

# FULL YEAR RESULTS PRESENTATION

WELL POSITIONED FOR CONTINUED GROWTH

3 April 2017



- ② Introduction and overview John Hornby
- ② Financial review David Main
- ② Strategic progress and outlook John Hornby
- ② Questions

# 2016 OVERVIEW



Continued  
double digit  
revenue  
growth

Extremely  
strong  
performance  
across all  
segments

**140** new  
products  
brought to  
market

Additional  
manufacturing  
capacity

Expansion  
in Spain and  
Hong Kong

Continued LED  
growth

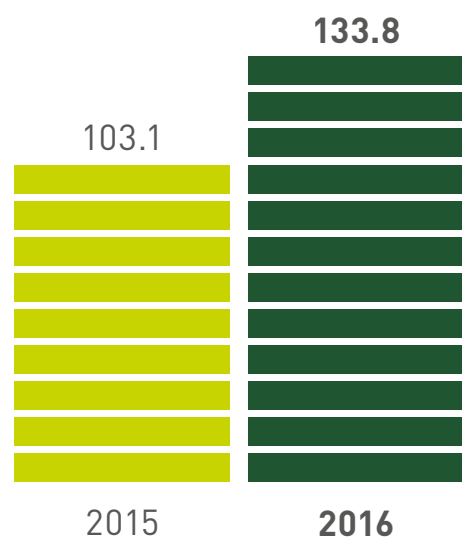
- ⊙ Strong delivery across all areas of the business
- ⊙ 10,000m<sup>2</sup> additional capacity built in China expanding the site to 52,500m<sup>2</sup>
- ⊙ Successful IPO has provided us with strong platform for further growth
- ⊙ Ambitious strategy for growth into new sectors and territories
- ⊙ Focus on expansion opportunity in LED lighting and wiring accessories
- ⊙ Trading in the new financial year has been stronger than expected, new business wins and a full pipeline of new product launches underpins our growth forecast

Luceco remains well placed to deliver another strong year  
of growth and profitability in line with its strategy

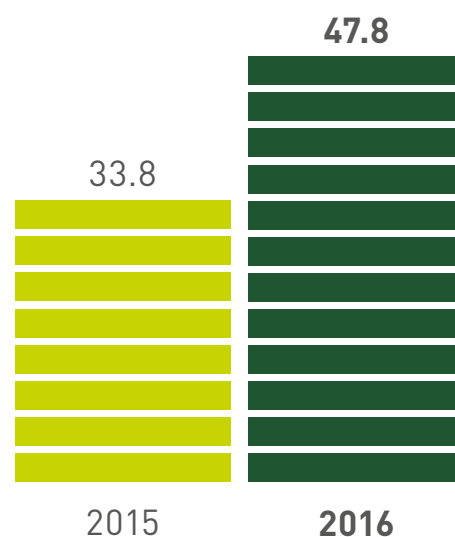
# FINANCIAL HIGHLIGHTS



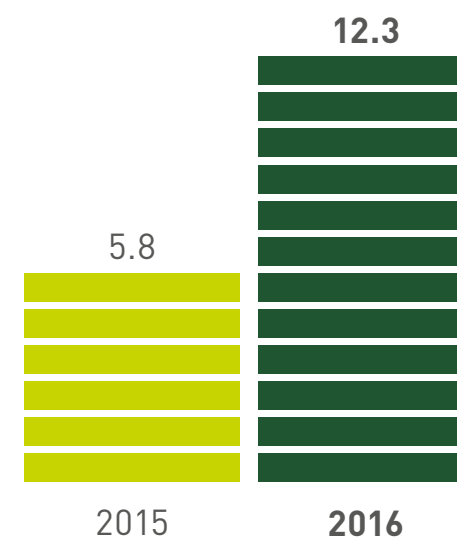
## Revenue (£m)



