



Amid twin threats of Brexit and Covid-19, Martin McVicar plots more expansion for Combilift



Ian Kehoe
Editor

Sitting in a converted chicken processing plant on the outskirts of Monaghan town, Martin McVicar is preparing for a meeting he hoped he would never have to take. And, unfortunately for McVicar, it is the first of 43 such meetings.

It is March 2009, and the true scale of the global financial crisis is beginning to crystallise. Governments, banks, and businesses are all straining to weather the gathering economic storm, and McVicar's business is far from immune.

A forklift manufacturer, Combilift had been heavily reliant on the construction industry – both domestic and international. With this sector decimated by the crash, Combilift needed to make some hard decisions. So, from a workforce of 200, McVicar had to make 43 redundant. Nearly all came from his home county of Monaghan.

He would later describe the day as “one of the toughest” of his career. But, as he delivered the sobering news, McVicar also began to think about the future.

He had set up Combilift a decade before with his business partner Robert Moffett. They wanted to create jobs, develop innovative products and grow value. And, despite the deepening economic crisis, he began to think about how he could still make this happen, even if that meant sniffing out opportunities in a downturn.

A decade on, and McVicar and Combilift are dealing with two crises rather than one. Covid-19 has wreaked havoc upon the global economy, while, as a border business with a heavy exposure to the UK market, the threat of a no deal Brexit poses multiple difficulties for Combilift.

This time around, however, there have been no job losses. Over the last decade, the business has tripled in size, growing sales to €300 million and staff numbers to 650. Its production capacity has swollen with a new €50 million facility, and it is now exporting actively into 85 countries.

During the three weeks that the company was forced to shut down in March, McVicar redirected resources and launched Combi-Ventilate, a not-for-profit entity that turns one ventilator into multiple ventilation stations to help address the current Covid-19 emergency. It has already been patented and is being actively licensed out to health authorities around the world.

During the last crisis, McVicar was forced to retrench. Now, however, despite the twin perils of Brexit and Covid, the Monaghan entrepreneur remains fully focused on growth.

It is difficult to fully describe – or do justice to – the sheer physical scale of the Combilift compound just outside Monaghan town. I have been to aircraft hangers and car manufacturing facilities in Germany. This is bigger. As you round the corner and see it for the first time, it is impossible not to be awed.

The inside is equally impressive, containing 11 acres of internal space and four continuously moving production lines capable of manufacturing 7,000 multi-directional forklifts each year. The company moved into the premises two years ago, and it has helped increase output and productivity.

In the first 10 years after Combilift was founded by McVicar and Moffett, it sold an 10,000 forklifts. In the 10 years since then, it has sold 40,000.

Before our interview, McVicar gives me a tour of the factory and its research facility (the company has scores of registered international patents). Each forklift on the line has been pre-ordered, and Combilift can tailor the product for individual clients, most of whom are located overseas

At the start of the production line, all you can see is a skeleton engine. By the end, it is a fully formed forklift ready to be dispatched. The unique selling point is its capacity to change direction using its multi-directional system, something that McVicar says allows customers to maximise warehouse efficiency (this is something that we will return to later as he explains his Covid-19 strategy).

Combilift also sells products to ports and freight handlers around the world for moving containers. One recently shipped to Airbus in Toulouse to allow it to lift jet engines.

Overlooking the factory floor, the company's growing team of engineers and researchers are busy spending the 7 per cent of annual revenues that Combilift allocates to research and development each year. Some is directed towards new products, some to developing new ways of helping customers optimise warehouse efficiencies.

After the tour, we sit down in the boardroom, which overlooks the vast internal campus. It is both seriously impressive and impressively serious, but McVicar remains down-to-earth and polite through both our tour and lengthy interview.

He agreed to the meeting at a day's notice and reengineered his diary to accommodate my visit. His profile has increased in recent years – in part due to the company's success but also, following a leadership course at Stanford University, a decision to start talking openly about the company's bold ambitions.

“As a business entrepreneur and owner you really are ambitious for growth. So, it puts a spanner in the works,” he says.

“We were a growing company, we were making innovative products but the trip encouraged me to think bigger,” he tells me.

“There is no reason why we can't do more with this business. And I think the other thing it encouraged me to do was to be vocal about thinking bigger. There are many successful businesses but they're not talking about it.

