



RECORD RESULTS IN 2018

SIKA MEDIA AND INVESTOR PRESENTATION

FEBRUARY 22, 2019

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# 1. HIGHLIGHTS

PAUL SCHULER, CEO

# HIGHLIGHTS 2018

## 1. Record results

- Sales growth of 13.6% in local currencies to CHF 7.09 billion in 2018
- CHF 945.9 million EBIT (+5.5%)
- CHF 687.1 million net profit (+5.9%)

## 2. Key investments

- 1 new national subsidiary
- 11 new factories
- 4 acquisitions

## 3. Strategy and Outlook

- Outlook 2019: in line with the strategic targets, sales growth of 6 to 8% and over-proportional profit increase expected
- 2020 strategic targets confirmed

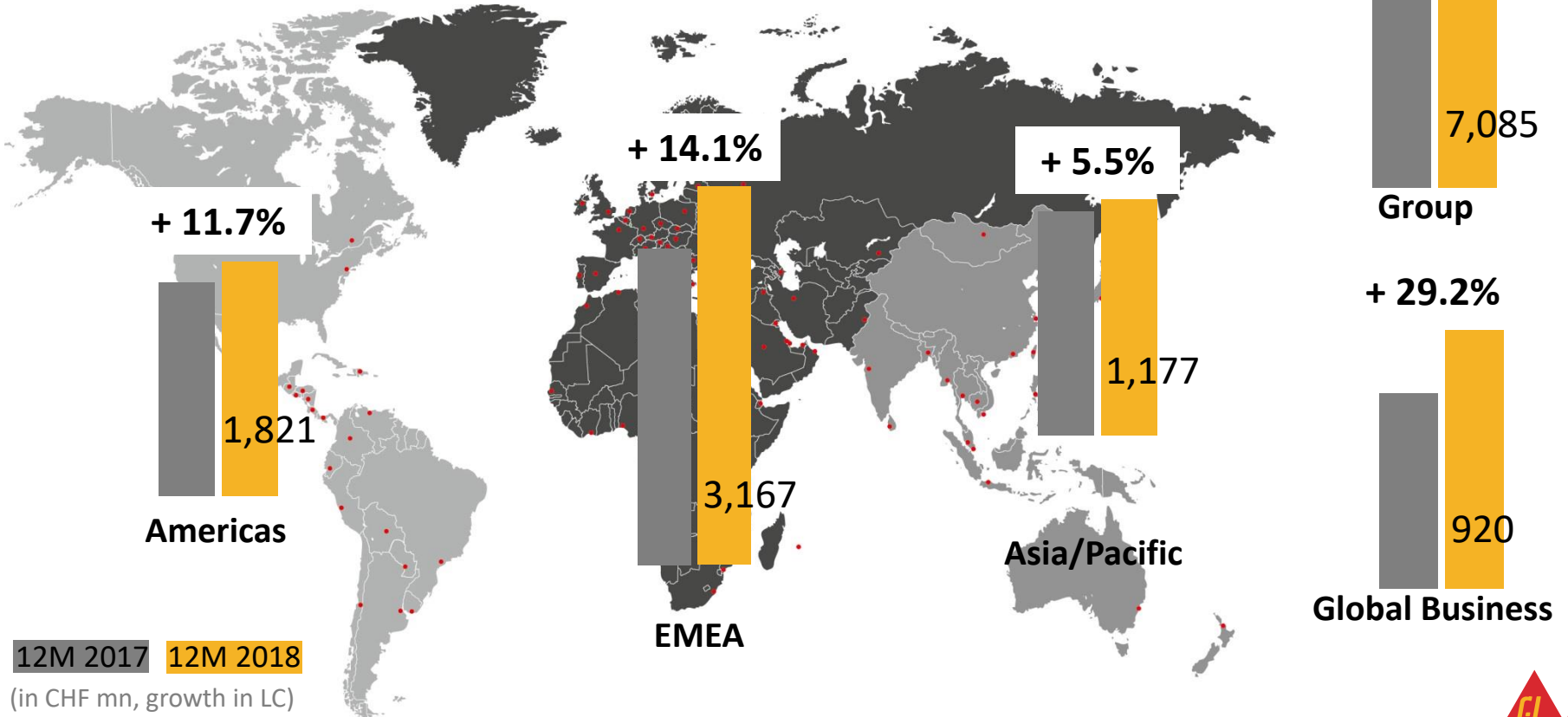
# KEY FIGURES

## RECORD RESULTS

in CHF mn	2017	2018	Δ %
<b>Net sales</b>	6,248.3	7,085.4	+ 13.4%
<b>EBIT</b>	896.3	945.9	+ 5.5%
<b>Net profit</b>	649.0	687.1	+ 5.9%
<b>ROCE</b>	29.8%	26.2%	

# STRONG GROWTH MOMENTUM CONTINUED IN 2018

## 13.6% SALES GROWTH IN LC (13.4% IN CHF)



12M 2017 12M 2018  
(in CHF mn, growth in LC)

# HIGH OPERATING SPEED CONTINUED IN 2018

## INVESTMENTS IN NEW PLANTS

### Opening of Sika plants:

- **New mortar plant Vietnam** (Hanoi, March 2018)
- **1<sup>st</sup> admixture plant Senegal** (Dakar, April 2018)
- **New admixture factory Saudi Arabia** (Dammam, June 2018)
- **New admixture and mortar plant Azerbaijan** (Baku, July 2018)
- **Mortar and admixture factory United Arab Emirates** (Dubai, August 2018)
- **Automotive plant Mexico** (Querétaro, September 2018)
- **2 new admixture plants Kazakhstan** (Almaty and Astana, October 2018)
- **New admixture plant Russia** (Yekaterinburg, October 2018)
- **Admixture, mortar and liquid applied membrane plant in Peru** (Lima, November 2018)
- **Admixture, mortar, and liquid applied membrane plant in Guatemala** (Palin, December 2018)



New plant in Peru



New factory in Dubai

# HIGH OPERATING SPEED CONTINUED IN 2018

## EXPANSION IN EMERGING MARKETS

### New subsidiary:

- Honduras

(February 2018)

Now present in 101 countries with own national subsidiaries





# HIGH OPERATING SPEED CONTINUED IN 2018

## CLOSING OF 4 ACQUISITIONS

Company	Country	Target Market
Faist ChemTec	Global	Global Business
Index Construction Systems and Products	Italy	Roofing & Waterproofing
Polypag	Switzerland	Sealing & Bonding
Fibermesh Concrete Fibers	Global	Concrete
Arcon Membrane Srl*	Romania	Roofing & Waterproofing

**Total annual sales: CHF 398 million**

\* closing expected in first half 2019



Faist ChemTec



Index Construction Systems and Products

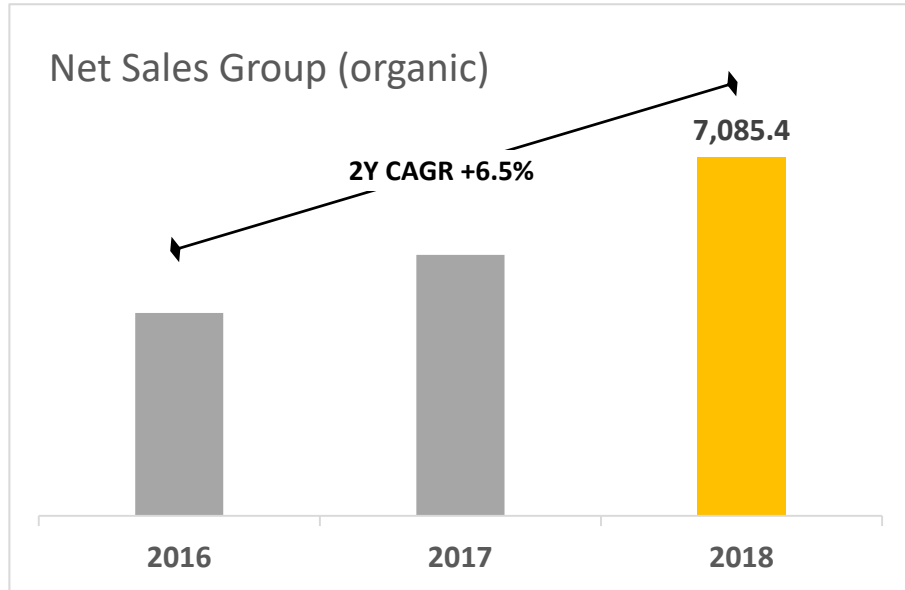


Fibermesh Concrete Fibers

# HIGHLIGHTS 2018

## EXCELLENT ORGANIC SALES GROWTH FOR THE GROUP OF 6.8%

- Above-average growth rates were achieved in Eastern Europe, Africa, USA, Indonesia, India, and China



