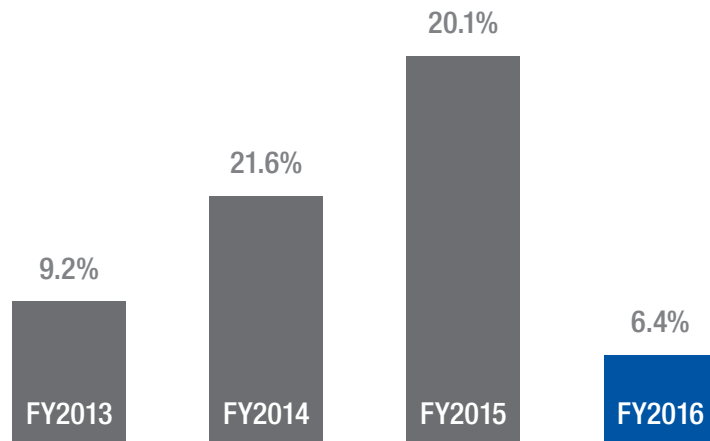
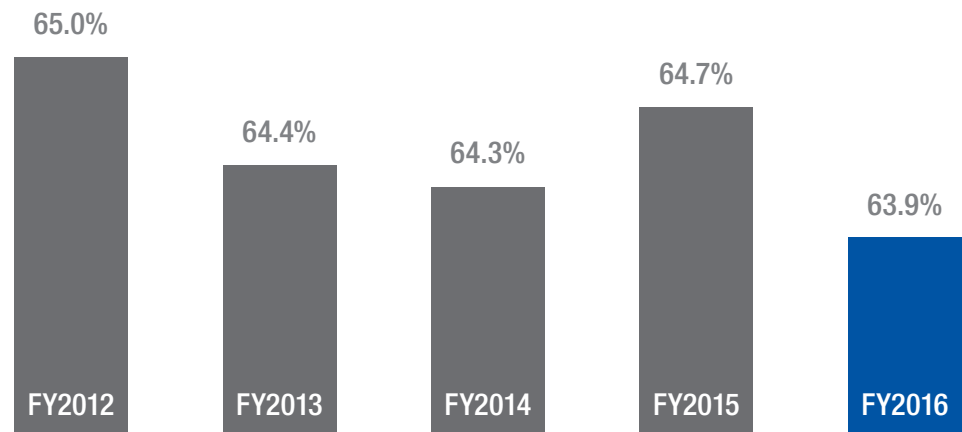
Comparative Sales: +2.7% Increase

- Comparative company store sales were solid in H1 FY16 but challenging in H2 FY16
- Comparative increase in FY2016 was 2.7%, for H1 FY16 was 5.1% and H2 FY16 was 0.1%
- NSW was the best performing state

Comparative Company Stores Sales Growth**FY2015 Comparative Co. Stores Sales Growth**

