

# Thorn Brand - Strategy Update

Capital Markets Day 2012

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# A brief portrait of Thorn

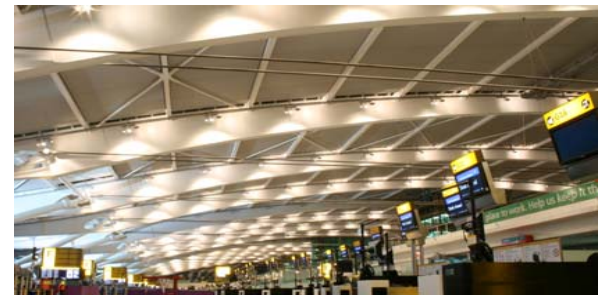
## Lighting People

### Thorn is the oldest brand in the Zumtobel Group

- Founded in 1928 in the UK
- Acquired by Zumtobel Group in 2000/01
- Lighting Segment consequently doubled in size
- Comprehensive portfolio for indoor and outdoor lighting solutions in professional lighting
- Today: international brand with 2,587 employees

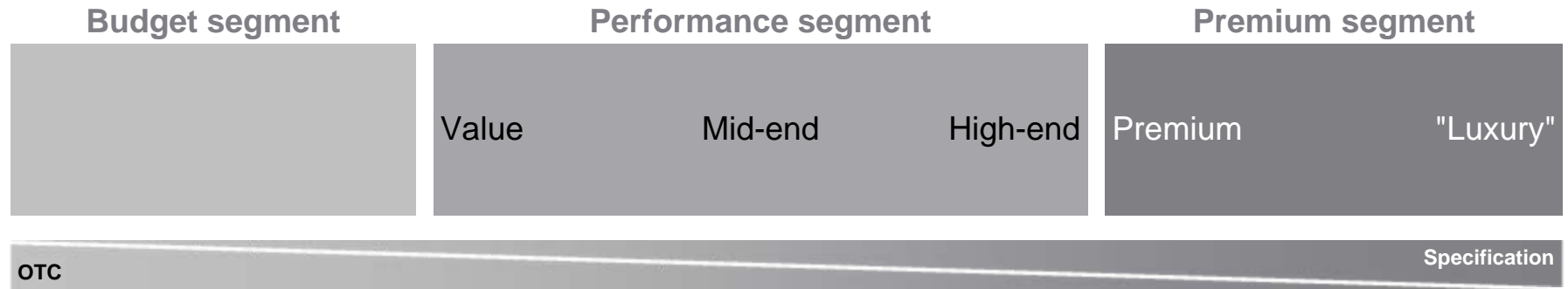
### Strong challenges to overcome

- Thorn struggled for many years due to
  - Widespread organisation lacking common strategy, leadership and product portfolio
  - Unclear brand positioning
  - Performance issues
- Measures initiated in Europe; further stabilization, focus on Asia (Far East) and turning towards profitable growth is next



# Thorn's target market has now been clearly defined

Thorn brand positioning



- **Distribution channel:**
- Direct sales: ~ 60% of sales
  - Wholesalers/distributors: ~ 40% of sales (thereof 50% OTC)

