



# AGENDA

- ⦿ Introduction and highlights
- ⦿ Financial review
- ⦿ Strategic progress and outlook
- ⦿ Questions

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# INTRODUCTION



## Who we are

Luceco is a rapidly growing manufacturer and distributor of high quality, innovative LED lighting products and wiring accessories supplying a global customer base. The Group supplies the following market recognised brands:

- ☉ Luceco: energy efficient LED Lighting
- ☉ British General (BG): Wiring Accessories
- ☉ Masterplug: Portable Power
- ☉ Ross: TV brackets , AV Accessories

## What we do

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



**£75.3m**

Revenue for H1 2017  
(H1 2016: £60.0m)



**Established**

UK and  
International sales  
network



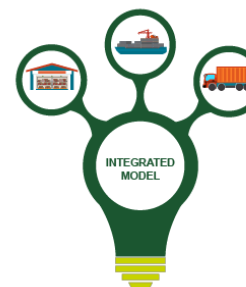
**Employees**

c. 2000 employees  
worldwide



**Brands**

4 strong brands



**Integrated model**

Wholly owned  
manufacturing and  
supply chain



**Scalable &  
defensive**

business with high  
barriers to entry

# H1 HIGHLIGHTS

## Operational

- Strong revenue growth across all product categories
- Consistent operating margins
- Continuing expansion of Chinese manufacturing capacity
- Continuing investment in expanded sales teams at all operations
- Expansion of product ranges and a strong pipeline of new product launches
- Continued growth in International businesses
- Strong order book

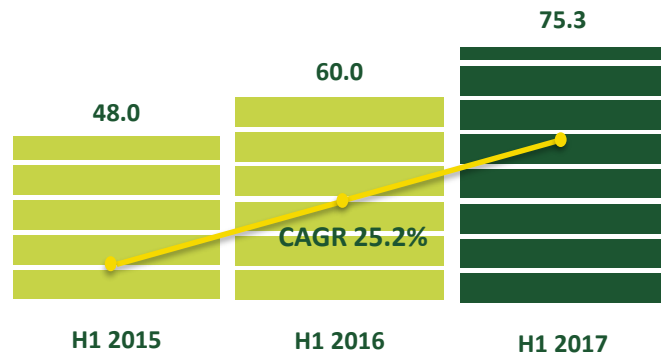
## Financial

- Revenue increased for the first six months of the year by 25.5% to £75.3m (H1 2016: £60.0m)
- On a constant currency basis, revenue grew by 17.3%
- Operating profit increased by 25.0% to £9.0m (H1 2016: £7.2m)
- Gross margin broadly unchanged at 35.0% ( H1 2016: 35.3%)
- Basic and diluted EPS increased 42.8% to 4.0p per share (H1 2016: 2.8p per share)
- Strong balance sheet with net debt of £26.1m ( FY 2016: £29.4m)
- Interim dividend declared of 0.8p per share, which represents 20% of profit after taxation for the first six-months (H1 2016: £nil)

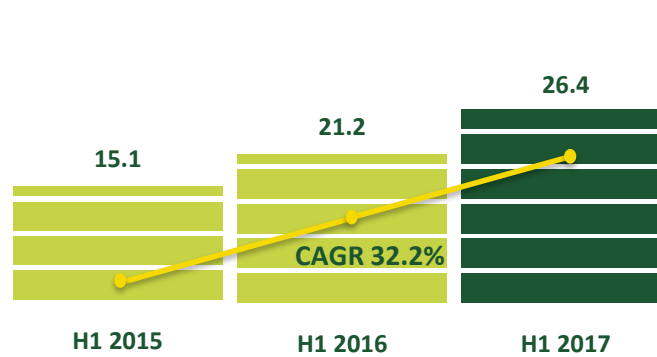


# FINANCIAL HIGHLIGHTS

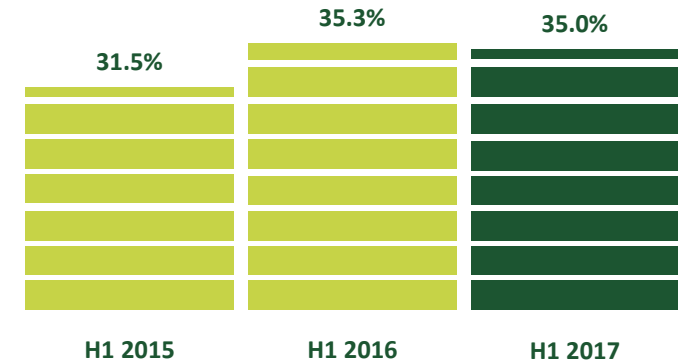
Revenue (£m)



