



AkzoNobel



## Investor update Q1 2023

April 25, 2023

## Agenda



Key highlights



Financial review



Outlook



Q&A

### **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 Q1 2023 Report. The Q1 2023 Report provides additional information, including the IAS34 condensed consolidated financial statements. All figures in this presentation and in the AkzoNobel Q1 2023 Report are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and the Supervisory Board.

# Q1 above expectations on resilient volumes (Europe, China) and pricing

Q1 2023:

Revenue

Up 5%  
(up 12% in Q1'22)

Pricing

Up 7%  
(up 17% in Q1'22)

Pricing vs raw material & freight inflation

Up €60m

Adjusted operating income<sup>1</sup>

€218m  
(€230m in Q1'22)

ROS<sup>1</sup>

8.2%  
(9.1% in Q1'22)

Adjusted EPS<sup>1</sup>

€0.73  
(€0.86 in Q1'22)

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

# Q1 highlights

- ✓ China accelerating, organic growth in Q1, Sherwin Deco acquisition to support Tier 3-5 expansion strategy
- ✓ EMEA volumes more resilient than expected in Paints and Coatings
- ✓ Market share gains in Coil, including sole supplier agreement with an Asian player
- ✓ Selected as global supplier of powder to leading EV OEMs for batteries, motors and charging stations
- ✓ Rebuilding Marine & Protective position in China, wins in high value vessels and projects
- ✓ Continue to lead in sustainability: Top 1% (EcoVadis), “Low risk” (Sustainalytics), AAA-rated (MSCI)



# Market vs Q4 expectations

Indicated end market demand as of Q4 2022

	North America	LATAM	EMEA	China North Asia	South Asia Pacific
Paints	Weak	Medium	Weak	Weak	Medium
Industrial	Medium	Medium	Weak	Weak	Medium
Powder	Medium	Medium	Weak	Weak	Medium
Automotive and Specialty	Strong	Medium	Medium	Medium	Medium
Marine and Protective	Strong	Strong	Strong	Strong	Strong

End market demand (volumes y-o-y):

Strong Medium Weak

## Paints EMEA

- ↗ Demand holding up, FY 2023 volumes expected -MSD%
- ↗ Channel stock at 2019 level

## Paints China

- ↗ Q1 volume growth +MSD%, retail sell-out improving
- ↗ FY 2023 volume expected +DD%

## Industrial

- ↗ Coil benefitting from China rebound
- ↗ Wood impacted by lower residential starts in all regions

## Powder

- ↗ Industrial and Architectural segments soft
- ↗ Demand improving faster than expected

## Marine & Protective

- ↗ Continued recovery, organic growth in all regions
- ↗ China rebound benefits Protective & Marine dry-dock



# Financial review

## Atlantis the Royal hotel opened in Dubai

Dubai's newest luxury resort hotel – Atlantis the Royal – opened its doors recently after being coated with products supplied by our Powder Coatings business. The impressive hotel features our Interpon D2525 range, which gives a stunning natural glow to the aluminum girders, without the weight, cost and installation difficulties that come from using traditional core materials, such as natural stone and glass reinforced concrete.

### **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.*

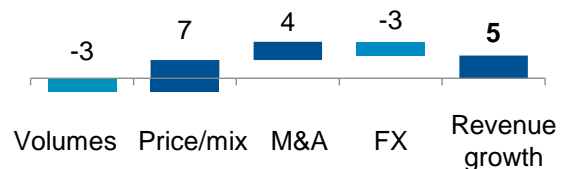
*A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the appendix to this presentation.*



# Q1 profit in line with prior year for both Paints and Coatings

## AkzoNobel

(Q1 revenue development % y-o-y)

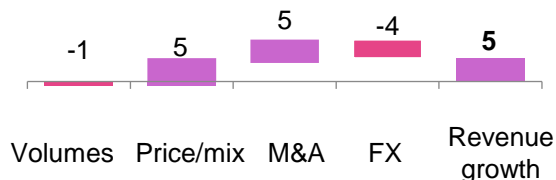


	Q1'22	Q1'23
Revenue (€m)	2,525	<b>2,657</b>
Adj. OPI <sup>1</sup> (€m)	230	<b>218</b>
ROS <sup>1</sup> (%)	9.1	<b>8.2</b>

