

# DKSH Capital Markets Day 2020



**Delivering growth – in Asia and beyond.**

## Today's speakers



**Stefan P. Butz**  
Chief Executive Officer



**Marco Gadola**  
Chairman



**Bernhard Schmitt**  
Chief Financial Officer



**Bijay Singh**  
Head Business Unit  
Healthcare



**Terry Seremetis**  
Head Business Unit  
Consumer Goods



**Hanno Elbraechter**  
Head Business Unit  
Technology



**Natale Capri**  
Co-Head Business Unit  
Performance Materials



**Thomas Sul**  
Co-Head Business Unit  
Performance Materials

# Agenda

Time	Topic (all sessions incl. Q&A)	Speakers	Page
09:00	<b>Welcome and Strategy update</b>	Stefan P. Butz, CEO	1-15
09:20	<b>Chairman address</b>	Marco Gadola, Chairman	17-19
09:35	Business Unit <b>Healthcare</b>	Bijay Singh, Business Unit Head	21-36
10:10	Business Unit <b>Consumer Goods</b>	Terry Seremetis, Business Unit Head	38-54
	<i>Coffee Break</i>		
11:10	Business Unit <b>Technology</b>	Hanno Elbraechter, Business Unit Head	56-73
11:40	Business Unit <b>Performance Materials</b>	Thomas Sul and Natale Capri, Co-Business Unit Heads	75-95
12:20	<b>Finance update</b>	Bernhard Schmitt, CFO	97-106
12:30	<b>Wrap-up Q&amp;A session</b>	Stefan P. Butz, CEO and Bernhard Schmitt, CFO	
12:50	<b>Closing remarks</b>	Stefan P. Butz, CEO	108-109
13:00	<b>End of Capital Markets Day</b>		

## Objectives of today's Capital Markets Day



**Provide an update on strategic priorities and actions to deliver growth**



**Update on our evolution**



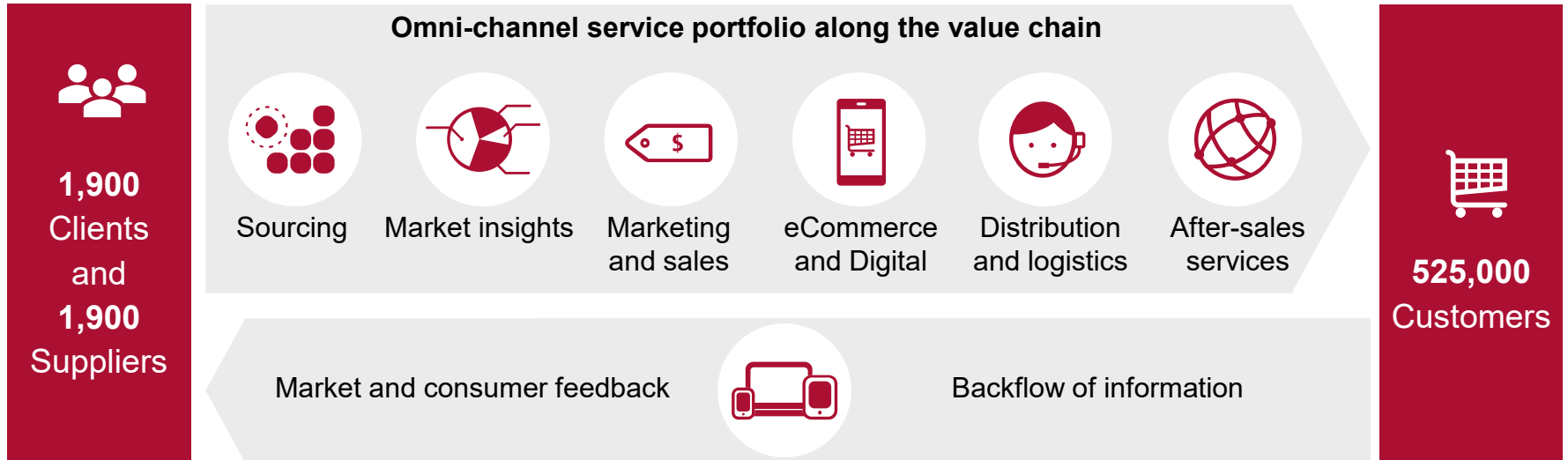
**Get to know our leadership team and their focus on diligent execution**



**Deepen understanding of our business and growth drivers**



# We are the leader in Market Expansion Services in Asia





**CHF 11.6 billion**  
Net sales



**33,350**  
Specialists in  
**36** markets



**Comprehensive market coverage across Asia Pacific**



**46**  
Innovation centers



**150**  
Distribution centers




Numbers for 2019. Number of Innovation centers incl. Axieo acquisition

**Delivering growth – in Asia and beyond.**

# More than 150 years of experience in Asia ... setting the stage for a new chapter



# Three drivers fueling our business...

<b>1</b> <b>Market growth</b> Mid- to long-term	<b>2</b> <b>Industry trends</b>	<b>3</b> <b>M&amp;A</b>
 Well-positioned in fast-growing, resilient markets	 Opportunity to capitalize on industry trends	 Supplement growth with M&A
<p>Sound economic fundamentals</p>	<p>Outsourcing and digitization</p>	<p>Expand geographic footprint</p>
<p>Favorable demographic trends</p>	<p>More complexity and regulation</p>	<p>New value-added services</p>
<p>Increasing consumption levels</p>	<p>Distributor network consolidation</p>	<p>Access new segments and channels</p>

**... with the potential to deliver GDP+ growth (in real terms) post COVID-19**

## Six pillars to deliver on our growth strategy



**Nurture high-performance culture**



**Drive Business Unit strategies**



**Expand regional footprint**



**Drive operational excellence**



**Champion digitization**



**Strengthen and update supply chain**



## Nurture high performance culture

New **DKSH Identity**  
launched in 2020

**25%** change of Top 50  
management since 2018

**4.5x** more people in  
LTIP <sup>1</sup> than three years ago

**+25%** increase in training  
targeted by 2025 <sup>2</sup>

New **Chief HR Officer**  
appointed in 2020



<sup>1</sup> Long-term incentive plan

<sup>2</sup> See DKSH Sustainability Report 2019, page 19-20

# Drive Business Unit strategies



## Business Unit Healthcare

Expand our strong market position and drive into **higher value segments and services**



## Business Unit Consumer Goods

Capitalize on **our leadership** in **Asia Pacific**



## Business Unit Technology

Build resilience and deliver growth to **exceed pre-COVID-19 levels**



## Business Unit Performance Materials

**Strengthen leading position** in specialty chemicals and ingredients distribution

# Expand regional footprint

**Around CHF 530 million of value-accretive net sales acquired in last three years**



**Value-added services and capabilities**



**Complementary to geographical footprint**



**Sound financials**

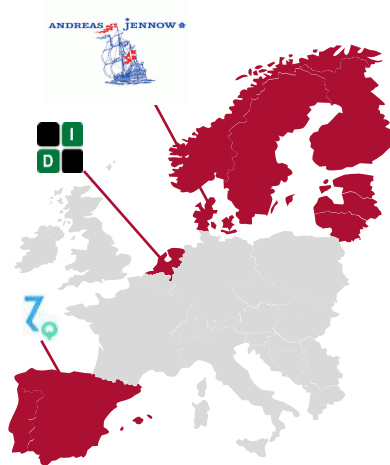


**Cultural fit**



**Attractive multiples**

**European specialty chemicals expansion**



**Asia Pacific market consolidation**



**Up to CHF 1 billion leverage headroom (max. 2x net debt / EBITDA) <sup>1</sup>**

<sup>1</sup> Net debt is net financial debt (debt minus cash)

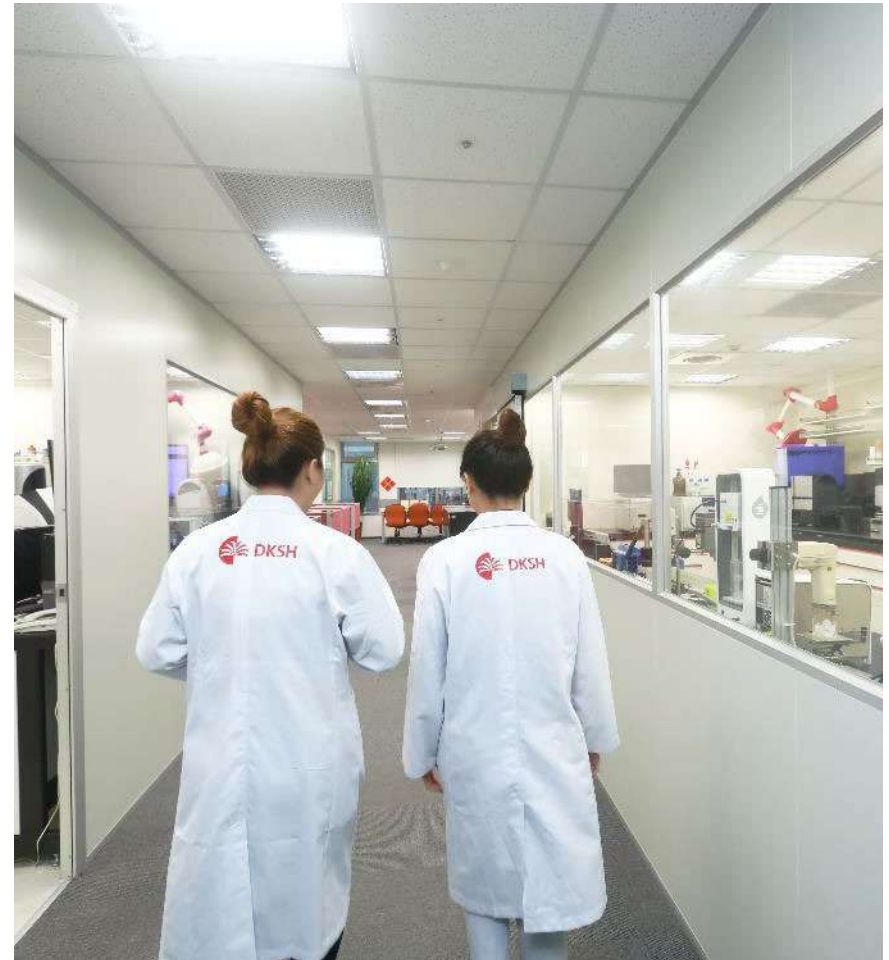
## Drive operational excellence

**4.8 percent** overhead cost savings  
(excl. IT and Digital) <sup>1</sup>

Further focus on **mid-term efficiency**  
improvements based on operational KPIs

### Increased focus on Sustainability

- Commitment to SDGs <sup>2</sup>
- Targets for all Executive Committee members
- External ratings improved



<sup>1</sup> 2020 vs. 2018

<sup>2</sup> UN Sustainable Development Goals, for more information see DKSH Sustainability Report 2019, page 19

# Champion digitization

## > CHF 150 million target

eCommerce net sales (2020)

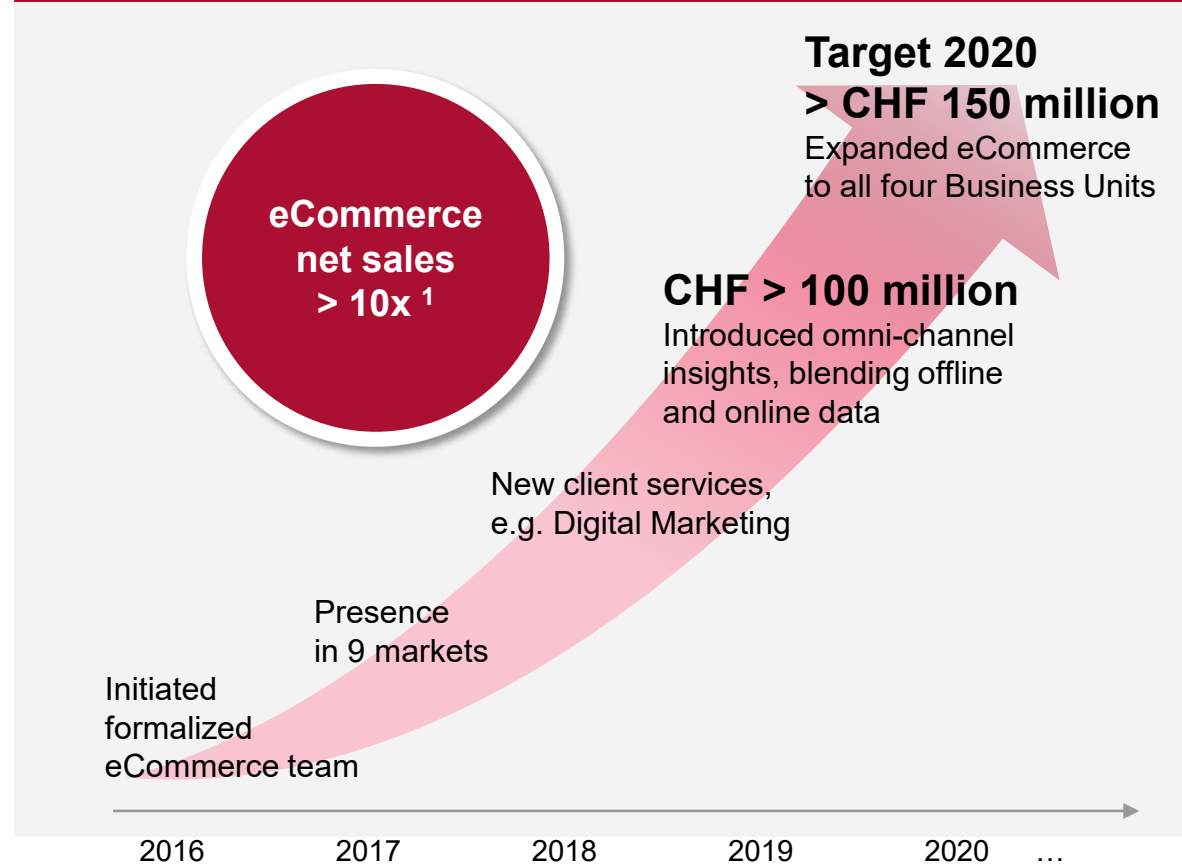
- Pan-Asian coverage
- Present on all top marketplaces
- Highest integrity standards
- Full direct-to-consumer capabilities

New **Chief Digital Officer** appointed, accelerating **digital transformation**

### Sustained focus on:

- Process digitization
- Digital business models (e.g. New Retail)
- New Application Programming Interface platform

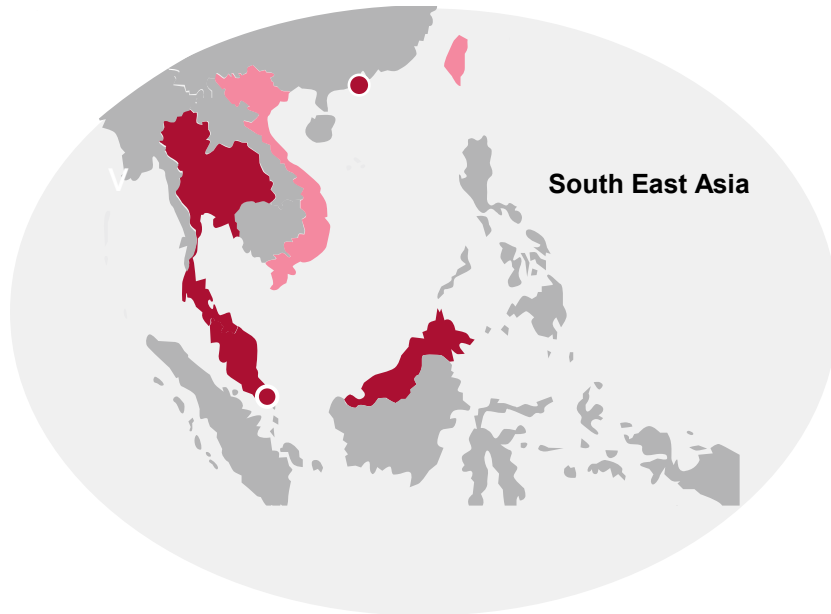
## DKSH eCommerce development 2016 to 2020



<sup>1</sup> eCommerce net sales 2016 compared to 2020 target

## Strengthen and update supply chain

### Transport Management System (TMS) roll-out status per market



#### TMS rolled out

- Thailand
- Malaysia
- Singapore
- Hong Kong

#### TMS being rolled out

- Vietnam
- Taiwan



New advanced **data-driven** Transport Management System implemented in key markets

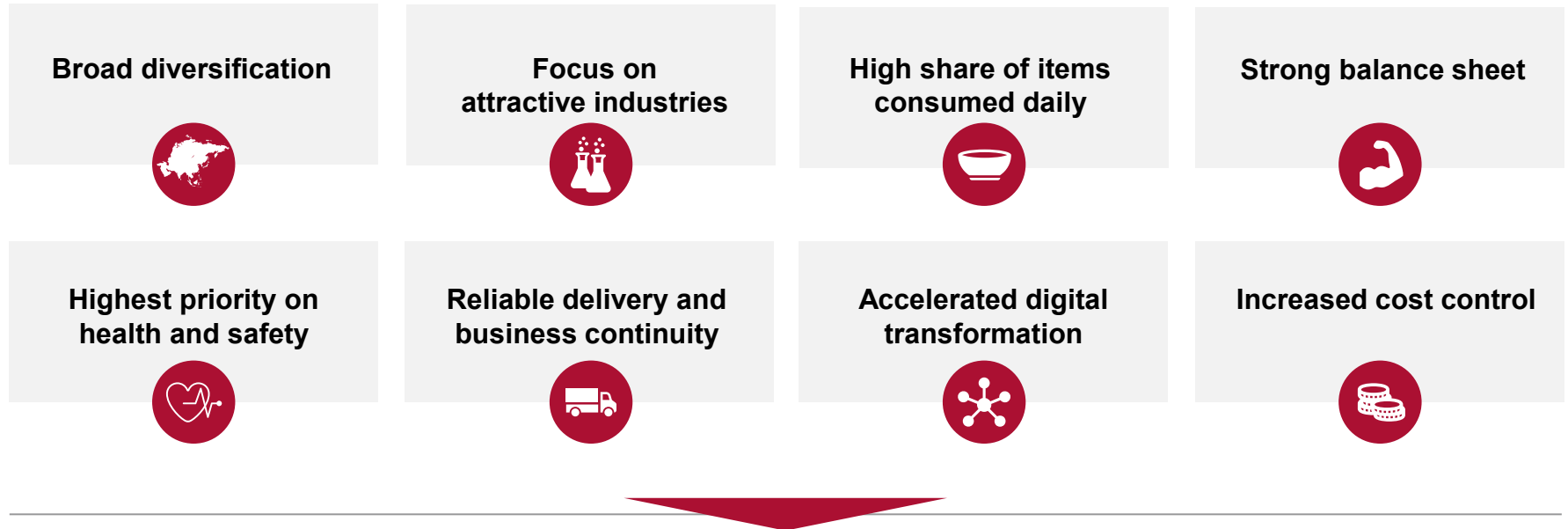


Introducing **automated service processes**  
Two **semi-automated** distribution centers



Increase **flexibility and agility** with B2B and B2C fulfillment capabilities

# DKSH proves resilience during unprecedented times



## Overview of key financials H1 2020

**CHF 51.1 million**  
Free Cash Flow  
(+59.2%)<sup>1</sup>

**CHF 111.3 million**  
EBIT  
(+4.7%)<sup>1</sup>

**CHF 5.3 billion**  
Net sales  
(-1.2%)<sup>1</sup>

**CHF 1.90 per share**  
Ordinary dividend  
(+2.7%)<sup>1</sup>

<sup>1</sup> At constant exchange rates (except for Free Cash Flow and dividend), compared to same period of 2019

## Chairman address



## New DKSH Chairman since 2020



**Marco Gadola**  
Chairman of the  
Board of Directors

Joined DKSH:  
2020

**Delivering growth –  
in Asia and beyond.**

## Initial impressions since assuming Chairman role



- **Asia Pacific** remains an attractive growth region
- **Proven and resilient business model** that creates value
- **Strong team** driving transformation
- Potential to further **expand our leadership** positions and market share
- Opportunities to **enhance profitability** and **cash flow generation**
- Long-term **committed anchor shareholder**

## Key messages

### Strategy

Sound corporate **strategy continues to be in place**  
– H1 2020 results show **resilience** and **potential** of our business

### Team

**Strong management team** focussing on business execution  
and **developing future leaders**

### Focus areas

**Cash Flow** generation, **FMCG** transformation, **Performance Materials** expansion,  
**process** optimization, **geographical** expansion, **digital** transformation ...

