



# Acquisition of Betek Boya

April 26, 2019

Nippon Paint Holdings Co., Ltd.

## Executive Summary

- **Betek Boya is a leading player in the Turkish decorative paint for construction market – a market with high growth potential**
- **Nippon Paint Holdings Co., Ltd., by acquiring Betek Boya, will achieve a No.1 market share in Turkey in addition to Asia, where the company has long had a strong presence in, and the Pacific region, where a separate acquisition was recently announced**
- **Strong strategic implications aligning with the company’s core strategy of “Achieving Regional No.1 Share” following the acquisition of DuluxGroup (No.1 market share in ANZ)**
- **Acquisition price is to be disclosed upon closing. Funds will be raised through borrowings from banks. No issuance of additional shares are expected for this transaction**
- **Immediately EPS accretive contributing to the maximization of equity value**  
(\*including one-time costs)

# Today's Agenda

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**1. Background & Strategic Significance of the Acquisition**

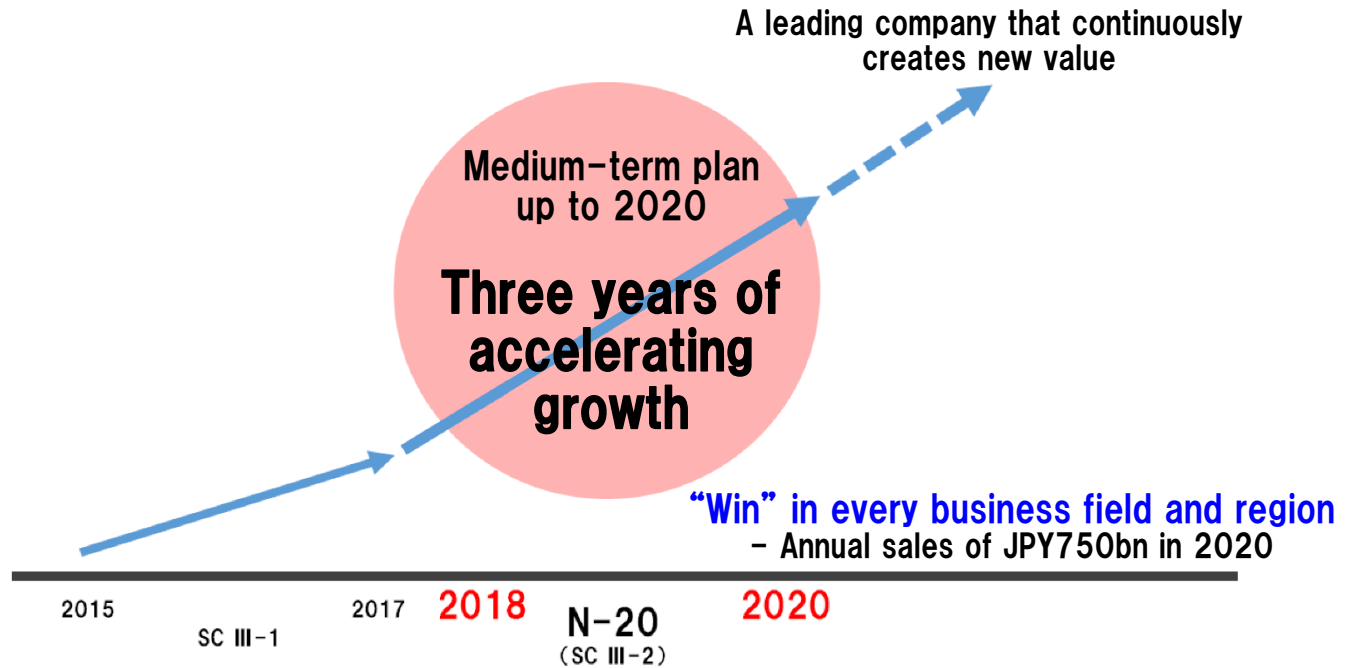
**2. Overview of Betek Boya**

**3. Transaction Overview**

**4. Expected Synergies**

# 1. Background & strategic significance: in the context of Medium-term Plan “N-20”

Medium-term management plan “N-20” to implement a growth strategy towards 2020



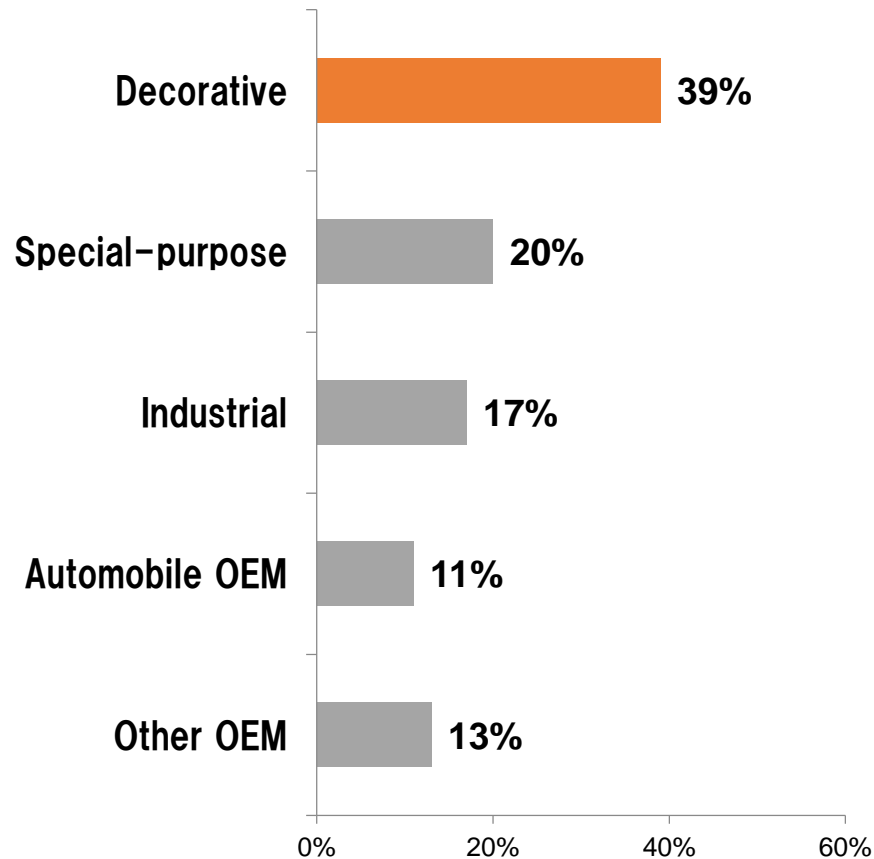
Priority measures

- 1 Robustly reinforce existing segments
- 2 Accelerate portfolio expansion (pursue M&A)
- 3 Boost profitability (achieve an operating margin of 14% after growth investment)
- 4 Strengthen “Global One Team” administration

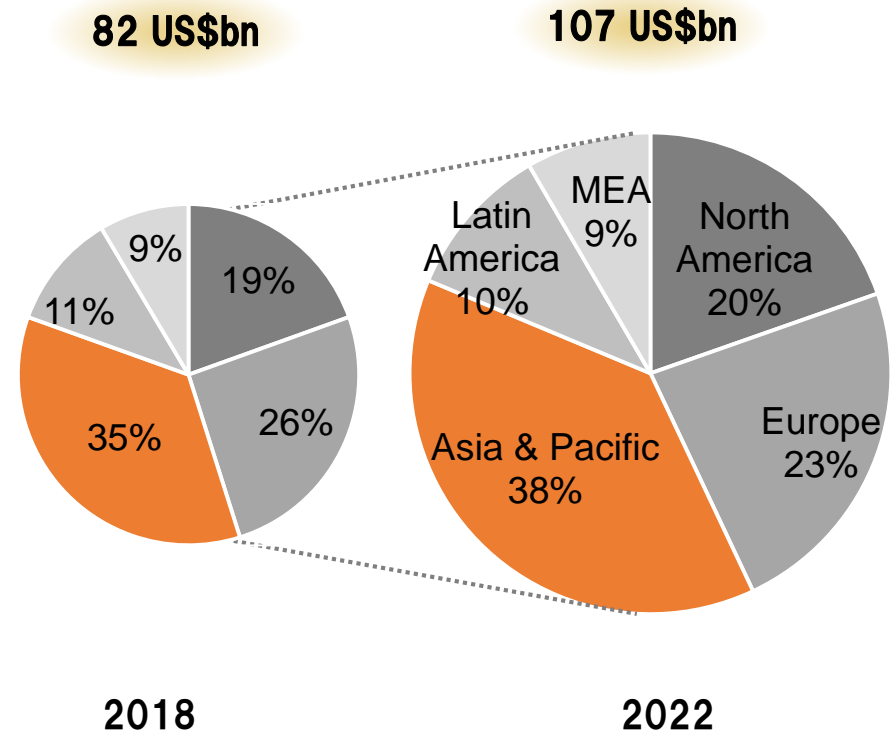
# 1. Background & Strategic Significance: Global Market Structure

Establish an unassailable position in two domains : Decorative paints & Asia-Pacific

Share of each segment of world paint/coating market (2018)