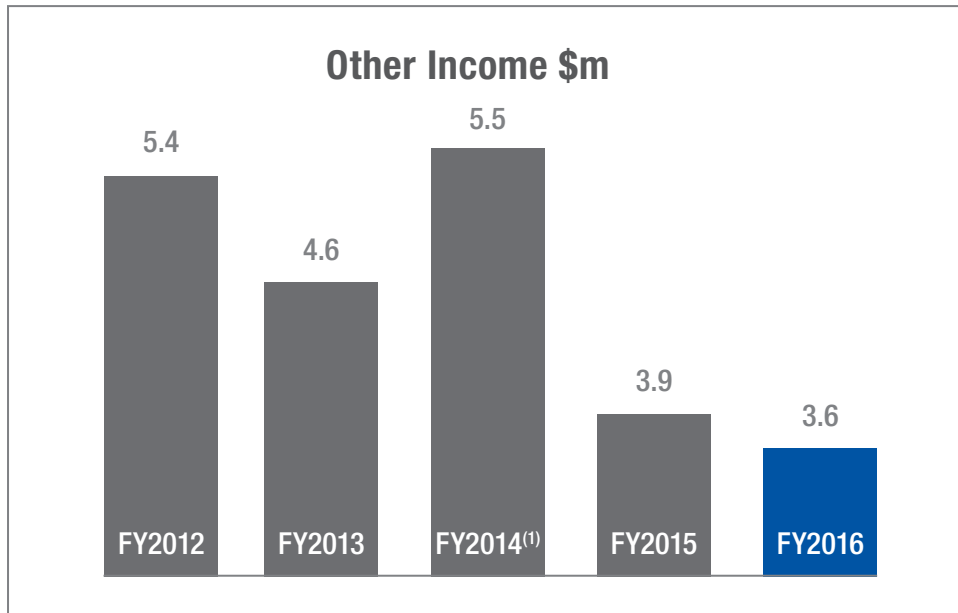
Gross Profit \$: +6.4% Increase

- Gross profit \$ increased by 11.5% in H1 FY FY2016 and 1.3% in H2 FY2016
- Gross profit margin for FY2016 was 63.9%, for H1 FY2016 was 65.9% and H2 FY2016 was 61.8%
- Margin mix is changing with the growth in Trade, Commercial and the Emerging Businesses

Gross Profit \$ Increase %**Gross Profit Margins**

Other Income: -7.6% to \$3.6m

- Core marketing and royalty income continues to decline as franchise stores are acquired and converted into company operated stores



(1) FY2014 Other Income included a customs duty refund of \$1.2m.



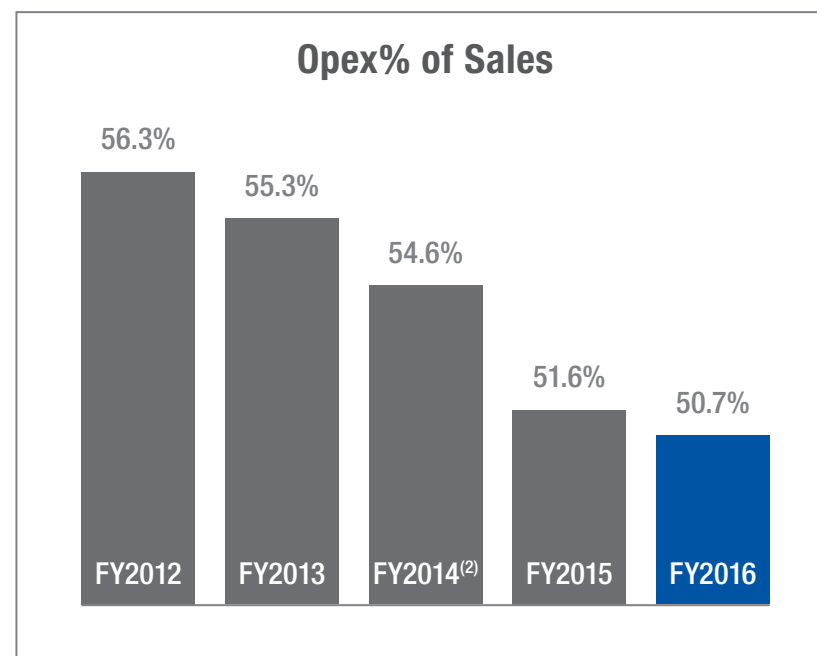
Opex: Down 0.9% of Sales to \$98.0m

- Operating expenses decreased by 0.9% of sales compared to FY2015
- Significant expense productivity gains in General and Admin expenses

\$'000	FY2015	% to Sales	FY2016	% to Sales
Sales	179,386		193,179	
Operating Expenses				
- Marketing Expenses	11,004	6.1%	11,536	6.0%
- Selling and Distribution	65,452	36.5%	71,278	36.9%
- General and Admin	16,139	9.0%	15,151	7.8%
Total	92,595	51.6%	97,965	50.7%

\$'000	FY2015	% to PBT	FY2016	% to PBT
Profit Before Tax (PBT)	23,832		25,450	
Income Tax Expense ⁽¹⁾	6,893	28.9%	7,650	30.1%

(1) In FY2015 income tax expense was reduced by \$347k due to a one off adjustment



