



Beacon Lighting Group Limited

# FY2020 RESULTS PRESENTATION

## 20 AUGUST 2020

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# 1 FY2020 HIGHLIGHTS



- Group sales at \$252.2m, an increase of 2.6% and underlying sales at \$250.9m, an increase of 8.0% <sup>(1)</sup>
- Company store comparative sales increase of 7.2%
- Online sales at \$16.2m, an increase of 50.6%
- Group NPAT at \$22.2m, an increase of 38.5% and underlying NPAT at \$19.1m, an increase of 16.8% <sup>(1)</sup>
- Significant profit made on the sale and leaseback of the Parkinson Distribution Centre (QLD)
- Purchased the Beacon Lighting franchise store at Myaree (WA) and the premium lighting design store, Custom Lighting in Malvern (VIC)
- Managed the closure of Beacon Energy Solutions
- Established a strong net cash position for the Group

(1) Underlying result for FY2019 and FY2020 (refer page 7)





# 1 COVID-19 IMPACTS

- Ensured our teams and customers were our number one priority
- Beacon Lighting stores were able to remain open throughout FY2020
- Responded to the uncertain trading outlook by managing expenses and delaying future investment plans
- During April, May and June 2020, Beacon Lighting stores experienced significant sales growth
- At no stage was the JobKeeper Allowance applied for
- In August 2020, Stage 4 restrictions have impacted upon Melbourne metropolitan stores and Stage 3 restrictions have been applied to regional Victorian stores
- Significant uncertainties remain as to whether current sales trends will continue



# 1 FY2020 STATUTORY RESULT



\$'000	FY2019	FY2020	Change \$	Change %
<b>Sales</b>	<b>245,750</b>	<b>252,224</b>	6,474	2.6%
<b>Gross Profit</b>	<b>157,158</b>	<b>161,197</b>	4,039	2.6%
<i>Gross Profit Margin %</i>	<i>64.0%</i>	<i>63.9%</i>		
<b>Other Income</b>	<b>1,655</b>	<b>8,834</b>	7,179	433.8%
<i>% of Sales</i>	<i>0.7%</i>	<i>3.5%</i>		
<b>Operating Expenses <sup>(1)</sup></b>	<b>(129,173)</b>	<b>(107,501)</b>	21,672	(16.8%)
<i>% of Sales</i>	<i>52.6%</i>	<i>42.6%</i>		
<b>EBITDA</b>	<b>29,640</b>	<b>62,530</b>	32,890	111.0%
<i>EBITDA Margin %</i>	<i>12.1%</i>	<i>24.8%</i>		
<b>EBIT</b>	<b>25,132</b>	<b>38,066</b>	12,934	51.5%
<i>EBIT Margin %</i>	<i>10.2%</i>	<i>15.1%</i>		
<b>Net Profit After Tax</b>	<b>16,044</b>	<b>22,225</b>	6,181	38.5%
<i>NPAT Margin %</i>	<i>6.5%</i>	<i>8.8%</i>		

(1) Operating Expenses excludes interest, depreciation and amortisation



# 1 FY2020 UNDERLYING RESULT



\$'000	Underlying FY2019 <sup>(1) (2)</sup>	Underlying FY2020 <sup>(1) (3)</sup>	Change \$	Change %
<b>Sales</b>	<b>232,338</b>	<b>250,866</b>	18,528	8.0%
<b>Gross Profit</b>	<b>152,059</b>	<b>164,405</b>	12,346	8.1%
<i>Gross Profit Margin %</i>	<i>65.4%</i>	<i>65.5%</i>		
<b>Other Income</b>	<b>1,630</b>	<b>1,054</b>	(576)	(35.3%)
<i>% of Sales</i>	<i>0.7%</i>	<i>0.4%</i>		
<b>Operating Expenses <sup>(4)</sup></b>	<b>(123,671)</b>	<b>(131,208)</b>	(7,537)	6.1%
<i>% of Sales</i>	<i>53.2%</i>	<i>52.3%</i>		
<b>EBITDA</b>	<b>30,018</b>	<b>34,251</b>	4,233	14.1%
<i>EBITDA Margin %</i>	<i>12.9%</i>	<i>13.7%</i>		
<b>EBIT</b>	<b>25,618</b>	<b>29,814</b>	4,196	16.6%
<i>EBIT Margin %</i>	<i>11.0%</i>	<i>11.9%</i>		
<b>Net Profit After Tax</b>	<b>16,383</b>	<b>19,128</b>	2,745	16.8%
<i>NPAT Margin %</i>	<i>7.1%</i>	<i>7.6%</i>		

