HALF YEAR RESULTS PRESENTATION

SEPTEMBER 2018

AGENDA

Introduction and highlights	John Hornby
Financial review	Matt Webb
Strategy	John Hornby
Questions	

INTRODUCTION

Who we are

- Luceco is a 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

Revenue
£75.1m
H1 2017: £75.3m

Established
UK and International sales network

Employees
c. 1,626 employees worldwide

Brands
5 strong brands

Integrated model
Wholly owned manufacturing and supply chain

Scalable & defensive
Business with high barriers to entry

HIGHLIGHTS

Operational

- Strong growth in strategically important areas
- Progress in LED Projects accelerated by Kingfisher Lighting
- Overall progress held back by slowdown in UK consumer-facing retail sales and FX headwind

Actions already taken to reinstate profit growth in H2 2018

- Selling prices successfully updated in response to input cost inflation
- Currency hedging improved to better manage currency risks
- Product development activities continue, focused on LED and Smart devices
- US operation now ceased, allowing focus on other more compelling opportunities

FINANCIAL OVERVIEW

INCOME STATEMENT (UNAUDITED)

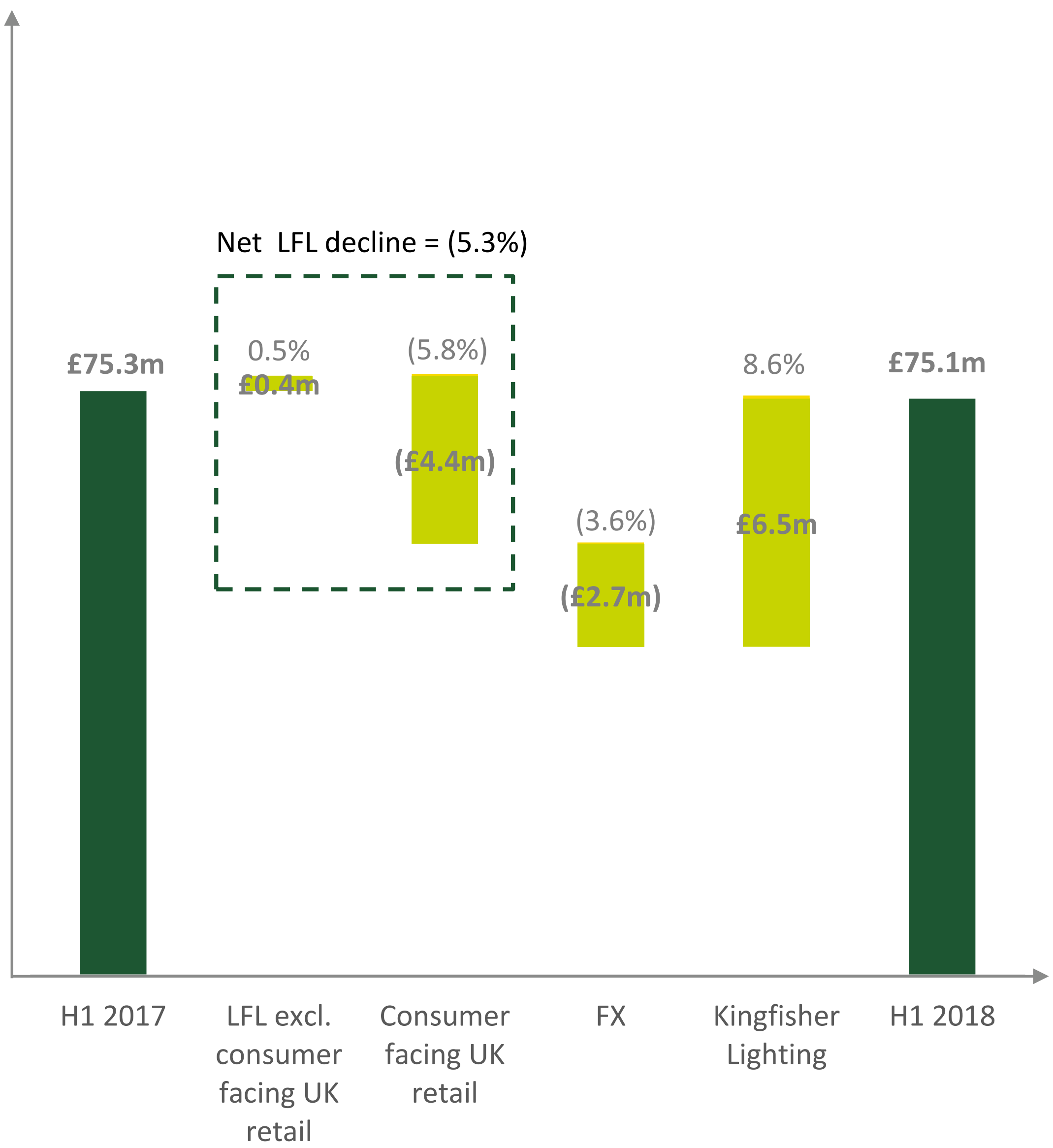
£m	Adjusted[1] H1 2018	Adjusted[1] H1 2017	Adjusted[1] 2017
Revenue	**75.1**	75.3	167.6
Growth %	***(0.3%)***	*25.5%*	*25.4%*
Gross profit	**20.5**	**24.0**	**48.4**
GM %	***27.3%***	*31.9%*	*28.9%*
Overhead costs	**(20.5)**	(15.0)	(33.7)
Operating profit	**-**	**9.0**	**14.7**
OM %	***-***	*12.0%*	*8.8%*
Finance expense	**(1.0)**	(0.9)	(1.9)
(Loss)/profit before taxation	**(1.0)**	**8.1**	**12.8**
Taxation	**(0.4)**	(1.6)	(2.3)
(Loss)/profit for the year	**(1.4)**	**6.5**	**10.5**
%	***(1.9%)***	*8.6%*	*6.3%*
Basic EPS (pence)	**(0.9)p**	4.0p	6.5p
EBITDA	**2.4**	10.8	19.1

