

# STAKEHOLDER LETTER NINE MONTHS

# 2023

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# STAKEHOLDER LETTER

## SALES RISE BY 12.4% THANKS TO MBCC ACQUISITION – SIGNIFICANT PROFITABILITY INCREASE IN Q3

- Sales of CHF 8,449.2 million (+5.6% in CHF) after nine months of the fiscal year
- Sales growth of 12.4% in local currencies (negative foreign currency impact of -6.8%)
- Expansion of material margin to 53.1% (previous year-period: 49.3%)
- Increase in EBIT margin adjusted for acquisition-related costs to 14.8% (previous year-period: 13.8%)
- In Q3 EBIT increased by +24.3% (compared to Q3 2022)
- Operating free cash flow significantly increased to CHF 877.3 million (previous year-period: CHF 422.4 million)
- Successful integration of MBCC and increase in synergies from CHF 160-180 million to CHF 180-200 million
- Acquisition of Thiessen Team (USA) and Chema (Peru)
- Opening of new plants in Kharagpur (East India) and Chattanooga (Tennessee, USA)
- Outlook for fiscal 2023 confirmed:
  - Sales increase in local currencies of more than 15% (including MBCC)
  - Over-proportional increase in EBIT (excluding MBCC acquisition)
  - Operating free cash flow (as % of net sales) of over 10% expected

Even in a challenging economic and geopolitical environment, Sika performed well in the first nine months of fiscal 2023. Despite a sharp rise in interest rates with the corresponding negative impact on the construction industry, sales rose to CHF 8,449.2 million (+5.6% in Swiss francs). This equates to a sales increase of 12.4% in local currencies. A key growth driver was the newly acquired MBCC, which was consolidated as per the start of May. The integration is proceeding successfully, and the expected annual synergies have now been increased from CHF 160-180 million to CHF 180-200 million. Furthermore, Sika has significantly increased its profitability. Disregarding the special effects of divestments and acquisition costs, the EBIT margin rose by around 100 basis points to 14.8%.

### STRONG EXPANSION OF MATERIAL MARGIN

In the current fiscal year, Sika has significantly increased its material margin to 53.1% (previous year: 49.3%). The company has therefore made further progress on the pathway back to a sustainable margin recovery. Adjusted EBIT increased to CHF 1,250.1 million, and the adjusted EBIT margin advanced from 13.8% to 14.8%. When including the one-time effects from divestments and acquisitions, the company recorded EBIT of CHF 1,144.8 million (previous year: CHF 1,231.5 million).

Sika is expecting the overall acquisition and integration costs relating to the MBCC acquisition will amount to CHF 230 million. Of this amount, around CHF 200 million will have been booked by the end of 2023.

Operating free cash flow significantly increased to CHF 877.3 million (previous year: CHF 422.4 million). Focused working capital management and the normalization of the supply chains were the main contributors.

### DOUBLE-DIGIT SALES GROWTH ACROSS ALL REGIONS

The **EMEA region** (Europe, Middle East, Africa) reported a sales increase in local currencies of 10.6% (previous year: 10.5%). The countries of the Middle East recorded strong growth rates. France, Spain, and Portugal also developed positively. Among others, Sika benefited from economic subsidy programs and investments in building technology energy saving measures as well as the rapidly growing e-mobility.

Once again, business activity was subdued both in the DACH region (Germany, Austria and Switzerland) and in Northern Europe. In general, the positive trend continues, with more infrastructure and commercial construction projects being implemented in EMEA. The distribution business recorded a slight sales increase compared to the first nine months of 2022.

In local currency terms, the **Americas region** achieved a 14.0% increase in sales (previous year: 31.9%). Rising rates of inflation, high interest rates, and an increasing shortage of specialist labor weighed on construction activity in many of the region's markets, with the corresponding negative repercussions for the construction economy. Growth in this region in the first nine months of 2023 is first and foremost attributable to the MBCC acquisition. Sentiment in the US has improved generally as a result of infrastructure projects, supported by state subsidy programs and projects planned in the context of reshoring of manufacturing facilities and the Inflation Reduction Act. Latin America contributed to the rise in sales with solid growth.

