



## SUCCESSFUL START TO 2019 – PAREX TRANSACTION CLOSED

SIKA INVESTOR PRESENTATION  
JUNE 2019

BUILDING TRUST



SUCCESSFUL START TO 2019

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# HIGHLIGHTS

## 1. Strong Q1 2019

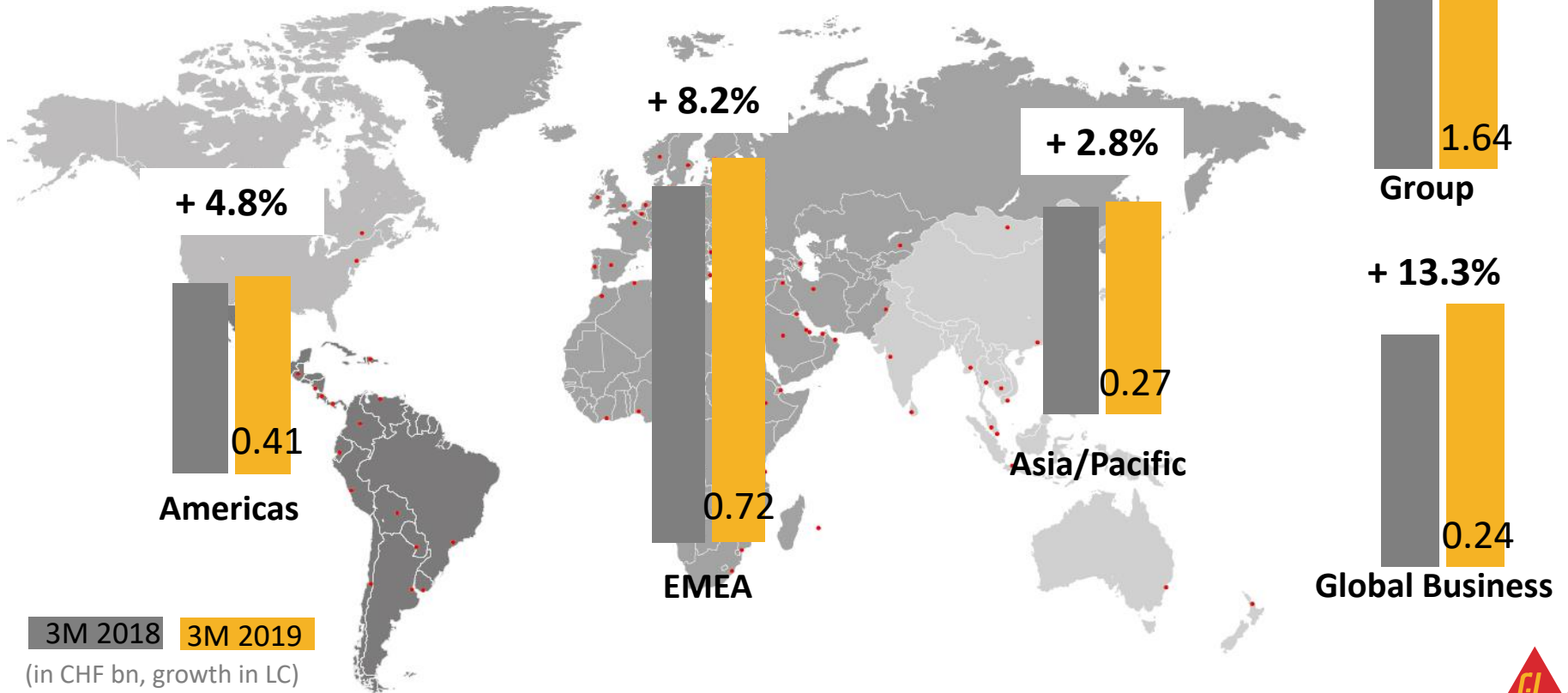
- +7.1% sales growth in local currencies to CHF 1,644.8 million
- Growth in all regions

## 2. Key investments in 2019

- Announcement of three acquisitions:  
Parex (global) – closed May 23, 2019  
King (Canada), Belineco (Belarus) – closed end April
- New mortar plant in Senegal,  
expansion of mortar plant in Egypt - doubling of capacity

# GROWTH MOMENTUM CONTINUES IN 2019

## 7.1% SALES GROWTH IN LOCAL CURRENCY (5.8% IN CHF)



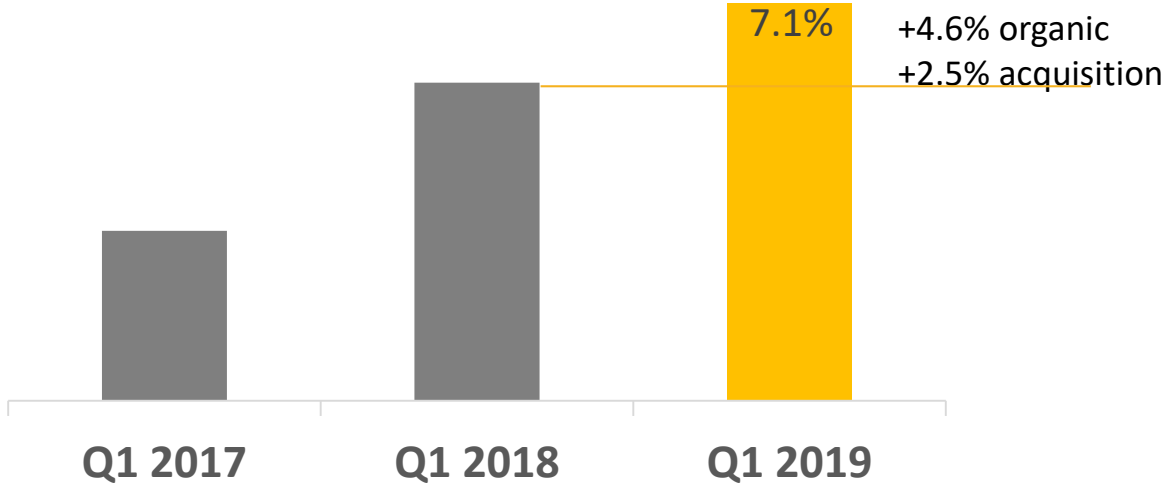
3M 2018

3M 2019

(in CHF bn, growth in LC)

# GROWTH MOMENTUM CONTINUES IN 2019

## 7.1% SALES GROWTH IN LOCAL CURRENCY (5.8% IN CHF)



in CHF mn

	Q1 2017	Q1 2018	Q1 2019
Sales	1,389.0	1,554.0	1,644.8

# HIGH OPERATING SPEED CONTINUED IN 2019

## INVESTMENTS IN NEW PLANTS

### Opening of Sika plants:

- Mortar plant in Senegal
- Expansion of mortar plant in Egypt

(Dakar, March 2019)

(Alexandria, April 2019)



New plant in Senegal



Doubling mortar capacity in Egypt

# HIGH OPERATING SPEED CONTINUED IN 2019

## 3 ACQUISITIONS IN 2019

Company	Country	Target Market
Parex	Global	Refurbishment, Waterproofing, Flooring
King Packaged Materials Company	Canada	Concrete, Refurbishment
Belineco	Eastern Europe	Sealing & Bonding