1. Alternative performance measure for definitions see Appendix 1
2. Prior year financials restated to reflect the reclassification of Chinese manufacturing facility costs from Administrative expenses to Cost of Goods Sold

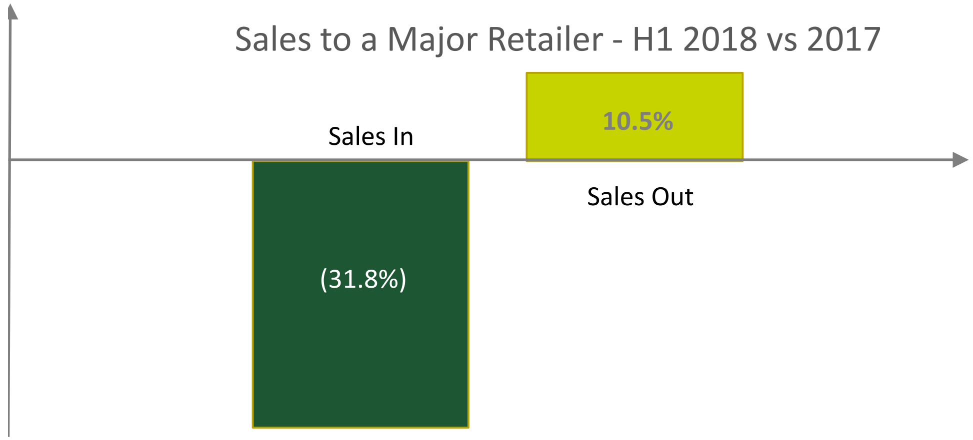
- Flat revenue a product of:
  – (5.3%) LFL decline due to UK Retail
  – (3.6%) currency headwind
  – 8.6% from Kingfisher Lighting acquisition
- 460 bps decline in gross margin largely driven by input cost inflation in Q4 2017, but H1 2018 margins stronger than H2 2017
- Overhead growth driven by Kingfisher Lighting, investment in the sales force, product development and H2 2017 additions
- Achieved operating profit break even despite a very tough environment
- Actions taken to rebuild profitability