### Capital allocation

**Progressive dividend policy** and **M&A** strategy

### Our ambition

**Delivering growth – in Asia and beyond.**

# Business Unit Healthcare

## DKSH Business Unit Healthcare



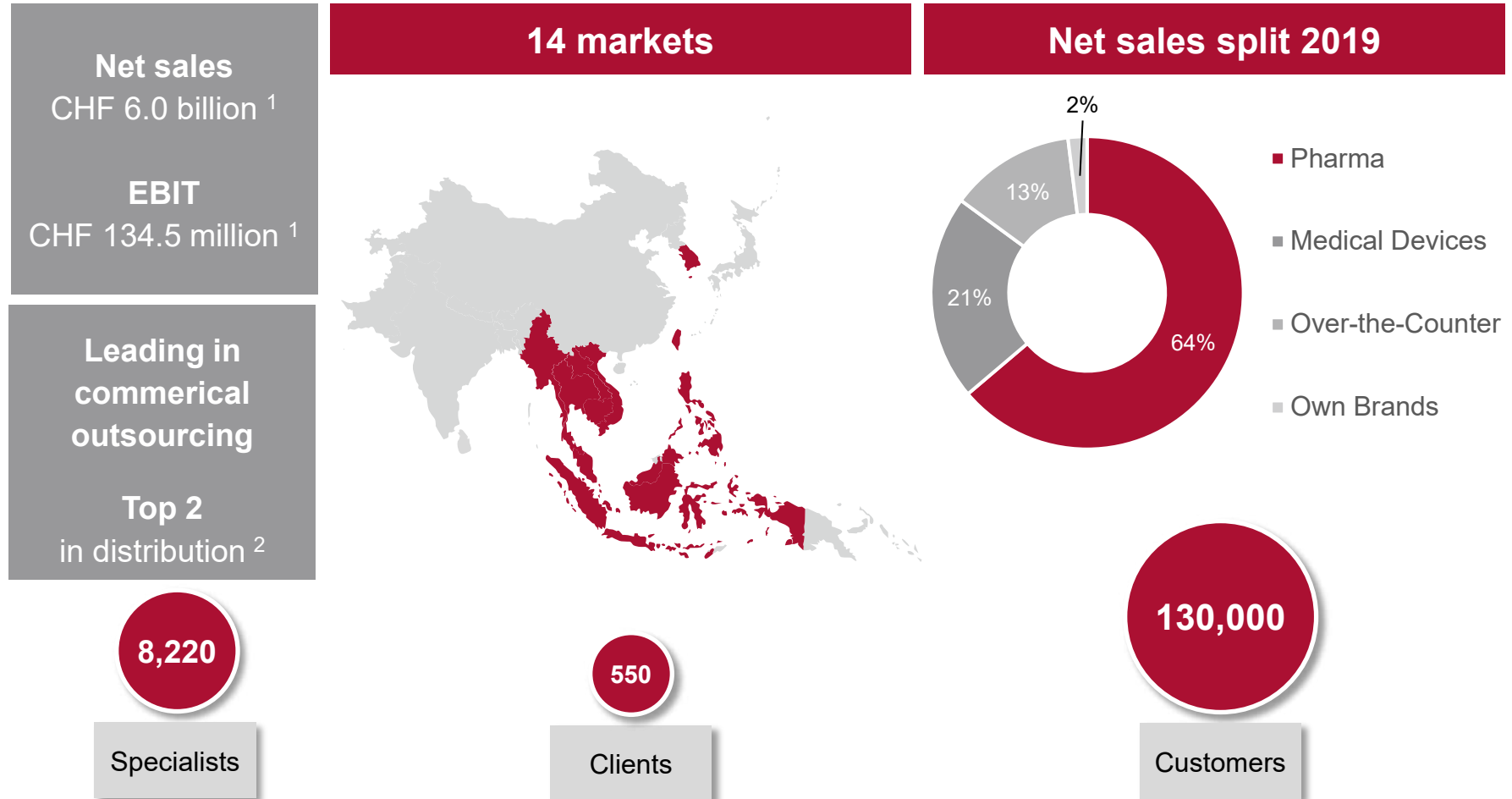
**Bijay Singh**

Head Business Unit  
Healthcare

Joined DKSH:  
2015

**Expand our strong market  
position and drive into higher  
value segments and services**

# Our Healthcare business in Asia Pacific



<sup>1</sup> For 2019

<sup>2</sup> Source: publicly available competitor information

# Adding value for healthcare stakeholders in Asia

## Key benefits



**Among the largest distribution networks**  
(>80% direct hospital and pharmacy coverage)



**Leading commercial team**  
(4,500 local sales and marketing specialists)



**High quality and compliance standards**  
(international certifications e.g. ISO, GMP, GDP)



**Growth-driving value-added services**  
(e.g. Patient Solutions, Regulatory, Analytics)



Well-established portfolio of 550 Blue Chip clients and emerging players...

**Pharma**



**Medical Devices**



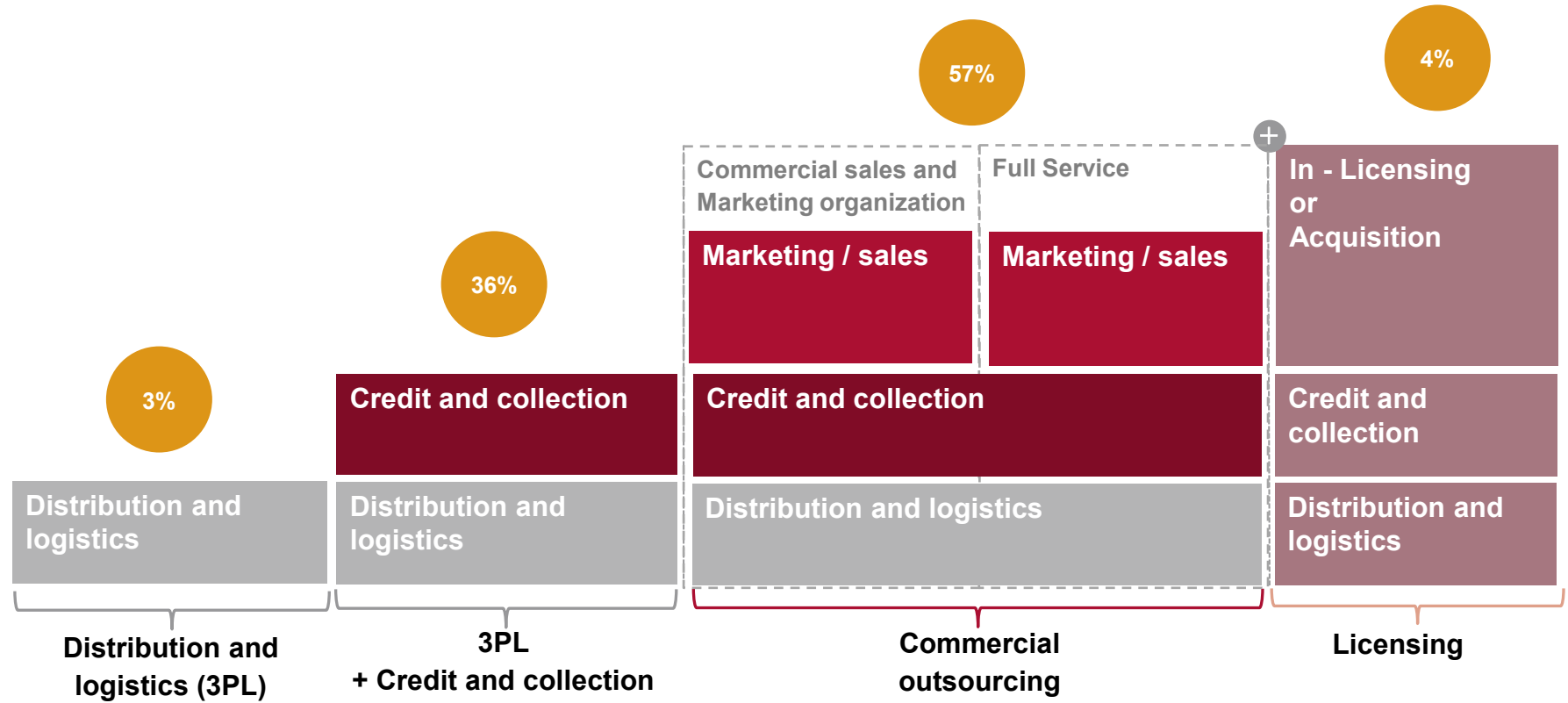
**Over-the-Counter (OTC)**



...across categories and markets



# Modular partnership models to support our clients' long-term, cost-efficient growth strategies in Asia



Note: Bubbles represent share of EBIT contribution in 2019

# Unique direct omni-channel approach connecting clients to 130,000 customers across Asia

**Medical channel** (mainly hospitals/clinics)

**63%**



**Traditional Trade** (independent pharmacies)

**26%**



**eCommerce**

**<1%**



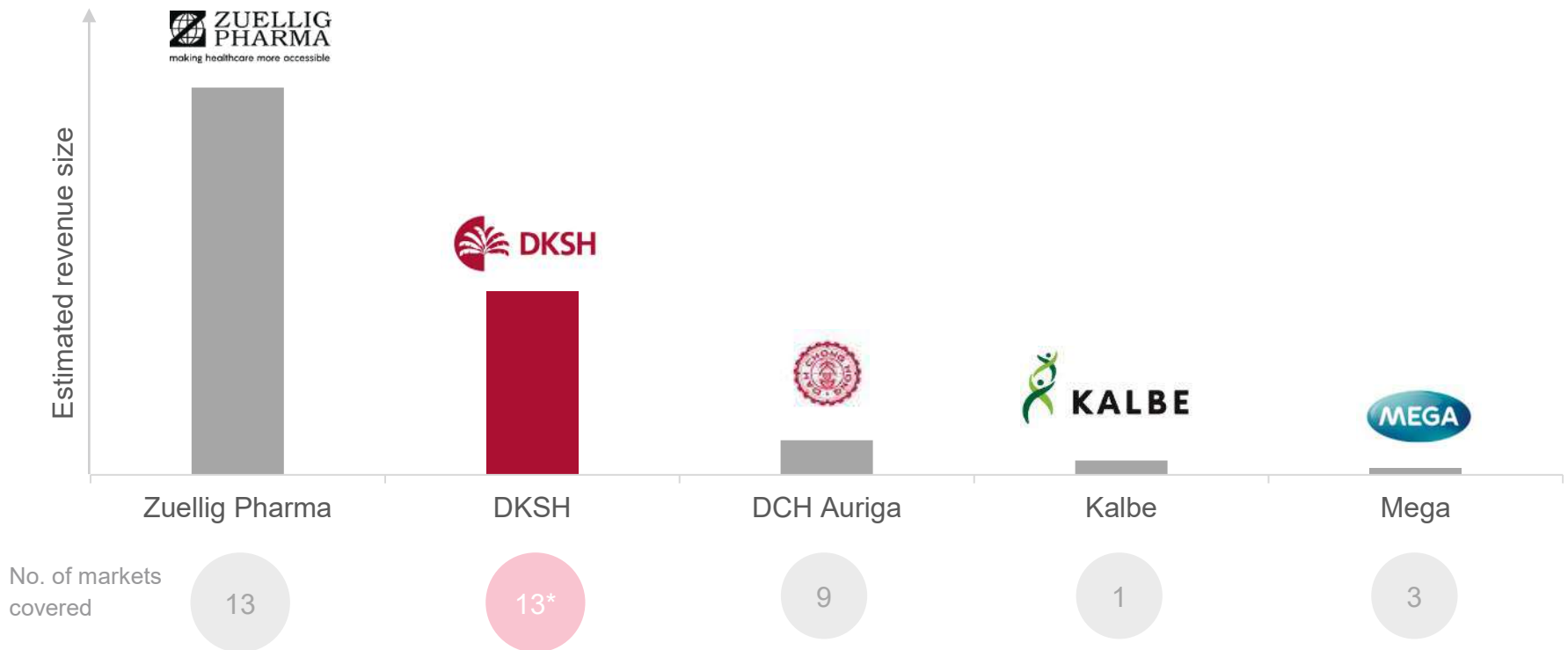
**Modern Trade** (mainly chain pharmacies)

**11%**



















Customer split by net sales 2019

# DKSH is a leading healthcare distributor in Asia

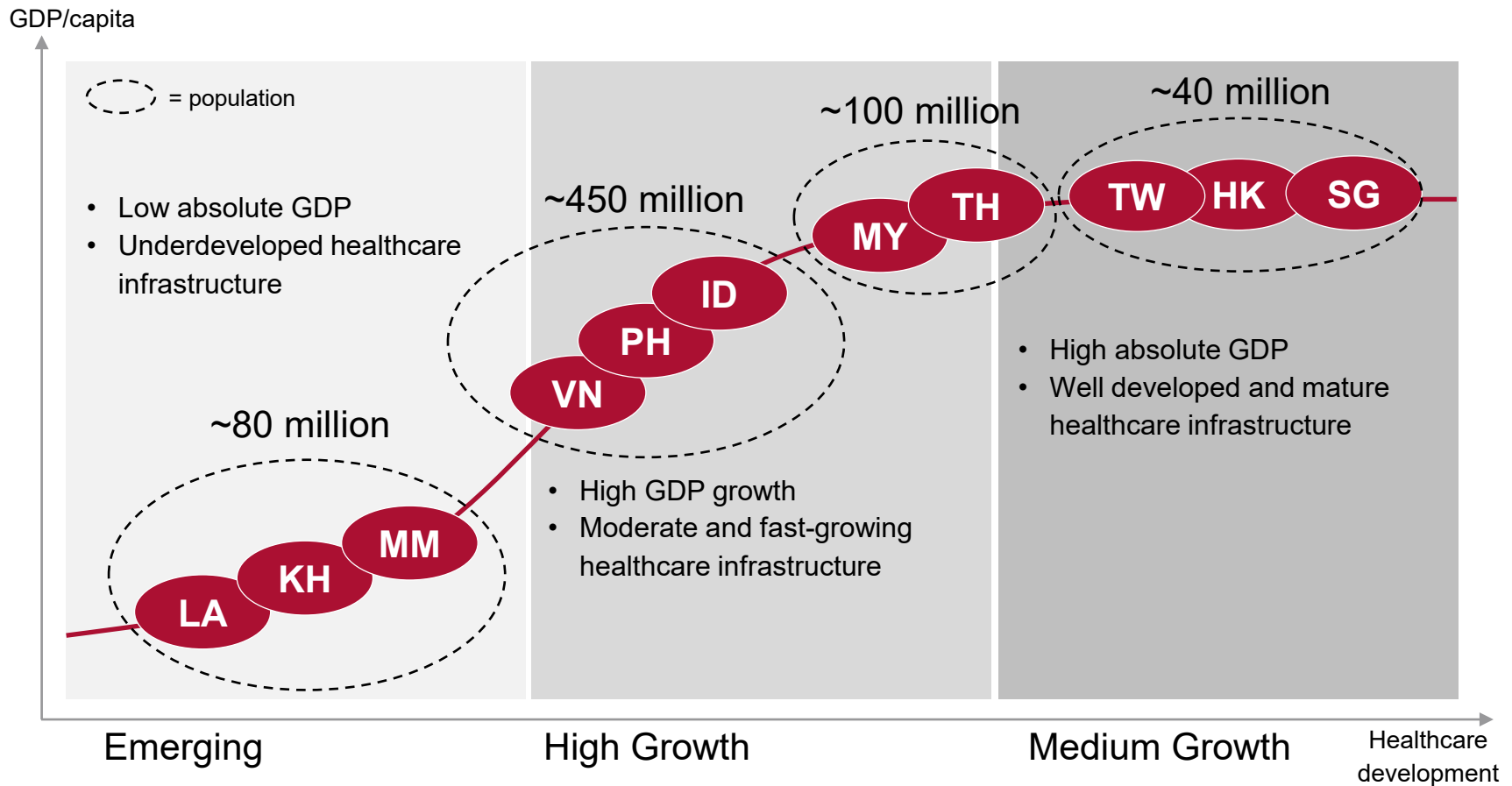


Source: Company information. DCH Auriga excluding Mainland China and combined consumer and healthcare businesses. For Mega and Kalbe distribution business only. \*Excluding Switzerland

# Healthcare: Strategic direction

Positioning	Markets	<b>Maximize:</b> strengthen leadership in high market-share markets 	<b>Realize:</b> enhance value proposition in low market-share markets 	<b>Optimize:</b> build critical mass in niche markets via targeted BLs 	<b>Launch:</b> enter and build businesses in Indonesia, Philippines 
	Industries	Continue core business line focus	 Rx (pharma)	 OTC and Consumer Health	 <b>Medical Devices</b>
	Business Solutions	<b>Drive best-in-class commercial outsourcing</b> 	<b>Deploy value-added services</b> 	<b>Strengthen own brands portfolio</b> 	Strengthen omni-channel access 
	Operating Model	Distribution platform			
	Operating Model	Execute commercial excellence processes 	Leverage technology to generate new insights and to automate processes 	Business partners alignment and excellence 	
	Resources	Acquire, develop and retain entrepreneurial talents 	Engage in bolt-on acquisitions and develop strategic partnerships 		

