

# Investor update Q4 2023

February 7, 2024



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# Q4 and FY 2023 Highlights

Solid performance despite significant FX headwinds, deleveraging ahead of schedule

## Q4 2023 YoY

- ⚡ Revenue +4% in CC
- ⚡ Volumes +3%
- ⚡ ROS 8.7% (up 390bps YoY)
- ⚡ Adj. OPI €221m  
€244m excl. hyperinflation accounting
- ⚡ FCF €460m

## FY 2023 YoY

- ⚡ Revenue +5% in CC on flat volumes
- ⚡ ROS 10.1% (up 280bps YoY)
- ⚡ Adj. EBITDA €1,429m (vs €1,157m PY)  
despite €92m of adverse currency effect
- ⚡ FCF €840m (vs -€29m PY)
- ⚡ De-levered to 2.7x

# Business update

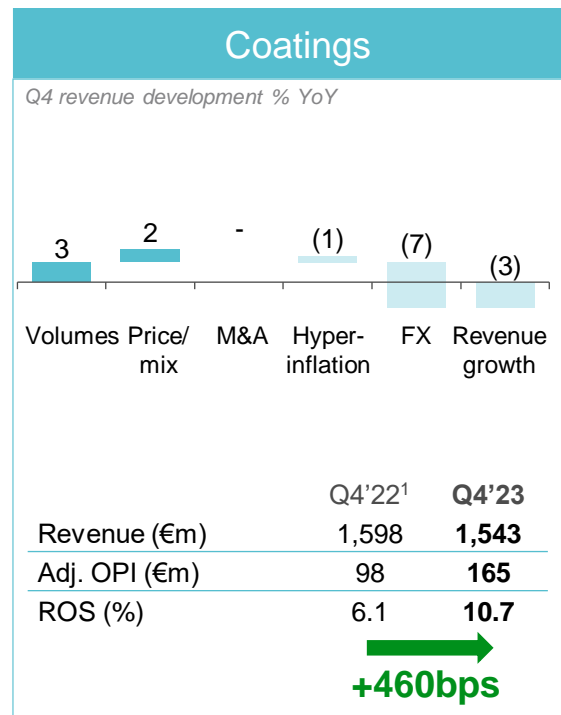
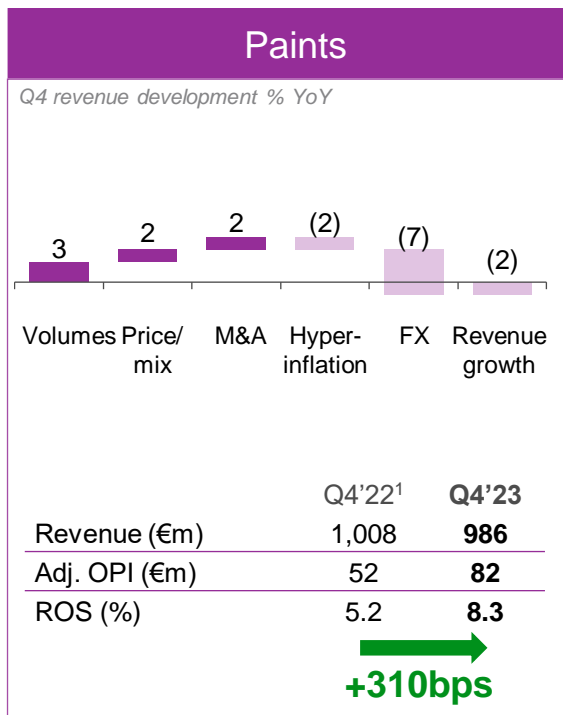
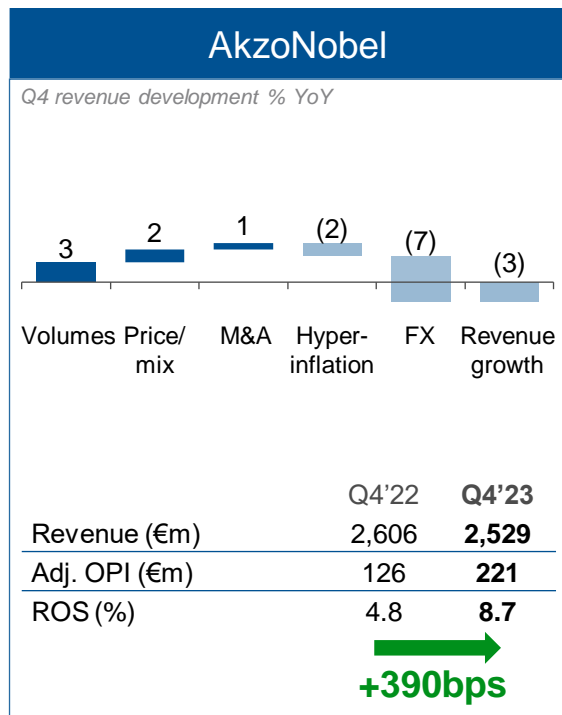
## Q4 volumes positive, good growth momentum for 2024

