2019 Full Year Results

April 2020

Agenda

Introduction and highlights	John Hornby
Financial overview	Matt Webb
Strategy and outlook	John Hornby

Introduction

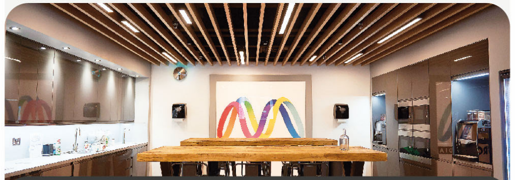
We deliver high quality, innovative electrical products to attractive markets worldwide through sustainable investment in our products, people and channels to market.

Wiring Accessories

Revenue	of Group
£70.1m	41%
(2018: £65.8m)	(2018: 40%)

LED Lighting

Revenue	of Group
£54.2m	31%
(2018: £51.8m)	(2018: 32%)



Portable Power

Revenue	of Group
£42.6m	25%
(2018: £41.1m)	(2018: 25%)

Ross

Revenue	of Group
£5.2m	3%
(2018: £5.2m)	(2018: 3%)

Ross is a range of audio-visual products. This includes TV wall mounts, desk mounts and TV/audio interconnecting cables.

With over 70 years' experience, the brands of BG, Luceco, Kingfisher, Masterplug and Ross are market leaders in key electrical categories.

- Customers across **73** countries
- Number of employees c.**1,600**
- Research and Development staff **79**
- Number of product innovations 2019 **43**
- Number of customers c.**2,600**

Highlights

Financial highlights

- Final results in line with January 2020 Trading Update
- Revenue of £172.1m, 5.0% higher than last year (2018: £163.9m)
- Adjusted Operating Profit of £18.0m (2018: £8.5m):
  - >100% conversion of revenue growth into operating profit
  - Adjusted Operating Margin doubled to 10.5% (2018: 5.2%)
- Adjusted Free Cash Flow of £18.9m (2018: £7.7m):
  - >100% conversion of operating profit growth into cash
  - Closing net debt of 1.06x Adjusted EBITDA (2018: 2.2[1]x)
- Adjusted EPS of 7.7p (2018: 2.9p)

Note: 'Adjusted' has been used throughout this presentation and is defined in note 1 of the consolidated financial statements

[1] Including the impact of IFRS 16 adoption

Strategic highlights

- 2019 was a year of sustained progress:
  - on a broad front: top-line, bottom-line and cash
  - in challenging market conditions: particularly in the UK
- Focused on managed, profitable growth:
  - Investing in the best growth opportunities
  - Withdrawing investment from others
- Continuing to invest in our business model:
  - Product development: range expansion and cost reduction
  - Manufacturing transformation
  - Supply chain transformation
  - IT enhancements (e.g. online)

SARS-CoV-2 (Coronavirus) summary

- Worldwide action to safeguard employees
- Chinese lockdown disrupted product supply in February and March, but back to normal by the end of Q1 2020
- European lockdown disrupted demand from the start of Q2 2020:
  - Revenue currently at 50% of normal
  - Monthly cash outflow limited to £0.5m through proactive actions
  - Adequate liquidity to fund with £24.5m undrawn at Q1 2020
- Resilience and optionality added to the funding plan:
  - Agreed with bank to loosen covenants and swap £10.0m of invoice financing to RCF
  - Other funding sources available, COVID facility / China mortgages

Financial Overview

2019 Full Year Results

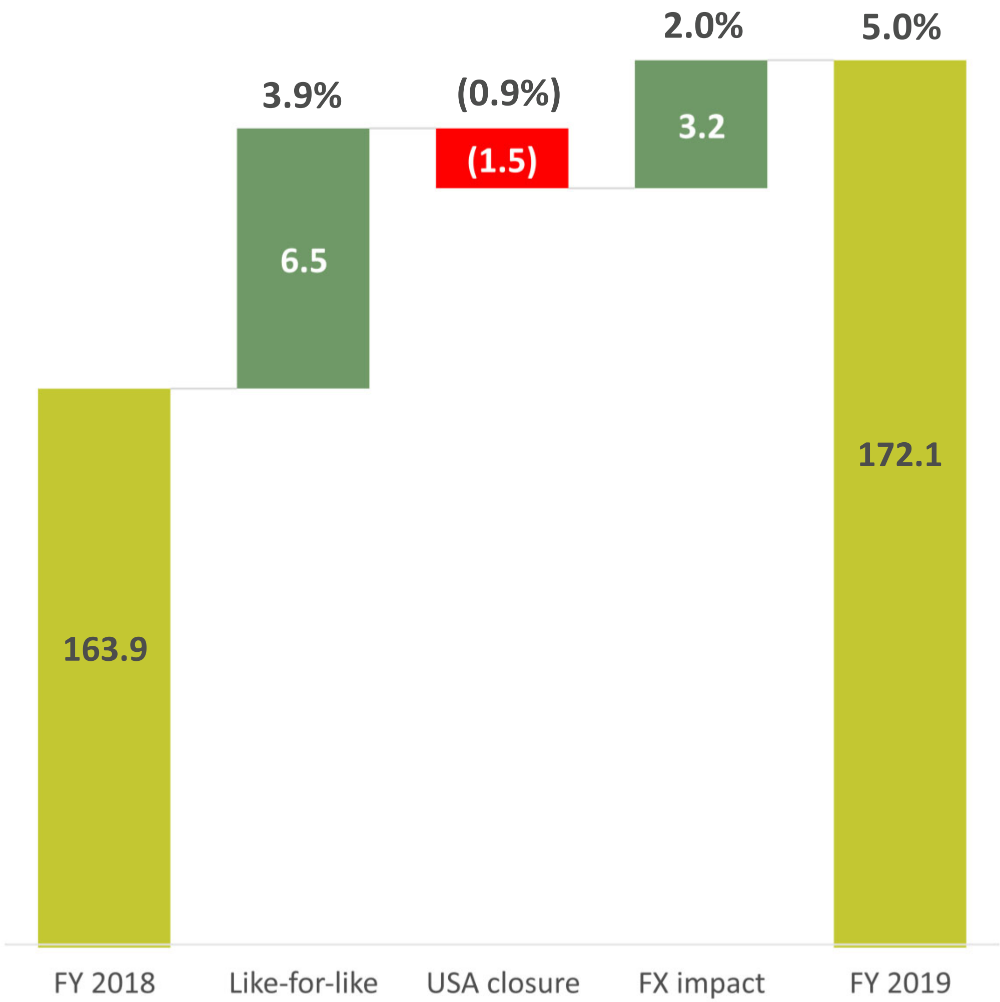
Income statement

£m	Adjusted FY 2019	Adjusted FY 2018	Change	Change %
Revenue	**172.1**	163.9	8.2	5.0%
Gross profit	**62.3**	**50.6**	**11.7**	**23.1%**
Gross margin %	***36.2%***	*30.9%*	*5.3ppts*	
Overhead costs	**(44.3)**	(42.1)	(2.2)	5.2%
Operating profit	**18.0**	**8.5**	**9.5**	**111.8%**
Operating margin %	***10.5%***	*5.2%*	*5.3ppts*	
Net finance expense	**(2.2)**	(2.2)	-	-
Profit before tax	**15.8**	6.3	9.5	150.8%
Tax	**(3.7)**	(1.7)	(2.0)	117.6%
Profit for the year	**12.1**	**4.6**	**7.5**	**163.0%**
Basic EPS (p)	**7.7p**	2.9p	4.8p	165.5%