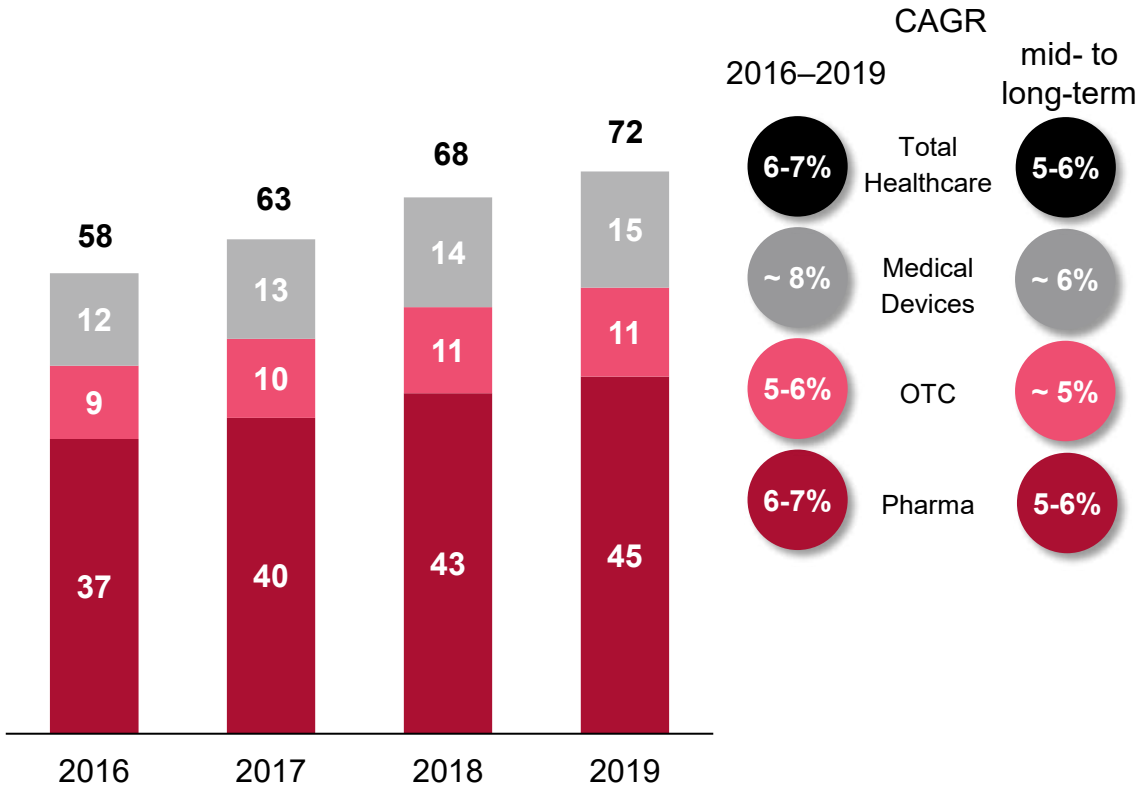
# Customized Healthcare strategy per market



Source: Economist report: South-East Asia: The New Emerging Healthcare Market Challenge (2016)

# Resilient growth expected for Asian Healthcare industries

## Healthcare market size (in USD billion) <sup>1</sup>



## Key highlights

**Long-term** growth driven by:

- Still relatively low healthcare spending per capita
- Aging population
- Innovative therapy launches
- **Mid- to long-term 5-6% growth forecasted for Asian healthcare markets <sup>1</sup>**

<sup>1</sup> Source: Fitch Solutions, June 2020

Pharma data for Cambodia, Hong Kong, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam  
 For Medical Devices and OTC all markets shown above, except Cambodia, Laos and Myanmar

# Double-down on fast-growing Medical Devices categories



**Win in selected categories**  
(cardiovascular, orthopedics, diabetes, ophthalmology, in vitro diagnostics)

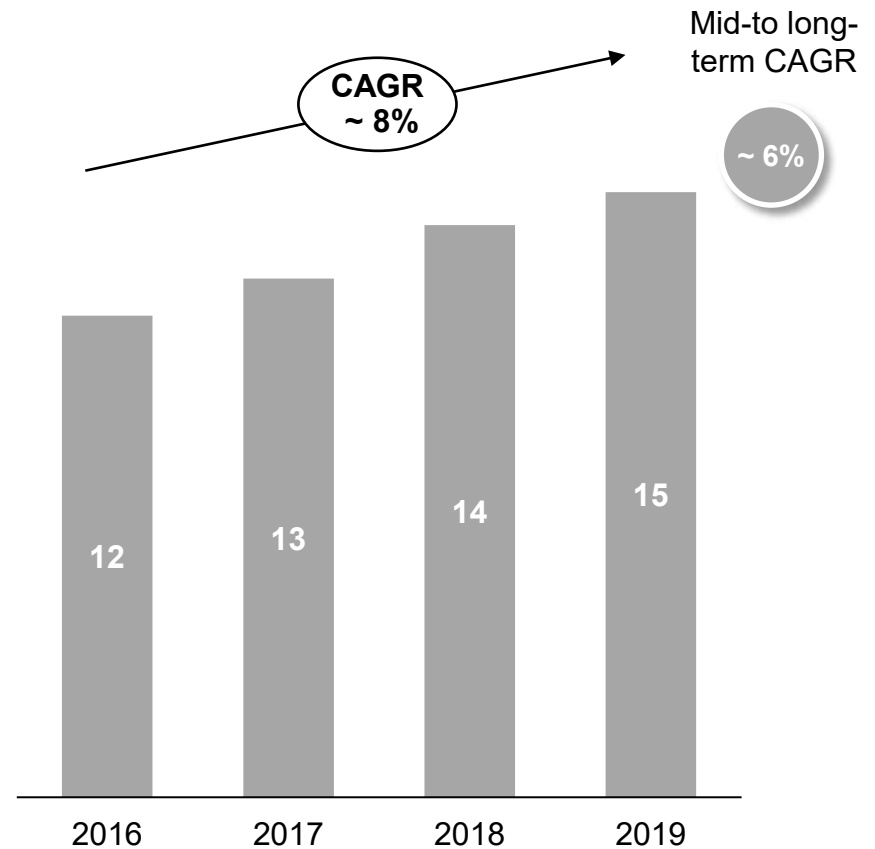


**Differentiated distribution solutions**  
(e.g. 24h delivery, reverse logistics ...)



**Opportunity for value-generating full-service solutions**

Medical devices market size (in USD billion) <sup>1</sup>



<sup>1</sup> Fitch Solutions, June 2020

Data for Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam

# Multiple client trends driving need for commercial outsourcing solutions

## Continuously emerging client trends ...



Focus on core competencies (e.g. R&D, key brands etc.)



Market prioritization with a focus on large markets: US, Europe, China or Japan

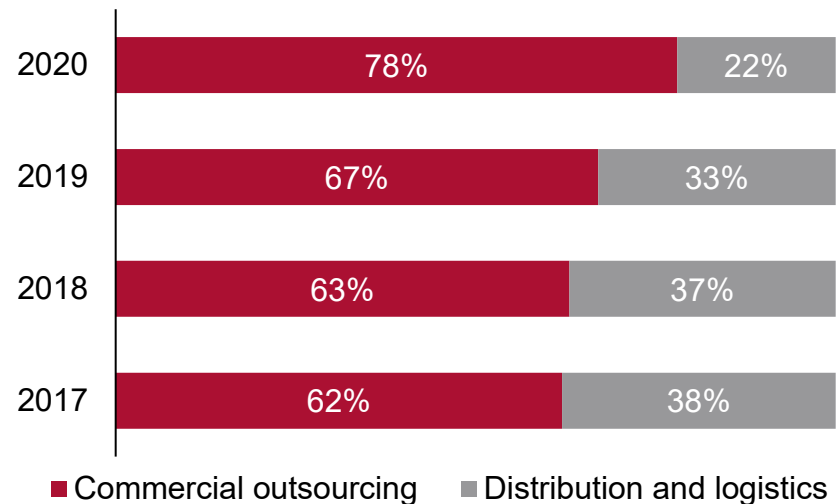


Price pressure leading to cost focus for the healthcare industry



Higher value products mean every patient counts – new starts and adherence are critical

## ... driving share of commercial outsourcing <sup>1</sup>



## DKSH ranks top 10 among blue chip pharma companies <sup>2</sup>



<sup>1</sup> Number of newly signed contracts, 2020 figures for July 2020 YTD

<sup>2</sup> Source: IQVIA, measured by revenues



## Continuous shareholder value generation and attractive long-term product pipeline in own brands

### Our own brands portfolio remains attractive

- Proven growth track record
- Expansion opportunities
- Good profitability
- Ownership of IP rights
- Production outsourced
- Careful management of potential client conflicts

### Showcase future product pipeline

**Alvotech and DKSH partner to bring key biosimilar to Asia**



[Read more at: DKSH Alvotech 2020](#)

IP is Intellectual Property

# Increased focus on value-added services driving higher benefits for clients, customers and patients



## Regulatory Affairs

Client-specific regulatory affairs management



## Patient Solutions

Beyond-the-pill support for patients



## Omni-Channel Sales and Marketing

Increase customer reach and engagement



## Analytics and Insights

Deep understanding of market dynamics and trends



## Regulatory management

Accelerate launch timelines

Comply with continuously evolving regulations across markets



## Patient engagement

Education, convenience and adherence solutions

Acquire new patients  
Retain patients



## Channel Optimization

Increase client reach cost-effectively

Engage with customers



## Growth opportunities

Generate insights with proprietary data from transactions and stakeholder engagement to optimize in-market performance

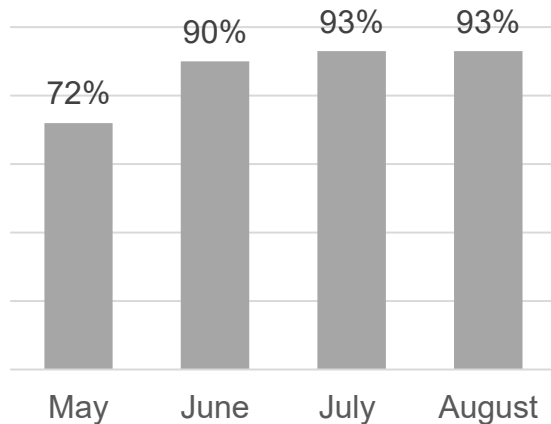
# DKSH successfully navigating through COVID-19 crisis

## Thailand – development of monthly patient numbers per channel



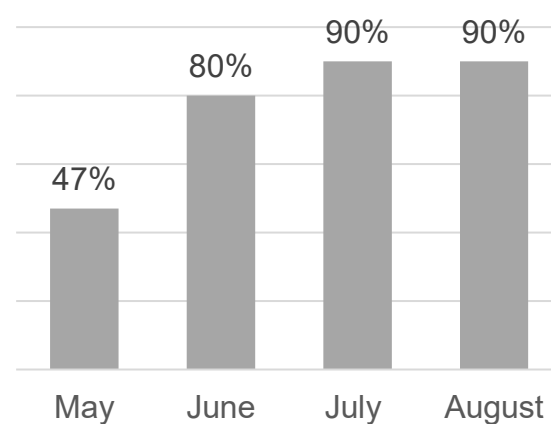
Medical Channel  
(Pharma)

**Patient #  
vs. pre-COVID-19 level**



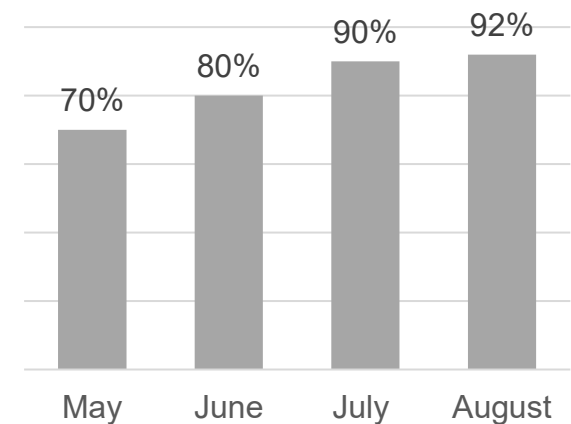
Medical Channel  
(Medical device)

**Patient #  
vs. pre-COVID-19 level**



Pharmacy Channel

**Patient / Consumer #  
vs. pre-COVID-19 level**



**Small improvements seen across most key markets in recent months,  
but still behind pre-COVID-19 levels**

Source: DKSH market survey Thailand, August 2020

## Highlights Business Unit Healthcare



DKSH is **the leader** in healthcare **commercial outsourcing** in Asia

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We run a **resilient, asset-light** and **cash-generative** business model

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DKSH is **successfully navigating** through **COVID-19 challenges**

---



We see **growth opportunities** through the expansion of **higher value-added segments and services** (e.g. commercial outsourcing, own brands, medical devices...)

**Expand our strong market position and  
drive into higher value segments and services**

# Business Unit Consumer Goods

## DKSH Consumer Goods

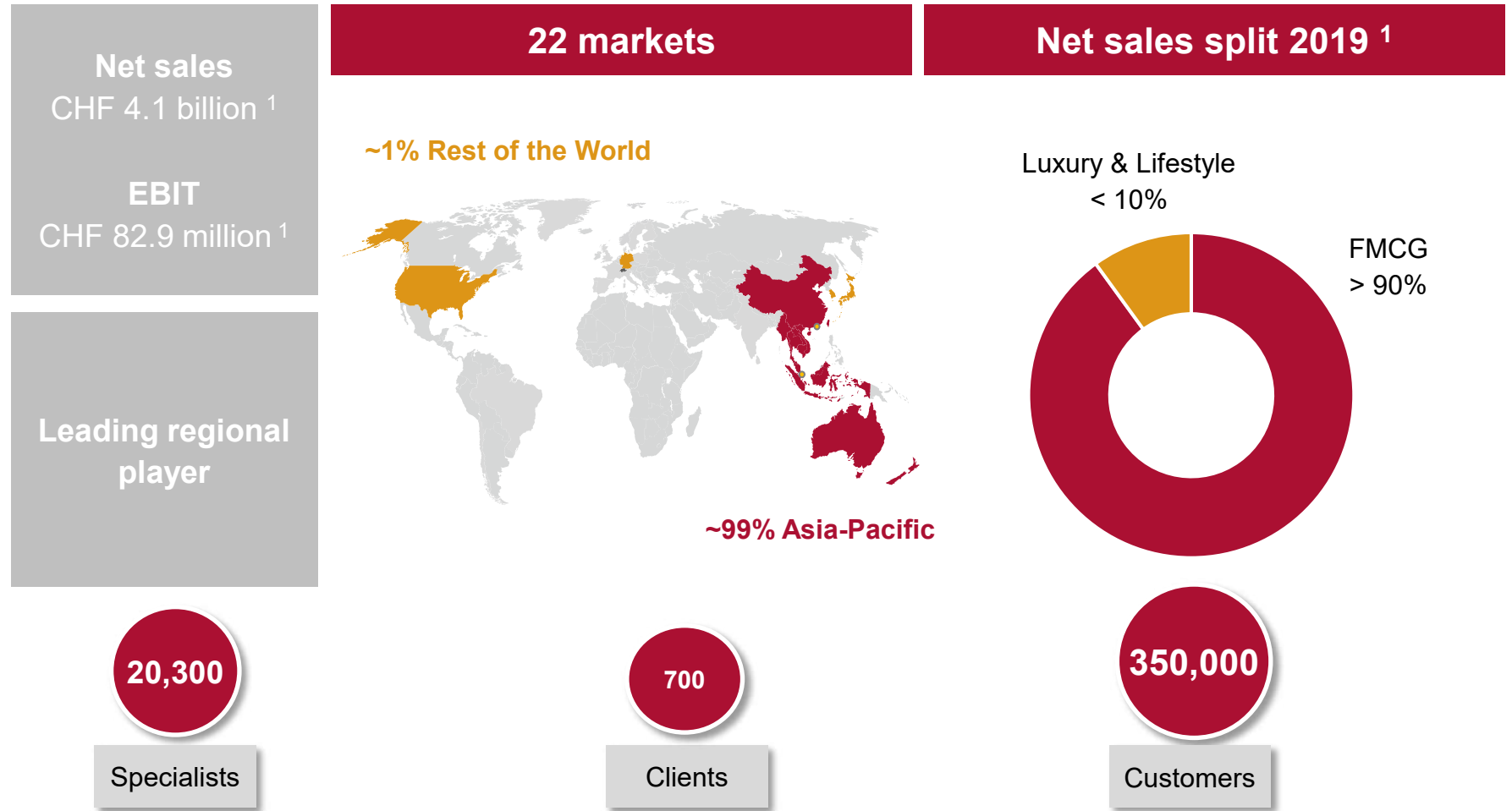


**Terry Seremetis**  
Head Business Unit  
Consumer Goods

Joined DKSH:  
2019

**Capitalize on our leadership  
in Asia Pacific**

# Business Unit Consumer Goods at a glance



<sup>1</sup> Numbers for 2019. EBIT excl. restructuring costs (CHF 14.5 million)

# We offer one-stop-shop solutions tailored to specific client and customer needs

## What are our clients' needs?



**Pan-Asian expansion**



**Access to relevant trade channels**



**Consistent go-to-market approach**



**Insights and analytics**

## What services do we offer?

**Sales and marketing**  
incl. value-added services

- + Field Marketing
- + Digital
- + Route-to-Market



**Credit and collection**



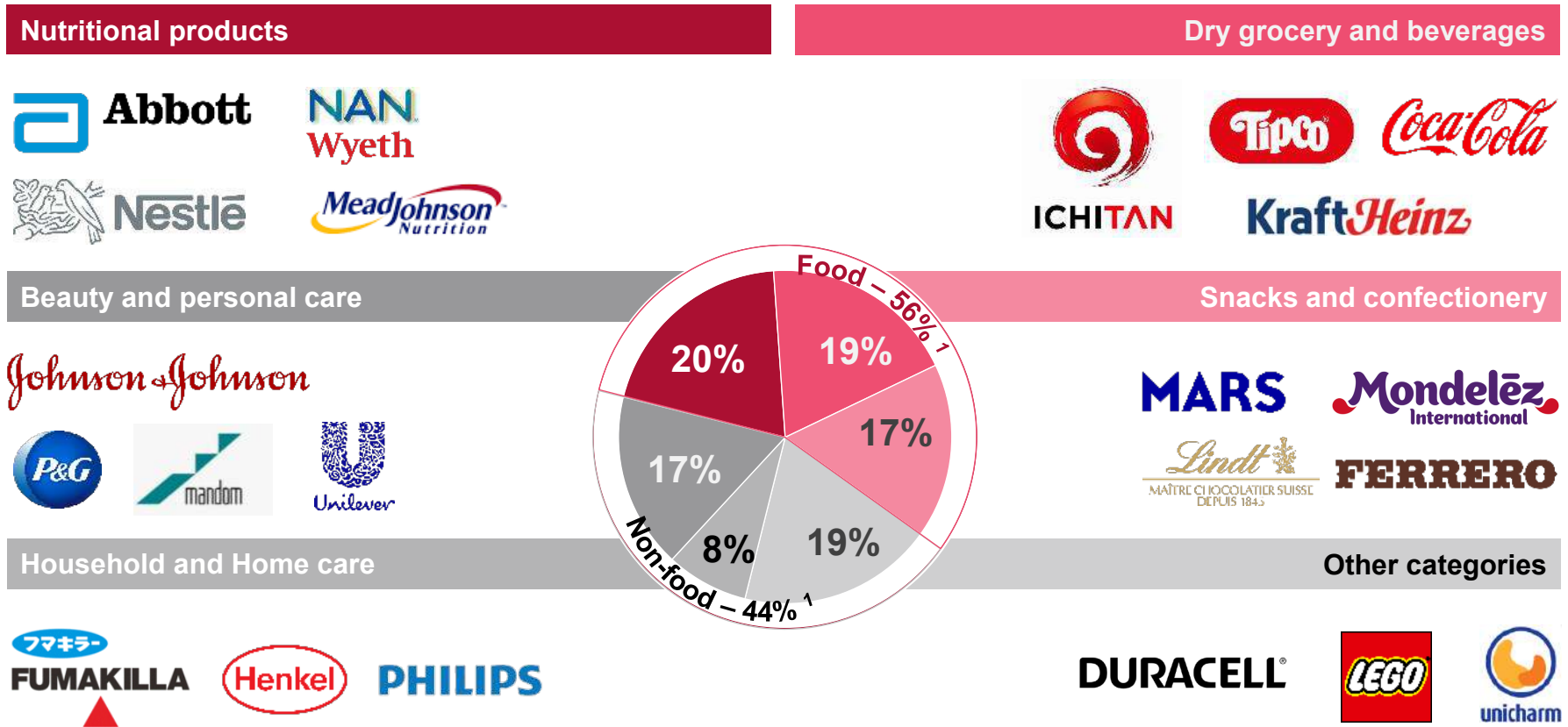
**Distribution and logistics**



Note: Bubbles represent share of FMCG EBIT contribution in 2019. Full service including value added-services