in CHF mn, growth in LC



MahaNakhon Building, Bangkok



"The Circle" at Zurich Airport, Switzerland



One Vanderbilt, NYC

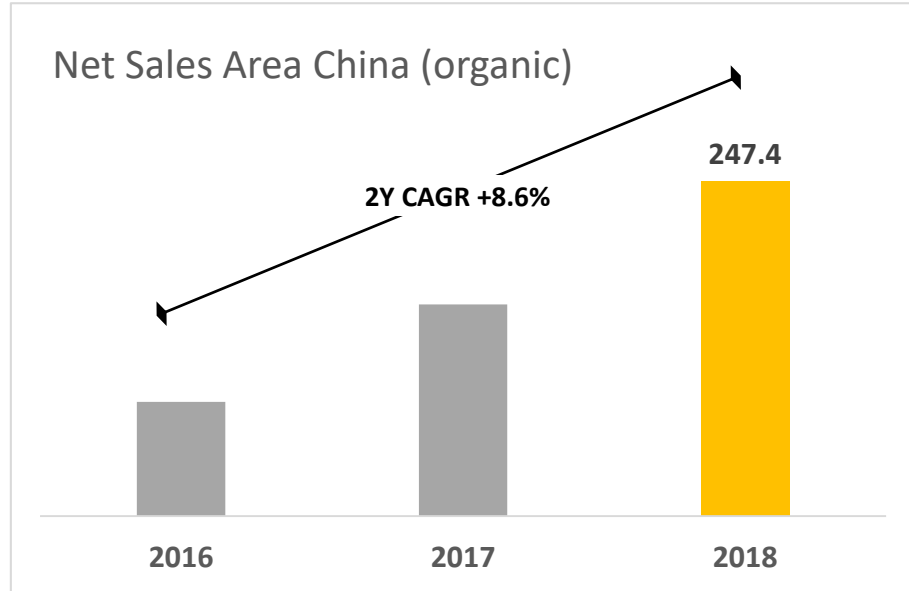


Infrastructure Project, A9, France

# HIGHLIGHTS 2018

## STRONG ORGANIC GROWTH MOMENTUM - CHINA

- Enhancement of specification business and development of contractor network
- Implementation of megacities distribution business plan for Interior Finishing and Refurbishment



in CHF mn, growth in LC



Pudong Airport, Shanghai

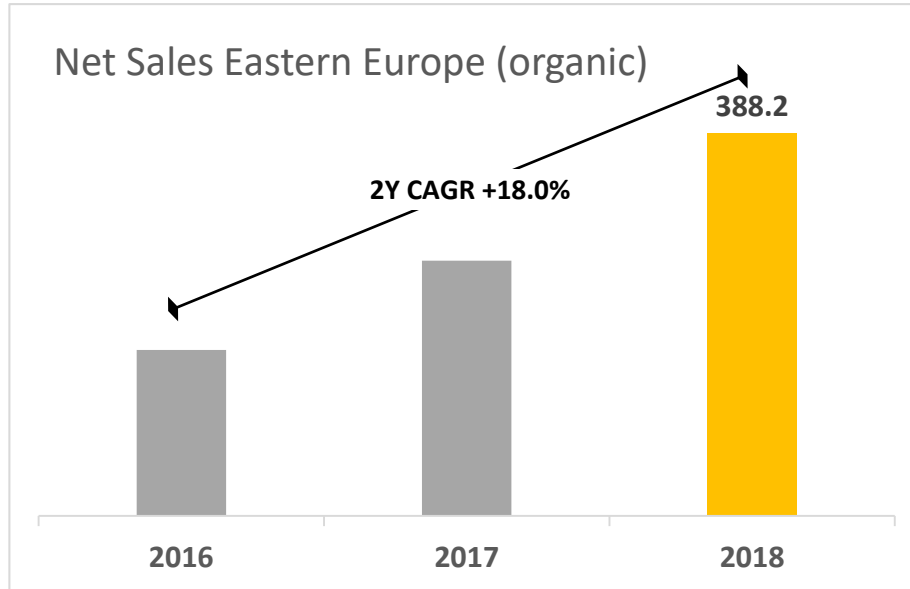


Suzhou Central Plaza, China

# HIGHLIGHTS 2018

## STRONG ORGANIC GROWTH MOMENTUM – EASTERN EUROPE

- Investments in local production sites and expansion of retail business as a base for strong growth
- Acquisitions generate momentum for future growth



in CHF mn, growth in LC



Lakhta Center, Russia

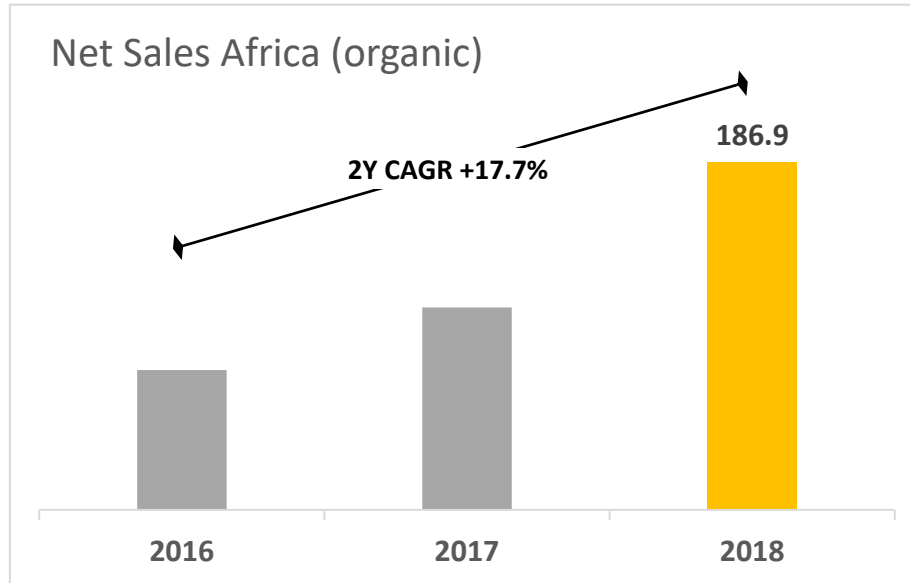


Bar-Boljare Highway, Montenegro

# HIGHLIGHTS 2018

## STRONG ORGANIC GROWTH MOMENTUM – AFRICA

- Strong development of new subsidiaries in Africa thanks to participation in main infrastructure projects
- Consistent strategy execution in fast growing markets



