

# Investor update Q1 2021

April 21, 2021

# AkzoNobel



## **Polar Pod partnership to push boundaries of scientific exploration**

A pioneering expedition which will send a manned oceanographic platform drifting around Antarctica has brought AkzoNobel on board as exclusive paints and coatings partner. The Polar Pod will enable scientists and researchers to study the Antarctic Circumpolar Current, which has a major influence on the Earth's climate. AkzoNobel will support the 1,000-ton platform for the next five years, from project construction through to the completion of its three-year mission, which is expected to start in December 2023.

# Agenda



Key highlights



Financial review



Concluding remarks



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 2021 Report. The Q1 2021 Report provides additional information, including the IAS34 condensed consolidated financial statements.

# Key highlights

# Strong growth and profitability in Q1

## Q1 2021:

### Revenue

In constant currencies\*

**16% higher**  
(up 10% vs 2019)

### Adjusted EBITDA\*

**Up 29% at €391m**

### Free Cash Flow

**Improved by €118m**

**Completed €300m  
share buyback**

on April 16, 2021



### ROS\*

**Increased to 13.6%**  
(2020: 10.4%)

### Adjusted EPS\*

From continuing operations

**66% higher at €1.18**

### ROI\*

**Increased to 17.7%**  
(2020: 14.7%)

**Titan acquisition  
completed**



\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

- ↗ Growth for third consecutive quarter (volumes up 8% vs. 2019)
- ↗ Closed acquisition of Titan Paints in Spain; recognized for environmental performance
- ↗ Strong growth for Powder Coatings; dedicated portfolio for Electric Vehicles

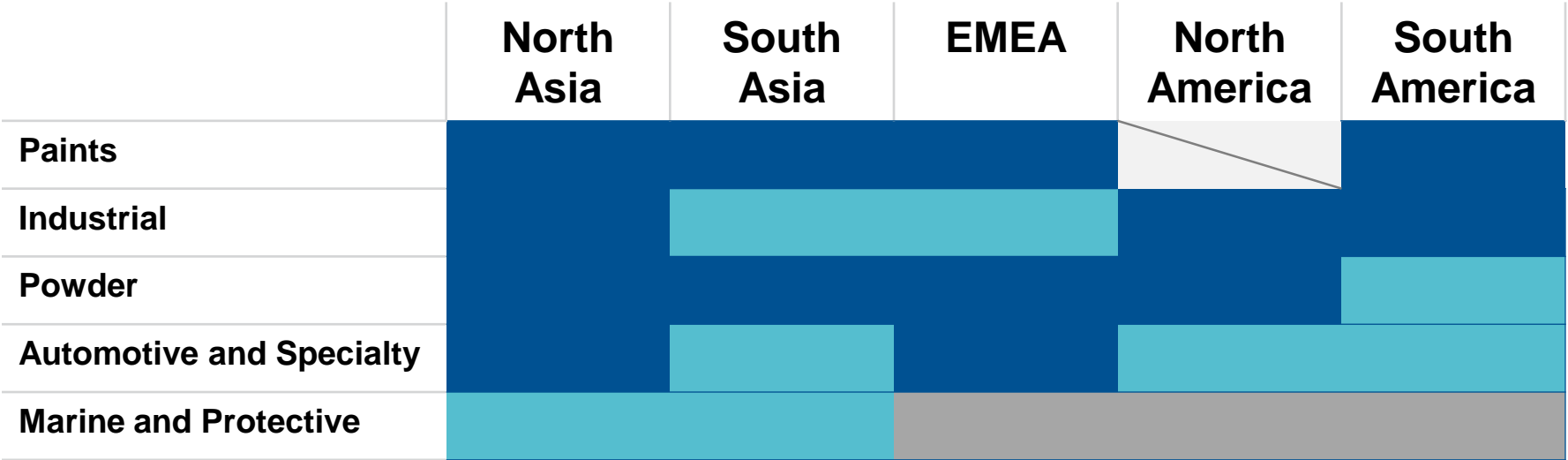
**GROW**

- ↗ Strong focus on margin management
- ↗ Now 100% renewable electricity for France, and 11 other countries
- ↗ Major ERP integration completed in China

**DELIVER**



# Focus on growth underpinned by robust end market demand



End market demand (y-o-y)