- Revenue up by 5.0% to £172.1m:
  - 3.9% like for like
  - 2.0% FX benefit
  - (0.9%) impact of US closure in 2018
- Gross margin up by 5.3ppts to 36.2%:
  - A new peak
  - Combination of cost savings, mix benefits and price updates
  - Exiting the year at a higher rate
- Overhead growth in line with revenue growth
- Effective tax rate reduced from 27.0% to 23.4%
- EPS more than doubled from 2.9p to 7.7p

Revenue bridge

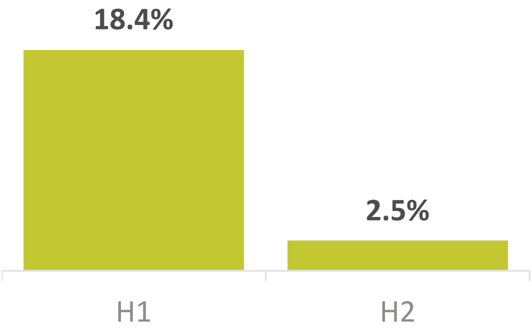
Revenue bridge (£m)



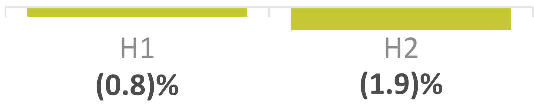
- 3.9% like-for-like increase:
  - H1 boosted by weak comparatives and the full year effect of 2018 price increases
  - Slowing as expected in H2 due to tougher comparatives and UK macro / political uncertainty
  - Continued healthy growth from European operations
- 0.9% revenue reduction from closure of loss-making US operations in August 2018
- 2.0% revenue growth from FX:
  - Circa 50% of Group revenue in USD
  - USD strengthened by 4% against GBP

Revenue by geography

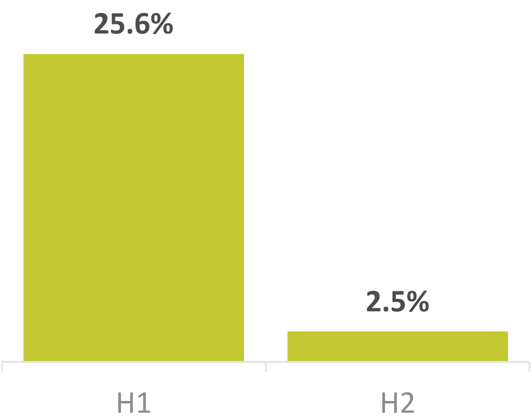
UK Retail growth %



UK Professional growth %



Europe growth %



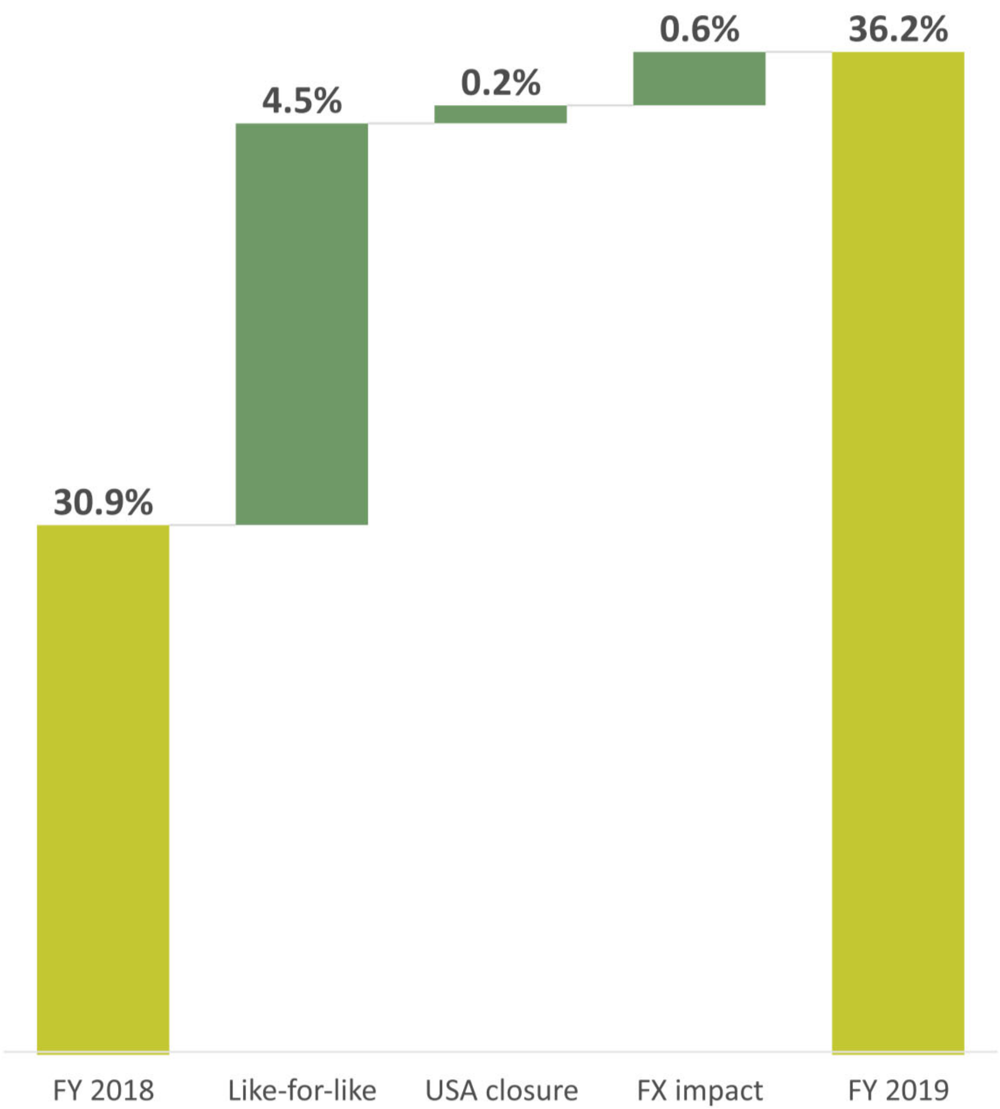
Rest of World growth %

Note: growth rates are like-for-like in constant currency

- UK Retail - full year growth of 9.4%:
  - Strong growth in H1 against a weak comparative
  - Slow down in Q4 due to UK General Election and year-end inventory management by some customers
  - No slow down in end consumer demand
- UK Professional - full year decline of 1.3%:
  - Relatively flat sales but significant margin improvement
  - Noticeable drop in demand around Brexit extensions and UK General Election
  - Returned to modest growth in early 2020
- Europe - full year growth of 13.2%:
  - Strong growth in Southern Europe and Germany
  - Slowdown in H2 whilst French business moved under Southern Europe management
- ROW - full year decline of 7.3%:
  - Revenue held back by challenging market conditions
  - Fully offset by margin improvements, keeping profits flat