“And I think that's very much in our DNA. As Irish people, we don't want to be too boastful. But I think by going to Stanford and just being entrenched with some of the American business owners, it gave me a different perspective and the willingness to be open about our plans.”

The company's business plan anticipated a doubling of growth every five years, and McVicar has previously predicted that turnover - 97 per cent of which is generated from exports – will increase from €300 million in 2019 to €600 million in five years, before eventually rising to €1 billion.

I ask McVicar if Covid-19 has derailed those ambitious targets? “It has put a whole new perspective on our growth plans,” he admits.

“Our revenue last year was €300 million. This year, we anticipated growth but we are going to end up with revenues of around €300 million again. So, we won't have contracted but we won't have grown the way we wanted.”

McVicar is being somewhat disingenuous – the figure for 2020 will be achieved off an 11-month base as the factory was shut in March. However, the entrepreneur refuses to make (or take) excuses: “As a business entrepreneur and owner you really are ambitious for growth. So, it puts a spanner in the works,” he says.

Running a manufacturing business in a time of Covid

When the government locked down the economy in March, McVicar also shuttered his business (it was during this time he developed the Combi-Ventilate not-for-profit).

However, as an essential service sector, he was in a position to reopen the facility within three weeks.

But the world had changed during those three weeks, and McVicar's business was forced to change also. Shifts were split to ensure that people were arriving and leaving at different times. Infrared cameras were installed to check temperatures of staff, while PPE was sourced – and mandated – long before government regulations were imposed.

Copper handles were installed on the doors (McVicar also used lockdown to co-found a company providing this service to other businesses) as the virus dies quickly on copper.

However, as things stabilised, McVicar and his team quickly realised there was a way of turning the problem into an opportunity.

However, in addition to health and safety changes, the business was also forced to adapt how it sourced business.

“In 2019, we exhibited our products physically at 92 trade shows worldwide. So, that was 92 trade shows in probably 40-odd countries throughout the year. And, as we all know, trade shows have pretty much stopped and even if they are still going, nobody’s travelling to them. So, our business model of generating enquiries was dramatically affected,” according to McVicar.

“We manufacture forklift trucks. But the real unique proposition is that we design forklift trucks to save warehouse space. And our best way of demonstrating that to our customers is physically putting it on a sheet of paper or a 3D design where we can visualise it, and where we can show our clients how many extra pallets they can store as a result of using our vehicles.

“Our best way of doing that is for one of our product managers or one of our dealerships to walk into a client’s warehouse, look at it, analyse it, do a new drawing. And of course, because of Covid, a lot of businesses were not open to visitors. So, we actually had to come up with new ways of doing things.”

Quickly, McVicar immersed himself into the company’s marketing department, working with his team to create new routes to market and increase its social media presence. Meanwhile, product managers began using new tools to virtually tour client’s premises to help work up drawings for warehouse space (the company provides this as a free service to drive sales of forklifts).

However, as things stabilised, McVicar and his team quickly realised there was a way of turning the problem into an opportunity. As manufacturing companies introduced social distancing rules, McVicar says his team was able to help his client’s maintain prime productivity by reducing warehouse space and allowing more room for core manufacturing.

“I have visited many production plants and employees are working very close together. We've really focussed on how Combilift products can actually help companies implement social distancing. Because in any production plant, there are three areas. You’ve a production area in the middle, you’ve raw materials coming in and you’ve finished goods going out,” he says.

“And if we can actually demonstrate to our potential clients that they can store their raw materials in a smaller area and they can store their finished goods in a smaller area, they will free up more production space to allow them to implement social distancing easier. So, we even noticed in June or July that our enquiry level for companies looking to save warehouse space actually doubled just in that couple of months. But that was very much driven as a result of Covid-19.”

McVicar: “Diversifying into markets is great but currency and FX strategy is so important”

As a major exporter, McVicar knows the importance of an appropriate currency strategy, and uses services provided by Investec. Here he offers advice for other manufacturers:

“Currencies are a real uncertainty for any business. What I would say on the plus side, the US Dollar had been trading very significantly stronger against the Euro for quite a long time. So, for Combilift as a business, we have actually hedged against the US Dollar because with the US elections and everything going on that’s a lot of uncertainty. So, we have hedged ahead on US Dollar.