(1) Refer to Appendix 1 for further information on Non-IFRS financial measures

(2) Refer to Appendix 2 for a reconciliation of the FY2019 statutory profit to the underlying profit

(3) Refer to Appendix 3 for a reconciliation of the FY2020 statutory profit to the underlying profit

(4) Operating Expenses excludes interest, depreciation and amortisation



## 2 FINANCIAL RESULTS



## 2 SALES



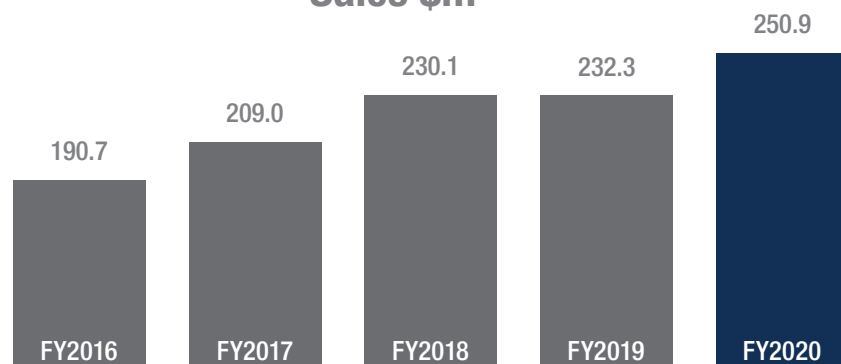
**SALES:** \$250.9m increased by 8.0% <sup>(1)</sup>

**COMPANY STORE COMPARATIVE SALES:** Increased by 7.2%

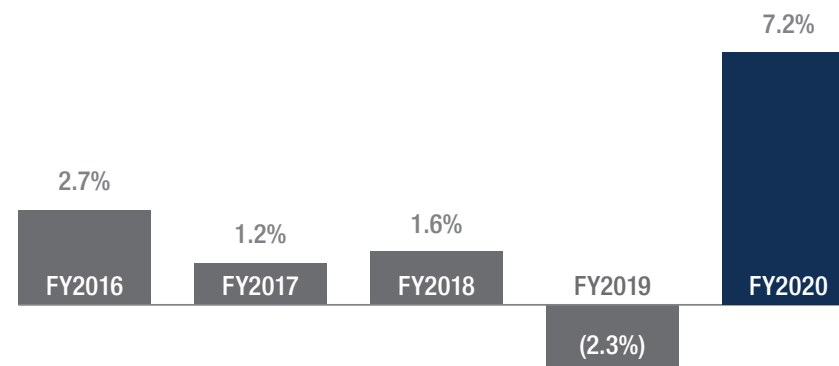
- Company store comparative sales increased by 7.2%. All states had good positive comparative sales growth. Best performing states were WA and NSW
- Strong sales results in Q4 with customers spending more time working and learning at home caused by COVID-19
- Online sales increased by 50.6% to \$16.2m with significant growth in Q4
- Beacon International sales at AUD \$8.5m increased by 22.9%