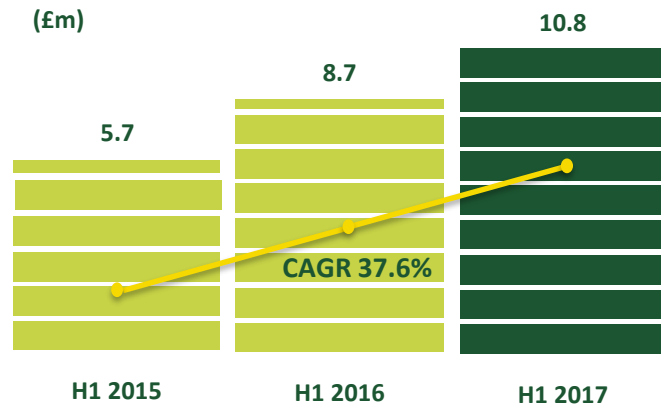
Gross Profit (£m)



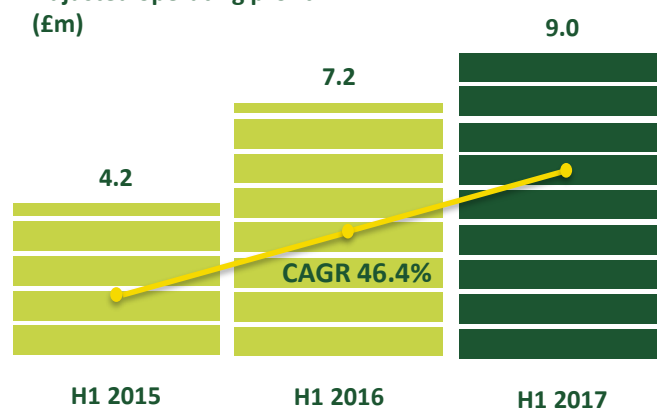
Gross Margin (%)



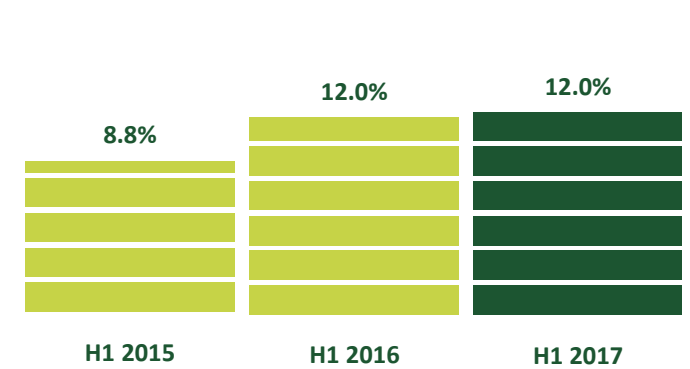
EBITDA (£m)