At the start of July, Sika reported the takeover of Thiessen Team USA, a manufacturer of shotcrete and mortar products for the US mining sector. This company supplies mining companies in the west of the USA, which among others supply the growing electro-mobility industry with critical minerals. The takeover should open up significant cross-selling potential and strengthen Sika's position in the US mining sector.

Sales in the **Asia/Pacific region** increased by 13.5% in local currencies (previous year: 17.6%). In China, Sika recorded double-digit growth in the distribution business, whereas project activity in this country recorded a slight decline. Sales in Japan increased slightly. By contrast, India posted double-digit growth. Business volumes increased further in both Indonesia and Thailand.

In June, Sika opened a new factory in Kharagpur in the east of India, thereby increasing its production capacity in this high-growth market of the future. The factory will produce mortar products, concrete admixtures, and shotcrete accelerators for customers in the West Bengal region, which is home to more than 100 million inhabitants.

In the **Global Business segment**, Sika achieved growth in local currencies of 13.3% (previous year: 22.0%). Growth in the automotive business surpassed that of the overall market. The background to this increase is robust demand for new vehicles, particularly electric vehicles, along with normalization of the supply chains. However, the strike in the US automotive sector in September had a negative impact on growth.

Sika is continually developing its spectrum of solutions for battery systems. These include, for example, heat-conducting adhesives for the latest generation of battery-driven electric vehicles. Sika gained a record level of new orders in the automotive business during the first nine months of 2023. The newly acquired platforms will generate sales within a timeframe of two to three years and ensure sustainable strong performance of this business.

#### OUTLOOK FOR THE FULL 2023 YEAR CONFIRMED

In October, Sika unveiled its Strategy 2028 “Beyond the Expected”, including the associated medium-term targets. The new strategy will

enable Sika to grow profitably over the long term even in a challenging economic environment. Thanks to its innovative technologies, Sika is the partner of choice for many customers in the construction and industrial sectors. These sectors are being heavily shaped by the sustainability megatrend, as well as by increasing urbanization, resource scarcity, automation, digitalization, and the trend toward easy-to-apply products.

For fiscal 2023 Sika expects sales in local currencies to rise by over 15%, including the MBCC acquisition effects. At the same time, Sika is confirming an expected over-proportional rise in EBIT, excluding the MBCC acquisition. Operating free cash flow should reach over 10% of net sales for the year.

#### CONSOLIDATED INCOME STATEMENT IN THE FIRST NINE MONTHS 2023

in CHF mn	%	1.1.2022 – 30.9.2022	%	1.1.2023 – 30.9.2023	Change in %
<b>Net sales</b>	<b>100.0</b>	<b>7,998.5</b>	<b>100.0</b>	<b>8,449.2</b>	<b>5.6</b>
Material expenses	-50.7	-4,056.7	-46.9	-3,961.3	-2.4
<b>Gross result</b>	<b>49.3</b>	<b>3,941.8</b>	<b>53.1</b>	<b>4,487.9</b>	<b>13.9</b>
Personnel expenses	-16.4	-1,309.1	-17.5	-1,477.3	12.8
Other operating expenses	-13.9	-1,111.3	-17.8	-1,507.9	35.7
<b>Operating profit before depreciation</b>	<b>19.0</b>	<b>1,521.4</b>	<b>17.8</b>	<b>1,502.7</b>	<b>-1.2</b>
Depreciation and amortization expenses	-3.6	-289.9	-4.2	-353.6	22.0
Impairment	0.0	0.0	-0.1	-4.3	
<b>Operating profit (EBIT)</b>	<b>15.4</b>	<b>1,231.5</b>	<b>13.5</b>	<b>1,144.8</b>	<b>-7.0</b>
Interest income	0.1	11.6	0.4	31.1	
Interest expenses	-0.6	-46.1	-1.4	-118.8	
Other financial income	0.1	6.0	0.1	5.1	
Other financial expenses	-0.3	-27.4	-1.0	-85.1	
Income from associated companies	0.0	0.1	0.0	0.0	
<b>Profit before taxes</b>	<b>14.7</b>	<b>1,175.7</b>	<b>11.6</b>	<b>977.1</b>	<b>-16.9</b>
Income taxes	-3.6	-289.8	-2.9	-240.6	
<b>Net profit</b>	<b>11.1</b>	<b>885.9</b>	<b>8.7</b>	<b>736.5</b>	<b>-16.9</b>
Profit attributable to Sika shareholders	11.1	885.9	8.7	735.9	
Profit attributable to non-controlling interests	0.0	0.0	0.0	0.6	