# Our product portfolio covers a large variety of highly resilient categories for daily use



## Nutritional products

## Dry grocery and beverages

## Beauty and personal care

## Snacks and confectionery

## Household and Home care

## Other categories



<sup>1</sup> Net sales split for FMCG distribution in 2019

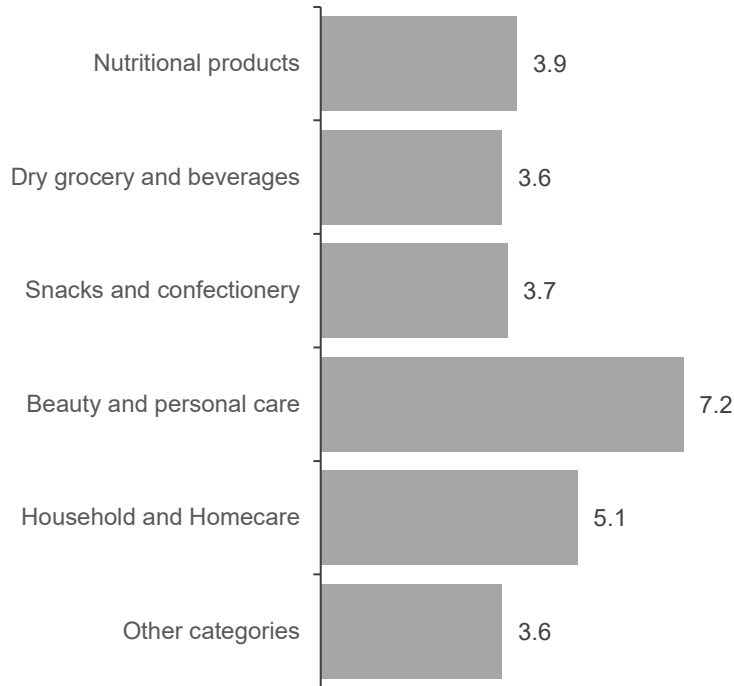
# Our omni-channel approach provides access to 350,000 customers in Asia Pacific



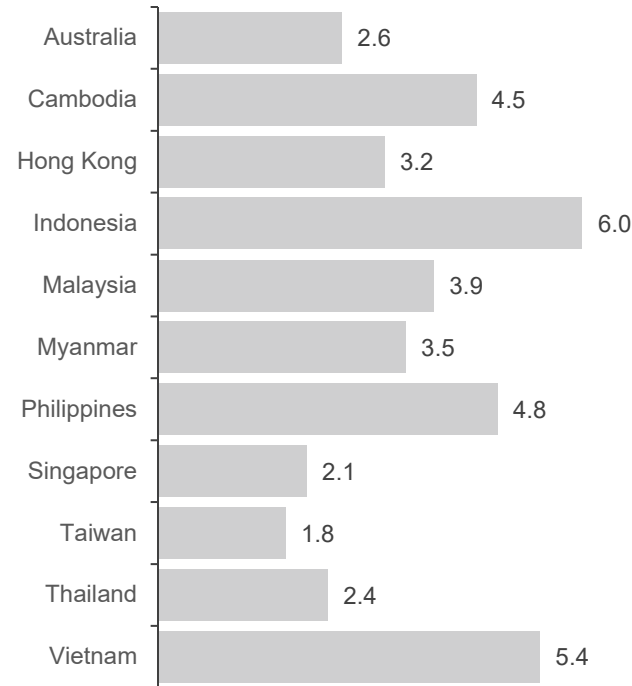
Source: Pie chart values represent DKSH internal numbers

# Mid-term growth potential across categories and markets after COVID-19-related contraction

**FMCG growth in Asia per category <sup>1</sup>**  
CAGR 2020-2023 (%)



**FMCG growth in Asia per market <sup>1</sup>**  
CAGR 2020-2023 (%)

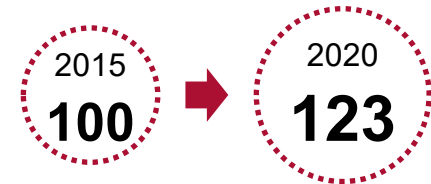
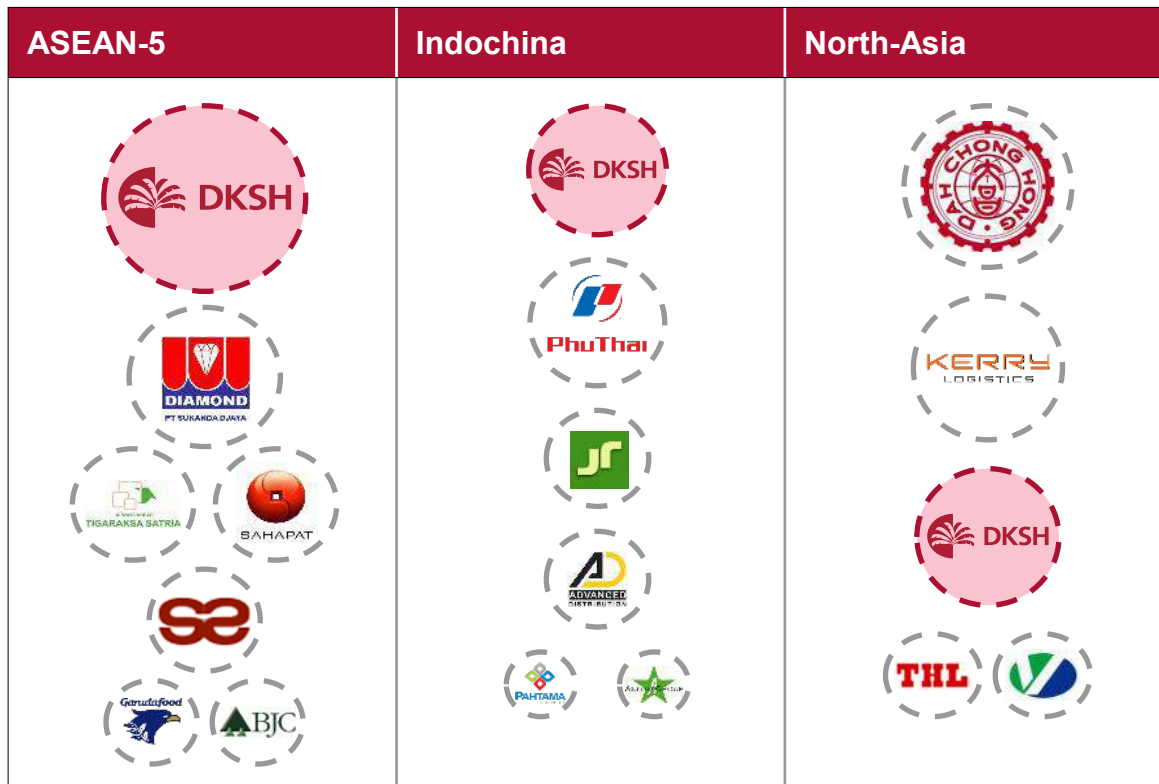


**After a pandemic-driven decline in 2020 of around 4.7%,  
Asia's consumer goods industry is expected to rebound <sup>1,2</sup>**

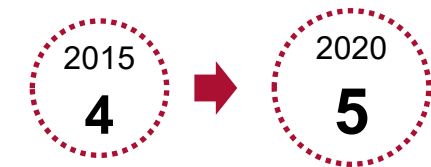
<sup>1</sup> Euromonitor, refreshed June to August 2020

<sup>2</sup> Global Data Market Analyzers (decline vs. initial baseline forecast for 2020)

# DKSH is the only player with comprehensive regional coverage as clients streamline distribution partnerships



Number of DKSH's regional clients



Average number of markets covered for Top 30 clients

○ Bubble size represents estimated sales

BJC: Consumer supply chain business only; Loxley: Trading business segment only; Pahtama is part of City Mart Holdings; LF Asia is part of DCH Group; Kerry Logistics turnover for Integrated Logistics only. North Asia is Hong Kong and Taiwan

# DKSH's FMCG business remains highly relevant as recent client wins and awards show

**Expansion of partnerships across markets**

**Consolidation of distributor network**

**eCommerce**



PT Wicaksana O.I. Tbk.



**May 2020**

DKSH appointed to increase market coverage across all trade channels for Unilever in Indonesia

**July 2020**




DKSH became anchor partner and full-service distributor for Kraft Heinz in Malaysia

**August 2020**




DKSH won from Lazada the Best Customer Engagement Award for Lego Thailand

# Various factors led to underperformance in recent years – initiated transformation with higher results since 2019

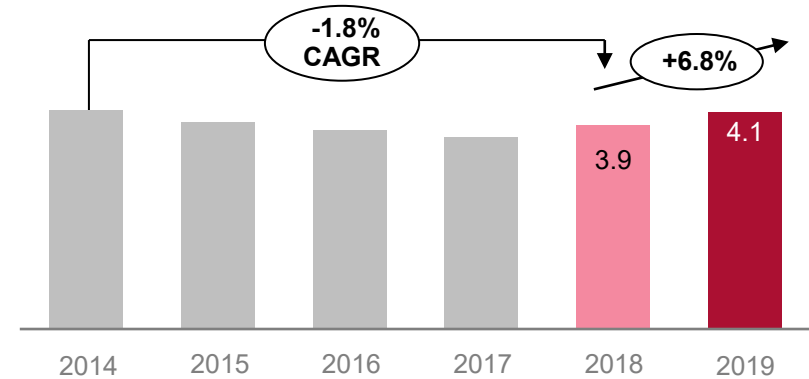
## Market challenges

-  Shift in core categories
-  Shift in core channels
-  Shift in core markets

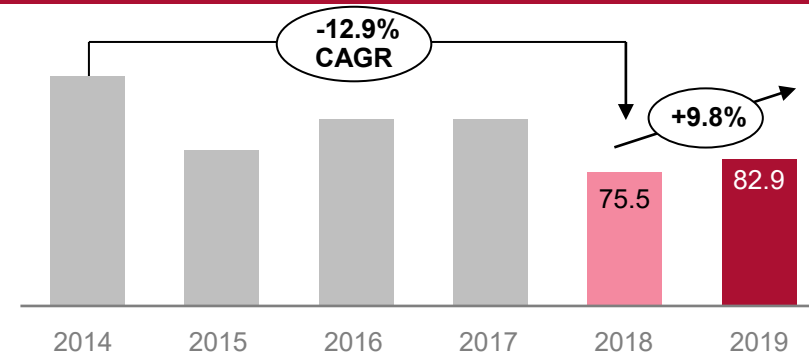
## Internal challenges

-  Leadership and organizational structure
-  Not enough focus on market dynamics
-  Too complex and high cost base

## Net sales (Consumer Goods in CHF billion)



## EBIT<sup>1</sup> (Consumer Goods in CHF million)



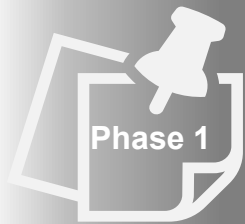
<sup>1</sup> Excluding one-time costs (2019: CHF 14.5 million, 2018: CHF 12.6 million, 2015: CHF 58.7 million)

# Our FMCG transformation is gaining traction

**... scale up as the preferred partner in Asia Pacific to capture future growth opportunities**



**Pursue targeted market strategies and enhance capabilities**



**Phase 1 Fixing the basics**

2019

2020

2021

2022...

# Fixing the basics – Phase 1 overview



## Key Highlights H1 2020 <sup>1</sup>



<sup>1</sup> FMCG change compared to same period of 2019



# Pursue targeted market strategies and enhance capabilities – Phase 2 overview

Market strategy	Business Development	Winning channels
<p>Deliver higher value for clients by pursuing <b>targeted market strategies</b></p>	<p>Build <b>sustainable</b> client relationships to <b>support growth, improve profits</b> and <b>prepare</b> for the future</p>	<p>Grow attractive channels like <b>eCommerce, Food Service</b> and <b>New Retail</b></p>



... enabled by **data analytics** for internal decision making and as key differentiator



Maturity level



Maturity level

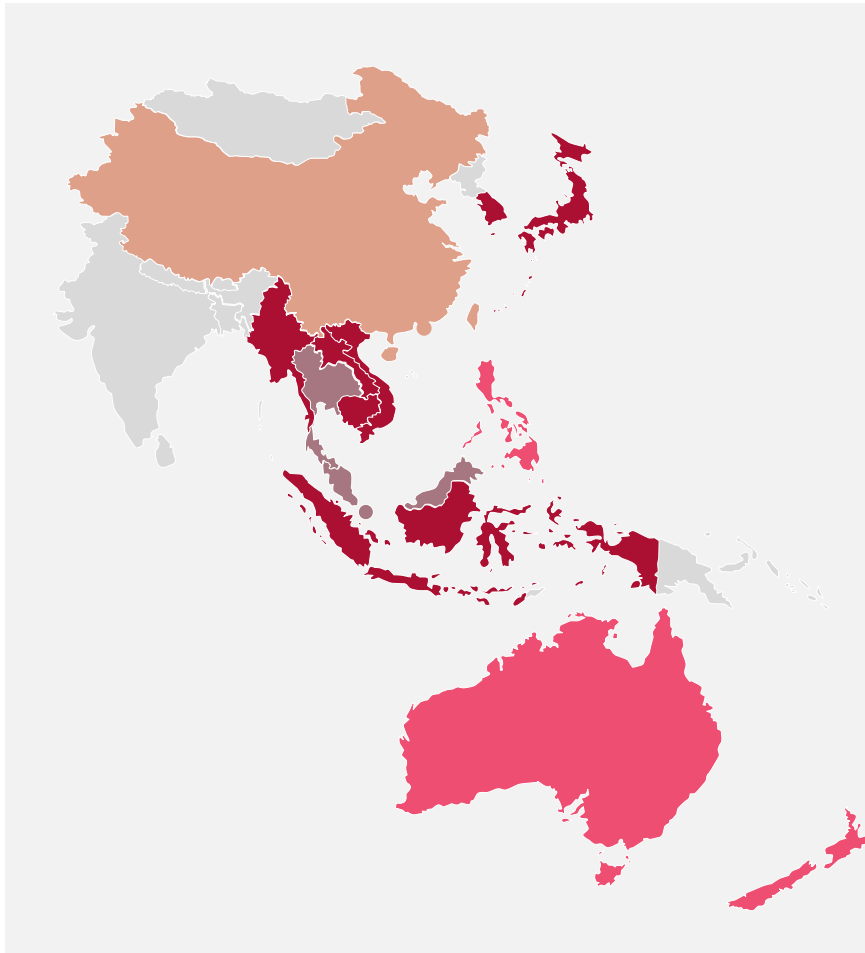


Maturity level



**We are on track with our transformation**

# Deliver higher value for clients by pursuing targeted **market strategies**



**Expansion opportunities across most markets with targeted strategies to realize potential**

## Focus on profitable growth

- Thailand
- Malaysia
- Singapore



## Capitalize on high-growth markets

- Cambodia
- Vietnam
- Myanmar
- Laos
- Indonesia



## Focus on higher value creation

- Hong Kong
- Taiwan
- China



## Focus on organic and M&A-led growth

- Australia
- New Zealand
- Philippines



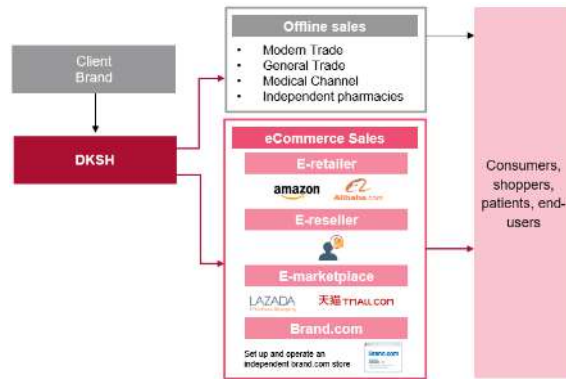
# New **Business Development** as a key enabler for future profitable growth ...

Objectives	Key initiatives			Status vs. last year	
Support growth	Key pillars focus	<b>FERRERO</b>	Unilever		Net sales up 75% to around CHF 200 million
	Regional clients	<b>KraftHeinz</b>	SUNTORY	Upfield	
	Asia heros footprint	<b>Horlicks</b>	MORINAGA	<b>SINGHA BEER</b>	
Improve financials	Accretive EBIT			Accretive	
Prepare for the future	Transformation and sustainable client pipeline	New organization		Implemented	
		2021 Business Development approach		Starting September 2020	

... generating higher sales at accretive terms

# Keeping our proven omni-channel approach while investing in **winning channels** to capture growth

## eCommerce



## New Retail



## Food Service



- **Aligned** omni-channel **marketing** and **pricing** approach
- Representation of **client's brands**
- We work with **relevant e-retailers**
- **Efficient inventory** management

> CHF 150 million eCommerce net sales target in 2020 <sup>1</sup>

- Collaborate with **all relevant players** to digitally connect Traditional Trade outlets and **represent our client's brands**




Transition Traditional Trade outlets to digital

- **Strong footprint** in Malaysia, Singapore and Hong Kong
- **Positioned to expand to Thailand and Myanmar** (post COVID-19)

Further expansion post COVID-19

<sup>1</sup> Entire DKSH Group

# Luxury and Lifestyle business

	FMCG	Luxury & Lifestyle
 <b>Strategy</b>	Capitalize on our <b>leadership</b> in <b>Asia Pacific</b>	<b>Niche market strategy</b>
 <b>Business characteristics</b>	Mainly <b>daily</b> necessities <b>Low</b> price point <b>High</b> volumes <b>Lower</b> profit margins <b>Extensive</b> distribution	Mainly <b>discretionary</b> products <b>Higher</b> price point <b>Lower</b> volumes <b>Higher</b> profit margins <b>Selective</b> distribution
 <b>Business update</b>	<b>Resilient</b> during COVID-19  <b>Transformation</b> progressing well	<b>Watch turnaround</b> delivered 2019 Year-to-date <b>impacted</b> by COVID-19  Business slowly <b>bottoming-out</b>

## Highlights Fast Moving Consumer Goods



Factors leading to **underperformance** in recent years have been **addressed**  
– **substantially higher H1 2020 results** as proof point

---



**DKSH remains highly relevant** for clients and customers

---



**FMCG transformation** is gaining traction

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**Future growth opportunities** with transformed business

