

# FINANCIAL REVIEW

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HD **Beacon shares light up after market debut**  
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Shares in lighting retailer Beacon Lighting Group surged on Tuesday's listing, in what is shaping to be one of the strongest initial public offers of the past 12 months. 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 tradable shares 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.

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"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 Paradice Investment Management. None were allocated the full portion of shares they requested.

The team at **lead** broker Morgans, run by Brisbane-based director and head of corporate finance Sophie Mitchell, 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 the **company** 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.

Beacon Lighting Group owns 71 stores and the brand runs another 14 as franchises. The **company** plans to open six more fully owned stores each year for 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.

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**.

The **company** has forecast earnings per share of 5.3¢ in fiscal 2014, and plans to pay a dividend of 1.4¢ a share fully franked.

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