



SIKA MADE BINDING OFFER TO ACQUIRE PAREX

MEDIA AND ANALYST PRESENTATION
JANUARY 8, 2019

BUILDING TRUST



AGENDA

- **TRANSACTION HIGHLIGHTS**
- **PAREX – A LEADING MORTAR MANUFACTURER**
- **TRANSACTION RATIONALE**
- **FINANCIAL CONSIDERATIONS**
- **TENTATIVE TIMELINE TO CLOSING**
- **SUMMARY**

TRANSACTION HIGHLIGHTS (1/2)

- Sika made binding offer to acquire Parex from CVC Fund V
- 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
 - Combining two “growth engines”
 - 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
 - Bridge loan facility for the full amount committed by UBS/Citi
- Multi-step transaction
 - Sika signed exclusive put option agreement
 - Consummation of transaction subject to French consultation process and regulatory approvals, expected in Q2/Q3 2019

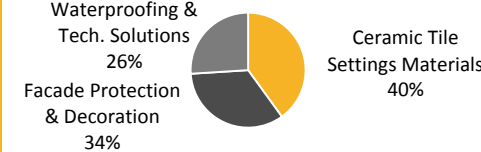
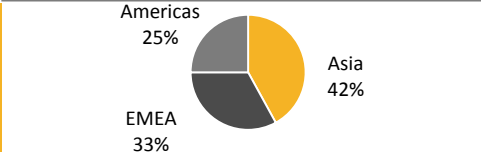
PAREX – A LEADING MORTAR MANUFACTURER

80% OF SALES THROUGH DISTRIBUTION CHANNEL

Key facts

- Strong position and expertise in mortar solutions for renovation and new builds
- Addressing increasing urbanization, growing market penetration and sophistication trends (such as higher building standards)
- Strong position in 8 key markets
- Comprehensive product portfolio for critical applications in the construction industry with well known brands
- 80% of sales through distribution channel
- Global production footprint and broad distribution network with strong local presence
- Highly decentralized and performance oriented organization
- Strong reputation for quality, safety and reliability

Key figures 2018

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

PAREX – A PORTFOLIO OF STRONG BRANDS IN KEY MARKETS

Segments

Brands

8 Key Markets

Ceramic Tile
Setting
Materials



- Self-leveling compounds
- Ceramic tile adhesives
- Grouts (incl. epoxy grouts)