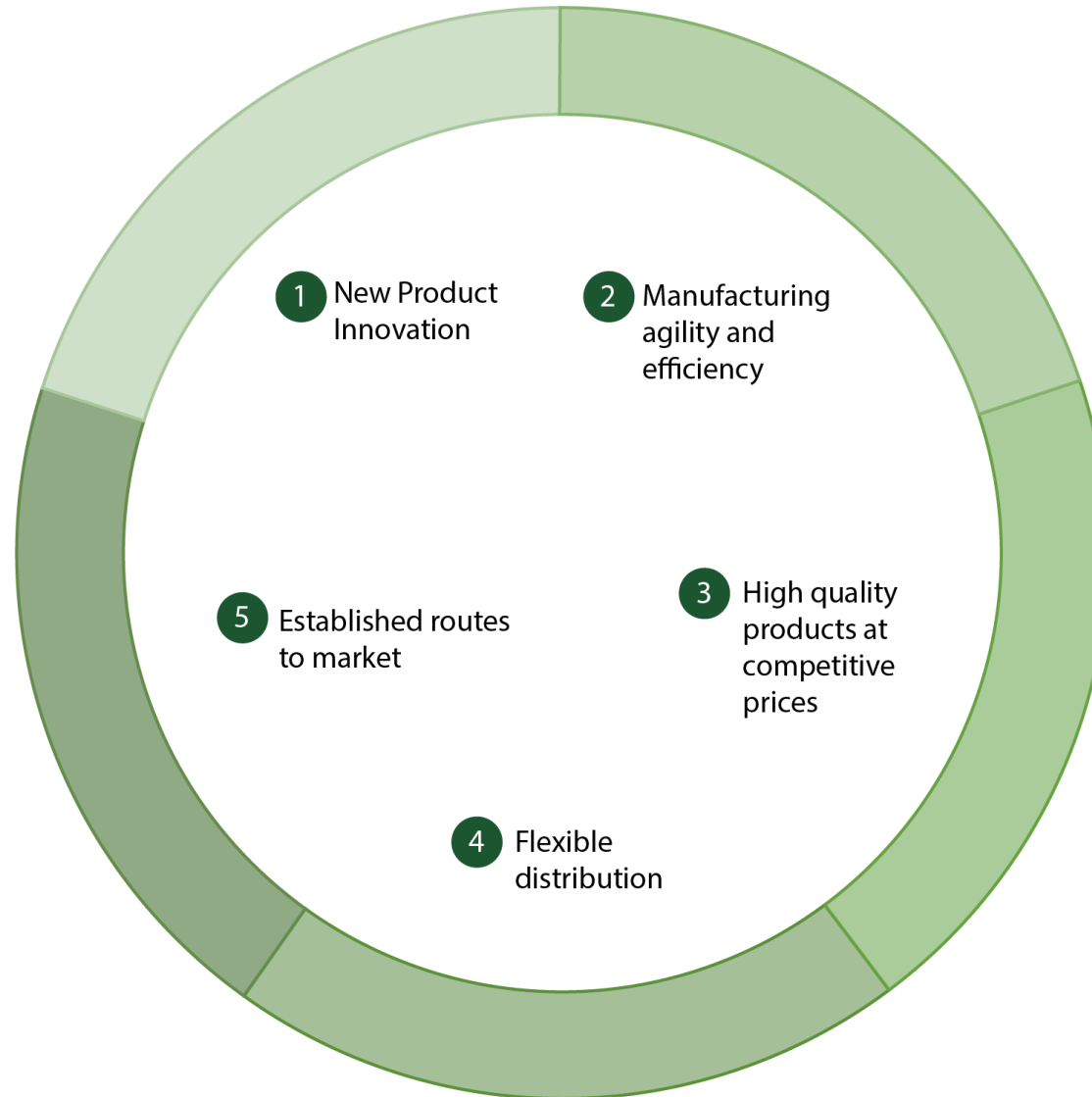
Adjusted operating profit (£m)



Operating margin (%)