Gross margin bridge

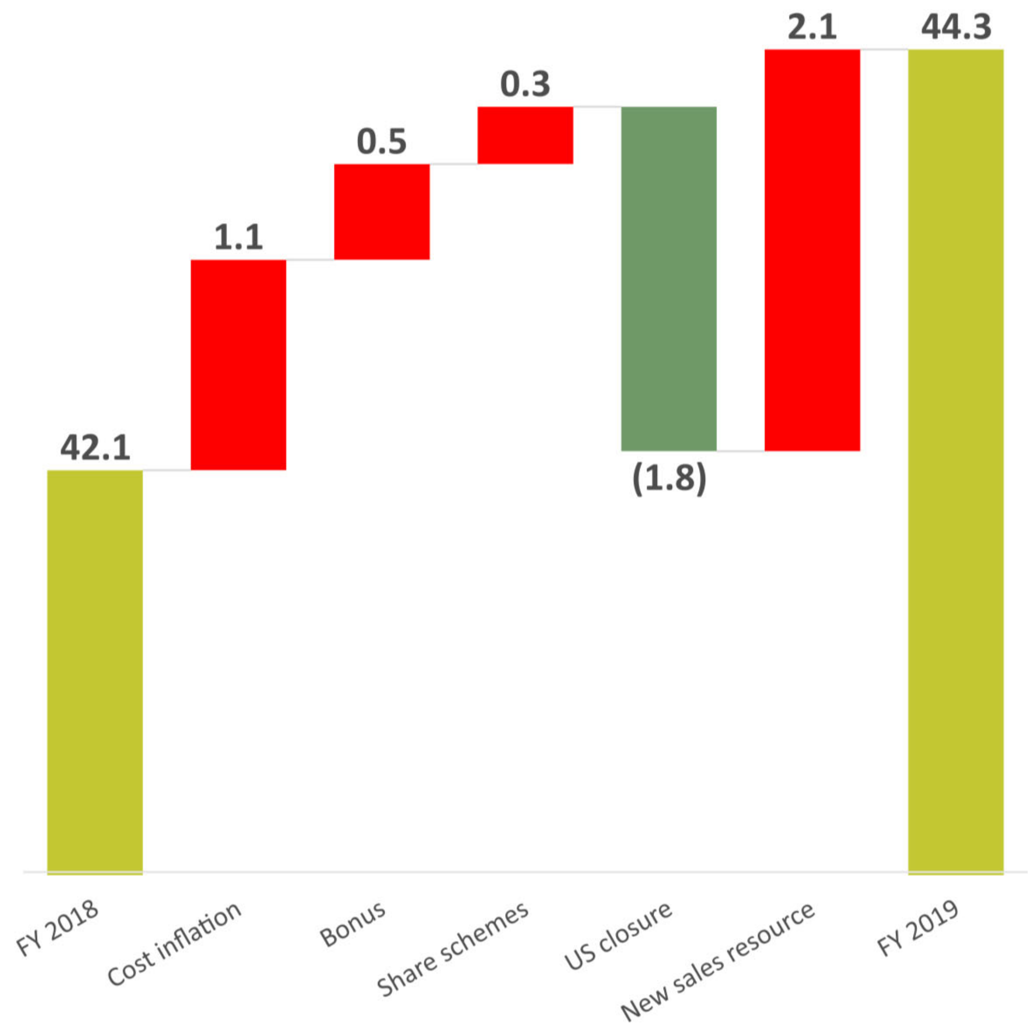
Adjusted Gross Margin bridge (%)



- 4.5% like-for-like improvement:
  - 2.0% from selling price updates and sales mix
  - 2.5% from product cost reductions
- 0.2% from USA closure:
  - Exit from lower margin LED sales
- 0.6% from FX:
  - 1% improvement in hedged RMB rate
  - 2020: USD and RMB 100% hedged
  - 2021: USD 50%, RMB 30% hedged
- Exiting 2019 at higher margin:
  - H2 2019 gross margin at 37.4%

Overheads bridge

Adjusted Overheads bridge (£m)



- Cost inflation averaging 2.5%
- Increased bonus from improved performance – all main incentive targets hit
- LTIP scheme started in 2017. Costs now at full speed after 3 year ramp-up
- Sales resources continually reviewed for effectiveness and redeployed:
  - Divestments:

    - 2018: USA
    - 2019: France
    - 2020: Hong Kong
  - 2019 Investments:

    - UK Professional
    - Europe
- Total headcount held flat despite revenue growth

Segmental results

£m	Adjusted FY 2019	Adjusted FY 2018	Change	Change %
Wiring Accessories				
Revenue	**70.1**	65.8	4.3	6.5%
Contribution profit	**19.6**	11.4	8.2	71.9%
Contribution margin %	***28.0%***	*17.3%*	*10.7ppts*	
Operating profit	**12.7**	**6.5**	**6.2**	**95.4%**
Operating margin %	***18.1%***	*9.9%*	*8.2ppts*	
LED Lighting				
Revenue	**54.2**	51.8	2.4	4.6%
Contribution profit	**5.1**	3.2	1.9	59.4%
Contribution margin %	***9.4%***	*6.2%*	*3.2ppts*	
Operating profit	**1.2**	**0.5**	**0.7**	**140.0%**
Operating margin %	***2.2%***	*1.0%*	*1.2ppts*	
Portable Power				
Revenue	**42.6**	41.1	1.5	3.6%
Contribution profit	**8.2**	4.7	3.5	74.5%
Contribution margin %	***19.2%***	*11.4%*	*7.8ppts*	
Operating profit	**4.1**	**1.5**	**2.6**	**173.3%**
Operating margin %	***9.6%***	*3.6%*	*6.0ppts*	
Ross / Other				
Revenue	**5.2**	5.2	-	
Contribution profit	**0.5**	0.4	0.1	25.0%
Contribution margin %	***9.6%***	*7.7%*	*1.9ppts*	
Operating profit	**-**	**-**	**-**	**-**
Operating margin %	**-**	-	-	

- Segmental operating profit includes allocation of fixed central overheads
- Segmental contribution (before fixed central overheads) also provided opposite to show true profit impact of revenue growth
- Headlines:
  - All segments grew
  - All segments contributed profit
  - All segments improved profitability
- Wiring Accessories remains our highest margin business – strong brand, product range and channel access
- LED Lighting contribution reflects continued investment in overseas growth:
  - UK LED contribution margin % = 13.1%
  - Overseas LED contribution margin % = 0.5%