China



France

Facade
Protection &
Decoration



- Grey mortars
- Mineral mortars
- Organic renders
- EIFS



USA



Argentina

Waterproofing
& Technical
Solutions



- Waterproofing systems
- Concrete repair
- Other technical solutions



Brazil



Singapore



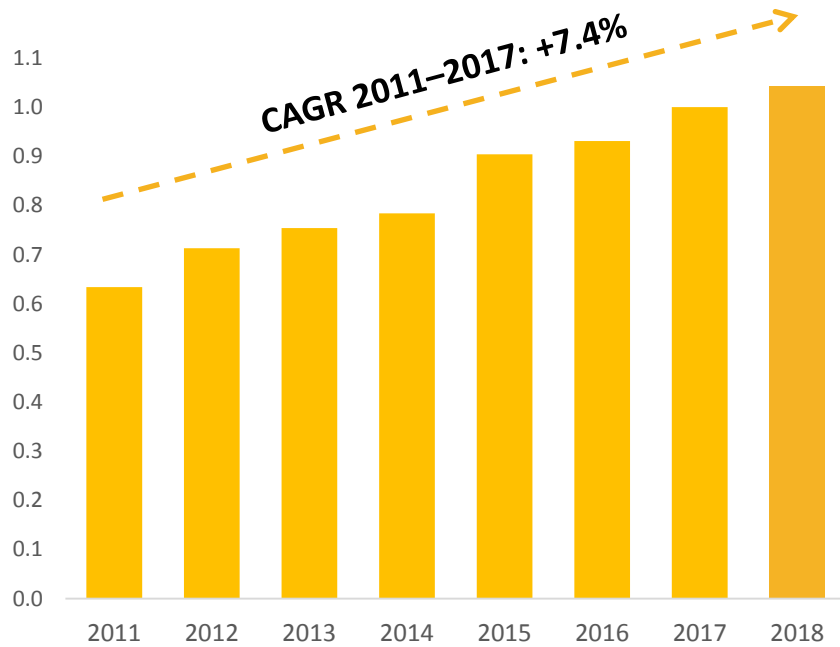
UK



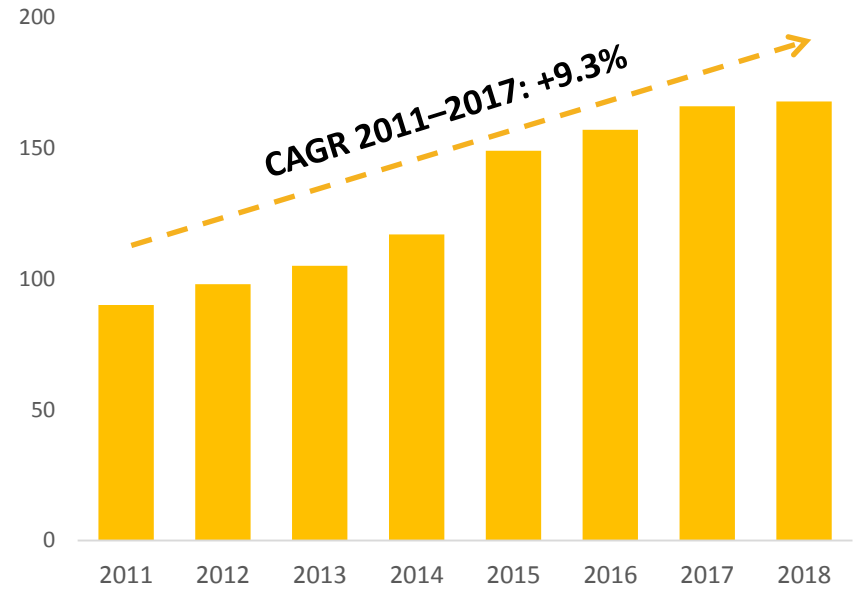
Australia

PAREX – TRACK RECORD OF CONSISTENT PROFITABLE GROWTH

Strong organic and acquisitive revenue growth (in EUR bn)

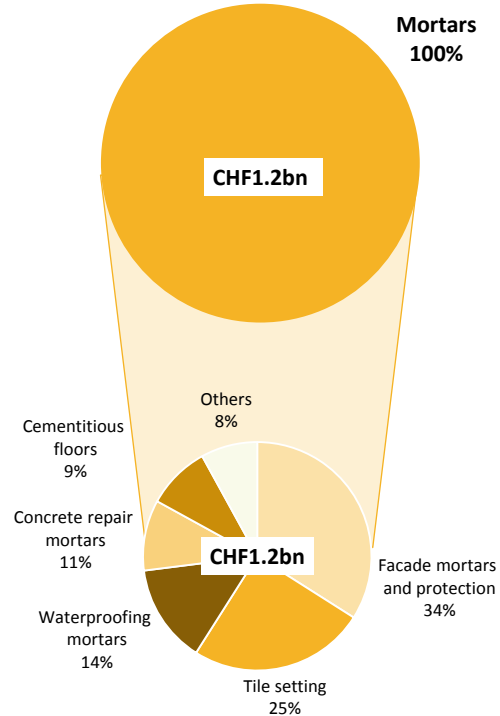
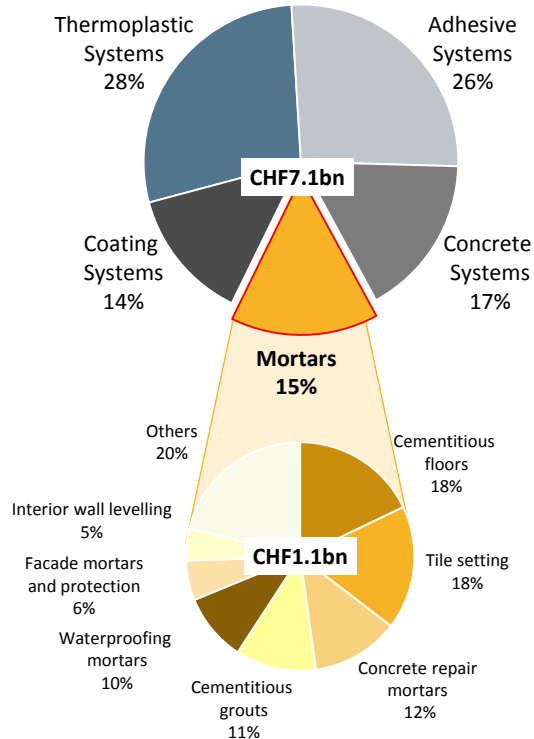


... and EBITDA growth (in EUR mn)