# Powder coatings fastest growing and high performing segment

~€8bn market

Fastest growing end market in coatings<sup>1</sup>

€1.1bn revenue in 2020

Clear market leader

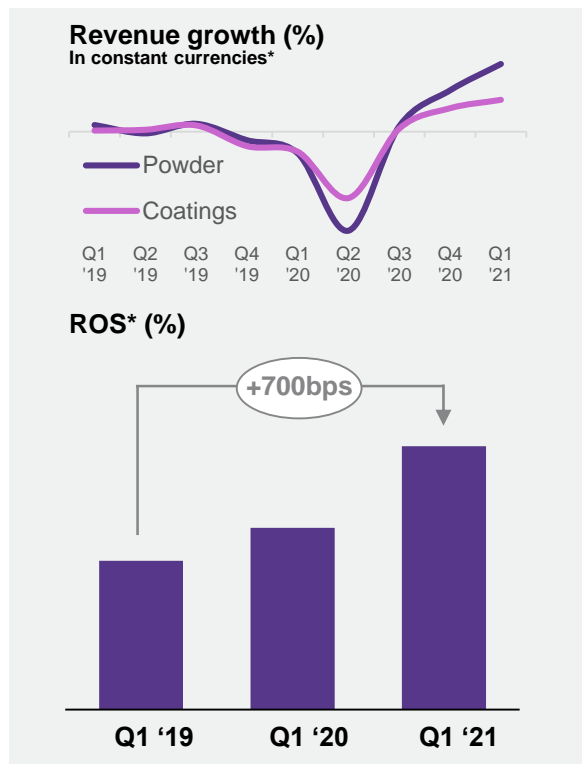
Sustainable solutions

**Interpon**<sup>®</sup>  
POWDER COATINGS

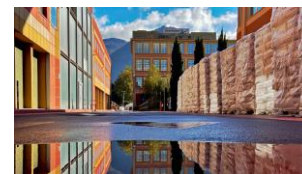
**RESICOAT**<sup>®</sup>  
Experts in Functional Powder Coatings

**AkzoNobel**

Continuing to invest in growth...



We now offer a dedicated powder coatings portfolio for electric vehicles alongside a team of technical specialists to provide expert assistance



Our new R&D facility in Como, features an application lab, process lab, and analytical and testing lab and is dedicated to delivering low cure powder coatings



The acquisition of Stahl Powder Coatings offers both UV and thermally curing powders enabling us to penetrate the low cure (80-100°C) domain, opening up new markets like plywood and thermoplastics



We are expanding our business in architectural applications. The Varso Tower in Warsaw features a sleek black exterior created by using our Interpon D2525 super-durable topcoat

<sup>1</sup>Source: Orr & Boss, market growth in value

\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

# Paints South America continues to deliver, despite FX headwinds

~€3.5bn market

€0.4bn revenue in 2020

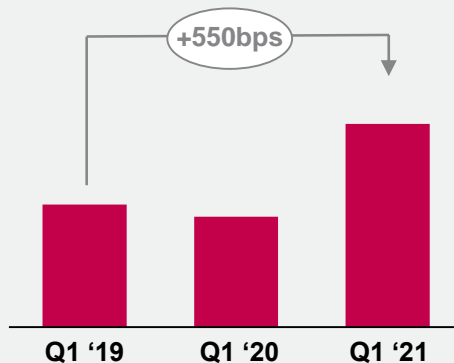
Leading positions in Argentina, Bolivia, Brazil and Uruguay



Q1 2021 revenue up 62% in constant currency vs. Q1 2019

Double digit revenue growth in last three quarters

ROS\* (%)



Outgrowing market through...

- ↗ Solid margin management to offset transactional FX impact
- ↗ Stronger customer and painter relationships during COVID-19
- ↗ Improving shopping experience and distribution reach
- ↗ Developing premium segment with focus on color decoration and exterior protection



Achieved our goal of 100% water reuse in Mauá, Brazil, where we installed a water treatment plant in 2017

\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix



# Financial review

# ROS\* improved 320bps to 13.6% due to higher volumes and cost savings

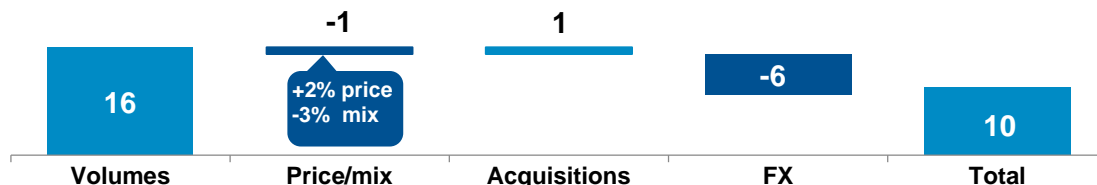
€ million	Q1 2020	Q1 2021	Δ%	Δ%CC	Δ%CC Vs. Q1 '19
Revenue	2,058	2,263	10%	16%	10%
Adjusted EBITDA*	302	391	29%		
Adjusted operating income*	214	307	43%		
<b>ROS*</b>	<b>10.4%</b>	<b>13.6%</b>			
ROI*	14.7%	17.7%			



We've invested in pioneering coatings application technology from Qlayers – one of the winners in our 2019 Paint the Future startup challenge. Their innovative industrial system offers a fully automated solution that is safer, more consistent and faster than the manual coating processes currently being used.

