

FULL YEAR RESULTS PRESENTATION

MAY 2018



- ① Introduction and overview
- ① Financial review
- ① Questions

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INTRODUCTION



Who we are

- ⊙ Luceco is a rapidly growing manufacturer and distributor of high quality and innovative LED lighting products, wiring accessories and portable power products for a global customer base
 - Luceco and Kingfisher: Lighting energy efficient LED lighting products and associated accessories;
 - British General: wiring accessories (including switches, sockets), circuit protection and cable management products;
 - Masterplug: cable reels, extension leads, surge protection, timers and adaptor products; and
 - Ross: television wall mounts, audio visual accessories and other items.

What we do

- ⊙ Luceco operates a fully integrated model, which includes wholly-owned manufacturing and product development facilities in the UK and China. This enables the Group to maintain tight control over its cost base and the quality of its products, while allowing new products to be brought to market quickly



£167.6m
2016: £133.7m



Established
UK and International sales network



Employees
c. 2150 employees worldwide



Brands
5 strong brands



Integrated model
Wholly owned manufacturing and supply chain



Scalable & defensive
Business with high barriers to entry

Operational

- ⊙ Broad-based revenue growth across all product categories
- ⊙ Continuing investment in higher margin sales opportunities in the UK
- ⊙ Further investment in international sales presence
- ⊙ Acquisition of Kingfisher Lighting
- ⊙ New CFO, Matt Webb
- ⊙ Expansion of product ranges and a strong pipeline of new product launches
- ⊙ Continuing expansion of Chinese manufacturing capacity

Financial

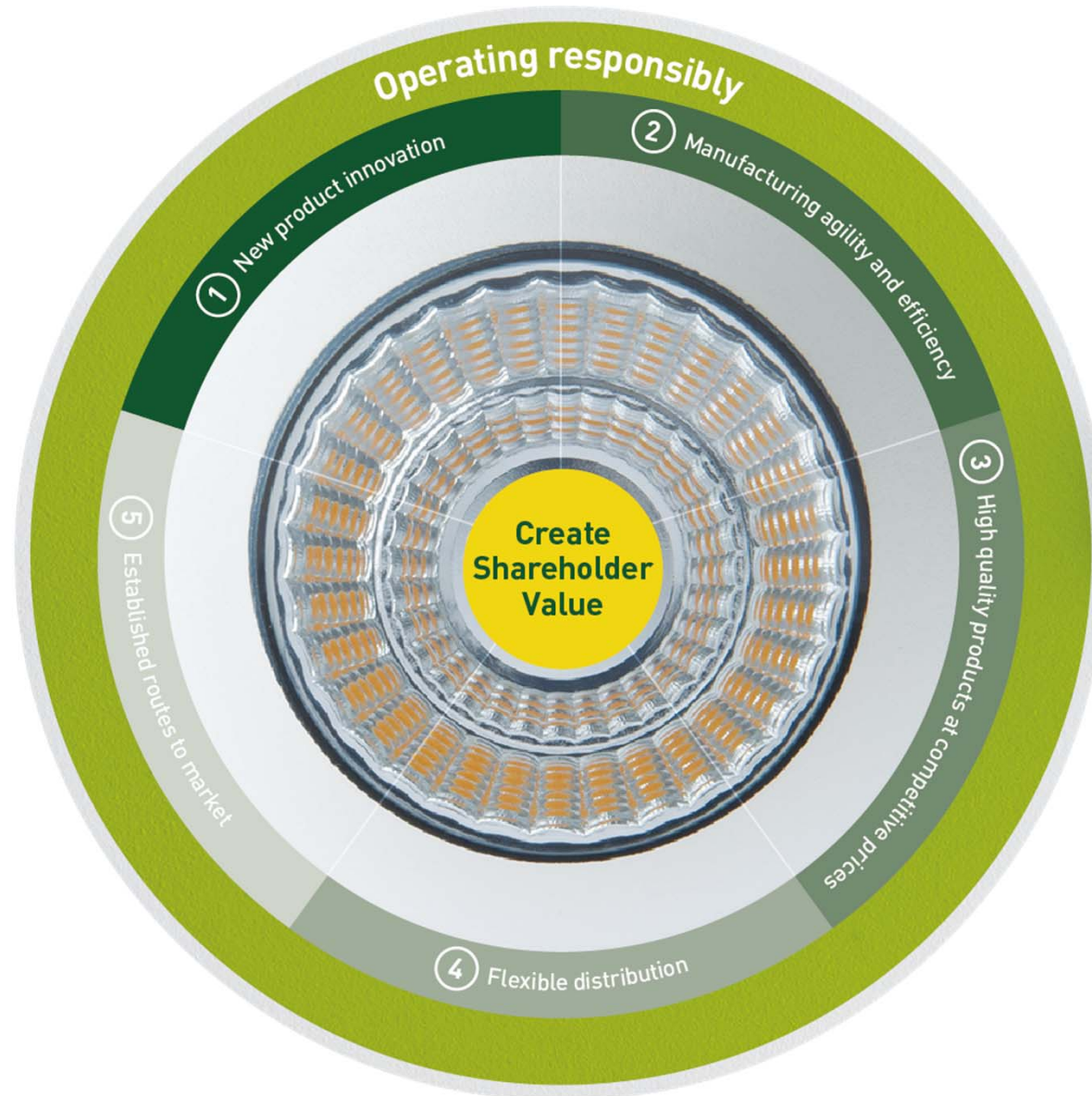
- ⊙ Revenue increased in the year by 25.4% to £167.6m (2016: £133.7m)
- ⊙ On a constant currency basis, revenue grew by 21.7%
- ⊙ Adjusted¹ gross margin reduced by 140 bps to 28.9%
- ⊙ Adjusted¹ operating profit increased to £14.7m (2016²: £14.5m)
- ⊙ Adjusted¹ basic and diluted EPS increased to 6.5p per share (2016²: 6.4p per share)
- ⊙ Net debt increased by £7.2m to £36.7m due to Kingfisher Lighting acquisition
- ⊙ Cutting final dividend – will revisit at interim 2018
- ⊙ Successful refinancing in early 2018