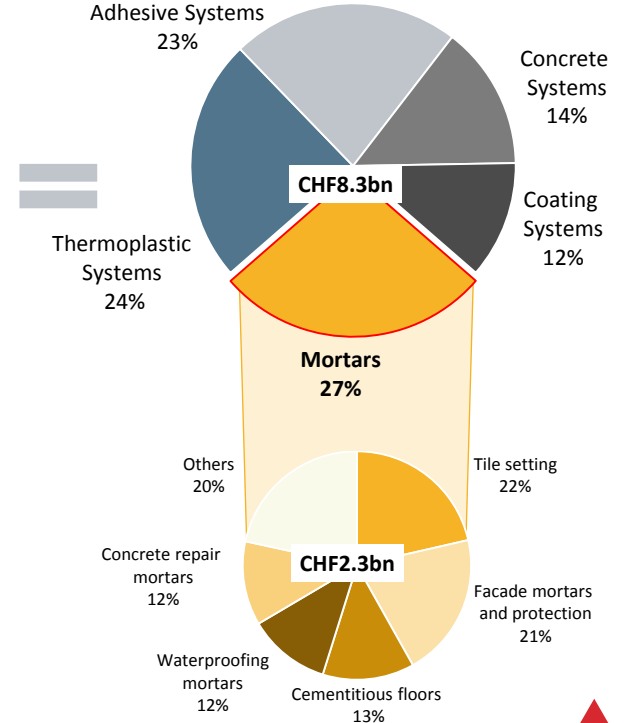


TRANSACTION RATIONALE

EXPAND HIGHLY PROFITABLE MORTAR BUSINESS



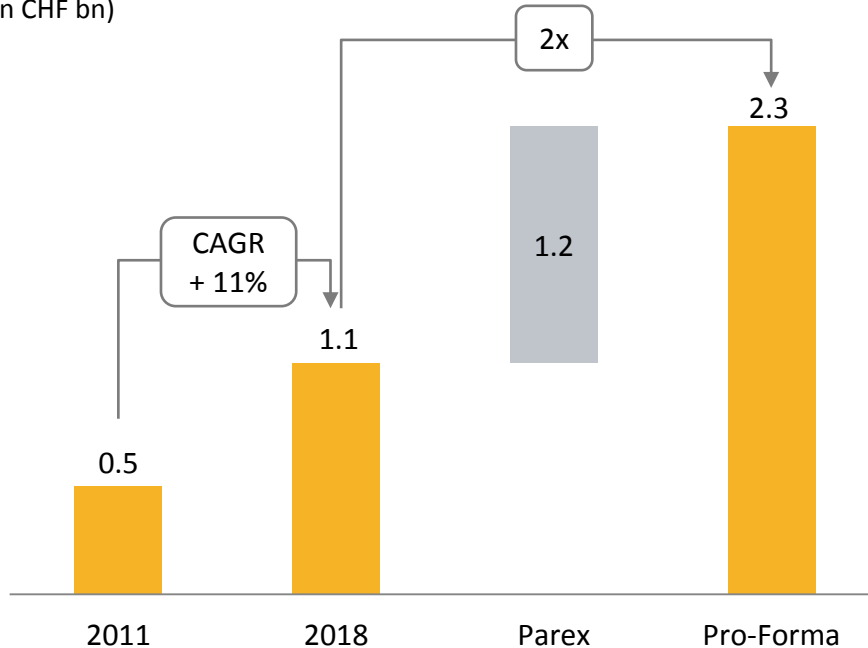
Combined



TRANSACTION RATIONALE

SIKA AND PAREX COMBINED - GLOBAL PLAYER IN MORTARS

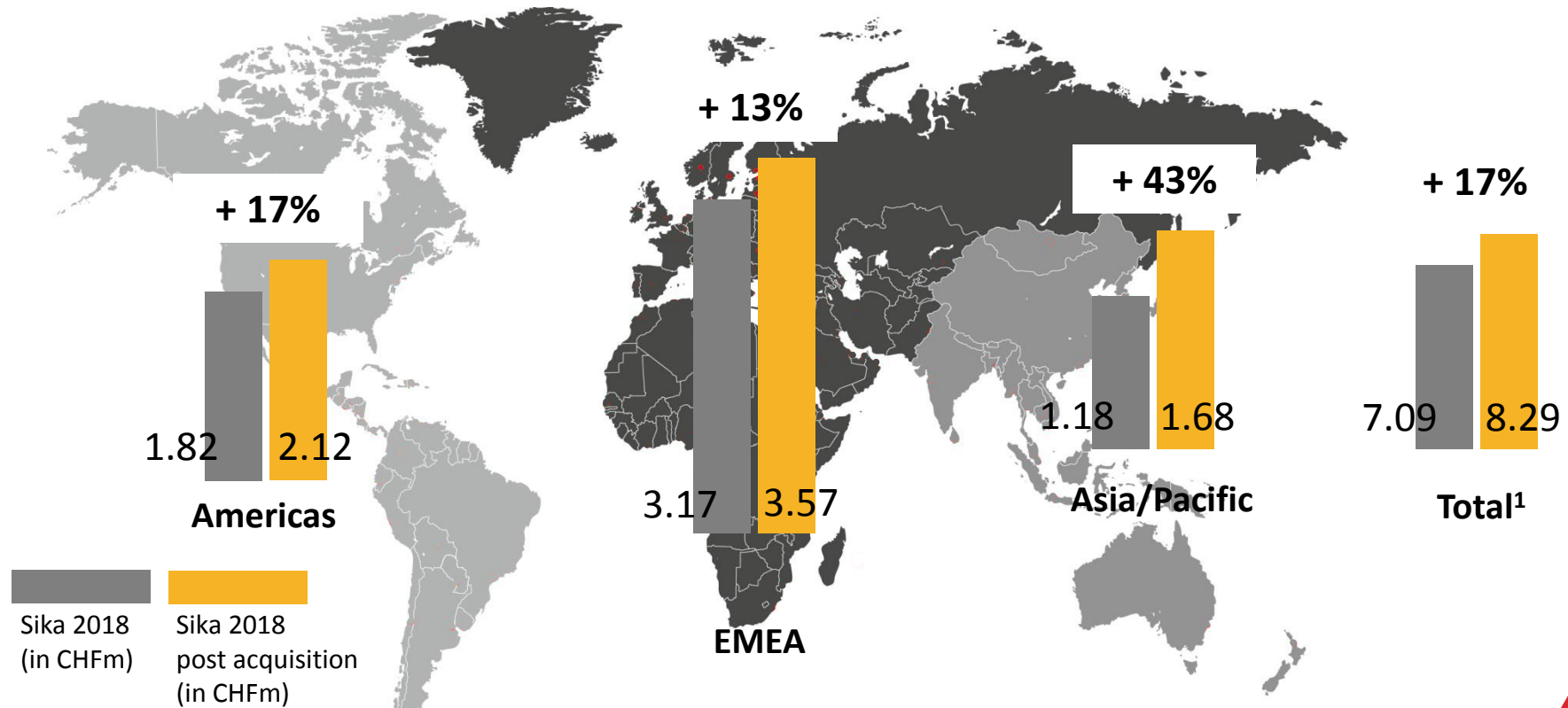
Double sales in mortars and significantly increase expertise in key technology
(in CHF bn)



- Mortar is a key growth technology for Sika and one of its most important earnings contributors
- In line with past acquisitions (Akzo Nobel Building Adhesives, Everbuild etc.)
- Significant expansion of our capacity opening 24 new factories since 2011 and 11 acquisitions including 12 factories
- Acquisition of Parex more than doubles Sika's mortar business
- Sika will become one of the global top 3 players in mortars / refurbishment with complete offering and expertise across the full building life cycle