Simplified illustration

# Thorn has a brand emphasis on dependable performance

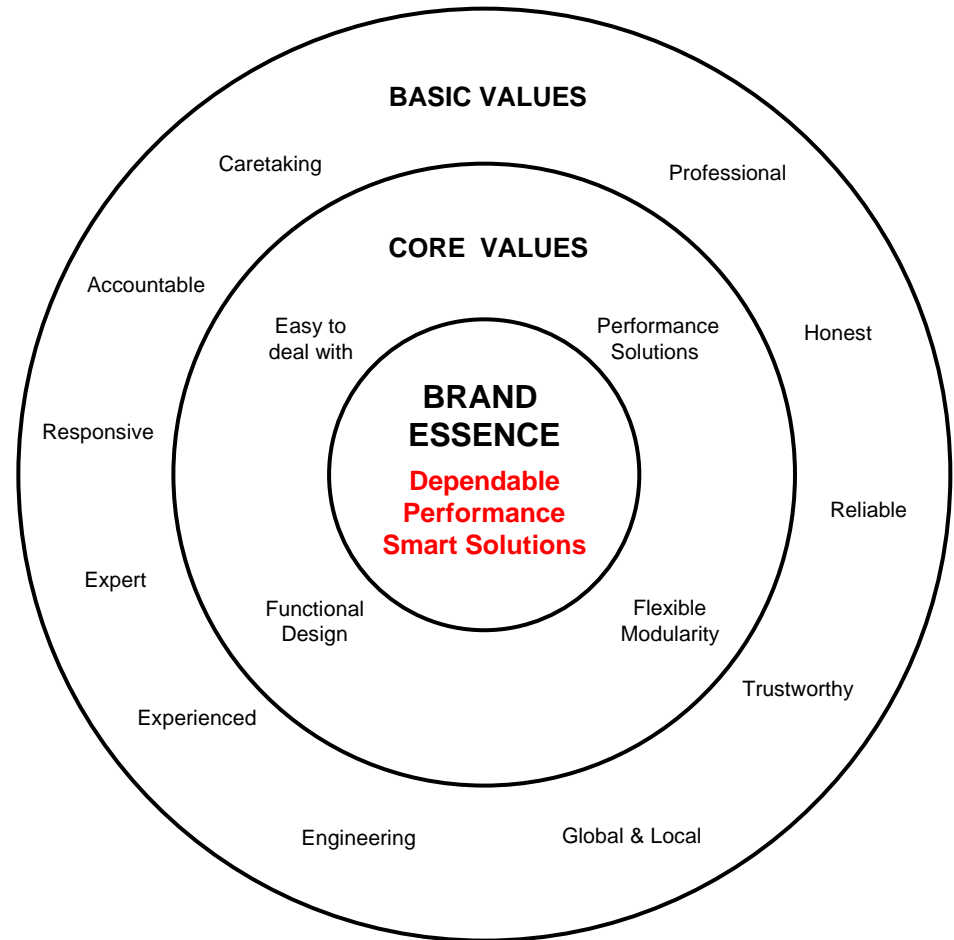
## Thorn brand positioning

Globally trusted supplier of both outdoor and indoor luminaires and integrated controls

**Dependable Performance** and **smart solutions** are key brand messages

Main customer groups:

- M&E Consultants
- Street and Urban Lighting Consultants
- Main & Electrical Contractors
- End Users
- Wholesalers/distributors for OTC & project business to electrical contractors and installers



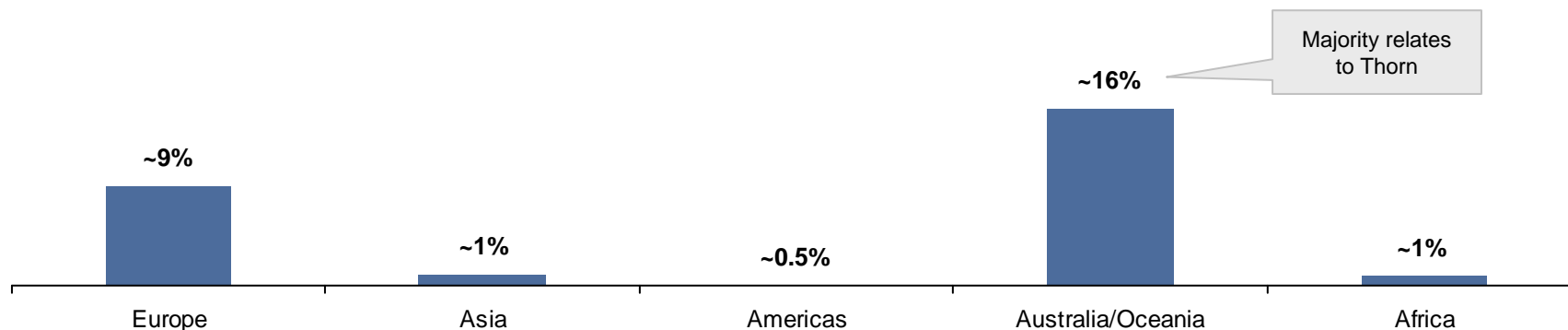
# Thorn holds strong position in UK, France, Northern Europe and Australia

## Market share analysis

### Market position in European markets

RANK	UK	France	Sweden	Norway	Denmark	Benelux	Switzerland	Germany	Austria	Italy	Europe 10	CEE <sup>1)</sup>
<b>Thorn</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>6</b>				<b>15</b>		<b>4</b>	<b>11</b>
Zumtobel	6		10		9	2	2	3	1	5	2	6
<b>Lighting Brands</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>3</b>