⤴ Pricing up 26% on 3yr-stack

## Paints

(Q1 revenue development % y-o-y)



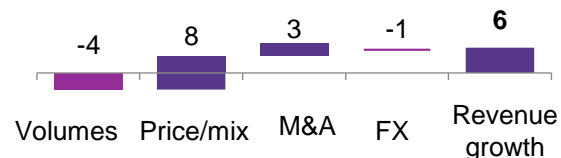
	Q1'22	Q1'23
Revenue <sup>2</sup> (€m)	998	<b>1,046</b>
Adj. OPI <sup>1,2</sup> (€m)	103	<b>102</b>
ROS <sup>1,2</sup> (%)	10.3	<b>9.8</b>

⤴ Pricing up 7%

⤴ Negative mix, stronger SE Europe

## Coatings

(Q1 revenue development % y-o-y)



	Q1'22	Q1'23
Revenue <sup>2</sup> (€m)	1,526	<b>1,611</b>
Adj. OPI <sup>1,2</sup> (€m)	151	<b>145</b>
ROS <sup>1,2</sup> (%)	9.9	<b>9.0</b>

⤴ Pricing up 7%, up in all segments

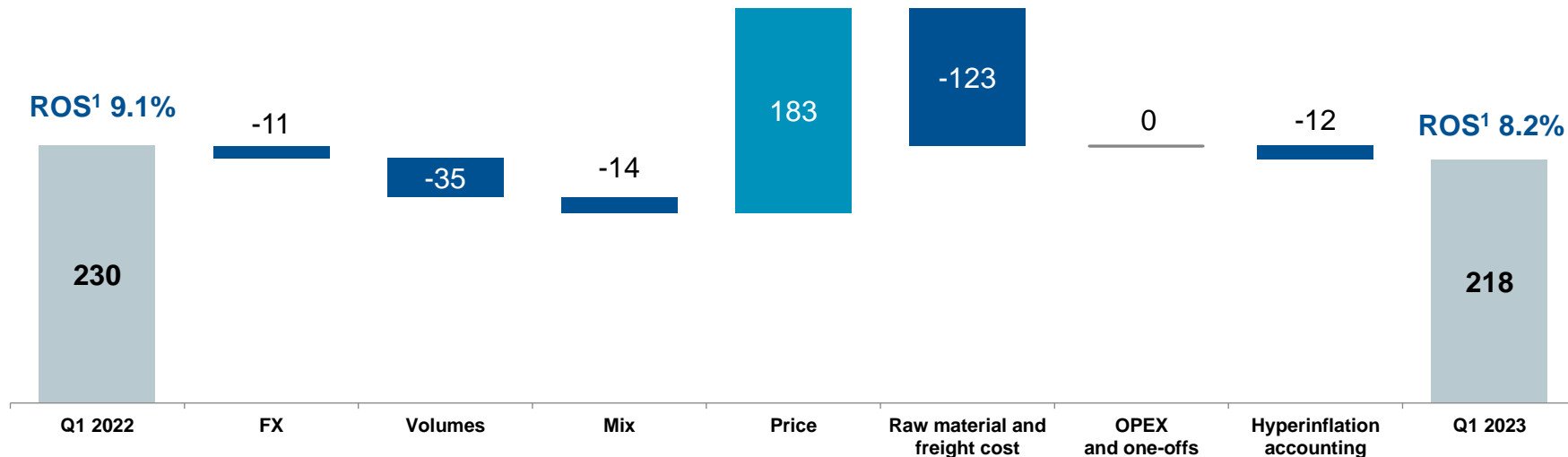
⤴ Russia impact of -1ppt on volumes

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

2. Updated to reflect changes in the financial reporting structure. More information is available on our website.

# Volumes resilient and margin expansion ahead of plan

Adjusted OPI<sup>1</sup> (€m)



