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TIK1V.HE - Tikkurila Oyj to Discuss PPG Industries Inc's Voluntary Recommended Public Cash Tender Offer Call

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PRESENTATION

Mervi Pohjoisaho

For everyone's attention, this event will be recorded, and the recording will be available on the company's website. Please see here today's agenda and the speakers.

Firstly, Heikki Westerlund. Chairman of the comment, representing the independent members of the Board of Tikkurila, will introduce the Board of Directors view on the offer. Thereafter, Elisa Markula, CEO of Tikkurila, will give you an update on the recent developments in Tikkurila. After Elisa's presentation, we will give a floor to the Chairman and the Chief Chief Executive Officer of PPG, Michael McGarry, who will be presenting here online. After all the speeches, we will have time for some questions.

Please welcome the first speaker, Heikki Westerlund. The word is yours.

Heikki Seppo Westerlund - *Tikkurila Oyj - Independent Director*

Thank you, Mervi. Like she mentioned, my name is Heikki Westerlund, and I have been acting as Chairman for the independent Board members committee, preparing Board's opinion on this public tender offer.

Triggering factor for this webcast is the combination agreement that was signed this morning. And like you have seen, the PPG has published their intention to launch a public tender offer. It will be voluntary recommended public cash offer. And when we are looking at this definition, all the words are meaningful here. So it's a voluntary. This is a friendly action. It is recommended by Tikkurila Board, and it's a public cash offer. Already close to 30% of Tikkurila shareholders have indicated their support for this transaction through the irrevocable undertakings.

So first, I will go through a couple of the kind of more technical issues, facts about this tender offer. Then I will delve deeper in the Board's assessment and Board analysis based on which we have then -- will be giving our statement and then summarizing the terms. So the basic facts. PPG's offer

price is EUR 25. And it's good to understand that if there are any dividend payments next spring, those will be then deducted from this EUR 25, so EUR 25 will be adjusted accordingly. This is in a high premium.

Premium to yesterday's closing price is 66%. And then the premiums like they are typically calculated against, for example, 3 months volume weighted average and 12 months, volume weighted average are 70% and 78%. This tender offer is ranking, if we are looking Helsinki Stock Exchange public offers during the last 10 years, among top 3 or 4, what comes to the premium percentage-wise and in absolute money terms.

Officially, the tender of a document is estimated to be published mid-January next year, and then the actual offer period is estimated to start 18th of January. So in the tender offer document, you will get the more detailed information related to this public tender offer. Board has an obligation to analyze and review offers if somebody is contacting Board. So takeover code gives us a relatively and clear -- very clear, let's say, not only relative, but very clear framework how to operate in these kind of situations.

So first of all, what I would like to say, Tikkurila Board was not the body who initiated this process. So we were contacted, and typically, the contact is taking place in the form of indicative bid. And in this kind of situation, the Board has obligation to evaluate the indicative bid, first, based on the analysis that is this something serious in nature. And typically, the characteristics when the Board is analyzing the situation are, is it a serious counterparty who has issued this indicative bid? Do we believe that they have a capacity to finance the deals? And do we believe that there is a potential that the deal -- or ability to close the deal?

And if the Board comes to the conclusion that it's a serious indicative bid, then the Board has an obligation to act and ensure that the next steps are then leading to a best possible outcome for the stakeholders, especially for the shareholders, and that should be then achieved.

When we started to discuss this at the Board level, we took an approach that -- where we discussed that do we believe that PPG is a counterparty that has an ability to become a good and strong owner. More precisely, if I'm a little bit elaborating the framework, how the Board work in formulating our opinion is that we started to think about the industry rationale. Does it make sense from the industrial thinking perspective to recommend this kind of transaction? And just to remind you about the size of the paint and coatings industry on the global basis.

Last year numbers indicate that the size of the industry was more than EUR 150 billion on annual basis. And the market is divided, if you are talking about the big picture into 2 different categories, industrial paints and coatings, representing roughly speaking 60% of the market and then decorative part of the market that is estimated to be 40% of the market. And that's important to understand when we are talking about then the fit between PPG and Tikkurila. Market has been consolidating. In the industrial side, the consolidation has taken place a longer time. So that is a relatively mature market. But in the decorative market, the consolidation trend is a bit more recent, but that has accelerated during last couple of years' time.

On an annual basis, once more, the transaction activity is high. So there are more than 50 transactions announced on annual basis. So clear that the market is consolidating, and that's a fact that the Board also realizes. For consolidation, there is a clear logic, certain scale benefits like the benefits related to the R&D investments, raw material sourcing and especially what comes to the fit between PPG and Tikkurila, also the product mix and cross-selling opportunities. And these are the issues that both the CEO of Tikkurila and PPG will come back a little bit later. So we believe that these 2 companies have complementary businesses. And especially important is to underline that there is a relatively limited overlap between 2 companies, what comes to the geographical presence as well as the product range. PPG has more weightening, especially in Europe, in the industry part of the market and then Tikkurila is very strong in decorative market.

