HELLO POLAND! CZEŚĆ NIEMCY!

A SPOTLIGHT ON LUMINAIRE MANUFACTURERS IN GERMANY AND POLAND

In a new study, the Munich-based M&A advisory Aquin once again turns up surprising results: Polish lighting manufacturers clearly outperform their German competitors financially. In this article, the study's authors, Martin Kanatschnig, Dr. Kurt Gerl, Raphael Muth, and Jana Dillmann explain what they examined and present their findings.

Is Germany – indeed, is Western Europe – still the right place to manufacture luminaires profitably? We see this every day: the lighting market has become highly dynamic and intensely competitive. While most consumer-lighting manufacturing moved east years ago, notably to China, a similar trend is now evident in professional lighting. Nevertheless, some European lighting firms continue to grow and deliver strong results.

About a year ago, we published an article after noticing how much better Italian lighting companies performed than their German peers. In that Study, "the Italians" averaged an EBITDA margin of 16%, and their revenue grew by nearly 60% over the five-year observation period. "The Germans," by contrast, achieved only a 9% EBITDA margin and a modest 10% revenue increase. That piqued our curiosity.

With the pandemic exposing the vulnerability of long supply chains, for example to China, and amidst rising production costs, we set our sights on a market closer to home: **Poland**.

Poland has become an important hub for the lighting industry. We are familiar with many of the firms there and, during on-site visits, consistently observe three hallmarks: well-equipped facilities, committed owner-managers, and highly capable employees. Beyond this, Poland is close, quick and easy to travel to, part of the European Union and Schengen.

To back this up, we compiled a broad dataset and did the legwork. Here's what it shows: over the past five years, **Polish competitors achieved an average cumulative growth of roughly 42%** and, in the latest available financial year, posted an average **EBITDA margin of 11.3%.** The differences are striking, especially since the German peer group changed only slightly from the Italy study: **German lighting companies grew just 13%** over five years and continue to operate at an **average EBITDA margin of 7.9%.** Figures 2 and 3 on the next page illustrate both the gap in profitability and its considerable range.

Where does the difference come from?

Lower labor costs come to mind immediately, and indeed: Polish labor costs are roughly half of Germany's. On average, they amount to about €25k per employee in Poland versus approximately €65k in Germany. While it appears that employee productivity is lower in Poland (€146k revenue per employee) than in Germany (€254k revenue per employee), the labor-cost advantage more than makes up for this productivity delta.