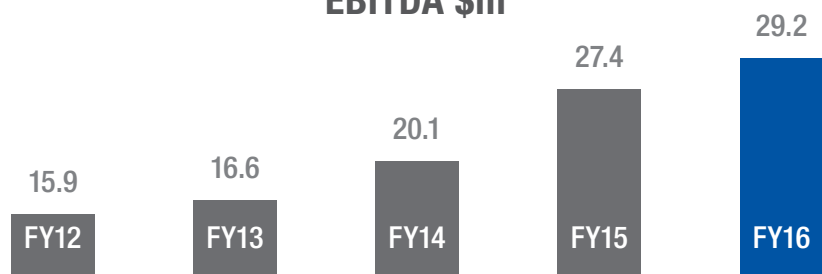
(2) FY2014 included a significant one off expense of \$1.3m

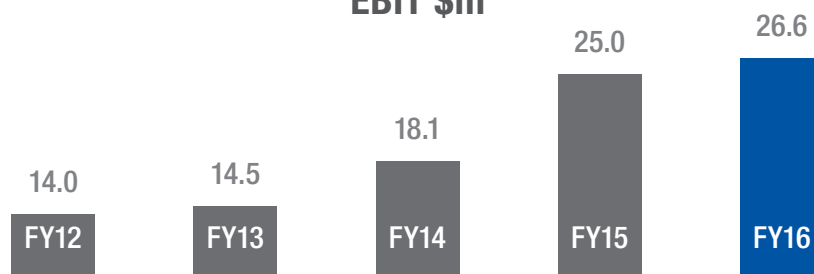
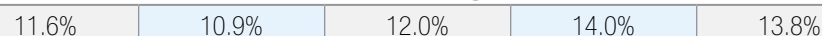
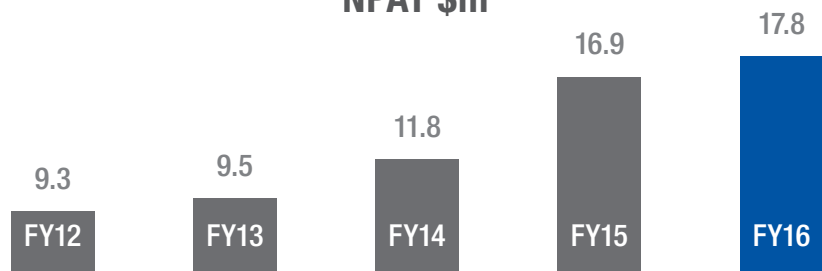
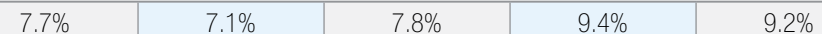
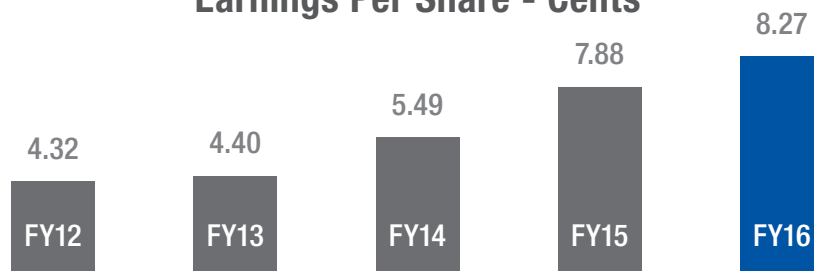
EBITDA: +6.5% to \$29.2m

NPAT: +5.1% to \$17.8m

EBIT: +6.3% to \$26.6m

EPS: +5.0% to 8.27 cents

EBITDA \$m

EBITDA Margin

EBIT \$m

EBIT Margin

NPAT \$m

NPAT Margin

Earnings Per Share - Cents




3 CASH FLOW, BALANCE SHEET, DIVIDENDS

Capital Expenditure \$5.6m

- New Stores Capex \$2.0m
- Other Store Capex. \$1.3m
- Information Tech. \$1.0m
- Major Refits \$0.7m
- Motor Vehicles \$0.5m