## Gross profit (£m)



## Adjusted profit after tax<sup>1</sup> (£m)



**Revenue  
growth**  
**29.8%**

**Gross margin**  
2015: 32.8%  
**2016: 35.7%**

**EPS<sup>1</sup>**  
2015: 4.2p  
**2016: 8.5p**

**ROCE<sup>1</sup>**  
2015: 21.2%  
**2016: 24.7%**

**Adjusted  
profit after  
tax growth<sup>1</sup>**  
**112.1%**

1. Stated before exceptional IPO costs.

2. EPS reflects the share subdivision and share issue that took place in 2016 (basic EPS 6.7p).

# WELL POSITIONED FOR CONTINUED GROWTH



# FINANCIAL OVERVIEW



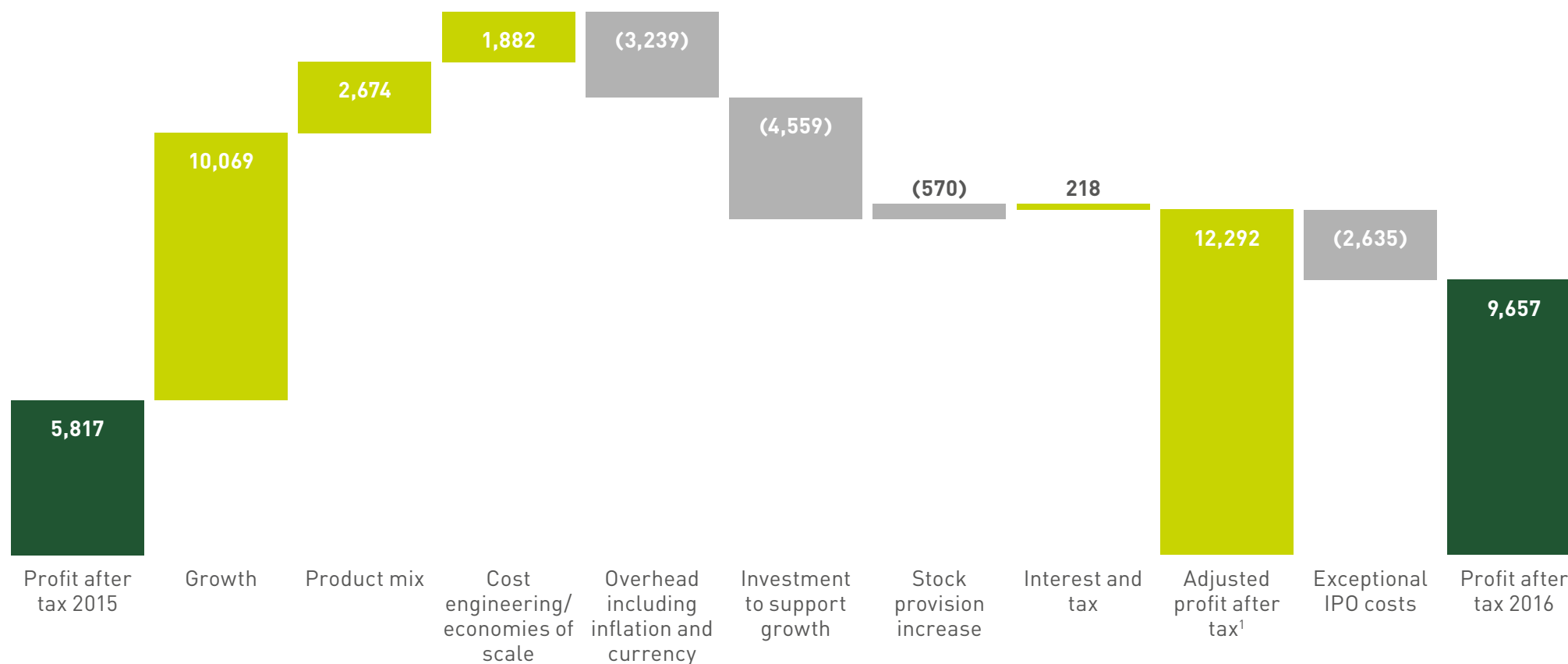
## HIGHLIGHTS



	2016	2015	Growth
Revenue	<b>£133.8m</b>	£103.1m	29.8%
Gross profit	<b>£47.8m</b>	£33.8m	41.4%
Gross margin	<b>35.7%</b>	32.8%	2.9ppt
Adjusted operating profit <sup>1</sup>	<b>£17.6m</b>	£11.5m	53.0%
Adjusted operating margin <sup>1</sup>	<b>13.2%</b>	11.2%	2.0ppt
Adjusted profit after tax <sup>1</sup>	<b>£12.3m</b>	£5.8m	112.1%
Adjusted EPS <sup>1,2</sup>	<b>8.5p</b>	4.2p	102.4%
Proposed final dividend	<b>0.3p</b>	–	n/a

1. Adjusted operating profit, adjusted operating margin and adjusted profit after tax represent operating profit, operating margin and profit after tax adjusted for exceptional IPO costs of £2.6m.
2. EPS reflects the share subdivision and share issue that took place in 2016 (basic EPS 6.7p).

# PROFIT AFTER TAX BRIDGE



1. Before charging exceptional IPO costs.



# SEGMENTAL PERFORMANCE

- 20 new products successfully launched for sale in all territories
- Further penetration of the Group's product range into the existing customer base
- Investment in overhead (NPD & Sales) to support future growth.

## LED Lighting

Revenue	£33.0m
	up 41.6%
Operating profit	£2.3m
	up 27.8%
Operating profit margin	7.0%
	decrease of 9.1%

- Significant new business wins in UK and Europe
- Continued range expansion

## Portable Power

Revenue	£33.2m
	up 15.3%
Operating profit	£3.4m
	up 17.2%
Operating profit margin	10.2%