### Lighting Segment – global market shares in professional lighting (Zumtobel + Thorn)

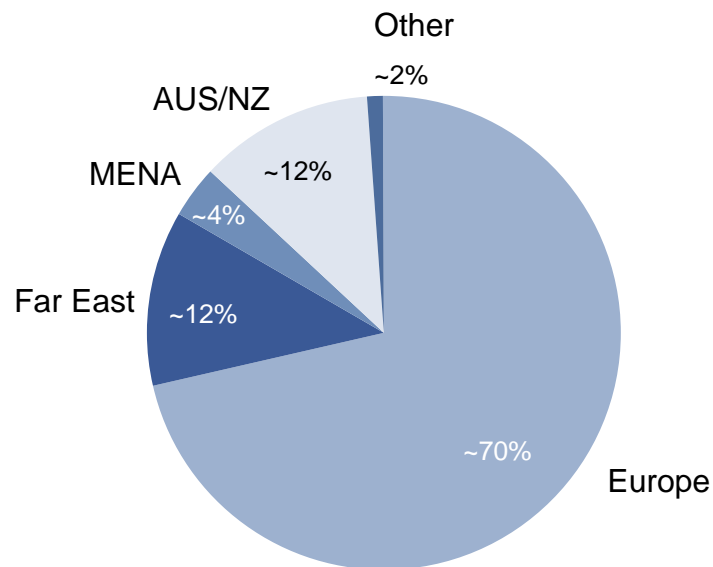


1) CEE includes PL, CZ, SK, HU, CRO, SI, RO

## Majority of sales in Europe, but solid position in Far East and AUS/NZ

Geographical scope of Thorn brand

Regional revenue distribution (Q1-Q3 2011/12)



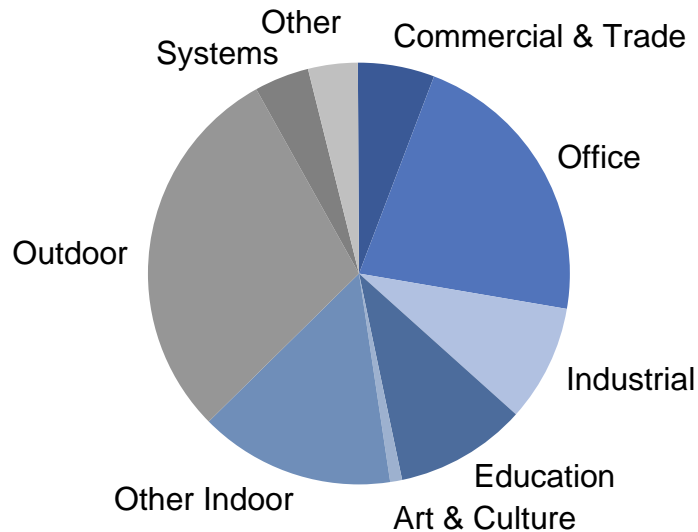
- The biggest markets for Thorn in Europe are France, UK and Scandinavia
- Besides its core business in Europe Thorn has a solid market position in Asia, MENA and Australia/New Zealand
- Various initiatives launched to significantly increase market share in Europe and expand in Far East and MENA



# Thorn covers indoor and outdoor applications including street lighting

Thorn brand by application

Revenue distribution by application



## Total Thorn revenue by application:

- Indoor lighting solutions accounts for >60%
- Outdoor lighting solutions account for 30% and comprise the only offer for street lighting solutions in the Zumtobel Group
- Systems account for approx. 4%

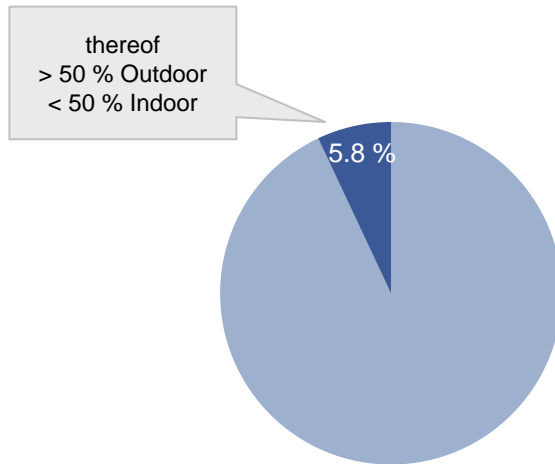
Municipalities and other public customers account for approx. 40 % of revenues



