

# AkzoNobel's Q2 results show progress towards 15 by 20 strategy, with adjusted operating income up 36%, despite continued external headwinds

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**Akzo Nobel N.V. (AKZA; AKZOY) publishes results for second quarter 2019**

- Adjusted operating income<sup>1</sup> 36% higher at €305 million (2018: €225 million)
- ROS, excluding unallocated costs,<sup>2</sup> increased to 13.7% (2018: 12.1%)
- Focus on value over volume resulted in price/mix up 5% and 6% lower volumes
- Transformation on track and delivered €43 million cost savings
- Acquisition of Mapaero, announced July 18, 2019, further strengthens our aerospace coatings business

## Q2 2019:

- Revenue was flat and up 1% in constant currencies, with positive price/mix of 5% and acquisitions contributing 1%, offset by 6% lower volumes
- Adjusted operating income up 36% at €305 million (2018: €225 million, which included €20 million of one-off costs) driven by ongoing pricing initiatives and cost-saving programs; ROS at 12.4% (2018: 9.2%) • Operating income at €308 million includes €3 million positive impact from identified items, related to a gain on disposal following asset network optimization (€57 million) and transformation costs (€54 million); 2018 operating income at €192 million included €33 million negative identified items
- Decorative Paints ROS up at 13.5% (2018: 12.2%); Performance Coatings ROS up at 13.6% (2018: 11.8%)
- Adjusted EPS from continuing operations up 85% at €0.96 (2018: €0.52); EPS from total operations at €1.07 (2018: €1.06)

## AkzoNobel CEO, Thierry Vanlancker, commented:

"We remain fully focused on delivering our Winning together: 15 by 20 strategy and our Q2 results show we're making progress with profit up 36%. Return on sales was 13.7% for the quarter, moving us another step closer to our 2020 ambition of 15%.

"This was an important quarter for us to demonstrate our strategy is working. Q2 performance improved largely due to our ongoing pricing initiatives and cost-saving programs, despite headwinds in the external business environment. This is a rewarding step for the organization and encouraging for the work still ahead of us as we continue our transformation journey.

"In the face of softer market trends, we continue to focus on delivering our strategy while investing in strategic growth opportunities, to become recognized as the reference in the paints and coatings industry."

AkzoNobel in € millions	Q2 2018	Q2 2019	Δ%	Δ% CC <sup>3</sup>
Revenue	2,446	2,451	-%	1%
Adjusted operating income <sup>1</sup>	225	305	36%	
ROS	9.2%	12.4%		
ROS excluding unallocated costs <sup>2</sup>	12.1%	13.7%		
Operating income	192	308	60%	

## Recent highlights

### Operation Night Watch

We recently partnered with the Rijksmuseum for one of the most innovative projects in the history of art – the live restoration of Rembrandt's Night Watch. In a spectacular fusion of old and new, Operation Night Watch will use ground-breaking techniques to preserve the painting for future generations. We'll also be contributing our color expertise to the historic project.

### New paint range pounces on French market

Our Dulux Valentine decorative paint brand in France has roared onto the market with a new EasyCare product called Color Resist. The EasyCare range (also known as EasyClean) has now been introduced in 26 countries worldwide, including brands such as Dulux and Marshall. The extensive launch in France proved to be a great success, with a widespread TV campaign due to continue into August. The French brand – which uses a distinctive black panther on its packaging – launched the Color Resist range in April.

### AkzoNobel rises to challenge of historic Hudson Yards project in New York

New York's historic Hudson Yards development – which is changing the city's iconic skyline – has reached its latest milestone, and AkzoNobel has made a major contribution.

The largest private real estate development in US history, the ongoing project recently saw the completion of the two towers at 10 and 30 Hudson Yards. Taller than the Empire State Building, the impressive glass and steel structure of 30 Hudson Yards uses the company's high performance architectural powder coatings, while 10 Hudson Yards features AkzoNobel's industrial coatings.

### Paint the Future goes beyond expectations

Our pioneering Paint the Future startup challenge proved to be a huge success, with five business agreements being awarded by AkzoNobel at the accelerator event held in May. Organized in conjunction with partner KPMG, the challenge attracted 160 submissions, with

the 21 shortlisted startups being given the chance to collaborate with industry experts and further their solutions. The agreements are the first to emerge from a new innovation ecosystem which will help us to further push the boundaries of the paints and coatings industry and better meet customer needs.

### **Making powder coatings even more sustainable**

Our powder coatings have become even more sustainable following the introduction of a full range of Interpon Low-E products by our Powder Coatings business. A complete range of smooth finishes in Interpon 610 has been added to the coarse texture range launched last year. Specially engineered for curing at temperatures lower than the current standard of 180-190°C, the new offering is polyester TGIC-free, saves energy and helps customers to improve their efficiency.

### **AkzoNobel and Airbus advance innovation in aerospace industry**

A new chromate-free exterior primer has been developed by AkzoNobel and Airbus. Newly qualified by Airbus and now included in the aircraft manufacturer's specifications, Aerodur HS 2121 is designed to be applied at the final assembly stage to virtually all external aircraft surfaces. In addition to being free from chromates, the new primer provides users with numerous performance, appearance and application benefits.

### **Outlook:**

We are delivering towards our Winning together: 15 by 20 strategy and continue creating a fit-for-purpose organization for a focused paints and coatings company, contributing to the achievement of our 2020 guidance.

Demand trends differ per region and segment in an uncertain macro-economic environment. Raw material inflation is expected to stabilize during the second half of 2019. Continued pricing initiatives and cost-saving programs are in place to address the current challenges.

We continue executing our transformation to deliver the next €200 million cost savings by 2020, incurring one-off costs in 2019 and 2020.

We target a leverage ratio of between 1.0-2.0 times net debt/EBITDA by the end of 2020 and commit to retain a strong investment grade credit rating.

The report for the second quarter 2019 can be viewed and downloaded at <http://akzo.no/Q22019>

1 Adjusted operating income = operating income excluding identified items (previously called EBIT)

2 ROS excluding unallocated costs is adjusted operating income as a percentage of revenue excluding unallocated corporate center costs

3 Constant Currencies calculations exclude the impact of changes in foreign exchange rates

*This is a public announcement by Akzo Nobel N.V. pursuant to section 17 paragraph 1 of the European Market Abuse Regulation (596/2014).*

### **About AkzoNobel**

AkzoNobel has a passion for paint. We're experts in the proud craft of making paints and coatings, setting the standard in color and protection since 1792. Our world class portfolio of brands – including Dulux, International, Sikkens and Interpon – is trusted by customers around the globe. Headquartered in the Netherlands, we are active in over 150 countries and employ around 34,500 talented people who are passionate about delivering the high-performance products and services our customers expect.

### **Not for publication – for more information**

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### **Safe Harbor Statement**

This press release contains statements which address such key issues such 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 forecasted 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 the sale of Specialty Chemicals. 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 our website: [www.akzonobel.com](http://www.akzonobel.com).

## Attachments

- | [Q2 2019 PDF media release](#)
- | [Q2 2019 report](#)
- | [Photo CEO Thierry Vanlancker](#)