



PAREX: FAST AND SUCCESSFUL INTEGRATION

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HEAD CONSTRUCTION
SIKA CAPITAL MARKETS DAY 2019

BUILDING TRUST



PAREX INTEGRATION

STATUS OVERVIEW

- Closing on May 23rd
- Operational reporting of Parex entities into Sika's regional structure as of Day-1
- 100-Day action plan reviewed early September with all countries and first wins:
 - ✓ Fully Integrated Parex into Sika **financial reporting process**
 - ✓ Completed reviews of all acquired **factories**
 - ✓ Launched Sika **shop-in-shops already** in several countries
 - ✓ Implemented quick **wins in formulation changes** and production volume shifts
 - ✓ Secured significant procurement **savings with global suppliers**; additional local negotiations ongoing
 - ✓ Integrated **organizations defined and to be in place** for most countries by January 2020
 - ✓ Defined target-state **operational footprint and initiated implementation** in first countries
- Next step on sharing experiences and rolling out key learnings from 23 countries within Parex scope to all 101 Sika countries

PAREX INTEGRATION ACROSS 23 COUNTRIES ON TRACK

SYNERGY PROFILE VARIES BY COUNTRY DEPENDING ON LOCAL STARTING SITUATION

Parex Integration across 23 countries

More scale benefits

Majority of synergies expected from cost initiatives (e.g. Operations footprint, formulations, G&A)

2 key countries
(+1 small country)

Scale and scope benefits

2 key countries
(+9 small countries)

More scope benefits

Majority of synergies expected from cross-selling initiatives

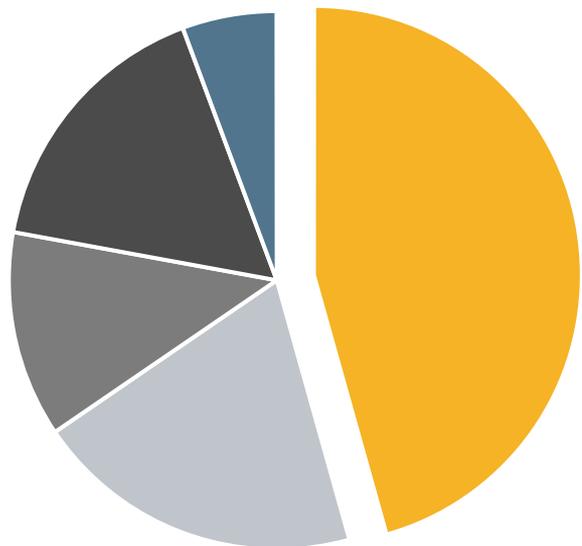
4 key countries
(+5 small countries)

- Parex integration with multiple unique integration situations
- Opportunity types vary depending on situation of local Parex and Sika entities
- Based on synergy projects identified, we feel comfortable to reach to CHF 100 Million run rate synergy target for the 23 countries in scope

Currently CHF 100M in synergy projects defined with bottom-up plans based for 23 countries

SYNERGY LEVER BREAKDOWN OF CHF 100M IN BOTTOM-UP PLANS

CROSS-SELLING, OPERATIONS AND PROCUREMENT ARE KEY SOURCES OF SYNERGIES



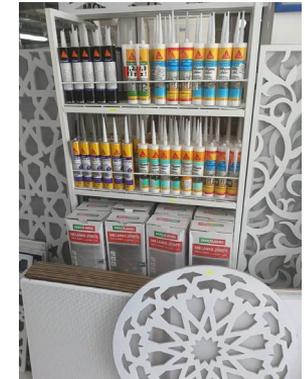
- Due to complementarity of Parex and Sika, the majority of synergies are linked to cross-selling opportunities
- Significant synergies in optimizing operational footprint
- Quick synergies could be realized in procurement area
- Key learnings from alternative raw materials as well as formulations optimization will lead to savings and can be further rolled-out to all countries outside the Parex scope

■ Cross-Selling
■ Procurement
■ Formulation Optimizations
■ Operations Footprint
■ SG&A

CROSS SELLING

ACCESS TO NEW DISTRIBUTION CHANNELS

- In many countries, Parex has build a stronger distribution network compared to Sika over the past years
- In addition, Parex has focused on specialized tile shops much more than Sika
- The access to Parex network will enable Sika to sell selected Sika products, especially in the Sealing & Bonding range, through these additional POS's
- First sales successes in Australia, Singapore, Argentina and Morocco (Pictures), as well as several other countries



CROSS SELLING

ACCESS TO NEW DISTRIBUTION CHANNELS (CHINA)

- In China, Parex had created a distribution network with > 100,000 POS
- Official launch of Sealing & Bonding products in China on September 9th of first selected products
- First targets by year end 2019 is to roll-out first products to:
 - 1,500 of Davco China's 3,200 exclusive POS, and
 - 13,000 non-exclusive POS
- Acquisition of Hengxin-Cervo further improves supply chain for some key products



CROSS SELLING

JOINT DIRECT SALES AND TENDERS WITH COMPLEMENTARY PRODUCT RANGES

- Project sales is a traditional strength of Sika's sales organization
- With additional products from the Parex portfolio, Sika's sales organization was able to generate additional sales on many projects already.
- Main focus has been on residential and commercial buildings and focused on facade
- In addition, Parex's sales organization sold additional products from Sika roofing, waterproofing, flooring and sealing & bonding range on similar project types
- Early successes were in Qatar, Spain, Chile and USA



