Anticipated acquisition by Sika AG of MBCC Group

Response to the Notice of Possible Remedies

Submitted 4 November 2022

INTRODUCTION & EXECUTIVE SUMMARY

(1) This submission by CVC Advisers (Benelux) SA/NV ("**CVC**") as an advisor, with its affiliates, to certain funds or vehicles ("**CVC Funds**") responds to the CMA's Notice of Possible Remedies dated 25 October 2022 (the "**Remedies Notice**") regarding the proposed acquisition by Sika AG ("**Sika**") of the entire issued share capital of LSF11 Skyscraper Holdco S.à.r.l., the ultimate parent company of the MBCC group ("**MBCC**" and together with Sika, the "**Parties**") (the "**Transaction**"). Unless otherwise indicated, any defined terms in this response have the same meaning as those provided in the Remedies Notice.

(2) In its provisional findings on the Transaction, the CMA provisionally concluded that the Transaction may be expected to result in a substantial lessening of competition ("**SLC**") in the supply of chemical admixtures for cement, concrete and wet mortar in the UK (the "**Provisional SLC**").

(3) CVC considers that the Parties' Remedy Proposal is as comprehensive a solution as is reasonable and practicable to remedy the Provisional SLC and any resulting adverse effects. CVC believes that a prohibition of the Transaction or the divestiture of a broader and/or differently configured divestiture package to the Parties' Remedy Proposal would be disproportionate to the Provisional SLC and unnecessary.

(4) In addition, as explained in more detail below, the Parties' Remedy Proposal does not give rise to composition, purchaser or asset risks. The package is attractive, well-configured and capable of operating as a standalone competitor to the merged entity from day one. As a result, the package is likely to attract a number of potential purchasers, including CVC Funds which is well-placed to develop the Divestment Business given its expertise and financial resources. And, on the basis of the information currently available, the reverse carve-out transaction structure[1] means that there does not appear to be any material risk of asset deterioration assumed by a prospective purchaser pre-disposal and during any transitional period.

(5) The comments in this submission are based on a review of the Remedies Notice and the Parties' non-confidential proposed remedy option submission dated 24 October 2022 ("**Parties' Remedy Submission**").

[1] Paragraph 3.1-3.4 Parties' Remedy Submission

NO COMPOSITION RISK

(6) CVC Funds have extensive experience of acquiring and developing divestment businesses with a global footprint and have a deep understanding of the chemicals sector. It is therefore well positioned to assess the viability and composition of the proposed package.

(7) CVC has reviewed the Parties' Remedy Proposal in detail (including Table 1 of paragraph 2.9) and provides the following views to the questions raised in the Remedies Notice on the scope of the divestment package:

a) CVC considers that the Parties' Divestment Remedy will effectively remedy the SLC identified by the CMA as it totally removes the overlap in chemical admixtures between the Parties in the UK.

b) CVC considers that, on the basis of information currently available, the scope of the remedy appears to be comprehensive. CVC has not identified any missing elements from the asset package, which includes a wide and branded product offering, 36 production sites and comprehensive warehouse network, three R&D sites and various local development laboratories on site, approximately 1600 FTEs – including the technical sales force – and a comprehensive portfolio of IP.[2]

c) CVC agrees with the Parties that the package should be sold to a single purchaser to ensure the Divestment Business benefits from economies of scale. The comprehensive nature of the package, combined with the reverse carve-out transaction structure being sold to one single purchaser, will allow the Divestment Business to operate on a standalone and viable basis from day one. This is supported by the inclusion of all personnel currently employed by the Divestment Business, as well as secondees and shared personnel.[3] In particular, as the future global management team of the European Divestment Business (as well as US and AUS/NZ Divestment Business) will comprise existing senior management executives,[4] the Divestment Business will have continuity of expertise and experience within the market for the supply of admixtures in the UK (and in all jurisdictions where the Divestment Business operates).

d) The R&D assets, including the various development assets on site, will be sufficient to continue to drive product innovation and localised product adjustments.[5] The reverse carve-out mechanic helps mitigate the risk of a failure to transfer relevant IP and know-how since this will transfer with the relevant legal entities. This provision reduces the risk that any required IP is not included within the transaction perimeter and means that the CMA does not need to exhaustively verify that all IP is included with the Divestment Business.

e) Any sites shared between the Divestment Business and the Retained Businesses can be straightforwardly separated during any transitional period, including by

2 Paragraph 2.9 Parties' Remedy Submission
3 Paragraph 5.1 Parties' Remedy Submission
4 Paragraph 5.16 Parties' Remedy Submission
5 Section 6 Parties' Remedy Submission

allocating their respective operations between separate buildings on the site. This means that it will not be necessary to create any access restrictions or other firewalls within buildings.

a) The Retained Business should benefit from a licence of the MBS brand for an appropriate transitional period.[6] The length of the licence to the Retained Business should give adequate time to rebrand, but should be not too lengthy as to affect expansion by the Divestment Business into the geographies where the licensed brands will be supplied.

b) The reverse carve-out mechanic effectively transfers any composition (and asset risk, as explained below) to the Parties and ensures that no relevant assets are "lost" in the separation process.

c) The scope of the Divestment Business offers sufficient scale to compete with the Merged Entity in the UK, and globally. For example, we understand that the Divestment Business has a similar share of chemical cement, concrete and wet mortar admixture supply in the UK to Sika.[7] As noted above, the Divestment Business also benefits from the economies of scale accruing from the inclusion of the wider EBA and EBC businesses. This results in the Divestment Business generating an EBITDA which is attractive and gives any prospective purchaser headroom to compete on price in the future and to successfully grow and expand the business.

