

Press release, 6 February 2018

Datwyler enjoys profitable growth and sharpens strategic priorities

The Datwyler Group accelerated profitable growth during 2017. Net revenue increased by 6.2% to CHF 1'291.4 million. The operating profit (EBIT) and EBIT margin reached record levels at CHF 162.6 million and 12.6% respectively. The net result increased to CHF 123.7 million. The Annual General Meeting will be asked to pay a cash dividend of CHF 3.00 per bearer share, which represents a 36.4% increase. Datwyler is confident the Group can accelerate the profitable growth path during 2018. For the second time in succession, Datwyler is increasing the target range for the EBIT margin, which will now be 12% to 15%. From a position of strength, the Group has sharpened its strategic priorities: as well as driving profitable growth, Datwyler wants to accelerate digitalisation and increase agility.

The Datwyler Group increased its net revenue in 2017, compared with the previous year, by 6.2% to CHF 1'291.4 million (previous year: CHF 1'215.8 million). Adjusted for positive currency and acquisition effects, the resulting organic revenue growth was 2.9%. The reported operating result (EBIT) was up by 11.3% to CHF 162.6 million (previous year: CHF 146.1 million). The reported EBIT margin increased to 12.6% (previous year: 12.0%). Before CHF 9.9 million in one-off costs (mainly related to the development of Distrelec's new enterprise hub in Manchester), adjusted EBIT climbed to CHF 172.5 million. This helped the adjusted EBIT margin to improve to 13.4% (previous year: 13.0%).

"The strong demand for sealing components from the health care and automotive industry and the repositioning of online distribution are offering attractive opportunities. I am convinced that, with our sharpened strategic priorities, we can further accelerate profitable growth in the future," says CEO Dirk Lambrecht.

Dividend increase of 36.4%

The net result increased to CHF 123.7 million (previous year: reported CHF 57.6 million/adjusted CHF 116.9 million). At CHF 8.5 million, changes in deferred taxes had a net positive effect on the result. In view of the sustained increase in profitability and given that prospects look highly promising, the Board of Directors is asking the Annual General Meeting to pay a cash dividend of CHF 3.00 per bearer share (previous year: CHF 2.20) and CHF 0.60 per registered share (previous year: 0.44), which represents an increase of 36.4%. This equates to a payout ratio of 41.2% of the net result.

Sealing Solutions enjoying accelerated profitable growth

The Sealing Solutions division managed to accelerate profitable growth during 2017. Thanks to leading positions in the market segments and the introduction of new products, net revenue rose year-on-year by 10.6% to CHF 832.8 million (previous year: CHF 753.3 million). Adjusted for positive currency and acquisition effects, the resulting organic revenue growth was 6.1%. Demand for high-quality health care components remained strong, while the dynamic growth associated with automotive components for the Chinese market also continued. The Nespresso business continued to develop nicely. By the start of 2018, Datwyler had extended the successful collaboration with Nespresso, with the new multi-year contract providing further potential for growth. For the fifth consecutive time since the merger of the two former divisions, the sealing business boosted the operating result (EBIT), which increased by 10.9% to CHF 151.6 million (previous year: CHF 136.7 million). The EBIT margin improved

slightly to 18.2% (previous year: 18.1%). Further efficiency enhancements made it possible to compensate for slightly higher raw material prices and one-off costs for growth-related projects.

Technical Components enjoying growth in online distribution

The Technical Components division managed to achieve pleasing revenue growth in the core business-to-business activity of online distribution brands Distrelec and Reichelt during the second half of the year (despite there being fewer trading days) with an upward trend during the fourth quarter. Nedis, a wholesaler for in-home/consumer electronics, did manage to reduce the decline in demand during the second half of the year, but still had to contend with a noticeable decline in revenue for the year as a whole. In total, net revenue for the year as a whole fell slightly to CHF 458.6 million (previous year: CHF 462.6 million). Adjusted for positive currency effects, this equates to an organic decline of 2.3%. Thanks to consistent cost control and an improved gross margin, the adjusted operating result (EBIT) before one-off costs of CHF 9.7 million (mainly related to the development of the new Distrelec enterprise hub in Manchester) increased to CHF 20.7 million (previous year: 18.9 million), which gives an adjusted EBIT margin of 4.5% (previous year: 4.1%). Reported EBIT amounted to CHF 11.0 million (previous year: CHF 9.4 million).

Sharpened strategic priorities

Following successful portfolio management, focusing on growth markets and the international expansion over recent years, Datwyler now enjoys strong foundations. And from this position of strength, the Group has sharpened its strategic priorities: as well as continuing to drive profitable growth, Datwyler also wants to accelerate digitalisation and increase agility. To accelerate digital transformation, Datwyler is investing some CHF 50 million over the next few years. In doing so, Datwyler is looking to increase the efficiency of its business processes, improve data quality, increase IT security and create a strong and flexible platform for future digital applications. This will also allow future acquisitions to be integrated more quickly and easily. With markets and general conditions changing faster than ever, there is a need for speed, flexibility and adaptability. The Datwyler corporate value of “We are entrepreneurs” is exactly the vision required when it comes to developing an agile and innovative organisation. One example of this is the new Distrelec enterprise hub in Manchester, where products, procurement and marketing are managed together at a single site with both efficiency and agility.