## Revenue development Q1 2021 (%)

■ Increase ■ Decrease

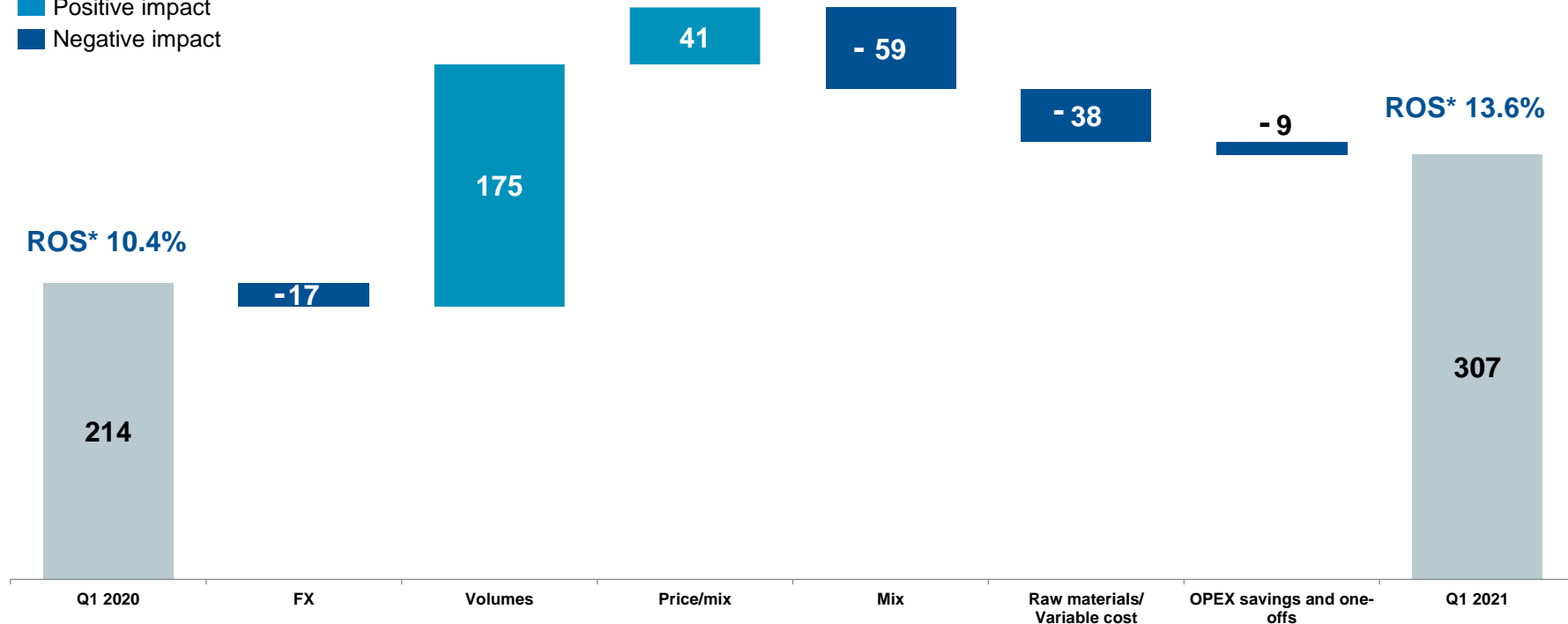


\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

# Higher volumes and cost savings delivered 43% more profit

Adjusted operating income\* (€m)

- Positive impact
- Negative impact

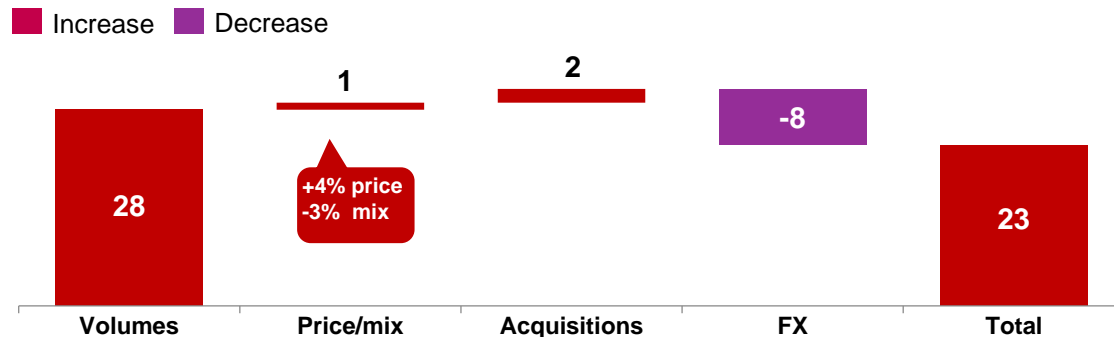


\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

# Paints ROS up 740bps at 15.9%, driven by strong demand in all regions

€ million	Q1 2020	Q1 2021	Δ%	Δ%CC	Δ%CC Vs. Q1 '19
Revenue	754	930	23%	31%	20%
Adjusted EBITDA*	100	183	83%		
Adjusted operating income*	64	148	131%		
ROS*	8.5%	15.9%			