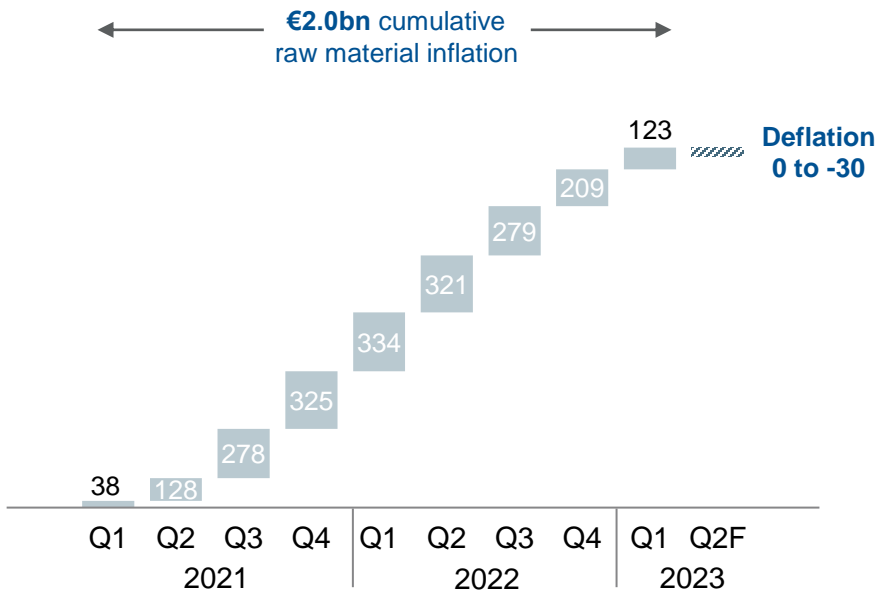
1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.



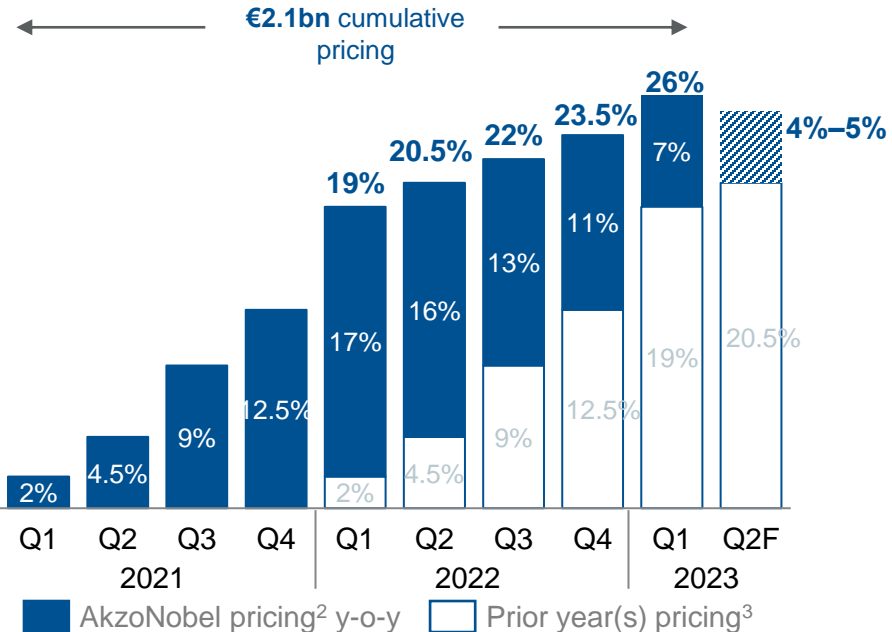
# Inflation mitigated to date, margin expansion to accelerate in Q2

## Raw material and freight inflation<sup>1</sup>

Quarterly adj. OPI impact y-o-y, €m



## Pricing



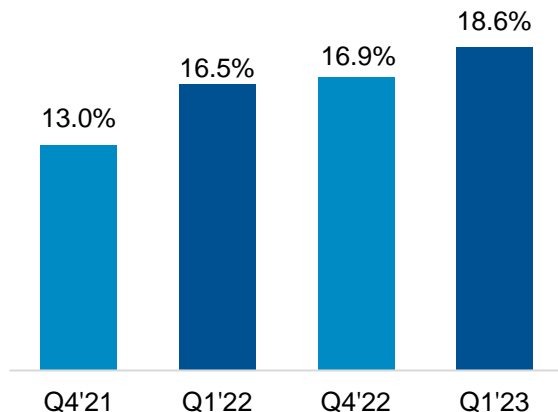
1. Raw material and other variable cost euro value includes freight value from Q1 2022 onwards.

