

Marketplace.

? What is the impact of inflationary cost pressures?

One of the key challenges for all of our businesses this year and into the next financial year, is managing supply chain pressures in terms of availability of supply and increased costs.

The Group has responded well to these challenges with our engineering teams redesigning products to accommodate alternative parts and our procurement teams around the Group working together to source materials. The Group has the ability to increase stock holding of strategic components when required, to mitigate both price and availability concerns.

The operating costs of the business have also increased, with employment, logistics and utility costs all driving higher during the year.

We have responded by increasing selling prices, however, these take time to materialise.

? How has the market sector approach evolved in recent times?

There is growth in a number of areas that continues to justify our investment in business development.

Reduction in some sectors was offset by growth in certain target areas.

We will consider how we deploy our existing selling resources over the next few years in order to target specific sectors and territories.

Our product and solution portfolio continues to evolve and can cater for a variety of different sectors. We continue to focus on specific sectors that are investing but with some renewed endeavour on those that have reduced in previous years.

? Do your competitors have an interest in each of these markets as well?

We have both domestic and international competition across all of these markets, from listed multinationals to solid private businesses. We continue to differentiate ourselves with product and systems innovation, combined with excellent customer service through the life cycle of a project.

? Are you in each of these markets in all of the geographies you operate within?

We tend to focus on particular product ranges and technologies in new territories. We continue to work with existing partners and our Group presence in certain countries to drive export sales growth.

We continue to focus on building our reputation by targeting certain sectors in these territories.

? Where is the focus for FW Thorpe for 2022/23?

Order books across the Group are at the highest levels and compounded with the material availability issues is causing extended lead times for our customers.

Returning to normal levels of service is paramount for our businesses this year but can only be achieved when supply is stabilised. We will need to be agile in the coming year if economic conditions become more challenging.

UK +12%

- Increased business from target sectors
- Services revenue with improved gross contribution
- Reduced revenue from street lighting sector but with improved orders in final quarter of 2021/22

Netherlands +5%

- Continued Famostar growth, Lightronics revenue at similar levels
- Margin pressure at Lightronics driven by material cost increases, increased operating profit at Famostar

Spain/France

(inc. in Rest of Europe)

- Revenue in line with expectations, improved levels in France with the addition of Zemper
- Margin pressure at Zemper driven by material and logistics cost increases

Rest of Europe +119%

(inc. Zemper acquisition)

- Continued growth in Germany driven by SmartScan
- Scandinavian market continued to be positive

Other countries +31%

- Improved demand in Australia, difficulty with logistics in current climate
- Dampened demand in UAE

Marketplace continued

The Group services a diverse range of clients across a variety of different sectors. These sectors are targeted by our sales teams, sector specialists and product experts as well as dedicated company specialisms in areas such as emergency or outdoor lighting.

The product portfolio across the Group gives us the ability to deliver a complete project, from boiler room to board room and beyond.



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- 1 Pharmaceutical
- 2 Hospitality
- 3 Display

- 4 Housing
- 5 Advertising
- 6 Research & Development



- 7 Commercial
- 8 Facilities
- 9 Retail
- 10 Education

- 11 Industrial
- 12 Infrastructure
- 13 Healthcare
- 14 Manufacturing

CASE STUDY

Ordnance Survey Head Offices, Southampton.

Client:

CBRE

End user:

Ordnance Survey

Location:

Ordnance Survey Head Offices, Southampton

Ordnance Survey's 16,000m² exemplar head office outside of Southampton is a purpose built, highly energy efficient office building. It has been designed with innovative features that give it a striking appearance, resulting in nominations for numerous architectural awards. The development was also designed to achieve a BREEAM Excellent rating; it makes maximum use of natural resources and minimises greenhouse gas emissions wherever possible.

The building comprises open plan occupied office space over four floors, a data centre, plant rooms, roof space and external walkways.

Challenge

Thorlux Lighting was asked to replace the existing luminaires with an installation that would both complement the architecture of the building while providing a low energy and minimal maintenance lighting solution.

Luminaires

High performance LED luminaires combined with the SmartScan wireless management system were selected. The luminaires have inbuilt energy usage monitoring, and users have instant access to energy performance data via the SmartScan website. The information displayed on the website can be accessed from anywhere using a computer, laptop, tablet or smart phone.

