

**AkzoNobel**

# **PAINT THE FUTURE**

**Investor Update**  
October 23, 2024

**Q3  
24**

# Forward-looking statements

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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)

# Q3 2024 Overview

Organic growth + gross margin expansion continue, OPEX down sequentially

## Q3 2024 YoY

- Organic sales +1%
- Volumes +1%
- Price/mix flat (mix -1%)
- Adj. gross margin +60 bps
- Adj. EBITDA €400m or 15.0%  
€394m post hyperinflation accounting

## YTD 2024 YoY

- Organic sales +2%
- Volumes +1%
- Adj. gross margin +180 bps
- Adj. EBITDA €1,182m or 14.6%  
€1,157m post hyperinflation accounting
- Leverage ratio 3.0x

# Key initiatives supporting our ambitions

## Transformation to be accelerated by SG&A and Portfolio actions

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### Industrial efficiency

- Site closures on track for year-end
- Next wave of measures to be announced in early 2025
- Benefits reaffirmed: >€25m in 2024, €70m in 2025, >€250m by 2027

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### SG&A actions

- Reduction of 2,000 positions globally, focused on functions
- Annualized savings €120-150m, run rate to be realized by end of 2025
- Implementation cost €100-130m

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### Portfolio review

- Increase capital allocation to key coatings markets where we can create differentiating scale to accelerate profitable growth
- Launched review of strategic options for Deco South Asia

# Volume development

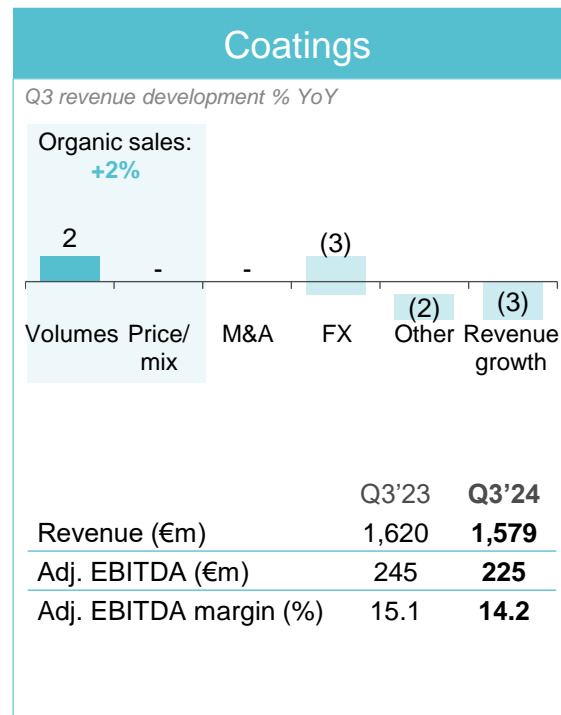
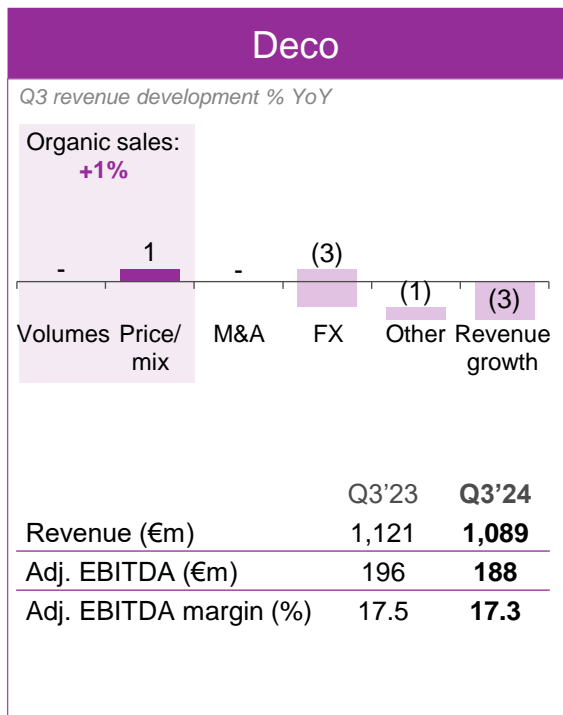
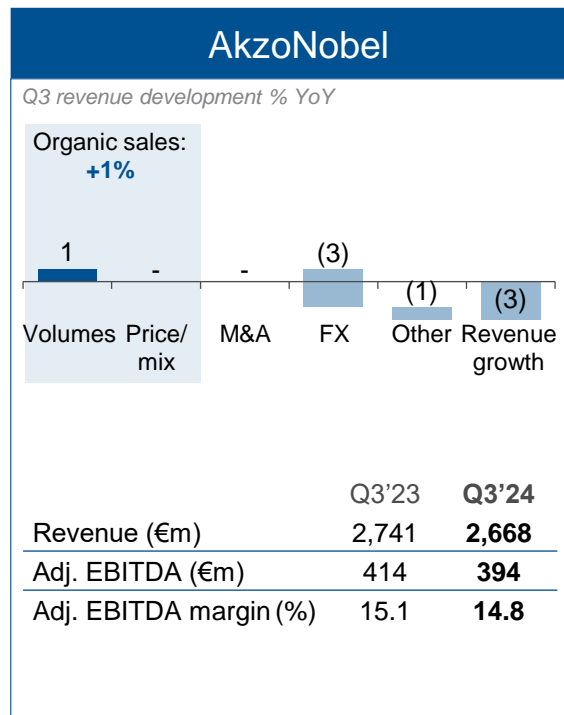
## Growth momentum in mixed markets, Deco China the outlier

