



Beacon
LIGHTING

Beacon Lighting Group Limited

H1 FY2019 RESULTS PRESENTATION
19 FEBRUARY 2019

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1 RESULTS OVERVIEW

1 H1 FY2019 HIGHLIGHTS



- Group sales result at \$128.3m an increase of 4.8%
- High gross profit margins maintained at 64.9%
- Operating expenses % of sales declined to 50.1% (80 bps)
- Group EBITDA result at \$19.8m an increase of 5.4%
- Group NPAT result at \$11.6m an increase of 3.2%
- Opened three new company stores, closed one company store and purchased one franchised store
- Emerging Businesses sales increased by 57.0%
- Beacon Design Studio now available in 23 stores
- Launched smart lighting in stores, including Google Home, Amazon Echo, Lixf, Phillips Hue and Lucci Connect



1 H1 FY2019 RESULT



\$'000	H1 FY2018	H1 FY2019	Change \$	Change %
Sales	122,380	128,296	5,916	4.8%
Gross Profit	79,723	83,239	3,516	4.4%
<i>Gross Profit Margin %</i>	<i>65.1%</i>	<i>64.9%</i>		
Other Income	1,327	816	(511)	(38.5%)
<i>% of Sales</i>	<i>1.1%</i>	<i>0.6%</i>		
Operating Expenses ⁽¹⁾	(62,294)	(64,278)	(1,984)	3.2%
<i>% of Sales</i>	<i>50.9%</i>	<i>50.1%</i>		
EBITDA	18,756	19,777	1,021	5.4%
<i>EBITDA Margin %</i>	<i>15.3%</i>	<i>15.4%</i>		
EBIT	16,936	17,574	638	3.8%
<i>EBIT Margin %</i>	<i>13.8%</i>	<i>13.7%</i>		
Net Profit After Tax	11,282	11,646	364	3.2%
<i>NPAT Margin %</i>	<i>9.2%</i>	<i>9.1%</i>		

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



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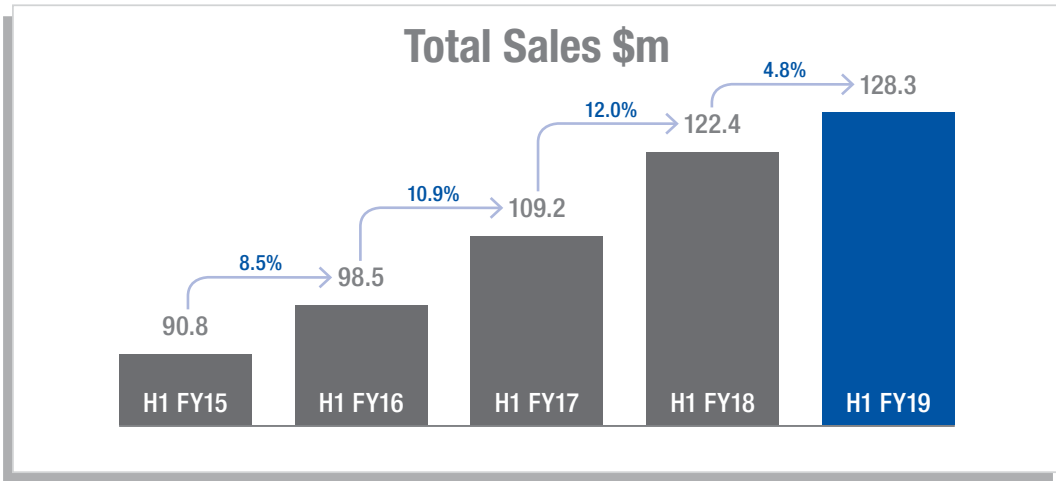
FINANCIAL RESULTS

2 SALES



SALES: \$128.3m Increased by 4.8%
COMPARATIVE SALES: Decreased by 0.6%

- Modest core business sales growth with the best result in QLD
- Emerging Businesses sales increased by 57.0%
- Record sales result for Beacon Energy Solutions, Online Sales Channels, Beacon International, Light Source Solutions Roadway and Masson For Light
- Comparative sales excluding impacted stores increased by 0.5%