# WELL POSITIONED FOR CONTINUED GROWTH



# FINANCIAL OVERVIEW



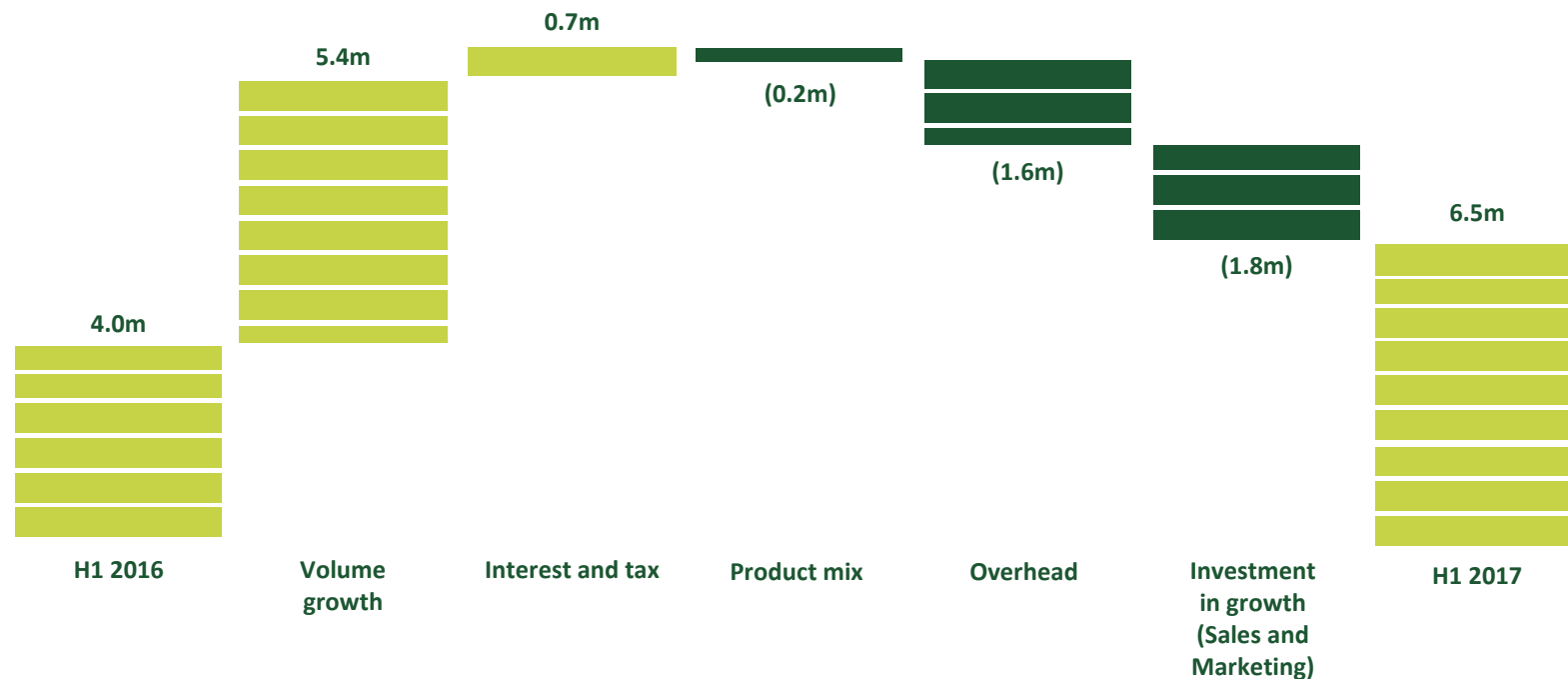
## SUMMARY CONSOLIDATED INCOME STATEMENT



£m	H1 2017	H1 2016	FY 2016	Chg '17 v '16	Chg %
Revenue	75.3	60.0	133.8	15.3	25.5%
Gross profit	26.4	21.2	47.8	5.2	24.5%
GM %	35.0%	35.3%	35.7%		
Fixed costs*	(17.4)	(14.0)	(30.2)	(3.4)	24.1%
%	23.1%	23.3%	22.6%		
<b>Adjusted operating profit</b>	<b>9.0</b>	<b>7.2</b>	<b>17.6</b>	<b>1.8</b>	<b>25.0%</b>
%	12.0%	12.0%	13.2%		
Exceptional IPO costs	-	-	(2.6)	-	
Operating profit	9.0	7.2	15.0	1.8	25.0%
%	12.0%	12.0%	11.2%		
Adjusted profit after taxation & interest	6.5	4.0	12.3	2.5	62.5%
%	8.6%	6.7%	9.2%		
Adjusted basic and diluted EPS (pence)	4.0p	2.8p	8.5p	1.2p	42.8%
Adjusted EBITDA	10.8	8.7	20.8	2.1	24.1%
%	14.3%	14.5%	15.5%		