**Total annual sales: CHF 1,288 million**



Parex



King Packaged Materials Company



Belineco

# KEY INVESTMENTS IN 2019

## ACQUISITIONS AS GROWTH PLATFORM

### Acquisition of King Packaged Materials Company (Canada)

- Large manufacturer of dry shotcrete and mortars for concrete repair
- Products for the construction and mining industry as well as for the home improvement distribution channel
- King operates three large state-of-the-art plants
- CHF 61 million annual sales





# KEY INVESTMENTS IN 2019

## ACQUISITIONS AS GROWTH PLATFORM

### Acquisition of Belineco, Belarus

- Manufacturer of polyurethane foam systems
- Further expansion of production capacity and know-how for polyurethane foam systems
- Cross-selling opportunities in Eastern Europe



# UPDATE ON PAREX

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# TRANSACTION HIGHLIGHTS (1/2)



- Parex, an excellent company
  - A leading mortar manufacturer – great expertise in facade, tile adhesives, waterproofing
  - Impressive track record of profitable growth (7 year growth CAGR of 7%; 2018E sales: CHF 1.2 billion, EBITDA 16%)
  - Strong position in distribution (80% of sales)
  - Present in 23 countries with key position in 8 markets
- Key benefits
  - Very good strategic fit with no overlaps
  - Boost Sika's position in mortars and distribution
  - Sika and Parex with strong brands and position in complementary channels, therefore multiplier potential for Sika and Parex products
  - Rollout Parex's facade business in Sika world
  - Leverage potential in technology and operations
- Cultural fit
  - Highly decentralized organization
  - Management by empowerment

# TRANSACTION HIGHLIGHTS (2/2)

- Financial parameters
  - Enterprise value of CHF 2.5 billion
  - Annual synergies of CHF 80 – 100 million expected
- Multi-step transaction
  - Sika signed exclusive put option agreement, announcement January 8, 2019
  - SPA signed on February 12, 2019
  - Closing May 23, 2019

# PAREX – A LEADING MORTAR COMPANY

## 80% OF SALES THROUGH DISTRIBUTION CHANNEL

<b>Sales</b>	<b>CHF 1,204 million</b>
<b>EBITDA</b>	<b>CHF 195 million</b>
<b>Sales by products</b>	<p>Waterproofing &amp; Tech. Solutions 26%</p> <p>Facade Protection &amp; Decoration 34%</p>  <p>Tile Setting Materials 40%</p>
<b>Sales by region</b>	<p>Americas 25%</p> <p>EMEA 33%</p>  <p>Asia 42%</p>
<b>Sites</b>	74 plants across 23 countries
<b>R&amp;D centers</b>	13 R&D centers
<b>Employees</b>	4,600 employees worldwide



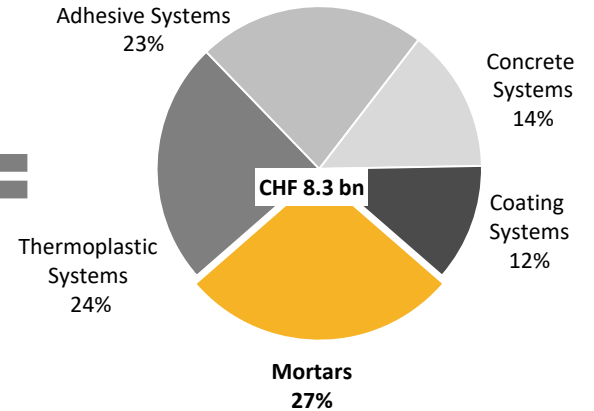
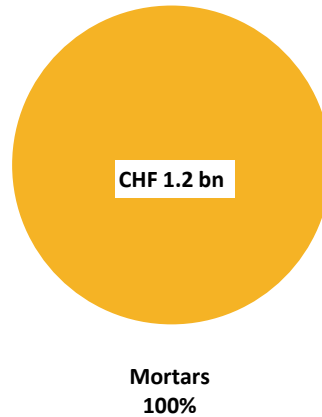
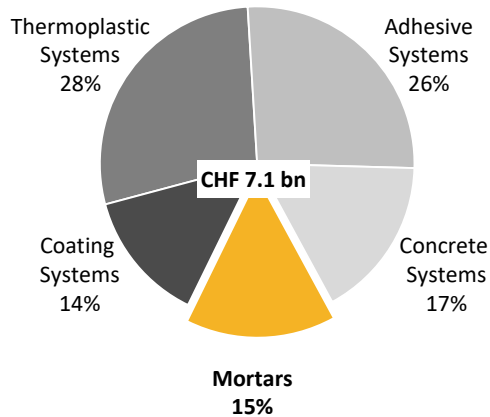
(Key figures 2018)

# SIKA AND PAREX: 1+1=3

## EXPAND HIGHLY PROFITABLE MORTAR BUSINESS



### Combined



# SIKA AND PAREX: 1+1=3

## EXCITING SYNERGY OPPORTUNITIES

- Cross-selling Sika products through Parex' distribution network
- Parex gain access to Sika's direct sales channels
- Parex products included in Sika specifications
- Optimized utilization of warehouses, logistics and production network

### Access to Distribution Network



Parex Davco Distribution Store in Guanzhou, China

### Expand Mortar Plant Network



Parex Mortar Plant in Santiago, Chile

# EXCITING SYNERGY OPPORTUNITIES - EXAMPLE CHINA

## HIGH CHANNEL COMPLEMENTARITY AND CROSS-SELLING POTENTIAL

### Parex strong in distribution, Sika strong in direct business



- Technical mortars
- Industrial Flooring
- Roofing & Waterproofing
- Sealing & Bonding

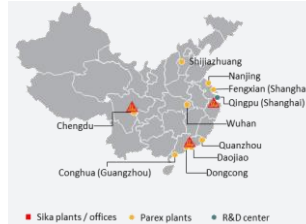
**Turnover 2018: CHF 247 million**



- Waterproofing systems
- Tile setting materials
- Facade systems

**Turnover 2018: CHF 350 million**

### Expanded footprint in China



- Sika with 90% of direct business in China
- High complementarity in distribution channels with significant cross-selling opportunities (acrylics, epoxies, PUs)
- Increase Sika's mortar plants from 3 to 12 and employees from 1,050 to 2,350 in China



- Parex is a strong market player operating under main brand Davco
- Unique retail distribution network with 90,000 points of sale of which 3,000 are exclusive independent distributors under the Davco brand

**Strong combined growth platform:  
CHF 597 million**



# EXCITING SYNERGY OPPORTUNITIES - EXAMPLE USA

## FACADE AND TILE SYSTEMS AS NEW GROWTH PLATFORMS



- Refurbishment
- Industrial Flooring
- Roofing & Waterproofing
- Sealing & Bonding

**Turnover 2018: CHF 1,125 million**



- Facade mortars/stuccos
- EIFS
- Tiles setting materials

**Turnover 2018: CHF 130 million**

- Expand factory footprint for mortars with Parex plants in Florida, California, New York, and New Mexico
- Parex's Facade/EIFS business connects well with Sika's wall insulation business
- Parex to be Sika's growth platform and starting point for the US tile adhesives market
- Parex benefits from Sika's cross selling and specification selling activities



