

[Hoey](#)

## Gerard Lighting makes strategic buy

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### Trevor Hoey

Gerard Lighting Group has acquired eneSolve for a consideration of \$980,000. The company is a national integrated consulting and contracting business that focuses on providing energy efficient lighting solutions.

The acquisition will be a good fit with Gerard's intelligent lighting product business, providing it with greater scale and an enhanced product offering. While the addition of eneSolve is relatively small in terms of what it generates in revenue, there is significant value that can be derived from its brand, intellectual property and the ongoing projects where it is involved.

Since listing in May 2010, Gerard Lighting Group has been a quiet achiever, having delivered a commendable performance in the first half of 2010-11. Management is confident that the group will achieve prospectus forecasts for 2010-11, which point to sales of about \$400 million and a profit of \$18.4 million.

In the first half of 2010-11 Gerard achieved a net profit of \$9.6 million from sales of \$209 million. This equates to earnings per share of 5.6¢, and the company paid a fully franked dividend of 2.7¢. During the period Gerard also reduced its borrowings, and gearing as at December 31, 2010 was 36 per cent.

Consensus earnings per share estimates of 10.4 cents for 2010-11 are in line with management's prospectus forecasts. Based on these metrics, Gerard is trading on a price-earnings multiple of 8.8.

Companies exposed to the sale of consumables to the building and construction industry are out of favour at the moment. However, a reasonable percentage of Gerard's revenues stem from the replacement of essential lighting products, so it may be one for the watch list if broader sector sentiment weighs on its share price.

In recent months, K2 Asset Management has raised its stake in the company from 6.74 per cent to 8.28 per cent.

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The Australian Financial Review

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