	increase of 1.0%

## Wiring Accessories

Revenue	£62.2m
	up 29.9%
Operating profit	£11.3m
	up 76.6%
Operating profit margin	18.2%
	increase of 35.8%

- Further penetration of the Group's product range into the existing customer base
- Agreements signed with two major housebuilders

## Ross and other

Revenue	£5.3m
	up 71.0%
Operating profit	£0.6m
	up 200%
Operating profit margin	11.3%
	increase of 73.8%

- Production brought in-house and re-engineering, have reduced costs
- New retail contracts won

# SUMMARY CONSOLIDATED INCOME STATEMENT



	2016 £000	2015 £000
<b>Revenue</b>	<b>133,753</b>	103,055
<b>Gross profit</b>	<b>47,826</b>	33,834
Operating profit before exceptional IPO costs	17,645	11,451
Exceptional IPO costs	(2,635)	—
<b>Operating profit</b>	<b>15,010</b>	11,451
Net financing expense	(2,811)	(3,184)
<b>Profit before tax</b>	<b>12,199</b>	8,267
Taxation	(2,542)	(2,450)
<b>Profit for the year</b>	<b>9,657</b>	5,817
<b>Earnings per share (pence)</b>		
Basic	6.7p	4.2p

- Revenue growth of £30.7m (29.8%), £22.8m (22.1%) on a constant currency basis
- Gross margin improved to 35.8%
- Natural hedge at gross profit level, impact of currency movements is £(0.1)m
- Operating profit includes £(1.1)m currency impact on overheads. No significant plc costs in 2016
- Exceptional items represent one-off IPO costs of £2.6m
- Interest cost reduced due to repayment of shareholder loans and Chinese debt
- Effective tax rate reduced from 29.6% to 20.8% as tax planning measures were executed in the year

# SUMMARY CONSOLIDATED BALANCE SHEET



	2016 £000	2015 £000
<b>Non-current assets</b>	<b>33,698</b>	27,452
<b>Current assets</b>	<b>71,946</b>	52,807
<b>Total assets</b>	<b>105,644</b>	80,259
<b>Current liabilities</b>	<b>55,161</b>	52,241
<b>Non-current liabilities</b>	<b>12,145</b>	25,466
<b>Total liabilities</b>	<b>67,306</b>	77,707
<b>Net assets</b>	<b>38,338</b>	2,552
<b>Total equity</b>	<b>38,338</b>	2,552

