

SE Business
HD **Beacon lights up market in opening trade**
BY Sally Rose
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Markets - Retailer's lucrative IPO

Shares in lighting retailer Beacon Lighting Group surged on Tuesday's listing, in what is shaping to be one of the most lucrative among the initial public offers of the past 12 months.

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The stock started trading at \$1.06, nearly double the offer price of 66¢. Despite fluctuating in early trade the shares quickly settled and closed at \$1.06. More than a quarter of the shares available for trade changed hands in their first session after making their debut higher than the target prices most investors in the IPO had set for the first 12 months.

"We were surprised. the stock had already pushed through our valuation at debut but we still plan to hold it because we are happy with the long term outlook for the business," BT Investment Management smaller companies fund portfolio manager Noel Webster said.

Other participating institutions, included Wilson Asset Management, Perpetual and Paradise Investment Management. None were allocated the full portion of shares they requested.

The team at **lead** broker Morgans closed the subscription for the initial public offering in early March having raised \$63.855 **million** through the allocation of 96.75 **million** shares priced at 66¢ each. The deal valued the **company** at \$142 **million**. By Tuesday's close, Beacon had a market capitalisation of \$227.9 **million**.

The light fixtures retailer did not raise any new capital through the float, which was a vehicle for Martin Hanman, an electrician who has been a silent partner since 1997, to cash out his 45 per cent **stake** in the chain that then comprised 13 stores.

Such a rapid appreciation in value raises the question of whether the brokers left too much value on the table. Mr Hanman declined to comment and it is not known how much he paid for his **stake** originally, however, according to Beacon's chief executive Glen Robinson, Mr Hanman remains "more than happy" with the pricing of the deal.

Chief executive of stockbroking and financial planning group Austock, Bill Bessemer, was employed in a private capacity as **lead** corporate adviser on the deal.

Beacon Lighting Group now owns 71 stores and the brand has another 14 stores run as franchises. The **company** plans to open six more fully owned stores in each year of the next five years. The **company** sources 90 per cent of its product directly rather than going through wholesalers. More than 80 per cent of stock is manufactured offshore, mostly in **China**, under the Beacon brand. The business has an average gross sales margin of 64 per cent.

Almost 2 per cent of revenue is earned from online sales and the board has set a target of website sales of 5 per cent to 6 per cent within three years.

Three years ago the **company** started selling its designs to international lighting retailers, mostly Europe, with a long-term strategy to grow the wholesale export business.

Pro forma sales revenue is expected to reach \$150.26 **million** for the current financial year, while net profit is estimated at \$11.46 **million**. Beacon has forecast earnings per share of 5.3¢ in fiscal 2014 and plans to pay a dividend of 1.4¢ a share fully franked.

Executive chairman Ian Robinson started as an employee in 1969 and by 1975 had bought the business. His family remains in control through its 55 per cent holding.

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