REVENUE

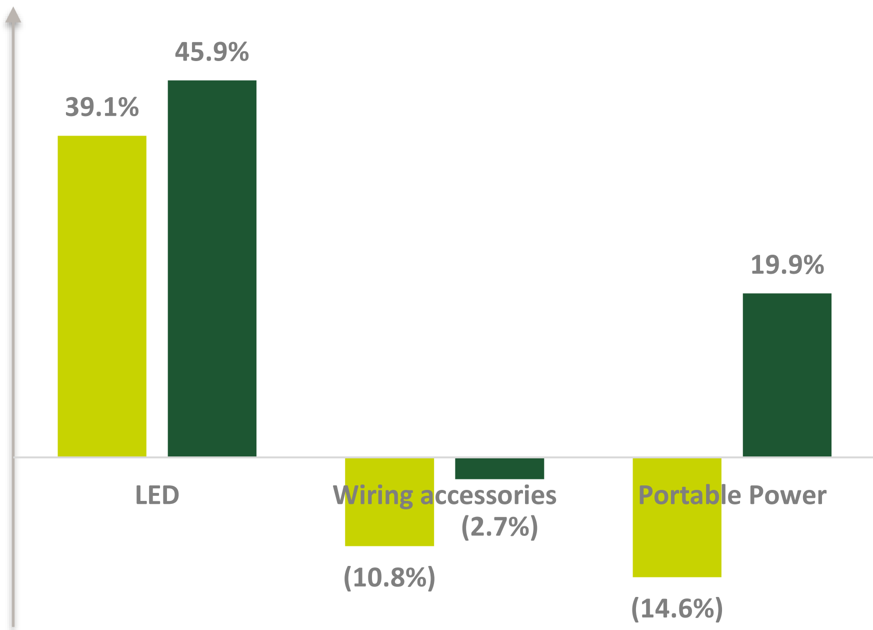
Revenue bridge



Impact of destocking



Sales growth excl. UK Retail



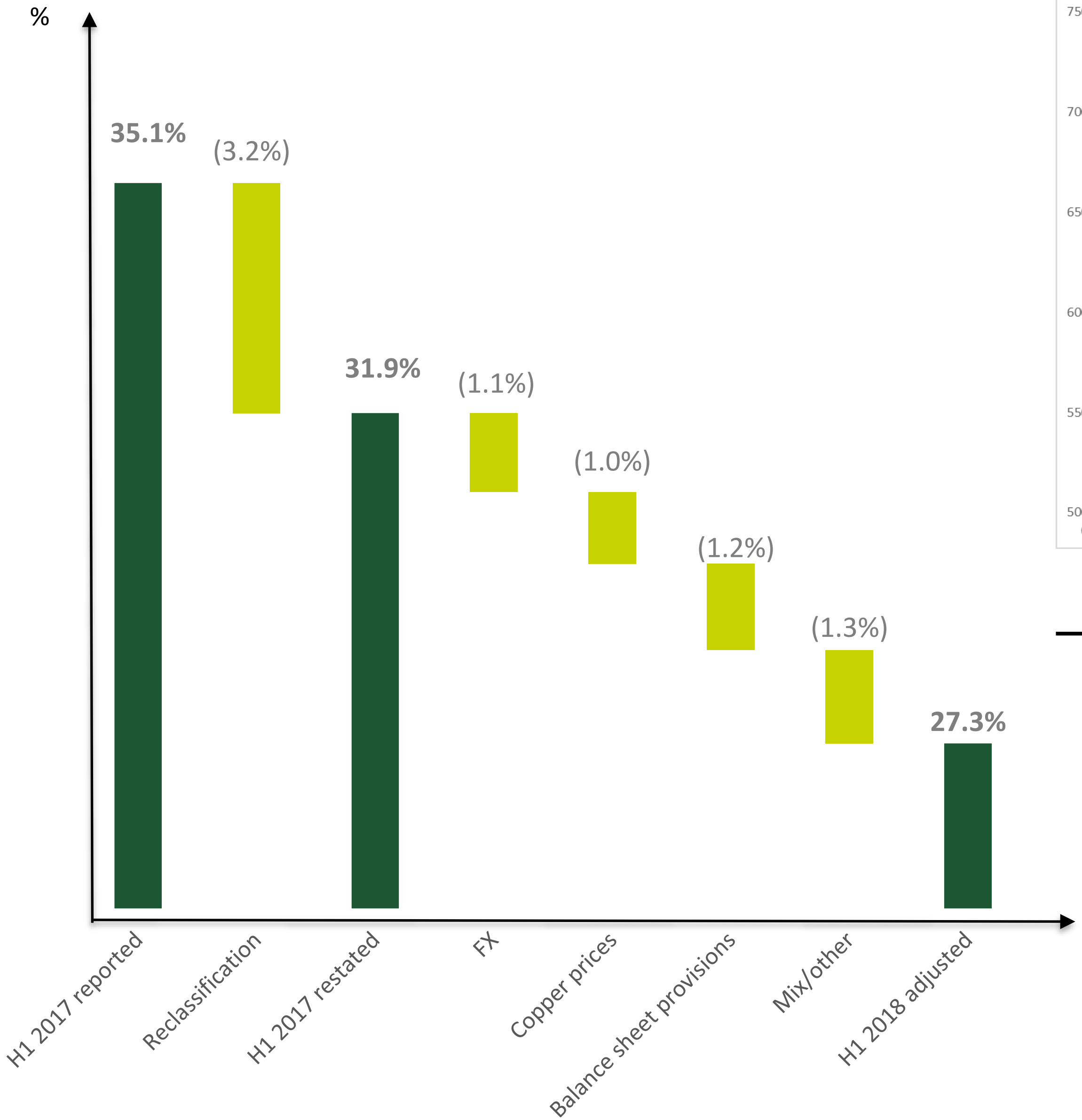
GROWTH IN HIGHER MARGIN AREAS

As a % Group Revenue	2016		H1 2018
UK consumer-facing retail	36%		**25%**
UK LED Trade and Projects	12%		**20%**
International	14%		**21%**
Other businesses	38%		**34%**
Total Group	**100%**		**100%**

450 bps margin premium over UK retail

GROSS MARGIN

Gross margin bridge



Copper price (USD per tonne)

USD:RMB FX rate

CURRENCY IMPACT

LUCECO

Impact on H1 2018 Income Statement

Adjusted (Unaudited) £m	H1 2017	Constant currency	FX	**H1 2018**
Revenue	75.3	2.5	(2.7)	**75.1**
Growth %		*3.3%*	*(3.6%)*	*(0.3%)*
Cost of Sales	(51.3)	(4.6)	1.3	**(54.6)**
Gross profit	24.0	(2.1)	(1.4)	**20.5**
Gross margin %	*31.9%*	*(3.5%)*	*(1.1%)*	***27.3%***
Operating costs	(15.0)	(5.8)	0.3	**(20.5)**
Operating profit	9.0	(7.9)	(1.1)	-
Operating margin %	*12.0%*	*(10.6%)*	*(1.4%)*	-

Impact of hedging programme

H1 impact by currency	USD	RMB	Total
H1 2018 income/(expense) in local currency	21.5	(289.1)	
Average FX rate versus GBP:			
H1 2017	1.26	8.70	
H1 2018	1.37	8.74	
Gain/(loss) %	(8.0%)	(0.5%)	
Gain/(loss) £m	**(1.4)**	**0.3**	**(1.1)**

Illustration of hedging impact on future profitability	USD	RMB	Total
H2 2018			
Hedged FX rate	1.32	8.93	
