Press release, 8 February 2019

Datwyler continues its profitable growth course

The Datwyler Group stayed on track for profitable growth during 2018. Net revenue increased by 5.4% to CHF 1'361.6 million. Operating result (EBIT) continued to improve to CHF 170.0 million, and the EBIT margin remained almost unchanged at 12.5% despite significant start-up costs for growth-related projects. Net result amounted to CHF 121.0 million. The Annual General Meeting will be asked to pay an unchanged cash dividend of CHF 3.00 per bearer share. During the 2018 reporting year, Datwyler used its position of strength to set a course for future profitable growth, which included expanding production capacity for high-quality components for the health care market and acquiring two attractive businesses.

The Datwyler Group increased net revenue in 2018, compared with the previous year, by 5.4% to CHF 1'361.6 million (previous year: CHF 1'291.4 million). Adjusted for positive currency and acquisition effects, the resulting organic growth was 2.0%. Operating result (EBIT) continued to improve to CHF 170.0 million (previous year: CHF 162.6 million). The EBIT margin remained almost unchanged at 12.5% (previous year: 12.6%), so was within the recently increased target range. This was despite significant start-up costs for various growth-related projects, in particular for the new Health Care capacity in the USA and India and the one-off costs for the one-brand strategy pursued by Nedis. In the second half of the year, the increasingly strong Swiss franc and higher raw material prices also had a negative impact on margins. It should be possible, however, to absorb higher raw material prices as early as the first quarter of 2019.

"With the opening of the new health care plant in the USA and the acquisition of Parco and Bins in 2018, we set the course for future profitable growth. Despite considerable start-up costs for growth projects, we were able to exceed last year's record operating result," says CEO Dirk Lambrecht.

Dividend retained

The net result amounted to CHF 121.0 million (previous year: CHF 123.7 million). During the previous year, one-off effects kept tax expenses unusually low. In view of the steady profitability levels and given that prospects look promising, the Board of Directors is asking the Annual General Meeting to pay an unchanged cash dividend of CHF 3.00 per bearer share (previous year: CHF 3.00) and CHF 0.60 per registered share (previous year: 0.60). This equates to a payout ratio of 42.1% of the net result. The Annual General Meeting is also being asked to appoint Jens Breu, CEO of the listed SFS Group, to the Board of Directors and as another representative of bearer shareholders.

Sealing Solutions with further increase in operating result

The Sealing Solutions division continued to enjoy profitable growth in 2018. Thanks to leading market positions, net revenue increased on the strong previous year by 7.0% to CHF 891.1 million (previous year: CHF 832.8 million). Adjusted for positive currency and acquisition effects, the resulting organic growth was 3.0%. Datwyler recorded strong demand in the health care market, particularly for high-quality First Line components. The company continued to do well in the automotive market, despite a more challenging environment. While growth slowed in China and the USA, demand for innovative components used in the treatment of exhaust gases from diesel vehicles (SCR technology) was up in Europe. Revenue in the general industry market was suppressed in the reporting year by inventory effects and project delays, although the newly acquired business Parco performed very well. In total, the operating result (EBIT) increased to CHF 155.5 million (previous year: CHF 151.6 million) for the sixth time in a row. The EBIT margin stood at 17.5% (previous year: 18.2%). Efficiency enhancements could not fully compensate for the considerable start-up costs for the new Health Care capacity in the USA and India, the one-off costs for further growth-related projects and higher raw material prices. It should be possible, however, to absorb higher raw material prices in the first quarter of 2019.

Stepping up activity in the fast-growing health care market
As a manufacturer of high-quality components for injectable drug delivery systems, Datwyler is a world-leading provider in an attractive and growing market. Datwyler has invested over recent years in expanding its product range, building up production capacity and continuing to develop its production standard. With the First Line standard, Datwyler has an industry-leading production concept. The First Line standard covers ultra-modern clean room technology, automated production cells, fully automated camera inspection and a high-quality cleaning process. The innovative production concept meets the highest customer requirements. At the end of September 2018, Datwyler started operations at a new First Line plant in Middletown, USA, after just two years of construction work. Together with the existing First Line capacity in Belgium and the First Line capacity in India (which was expanded in 2017), this will enable Datwyler to provide customers in the three key business regions of the USA, Europe and Asia with locally produced First Line components in future. Thanks to the new production capacity, Datwyler will be able to increase its global First Line volumes by 50% between now and 2020 and accelerate profitable growth. Already, the Health Care segment is generating the biggest share of revenue for the Datwyler Group.

