



W E N D E L



Materis Paints

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Wendel Investor Day, December 4, 2014

Agenda

● **The DecoPaints Industry**

Materis Paints

Key Financials

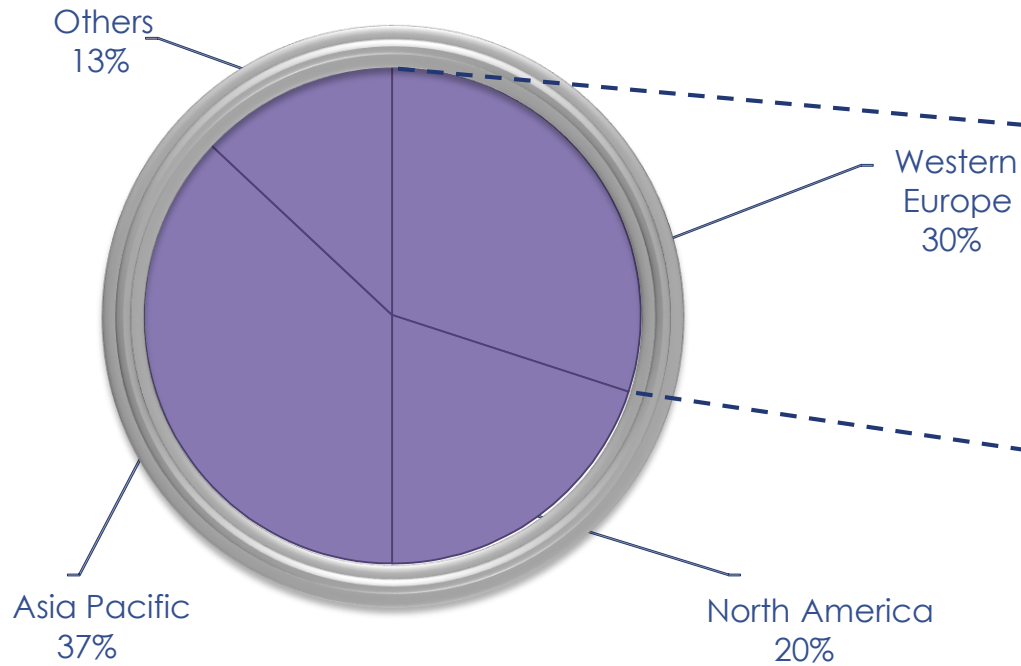
2014-2018 Game Plan

Executive summary

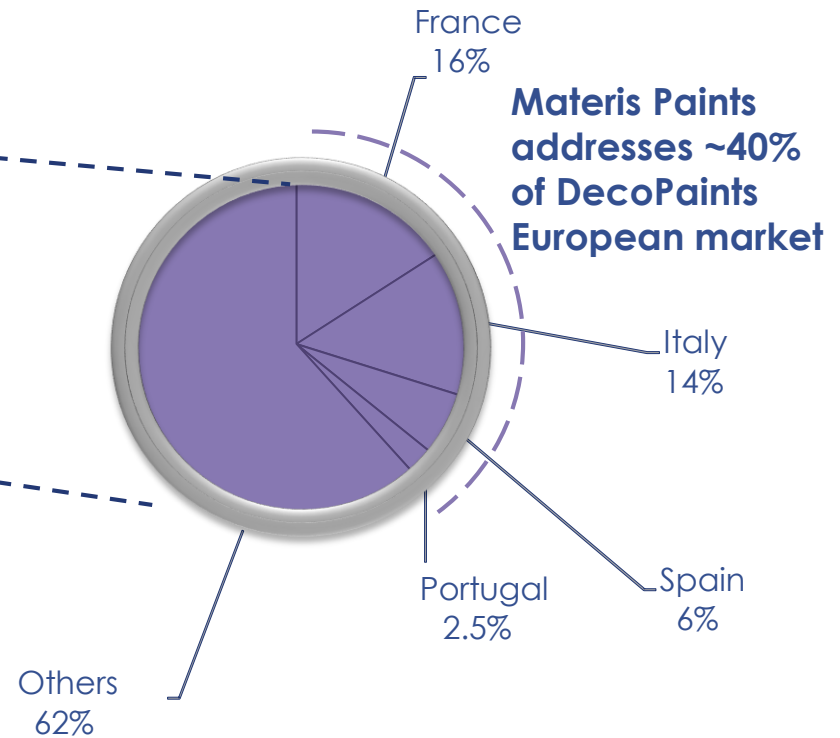
- 1 A **€35bn** market impacting our daily life
- 2 A multi-local industry **strongly driven by renovation (~90%) and construction trends (~10%)**
- 3 **A highly competitive market** made of numerous international, national and local players to serve a diffuse end-customer base looking for quality, availability, professional relationships and price.
- 4 **A purchasing, marketing and sales game**