- Non-current assets increased due to investment in further manufacturing capacity
- Increase in current assets due to revenue growth and also investment in stock to support future growth across all geographies
- Current liabilities are higher as increase in trade creditors is partially offset by reduction in borrowings
- Non-current liabilities reduction due to repayment of debt following the IPO

# CASH FLOW



	2016 £'m	2015 £'m
<b>Adjusted EBITDA</b>	<b>20.8</b>	14.0
<b>Adjusted Operating Cash flow</b>	<b>6.6</b>	8.3
<b>Cash conversion</b>	<b>31.7%</b>	59.3%
<b>Tax paid</b>	<b>(1.3)</b>	(1.0)
<b>Financing inflows</b>	<b>4.2</b>	0.8
<b>Capital expenditure</b>	<b>(7.7)</b>	(5.3)
<b>Exchange rate fluctuations</b>	<b>0.1</b>	(0.2)
<b>Net cash flow before exceptional IPO costs</b>	<b>1.9</b>	2.6
<b>Exceptional IPO costs paid</b>	<b>(2.5)</b>	0
<b>Net cash flow</b>	<b>(0.6)</b>	2.6

- ⊙ Funds tied up in working capital increased by £14.6m to £37.7m. £5.8m increase due to currency. Working capital major focus for 2017
- ⊙ Constant currency cash conversion 59.6%
- ⊙ Net inflow of funds and debt reduction post IPO
- ⊙ Increased capital expenditure due to expansion of manufacturing facility
- ⊙ Pre exceptional IPO costs net cash flow yoy decrease of £(0.7)m

Adjusted EBITDA ( earnings before interest, tax, depreciation and amortisation

Adjusted operating cash flow is defined as adjusted EBITDA plus/minus movements in working capital

Cash conversion s defined as adjusted operating cash flow divided by adjusted EBITDA

# STRATEGIC PROGRESS



# OVERVIEW



## ◎ Fully integrated model

- Wholly-owned Chinese manufacturing with local know-how and expertise
- High quality, low-cost manufacturing; supply chain aligned to client needs

## ◎ Established routes to market

- Highly regarded UK business; quality blue-chip customer base
- Expanding UK and international sales networks; well placed for LED growth opportunity

## ◎ Rapid growth in the LED market

- Well positioned to continue impressive organic growth trajectory
- Consolidation opportunities in a fragmented market
- Total global market opportunity of US\$70 billion by 2019; UK market £1.2 billion by 2019

## ◎ Culture of innovation with focus on execution

- Development of China facility, well invested for future growth
- Innovative and expanding product ranges within wiring accessories and portable power; Anglo-Chinese research and development team able to meet customer demands
- Strong pipeline of new products to bring to market