**Sales \$m** <sup>(1) (2)</sup>



**Comparative Sales % Change**



(1) Underlying result for FY2019 and FY2020

(2) Statutory result for FY2016, FY2017 and FY2018 less Beacon Energy Solutions

## 2 GROSS PROFIT

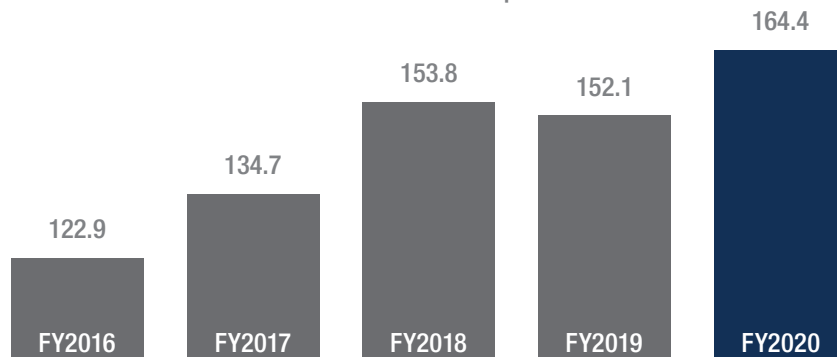


### GROSS PROFIT: 65.5% of Sales to \$164.4m <sup>(1)</sup>

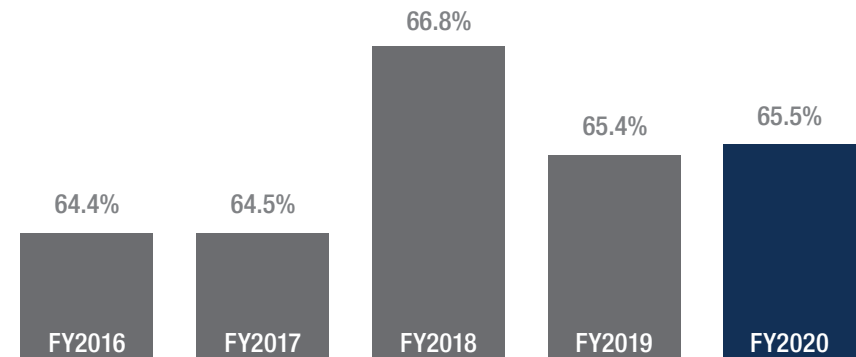
- Gross profit margins increased in H2 FY2020 as a result of less discounting, new product ranges and price management
- Product and marketing innovation will continue to provide opportunities to manage margins going forward



Gross Profit \$ <sup>(1) (2)</sup>



Gross Profit % <sup>(1) (2)</sup>



(1) Underlying result for FY2019 and FY2020

(2) Statutory result for FY2016, FY2017 and FY2018 less Beacon Energy Solutions



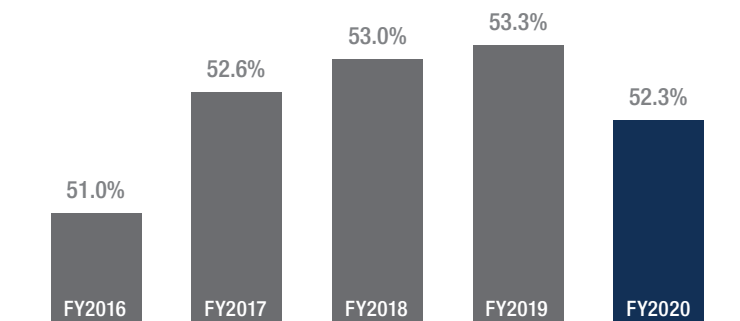
## 2 OPERATING EXPENSES / OTHER INCOME



### OPEX: Decreased by 0.9% of Sales to \$131.2m <sup>(1)</sup>

- Other Income continues to decline as franchise stores are converted into company stores
- Prudent expense management during COVID-19 pandemic saw Operating Expenses decline by 0.9% of sales
- All expense types declined as a percentage of sales during FY2020 demonstrating support from all associates

### Operating Expenses % of Sales <sup>(1) (2)</sup>



(1) Underlying result for FY2019 and FY2020

(2) Statutory result for FY2016, FY2017 and FY2018 less Beacon Energy Solutions

\$'000	FY2019 <sup>(1)</sup>	FY2020 <sup>(1)</sup>	Change \$	Change %
<b>Other Income</b>	<b>1,630</b>	<b>1,054</b>	(576)	(35.3)%
<i>% of Sales</i>	0.7%	0.4%		