Geographical expansion and new technologies within the automotive market
During the reporting year, Datwyler secured improved access to the South American automotive industry by acquiring the Brazilian company known as Bins, which enjoys annual revenue of CHF 20 million. Thanks to Bins, Datwyler now has its own production plants in all relevant automotive markets. The company will utilise Bins's distribution network to offer both carmakers in Brazil and existing customers in South America the full range of products. Access to new technologies and skills will also help ensure the company's long-term growth. Injection moulding technology using thermoplastic and liquid silicone from Ott, which was acquired in 2016, opens up new possibilities, particularly in the ongoing electrification of vehicles. During 2018, Datwyler won projects relating to seals for sensors, high-voltage connectors and housing for power distribution equipment. We also introduced the "Lean and Clean" production concept to the Swiss site in the reporting year. This gives us a unique selling proposition for high-quality automotive components – such as those used for the treatment of exhaust gases from diesel vehicles – which recorded significant growth in the reporting year.

Accessing new industries within the general industries market
Another driver of growth is the policy of accessing new markets via acquisitions. Datwyler duly took advantage of the opportunity to acquire the US company Parco in the reporting year. Thanks to strong market positions, the company enjoys profitable growth and annual revenue of around CHF 60 million. Parco will give the Sealing Solutions division access to several new industries of strategic interest – particularly the oil and gas industry, aerospace, water filtration or pumps and valves. At the same time, Datwyler is significantly expanding its existing O-ring business (which it acquired with the takeover of Origom in 2015) through the acquisition of Parco and strengthening its presence in the important US market. O-rings assume system-critical functions within many systems and installations, while the demands placed on elastomer compounds and functionality continue to grow. The market remains highly fragmented and therefore offers further opportunities for acquisition-based growth.

Technical Components with improved EBIT margin

The Technical Components division increased its revenue by 2.6% to CHF 470.5 million (previous year: CHF 458.6 million). Adjusted for positive currency effects, this means that revenue remained the same in organic terms. Per trading day revenue increased by 0.6%. While Reichelt made a disproportionately large contribution to revenue growth – on the back of international expansion and a sharper focus on business-to-business customers – Nedis further streamlined its range for the wholesale supply of home/consumer electronics with a view to improving margins, accepting that this would curb revenue. Thanks to consistent cost control, operating result (EBIT) improved to CHF 14.5 million (previous year: CHF 11.0 million). This was achieved in spite of the one-off costs for implementing the one-brand strategy pursued by Nedis. A keener focus on more attractive customer segments helped improve the EBIT margin to 3.1% (previous year: 2.4%).

Successfull refining of customer segmentation in the distribution business

In the Technical Components division, Datwyler is continuing to sharpen its focus in terms of both market and customer segmentation. The company is introducing state-of-the-art digital technologies to improve predictive analysis in relation to online distribution. This enables Distrelec and Reichelt to address their target customers with increasingly personalised offers. For example, Distrelec is now focusing on the so-called Custom Production of Electromechanical Goods (CPE), an attractive segment of small and medium-sized enterprises which produce relatively small runs of high-tech products and are not catered for by mass-market providers. The central Distrelec enterprise hub in Manchester is continuously improving operating performance, and this is reflected in improvements in key performance indicators relating to service, customer satisfaction and the online shop. Reichelt's successful international expansion is based on local online shops and is generating a significant increase in demand. The plan for 2019 is to launch three new online shops in Italy, Belgium and Spain. As well as pursuing international expansion, Reichelt is sharpening its focus on the high-margin business-to-business market with new products and marketing activities. Nedis repositioned itself during the reporting year by reducing itself to a strong product brand and is working towards accessing new customer groups such as large online dealers or the promotional products sector. At the same time, the company improved product quality, fine-tuned product management and made sales more efficient. All three companies are constantly expanding their range with new products designed to meet customers' needs, an approach which is helping to drive growth. In particular, the growing range of own-brand RND and Nedis products is being marketed by all three distribution companies.