## ◎ Track record of financial delivery

- Significant growth in revenue and operating profit achieved

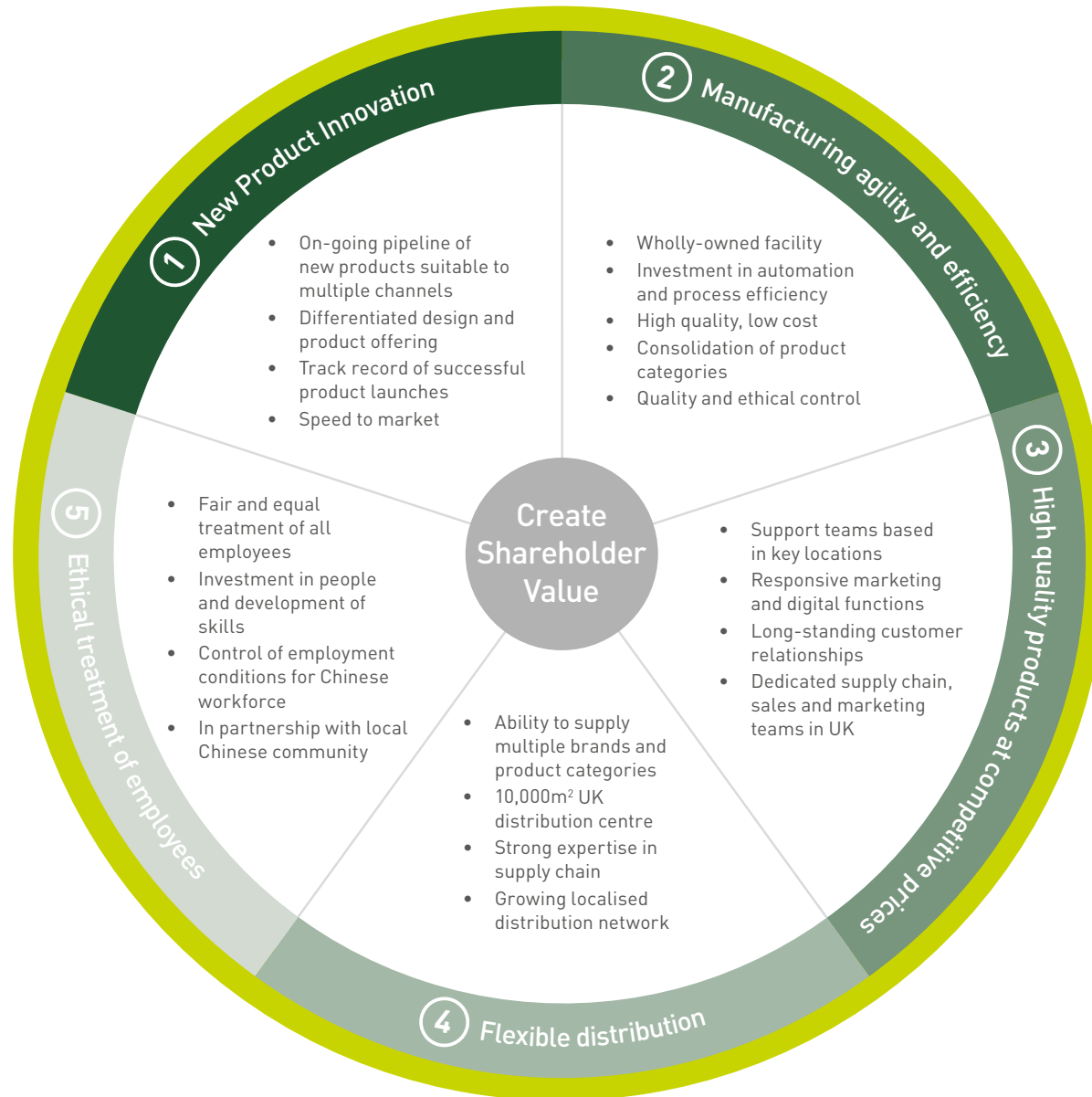
Number of  
employees  
c2000

R&D<sup>2</sup>  
staff  
c68

Number  
of product  
innovations 2016  
140

Number of  
customers  
c1,100

# WELL POSITIONED FOR FUTURE GROWTH



## PRODUCT INNOVATION



- Recessed Architectural Panel for typical office and school ceilings.



- Emergency Exit lights, for safe and legal lighting during power outages.