**Capitalize on our leadership in Asia Pacific**

# Business Unit Technology

## DKSH Business Unit Technology



**Hanno Elbraechter**

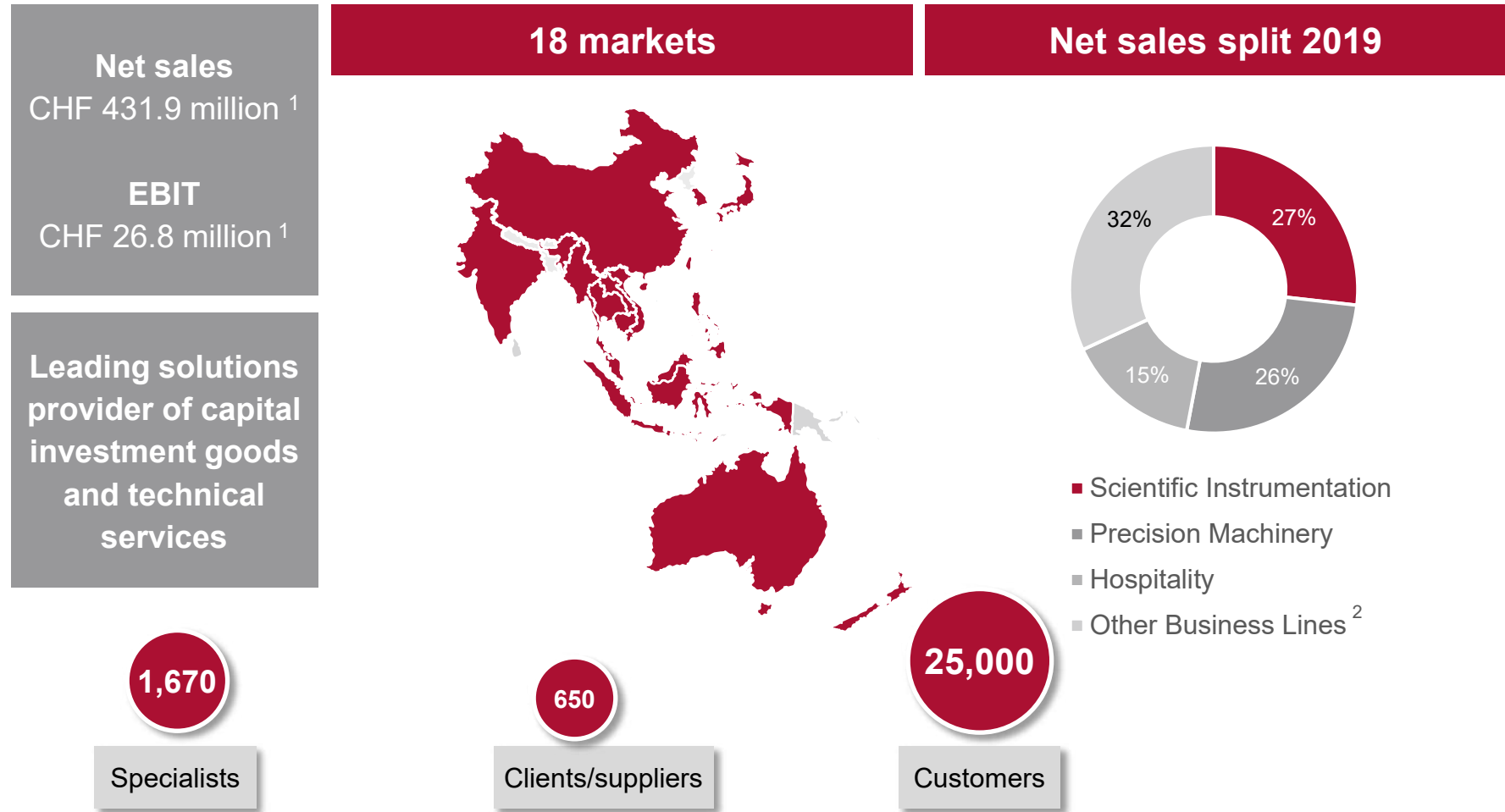
Head Business Unit  
Technology

Joined DKSH:  
2014

**Build resilience, deliver growth  
to exceed pre-COVID-19 levels**



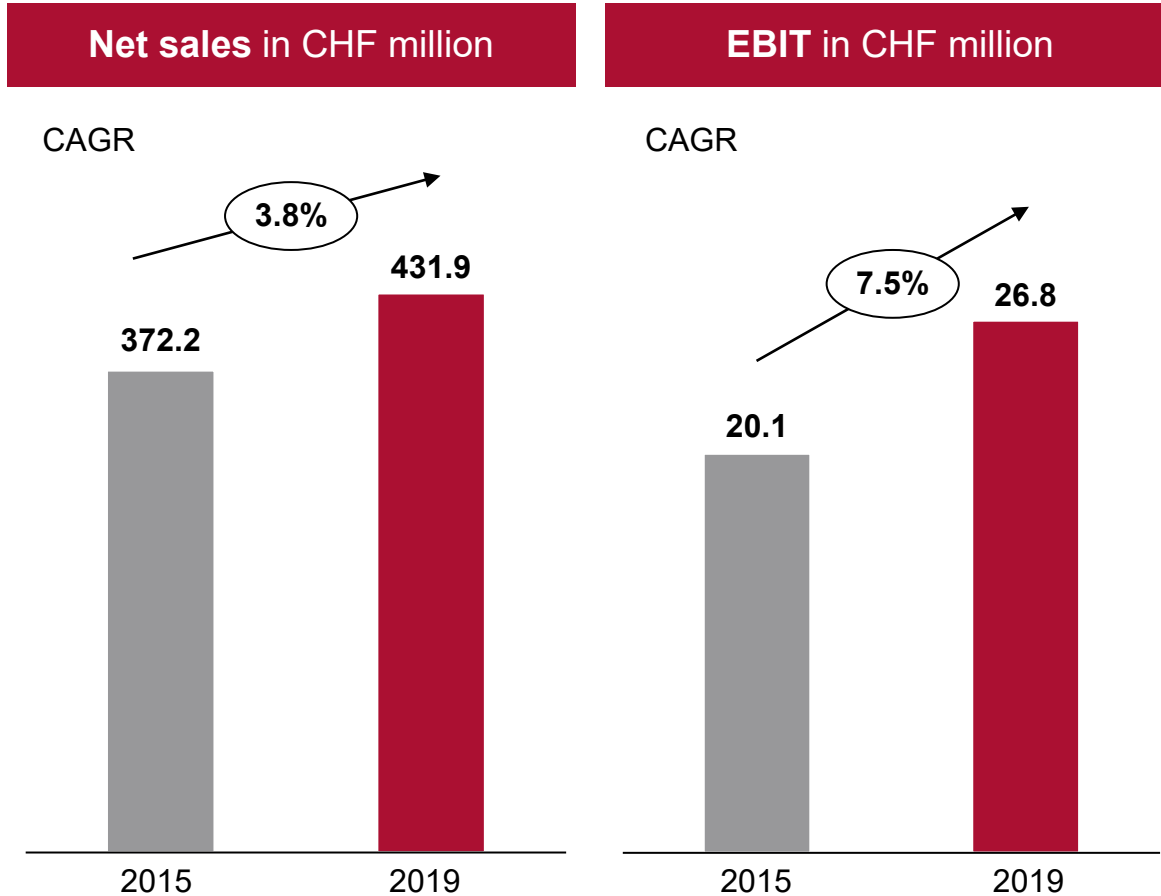
# Our Technology business in Asia Pacific



<sup>1</sup> Numbers for 2019

<sup>2</sup> Industrial Materials & Supplies, Infrastructure Equipment, Packaging Printing & Converting, Semiconductor, Photovoltaic & Electronics and Specialized Industrial Applications

# Sound financial track record


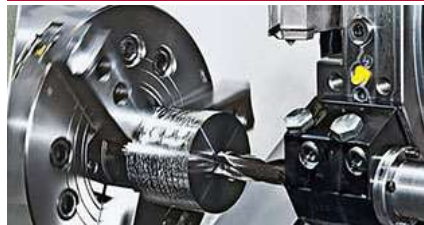









Asset-light model <sup>1</sup>  
**0.9% capex / net sales**

Continuous  
**EBIT margin increase** in  
 the last five years

<sup>1</sup> Average 2015 to 2019

# Strong relations with industry-leading manufacturers...

<b>Scientific Instrumentation</b> 	<b>Precision Machinery</b> 	<b>Hospitality Equipment</b> 	<b>Other Business Lines</b> 
			
    	    	    	    

... spanning a diversified portfolio of 650 clients/suppliers

Serving a portfolio of 25,000 reputable customers...

**Scientific Instrumentation**



- Academia
- Pharma
- Food & Beverage
- Oil & Gas
- Environmental

**Precision Machinery**



- Aerospace
- Die & Mold
- Electronics
- Automotive
- Medical

**Hospitality Equipment**



- Restaurants
- Hotels
- Convenience Stores
- Fast Food Chains
- Cafes

**Other Business Lines**



- Banking
- Packaging
- Telecommunications
- Semiconductors
- Plastics



... in multiple relevant industries

## Case study: Scientific Instrumentation in Vietnam



**Vietnamese government adopts DKSH's integrated testing solutions to comply with international regulations and standards**

See more at: [DKSH Scientific Instrumentation Vietnam](#)

**Delivering growth – in Asia and beyond.**

# Bringing unique value to our business partners

## Key benefits:



**Extensive Pan-Asian footprint**  
(Coverage of 18 markets)



**Coverage of entire product lifecycle**

- > 500 service and application engineers
- 18 demo labs



**Systematic market development**

- CRM with >125,000 customers <sup>1</sup>
- Integrated marketing platform



**High-tech solutions, reputable brands**  
(e.g. lab equipment, 3D printers, machine tools)

<sup>1</sup> Combined existing and potential customers



We provide extensive technical, industry and service expertise to ensure our business partners' success

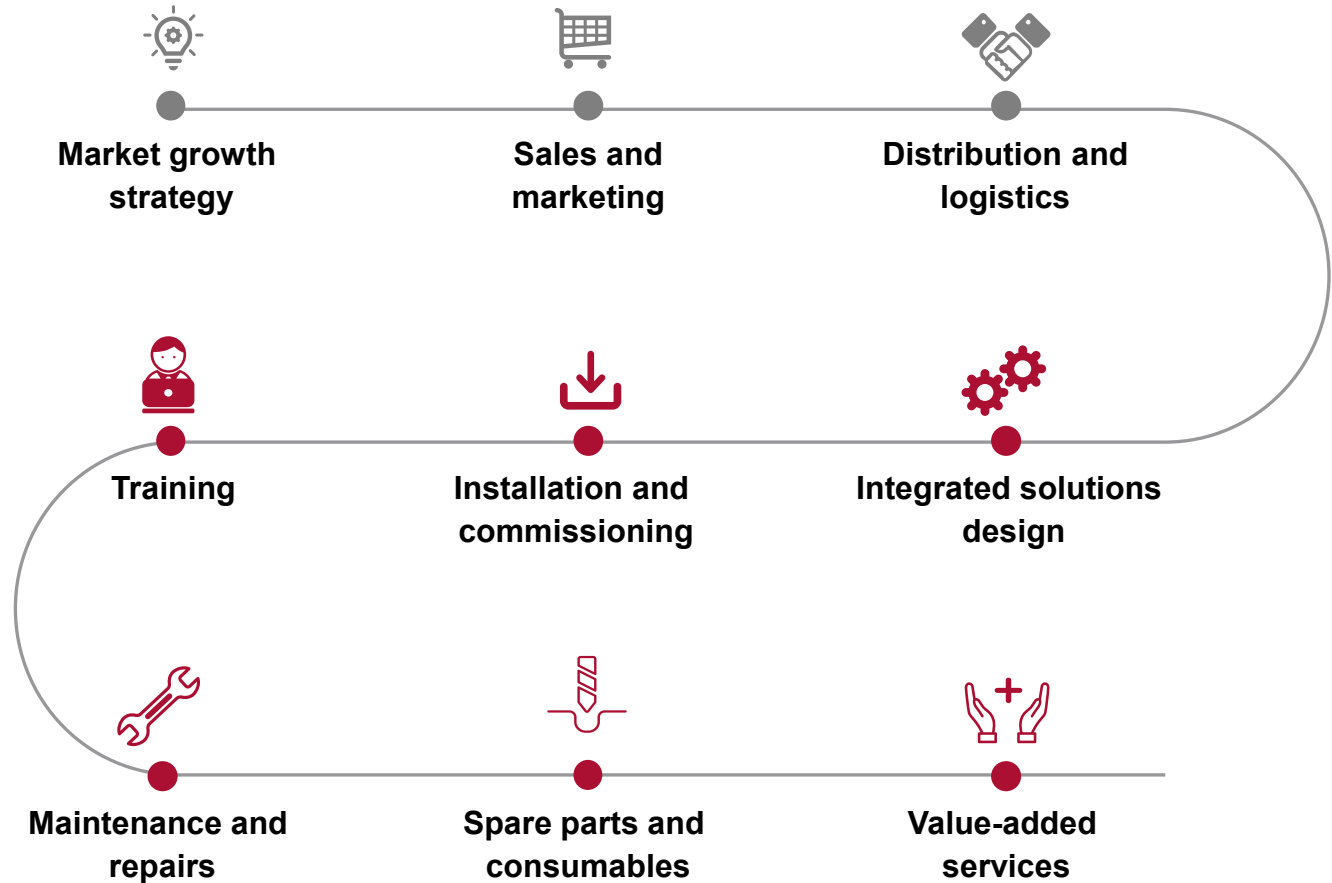
**Case study HP 3D printers**



- Partnership since 2018
- Malaysia, Singapore and Thailand
- [DKSH HP Southeast Asia](#)



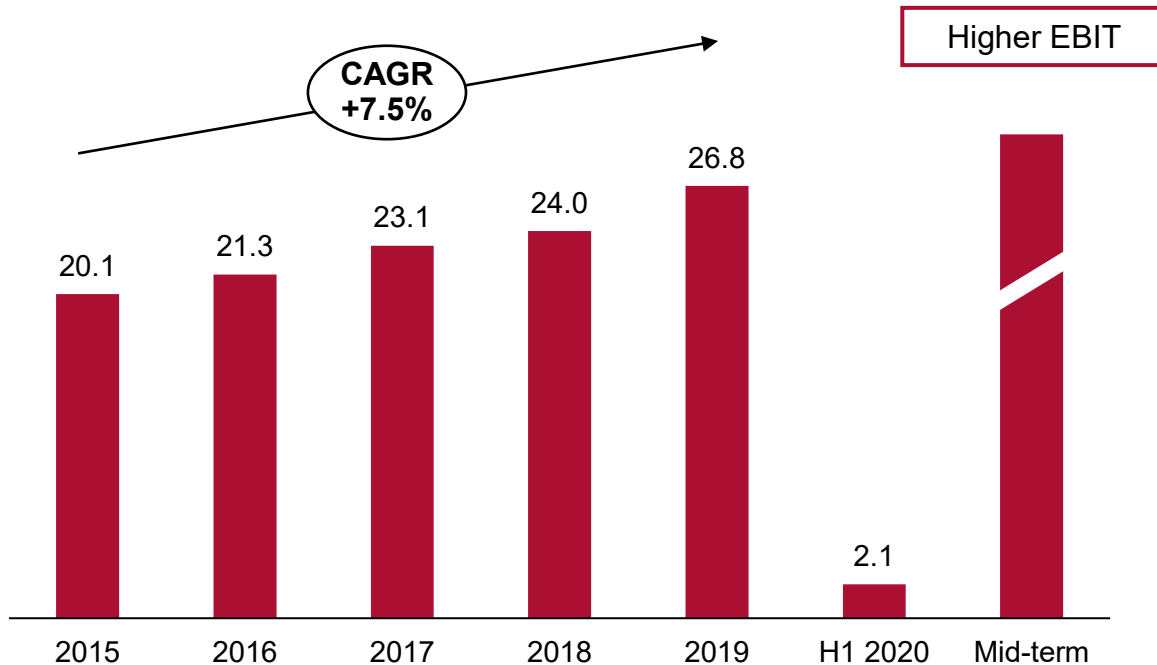
- Service to client
- Service to customer



# Our mid-term ambition is to exceed pre-COVID-19 levels

EBIT development 2015 – H1 2020 (in CHF million)

Build resilience, deliver growth



- Consistent EBIT growth in the last five years (CAGR +7.5%)
- H1 2020 results substantially impacted by COVID-19
- **Cost savings plan** immediately rolled out to recover profitability
- **Strategy** to build more resilient business and to exceed pre-COVID-19 levels mid-term



## High single-digit million cost savings plan to recover profitability



### Personnel cost

- Headcount reductions in selected businesses
- Salary cuts and unpaid leaves
- Focus on process optimization



### Travel and entertainment

- Reduction of non-essential travel
- Cut of entertainment expenses
- Shift to virtual meetings and sales



### Marketing (go digital)

- Reduce offline marketing activities
- Focus on digital marketing and online lead generation (e.g. webinars, websites, search engine advertising, social media)

**We have identified 30% more cost savings than initially expected  
(increase from mid single- to high single-digit million)**

## Strategic direction

**Build resilience, deliver growth to exceed pre-COVID-19 levels in the mid-term**



**Solidify position as a leading Pan-Asian provider**

Scientific Instrumentation

Pan-Asian focus



**Streamline and focus on key value generating industries in strategic markets**

Industrial Equipment & Solutions <sup>1</sup>

Market focus



**Intensify efforts to grow service business**

Consumables, technical services and application engineering

Pan-Asian focus

**Digital transformation to enhance productivity and drive growth**

<sup>1</sup> Existing business lines excluding Scientific Instrumentation

# Solidify our position as a leading integrated solutions provider for **Scientific Instrumentation**

## Focus on high value generation and resilient industries

### Life Sciences <sup>1</sup>

Market size: CHF 3.0 billion  
CAGR: >10%



### Pharmaceuticals <sup>1</sup>

Market size: CHF 2.6 billion  
CAGR: >8%



### Food & Beverage <sup>1</sup>

Market size: CHF 3.2 billion  
CAGR: >8%



## Prioritize and strategize investments according to market potential

### Priority 1

China, Indonesia, Korea, Taiwan, Thailand, Vietnam

### Priority 2

Australia, Japan, Malaysia, New Zealand, Philippines, Singapore

### Priority 3

Cambodia, Laos, Myanmar

## Deliver on core products while driving consumables and services

Sell more **core products**



Accelerate **consumables business**



Strengthen **service offerings**



Develop **solutions (long term)**



Expand **sub-dealer channels**

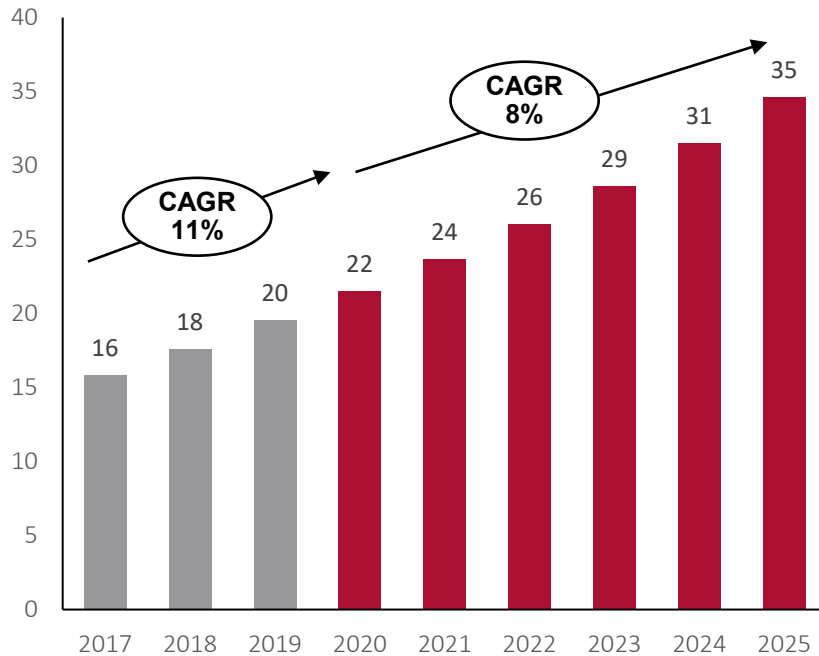


## Targeted M&A

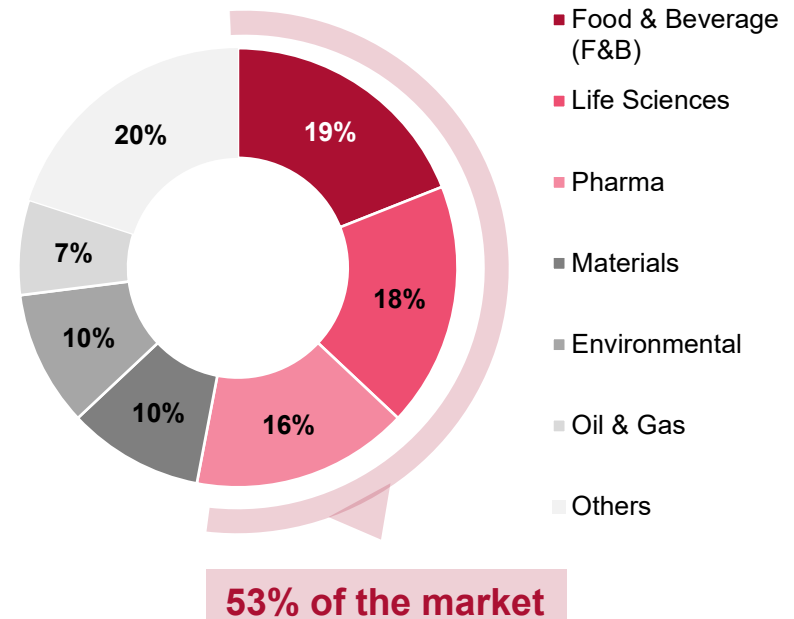
<sup>1</sup> Source: Instrument Business Outlook. Data for Asia Pacific. Market size for 2019 and CAGR from 2019 to 2023