## Revenue development Q1 2021 (%)



With the UK firmly bitten by the DIY bug, we recently launched our new Dulux Simply Refresh range, which refreshes walls in a single coat. It's available in two carefully curated color collections – One Coat and Feature Wall – for both neutral and bold palettes. As well as removing the hassle from decorating, the new products will also help to save valuable time

# Coatings volumes 10% higher as demand continues to improve

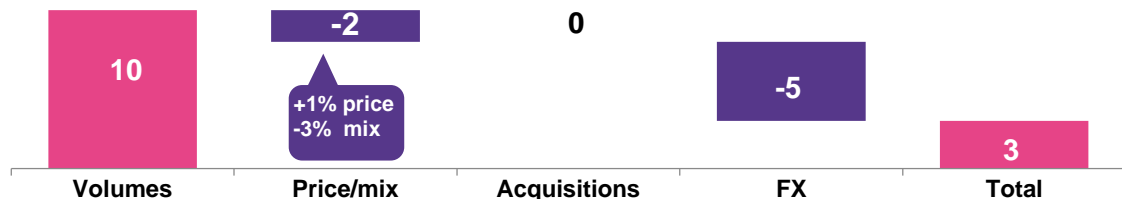
€ million	Q1 2020	Q1 2021	Δ%	Δ%CC	Δ%CC Vs. Q1 '19
Revenue	1,295	1,332	3%	8%	5%
Adjusted EBITDA*	230	234	2%		
Adjusted operating income*	190	196	3%		
ROS*	14.7%	14.7%			



McLaren Racing's 2021 Formula 1 car again features our high-performance coatings, following an extension to the long-standing partnership which debuted in 2008. AkzoNobel is providing its Sikkens vehicle refinish products for all painted parts of the MCL35M, as well as the team's transport, garage and accessories.

## Revenue development Q1 2021 (%)

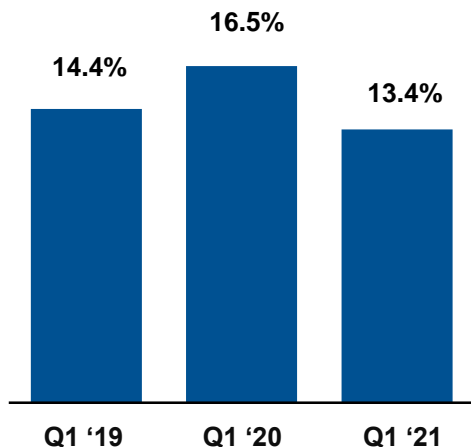
■ Increase ■ Decrease



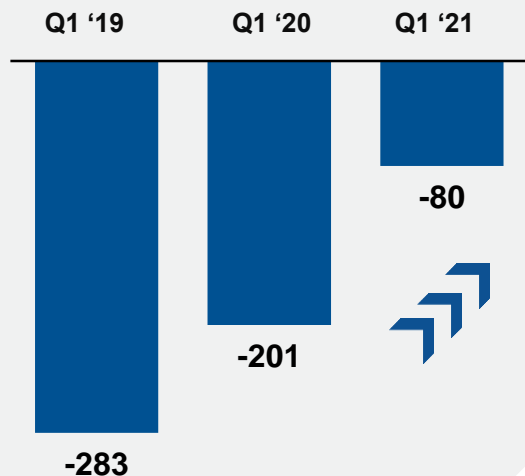
\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

# Strong working capital management; Free cash flow continues to improve

Operating working capital  
(Trade)  
as a % of revenue



Free cash flow (FCF) €m  
excl. pension pre-funding and top-up payments\*

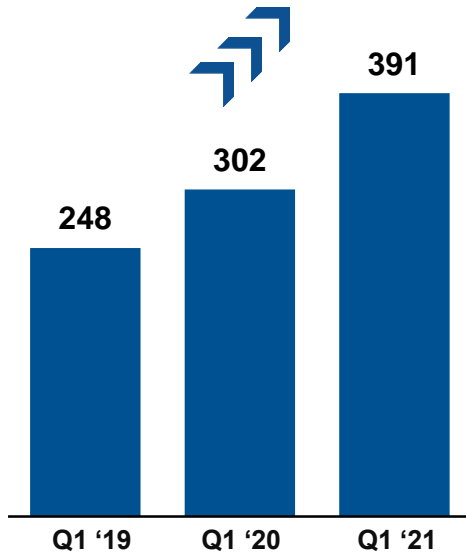


- ↗ Operating working capital (trade): 13.4% in Q1 2021 (2020: 16.5%)
- ↗ Net Debt/EBITDA 1.0 times (Q1 2020: 1.2)