**Strong improvement of US market position  
in construction chemicals:  
CHF 1,255 million**

# REVENUE AND COST SYNERGIES

## EXPECTED RUN-RATE SYNERGIES OF CHF 80-100M

### Revenue synergies

- Cross-selling of Sika products through Parex distribution channels (Acrylics, PUs, Epoxies etc.)
- Leverage Sika's direct access to jobsites for Parex products
- Sale of Parex products through Sika's presence in >70 countries currently not covered by Parex

### Cost synergies

- Economies of scale in purchasing
- Optimization of production and logistics cost
- Operating leverage and increased efficiency in support functions

- Expected run-rate synergies of CHF 80-100m p.a.
- Synergies expected to ramp-up over coming years and to be fully realized in year 4 post closing
- Expected transaction and integration costs of CHF 70m spread over the next three years

In addition, CapEx savings of CHF 35m spread over the next 3 years

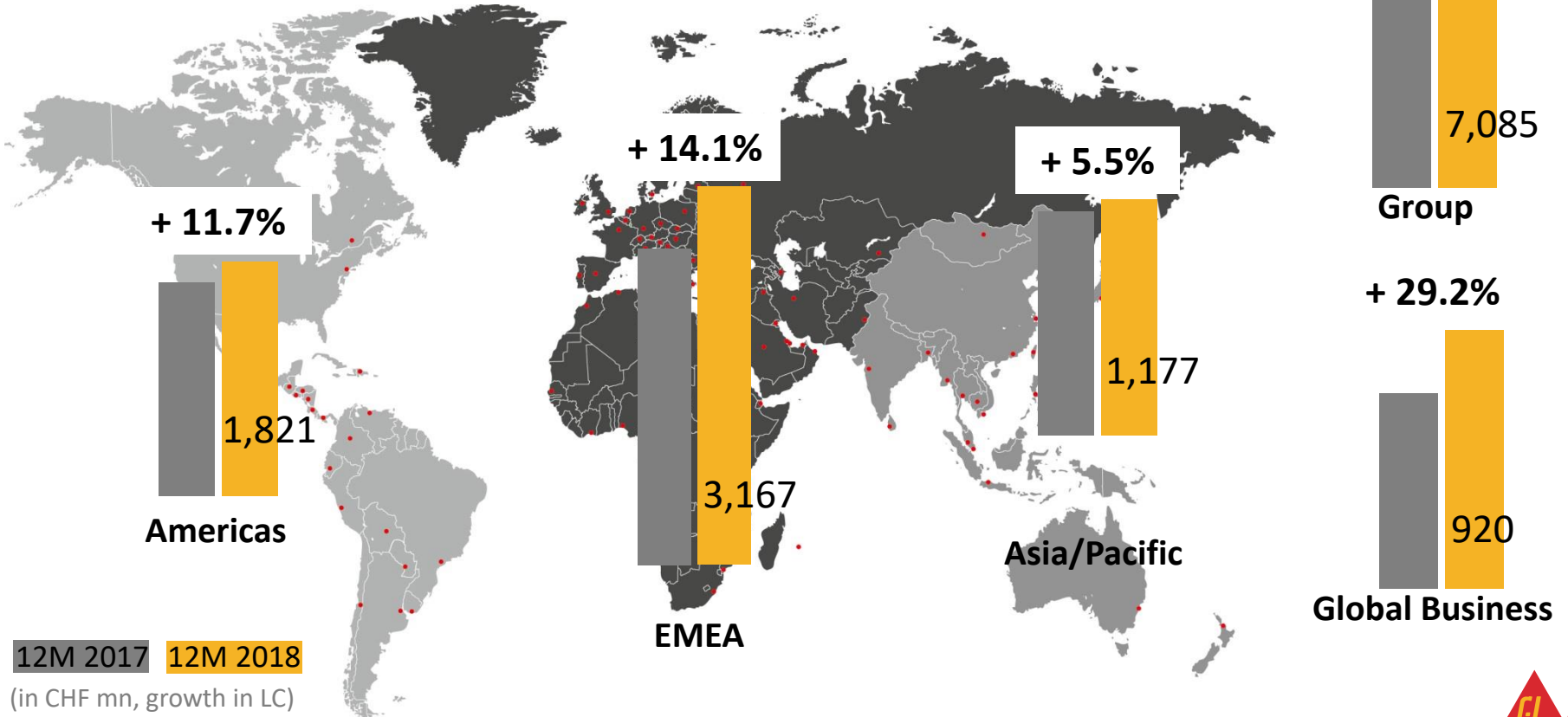
# 2018 BUSINESS YEAR

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# 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 IN 2018