# Attractive expansion opportunities in Scientific Instrumentation across Asia Pacific

**Total market size (USD billion) <sup>1</sup>**



**Size per industry (in %) <sup>1</sup>**



**Around 8% market growth expected**

**DKSH established in attractive segments F&B, Life Sciences and Pharma**

<sup>1</sup> Instrument Business Outlook. Materials includes mining, minerals and metals

## Streamline and focus on key value-generating industries in strategic markets...



### **Pan-Asian focus**

Scientific Instrumentation



### **Regional competences**

- Precision Machinery
- Packaging, Printing and Converting
- Data centers



### **Local heroes**

Examples of other Business Lines:

- Hospitality, Semiconductor
- Food processing, Environmental technologies
- Industrial materials and supplies, Textile

**Focus and investments**

**... to support profitability recovery and improvement**

## Case study: new business development



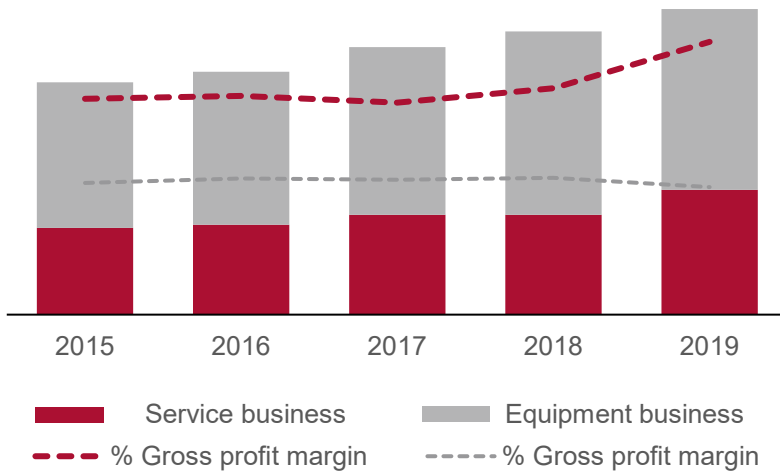
**DKSH's innovative data center solution helps Indonesian bank BNI Syariah to increase efficiency by up to 27%**

See more at: [DKSH Data Center Indonesia](#)

# Capitalize on future growth opportunities by growing our **higher margin service business**

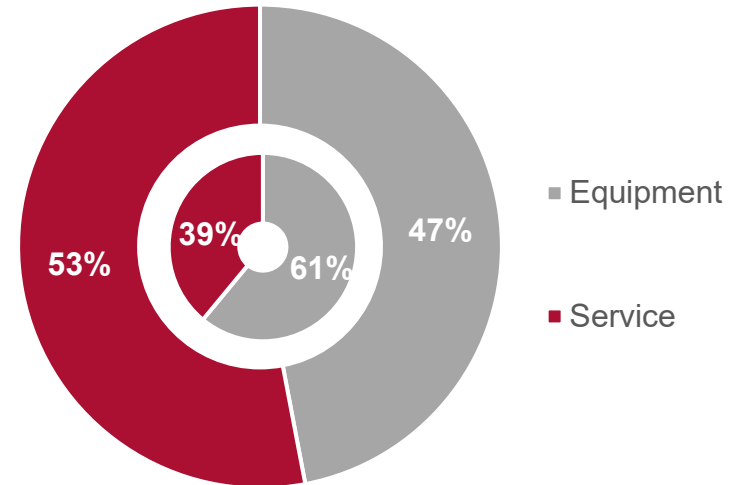
## Business split and profitability

(DKSH data, in CHF million) <sup>1</sup>



## Business share – Scientific Instrumentation

(inner ring DKSH data 2019, outer ring market data) <sup>2</sup>



### Key benefits for DKSH

Further growth opportunities

Attractive margin profile

More recurring / resilient business

Increase client retention

<sup>1</sup> Split by gross profit. Service business includes consumables, technical services and application engineering

<sup>2</sup> Instrument Business Outlook (2019 data)

# Digital transformation to enhance customer experience and to drive productivity

## A growing digital ecosystem...



- 360° Reporting
- Data analytics
- Configure, Price, Quote (CPQ)

SAP  
Customer Experience

- Product Information Management (PIM)
- eCommerce platform



- Enhance service management tool
- End-to-end visibility for customers

## ...and powerful digital marketing...

- > 710 emailing campaigns
- > 120 online ad campaigns
- > 10 social media brand and business line pages
- > 85 webinars – live and on demand

Lead generation

**6,790** ↑

Conversion rate %

**25%** Lead to Opportunity

## ...to increase revenues and lower cost to serve

Drive data-driven sales

Digitize and automate transactions

Provide online sales channels

Increase digital touchpoints



## Highlights Business Unit Technology



**Proven track record with 7.5% EBIT CAGR** in the last five years



**Recovering profitability with high single-digit million** cost savings program



**Strategic plan in place:**



Solidify leading position in  
Scientific Instrumentation



Focus on key industries  
in strategic markets



Grow higher margin  
service business



**Digital transformation** to enhance productivity and drive growth

**Build resilience, deliver growth  
to exceed pre-COVID-19 levels in the mid-term**

# Business Unit Performance Materials

## DKSH Business Unit Performance Materials



**Thomas Sul**  
Co-Head Business Unit  
Performance Materials

Joined DKSH:  
1996 (24 years)



**Dr. Natale Capri**  
Co-Head Business Unit  
Performance Materials

Joined DKSH:  
1998 (22 years)

**Expand leading position in  
specialty chemicals and ingredients distribution**

## DKSH Performance Materials at a glance



**Global Top 3** pure-play provider of **specialty chemicals and ingredients** distribution



Focused on highest growth markets and segments:  
**Asia** and **Life Sciences**



**Long-standing** and well-diversified **partnerships** with clients and customers



Comprehensive and differentiated **value-added service** offering



**Organic** and **M&A**-led **growth** track record with further value creation potential



**Resilient**, asset-light and cash-generative **business model**

### Facts and figures

**1,900**

Clients/ suppliers

**80**

Regulatory specialists

**1,100**

Staff

**46**

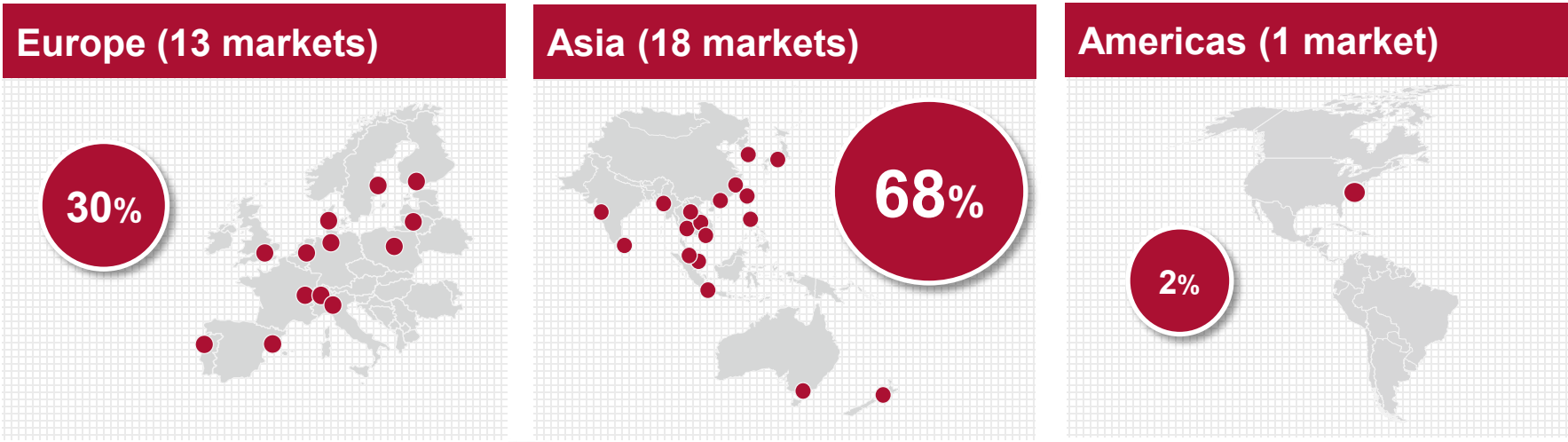
Innovation centers

**20,000**

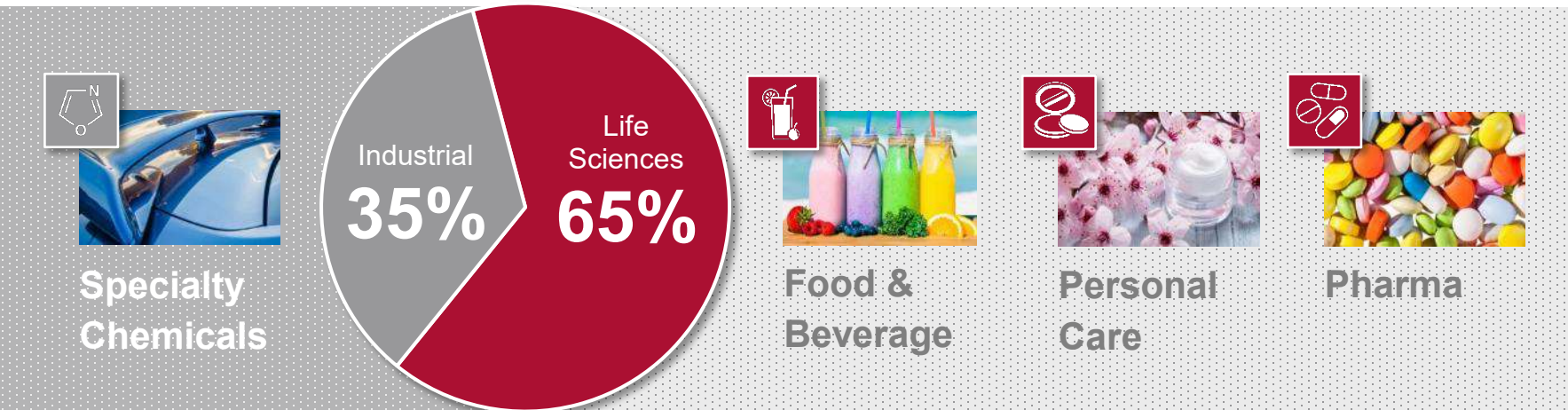
Customers

# We focus on most attractive regions and Business Lines

Regions



Business Lines



Note: Bubble sizes represent 2019 net sales split

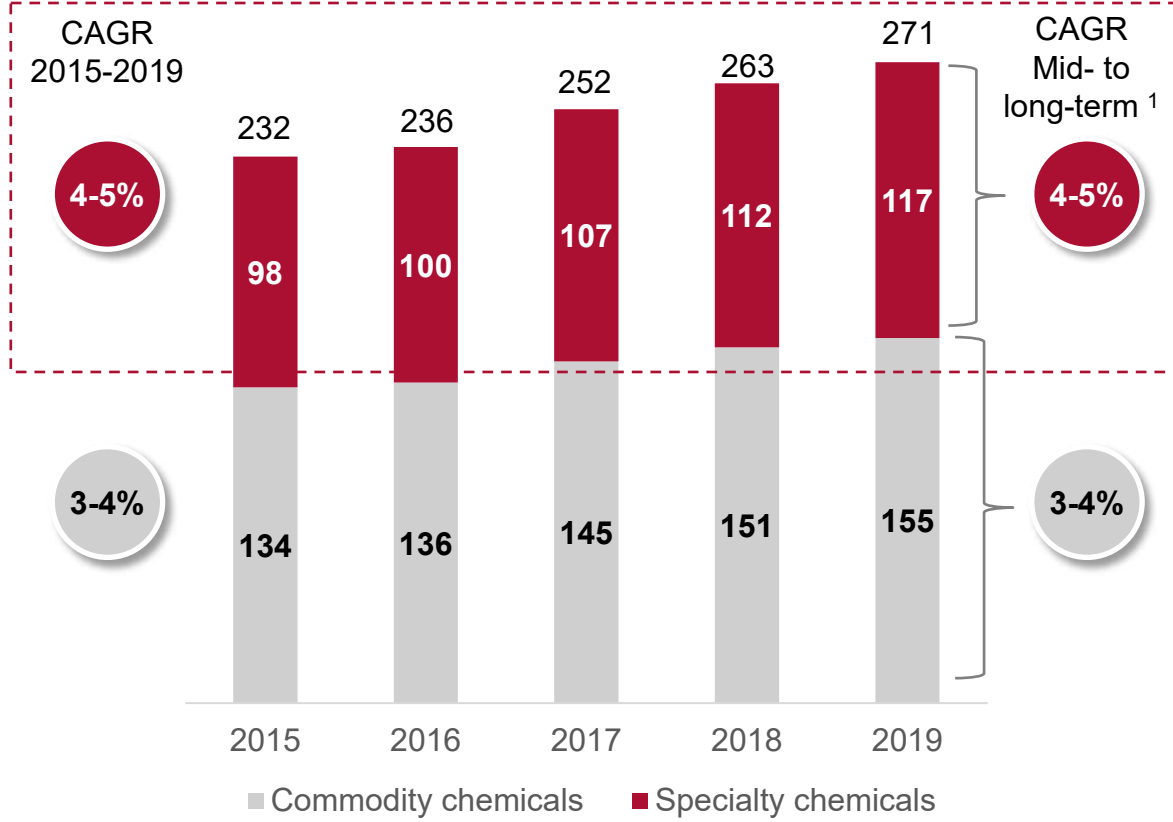
**Delivering growth – in Asia and beyond.**

# Positive outlook for specialty chemicals distribution

## Market size for third-party chemicals distribution <sup>1</sup>

## Key highlights

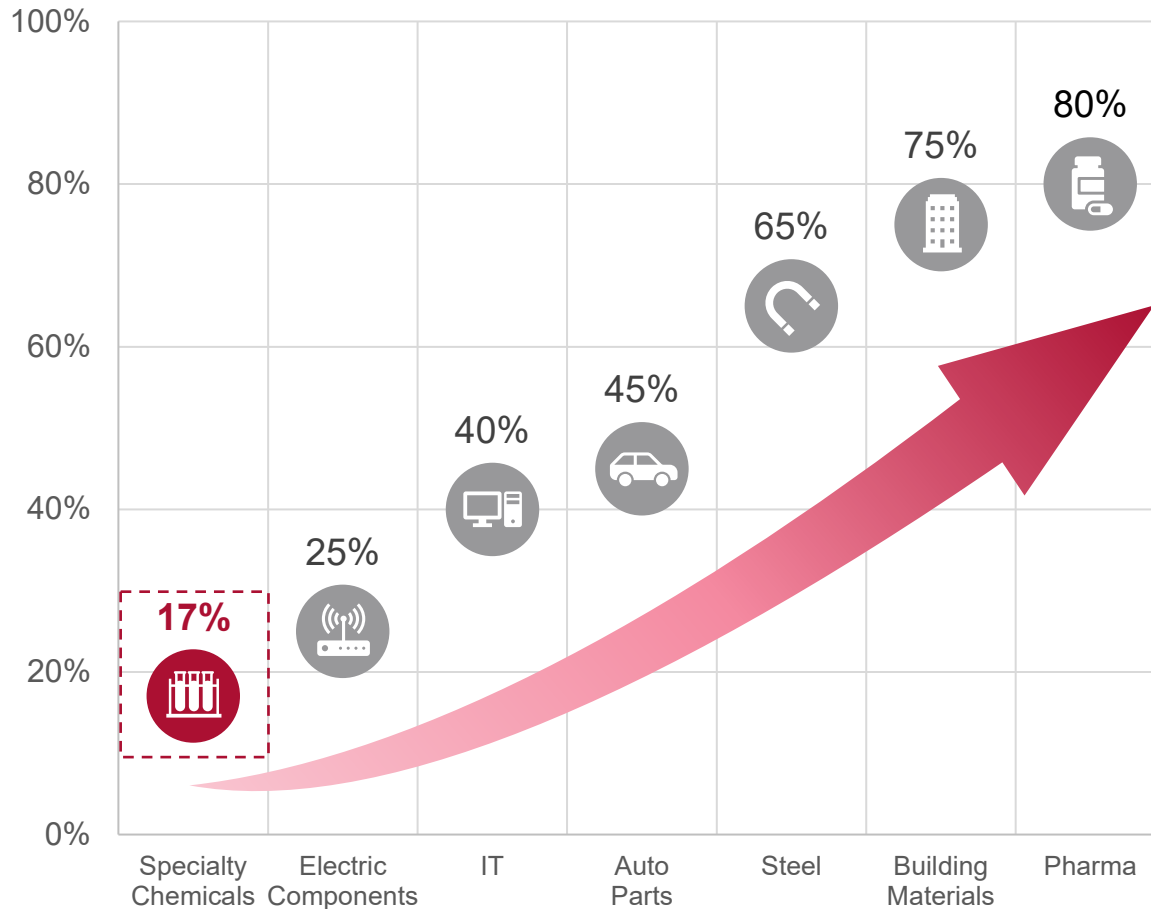
DKSH focus



- Sound fundamentals for specialty chemicals distribution
- Life sciences industry is non-cyclical with consistent growth in demand
- **Mid- to long-term 4-5% market growth p.a. for specialty chemicals distribution <sup>1</sup>**

<sup>1</sup> Boston Consulting Group, July 2020

# Further outsourcing potential in specialty chemicals



Note: Percentages represent share of sales via distributors  
Boston Consulting Group, June 2018

## Outsourcing of specialty chemicals distribution expected to increase

- Worldwide industry consolidation
- More complex and fragmented customer landscape
- Increased regulatory requirements
- Customers require product development and formulation support
- Clients focus on their core competences of production and management of key accounts, while teaming-up with reliable global partners for distribution and technical assistance

# DKSH has a leading position in the fragmented specialty chemicals and ingredients market

	Global	APAC	Europe	Other relevant distributors
--	--------	------	--------	-----------------------------