- Continuous Linear Light system for corridors, schools and offices



- Eco Warehouse light, for lighting racking and large areas



- Waterproof Warehouse Light, Used for food storage and industrial areas



- Commercial High Power Floodlight, for lighting car parks and outdoor spaces

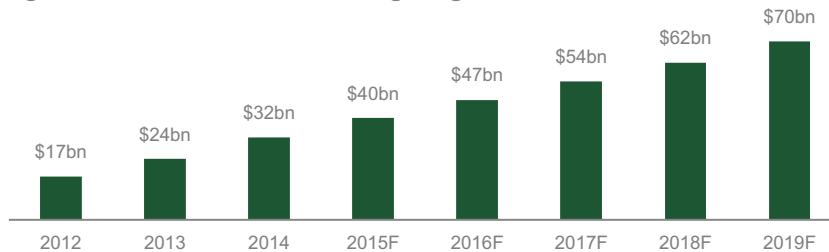


# GROWTH DRIVERS – LED

## Compelling benefits of LED provides once in a generation disruptive technology

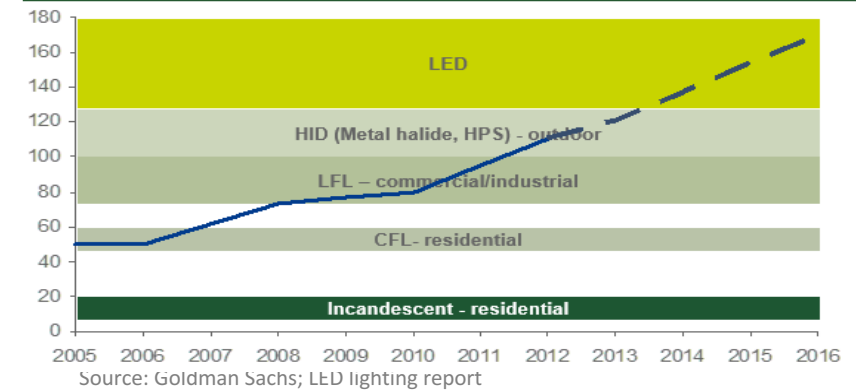
### Global LED lighting market and size

- © Rapidly growing LED market: office and industrial applications will grow fastest with retrofit LED lighting



Source: Frost & Sullivan; World LED Lighting Market (2015 Update)

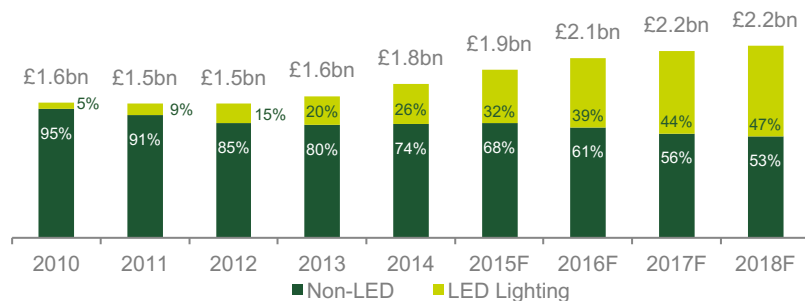
### Efficacy by lighting technology, Lumens/Watt



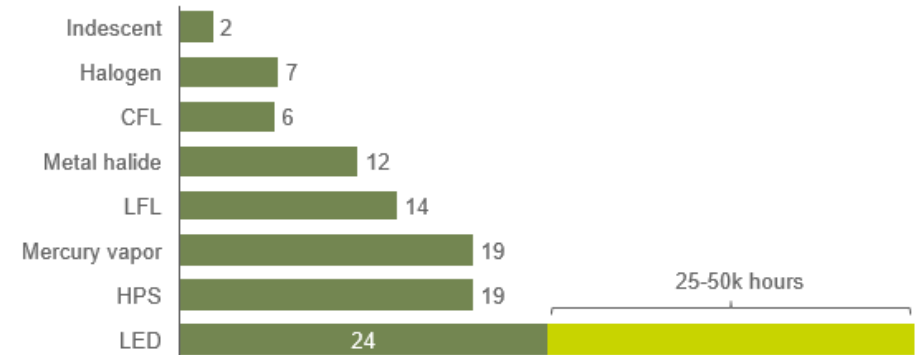
Source: Goldman Sachs; LED lighting report

