

DPS builds global reputation for quality

Ambitious engineering and construction group with big pharma clients expands abroad with M&A deals, writes **Fearghal O'Connor**

INTERVIEW

IRISH firm DPS Group has quietly but steadily transformed itself from a local operator into a go-to engineering and construction player for the global pharma and biotech sectors. That transformation has continued apace in recent weeks, with two key deals in Sweden and Belgium. Next up for the ambitious Dublin and Cork-based company could be a US acquisition – possibly on the west coast – further expanding its reach in a country in which it has already built a well-regarded business in key pharmaceutical manufacturing centres.

DPS, which was established more than 40 years ago and bought out by its management 20 years ago, has worked with 13 of the top 15 pharma companies in the world, says its chief operating officer Brian Donohoe. He sees the firm's success as very much part of a wave of growing Irish success on the continent in the wider construction industry.

"Back in the 1950s you had a wave of Irish construction workers who went to work in the UK but in the past 10 years, perhaps initially because there was no work here, you have had companies themselves that have gone out of Ireland and built a really strong reputation. And this is at a different level. It's not building roads. It is high-end stuff, building data centres and pharma plants."

For its part, DPS focuses on engineering, consulting and project management for the pharmaceutical, biotech and semiconductor industries.

"We are focused on complex high-end process engineering sectors. We are now a global company, but we are an Irish success story because we have acquired a lot of our technical ability through working with clients in Ireland and used that to expand in Europe and the US."

That expansion has seen DPS grow staff numbers in the last five years from 700 people to 1,400 people. Donohoe says it is now eyeing further expansion in Europe and the US.

Key to that ambitious plan is the acquisition, for an undisclosed amount, that the company has just completed last week of Belgian specialised engineering group F4PE, which stands for "focus for pharmaceutical engineering" and which has an annual turnover of €5m.

DPS already has a small team in Belgium and it will be amalgamated with the F4PE team, giving it a combined team of about 70 people.

"That helps us to deliver a local presence for our clients in Belgium, but we back this up by using our centres of excellence in Dublin and Cork."

"It is all about getting that mix of global technical expertise and local presence. The world is global, but clients want a local presence and that is what we are doing with this acquisition."

Belgium is a particularly interesting market for DPS, he says: "It is not just chocolates and beer. There is also a very large and well-established pharmaceutical sector there. It was our second location in mainland Europe, having been in the Netherlands for 20 years."

But that is just part of the overall European expansion plan, with operations also in Switzerland, and Germany. A deal signed in May with AstraZeneca will see it provide engineering, procurement, construction management and validation services for the pharma giant in Sweden. DPS will have a team of between 60 and 80 people based in Sweden within 12 months.

The Belgian acquisition was planned two or three years ago as part of a five-year plan that lays out expansion through a mixture of acquisition and organic growth, according to Donohoe.

The next step of that plan may well take place in the US, he says. DPS already has operations in several of America's key pharma hubs: Boston for biotech and the Philadelphia/New York region for more traditional pharma.

It is now looking at several different potential acquisitions and new offices in other areas, for example on the west coast or Chicago.

Since the collapse of British contractor Carillion



CURRICULUM VITAE

Name
Brian Donohoe

Age
53

Position
Chief operating officer, DPS Group

Lives
Dublin

Family
Married, three children, Rory (7), Bobby (4) and Eve (4)

Education
BE, UCD; C.Eng; MIEE; MBA, INSEAD, France

Pastimes
Fitness, golf, Russian literature, European history

Favourite Book
War and Peace, Leo Tolstoy

Favourite holiday destination
Portugal

Favourite Movie
Casablanca

Brian Donohoe says the DPS Group is focused on delivery and reputation
Photo: Gerry Mooney

BUSINESS LESSONS

Who do you see as your inspirations in business?
Steve Jobs, Tony Ryan and Michael Porter.

What is your favourite piece of business advice?
Focus on the fundamentals, not on the noise.

What is the best career lesson you ever learned?
To quote Shakespeare: "There is a tide in the affairs of men" and a lesson I have learnt and relearned is that you have to go with the tide and not keep fighting it.

earlier this year, there have been fears around the robustness of the business models of some main contractors in the wider construction sector.

But Donohoe describes the DPS approach as "conservative" and says it is focused on maintaining a low-debt position. "In general we finance acquisitions out of cash and profits. We're cautious. You could risk the whole company on the wrong acquisition that is too big and we are not prepared to do that. We don't open new offices for the sake of it. We want them to be profitable and so we do these things conservatively and as part of a very clear plan."