COST SAVINGS

SG&A COSTS, PROCUREMENT, FORMULATION AND OPERATIONS COSTS

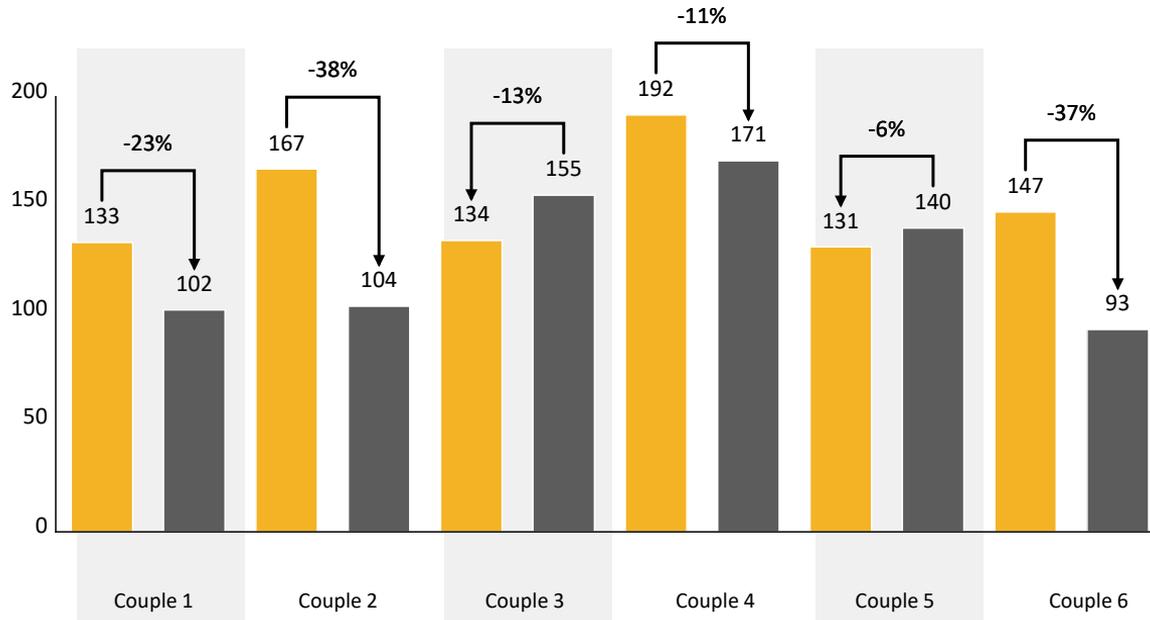
- Largest area of quick cost savings are in procurement
 - Savings > 12 M CHF secured as of today
 - Further negotiations with current suppliers ongoing
 - Harmonization of raw material suppliers under review
- G&A costs under review along 2 different areas
 - Harmonize G&A cost ratios among entities in same countries
 - Achieving economies of scale for G&A
- Formulation cost benchmarking ongoing (see next slide)
- Operational footprint opportunities result in 20 different operations moves

REFORMULATION DRIVEN PRODUCT COST REDUCTIONS

DIFFERENT PRODUCT AND MARKETING FOCUS LED TO DIFFERENT FORMULATION COSTS

FORMULATION COST DIFFERENCE FOR SELECTED PRODUCT COUPLES

Formulation costs



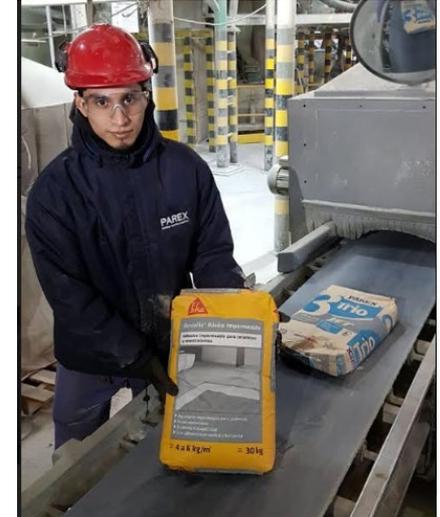
KEY HIGHLIGHTS

- We have been able to generate some significant savings due to formulation cost differences in several product couples with similar performance. These differences come from 3 main areas:
 - Formulation know-how
 - Alternative raw materials
 - Economies of scale (Procurement, Production)
- We have started to implement these findings in the 23 countries, but have also started to bring the key learnings to other Sika entities

OPERATIONS FOOTPRINT – QUICK WINS

STARTED TO UTILIZE MORE EFFICIENT FOOTPRINT

- Started to produce Sika Products in Parex factories and vice-versa within weeks of closing, allowing for savings in freight and generating efficiencies in production processes
 - Chile, Argentina, China, Singapore, Philippines, Qatar and France
- Detailed review of all 76 plants in the first 3 months
 - Area analysed included EHS, quality, production set-up (layout, capacity, capacity utilization, equipment) as well as required investments in the coming years
 - Overall findings in line with expectations and very similar to Sika factories
 - Major difference is the scale of the factories with dedicated lines to high volume products in key markets



OPERATIONS FOOTPRINT – IMPROVED SET-UP

ABILITY TO COMBINE FACILITIES AND RE-ALLOCATE PRODUCTION RESULT IN EFFICIENCIES

- Overall Parex plant network nicely complements Sika plant network
- We have identified over 20 operations moves that allows us to optimize our production footprint, resulting in significant savings in several areas:
 - Inter-company freight
 - Outbound freight
 - Dedicated production lines for specialized and high-volume products, resulting in more efficiency and reduced switch-over costs
 - Dedicated anchor plants for certain technologies



CONCLUSIONS

- Overall excellent progress in integration of Parex into local Sika entities
- Excellent cooperation between local Parex and Sika teams
- Very similar culture based on local responsibilities and entrepreneurial spirit confirmed
- Run-rate synergies of CHF 100 Millions confirmed based on completed detailed bottom-up planning
- Next phase of company-wide roll-out of key learnings
(mainly regarding alternative raw materials and product formulation)



THANK YOU FOR YOUR ATTENTION

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