Challenging period for the business but competitive position remains strong

1. Alternative performance measure for definitions see Appendix

2. Prior year financials restated to correct errors found in previously reported inventory and inter-company balances

WELL POSITIONED FOR CONTINUED GROWTH



FINANCIAL OVERVIEW



INCOME STATEMENT



£m	Adjusted ¹ 2017	Adjusted ¹ 2016
Revenue	167.6	133.7
Growth %	25.4%	29.8%
Gross profit	48.4	40.5
GM %	28.9%	30.3%
Overhead costs	(33.7)	(26.0)
Operating profit	14.7	14.5
OM %	8.8%	10.8%
Finance expense	(1.9)	(2.8)
Profit before taxation	12.8	11.7
Taxation	(2.3)	(2.5)
Profit for the year	10.5	9.2
%	6.3%	6.9%
Basic EPS (pence)	6.5p	6.4p
EBITDA	19.1	17.7

- ⊙ Prior year co-operatives restated² – explained later
- ⊙ Continued strong revenue growth of 25.4%
- ⊙ 140 bps reduction in gross margin due to input cost increases not passed on
- ⊙ Adjusted overhead growth of 29.6% reflects FX headwind, acquisitions and revenue investment
- ⊙ Adjusted operating profit £0.2m better than last year at £14.7m
- ⊙ Adjusted EPS 0.1p better than last year at 6.5p

