

# Planet Business

Laura Slattery



## In numbers Stepping back

**192**  
Number of years since Clarks Shoes was founded by Quaker brothers James and Cyrus Clark in a town called Street in Somerset, England.

**550**  
Number of stores the still family-owned chain now has across the UK and Ireland. However, the retailer has appointed property consultants to carry out a review of all its stores in a move that could lead to closures.

**65**  
Percentage plunge in C&J Clark's (trading as Clarks) pre-tax profits last year, despite a 2.6 per cent rise in revenue. New boss Mike Shearwood wants to modernise its shops and transform the brand, declaring "the shoe is the star".

## Image of the week Yacht arrest



Terrible story, this. No, really. The futuristic, Philippe Starck-designed vessel pictured is "Sailing Yacht A", the world's largest sailing yacht and the €400 million property of Russian industrialist Andrey Melnichenko. Alas for the fertiliser and coal tycoon, while the Bermuda-registered superyacht was on its merry way to being delivered to him it found itself "under arrest" and impounded by the Gibraltar Port Authority. This horrific misunderstanding and inconvenience to Mr Melnichenko follows a legal filing from German shipbuilder Nobiskrug, which is seeking what it says is an outstanding payment of €9.8 million plus about €5.5 million in subcontractor payments and interest charges. The ocean may be vast, but there's definitely a moral here somewhere. And an invoice.

## The lexicon Robot tax

Bloody robots. They glide about, taking our jobs, and they don't even have the decency to pay taxes. No wonder they look so smug. But according to Bill Gates, robots should pay taxes just like the rest of us – or rather their human employers should pay tax on their robot labour – in order to make up for the lost taxes from workers whose jobs may be destroyed by automation. The Microsoft founder told business site Quartz that governments need to tax robots "at a similar level" to human workers. The main counter-arguments are that such a tax might hamper innovation and where do you draw the line between a robot and a humble piece of software anyway? "It is really bad if people overall have more fear about what innovation is going to do than they have enthusiasm," says Gates. Robots that can do your tax return, now there's a thought.

## Getting to know Wayne Shaw

Wayne Shaw (46) is odds-on favourite to become the official "pie-taster" of British supermarket Morrisons, which wants to pay him with a year's supply of pies, and this is in the news because... where to begin? Until Tuesday, the rotund Shaw was the



reserve goalkeeper at London football club Sutton United, but he resigned after going viral for eating a meat and potato pie in the dug-out during his club's FA Cup tie against Arsenal. He wasn't just peckish. Sun Bets, the one-off shirt sponsor for the match, had tweeted odds of 8 to 1 that he would be pictured eating a pie during the match and that's what happened. The UK's Gambling Commission and the FA are now launching investigations into a possible breach of betting rules, suspecting the whole thing to be a wee bit unsavoury.

## The list Brexit price movers

Post-referendum times have not been the easiest on the pockets of sterling-zone consumers, as the subsequent collapse in the pound has pushed numerous household name-brands into increasing their prices.

**1 Lego**  
Cross looks abounded after a 5 per cent increase on the price of Lego bricks in January. Won't someone think of the children?

**2 Unilever**  
It resolved its big dispute with Tesco, but the consumer goods giant still put up prices, paving the way for other suppliers to either do the same or reduce their pack sizes.

**3 Apple**  
With the shrinkflation option less readily available to tech companies, App Store prices have risen 25 per cent in the UK, while Mac computers are now as much as £500 pricier.

**4 Microsoft**  
Before PC users get too smug, a 15 per cent Brexit-related price rise means some Surface and Surface Book computers will now cost £400 more.

**5 Sonos**  
No, not even wireless home sound systems are safe.



PHOTOGRAPH: CYRIL BYRNE

# Bucking the trend pays off for builder with designs on growth



Barry O'Halloran

DPS is eyeing possible deals on the west coast of the United States where it has a growing batch of clients

Now may not look to be the best time to buy a business in the US or to complete a purchase in the UK. President Donald Trump's accession to the White House and last June's Brexit vote mean uncertainty is swirling around the Republic's biggest trading partners.