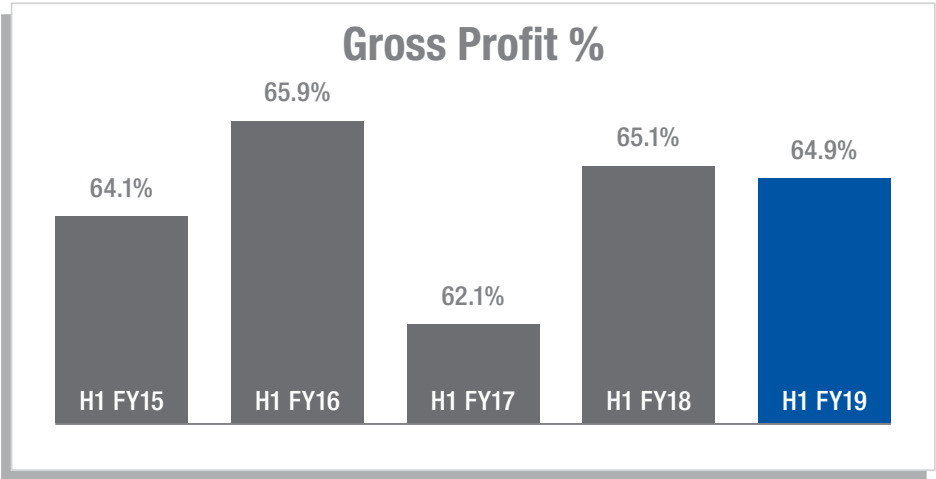
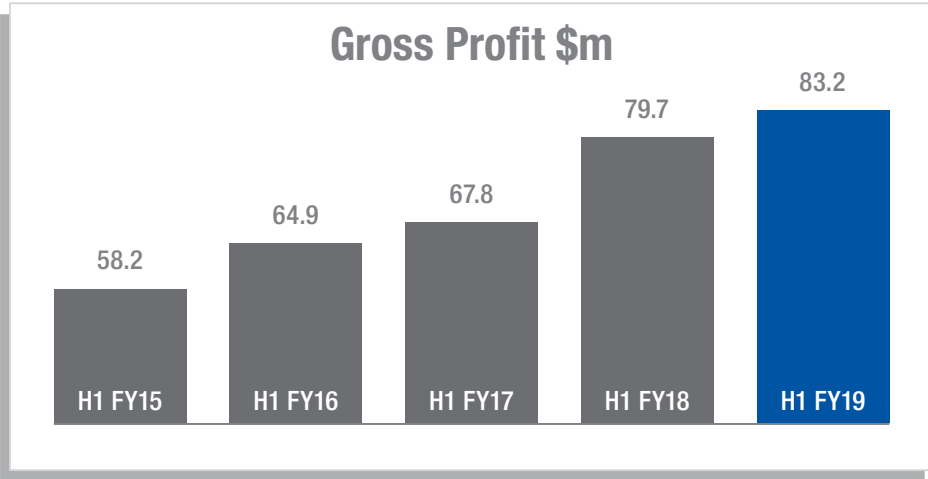


2 GROSS PROFIT



Gross Profit \$: Increased by 4.4% to \$83.2m

- Continued innovation in product development throughout all businesses has supported the Group gross profit dollars and margins
- Core Business margins in retail, commercial and wholesale have been maintained
- With the strong growth in Emerging Business sales, the margin mix of the Group is changing

