



## SEALING SOLUTIONS

The Datwyler Sealing Solutions division is a leading supplier of customer specific sealing, closure and packaging solutions to global market segments, such as the Automotive, Health Care, Civil Engineering and Consumer Goods industries. This is thanks to its leading material, engineering and process expertise and worldwide presence with its own production locations. As an acknowledged development partner, Datwyler maintains close working relationships with global customers, and has in-depth knowledge of the business models and technologies used in the markets in which it operates.





### Target groups

- Automotive system suppliers
- Construction industry
- Packaging industry
- Manufacturers and contract fillers of injectable drugs
- Manufacturers of diagnostic products
- Manufacturers of parenteral drug delivery systems

### Geographical markets

- Europe
- North and South America
- Asia
- Australia

### Products and services

#### Automotive

- Brake systems
- Fuel and engine management
- Comfort and safety equipment

#### Health Care

- Rubber, aluminium and plastic components and closures for injectable drugs
- Rubber components for blood collection systems, IV administration sets, disposable syringes, etc.
- Rubber components for prefilled syringes, pen systems, etc.

#### Civil Engineering

- Tunnel construction (gaskets for single shell tunnelling)
- Civil engineering (hydrophilic seals, injection hoses, joint seals)
- Track superstructure (sub-ballast mats, sleeper boots)
- Industrial profiles (absorber profiles, solar profiles)
- Building construction (curtain wall, window, and door seals)

#### Consumer Goods

- Innovative sealing solutions for portioned food and drinks

## **Investments and acquisitions to accelerate future organic growth**

The Sealing Solutions division performed well again in 2016. Thanks to its leading positions in attractive global market segments, Datwyler managed to increase net revenue, compared with the previous year, by 6.7% to CHF 753.3 million (previous year: CHF 705.9 million). Adjusted for currency and acquisition effects, this equates to organic growth of 2.9%. Capacity bottlenecks in the Health Care market segment and delays to projects in the Civil Engineering market segment restricted organic growth to this level. In geographical terms, Datwyler recorded strong growth in Asia in particular, followed by the NAFTA area and Europe.

### **Further strengthened profitability**

The operating result (EBIT) increased to CHF 136.7 million (previous year: CHF 125.8 million). With an EBIT margin of 18.1% (previous year: 17.8%), the division achieved another slight increase in profitability. Before corporate one-off costs (particularly relating to the attempted acquisition of Premier Farnell), adjusted EBIT stood at CHF 138.7 million and the adjusted EBIT margin at 18.4%. In addition to targeted measures for strategic and operational improvements during previous years, this was also the result of high capacity utilisation.

### **Health Care experiencing strong demand for high-quality components**

In terms of the Health Care market segment, the high-quality elastomer components for pre-filled syringes and drug delivery systems recorded the biggest growth. Within this segment, the purity requirements expected of sealing components continue to increase. With a view to satisfying these customer needs and eliminating existing capacity bottlenecks, Datwyler is investing in expansion of FirstLine capacities. This involves a manufacturing concept based on ultra-modern clean room technology, automated production cells, fully automated camera inspection and a unique washing process. As of mid 2017, the Indian plant will also be ready to produce these high-quality components. And at the Belgian plant, Datwyler will be commissioning a highly automated elastomer mixing facility, featuring FirstLine clean room technology, for the first time in 2017.

### **New FirstLine facility for fast-growing health care segments**

An investment in excess of CHF 100 million to build a new highly automated health care plant in the USA will also boost future organic growth. Datwyler will use the new plant to produce high-quality elastomer components for the fast-growing pre-filled syringe and drug delivery system segments. The new plant is to be designed, built and run in accordance with Datwyler's ultra-modern "FirstLine" standards. Once the new US plant is up and running in 2018, Datwyler will be able in future to provide customers in the three key business regions (NAFTA area, Europe and Asia) with locally produced FirstLine components.

### **Automotive doing well across all regions**

The Automotive market segment recorded improvements across all geographical regions. And China also recovered from the previous year's slowdown in growth. In the USA, Datwyler was able to achieve much better market penetration through the distribution network of Columbia Engineered Rubber, which the company acquired in 2014. In Europe, stricter enforcement of emissions regulations for SCR technology (selective catalytic reduction) helped the company make a breakthrough. The German Association of the Automotive Industry estimates the number of vehicles with SCR catalytic converters (for treating exhaust gases) will increase fivefold in Western Europe to around 20 million by 2020. Datwyler has been working with leading manufacturers of catalytic converters for several years and supplies five or so system-critical elastomer components for each SCR system.

## Key figures of Sealing Solutions

in CHF millions	2016	2015
Net revenue	753.3	705.9
EBIT	136.7	125.8
EBIT margin	18.1%	17.8%
Total assets	688.8	629.4
Gross capital expenditure	65.8	48.5
Number of full-time equivalents (at year-end)	5'917	5'521

### Potential for development and growth thanks to acquisitions

In addition to its investments, Datwyler is also boosting organic growth and the potential for development through targeted acquisitions. And thanks to the acquisitions of the Italian firm Origom in 2015 (annual revenue of CHF 23 million) and the German firm Ott in early October 2016 (annual revenue of CHF 33 million), Datwyler has acquired new technologies and secured access to new niche markets associated with both existing and new customers. Origom is enabling Datwyler to meet the requirements of existing automotive customers in terms of precision O-rings, while also tapping into interesting new industries like hydraulics and pneumatics. Integration is on schedule, with the firm renamed Datwyler at the beginning of 2017. With Ott, Datwyler has acquired a specialist in injection moulding technology, both single- and multi-component, based on thermoplastics and liquid silicone. This complements existing technologies perfectly and offers Datwyler an opportunity to increase added value and devise novel solutions to accommodate, for example, the megatrends of environmental sustainability and electrification within the automotive industry.

### Decline in revenue for Civil Engineering

The Civil Engineering market segment is involved in tunnelling and railway superstructure projects. Unexpected postponements of projects during 2016 resulted in significant declines in both revenue and margins. Special praise is merited for winning the IQ Innovation Prize (Central Germany), which was awarded for a new elastomer material with antimicrobial properties. Commercialisation of this new application has already begun.

### Gratifying performance for Consumer Goods

The partnership with Nespresso in the Consumer Goods market segment continues to develop nicely. Negotiations on a new contract are at a very advanced stage, with the key parameters already defined. Datwyler and Nespresso have continually intensified their cooperation since 2006. Today, the world leader in high-quality portioned coffee is the Datwyler Group's largest single customer. The new contract envisages further growth potential.

### A very promising outlook

The outlook for the Sealing Solutions Division remains very promising for 2017 and beyond. For one thing, Datwyler is benefiting from its strong positions in growing global market segments and the recently acquired new technologies are creating opportunities for potential additional development and growth. At any given time, the company is reviewing further possible acquisitions with a view to tapping into specific geographical markets and new technologies.