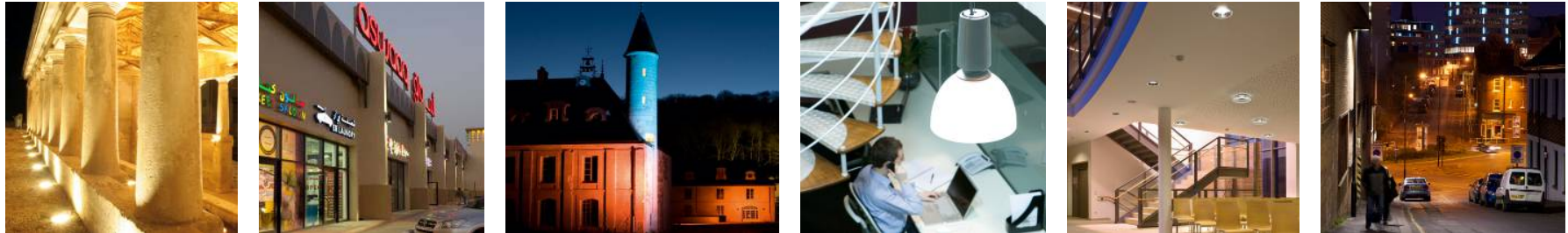
# LED penetration also increases considerably in performance segment

Thorn position in LED lighting

## Thorn - LED revenue share



- While premium segment is early adopter of new technology, Thorn also experiences increasing interest in LED from its customer base
- LED share of total revenues amounted to 3.2% in 2010/11 and rose to 5.8 % in Q1-Q3 2011/12 (growth of ~150%)
- LED price premium in more price sensitive customer group limits penetration
- Outdoor LED solutions with gaining importance





# After restructuring Thorn in Europe, further stabilization and turning towards profitable growth is next on agenda

Thorn brand strategy

- **Global organisational set-up**
- **Strengthen sales network in mature as well as emerging markets**
- **Further enhance product portfolio for global markets with an emphasis on LED and energy efficiency**

# After restructuring Thorn in Europe, further stabilization and turning towards profitable growth is next on agenda

Thorn brand strategy

- **Global organisational set-up**
  - Historically lack of global structure with common strategy, leadership and portfolio
  - Global matrix functions were established in May 2011 (e.g. product management, R&D)
  - Management changes implemented (e.g. Asia)
  
- Strengthen sales network in mature as well as emerging markets
  
- Further enhance product portfolio for global markets with an emphasis on LED and energy efficiency

## After restructuring Thorn in Europe, further stabilization and turning towards profitable growth is next on agenda

Thorn brand strategy

- Global organisational set-up
  
- **Strengthen sales network in mature as well as emerging markets**
  - Strong focus on profitability in Europe led to increase in sales per headcount
  - Additions for Thorn brand were done mainly in emerging markets (> +20 employees in China)
  - Selective further investments while focusing on reducing share of fixed costs
  
- Further enhance product portfolio for global markets with an emphasis on LED and energy efficiency

