

Media release, 13 August 2019

## **Datwyler achieves a good result in a difficult environment**

**In the first half of 2019, the Datwyler Group increased its net revenue by 1.8% to CHF 706.3 million. While high-quality health care components remained a growth area, demand on automotive markets declined. In spite of start-up costs for growth projects, the Group increased its absolute EBIT and achieved an EBIT margin of 12.9%. This is only slightly below the previous year's figure. The net result increased by 5.9% to CHF 66.2 million. The strategic approach pursued by the Sealing Solutions division – with its focus on high-quality, system-critical components – has proved its worth in a difficult environment. The strategic options for the Technical Components division are being reviewed.**

During the first half of 2019, the Datwyler Group was faced with a slowdown in the economy as a whole. This resulted in more challenging market conditions. The trade dispute between the USA and China led to a reduction in inventories, particularly in the automotive sector and a decline in demand, whereby this decline varied from region to region. The Datwyler Group was able to increase its net revenue by 1.8% versus the strong previous year period to CHF 706.3 million (previous year: CHF 694.1 million). This is thanks to the sound strategic position of the Sealing Solutions division and measures taken to step up market activities. The integration of the 2018 acquisitions Parco and Bins into the Sealing Solutions division is proceeding as planned and has already generated added value. Adjusted for positive acquisition effects and the negative currency effects caused by a stronger Swiss franc, the organic Group revenue declined slightly by 1.6%.

"The good result shows that we are in a strong position in what is a difficult environment", says CEO Dirk Lambrecht. "With our growth projects, we are laying the groundwork to further improve our market positions."

### **Operating result up again**

Datwyler was able to increase its operating result to a record high of CHF 91.2 million (previous year: CHF 90.7 million) due to its focus on high-value, system-critical components, as well as its early adoption of efficiency improvement programmes. In spite of start-up costs for growth projects amounting to CHF 4.5 million, the Group achieved an EBIT margin of 12.9%. This is only slightly below the previous year's figure (13.1%). The net result improved by 5.9% to CHF 66.2 million (previous year: CHF 62.5 million) on the back of a better financial result and lower income taxes. Following completion of the new health care plant in the USA, investment levels declined as forecast to CHF 53.0 million (previous year: CHF 71.7 million).

### **Profitable growth for the Sealing Solutions division**

The Sealing Solutions division continued to develop positively despite a challenging environment in the Automotive market. Revenue increased from the strong previous year period by 5.8% to CHF 479.3 million (previous year: CHF 453.2 million). Adjusted for negative currency effects and positive acquisition effects, this translated into a slight organic decline of 1.2%. This is largely due to negative developments in the Automotive market. Demand for high-quality health care components from Datwyler's First Line production once again showed double-digit growth. Datwyler has invested for some time now in the expansion of both its market activities and its production capacities to capitalize on this attractive growth potential even more in the future. The division's operating result (EBIT) of CHF 83.7 million was on roughly the same level as in the previous year (CHF 83.8 million) despite significant start-up costs for growth projects. The EBIT margin was 17.5% (previous year: 18.5%). Prices for raw materials remained largely unchanged compared to the previous year.

Customers in the Health Care market are showing a strong interest in the new state-of-the-art First Line plant in the USA. Expansion of the site in India is proceeding as scheduled. In the Automotive market, Datwyler had to contend with a significant decline in revenue due to a difficult market environment, particularly in China and the

USA. Nevertheless, Datwyler nearly succeeded in offsetting the revenue decline by recording a double-digit revenue increase for the high-quality components used in SCR (selective catalytic reduction) systems for diesel vehicles, as well as through the inclusion of Bins (acquired in 2018) for the first time. In the General Industries market, the US company Parco (acquired in 2018) managed to exceed its revenue and earnings expectations, thanks to its strong position in the oil and gas market. The Nespresso business developed positively during the first half of the year.

### **Technical Components division records an increase in its B2B revenue**

In the Technical Components division, general economic conditions in the European market that the division serves continued to deteriorate during the first half of the year. This is reflected in the sharp decline in purchasing managers' indices. Overall, the Datwyler distribution companies achieved a revenue of CHF 227.0 million (previous year: CHF 240.9 million) in this difficult environment. Adjusted for negative currency effects, this translated into an organic decline of 2.4%. While the Datwyler distribution companies are still deliberately giving up business-to-consumer revenue with low margins, revenue from more attractive business-to-business customers is growing. The acquisition of new customers, the increase of the active customer base and the growth of the RND house brand will continue to have a positive impact. Despite the start-up costs for the international expansion of Reichelt, the operating result (EBIT) increased to CHF 7.5 million (previous year: CHF 6.9 million), due to a strict cost discipline. The EBIT margin improved to 3.3% (previous year: 2.9%).

By offering the fastest web searches in the industry and improving service quality, Distrelec was able to increase its customer satisfaction, as measured by the Net Promoter Score – although this has not translated yet into improved revenue and margins. Reichelt continues to pursue its successful international expansion. The Italian market is now also served by a local online shop and a customer support service in Italian. Nedis is working hard on the implementation of its new one-brand strategy. Feedback from retail and end customers continues to be positive.

Measures implemented in recent years have improved the operating performance and competitiveness of the Technical Components division. Although there is room for further development, the Board of Directors has decided to review the strategic options for the division, including a potential sale. The review is at an early stage, and the Group will provide more information in due course.

