WEATHERING THE STORM – SWIFT IMPLEMENTATION OF INITIATIVES AS KEY PROFIT DRIVER

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### RESPONSE MEASURES TO COVID-19
IN SUPPORT OF LONG-TERM PROFITABILITY IMPROVEMENT

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| General  | ▪ Strong local management actions in each country  
▪ Preparation and response according to local situation which differs from country to country, scenario planning  
▪ Taking advantage of local support measures  
▪ Focus on market opportunities, driving improving sales trend | ▪ Drive Efficiency initiatives  
▪ Accelerate integration of acquisitions (i.e. Parex)  
▪ Adaptation of cost structure, reduction of expenses  
▪ Tight monitoring and management of Accounts Receivables  
▪ Align inventory needs and processes  
▪ Reduce/postpone non-critical CapEx | ▪ High cash balance of CHF 557.6 million (Half Year 2020)  
▪ Unused, fully committed credit lines (RCF) of CHF 1,250 million, no covenants  
▪ No maturity until July 2021 (CHF 170 million) |

**Operational Agility**
- General

**Operating Profit & Cash Focus**
- Efficiency
- Cost Structure
- NWC & CapEx

**Liquidity**
- Cash Balance
- Credit Line
- Bond Maturity
**DRIVING TOWARDS AN EBIT MARGIN OF 15%-18%**

**IMPROVING MARGIN PROFILE IN SPITE OF COVID-19**

- Negative organic growth leverage of -10.5% in 1HY 2020 masking underlying improvements
PROFITABILITY DRIVERS
Organic Material Margin has moved into 54-55% range

- Supportive material cost development, negative FX, secured by pricing
- Innovation (at higher margins)
- Structural procurement savings program
- Formulation Efficiency, waste reduction
STRONG MATERIAL MARGIN IMPROVEMENTS
MOVE INTO 54% - 55% RANGE

Example: Waste Reduction
- Programs to reduce direct manufacturing waste
  - Waste reduction: > 10,000 tons
  - In key technologies, major sites
  - Savings: CHF 5 - 10 million once fully implemented
  - Short pay-back

Example: Formulation Efficiency
- Programs to simplify and optimize similar formulations
  - 170 formulations checked, selection of the best formulation per product category
  - Global implementation of best practices
  - Ongoing program
  - Achieved savings of CHF 2.5 million so far, plus additional savings in Operations
OPERATIONAL EFFICIENCY WITH STRONG IMPACT
0.5% PTS IMPACT ALSO DURING CRISIS

- Structured, continuous improvement program across value chain
- Positive EBIT impact of 0.5% pts also during crisis
- Key initiatives in factory automation
- Supply Chain consolidation and improvements to reduce logistics and warehousing cost
- Many initiatives with strongly positive sustainability aspects
Example: US Supply Chain Alignment

Present State
- Fragmented and sometimes target market specific
- Historically grown (acquisitions)

Future State
- Consolidate smaller warehouses aligned with Big City Strategy
- Optimize routing and freight cost
- Selected consolidation of manufacturing footprint
- Savings: CHF 8-10 million once fully implemented

Example: Energy Reduction Projects

- Programs focusing on energy reduction
- Sand Drying
- Membrane Production
- Compressed Air
- CO₂ reduction: > 15,000 tons
- Energy reduction: -15% to -25%
- Expected savings: > CHF 5 million

OPERATIONAL EFFICIENCY WITH STRONG IMPACT
0.5% PTS IMPACT ALSO DURING CRISIS
STRONG PAREX SYNERGY RUN-RATE TO OVERCOMPENSATE DILUTION EFFECT IN 2021

- M&A as growth platform, lifting margin profile over time
- Parex impact plus further M&A
- Run-rate synergies of CHF 100 million fully validated and confirmed
- Accelerated integration
- Current run rate pointing towards CHF 40 million+ impact for 2020 (previously indicated >CHF 30 million)
PAREX INTEGRATION
ON TRACK TO EXCEED TARGETED SYNERGY CONTRIBUTION FOR 2020

Monthly run-rate synergies have reached close to CHF 5 million in August

- **Cross-Selling** synergies increased profitability of Sika product sold to Parex sales channels or vice-versa
- **Operations** synergies ramping up, as a result of production footprint alignment
- **Procurement** synergies through bundling and harmonization of purchasing volumes fully implemented
- **SG&A** synergies have been accelerated as COVID-19 has shifted the short-term focus to internal savings

Graph showing the monthly run rates from January to August 2020.
DRIVING TOWARDS AN EBIT MARGIN OF 15%-18%
STRONG IMPACT OF INITIATIVES MASKED BY DILUTION AND COVID

12.9%

- 2.6% pts.
Negative Volume leverage / Dilution M&A

11.3%

+0.5% pts. Efficiencies
+0.5% pts. Synergies

2019

HY 2020

2023

15% – 18 %

Efficiency

Synergies

Material Margin / Operating Leverage
STRONG CASH CONVERSION
SUCCESSFUL RECEIVABLE MANAGEMENT
AVERAGE DAYS SALES OUTSTANDING TRENDING VS. < 60 DAYS

- Successful Receivables management despite lockdowns and economic impact due to COVID-19
- Days sales outstanding with improvement in 2020
STRONG CASH CONVERSION
OPERATING FREE CASH FLOW >10% OF NET SALES

- Increasing profitability
- Footprint alignment driving efficient inventory management
- Automation/digitalization supporting disciplined NWC Management
- CapEx spend of approx. 3% of Sales