So conclusion from this analysis was that, okay, we believe from the industrial point of view that PPG would be a good owner for Tikkurila. Then when we continued the analysis, we took the approach that was more like a stakeholder view. Not only analyzing the economical value of the offer, but also talking about what kind of impact this will have for Tikkurila employees as well as, do we believe that these 2 companies have common values and a good basis then from that angle to cooperate in the future.

So we -- as a Board, we have reviewed PPG's high-level preliminary plans for for employees, and there are a lot of good ideas, a lot of good promises that how the employees can benefit from this transaction. For example, PPG has stated that the regional headquarters for the operation will stay in Finland as well as the larger company can then provide new opportunities for employees.

Sustainability, that's a common value for both companies. There's been a lot of R&D work to be -- that has been already done to convert the product range for more eco-friendly and clearly, the values for these 2 companies can fit nicely together.

And then the third element in our stakeholder view analysis was the analysis that do we believe that the economical value of this offer price is fair? And like I already indicated in the beginning of my presentation, we believe that this substantial premium compared to the closing prices yesterday and a bit more long-term volume weight average is good.

One can even characterize this offer price as an attractive, but the Board's official statement includes the word that we believe that it is fair.

So in connection with this public tender offer, Board is going to issue then the official statement, and this public tender will be recommended by the Tikkurila Board. And recommendation naturally means that then, ultimately, our shareholders are making their final decisions.

First, before moving to the next part where Elisa is presenting her facts related to Tikkurila, I would like to say that we, as a Board, we are really proud of Tikkurila, the entire organization, and Elisa and her team consisting of 2,600 employees. You have done a great job. But realistically, when the industries are consolidating, the Board are facing these kind of questions. And then I would like to underline that our duty is then to think about the potential new owner, their capabilities to be strong and good owner in the future, further invest in the business like we believe that PPG is going to do. So we believe that in the hands of PPG, Tikkurila can further prosper and shine.

Thank you. Now I move the word to Elisa Markula, she is CEO of Tikkurila.

Elisa Markula - Tikkurila Oyj - President & CEO

Thank you, Heikki. So I will give you a short overview about Tikkurila and also where we are in our turnaround journey, where I started 3 years ago.

So first, the short overview, who we are. Tikkurila is the leading paint company in decorative paints in the Baltic Sea region in Northeastern Europe. As you can see, from the picture, we are in the blue area, darker blue area, where we have sales units, and then production units are marked with our logo.

Our history starts under these premises where we are located almost since 160 years ago. So there is a lot of history and knowledge inside this company about surfaces. Today, we are more international than 160 years ago. We have own sales unit in 11 countries, and our products are available through export over 40-plus countries. We have production in 6 countries, which are Finland, Sweden, Poland, Russia, Estonia and then a small unit in Kazakhstan. In Russia, we have 2 production units. And our revenue last year was EUR 564 million. And we have 2,600 highly skilled professionals, who are committed to Tikkurila brands, which are actually one of the key assets together with our employees in this company. We have 3 premium brands, which are highly recommended and highly preferred by our customers, and they are Tikkurila brand, Beckers brand and ALCRO.

We are also very committed to sustainability. It's our core. And that means as an evidence out of that can be that over 43% of our decorative sales are eco-labeled and over 80% of our decorative sales are also water-based, more eco-friendly and friendly to the environmental -- environment and our users of paints. And 84% of our sales is coming out of 5 market areas: Finland, Sweden, Russia, Poland and the Baltics.

And then a little bit overview that what we have been doing with our turnaround since 2018. And I think the key highlight here is that we have been building our strategy on 3 pillars. And they are: increasing efficiency in all our operations and also accelerating profitable growth and building one Tikkurila with one set of values, one set of way of working with the shared resources. What we have been doing in order to -- what is behind these numbers, you can see as an adjusted EBIT that we have improved our sales performance management a lot. We have been optimizing portfolio. We have been harmonizing formulas. We have been harmonizing raw materials. And also downsized the stockkeeping unit number, so less articles.

We have had remarkable savings in fixed costs, EUR 35 million in 1.5 years. And then we have been really focusing on efficiency in sourcing, both direct and indirect. And focusing 83% of -- 82%, sorry, our sales is coming from decorative paints and 17% from the industrial paint. So we are a decoration more than industrial company, but we have been focusing on getting growth on both areas.

And recently, we have also updated our strategy and restated the previously also communicated strategic financial targets, which is that we will grow faster than the home markets, and our EBIT margin would be over 12% until '23. So our long-term target is really to maximize our efficiency and increase our growth above the market growth. And now we are moving from turnaround phase to transformation phase, where the profitable growth is in focus and business processes will be finalized and last, bigger efficiency projects will be executed.