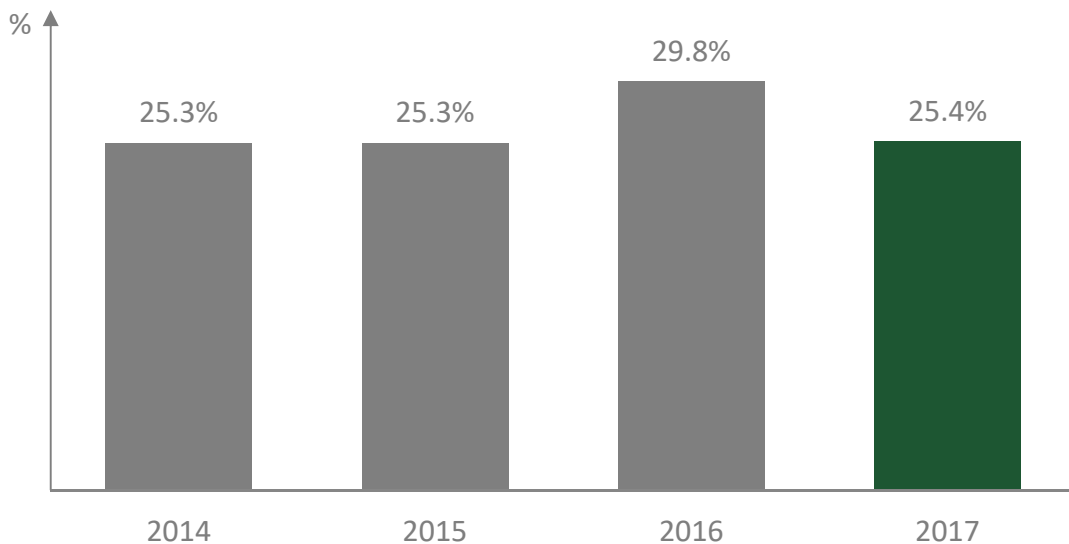
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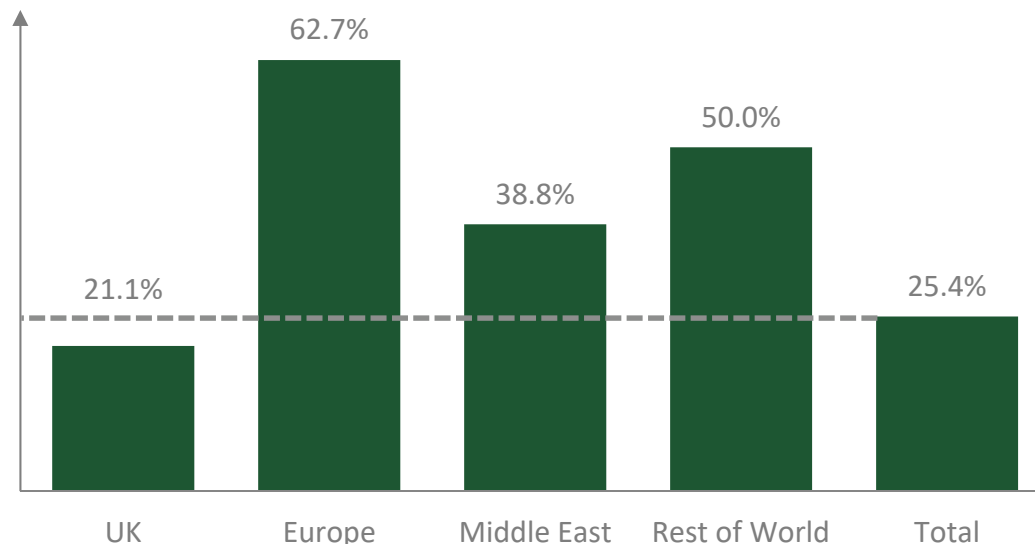
2017 REVENUE GROWTH



