



International  
Market  
Strategy

# Bathroom Newsletter

*July 2006*

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## **FINLAND COUNTRY SPECIAL**

International strategic market research and  
consultancy on building product and related markets



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## **China: EAGLE BRAND HOLDINGS sells its sanitary ware series to ROCA**

*15 June 2006*

Guangdong-headquartered EAGLE BRAND HOLDINGS LIMITED, which was listed on the SINGAPORE EXCHANGE Ltd, has inked an agreement with Spain's ROCA, the world's top bathroom products provider. In the agreement, EAGLE BRAND HOLDINGS sell one of its brands, EAGLE BRAND sanitary ware series, to ROCA at a price of CNY 255 million.

Insiders explain that selling EAGLE BRAND sanitary ware series is to cater to its development strategy, namely, to give way to specialization of its ceramic tile business, for EAGLE BRAND aspires to build itself into a world top ceramic tile provider.

ROCA SANITORIO S.A. is specialized in the manufacture and sales of high-class sanitary ware, with annual sales of over €1.5 billion, ranking second in the world. In 1999, ROCA put \$25 million in building ROCA sanitary ware (Nanhai) Co., Ltd. The acquisition of EAGLE BRAND sanitary ware series is helpful to its expansion in China.

*Source: Business Times*

## **Malaysia: ROCA CORP buys JOHNSON SUISSE**

*16 June 2006*

ROCA CORP EMPRESARIAL S.A, a Spanish sanitary ware manufacturer, has acquired a local firm JOHNSON SUISSE for RM 100 million and pledged to invest more than RM 100 million within five years.

The purchase makes ROCA CORP the single largest Spanish investor in Malaysia. At present, Spanish investments in Malaysia totalled RM 25.8 million for the period 2001 to April 2006. ROCA CORP chief executive officer Jose Miguel ROCA said through the acquisition, JOHNSON SUISSE will emerge as its newest subsidiary in Asia.

“It (JOHNSON SUISSE) will be our first operation in South-East Asia that will serve as a platform for us to tap into the potential and growing regional market. In Asia, we operate four factories in China, he told a news conference to announce ROCA'S acquisition of JOHNSON Suisse in Kuala Lumpur yesterday. ROCA CORP is one of the world's leading companies in the building materials industry, and the investment is expected to enhance and strengthen the Johnson Suisse brand name and its presence, both locally and internationally. JOHNSON SUISSE is the largest local sanitary ware maker. ROCA said the company's investment reflects their confidence in Malaysia, and in JOHNSON SUISSE in particular. “Our findings show a growth potential in the demand for quality sanitary ware in Malaysia and the region. JOHNSON SUISSE has existing strong brand equity and we intend to further develop it,” ROCA said. He said a technical team from ROCA CORP will be coming to Malaysia next month to conduct a study on the plant. Commenting on the acquisition, JOHNSON SUISSE executive chairman Datuk Aru Suppiah said ROCA CORP'S investment is viewed as a forward-thinking business opportunity as it is necessary to prepare Johnson Suisse for globalisation effects as a result of the Asean Free Trade Area arrangement and the WORLD TRADE ORGANISATION rules. MALAYSIAN INDUSTRIAL DEVELOPMENT Authority director general Datuk R. Karunakaran, who was present at the press conference, said ROCA Corp's move to acquire JOHNSON



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SUISSE will see the global player establishing its operations in Malaysia.

“Currently, there are about 20 companies with Spanish interest operating in Malaysia under the manufacturing and services sectors,” he said. Founded in 1917 by the ROCA family and based in Barcelona, ROCA CORP started producing cast iron radiators. In 1936 the company started producing ceramic sanitary-ware, its current core business. JOHNSON SUISSE started operations in Malaysia in 1965. It is one of the most modern ceramic sanitary ware firms in the region.

*Source: BusinessTimes*

### **The Gulf: RAK CERAMICS joins KLUDI to produce household fittings.**

*26 June 2006*

RAK CERAMICS, manufacturer of ceramic tiles and sanitary-ware, and the KLUDI GROUP have joined forces to manufacture state of the art bathroom and kitchen fittings. The joint venture will have a manufacturing plant in Ras Al Khiamah, close to the RAK group’s manufacturing complex spread over 2 million square metres.

Utilising manufacturing synergies between the two organisations, around one million top of the line bathroom fittings pieces a year is the target figure of the joint venture. The plant is expected to commence production in the first quarter of 2007. Luxury bathroom and kitchen fittings including mixers, showers, drainage fittings and related accessories will be manufactured in the new plant.