Thank you from my side. And now I will hand over to Michael McGarry, CEO of PPG. Michael?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Thank you very much, Elisa. And this is a very important day for PPG. I want to thank Mr. Westerlund and yourself for making this day possible. And I want to say good afternoon to all the folks in Europe and good morning to our colleagues and analysts in the U.S.

I want to provide a very short overview of PPG. We were founded in 1883 in Pittsburgh in the U.S. We have operations in more than 70 countries. We sell in more than 120 with sales in 2019 of over USD 15 billion. As stated earlier, we have 2 segments, Performance Coatings segment, which is about 60% of our business, and that's where our decorative business is or how we call it in the U.S., the architectural business. And about 40% of our global companies in the industrial coatings. We are the only coatings company in the world that participates in every vertical in the coatings space. And to put it in perspective for our acquisitions in the past 2 years, we've done 50 acquisitions, and this is something that we do exceptionally well. And we're so pleased that the trend line for the Tikkurila team is upward, and you can see how strong their management team is, and we look forward to capitalizing on that talent.

Overall, though, PPG is well positioned for growth. We make a lot of specialty products that we think the Tikkurila team can help us sell. We're also leading the way in sustainability. Our mobility initiatives are #1 in the industry as far as enabling electric vehicles. So this is a very important transition from the internal combustion engine to the electric vehicle, and we're helping make that happen. And of course, we're very focused on the aftermarket as we move forward because this is a very large part of our company.

And our R&D portfolio, we spend more on R&D than any other coatings company in the world, more than USD 450 million. So we think this is a great fit between the companies. And just to put us in perspective where we are globally, #2 in architectural, depending upon who you believe, we're either #2 or #3 in the general industrial, #3 in protective and marine, a clear #1 in automotive, a very close #2 in refinish, a clear #2 in packaging and a clear #1 in aerospace. So globally, #2, and we are very pleased with the team that we have and look forward to welcoming the Tikkurila colleagues.

As you know, the importance of brands and distribution is paramount in the decorative market. We're very excited about the Tikkurila, ALCRO as well as Beckers brand and how that will help us continue to grow our business. As you can see, our most important brands here in the U.S. are the PPG Paints and Sico in Canada; John Stones in the U.K., SEIGNEURIE in France; Comex, the leading brand in Mexico; and Taubmans, a strong brand in Australia; and (inaudible) in China. But the fit between PPG and Tikkurila is really outstanding. We both have the same focus on the customer, strong stakeholder values, very complementary, very little overlap here. And think about Russia, they're #1 in the decorative space, and we're a very strong player in the industrial space. So that will help both of us in Russia. Same thing in the Baltics and same thing in Finland and Sweden. Many cross-selling opportunities. We've had a chance to look at their facilities. We've been very impressed with their facilities, and this will provide us additional growth opportunities for us going forward.

So at this point, I'd like to turn it back over to Mervi, and we'd be happy to take any questions and answers from the participants on the conference call.

Mervi Pohjoisaho

Thank you. Thank you McGarry, Mr. McGarry. I will now hand over to Mr. Heikki Westerlund. Please go ahead.

Heikki Seppo Westerlund - *Tikkurila Oyj - Independent Director*

Okay. So now like Michael said that there's no time for Q&A session, and we are just a little bit looking here that who will start the Q&A.

Mervi Pohjoisaho

Just a minute.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question from the phone comes from the line of Kevin McCarthy of Vertical Research Partners.

Kevin William McCarthy - *Vertical Research Partners, LLC - Partner*

Congratulations to both companies on what appears to be a mutually beneficial transaction. A question for Mr. McGarry. Michael, I was wondering if you can speak to the background of how the deal came together? And also your view of any synergies that PPG would hope to achieve in the coming years, both in terms of sources of those synergies as well as the possible timing.

Michael H. McGarry - *PPG Industries, Inc. - Chairman & CEO*

Kevin, thanks very much for the question. I will start with the -- Tikkurila has been a company we have admired for many, many, many years. I've had a relationship with the (inaudible) family, the major shareholder for quite some period of time. We have always stayed in touch. And beyond that, I think it's really not our position to talk about how the deal came together. Mr. Westerlund if he would like to comment can. But in essence, we have been following this company for many years. We've always been highly impressed with them, and we're just privileged to be able to join and partner with them going forward.

As far as the synergies, Kevin, this is pretty much like we've done with many of our deals. The easiest one is raw materials. We have had an opportunity to evaluate this. The raw materials should be in the area of 5%. The purchase of raw materials should be lowered through this transaction. And of course, we would then look at cross-selling opportunities and other synergies. But you should be able to look at the most recent transactions that we've done with Comex and others to see where there's been limited geographies, where we've been able to drive synergies, but more importantly, where we've been able to drive organic growth. This is a strong team, and we anticipate working together with them to continue to grow the business.