1 A large market...

WORLDWIDE DECOPAINTS MARKET
€35bn



EUROPEAN DECOPAINTS MARKET
€10bn



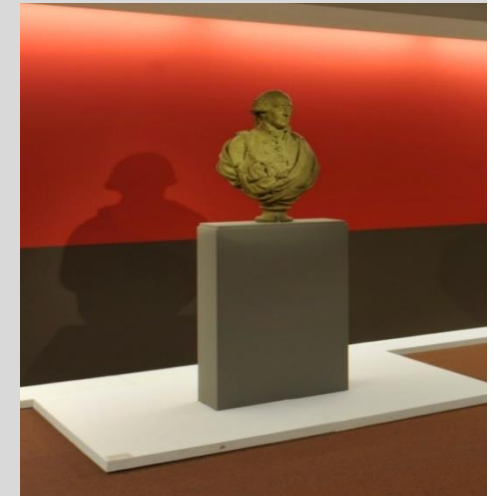
1 ... influencing our daily life



Imagine Institute
(Paris)



Orsay Museum
(Paris)



La Piscine Museum
(Roubaix)

2

A multi-local industry strongly driven by renovation and construction trends



New construction - 10%

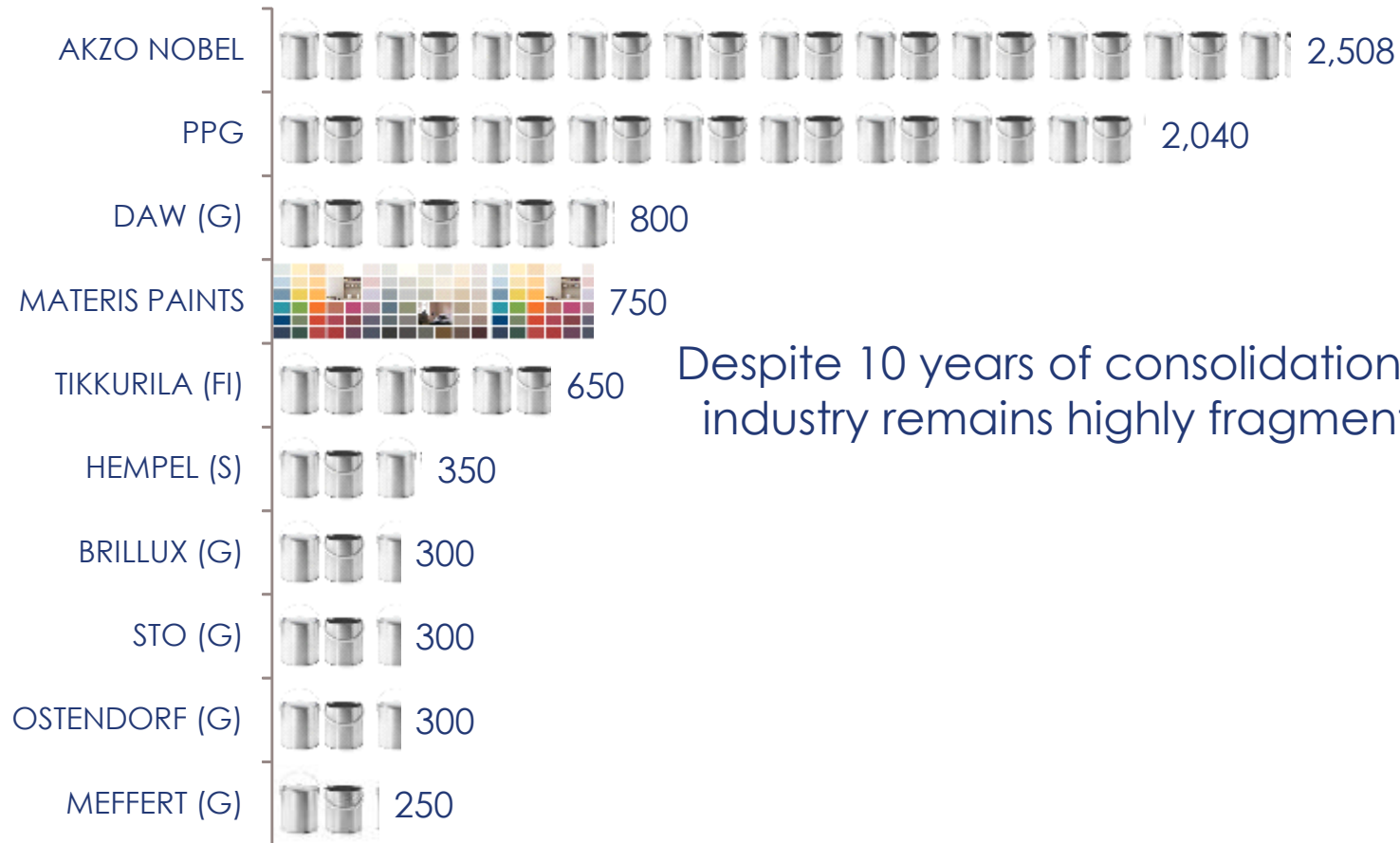
Renovation - 90%

- Long term evolution of total housing stock
- Housing stock renovation cycle (e.g. 8 years in France) influenced by economic conditions
- Housing units transactions