### UK lighting market - LED taking market share

- © LED is taking market share from other lighting sources



### Lifetime by lighting technology ('000s hours)



Source: US Department of Energy SSL forecasts

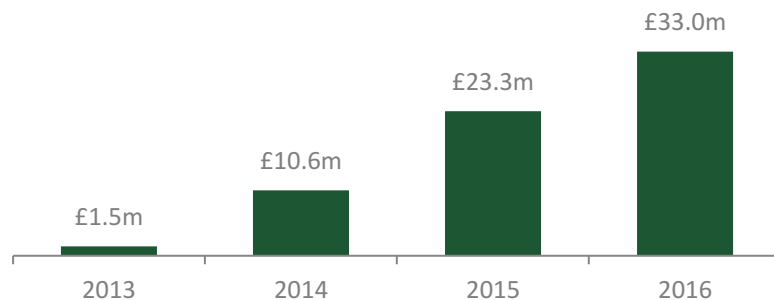
# GROWTH DRIVERS – LED

... with Luceco ideally positioned to outperform the market

## Key market growth drivers...

- ⊙ Technology disruption creates market entry opportunity both in terms of product and people.
- ⊙ LEDs increasingly efficient with improving ROIs
- ⊙ LED retrofit – significant additional activity in the commercial and public sector lighting space
- ⊙ Supportive legislation
  - Bans on incandescent bulbs in many jurisdictions including EU, USA and China
  - Energy efficiency laws set to further proliferate

## ⊙ Track record of growth: Luceco invoiced sales



Note: Company 2011 and 2012 financials stated in UK GAAP, 2013-2015 financials under IFRS.

## ... and how Luceco takes advantage

- ⊙ LED provides only upside
  - No traditional lighting business unlike many competitors so no cannibalism or conflict of interest.
  - Leveraging established customer base
- ⊙ Almost all current customers have the ability to distribute LED
  - Wholesale – Access via existing UK wholesale/trade distribution channels as a trusted vendor
  - Retail – sales of domestic LED lamps and floodlights etc. through existing customers and expanding cross border
  - Projects – new channel with significant potential
- ⊙ Low cost manufacturing at own China factory
  - Concept designs from Europe/US Product Managers
  - 40+ person LED engineering team at own factory
  - Strong pipeline of new product launches in 2016
  - Flexibility to increase production capacity when current site is expanded

# GEOGRAPHY



1. Research and development ("R&D").

## UK Expansion

- ⊙ **Consolidation of UK market**
- ⊙ Fragmented domestic electricals manufacturing sector
- ⊙ Provides additional product to push through existing distribution channels
- ⊙ Enables cost savings through accessing Chinese operations
- ⊙ Multiple opportunities identified to supplement organic growth in the UK

## International Expansion

- ⊙ **Chinese manufacturing facilities**
  - ⊙ Consolidation of manufacturing process / supply chain to:
  - ⊙ Control / de-risk
  - ⊙ Gain international market access
  - ⊙ Achieve economies of scale
- ⊙ **Access to overseas markets**
  - ⊙ Allows existing products to be marketed to new customers securing economies of scale
  - ⊙ Ability to tap into established customer bases abroad
  - ⊙ De-risks entry into new geographies
  - ⊙ Target synergies leveraging recently expanded China facility