Well positioned to tackle future challenges

It is possible that some of the markets Datwyler serves may become more challenging for a time during 2019. Global trade disputes have led to increased uncertainty in the automotive market in particular. But with the measures implemented in 2018 and before and thanks to the strategy it is pursuing, Datwyler is well prepared for the challenges ahead. Through the leading market positions, Datwyler is well placed in the long term to take advantage of opportunities for growth in the markets it serves. With the Health Care business, Datwyler has a strong and stable presence in a market which continues to grow with the help of structural drivers, largely independently of any fluctuations within the wider economy. Datwyler is currently expecting revenue of between CHF 1'450 million and CHF 1'500 million for 2019 and an EBIT margin within the target range of 12% to 15%, which has recently been increased twice, even though the start-up costs for the new Health Care plant in the USA and for further growth-related projects remain significant.

Key figures Datwyler Group (in CHF million)

	2018	2017
Net revenue	**1'361.6**	**1'291.4**
Year-on-year change (%)	*5.4%*	*6.2%*
EBITDA	**231.5**	**219.8**
EBITDA as % of net revenue	*17.0%*	*17.0%*
Operating result before interest and tax (EBIT)	**170.0**	**162.6**
EBIT as % of net revenue	*12.5%*	*12.6%*
Net result	**121.0**	**123.7**
Net result as % of net revenue	*8.9%*	*9.6%*
Net cash from operating activities	**162.9**	**112.7**
Net cash used in investing activities	**–334.9**	**-110.0**
Free cash flow	**–172.0**	**2.7**
Net cash used in financing activities	**64.0**	**-41.2**
Net change in cash and cash equivalents	**–108.0**	**-38.5**
Cash, cash equivalents, money market investments and se-	**170.8**	**281.8**
Capital expenditure on property, plant and equipment	**138.0**	**117.9**
Total assets	**1'314.8**	**1'299.6**
Equity	**827.4**	**898.5**
Equity as % of total assets	*62.9%*	*69.1%*
Number of employees (annual average)	**8'305**	**7'614**
Full-time equivalents (annual average)	**8'118**	**7'469**

Key figures Datwyler divisions (in CHF million)

	Net revenue			**Operating result (EBIT)**			**EBIT-margin (%)**	
	2018	2017		**2018**	2017		**2018**	2017
Sealing Solutions	891.1	832.8	*7.0%*	155.5	151.6	*2.6%*	*17.5%*	*18.2%*
Technical Components	470.5	458.6	*2.6%*	14.5	11.0	*31.8%*	*3.1%*	*2.4%*
Datwyler Group	1'361.6	1'291.4	*5.4%*	170.0	162.6	*4.6%*	*12.5%*	*12.6%*

Annual Press Conference/Analyst Conference: 8 February 2019, 10.00 a.m., Renaissance Zurich Tower Hotel, Turbinenstrasse 20, Zurich

Publication of Annual Report 2018: 8 February 2019, 06.00 a.m.,
http://www.datwyler.com/en/investors/publications/

Datwyler Group (www.datwyler.com)
The Datwyler Group is a focused industrial supplier with leading positions in global and regional market segments. With its technological leadership and customised solutions, the Group delivers added value to customers in the markets served. Datwyler concentrates on markets that offer opportunities to create more value and sustain profitable growth. The Sealing Solutions division is a leading supplier of custom sealing solutions to global market segments, such as the health care, automotive, civil engineering and consumer goods industries. The Technical Components division is one of Europe's foremost high-service distributors of maintenance, automation, electronic and ICT components and accessories. With a total of some 50 operating companies, sales in over 100 countries and more than 8'000 employees, the Datwyler Group generates annual revenue of more than CHF 1'300 million. The Group has been listed on the SIX Swiss Exchange since 1986 (security number 3048677).

Enquiries: Guido Unternährer, Head of Corporate Communications, +41 41 875 19 00

Photos (in print quality): www.datwyler.com > Media > Image Library
http://www.datwyler.com/en/media/image-library/

Financial Calendar:

Annual Press Conference/Analyst Conference	8 February 2019
Annual General Meeting	12 March 2019
Interim Report 2019	13 August 2019

Dätwyler Holding AG, Gotthardstrasse 31, 6460 Altdorf, Schweiz
T +41 41 875 11 00, F +41 41 875 12 28, info@datwyler.com, www.datwyler.com