

Moneycab interview

14 November 2022, 11:47 / by Bob Buchheit

Interview with Dirk Lambrecht, CEO of Datwyler Group



Datwyler CEO Dirk Lambrecht. (Photo: Datwyler)

Moneycab: Mr Lambrecht, with the 625-million-dollar acquisition of QSR in spring, Datwyler became a leading supplier of seals and components for electrical connectors. Can you already draw a first interim conclusion at this point?

With QSR we have taken over the market leader in this very attractive market. The sales growth is in the area we expected. Megatrends such as electrification, connectivity, Industry 4.0 and the Internet of Things will ensure that the demand for electrical connectors from a variety of markets will continue to grow for many years to come. The prime example is the automotive industry, in which the transformation to electric vehicles is in full swing. In order to ensure the system-critical functions of the connectors even under harsh conditions, they increasingly have to be equipped with seals.

How much is the strength of the U.S. dollar benefiting you at the moment?

In the U.S., we buy most of our raw materials locally and produce in our plants for the local markets. So the strong dollar has no significant impact on our operational activities. When converting U.S. sales into Swiss francs for reporting purposes, the strong U.S. dollar has a positive effect. However, this is more than compensated for by the negative effect of the weak Euro.

The equity ratio briefly fell by around half as a result of the acquisition. What is your medium-term target?

Our medium-term target for the equity ratio is more than 40%.

You have noticeably increased your production capacities in Pune, India. What are the biggest challenges you are facing on the Indian subcontinent at the moment? The heat, perhaps?

We have been producing premium-quality components for the healthcare industry in our own plant in India since 2012, and we now employ more than 600 people in this plant. The second production hall at our existing site has been commissioned and forms one of the foundations for our profitable growth strategy in the healthcare market. As part of our corporate social responsibility activities, we support the renovation of state-run schools and the installation of drinking water systems in the region around our plant. In doing so, we work together with the non-governmental organisation Planet Water.

India is known for its well-educated IT specialists. What is the situation in the pharmaceutical and medical technology industry?

We are very proud of our Indian employees. The management team consists entirely of Indians. We promote diversity and are pleased that the first Indian employees have now taken on important global management roles. In addition to the production plant for healthcare components, we also operate an IT centre in India, where we employ over a hundred IT specialists.

What's the plan for your Ukrainian subsidiary?

Our plant in Ukraine has been at a standstill since the Russian invasion. Thanks to our global production concept, we were able to shift the production of our elastomer parts to other Datwyler production sites. This meant that we were able to avoid a production interruption. We very much regret the situation in Ukraine and vehemently condemn the Russian war of aggression.

Your production needs to meet the highest quality standards as you are a supplier to the high-tech, pharmaceutical and medical technology industries. Roughly how much does Datwyler invest in the necessary process optimisation each year?

As an engineering partner and supplier to the most innovative companies in our target markets, the continuous improvement of our processes is an ongoing task. We disclose our capital expenditures on the basis of the company as a whole. In 2021, this amount was 110.9 million Swiss francs, in 2022 we are expecting a significantly lower figure.

In the mobility segment, there have been signs of a global recovery towards the end of the year. However, you have remained cautious about the associated margin outlook. Why is that?

The forecasts for the mobility market vary. Visibility remains low, for our customers as well. Despite solid order books, short-term call-offs have been fluctuating relatively strongly. Fortunately, we have again secured many new orders for components for the e-vehicle of the future this year, which validates our strategy. We have also acquired patents for electroactive polymer technology. I am confident that in the medium term this technology has the potential to become one of our top-selling product lines for mobility and other industries.

General Industry and Food & Beverage saw particularly strong demand in the first half of the year. Does inflation have an impact on that now?

General Industry and Food & Beverage continued to perform well in the second half of the year, with above-average growth for their markets. In the case of General Industry, this has to do with strong demand from the U.S. energy sector, among other things. In the Food & Beverage business unit, ramping up the production facilities for our second customer and new product lines for our existing customer are supporting our sales growth.

The long-term growth prospects have been confirmed, which is understandable given your product portfolio. Where is your geographical journey headed?

All of the markets served by Datwyler benefit from megatrends and have structural growth drivers. In addition, we generate some two-thirds of our sales in less cyclical sectors such as Healthcare and Food & Beverage. With this year's acquisitions of Xinhui and QSR, we have further increased our diversification in terms of geography and product segments. The share of sales in Europe will therefore decrease in the future, while our sales in Asia and the U.S. are set to increase.

Datwyler's share price has increased twentyfold over 20 years, then almost tripled in the last two years. Is it still possible to get a read on something like this?

The share price is influenced by many factors. Therefore, we don't comment on its development. However, I can assure you that we are constantly working to create added value for all stakeholders, including our shareholders. With the acquisitions made in 2022 and the measures implemented to strengthen our competitiveness, we are strategically better positioned than ever before.