“On the British Pound, because we do buy quite a lot of components in the UK that actually acts as quite a good hedge against the British Pound. But other currencies around the world is a big challenge for us. It doesn’t matter whether it’s the Australian Dollar or the Canadian Dollar, we deal with multiple currencies. And Covid-19 has had an impact, it has weakened many currencies outside that Euro/Dollar currency market.

“So, the weaker currencies make all our Irish products and services more expensive from an export point of view. So, currency fluctuation is a major challenge and we all know Covid-19 is not finished with.

“A very recent example - we delivered eight Combilift into Malaysia to a client that we actually had sold the product in Malaysian Ringgit about six months ago, the currency has devalued so much and of course that customer is not going to pay us the additional devaluation. So, we've to take that on the chin.

“Diversifying into markets is great but currency and FX is so important. I think for any company when you win the business you need to hedge the currency based on that order.

Businesses can't be bankers in the middle - particularly, if there's a delay between shipping a product or shipping a service.”

Brexit, tariffs and trade friction



Leo Varadkar walks through the forklift factory with Martin McVicar at the launch of Fine Gael's election campaign earlier this year. Photo: Eamonn Farrell/RollingNews.ie

Given he runs a border business that imports raw materials from the UK and sells a share of its finished products there, Martin McVicar has been particularly vocal on Brexit. In January, then Taoiseach Leo Varadkar even launched his re-election campaign at the company's headquarters, as he sought to highlight his achievement in keeping the border checkpoint free and trade flowing despite Brexit.

Earlier this year, Bloomberg visited the Combilift's premises. The focus of the piece was the new ventilator business, but it also focused on how Brexit will impact the

manufacturer, describing the Combilift as “a poster child for concerns around how the UK’s decision to exit the European Union might impact the Irish economy”.

The mood music has changed since Varadkar’s January visit. With the British government backtracking on the Withdrawal Agreement, the prospect of a no-deal Brexit looms large in the horizon – for both the Irish economy and for Combilift, which exports 25 per cent of its forklifts to the British market.

Ian Kehoe (IK): The situation is changing. There is little clarity and little certainty. What does it mean for a company like Combilift?

Martin McVicar (MMcV): Covid-19 has really shadowed the whole Brexit discussions until the last few weeks. For Combilift as a business, the UK is our number one export market. So, what happens in Brexit is very, very important to our business. But, over the last four years, we have put in place different things to mitigate against Brexit. One of the most important was we applied for AEO [authorised economic operator] status through the Irish customs revenue. So, we've become an authorised economic operator from a customs perspective.

And the big plus of that is it ensures that our spare parts can leave here this evening, arrive with our customers in the UK tomorrow morning with minimum or maybe no custom checks. And we've already seen the benefit of that. We actually got AEO approved in July 2019 and we already have seen the value of having AEO status. When we're shipping spare parts today to Turkey or Russia or Brazil, our parts are getting faster to our clients because we've become more like a trusted partner from a customs perspective. There are other big items, assuming there's going to be a no-deal Brexit which is very likely at the moment.

IK: Well, that is what everyone seems to be assuming and preparing for. What would that mean for you?

MMcV: A no deal is very likely. The WTO tariff rating on forklift trucks is 4.5 per cent. So, that's going to actually mean that for our customers, our clients in the UK, our vehicles are going to cost an extra 4.5 per cent post-Brexit. And that is a challenge.

IK: Well, it either erodes your margin or increases their prices.

MMcV: Absolutely. One thing as a business we've really done over the years is that we have invested very heavily in R&D. So, 7 per cent of our revenue goes into R&D and as a business model, we've said to ourselves, we're going to continue to invest in R&D, continue to focus on developing our products to work in smaller spaces. So, that we can get our vehicles to add more value in terms of their space utilisation to help counteract the 4.5 per cent potential tariffs that are going to be imposed.

So, it's not going to stop us doing business in the UK but it's another hurdle to have to deal with. And the other thing is, we all know uncertainty is not good for business.

So, at the moment, we're actually saying to our UK clients and potential clients, if they are even thinking of looking at forklift trucks for next year, if they can order them now, they avoid the potential of any tariffs. So, in the short-term it's actually going to drive business but that's only a short-term thing, that's not a long-term thing. But you know what, if more customers can avoid a potential tariff it is a plus for them and for us in the medium-term and the short-term.