- Renovation tax incentives and new building standards introduction

Sub-drivers

3

A highly competitive market made of numerous players



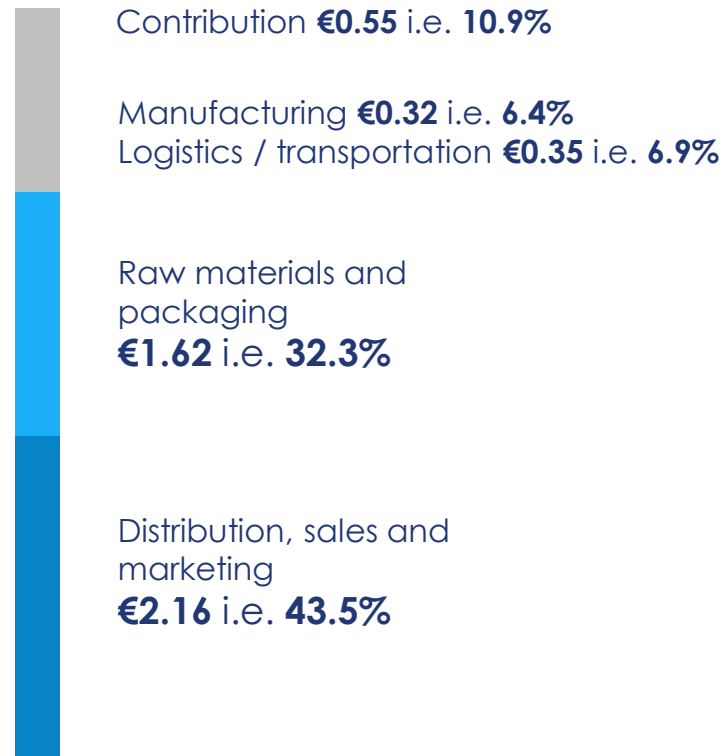
Despite 10 years of consolidation, the industry remains highly fragmented

Deco Paints Europe Sales (m€)

2013 estimates

4 Decopaints is a purchasing, marketing and sales game

1L of paint @ 5€



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Key competitive advantages

1

STRONG MARKET POSITIONS

- N°1 in Italy, N°2 in France and Portugal
- N°3 in Spain and N°4 in Morocco
- N°5 in Argentina
- N°4 in Europe