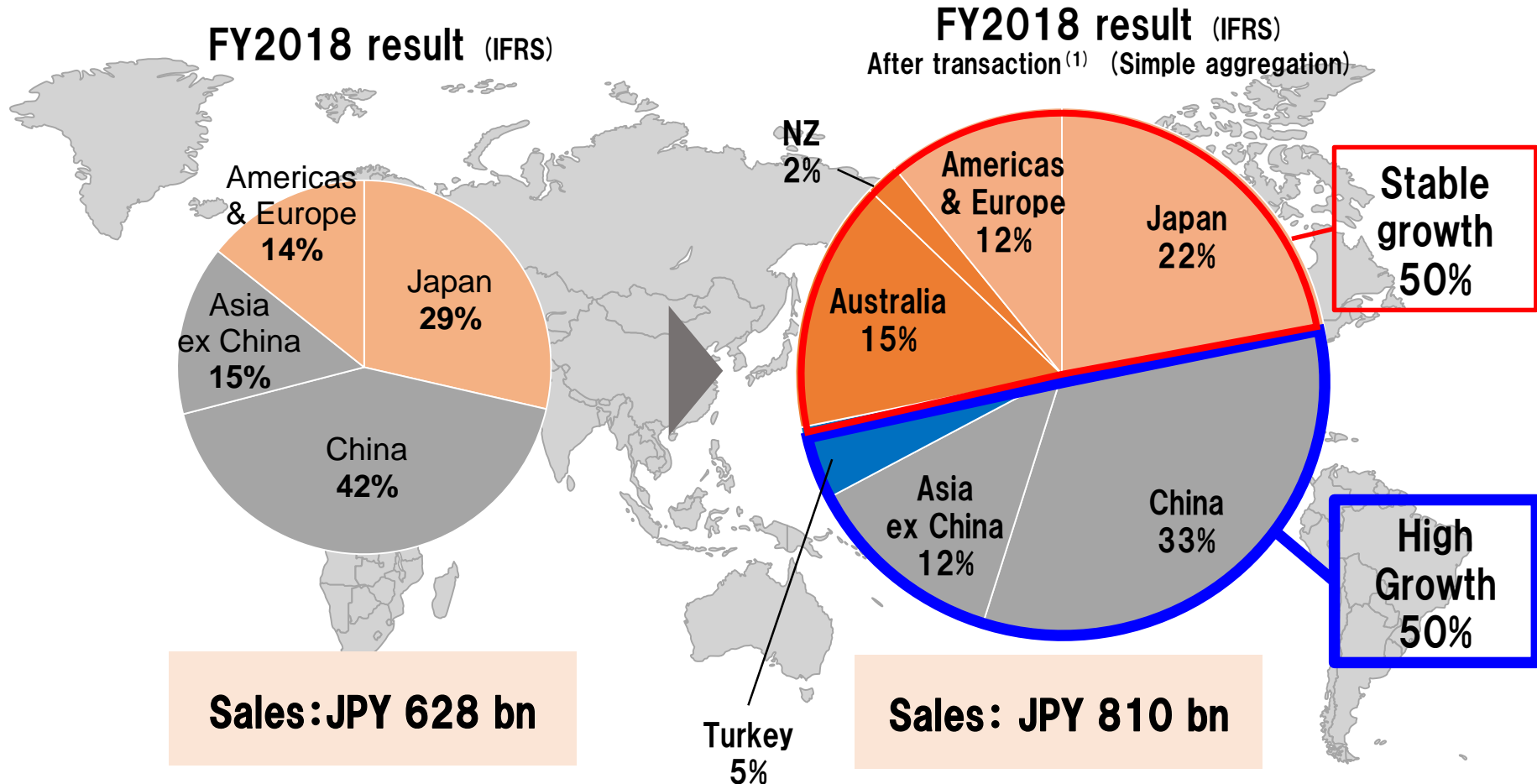
World paint/coating market (projected share in each region)



Nippon Paint Holdings Estimate

# 1. Background & Strategic Significance: Global Business Area Balance

Establish well-balanced region portfolio through transaction :  
 fast-growing region (Asia & China) vs stable-growth region (Japan, Americas, Europe & Pacific)



(1) Used 1AUD=JPY 80 as conversion rate  
 Used 1TL=JPY 20 as conversion rate

# 1. Background & Strategic Significance: 5 Key Strategic Rationale

Acquisition of Betek contributes to the enhancement of enterprise value and equity value

## Acquisition of Regional No.1 Share Company

- Enhancement of business foundation by acquiring a company with strong position in Turkey where future growth is expected

## Attractive Turkish Market

- Attractive market with population increase and high GDP growth
- Expected high growth of decorative paint due to the expansion of the reform market



## Betek's Key Strength

- Highest market share in Turkey
- Brand portfolio with high recognition
- Strong distribution network in Turkey

## Acquisition of Excellent Management Resources

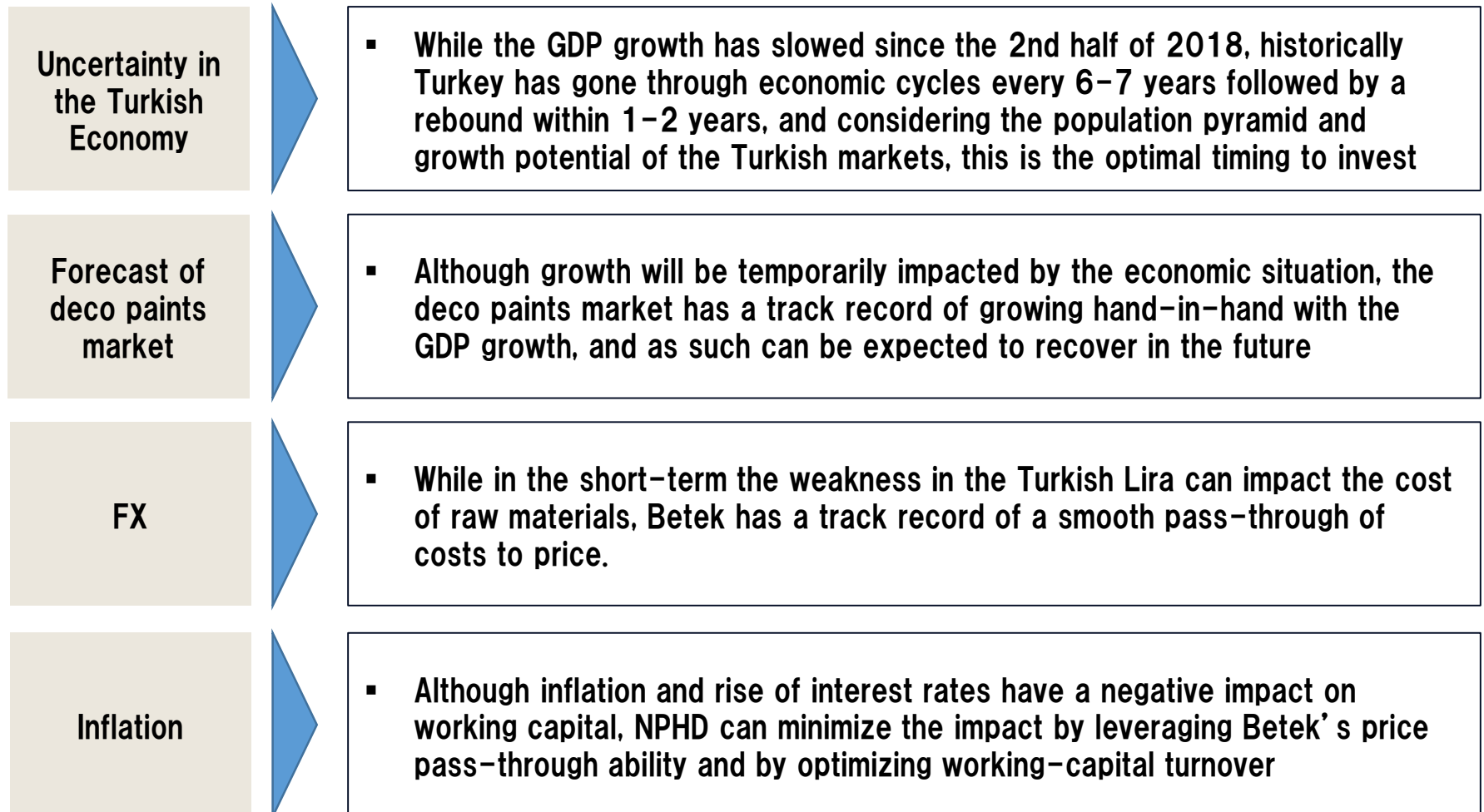
- Outstanding and well experienced management with a track record of expanding the business
- Modern and the largest production facility in Turkey