Operator

Our next question comes from the line of Vincent Andrews at Morgan Stanley.

Steven Kyle Haynes - Morgan Stanley, Research Division - Research Associate

This is Steve Haynes on for Vincent. Michael, I just wanted to ask, you recently did a deal in mobility and now one in architectural. So can you maybe just give us an update on the overall M&A pipeline and what kind of end markets you're targeting?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Well, I think it really hasn't changed at all. We -- the mobility one is going to be a completely different in -- segment than this one. This is decorative. So we have the capacity to do more deals. That's the 1 thing I want to emphasize. The other thing is, as we have always said, you have to take opportunities when they present themselves.

And so we'll continue to look for opportunities to consolidate in the industrial as well as the decorative space. Our team has -- if you look back just 3 short years ago, we did 6 deals in 18 months. And so there's plenty of capacity still in PPG to be able to do deals moving forward.

Operator

Our next question comes from the line of Frank Mitsch of Fermium Research. Yes.

Frank Joseph Mitsch - Fermium Research, LLC - Senior MD

I have a question for the people from Tikkurila. The decline in EBIT from 2015, 2016 and down to the depths of 2017, apologies, but I hadn't been following the company, what accounted for that material decline that occurred there? And obviously, you've done a very nice job of recovering to the last 12 months. What is -- how has the company performed during the pandemic and what is the outlook for '21?

Elisa Markula - Tikkurila Oyj - President & CEO

Yes. Thank you for the question. For the first, what happened in 2017, there were actually several reasons behind this drop in the EBIT margin. And one of the key ones was internal issue, and it was a new ERP. So that caused a lot of -- it was practically -- I was not here, but practically, what I have been told, it was a very poor implementation, and we suffered a lot from not good delivery service to the customers, and they were not so happy with us. So that was the reason partly. And then there were especially post-implementation issues. Many -- those have been solved during 2018 and early '19 already. So that is history. And another thing, what happened also at the same time in the whole industry was very high raw material inflation, which caused a drop in our EBIT. And that was also related to the fact that we were a little bit slower to increase customer prices because they were not so happy with our delivery service. So we were a little bit slower due to this, but then we corrected this situation together with the market practices already 2018 when I started and then continued 2019.

And the third one is something which is maybe not so much highlighted. It's also internal that this company was more or less managed like a holding company. So as I described it in -- as a verbal format, it would be like that we had 11 countries who were separated islands. And now we have been building a continent with one set of values, one set of way of working, one principles, Tikkurila principles. So we have shared resources, common resources and common functions and centralized functions. And the sales are always in the business unit in the country. So the division of work has been different. So the journey has been quite a interesting one, and we have been very successful. And I believe the strong -- reason there behind is very strong value-based behavior, what our highly committed employees have been showing and the results are visible there.

Operator

Our next question is from the line of Chris Parkinson at Crédit Suisse.

Christopher S. Parkinson - *Crédit Suisse AG, Research Division - Director of Equity Research*

Michael, my knee-jerk reaction here is, strategically, this should further enhance your already fairly strong positioning in Central Europe, especially in Poland, and then also, obviously, the Beckers brands within the region as well. Can you just offer some of your own insights on your overall attraction of the platform? Presumably, you've been looking at this for some time. But would just love to hear a little bit more about the key parallels which were really key for this transaction.

Michael H. McGarry - *PPG Industries, Inc. - Chairman & CEO*

Okay. Chris, I mean, clearly, you heard Elisa speak about how they changed the management philosophy of the business, and it's very much in line with how PPG manages our decorative businesses in Europe. So they went from a confederation of countries to a -- taking a more unified approach. And they had a very customer-facing team in-country, but everything else, they move to a much more back-office consolidated function and have eliminated a lot of costs. So when we saw that change, it really was important to us that they were taking those hard steps and were making very good progress. And so this -- we've always admired the company. We've always tracked it for a long time. So this just enhanced their beauty, if you will, to us, that they were moving in a very similar path. And we knew the integration would be smooth because we would have the similar philosophies on how to manage it.

And when you think about Central Europe, it's clear that there's opportunities to continue to grow share. I think Central Europe is an economy that continues to grow, and it's one of our strongest growth areas. And we think a combination of their brands and our brands will have an opportunity to provide more choice to our customers and provide more services, and that'll allow us together to grow faster.

Operator

And our next question comes from the line of Duffy Fischer at Barclays.

Patrick Duffy Fischer - *Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst*

Congratulations to both sides. A couple of questions. First, will you be able, Michael, to use their store network to distribute your industrial stuff? So is there a distribution play here for your industrial side? The second one is, what percent of their resins would they manufacture themselves versus what percent would they buy? And then the last one is just, did I understand right that your architectural business will now be aggregated via the headquarters of Tikkurila, that basically, your SigmaKalon will now be run out of this headquarters office?