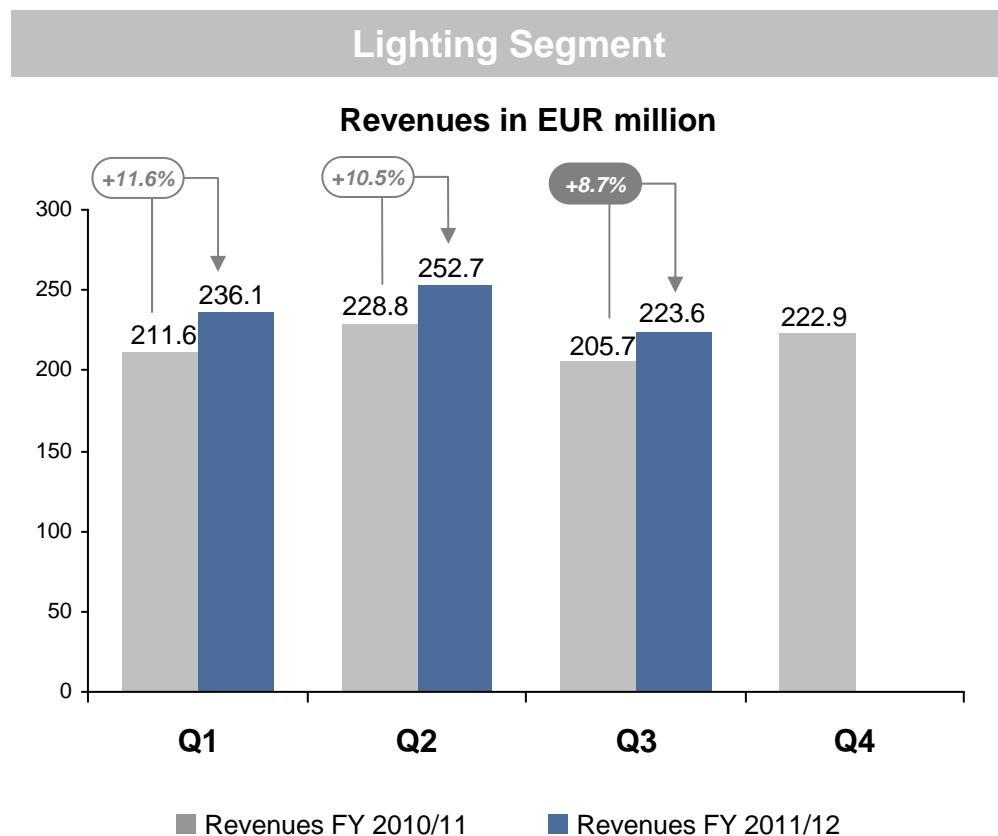
# After restructuring Thorn in Europe, further stabilization and turning towards profitable growth is next on agenda

Thorn brand strategy

- Global organisational set-up
- Strengthen sales network in mature as well as emerging markets
- **Further enhance product portfolio for global markets with an emphasis on LED and energy efficiency**
  - Phase-out of old, low margin products
  - Increase production efficiency (platform approach and complexity reduction)
  - 19% of sales from newly introduced products
  - Improve product portfolio for Asia (Far East)
  - Focus selling approach on energy efficiency

# Solid growth mainly results from successful measures for Thorn Europe

## Lighting Segment – Revenue development



Revenues Q1-Q3 2011/12 EUR 712.4 million (plus 10.3%)  
 Revenues Q1-Q3 2010/11 EUR 646.0 million

1) Reported EBIT adjusted for special effects

### Thorn revenues account for less than 50% of Lighting Segment revenues

Revenue development below Lighting Segment average, but solid improvement in Europe:

**Thorn Europe:** Repositioning of brand, new product introduction, improvement of internal performance bear first fruits in 2011/12 so far

**Thorn Asia (Far East):** Development disappointing with growth below target

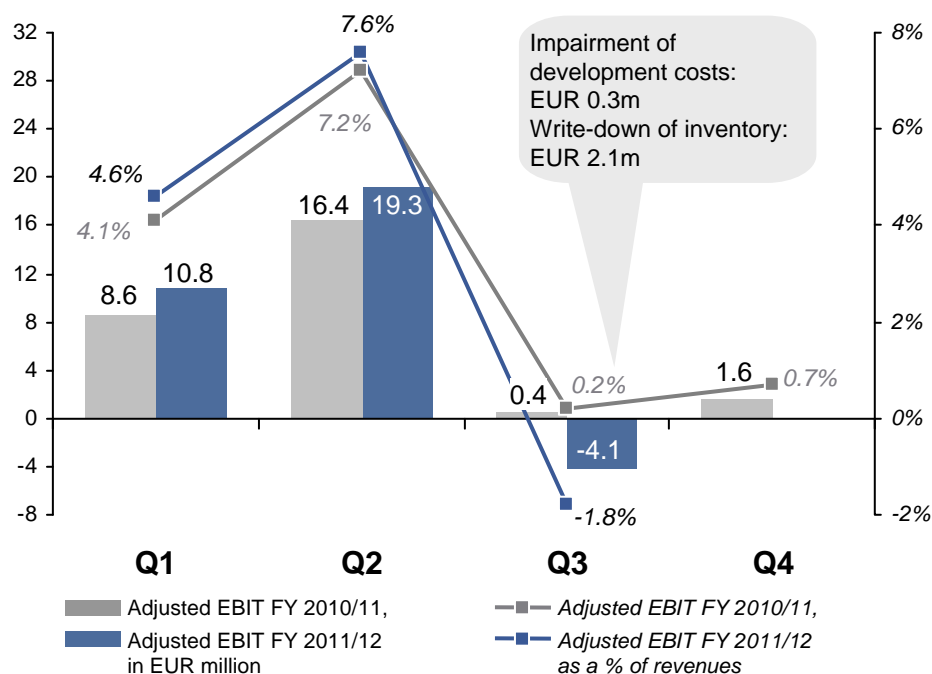
- Strong dependence on third party products
- Lack of regional product fit and distribution channels