		Q3 2024	Q4 2024e
Deco EMEA	UK/Benelux robust; weaker in Central and SE Europe	Flat	Flat/-
Deco LATAM	Strength in Brazil drives performance; continued softness in Colombia	+MSD%	+MSD%
Deco SE Asia	Indonesia and India growing; Vietnam stabilizing		
Deco China	Depressed demand, signs of rebound boosted by economic measures	-DD%	-DD%
Powder Coatings	Robust performance despite flat markets and softness in automotive	+MSD%	+MSD%
Marine & Protective	Growth in Marine new build continues, mixed markets in Protective		
Automotive & Specialty	VR and Auto softening; Aero growth despite OEM challenges	-LSD%	Flat/-
Industrial Coatings	Packaging and Coil demand weakening; Wood adhesives rebounding	Flat	-MSD%
<b>AkzoNobel</b>		<b>+1%</b>	<b>Flat</b>

Organic volumes YoY

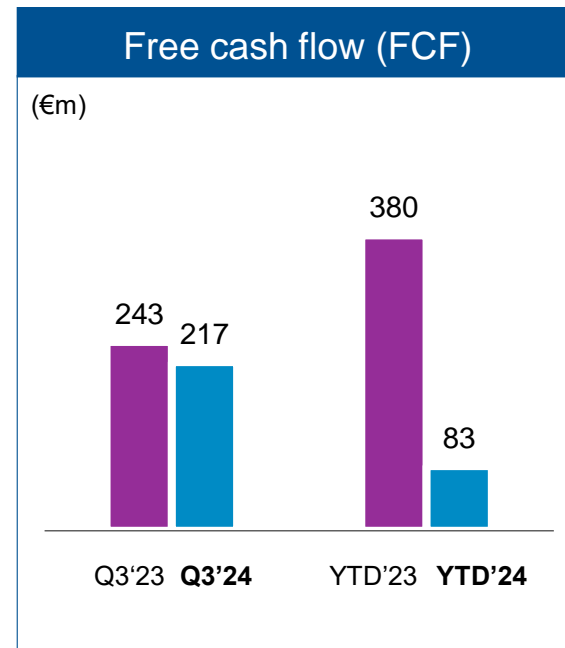
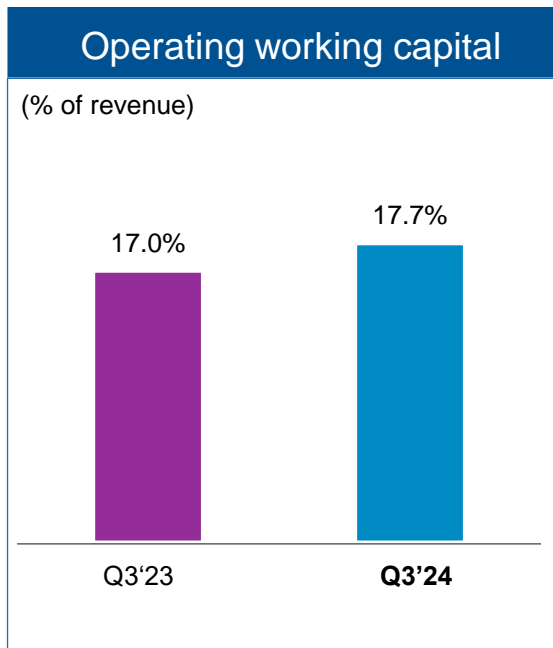
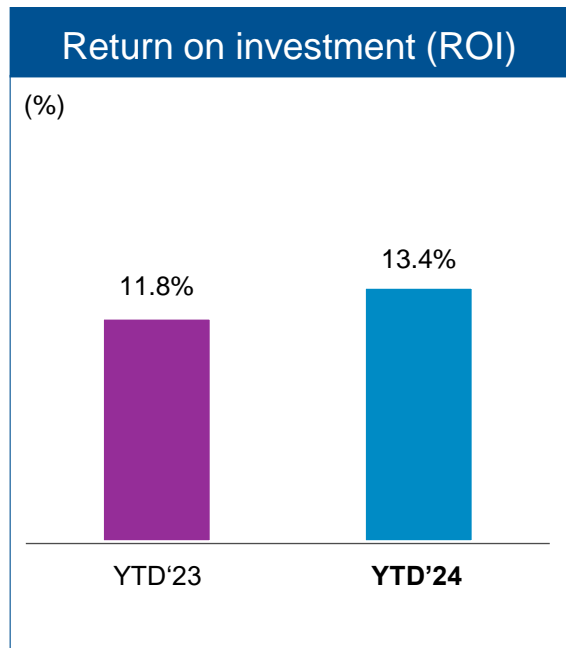
# Q3 business performance