\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

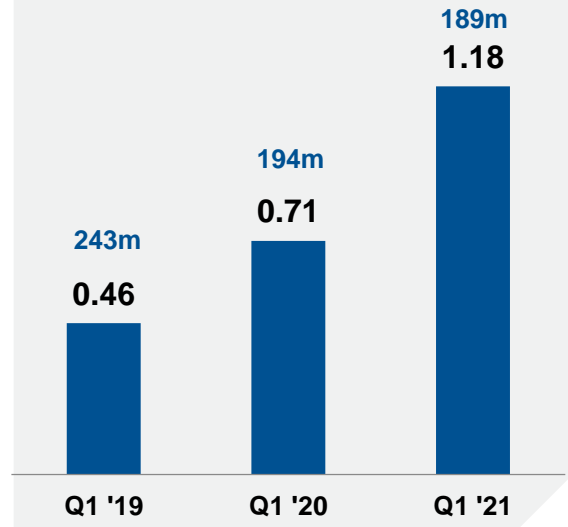
# Adjusted EPS up 66% to €1.18 per share, €300m share buyback completed

Adjusted EBITDA\*  
(€)



Adjusted earnings per share\*  
(EPS) from cont. operations (€)

Number of shares (weighted average)



↗ €300m share buyback completed on April 16, 2021

↗ €1 billion share buyback will be started on April 27, 2021. To be completed in Q1 2022

\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix

# Concluding remarks



## Q1 Highlights

- Revenue up 10% and 16% higher in constant currencies with strong growth in Asia
- ROS increased to 13.6% (Q1 2020: 10.4%)
- €300 million share buyback completed on April 16, 2021; €1 billion share buyback starts April 27, 2021
- Acquisition of Titan Paints in Spain completed in March 2021

## Outlook

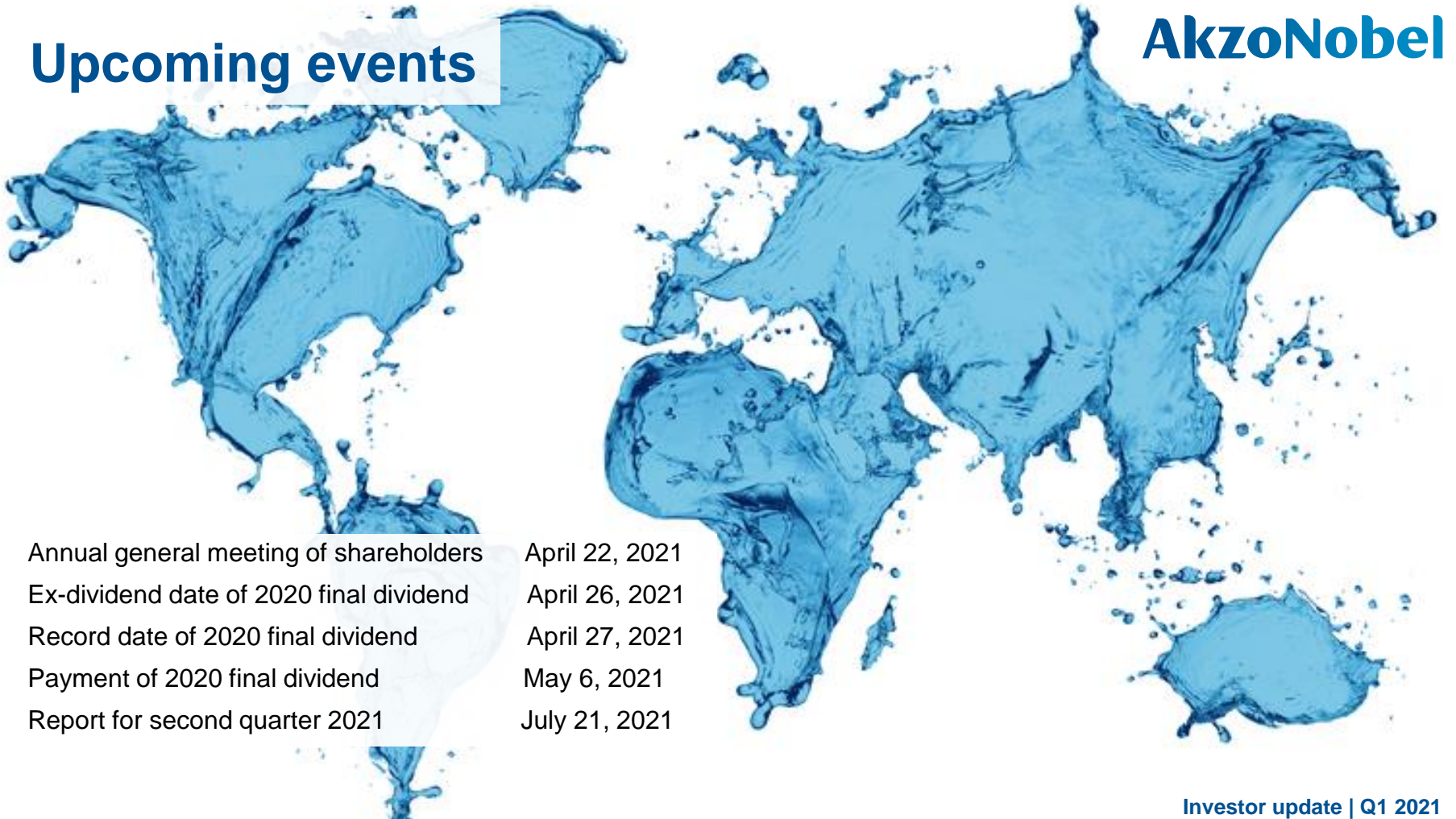
AkzoNobel targets to grow at least in line with its relevant markets.