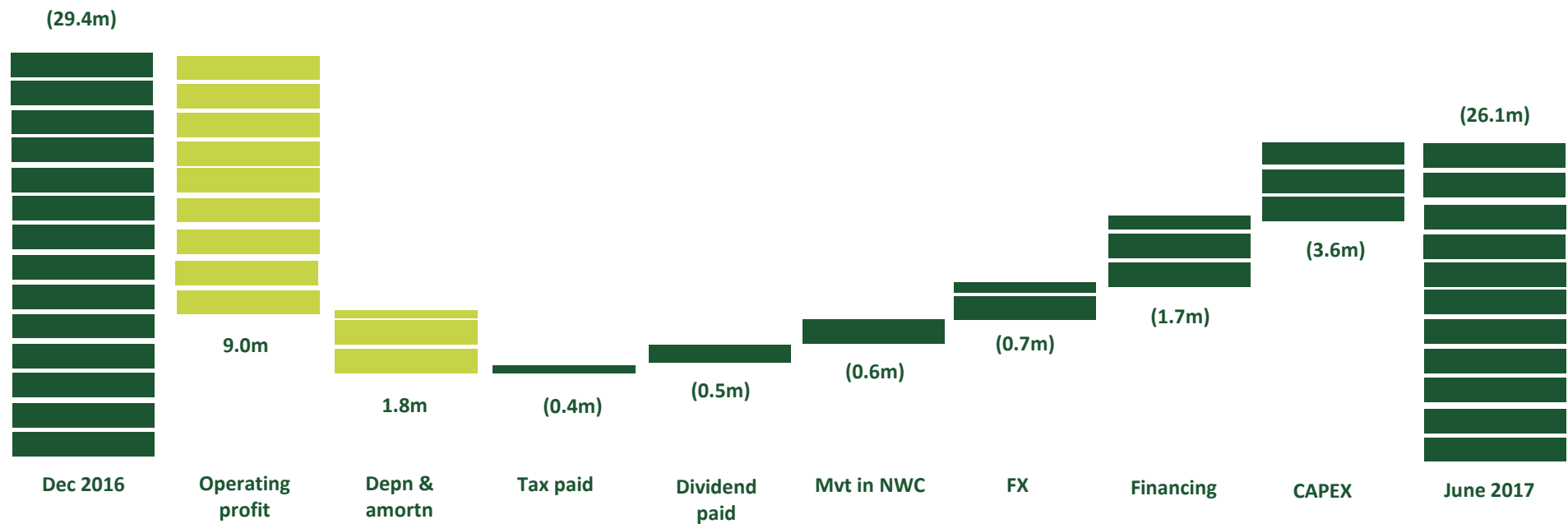
- Revenue growth of £15.3m (25.5%), £10.4m (17.3%) on a constant currency basis
- Gross margin reflects product mix
- Overheads spend remains consistent at circa 23% of revenue
- Effective tax rate reduced from 25.2% to 19.0% due to effective tax planning in H2 2016
- Basic and diluted EPS has increased by 42.8% to 4.0p

# PROFIT AFTER TAX BRIDGE



- Strong revenue and gross profit growth despite on-going investment in sales and marketing to support the Group's future growth strategy
- Currency fluctuations, increased sales activity and inflation has impacted overheads expenditure
- Reduced net debt from year end 2016 has benefitted the Group interest costs
- Improved effective tax rate in H1 2017
- Investment for future growth

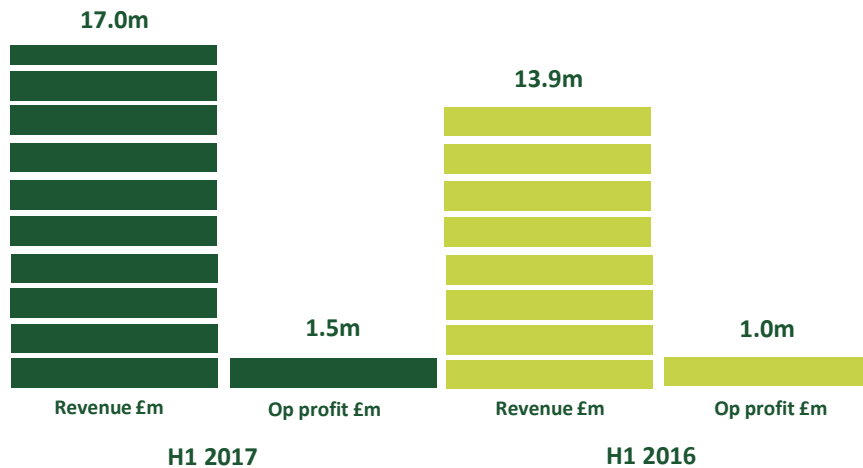
# NET DEBT BRIDGE



- ⦿ Reduced NWC outflow versus H1 2016 and full year 2016
- ⦿ Capex investment to support continued growth as we expand our product ranges
- ⦿ Full year 2016 dividend paid in H1 2017
- ⦿ FX: being FX impact on debt, cash and cash equivalents
- ⦿ Dividend paid is the approved 2016 full year dividend
- ⦿ Financing relates to repayment of borrowings