% Hedged	93%	92%	
Gain compared to H1 2018[1]	0.7	0.7	1.4
H1 2019			
Hedged FX rate	1.33	9.03	
% Hedged	68%	76%	
Gain compared to H1 2018[1]	0.5	1.0	1.5
H2 2019			
Hedged FX rate	1.31	9.03	
% Hedged	50%	50%	
Gain compared to H1 2018[1]	0.8	1.1	1.9

[1] If 100% hedged at current hedged rate

SEGMENTAL PERFORMANCE (UNAUDITED)

LED Lighting

£m	H1 2018	H1 2017	Change	Change %
Revenue	**24.2**	17.4	6.8	39.1%
Adjusted operating (loss)/profit	**(1.4)**	-	(1.4)	-

- Revenue growth of 39.1%:
  - Kingfisher Lighting contributed £6.5m, 37.4%
  - Slowdown in UK retail sales, 1.7% organic growth
  - Performance masks good progress in Projects and international markets
- Sales mix in favour of higher margin project business drives improvement in gross margin
- Investments in international sales force and product development contributes to operating loss
- Profit expected to improve in H2 2018

Wiring Accessories

£m	H1 2018	H1 2017	Change	Change %
Revenue	**31.4**	35.1	(3.7)	(10.5%)
Adjusted operating profit	**2.0**	7.1	(5.1)	(71.8%)

- Performance impacted by slow UK retail sales and adverse currency movements
- Continued UK market share gains, particularly in Trade segment, reinforcing market leadership position
- H2 expected to improve as UK retail demand stabilises and the recent selling price updates are delivered

SEGMENTAL PERFORMANCE (UNAUDITED)