Trends differ per region and segment with raw material disruption and inflation expected, especially in Q2 and Q3. Margin management and cost discipline are in place to deliver 50 basis points increase in return on sales.

The company targets a leverage ratio of 1-2 times net debt/EBITDA and commits to retain a strong investment grade credit rating.

# Upcoming events

AkzoNobel



Annual general meeting of shareholders	April 22, 2021
Ex-dividend date of 2020 final dividend	April 26, 2021
Record date of 2020 final dividend	April 27, 2021
Payment of 2020 final dividend	May 6, 2021
Report for second quarter 2021	July 21, 2021

# A focused, high performing, paints and coatings company

**AkzoNobel**

- ↗ Strong global brands
- ↗ Leading positions in large and attractive markets
- ↗ Balanced geographic exposure: ~50% revenue from emerging markets
- ↗ Well positioned to accelerate growth and enhance profitability
- ↗ Significant returns to shareholders



# Disclaimer/forward-looking statements

This presentation 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 under-stood 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)



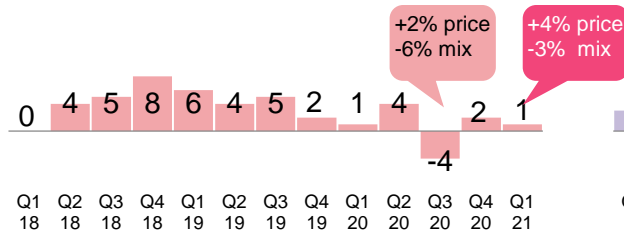
# Appendix

# Delivered growth for third quarter in a row; AkzoNobel

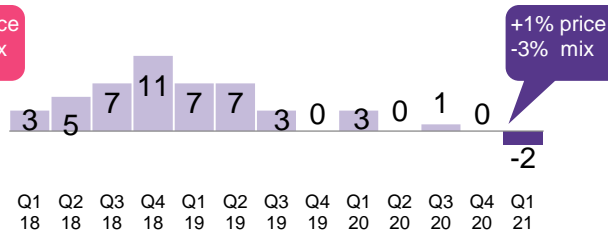
## Q1 revenue up 16% in constant currencies

### Paints

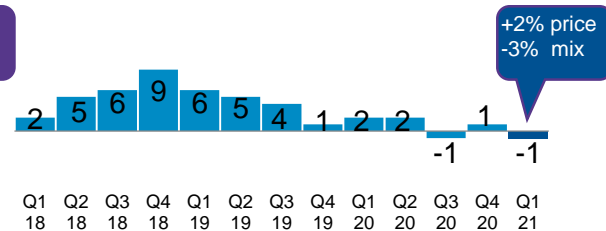
Quarterly price/mix development in % year-on-year



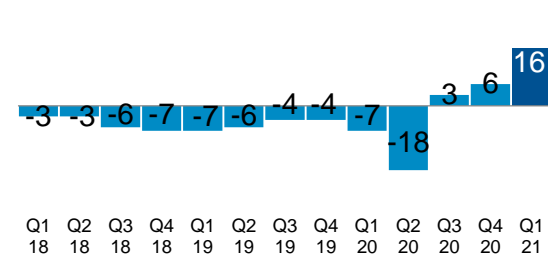
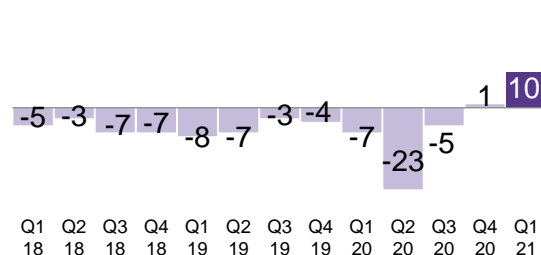
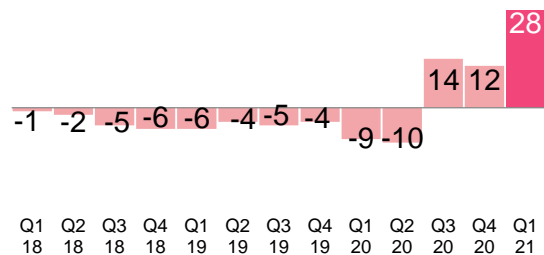
### Coatings