## Strong Growth as a Group through Synergies

- Significant business growth by cooperation mainly with Nipsea within the NPHD group
- Generation of revenue and cost synergies

# 1. Background & Strategic Significance: Risk Consideration (1)

## Decided acquisition upon sincere discussion about risk factors below

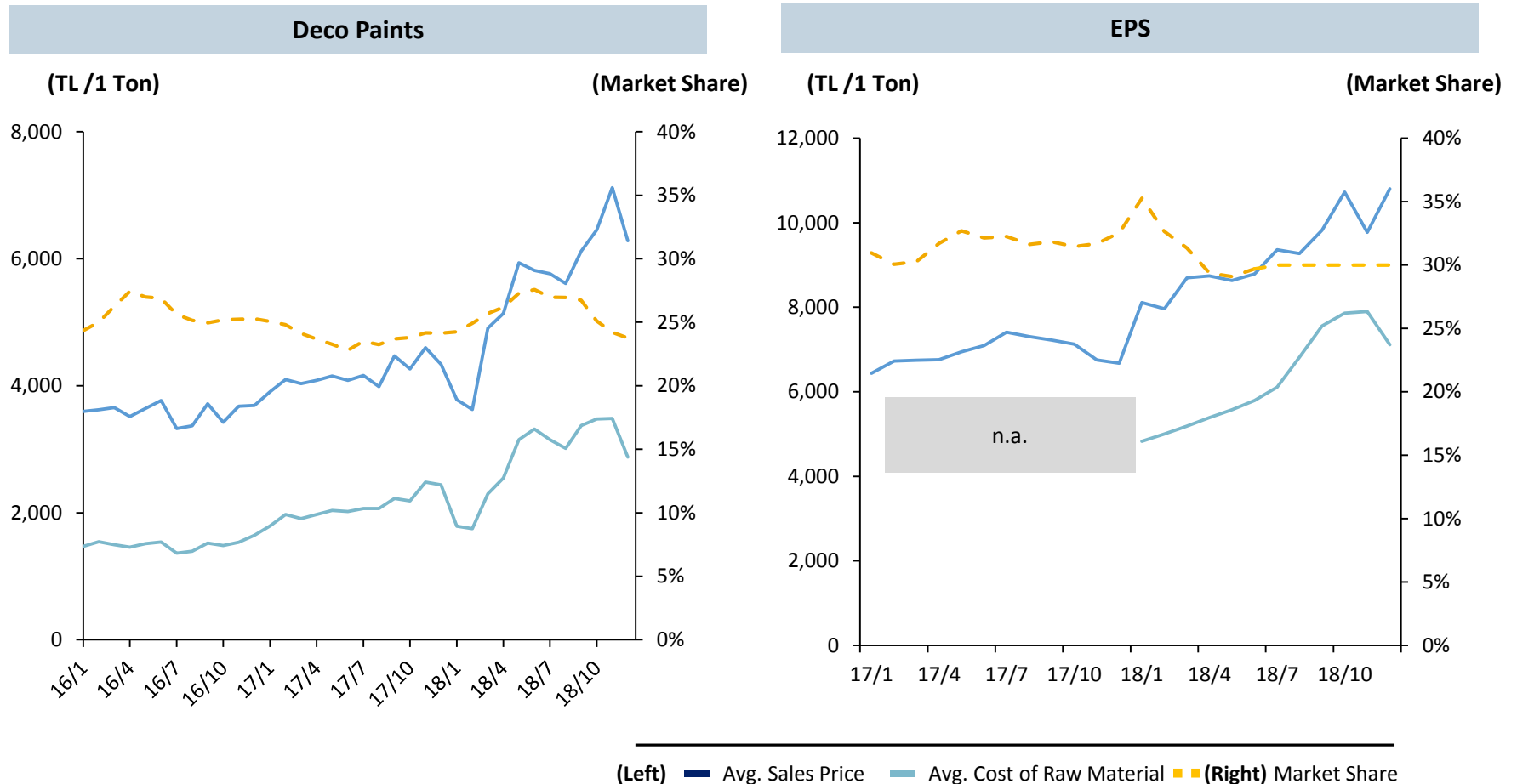




# 1. Background & Strategic Significance: Risk Consideration (2)

Betek historically has realized the successful pass-through of rising material costs to price