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



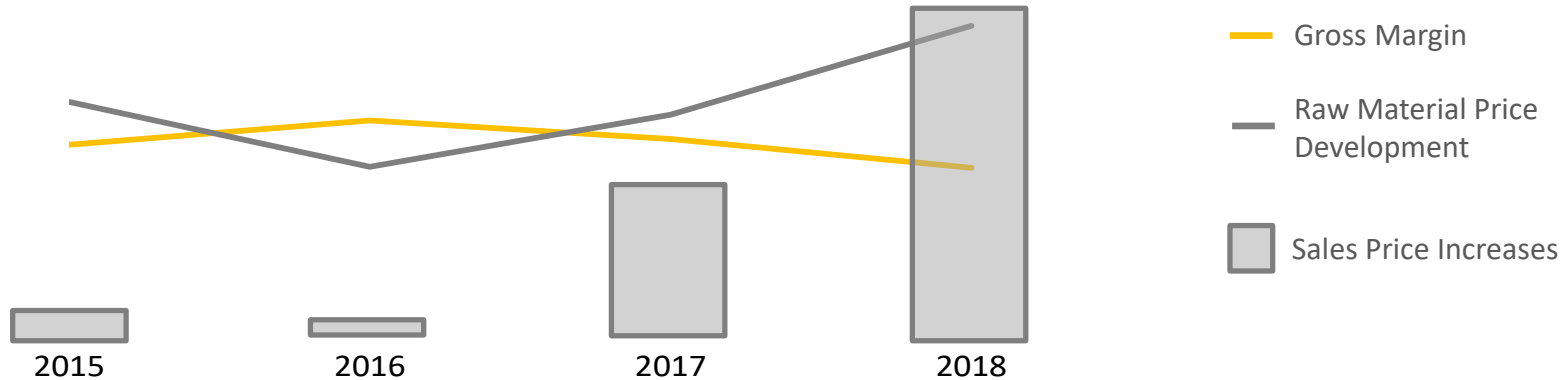
Faist ChemTec



Fibermesh Concrete Fibers

# HIGHLIGHTS 2018

## COUNTER PRESSURE FROM RISING RAW MATERIAL PRICES

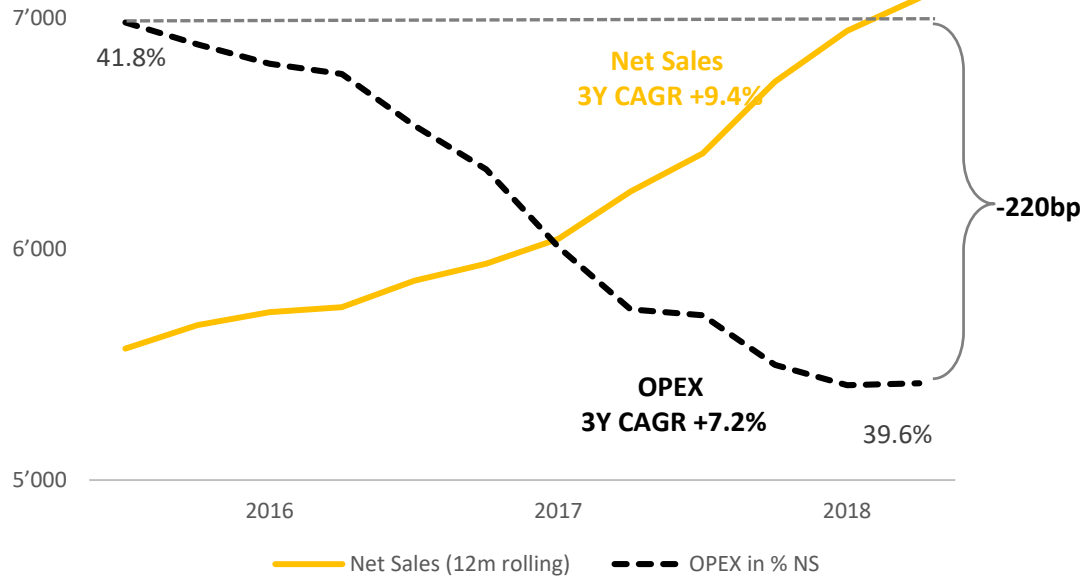


- Significant increase in raw material prices since end of 2016 with biggest impact in Concrete, Flooring and Sealing & Bonding businesses
- More than 40 force majeure “shutdowns” of suppliers’ plants in 2018, low water on Rhine River affecting transportation of raw materials
- Highest sales price increase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



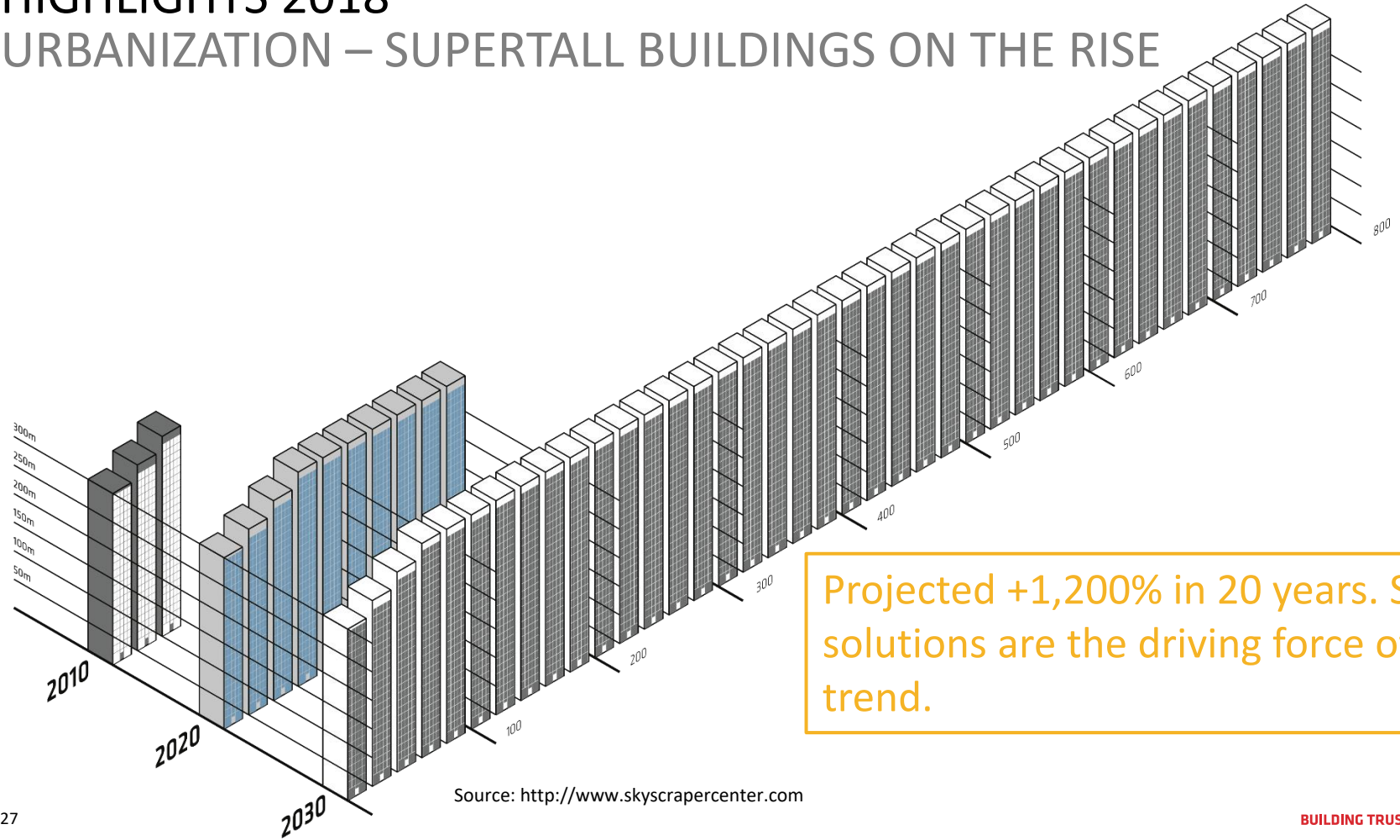
More waterproofing solutions needed

Functional sealing of building envelopes

Increasing demand for refurbishment and repair solutions

# HIGHLIGHTS 2018

## URBANIZATION – SUPERTALL BUILDINGS ON THE RISE

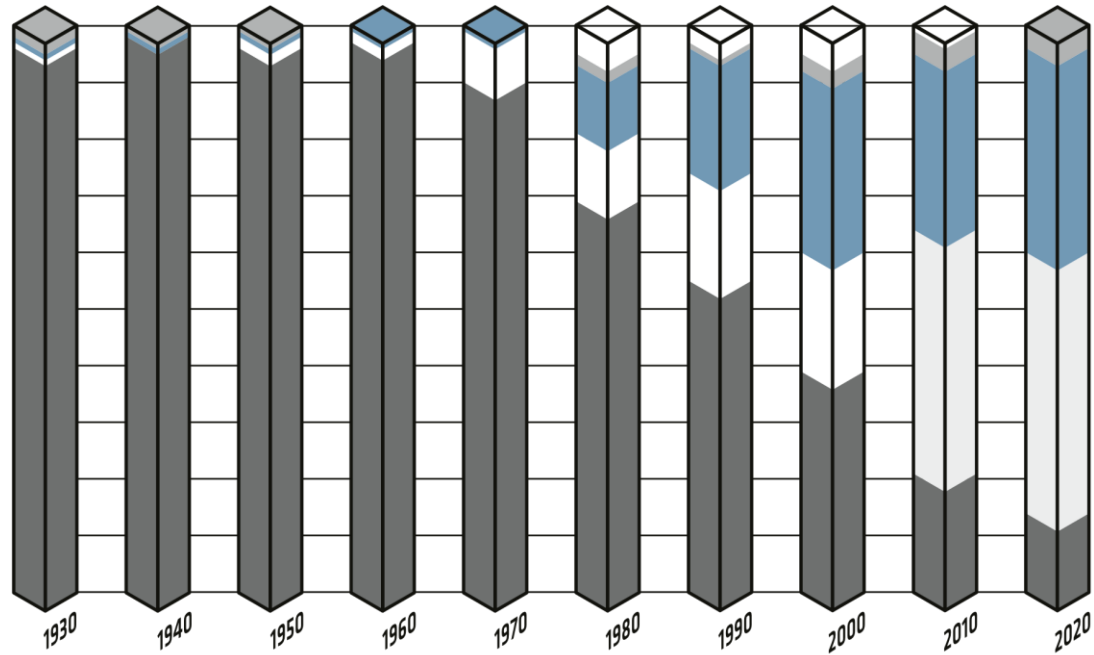


Projected +1,200% in 20 years. Sika solutions are the driving force of this trend.