3

BUOYANT INNOVATION

- Innovative products, e.g. new indoor cleaning paints
- Innovative services, e.g. simulation digital tools
- Cutting-edge color expertise, e.g. co-branding with Pantone

2

ICONIC BRANDS

- Preferred brands on their market: Robbialac in Portugal, Max Meyer in Italy
- Top 4 preferred brands on their market: Tollens in France, Mister Color and Duco in Italy, Colorin in Argentina, Arcol in Morocco

4

DISTRIBUTION CONTROL

- 374 company operated stores, representing 61% of sales
- N°1 with professionals in France, N°1 in Portugal
- Key partnerships with more than 1,000 international DIY stores
Long lasting relationships with more than 7,500 independent stores

1 Materis Paints Presents Strong Local Positions and....

FRANCE N°2



- €495m sales
- 2,440 employees
- 292 company-operated stores
- 3 plants

PORTUGAL N°2



- €34m sales
- 270 employees
- 58 company-operated stores
- 1 plant

SPAIN N°3



- €34m sales
- 170 employees
- 4 company-operated stores
- 1 plant

ARGENTINA N°5



- €46m sales
- 210 employees
- 2 plants

MOROCCO N°4



- €13m sales
- 190 employees
- 1 plant

SWITZERLAND



- €20m sales
- 70 employees
- 4 company-operated stores
- 1 plant

ITALY N°1



- €105m sales
- 500 employees
- 16 company-operated stores
- 2 plants (2014)

