In March 2017 CSIL processed the balance sheets of over 700 medium and large lighting companies (of which 95 listed on the stock exchange) for the period 2011-2015, including lighting fixtures, lighting component and lighting automotive manufacturers. The results of that analysis are presented in the first edition of the new CSIL report "Financial Analysis of 100 Major Lighting Manufacturers Worldwide".

The study aims at assessing the "state of health" of the lighting industry and providing basic judgements on each company performance in terms of growth, profitability and financial situation. It ends up with the rank of the top 100 performing companies in the industry. The companies are classified on the basis of a summary indicator that considers profitability, performance and financial indicators. At the highest positions, we find leaders in different market segments: Hubbell (lighting fixtures), Hella (automotive), SG Lighting (lighting fixtures), G-Smatt (components) and Acuity Brands (lighting fixtures).

Among the best 20 performing companies, there are 9 European companies, 9 Asian firms and 2 American groups. 13 are active in the lighting fixtures segments, 6 in the component segment and 1 in the automotive segment. The analysis of the entire sample data highlights some clear trends.

REVENUES ARE INCREASING AND MARGINS ARE IMPROVING
The data showed overall growth in revenues for the majority of firms in the sample (even stronger if expressed in Euro). This confirmed the general performance of the sector, which, during the considered period, managed to partly recover from the crisis of 2008/2009. However, until 2012, revenues recovered at the expense of lower sales margins (almost 3% lower than the 2011 in term of EBIT margin). This was a sure sign of deflationary pressure on prices and of the higher commercial and advertising costs necessary to capture or defend market shares. In 2013, and even more in 2014 and 2015, a recovery in unit margins was apparent. Overall, in a five-year span, margins grew on average by 2% a year.

RESTRUCTURING AFFECTS EMPLOYMENT AND PRODUCTIVITY RISES
The recovery in margins occurred at the same time as, and partly thanks to, a process of restructuring in term of workforce. Countries with a high cost of labour relocated their production in Asia and Latin America. Thus, a contraction of the employment was registered in Europe (19,000 jobs lost in four years), the American region (that includes both North and Latin America) remained unchanged, while Asia saw an increase of 17,000 workers. On the other hand, the increase in added value per employee highlighted phenomena of productive rationalisation in response to a decrease in the labour cost per unit of product.

PROFITABILITY IS INTERESTING BUT NOT IMPROVING
The profitability indicators show a sector with an interesting return on its own share capital (ROE was over 10% on average over this period) fostered by profitability of capital invested (ROI averaged 7%) that was capable of positively exploiting the leverage effect of a financial structure (company resources
amounted to 52% of the capital invested), and was not excessively penalised by the cost of funding (given the low cost of capital in that historical context), or by the extraordinary economic components that together did not absorb more than 60% of the operating profit. However, all the productivity indicators remained mainly flat over the considered period.

**Size and Geography Matter**

All the indicators confirmed, that small firms (with a turnover lower than USD 10 million) recorded the worst absolute and relative performances, meaning slower growth, lower profitability and lower productivity.

The lighting industry is facing strong territorial differences. The increase in revenues was driven by the countries in the America region, where firms were larger from the point of view of the size of the workforce and revenues. Despite a lower turnover per employee, the firms from America recorded the best sales margins. Asian companies decreased their competitiveness in terms of labour costs (measured as added value per labour cost), as the cost of labour increased more than the added value. Europe was the area with the highest average turnover per employee and the highest added value per employee (well above the average for the total sample). In addition, over the considered period, added value (+2.9%) has increased faster than the cost of labour (-1.6%). As a result, productivity improved.

**3 Segments**
- Lighting fixtures
- Automotive lighting
- Lighting components

**713 Companies**

**482 Employees**

**4 Geographic Areas**

**$73.7 Billion turnover**

**$4.7 Billion EBIT**