

16 October 2020

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Beacon Lighting Group (BLX)

Homeware

BUY

BLX A\$1.60
TARGET PRICE A\$1.81

Beacon Lighting Group Limited operates as a specialist retailer of lighting products in Australia and internationally. The company's products include pendants, table lamps, floor lamps, ceiling fans, chandeliers, exteriors, globes, down lights, wall lights, spotlights, bathroom lighting products, batten fixes, flush mounts, accessories, and solar panels. It serves middle to upper residential lighting market. The company operates through a network of 106 company stores, 4 franchised stores, and 4 commercial sales offices. It also offers its products online.

Company Data

| | |
|------------------------------|---------------|
| Number of shares | 223.3M |
| Market Capitalisation | \$317.1 |
| Free float (%) | 41.0 |
| 12-month high/low | \$1.74/\$0.39 |
| Average Daily Turnover (\$m) | 0.7790 |
| % S&P/ASX200 | 0.02% |
| DDM Ranking | 147 |
| % All Ordinaries | 0.02% |
| GICS Industry Group | Homeware |

Source: FactSet, Barclay Pearce Capital

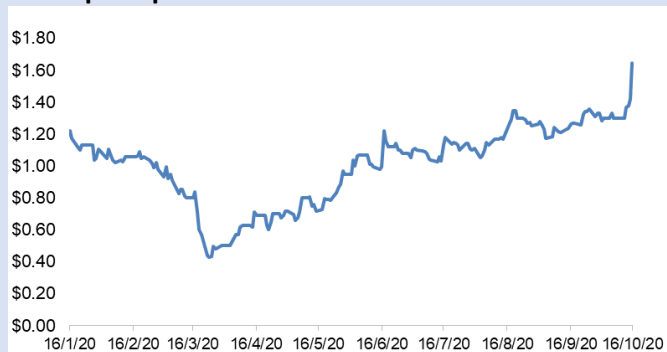
Earnings Summary (AUD)

| Year end June | 2020A | 2021F | 2022F | 2023F |
|-------------------------|-------|-------|-------|-------|
| Revenue (\$M) | 250.9 | 331.0 | 335.4 | 355.6 |
| Reported NPAT (\$M) | 22.2 | 28.1 | 28.3 | 30.2 |
| Adjusted NPAT (\$M) | 19.1 | 28.1 | 28.3 | 30.2 |
| Reported EPS (c) | 10.1 | 11.3 | 11.7 | 11.6 |
| Adjusted EPS (c - FD) | 10.1 | 11.1 | 11.0 | 11.6 |
| Adjusted EPS growth (%) | 35.5 | 9.5 | -0.6 | 6.0 |
| Adjusted P/E (x) | 14.1 | 12.8 | 12.9 | 12.2 |
| Dividend (c/sh) | 5.0 | 6.3 | 6.7 | 7.1 |
| Gross yield (%) | 5.0 | 6.3 | 6.8 | 7.2 |
| Net yield (%) | 3.5 | 4.4 | 4.7 | 5.0 |
| ROIC (%) | 26.4 | 28.2 | 27.3 | 27.3 |

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Q1 FY21 Operating Update

On 16 October 2020 Beacon Lighting Group Ltd (BLX) announced a Q1 FY21 Trading Update with the following highlights:

- Group Sales have increased by 24.4%;
- Company stores' comparative sales (including Melbourne stores) have increased by 26.6%;
- Company stores' comparative sales (excluding Melbourne Stores) have increased by 37.6%;
- Online sales have increased by 156.0%;
- Beacon International sales have increased by 42.0%;
- Underlying NPAT (excluding Melbourne Stores) have increased to \$8.4m from \$2.2m in Q1 FY20.

Outlook

- Beacon Lighting Group CEO Glen Robinson stated "During These difficult times we have been able to provide our customers across Australia with a safe and rewarding shopping experience in our stores and online. We are seeing many customers investing in their home as they spend more time at home working and studying. Thanks to the support of our customers and the commitment of our team members, the Group has been able to achieve these strong results."

Earnings changes

BLX has reported Q1NPAT of \$8.4m compared to \$2.2m the previous year. This implies BLX's business is highly seasonal such that they make 11.5% in the first quarter. With the market expecting FY21 NPAT of \$23.4m and BLX reporting \$8.4m for the first quarter, clearly the market estimates are too low. Hence, we expect positive earnings revisions of the order of 20%.

We initiate on BLX with a 12-month price target to \$1.81 and a BUY recommendation. The price target is underpinned by our DDM Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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