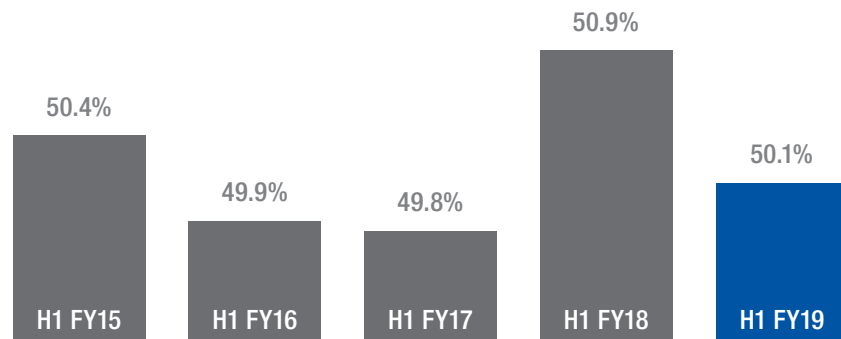


2 OPERATING EXPENSES / OTHER INCOME

OPEX: Decreased by 0.8% of Sales to \$64.3m

- Other Income continues to decline as franchised stores are converted into company stores
- Ongoing management of remuneration costs throughout the Group
- Energy savings achieved as a result of solar systems on stores and new energy contracts
- Continued investment in Selling and Distribution activities of the Group
- Productivity gains realised for Marketing and for General and Administration expenses