TRANSACTION RATIONALE

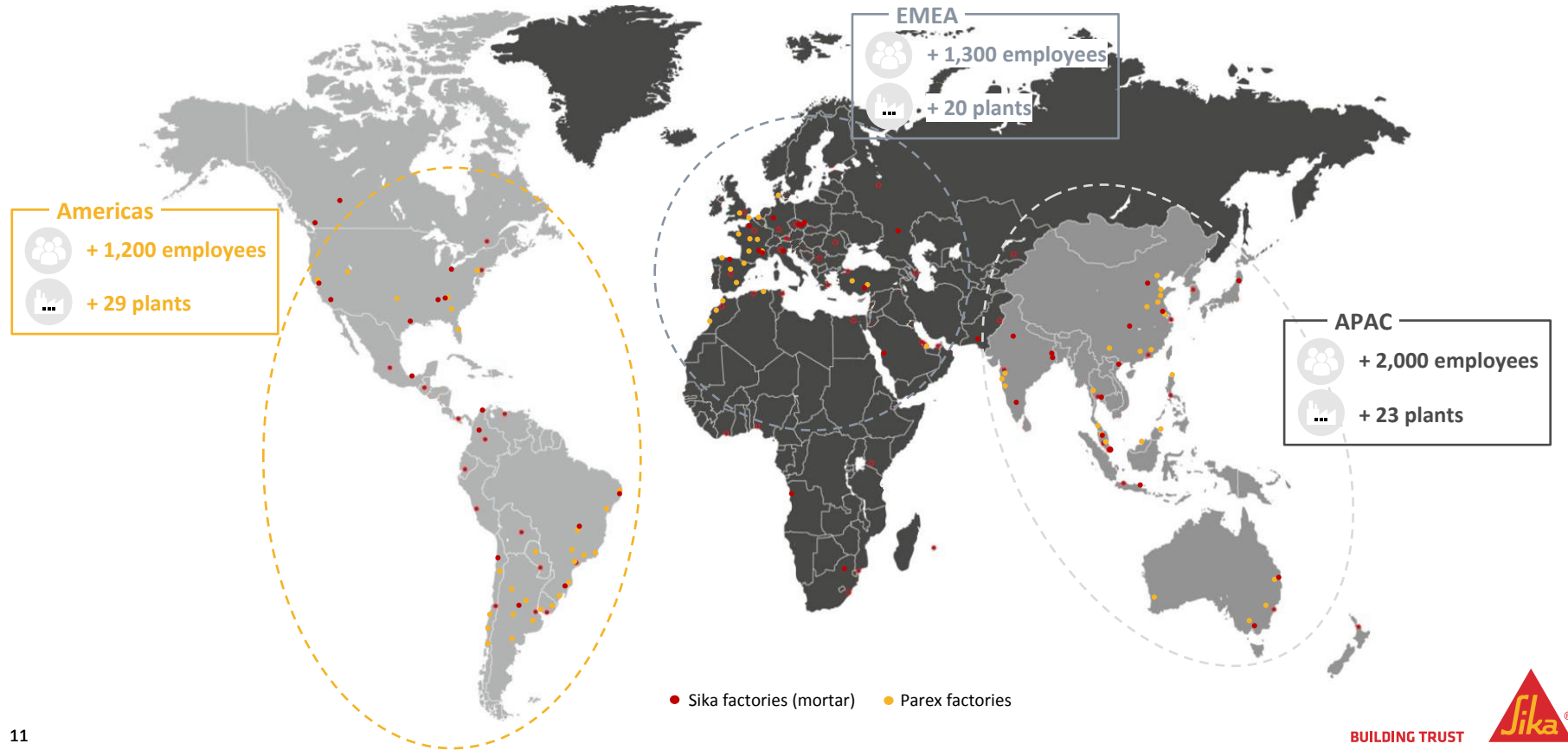
STRENGTHENING ACROSS ALL REGIONS



Note:

TRANSACTION RATIONALE

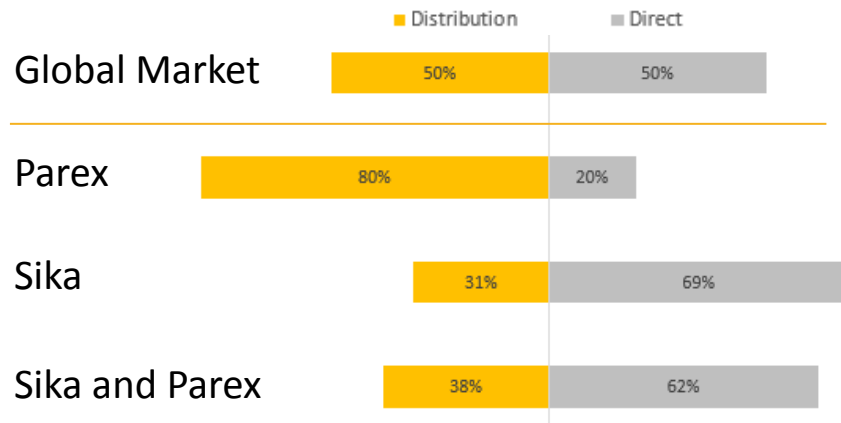
BROADEN GLOBAL PRODUCTION FOOTPRINT



SIKA AND PAREX COMBINED

CHANNEL COMPLEMENTARITY – 80% SALES IN DISTRIBUTION (SIKA: 31%)

- Cross-selling opportunities through access to new sales channels for construction chemicals:
 - Sika gains access to extensive distribution network of Parex
 - Parex gains access to Sika's well established direct sales channel / product range