Nevertheless, construction and engineering group, DPS, this week announced it has bought Alban Technical Recruitment in the UK. Meanwhile, its chief executive, Frank Keogh, says it is eyeing possible deals in the US, specifically on the west coast, where it has a growing batch of clients in the pharmaceutical and hi-tech industries.

DPS designs and constructs the highly-specialised buildings that such businesses occupy and the equipment they use to process raw materials into medicines or microprocessors. They are big projects, with the larger investments topping €100 million. The company employs architects and engineers from a range of disciplines across construction and industrial processes.

The company has offices here – in Dublin and Cork – the US, Europe and Asia. Clients include pharmaceutical and bio-tech manufacturers such as Sanofi, Abbvie, Pfizer, Eli Lilly, Moderna, Janssen and Takeda, among others. It is one of a number of specialist companies of its type that grew franchises of their own on the back of providing services to multinationals setting up shop in the Republic.

DPS was founded in 1974. In 1996, Keogh joined from Jacobs Engineering in Cork and took a stake alongside two others, who subsequently exited.

Ten years later Donal Roche, one of the Roche family (best known as founders of building materials giant CRH) who had been a partner with law firm Matheson,

work. So do Trump's US and Brexit Britain, with their suspicion of globalisation, pose a threat to the big international projects on which his business relies?

"It's important that we neither overreact to the situation nor that we are complacent about it," he says. "It's a challenge that's for sure. For DPS itself the backlog is good for 2017, so in the short-term we do not have any concerns. I think in the medium term what we may well see is a slow down or a pause in the larger investments, I am talking projects here with a capital value in excess of €100 million, for a period of time."

"The first thing you need to remember is that there is a huge capital investment here in Ireland at the moment. By its very nature there will be requirements for upgrades, there will be retro-fits and you will see brown-field expansion as well."

"So from that point of view, the work is not going to dry up. There will still be investment here over a period of time, but those projects are going to be smaller, they are going to be anything from €5 million to €50 million rather than €100 million-plus, but there will still be expansion."

## Biotech

There is another trend at work as well, one that Keogh believes will continue irrespective of Trump's policies. A new generation of biotech companies, focused on areas such as cell and gene therapy, is emerging from centres such as Massachusetts in the US.

DPS, which has offices in New York and Massachusetts, is already dealing with many of them and Keogh argues that they present an opportunity for the Republic to cash in on its position as an established base for biotechnology and pharmaceuticals. His business and others like it can sell the State as a location to this new wave of manufacturers when they get to the next phase and are looking to expand.

"I have no concerns that Ireland is going to go into a decline as regards life sciences or all advanced technologies. I think investment will come back, I think it will come back strong actually in 2019 or 2020."

The "pause" is likely to stem from Trump's promise to cut taxes to lure US companies back from overseas locations or to stop them going abroad in the first place. Until that becomes clear, the bigger players at least could put investment decisions on hold. Tax is Trump's focus and it is also a selling point for the Republic. Does Keogh believe this is its only advantage? "There's no sense in saying tax is not an attraction, of course it is," he says.

However, he argues that the Republic has others, many of which will take rivals for investment decades to replicate. "We have 60 years of pharmaceuticals and life science in Ireland. Successive governments and the IDA have got it right," he says.

"We have top-class graduates coming out of our universities, we have the NIBRT – the National Institute for Bioprocessing Research and Training. The Government and IDA funded that facility down in Belfield [at University College Dublin] so when you have got pharma companies coming in here and they want specialist people working on their production, NIBRT can train them."

Another critical point, Keogh says, is that the existing pharmaceutical and biotechnology plants in the Republic have a good reputation within the industry. Any individual plant or company falling short of standards set by watchdogs such as the

## CV

**Name:** Frank Keogh

**Post:** Chief executive, DPS

**Why is he in the news?** The specialist design and construction group has just bought Alban Technical Recruitment in Britain and is on the hunt for a potential acquisition in the US to join those it has already made in Boston, New York and North Carolina.

**Career:** Studied construction economics in the College of Technology, Bolton Street (now DIT) in Dublin and then qualified as a chartered surveyor. Went to Jacobs Engineering as a construction manager following a stint with a firm of surveyors. Joined DPS in 1996, taking a stake in the company.