Michael H. McGarry - *PPG Industries, Inc. - Chairman & CEO*

Well, let me address the last one, Duffy. We're going to run Eastern Europe, Russia, Finland, the Baltic, Sweden, all that out of the Vanta headquarters in Finland. We will continue to have our, as you will, the former SigmaKalon. As you know, the 2 key places for us are the U.K. and France. So those leadership teams will continue to be there. So just a little bit of clarification on that. As far as how we're going to continue to operate this, I think that overall, this is a strong team. They have good distribution with their stores. We'll evaluate that. But more importantly, their relationship with customers is what will allow us to grow faster. So I think they have very strong Nordic customer relationships that we think we'll be able to leverage.

Operator

And our next question comes from the line of Laurent Favre of Exane BNP.

Laurent Guy Favre - Exane BNP Paribas, Research Division - Research Analyst

I've got a question for Elisa. The question is regarding the volume growth you've had over the past couple of years. It seems before COVID, it's also been pretty anemic. And I was wondering to what extent that was a loss of market share or to what extent that was just pressure in the underlying markets. And then thinking about the future, I think your strategy has been to outgrow the home markets or the addressable markets. I was wondering if you could tell us what you thought was your best guess for that addressable potential over the next couple of years?

Elisa Markula - Tikkurila Oyj - President & CEO

Yes. Thank you for the question. For the first, about the business volume, we have been recently, last 3 years, we have been also concentrating on our key brands. And those were the premium brands, you saw -- the 3 premium brands you saw on the one slide, Tikkurila, Beckers and Alcora. And their share has been growing very, very nicely during these 3 years now what I have been here heading this company together with excellent management team that we have been growing that over 80% of our sales. So we are actually prioritizing value over the volume. And that is the market trend as well. Premium products have more demand in our market areas. And I strongly believe that, that has been the right path to do, as you see from the results. So volume growth has been a little bit less, but that has been done on purpose, so a deliberate decision to grow our business in strategic premium brands.

And what comes to the home market growth, we have been successfully growing in Russia, in Poland, and in Baltics over the market growth in 2019 and earlier than that. We have had a little bit less growth also in Finland and in Sweden. And in Sweden, that is also related to the one I mentioned earlier, the ERP implementation had a worse damage in Sweden to our customer relationships. And that we have been building now thanks to our new management in Sweden since 2 -- 1 year now, actually. So that is quite new thing and basically turnaround in Sweden as well. So we -- that is how we see. Our forward-looking statements, we are not able to give. But if I talk about paint industry in our market area, in general terms, not Tikkurila numbers, but in general terms, I would say that now after COVID, everything is more blur. So the forecasts are more vague in that sense. But we believe that decorative paints will still grow around 2% to 3% in our matured markets. And the faster market growth might be how we anticipated in Poland and in Russia, so 3% to 4% and above that, depending on how this -- also this pandemic now will develop. Industrial paints growth got a little bit more damage now during this pandemic, but -- and therefore, those forecasts have been cut. This is a general market belief, not only my vision about the market. But we expect that in the long term also, industry market will actually grow faster than the decorative business. This is our belief on general terms on the market. I hope I -- thank you.

Operator

And our next question comes from the line of Steve Byrne of Bank of America.

Steve Byrne - BofA Merrill Lynch, Research Division - Director of Equity Research

Can you comment on the stores that you mentioned, Michael? What are the distribution model that this Tikkurila decorative paints are sold through? Are these company owned? Or is this through chain? And what's the split between (inaudible) contractor versus do-it-yourself in that region? And do you see an opportunity to accelerate the growth of whichever one is lagging?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Yes. Steve, I think that would be a question that Elisa would be better suited to answer. So I'll let her start, and I'll add as appropriate.

Elisa Markula - Tikkurila Oyj - President & CEO

Yes. Thank you, Michael. Yes. How do we see the market in this pandemic situation because that has changed this trend as well quite remarkably, actually. These market areas where we are located and are quite leading the markets, these are very much DIY, do-it-yourself, markets, and they

have always been for historical reasons. But of course, before pandemic, we saw a clear move step-by-step against DIFM, which is do-it-for-me. So professional -- also consumers and households are using more professionals. This is do-it-for-me in this business. So that was the clear trend before pandemic. But of course, what happened, you all know this very clearly, that the pandemic made us all stay at home. And thanks to that, if I may say so, during this kind of pandemic crisis, thanks to that, really, there was nothing else to do but start do-it-yourself, your paint work and consume your excessive time also through that.