SIKA AND PAREX TECHNOLOGY

MANY SYNERGIES FROM COMPLEMENTARY APPLICATIONS

Traditional



Traditional
PAREX
Building expertise, together

Sika Traditionally Strong in Engineered Mortars



Example
Cementitious Precision Grout
SikaGrout 212

- Low shrinkage
- High durability
- Low heat build-up
- Excellent pumpability
- Superior freeze/thaw resistance

Parex Traditionally Strong in Facade Mortars



Example
Thermal Insulation (Facade)
Cotegran 3D + Coteterm Systems

- Hydrophobic
- High durability
- Excellent finishing
- Lightweight
- Machine and manual application

EXAMPLE FRANCE

HIGH PRODUCT AND CHANNEL COMPLEMENTARITY

Highly complementary applications



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

Turnover 2017: CHF 290m



- Facade systems
- Rendering mortars
- Tiles setting materials

Turnover 2017: CHF 260m

Well Known Products and positioning in distribution



- 50% sales through distribution with focus on: Sealing & Bonding, technical mortars, Waterproofing
- Tile Setting products sold only via specialized dealers not via builders merchants



- 90% sales through distribution with focus on: mortars and facade systems
- Tile Setting products sold via builders merchants

**Strong combined growth platform:
CHF 550m**

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 2017: CHF 225m



- Waterproofing systems
- Tile setting materials
- Facade systems

Turnover 2017: CHF 275m

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 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 500m**

EXAMPLE USA

FACADE AND TILE SYSTEMS AS NEW GROWTH PLATFORMS



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

Turnover 2017: CHF 995m



- Façade mortars/stuccos
- EIFS
- Tiles setting materials

Turnover 2017: CHF 125m

- Expand factory footprint for mortars with Parex plants in Florida, California, New York and New Mexico
- Parex's Façade/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 1,120m

EXAMPLE LATIN AMERICA

HIGH COMPLEMENTARITY IN KEY MARKETS



- Technical Mortars, Tile Adhesives
- Industrial Flooring
- Roofing & Waterproofing
- Sealing & Bonding

Turnover 2017: CHF 590m

PAREX
Building expertise, together



- Tiles setting mortars
- Facade systems
- Rendering mortars

Turnover 2017: CHF 180m

- Parex's strong position in Facade Mortar and Tile Adhesive business fills important gap for Sika
- Sika footprint in all of Latin America will multiply Parex business into new Latin American countries
- Sika and Parex with strong footprints in distribution channels with little overlaps
- Brand differentiation as opportunity to enter new sales channels and to do more targeted positioning/sales pricing



Leading position in construction chemicals in Latin America:

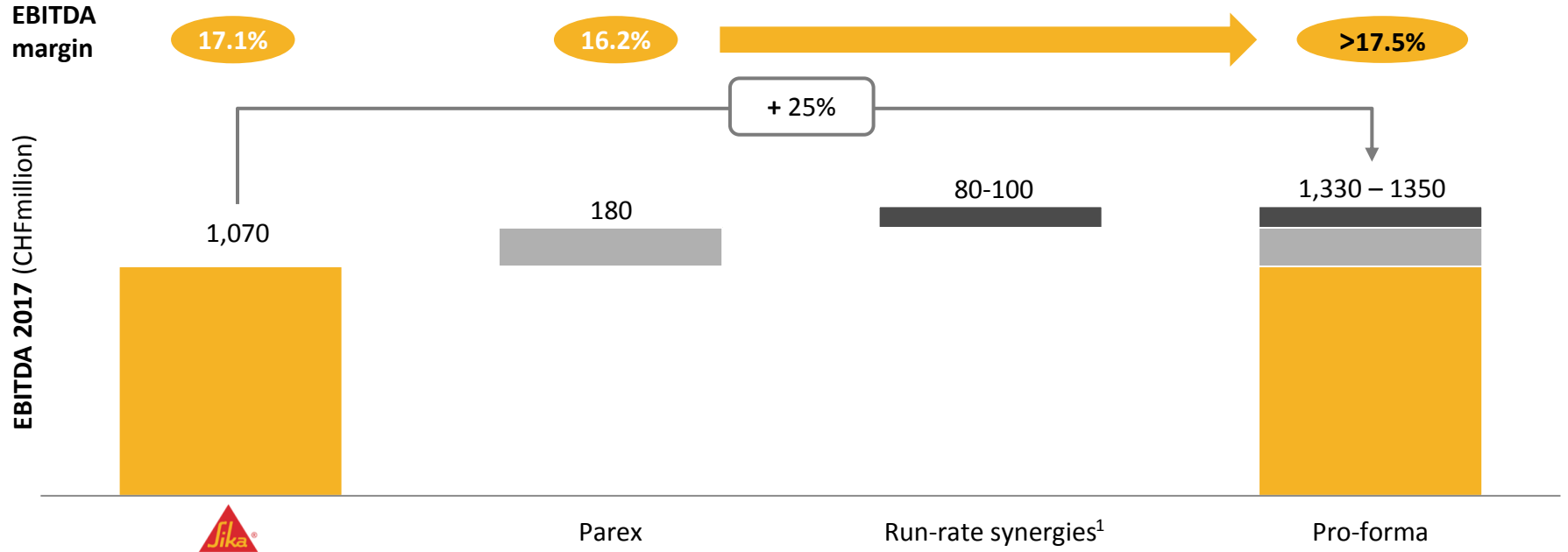
CHF 770m

FINANCIAL CONSIDERATIONS

- Financial parameters
 - Enterprise value of CHF 2.5 billion
 - Annual synergies of CHF 80 – 100 million expected
 - 11.3x EV / pro forma EBITDA 19E multiple, less than 8.5x EV / EBITDA incl. full run-rate synergies
 - EPS accretive from first full year post closing
- Financing
 - Bridge loan facility over full amount committed by UBS/Citi
 - Immediate repayment of existing senior facilities
 - Long-term funding over combination of cash-on-hand, bank loans and capital market instruments
 - Commitment to maintain strong investment grade rating

FINANCIAL BENEFITS FROM TRANSACTION

SYNERGIES TO DRIVE SUSTAINABLE MARGIN ENHANCEMENT



Note:

¹ Based on 2017 actuals, full run-rate revenues and cost synergies (EBITDA contribution) once fully phased in

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

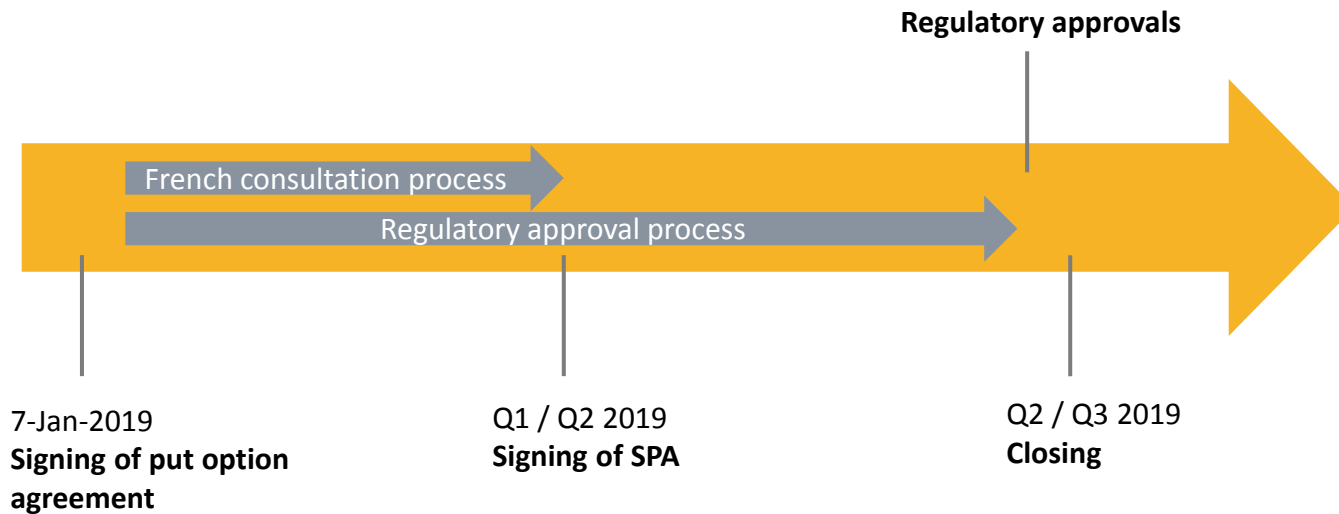
Cost synergies

- 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

TENTATIVE TIMELINE TO CLOSING



SUMMARY: STRONGER AND MORE COMPETITIVE

- Bringing two growth engines together
- Product offerings are highly complementary. No overlaps in sales channels
- Strong player in construction chemicals and industrial adhesives with sales in excess of CHF 8 billion
- Excellent footprint with more than 300 factories in 101 countries
- First mover in emerging markets with strong local presence
- Strong global brands with broad product range
- Entrepreneurial company culture with more than 24,000 employees
- Enhanced growth and margin profile, strong cash generation
- Accretive and value enhancing