2. Price only and excluding mix.

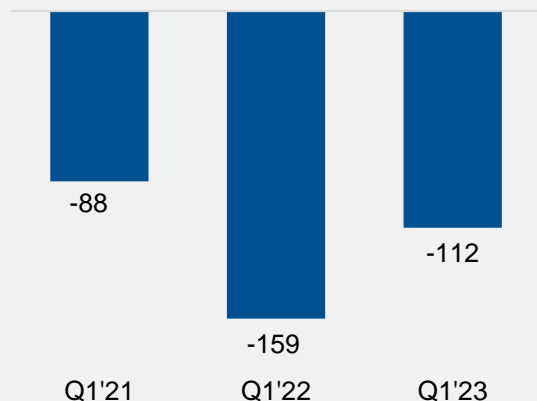
3. Includes two prior years for 2023.

# Working capital increased due to seasonality and lower payables

Operating working capital (Trade)<sup>1</sup> as a % of revenue



Free cash flow (FCF)<sup>2</sup> €m



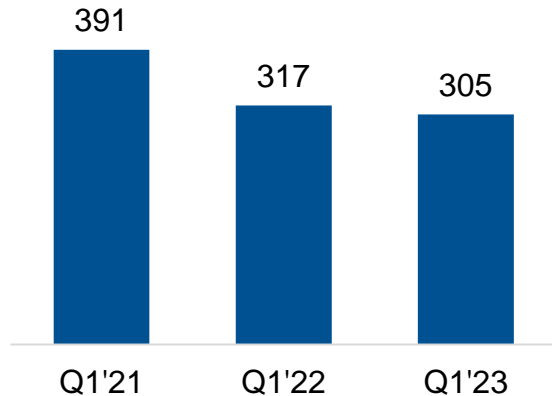
- Working capital impacted by seasonality vs Q4'22
- Inventory stable vs Q4'22, reduction plans to continue

Net Debt/EBITDA 4.2 times  
(Q4 2022: 3.8 times)

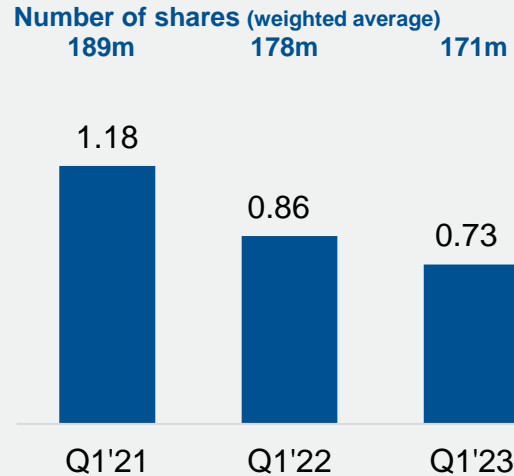
1. Defined as the sum of inventories, trade receivables and trade payables. Operating working capital is measured against four times last quarter revenue.  
2. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

# Adjusted EBITDA and adjusted EPS

## Adjusted EBITDA<sup>1</sup> (€m)



## Adjusted EPS<sup>1</sup> from continuing operations (€)



- ↗ Adj. EBITDA in line with prior year
- ↗ Adj. EPS lower mainly due to interest costs
- ↗ Number of shares reduced, ~4m shares cancelled in Q1

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix.

## 2023 Priorities

Pricing discipline

Realize benefit from raw material deflation

Reduce costs

Improve leverage

## 2023 Outlook\*

AkzoNobel expects the ongoing macro-economic uncertainties to continue and weigh on organic volume growth. The company will focus on margin management, cost reduction, working capital normalization and de-leveraging.

Cost reduction programs are expected to mitigate the ongoing pressure from inflation in operating expenses for 2023. AkzoNobel expects declining raw material costs to have a favorable impact on profitability.