Expansion of production capacity for high-quality sealing components

Thanks to its focus on fast-growing market segments and leading global positions, Datwyler is able to accelerate profitable organic growth in the Sealing Solutions division by investing in expanded capacity for high-quality sealing components. Good examples of this are the new contract with Nespresso or the investments in the construction of a new Health Care plant in the USA and the expansion of the existing Health Care plant in India. With this additional state-of-the-art production capacity, Datwyler is well positioned to benefit from the rapidly growing demand for high-quality components for pre-filled syringes and modern drug delivery systems. In the Automotive market segment, Datwyler is introducing a new production concept at its Swiss site known as “Lean-and-Clean”. For the first time, the business will be producing high-quality automotive components in clean rooms and thereby further increasing competitiveness, particularly in terms of electromobility. The business is always on the lookout for potential acquisitions.

Repositioning of online distribution

In addition to the successful development of the new enterprise hub in Manchester, Distrelec has also been sharpening its focus on maintenance, automation and robotics. With a view to offering target customers added value, Distrelec is adapting its value proposition, optimising the online shops, employing specialists, promoting its RND house brand and optimising the range. Reichelt is promoting profitable growth through accelerated international expansion – with the focus on business-to-business customers right across Europe. Nedis, a wholesaler for home/consumer electronics, is in the process of implementing a comprehensive optimization program to halt a decline in revenue. Among other things, Nedis is reducing the various product brands to create a common brand as well as improving product quality, optimising product management and enhancing sales efficiency. These combined measures are delivering efficiency enhancements and cost savings along the entire supply chain as well as creating a stronger presence in sales terms.

Reasons to be optimistic – target range for EBIT margin to be increased to 12% to 15%

Datwyler is confident the Group can accelerate the profitable growth path during 2018. In the Sealing Solutions division, the Group is expecting to enjoy profitable dynamic growth in 2018 too based on the positive market environment, the leading positions occupied, the healthy order book, the new Nespresso contract and the capacity levels available. The Technical Components division (which is focused on Europe) should – with the economic climate looking favourable – manage in the new year to accelerate the revenue growth achieved in the fourth quarter of 2017 and continue to improve the EBIT margin. For 2018, the Group is targeting revenue of between CHF 1'350 and CHF 1'400 million. For the second time in succession, Datwyler is increasing the target range for the EBIT margin, which will now be 12% to 15%. From the current perspective, there should not be any more one-off costs during 2018.

Changes on the Board of Directors and change of auditor

The Annual General Meeting to be held on 6 March 2018 will see Ernst Odermatt step down from the Board of Directors after 14 years for age-related reasons. To succeed him, Claude R. Cornaz is being recommended for election as a new member of the Board of Directors. Claude R. Cornaz (56 years old) is the CEO of the Vetro-pack Group, where he has spent 18 years driving sustainable development in a challenging environment. He is also a member of the family which owns the majority of shares. The Board of Directors will also be proposing that KPMG be appointed as the new auditor at the Annual General Meeting.

Key figures Datwyler Group (in CHF million)

	2017	2016
Net revenue	1'291.4	1'215.8
<i>Year-on-year change (%)</i>	6.2%	4.3%
EBITDA	219.8	204.3
<i>EBITDA as % of net revenue</i>	17.0%	16.8%
Operating result before interest and tax (EBIT)	162.6	146.1
<i>EBIT as % of net revenue</i>	12.6%	12.0%
Net result	123.7	57.6
<i>Net result as % of net revenue</i>	9.6%	4.7%
Net cash from operating activities	112.7	90.7
Net cash used in investing activities	-110.0	-51.3
Free cash flow	2.7	39.4
Net cash used in financing activities	-41.2	37.4
Net change in cash and cash equivalents	-38.5	76.8
Cash, cash equivalents, money market investments and	281.8	317.5
Net cash surplus	127.5	313.5
Capital expenditure on property, plant and equipment	110.0	77.8
Total assets	1'299.6	1'217.1
Equity	898.5	805.5
<i>Equity as % of total assets</i>	69.1%	66.2%
Number of employees (annual average)	7'614	7'312
Full-time equivalents (annual average)	7'469	7'068

Key figures Datwyler divisions (in CHF million)

	Net revenue		EBIT		EBIT margin (%)	
	2017	2016	2017	2016	2017	2016
Sealing Solutions	832.8	753.3	151.6	136.7	18.2%	18.1%
Technical Components	458.6	462.6	11.0	9.4	2.4%	2.0%
Datwyler Group	1'291.4	1'215.8	162.6	146.1	12.6%	12.0%

⇒ **Annual Press Conference/Analyst Conference: 6 February 2018, 10.00 a.m., SIX ConventionPoint, new at Pfingstweidstrasse 110, Zurich**

Publication of Annual Report 2017: 6 February 2018, 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 7'000 employees, the Datwyler Group generates annual revenue of some CHF 1'300 million. The Group has been listed on the SIX Swiss Exchange since 1986 (security number 3048677).

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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	6 February 2018
Annual General Meeting	6 March 2018
Interim Report	10 August 2018

The figures in the 2017 Annual Report are binding (German edition). The Annual Report and this media release contain forward-looking statements. They reflect current estimates regarding market conditions and future events and are therefore subject to certain risks, uncertainties and assumptions. Unforeseeable events could result in a deviation in the actual results from the forecasts in this document and other published information. Accordingly, all the forward-looking statements in this media release are subject to this reservation.