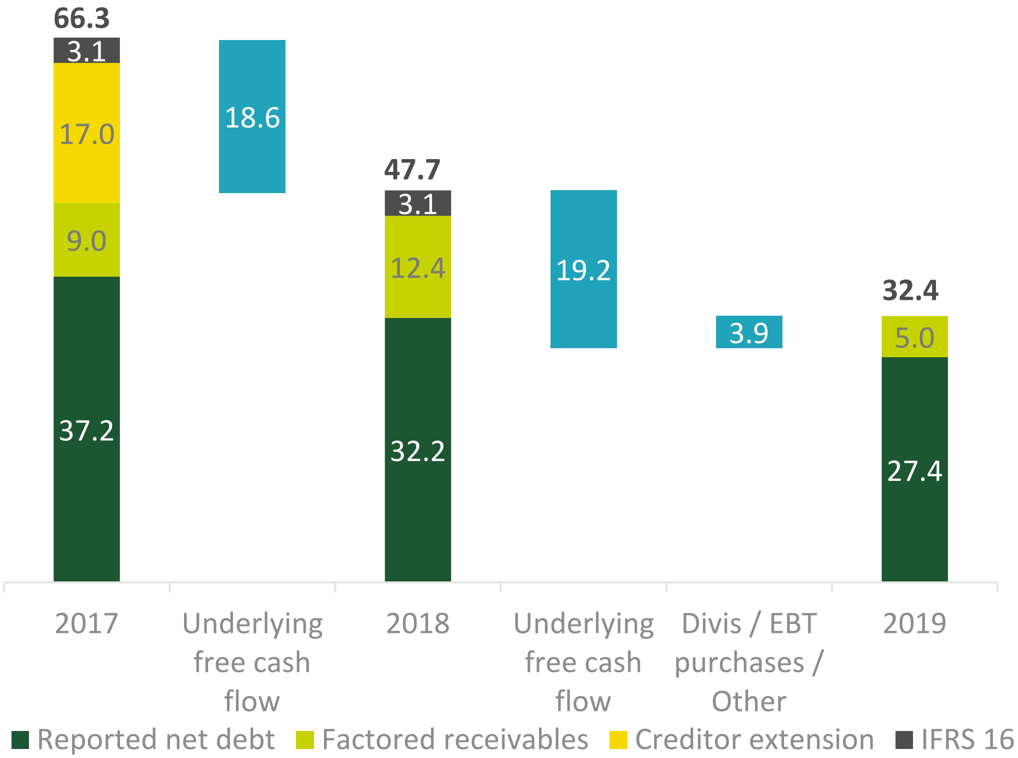
Adjusted free cash flow

£m	Adjusted FY 2019	Adjusted FY 2018	Change	Change %
Operating profit	**18.0**	8.5	9.5	111.8%
Depreciation and amortisation	**7.9**	6.5	1.4	21.5%
EBITDA	**25.9**	**15.0**	**10.9**	**72.7%**
Change in working capital	**1.0**	1.3	(0.3)	(23.1%)
Other items	**0.3**	(0.4)	0.7	(175.0%)
Cash from operations	**27.2**	**15.9**	**11.3**	**71.1%**
Operating cash conversion	***105%***	*106%*	*(1.0ppts)*	
Net capital expenditure	**(3.6)**	(4.7)	1.1	(23.4%)
Interest paid	**(2.1)**	(2.2)	0.1	(4.5%)
Tax paid	**(2.6)**	(1.3)	(1.3)	100.0%
Free cash flow	**18.9**	**7.7**	**11.2**	**145.5%**
Free cash flow margin %	*11.0%*	*4.7%*	*6.3ppts*	

- Two years with operating cash conversion > 100%
  - Inventory days reduced from 135 to 105 over that period
  - Also cleaned up aged and obsolete items
- Net capex of £3.6m equal to 2.1% of revenue - below targeted range of 3-4%:
  - Less R&D – 2019 activity focused on product cost reduction rather than range expansion
  - Manufacturing and fulfilment capacity both adequate
  - Expect to return to targeted range over time through investment in manufacturing, fulfilment and IT capabilities
- 2019 free cash flow margin reflects ability of the business to generate cash in managed growth mode for re-investment or return

Net debt bridge

Net debt bridge (£m)



	2017	2018	2019
Reported net debt	37.2	32.2	**27.4**
Adjusted EBITDA	19.1	16.5	**25.9**
Reported net debt : Adjusted EBITDA	1.95	1.95	**1.06**
Normalised net debt	66.3	47.7	**32.4**
Normalised net debt : Adjusted EBITDA	3.47	2.89	**1.25**

- Headline net debt reduced from £37.2m to £27.4m over 2 years
- But underlying reduction in debt is far greater due to:
  - Repayment of creditor extension
  - Swapping off-balance sheet receivables factoring for on-balance sheet debt
  - Adoption of IFRS 16
- "Normalised" net debt reduced from £66.3m to £32.4m in two years:
  - Free cash flow totalling £37.8m (free cash flow margin of 11.0%)
  - Normalised leverage reduced from 3.47x to 1.25x Adjusted EBITDA
  - Significant improvement in funding risk
- Able to re-introduce factoring / creditor extension

Balance sheet

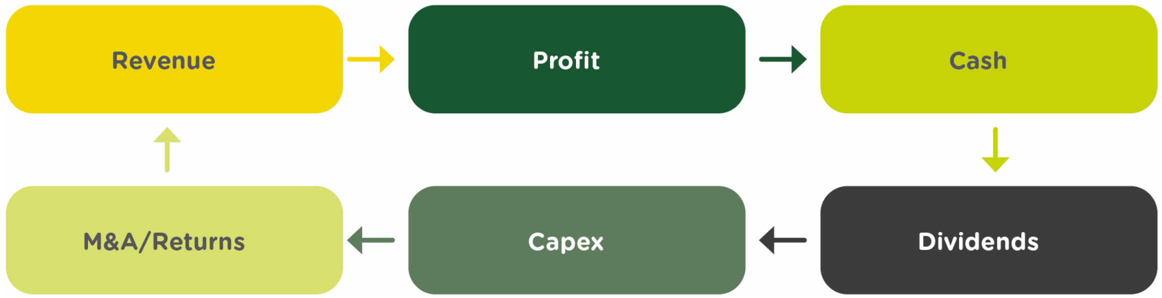
£m	FY 2019	FY 2018	Change	Change %
Intangible assets	**22.6**	23.3	(0.7)	(3.0%)
Tangible assets	**20.0**	21.5	(1.5)	(7.0%)
Non-current assets	**42.6**	44.8	(2.2)	(4.9%)
Inventory	**32.2**	32.8	(0.6)	(1.8%)
Receivables	**43.6**	41.8	1.8	4.3%
Cash	**1.4**	4.2	(2.8)	(66.7%)
Current assets	**77.2**	78.8	(1.6)	(2.0%)
Trade payables	**(22.1)**	(26.7)	4.6	(17.2%)
Other payables	**(21.1)**	(34.4)	13.3	(38.7%)
Liabilities < 1 year	**(43.2)**	(61.1)	17.9	(29.3%)
Liabilities > 1 year	**(29.5)**	(21.3)	(8.2)	38.5%
Net assets	**47.1**	**41.2**	**5.9**	**14.3%**
Return on capital invested (%)[1]	**21.8%**	9.9%	11.9ppts	
Net working capital[2]	**52.9**	45.6	7.3	16.0%
Inventory days	**105**	112	(7)	(6.3%)
Debtor days[3]	**89**	91	(2)	(2.2%)
Creditor days	**75**	88	(13)	(14.8%)
Net debt	**27.4**	32.2	(4.8)	(14.9%)

1. Return on capital invested comprises adjusted operating profit for the 12 months ended for the year divided into the sum of net assets, net debt, and non-recourse debt factoring (averaged for the opening and closing positions)
2. Net working capital comprises inventory, trade receivables and trade payables
3. Debtor days are calculated with non-recourse factoring added back to trade debtors

- Working capital reduced and cleaned up:
    - Inventory approaching 100 day target
    - Tight control of receivables in challenging economic conditions. Very low bad debts
    - Supplier payments in line with terms; new sourcing manager recruited in China to drive cost savings
- ROCI now in target range of 20% to 30%
- Better cash pooling has led to sharp reduction in unproductive cash left on deposit

