



W E N D E L



# Materis Paints Wendel Investor Day

B. Dumazy – December 6, 2012



## The DecoPaints Industry

Materis Paints

Going Forward

# The DecoPaints Industry:



**A large market** (about €10bn/year),  
influencing our daily life

**A highly competitive market**,  
made of numerous international, national and local  
players to serve a diffuse end-customer base (public and  
private, local and global, large and small, B2B, B2C).

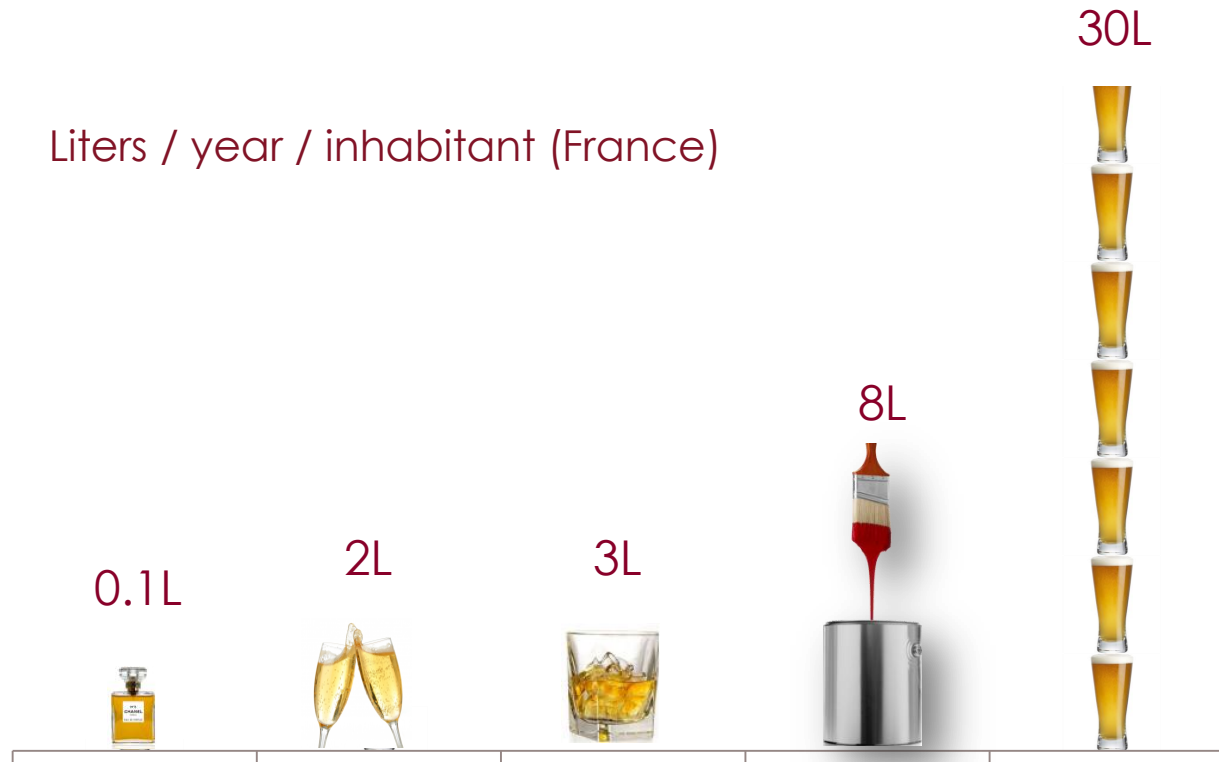
**A local industry**,  
strongly driven by construction and renovation trends

**A distribution and marketing game**

➔ **There is room for smart challengers**

# Did you know that...

Paint is a common consumption item.  
Paint is the cheapest and easiest way to upgrade  
our everyday environment