Commissioning

Thorlux provided a professional on-site commissioning service to ensure that the products were configured to provide the desired performance and return on investment. The end users' requirements and expectations were agreed prior to Thorlux's site visit.

Carbon offsetting

For CBRE, one of the main advantages of using Thorlux products was the ability to carbon offset the CO₂ produced during the manufacture and use of the luminaires. In 2009 Thorlux designed an ambitious carbon offsetting scheme to help compensate for the CO₂ released into the atmosphere as an indirect result of factory and selling activities and customers' use of luminaires. To date the total number of trees planted is 165,687; these trees will sequester over 41,000 tonnes of CO₂ over a period of 100 years.

Client testimonial

"From initial engagement to project completion Thorlux Lighting was brilliant. The installation was completed with more than 3000 fittings being replaced and the client can now use the SmartScan portal to track and highlight energy usage and lighting patterns throughout the site."

Matthew Balcombe

Project Manager
CBRE | FM-FMSO

Luminaires installed



Light Line



G3



Hi-Style LED



Thoroproof



Prismalette



Passway

Before



Installation

3,015
Fluorescent luminaires
replaced

After



CBRE team visit
to plant trees at
the FW Thorpe
carbon offsetting
site in Wales.

Market drivers.

Market-specific drivers.

Increase in demand for technology

What this means

- Evolution of controls technology – wireless
- Connectivity with the internet and other devices – the Internet of Things
- Ability to offer customers additional functionality by adding different sensor technology and presenting data
- The Group's shift to LED sales now representing over 90% of total revenue

The opportunity

- Improves ability to hold specification business with our own controls offering
- Potential to supply retrofit projects with wireless controls where wired controls were cost prohibitive
- Offer solutions to provide additional data specific to the market sector

How we are responding

- SmartScan continues to evolve since launching in 2016, the latest generation has been launched successfully in the last year
- Further development of the SmartScan platform, bringing other non-lighting devices into the web portal
- Occupancy profiling, air quality sensing, and the ability to change colour temperature are all features
- All new product developments are LED based
- Continual review of LED technology offerings to take advantage of the latest advances and ensure we are offering the best solutions to our customers

Drive for energy efficiency and carbon reduction

What this means

- Global emissions targets
- Increasing energy costs in Europe

The opportunity

- Increased demand for sustainable, energy efficient lighting solutions
- Demand for retrofit lighting solutions driving energy savings using both LED and wireless controls technology

How we are responding

- We continue to offer energy saving technology with the SmartScan platform
- Financing options with partners to make solutions more affordable to customers to match the savings achieved
- Offering turnkey packages to customers to enable change
- Investment in electric vehicle charging products with Ratio



 **Image:**
Morgan Motor Company, Malvern



Macroeconomic drivers.

International economic conditions

What this means

- Countries are now dealing with the impact of the conflict in Ukraine and the global energy crisis
- Pressure remains on global supply chains – raw material price pressure, component shortages
- Certain sectors could slow investment given recent interest rate raises and concerns over future economic growth

The opportunity

- Increased energy costs are resulting in shorter payback periods for energy saving lighting projects
- Renewed focus on carbon saving investments with support from Governments
- Potential to win market share or acquire competitors who struggle in these economic conditions

How we are responding

- Ensure our businesses are not reliant on any one sector in particular
- Continue to develop innovate product solutions in all our businesses
- Target sectors where demand is stable or increasing
- Redirect sales focus as appropriate

Globalisation

What this means

- Responding to the demands of our traditional customers who are developing a global footprint
- Harmonisation of technology from the adoption of LED brings the threat of increased competition from both Far Eastern and Western economies
- Resilience in the supply chain is being tested post-pandemic and with increased logistics costs

The opportunity

- Chance to establish ourselves in new territories with established customers in the countries we currently supply into
- Sourcing opportunities – chance to review what is sourced from where. Considering not only price, quality, carbon footprint but the security of supply
- Potential for customers to reconsider sourcing strategies and buy “local”

How we are responding

- Working with global customers
- Continual development of the supply chain
- Potential to establish new offices in chosen locations to support both customer and supply chain development in the future