# Improving profitability in Europe, while Asia (Far East) turned weak

## Lighting Segment – EBIT development

### Lighting Segment

#### Adjusted EBIT



Adjusted EBIT Q1-Q3 2011/12 EUR 25.9 million (margin of 3.6%)

Adjusted EBIT Q1-Q3 2010/11 EUR 25.4 million (margin of 3.9%)

**Thorn brand is still lacking profitability, but with solid improvement:**

**Turnaround of Thorn brand in Europe:**  
After substantial loss in 2010/11 Thorn approaches break even in 2011/12 on successful restructuring and solid revenue growth

- Improvement in product design (cost and quality driven)
- Sales approach focused on profitable growth
- Strict focus on fixed costs
- Improvement in performance towards customer (e.g. OTD rate, Quality)

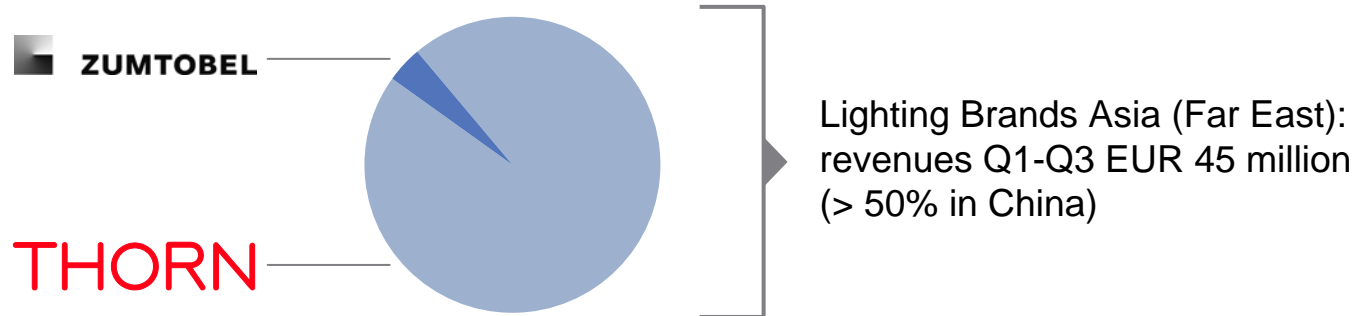
**Thorn Asia yields negative EBIT contribution** in 2011/12 after a solid prior year



## Excursion: Asia (Far East)

### Lighting Segment strategy

**Major sales contribution of revenues in Asia (excl. MENA) is attributable to Thorn**



#### Brand positioning

- Thorn is perceived as high-end European brand with a well established reputation in many markets (activities in Asia since 1980s)
- Zumtobel is represented through international projects mainly in 1st tier cities

#### Production footprint

- Tianjin (Thorn Outdoor), Guangzhou (Thorn Indoor)
- Third party products fill existing gaps in own product offerings

## Excursion: Asia (Far East)

### Lighting Segment strategy



# Outlook and Challenges

## Thorn brand strategy

**Thorn is a strong brand and showed solid improvement in recent periods**

**Uncertainties remain such as**

- General market development
- Pricing environment
- Dependence on public spending (approx. 40% of revenues)



**Measures for further stabilization and profitable growth are defined:**

**Measures for  
growth and  
margin  
improvement**

- Continuous focus on profitable sales approach and cost
- Increase production efficiency through platform-based product lines and complexity reduction for volume products
- Broaden European footprint
- Improve operations in Asia (Far East)
- New marketing initiatives targeting gains in energy efficiency space



**Focus on execution**

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