Based on current market conditions, AkzoNobel targets to deliver €1.2 to €1.5 billion adjusted EBITDA.

The company aims to lower its leverage ratio to less than 3.4 times net debt/EBITDA, including the impact of the Kansai Paint Africa acquisition, by the end of 2023 and return to around 2 times post-2023.

\*Targets are based on organic volumes and constant currencies, and assume no significant market disruptions.



# Upcoming events

Ex-dividend date of 2022 final dividend  
Record date of 2022 final dividend  
Payment of 2022 final dividend  
Report for the second quarter 2023

April 25, 2023  
April 26, 2023  
May 5, 2023  
July 25, 2023

# Disclaimer/forward-looking statements

This presentation<sup>1</sup> does not constitute or form a part of any offer to sell, or any invitation or other solicitation of any offer, to buy or subscribe for any securities in the United States or any other jurisdiction.

Some statements in this presentation are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this presentation and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

This report contains statements which address such key issues as AkzoNobel's growth strategy, future financial results, market positions, product development, products in the pipeline and product approvals. Such statements should be carefully considered, and it should be understood that many factors could cause forecast and actual results to differ from these statements. These factors include, but are not limited to, price fluctuations, currency fluctuations, developments in raw material and personnel costs, pensions, physical and environmental risks, legal issues, and legislative, fiscal, and other regulatory measures, as well as significant market disruptions such as the impact of pandemics. Stated competitive positions are based on management estimates supported by information provided by specialized external agencies. For a more comprehensive discussion of the risk factors affecting our business, please see our latest annual report, a copy of which can be found on the company's corporate website

[www.akzonobel.com](http://www.akzonobel.com)



1. Please note numbers in this presentation are unaudited.

# Appendix

## Awlgrip celebrates 50th anniversary

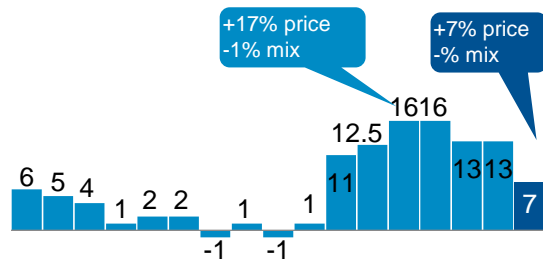
Our world-leading yacht paint brand, Awlgrip, has marked its 50th anniversary. Over the years, it has evolved to become the go-to range of quality yacht finishes, primers, fillers and varnishes for boaters across the world. Originally, the product was supposed to be called "Allgrip," but a typo led to "Awlgrip" – a name which has stuck ever since.



# Pricing remains robust, Q1 pricing up 7%

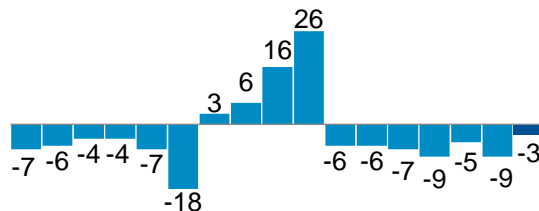
## AkzoNobel

Quarterly price/mix development (% y-o-y)



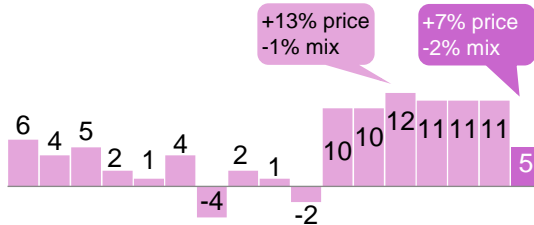
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1  
19 19 19 19 20 20 20 20 21 21 21 21 22 22 22 22 23

Quarterly volume<sup>1</sup> development (% y-o-y)

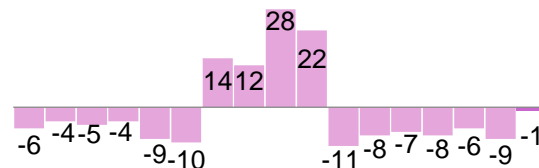


Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1  
19 19 19 19 20 20 20 20 21 21 21 21 22 22 22 22 23