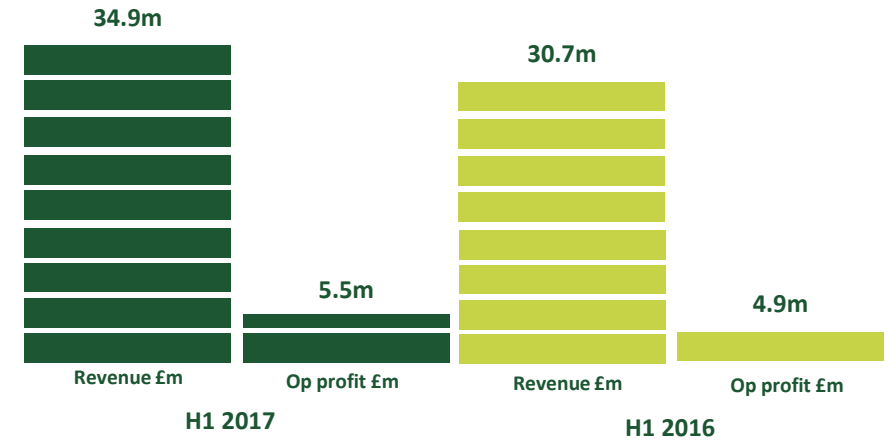
# SEGMENTAL PERFORMANCE

## LED lighting



- Revenue up 22.4% to £17.0m (constant currency 26.2%)
- Operating profit up 48.5% to £1.5m
- Operating margin up 1.5% to 8.9%
- Revenue growth follows the expansion of the product range and the decision to move more production in-house

## Wiring accessories

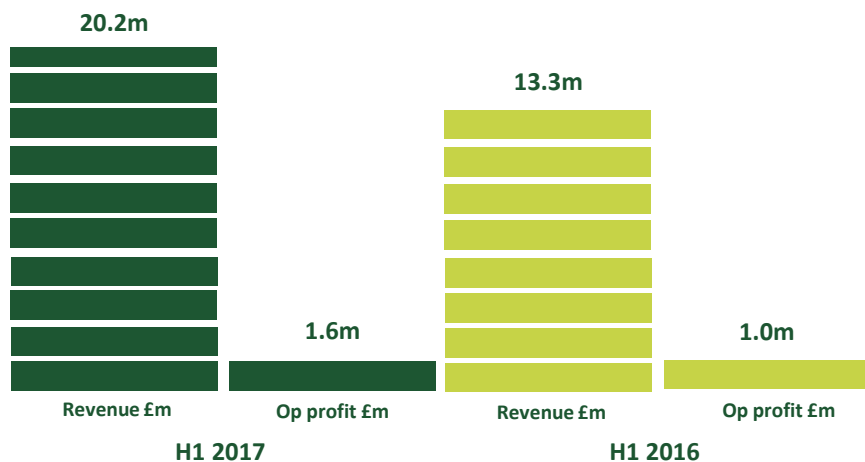


- Revenue up 13.6% to £34.9m (constant currency 6.9%)
- Operating profit up 12.6% to £5.5m
- Operating margin down 0.1% to 15.8%
- Revenue growth is due to general market share gains



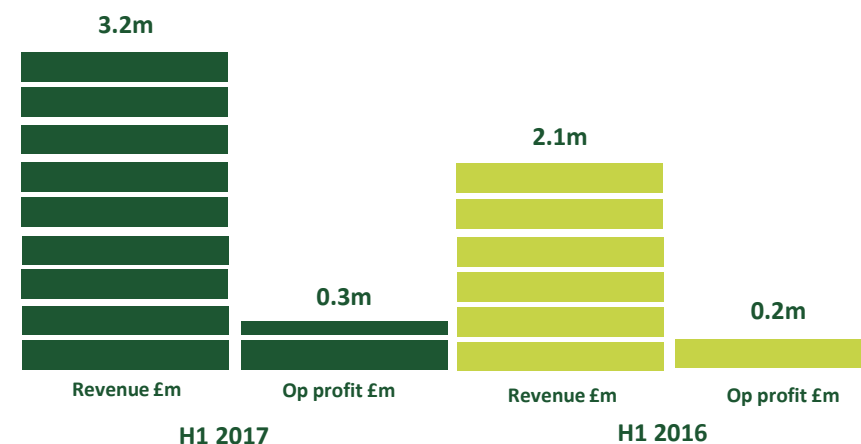
# SEGMENTAL PERFORMANCE

## Portable Power



- Revenue up 52.2% to £20.2m (constant currency 30.6%)
- Operating profit up 57.8% to £1.6m
- Operating margin up by 0.2% to 7.8%
- Revenue growth due to significant new business wins with major customers in the UK, Europe and Americas