But what we believe in the future, when this pandemic will be over, we believe that in our market areas as well the DIFM will start growing again. Time will be more valuable again for our end users. So that will be the prevailing sector or subsegment of our end users which will grow. So this is quite clear. And when we compare -- and Michael can most likely answer to that question, how is it in U.S., this DIFM versus DIY. I have read that it's quite big. Actually, the DIFM market is huge in -- and much bigger than DIY in U.S. And then while in our market areas, roughly speaking, I would say, as a general norm, we can say that DIY is in Scandinavia 70% or even 60%, and then the rest is do-it-for-me. When it's in U.S. and North America vice versa. So -- and then it's good to remember that in Poland and in Russia especially DIFM is much bigger than in Scandinavia. So this market area is also very different.

And Michael, I hand over to you because you have most likely a lot of more insight about the Central Europe than I have, and then, of course, your market, key markets in North America.

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Steve, as you know, in the U.S., it's a 50-50 split between do-it-for-me and DIY. In Eastern Europe, there are a number of very large, what we call, sheds in Europe, which we call big boxes here in the U.S. The sheds over in Europe are key places for the DIY segment, and they are getting bigger. That is a phenomenon that has moved from Western Europe to Eastern Europe. And so the sheds are getting much bigger, and the premium brands are really doing well in the sheds. Obviously, the sheds have a lot of choice on who they buy from. And the labor in Eastern Europe is obviously less than in Western Europe. And so there is a very large do-it-for-me market growing also. So these are attractive markets for us as well as attractive markets for Tikkurila. I hope that answers your question, Steve.

Steve Byrne - BofA Merrill Lynch, Research Division - Director of Equity Research

It does, Michael. And can you just comment on whether this expanded platform might enable you to expand your refinish business into that region?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Well, we do have a pretty decent share in Sweden already for refinish. I would say our share in Finland is not where I would like it to be. So that would be one opportunity. And certainly, in Russia, I view this as a great opportunity for us to expand our refinish business as well as our protective business. We have highly -- high-performance protective coatings in Russia. So think about the oil and gas segment in Russia. But there's a lot of other protective coatings that need to be -- or a lot of other assets that need to be coated in Russia. And we think the distribution that Tikkurila has in Russia will allow us to grow our protective coatings first and our refinish product second. But we really view this as an opportunity. And we see this -- with our recent acquisition of ICR in Italy for value and mid-tier refinish products, we think that will also be able to use the Tikkurila network in the Baltics. So we see a number of opportunities for our refinish business via this new channels.

Operator

And our next question comes from the line of (inaudible) at JPMorgan.

Unidentified Analyst

Just 2 questions. The first one is just in regards to the shareholders that provided irrevocables. I just wanted to check whether those irrevocables are hard and they still apply even if the unlikely event of a third party came in for -- to make an -- a counterbid? And just the second question is, you have an open-ended closing date of H1 next year. And I'm just wondering if you could allude to why you needed that open-ended timing. Is it in reference to Poland, where you're both strong or other regulatory approvals?

Heikki Seppo Westerlund - Tikkurila Oyj - Independent Director

Yes, maybe that's a question, at least the first one I can answer. And the line was really a little bit bad, but if your question was related to the more precise information related to irrevocable undertakings given by the shareholders, unfortunately, that's an area that we can't comment. And from the company's perspective, that's something that then the offer PPG and the shareholders has to do. We have been just informed the amount of support in that respect. And then the estimated closing -- the closing conditions include for example, the authorities' clearance, typically, meaning the competition authorities' clearance. And that's our best understanding that it will take some time. It will be the European level filing as well as then Russia. But that's the best estimate based on the experts' opinions that it can be done and completed by end of first half. But it can take longer, like we know, but that's the best estimate currently.

Operator

And our next question comes from the line of Arun Vishwanathan of RBC Capital Markets.

Arun Shankar Viswanathan - RBC Capital Markets, Research Division - Senior Equity Analyst

Congratulations on the announcement. I guess I just wanted to first ask about the opportunity for cross-selling that you referred to in the press release. Could you elaborate maybe on the size of that opportunity? And in what markets that's most pronounced?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

I think the question was cross-selling. Is that -- Heikki, did we hear that?

Heikki Seppo Westerlund - Tikkurila Oyj - Independent Director

Yes, I guess. And most probably, Michael, you can take that question.

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Yes. I mean it's not appropriate at this point in time to talk about the size of it. What I will tell you is that it will be meaningful. Clearly, we -- once the transaction closes, we'll then be able to sit down with the Tikkurila team and evaluate the best path to market. But the ones that stand out as the same what I talked about earlier is refinish and protective coatings. And clearly, there could be some industrial coatings. There are some agricultural and equipment makers that we would be able to go after with the support of the Tikkurila team. So there'll be more of them. We'll have more to say about this after we've been able to close and sit down with Tikkurila. Obviously, until the competition authority approves the transaction, we're going to act as competitors until such time as the transaction has been approved.