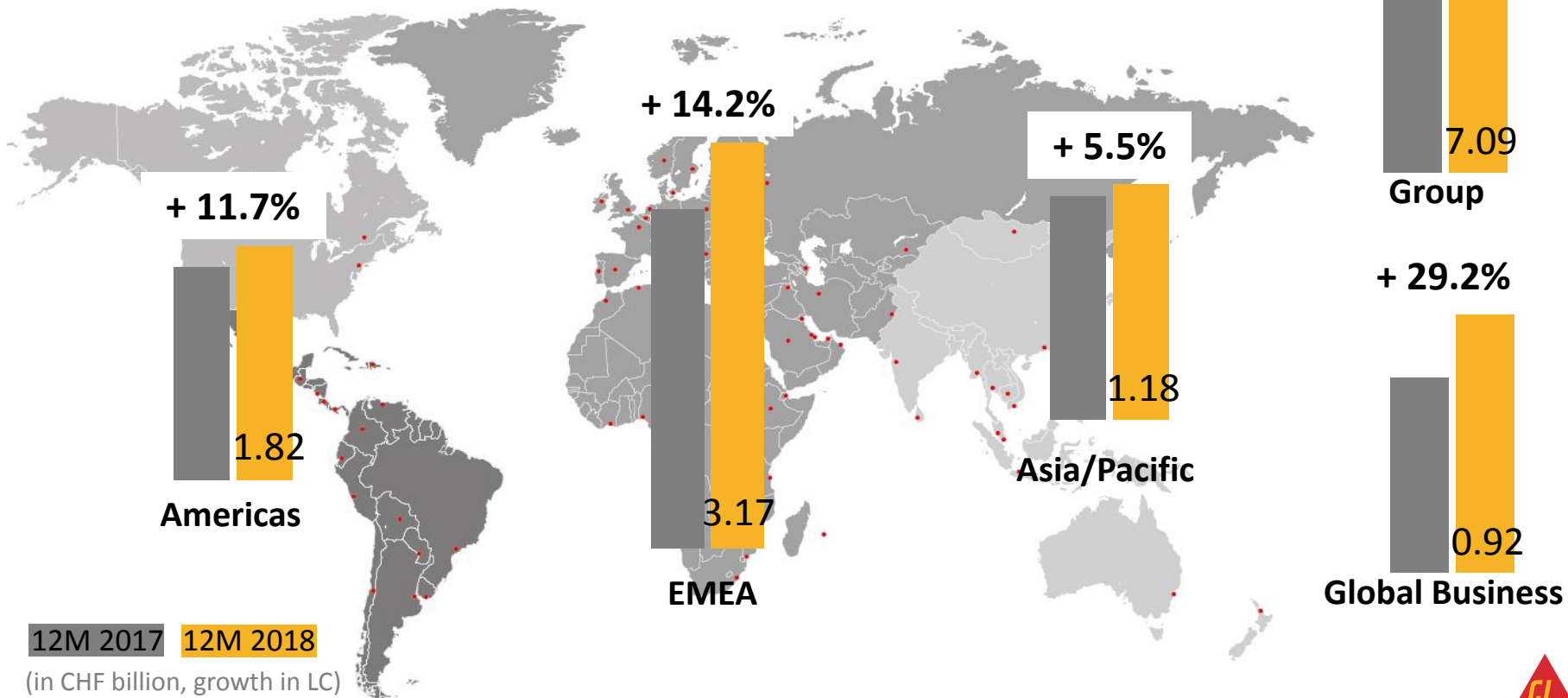
QUESTIONS?

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STRONG GROWTH MOMENTUM CONTINUES

13.7% SALES GROWTH (13.4% IN CHF) IN 2018



12M 2017 12M 2018

(in CHF billion, growth in LC)

STRONG OUTLOOK FOR 2019

CONTINUATION OF SUCCESSFUL GROWTH STRATEGY

- Volatile and rising raw material prices will continue to be a challenge
- For business year 2018, a record EBIT in the range of CHF 940 million to 960 million expected
- For business year 2019, sales increase in line with Growth Strategy 2020 targets of 6 to 8% and an over-proportional rise in profits expected
- Depending on the closing date of Parex transaction, sales expected to exceed CHF 8 billion

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- 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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