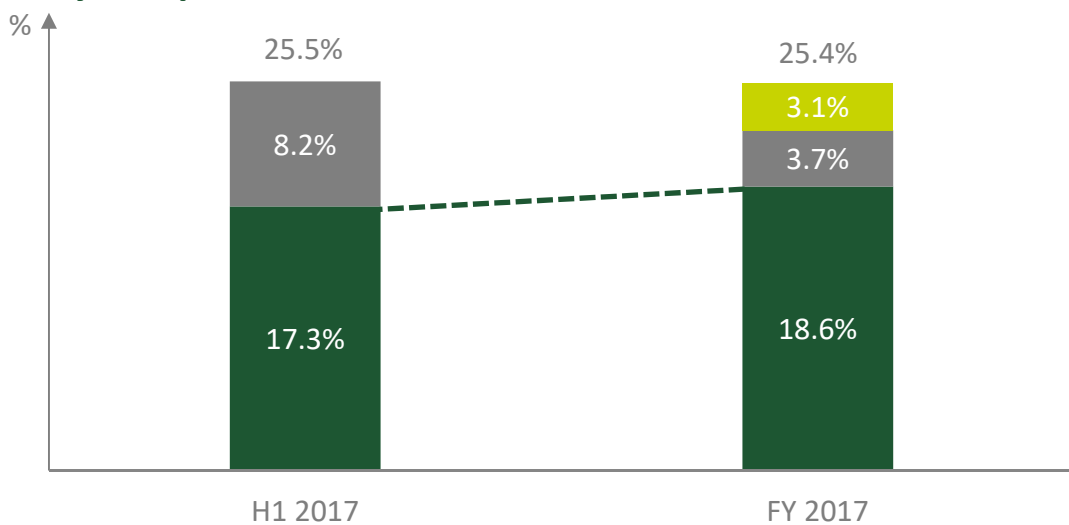
By year



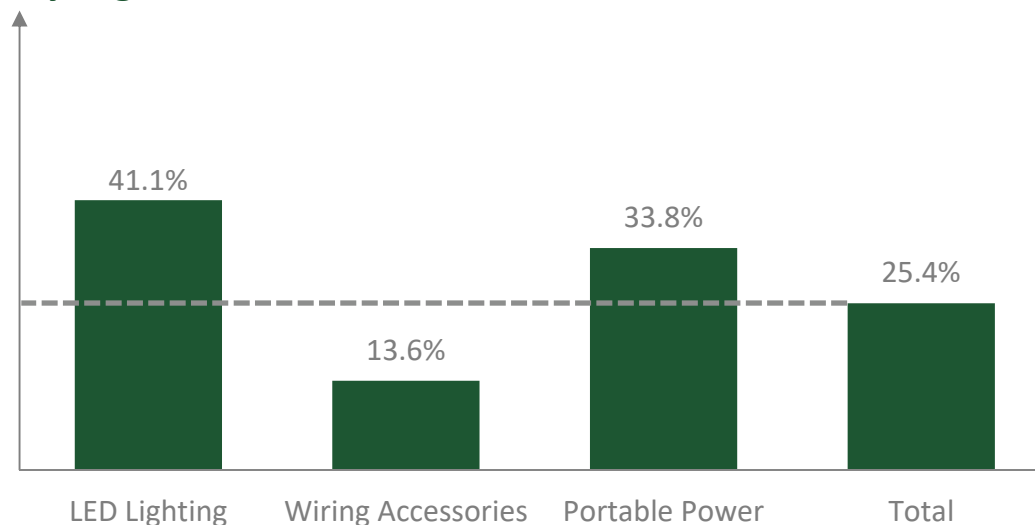
By country



By component



By segment

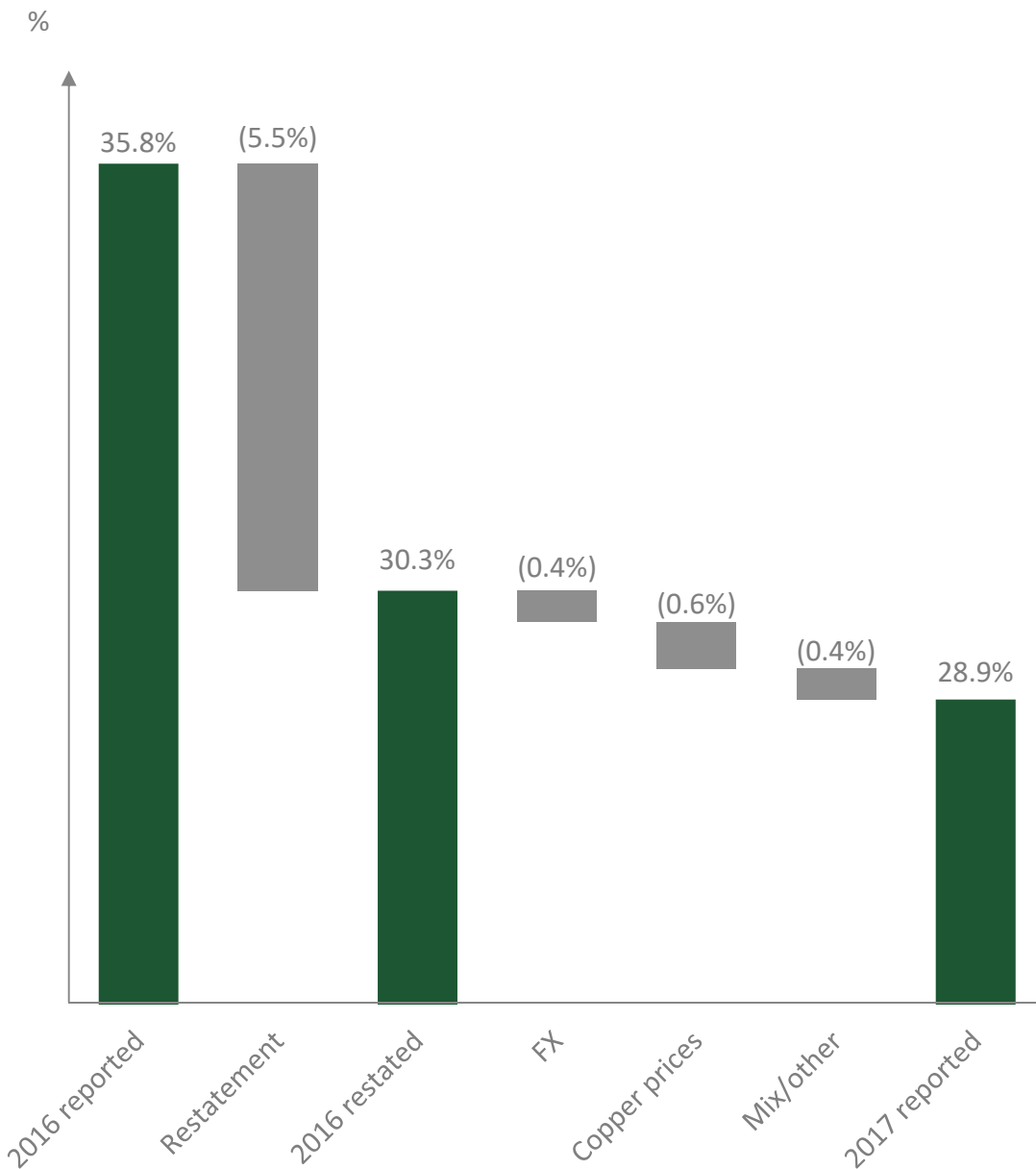


■ Organic ■ FX ■ Acquisitions

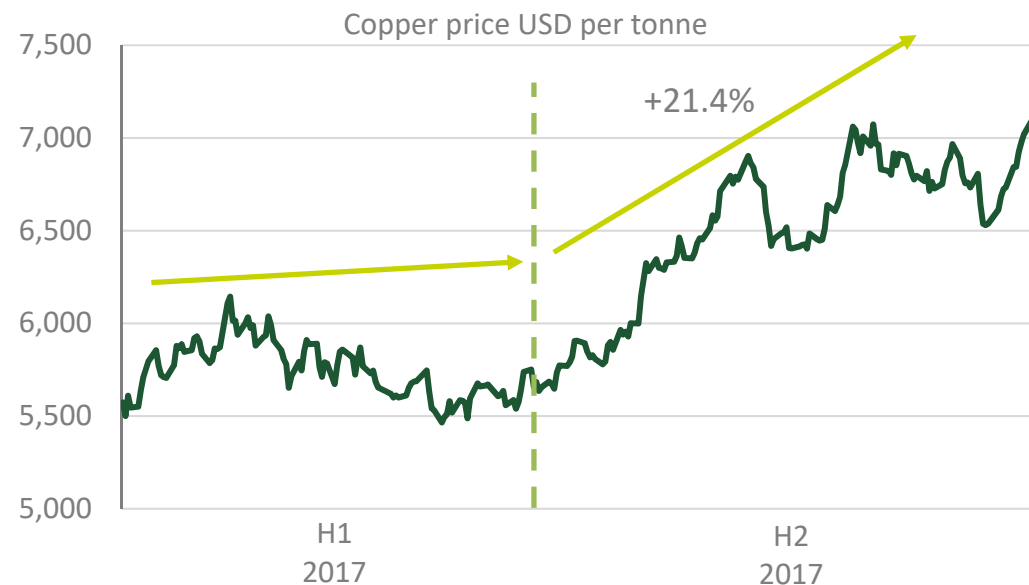
GROSS MARGIN



Gross margin bridge



Copper price per tonnes



USD:CN¥



SEGMENTAL PERFORMANCE



LED Lighting

£m	2017	2016	Chg '17 v '16	Chg %
Revenue	47.4	33.6	13.8	41.1%
Adjusted operating profit	2.3	2.5	(0.2)	(8.0)%
Adjusted operating margin	4.9%	7.4%		(250) bps

- ⊙ Acquisition of Kingfisher Lighting
- ⊙ Revenue growth of 41.1%
 - 29% organic
 - 12% from acquisitions
 - Reduction in gross margin driven by foreign exchange movements