## Paints

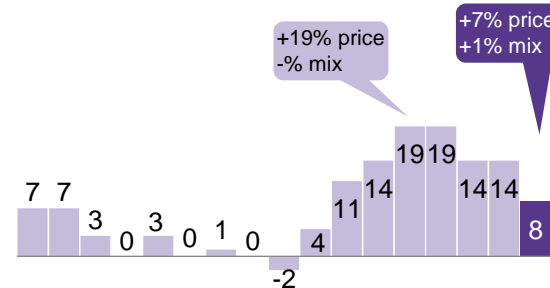


Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1  
19 19 19 19 20 20 20 20 21 21 21 21 22 22 22 22 23

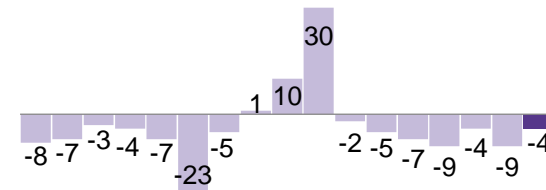


Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1  
19 19 19 19 20 20 20 20 21 21 21 21 22 22 22 22 23

## Coatings



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1  
19 19 19 19 20 20 20 20 21 21 21 21 22 22 22 22 23



Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1  
19 19 19 19 20 20 20 20 21 21 21 21 22 22 22 22 23

1. Organic volume development, does not include acquisition impact.



# 2023 planning assumptions

<b>EBITDA 2023</b>	<b>€1.2bn–€1.5bn</b>
Volumes y-o-y	(5%)–(1%)
Pricing vs raws y-o-y	€250m–€450m
Pricing	Pricing retention on ~50% of portfolio during deflationary cycle
Raw materials	(LSD%)–(HSD%)
OPEX y-o-y	€200m savings programs to offset OPEX inflation
Identified items	€100–125m
Effective tax rate	27%
<b>CAPEX</b>	<b>~3% revenue</b>
Leverage	Improve Net Debt/EBITDA to <3.4x (incl. Kansai Paint Africa) No buybacks or material M&A

Targets are based on organic volumes and constant currencies, and assume no significant market disruptions.

## 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** calculations exclude the impact of changes in 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
- ↗ **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

## Consolidated statement of free cash flows<sup>1</sup>

€ million	Q1 2022	Q1 2023
<b>EBITDA</b>	<b>321</b>	<b>269</b>
Impairment losses	3	—
Pre-tax results on acquisitions and divestments	(13)	3
Changes in working capital	(404)	(261)
Pension pre-funding	48	—
Pension top-up payments	(1)	(1)
Other changes in provisions	(13)	3
Interest paid	(4)	(41)
Income tax paid	(39)	(38)
Other	—	16
<b>Net cash generated from/(used for) operating activities</b>	<b>(102)</b>	<b>(50)</b>
Capital expenditures	(57)	(62)
<b>Free cash flow</b>	<b>(159)</b>	<b>(112)</b>

<b>Net Debt</b>	<b>2,687</b>	<b>4,265</b>
<b>Leverage (Net Debt/EBITDA)</b>	<b>1.9</b>	<b>4.2</b>

## Operating income to net income

€ million	Q1 2022	Q1 2023
<b>Operating income</b>	<b>232</b>	<b>182</b>
Financing income and expenses	(12)	(38)
Results from associates and joint ventures	8	7
<b>Profit before tax</b>	<b>228</b>	<b>151</b>
Income tax	(62)	(45)
<b>Profit from continuing operations</b>	<b>166</b>	<b>106</b>
Profit from discontinued operations	—	(1)
<b>Profit for the period</b>	<b>166</b>	<b>105</b>
Non-controlling interests	(12)	(11)
<b>Net income</b>	<b>154</b>	<b>94</b>
<b>Earnings per share (in €)</b>		
<b>Total operations</b>	<b>0.87</b>	<b>0.55</b>
<b>Adjusted earnings per share<sup>1</sup> (in €)</b>		
<b>Continuing operations</b>	<b>0.86</b>	<b>0.73</b>

## Impact from hyperinflation accounting

€ million	Revenues	(Adj.) OPI <sup>1</sup>	Net income
Impact related to Q1 2023	(4)	(9)	(19)

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.