IK: You import from the UK and through the UK as a landbridge. What does it do to your supply chain?

MMcV: Uncertainty is not good for Irish businesses. It's not even good for our suppliers. It affects all the supply chain that many businesses are dealing with. Even though Brexit's been talked about for the last few years and we all hear about the potential delay at ports and customs checks. But none of us really know how bad that delay could be. I mean, if trucks at a customs check or at a port start to backlog, the backlog doesn't clear that quick because trucks are coming all the time.

We've a major supplier from Italy and we take in one truckload of components a day from that company. So, we now have already made plans that they will ship them components in a container, so we actually just bring them through Rotterdam port, across on the ferry. So, it just minimises the potential delay.

Doing that route is actually slightly slower than the current land bridge but at least we can plan around the length that route takes. While the land bridge from a business perspective and the uncertainties, what is the delay at the land bridge going to be? If it's only for our business, if it's going to be within a day, we can live with it. But who knows what it's going to be.

"But if we Irish put our mind together, we can still deal with the UK market post-Brexit" - Martin McVicar

IK: It is going to create a lot of problems.

MMcV: If you take the consensus of a hard Brexit, it will lead to a lot of uncertainty for us and a lot of concern. But I have to look at the glass half full rather than half empty. And the potential positivity I see in the UK is that there's going to be a growth in manufacturing in the UK because if the UK creates borders around itself it's going to be encouraging more manufacturing in its own market.

And for our business, it's actually a plus because we ship a lot of our product into manufacturing plants to save space. So, for instance like JCB is a big user of our product. So, companies that manufacture products in the UK need forklift trucks to work in small spaces to move their components around. So, if manufacturing in the UK increases, that's a positive for us.

Assuming a hard border appears around the UK, UK companies are going to have to have enough warehousing space to deal with customs and borders, so that means the demand for warehousing space is going to increase. So, the potential demand for Combilift vehicles

to save warehouse space is going to be more lucrative. So, I'm looking at what's the potential positivity is even though there's a lot of other negativities in the air.

IK: How big is the UK market to you?

MMcV: The UK is our number one export market. It accounts for almost 25 per cent of our business. So, it's a big, big slice of it.

IK: And you can't walk away from that.

MMcV: And we can't walk away from it and we don't intend to walk away from it either.

And in fact, we're continuing to invest, to put people on the ground to grow our UK business. So, as a company, even post-Brexit we still see the UK as a viable trading partner for Ireland. Even if we all have to deal with tariffs and whatever else. And the other thing, the UK is on our doorstep and in a positive way as I look at it. If I'm a European manufacturer in Germany or in France, in mainland Europe people might think that the UK, is going to be a real headache, a pain to deal with. They'll forget about it.

But if we Irish put our minds together, we can still deal with the UK market post-Brexit and the UK customers still need our products and services. So, my advice to customers is not to walk away from the UK. Of course, we all need to diversify and I suppose from a Combilift perspective, because we are exporting to 85 countries, we've been putting a lot of energy in developing many of the new developing BRIC markets. But we all know with Covid, a lot of these BRIC markets, they're not easy markets to grow today either.

They've been hit heavily. And I think that reality is when you're dealing with export markets there's no certainty but if you don't have your eggs all in the one basket, at least the possibilities are a lot higher.

"There is no reason Ireland can't be successful at manufacturing"

When he finished what was then known as the Inter Cert, Martin McVicar was determined to leave school and start working on the family farm. His parents intervened, and he went back to St Macartan's College in Monaghan for two more years.

Despite excelling in maths, physics and construction studies, he was rather unenthusiastic about attending college - despite being offered places in UCD and Queens University. In the hope of changing his mind, Padraic Duffy, then his career guidance councillor and a later a director general of the GAA, found him a summer job with the truck-mounted forklift manufacturer Moffett Engineering in Clontibret.

Instead of going to college, however, McVicar just kept on getting promoted. Two years later, McVicar - still just 19 - was elevated to engineering manager, a job that saw him overseeing an office full of older, university-qualified engineers.

"If you can scale an Irish company, the probability of them staying in Ireland is a lot stronger than a multinational" - Martin McVicar

In September 1997, Moffett was sold to Powerscreen, a public company. The change of culture unsettled McVicar, who, along with Robert Moffett, opted to launch their own business. McVicar became CEO, a role that saw him gradually move away from engineering towards strategy and sales.