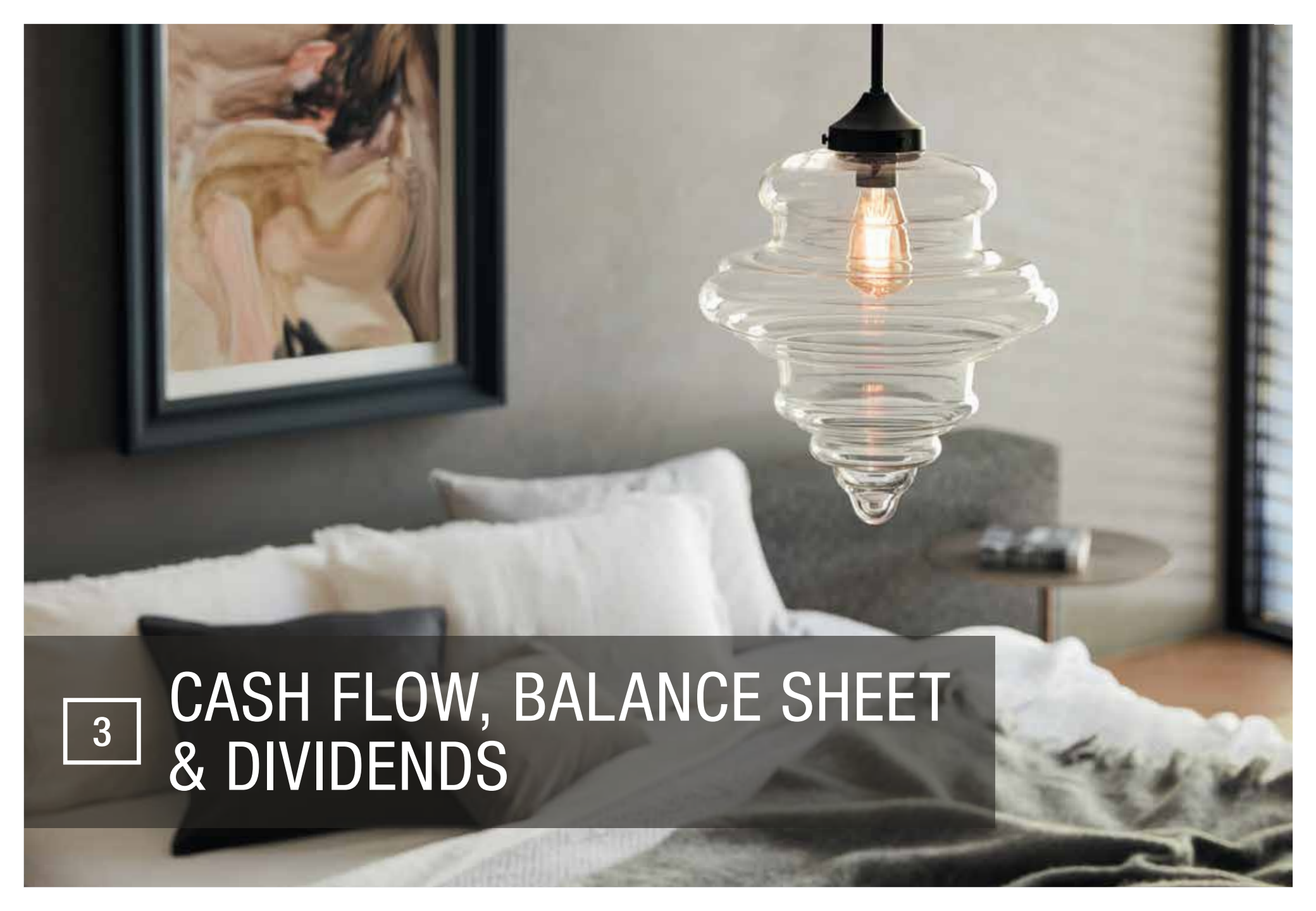
Operating Expenses % of Sales



\$'000	H1 FY2018	H1 FY2019	Change \$	Change %
Other Income	1,327	816	(511)	(38.5)%
<i>% of Sales</i>	1.1%	0.6%		

Marketing	7,201	7,052	(149)	(2.1)%
<i>% of Sales</i>	5.9%	5.5%		
Selling & Distribution	46,909	49,065	2,156	4.6%
<i>% of Sales</i>	38.3%	38.2%		
General & Admin.	8,184	8,162	(22)	(0.3)%
<i>% of Sales</i>	6.7%	6.4%		
Operating Expenses ⁽¹⁾	62,294	64,279	1,985	3.2%
<i>% of Sales</i>	50.9%	50.1%		

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



3 CASH FLOW, BALANCE SHEET & DIVIDENDS

3 CASH FLOW

- Strong operating cash flow continues to be generated
- Capital expenditure includes new stores \$1.7m and new QLD DC \$1.4m
- Total dividend \$5.4m: paid \$4.3m, dividends reinvested \$1.1m



\$'000	H1 FY2018	H1 FY2019
Cash Flow from Operations		
Receipts from Customers	135,438	140,142
Payments to Suppliers & Employees	(123,532)	(118,883)
Other	(764)	(946)
Income Tax Paid	(3,536)	(5,453)
Net Operating Cash Flow	7,606	14,860
Net Cash (Outflow) from Investing	(3,266)	(5,231)
Net Cash (Outflow) from Financing	(1,072)	2,751
Net Increase (Decrease) Cash	3,268	12,380

\$'000	H1 FY2018	H1 FY2019
Other Details		
Capital Expenditure / Acquisitions	(3,266)	(5,231)
Dividends Paid	(3,930)	(4,336)

3 BALANCE SHEET

- Inventories increased to support new stores, new supply chain and Emerging Businesses
- Receivables increased with the growth in the Emerging Businesses
- Cash and payables reflecting half year end date
- Borrowings in line with prior year



\$'000	H1 FY2018	H1 FY2019
Cash	16,193	23,051
Receivables	10,323	12,561
Inventories	59,582	67,641
Other	1,105	1,838
Total Current Assets	87,203	105,091
PPE	29,369	32,200
Intangible	10,880	11,320
Other	6,317	7,659
Total Non Current Assets	46,566	51,179
Total Assets	133,769	156,270
Payables	17,527	25,441
Borrowings	27,523	27,795
Other	8,324	10,084
Total Current Liabilities	53,374	63,320
Borrowings	5,604	5,622
Other	3,105	3,519
Total Non Current Liabilities	8,709	9,141
Total Liabilities	62,083	72,461
Net Assets	71,686	83,809

3 DIVIDENDS



- Paid fully franked dividend of 2.5 cents per share for H2 FY2018
- Declared a fully franked dividend of 2.55 cents per share for H1 FY2019 (compared to 2.5 cents per share for H1 FY2018)
- H1 FY2019 Dividend: Record date 4th March 2019, payment date 25th March 2019
- Annual payout ratio expected to be 50% to 60% of NPAT