KLUDI is a German manufacturer of bathroom and kitchen fittings. KLUDI design is aimed at the lifestyles of interior

architecture and at the varied tastes of customers. Currently KLUDI’S products are manufactured in five locations across Europe. The Ras Al Khaimah plants of the company alone currently produce around 200,000 square metres of tiles per day and over 7,000 pieces of sanitary ware daily.

The global production of tiles is over 300,000 square metres per day. Presently, the company exports to more than 135 countries on five continents, which is a testimony to its excellent reputation in the ceramic industry.

### **France: ST GOBAIN building distribution unit expands**

*12 June 2006*

SAINT-GOBAIN’S building distribution unit has bought JP CORRY of Northern Ireland, Argentina’s BARUGEL AZULAY and Spain’s VERA-MESEGUER for an undisclosed sum, the French construction group said on Monday.

JP CORRY is the leading builder’s merchant in Northern Ireland with sales of €142.8 million (\$180.8 million) in the fiscal year 2005-2006, SAINT GOBAIN said in a statement.

BARUGEL AZULAY, which is the main distributor of sanitary ware, tiles and kitchens in Argentina’s State of Buenos Aires, had sales of €32 million last year.

VERA MESEGUER, which had €42 million in sales last year, is a leading builder’s merchant in Spain’s dynamic Murcia region.

SAINT GOBAIN’S building distribution unit is Europe’s leading building materials distributor which had sales of €15.4 billion in 2005, the company said.



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*Source: Reuters News*

### **Canada: FORTUNE BRANDS completes SBR acquisition**

*8 June 2006*

FORTUNE BRANDS INC., which sells MOEN faucets, MASTER LOCK padlocks and MAKER'S MARK bourbon, said it had completed its acquisition of home products company SBR Inc., which includes SIMONTON Windows.

FORTUNE said it expected the acquisition to add 6 cents to 8 cents per share to its earnings within the next 12 months.

*Source: Reuters News*

### **Taiwan: GLOBE UNION to purchase German cabinet brand**

*20 June 2006*

GLOBE UNION, Taiwan's leading designer and manufacturer of faucets, fixtures and accessories, is planning to venture into the high-end kitchen cabinet market by purchasing a German cabinet brand at an estimated cost of five to six million euros in the second half of the year.

A ranking company official disclosed that the German brand company boasts an annual revenue of 23 million euros and net worth of five million euros, and GLOBE UNION would purchase a 100% stake in the company. The deal is now under negotiation and may be settled in the third quarter of the year.

GLOBE UNION intends to sell brand products to the high-tier market in mainland

China and further promote them to the market in the United States in 2010. To build up the marketing channels for the products, GLOBE UNION is going to run three flagship shops next year in Shanghai and open 20 more direct sales outlets in eastern China in 2008.

If the company successfully taps the market in the mainland for the cabinets, it will consider establishing production plants there to turn out products for not only the mainland market, but also the markets in Germany and other countries in Europe.

Currently the annual global market demand for kitchen cabinets is around \$4.3 billion, with the U.S. and Europe each accounting for 30% and the mainland 17%, a ranking official at GLOBE UNION pointed out.

Today GLOBE UNION owns four brands for its products, namely DANZE, GOBO, FUSION, and GERBER. Of these brands, GERBER witnessed a continuing loss in the past three years and this year the loss is estimated to fall to \$700,000. DANZE raked in profits of \$1.8 million in 2004, and the figure soared to \$3.85 million in 2005. This year the company's profits from DANZE are expected to reach \$6 million.

*Source: Taiwan Economic News*

### **Poland: CERSANIT to invest €8.5 million in its Ukrainian factory**

*12 June 2006*

Polish CERSANIT SA's wholly-owned Ukraine-based subsidiary, CERSANIT INVEST, a bathroom furniture and ceramic tiles manufacturer, signed a 34 million Polish zloty (\$10.8 million/€8.5 million) with an unnamed French-Ukrainian



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company for first-stage construction in a new plant, it was reported on June 12, 2006.

CERSANIT'S plant, to be completed by November 15, 2006, will be built in Nowograd Wolynsk, north-western Ukraine.

CERSANIT ([www.cersanit.com.pl](http://www.cersanit.com.pl)) specialises in the production of ceramic, kitchen and porcelain tiles, as well as bathroom furniture and accessories, bathtubs and shower cubicles.

*Source: Polish News Digest*

### **UK: CASTORAMA to open 5 DIY stores in Russia worth \$85-120 million**

*4 July 2006*

CASTORAMA, part of U.K. retail group KINGFISHER, plans to open five Do-It-Yourself (DIY) hypermarkets in Russia in late 2006 and in early 2007, CASTORAMA Russia's General Director Peter Partma said. The company plans to invest U.S. \$85 million to \$125 million in opening the hypermarkets.