## Ross and other



- Revenue up 51.5% to £3.2m (constant currency 33.3%)
- Operating profit up 57.0% to £0.3m
- Operating margin up 0.3% to 10.7%
- Revenue increase due to re-engineering the product range to reduce product costs

## SUMMARY CONSOLIDATED BALANCE SHEET



£m	H1 2017	H1 2016	FY 2016	Chg '17 v '16	Chg %
<b>Non-current assets</b>					
Intangible assets	13.7	12.4	12.9	1.3	10.5%
Tangible assets	21.0	19.3	20.6	1.7	8.8%
Deferred tax	0.1	-	0.2	0.1	-
	<b>34.8</b>	<b>31.7</b>	<b>33.7</b>	<b>3.1</b>	<b>9.8%</b>
<b>Current assets</b>					
Stock	40.0	34.3	38.5	5.7	16.6%
Debtors	29.3	29.7	29.3	(0.4)	-1.3%
Cash	6.4	3.6	4.1	2.8	77.8%
	<b>75.7</b>	<b>67.6</b>	<b>71.9</b>	<b>8.1</b>	<b>12.0%</b>
<b>Creditors &lt; 1 year</b>	<b>(55.7)</b>	<b>(66.6)</b>	<b>(55.2)</b>	<b>10.9</b>	<b>-16.4%</b>
<b>Creditors &gt; 1 year</b>	<b>(12.1)</b>	<b>(25.5)</b>	<b>(12.1)</b>	<b>13.4</b>	<b>-52.5%</b>
<b>Net assets</b>	<b>42.7</b>	<b>7.2</b>	<b>38.3</b>	<b>35.5</b>	
<b>NWC</b>	<b>33.3</b>	<b>26.5</b>	<b>33.9</b>	<b>6.8</b>	<b>25.7%</b>
<b>Net debt</b>	<b>(26.1)</b>	<b>(47.9)</b>	<b>(29.4)</b>	<b>21.8</b>	<b>-45.5%</b>
<b>Stock days</b>	<b>144</b>	<b>145</b>	<b>145</b>		
<b>Debtor days</b>	<b>58</b>	<b>68</b>	<b>68</b>		
<b>Creditor days</b>	<b>96</b>	<b>97</b>	<b>97</b>		

- Continuing innovation and product development both in the UK and China
- NWC remains consistent with the year end position as stock and cash collection is continued to be managed efficiently
- Stock increase a function of volume growth
- Group continues to progress its cash conversion of operating profit to further reduce the net debt

# SUMMARY CONSOLIDATED CASH FLOW

£m	H1 2017	H1 2016	FY 2016	Chg	
				'17 v '16	Chg %
<b>Operating profit*</b>	<b>9.0</b>	<b>7.2</b>	<b>15.0</b>	1.8	25.0%
Depn and amortisation	1.8	1.5	3.2	0.3	20.0%
Mvt in NWC	(0.6)	(3.3)	(11.6)	2.7	-81.8%
<b>NCF from operations</b>	<b>10.2</b>	<b>5.4</b>	<b>6.6</b>	4.8	88.9%
Exceptional IPO costs	-	-	(2.6)	-	
Tax paid	(0.4)	(0.2)	(1.3)	(0.2)	100.0%
CAPEX	(3.6)	(6.3)	(7.7)	2.7	-42.9%
Dividends paid	(0.5)	-	-	(0.5)	
Financing	(2.7)	(1.3)	4.2	(1.4)	107.7%
Exchange rate fluctuations	(0.7)	1.2	0.1	(1.9)	-158.3%
<b>Net cash flow</b>	<b>2.3</b>	<b>(1.2)</b>	<b>(0.7)</b>	3.5	-291.7%
<b>Net funds</b>					
Opening	4.1	4.8	4.8	(0.7)	
Closing	<b>6.4</b>	<b>3.6</b>	<b>4.1</b>	2.8	
<b>Net debt</b>	<b>(26.1)</b>	<b>(47.9)</b>	<b>(29.4)</b>	21.8	-45.5%
<b>EBITDA</b>	<b>10.8</b>	<b>8.7</b>	<b>20.8</b>	2.1	24.1%
<b>Net debt/LTM EBITDA</b>	<b>1.1x</b>	<b>2.8x</b>	<b>1.4x</b>		