Source: <http://www.skyscrapercenter.com>

# HIGHLIGHTS 2018 – URBANIZATION

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



Sika inside

Steel Concrete Concrete-steel-composite Mixed

Source: <http://www.skyscrapercenter.com>

# 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

# FINANCIAL RESULTS 2018

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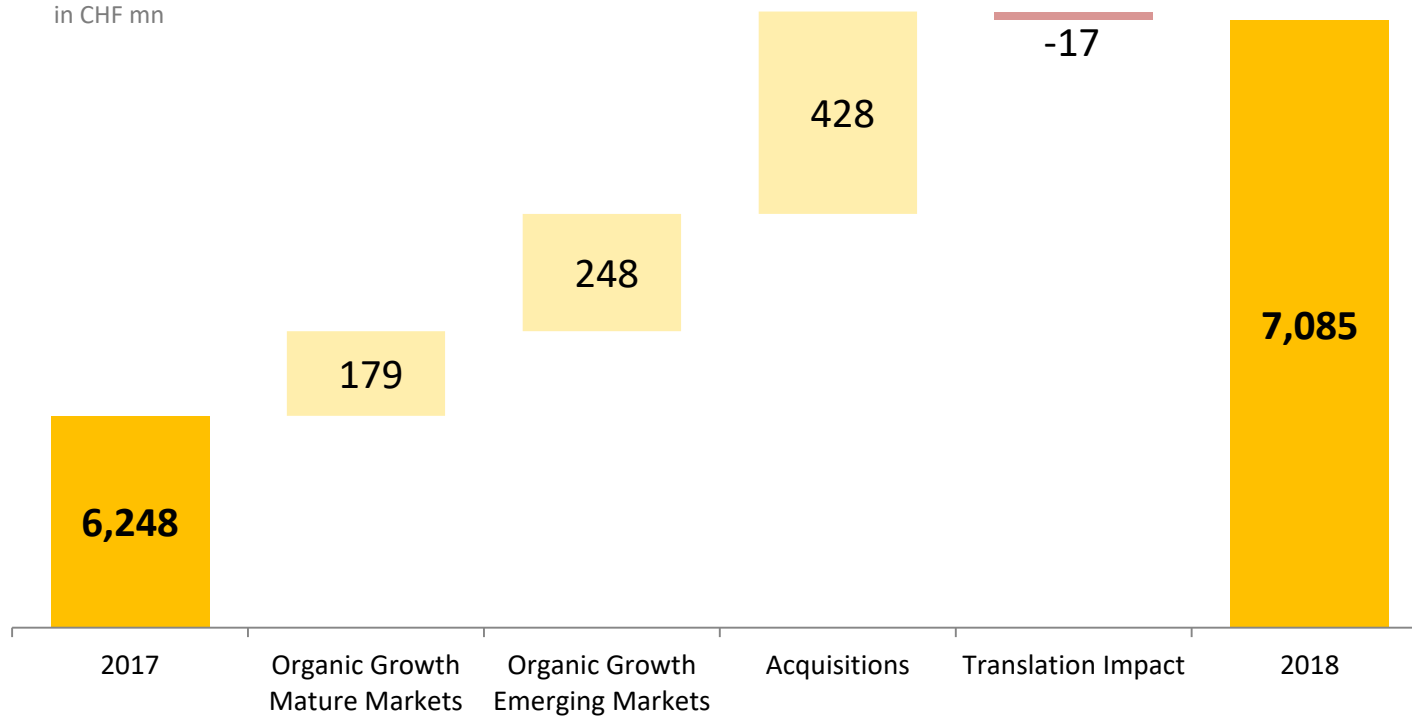


# FINANCIAL HIGHLIGHTS 2018

- 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

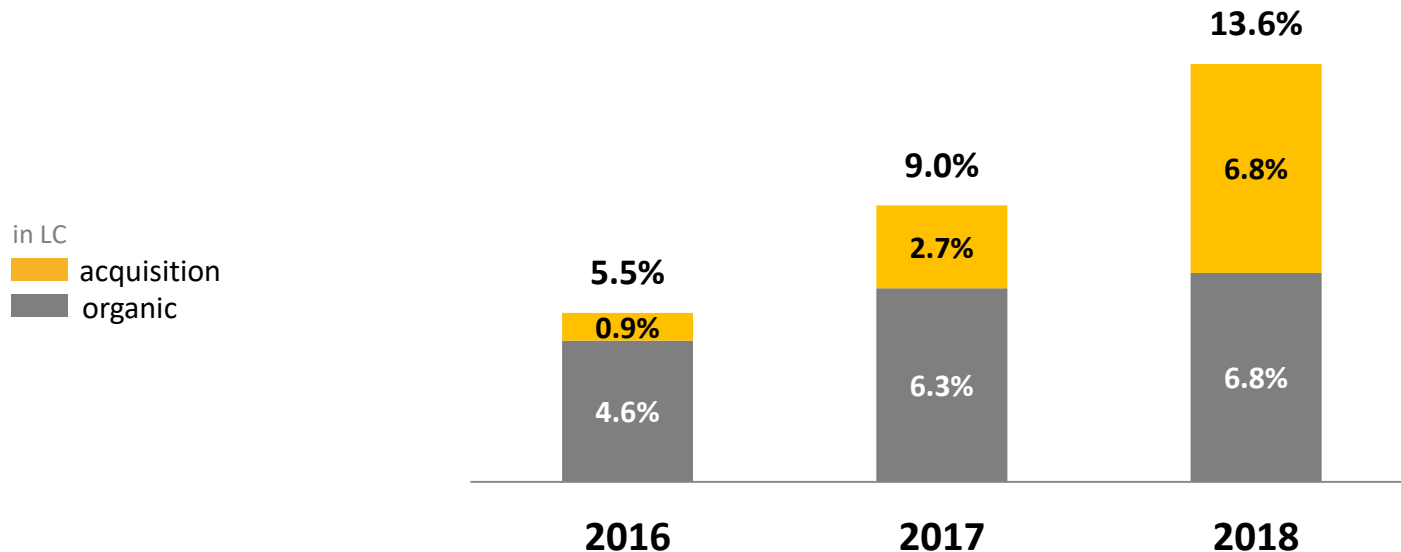
## EXECUTION ON ALL PILLARS OF THE STRATEGY





