



STRATEGY 2023

PAUL SCHULER
CEO
SIKA CAPITAL MARKETS DAY 2019

BUILDING TRUST



ACHIEVEMENTS SEPTEMBER 2019

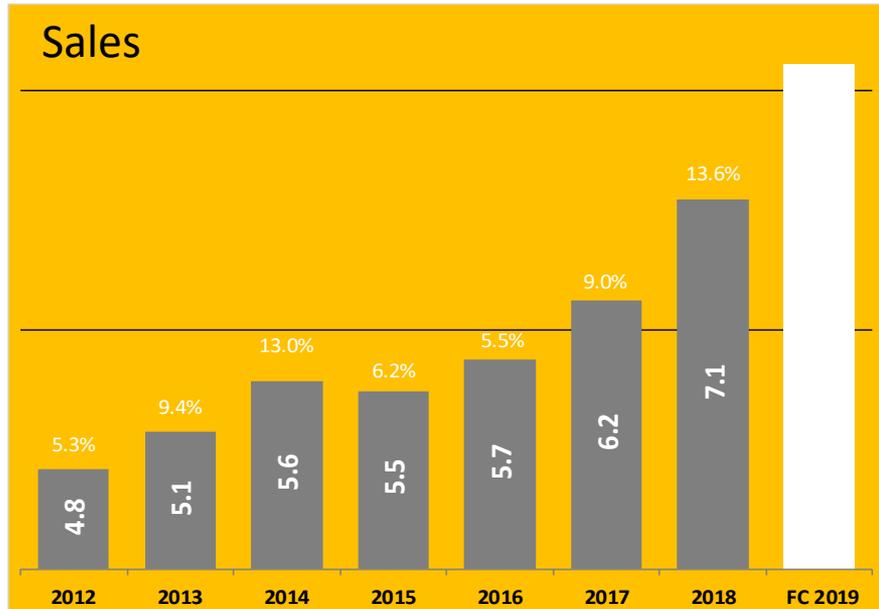
ON TRACK TO MEET AMBITIOUS TARGETS

BUILDING TRUST

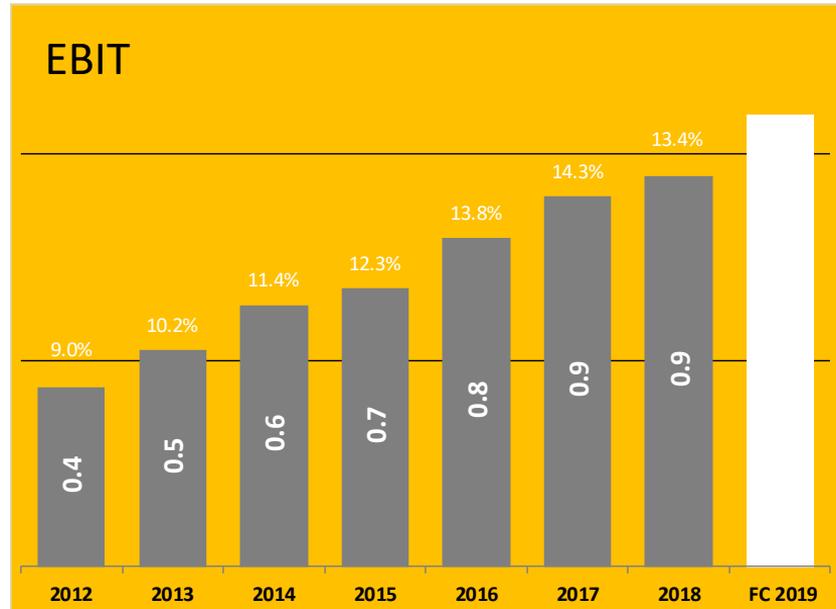


STRONG TOPLINE GROWTH AND EBIT GROWTH IN THE LAST YEARS

PERFORMANCE FROM 2012 TO 2019

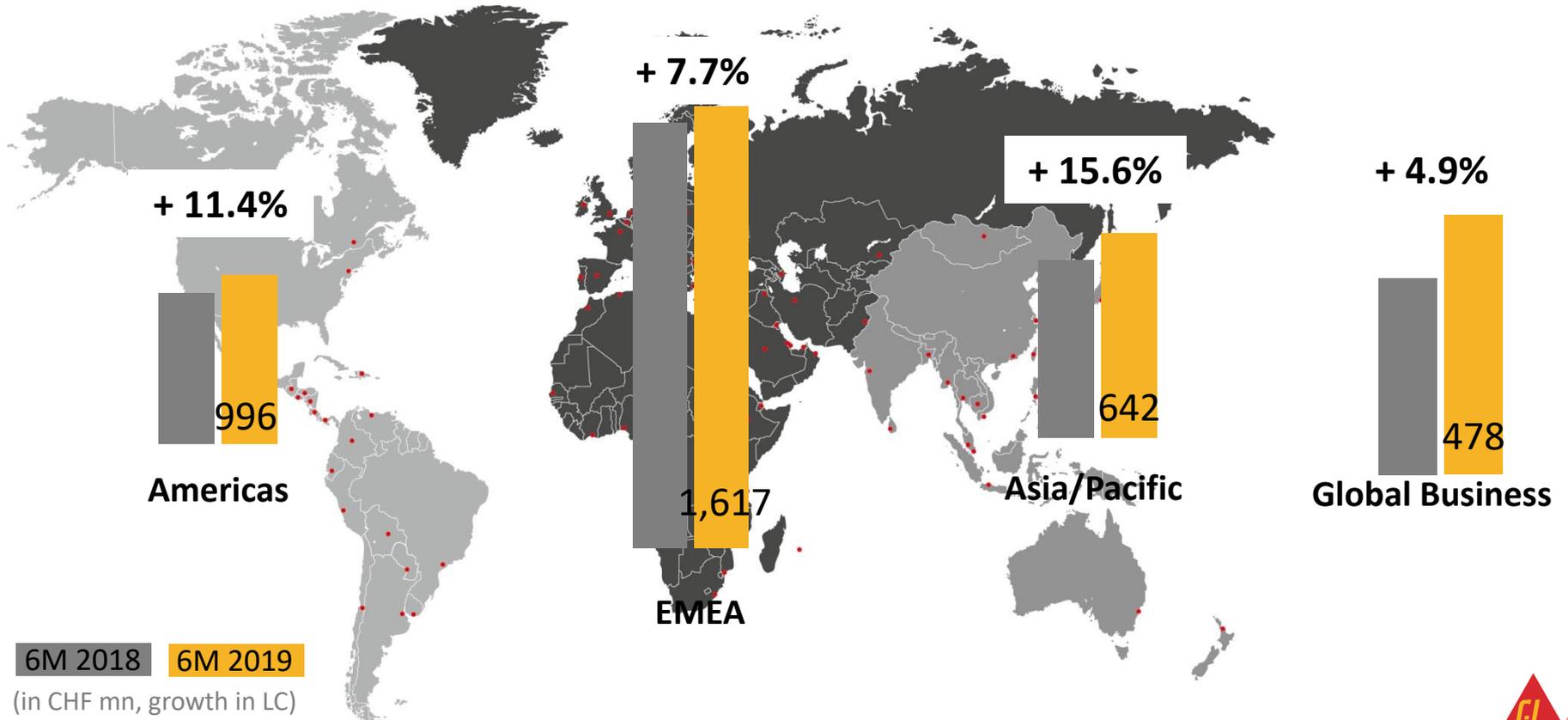


(in CHF mn, growth in LC)