		Q4 2023	2024
Deco EMEA	Demand bottomed out in 2023, progressive rebound underway	+LSD%	
Deco LATAM	Growth in Brazil; macro uncertainties in Argentina; Colombia solid	+MSD%	+LSD%
Deco South Asia	Growth in India; Indonesia robust; Vietnam stabilizing after tough '23	+MSD%	
Deco China	Slow market recovery, higher comps in H1 ('23 Covid bounce)	+LSD%	H1 flat/-
Powder Coatings	Demand recovery started in H2, good momentum	+MSD%	+MSD%
Marine & Protective	Strong commercial pipeline, gains in technical new builds to continue	+MSD%	
Automotive & Specialty	Strength in Aero, Refinishes, Auto; Consumer Electronics '24 rebound	+LSD%	+LSD%
Industrial Coatings	Coil, Packaging improving; Wood to remain depressed in '24	+LSD%	
<b>AkzoNobel</b>		<b>+3%</b>	<b>+LSD%</b>

Organic volumes YoY

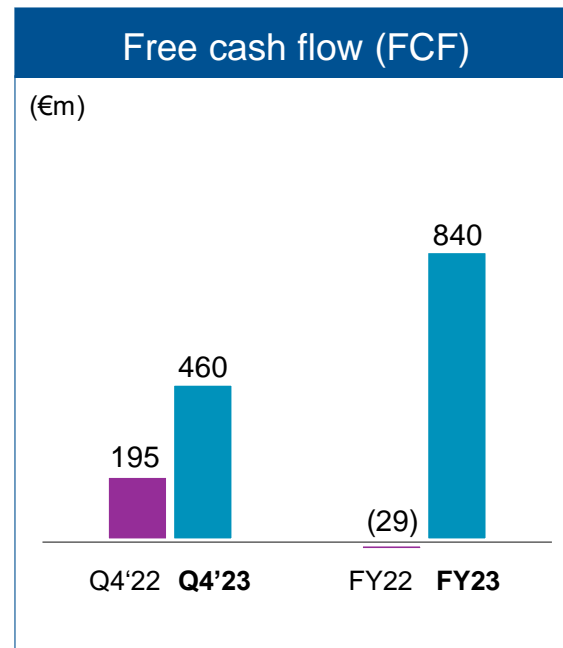
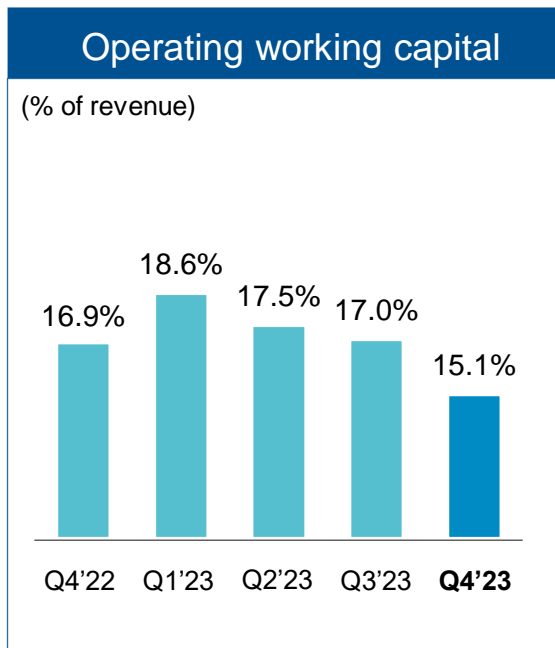
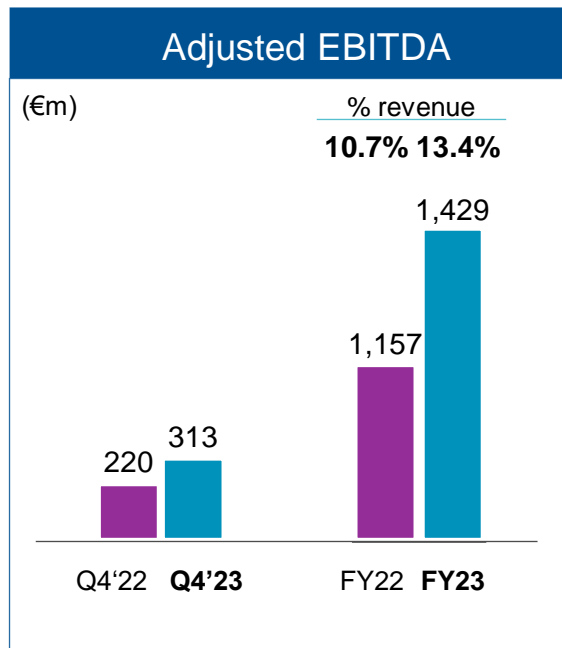
# Q4 business performance