Portable Power

£m	**H1 2018**	H1 2017	Change	Change %
Revenue	**16.9**	19.8	(2.9)	(14.6%)
Adjusted operating (loss) / profit	**(0.5)**	2.2	(2.7)	(122.7%)

- Performance impacted by high exposure to the UK high street, commodity price increases and adverse currency movements
- Continues to maintain UK market leadership in a challenging market
- Improvement in profitability expected in H2 from price updates. This segment has attractive international growth opportunities and is highly capital efficient

Ross & other

£m	**H1 2018**	H1 2017	Change	Change %
Revenue	**2.6**	3.0	(0.4)	(13.3%)
Adjusted operating loss	**(0.1)**	(0.3)	0.2	66.7%

- The sector slow down and limited product innovation has resulted in a revenue decline
- Margins have been adversely impacted by commodity inflation

REBUILDING PROFITABILITY

	£m
H1 2018 adjusted operating profit	**-**
Actions taken that benefit H2 2018 & beyond:	
Selling price updates	4.5
Currency hedging	1.4
Closure of US operations	0.8
Overhead reductions	0.4
Note: H2 2017 adjusted operating profit	5.7

BALANCE SHEET (UNAUDITED)

£m	H1 2018	H1 2017[1]	FY 2017[1]	H1 2018 Movement
Non-current assets				
Intangible assets	**23.8**	21.0	23.5	0.3
Tangible assets	**23.8**	13.7	23.7	0.1
Deferred tax	–	0.1	-	-
	47.6	**34.8**	**47.2**	**0.4**
Current assets				
Stock	**41.5**	36.9	44.2	(2.7)
Debtors	**33.8**	35.9	45.3	(11.5)
Cash	**4.1**	6.4	5.6	(1.5)
	79.4	79.2	95.1	(15.7)
Creditors				
Trade creditors	**(46.2)**	(44.2)	(58.2)	12.0
Other creditors	**(40.9)**	(20.6)	(42.4)	1.6
Creditors < 1 year	**(87.1)**	(64.8)	(100.6)	13.6
Creditors > 1 year	**(4.6)**	(12.1)	(1.7)	(3.0)
Net assets	**35.3**	37.1	40.0	(4.7)

1.Prior year financials reflect the restatement of the opening balances following changes made in FY 2017 and the grossing up of rebates in Debtors and Creditors

Net Working Capital	**30.4**	32.9	32.3	(1.9)
Net debt	(41.4)	(26.1)	(36.7)	(4.7)
Stock days	142	144	130	
Debtor days	59	54	63	
Creditor days	100	97	115	

Changes since FY2017

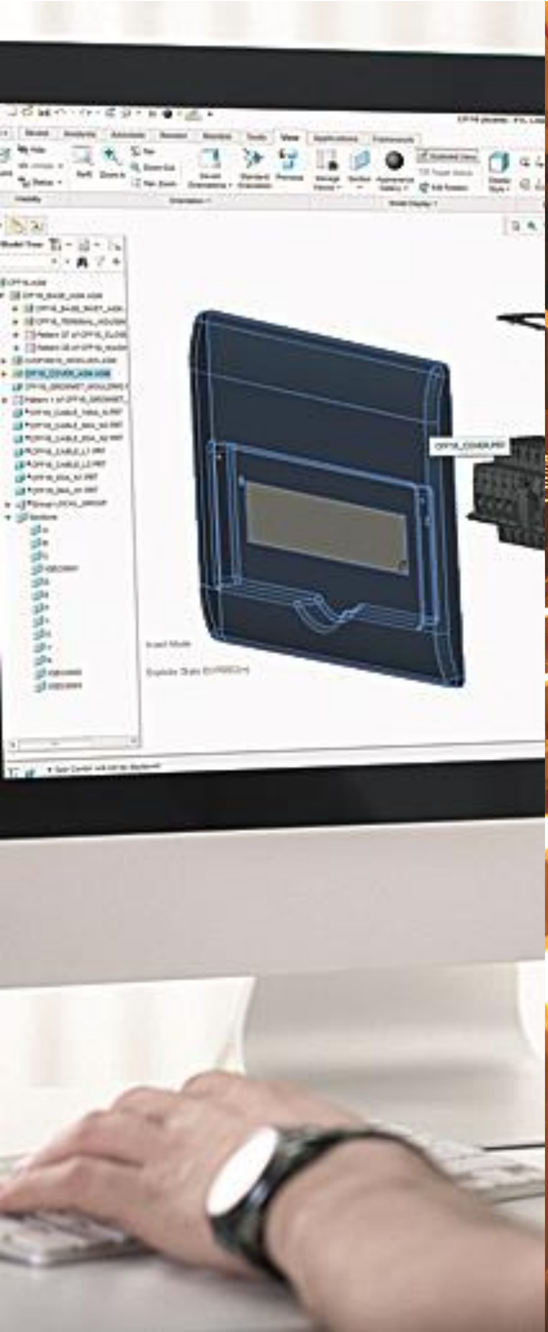
- Inventory reduced despite weak demand. Targeting a further reduction by year-end
- Additional prudence added to the balance sheet:
  - Inventory provisions increased by £1.5m including £1.0m arising from US closure
  - Bad debt provision increased by £0.5m on first adoption of IFRS 9
  - Proactive management has avoided large credit losses despite well-publicised difficulties on the high street
- Net debt only modestly higher than year end reflecting tight management of capital and discretionary spend. Expected to reduce by year-end