STRONG GROWTH MOMENTUM CONTINUES IN 2019

9.6% SALES GROWTH (7.6% IN CHF) IN FIRST 6 MONTHS



6M 2018 6M 2019

(in CHF mn, growth in LC)

HIGH OPERATING SPEED CONTINUES IN 2019

INVESTMENTS IN NEW PLANTS

Opening of Sika plants:

- Mortar plant in Senegal
- Expansion of mortar plant in Egypt
- Concrete admixture plant in Qatar
- Expansion of mortar plant in Serbia
- Mortar plant in Cameroon

(Dakar, March 2019)

(Alexandria, April 2019)

(Doha, May 2019)

(Belgrade, July 2019)

(Douala, September 2019)



New plant in Senegal



Doubling mortar capacity in Egypt



New plant in Cameroon

HIGH OPERATING SPEED CONTINUED IN 2019

4 ACQUISITIONS IN 2019 – INTEGRATION ON TRACK

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

Total annual sales: CHF 1,338 million



King Packaged Materials Company



Belineco



Crevo-Hengxin

FAST AND SUCCESSFUL INTEGRATION OF PAREX EXCELLENT PROGRESS

TOTAL SYNERGIES

CHF 100 million
identified

FAST ORGANIZATIONAL INTEGRATION

Over 15 countries in
fully integrated
management
structures

PROCUREMENT

CHF 12 million
savings estimated

CROSS-SELLING

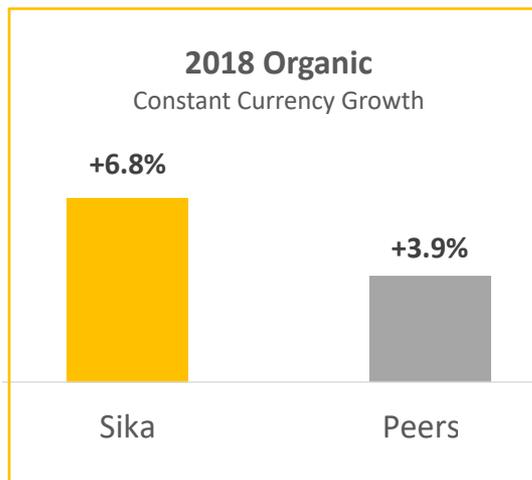
CHF 230 million of
revenue targeted
with over 100
projects

First **SHOP IN SHOP**
concept launched in China
in **1,500 STORES**



WE CLEARLY OUTPERFORM OUR COMPETITORS

ORGANIC GROWTH IS 3% POINTS ABOVE PEERS IN THE PAST YEARS



STRATEGY 2023

BUILDING THE FUTURE

BUILDING TRUST



STRATEGY 2023

- Keep and build on the success story
 - Values and Principles
 - Sales driven organization – decisions close to the customers
 - Target Market concept remains
 - Focus on the current 5 key Technologies
 - Market Penetration and Emerging Markets as growth drivers
 - Drive Innovation to stay the clear market leader and drive growth and margins
 - Maintain acquisition strategy as a growth platform
 - Deliver 6-8% Sales growth and overproportional Ebit growth
- New initiatives
 - Building Finishing as a new (8th) Target Market with high potential
 - Leverage distribution to improve market access and gain market share
 - Operational efficiency to increase margins
 - Sustainability is embeded in what we do

SIKA'S GROWTH STRATEGY 2023

THE PILLARS OF THE STRATEGY

SUSTAINABILITY

Market Penetration

Innovation

Operational Efficiency

Acquisitions

Values

6-8%
annual growth

25%
of sales with new
products

0.5%
pts non-material
cost improvement
as % of net sales

15-18%
EBIT margin
Until 2020: <15%

>10%
Operating free cash
flow per year as % of
net sales

>25%
ROCE by 2023

12% CO₂ emission reduction per ton sold

SUSTAINABILITY

AT THE CENTER OF WHAT WE DO

BUILDING TRUST



SIKA IS COMMITTED TO SUSTAINABILITY

SUSTAINABILITY HAS BEEN THE FOCUS FOR A LONG TIME

- CDP (Carbon Disclosure Project) disclosure since 2007
- Member of UN Global Compact since 2009
- Member of the World Business Council for Sustainable Development since 2010
- «More Value – Less Impact» Strategy developed in 2013
- Reporting according to GRI Standards since 2014
- Sustainability Advisory Board in place since 2016
- Alignment to UN Sustainability Development Goals since 2019
- Materiality analysis with stakeholders conducted on a regular basis
- Sustainability is an integral part of the innovation process and development of new products

OUR SUSTAINABILITY TARGETS

SUSTAINABILITY IN THE CENTER OF WHAT WE DO

- Overall target: **12% CO₂ emission reduction per ton sold**
- Our «More Value Less Impact» targets:

SUSTAINABLE SOLUTIONS

- All new product developments with «Sustainable Solutions» until 2023

COMMUNITY ENGAGEMENT

- 10,000 working days of volunteering work p.a.
- 50% more projects
- 50% more direct beneficiaries

OCCUPATIONAL SAFETY

- 50% less accidents

CLIMATE PERFORMANCE

- 12% reduction of CO₂-emissions per ton sold

ENERGY

- 15% less energy consumption per ton sold
- 50% renewable electricity rate

WASTE/WATER

- 15% less waste generation per ton sold
- 25% higher recycling rate of total waste
- 15% less water consumption per ton sold