### **Well positioned to tackle future challenges**

The situation has become more challenging in some of the markets that Datwyler serves. In the Automotive market, for example, there is no real prospect of things picking up over the next few months. The purchasing managers' indices in the main European markets also point to a significant decline in demand with regard to the online distribution of electronic components. Thanks to its strong market positions, targeted use of resources, ongoing efficiency-improvement programmes and the strategic priorities it pursues, Datwyler is well positioned to cope with the challenges the future will bring. Within the Sealing Solutions division, Datwyler generates over one-third of the Group's revenue with its Health Care and Consumer Goods business in low cyclical markets which show stable growth. Demand for SCR components is growing on the back of stricter emission regulations, regardless of how well the automotive sector is doing as a whole. In terms of the distribution business, the Reichelt brand is generating profitable growth in a contracting market by offering good value for money and keeping its cost base low. Datwyler should achieve revenue growth for the full year, provided that the market and currency environments don't continue to weaken. The Group expects the EBIT margin to be within the lower half of the target range, which is still 12% to 15%.

## Key figures Datwyler Group

	Six months ended	
	30.06.2019	30.06.2018
In CHF millions	unaudited	unaudited
<b>Net revenue</b>	<b>706.3</b>	<b>694.1</b>
Change compared to prior period (%)	1.8%	7.7%
<b>Operating result before interest, taxes, depreciation and amortisation (EBITDA)</b>	<b>124.9</b>	<b>120.7</b>
EBITDA in % of net revenue	17.7%	17.4%
<b>Operating result before interest and taxes (EBIT)</b>	<b>91.2</b>	<b>90.7</b>
EBIT in % of net revenue	12.9%	13.1%
<b>Net result</b>	<b>66.2</b>	<b>62.5</b>
Net result in % of net revenue	9.4%	9.0%
<b>ROCE (LTM) in %</b>	<b>21.4%</b>	<b>24.1%</b>
Average capital employed	762.0	718.6
<b>Net cash from operating activities</b>	<b>88.3</b>	<b>77.6</b>
<b>Net cash provided by/(used in) investing activities</b>	<b>-48.9</b>	<b>-81.8</b>
<b>Free cash flow</b>	<b>39.4</b>	<b>-4.2</b>
<b>Net cash used in financing activities</b>	<b>-28.9</b>	<b>-54.9</b>
<b>Net change in cash and cash equivalents</b>	<b>10.5</b>	<b>-59.1</b>
<b>Cash and cash equivalents</b>	<b>180.3</b>	<b>222.0</b>
<b>Capital expenditures</b>	<b>53.0</b>	<b>71.7</b>
<b>Total assets</b>	<b>1'345.6</b>	<b>1'298.6</b>
<b>Equity</b>	<b>839.5</b>	<b>907.6</b>
Equity as % of total assets	62.4%	69.9%
<b>Number of employees</b>	<b>8'181</b>	<b>7'649</b>
<b>Full-time equivalents</b>	<b>7'966</b>	<b>7'511</b>
<b>Price (high/low) per bearer share (in CHF)</b>	<b>164/123</b>	<b>211/175</b>

<sup>1</sup> ROCE is calculated by dividing the operating result before interest and tax (EBIT) of the last twelve months (= LTM) by the average capital employed of the same period.

## Key figures Datwyler divisions

Amounts in CHF millions	Sealing Solutions	Technical Components	Eliminations	Total Group
<b>Six months ended 30 June 2019:</b>				
Total net revenue	479.3	227.0	-0.0	706.3
EBIT	83.7	7.5	-	91.2
EBIT in % of net revenue	17.5%	3.3%	-	12.9%
<b>Six months ended 30 June 2018:</b>				
Total net revenue	453.2	240.9	-0.0	694.1
EBIT	83.8	6.9	-	90.7
EBIT in % of net revenue	18.5%	2.9%	-	13.1%

**Datwyler Group ([www.datwyler.com](http://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 health care, automotive and general 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).

**Conference call**

A conference call in English will be held today, Tuesday, 13 August, at 10.00 a.m. (Central European Summer Time). The results will be presented by CEO Dirk Lambrecht and CFO Reto Welte.

The dial-in numbers for this call are:

Europe	+41 (0)58 310 50 00
UK	+44 (0)207 107 0613
USA	+1 (1)631 570 5613

For other countries, the numbers are available [at this link](#).

The English presentation slides will be available for downloading from our website [www.datwyler.com](http://www.datwyler.com) at the link Investors > Publications > [Presentations](#):

A replay of the conference call will also be available as a podcast download at the same link one hour after the call ends.

**The full Datwyler Group Interim Report 2019 is available in English and German as downloadable PDF on [www.datwyler.com](http://www.datwyler.com) > Investors > [Publications](#):**

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**Photos (in print quality):** [www.datwyler.com](http://www.datwyler.com) > Media > [Image Library](#)

**Financial Calendar**

Annual Press Conference and Analyst Conference	6 February 2020
Annual General Meeting	11 March 2020
Interim Report 2019	11 August 2020

The figures in the (German) Interim Report 2019 are binding. The Interim Report and this press release contain forward-looking statements that reflect the Group's current expectations regarding market conditions and future events and are therefore subject to a number of risks, uncertainties and assumptions. Unanticipated events could cause actual results to differ from those predicted and from the information contained in this release. All forward-looking statements in this press release are qualified in their entirety by the foregoing.

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