# Did you know that...

DecoPaints is such a common consumption item, that we don't notice it

20,000 sqM of paint,  
by Tollens

CDG Airport Terminal 2<sup>E</sup>, Paris  
Design by Marc Fidelle



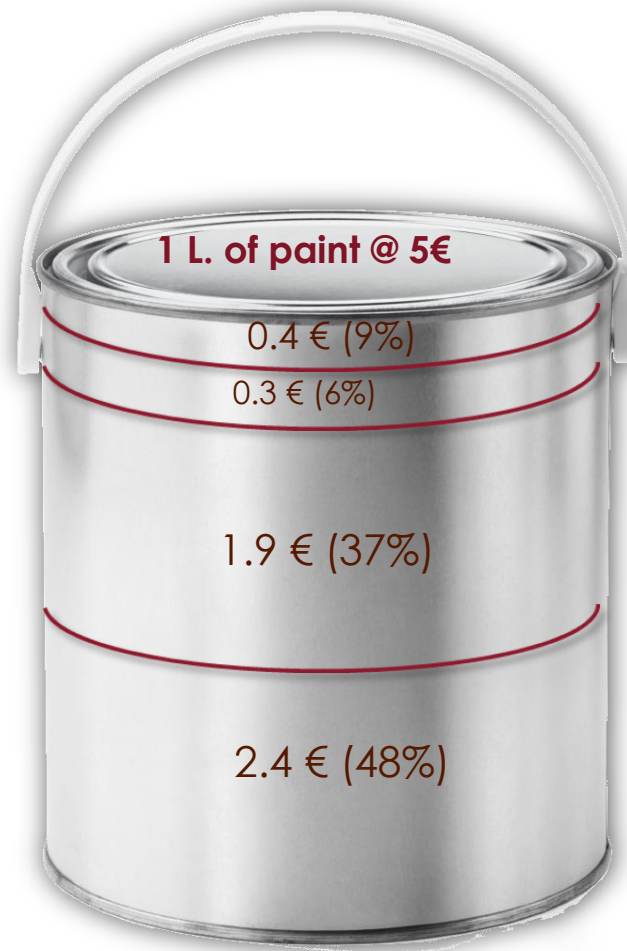
50,000 sqM of paint,  
by Tollens

Imagine Foundation Research Institute, Paris  
Design by Jean Nouvel



# Did you know that...

## DecoPaints is a distribution and marketing game



Contribution  
Manufacturing

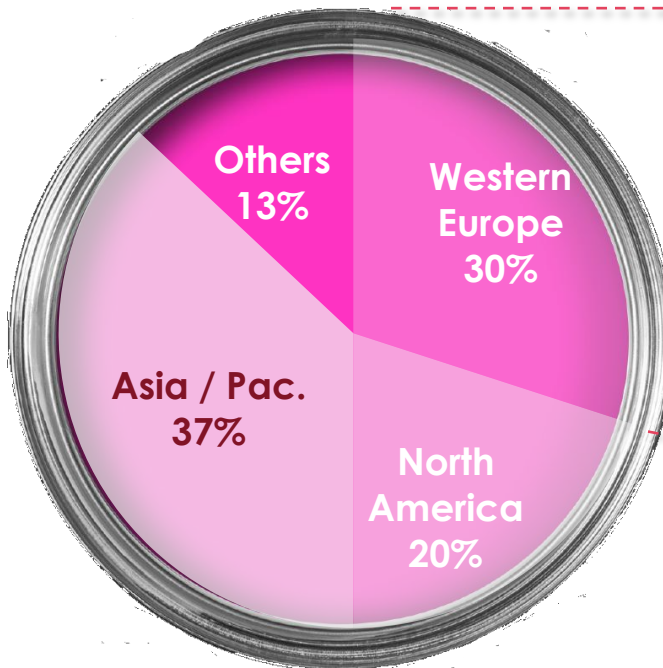
Raw materials

Distribution/Marketing

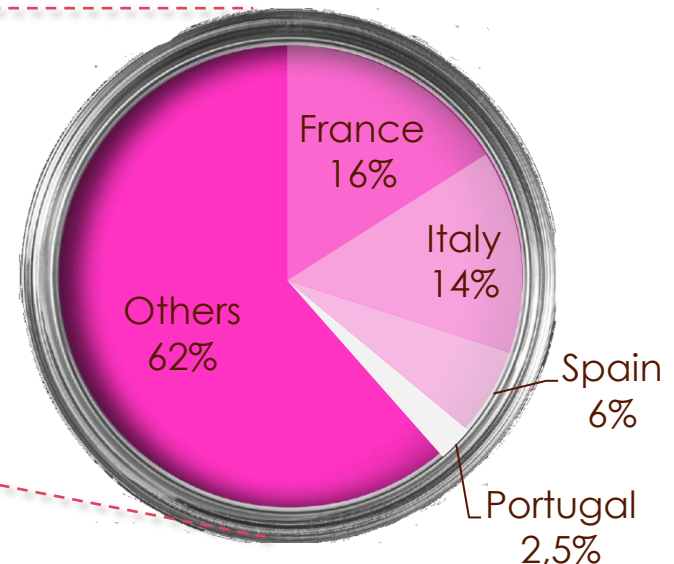
# DecoPaints Market

The European DecoPaints market is a €8 to 10bn market, 50% of which is addressed by Materis Paints