MARKET PENETRATION

INCREASE OUR MARKET SHARE TO 12%

BUILDING TRUST



MAJOR MEGATRENDS SUPPORTING SIKA'S GROWTH

NO NEGATIVE DISRUPTION – UNLOCKING FURTHER POTENTIAL

TECHNOLOGY
ADVANCEMENT



EXPLODING
URBANIZATION



ECONOMIC POWER
SHIFT



CLIMATE CHANGE,
SHORTAGE OF
RESOURCES



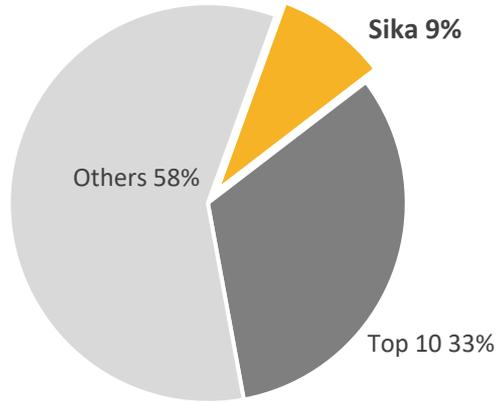
CHANGING
DEMOGRAPHICS



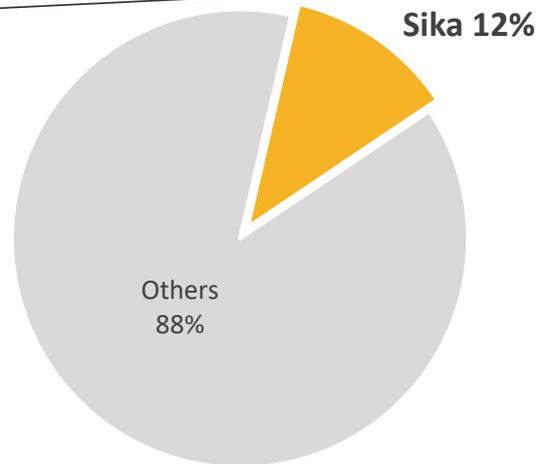
MARKET PENETRATION

CONSTRUCTION CHEMICALS MARKET WILL GROW TO CHF 80 BILLION

Construction chemicals market 2018
Ca. CHF 70 billion

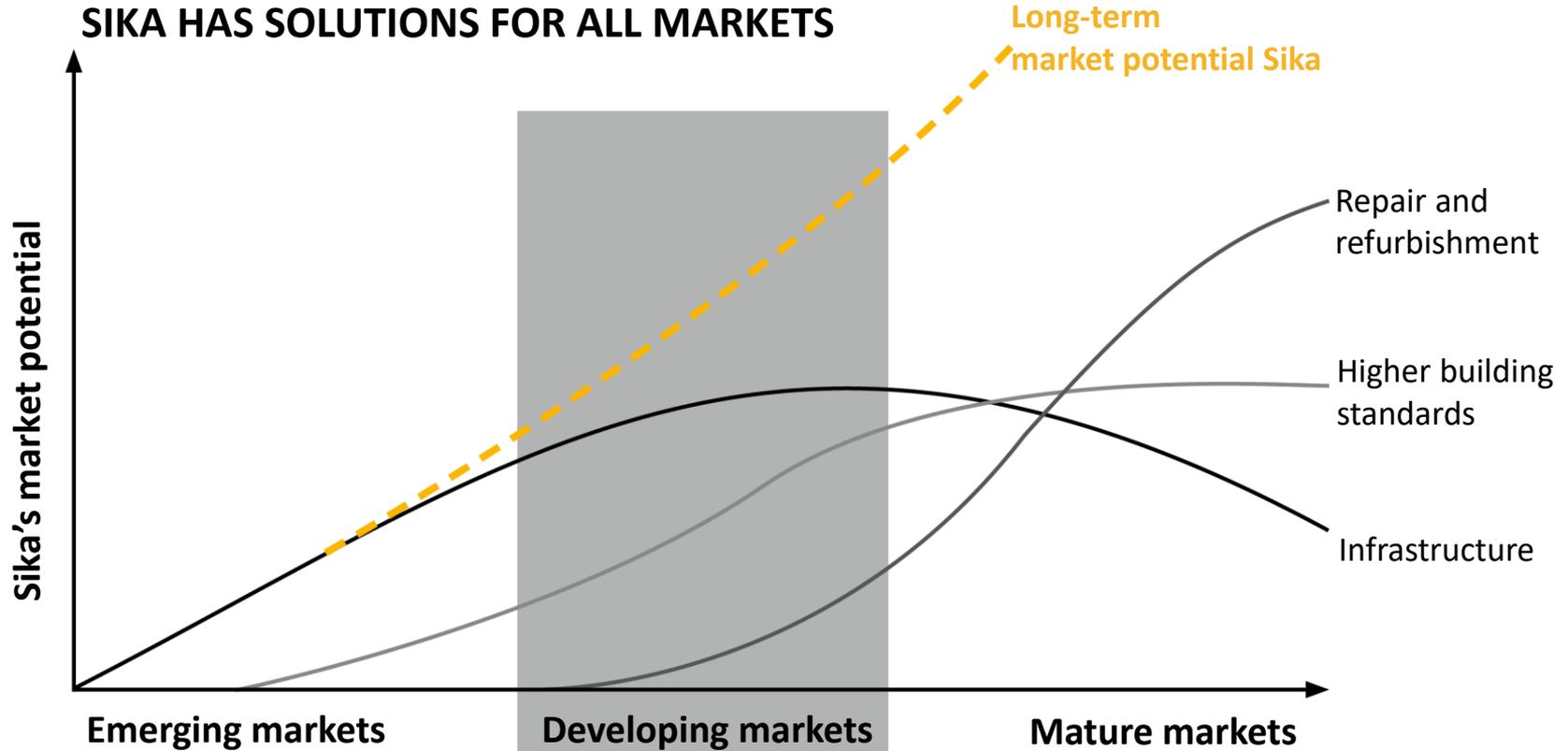


Construction chemicals market 2025
Ca. CHF 80 billion



+2.5% p.a.
market
growth

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



MARKET PENETRATION DRIVER FOR FUTURE GROWTH

Key facts current
market penetration at
Sika

Strong Global Brand

Clear Market Leader

**Solution-driven and
close to customer**

How we
increase
market
share

New Target Market

Building Finishing



Initiatives

1 Emerging Markets



2 Key Project
Management



3 Cross-Selling



4 Channel Penetration



MARKET PENETRATION

BUILDING FINISHING AS OUR 8TH TARGET MARKET

Concrete



Waterproofing



Roofing



Building Finishing



Flooring & Coating



Sealing & Bonding