## Transition of Share of Market, Average Sales Price and Raw Material Cost



Source: Betek Management

## 2. Overview of Betek: Corporation Overview

Established in 1988, a leading player of Turkish decorative paint and construction materials

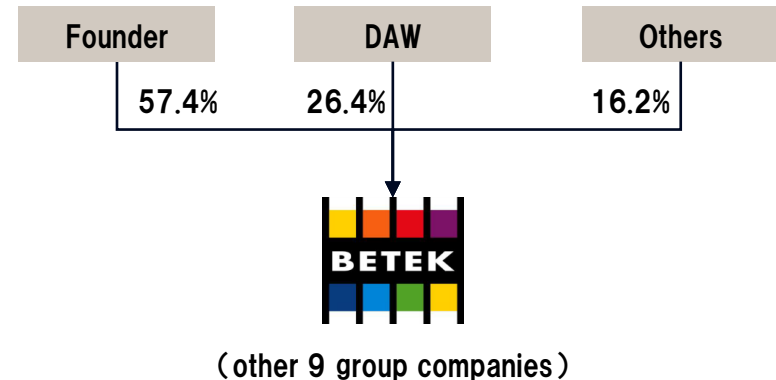
### Overview

- Date of Establishment: 1988
- Headquarters: Istanbul, Turkey
- Market leader in Turkish deco paints with c. 25% market share
- Strong distribution network leveraging 25 distributors, 10 warehouses and about 5,600 dealers in Turkey
- Over 1,300 employees
- 5 facilities in Turkey and 1 facility in Egypt
- Leading player in Turkish ETICS (insulation material) accounting for about 30% market share

### History

- 1988 Established
- 2001 Achieved the top market share in deco paints
- 2003 Entered the ETICS business
- 2004 Established a large paint production facility in Gebze
- 2009 Established an EPS production facility in Gebze
- 2011 Established an ETICS production facility in Kayseri

### Corporate Structure



Betek HQ



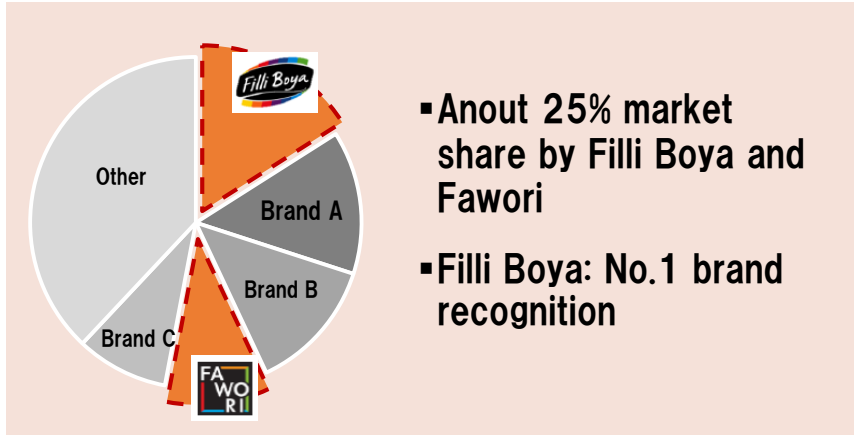
Gebze production facility



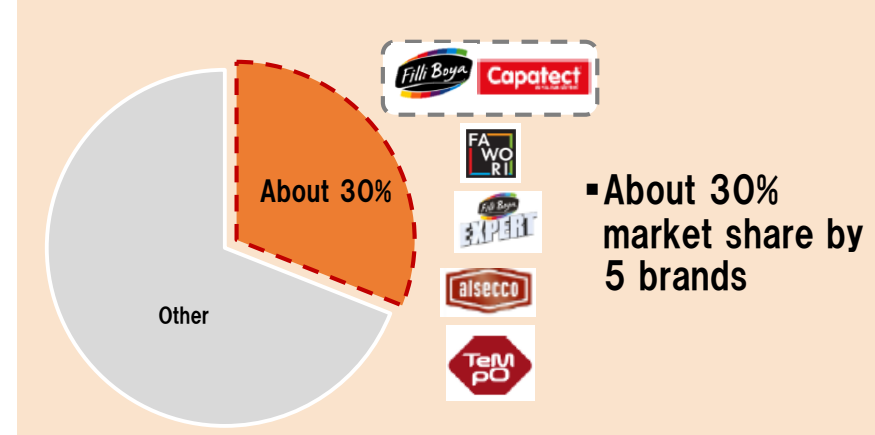
## 2. Overview of Betek: Product Portfolio and Business Overview

### Top market share in Decorative Paint and ETICS (Insulation Materials)

Turkish Decorative Paint Market Share (weight base)



Turkish ETICS Market Share (volume base)



#### Deco paints

- Offers deco paints in which Betek has been a leading player in Turkey for 17 years

#### Industrial & Furniture Coating

- Offers coating products for industrial and furniture

#### ETICS

- Offers a wide range of ETICS components such as EPS, stone wool etc.