<b>Marketing</b>	<b>13,438</b>	<b>13,535</b>	97	0.7%
<i>% of Sales</i>	5.8%	5.4%		
<b>Selling &amp; Distribution</b>	<b>93,352</b>	<b>102,247</b>	6,895	7.2%
<i>% of Sales</i>	41.0%	40.8%		
<b>General &amp; Admin.</b>	<b>14,881</b>	<b>15,426</b>	545	3.7%
<i>% of Sales</i>	6.4%	6.1%		
<b>Operating Expenses <sup>(3)</sup></b>	<b>123,671</b>	<b>131,208</b>	7,537	6.1%
<i>% of Sales</i>	53.2%	52.3%		

<b>Depreciation <sup>(4)</sup></b>	<b>4,400</b>	<b>4,438</b>	38	0.9%
<i>% of Sales</i>	1.9%	1.8%		

<b>Finance Costs <sup>(4)</sup></b>	<b>1,983</b>	<b>2,350</b>	367	18.5%
<i>% of Sales</i>	0.8%	0.9%		

(3) Operating Expenses exclude depreciation, amortisation and financing costs

(4) Excluding the impact of AASB 16 Lease Accounting

- Strong operating cash flows generated by strong sales, margins and decline in inventory
- Cash flow has been supported by the profit on the sale of the Distribution Centre in Parkinson (QLD)
- All borrowings associated with Parkinson Distribution Centre have been repaid
- Invested in two business acquisitions and purchased the Masson Manufacturing factory in Epping (VIC)

\$'000	FY2019	FY2020
<b>Cash Flow from Operations</b>		
Receipts from Customers	269,876	280,953
Payment to Suppliers & Employees	(247,766)	(212,381)
Other	(1,969)	(5,915)
Income Tax Paid	(7,393)	(7,306)
<b>Net Operating Cash Flow</b>	<b>12,748</b>	<b>55,351</b>

\$'000	FY2019	FY2020
<b>Other Items</b>		
Capital Expenditure	(20,146)	(6,328)
Acquisitions	(1,138)	(1,314)
Proceeds from sales of PPE	8	28,000
Borrowings	24,609	(19,601)
Dividends Paid	(8,447)	(8,081)





## 2 BALANCE SHEET

- Strong cash position supported by profit, property sale and borrowings
- Receivables decline due to the closure of Beacon Energy Solutions
- Inventories have declined due to strong sales and some supply delays
- PPE and borrowings have declined with the Parkinson Distribution Centre sale
- AASB 16 Right of Use Assets and Lease Liabilities have been introduced



\$'000	FY2019	FY2020
Cash	18,305	44,856
Receivables	12,053	8,620
Inventories	68,698	63,082
Other	2,277	1,496
<b>Total Current Assets</b>	<b>101,333</b>	<b>118,054</b>
PPE	46,009	32,847
Intangible	11,646	12,953
Right of Use Assets	-	88,719
Other	5,834	14,641
<b>Total Non Current Assets</b>	<b>63,489</b>	<b>149,160</b>
<b>Total Assets</b>	<b>164,822</b>	<b>267,214</b>
Payables	17,849	22,132
Borrowings	31,054	17,197
Lease Liabilities	425	23,242
Other	8,947	13,416
<b>Total Current Liabilities</b>	<b>58,302</b>	<b>75,987</b>
Borrowings	18,944	13,200
Lease Liabilities	515	90,076
Other	3,881	983
<b>Total Non Current Liabilities</b>	<b>23,340</b>	<b>104,259</b>
<b>Total Liabilities</b>	<b>81,642</b>	<b>180,246</b>
<b>Net Assets</b>	<b>83,180</b>	<b>86,968</b>

## 2 DIVIDEND



- Declared a fully franked dividend of 2.40 cents per share for H2 FY2020 (compared to 2.00 cents per share for H2 FY2019)
- Fully franked dividend of 5.00 cents per share for FY2020 (compared to 4.55 cents per share for FY2019)
- Fully franked dividend yield of 4.74% based on the 30 June 2020 share price
- Dividend reinvestment plan remains at a discount of 5.0% to the market price for all shareholders