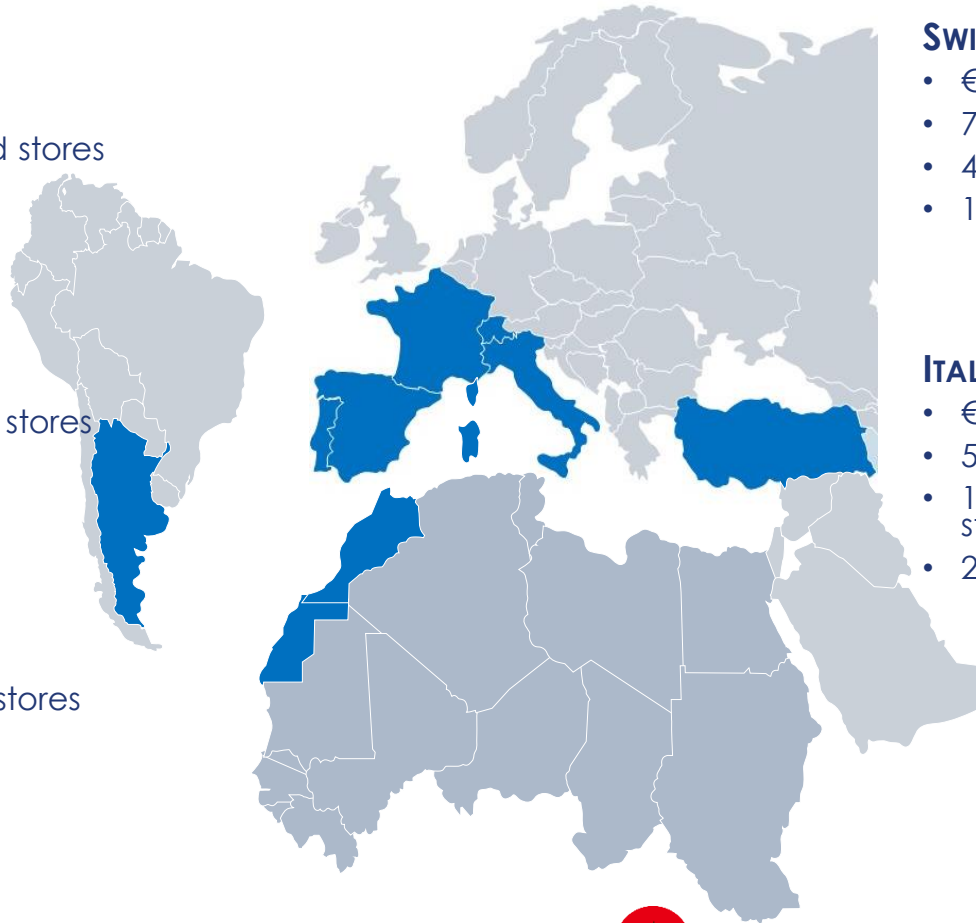
ICP

- €7m sales
- 40 employees
- 1 plant

TURKEY

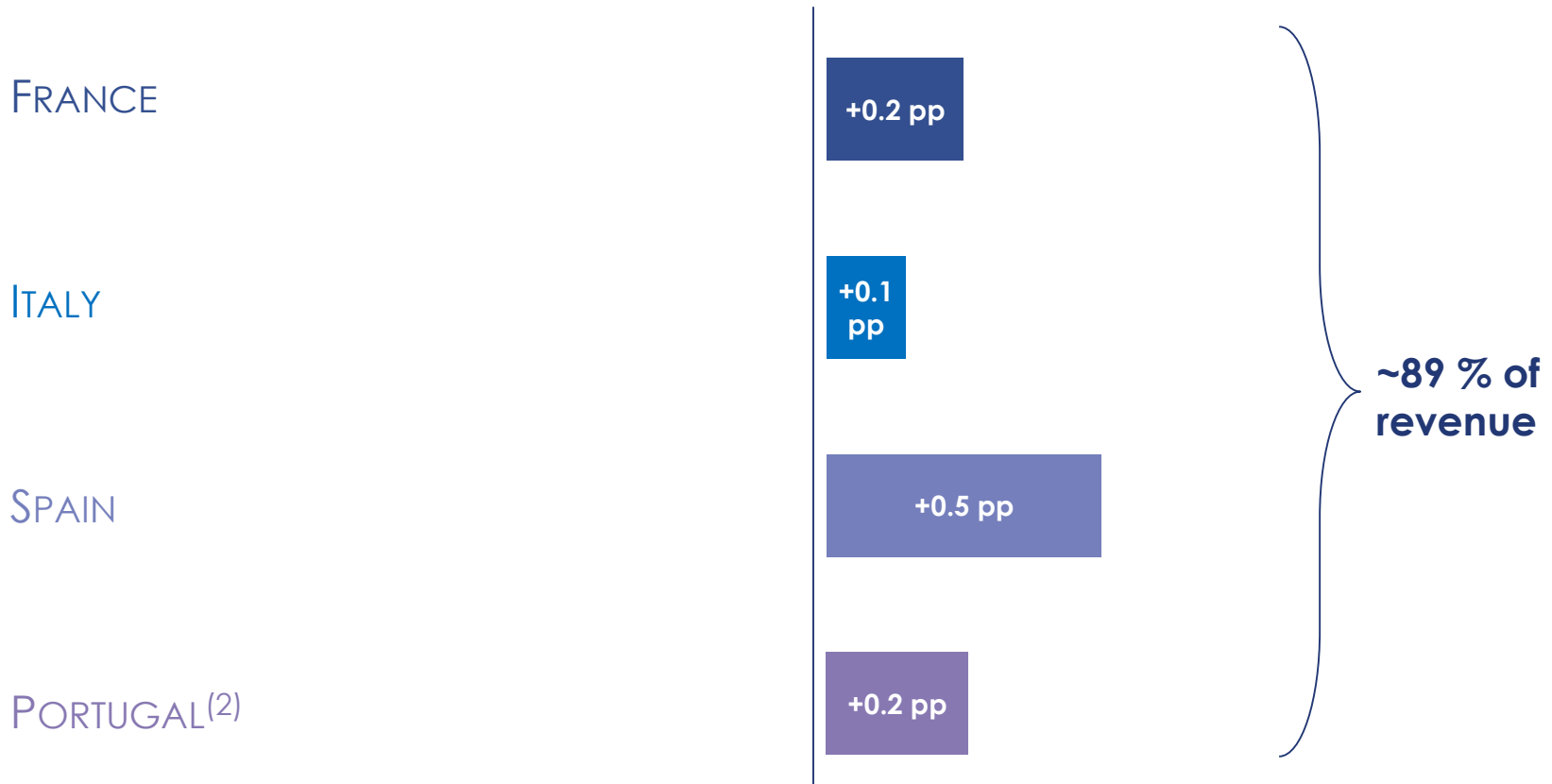


- €1.5m sales
- 10 employees
- 1 plant



1 ...gains market shares on its main markets

Materis Paints' market share
Δ 2014 vs 2013 (pp) ⁽¹⁾



⁽¹⁾YTD 2014
⁽²⁾H1 2014

A unique portfolio of premium brands

Key brands

Competitive position*

Part of
top 2
players



- Market share: 14%, #2
- Spontaneous awareness: Tollens #3



- Market share: 7%, #1
- Spontaneous awareness: Max Meyer #1, Duco #4



- Market share: 14%, #2
- Spontaneous awareness: Robbialac #1



- Market share: 7%, #3
- Spontaneous awareness: > #4



- Market share: 8%, #5
- Spontaneous awareness: Colorin #2



- Market share: 7%, #4
- Spontaneous awareness: Arcol #4

Niche
player



- Specialty products

* Source: Management (Market share) / GFK 2014 (Spontaneous awareness)

3 Significant resources are dedicated to innovation

9 R&D laboratories

80 engineers and technicians

R&D budget: 2% of sales

27% of sales generated by last 3-year

innovation



Product innovation priorities

Socio / Eco trends



Ease of use and versatility



Ever cleaner products



Energy savings and thermal comfort

Housing trends



Noise absorption



Odorless



Color and light

End user pain points

Recent innovation examples

Ever Cleaner Products



Paint with 97% of natural raw material



- Indoor air cleaning paint, eliminating VOC like formaldehyde
- Innovation of the Year Award at Castorama