Pure specialty distributors	# 1	 <b>IMCD</b>	 <b>DKSH</b>	 <b>IMCD</b>	 <b>JEBSEN &amp; JESSEN</b>
	# 2	 <b>azelis</b>	 <b>CONNELL</b> <small>creativity beyond chemistry</small>	 <b>azelis</b>	 <b>CALDIC</b>
	# 3	 <b>DKSH</b>	 <b>IMCD</b>	 <b>Barentz.</b> <small>Always a better solution.</small>	 <b>REDOX</b>

DKSH position	 <b>3</b>	 <b>1</b>	 <b>Top 10</b>
---------------	--	--	---

Source: ICIS report 2019 and DKSH management estimates  
Specialty chemicals focus defined as per BCG report (April 2014). Other relevant distributors not ordered by rank



# Long-standing and well-diversified client relationships

## Food & Beverage



## Personal Care



## Pharmaceutical



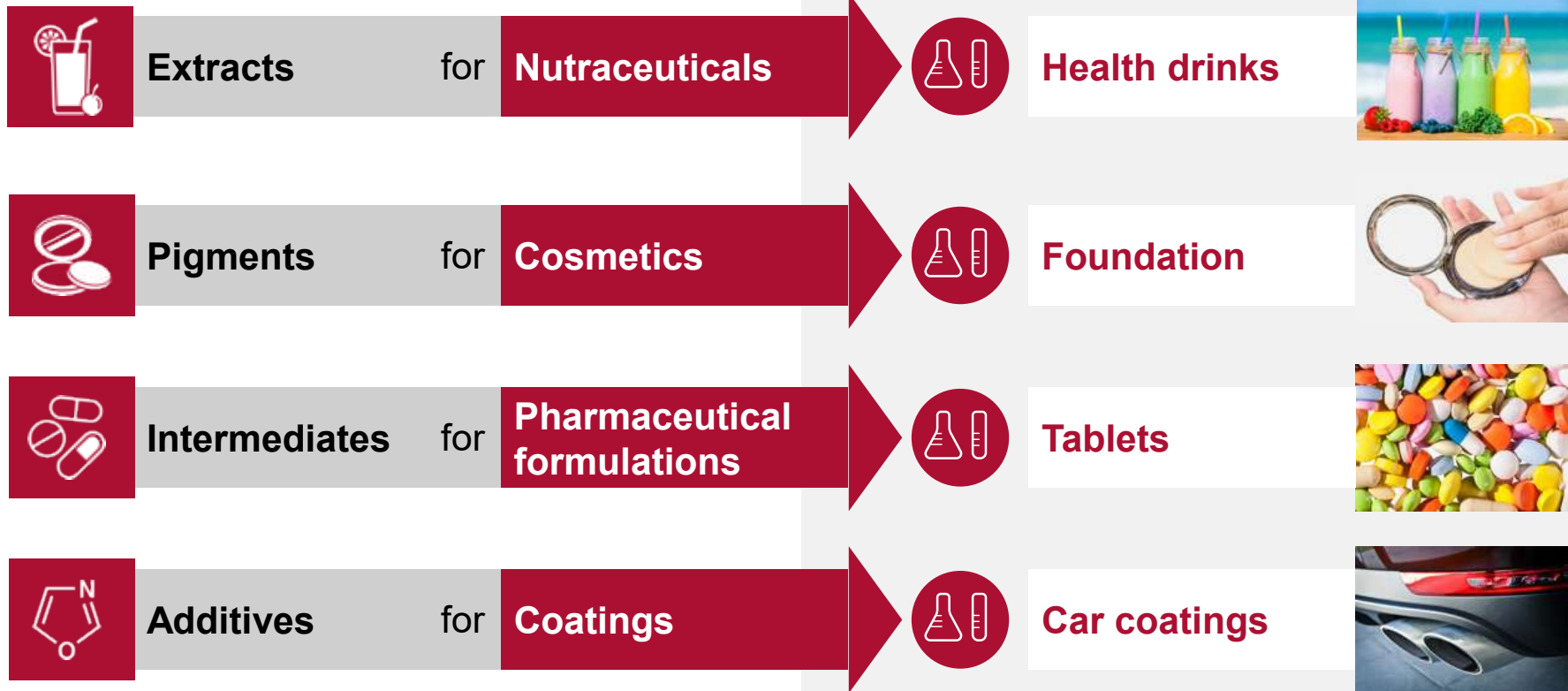
## Specialty Chemicals













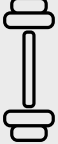










A **wide range** of specialty chemicals and ingredients is sold through **deep technical know-how** and **formulation expertise**

*We source and supply...*

*...for the formulation of:*



# Performance Materials: Strategic Direction

<b>Positioning</b>	Markets	Be No.1 in Asia 		Be Top 10 in Europe 		Increase geographic footprint 		
	Industries	Specialty Chemicals 	Pharma 		Food & Beverage 		Personal Care 	
	Business models	Focus on distribution 	Expand project business 	Close portfolio gaps 	Strengthen service offerings 	Go digital 		
	Operating Model	Manage business by country 		Business Lines 	Global clients 			
	Operating Model	Regulatory services 		Formulation services 		Sourcing services 		
	Resources	Promote talents from within 		Technical expertise 		Pursue acquisitions 		



Beyond distribution, we provide value-added services: **Innovation & Formulation**



46

Innovation centers worldwide

80

Employees in innovation and formulation



Product innovation



Formulation support



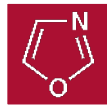
Technical consulting

# We **doubled** our global network of innovation centers to **46** over the last 10 years

## Key competences:

- ✓ Localization of formulations
- ✓ Portfolio selling concepts
- ✓ Technical trainings
- ✓ Benchmarking

### Specialty Chemicals



12

### Food & Beverage



16

### Pharmaceutical



3

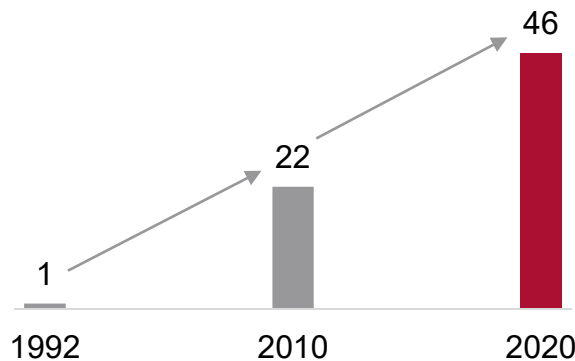
### Personal Care



15

## Strategic investments in innovation capabilities over the years

Number of innovation centers



# Our food blending facility in the Philippines

## Key benefits:



Savory Lab



Sweet Lab



Bakery Lab



Packaging Lab



Tailor-fit solutions for leading fast-food players



Formulation expertise  
(data base of ~6.000 proprietary formulations)



Blending capabilities  
(expanded from ~34.000 to 50.000 tons)



Certifications for all local food regulations

# Increasing regulatory complexity: examples of some of the food regulations in South East Asia...








Beyond distribution, we provide value-added services: **Regulatory**

<p>Regulatory compliance </p>	<p>H&amp;S and Environment </p>	<p>Quality assurance </p>	<p>Quality control </p>	<p>Quality management </p>
				

**14**  
Local / regional regulatory teams

**80**  
Regulatory experts (8% of headcount)

	<p>Regulatory consulting</p>
	<p>Supplier certification</p>
	<p>Product registration</p>





Beyond distribution, we provide value-added services: **Sourcing**



17

Sourcing offices worldwide

60

Sourcing employees worldwide



Technology scouting



Supplier audit/identification



Locating new supply sources



Beyond distribution, we provide value-added services: **Digital@PM**



**Driving digital transformation**  
in specialty chemicals  
and ingredients  
distribution

Multicultural team of  
digital specialists  
across **Asia** and  
**Europe**



Key client reporting

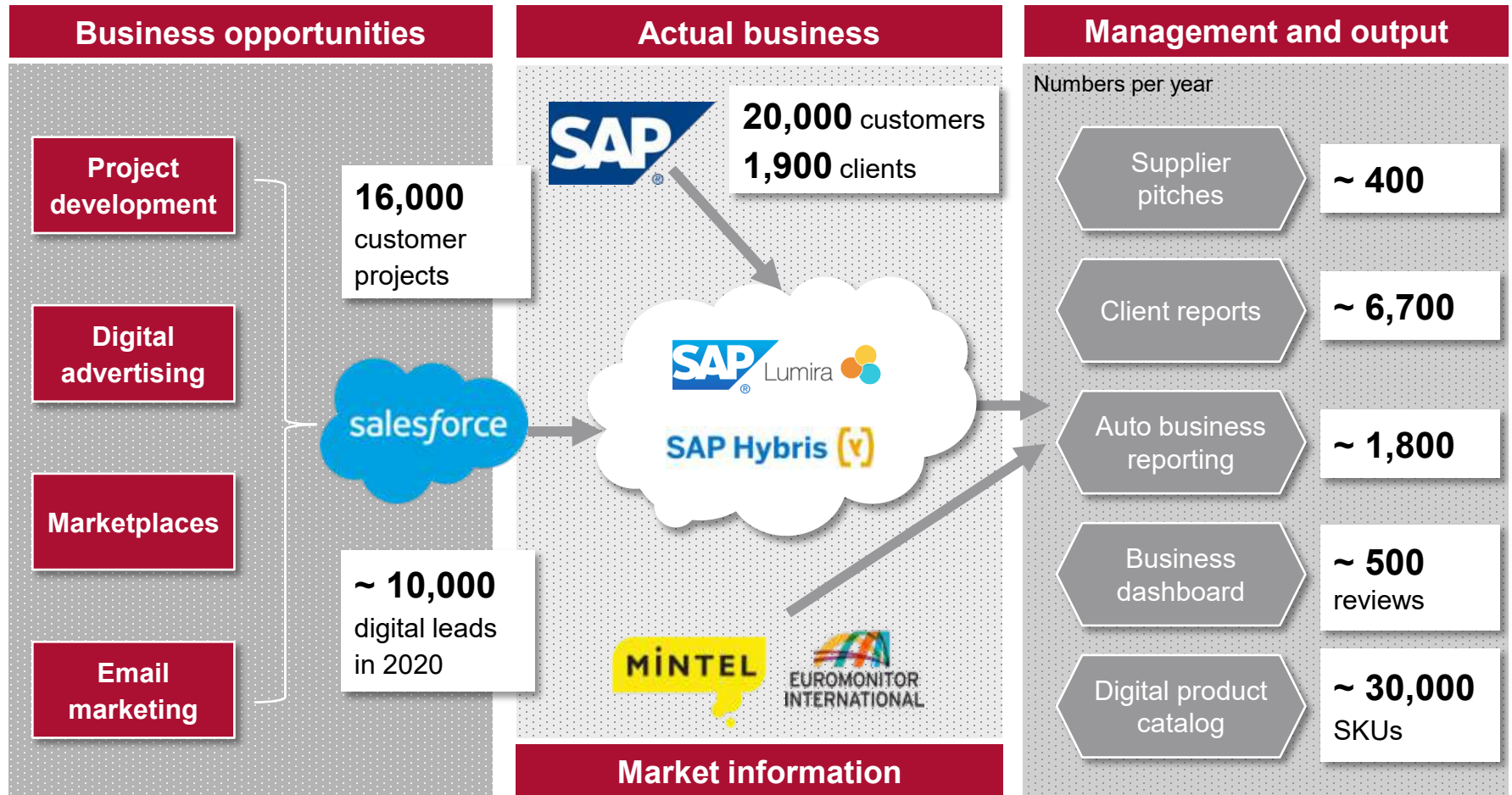


Sales Force Effectiveness

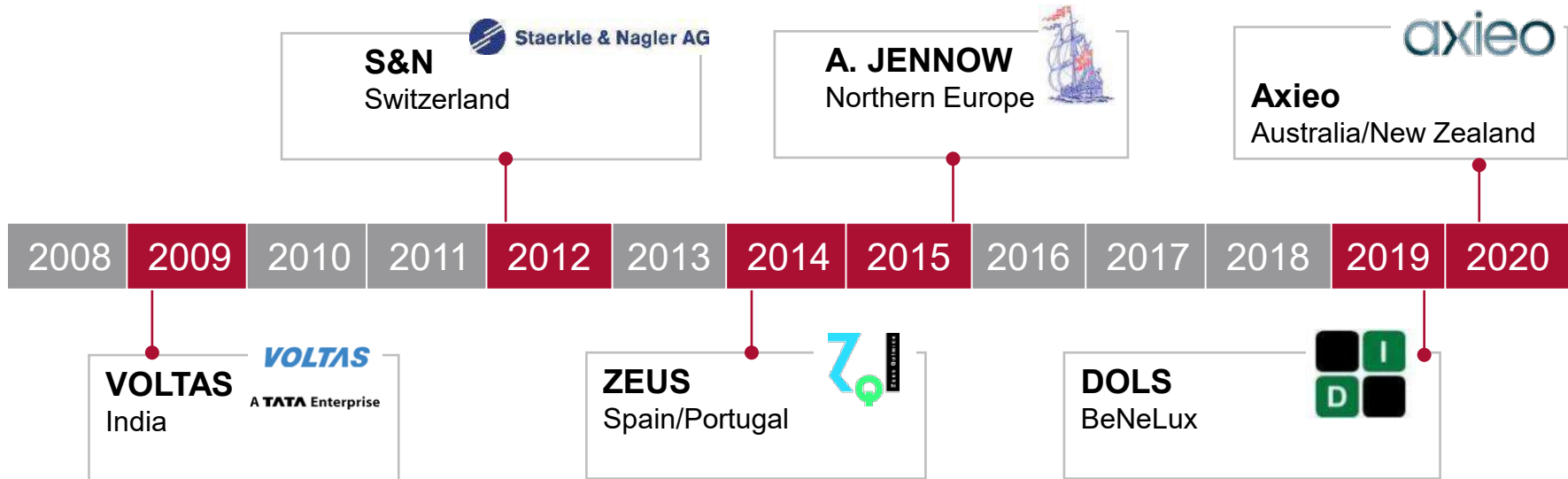


Digitization

# The full-integrated **Digital Ecosystem** provides state-of-the-art digital services



# M&A track record with further value creation potential



## DKSH has successfully integrated several acquisitions in the past twelve years:

- More than **CHF 240 million** of net sales <sup>1</sup>
- Vast majority of acquired **clients grew with us**
- In all cases we **expanded the teams** in the years following the acquisition

<sup>1</sup> Numbers including Axieo acquisition in 2020

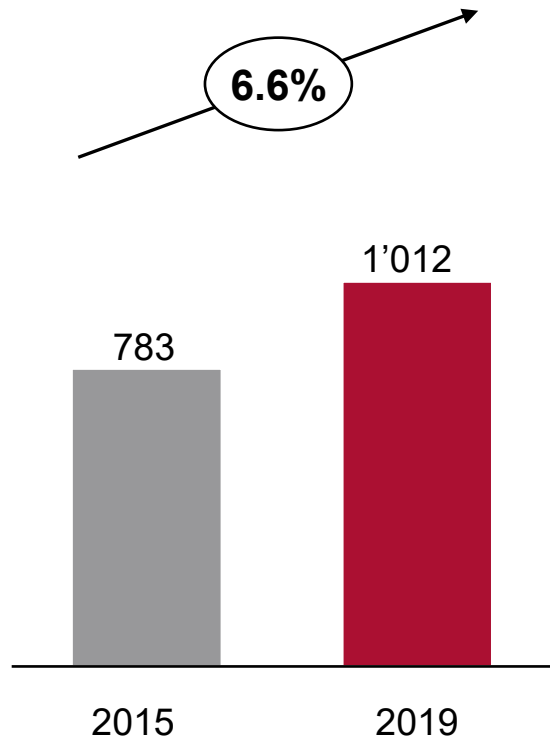
## Future M&A-led growth as focus point:

- Well-positioned to **continue driving consolidation** of the fragmented specialty chemicals and ingredients distribution market
- **Robust pipeline** of value-accretive M&A opportunities

# Proven growth track record and scalable business model

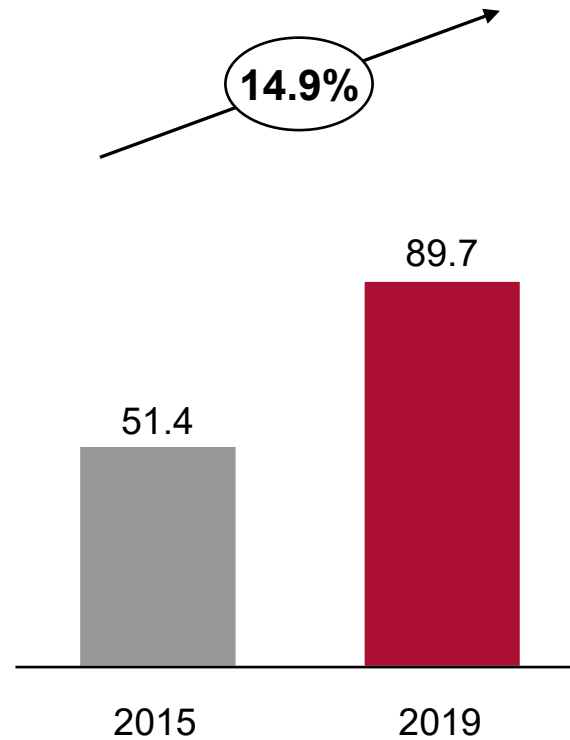
## Net sales in CHF million

CAGR



## EBIT in CHF million

CAGR



Asset-light model <sup>1</sup>  
**0.2% capex / net sales**

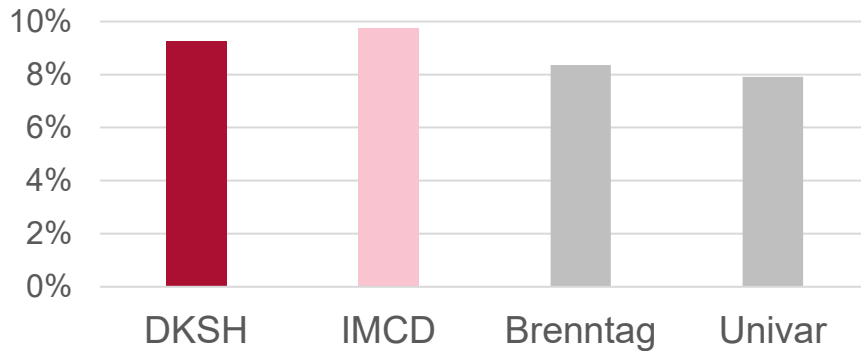
Uninterrupted sales growth  
 in **last 10 years**