4 GROWTH STRATEGIES

4 GROWTH STRATEGIES



STRATEGY		UPDATE
Brand and Customer	Beacon Lighting will continue to enhance the brand and the customer experience in order to increase differentiation and drive incremental sales	<ul style="list-style-type: none"> • Core range of more than 3,000 of the latest fashionable, technological advance and energy efficient lighting and fan products • 310 Accredited Lighting Design Consultants in the Group • 375,000 VIP Customers compared to 263,000 VIP Customers in H1 FY2018 • 26,500 Trade Club Customers compared to 22,300 Trade Club Customers in H1 FY2018 • 111 stores and online sales channel alignment providing customers with increased convenience and choice compared to 108 in H1 2018 • Beacon Lighting Design Studio service now operating in 23 stores compared with 19 in H1 FY2018 • Live and interactive Smart Lighting displays have been rolled out to 55 stores • Introduced a Fan installation service in all stores
Store Optimisation	Beacon Lighting will target the growth of sales and profit through the optimisation of the existing store network	<ul style="list-style-type: none"> • Since FY2014, 29 new company stores have opened which are yet to mature • Store rosters continue to be managed to better meet the needs of our customers • Installed 50 solar systems onto our stores in order to mitigate energy price increases • Re-negotiated better energy contracts with major utility providers

STRATEGY		UPDATE
New Store Rollout	Beacon Lighting will target the opening of 6 new company operated stores in Australia each year	<ul style="list-style-type: none"> • Opened 3 new company stores at Warrnambool (VIC), Mackay (QLD) and Moore Park (NSW) • Closed the Subiaco (WA) store • Store Network plan identified 175 stores (currently have 111 stores)
New Product Ranges	Beacon Lighting will offer an extensive range of the latest fashion, on trend, energy efficient and home automation lighting and fan product to our customers	<ul style="list-style-type: none"> • Designed and developed 358 exclusive new products for our customers • Introduced a complete Smart Lighting range including Google Home, Amazon Echo, Lixf, Phillips Hue and Lucci Connect • Continued expansion of the premium product along the classical and traditional ranges • Introduced the Buster & Punch brand of switches and power points to the retail stores
Online and Social Media	Beacon Lighting will continue to enhance our online presence in order to drive incremental sales	<ul style="list-style-type: none"> • Online sales increased by 22.2% across all online sales channels • Launched social shopping directly on Facebook and Instagram • Launched “Styled by Insta” feature on the website displaying influencer content on product pages • Continued to nurture strong relationships with social influencers including Three Birds Renovations who engage and endorse Beacon Lighting

STRATEGY		UPDATE
Emerging Businesses	Beacon Lighting will target the growth of sales and profits of the emerging businesses	<ul style="list-style-type: none"> • Emerging Businesses sales increased by 57.0% and trading contribution increased by 470.8% • Beacon Energy Solutions sales increased and continued to grow the future sales pipeline • Beacon International sales increased as the businesses continues to expand in the USA and Europe • Light Source Solutions Roadway sales increased by winning new customers and more market share from existing customers • Masson For Light sales increased in the architecture lighting market • Light Source Solutions Globes introduced the latest smart lighting solutions to the Australian and New Zealand markets
New Business Opportunities	Beacon Lighting will investigate and pursue local and international business opportunities that complement the core activities of the Group	<ul style="list-style-type: none"> • Agreed to purchase the ex Masters property in Parkinson (QLD) to operate as a Distribution Centre servicing the QLD and NSW markets and to realise significant supply chain and customer service benefits • Purchased the Underwood (QLD) franchise store and converted it into a company store



5 H2 FY2019 OUTLOOK

- As reported by other retailers, sales remain unpredictable
- Company comparative sales were positive in December and negative in January.
- Growth opportunities for the Emerging Businesses remain very exciting
- New Distribution Center at Parkinson (QLD) will become the home for QLD Commercial and begin servicing the QLD and NSW markets
- The Albury (NSW) franchised store was converted into a company store in January 2019
- Two new company stores at Modbury (SA) and Craigieburn (VIC) are expected to open
- Fortitude Valley (QLD) store will be relocated to a new larger location
- Exciting new product ranges will be introduced for the Core and the Emerging Businesses
- With unpredictable trading expected during H2 FY2019, Beacon Lighting is working towards delivering profits that are in line with FY2018





6

QUESTIONS

7 APPENDIX



- 1. Disclaimer
- 2. Financial Information



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

- H1 FY2019 was for the 26 weeks ending 23 December 2018
- H1 FY2018 was for the 26 weeks ending 24 December 2017
- H1 FY2017 was for the 26 weeks ending 25 December 2016
- H1 FY2016 was for the 26 weeks ending 27 December 2015
- H1 FY2015 was for the 26 weeks ending 28 December 2014