CASH FLOW (UNAUDITED)

£m	H1 2018	H1 2017	Change	FY 2017
Cash from operations	**1.3**	**10.2**	(8.9)	**20.3**
Tax paid	(1.4)	(0.4)	(1.0)	(3.1)
Financing inflows	1.9	(2.7)	4.6	5.9
Dividends paid	-	(0.5)	0.5	(1.8)
CAPEX	(3.1)	(3.6)	0.5	(10.0)
Acquisition of subsidiary	-	-	-	(9.7)
(Decrease)/increase in cash and cash equivalents	**(1.3)**	**3.0**	(4.3)	**1.6**
Net debt : LTM adjusted EBITDA	2.5x	1.1x		1.9x

- Group remained operating cash flow positive, despite the challenging environment, due to tight working capital management
- Capital investment and discretionary expenditure significantly curtailed
- Update on bank facilities:
  - Maturity of RCF extended to 31 March 2020
  - £3m overdraft from relationship bank (undrawn)
  - Invoice financing facility extended to Kingfisher Lighting and Hong Kong
- Net debt: LTM adjusted EBITDA 2.5x in compliance with banking covenants

STRATEGY




STRATEGY

- Increased investment in support services as appropriate
  - Finance team / other back office software/process investment and improvement.
- Diversify into more technical, higher margin trade and project segments, especially within lighting.
  - Focus away from consumer channel which is suffering from structural growth of internet sales channels.
  - Completion of the technical lighting product offer and greater acceptance of Luceco brand.
  - Ongoing investment in technical lighting specification sales teams, headcount now 40 (2017 H1: 18).
  - Further acquisition opportunities similar to Kingfisher Lighting Ltd.
- Diversify away from UK market concentration risk.
  - International (non-UK) sales growth of 34%, despite US situation.
  - Particularly strong growth in Southern Europe and Mexico (projects segments).
- NPD focused on more technical, higher margin range extensions:
  - ‘Sports’ and ‘high mast’ LED lighting, and lighting control.
  - ’Smart home’ : retrofittable ‘smart’ lighting and power socket control, compatible with Alexa and Google etc
  - EV charging (domestic/residential): UK regulations require all new homes to have an EV charging point.

OUTLOOK

- Outlook remains unchanged from the July Trading Update
- Actions taken during H1 2018 will deliver benefits:
  - Price updates
  - FX hedging
  - Overhead reductions
  - Closure of US operations
- UK Retail order book +30% in Q3 compared to Q2
- Well positioned to deliver year-on-year profit growth in H2 2018
- The management team are focused and determined to improve the Group's earnings potential and the Board remains confident about Luceco's long-term growth prospects

APPENDIX

PRIOR YEAR RESTATEMENT AND COST RECLASSIFICATION

£m	Previously reported H1 2017	Reclass of costs	Restated H1 2017
Revenue	75.3	-	**75.3**
Cost of sales	(48.9)	(2.4)	**(51.3)**
Gross profit	**26.4**	**(2.4)**	**24.0**
GM %	*35.1%*		**31.9%**
Overhead costs	(17.4)	2.4	**(15.0)**
Operating profit	**9.0**	**-**	**9.0**
OM%	*12.0%*	-	**12.0%**
Finance expense	(0.9)	-	**(0.9)**
Profit before tax	**8.1**	**-**	**8.1**
Taxation	(1.6)	-	**(1.6)**
Profit for the year	**6.5**	**-**	**6.5**
%	*8.6%*	-	**8.6%**
Basic EPS (pence)	4.0p	-	**4.0p**