Bolt on acquisitions to supplement organic growth

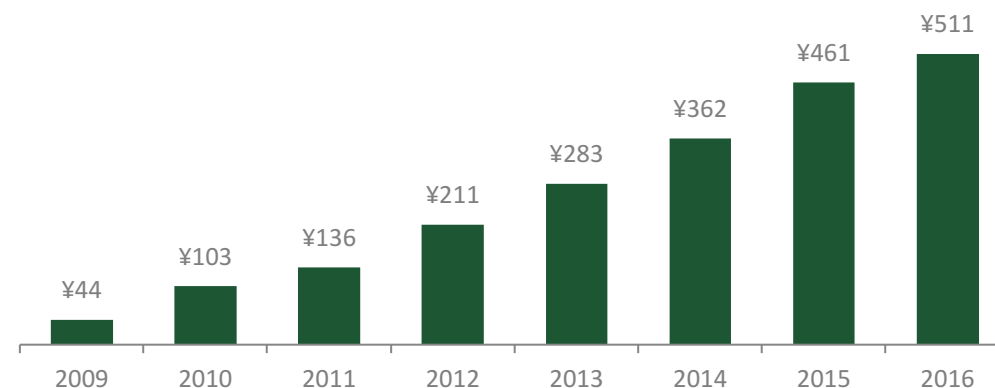
# CHINA UPDATE – FACILITY'S COMPETITIVE ADVANTAGE



## LUCECO'S MAIN MANUFACTURING FACILITY

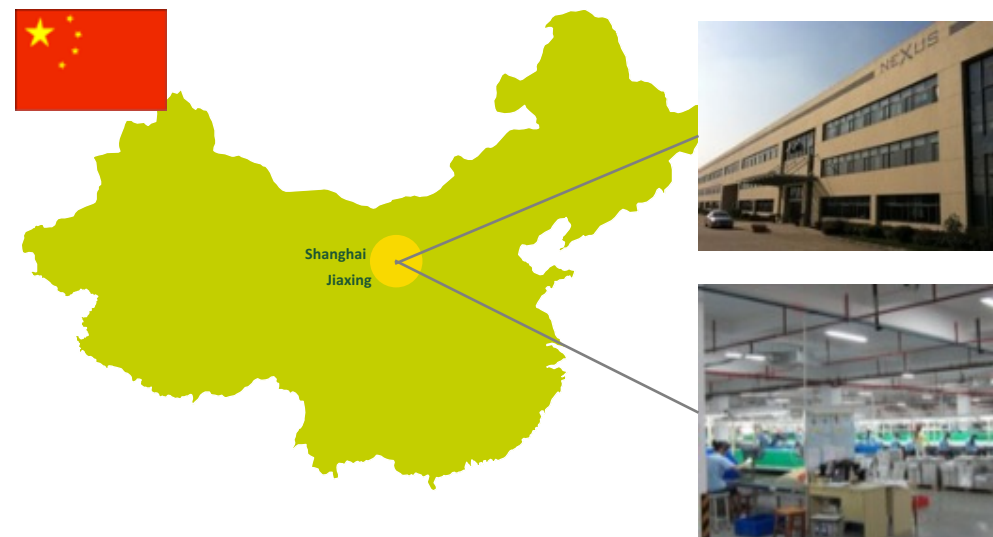
- ⊙ Wholly-Owned Foreign Enterprise (“WFOE”) based in Jiaxing, near Shanghai
- ⊙ Decision taken by management in 2007 to invest in own facility – started production in 2008
- ⊙ Well invested with c.£20m invested to date
- ⊙ Workforce of c.2,000 employees
- ⊙ The Chinese facility has been expanded to 52,500m<sup>2</sup> capacity
- ⊙ Key benefits:
  - Low-cost R&D and manufacturing
  - High quality control
  - Supply chain efficiency
  - Marketing benefit with blue-chip retailers
- ⊙ 60%+ of Group product now manufactured at own factory
- ⊙ The Company has well established relationships with Chinese suppliers including a 15 year relationship with the other main supplier in Ningbo
- ⊙ LED commenced at own factory in 2014 and in 2016 management believe this represented approximately 30% of Chinese factory turnover – set to grow through new product pipeline and increased sales activity

## CHINESE SUBSIDIARY TURNOVER GROWTH<sup>1</sup> (m)



1. GBP/RMB = 9.45

## WELL LOCATED SITE



Note: Company 2011 and 2012 financials stated in UK GAAP, 2013-2015 financials under IFRS.

# SUMMARY AND OUTLOOK



# 2016 SUMMARY



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Luceco remains well placed to deliver another strong year  
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- ⊙ Trading in the new financial year has started stronger than expected
- ⊙ Group continues to grow market share in the UK and other, newer markets, at margins in line with expectations.
- ⊙ Growth forecasts for 2017 underpinned by
  - A strong order book
  - New business wins
  - Full pipeline of new product launches

Confident in our ability to build on our strong 2016 performance



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