Strong profitability rebound, significant currency headwinds



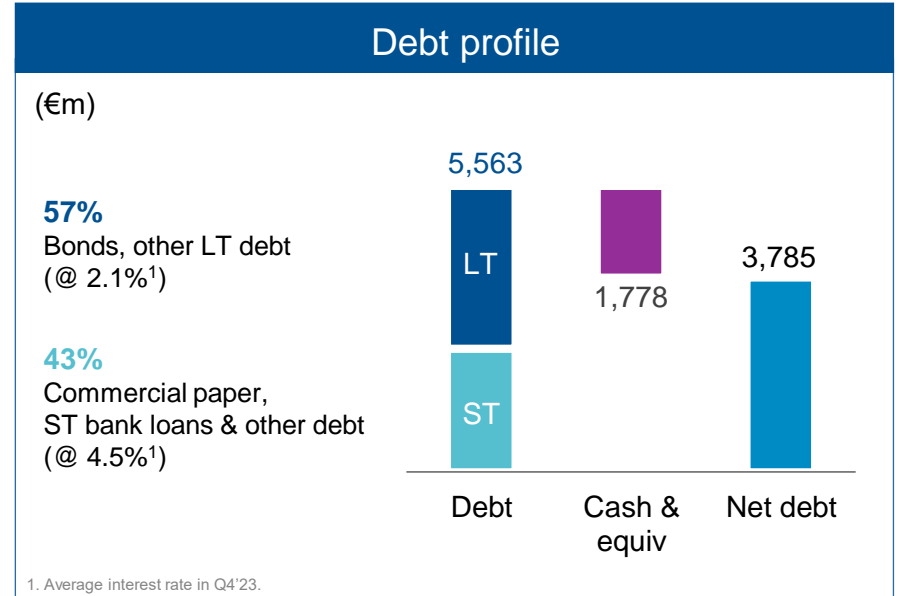
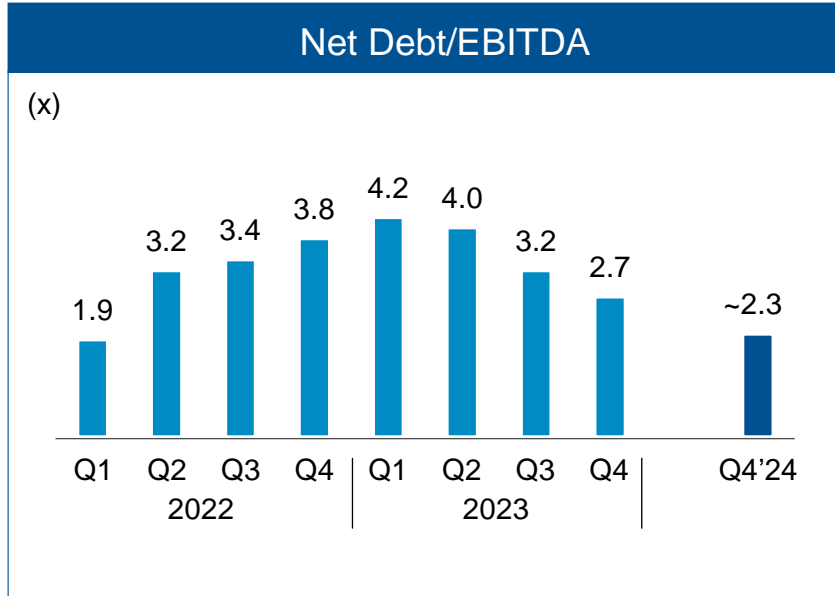
# Operating results for Q4 and FY 2023