- ⊙ Strong growth in international markets
- ⊙ Continental investment in product development and technical lighting capabilities
 - 31 new products launched
 - 22 sales employees across International offices

Wiring Accessories

£m	2017	2016	Chg '17 v '16	Chg %
Revenue	72.7	64.0	8.7	13.6%
Adjusted operating profit	10.3	9.4	0.9	9.6%
Adjusted operating margin	14.2%	14.7%		(50) bps

- ⊙ Continued UK market share gains, particularly in Trade segment
- ⊙ Consistent double-digit growth throughout the year and decent profit conversion
- ⊙ Continued product development
 - European wiring standards
 - Wi-fi repeaters
 - IoT devices

SEGMENTAL PERFORMANCE



Portable Power

£m	2017	2016	Chg '17 v '16	Chg %
Revenue	41.6	31.1	10.5	33.8%
Adjusted operating profit	2.0	2.2	(0.2)	(9.1)%
Adjusted operating margin	4.8%	7.1%		(230) bps

- ⊙ Strong revenue growth underpinned by UK market share gains and international expansion
- ⊙ Margins significantly impacted by copper price inflation in H2 2017

Ross and other

£m	2017	2016	Chg '17 v '16	Chg %
Revenue	5.9	5.0	0.9	18.0%
Adjusted operating profit	0.1	0.4	(0.3)	(75.0)%
Adjusted operating margin	1.7%	8.0%		(630) bps

- ⊙ Continued investment to bring production in-house and reduce costs
- ⊙ Significant Retail contracts won due to re-engineered product range