in CHF mn, growth in LC



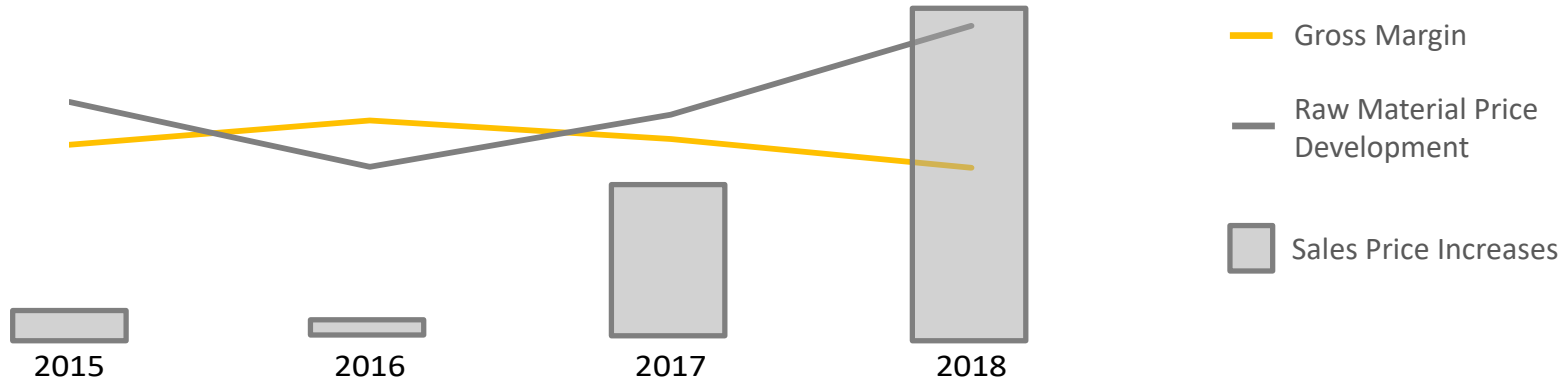
Caculo Cabaça Dam, Angola



Water treatment plant Batchenga, Cameroon

# HIGHLIGHTS 2018

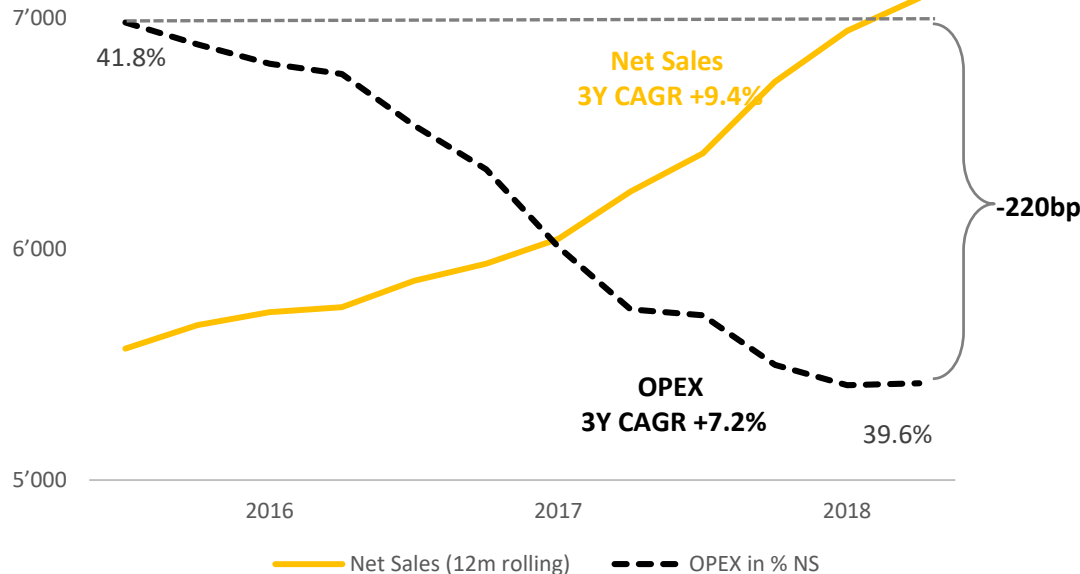
## COUNTER PRESSURE FROM RISING RAW MATERIAL PRICES



- Significant increase in raw material prices since end of 2016 with biggest impact in Concrete, Flooring and Sealing & Bonding businesses
- More than 40 force majeure “shutdowns” of suppliers’ plants in 2018, low water on Rhine River affecting transportation of raw materials
- Highest sales price increase in 2018 since several years

# HIGHLIGHTS 2018

## EFFICIENCY IMPROVEMENTS TO COUNTER PRESSURE ON MARGINS



Efficiency gains from:

- Operating leverage
- Lean corporate organization
- Various efficiency programs in emerging countries with volatile currencies
- Prudent cost management in countries with lower growth
- Fast integration of acquisitions / realization of synergies

# HIGHLIGHTS 2018

## URBANIZATION – HIGH REQUIREMENTS FAVOR SIKA SOLUTIONS

Demand for high-performing and specialty concrete

Innovative roofing solutions for challenging construction conditions: liquid applied membranes

Increasing safety, fire, earthquake and quality requirements



More waterproofing solutions needed

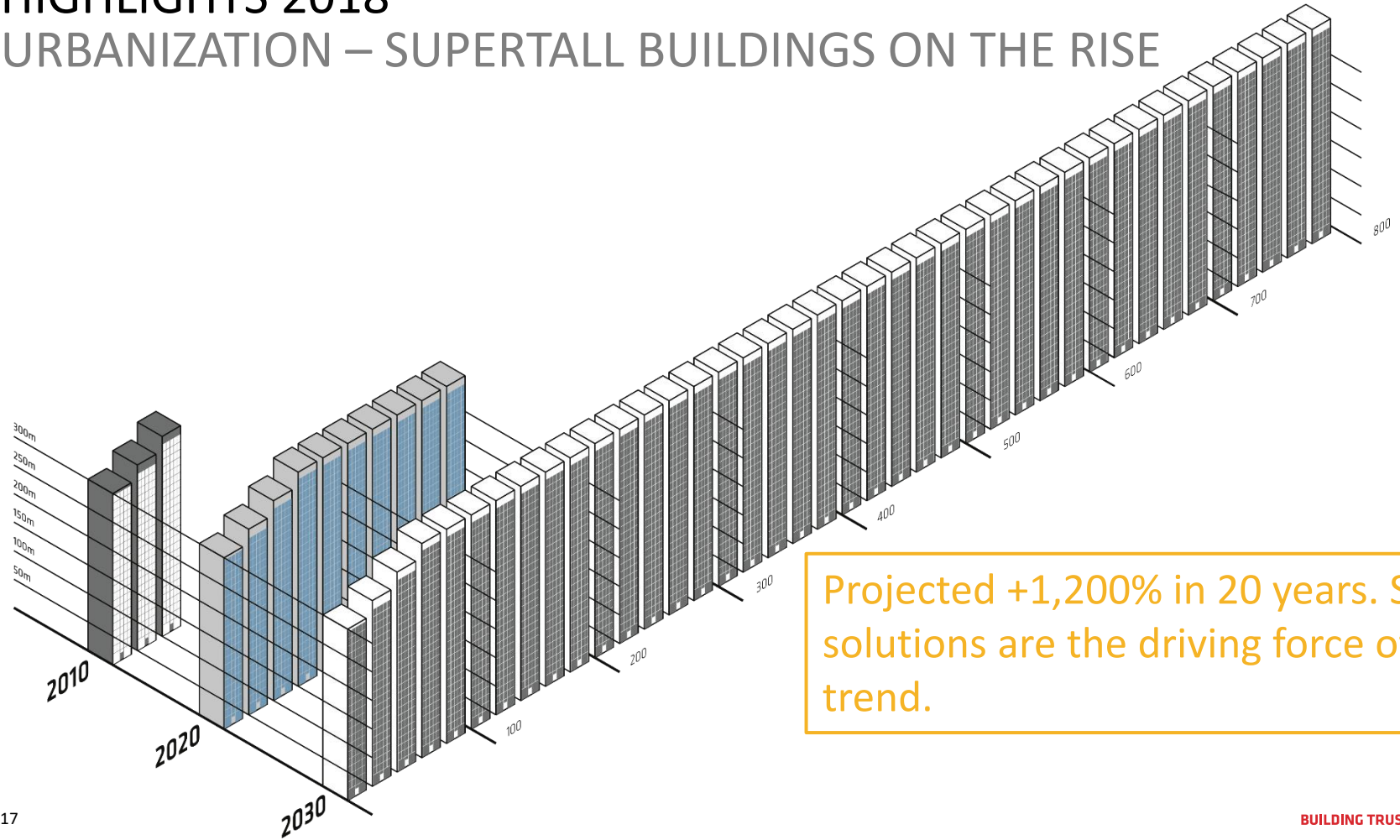
Functional sealing of building envelopes