**Worldwide DecoPaints market  
(€35bn)**



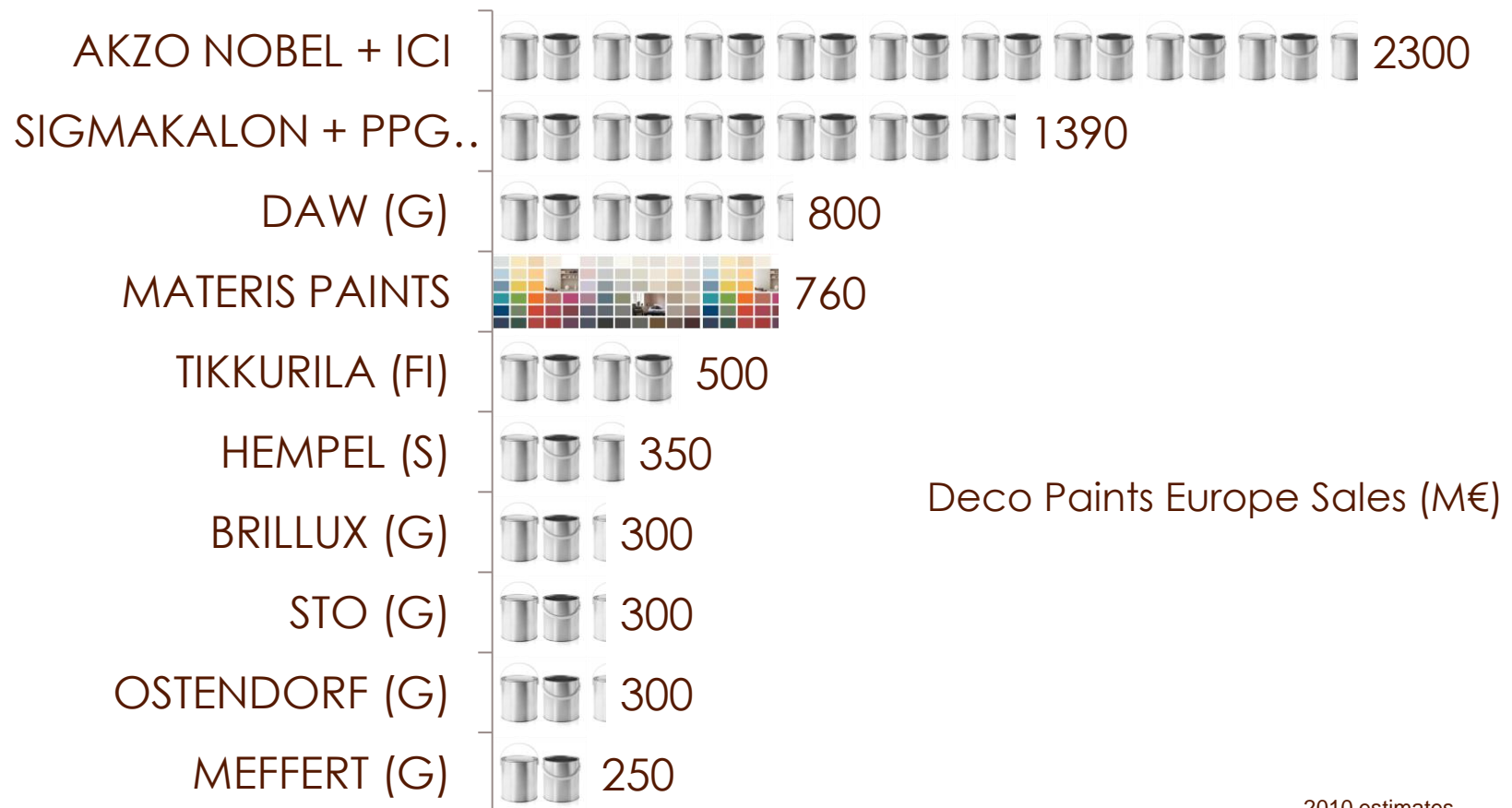
**European DecoPaints market  
(€10bn)**



# DecoPaints Competition (1/2)



Despite 10 years of consolidation, the industry remains highly fragmented...