EBITDA +270bps, robust FCF on profit rebound and working capital reduction



# Debt overview

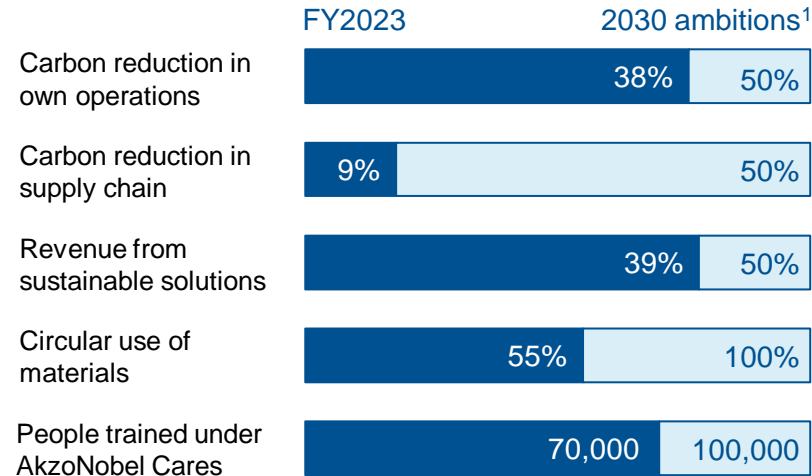
De-leveraging ahead of schedule, Net Debt/EBITDA to normalize by end of 2024



# ESG performance

## Unwavering industry leadership

### Progress towards 2030 ambitions



### Year highlights

- Top ESG rated in the industry
  - EcoVadis: top 1%
  - MSCI: highest rating for 8<sup>th</sup> consecutive year
  - Sustainalytics: top rated
- Sustainability driven innovation
  - Architectural Powder curing 30°C lower vs. market
  - BPA-free internal coating for Packaging can tops
  - First bio-based coating for Auto interior



# Outlook 2024

Margin management and volumes to drive profit growth, focus on de-leveraging

Adj. EBITDA  
€1.50-1.65bn

- Volumes: **+LSD%**
- Industrial efficiency benefit: **>€25m**
- CAPEX: **€350m**
- Net Debt/EBITDA: **around 2.3x**
- Stable dividend

Outlook is based on organic volumes and constant currencies, assumes no significant market disruptions.

# Mid-term organic growth

## Powder, Marine & Protective and Deco Asia/LATAM underpin organic growth

		% group volumes (2023)	Mid-term volume growth
Deco EMEA	Near-term +LSD% rebound off low base, flat afterwards	20%	Flat+
Deco Asia	Emerging markets with structural growth	35%	+MSD%
Deco LATAM			
Powder Coatings	Technology leader, liquid-to-powder conversion	15%	+MSD%
Marine & Protective	Rebuilding leadership, market tailwinds		
Automotive & Specialty	VR resilient, cyclical recovery in Aero	5%	+LSD%
Industrial Coatings	Near-term +LSD% rebound off low base, flat afterwards	25%	Flat+
<b>AkzoNobel</b>		<b>Volume CAGR '23-'27</b>	<b>+LSD%</b>

Based on organic volumes, assuming no significant market disruptions.

# Powder coatings

## Extending leadership with advanced technology and unmatched service

### Competitive advantage

- Clear #1, strong in all regions
- Powder technology leader
- Broadest product portfolio
- Market-leading technical service
- Global footprint servicing international customers across regions

### Market growth fundamentals

- Structural growth due to liquid-to-powder conversion and clear sustainability benefits
- Low cure tech drives energy savings and opportunities in new substrates (e.g. wood)

### Growth strategy

- Defend premium segment leadership
- Expand mid-market position
- Capitalize on innovative sustainable solutions to grow in new applications
  - Electric vehicles
  - Non-metal substrates

**+MSD%**  
mid-term volume growth



# Marine & Protective coatings

## Well-positioned to rebuild leadership in growing markets

### Competitive advantage

- Strong products, people and brands
- Leader in sustainable innovation
- Renowned technical service

### Market growth fundamentals

- Marine fleet renewal, seaborne trade growth
- Investment cycle in Oil & Gas and LNG
- Sustainability and clean energy projects
- Solid outlook for infrastructure segment

### Growth strategy

- Rebuild position in Marine new-build
- Capture new LNG and offshore investments
- Expand in select infrastructure and clean energy sectors
- Capitalize on sustainable product portfolio

**+MSD%**

mid-term volume growth



# Mid-term ambitions

## Expanding profitability underpinned by growth and industrial excellence

### Strategic priorities

Sustainability-driven innovation

Growth in focus segments and markets

Industrial excellence

### Targets

Adj. EBITDA margin

>16%

➤ Adj. EBITDA growth  
CAGR: >6%

➤ Volume growth  
CAGR: +LSD%

ROI

16-19%

➤ Industrial efficiency benefit  
€250m by 2027

➤ Leverage  
~2x, strong investment grade

Outlook is based on organic volumes and constant currencies, assumes no significant market disruptions. CAGR on 2023 baseline.