Increasing demand for refurbishment and repair solutions



# HIGHLIGHTS 2018

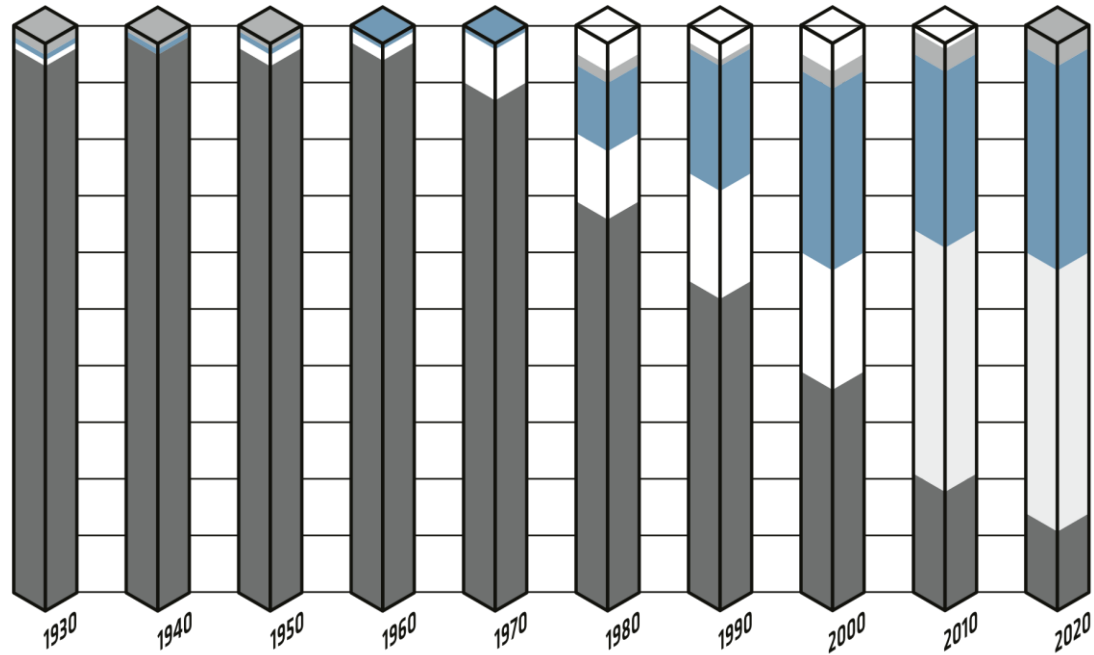
## URBANIZATION – SUPERTALL BUILDINGS ON THE RISE



Projected +1,200% in 20 years. Sika solutions are the driving force of this trend.

# HIGHLIGHTS 2018 – URBANIZATION

## CONCRETE – NO. 1 STRUCTURAL MATERIAL FOR HIGH-RISE BUILDINGS



Sika inside



# HIGHLIGHTS 2018 – URBANIZATION

## MANAGING TIGHT CONCRETE LOGISTICS: ONE VANDERBILT, NYC

>400 m height  
easy to pump,  
hardens quickly



1.5 hrs  
ride from plant to  
job site



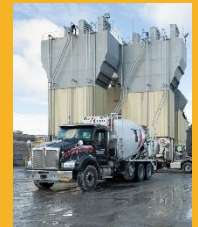
100 rides a day  
and 70,000 m<sup>3</sup>  
concrete



200 bar  
high pressure, still  
cohesive



Every fifth  
truckload is  
officially being  
tested for quality

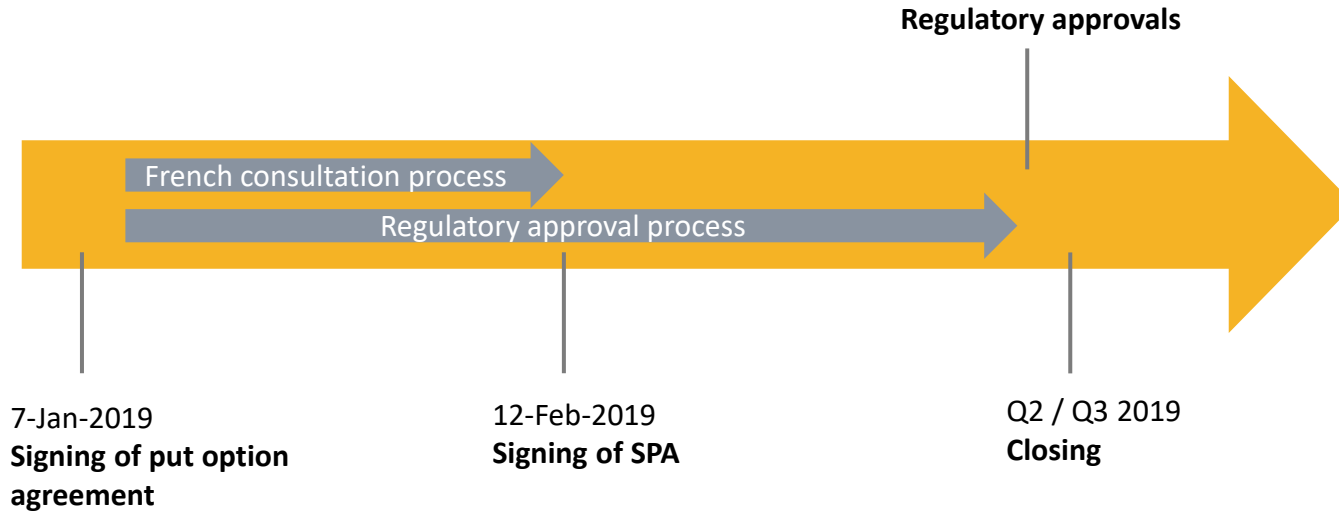


Manhattan

## 2. UPDATE ON PAREX PAUL SCHULER, CEO

# UPDATE ON PAREX

## CONSULTATION PROCESS CONCLUDED – SPA SIGNED

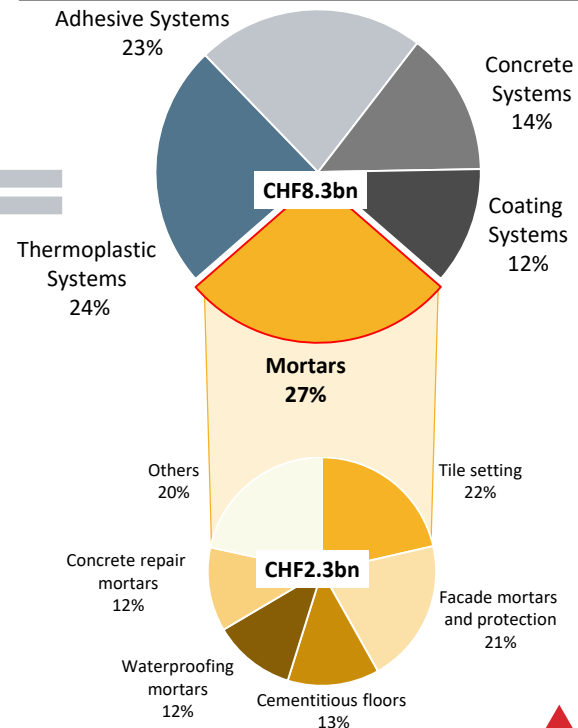
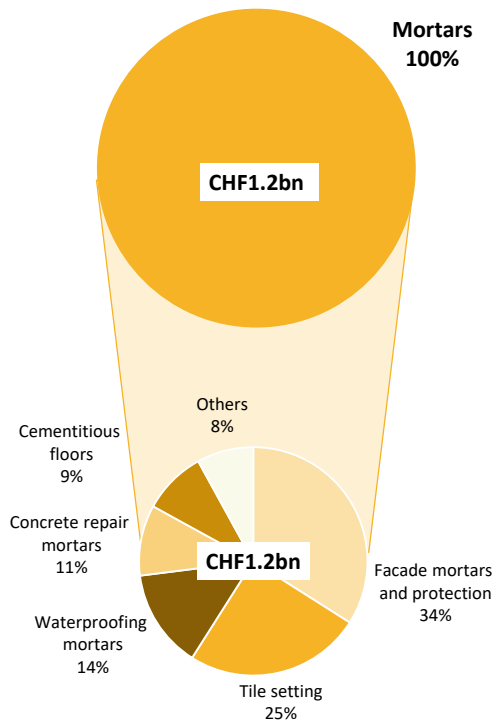
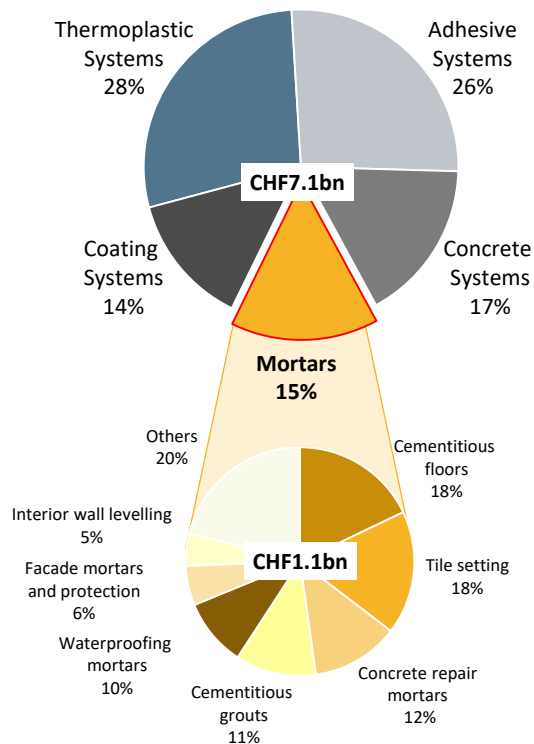