# 3 GROWTH STRATEGIES



STRATEGY	UPDATE
<b>Brand and Customer</b>	<ul style="list-style-type: none"> <li>• Unique customer experience with a core range of 3,000 lighting and fan products served by Accredited Lighting Design Consultants</li> <li>• Store and online sales channel alignment providing retail, VIP and trade customers with maximum convenience and choice</li> </ul>
<b>Online and Social Media</b>	<ul style="list-style-type: none"> <li>• Online sales increased by 50.6% to \$16.2 million, now 7.6% of company store sales</li> <li>• Onboarded new website agency and worked on re-platforming and improving all the Group websites, with launches planned for early FY2021</li> </ul>
<b>New Product Ranges</b>	<ul style="list-style-type: none"> <li>• Designed and developed 453 exclusive new products for our customers</li> <li>• New products launched included LED strip lighting, smart lighting products and new bathroom ranges</li> </ul>
<b>New Store Rollout</b>	<ul style="list-style-type: none"> <li>• Committed to opening new stores at Virginia (QLD), Belmont (WA), Camperdown (NSW) and Tweed Heads (NSW) in FY2021</li> <li>• Market research supports a future network plan of 170 stores in Australia</li> </ul>
<b>Store Optimisation</b>	<ul style="list-style-type: none"> <li>• Implemented Time2Work Workforce Management System to improve store rostering to meet customer demands</li> <li>• Achieved \$5.2 million in Beacon Design Studio sales with a strong pipeline of new projects</li> </ul>
<b>Emerging Businesses</b>	<ul style="list-style-type: none"> <li>• Interrupted year for the Emerging Businesses, although Beacon International sales increased 22.9% to \$8.5 million</li> <li>• Managed the closure of Beacon Energy Solutions</li> </ul>
<b>New Business Opportunities</b>	<ul style="list-style-type: none"> <li>• Parkinson Distribution Centre (QLD) was sold and leased back for a period of 8 years</li> <li>• Purchased the Myaree (WA) Beacon Lighting franchised store and the premium lighting design store, Custom Lighting in Malvern (VIC)</li> </ul>



# 4 FY2021 OUTLOOK



## 4 FY2021 OUTLOOK

- Melbourne stores currently remain open for the trade, online sales and no contact click and collect customers
- The strong Q4 FY2020 sales trend has continued into the start of FY2021
- Trade Strategy Committee established to focused on better serving the needs of our Trade Customers
- Re-platforming of the [beaconlighting.com.au](https://beaconlighting.com.au) website and online sale channels
- New company stores at Virginia (QLD), Belmont (WA), Camperdown (NSW) and Tweed Heads (NSW) are expected to open in FY2021
- Custom Lighting will be relocated to an exciting new showroom in Malvern (VIC)
- The growth of Beacon International into new markets with new products
- Beacon Lighting will support our customers as they continue to spend strongly on home improvements and home decorations







5

QUESTIONS





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## APPENDICES

## 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 Group 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 Group will not necessarily release publicly any revisions to any such forward-looking statement.

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The Group’s results are reported under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Group discloses certain Non-IFRS measures in this presentation, that are not audited or reviewed by the Group’s auditor. The Directors believe the presentation of Non-IFRS financial measures are useful for the users of this presentation as they provide additional and relevant information that reflect the underlying financial performance of the Group. Non-IFRS measures have been reconciled to the financial statements in Appendix 2 and Appendix 3.