Q3 EBITDA equals Q2 adjusted for FX; OPEX higher YoY, but sequentially down



# Operating results for Q3 and YTD 2024

Continued ROI rebound, strong FCF in Q3 despite temporarily higher working capital



# Outlook

## Growing profit YoY while adapting to volatile markets

### FY2024 Outlook

- Adj. EBITDA: **around €1.5 billion**
- Volumes: **+LSD%**
- Industrial efficiency benefit: **>€25m**
- CAPEX: **€320m**
- Net Debt/EBITDA: **around 2.7x**
- Stable dividend

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



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## Upcoming events

Ex-dividend date of 2024 interim dividend	October 28, 2024
Record date of 2024 interim dividend	October 29, 2024
Payment date of 2024 interim dividend	November 7, 2024
Q4 results	January 29, 2025

### Alternative performance measures (APM)

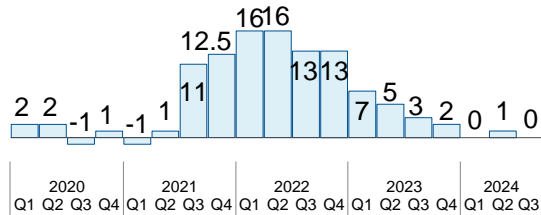
AkzoNobel uses APM adjustments to the IFRS measures to provide supplementary information on the reporting of the underlying developments of the business. A reconciliation of the alternative performance measures to the most directly comparable IFRS measures can be found in the appendix to this presentation. This Investor Update covers the highlights for the quarter. We recommend to read the Investor Update in combination with the AkzoNobel Q3 2024 Report. The Q3 2024 Report provides additional information, including the IAS34 condensed consolidated financial statements.

All figures in this presentation and in the AkzoNobel Q3 2024 Report are unaudited. The interim condensed consolidated financial statements were discussed and approved by the Board of Management and the Supervisory Board.

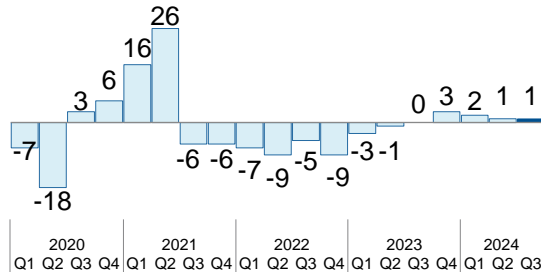
# Price/mix and volumes

## AkzoNobel

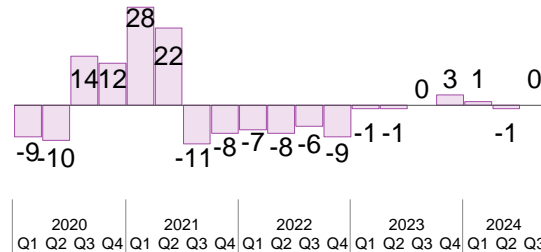
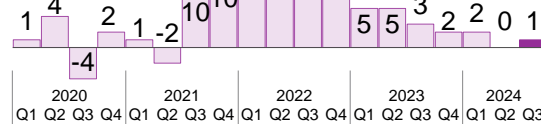
price/mix (% YoY)