0 biocide and allergen-free paint

Ease of use & Versatility



Ultra light, quick-drying, no-sanding filler, compatible with roller



Easy kitchen renovation



1 12L plastic packaging, improving productivity by 30%

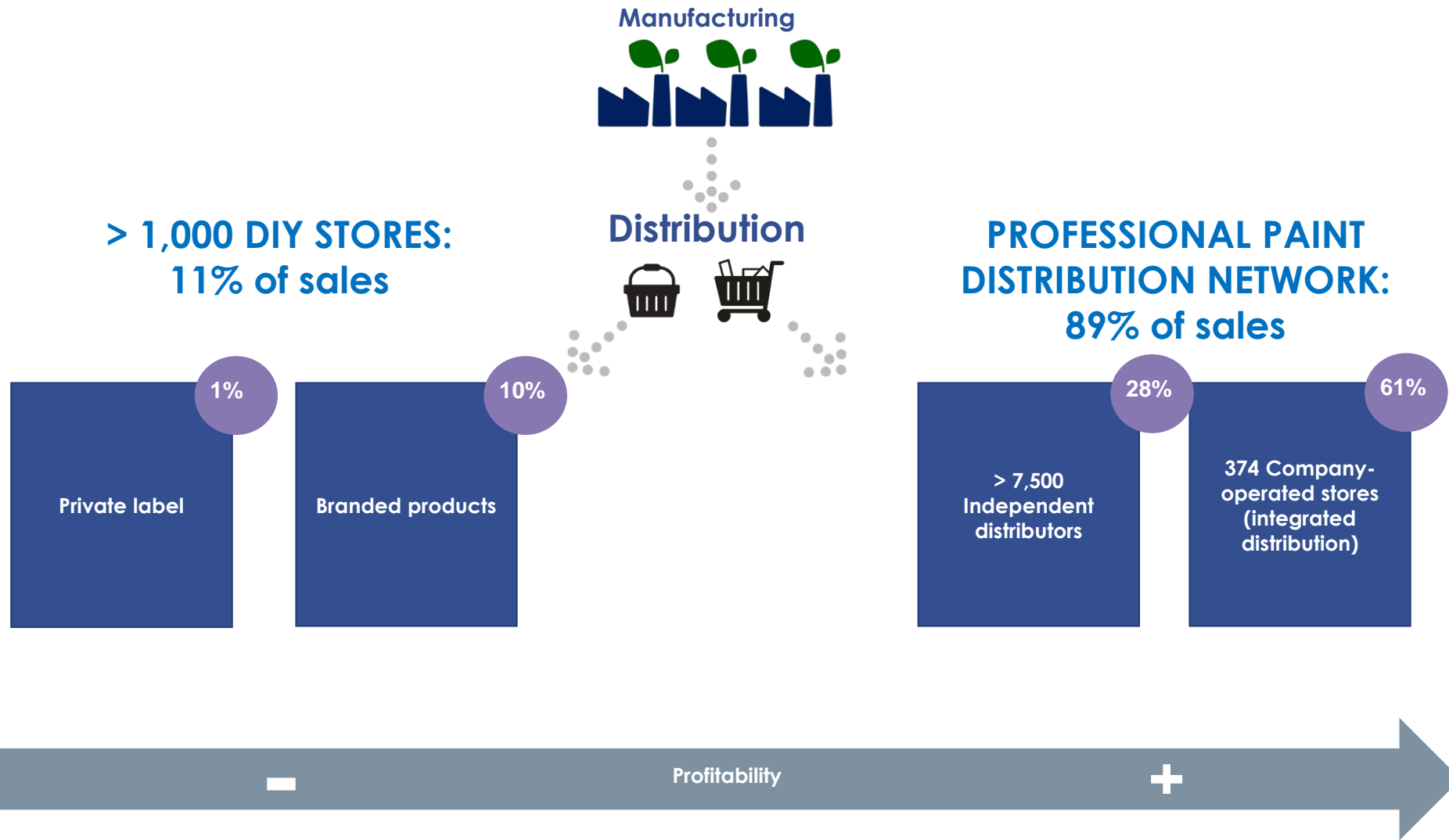
Color & Light



Pantone co-branding, deployed in 3 countries : France, Spain, Italia and two other countries to come



4 A business model of integrated distribution



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2014-2018 Game Plan

An adequate financial structure

Long term maturities

7-year bullet senior term loan _____ €267m

6-year revolving credit facilities _____ €77m

Flexibility for growth

Revolving credit facility to finance WCR needs, acquisitions & capex ✓

Incremental uncommitted facilities _____ €83m to finance acquisitions and capex

Headroom of c. 30% on quarterly net debt/EBITDA & EBITDA/Cash interest covenants ✓

Shareholder Support

Wendel remains committed to Materis Paints ✓

Moderate leverage, at reasonable cost

c. 4x EBITDA
@ Euribor+4.75% (TLB)

Since 2012, Materis Paints has started improving its financial performance



- TiO₂ prices doubled
- Unfavorable market conditions in Southern Europe

- First effects on costs & top line initiatives
- TiO₂ price -2% in 2014
- Southern Europe recovery since 2013

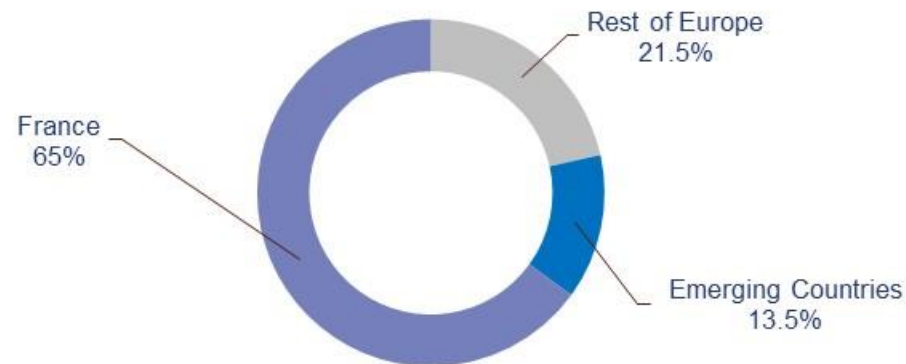
H1 2014 demonstrated a significant improvement in profit generation