\$'000	FY2015	FY2016
Cash Flow from Operations		
Receipts from Customers	201,208	208,300
Payment to Suppliers & Employees	(184,439)	(187,688)
Other	(1,119)	(1,068)
Income Tax Paid	(6,566)	(8,849)
Total Net Operating Cash Flow	9,084	10,695

\$'000	FY2015	FY2016
Other Items		
Capital Expenditure	(5,527)	(5,636)
Acquisitions	(1,400)	(1,425)
Borrowings	3,461	2,791
Dividends Paid	(6,882)	(10,111)

Debtors

- Franchise \$3.0m
- Commercial \$5.9m

Payables

- Trade Creditors \$6.6m

Borrowings

- Trade Finance \$19.8m
- Asset Finance \$2.3m

FX Position

- Purchases to Oct 2016

Gearing Ratio

- Gearing Ratio⁽¹⁾: 18.3%

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

\$'000	FY2015	FY2016
Cash	11,779	9,255
Receivables	7,017	9,188
Inventories	44,656	51,737
Other	997	970
Total Current Assets	64,449	71,150
PPE	19,121	22,076
Intangible	5,085	4,965
Other	5,481	6,063
Total Non Current Assets	29,687	33,104
Total Assets	94,136	104,254
Payables	15,686	16,171
Borrowings	18,090	20,939
Other	7,336	5,561
Total Current Liabilities	41,112	42,671
Borrowings	1,278	1,220
Other	2,340	2,940
Total Non Current Liabilities	3,618	4,160
Total Liabilities	44,730	46,831
Net Assets	49,406	57,423

- Paid 2.3 cents per share for H1 FY2016
- Declared a 2.4 cents per share for H2 FY2016
- Fully franked total of 4.7 cents per share for FY2016, an increase of 11.9% over FY2015
- Record date 2nd September 2016
- Payment date 30th September 2016
- Payout ratio in the future expected to be 50% to 60% of NPAT