### Total



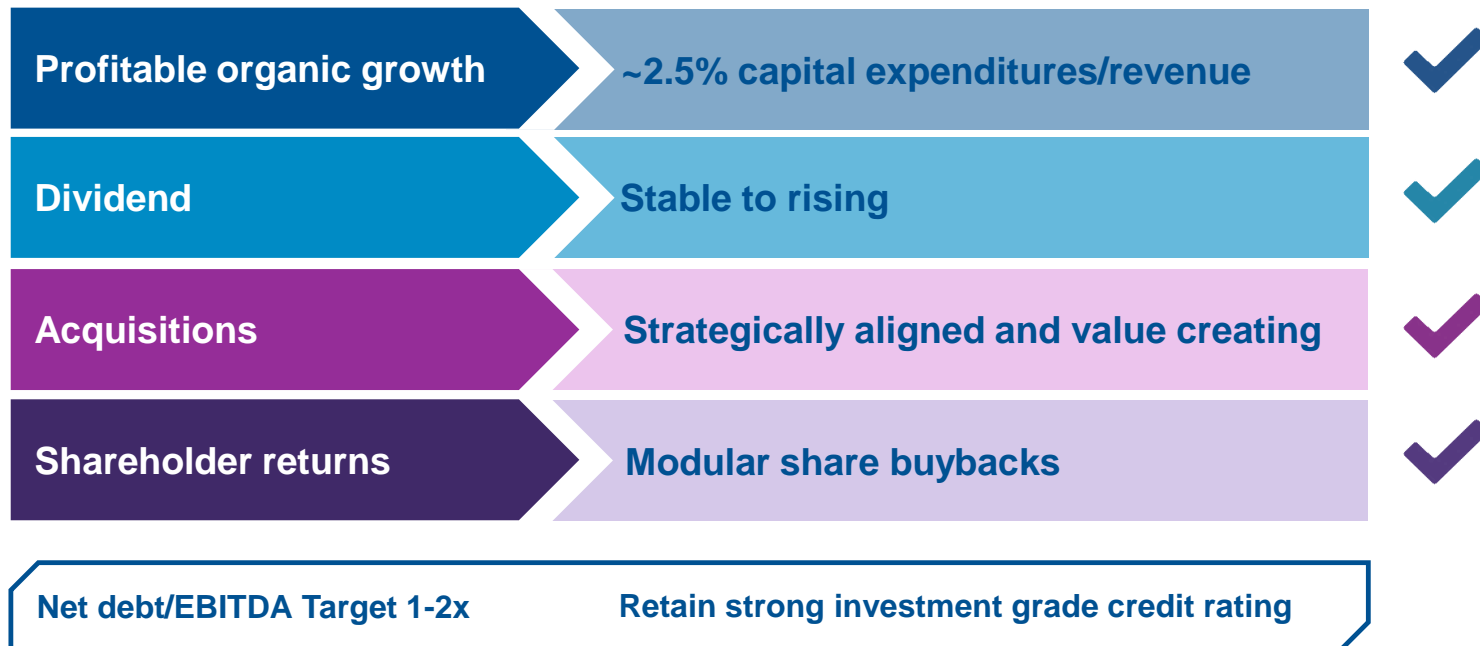
Quarterly volume\* development in % year-on-year



\*Organic volume development, does not include acquisition impact

# Delivering on capital allocation priorities

**AkzoNobel**



## Definitions of alternative performance measures

- ↴ **Adjusted earnings per share** are the basic earnings per share from operations, excluding identified items and taxes thereon
- ↴ **Adjusted operating income** is operating income excluding identified items
- ↴ **Adjusted EBITDA** is operating income excluding depreciation, amortization and identified items
- ↴ **Constant currencies** calculations exclude the impact of changes in foreign exchange rates
- ↴ **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; ROS excluding unallocated cost was reported in relation to the Winning together: 15 by 20 strategy and is no longer reported
- ↴ **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

## Assumptions for 2021

- ↴ Revenue growth  $\geq$  market CAGR
- ↴ ROS\* +50bps CAGR
- ↴ Other activities €140-180 million
- ↴ Effective tax rate ~27% (cash tax rate ~20%)
- ↴ Capital expenditures  $\geq$ €250 million
- ↴ Dividend policy “stable to rising”
- ↴ Leverage 1-2x net debt/EBITDA



# Alternative performance measures

Operating income (€m)	Q1 '20	Q1 '21	Δ%
Decorative Paints	58	147	153%
Performance Coatings	182	194	7%
Other activities	(53)	(38)	
<b>Total</b>	<b>187</b>	<b>303</b>	<b>62%</b>

