



TECHNICAL COMPONENTS

The Datwyler Technical Components division is one of Europe's leading high-service distributors with local representation, a modern multi-channel offering and an attractive product range. It comprises three specialised brands – Distrelec / Elfa Distrelec, Reichelt and Nedis. Altogether, the Technical Components division offers an extended range of up to 500'000 products for maintenance, electronics, automation and ICT, with excellent availability and fast delivery times.



Target groups

- Industrial companies
- High-tech design and manufacturing
- Small to medium-sized businesses
- Retailers
- Wholesalers
- Technical schools and universities
- Government agencies and administrations
- Private customers

Geographical markets

- Europe

Products and services

- Maintenance, repair and operations
- Electronic components and accessories
- Automation
- Connectors
- Electrical engineering
- I&C equipment
- ICT components and accessories
- Building technology and building automation
- Alarm and security technology

Negative revenue and margin trend has been reversed

With its focus on Europe, the Technical Components Divisions continued to operate in a challenging market environment in 2016. In the business-to-consumer segment in particular, demand in the second half of the year declined sharply in all markets to some extent. The sector as a whole lacked the innovative trends that have otherwise wowed customers in recent years. However, Datwyler's distribution companies Distrelec, Reichelt and Nedis gratifyingly managed to increase revenue in core business with business-to-business customers. Significant operational improvements due to the increased stability of structures and processes resulted in better product availability and shorter delivery times. Further optimisation of search functions and product information in our online shops also helped to enhance the customer shopping experience.

Slight increase in revenue despite reduction of low margin products

After several years of negative revenue development, the division reversed the trend in 2016 and upped its net revenue slightly to CHF 462.6 million (previous year: CHF 459.3 million). Adjusted for currency effects, this means that revenue remained virtually the same in organic terms. The reduction of low-margin product sales and the standardisation of discounts as expected had a negative impact on revenue. The expansion of the product range in relation to maintenance, repair and operations (MRO) on the one hand and automation on the other made a positive contribution to revenue performance, as did the launch of a new house brand for standard products. Under the "RND" brand, Datwyler outsources the manufacturing of clearly specified electronic components and accessories to China. Thanks to quality assurance by its own purchasing organisation in Shenzhen, Datwyler can offer its customers high-quality products at attractive prices and improve its margin at the same time. The "RND" range already comprises more than 3,000 products and will be expanded significantly due to strong increase in customer penetration.

Margin improvement thanks to cost savings and optimised product range

Strategic integration projects to create a shared infrastructure platform reached completion in the first half of 2016. The new platform is operational, enabling the implementation of substantial recurring cost savings in the year under review. For example, the central distribution centre in the Netherlands managed to continually reduce its cost by optimising its processes. Furthermore, the division centralised its accounting and financial functions in the Netherlands and, in particular, at the shared service centre in Latvia. The realignment of sales structures from country to regional management level resulted in further cost savings. Additional margin support came from the optimised product range and the standardised discounts. Although these measures did not take effect over the entire year, the operating result (EBIT) significantly improved, ending on CHF 9.4 million (previous year: CHF 0.3 million). Taking into account one-time costs related to cost-cutting measures and the Corporate one-time costs (particularly from the attempted acquisition of Premier Farnell), adjusted EBIT amounted to CHF 18.9 million. Consequently, the adjusted EBIT margin improved from 2.5% in the previous year to 4.1% in the year under review.

Key figures of Technical Components

in CHF millions	2016	2015
Net revenue	462.6	459.3
EBIT	9.4	0.3
EBIT margin	2.0%	0.1%
Total assets	327.9	361.2
Gross capital expenditure	12.0	11.0
Number of full-time equivalents (at year-end)	1'116	1'231

Strategic focus on organic growth

Thanks to the turnaround in revenue and EBIT performance, the Technical Components Division turned the corner in the year under review and is heading in the right direction under the new management team that took up its duties in 2015. Revenue growth is not yet satisfactory. The fact that the management team were absorbed for several months in preparations to acquire Premier Farnell had a bearing on this. Following the decision not to acquire Premier Farnell, the acceleration of organic growth represents the most important strategic goal. In achieving this objective, one of the things the division needs is an efficient category and product management approach in order to quickly expand its product range with the correct products and to strengthen its market presence. Measures are currently being drawn up to improve expertise and efficiency in this key area of operations. The central distribution centre also offers further potential for process optimisation and cost savings.

Package of measures to increase revenue and efficiency

Besides the new house brand and the accelerated expansion of the product range, we are confident that a series of additional measures will help to stimulate demand and revenue in the 2017 fiscal year and beyond. Central importance is being accorded to a change project that involves all employees refocusing clearly on customers and their needs. By putting increased emphasis at the same time on the higher-margin maintenance and automation markets, Datwyler can best leverage its legacy, its existing product range and its technical expertise. A step-up in Internet marketing activity and the launch of new catalogues should provide extra impetus, making it easier for target groups to search online and offline for the components they require. Furthermore, we expect the Reichelt brand to continue its successful expansion into markets outside Germany. Based on measures initiated and implemented to increase revenue and efficiency, we believe that Datwyler's distribution companies will be able to improve their EBIT margins considerably.