**Family:** Married with four children and two grandchildren.

**Interests:** Cycling, hill walking and the outdoors generally.

**Something you might expect:** Running a business with a long list of multinational clients he spends a lot of time in airports.

**Something you might not expect:** He completed his first triathlon in 2015 at the ripe young age of 57 and followed it last year by completing the 180km Ring of Kerry cycle in one day.

US Food and Drug Administration cannot sell its products.

"One of the things that large pharma companies look at is risk," Keogh explains. "If they make a decision to build a facility in Ireland they know there is zero risk. Their schedule is very important, they know that companies like ourselves will deliver the project for them on time, they know that they will get a licence and get product to market. So even if other countries try to mirror what Ireland has, in my view it's going to take them 20 or 30 years."

## Brexit

DPS's move to the UK could come with risks of its own now that prime minister Theresa May's government is opting for a hard Brexit. Its talks with Alban had been going on for nine months by the time the British electorate voted in favour of leaving the EU. That had little or no impact on the negotiations, which continued up to the end of last year, by which time it was clear that the UK was unlikely to stay in the customs union or single market. Nevertheless, DPS went ahead with the deal, which it announced this week.

The company had been eyeing the UK for three years. Although its pharmaceutical/life sciences industry is not as large as the Republic's it is still a big market. Alban is primarily an outsourcing business. DPS intends expanding the company from 50 people to 100 over the next two years and to use it as a base to begin offering full design services.

Keogh concedes that Brexit means it may have to look again at its plans as the situation unfolds. Should its plans come to full fruition, Alban would go from 5 per cent to 10 per cent of group revenues, so it would not be "overly significant". DPS revenues were €126 million in

2016, more than double the €61 million it hit in 2012. Pre-tax profits followed a similar trajectory over those years, growing to €6.8 million from €2.5 million, while its workforce swelled to 1,170 from 600.

A further breakdown shows that DPS grew in all its territories, Ireland, EU and US. In 2012, its home market accounted for 70 per cent of revenues, just shy of €43 million, the EU was 25 per cent – €15.25 million – while the US accounted for the remaining 5 per cent, or €3.05 million.

Fast forward to 2016 and that breakdown shows Irish revenues were 51 per cent, or €64.26 million, the EU held its share at 25 per cent, or €31.5 million while



**We saw opportunity in the [United] States and we saw that there was probably more margin in the States as well. We took a bit of a gamble for sure**

the US stood at 24 per cent or €30.24 million, so in absolute numbers, it grew fastest. It also became a far more significant part of the business in that time.

That stems from a decision taken at the beginning of the last recession, in 2008-09, when DPS wanted to diversify. All the obvious signs pointed at Asia: Europe and the US were languishing in post-financial crisis gloom, the east's economies were growing and the company had an office in Singapore.

"However, we decided no, we are going to go to the States," Keogh recalls. "We saw opportunity in the States and we saw that there was probably more margin in the States as well. We took a bit of a gamble for sure."

A big factor was a swing in the US from traditional pharmaceuticals to biotechnology. DPS realised it would have to get experience in this field and the only real way to do it was to buy a company in the US. So in 2011 it bought a relatively small, specialist business in Boston called Biometrics.

Just to prove this really is a small world, Biometrics' owner, Manchester native, Steve Fitzpatrick, had an uncle in Goatstown, Dublin, just doors away from Keogh's own family home, whom he had visited regularly while he was growing up. This was not a deal clincher, but Keogh does acknowledge that both companies had a similar culture and felt comfortable with each other.

In 2014 it bought PPD in North Carolina, another small business, but one that Keogh says does very high margin work. The following year it opened an office in Albany, New York's state capital, which works mainly for the advanced technology sector.

DPS's approach has been to buy small and grow the business. Boston now employs 150 people, three times the number that were there in 2011. Last year it bought into specialist architecture firm, Tria.

All these deals were on east coast. Keogh says that DPS is now looking for opportunities on the west coast of the US, which is equally fertile ground for bio-technology and advanced technologies generally.

"We are looking to develop, we are not completely wedded to the idea that it has to be an acquisition, but I think we'll find far more success if we do the right acquisition."