Deco Paints Europe Sales (M€)

2010 estimates



# DecoPaints Competition (2/2)



... and dominated by national and regional players

Top players in some of the largest European markets

France	Germany	Italy	Poland	Portugal	Spain	Turkey	UK
PPG	DAW	Materis Paints	PPG	CIN	Titan	Betek	Akzo
Materis Paints	Brillux	Boero	Snieska	Materis Paints	Akzo	Dyo	PPG
Akzo	Sto	Akzo	Akzo	PPG (Dyrup)	Juno	Polisan	Crown (Hempel)
V33	Meffert	Junghanns	Tikkurila	Tintas Barbot	Materis Paints	Akzo	
Soframap	Akzo	San Marco			Valentine (CIN)		

Global players: e.g. Akzo, PPG

Regional players: e.g. Materis Paints

National players: e.g. Titan (S), V33 (F), Boero (I)

Beyond historical GDP correlation, the Deco Paint market is strongly driven by house renovation



## Renovation sub drivers

- ▶ 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

# DecoPaints Customer Need



Labor represents around 85% of painter's cost structure. Therefore, labor productivity brought by paint products (quality, availability, one-stop shopping , services..) is a key selling point

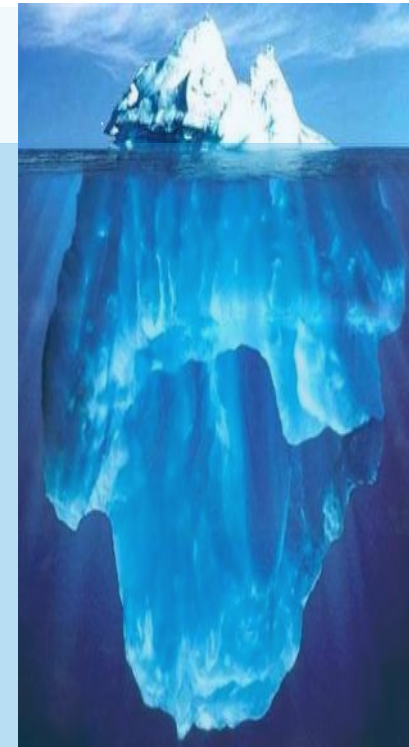
## Painter cost structure



**Paint: 15%**



**Labor: 85%**



# What Does it Take to Be Successful in this Industry?



Due to the DecoPaints industry structure, there is room for a successful “Smart Challenger”

## Industry Facts

## Key Success Factors

<p><b>Fairly basic painter's needs</b> (availability, sustainable quality, technical &amp; financial problem solving)</p>	<p><b>Brilliant Basics</b> (i.e. perfect execution to drive long-term customer loyalty)</p>
<p><b>Multiple distribution routes</b> (independent distributors, integrated distribution, DIY, direct sales)</p> <p><b>Multi-stakeholder and highly diverse decision making process</b> (painter, distributor, influencer, end customer)</p>	<p><b>Focus on the right marketing mix:</b></p> <ul style="list-style-type: none"> <li>- <b>Data-driven marketing approach to manage</b> <ul style="list-style-type: none"> <li>- Salesforce efficiency</li> <li>- Distribution network                             <ul style="list-style-type: none"> <li>- Brand portfolio</li> </ul> </li> </ul> </li> <li>- <b>Choose your battle</b></li> <li>- <b>Smart and pragmatic</b></li> </ul>
<p><b>Local decision making process, distribution, brands and players</b></p>	<p><b>Decentralized organization</b></p> <ul style="list-style-type: none"> <li>- Agility</li> <li>- Empowerment</li> </ul>
<p><b>SKU-intensive</b> (local brands X finishing options X colors X packaging)</p>	<p><b>Permanent trade off between availability &amp; stocks, standardization &amp; customization</b></p>



“Smart Challenger DNA”



## The DecoPaints Industry

## Materis Paints

## Going Forward

# Materis Paints Footprint



A strong presence in France (64%) and Southern Europe (25%)  
 In the Top 3 players in each market we operate in