Arun Shankar Viswanathan - RBC Capital Markets, Research Division - Senior Equity Analyst

Got it. And then, I guess, maybe you can just provide some historical context. Maybe if you compare this to the acquisition of SigmaKalon 10 or 12 years ago, were there any lessons that you learned in that, that maybe when you looked at this initially, you thought maybe there wasn't an

opportunity for restructuring here that there could be? Or maybe you can just compare this to SigmaKalon and what that added to your portfolio and what this adds to your portfolio? If there's anything that you learned from that transaction that makes you a little bit more confident with this one?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Well, first of all, the SigmaKalon transaction, for those of you on the phone who don't know, it closed January 2, 2008. They had 3 pieces of their business. They had a protective and marine piece, which integrated hand and glove in our business. And an industrial business, mostly European, that integrated with PPG. And then they had a decorative piece, and at that time, we did not have a decorative piece in Europe. So clearly, we have doubled the profitability -- more than doubled the profitability of the SigmaKalon business since we've acquired it. There will be some opportunities to do the same thing with the Tikkurila business. Raw materials will be one, enhanced operating procedures will be another. Clearly, we think those are ones. But I would actually point to the Comex acquisition as a better one. In Comex, we purchased the #1 leading market player in Mexico. And we were able to bring new products to the market, so we were able to bring additional value-added products that enhance our customers' ability to get the job done in Mexico faster and in a lower cost. And that's what we plan to do here is they have great technology, we have great technology, and we put the 2 R&D teams together. And we think we'll be able to create more value-added products that will make the customers happier, especially in Eastern Europe and Russia. And so for me, I think a better way to look at that is the tremendous value that Comex has provided to PPG and the increased profitability that we drove in Comex because of growing more value-added products increasing the reach of other PPG products cross-selling. And to me, I see the same exact opportunities here with Tikkurila.

Operator

And showing no further questions on the phone at this time, I'll hand back to our speakers for any questions on the web.

Mervi Pohjoisahon

Well, thank you, operator. There are questions via the chat function. The first one goes to Mr. McGarry from John Roberts. How strong will a combined company to become in industrial paints in Northern Europe?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Well, I'd say right now, about 7% Tikkurila sales are in industrial, and they're in markets that we're generally not in. So I look at the opportunity to bring those wood coatings and other industrial opportunities into Western Europe, where we have obviously significant size and scale. So I think that's one. And then I've already talked about refinish and protective going the other way. So I think this will be good opportunities for all of us, John.

Mervi Pohjoisahon

Thank you. Next one goes also to Mr. McGarry from Bill Erman. Could you please quantify direct and indirect synergies?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Well, we're not going to get into that right now. We talked about raw materials being in that 5% range. I think you can look at the past acquisitions that PPG has done and come up with a reasonable estimate on what synergies will be. But clearly, the biggest one will be raw materials.

Mervi Pohjoisaho

Thank you. There are several questions regarding the premium from Andrew Norb to Mr. McGarry. This is one of the highest premiums in the paints industry. Could you please talk more broadly about this, elaborate more broadly?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Actually, the premium is not the way to think about that. The reason the share price of Tikkurila did not have the same multiples that other coatings companies have is that they were not large enough to drive the consolidation in the coatings space. And Elisa and her team were working on a tremendous improvement program, and I don't think they were getting fair credit for the great work that they were doing. So I'm not sure that that's the best way to look at it. The better way to look at that is the multiple that we paid. We're paying 13x earnings. And when you look at some of the significant acquisitions that have been done, where you bought a public company, you can go back and look at that and the 13 is a very -- I would say, a very fair number, and it's consistent with the multiple that we paid with buying Comex.

Mervi Pohjoisaho

Okay. Thank you. And the next question from Philip Segon to Mr. Westerlund. How much consideration was there for alternative partners?

Heikki Seppo Westerlund - Tikkurila Oyj - Independent Director

Once again, I'm -- difficult to comment precisely or in detail. But I think Mr. McGarry said earlier that typically, the larger corporations, larger companies in this industry have been talking with all the smaller ones over the years. So I guess, Tikkurila was not unknown for other either. But no further comments, no speculation on that topic.

Mervi Pohjoisaho

Thank you. And last -- one question from Erik Jan Meijer to Tikkurila. To what degree will the balance between industrial and decorative shift more towards industrial in Tikkurila?

Elisa Markula - Tikkurila Oyj - President & CEO

Well, I think already Mr. McGarry answered to this question that we don't comment on this so much yet because we have not done the review about the opportunities. As we speak, we are still regarded as competitors. So unfortunately, I can't answer to this question more specifically. Thank you.

Mervi Pohjoisaho

Thank you. And then there's a question from Sean Aki to Mr. McGarry about the financing of this cash transaction. Could you please elaborate more about the financing part, please?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Yes. We have support from 2 banks, BNP Paribas, which is based in Europe; and P&C, which is based right here in Pittsburgh. So both parties have committed financing for this, and they'll be ready to go whenever we're ready to close. And obviously, we're really pleased with the support from both of our partner banks.