# SALES GROWTH 2016 TO 2018

## STRONG ORGANIC GROWTH



in CHF mn

Sales

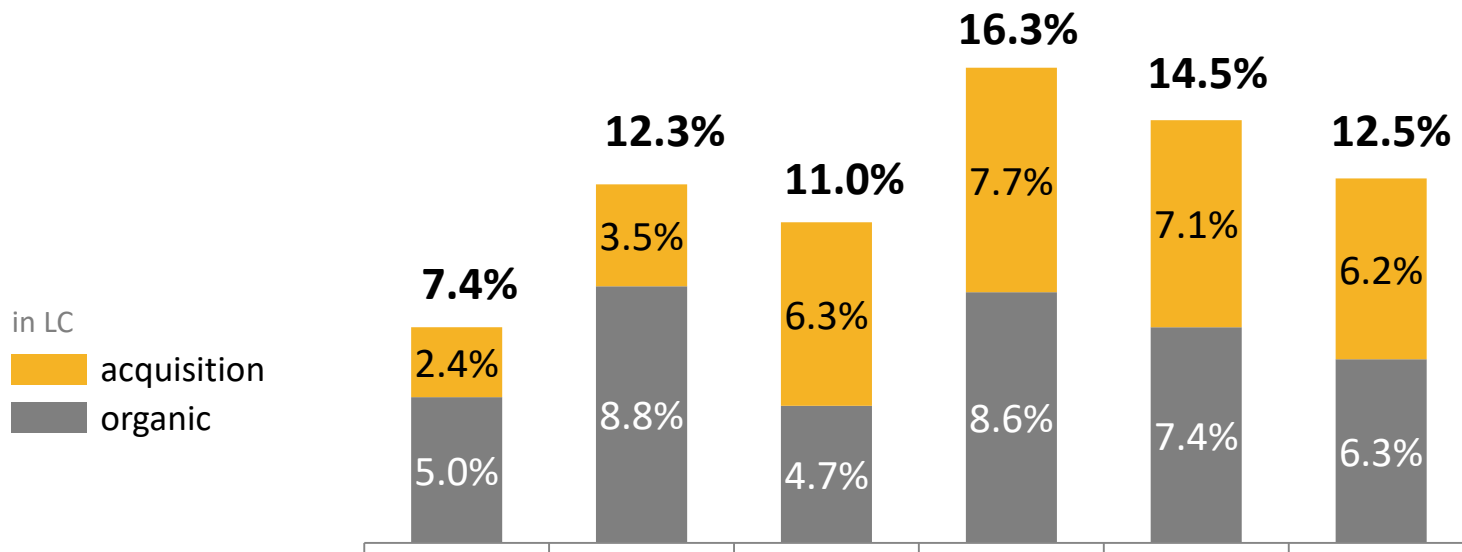
5,747.7

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

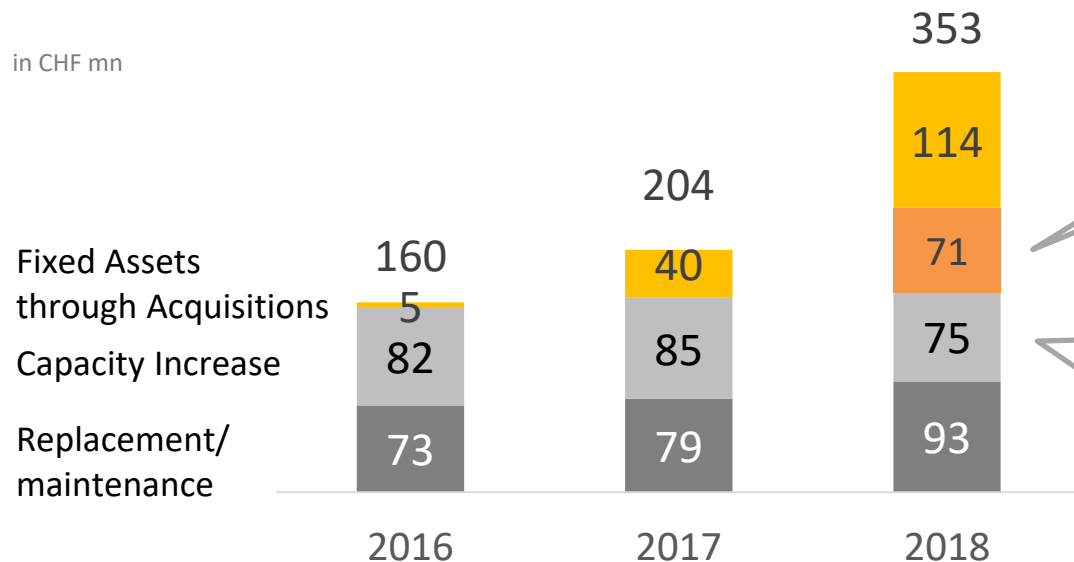
## STRONG CASH FLOW DEVELOPMENT DESPITE ONE-OFF EFFECT

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

in CHF mn



### Lease buyback

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

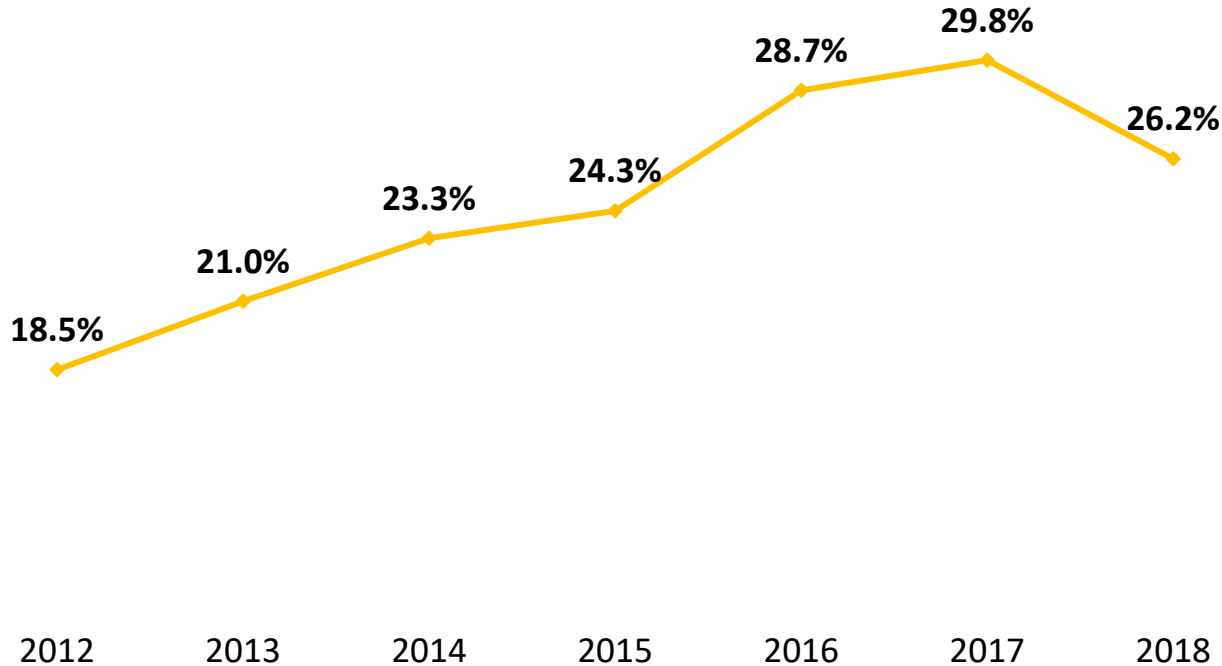
### 11 new Factories

- 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



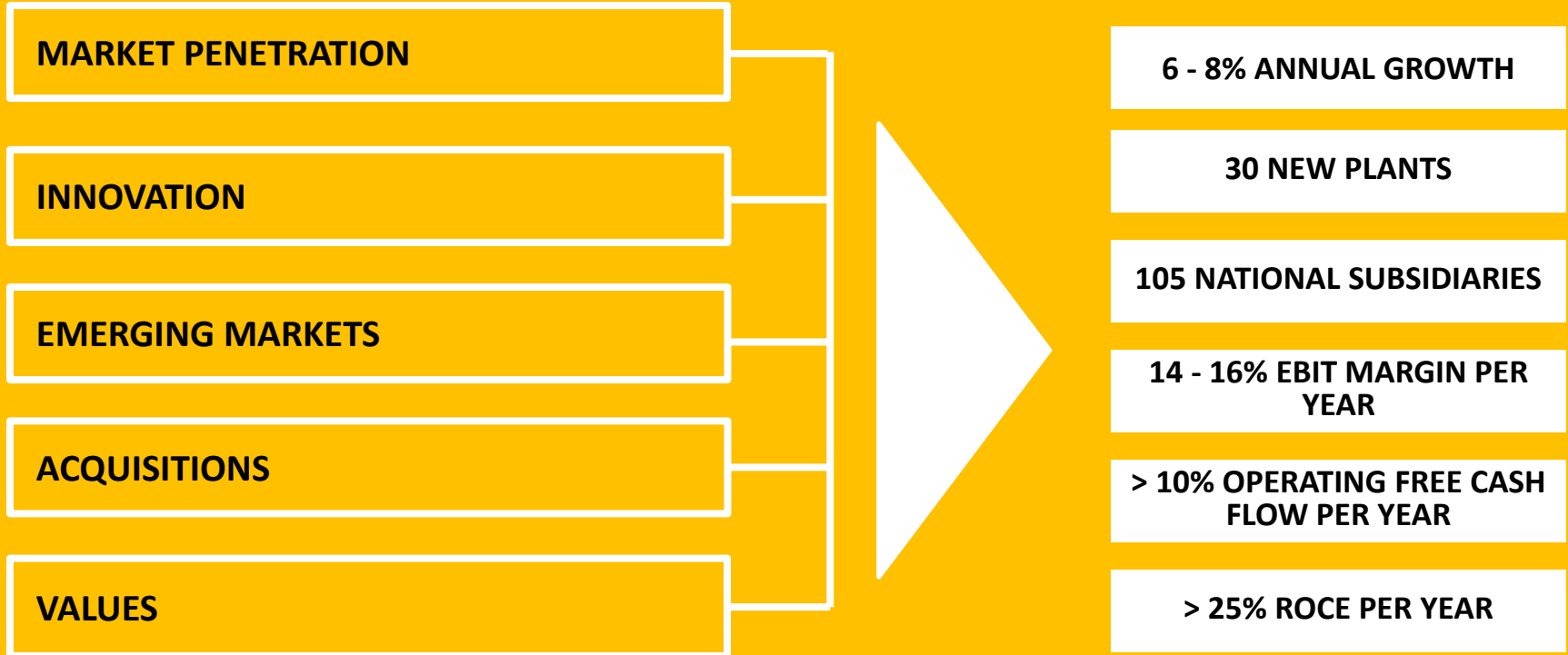
# SUCCESSFUL STRATEGY EXECUTION

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# SIKA'S GROWTH MODEL DELIVERS STRATEGIC TARGETS 2020