#### Complementary Products

- Offers roller, brushes and adhesives which are complementary for paint business

Overview

Products

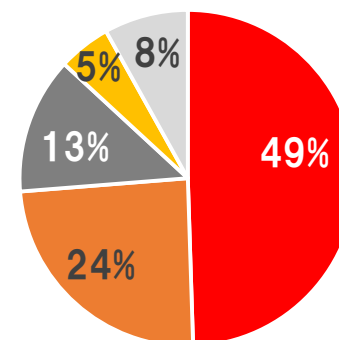
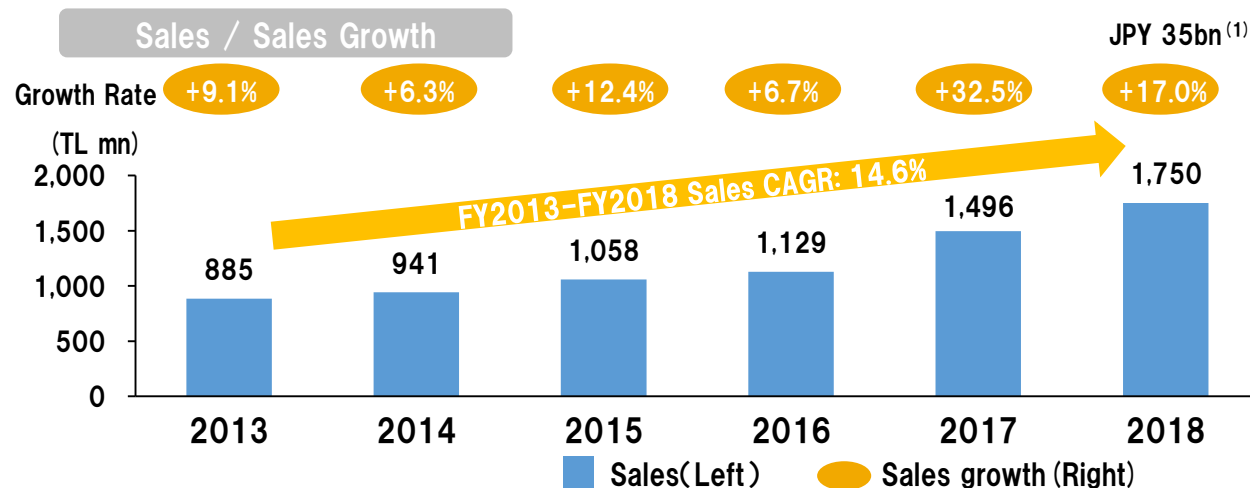


## 2. Overview of Betek: Performance and Segment Breakdown

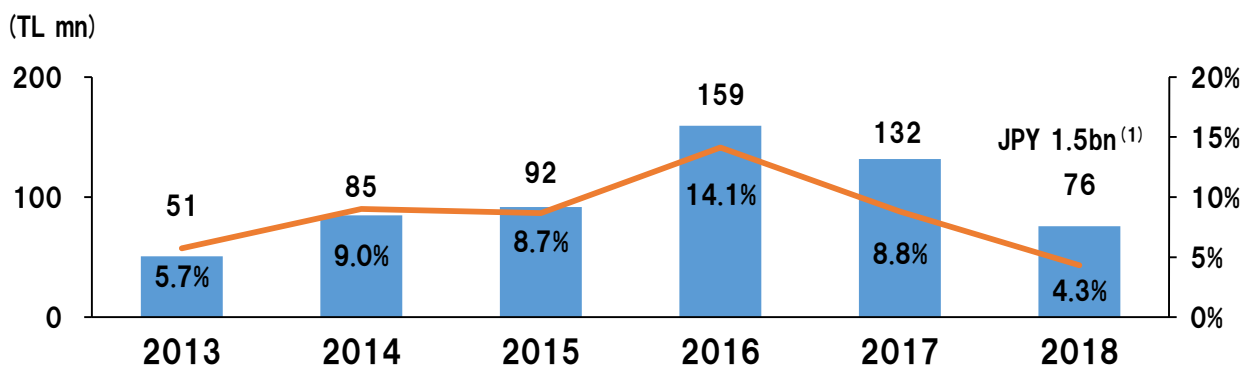
### Recorded strong revenue growth and significant business expansion

Sales & Profit (TL mn)

Sales by Business Segment (Dec 2017)