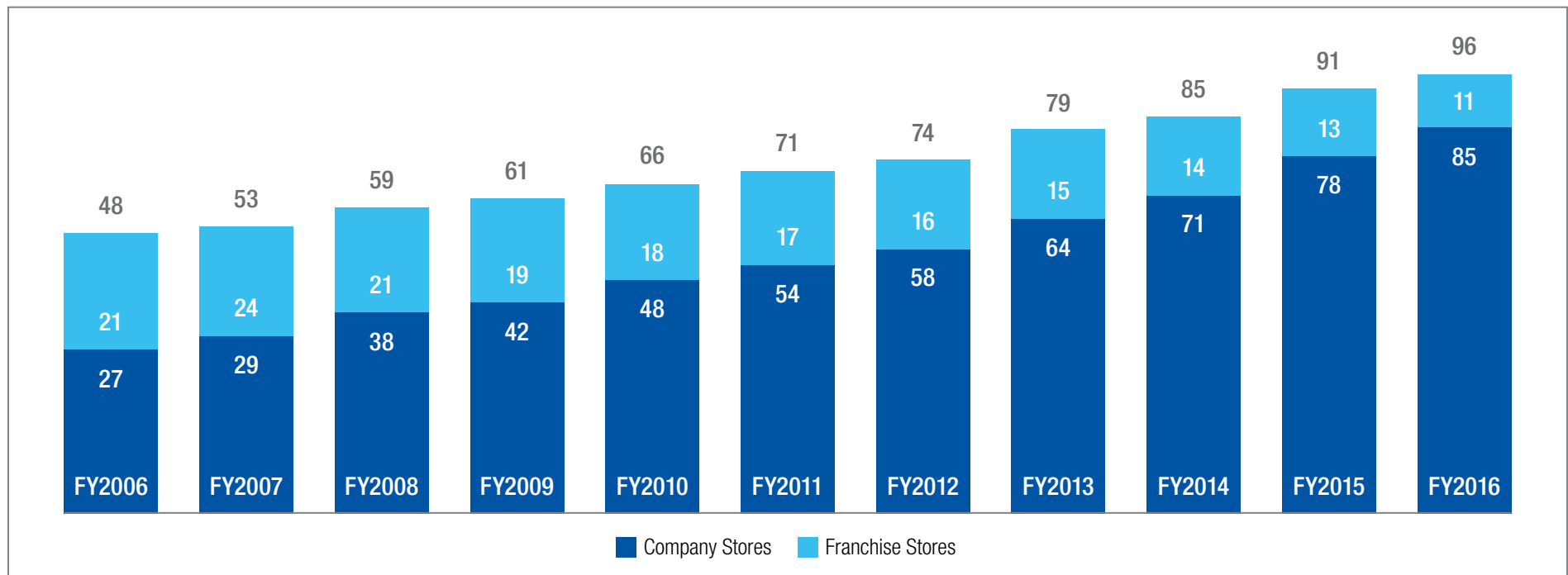




4 GROWTH STRATEGIES

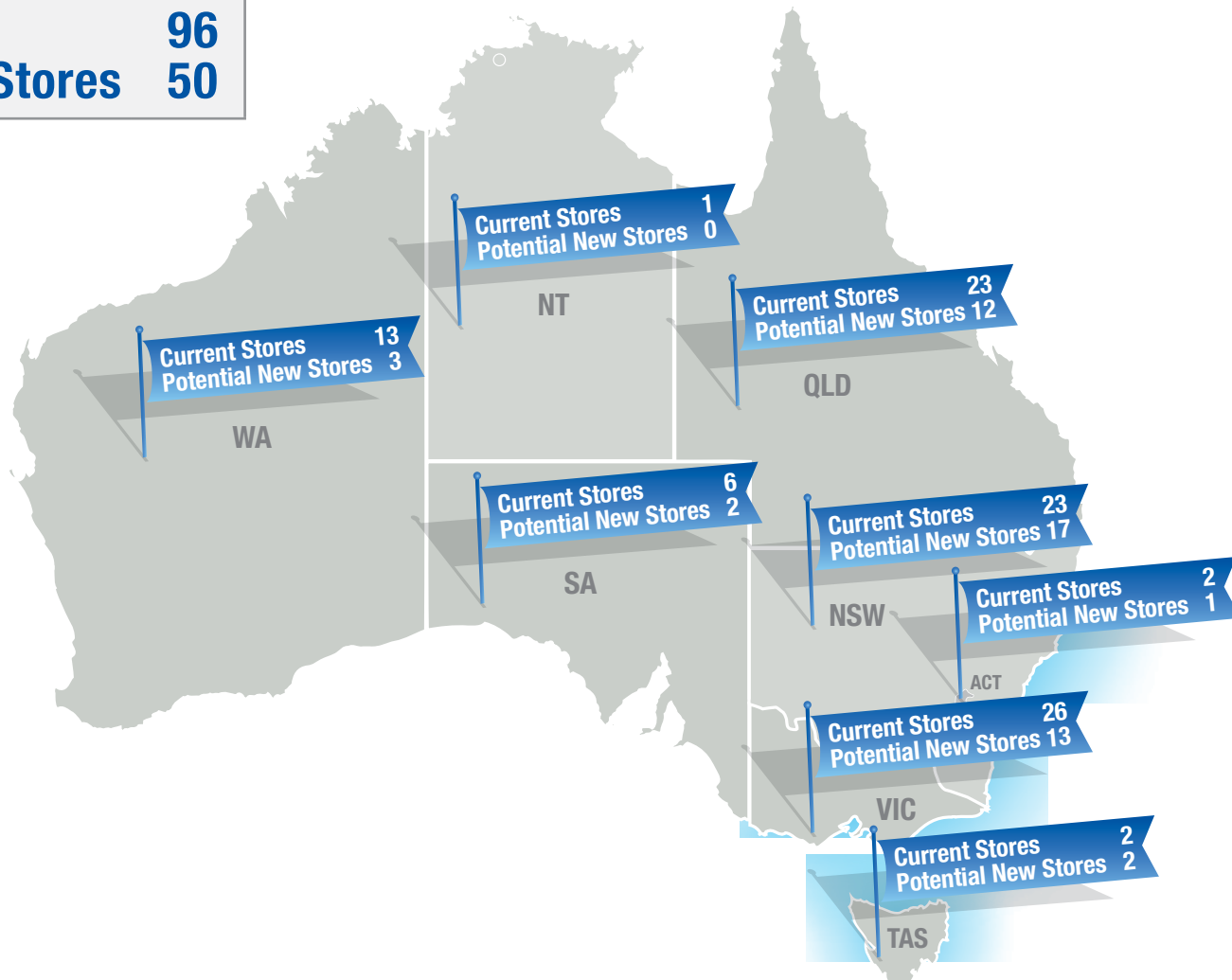
Beacon Lighting will continue to target the opening of six new company operated stores in Australia each year.