# MARKET PENETRATION - FOCUS ON ATTRACTIVE MARKETS: CROSS-SELLING, LIFE-CYCLE MANAGEMENT, A STRONG BRAND



Concrete



Waterproofing



Roofing



Flooring & Coating



Sealing & Bonding



Refurbishment



Industry

# MEGATRENDS DRIVE OUR GROWTH

## URBANIZATION, NEW VEHICLE DESIGN AND SUSTAINABILITY

Increased safety, fire, earthquake and quality requirements

Rising demand for high-performance concrete, sealing and waterproofing

New modular vehicle manufacturing concepts need fast, high-strength bonding systems

Sustainability:  
Increasing demand for safe-to-use and low-emission products

Lightweight vehicle construction with multi-material design requires bonding solutions

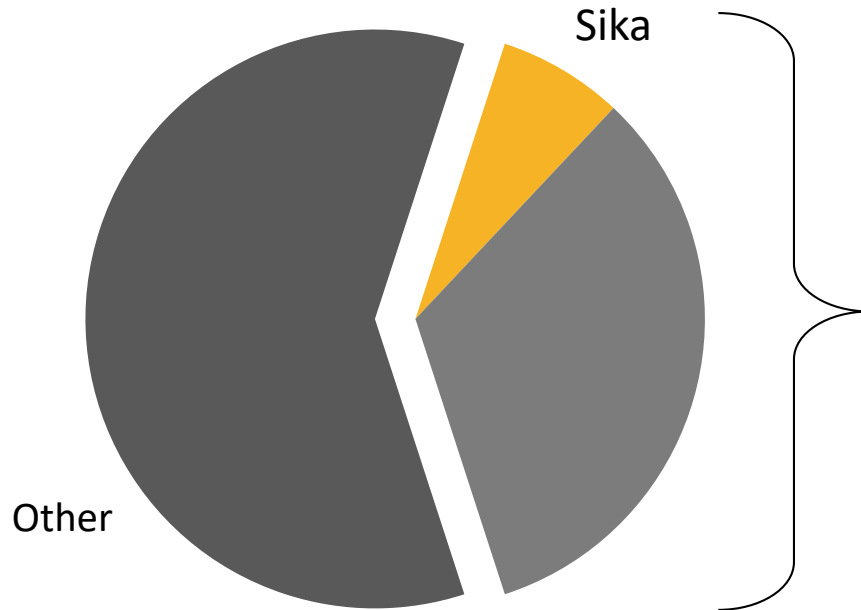
Higher demand for repair and refurbishment solutions

