

Interview with Dirk Lambrecht, CEO of Datwyler Group



Datwyler CEO Dirk Lambrecht. (Photo: Datwyler)

Moneycab.com: Mr. Lambrecht: The materials required for gaskets, seals and closures are, in short, Datwyler's core competence. Could the explosion of the US space transporter Challenger have been prevented with the right sealing rings?

Dirk Lambrecht: I don't know whether there was an availability of better seals back in the 1980s. The example you mentioned clearly shows how important seemingly insignificant components can be and how important specifications are for these components as well. Our components would certainly have met the specification; otherwise, we would not have accepted the order. Datwyler components make important contributions to the health and safety of patients and drivers around the world in the healthcare and automotive industries. They are successfully used in every second car and in billions of vials and syringes.

"Mission-critical elastomer components in customer-specific mass production" is what Datwyler manufactures. Could you break that down for us?

"Mission-critical, success-critical or system-critical" aptly describes the significance of our customers' systems in this context. And as you have correctly noticed, our system-critical components are not produced in small batches. On the contrary: we manufacture more than 30 billion parts per year in our 23 plants across four continents. That's 90 million parts a day. Despite the immense importance of our components for the quality of customer systems, they only make up a small part of the systems' total costs.

*"We manufacture more than 30 billion parts per year in our 23 plants across four continents."
Dirk Lambrecht, CEO of the Datwyler Group*

What role does IT play in your production processes?

With more than 30 billion parts produced per year, IT and, above all, the automation of production processes are of great importance. The acceleration of digitalization is one of our strategic priorities. In our newest production plant in the US, we have implemented the most modern Industry 4.0 technologies. In this paperless factory, we control the processes based on real-time information. But even as a company overall, we are moving towards becoming a data-driven, intelligent organization using a uniform, future-proof ERP system. Wherever possible, we want to use digital technologies such as artificial intelligence, machine learning and modern analytics. Network and cyber security is also extremely important to us, and is ensured through constant monitoring by internal and external specialists.

In recent years, sourcing and warehouse management on behalf of customers have also become very important. How helpful is this when it comes to customer loyalty?

Depending on customer needs, we already work closely with the customer's specialists in the procurement of raw materials. This is part of our self-image as a development partner. A good example of this is our major customer Nespresso. Through investments and adaptations in our production processes, we are helping Nespresso to bring capsules with 80% recycled aluminum onto the market. In doing so, we are contributing to their promise that every cup of coffee will be climate-neutral by 2022. The CO₂-neutral production at our Swiss location - which has been CO₂-neutral since 2012 - also contributes to this. From 2022, we will use environmentally friendly commercial vehicles with hydrogen fuel to transport the capsules for the first time.

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The healthcare industry is one of the major industries that you serve. How many of the SARS-CoV-2 vaccine producers are Datwyler customers?

We support several of the leading pharmaceutical companies in providing of Covid-19 vaccines.

What exactly do you produce for this work?

Our elastomer components seal the vaccination vials. Furthermore, we also produce and deliver the aluminium and plastic parts that complete the closure of the vaccination vial. On the one hand, our components must guarantee an absolute seal. On the other hand, there must be no interaction or leaching of the vaccine into the elastomer material. To prevent this from happening, we coat the components with a special material. The Covid-19 vaccines are also a good example of the system-critical importance of our components.

Have Covid-19 vaccines accelerated growth in Healthcare Solutions?

Even before Covid-19, the healthcare market, particularly the market for liquid drugs, was a market with attractive growth rates. This growth has accelerated further due to the additional demand for caps and plungers for the Covid-19 vaccines. In order not to become a bottleneck in the global supply chain, we are investing in the expansion of our production facilities in our existing healthcare plants in the US, Europe and India.

"With the help of our employees, we are proud that we can make an important contribution to combating the pandemic, and to the global well-being of humanity with our system-critical elastomer components."

The sale of subsidiaries led to a non-cash accounting loss of CHF 464.5 million and a reported net result of CHF –346.3 million, which was offset against retained earnings. Could this somehow be used for tax purposes?

The treatment of accounting losses from the divestment of the distribution companies involved an accounting process based on our Swiss GAAP FER accounting standard, a so-called recycling via the income statement. The tax options by means of operational loss carryforwards were already in use before the divestment.

Thanks to the Mobility business unit, the company is now focusing on electromobility. Will we become two-thirds electric in 2030?

This is one of the scenarios we are pursuing. To assess electromobility, however, we also have to rely on the studies that are generally available. We have been producing electric car components for several years and are continuously increasing the number of projects. The majority of the components are sophisticated parts made of several materials such as thermoplastic, liquid silicone or elastomer, which are produced in a single process. We especially see potential in components for sensors, the per-vehicle number of which will increase sharply in the future. In addition, smart rubber products with integrated microsensors open up new applications for active assistance and safety systems in vehicles. The average value of the Datwyler components per vehicle is not expected to change significantly as a result of the switch to electric propulsion.

Now that Datwyler has only concentrated on the most profitable areas, what should the EBITDA margin normally look like?

We are still in the middle of a pandemic and the uncertainties remain high. For the year 2021, however, we are very confident that we can achieve our announced goals of increasing sales to over 1.1 billion francs and reaching an EBIT margin of 15%.