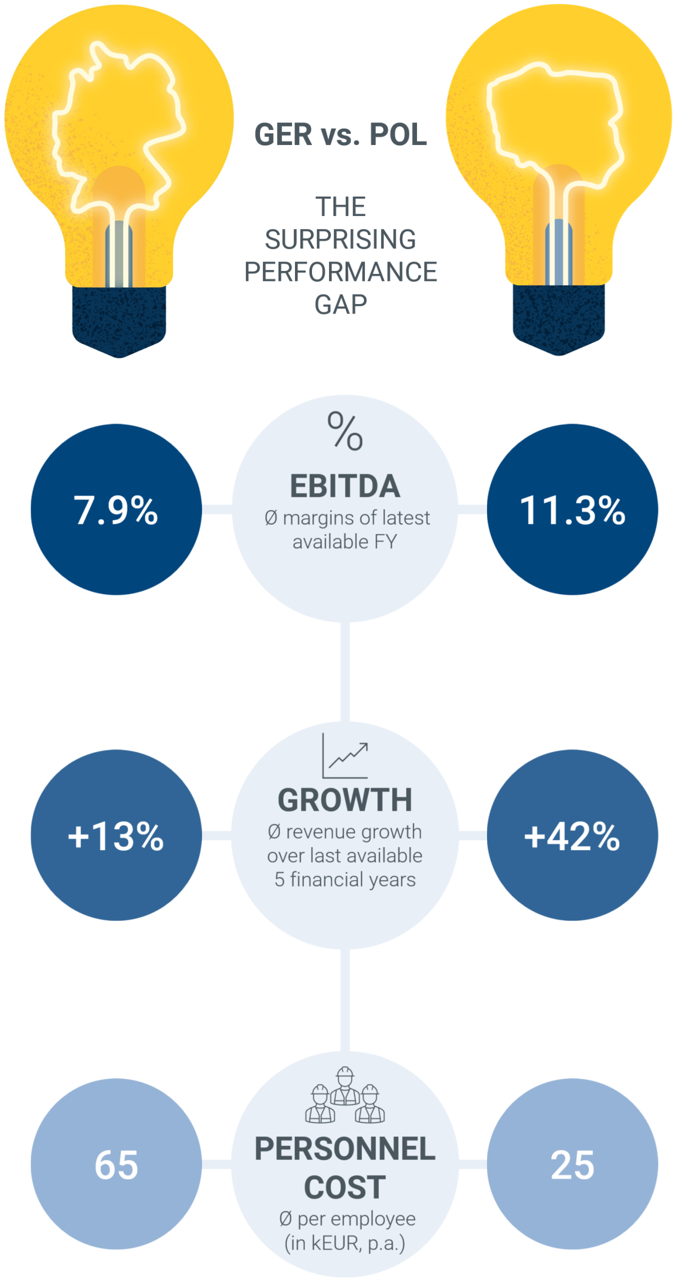


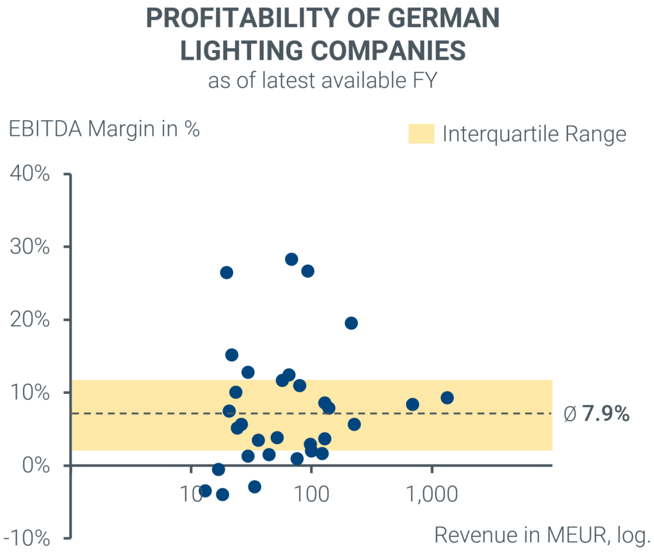
Figure 1: Comparison of the financial performance of German and Polish companies

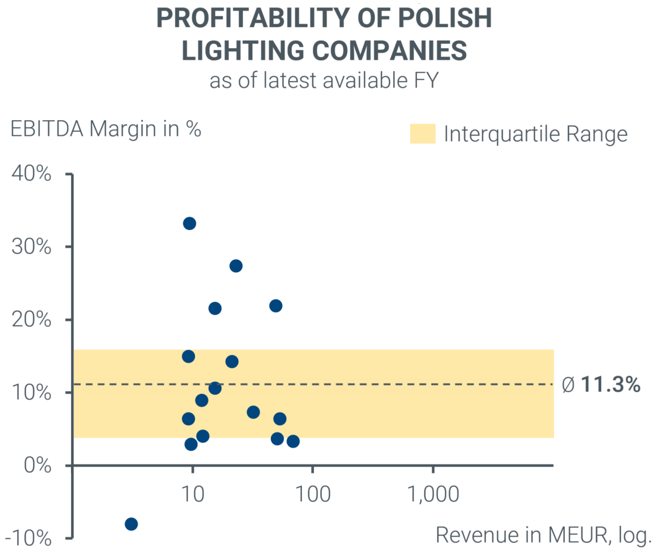
The Peer Group

Study includes only companies with publicly available records of 5 historic years (latest available FY 2023/2024) and min. €10m in revenues.

Analyzed German Lighting Companies:
Schuch, durlum, ERCO, Fischer & Honsel, Grau, Hera, Herbert Waldmann, Hess, INOTEC, Josef Barthelme, LED Linear, Ledvance, Leipziger Leuchten, Lenneper, LTS, MBN-PROLED, MÜLLER-LICHT, nobilé, NORKA, Occhio, Paulmann, Regiolux, REV Ritter, RIDI Leuchten, RZB, SBF, Selux, Siteco, SLV, STEINEL, TRILUX, Trio Leuchten

Analyzed Polish Lighting Companies:
Aqform, ATM Lighting, CORA, Eko-Light, ES-SYSTEM, HELIOS, Kanlux, KLUŚ, LED Labs, LEDIN, Lena Lighting, LUG, Luxon, Rosa, Spot-Light, TM Technologie, Spectrum LED





Figures 2 and 3: Distribution of profitability among German lighting companies versus the Polish market. The dataset uses the most recently available public figures.

Polish lighting companies, of course, face their own challenges. With a limited domestic market, Western Europe represents the clearest growth opportunity. However, Polish brands have lower name recognition and little prestige there, and they often lack the longstanding, carefully cultivated customer relationships that Western European firms enjoy. At the same time, labor costs in Poland are likely to increase over the medium term. We also noticed that some Polish companies are spread across many different product and application segments, risking strategic dilution.

What strategic conclusions follow from these observations? Two highly compatible areas seem to exist that could complement each other extremely well. Western European lighting companies have customer bases nurtured over decades, intimate knowledge of their markets, and valuable, established, reputable brands — the very assets Polish peers lack in Western Europe. In return, Polish companies bring their strengths, especially lower costs at good quality.

What could be more logical than combining one side's strengths with the other's?