# UPDATE ON PAREX

## EXPAND HIGHLY PROFITABLE MORTAR BUSINESS



### Combined



### 3. FINANCIAL RESULTS 2018

ADRIAN WIDMER, CFO

# FINANCIAL HIGHLIGHTS 2018

- New and all-time records in:
  - Net sales: CHF 7,085.4 million (+13.6% in LC, 13.4% in CHF)
  - EBIT: CHF 945.9 million (+5.5%) reaching 13.4% of net sales, +CHF 50 million in absolute terms
  - Excluding SGO resolution cost, EBIT is at 13.7% of net sales
  - Net Profit: CHF 687.1 million (+5.9%)
- Tax rate decreased further to 23.0%
- Earnings per share (EPS) increased 10.9% to CHF 4.69
- Strong capital efficiency (ROCE) at 26.2% driven by solid profitability and efficient capital management
- Ongoing investments of CHF 239 million incl. lease buyback (2017: CHF 163 million)

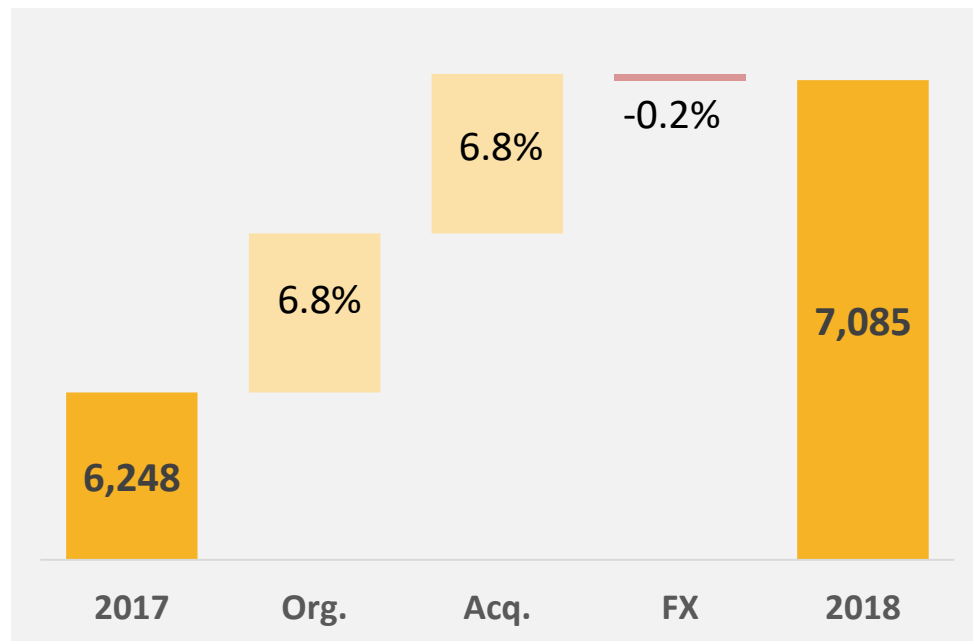


# REVENUES 2018

## 13.6% GROWTH IN LOCAL CURRENCIES

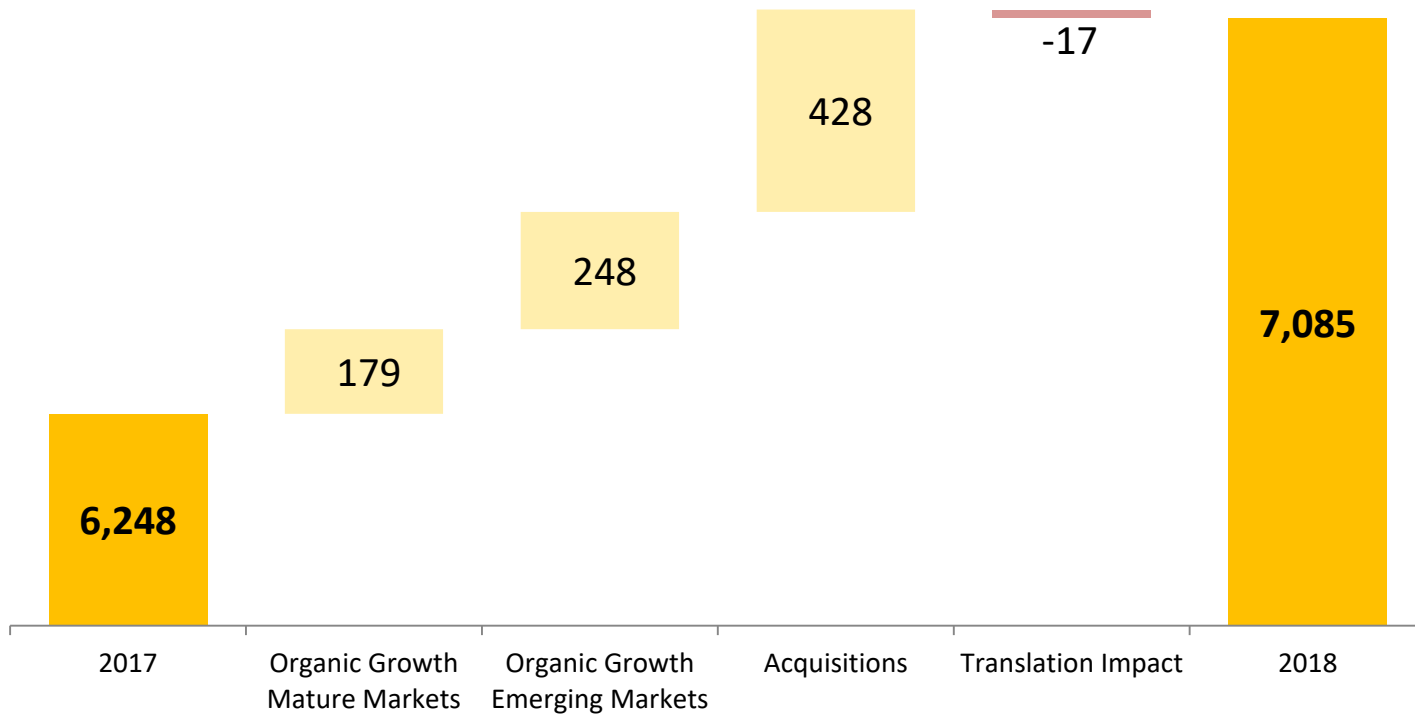
in CHF mn	2016	2017
Net sales	6,248.3	7,085.4