In 2011 the company took this approach when it made its first US move with an acquisition in Boston, where biotech is very strong. It followed that deal with a small acquisition in North Carolina, followed by the opening of offices in New York, New Jersey and Arizona.

"The reason we are in the US is partly for diversification reasons, partly to learn new technologies and partly to be able to offer a service to clients across both the US and Europe because a lot of these clients are global clients."

Turnover has risen steadily as the company has expanded. It rose from €144m in 2016 to €160m in 2017 and Donohoe says turnover is expected to rise to €180m this year. Ireland still accounts for 45pc of this but 30pc comes from the US and 25pc from the EU. Profits are also on the rise with profit before tax and dividends rising from €6.4m in 2015 to €7.8m in 2017.

Many of the senior management team were part of the buyout of the company 20 years ago, but Donohoe is an exception to the company's 'grow from within' talent strategy.

He has had a varied career, originally studied engineering in UCD in the 1980s before working for Siemens in Germany for 10 years. He then worked for global consulting and strategy company Booz, where he focused on the engineering, telecoms and logistics sectors in Germany, Austria,

France and the US. In 1996 he returned home to work in the private equity industry for six years with Dublin company Allen McGuire before going back to engineering, taking on the role of chief operating officer of the international division of another Irish star in the sector, Mercury Engineering. He went on to become the managing director of its European division before joining DPS in 2015.

"My experience with acquisitions and strategy in private equity has helped me here. Sometimes it's good to be a generalist and sometimes it's good to be a specialist," he says.

And Donohoe has no regrets about returning from the world of finance to engineering and he particularly loves working with pharmaceutical and biotech companies.

"It's a great sector to be involved in because ultimately you are helping people and contributing to society in some way. But it is pressure too. The clients come to us and say 'we have to get this product out'. If the factory is delayed a month it can cost them hundreds of millions in sales."

The pharma sector is, of course, changing fast, not least with the arrival of generic brands of pharmaceuticals to challenge the big players in the market. DPS works for the big-name pharma companies and for the contract manufacturing companies that have changed the industry.

"There is a challenge from generics for the big pharma companies but there is also a challenge on pricing, particularly from the US. Amazon, for example, are moving into the whole distribution and retail end of the business in the US, which puts further pressure on pricing. But the bottom line is that pharma is still a big profitable business."

"People point to the margins that these companies make and say they are too big but the profits are reinvested in new drugs and if they don't make margins they can't make new drugs by investing in research and development and new facilities. We all need these companies to be successful."

From DPS's point of view, a key advantage of working with the sector is that it is relatively stable and not cyclical. New areas in the industry are also leading to new opportunities as biotech developed over the last decade, leading on to advances in areas such as cell and gene therapy.

"Waves of development have come one after the other in the industry and Ireland has a big position in the industry, becoming one of the major manufacturing hubs in the world for the industry. That is where we learned our trade."

"We have helped design the state-of-the-art facilities that have been built here and we are taking that knowledge to design similar ones in Europe and the US."

The key issue that DPS's pharma clients are concerned with, given the challenges in the industry, is the removal of as much cost as possible from a project, he says.

"We do a lot of work on lean design and lean construction. That concept originally came out of the car industry and took a while to get into pharma because maybe they weren't under the same pressures in the past," he says.

While Ireland does have a very strong pharma and biotech sector, Donohoe says there are particular pressures at play for the sector here: pressure on the corporation tax model and for the common tax base, as well as US tax reductions.

"That is probably going to result in a shift of work to the US from Europe and Ireland. But because we are over there, we are somewhat agnostic on all of that. We want to grow in the US so we will take advantage of that as well."

For Donohoe the bottom line if DPS is to continue its success is for it to keep delivering projects for its clients. "That, he says, has created very positive word of mouth right across the sectors on which it is focused. "We are very focused on delivery because if we don't deliver for our clients that impacts our reputation," he says. "It's what we keep doing and it works. It's a virtuous circle."

MARKETING

Firms must get smart with their advertising mix if they want to be top with 'screenagers'

GOOD old-fashioned 'word of mouth', once a keystone in all marketing, 'the best form of advertising' they used to say, is dead and gone. It has been replaced by 'top of mind'.