In particular, CASTORAMA plans to open one store in St. Petersburg in November and three stores in Moscow and a store in Rostov-on-Don in early 2007, Partma said. Investments in each store are projected at \$17 million to \$25 million, he added.

CASTORAMA opened its first store in Russia in the city of Samara in February.

KINGFISHER operates over 660 stores in 11 countries in Europe and Asia. KINGFISHER'S key brands are B&Q, CASTORAMA, BRICO DEPOT and SCREWFIX DIRECT. The first CASTORAMA stores in Europe were opened in 1969. As of now CASTORAMA

has 102 stores in France, 27 in Italy and 30 in Poland.

*Source: PRIME-TASS News*

### **France: Growth on French DIY market**

*5 June 2006*

The French DIY market grew by 4.4% to €19.15 billion in 2005. Large DIY stores recorded growth of 5.3% in turnover to €12.8 billion.

Most of this growth was achieved thanks to a rise of 4% in the number of shops and growth of 5% in their total sales area, which increased by 350,000 sq m.

*Source: Les Echos*

### **Germany: GROHE 2005 sales down 3.6%**

*8 June 2006*

German sanitary fittings maker GROHE AG generated sales of €865 million (\$1,094 billion) in 2005, down by 3.6% year-on-year, the company said.

Earnings before interest, tax, depreciation and amortisation (EBITDA) totalled €160 million (\$202.3 million) in 2005, corresponding to 19% return on sales.

GROHE posted a three-digit million Euro net loss for 2005, CEO David J. Haines said without disclosing the exact figure.

Following a year of restructuring and realignment, GROHE boosted its sales by 8.0 pct on the year to 382 mln euro (\$483 mln) for January to May 2006.



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In the first quarter of 2006, GROHE generated sales of €225 million (\$284.5 million), up 6.0% year-on-year, and EBITDA of €40 million (\$50.6 million) despite increased raw material prices.

Through 2008, the company plans to invest around €200 million (\$252.9 million), of which two-thirds in Germany. In 2005 and 2006, capital expenditure will total €80 million (\$101.2 million).

Source [www.handelsblatt.com](http://www.handelsblatt.com) ,  
[www.GROHE.de](http://www.GROHE.de)



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## FINLAND COUNTRY SPECIAL

### Overall Country Background

Finland is the furthest east of the five Nordic countries and its mainland border with Russia runs for over 1,200km. Finland also shares a 600km border with Sweden and a 700km border with Norway. Almost its entire national territory is situated between 60 and 70 degrees Northern latitude, and a quarter of its surface area lies north of the Arctic Circle. Boreal coniferous forests cover 68% of the country, 10% is covered by lakes and other water systems, and only 9% of the country is cultivated area. Finland is the second largest Nordic country after Sweden with a total surface area of 338,145km<sup>2</sup>.

The population in Finland is concentrated in the Southern, milder climatic region surrounding Helsinki, Tampere and Turku. The Southern regions are where the highest density of urban conglomerations is to be found, and the Northern regions are in contrast the more sparsely populated regions. This disparity is increasing as demographic trends suggest a population shift from rural to urban areas.

Finland has a highly industrialised, largely free-market economy, with per capita output roughly equal to that of the UK, France, Germany, and Italy. Its key economic strength is in manufacturing – principally in the wood, metals, engineering, telecommunications, and electronics industries. Trade is important, with exports contributing two-fifths of GDP in 2005.

### 2005 Bathroom Market

The market for bathtubs increased by over 3% overall in 2005, with synthetic baths gaining share on steel. The steel baths market is expected to decline over the next five years.

Households in the Nordic countries rarely use showers in combination with a shower tray. In Finland people tend to opt for “wet bathrooms”, where the showering area of the bathroom consists of either a tiled or PVC floor with a drain outlet. The market for shower trays is therefore insignificant and is dependent on project activity.

The market for ceramic sanitary ware grew by just under 3%, due mainly to increases in residential construction activity (new build and RMI). The concealed plastic cisterns market grew significantly with growth being driven by the current shift towards wall-hung and away from floor-standing WCs.

The taps and mixers market is dominated by one-head mixers; however thermostatic mixers continue to gain prevalence whilst two-head mixers are losing share. Competition from importers (mainly sourcing low cost items from Asian manufacturers) represents a threat to the smaller players in the Finnish market, especially as these importers are increasingly finding direct routes to market.





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Healthy growth in the shower wall products market is being sustained. The market for shower enclosures is significantly more developed than that of shower cubicles.

The hydrotherapy market has shown strong growth, albeit from a very low base, over the last decade. Hydromassage baths have been sold in Finland for well over a decade now. The market for hydrotherapy shower cubicles did not really emerge until the turn of the millennium; however this market is now growing rapidly.

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