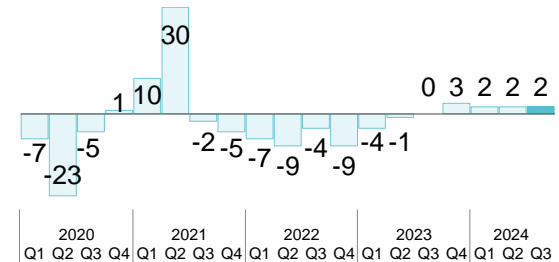
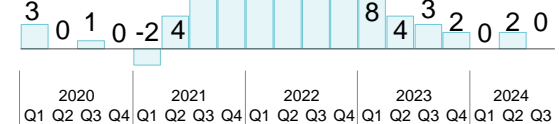
organic volumes (% YoY)



## Deco



## Coatings



# 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.

# Planning assumptions

	2024	Mid-term
Adj. EBITDA	~€1.5bn	CAGR '23-'27: >6% Margin: >16%
Organic volumes	+LSD%	+LSD%
Industrial efficiency benefit	>€25m	>€250m
Identified items	~€150m	
	Industrial efficiency: €130-150m ('24-'26)	
CAPEX	€320m	€350m pa, incl. €50m pa from industrial efficiency ('24-'26)
Working capital	~15% revenue	~13% revenue
Effective tax rate	~28%	~28%
Leverage	~2.7x	~2x

Assuming no significant market disruptions.

# Performance measures

## Definitions of alternative performance measures

- **Adjusted earnings per share** are the basic earnings per share from continuing operations, excluding Identified items and taxes thereon
- **Adjusted gross profit** is revenue less cost of sales, excluding identified items
- **Adjusted gross margin** is adjusted gross profit as a percentage of revenue
- **Adjusted EBITDA** is operating income excluding depreciation, amortization and identified items
- **Adjusted EBITDA margin** is adjusted EBITDA as percentage of revenue
- **Capital expenditures** is the total of investments in property, plant and equipment and investments in intangible assets
- **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, pension assets, assets held for sale) less current tax liabilities, deferred tax liabilities and trade and other payables. Average invested capital is the average of the quarter end invested capital balances for the last 4 quarters
- **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
- **Organic sales** excludes the impact of changes in consolidation, the impact of changes in foreign exchange rates and the impact of hyperinflation accounting. Refer to constant currencies for details on the calculation of the foreign exchange rate impact
- **Return on investment (ROI)** is adjusted operating income of the last 12 months as percentage of average invested capita

# Additional financial information

## Consolidated statement of free cash flows

Q3'23	Q3'24	€ million	YTD'23	YTD'24
443	355	<b>EBITDA</b>	1,079	1,067
—	—	Impairment losses	2	—
(50)	2	Pre-tax results on acquisitions and divestments	(47)	2
97	64	Changes in working capital	(116)	(424)
(7)	—	Pension top-up payments	(8)	—
(1)	(9)	Other changes in provisions	(8)	(24)
(41)	(32)	Interest paid	(131)	(145)
(153)	(106)	Income tax paid	(247)	(235)
9	20	Other	28	34
<b>297</b>	<b>294</b>	<b>Net cash generated from/(used for) operating activities</b>	<b>552</b>	<b>275</b>
(54)	(77)	Capital expenditures	(172)	(192)
<b>243</b>	<b>217</b>	<b>Free cash flow</b>	<b>380</b>	<b>83</b>

## Operating income to net income

Q3'23	Q3'24	€ million	YTD'23	YTD'24
354	259	<b>Operating income</b>	815	790
(68)	(19)	Financing income and expenses	(151)	(66)
8	7	Results from associates and joint ventures	20	19
<b>294</b>	<b>247</b>	<b>Profit before tax</b>	<b>684</b>	<b>743</b>
(96)	(77)	Income tax	(247)	(187)
<b>198</b>	<b>170</b>	<b>Profit from continuing operations</b>	<b>437</b>	<b>556</b>
(1)	—	Profit from discontinued operations	(2)	—
<b>197</b>	<b>170</b>	<b>Profit for the period</b>	<b>435</b>	<b>556</b>
(8)	(7)	Non-controlling interests	(34)	(35)
<b>189</b>	<b>163</b>	<b>Net income</b>	<b>401</b>	<b>521</b>
		<b>Earnings per share (in €)</b>		
1.11	0.95	<b>Total operations</b>	<b>2.35</b>	<b>3.05</b>
		<b>Adjusted earnings per share (in €)</b>		
<b>0.99</b>	<b>1.14</b>	<b>Continuing operations</b>	<b>2.64</b>	<b>3.33</b>