NO PURCHASER RISK

(8) CVC considers that the Divestment Business is an attractive business, which is attractive to prospective purchasers and would continue to be a strong player in the chemical admixtures space, both in the UK and globally.

(9) CVC considers that financial buyers are suitable purchasers in this case since the Divestment Business has been comprehensively designed to operate as a standalone business, in particular since the Divestment Business includes all currently employed personnel and senior management thereby transferring all required expertise. Any potential acquirer must also have sufficient financial resources to support the growth and development of the Divestment Business, which financial buyers such as CVC Funds have available to them.

(10) Certain financial buyers would also not raise any competition concerns as they do not have any overlapping activities with the Parties, and have clear independence from them. This means that a financial buyer, such as CVC Funds, would be able to complete the transaction without undue regulatory delay which minimises implementation and asset risk in light of a simple and straightforward regulatory approval processes. This requirement is particularly important for this Transaction in which the regulatory processes of at least six authorities need to be aligned and timing is paramount.

6 Paragraph 28(c), Remedies Notice
7 Table 2, paragraph 8.8 Provisional Findings

(11) CVC Funds is a potential acquirer of the Divestment Business and it has been actively engaging in the prospective sales process. Under CVC Funds' stewardship and expertise in the sector, we believe that the Divestment Business could become a leading global player in admixtures and adjacent segments, as well a competitive EBC supplier in Australia and New Zealand.

(12) We set out below a short summary of why CVC Funds is a suitable purchaser and would not impose any purchaser risk in this case.

Financial resources and commitment

(13) Originally founded in 1981, CVC Capital Partners today has a global network of more than 25 offices and over 300 investment professionals throughout Europe, Asia and the Americas. Currently, CVC Funds manages approximately EUR 133 billion of assets on behalf of hundreds of investors, who entrust their capital to CVC Funds for periods of 10 years or more. Raised from pension funds, financial institutions and various other partners, CVC Funds seek to identify attractive investments and develop sustainable, long-term value in close partnership with founders and management teams. CVC Funds are invested in over 100 companies worldwide, which have combined annual sales of approximately EUR 100 billion and employ more than 550,000 people.

(14) CVC Funds' strategy for the Divestment Business would be to create a leading global admixtures business with strong growth, international expansion and differentiation potential. CVC Funds consider that the Target can deliver even greater economies of scale through new market entry and product development, which would benefit customers in the UK.

(15) Ample additional equity capital is also available from CVC Funds for investment to support and accelerate the future growth and development of the Divestment Business through, for example, expansion into new markets, product development and targeted acquisitions.

Expertise and assets

(16) CVC Funds is differentiated through its senior and experienced in-house operations team which has been executing complex corporate transformations, such as global carve-outs of various entities or assets, as well as supporting CVC Funds' portfolio companies on their growth and expansion trajectory, since 2008. The team has global coverage and provides deep, functional expertise to portfolio companies and their management. The team focuses on customer needs, growth initiatives, operational efficiencies, employee engagement, as well as environmental and governance matters. Members of the operations team have usually completed a career as a Management Consultant (Partner Level) and have significant working experience in corporates.

(17) Furthermore, CVC Funds is able to rely on an in-house capital markets team which drives all key financing activities both in transaction execution as well as during the life of an investment. The team is focused on providing CVC Funds' portfolio companies with a sound capital structure, appropriate for all eventualities, which can support long-term, profitable growth. Since 2016, CVC Fund's in-house Capital Markets team has

secured more than [redacted] of financing across more than [redacted] envisaged transactions globally.

(18) CVC Funds has a successful track record in the chemicals sector – including experience of the supply of construction chemicals and formulated customized chemical products. CVC Funds has a dedicated global chemicals sector team located in Brussels, Belgium. Recent CVC Funds' investments in the sector include Sajjan (synthesis of complex agrochemicals), AOC (unsaturated polyester resins), Parex (construction chemicals including specialty admixtures) and Messer (industrial gases).

(19) CVC Funds has extensive experience of executing global carve-outs, including in the chemicals industry (e.g. AOC, Messer, and Flint). During the last five years, CVC Funds has closed nine carve-out transactions with operations ranging from 3 to 16 countries, and headcounts ranging from 250 to 6,000+ employees.

(20) In most transactions, the timely establishment of significant IT, HR, and finance function, was required, often with limited TSA support.

NO ASSET RISK

(21) CVC agrees with the Parties that there is not appear to be any material risk of deterioration of the Divestment Business pre-divestment since the Transaction remains anticipated.[8] The alignment of regulatory timetables, across multiple jurisdictions, means that approvals are intended to be received (near) concurrently reducing any period of uncertainty (and any risk of reduced incentives on behalf of the Parties to continue to effectively compete) which could be created if there were material time gaps between each approval.

(22) As noted above, CVC agrees that the reverse carve-out transaction proposed is the best structure to ensure that the Divestment Business has all of the necessary assets to compete effectively as a supplier of chemical admixtures in the UK, and globally. This structure ensures continued operations, brand integrity and market presence for the Divestment Business. The structure also ensures that the risk that assets are misallocated primarily sits with the seller, rather than the purchaser.

8 Paragraph 4.14 Parties' Remedy Submission