1. Alternative performance measure, for definitions and reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

# Alternative performance measures

Operating income (€m)	Q1 2022	Q1 2023	Δ%
Decorative Paints	111	94	(15%)
Performance Coatings	152	130	(14%)
Other activities	(31)	(42)	
<b>Total</b>	<b>232</b>	<b>182</b>	<b>(22%)</b>

Identified items (€m)	Q1 2022	Q1 2023	
Decorative Paints	8	(8)	
Performance Coatings	1	(15)	
Other activities	(7)	(13)	
<b>Total</b>	<b>2</b>	<b>(36)</b>	

Adjusted operating income (€m)	Q1 2022	Q1 2023	Δ%
Decorative Paints	103	102	(1%)
Performance Coatings	151	145	(4%)
Other activities	(24)	(29)	
<b>Total</b>	<b>230</b>	<b>218</b>	<b>(5%)</b>

EBITDA (€m)	Q1 2022	Q1 2023	Δ%
Operating income	232	182	(22%)
Depreciation and Amortization	89	87	
<b>EBITDA</b>	<b>321</b>	<b>269</b>	<b>(16%)</b>

Adjusted EBITDA (€m)	Q1 2022	Q1 2023	Δ%
Adjusted operating income	230	218	(5%)
Depreciation and Amortization (excl. identified items)	87	87	
<b>Adjusted EBITDA</b>	<b>317</b>	<b>305</b>	<b>(4%)</b>

OPI margin (%)	Q1 2022	Q1 2023
Decorative Paints	11.1	9.0
Performance Coatings	10.0	8.1
Other activities <sup>1</sup>		
<b>Total</b>	<b>9.2</b>	<b>6.8</b>

ROS (%)	Q1 2022	Q1 2023
Decorative Paints	10.3	9.8
Performance Coatings	9.9	9.0
Other activities <sup>1</sup>		
<b>Total</b>	<b>9.1</b>	<b>8.2</b>

Adjusted earnings per share from continuing operations	Q1 2022	Q1 2023
Profit before tax from continuing operations	228	151
Identified items reported in operating income	(2)	36
Adjusted income tax	(61)	(52)
Non-controlling interests	(12)	(11)
<b>Adjusted net income from continuing operations</b>	<b>153</b>	<b>124</b>

<b>Weighted average number of shares (in millions)</b>	<b>177.7</b>	<b>170.5</b>
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<b>Adjusted earnings per share from continuing operations</b>	<b>0.86</b>	<b>0.73</b>
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Average invested capital (€m)	2022	2023	Δ%
April 2021 - March 2022/April 2022 - March 2023			
Decorative Paints	2,990	3,863	29%
Performance Coatings	3,600	3,918	9%
Other activities	418	522	
<b>Total</b>	<b>7,008</b>	<b>8,303</b>	<b>18%</b>

ROI (%)	2022	2023
April 2021 - March 2022/April 2022 - March 2023		
Decorative Paints	18.0	10.1
Performance Coatings	16.0	12.5
Other activities <sup>1</sup>		
<b>Total</b>	<b>14.5</b>	<b>9.4</b>

EBITDA (€m)	2022	2023
April 2021 - March 2022/April 2022 - March 2023		
Operating income	1,047	658
Depreciation and amortization	355	366
<b>EBITDA</b>	<b>1,402</b>	<b>1,024</b>

Net Debt (€m)	March 31, 2022	March 31, 2023
Short term investments	(1,081)	(321)
Cash and cash equivalents	(1,418)	(1,208)
Long-term borrowings	3,178	3,324
Short-term borrowings	2,008	2,470
<b>Net Debt</b>	<b>2,687</b>	<b>4,265</b>

Leverage ratio	2022	2023
April 2021 - March 2022/April 2022 - March 2023		
Net debt	2,687	4,265
EBITDA	1,402	1,024
<b>Leverage ratio</b>	<b>1.9</b>	<b>4.2</b>

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# Recognized sustainability leader in the industry



### Only paints and coatings company AAA in MSCI



### Top 1% all companies assessed by EcoVadis



### Low risk rating Sustainalytics<sup>1</sup>