#### EBIT ADJUSTED FOR ONE-TIME M&A EFFECTS

in CHF mn	1.1.2022 – 30.9.2022	1.1.2023 – 30.9.2023	Change
Reported operating profit (EBIT)	1,231.5	1,144.8	
Divestment gain <sup>1</sup>	-168.0	0.0	
M&A and integration cost <sup>2</sup>	39.0	105.3	
<b>EBIT adjusted for one-time M&amp;A effects</b>	<b>1,102.5</b>	<b>1,250.1</b>	<b>+13.4%</b>
<b>EBIT margin adjusted for one-time M&amp;A effects</b>	<b>13.8%</b>	<b>14.8%</b>	<b>+100 bps</b>

1 Divestment of European industrial coatings business.

2 Cost related to the acquisition of MBCC.

## NET SALES BY REGION

in CHF mn	1.1.2022 – 30.9.2022	1.1.2023 – 30.9.2023	Year-on-year change (+/- in %)					
			In CHF	In local currencies <sup>1</sup>	Currency effect	Acquisition effect <sup>2</sup>	Organic growth <sup>3</sup>	
<b>By region</b>								
EMEA	3,221.9	3,377.5	4.8%	10.6%	-5.8%	12.8%	-2.2%	
Americas	2,427.2	2,616.1	7.8%	14.0%	-6.2%	13.9%	0.1%	
Asia/Pacific	1,756.0	1,813.6	3.3%	13.5%	-10.2%	8.1%	5.4%	
Global Business	593.4	642.0	8.2%	13.3%	-5.1%	0.0%	13.3%	
<b>Net sales</b>	<b>7,998.5</b>	<b>8,449.2</b>	<b>5.6%</b>	<b>12.4%</b>	<b>-6.8%</b>	<b>11.1%</b>	<b>1.3%</b>	
Products for the construction industry	6,611.1	7,082.1	7.1%	14.2%	-7.1%	13.5%	0.7%	
Products for industrial manufacturing	1,387.4	1,367.1	-1.5%	4.5%	-6.0%	0.0%	4.5%	

1 Growth in local currencies including acquisitions.

2 Sales contribution by acquired companies without considering the growth after business combination. Includes lost sales of discontinued operations. Sales growth of the acquired business since initial consolidation is included in organic growth.

3 Growth adjusted for acquisition, discontinued operations, and currency effect. Sales growth of the acquired business since initial consolidation is included in organic growth.

## FINANCIAL CALENDAR

<b>Net sales 2023</b>	Wednesday, January 10, 2024
<b>Media conference / analyst presentation on full-year results 2023</b>	Friday, February 16, 2024
<b>56<sup>th</sup> Annual General Meeting</b>	Tuesday, March 26, 2024
<b>Net sales first quarter 2024</b>	Tuesday, April 16, 2024
<b>Half-year report 2024</b>	Tuesday, July 30, 2024
<b>Results first nine months 2024</b>	Friday, October 25, 2024

## SIKA AG CORPORATE PROFILE

Sika is a specialty chemicals company with a globally leading position in the development and production of systems and products for bonding, sealing, damping, reinforcing, and protecting in the building sector and motor vehicle industry. Sika has subsidiaries in 103 countries, manufactures in over 400 factories, and develops innovative technologies for customers around the world that facilitate the sustainable transformation of the construction and transportation industries. With more than 33,000 employees, the company generated annual sales of CHF 10.5 billion in 2022.