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### Upcoming events 2024

Publication annual report 2023	February 28
Q1 results	April 23
Annual General Meeting of shareholders	April 25
Ex-dividend date of 2023 final dividend	April 29
Record date of 2023 final dividend	April 30
Payment date of 2023 final dividend	May 7

#### Alternative performance measures (APM)

AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the appendix to this presentation. This Investor Update covers the highlights for the quarter. We recommend to read the Investor Update in combination with the AkzoNobel Q4 2023 Report. The Q4 2023 Report provides additional information, including the IAS34 condensed consolidated financial statements.

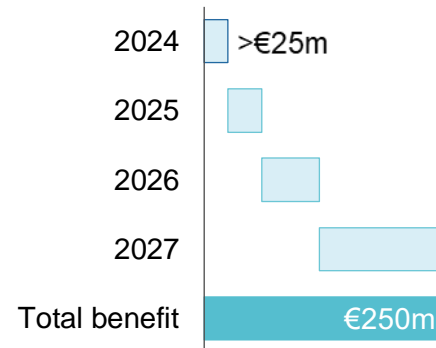
All figures in this presentation and in the AkzoNobel Q4 2023 Report are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and the Supervisory Board.

# Planning assumptions

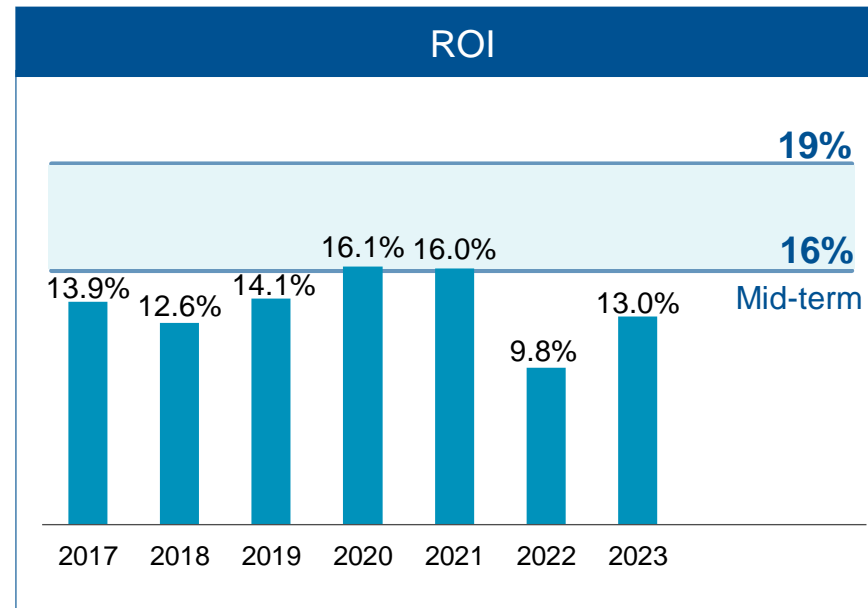
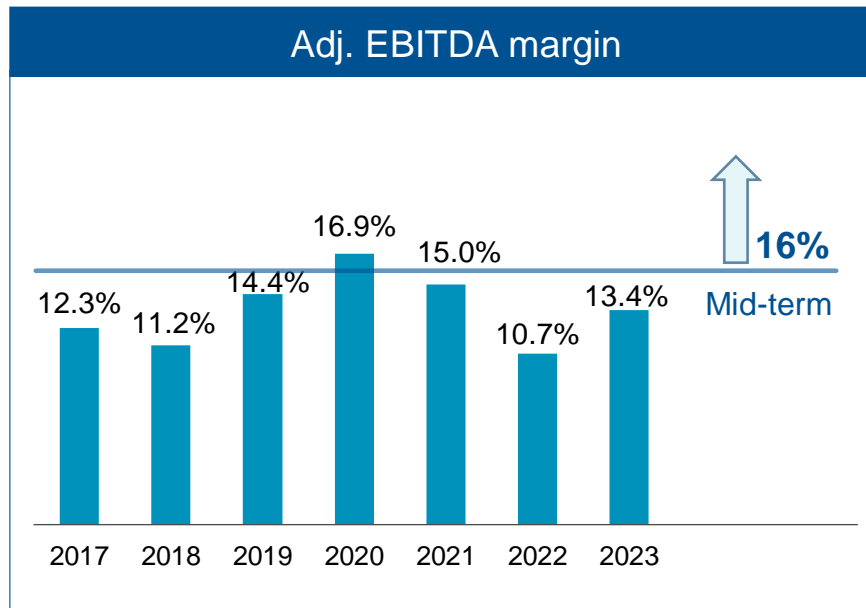
	2024	Mid-term
Adj. EBITDA	€1.50-1.65bn	CAGR '23-'27: >6% Margin: >16%
Organic volumes	+LSD%	+LSD%
Industrial efficiency benefit	>€25m	€250m
Identified items	€100-150m	
	Industrial efficiency: €130-150m ('24-'26)	
CAPEX	€350m pa, incl. €50m pa from industrial efficiency ('24-'26)	
Working capital	<14% revenue	~13% revenue
Effective tax rate	~28%	~28%
Leverage	~2.3x	~2x