**Operating Profit / OP Margin**



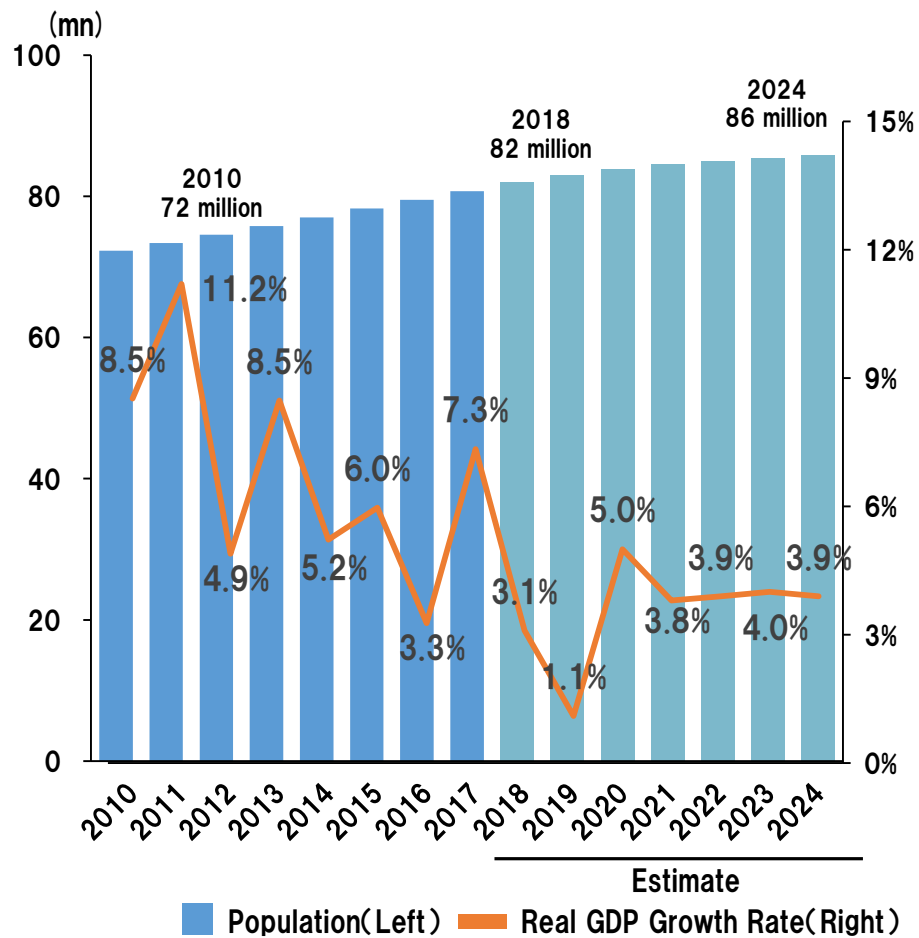
- Deco Paints
- ETICS
- Industrial & Furniture Coating
- Complementary Products
- Other

Source: Betek Management  
 (1) Used 1TL=JPY 20 as conversion rate

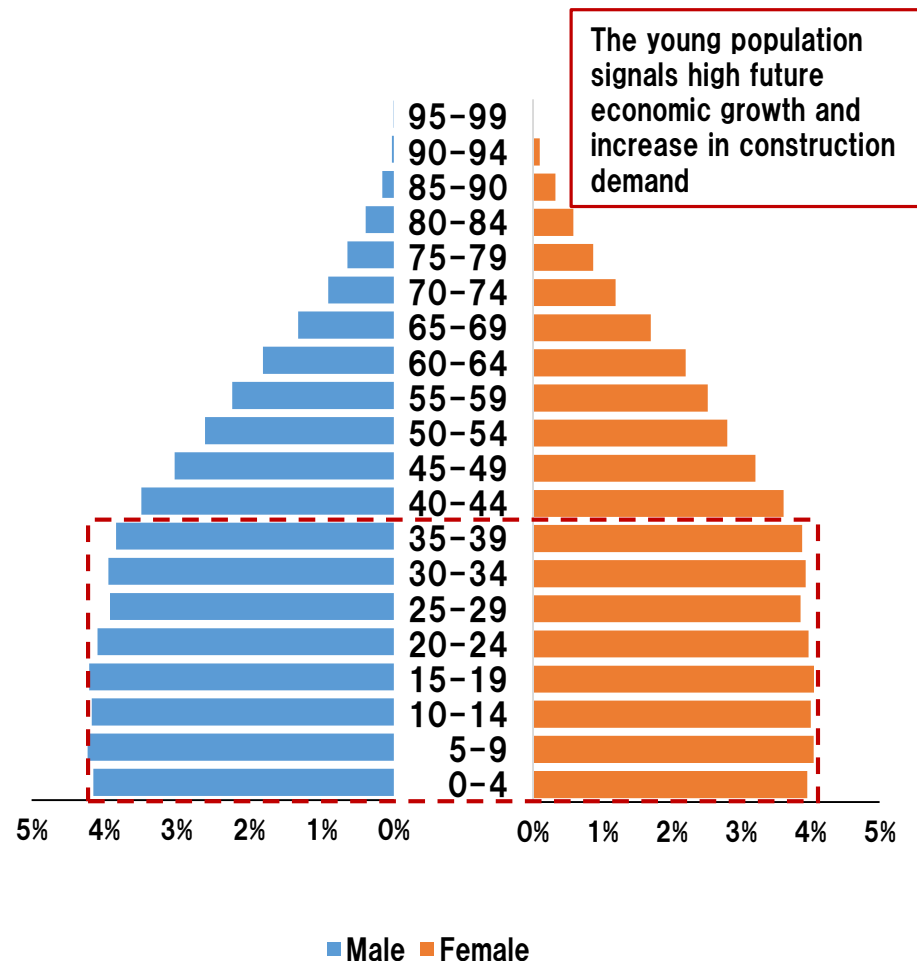
## 2. Overview of Betek: Turkish Market Forecast

### Strong expected economic growth due to the young and growing population

Population Forecast (mn) and Real GDP Growth Rate(%)