PRIOR YEAR RESTATEMENT AND COST RECLASSIFICATION



£m	Previously reported 2016	Inventory allocation	Interco rec	Sub total 2016	Reclass of costs	Restated 2016
Revenue	133.7			133.7		133.7
Cost of sales	(85.9)	(1.4)	(1.6)	(88.9)	(4.3)	(91.6)
Gross profit	47.8	(1.4)	(1.6)	44.8	(4.3)	40.5
GM %	35.8%			33.5%		30.3%
Overhead costs	(32.9)			(32.9)	4.3	(28.6)
Operating profit	14.9	(1.4)	(1.6)	11.9	-	11.9
OM%	11.1%			8.9%		8.9%
Finance expense	(2.8)			(2.8)		(2.8)
Profit before tax	12.1	(1.4)	(1.6)	(9.1)		9.1
Taxation	(2.5)			(2.5)		(2.5)
Profit for the year	9.6	(1.4)	(1.6)	6.6	-	6.6
%	7.2%			4.9%		4.9%
Basic EPS (pence)	6.7p			4.6p		4.6p

- ⊙ Two types of adjustment made to 2016 comparatives:
 - Correction of accounting errors
 - Reclassification of Chinese overheads to COGS
- ⊙ Two historic errors corrected:
 - Inventory valuation:
 - Too much overhead absorbed into inventory
 - Same issue as that reported in Dec 2017 Trading Update
 - Inter-company balance reconciliation
 - UK/China balances not correctly reconciled and eliminated from Group accounts
- ⊙ Both errors due to manual process environment
- ⊙ 2017 balance sheet reviewed thoroughly
- ⊙ Process changes already made and more underway

KINGFISHER LIGHTING ACQUISITION



- ⊙ Nationwide UK supplier of exterior lighting products:
 - Road and street LED lighting systems and controls
 - High mast LED luminaires
 - Provider of installation and maintenance services
- ⊙ Kingfisher Lighting acquired for £9.7m on a cash free, debt free basis
- ⊙ Funded through existing financing facilities
- ⊙ Transaction & restructuring costs of £0.5m treated as exceptional
- ⊙ £8.9m of intangible assets (goodwill; customer relationships and tradename)
- ⊙ Post acquisition contribution to FY2017 Group performance:
 - Revenue £4.1m
 - Operating profit £0.5m
- ⊙ Management estimates of full year impact:
 - Revenue £11.7m
 - Operating profit £1.6m
- ⊙ Integration into the LED operating segment

BALANCE SHEET



£m	2017	2016	Chg '17 v '16	Chg %
Non-current assets				
Intangible assets	23.7	12.9	10.8	83.7%
Tangible assets	23.5	20.6	2.9	14.1%
Deferred tax	–	0.2	(0.2)	–
	47.2	33.7	13.5	40.1%
Current assets				
Stock	44.2	35.4	8.8	24.9%
Debtors	36.7	29.3	7.4	25.3%
Cash	5.6	4.1	1.5	36.6%
	86.5	68.8	17.7	25.7%
Creditors				
Trade creditors	(49.6)	(35.4)	(14.2)	-40.1%
Other creditors	(42.4)	(22.2)	(20.2)	-91.0%
Creditors < 1 year	(92.0)	(57.6)	(34.4)	59.7%
Creditors > 1 year	(1.7)	(12.1)	13.4	110.7%
Net assets	40.0	32.8	7.2	
NWC	28.0	26.5	1.5	5.7%
Net debt	(36.7)	(29.5)	(7.2)	-24.4%
Stock days	135	138		
Debtor days	63	61		
Creditor days	111	106		

- ⊙ Kingfisher Lighting acquired for £9.7m, including £8.9m of intangibles
- ⊙ Modest growth in working capital relative to revenue
- ⊙ Slight improvement in inventory days, with more targeted for 2018
- ⊙ Debtor book remains well controlled
- ⊙ Creditor days extended
- ⊙ Net debt increase due to acquisition

