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LIGHTING MARKET GROWING IN CENTRAL-EASTERN EUROPE

The lighting fixtures market in 2017 was relatively stable in **Western Europe** (WE, including: Austria, Belgium-Luxembourg, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom) while it grew fast in **Central-Eastern Europe** (CEE, including Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia).

TRADE FLOWS

Export of lighting fixtures in CEE reached a value of Eur 2,6 billion in 2017, registering a growth of 8,5% with a peak of +20% in Poland (where exports approximately amount to Eur 1 billion) and in Romania. On the other hand, imports grew at similar rates as in WE area (around +2,3%). In 2017, **import flows** in the CEE countries were worth Eur 2,3 billion. The area is a net importer, with a trade deficit of approximately Eur 300 million of luminaires. Most of the growth, in term of imports, occurred in Poland, which represents alone a third of all CEE imports of luminaires, and whose imports registered a 15% growth compared to 2016. Hungary is the second largest importer of the region (Eur 300 million), although

imports of lighting fixtures in the country have been declining.

PROFITABILITY

In 2016 the industry experienced a strong contraction in term of profitability, as both EBIT and EBITDA margin, ROI and ROE declined. In particular, EBITDA margins are still lower in comparison with Western Europe (7% compared to approximately 9%) and so is the average turnover per employee (Eur 120,000). Some local players presented financial results significantly above the average, like: Elba in Romania, Rabalux in Hungary and Vyrtych in the Czech Republic.

TOP PERFORMERS

Elba reported an EBITDA margin of 16% in 2016; despite a sharp drop compared to 2015, over the last five years this margin has improved by 9.5% on average per year. Elba operates in 4 major divisions (Lighting (50%), Molding, Automotive and Laboratories and is leading producer of lighting systems in Romania. It was founded in 1921 in Timișoara and privatised in 1995. In the years 1990-2005, the company constantly invested in the modernisation of lighting technologies. The factory has its own R&D department for all the activities concerning

the product design. The company provides luminaires for industrial, commercial, public and domestic uses, for sport halls and fields, schools, and hospitals.

Rabalux is a Hungarian manufacturer of consumer lighting, mainly destined for the DIY channel. Over the last five years, the company has reported impressive improvement in profitability, as ROI reached a value of 39% and the EBITDA margin, reached almost 29%.

The headquarters and the logistic center (10,000 pallets for around 1500 items) are located in Győr, one of the most dynamically developing cities in Hungary. 60% of Rabalux sales are exported, mainly to Croatia, Poland, Czech Republic, Romania, and Bulgaria.

Also the Czech lighting producers **Vyrtych** reported an impressive progression in term of EBITDA margin over the last five years: with an average annual increase of almost 11%, it reached a value of 17.5% in 2016. Vyrtych specializes in weather-resistant and explosion-proof products and it operates in an area of about 60,000 sq. m., with 7 buildings with total area of about 15,000 sq. m. Exports represent around 50% of the company revenues. Vyrtych distributes its products in more than 70 countries.