I ask him how he found the transition. "I think I never felt it as a moment. It was more of a gradual transition. I started working at Moffett Engineering at the age of 17 and I worked there for nine and a half years. But throughout the later years I was R&D Engineering Manager. And I was also travelling quite a lot internationally, so I got exposure to customers in many countries," he says.

"And I think that the exposure of travel, how big the world market is, really opened my mind about the opportunity of export businesses. I personally feel the more customers you interact with and talk to, that you learn so much from how other businesses are operating. So, that movement for me to go from an engineer to be a CEO, it was very much a buddy

system; interacting, making contact with other businesses, not just in Ireland but even internationally.”

His own background has also prompted McVicar to be vocal in his support of other Irish manufacturers. When we speak, he points to Mittelstand businesses in Germany, small-and-medium sized manufacturing operations that form the backbone of the economy.

“Germany is very much based on manufacturing,” he says. “And I mean Combilift, we like to think that’s what we’re striving to be. But when you look around Ireland, particularly around the rural counties, there is a lot of manufacturing that’s taking place in Ireland, but probably a lot of us don’t know that’s going on.

“So, there is a lot of manufacturing and the one thing about manufacturing, the companies that are in manufacturing in Ireland, they are focussed on niche markets, they have unique products. And if you’ve a unique product in a niche market there’s no reason why you can’t be successful at manufacturing in Ireland and exporting worldwide. And I think the one thing in terms of probably encouraging more manufacturing, investment in R&D is so crucial. For Irish companies to succeed in manufacturing they need to have a unique product and that really means you need IP of some kind. You need to have some kind of protection on what you’re making.”

McVicar acknowledges that it may ultimately help propel the company into the medical devices arena.

Does he feel the government favours foreign multinationals over indigenous enterprises? “It’s always easy for us to roll Google and Facebook off our tongue,” he says.

“But I think it’s great when you hear Irish government ministers talking about Irish company successes. Because the reality is, if you can scale an Irish company, the probability of them staying in Ireland is a lot stronger than a multinational. But I do think the one thing about Irish companies, investment in R&D, it’s a gamble because we all know that with R&D, there are no guarantees. And Irish companies, if they’re focussed on

manufacturing, they're looking at export markets, there needs to be more funding towards R&D for Irish companies, particularly, ones that do not have much experience at R&D. You need to get them hooked in on it.

“And I think the other big thing for the future, and I know there's more of an awareness today, is the whole value of linking education with industry. And I think that is going to drive more manufacturing in Ireland and we see there is definitely more emphasis on apprenticeships.”

How did you spend your lockdown? In the case of Martin McVicar, he launched a not-for-profit health devices business and co-founded another new venture.

In early March, McVicar was flying back from the US. At the time, the US authorities were trying to encourage companies like General Motors and Ford to manufacture ventilators. The UK government was doing likewise. With his factory about to shut and time on his hands, McVicar turned his thoughts to how his company could help in the battle against Covid-19.

McVicar knew that manufacturing a forklift was different to a ventilator, but, as a believer in innovation, he felt his team could provide help. After looking at a number of products, Combilift decided it could use its expertise to essentially split a ventilator so that it could aid multiple patients.

“We had a finished product within five weeks in testing in the Royal College of Surgeons in Dublin,” he says. “We purposely set it up as a non-for-profit business. We don't want to be profiting on the back of Covid-19. We are actually licencing that design to a number of other countries to make their own Combi-Ventilate. In fact, we've even a company in Brazil in the process of manufacturing.

“Yesterday, we took some orders from an island called Guam, if you know where it is? I don't even know where it is. We should look at the map later. But that product was very

much a spur of the moment idea, during the lockdown. We actually used our resources to focus on developing the Combi-Ventilate.”

The move was also an example of how the pandemic is pushing companies to think differently about their future, and McVicar acknowledges that it may ultimately help propel the company into the medical devices arena.

For McVicar, the lessons have been learned from the last crisis: even in a downturn, there is room for innovation, and if you have the appetite, room for growth. Given the size of the campus and the ambition of its founder, there is plenty of room for both.



This interview with Martin McVicar is supported by Investec in partnership with The Currency. It is part of a series to highlight the resilience of Irish businesses in turbulent times.

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