Financial model

FINANCIAL OPERATING CYCLE



	Revenue	Profit	Cash	Dividends	Capex	M&A/Returns

INPUTS	• Organic growth and M&A
	• Markets growing faster than gross domestic product ("GDP")
	• Strong brands and market position
	• Investment to sustain growth:
	  • Product development
	  • Manufacturing excellence
	  • People development
		• Core markets generate high profit margins:
		  • Brand recognition and customer loyalty
		  • Consolidated
		  • Defendable from new entrants
		• Advantaged business model maximises market returns:
		  • Product development
		  • Manufacturing
		  • Fulfilment
			• Strong profit margins
			• Optimised working capital
			• Clear capital structure policy
			• Disciplined capital allocation
				• Strong and stable profit streams from core businesses
				• Allowing balanced reinvestment in compelling growth opportunities and returns to shareholders
					• Disciplined capital allocation:
					  • Projects generating >20% return on investment within three years
					• Investment opportunities:
					  • Product development
					  • Manufacturing excellence
					  • Fulfilment capability
					  • IT enhancement
						• Funded by:
						  • Net free cash flow remaining after investment in dividends and capex; or
						  • Borrowing
						• Borrowing limited to 1.0x-2.0x Adjusted EBITDA

EXPECTED OUTPUTS	• Revenue growing faster than GDP through the cycle • Expected to average 5-10% per annum in normal circumstances	• Operating margin of 10-15% of revenue in normal circumstances	• >100% conversion of Adjusted EBITDA into Adjusted Operating Cash Flow • Adjusted Free Cash Flow margin of 5-10% in normal circumstances	• Progressive dividend • 20-30% earnings payout	• Averaging 3-4% of revenue annually	• Annual net cash flow remaining after dividends and capex of up to 5% of revenue • Sufficient to acquire up to 5% of new revenue growth • Surplus cash returned to investors • Group generating Return on Capital Invested of 20-30%
2019	• £172.1m	• Adjusted Operating Profit £18.0m • Adjusted Operating Margin 10.5%	• Operating Cash Conversion 105.0% • Adjusted Free Cash Flow margin 11.0%	• The uncertainty around the coronavirus and its impact on global demand has led the Board to take the decision not to pay a final dividend	• Net capital expenditure of 2.1% of revenue	• Borrowing 1.06x Adjusted EBITDA • ROCI of 21.8%

Strategy and Outlook

2019 Full Year Results

Investment Case and Strategic Priorities

Objectives

Operate in attractive markets

Focus on core markets that are:
- Growing faster than gross domestic product ("GDP")
- Offer high margins
- Defendable from new entrants

Invest in growth markets that are:
- Synergistic with the core
- Fragmented and offer opportunities to gain share

Develop market-leading brands that are:
- Long established
- Have a loyal customer base
- Have a clear proposition

Develop an advantaged business model

A product development process that is:
- Customer-led
- Entrepreneurial
- Agile

A manufacturing process that is:
- Low cost
- Responsive to new opportunities

A fulfilment capability that is:
- Tailored to customer needs
- Common across all products

Operate an efficient financial model

Revenue:
- Growing faster than GDP through the cycle
- Organic growth supported by mergers and acquisitions ("M&A")

Profit:
- Target Adjusted Operating Margin of 10-15%

Cash:
- Target Adjusted Free Cash Flow Margin of 5-10%
- Reinvest or return it to shareholders

Returns:
- Target Return on Capital Invested ("ROCI") of 20-30%
- Maintain net debt leverage of 1.0-2.0x
- Payout 20-30% of Adjusted Profit for the Year in dividends

Strategic priorities

Increase sales to professional customers
- Complement our historic strength in UK retail by gaining share of sales to professional customers
- Leverage the route to market provided by Wiring Accessories to sell other products via trade distribution, e.g. LED lighting, smart devices and EV charging
- Sell products as part of a solution

Increase sales to international customers
- Sell existing "borderless" products globally (e.g. LED lighting) to maximise investment in product development
- Leverage manufacturing capacity globally
- Sell to international subsidiaries of existing UK customers
- Increase profitability of existing international markets to the Group average

Enter new product segments
- Sell adjacent products to existing customers
- Sell international variants of existing UK products
- Maximise payback/minimise risk of new product development
- Maximise capital efficiency of future growth

Enter new product segments
- Sell adjacent products to existing customers
- Sell international variants of existing UK products
- Maximise payback/minimise risk of new product development
- Maximise capital efficiency of future growth

Maximise manufacturing efficiency
- Optimise use of own/third-party manufacturing
- Optimise landed cost relative to product performance
- Optimise inventory

Maximise return on capital
- Prioritise growth that leverages existing capital invested
- Continually optimise working capital
- Apply a clear capital structure policy

Maintain best practice
- Exercise diligent control
- Retain agility
- Improve the quality of decision making

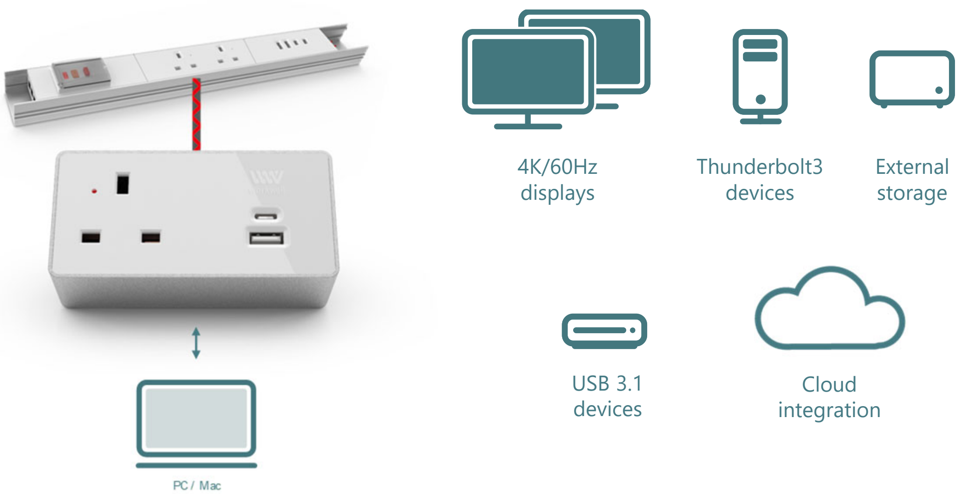
Seek targeted acquisitions
- Gain share in existing markets
- Acquire presence in adjacent product markets
- Fund whilst maintaining capital structure policy

Product Development

BG Smart!

EV charging

Office Electrics



Professional LED luminaires

Manufacturing transformation

China factory

Location	Jiaxing, China
Size (sq ft)	565,000
Function	Manufacturing for Group R&D Sales to Asia
Headcount	~1,150
Of which: manufacturing	~1,100
% of Group sales manufactured	~50%
Products	Wiring Accessories and LED

Challenges

- High quality but manual production methods
- High labour attrition and inflation
- Management skilled to grow volume not drive efficiency
- Under-investment in training and development
- Insufficient data to fully support tight performance management

Solution

- New Managing Director, Finance Director, Sourcing Manager and HR Manager
- Implement 5S / continuous improvement methodology
- Create Luceco Production System and train the workforce
- Automate high volume lines
- Better hiring and onboarding of new operatives

Supply chain transformation

UK Distribution Centre

Location	Telford, UK
Size (sq ft)	106,000
Function	Warehouse UK support functions LED product modification
Headcount	~270
Of which: warehouse	~90
Warehouse throughput (£m)	£70m
Delivery	Third party

Challenges

- Out of capacity - lack of pallet spaces, extensive use of offsite storage, facing costly expansion or move
- ERP platform lacked warehouse management functionality, leading to sub-optimal outbound fill rates and cost inefficiency
- Demand planning software not fully utilised leading to sub-optimal inventory levels