Organic growth	+426.2
Acquisition effect	+427.8
Currency effect	-16.9



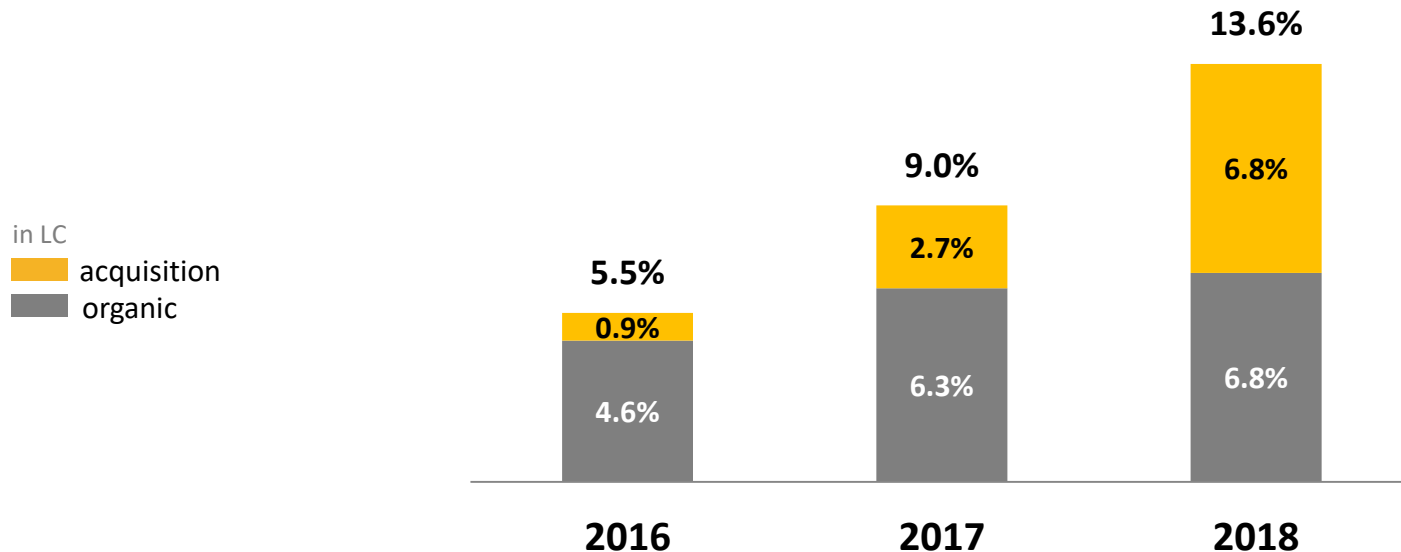
# REVENUES 2018

## EXECUTION ON ALL PILLARS OF THE STRATEGY



# SALES GROWTH 2016 TO 2018

## STRONG ORGANIC GROWTH



in CHF mn

Sales

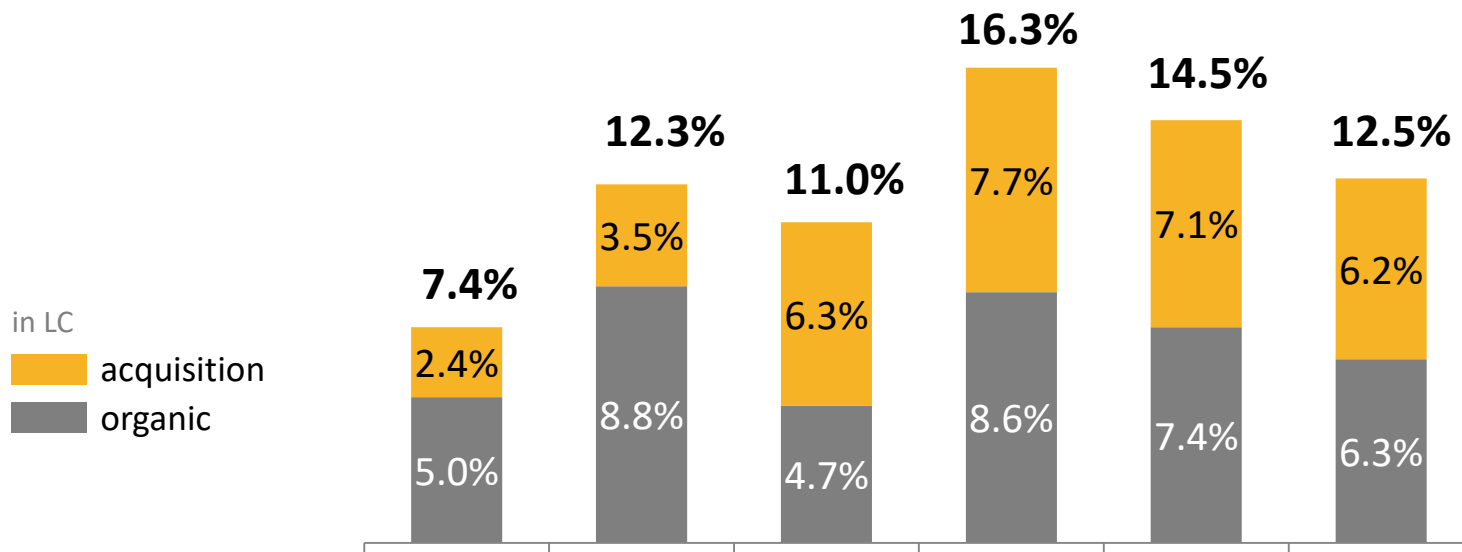
5,747.7

6,248.3

7,085.4

# SALES GROWTH BY QUARTER

## DYNAMIC GROWTH MOMENTUM



in CHF mn

	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18	Q4 18
Quarterly sales	1,632.6	1,620.8	1,554.0	1,916.1	1,852.6	1,762.7

# INCOME STATEMENT

## STRONG GROWTH AND OPERATIONAL IMPROVEMENTS

in CHF mn	2017	NS	2018	NS	Growth
<b>Net sales</b>	<b>6,248.3</b>	<b>100%</b>	<b>7,085.4</b>	<b>100%</b>	<b>13.4%</b>
<b>Gross result</b>	<b>3,399.1</b>	<b>54.4%</b>	<b>3,751.7</b>	<b>53.0%</b>	<b>10.4%</b>
Personnel costs	-1,212.1	-19.4%	-1,345.4	-19.0%	11.0%
Other OPEX	-1,118.5	-17.9%	-1,256.4	-17.7%	12.3%
Depreciation and amortization	-172.2	-2.8%	-204.0	-2.9%	18.5%
<b>EBIT</b>	<b>896.3</b>	<b>14.3%</b>	<b>945.9</b>	<b>13.4%</b>	<b>5.5%</b>
Financial expense	-34.2		-53.0		
Income taxes	-213.1		-205.8		
<b>Net profit</b>	<b>649.0</b>	<b>10.4%</b>	<b>687.1</b>	<b>9.7%</b>	<b>5.9%</b>
Tax rate		24.7%		23.0%	
Non-material costs	-2,502.8	-40.1%	-2,805.8	-39.6%	12.1%

# CONSOLIDATED BALANCE SHEET

## CONTINUED PRUDENT BALANCE SHEET POLICY

in CHF mn	31.12.2017	31.12.2018	Δ %
Cash and cash equivalents	1,037.9	914.0	-11.9
Other current assets	2,047.2	2,262.7	10.5
<b>Current assets</b>	<b>3,085.1</b>	<b>3,176.7</b>	<b>3.0</b>
Non-current assets	2,710.7	3,205.5	18.3
<b>Total assets</b>	<b>5,795.8</b>	<b>6,382.2</b>	<b>10.1</b>
Current liabilities	1,203.7	1,206.9	0.3
Bonds (current)	149.9	199.9	
Bonds (non-current)	549.0	2,792.9	
Other non-current liabilities	482.1	507.1	5.2
<b>Total liabilities</b>	<b>2,384.7</b>	<b>4,706.8</b>	<b>97.4</b>
Equity incl. minorities	3,411.1	1,675.4	-50.9
<b>Total liabilities and equity</b>	<b>5,795.8</b>	<b>6,382.2</b>	<b>10.1</b>
Net debt	-290.2	2,114.1	

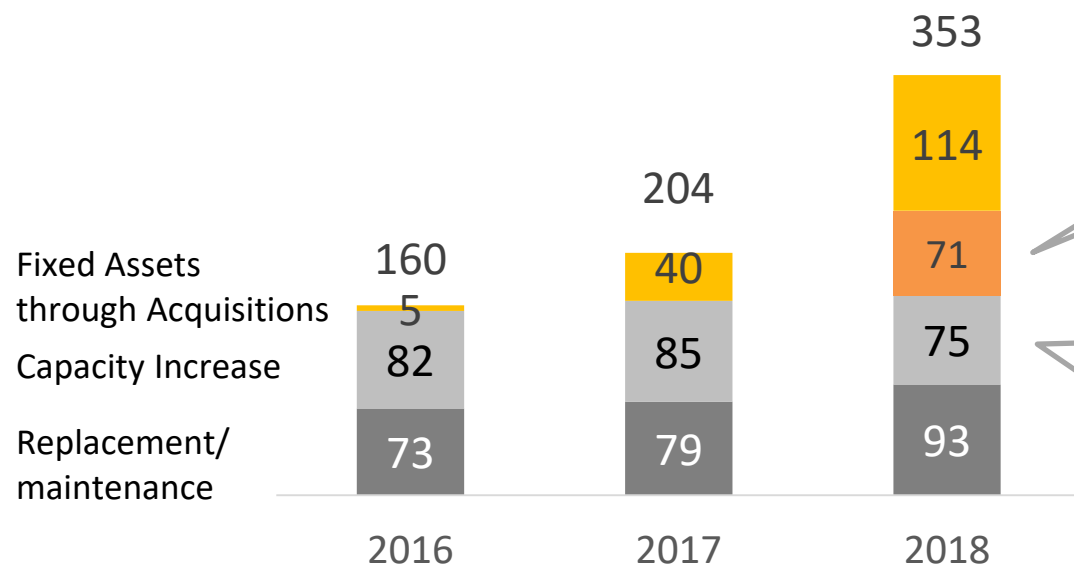
# CASH FLOW STATEMENT

## STRONG CASH FLOW DEVELOPMENT DESPITE ONE-OFF EFFECT

in CHF mn	2017	2018
Cash flow from operating activities	651.9	744.0
CapEx/sale of assets/acquisitions	-478.2	-705.2
<b>Free cash flow</b>	<b>173.7</b>	<b>38.8</b>
Acquisitions/financial assets	323.1	474.4
<b>Operating free cash flow</b>	<b>496.8</b>	<b>513.2</b>
<b>Free cash flow</b>	<b>173.7</b>	<b>38.8</b>
Cash flow from financing activities	-289.2	-149.6
Exchange differences	-1.6	-13.1
<b>Net change in liquid funds</b>	<b>-117.1</b>	<b>-123.9</b>