- Opened five new company stores at Bundall (QLD), Maribyrnong (VIC), Gungahlin (ACT), Fairfield Waters (QLD) and Preston (VIC).



Excludes the four Commercial State Offices.

Current Stores	96
Potential New Stores	50



Beacon Lighting believes it is able to grow sales and profit through the continued investment in the existing stores network.

- Expanded the Alexandria (NSW) store
- Major refurbishments at the Osborne Park (WA) and Southport (QLD) stores
- Refurbished the bathroom lighting displays in all stores
- Now have 203 Lighting Design Consultants



Beacon Lighting will offer an extensive range of the latest fashion, trend and energy efficient products to our customers.

- Designed and developed 509 exclusive new products for our customers
- Introduced the brass and copper trends to lighting in Australia
- Introduced a broader range of GE LED light globes for Light Source Solutions



Beacon Lighting will continue to enhance our online presence in order to drive incremental sales.

- Online sales increased by 20.3% over FY2015
- Major upgrade of the Beacon Lighting retail website to enable better customer experience
- 169,000 VIP customers, increased by 65.0% over FY2015
- Established the ebay.com.au Beacon Lighting e-commerce sales channel



Beacon Lighting will continue to grow our emerging businesses: Beacon International, Light Source Solutions and Beacon Solar.

- Beacon International sales increased by 32.7% in FY2016
- Light Source Solutions (GE globes distribution) business is meeting our early sales expectations
- Beacon Solar with Purchasing Price Agreements has an extensive pipeline of orders and opportunities



LIGHT & FAN SOURCING

**LIGHT
SOURCE
SOLUTIONS**



Distributor
GE Lighting

BEACON SOLAR
COMMERCIAL SOLAR SPECIALISTS

Beacon Lighting intends to investigate and pursue local and international business opportunities that complement the core business activities.

- Purchased the Essendon (VIC) and Watergardens (VIC) franchise stores and converted them to company stores
- Commenced Light Source Solutions, our GE globes distribution business in both Australia and New Zealand



Beacon Lighting will continue to look for opportunities to leverage our existing capabilities into new markets.

- Beacon International is now selling to customers in more than twenty different countries
- E-Commerce provider Amazon Germany is a significant sales channel for Beacon International
- Continue to research international opportunities for the Group
- Began licensing the Group's Intellectual Property to international customers



Beacon Lighting will continue to target expense efficiency gains and manage the growth of expenses.

- Increased interstate 3PL distributions by 27.6%
- Continued to work with all service providers to deliver further efficiency gains for the Group
- Continued with a cost conscious approach to all expenses in the Group





5

FY2017 OUTLOOK

Beacon Lighting

- Company store comparative sales have made a positive start to the new year
- The Jindalee (QLD) franchise store was purchased and converted into a company store in July 2016
- The Masson for Light (VIC) architectural lighting store was purchased in July 2016
- Six new stores, South Melbourne (VIC), Marsden Park (NSW), Gladesville (NSW), North Lakes (QLD), Claremont (WA) and Brookvale (NSW) are expected to open in FY2017
- New innovative product introductions for Beacon Lighting and the Light Source Solutions business
- Good growth expectations from emerging businesses

Summary

- Beacon Lighting expects the current growth strategies to continue to drive improved sales and profits in FY2017



6 QUESTIONS