- Three types of adjustment made to H1 2017 comparatives:
  - Correction of accounting errors in opening balance sheet
  - Reclassification of rebates between trade debtors and trade creditors
  - Reclassification of Chinese overheads to COGS (the only adjustment that impacts the Income Statement)
- Two historic errors corrected:
  - Inventory valuation:
    - Too much overhead absorbed into inventory
    - Same issue as that reported in Dec 2017
  - Inter-company balance reconciliation
    - UK/China balances not correctly reconciled and eliminated from Group accounts

PRIOR YEAR RESTATEMENT

	30 June 2017 Restatement				31 December 2017 Restatement		
£m	As previously reported	Change to opening balance sheet	Reclassification of rebates	As Restated	As previously reported	Reclassification of rebates	As Restated
Non-current assets							
Property, plant and equipment	21.0	-	-	21.0	**23.5**	-	**23.5**
Intangible assets	13.7	-	-	13.7	**23.7**	-	**23.7**
Deferred tax asset	0.1	-	-	0.1	-	-	-
	34.8	-	-	34.8	**47.2**	-	**47.2**
Current assets							
Inventories	40.0	(3.1)	-	36.9	44.2	-	44.2
Trade and other receivables	29.2	-	6.7	35.9	36.7	8.6	45.3
Cash and cash equivalents	6.4	-	-	6.4	5.6	-	5.6
	75.6	**(3.1)**	**6.7**	79.2	**86.5**	**8.6**	**95.1**
Total assets	110.4	**(3.1)**	**6.7**	114.0	**113.7**	**8.6**	**142.3**
Current liabilities							
Interest bearing loans and borrowings	(20.3)	-	-	(20.3)	(42.3)	-	(42.3)
Trade and other payables	(35.1)	(2.4)	(6.7)	(44.2)	(49.6)	(8.6)	(58.2)
Other financial liabilities	(0.3)	-	-	(0.3)	(0.1)	-	(0.1)
	(55.7)	(2.4)	(6.7)	(64.8)	(92.0)	(8.6)	(100.6)
Non-current liabilities	(12.1)	-	-	(12.1)	(1.7)	-	(1.7)
Total liabilities	(67.8)	(2.4)	(6.7)	(76.9)	(93.7)	(8.6)	(102.3)
Total net assets	42.6	(5.5)	-	37.1	40.0	-	40.0

INCOME STATEMENT – ADJUSTED & STATUTORY

£m	**Adjusted H1 2018**	Adjs	**Reported H1 2018**	Adjusted H1 2017	Adjs	Reported H1 2017
Revenue	**75.1**	-	**75.1**	75.3	-	75.3
Growth %	***(0.3%)***	-	***(0.3%)***	*25.5%*	-	*25.5%*
Gross profit	**20.5**	**(1.0)**	**19.5**	**24.0**	**-**	**24.0**
GM %	***27.3%***	-	***26.0%***	*31.9%*	-	*31.9%*
Overheads	**(20.5)**	(2.1)	**(22.6)**	(15.0)	-	(15.0)
Operating profit	**-**	**(3.1)**	**(3.1)**	**9.0**	**-**	**9.0**
OM %	**-**	-	***(4.1%)***	*12.0%*	-	*12.0%*
Finance expense	**(1.0)**	-	**(1.0)**	(0.9)	-	(0.9)
(Loss)/profit before taxation	**(1.0)**	**(3.1)**	**(4.1)**	**8.1**	**-**	**8.1**
Taxation	**(0.4)**	0.1	**(0.3)**	(1.6)	-	(1.6)
(Loss)/profit for the year	**(1.4)**	**(3.0)**	**(4.4)**	**6.5**	**-**	**6.5**
%	***(1.9%)***	-	***(5.9%)***	*8.6%*	-	*8.6%*
Basic EPS (pence)	**(0.9)p**	(1.8)p	**(2.7)p**	4.0p	-	4.0p
EBITDA	**2.4**	(2.8)	**(0.4)**	10.8	-	10.8

- 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.
- 2018 adjustments are represented by:
  - Closure of US business £2.0m
  - Restructuring costs £0.8m
  - Amortisation of acquired intangibles £0.3m
- There were no adjustments made to H1 2017

DISCLAIMER

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