Examples of this strategy are already evident: TRILUX inaugurated a 24,000 m² plant in Lublin last year, Lightnet is active in both Poland and Germany, Glamox acquired ES-SYSTEM back in 2019 and Signify has been manufacturing in Piła for decades. A number of Polish manufacturers also do OEM business for Western European lighting companies and international retailers.

From a **Polish perspective**, **the following strategies appear most promising**:

> **Expansion** into the attractive Western European market.

> **Brand leverage**: Since building a proprietary brand in Western Europe is costly and time-consuming, partnerships with established brands or acquisitions are advisable.

> **Market access**: A similar logic applies here, as this is most accessible via cooperation or acquisition.

> **Combating rising labor costs**: To preserve profitability, adopt a tighter focus and consider additional locations with sustainably lower labor costs that remain manageable, such as Romania, Bulgaria, or Turkey.

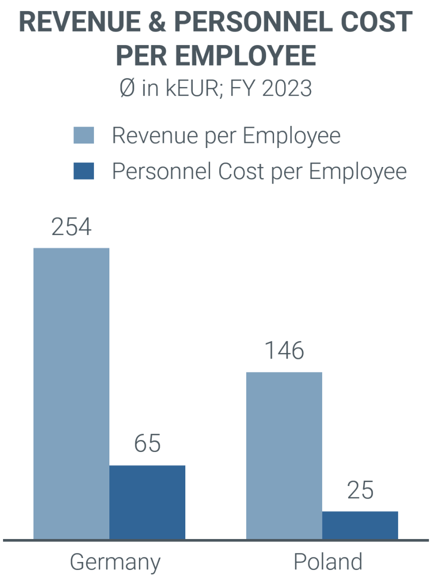


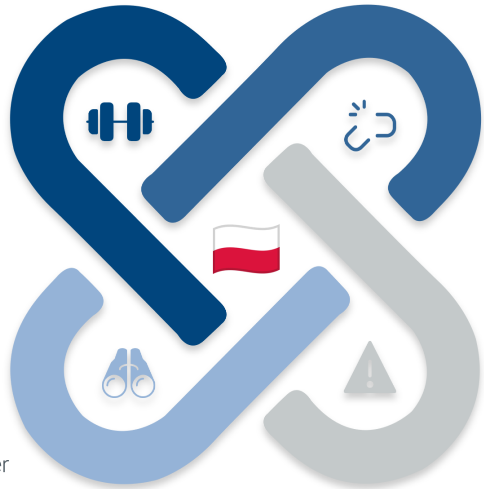
Figure 4: Comparison of revenue per employee, and labor costs per employee in Germany and Poland.

AQUIN

We summarized our perspective on Poland's lighting industry in a SWOT (strengths, weaknesses, opportunities and threats) analysis:

STRENGTHS

- Financially strong
- Low cost of labor
- Availability of qualified work force
- Good manufacturing quality
- Agile company structures



WEAKNESSES

- Still rather low brand image
- Low focus of product offering
- Entry-barriers to customers in Western Europe
- Lower sales per employee

OPPORTUNITIES

- Growing home market
- Improving acceptance of „Made in Poland“
- Acquisition of/by Western European player

THREATS

- Increasing labor cost
- High fixed costs due to high vertical integration

From the **perspective of German and Western European** lighting companies, a thorough look at Polish competitors is worthwhile. There are attractive businesses that could help reinforce and expand one's own position.

COMPANIES PER LIGHTING SEGMENT

by number of lighting firms per segment

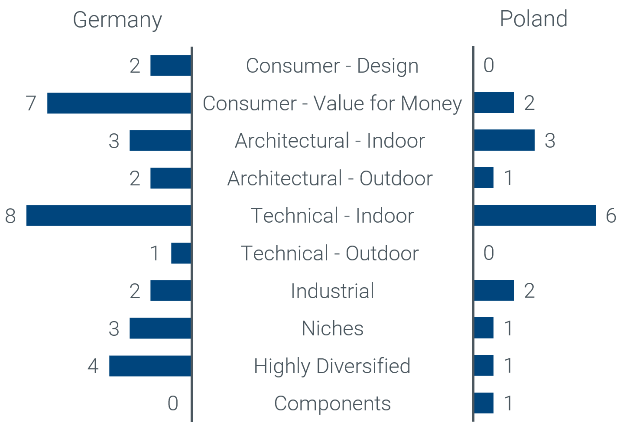


Figure 6: Distribution of application segments in the peer group.

They come in various sizes and segments, many are owner-managed, and more than a few are open to acquisition conversations.

The same holds, in similar form, for other countries in Central and Eastern Europe, including the Czech Republic, Slovakia, Slovenia, and Hungary.

We are confident that Europe's lighting industry will remain dynamic and highly competitive. That's precisely what makes it so interesting - not only for M&A, but for the lighting industry as a whole.

Authors

Over the past 15 years, Aquin has advised clients on corporate acquisitions and successfully supported 20 transactions across the European lighting industry.

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