Assuming no significant market disruptions.

## Industrial efficiency benefit



# Adj. EBITDA and ROI

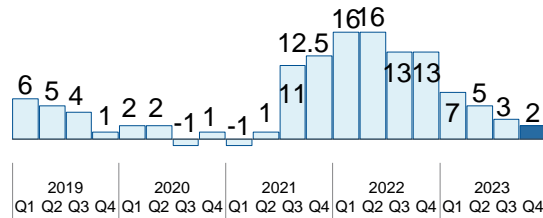




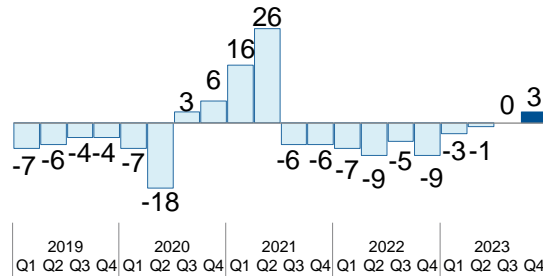
# Price/mix and volumes

## AkzoNobel

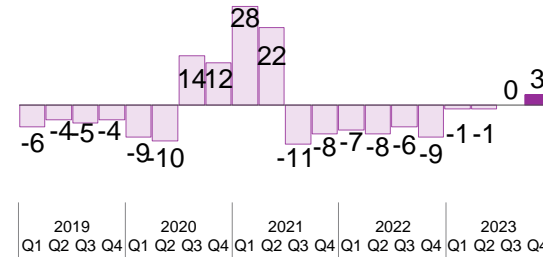
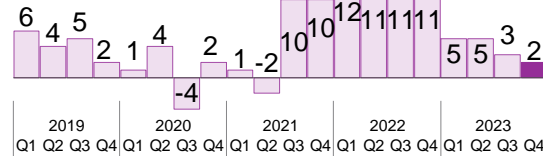
price/mix (% YoY)



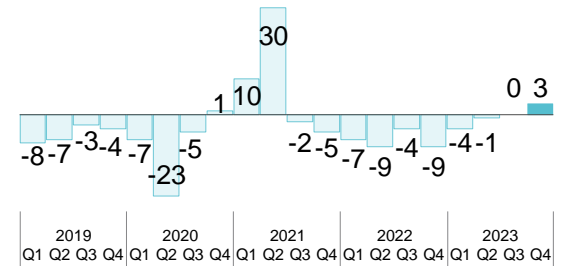
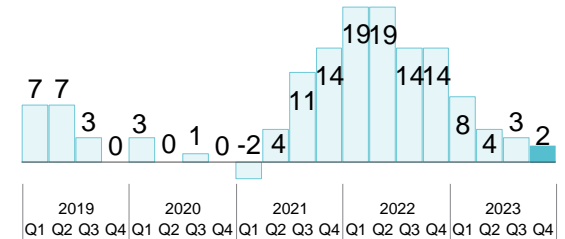
organic volumes (% YoY)