**Increasing  
 EBIT margins**

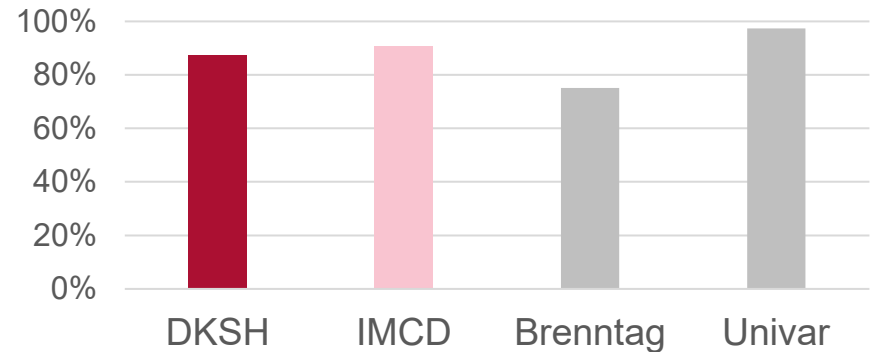
<sup>1</sup> Average 2015 to 2019

# DKSH ranks high among listed leading chemical distributors

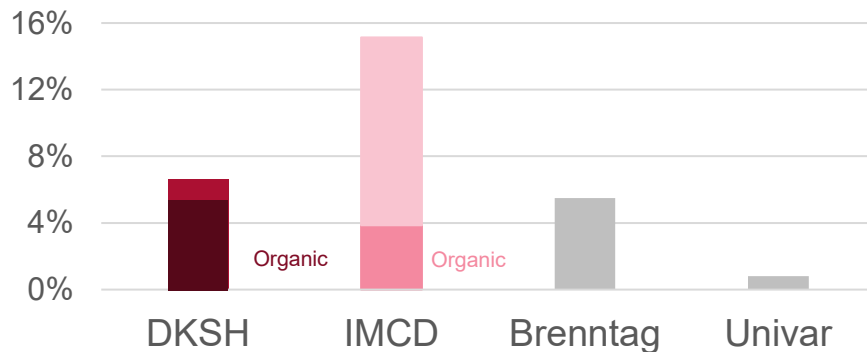
## EBITDA margin 2019 (%)



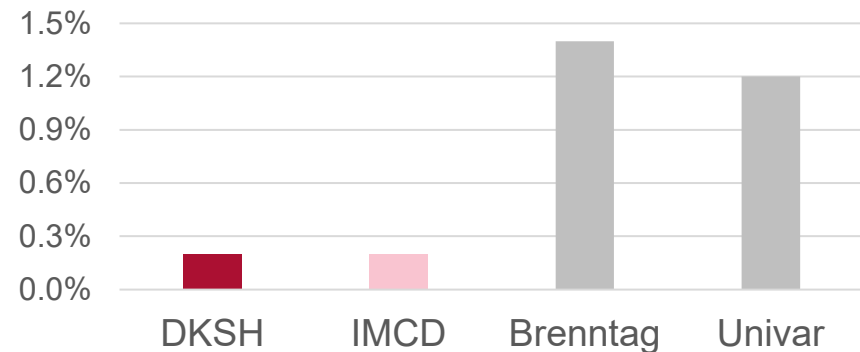
## Cash conversion 2015 - 2019 <sup>1</sup> (%)



## Sales CAGR 2015 - 2019 (%)



## Capex / sales 2015 - 2019 (%)



Source: Latest available company information. EBITDA margin excluding holding/other non-allocated costs for IMCD, Brenntag and Univar

<sup>1</sup> Cash conversion = Free Cash Flow divided by EBITDA

## Highlights Business Unit Performance Materials



Leading pure-play specialty chemicals and ingredients distributor



Resilient and cash-generative business model (**14.9% EBIT CAGR** 2015-2019)



High share of **life sciences (65%)** and strong **Asian footprint (68%)** <sup>1</sup>



Focus on further expansion of **value-added services**



Establish, nurture and retain **global team of industry talents**



Track record of **organic** and **M&A-led growth**

**Clear ambition of expanding our leading position in specialty chemicals and ingredients distribution**

<sup>1</sup> Percentage of net sales in 2019

# Finance update



## DKSH Financial Update



**Bernhard Schmitt**  
CFO

Joined DKSH:  
2004 (CFO since 2011)

**Setting the stage for future  
growth with a resilient, asset-  
light and cash-generative  
business model**

## CFO key messages

DKSH has ...



... a **resilient, asset-light, cash-generative** and **scalable** business model that is ...

+



... a proven set of **established KPIs** ...

... enabling us to ...

... **master COVID-19** challenges

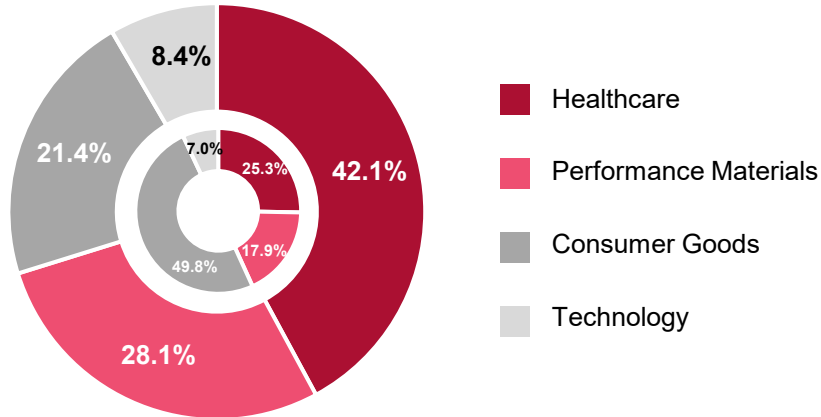
... pursue our **M&A** strategy

... follow a **progressive dividend policy**

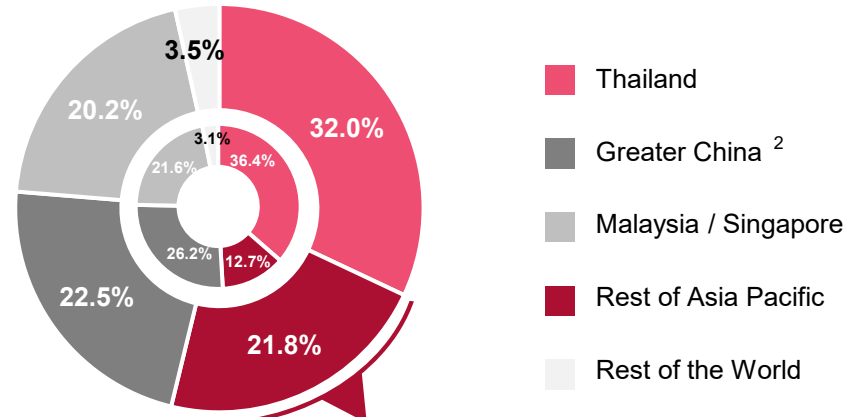
... be positioned for **future growth**

# DKSH is resilient across Business Units and markets

**EBIT by Business Unit <sup>1</sup>**  
**FY 2012 (inside) vs. FY 2019 (outside)**



**Net sales by region**  
**FY 2012 (inside) vs. H1 2020 (outside)**



**LVCM ~ 11%<sup>3</sup>**  
**Pacific ~ 3%**

**70% of EBIT**  
**Healthcare + Performance Materials**

**Reduced dependency and**  
**higher exposure in fast growing markets**

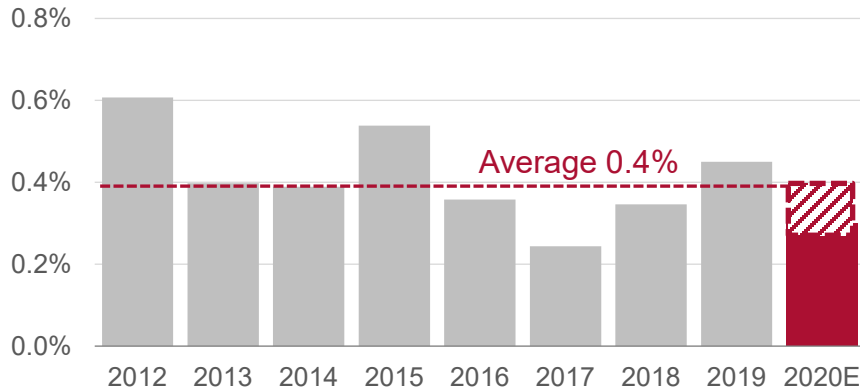
<sup>1</sup> Excl. segment "Other"

<sup>2</sup> Mainland China 1.6% of net sales

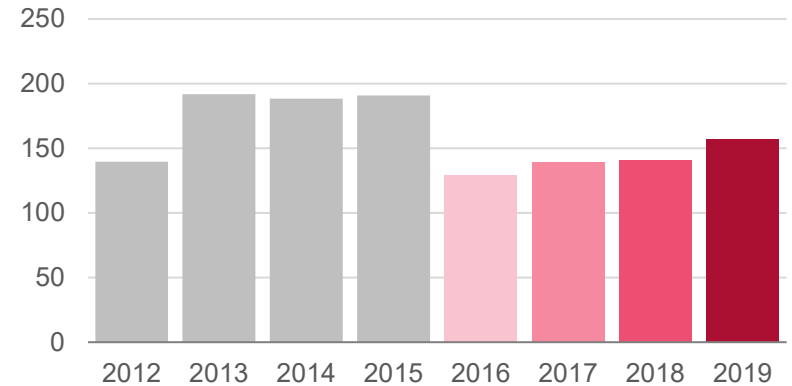
<sup>3</sup> LVCM is Laos, Vietnam, Cambodia and Myanmar. Pacific covers Australia and New Zealand

# Low capital intensity and sound cash generation

**Capex / net sales (in %) <sup>1</sup>**



**Free Cash Flow (in CHF million) <sup>2</sup>**



Distribution centers and offices pre-dominantly leased or rented



Transport > 95% outsourced



Continue best practices



Increased inventory focus

**Asset-light model  
0.4% capex / net sales**

**Focus on stronger cash generation**

<sup>1</sup> Capex defined as "Purchase of property, plant, equipment" and "Purchase of intangible assets"

<sup>2</sup> Free Cash Flow defined as "Net cash flow from operating activities" minus "Repayment of leases" minus Capex

## Continued strong balance sheet with substantial leverage headroom

in CHF million	H1 2020
Cash/Liquid assets	506.6
Trade receivables	1,982.5
Inventories	1,295.2
Intangibles	301.5
Right-of-use assets	203.9
Other assets	753.0
Trade payables	2,250.1
Borrowings	310.8
Lease liabilities	204.0
Other liabilities	549.2
<b>Total equity</b>	<b>1,728.6</b>
<b>Total equity and liabilities</b>	<b>5,042.7</b>

### Despite COVID-19 challenges, our **balance sheet remains strong** ...

- High equity ratio of 34.3%
- Low goodwill to equity ratio of 14.1%
- Net cash position of CHF 195.8 million

### ... enabling us to



... **grow organically**



... **pursue M&A with a leverage headroom of up to CHF 1 billion (max. 2x net debt / EBITDA)**

We keep our proven KPIs and increase our focus on capital returns (RONOC)

### Key KPIs



**EBIT or  
Profit after tax**

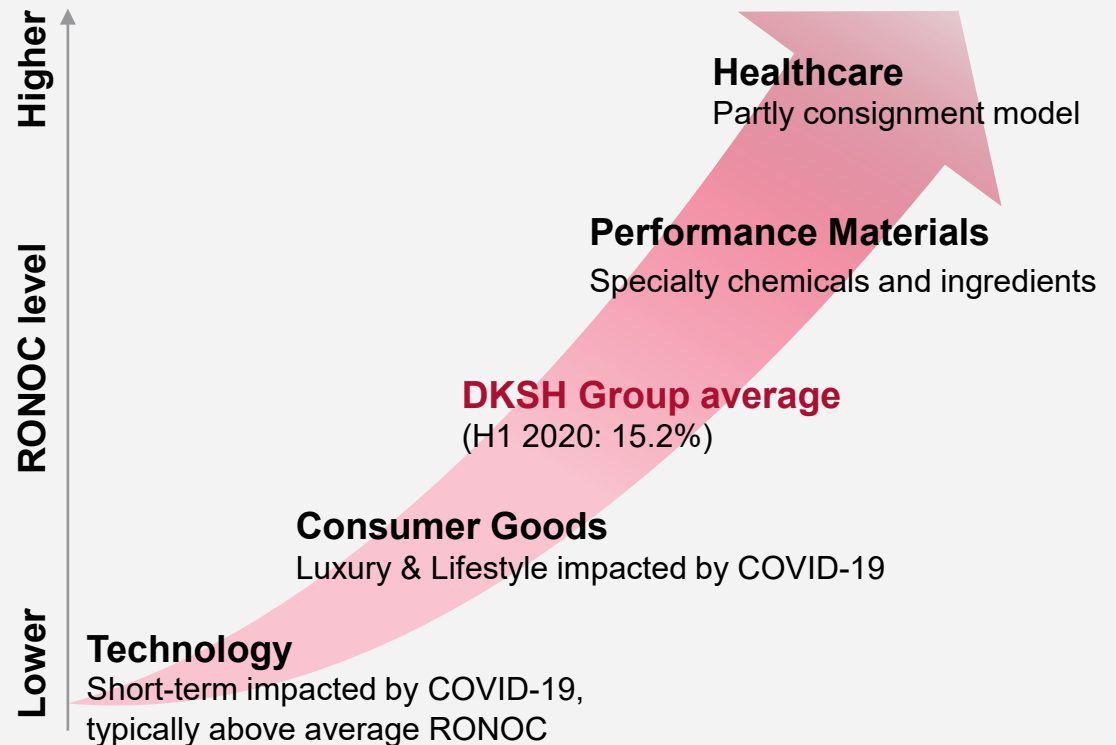


**RONOC**



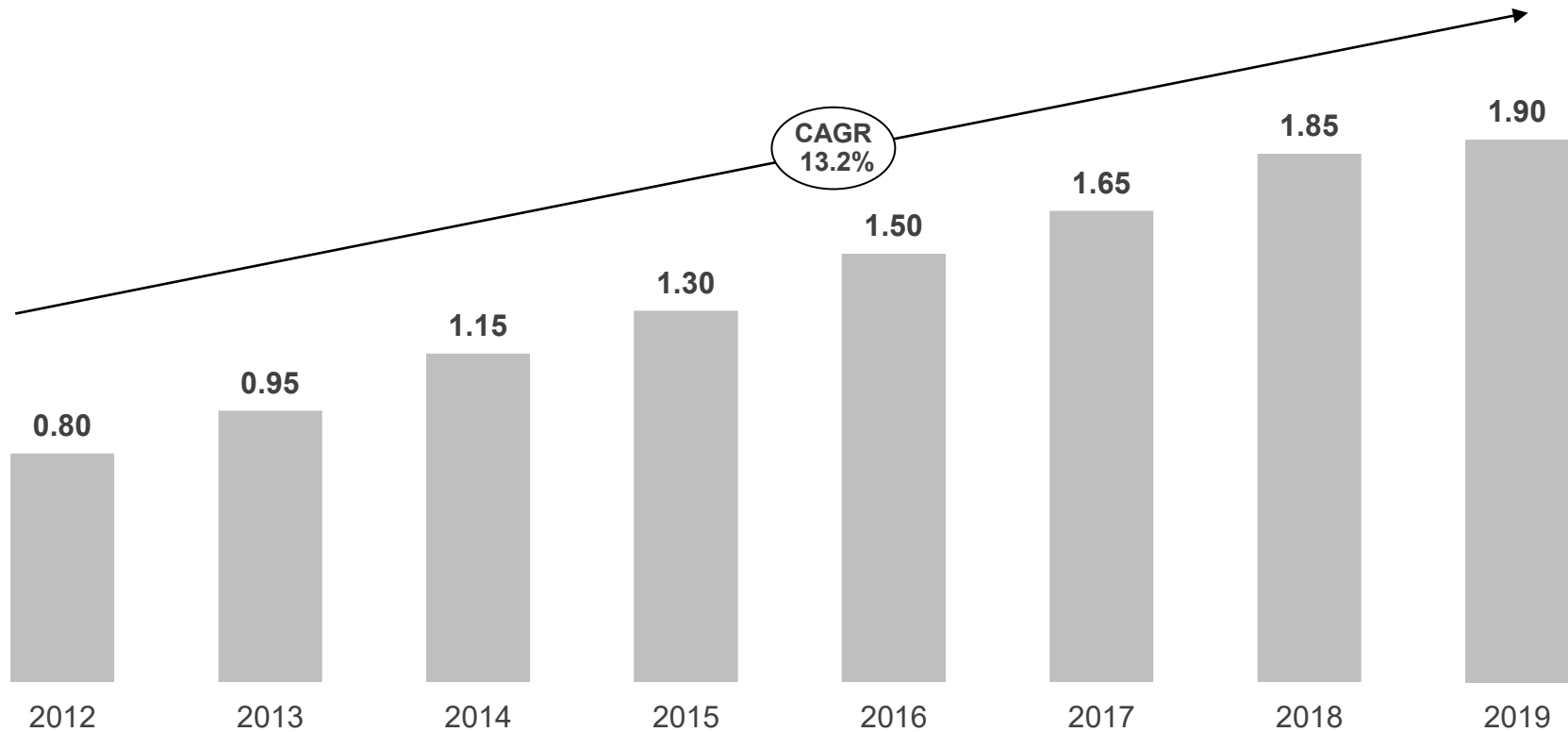
**Individual  
operational  
objectives**

### DKSH RONOC profile per Business Unit









## Our progressive dividend policy

### Development of ordinary dividend (in CHF per share)




## We provide additional financial disclosure

	<b>Sales</b> per relevant <b>markets/regions</b>
	<b>Sales</b> split per <b>Business Line</b>
	<b>RONOC</b> indication per Business Unit
	<b>Capex / sales</b> per Business Unit
	<b>Market data</b> per Business Unit
	<b>Other Business Unit specific data</b> e.g. split per business model





# Business Update – first eight months in 2020

	Market demand ... still tracking below pre-COVID-19 levels	DKSH ... with higher focus on client wins and efficiency
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>Continued low patient flow</li> <li>Medical tourism subdued</li> </ul>	<ul style="list-style-type: none"> <li>Business Development</li> </ul>
<b>Consumer Goods</b>	<ul style="list-style-type: none"> <li>FMCG resilient</li> <li>L&amp;L<sup>1</sup> slowly bottoming-out</li> </ul>	<ul style="list-style-type: none"> <li>FMCG transformation on track</li> <li>L&amp;L<sup>1</sup> with strict cost focus</li> </ul>
<b>Performance Materials</b>	<ul style="list-style-type: none"> <li>Resilient demand for life sciences</li> </ul>	<ul style="list-style-type: none"> <li>Continued solid performance</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>Production facilities still not at 100% utilization</li> </ul>	<ul style="list-style-type: none"> <li>Cost savings program taking effect</li> </ul>
<b>DKSH Group</b> 	<b>DKSH with continued solid performance</b>	

<sup>1</sup> Luxury and Lifestyle

# Additional financial indications

	2020	Mid- to long-term	Comments
<b>M&amp;A</b> (net sales contribution)	+2%	Further M&A ambitions	Annualized contributions from closed acquisitions
<b>FX</b> (net sales contribution)	-4% to -5% <sup>1</sup>		Conversion from local currencies to stronger Swiss franc
<b>Tax rate</b>	27% to 30% <sup>2</sup>	27% to 29% <sup>2</sup>	Higher tax rate in H1 2020
<b>Capex</b>	CHF 30 to 40 million	CHF 40 to 50 million	Gradual automation of distribution centers

<sup>1</sup> Assuming current spot rates prevail until the end of 2020

<sup>2</sup> As percentage of profit before tax

## Closing remarks

# DKSH generates value and is set for future growth

DKSH has successfully navigated through the **COVID-19 challenges** so far while investing for **future growth**

...based on 4 key pillars



Resilient, asset-light and cash-generative **business model**



Renewed **leadership** and specialized teams of **industry experts**



**Promising trends** in our industries **in Asia** and beyond



**Compelling strategy** with focus on digital and value-added services incorporating sustainability

**Progressive ordinary dividend policy**



**Organic and M&A-led growth**

# DKSH Capital Markets Day 2020



**Delivering growth – in Asia and beyond.**

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