Solution

- Clearance of obsolete stock
- Installation of automated vertical storage systems
- Installation of WMS platform and operator technology
- Revised layout to improve efficiency in staging area
- Investment in updated MRP platform
- Costly move avoided

IT enhancements

Online tools

- www.luceco.com relaunch
- Development of full service website for account customers
- Development of PIM and related content (including improved MDM)
- Continued expansion of EDI / electronic invoicing

Warehouse Management and Demand Planning

- Bolt-on of WMS onto Epicor ERP
- Upgrade / expanded use of MRP, stock optimisation and demand forecasting tool
- Investment in RF guns / WiFi / tablets throughout warehouse to improve operator efficiency
- Implementation of vertical storage systems

Sales tools

- Bolt-on of mobile CRM onto Epicor ERP to provide up-to-date data to outside sales teams
- CRM also used to support outbound calling pilot
- Inbound call pop-up to prompt update customer information

Finance enhancements

- Launch of market-leading financial consolidation system
- Improved suite of BI tools
- Launch of purchase to pay automation tool
- Investigating use of machine learning to systemise manual processes
- Significant step forward in cyber security

SARS-CoV-2 (Coronavirus) - impact

Supply impact

- Nearly all products are sourced from China:
  - Own factory – 50% of Group revenue, based in Jiaxing (800 km from Wuhan)
  - OEM manufacturer of Portable Power products – 25% of Group revenue, based in Ningbo (900 km from Wuhan)
  - Fragmented supplier base thereafter
- No infections in our factory
- Only one active case remains in the city of Jiaxing (population > 5 million)
- Our factory was closed for two weeks, reopened on 17 Feb
- Lack of workers limited output in Feb / Mar, but output has now returned to normal thanks to a comprehensive recovery plan
- 100 days of inventory helped to mitigate the shortfall
- Our fulfilment operations continue to meet demand, thanks to contingency plans. Able to support customers whose own distribution networks are closed

Demand impact

- Q1 2020 profit in line with budget
- From the start of Q2, lockdown actions have begun adversely impact demand:

Region	% of Group revenue	Lockdown actions	Impact on revenue
UK	80%	Severe	-50%
Europe	10%	Severe	-80%
MENA	5%	Light	Nil
Asia Pacific	3%	Moderate	Nil
Americas	2%	Light	Nil
Group total	**100%**		**-50%**

- Activity above results in cash outflow of circa £0.5m per month
- Compares to undrawn committed facilities of £24.0m at 31 December 2019
- Full year impact is impossible to gauge accurately

SARS-CoV-2 (Coronavirus) - mitigation

Cost and cash mitigation

With no revenue	Monthly EBITDA loss	Monthly cash spend
Pre-virus spend	4.7	5.4
Mitigating actions:		
- Factory reductions	(0.8)	(0.8)
- Furlough Scheme	(0.4)	(0.4)
- No bonus	(0.2)	-
- Temporary pay cut	(0.2)	(0.2)
- Discretionary spend	(0.1)	(0.1)
- Capex reduction	-	(0.3)
Mitigated spend	**3.0**	**3.5**

Covenant headroom

	Net debt: Adjusted EBITDA	Adjusted EBITDA : Net Finance Expense
Limit	<2.50[1]	>4.00[2]
Actual @ FY19	1.06	11.77
EBITDA headroom (£m)	14.9	17.1
Net debt headroom (£m)	37.4	n/a

[1] In April 2020, the Group's relationship bank agreed, subject to contract, to increase the Q3 and Q4 2020 covenant limits to 3.50x and 5.50x respectively
[2] In April 2020, the Group's relationship bank agreed, subject to contract, to reduce the Q3 and Q4 2020 covenant limits to 3.70x and 2.90x respectively

Liquidity headroom

Facility type	Maturity	Total size (£m)	Drawn @ FY19 (£m)	Headroom (£m)
RCF	31-Dec-21	30.0[1]	24.8	5.2
Invoice financing	31-Dec-21	20.0[1]	1.2	18.8
Total committed		**50.0**	**26.0**	**24.0**
Other sources:				
Invoice factoring	n/a	12.0	5.0	7.0
China mortgages	n/a	15.0	n/a	15.0
BoE CCFF	n/a	TBD	n/a	TBD
Total potential				**>46.0**

[1] In April 2020, the Group's relationship bank agreed, subject to contract, to reduce invoice financing by £10m and increase the RCF by £10m to improve liquidity

Operational mitigation

- Business continuity plans activated for all sites – no disruption experienced
- Reduced purchasing for Q2 / Q3
- Excess customer credit limits removed
- Inventory re-balanced toward residential / consumer
- Direct delivery to end-user possible if distributor branch network not available

Current trading and outlook

Current trading

- Q1:
  - Revenue slightly below budget due to virus-driven supply chain issues
  - Profit in line with budget thanks to solid gross margins and pro-active overhead control
- Start of Q2:
  - Revenue currently at 50% of normal
  - Cash outflow of circa £0.5m per month
  - EBITDA close to breakeven

Outlook

- Outlook very uncertain
- Withdrawing current guidance until the situation is clearer
- Recommending the suspension of dividends to maximise financial flexibility
- Coronavirus has temporarily disrupted progress but we entered the period on a strong footing and with considerable liquidity
- Optimistic about long-term prospects

Appendix

2019 Full Year Results

Appendix – Introduction to Luceco

Luceco operates in four product markets:

Wiring Accessories

A traditional wiring accessory manufacturing brand, serving the professional electrical trade

LED Lighting

Environmental and energy Saving LED lighting

High performance exterior lighting products

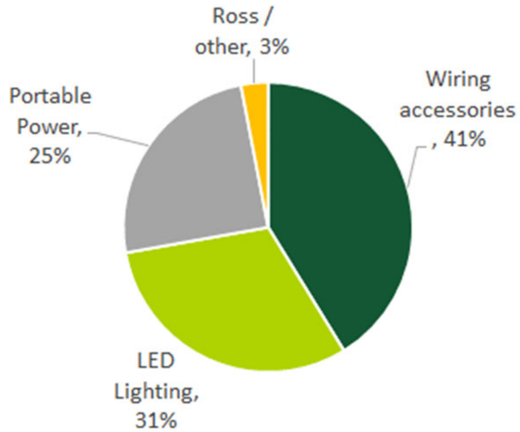
Portable Power

A market leading supplier of portable power equipment through DIY outlets, online and high street retailers

AV

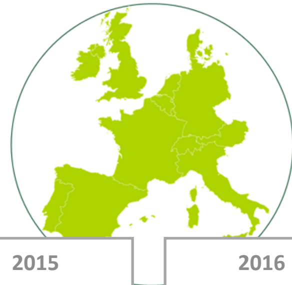
Audio Visual and Home Entertainment products designed to meet the needs of the discerning user

Revenue by product type



Appendix – Introduction to Luceco (cont.)