Mervi Pohjoisaho

All right. Thank you. Question from Henk Slotboom to Mr. McGarry. It looks like a complementary deal, except Poland in deco. Do you expect -- how do you elaborate this Poland overlapping?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

Well, the way to think about Poland is there's multiple competitors there. There's 4 very large ones and there's other smaller ones. There's multiple brands. There's very strong sheds or big boxes in Poland that have multiple choices. And of course, there's been a long history of competition in Poland. So obviously, it's not up to us. We're going to present our case to the European Commission. We think it will be reviewed appropriately, and we'll be able to comment on it further at the most appropriate time.

Mervi Pohjoisaho

All right. Thank you. And we heard that there's one question in the teleconference line. So operator, please go ahead.

Operator

That's from the line of David Begleiter of Deutsche Bank.

David L. Begleiter - Deutsche Bank AG, Research Division - MD and Senior Research Analyst

Michael, just one question. Could you -- on Russia, could you size your current business? And it sounds like this is -- I know it's a very large market. Can you talk about the opportunity for you guys in Russia right now going forward? And how fast a growing market you see that for PPG and Tikkurila going forward?

Michael H. McGarry - PPG Industries, Inc. - Chairman & CEO

David, we don't give it out by country, but let me tell you -- give you some color. We're the #1 refinish person in Russia. We're #1 in automotive by far. We have a nice industrial business. As you probably remember, we built a new plant in Russia about 3 years ago Southwest of Moscow in La Pets. We also have a sealants and adhesive plant in Russia. And so that's a good business for us. We're #1 in packaging in Russia. So we feel like we have decent scale there. There is -- that's a market that's not been consolidated at all. And so there's plenty of opportunities for us. And clearly, we had 0 in decorative, and this is an area where Tikkurila is number one. So we couldn't be more excited about putting together our 2 businesses and looking for opportunities to continue to grow in Russia.

Operator

No further questions on the phone at this time.

Mervi Pohjoisaho

All right. So thank you, operator. There's one more question in the chat from John McNulty to Tikkurila management. The street consensus is modeling noticeably lower EBIT growth that you highlighted in the markets. Is there something we should be aware of? Would you please characterize as -- characterize the street estimates as overly conservative?

Elisa Markula - *Tikkurila Oyj - President & CEO*

So our estimates are overly conservative for Tikkurila, that is -- if I understood the question right, Merve?

Mervi Pohjoisaho

Yes. Yes.

Elisa Markula - *Tikkurila Oyj - President & CEO*

Yes. Okay. I think that in -- we made last year, 8% -- a little bit above 8% EBIT margin. So -- and we were very, very low in our when I started. So I think this journey to go to 12% of EBIT margin is still -- if you think it's conservative, it has -- it is still some work to be done to gain that EBIT margin. There's a lot of potential in Tikkurila as I see it, and there was a lot of potential when we started this journey of transformation and turnaround. And that is still going to be highly likely executed and draw the potential out of Tikkurila. And I believe that 12% is not so low, all in all, considering our market position here in the Northeastern Europe. Thank you.

Mervi Pohjoisaho

All right. Thank you. One more question to -- the final question goes to Mr. McGarry from Andrew Noel. Could you please talk more broadly about your strategy for Europe and becoming a broader supplier in the region?

Michael H. McGarry - *PPG Industries, Inc. - Chairman & CEO*

Well, we're already #2 in Europe. And with this transaction, it will put us essentially very close to #1. And so my strategy is to continue to grow the business. Quite clearly, we have grown both the top line and the bottom line consistently in Europe. And we would see no reason that we couldn't do the same thing with the Tikkurila team working hand-in-hand with the PPG team. So we look forward to that opportunity. And I think Europe has historically been a good market for us, and we look forward to partnering together with Tikkurila going forward.

Mervi Pohjoisaho

All right. Thank you.

Heikki Seppo Westerlund - *Tikkurila Oyj - Independent Director*

Okay. I guess, that was the last question.

Mervi Pohjoisaho

There were no further questions. So Heikki, please.

Heikki Seppo Westerlund - *Tikkurila Oyj - Independent Director*

And now it's time on Tikkurila's behalf to thank the audience in the webcast for the very lively and active dialogue. Good questions. Naturally, we are available for questions later on as well. But I would like to take this opportunity also to thank both Elisa and her team advisers, but especially Michael and PPG team and advisers for very hectic work, constructive dialogue that is now resulted for this public announcement today. I would

like to say also that the businesses are not only complementary, what comes to the geographical coverage and the product range. But our time zones are also complementary in that respect that if you are combining these 2 businesses, we are covering 24 hours per day. So it has been short nights and long days for everybody. So with these words, I would like to thank you all. Have a nice holiday season and stay safe. Thank you.

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