\*Stated post exceptional IPO costs for 2016

- Effective management of NWC has further enhanced the cash flow for the Group thus slowly reducing the net debt
- Acquired tangible fixed assets amounting to £2.4m (H1 2016: £4.2m) relating to new product tooling and capacity expansion and improvement of the manufacturing process at the Groups manufacturing facility in China
- CAPEX also includes internally generated development costs of £1.2m
- Exchange rate fluctuations in China has materially affected the Group's cash position
- The Group continues to purchase forward contracts to mitigate the FX rate risk

# REVENUE BY GEOGRAPHY

£m	H1 2017	H1 2016	Chg '17 v '16	Chg %
UK	62.8	51.3	11.5	22.2%
Europe	4.1	2.5	1.6	67.6%
MEA	2.8	3.3	(0.5)	-15.9%
Asia	2.5	1.3	1.2	95.7%
Americas	2.5	0.9	1.6	177.8%
Africa	0.6	0.7	(0.1)	-7.7%
<b>Total revenue</b>	<b>75.3</b>	<b>60.0</b>	<b>15.3</b>	<b>25.5%</b>

- UK revenues have grown strongly, increasing 22.2% during the year to £62.8m (H1 2016: £51.3m). This growth has been driven by the full period impact of significant new business wins in 2016 and successful new product launches in H1 2017 along with continuing market share gains
- International revenues have grown by 45.3% to £12.5m (H1 2016: £8.6m) as Luceco's international presence gains momentum and now represents 16.6% of total revenues (H1 2016: 14.3%)



# STRATEGIC PROGRESS







- ◎ **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
  
- ◎ **Fully integrated model**
  - Wholly-owned Chinese manufacturing with local know-how and expertise
  - High quality, low-cost manufacturing; supply chain and product development functions aligned to client needs
  
- ◎ **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

# STRATEGIC UPDATE



## Expansion of product range to deliver growth in revenue and profits

- Strong new product launches in the period, especially within the LED category
- Strong pipeline of new product launches into H2 and beyond
- Internationalisation of the Masterplug and BG categories.



## Increase in market share in LED products (Luceco)

- LED projects team expanded in UK and Internationally
- LED UK market share < 5%
- Increased investment in the International 'start-ups'

## Increase in UK market share of established core brands BG and Masterplug

- Both UK market leading brands increased market share in H1.
- New business wins for BG including UK house-builders.
- New significant retail customer wins for Masterplug.
- Launch of the improved Masterplug range.





# STRATEGIC UPDATE

## ① Develop international sales for all product offerings

- New offices, which began trading in Hong Kong and Spain in 2016, have gained momentum in the six month period
- USA and Mexico gain increased market penetration
- Germany and France also showing strong growth

## ② Targeted acquisitions

- The Board continues to identify acquisition targets that would strengthen the Group's strategic and market position to drive long term shareholder value
- Targets will enhance the Group's market access
- Strict acquisition criteria will be applied before approving any such acquisition

## ③ Improve conversion of profit to cash

- Group continues to improve working capital management and cash flow
- Net debt has reduced since year end to £26.1m



# H1 2017 SUMMARY



Ongoing growth in the manufacturing facility and supply chain

Successful new product launches

New business wins key driver to growth both domestically and internationally

Continued growth in all Brands, particular LED Lighting

- Strong revenue growth across all product categories
- Consistent operating margins
- Continuing expansion of Chinese manufacturing capacity
- Continuing investment in expanded sales teams at all operations
- Continued growth in international businesses
- Strong order book
- Expansion of product ranges and a strong pipeline of new product launches
- Strong balance sheet to support future investment both organically and M&A opportunities
- The Board expects that the Group's full year results will be in line with market expectations



All geographical divisions performing to management expectations

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

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