Refurbishment



Industry



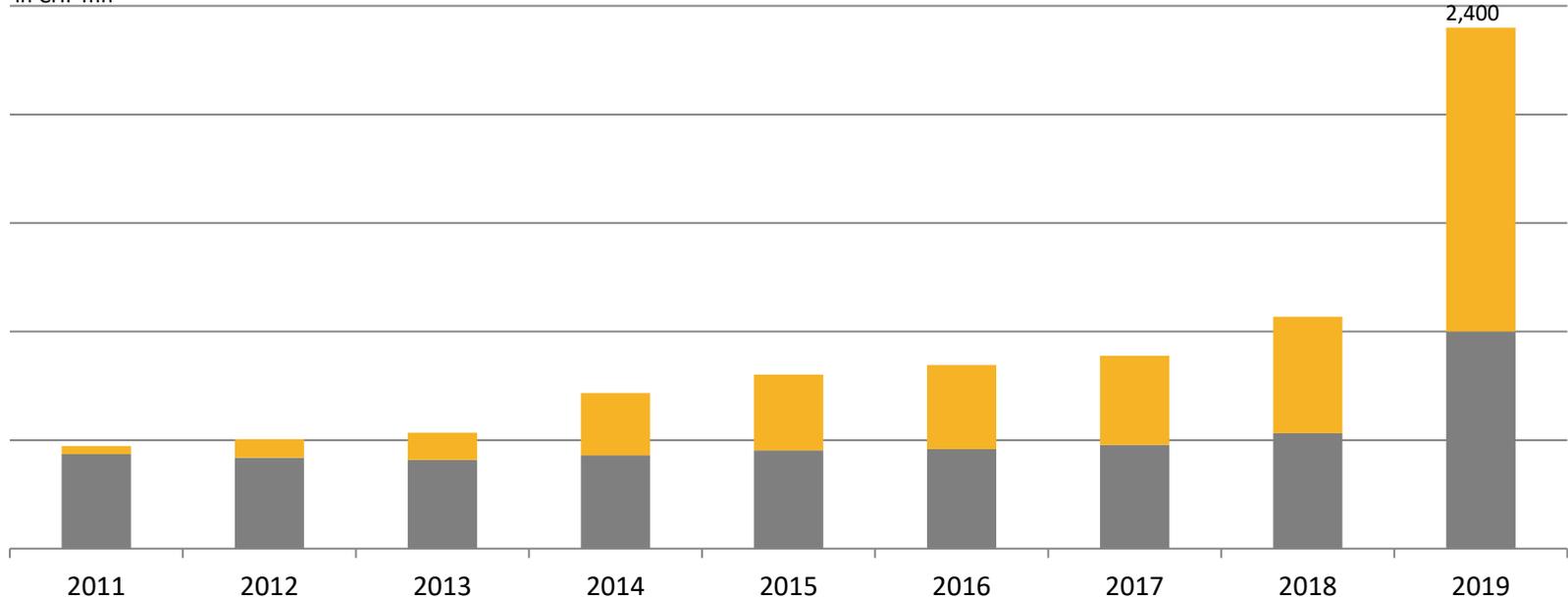
MARKET PENETRATION

DEVELOPMENT IN BUILDING FINISHING 2011 TO 2019



■ Building Mortars ■ Engineered Mortars

in CHF mn



BUILDING FINISHING WITH STRONG EXPOSURE TO REFURBISHMENT

Technical Mortars / Other Sika Target Markets



Highly-technical building and infrastructure projects



Direct sales to large contractors and concrete producers, where an engineer is the key decision maker

Building Finishing – Tile Adhesives and Facade Mortars



Residential and light commercial focus

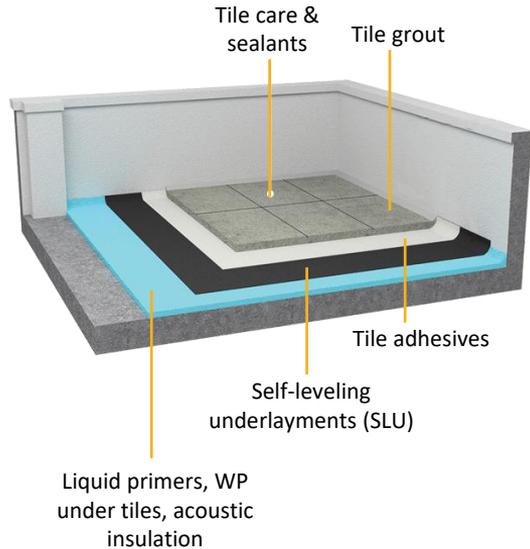


Need for capillary distribution network to serve highly fragmented applicator base

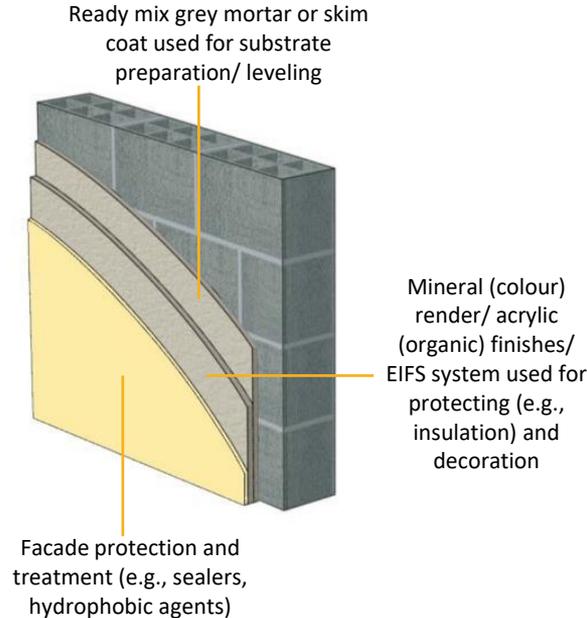
BUILDING FINISHING

3 SYSTEMS COMPRISE THE BUILDING FINISHING TARGET MARKET

Tile Setting Materials (TSM)



Facade Solutions



Interior Walls



MARKET PENETRATION – EMERGING MARKETS

GROWTH THROUGH RISING PENETRATION AND SOPHISTICATION



- Sika as early mover in frontier markets
- Early opportunities due to high infrastructure build-up
- Increasing penetration of higher end solutions over time
- Increasing regulations and sophistication driving further growth
- Build 3-5 new subsidiaries