Identified items (€m)	Q1 '20	Q1 '21
Decorative Paints	(6)	(1)
Performance Coatings	(8)	(2)
Other activities	(13)	(1)
<b>Total</b>	<b>(27)</b>	<b>(4)</b>

Adjusted operating income (€m)	Q1 '20	Q1 '21	Δ%
Decorative Paints	64	148	131%
Performance Coatings	190	196	3%
Other activities	(40)	(37)	
<b>Total</b>	<b>214</b>	<b>307</b>	<b>43%</b>

OPI margin (%)	Q1 '20	Q1 '21
Decorative Paints	7.7	15.8
Performance Coatings	14.1	14.6
<b>Total</b>	<b>9.1</b>	<b>13.4</b>

ROS (%)	Q1 '20	Q1 '21
Decorative Paints	8.5	15.9
Performance Coatings	14.7	14.7
<b>Total</b>	<b>10.4</b>	<b>13.6</b>

Adjusted earnings per share from continuing operations	Q1 '20	Q1 '21
Profit before tax from continuing operations	181	302
Identified items reported in operating income	27	4
Adjusted income tax	(59)	(74)
Non-controlling interests	(12)	(10)
<b>Adjusted net income from continuing operations</b>	<b>137</b>	<b>222</b>

Weighted average number of shares (in millions)	194	189
---	-----	-----

Adjusted earnings per share from continuing operations	0.71	1.18
--	------	------

Average invested capital (€m)	Q1 '20	Q1 '21	Δ%
Decorative Paints	2,993	2,776	(7%)
Performance Coatings	3,368	3,394	1%
Other activities	710	556	(22%)
<b>Total</b>	<b>7,071</b>	<b>6,726</b>	<b>(5%)</b>

ROI (%)	Q1 '20	Q1 '21
Decorative Paints	14.1	23.7
Performance Coatings	22.0	20.8
<b>Total</b>	<b>14.7</b>	<b>17.7</b>

EBITDA (€m)	Q1 '20	Q1 '21
Operating income	915	1,079
Depreciation and amortization	365	356
<b>EBITDA</b>	<b>1,280</b>	<b>1,435</b>

Adjusted EBITDA (€m)	Q1 '20	Q1 '21
Adjusted operating income	1,042	1,192
Depreciation and amortization (excluding identified items)	353	339
<b>Adjusted EBITDA</b>	<b>1,395</b>	<b>1,531</b>

Net Debt (€m)	Q1 '20	Q1 '21
Short term investments	(2)	(301)
Cash and cash equivalents	(832)	(1,197)
Long-term borrowings	2,036	2,765
Short-term borrowings	294	141
<b>Net Debt</b>	<b>1,496</b>	<b>1,408</b>

Leverage ratio	Q1 '20	Q1 '21
Net debt	1,496	1,408
EBITDA	1,280	1,435
<b>Leverage ratio</b>	<b>1.2</b>	<b>1.0</b>

## Consolidated statement of free cash flows\*

€ million	Q1 2020	Q1 2021
<b>EBITDA</b>	<b>277</b>	<b>388</b>
Impairment losses	-	-
Pre-tax result on acquisitions and divestments	-	(11)
Changes in working capital	(353)	(291)
Pension pre-funding	-	-
Pension top-up payments	(5)	(8)
Other changes in provisions	(33)	(58)
Interest paid	(5)	(4)
Income tax paid	(34)	(44)
Other changes	(7)	(3)
<b>Net cash from operating activities</b>	<b>(160)</b>	<b>(31)</b>
Capital expenditures	(46)	(57)
<b>Free cash flow</b>	<b>(206)</b>	<b>(88)</b>
<b>Net Debt</b>	<b>1,496</b>	<b>1,496</b>
<b>Leverage (Net Debt/EBITDA)</b>	<b>1.2</b>	<b>1.0</b>

## Operating income to net income

€ million	Q1 2020	Q1 2021
<b>Operating income</b>	<b>187</b>	<b>303</b>
Net financing expenses	(13)	(8)
Results from associates and joint ventures	7	7
<b>Profit before tax</b>	<b>181</b>	<b>302</b>
Income tax	(54)	(73)
<b>Profit from continuing operations</b>	<b>127</b>	<b>229</b>
Profit from discontinued operations	(1)	(2)
<b>Profit for the period</b>	<b>126</b>	<b>227</b>
Non-controlling interests	(12)	(10)
<b>Net income from total operations</b>	<b>114</b>	<b>217</b>
<b>Earnings per share (in €)</b>	<b>Q1 2020</b>	<b>Q1 2021</b>
<b>Total operations</b>	<b>0.59</b>	<b>1.15</b>
<b>Adjusted earnings per share* (in €)</b>	<b>Q1 2020</b>	<b>Q1 2021</b>
<b>Continuing operations</b>	<b>0.71</b>	<b>1.18</b>

\*Alternative performance measure, for definitions reconciliation of the alternative performance measures to the most directly comparable IFRS measures please see appendix