Today's consumers, particularly millennials, place no value on word of mouth. Always on their smart phones, listening to Spotify, gaming, browsing or surfing, they hardly talk or listen to one another. Today's adolescents, 'screenagers', inhabit a connected world, but feel disconnected on a human level. They engage in social media which is the masses pretending to be sociable. As technology has made geography, history, they can be in touch with people all over the planet but haven't moved from their bedroom, couch, or desk for hours and sadly remain alone and silent.

The impact of this on marketing is significant. When younger consumers give a word-of-mouth recommendation to one another that 'word' is immediately digitally challenged. They search the recommendation online where the reviews of total strangers' rate higher with young consumers than those given verbally by a close friend.

Apparently, we are no longer impressed by our circle of friends or family but take direction from bloggers, vloggers, tweeters, snappers, 'grammers', etc all of whom we now collectively call 'Influencers'.

So, if word of mouth no longer works what is 'top of mind'? If your business, brand, product

GAVIN DUFFY



or service is not at the top of people's minds then your business is in jeopardy. For example, if you operate a shoe shop and if 200 people in your locality were asked to name a local shoe shop, if at least 70pc of them don't mention your shop, then I would contend your business is likely to fail or at very best, struggle.

How do you get to be and remain top of mind with your potential customers? You must advertise. The problem is most small or medium-sized businesses spend on average of 2pc of their revenue on marketing and that's why they remain small. You won't cut through and connect with your potential customers, living their hectic lives, if you are not spending 6pc of revenue on marketing.

At my SMART Marketing seminar, I tell people, if you are going to advertise don't follow the herd and spend all your money on digital. Opt for 'blended marketing' a mix of digital and mainstream media, that is newspapers, radio, television and/or billboards as well as online advertising. The explosion in digital advertising

spending in Ireland saw it overtake the combined advertising spend on all mainstream media channels in 2017. This has forced traditional media to fight back.

To compete with Facebook and Google, newspapers, radio, billboards and even television have slashed their rates. There has never been a better time to advertise in your local newspaper or on local radio if you are a local business and for national advertisers the rates today are comparable with what they were 20 years ago.

So, the smart thing to do is use a mix of digital and mainstream media to advertise your business. SMART marketing is:

S – draw up a marketing strategy to identify your potential customers and how to reach them online and on mainstream media.

M – is what message will grab the attention of your potential customers and turn them into purchasers?

A – is advertise that message on both traditional media and online.

However, you must do it **R** – regularly, remember repetition builds reputation.

The challenge is keeping your advertising consistent but always fresh, so you must always be **T** – for topical.

Gavin Duffy's SMART marketing seminar is at the Gate Theatre, Dublin, on Tuesday July 17
For details see: gavinduffyandassociates.com

FOOD AND DRINK

Climate-change boost for wine producers in beer-loving Belgium

Julia Echikson

ETIENNE Rigo stands in his sun-baked vineyard in the centre of Belgium, enjoying the fruits of climate change.

Rising temperatures are boosting the wine trade in Europe's northern climes – production has quadrupled in Belgium since 2006, according to government figures.

The amount of land given over to grapes there has risen even faster. But as well as the volume, there's the taste.

"Twenty years ago we had wines that had tastes of citrus, lemon and a bit grapefruit. Today we have wines that are closer to exotic products: lychee, pineapple. This is a notable evolution," Rigo, co-owner of the Domaine de Mellemont winery, tells Reuters.

"We had much lighter wines 20 years ago. Today, we have wines that are fatter, with a longer finish and a much longer persistence."

Twelve years ago, vines covered just 72 hectares of Belgium, a country better known for its beers, data from Belgium's economy ministry show.

Last year, that area had expanded almost fivefold to cover 343 hectares – still minuscule compared to neighbouring France, but a start.

It is part of a clear pattern, according to Wim Thiery, a climate scientist at VUB university in Brussels. "We do clearly see a shift where regions in the Mediterranean which are currently



Beer still dominates, but vineyards have grown

suitable for viticulture will no longer be suitable in the future, or less and less suitable," he said.

"Instead, regions in northern Europe such as Belgium will become suitable in the future for vineyards and for wine growing."

There are downsides. Climate change has generally made weather more erratic which can hurt vineyards, says Thiery.

But most of the changes have been more gradual. Production has climbed, tastes have evolved and the harvests have edged earlier at Domaine de Mellemont, 40km southwest of Brussels.

Reuters