## Spain #3

- 42M€
- 215 employees
- 23 Stores
- 1 plant

## France #2

- 522M€
- 2,500 employees
- 265 Stores
- 3 plants

## Switzerland

- 23M€
- 66 employees
- 4 stores
- 1 plant

## Global

- Employees 4000 (FTE)
- Plants 12
- Stores 400

## Portugal #2

- 46M€
- 340 employees
- 60 Stores
- 1 plant

## Italy #4

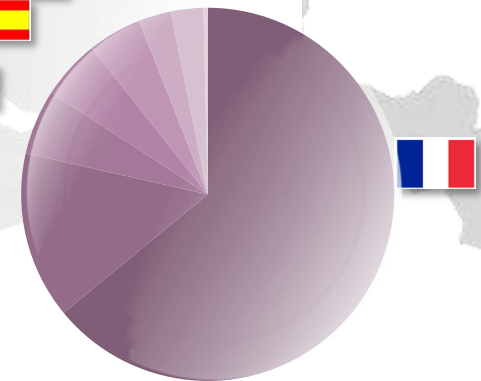
- 118M€
- 410 employees
- 40 stores
- 4 plants

## Argentina #5

- 38M€
- 225 employees
- 2 plants

## Morocco #4

- 23M€
- 220 employees
- 9 trade agencies
- 1 plant

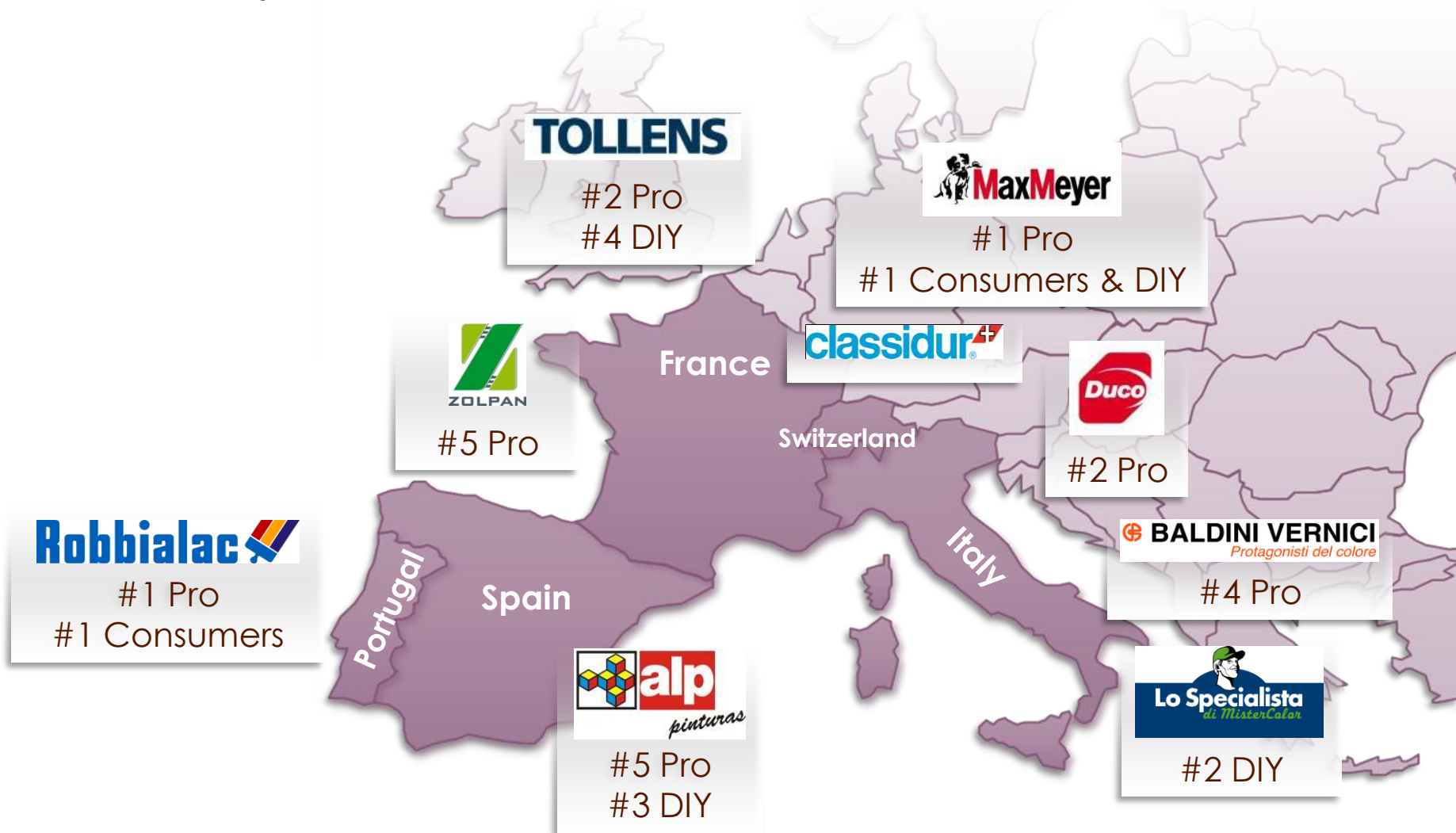


Sales per market

# Materis Paints Brands



The vast majority of Materis Paints brands are premium brands



# Materis Paints Distribution Network



60% of Materis Paints sales come from integrated distribution

Sales per channel (2011)





# Materis Paints One-Stop Shopping



Materis Paints 400 stores provide one-stop shopping distribution concept

Sales per product line (2011)