Functional sealing of building envelopes

# SIKA WILL ACT AS MARKET CONSOLIDATOR

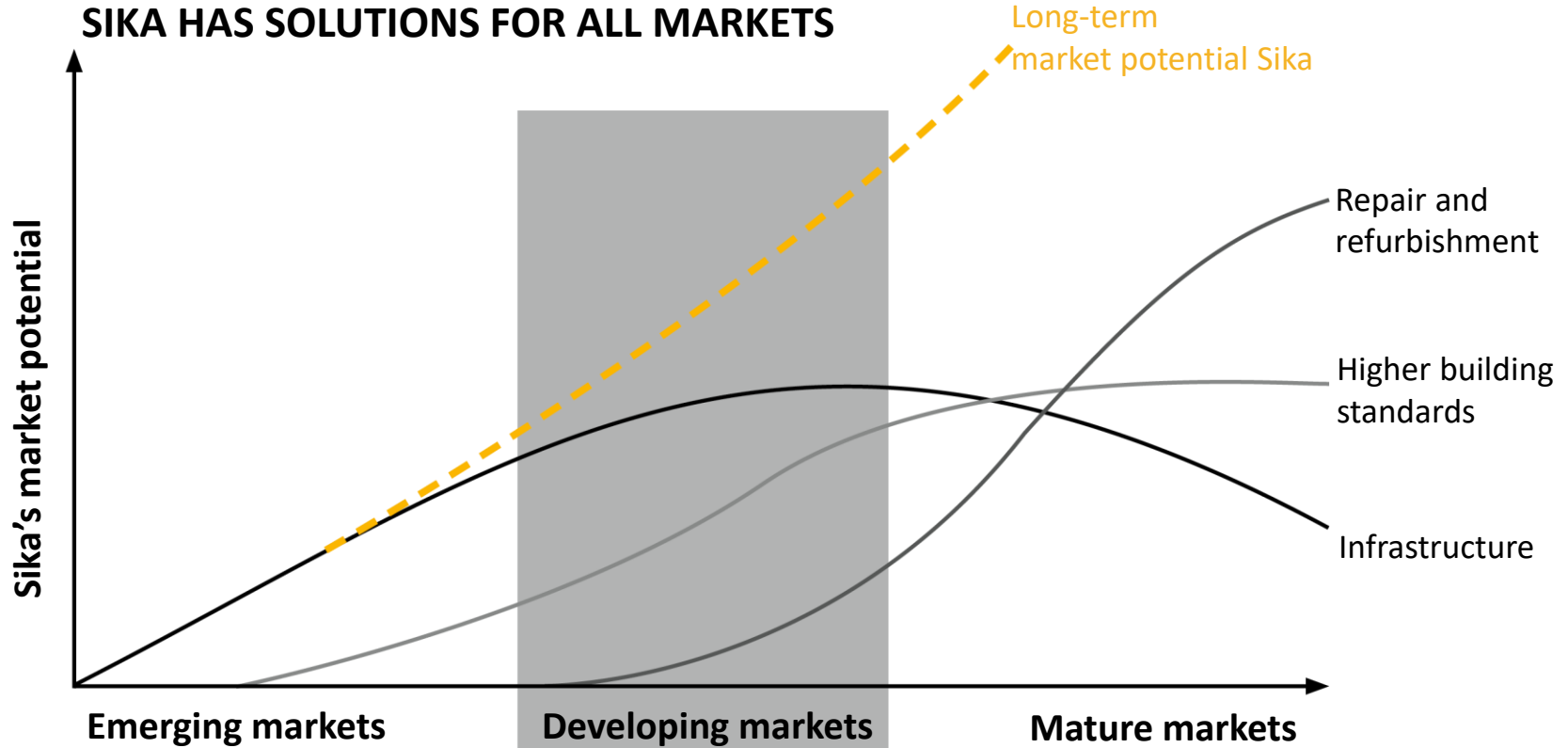
## FRAGMENTATION OFFERS ACQUISITION OPPORTUNITIES

**CONSTRUCTION CHEMICAL MARKET 2019**  
**> CHF 60 BILLION**



**Top 10 companies with a  
combined market share of 40%**

# GROWTH MODEL WITH EARLY MARKET PENETRATION FROM NEW-BUILD TO REFURBISHMENT



# 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



- 38 new plants opened
- 11 new national subsidiaries

## Acquisitions



- 22 acquisitions in all regions
- CHF 882 million sales added

## Values

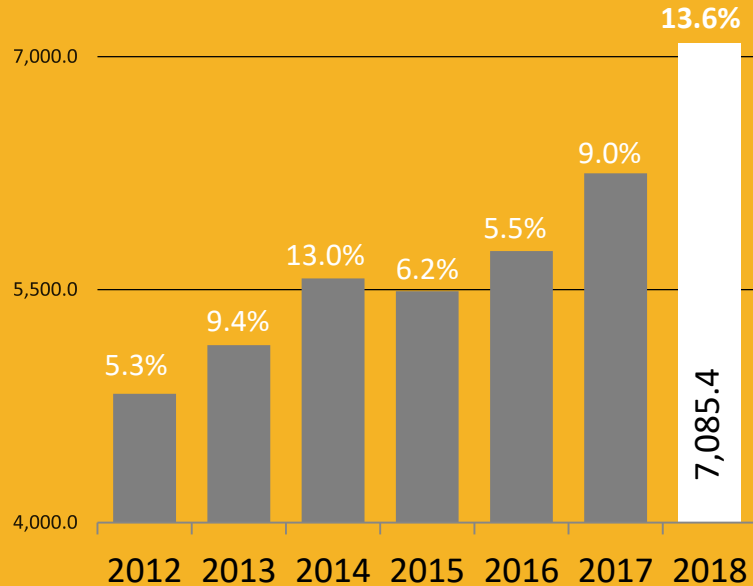


- Strong corporate culture
- High employee loyalty

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

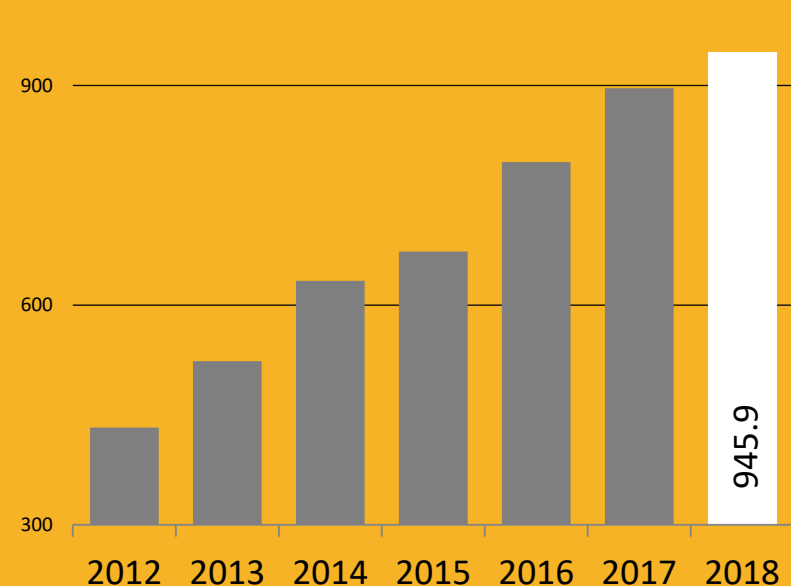
## NET SALES

in CHF mn, % growth in local currencies



## EBIT

in CHF mn



# OUTLOOK



# STRONG OUTLOOK 2019

## CONTINUATION OF SUCCESSFUL GROWTH STRATEGY

- 6 to 8% sales growth in local currencies (with over-proportional profit increase)
- With initial consolidation of Parex as of May 23, 2019: sales expected to exceed CHF 8 billion
- Opening of seven to nine new factories
- Strategy 2023 to be communicated at Capital Markets Day on October 3, 2019



THANK YOU FOR YOUR ATTENTION

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# 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

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