Turkish Population Pyramid



## 2. Overview of Betek: Turkish Market Potential

### An appealing Turkish market with strong expected growth

#### Overview of Turkish Decorative Paint Market

Value Base

**4.3**bn TL (2017)  
(About JPY 8.6bn<sup>(1)</sup>)



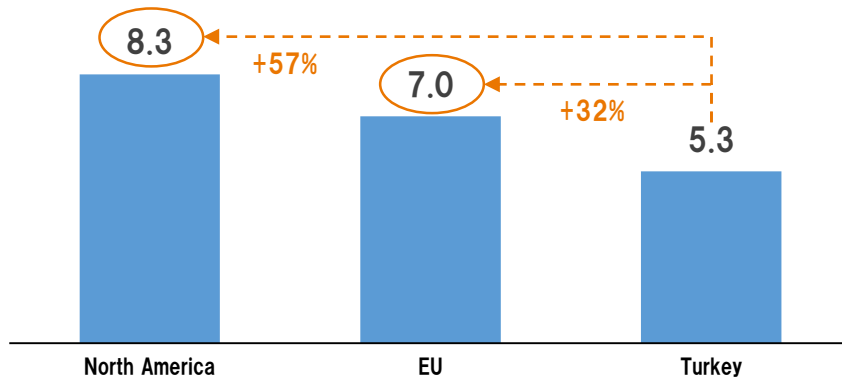
**5th**

Largest Market in Europe

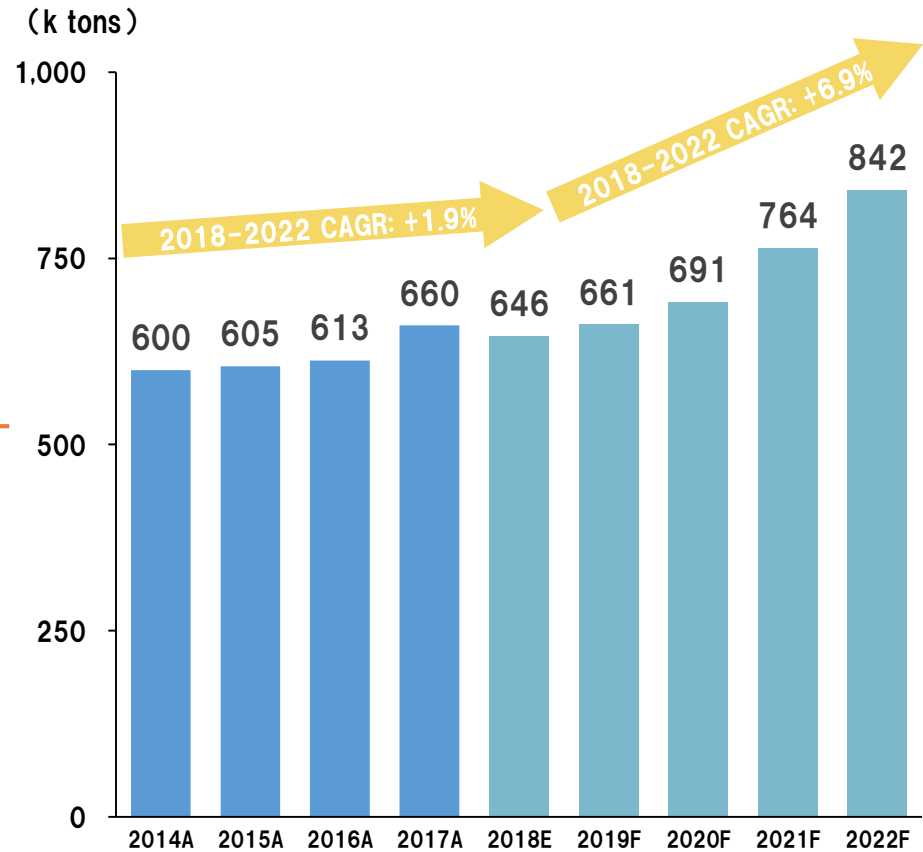
Weight Base

**660** k tons (2017)

#### Deco Paint Volume per Capita (lt)



#### Turkish Decorative Paint Market (weight base)



Source: Betek Management

(1) Used 1TL=JPY 20 as conversion rate

## 3. Transaction Overview

Transaction Consideration	<ul style="list-style-type: none"> <li>■ Acquisition price is to be disclosed upon closing</li> </ul>
Source of Financing	<ul style="list-style-type: none"> <li>■ Borrowings from financial institutions (No issuance of additional shares for this transaction)</li> </ul>
Structure	<ul style="list-style-type: none"> <li>■ Acquisition of shares by Nippon Paint Holdings Co., Ltd.</li> <li>■ Expected acquisition of 95.915% of Betek shares</li> </ul>
Process until completion	<ul style="list-style-type: none"> <li>■ Expected to close by the end of June, 2019</li> </ul>
Financial Impact	<ul style="list-style-type: none"> <li>■ Immediately EPS accretive</li> <li>■ Debt to increase temporarily – focus on improving financial soundness post-acquisition</li> <li>■ Financial management to be conducted to sustain a credit rating in the A-range</li> <li>■ Goodwill, intangible fixed assets, etc. to be disclosed once finalized</li> </ul>
Shareholder return policy	<ul style="list-style-type: none"> <li>■ No change in shareholder return policy (Target 30% dividend payout ratio, with the goal of further increasing)</li> </ul>

## 4. Expected Synergies

### Expected synergies in a variety of fields

#### Expected Synergies

1

#### Management

- Nipsea team to lead management post-acquisition

2

#### Sales Expansion

- Increase in product range
- Integration of know-how in advertisement and marketing to enhance brand value

3

#### Cost Reduction

- Cost reduction through group procurement

4

#### Financial Structure Improvement

- Leveraging the group's favorable cost of capital





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