## Paints



## Coatings



# Performance measures

## Definitions of alternative performance measures

- **Adjusted earnings per share** are the basic earnings per share from operations, excluding identified items and taxes thereon
- **Adjusted EBITDA** is operating income excluding depreciation, amortization and identified items
- **Adjusted operating income (OPI)** is operating income excluding identified items
- **Constant currencies (CC)** exclude the impact of changes in foreign exchange rates by retranslating the prior year local currency amounts into euro at the current year's foreign exchange rates
- **Free cash flow** is net cash generated from/(used for) operating activities minus capital expenditures
- **Identified items** are special charges and benefits, results on acquisitions and divestments, major restructuring and impairment charges, and charges and benefits related to major legal, environmental and tax cases
- **Invested capital** is total assets (excluding cash and cash equivalents, short-term investments, investments in associates, the receivable from pension funds in an asset position, assets held for sale) less current income tax payable, deferred tax liabilities and trade and other payables
- **ROI** is adjusted operating income of the last 12 months as percentage of average invested capital
- **ROS** is adjusted operating income as percentage of revenue
- **Leverage ratio** is calculated as net debt divided by EBITDA, which is calculated as the total of the last 12 months
- **Operating working capital (Trade)** is defined as the sum of inventories, trade receivables and trade payables. When expressed as a ratio, operating working capital is measured against four times last quarter revenue

# Additional financial information

## Consolidated statement of free cash flows

Q4'22	Q4'23	€ million	2022	2023
<b>198</b>	<b>307</b>	<b>EBITDA</b>	<b>1,076</b>	<b>1,386</b>
—	2	Impairment losses	6	4
(5)	(19)	Pre-tax results on acquisitions and divestments	(21)	(66)
204	370	Changes in working capital	(509)	254
(1)	—	Pension pre-funding	47	—
(1)	(1)	Pension top-up payments	(9)	(8)
(37)	(36)	Other changes in provisions	(55)	(45)
(20)	(36)	Interest paid	(78)	(167)
(53)	(48)	Income tax paid	(224)	(295)
6	35	Other	30	63
<b>291</b>	<b>574</b>	<b>Net cash generated from/(used for) operating activities</b>	<b>263</b>	<b>1,126</b>
(96)	(114)	Capital expenditures	(292)	(286)
<b>195</b>	<b>460</b>	<b>Free cash flow</b>	<b>(29)</b>	<b>840</b>

## Operating income to net income

Q4'22	Q4'23	€ million	2022	2023
<b>103</b>	<b>214</b>	<b>Operating income</b>	<b>708</b>	<b>1,029</b>
(51)	(121)	Financing income and expenses	(124)	(272)
(1)	7	Results from associates and joint ventures	18	27
<b>51</b>	<b>100</b>	<b>Profit before tax</b>	<b>602</b>	<b>784</b>
(34)	(49)	Income tax	(214)	(296)
<b>17</b>	<b>51</b>	<b>Profit from continuing operations</b>	<b>388</b>	<b>488</b>
—	(3)	Profit from discontinued operations	(10)	(5)
<b>17</b>	<b>48</b>	<b>Profit for the period</b>	<b>378</b>	<b>483</b>
(9)	(7)	Non-controlling interests	(26)	(41)
<b>8</b>	<b>41</b>	<b>Net income</b>	<b>352</b>	<b>442</b>
<b>Earnings per share (in €)</b>				
<b>0.05</b>	<b>0.24</b>	<b>Total operations</b>	<b>2.01</b>	<b>2.59</b>
<b>Adjusted earnings per share (in €)</b>				
<b>0.16</b>	<b>0.42</b>	<b>Continuing operations</b>	<b>2.45</b>	<b>3.07</b>

# Alternative performance measures

Q4 2022	Q4 2023	Δ%	Operating income (€m)	2022	2023	Δ%
47	99	111%	Decorative Paints	388	500	29%
86	155	80%	Performance Coatings	448	698	56%
(30)	(40)		Other activities	(128)	(169)	
<b>103</b>	<b>214</b>	<b>108%</b>	<b>Total</b>	<b>708</b>	<b>1,029</b>	<b>45%</b>

Q4 2022	Q4 2023	Identified items (€m)	2022	2023
(5)	17	Decorative Paints	(5)	—
(12)	(10)	Performance Coatings	(49)	13
(6)	(14)	Other activities	(27)	(58)
<b>(23)</b>	<b>(7)</b>	<b>Total</b>	<b>(81)</b>	<b>(45)</b>