# INVESTMENTS

## EFFICIENT CAPITAL MANAGEMENT



### Lease buyback

- R&D building in Switzerland
- Production facility in Switzerland

### 11 new Factories

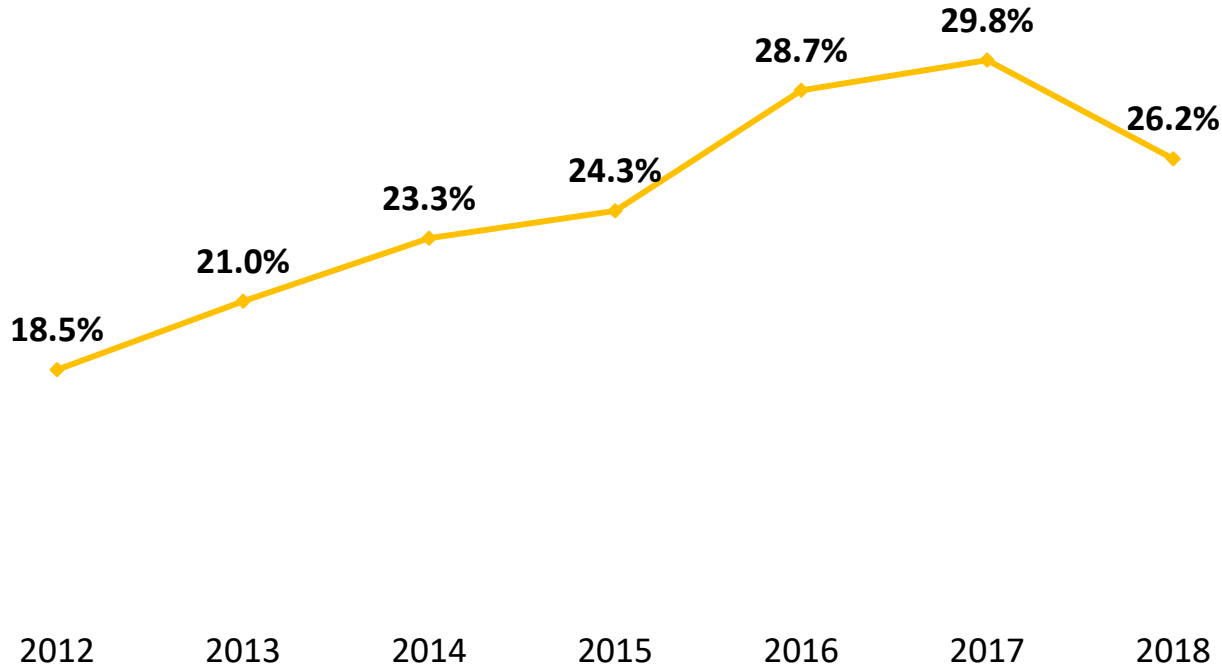
- A mortar plant in Hanoi, Vietnam
- A new plant in Dakar, Senegal
- A new admixture factory in Dammam, Saudi Arabia
- A new plant in Baku, Azerbaijan
- A new plant in Dubai, UAE, replacing our old one in Dubai
- A new automotive plant in Queretaro, Mexico
- 2 new admixtures plants in Almaty and Astana, Kazakhstan
- A new admixture plant in Yekaterinburg, the fourth largest city in Russia
- A new factory in Lima, Peru, replacing our old factory in Lima
- A new plant in Palin near Guatemala City

	2016	2017	2018
Capex (% NS)	2.7%	2.6%	2.4%
Lease buyback	-	-	1.0%
Fixed Assets through M&A (%NS)	0.1%	0.7%	1.6%



# RETURN ON CAPITAL EMPLOYED (ROCE 2012 – 2018)

## STRONG ROCE WITH IMPACT FROM ACQUISITIONS



# RECORD DIVIDEND

## BOARD PROPOSES 10.8% DIVIDEND INCREASE

Dividend payment CHF 2.05 per share (+10.8% vs. PY)

in CHF mn	2017	2018
Group profit (after minorities)	643.5	682.9
Dividend out of retained earnings	281.8	290.6
Dividend per share	1.85*	2.05*
Total payout ratio	43.8%	42.6%