The group has developed through business combinations and organic expansion into new products and territories



1941
British General wiring accessories brand created

1988
Masterplug portable power brand created

2000
Management buyout of BG and merger with Masterplug

2003
Transition to subcontracted manufacturing in China

2005
Management buyout backed by EPIC Private Equity

2008
12,500m^2 manufacturing facility opened in Jiaxing, China

2011
Jiaxing facility expanded to 38,000m^2

2013
Luceco brand and LED lighting range launched

2014
Luceco LED projects sales team established in the UK

2015
Sales offices opened in **Germany** and **Mexico**

2016
Jiaxing expanded to 52,500m^2

Sales offices in **Spain** and **HK**

2016
IPO of Luceco plc: listing on London Stock Exchange

2017
Acquisition of Kingfisher Lighting

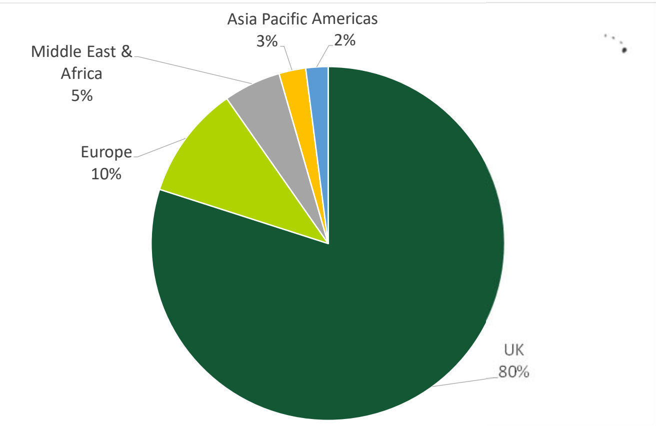
Corporate events

Appendix – Introduction to Luceco (cont.)

The business remains UK focused but with a growing presence in several international markets

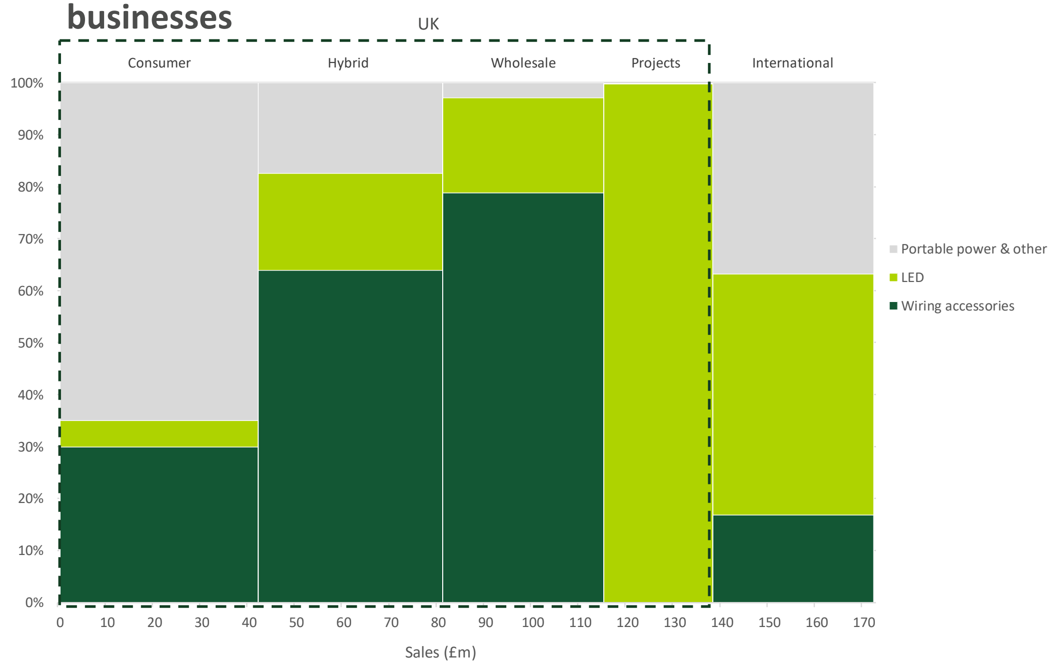
- Integrated model: wholly-owned manufacturing and product development facilities in the UK and China
- 1,500 employees
- Established UK and international sales network

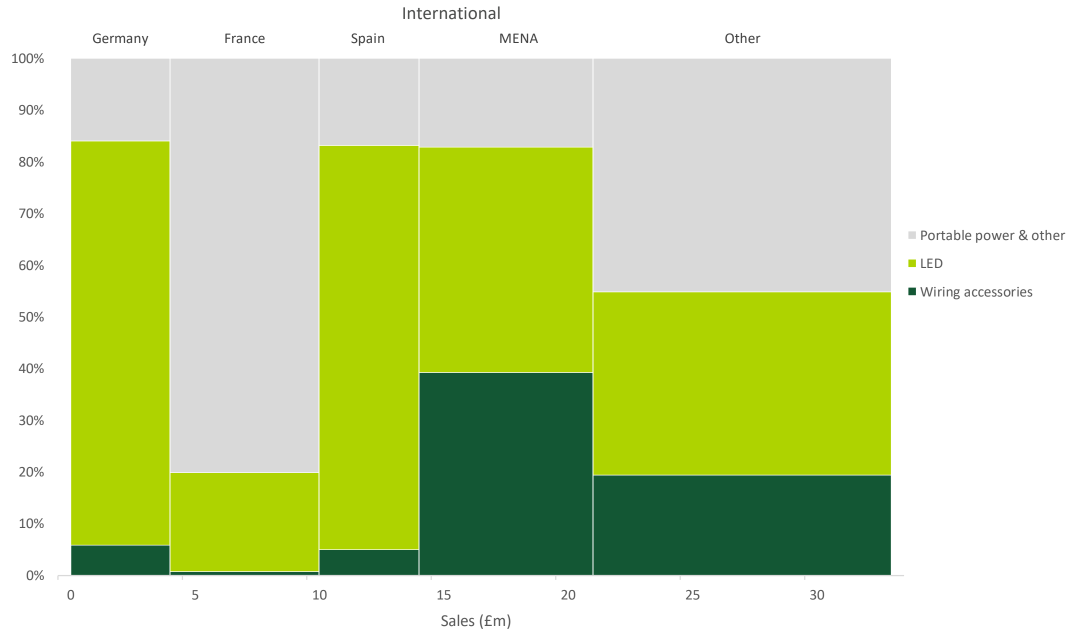
Revenue by territory



Appendix – Introduction to Luceco (cont.)

The Group serves both retail and trade channels, but with increasing focus on the latter via growth in its Wiring Accessories and LED businesses





The group sells through pure retail, trade and hybrid channels

- The hybrid channel has emerged in the last ten years with the growth of Screwfix and Toolstation serving both consumers and trade customers

The Wiring Accessories business sells through all channels, with growth supported by:

- Product innovation (e.g. USB sockets)
- Wholly-owned Chinese factory producing high quality, good value products brought to market quickly
- High share of high growth hybrid customers

The LED lighting business distributes mainly through trade, including a substantial projects sales channel

- Both the Luceco LED business and the Kingfisher Lighting business have strong projects sales teams covering the UK
- The business also distributes through retail, hybrid and wholesale channels and the broad range of products reflects this

Appendix – Introduction to Luceco (cont.)