**Paint**  
(637 m€)  
78%

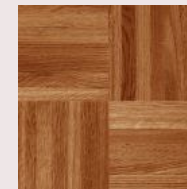


**Non paint**  
(178 m€)  
22%

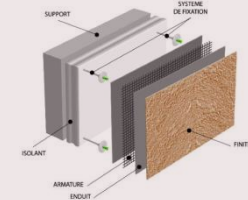
Tools & equipment  
≈45%



Floor & wall  
≈45%



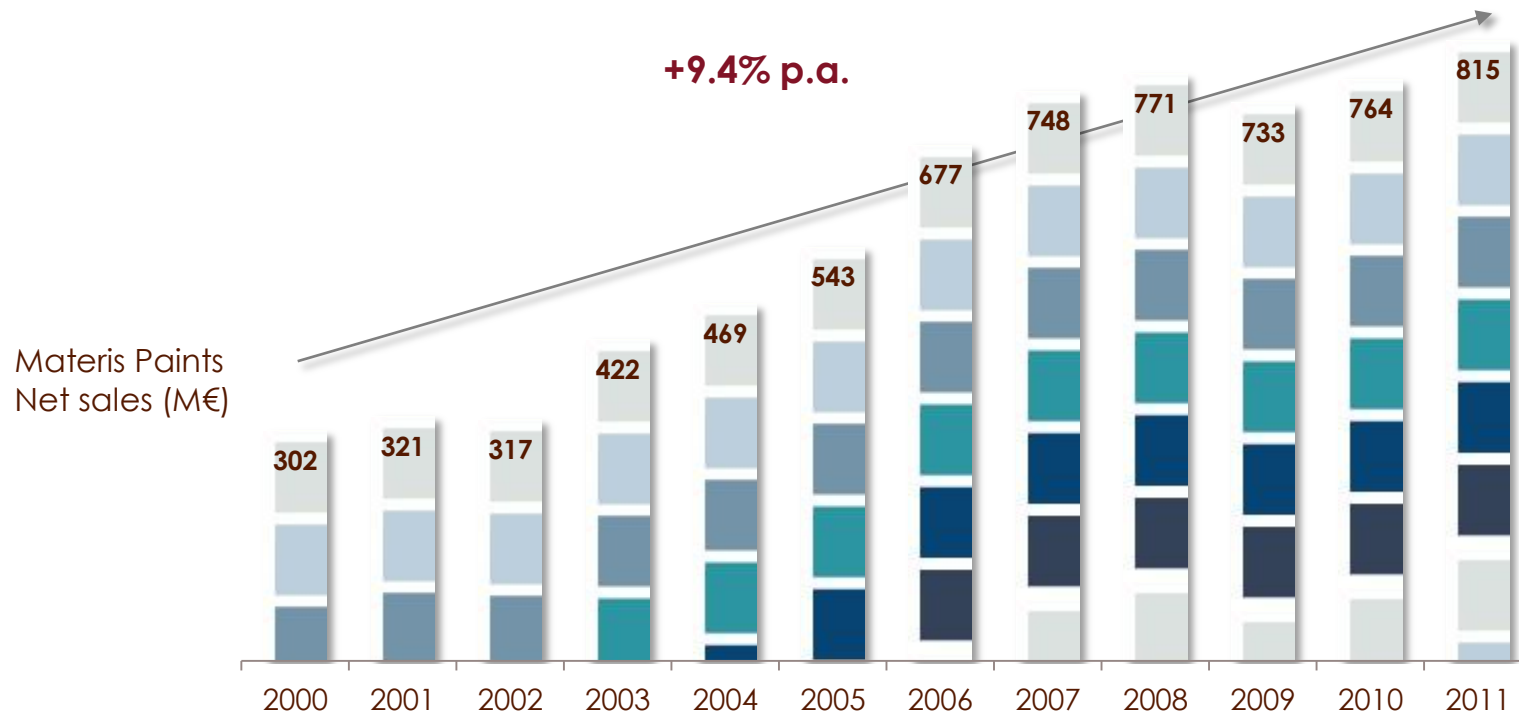
Thermal insulation  
≈10%



# Materis Paints Performance



A strong revenue growth track record, with a much more challenging environment in the recent years

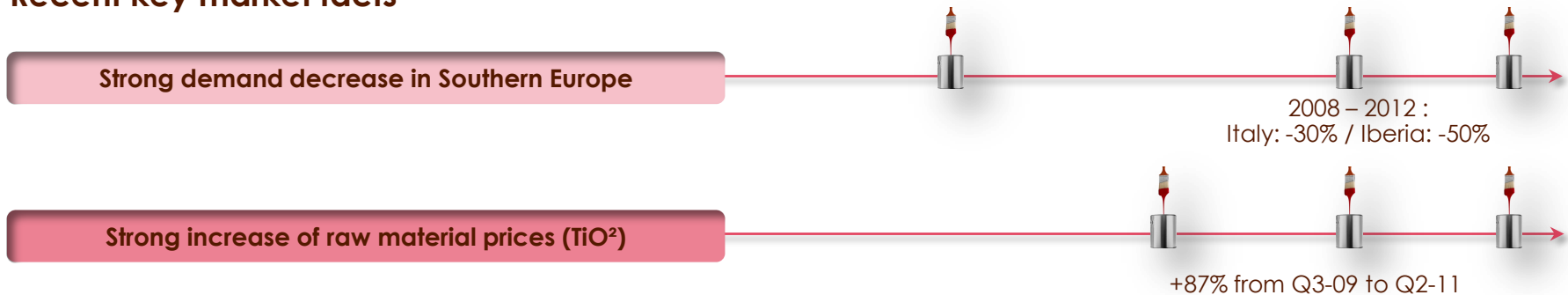


# Key Financials



In M€	2009	2010	2011
<b>Sales</b>	<b>733,3</b>	<b>764,0</b>	<b>815,5</b>
<i>YoY sales variation</i>	-4,9%	4,2%	6,7%
Gross margin	430,5	446,2	463,2
<i>Gross margin as a % of sales</i>	58,7%	58,4%	56,8%
<b>Ebitda before management fees</b>	<b>78,1</b>	<b>77,5</b>	<b>67,6</b>
<i>Ebitda as a % of sales</i>	10,7%	10,1%	8,3%

## Recent key market facts





## The DecoPaints Industry

## Materis Paints

## Going Forward

# Our strengths



TOLLENS



classidur



Robbialac



BALDINI VERNICI  
*Protagonisti del colore*



- Strategic position in integrated distribution
- Key partnerships with international DIY chains
- Long lasting relationships with thousands of independent dealers across our geographies



- Agile and adaptable
- Smart, local choices

# Our Game Plan (1/2)



## Top line initiatives

- Increase customer loyalty and share of wallet
- Increase market share on selected product lines and customer segments
- Introduce new distribution concepts
- Increase significantly sales efficiency (activity management, territory coverage)

Materis  
Paints

## Cost rightsizing and cash flow actions

- Constant adjustment of resources to volume evolution:
  - 7% headcount in 2012, -5% in 2013
- Mutualization of back office functions (2013)
- 1st wave of cost savings: 26 M€ saved in 2012, 36M€ in 2013 / 2<sup>nd</sup> wave: 10 M€ already identified for 2013
- Increase of cash conversion ratio: 5 M€ stock

# Our Game Plan (2/2)



Decrease significantly our break-even point  
(indeed, 80% of our costs are fixed)

Become the “Smart Challenger”  
of the DecoPaints Industry

**➔ Fully benefit from the expected market recovery  
by 2014/2015**