Higher penetration and growth opportunities

Example premixed vs jobsite mortars

>90% pre-mixed mortars in developed markets

<30% in emerging markets, majority is still jobsite mixed

Opportunities in infrastructure build-up

Infrastructure spend

>25% Infrastructure spend as % of total construction spend in emerging markets

<15% Infrastructure spend as % of total construction spend in mature markets

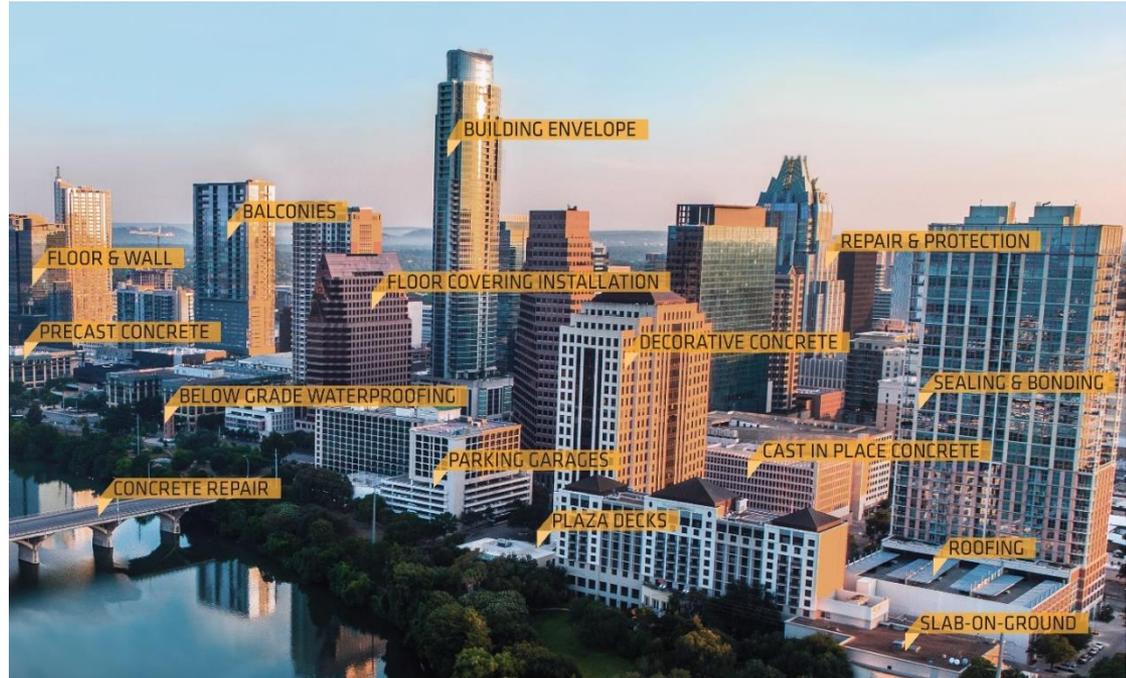
MARKET PENETRATION – CROSS-SELLING INCREASE PROJECT PENETRATION

- Sika is the only “full range” offering construction chemicals company: from below ground to the roof
- Cross-selling with opportunities in all Target Markets
- Set up organization to coordinate and increase project penetration

PROJECT SALES AS % OF
CONSTRUCTION SPEND

Estimated average: 0.5%

Estimated additional potential: 1-2%

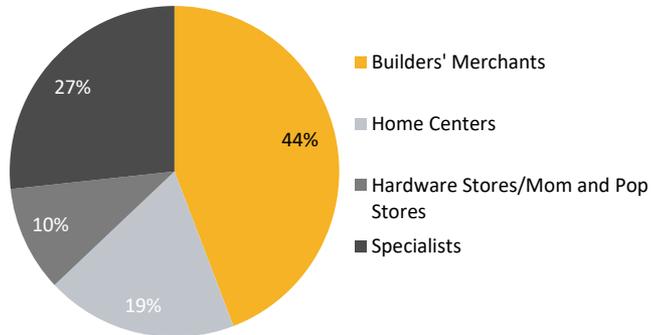


MARKET PENETRATION – CHANNEL PENETRATION

DISTRIBUTION: LARGE POTENTIAL TO GROW

■ Distribution ■ Direct

Global Channels



4 main Distribution channels with growth opportunities

➔ through increased penetration of **physical stores**

➔ build-up of online channel with **CHF 100 million** sales by 2023

Global Markets

53% 47%

Sika 2015

31% 69%

Sika and Parex

38% 62%

Sika 2023

> 40% < 60%

Sika is present in **101** countries, of which today **40** countries mainly focus on project and direct sales and generate **< 30%** of sales via **Distribution channel**

INNOVATION

MORE PERFORMANCE – MORE SUSTAINABLE

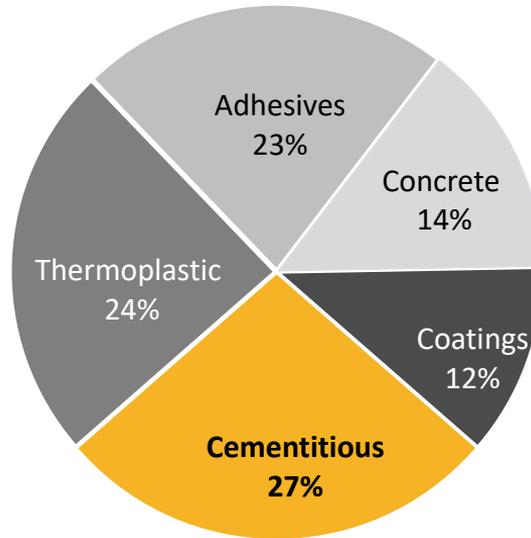
BUILDING TRUST



SIKA'S 5 CORE TECHNOLOGIES

KEY INNOVATION MOVES 2023

- Launch first new basic PU with unique performance
- New Sika Hybrid Technologies
- Expand Adhesion Range



- Launch of best in class membrane
- Thermoplastic-concrete hybrid
- PE concrete fibers, hybrid bitumen

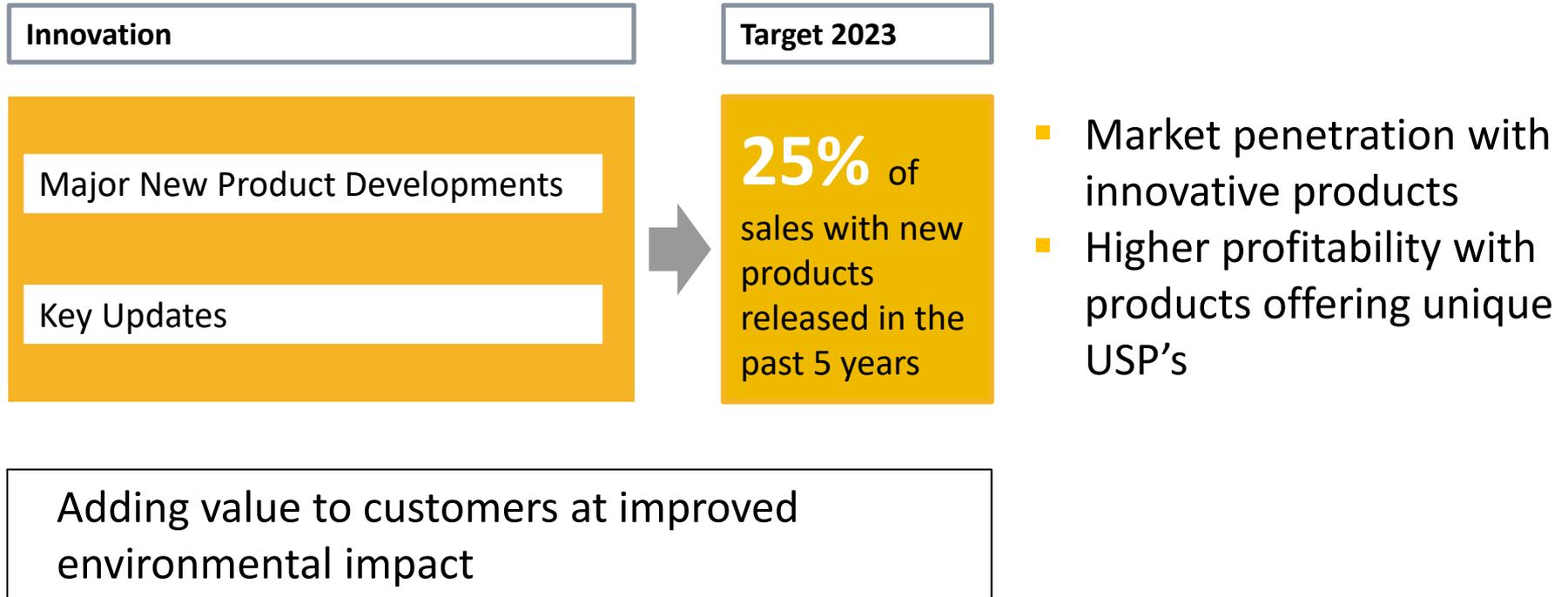
- Next generation concrete additives
- Industry leading cement additives
- 3D concrete printing