# APPENDIX 2: RECONCILIATION OF THE FY2019 STATUTORY PROFIT TO THE UNDERLYING PROFIT

\$'000	Statutory FY2019 <sup>(1)</sup>	Less 53rd Week <sup>(2)</sup>	Less Parkinson DC <sup>(3)</sup>	Less BES <sup>(4)</sup>	Underlying FY2019 <sup>(5)</sup>
<b>Sales</b>	<b>245,750</b>	<b>4,520</b>		<b>8,892</b>	<b>232,338</b>
<b>Gross Profit</b>	<b>157,158</b>	<b>2,966</b>		<b>2,133</b>	<b>152,059</b>
<i>Gross Profit Margin %</i>	<i>64.0%</i>	<i>65.6%</i>			<i>65.4%</i>
<b>Other Income</b>	<b>1,655</b>	<b>25</b>			<b>1,630</b>
<i>% of Sales</i>	<i>0.7%</i>	<i>0.6%</i>			<i>0.7%</i>
<b>Operating Expenses <sup>(6)</sup></b>	<b>(129,173)</b>	<b>(2,522)</b>	<b>(605)</b>	<b>(2,375)</b>	<b>(123,671)</b>
<i>% of Sales</i>	<i>52.6%</i>	<i>55.8%</i>			<i>53.2%</i>
<b>EBITDA</b>	<b>29,640</b>	<b>469</b>	<b>(605)</b>	<b>(242)</b>	<b>30,018</b>
<i>EBITDA Margin %</i>	<i>12.1%</i>	<i>10.4%</i>			<i>12.9%</i>
<b>EBIT</b>	<b>25,132</b>	<b>375</b>	<b>(605)</b>	<b>(256)</b>	<b>25,618</b>
<i>EBIT Margin %</i>	<i>10.2%</i>	<i>8.3%</i>			<i>11.0%</i>
<b>Net Profit After Tax</b>	<b>16,044</b>	<b>241</b>	<b>(424)</b>	<b>(156)</b>	<b>16,383</b>
<i>NPAT Margin %</i>	<i>6.5%</i>	<i>5.3%</i>			<i>7.1%</i>

(1) Statutory FY2019 result was for a 53 week year based on the retail accounting calendar

(2) Eliminating the 53rd week in FY2019 based on the alignment of the retail marketing program to FY2018

(3) Eliminating one off non recurring costs associated with the establishment of the new Parkinson (QLD) Distribution Centre

(4) 52 week result for Beacon Energy Solutions (BES) in FY2019

(5) FY2019 52 week underlying result to be used as comparison to the FY2020 underlying result

(6) Operating Expenses excludes interest, depreciation and amortisation

# APPENDIX 3: RECONCILIATION OF THE FY2020 STATUTORY PROFIT TO THE UNDERLYING PROFIT

\$'000	Statutory FY2020 <sup>(1)</sup>	Less BES <sup>(2)</sup>	Less PDC Sale <sup>(3)</sup>	Less AASB 16 <sup>(4)</sup>	Underlying FY2020 <sup>(5)</sup>
<b>Sales</b>	<b>252,224</b>	<b>1,358</b>			<b>250,866</b>
<b>Gross Profit</b>	<b>161,197</b>	<b>(3,208)</b>			<b>164,405</b>
<i>Gross Profit Margin %</i>	<i>63.9%</i>	<i>(236.3%)</i>			<i>65.5%</i>
<b>Other Income</b>	<b>8,834</b>		<b>7,780</b>		<b>1,054</b>
<i>% of Sales</i>	<i>3.5%</i>				<i>0.4%</i>
<b>Operating Expenses <sup>(6)</sup></b>	<b>(107,501)</b>	<b>(1,915)</b>		<b>25,622</b>	<b>(131,208)</b>
<i>% of Sales</i>	<i>42.6%</i>	<i>141.0%</i>			<i>52.3%</i>
<b>EBITDA</b>	<b>62,530</b>	<b>(5,123)</b>	<b>7,780</b>	<b>25,622</b>	<b>34,251</b>
<i>EBITDA Margin %</i>	<i>24.8%</i>	<i>(377.3%)</i>			<i>13.7%</i>
<b>EBIT</b>	<b>38,066</b>	<b>(5,137)</b>	<b>7,780</b>	<b>5,609</b>	<b>29,814</b>
<i>EBIT Margin %</i>	<i>15.1%</i>	<i>(378.3%)</i>			<i>11.9%</i>
<b>Net Profit After Tax</b>	<b>22,225</b>	<b>(3,567)</b>	<b>5,423</b>	<b>1,241</b>	<b>19,128</b>
<i>NPAT Margin %</i>	<i>8.8%</i>	<i>(262.7%)</i>			<i>7.6%</i>

(1) Statutory FY2020 result for 52 Weeks

(2) Result for Beacon Energy Solutions in FY2020 which was being closed

(3) PDC Sale was for the sale of the Parkinson Distribution Centre in December 2019

(4) AASB 16 was for the introduction of AASB 16 Lease Accounting in FY2020

(5) FY2020 underlying result to be used as comparison to the FY2019 underlying result

(6) Operating Expenses excludes interest, depreciation and amortisation