CASH FLOW



£m	2017	2016	Chg '17 v '16	Chg %
Adjusted EBITDA	19.1	17.7	1.4	7.9%
Adjustments	(0.5)	(2.6)	2.1	19.2%
EBITDA	18.6	15.1	3.5	23.2%
NCF from operations	20.3	3.9	16.4	420.5%
Tax paid	(3.1)	(1.3)	(1.8)	138.5%
Financing inflows	5.9	4.2	1.7	40.5%
Dividends paid	(1.8)	–	(1.8)	0.0%
CAPEX	(10.0)	(7.6)	(2.4)	31.6%
Acquisition of subsidiary	(9.7)	–	(9.7)	0.0%
Net cash in/(out)flow	1.6	(0.8)	2.4	
Cash conversion	109.1%	25.8%		
Net debt : EBITDA	1.9x	1.7x		

- ⊙ Cash conversion >100% due to improved working capital efficiency
- ⊙ Increase in capex to expand Chinese manufacturing capacity and maintain product pipeline
- ⊙ Increase in net debt due to acquisition
- ⊙ Net debt: EBITDA remains below 2 x
- ⊙ Bank facilities re-financed post year-end
 - Maturity of RCF extended to June 2019
 - Addition of £3m overdraft

2018 WILL BE A YEAR OF IMPROVEMENT



Challenges:

- ⊙ UK retail (25% of Group revenue):
 - destocking
 - underlying demand
- ⊙ USA
- ⊙ Full year effect of FX / Copper headwinds
- ⊙ Investment in finance / support functions

Opportunities:

- ⊙ UK non-retail:
 - Trade
 - Projects
- ⊙ Rest of World excluding USA
- ⊙ Price increases and factory overhead cost reductions
- ⊙ Inventory efficiency
- ⊙ Integration of Kingfisher Lighting

2017:

- ⊙ A challenging year
- ⊙ Competitive position remains strong & strategy unchanged

2018:

- ⊙ Single-digit revenue growth
- ⊙ Improvement in profit and margins likely to be back-end weighted.
- ⊙ One off costs from investment in finance function
- ⊙ Expansion CapEx & discretionary overhead additions curtailed for 2018

Confident in long-term growth plans

QUESTIONS





INCOME STATEMENT – ADJUSTED & STATUTORY



£m	Adjusted 2017	Adjs	Reported 2017	Adjusted 2016	Adjs	Reported 2016
Revenue	167.6		167.6	133.7		133.7
<i>Growth %</i>	25.4%		25.4%	29.8%		29.8%
Gross profit	48.4		48.4	40.5		40.5
<i>GM %</i>	28.9%		28.9%	30.3%		30.3%
Overheads	(33.7)	(0.5)	(34.2)	(26.0)	(2.6)	(28.6)
Operating profit	14.7	(0.5)	14.2	14.5	(2.6)	11.9
<i>OM %</i>	8.8%		8.5%	10.8%		8.9%
Finance expense	(1.9)		(1.9)	(2.8)		(2.8)
Profit before taxation	12.8	(0.5)	12.3	11.7	(2.6)	9.1
Taxation	(2.3)		(2.3)	(2.5)		(2.5)
Profit for the year	10.5	(0.5)	10.0	9.2	(2.6)	6.6
<i>%</i>	6.3%		6.0%	6.9%		4.9%
Basic EPS (pence)	6.5p		6.2p	6.4p		4.6p
EBITDA	19.1	(0.5)	18.6	17.7	(2.6)	15.1

- ⊙ The Group uses Alternative Performance Measures to provide a more meaningful understanding of the underlying financial performance. Adjustments made to the statutory numbers are reported as “Adjusted” financial metrics.
- ⊙ 2017 adjustment represents the acquisition of Kingfisher Lighting and relates to legal & professional fees and redundancy and reorganisation costs.
- ⊙ 2016 adjustment relate to the costs associated with the Group’s IPO in October 2016.

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