- Novel patented building blocks
- Performance Water-based coatings

- High performance mortars
- Novel additives + mortar knowhow
- Low cement mortars

25% OF SALES WITH NEW PRODUCTS

INNOVATION AS KEY GROWTH AND PROFIT DRIVER



INNOVATION – INCREASED FOCUS ON PRODUCT SUSTAINABILITY

MORE PERFORMANCE, MORE SUSTAINABLE

SUSTAINABLE SOLUTION = BETTER PERFORMANCE + SUSTAINABILITY BENEFITS

PERFORMANCE SOLUTION

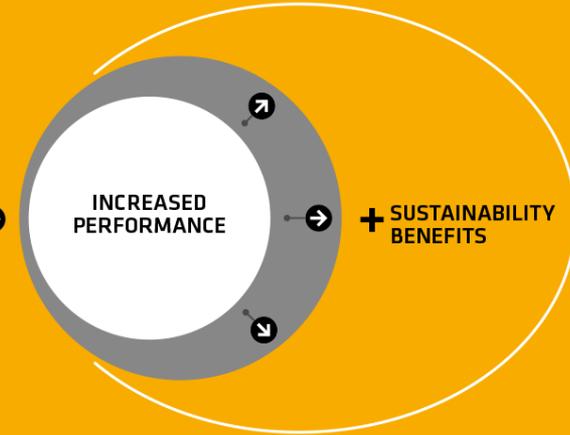


FOCUS ON ADDED VALUE

ALWAYS COMBINE SIKA PROVEN
"VALUE THROUGH PERFORMANCE"
WITH ADDED SUSTAINABILITY
BENEFITS



PERFORMANCE AND SUSTAINABILITY SOLUTION



INNOVATION – INCREASED FOCUS ON PRODUCT SUSTAINABILITY

NEW SOLUTIONS: MORE PERFORMANCE, MORE SUSTAINABLE



HYDROFLEX SEALANTS

Better stretchability, adhesion
and application properties
+
Excellent Health & Safety
profile, low VOC emissions
(EC1+)



NEW EPOXY FLOOR COATINGS

Improved blushing resistance,
significantly reduced yellowing
+
Low VOC emissions,
low odor, LEED v4 contribution



HEMP BASED MORTARS

Thermal and phonic insulation
benefits, very easy to apply
+
Negative CO₂ footprint
(renewable), optimum interior
air comfort

INNOVATION THROUGH A UNIQUE COMBINATION OF HIGHER PERFORMANCE AND MARKEDLY IMPROVED SUSTAINABILITY

INNOVATION

NEW CONSTRUCTION – 3D PRINTING, DIGITAL CONSTRUCTION

Construction only incremental innovation BUT no revolution



Automotive Industry in the third industrial revolution



What is the future?

Increase functionality

- Design flexibility
- Enhance aesthetic, product customization
- Smart building
-

Decrease costs

- Cheaper materials
- Cheaper formulations
- Cheaper production
- ...

Functionality

OR

Cost

Value=

CHF 2 BILLION EXPECTED GROWTH OF DIGITAL CONSTRUCTION IN THE NEXT FIVE YEARS

SIKA'S INVESTMENTS FOR THE FUTURE

3D TechCenter



Process development
Architecture projects
Life demo for clients

Digital Lab



Product development
Robotics
Global 3D services

3D Lab



Customization of inks
Standards and tests

OPERATIONAL EFFICIENCY
MORE THAN OPERATING LEVERAGE

BUILDING TRUST



OPERATIONAL EFFICIENCY

ACTUAL SITUATION VS FUTURE APPROACH

Sika's footprint significantly expanded since 2015

+ 11
subsidiaries

+ 116
factories

> 7,000
employees

+ 24
acquisitions

To increase operational efficiency
we focus on the following areas



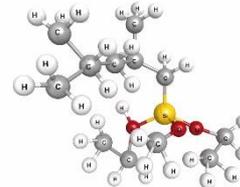
Operations /
Factory Efficiency



Logistics



Procurement



Formulation
Efficiency



Sales and admin
costs in %

0.5% savings expected per year

OPERATIONAL EFFICIENCY - AUTOMATION OPERATIONS / FACTORY EFFICIENCY

AUTOMATION TO DRIVE PRODUCT EFFICIENCY



- Sika US investing in automation equipment for its roofing membrane line
 - New automated packaging line featuring robotic palletizer to be installed in late 2019
- ➔ Labor efficiency to **improve by 40%** with automated process

AUTOMATED GUIDED VEHICLE FOR WAREHOUSING



- Driverless fork trucks for shipping warehouses
- Sika US to invest in this technology in second half of 2019

AUTOMATION TO DRIVE PRODUCT EFFICIENCY

Today



Investment of CHF 1 million in new automation for bottling line

Future



- 3 full time employees
- Expensive, custom, pre-decorated bottles
- 2 shifts to meet demand at 56% equipment efficiency

- **1 full time** employee
- Generic bottles labeled in-process
- **1 shift** at around **70%** equipment efficiency