LUCECO

Investment case and strategic priorities

Objectives

Operate in attractive markets

Focus on core markets that are:
- Growing faster than gross domestic product ("GDP")
- Offer high margins
- Defendable from new entrants

Invest in growth markets that are:
- Synergistic with the core
- Fragmented and offer opportunities to gain share

Develop market-leading brands that are:
- Long established
- Have a loyal customer base
- Have a clear proposition

Develop an advantaged business model

A product development process that is:
- Customer-led
- Entrepreneurial
- Agile

A manufacturing process that is:
- Low cost
- Responsive to new opportunities

A fulfilment capability that is:
- Tailored to customer needs
- Common across all products

Operate an efficient financial model

Revenue:
- Growing faster than GDP through the cycle
- Organic growth supported by mergers and acquisitions ("M&A")

Profit:
- Target Adjusted Operating Margin of 10-15%

Cash:
- Target Adjusted Free Cash Flow Margin of 5-10%
- Reinvest or return it to shareholders

Returns:
- Target Return on Capital Invested ("ROCI") of 20-30%
- Maintain net debt leverage of 1.0-2.0x
- Payout 20-30% of Adjusted Profit for the Year in dividends

Strategic priorities

Increase sales to professional customers

- Complement our historic strength in UK retail by gaining share of sales to professional customers
- Leverage the route to market provided by Wiring Accessories to sell other products via trade distribution, e.g. LED lighting, smart devices and EV charging
- Sell products as part of a solution

Increase sales to international customers

- Sell existing "borderless" products globally (e.g. LED lighting) to maximise investment in product development
- Leverage manufacturing capacity globally
- Sell to international subsidiaries of existing UK customers
- Increase profitability of existing international markets to the Group average

Enter new product segments

- Sell adjacent products to existing customers
- Sell international variants of existing UK products
- Maximise payback/minimise risk of new product development
- Maximise capital efficiency of future growth

Enter new product segments

- Sell adjacent products to existing customers
- Sell international variants of existing UK products
- Maximise payback/minimise risk of new product development
- Maximise capital efficiency of future growth

Maximise manufacturing efficiency

- Optimise use of own/third-party manufacturing
- Optimise landed cost relative to product performance
- Optimise inventory

Maximise return on capital

- Prioritise growth that leverages existing capital invested
- Continually optimise working capital
- Apply a clear capital structure policy

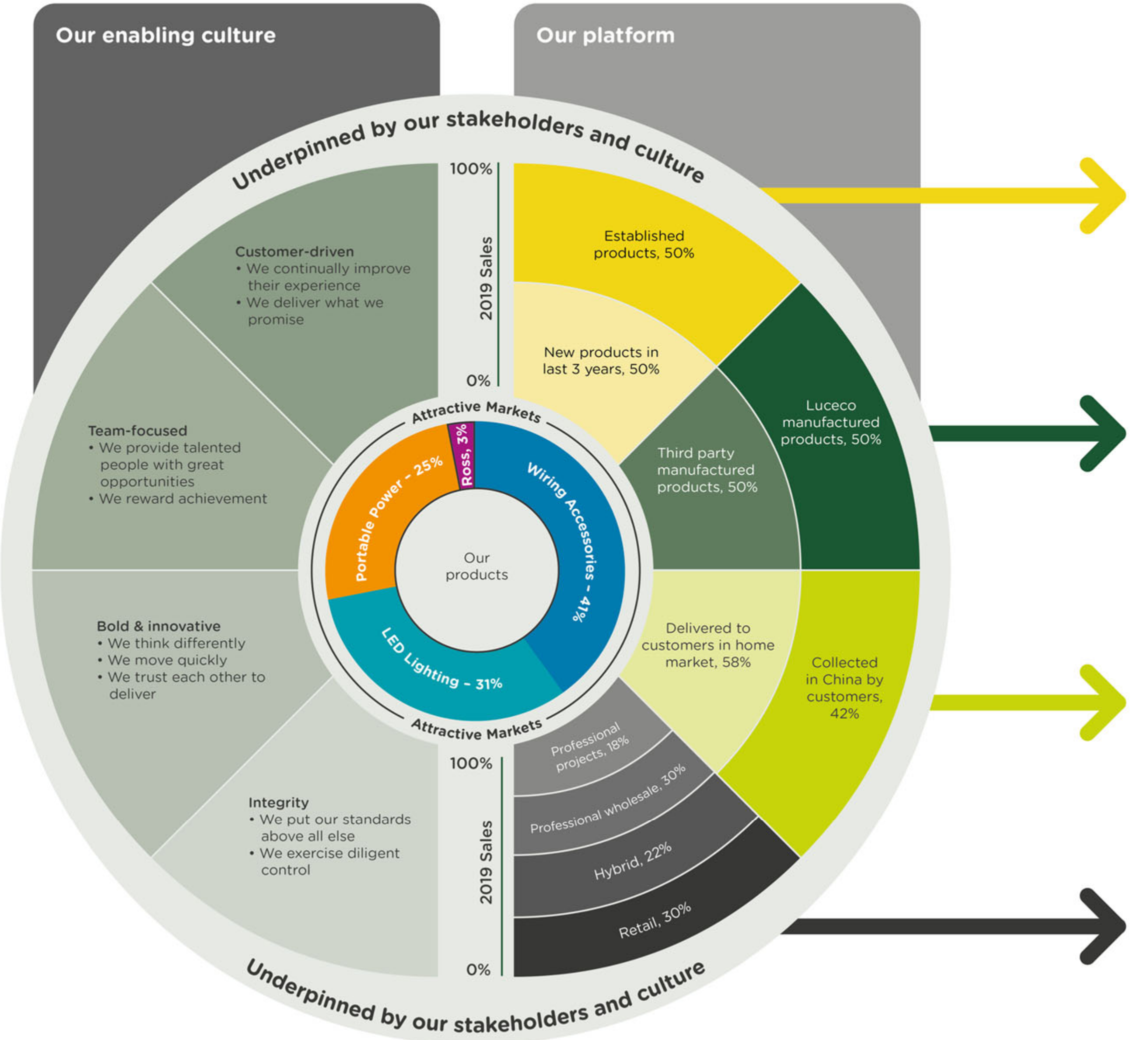
Maintain best practice

- Exercise diligent control
- Retain agility
- Improve the quality of decision making

Seek targeted acquisitions

- Gain share in existing markets
- Acquire presence in adjacent product markets
- Fund whilst maintaining capital structure policy

Appendix – Introduction to Luceco (cont.)



	Assets	Benefits
Product development Case study 01: **BG Smart!**  Read more on page 14	• Product development spanning the UK and China, closely integrated with customer-facing teams and with owned manufacturing • Deep specialist knowledge across our sectors	• Early identification of product opportunities and speed to market • Products designed to maximise automation in manufacturing
Manufacturing Case study 02: **Operational efficiency in China**  Read more on page 16	• Fully owned, well invested manufacturing facility in Jiaxing • Long term, often exclusive, relationships with third party manufacturers supported by on the ground presence	• Certainty of supply and control over cost, quality and ethical treatment of employees • Ability to invest for the long term, and respond rapidly to unexpected challenges and opportunities to reduce cost • Benefit from scale advantage of third party manufacturers where appropriate
Supply chain 	• Customer support facility in China • UK distribution centres in Telford and Mansfield • International distribution centres in Germany, Spain, Dubai and Mexico	• Our customers have immediate access to our extensive range of products • Larger retail customers can leverage their own supply chains by collecting our products in China
Channels 	• Established relationships with all the UK's major retailers and electrical wholesalers • Field-based sales teams • Market leading brands	• Our channels leverage a single shared supply chain and allow us to address all market segments: DIY, professional, and lighting as a service • Our product categories share common sales channels, allowing us to serve our customers efficiently

Page references above are to 2019 Annual Report and Accounts

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