Q4 2022	Q4 2023	Δ%	Adjusted operating income (€m)	2022	2023	Δ%
52	82	58%	Decorative Paints	393	500	27%
98	165	68%	Performance Coatings	497	685	38%
(24)	(26)		Other activities	(101)	(111)	
<b>126</b>	<b>221</b>	<b>75%</b>	<b>Total</b>	<b>789</b>	<b>1,074</b>	<b>36%</b>

Q4 2022	Q4 2023	Δ%	EBITDA (€m)	2022	2023	Δ%
103	214	108%	Operating income	708	1,029	45%
95	93		Depreciation and amortization	368	357	
<b>198</b>	<b>307</b>	<b>55%</b>	<b>EBITDA</b>	<b>1,076</b>	<b>1,386</b>	<b>29%</b>

Q4 2022	Q4 2023	Δ%	Adjusted EBITDA (€m)	2022	2023	Δ%
126	221	75%	Adjusted operating income	789	1,074	36%
94	92		Depreciation and amortization (excluding Identified items)	368	355	
<b>220</b>	<b>313</b>	<b>42%</b>	<b>Adjusted EBITDA</b>	<b>1,157</b>	<b>1,429</b>	<b>24%</b>

Q4 2022	Q4 2023	OPI margin (%)	2022	2023
4.7	10.0	Decorative Paints	8.9	11.6
5.4	10.0	Performance Coatings	6.9	11.0
		Other activities <sup>1</sup>		
<b>4.0</b>	<b>8.5</b>	<b>Total</b>	<b>6.5</b>	<b>9.6</b>

Q4 2022	Q4 2023	ROS (%)	2022	2023
5.2	8.3	Decorative Paints	9.0	11.6
6.1	10.7	Performance Coatings	7.6	10.8
		Other activities <sup>1</sup>		
<b>4.8</b>	<b>8.7</b>	<b>Total</b>	<b>7.3</b>	<b>10.1</b>

Q4 2022	Q4 2023	Adjusted earnings per share from continuing operations (€m)	2022	2023
17	51	Profit from continuing operations	388	488
23	7	Identified items reported in operating income	81	45
—	44	Identified items reported in interest	(10)	44
(4)	(23)	Identified items reported in income tax	(5)	(13)
(9)	(7)	Non-controlling interests	(26)	(41)
<b>27</b>	<b>72</b>	<b>Adjusted net income from continuing operations</b>	<b>428</b>	<b>523</b>

<b>171.5</b>	<b>170.6</b>	<b>Weighted average number of shares (in millions)</b>	<b>174.7</b>	<b>170.6</b>
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<b>0.16</b>	<b>0.42</b>	<b>Adjusted earnings per share from continuing operations</b>	<b>2.45</b>	<b>3.07</b>
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Average invested capital (€m)			
Jan 2022 - Dec 2022/Jan 2023 - Dec 2023	2022	2023	Δ%
Decorative Paints	3,677	3,755	2%
Performance Coatings	3,895	3,725	(4%)
Other activities	490	753	
<b>Total</b>	<b>8,062</b>	<b>8,233</b>	<b>2%</b>

ROI (%)		
Jan 2022 - Dec 2022/Jan 2023 - Dec 2023	2022	2023
Decorative Paints	10.7	13.3
Performance Coatings	12.8	18.4
Other activities <sup>1</sup>		
<b>Total</b>	<b>9.8</b>	<b>13.0</b>

EBITDA (€m)		
Jan 2022 - Dec 2022/Jan 2023 - Dec 2023	2022	2023
Operating income	708	1,029
Depreciation and amortization	368	357
<b>EBITDA</b>	<b>1,076</b>	<b>1,386</b>

Net Debt (€m)		
Dec 31	2022	2023
Short-term investments	(336)	(265)
Cash and cash equivalents	(1,450)	(1,513)
Long-term borrowings	3,332	3,165
Short-term borrowings	2,543	2,398
<b>Total</b>	<b>4,089</b>	<b>3,785</b>

Leverage ratio		
Jan 2022 - Dec 2022/Jan 2023 - Dec 2023	2022	2023
Net debt (€m)	4,089	3,785
EBITDA (€m)	1,076	1,386
<b>Leverage ratio</b>	<b>3.8</b>	<b>2.7</b>

Effective January 1, 2023, AkzoNobel has integrated the Grupo Orbis Coatings financials into the respective Performance Coatings BUs and updated the 2022 comparative figures. The changes do not have an effect on AkzoNobel's reported consolidated statement of income and balance sheet. More information is available via our website.