(in millions of euros)	FY 2013	H1 2013	H1 2014	Δ	Organic Δ
Revenue	753.9	378.4	383.3	+1.3%	+2.7%
EBITDA⁽¹⁾	61.5	33.6	37.0	+10.1%	
<i>% of net sales</i>	8.2%	8.9%	9.7%	+80 bps	
Operating income⁽¹⁾	43.3	19.9	24.9	+25.1%	
<i>% of net sales</i>	5.7%	5.3%	6.5%	+120 bps	

⁽¹⁾ EBITDA and operating income before management fees

Organic growth of Materis Paints stood at 1.2% over the first nine months of the year

- **9-month sales growth stands at +1.2% (organic growth) and -0.1% (including currency impact) vs. 2013:**
 - ▶ Degrading Q3 market conditions in France
 - ▶ Strong organic growth in Morocco (+29%) and Argentina (+33%)
 - ▶ Recovery in Southern Europe : Spain (+8%), Portugal (+4%), Italy (+1%)
 - ▶ Negative impact of currency fluctuations reflecting devaluation in Argentina



9 months 2014 net sales by region

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 **2014-2018 Game Plan**

2012-2014 Achievements : Back to basics

- **Cost rightsizing leading to significant EBITDA improvement (+16%)**

- **Working Capital optimization leading to major cash-flow generation increase (+55%)**

- **Management team renewal**
 - ▶ 25% renewal rate
 - ▶ 5 different nationalities
 - ▶ A growing diversity (parity within Tollens, Arcol and Colorin)
 - ▶ A focus on sales, distribution and customer marketing

- **Market share gains (+0.5 pp), thanks to**
 - ▶ Customer marketing
 - ▶ Sales professionalization
 - ▶ Product innovation

- **Gross margin improvements (from 56.1% to 59.0%) by optimizing product / customer / distribution channel mix**

2014-2018 game plan

1. Market share gains

2. Moderate price increase

3. Slowly recovering markets



**Mid/low single digit sales
growth rate**

2014-2018 Sales & marketing game

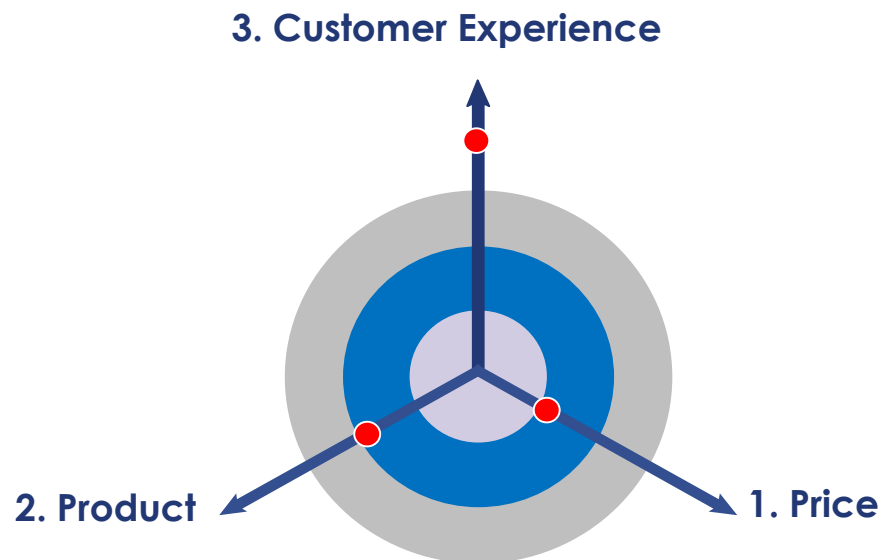
1. Agile pricing

2. Strong innovation roadmap

3. More customers: On-line distribution and store openings

Deeper penetration: field sales activity management, retail excellence, customer Satisfaction, value Proposition

Precise branding plan



2014-2018 Supply Chain and R&D Game Plan

- New frontier in product quality and availability
- Deeper coordination in R&D to sustain the innovation effort
- High performance purchasing



2014-2018 Finance game plan

- Rigorous cost, EBITDA and cash optimization
- Ambitious investment plan : IT, Distribution Footprint, industrial and logistics efficiency

... Thanks to

- Long term, cheaper and more flexible debt
- A long-term shareholder supporting our growth strategy