\*in CHF

# 4. SUCCESSFUL STRATEGY EXECUTION

PAUL SCHULER, CEO

# SIKA'S GROWTH MODEL DELIVERS KEY INVESTMENTS SINCE 2015

## Market Penetration



- Successful Target Market concept
- Megatrends driving growth

## Innovation



- 302 new patents filed
- 20 Global Technology Centers

## Emerging Markets



- 37 new plants opened
- 11 new national subsidiaries

## Acquisitions



- 20 acquisitions in all regions
- CHF 798 million sales added

## Values

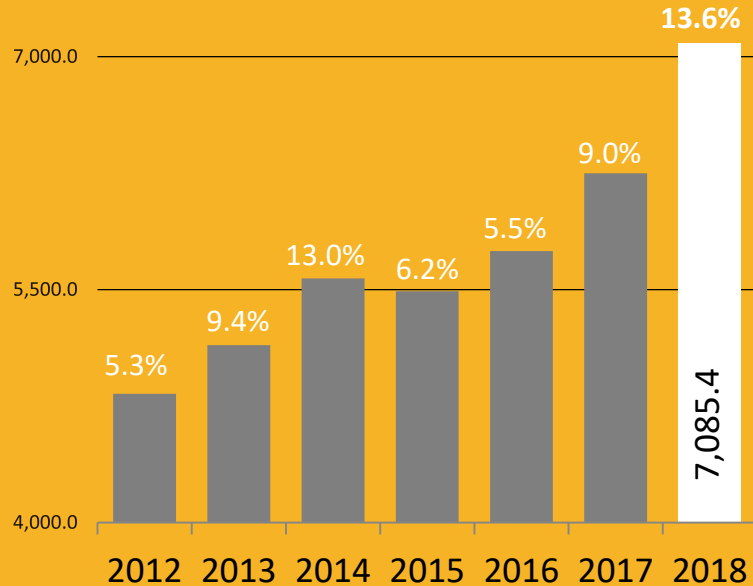


- Strong corporate culture
- High employee loyalty

# SIKA'S GROWTH MODEL DELIVERS CONTINUED GROWTH IN SALES AND PROFIT (FULL YEAR)

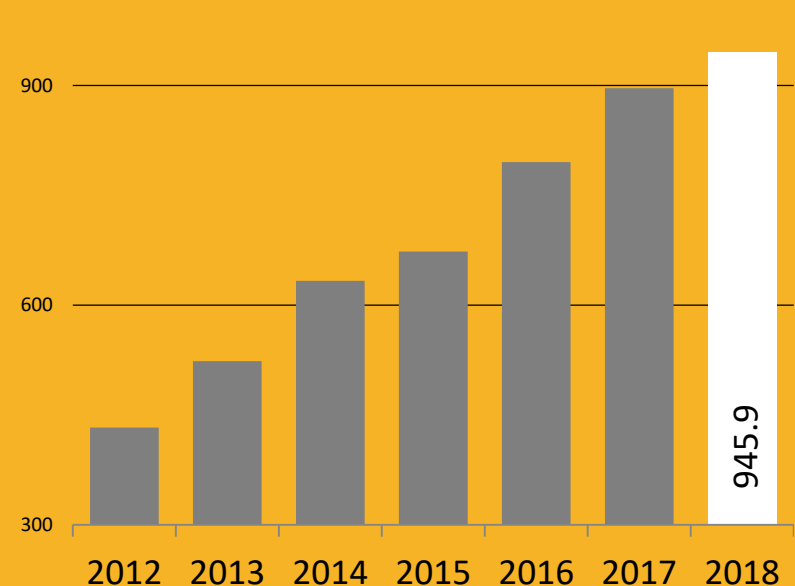
## NET SALES

in CHF mn, % growth in local currencies

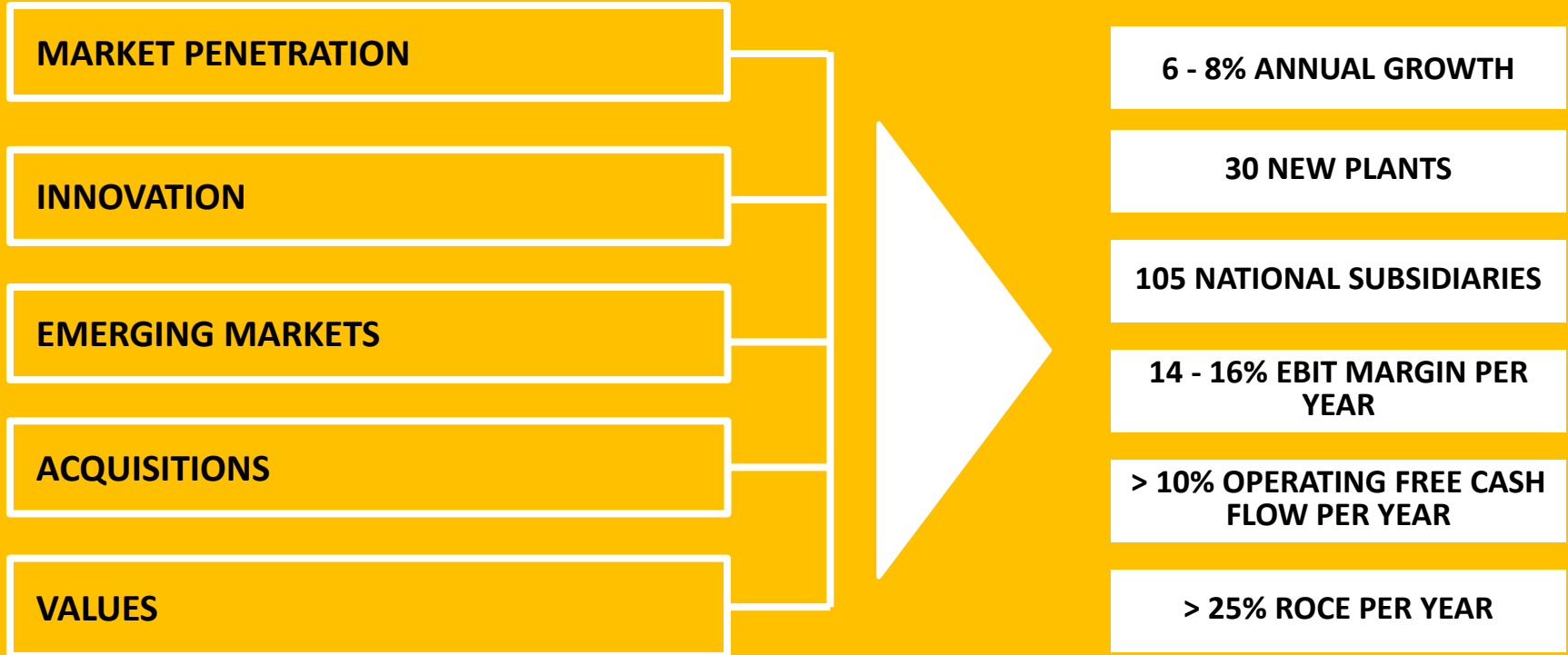


## EBIT

in CHF mn



# SIKA'S GROWTH MODEL DELIVERS STRATEGIC TARGETS 2020



## 5. OUTLOOK

PAUL SCHULER, CEO

THOMAS HASLER, GLOBAL BUSINESS & INDUSTRY

CHRISTOPH GANZ, AMERICAS

# OUTLOOK

## GLOBAL BUSINESS

- Volatile market conditions driven by uncertainty created by “Trade war”, Brexit and regulatory confusion (Diesel, EV, Hybrid) leading to delayed consumer decisions
- Record high level of projects and nominations in execution fueling over-proportional sales growth in 2019 and beyond with traditional and new manufacturers
- Significant increase in development of full electric and hybrid vehicles (car, bus and truck) which offer additional 20% market potential beyond the combustion engine driven vehicles
- Additional strong growth potential driven by increased needs for light weight, multi-material concepts, comfort and safety based on fully integrated portfolio (Faist ChemTec, Axson)
- Strengthening of global supply footprint with new factory and tech center in Pune area to support sealant, adhesives, acoustic and resin needs in the fast growing Indian market



Ford Explorer



Dyson project car



# OUTLOOK

## AMERICAS

- Positive market environment expected for the USA and Canada
- Challenging markets in Latin America (Argentina, Mexico) with some bright spots (Brazil, Colombia)
- Sika also able to deliver profitable growth in challenging markets by focusing on innovation, big city approach, distribution channels, project selling
- Combination of North- and Latin America into one Region Americas on track and resulting in benefits: US specifications in Latin America, mining business for North America, acrylic waterproofing for US sunbelt, PVC roofing and park deck coating for Latin America
- New customers and project wins, plus sales price increases and efficiency projects implemented last year will deliver positive results in 2019
- New plants to increase market penetration (Peru, Colombia, Ecuador, Guatemala)
- Online selling with strong customer demand
- Parex acquisition to boost market position in Latin America and to move into new markets in the USA



Metro Line 6, São Paulo



Chelsea Stratus, New York

# OUTLOOK

## EMEA

- Positive construction market development and promising new opportunities for industry business
- Excellent development in Eastern Europe thanks to numerous infrastructure projects and strong growth in distribution business
- Specification and cross-selling in substantial projects such as: Project “The Circle”, Zurich Airport, Switzerland; Ion Accelerator project FAIR, Darmstadt, Germany; Brenner Base Tunnel, Austria/Italy; new Al Maktoum Airport and Tunnel ‘Storm Water System’, Dubai; Major tunneling projects in Sweden and Norway
- Promising development in online business (including Internet Pure Players)
- Further increase of local footprint and capacities in emerging markets (e.g. Senegal, Cameroon, Tanzania and Ethiopia)
- Parex to have a very positive impact on the business in France



Tunnel projects, Sweden



New Cultural Center, Athens

# OUTLOOK

## ASIA/PACIFIC

- Market in Asia/Pacific remains strong with huge growth potential in all Target Markets
- Strong growth likely in China, India and parts of South East Asia. Challenging markets will continue in Malaysia, Hong Kong and the Philippines.
- Continued development of distribution channels throughout China, India, Japan and South East Asia
- Tokyo 2020 Olympics will be major focus in Japan
- Expansion of production base and supply chain with the completion of 4 more production sites
- Continuation of acquisition activity in our key market to spur additional growth
- Parex acquisition will significantly boost our market position in the region particularly in China, Singapore and Australia. Solid growth in Malaysia, Thailand and the Philippines.



Infrastructure Projects, Ho Chi Minh City

# STRONG OUTLOOK 2019

## CONTINUATION OF SUCCESSFUL GROWTH STRATEGY

- 6 to 8% sales growth in local currencies (excluding Parex)
- Sales to exceed CHF 8 billion for the first time, depending on closing date of Parex transaction
- Over-proportional profit increase expected for the year
- Opening of 7 to 9 new factories
- Strategy 2023 to be communicated at Capital Markets Day on October 3, 2019

## 6. QUESTIONS AND ANSWERS



THANK YOU FOR YOUR ATTENTION

BUILDING TRUST



# FORWARD-LOOKING STATEMENT

This presentation contains certain forward-looking statements. These forward-looking statements may be identified by words such as 'expects', 'believes', 'estimates', 'anticipates', 'projects', 'intends', 'should', 'seeks', 'future' or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this presentation, among others:

- Fluctuations in currency exchange rates and general financial market conditions
- Interruptions in production
- Legislative and regulatory developments and economic conditions
- Delay or inability in obtaining regulatory approvals or bringing products to market
- Pricing and product initiatives of competitors
- Uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of research projects, unexpected side-effects of pipeline or marketed products
- Increased government pricing pressures
- Loss of inability to obtain adequate protection for intellectual property rights
- Litigation
- Loss of key executives or other employees
- Adverse publicity and news coverage

Any statements regarding earnings per share growth are not a profit forecast and should not be interpreted to mean that Sika's earnings or earnings per share for this year or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Sika.

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