# Alternative performance measures

Q3'23	Q3'24	Δ%	Operating income (€m)	YTD'23	YTD'24	Δ%
156	127	-19%	Decorative Paints	401	364	-9%
245	171	-30%	Performance Coatings	543	529	56%
(47)	(39)		Other activities	(129)	(103)	
<b>354</b>	<b>259</b>	<b>-27%</b>	<b>Total</b>	<b>815</b>	<b>790</b>	<b>-3%</b>

Q3'23	Q3'24	Identified items (€m)	YTD'23	YTD'24
(3)	(23)	Decorative Paints	(17)	(47)
43	(10)	Performance Coatings	23	(22)
(10)	(11)	Other activities	(44)	(27)
<b>30</b>	<b>(44)</b>	<b>Total</b>	<b>(38)</b>	<b>(96)</b>

Q3'23	Q3'24	Δ%	Adjusted operating income (€m)	YTD'23	YTD'24	Δ%
159	150	-6%	Decorative Paints	418	411	-2%
202	181	-10%	Performance Coatings	520	551	6%
(37)	(28)		Other activities	(85)	(76)	
<b>324</b>	<b>303</b>	<b>-6%</b>	<b>Total</b>	<b>853</b>	<b>886</b>	<b>4%</b>

Q3'23	Q3'24	Δ%	Adjusted EBITDA (€m)	YTD'23	YTD'24	Δ%
324	303	-6%	Adjusted operating income	853	886	4%
90	91		Depreciation and amortization (excluding identified items)	263	271	
<b>414</b>	<b>394</b>	<b>-5%</b>	<b>Adjusted EBITDA</b>	<b>1,116</b>	<b>1,157</b>	<b>4%</b>

Q3'23	Q3'24	Adjusted EBITDA margin (%)	YTD'23	YTD'24
17.5	17.3	Decorative Paints	15.8	15.9
15.1	14.2	Performance Coatings	13.4	14.2
<b>15.1</b>	<b>14.8</b>	<b>Total</b>	<b>13.7</b>	<b>14.3</b>

Q3'23	Q3'24	Adjusted earnings per share from continuing operations (€m)	YTD'23	YTD'24
198	170	Profit from continuing operations	437	556
(30)	44	Identified items reported in operating income	38	96
(1)	(3)	Identified items reported in interest	—	(18)
10	(10)	Identified items reported in income tax	10	(31)
(8)	(7)	Non-controlling interests	(34)	(35)
<b>169</b>	<b>194</b>	<b>Adjusted net income from continuing operations</b>	<b>451</b>	<b>568</b>

Q3'23	Q3'24	Weighted average number of shares (in millions)	YTD'23	YTD'24
<b>170.6</b>	<b>170.8</b>		<b>170.6</b>	<b>170.7</b>

Q3'23	Q3'24	Adjusted earnings per share from continuing operations	YTD'23	YTD'24
<b>0.99</b>	<b>1.14</b>		<b>2.64</b>	<b>3.33</b>

Average invested capital (€m)	Q3'23	Q3'24	Δ%
Oct'22 – Sep'23/Oct'23 – Sep'24			
Decorative Paints	3,823	3,849	1%
Performance Coatings	3,796	3,765	-4%
Other activities	682	629	
<b>Total</b>	<b>8,301</b>	<b>8,243</b>	<b>-1%</b>

ROI (%)	Q3'23	Q3'24
Oct'22 – Sep'23/Oct'23 – Sep'24		
Decorative Paints	12.3	12.8
Performance Coatings	16.3	19.0
Other activities <sup>1</sup>		
<b>Total</b>	<b>11.8</b>	<b>13.4</b>

EBITDA (€m)	Q3'23	Q3'24
Oct'22 – Sep'23/Oct'23 – Sep'24		
Operating income	918	1,004
Depreciation and amortization	359	370
<b>EBITDA</b>	<b>1,277</b>	<b>1,374</b>

Net Debt (€m)	Q3'23	Q3'24
Short-term investments	(235)	(222)
Cash and cash equivalents	(1,668)	(1,958)
Long-term borrowings	3,664	3,672
Short-term borrowings	2,342	2,577
<b>Total</b>	<b>4,103</b>	<b>4,069</b>

Leverage ratio	Q3'23	Q3'24
Oct'22 – Sep'23/Oct'23 – Sep'24		
Net debt (€m)	4,103	4,069
EBITDA (€m)	1,277	1,374
<b>Leverage ratio</b>	<b>3.2</b>	<b>3.0</b>