OPERATIONAL EFFICIENCY AND MARGIN IMPROVEMENT IN SEALING AND BODING



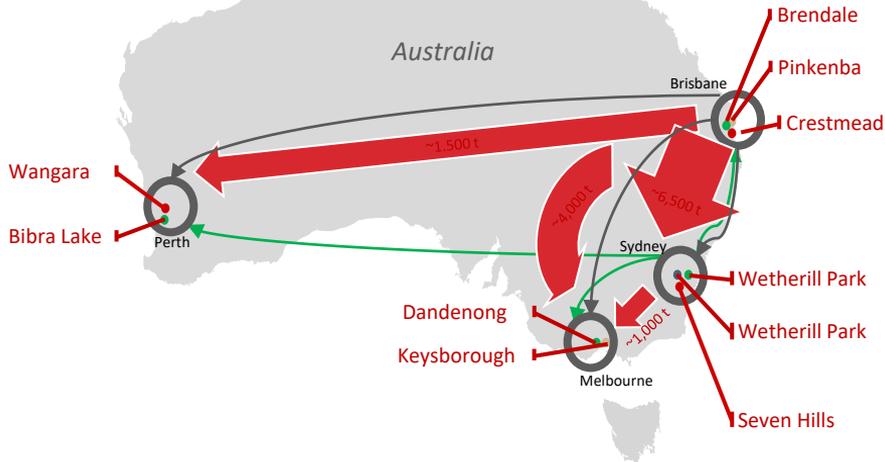
- Sika US investing in a new automated production line that will **reduce cost by 7%** on a critical product for retail market
- New line to be operational in 2020

Total **savings** in the US of **CHF 4.2 mn** from 2020 onwards

OPERATIONAL FOOTPRINT LOOK BEYOND A COUNTRY -

FROM INEFFICIENT PLANTS/ FLOWS & HIGH COMPLEXITY ...

- 10** plants (of which 9 mortar plants)
- 9** FG warehouses
- 45%** utilization
- 15k** t of mortars shipped



... TO 1 MORTAR PLANT PER CITY & EFFICIENT SUPPLY CHAIN

- 6** plants (of which 4 mortar plants)*
- 5-6** FG warehouses
- 67%** utilization
- 2k** t of mortars shipped



OPERATIONAL EFFICIENCIES – PROCUREMENT

HOW TO GENERATE YEARLY SAVINGS

GLOBAL AND SYSTEMATIC APPROACH TO MANAGING PROCUREMENT PROJECTS

OVER 1,700 SAVINGS & RISK REDUCTION PROJECTS IDENTIFIED IN ALL REGIONS



HOW TO INFLUENCE OPERATIONAL EFFICIENCY

LOGISTICS COST OPTIMIZATION

- Professional negotiation with logistic vendors
- Effective contracting
- Close monitoring of service level

SUPPLY CHAIN SIMPLIFICATION

- Involvement during plant location & design phase
- Vendor delivery performance monitoring
- Reduction of supply lead times

ADMIN COST REDUCTION

- Reduction of Purchasing Orders
- Improvement of P2P (Procure to Pay) process

PACKAGING COST REDUCTION

- Development of cost effective packaging sources
- Standardization and reduction of Packaging SKU
- Sourcing of recycled and sustainable packaging

OPERATING NWC

- Systematic approach to vendor PT extension
- Consignment stock agreements

OPERATIONAL EFFICIENCY - FORMULATION EFFICIENCY

DIRECTLY IMPACTING OPERATIONAL EFFICIENCY

Sika is a product solution company = formulations are continuously invented, adjusted and adopted to local customer needs



- > 20,000 active registered formulations
- > 1,200 added every year globally

Formulations



Estimated
1-2% cost
reduction
until 2023

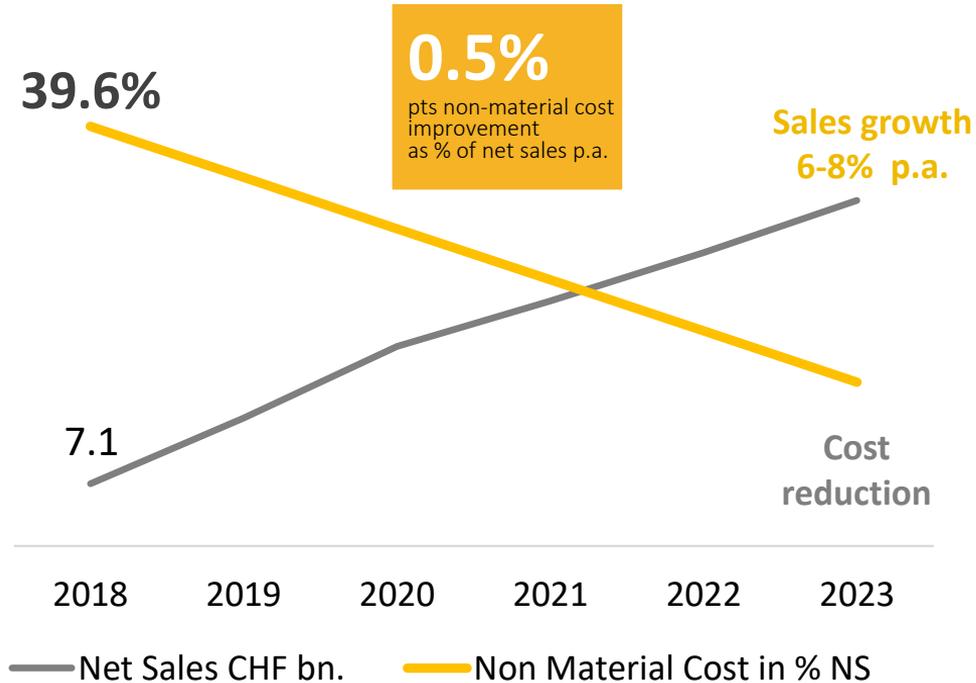


Purchasing	▶ Purchasing power, single source risks
Production	▶ Cost (throughput), robustness, quality
Logistics	▶ Shelf life, transport costs
Product	▶ Over-engineering, final product cost
Application	▶ Ease of application, robustness, speed
Time-to-Market	▶ Know-how to develop quickly & efficiently

Formulations stand at the very beginning of our supply chain, thus influencing the efficiency of production and logistics steps and product cost/performance

OVERALL OPERATIONAL EFFICIENCY

YEARLY IMPROVEMENT



Additional efficiency gains from:

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

ACQUISITIONS

GROWTH PLATFORMS

BUILDING TRUST

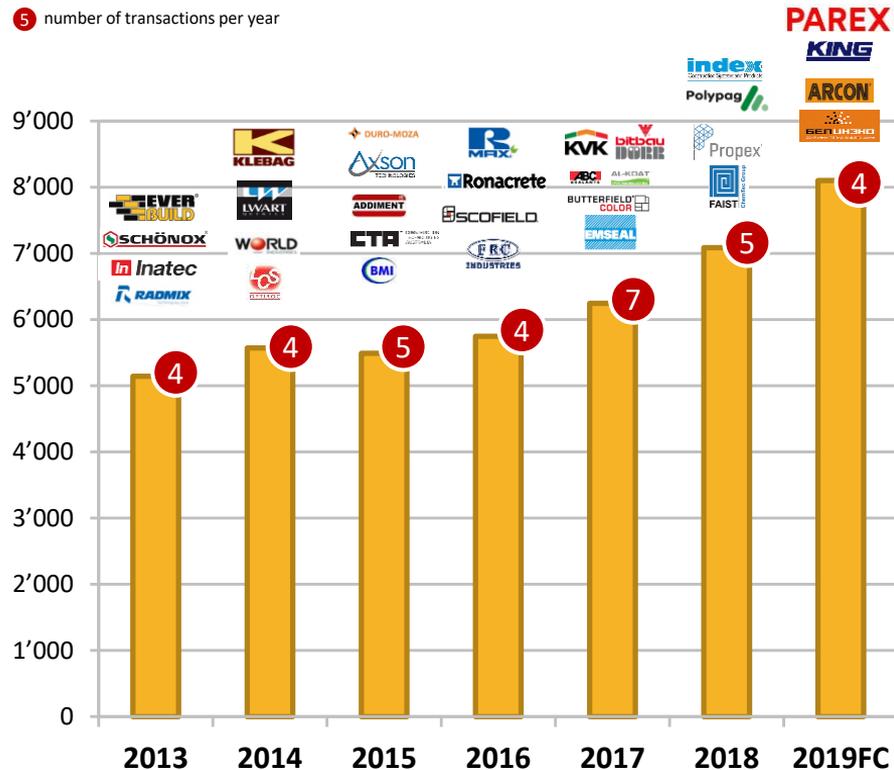


SUCCESSFUL STRATEGIC LEVER

ACQUISITIONS IN THE LAST 7 YEARS

Sika Group Sales in MCHF

5 number of transactions per year



33
acquisitions

Successful
integration

Contribution in 2018
CHF 1.2 bn
Net Sales

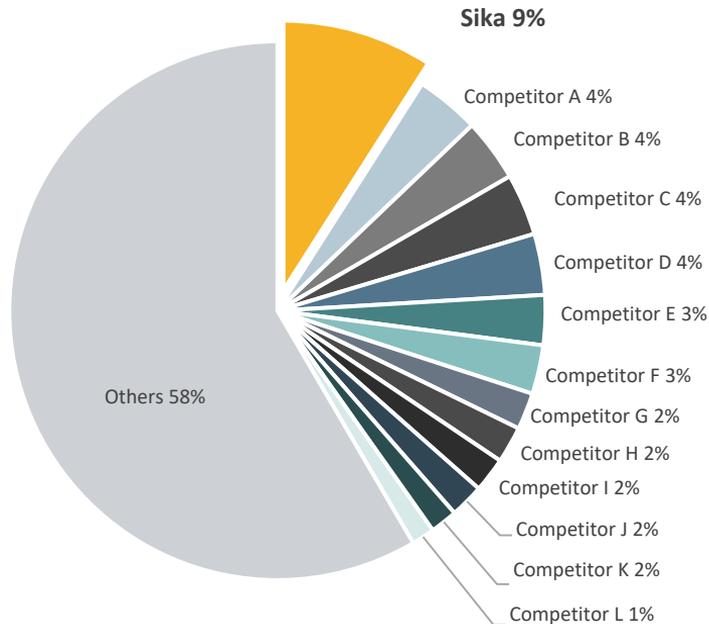
Major **growth driver** enabling market penetration through:

- Market share
- Technology
- Channel access

Clear financial criteria and robust acquisition process

ACQUISITIONS – HIGH MARKET POTENTIAL LARGE, GROWING AND FRAGMENTED MARKET

Construction chemicals market 2018
Ca. CHF 70 billion



- Fragmentation offers acquisition opportunities
- Acquisitions as growth platforms

VALUES AND PRINCIPLES

WHAT WE STAND FOR

VALUES AND PRINCIPLES

WHAT SIKA STANDS FOR



Customer First



Courage for Innovation



Sustainability & Integrity



Empowerment & Respect



Manage for Results

VALUES AND PRINCIPLES

CUSTOMER FIRST

- Think win-win cooperation
- Respond fast to customer's request
- Gain trust by keeping promises and being open
- Provide professional service
- Put yourself into customer's shoes



VALUES AND PRINCIPLES

COURAGE FOR INNOVATION

- Speak freely and listen patiently
- Go new paths and have tolerance for failure
- Actively challenge and accept being challenged
- Consider total innovation of our business; including a diverse workforce to foster innovation
- Benchmark the best within the market



VALUES AND PRINCIPLES

SUSTAINABILITY & INTEGRITY

- Comply with Sika's Code of Conduct
- Reduce carbon footprint with “More Value - Less Impact”
- Act with respect and responsibility
- Walk the talk, keep promises
- Be active in the community
- Put safety first



VALUES AND PRINCIPLES

EMPOWERMENT & RESPECT

- Building trust and allow mistakes
- Delegation with clear objective instead of detail actions. More encouragement and reward
- Think and support decisions in others' position; be prepared and on time
- Talk with the people not about the people
- Give priority to promoting internal staff



VALUES AND PRINCIPLES MANAGE FOR RESULTS

- Leadership/Initiatives
 - Lead by example
- Performance oriented
 - Commitment to targets
 - Transparency in KPIs
- Accountability/Be accountable
 - Clear definition of responsibilities and objectives
- Benchmarking/Best Demonstrated Practice (BDP)
 - Outperform market/competitors
 - BDP in: profitability, market share, financial efficiency



FIRST GLOBAL EMPLOYEE SURVEY 2019

VERY HIGH DEDICATION TO WORK AND IDENTIFICATION WITH SIKA

RESPONSE RATE

- **78%** of Sika
- High participation expresses overall **loyalty to Sika and identification with company**

STRENGTHS

Top ratings for immediate working environment incl. collaboration with superior

- **Job:** Very high sense of responsibility
- **Teamwork:** Very trustful environment
- Strong **customer orientation**



ENGAGEMENT

- Engagement: **86** out of 100
- **Excellent Engagement level across company** with narrow distribution
- Very **high dedication** to work and very **positive identification** with Sika

VALUES

- Top Management lives our values and is a role model
- Majority values and encourages diversity
- Strong ethical culture of transparency



OUR NEW STRATEGIC TARGETS

BUILDING TRUST



SIKA'S GROWTH STRATEGY 2023

THE PILLARS OF THE STRATEGY

SUSTAINABILITY

Market Penetration

Innovation

Operational Efficiency

Acquisitions

Values

6-8%
annual growth

25%
of sales with new
products

0.5%
pts non-material
cost improvement
as % of net sales

15-18%
EBIT margin
Until 2020: <15%

>10%
Operating free cash
flow per year as % of
net sales

>25%
ROCE by 2023

12% CO₂ emission reduction per ton sold



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.

For marketed products discussed in this presentation, please see information on our website: www.sika.com

All mentioned trademarks are legally protected.