

People. Planet. Paint.



# INVESTOR UPDATE

GROW & DELIVER  
February 17, 2022



## Agenda



Setting the stage



Capital allocation



GROW



Concluding remarks



Sustainable innovation



Q&A



DELIVER

# Disclaimer/forward-looking statements

## **Alternative performance measures (APM)**

When presenting operating results, AkzoNobel uses certain APM's not defined by IFRS, which exclude the so-called identified items that are generated outside the normal course of business. Measures included in this presentation such as (Adjusted) EBITDA (margin), Net Debt / EBITDA, EV/EBITDA, Adjusted EPS, Adjusted Operating Income, ROS and ROI are all APM's. Please refer to the appendix for definitions of these APM's as well as the definition for Identified items. Reconciliations of these APM's to the most directly comparable IFRS measures can be found in our Quarterly Reports.

## **Market data (Orr & Boss)**

Market data in this presentation is provided by Orr & Boss as of January 4, 2022. The data is provided in US Dollar; a €/\$ 1.18 exchange rate was used for conversion purposes.

**Adjusted market data** is based on Orr & Boss and reduced by AkzoNobel.

**Competitive positions** are by value and based on internal estimates and Orr & Boss information.

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 presentation 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)

# Speakers

**AkzoNobel**



**Thierry Vanlancker**  
Chief Executive Officer



**Maarten de Vries**  
Chief Financial Officer



**Michael Friede**  
Chief Commercial Officer



**Klaas Kruithof**  
Chief Technology Officer



**Karen-Marie Katholm**  
Chief Integrated Supply  
Chain Officer

# Setting the stage

Thierry Vanlancker



# A focused paints and coatings company

# AkzoNobel

People. Planet. Paint.



## 2021 key data

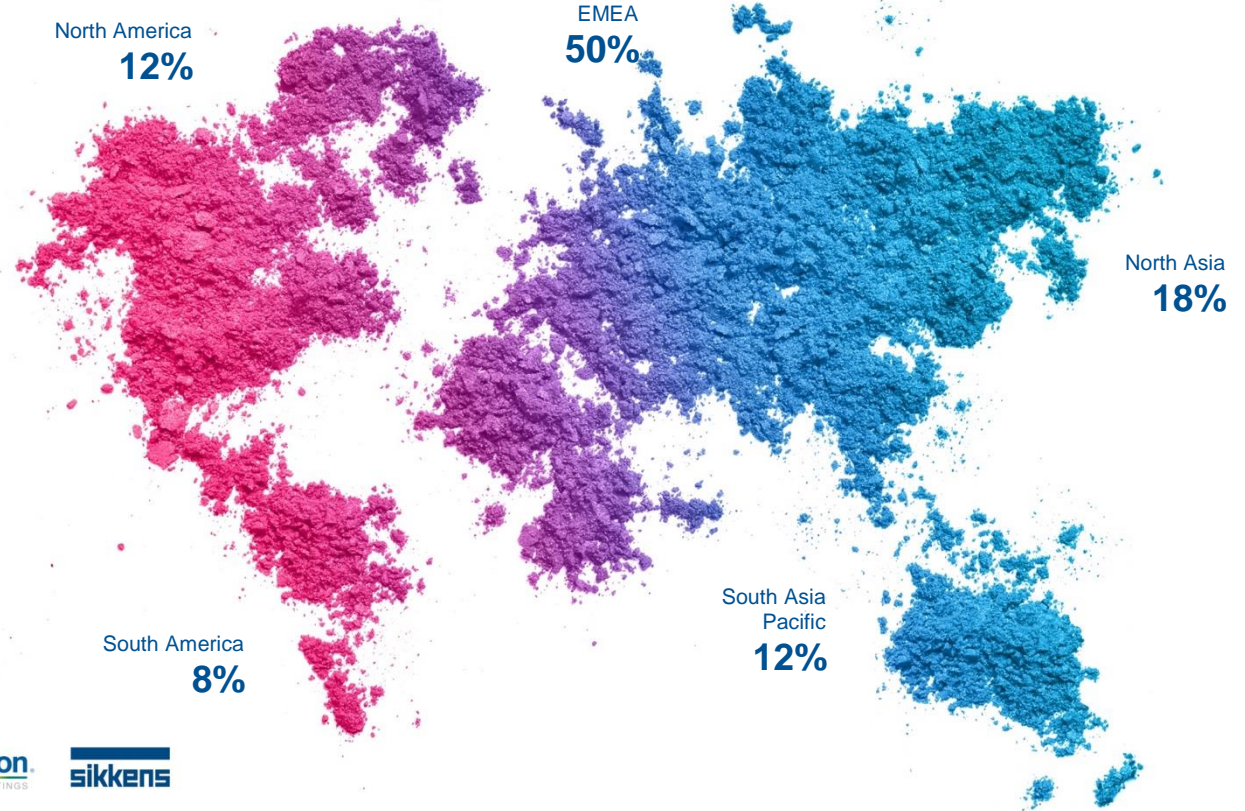
**€9.6bn** revenue

**€1.1bn** adjusted OPI

**€1.4bn** adjusted EBITDA

**16.0%** return on investment (ROI)

**32,800** employees



Note: Full-year 2021 revenue by destination for all regions.

# People. Planet. Paint.

Clear purpose as the engine of our organization

**AkzoNobel**



## People.

We care about people and communities, a passion that's reflected in our commitment to safety, integrity and sustainability.



## Planet.

We challenge ourselves and our partners every day to be better global citizens and protect the future of our planet.



## Paint.

We keep pushing boundaries to develop pioneering paint solutions that make a world of difference



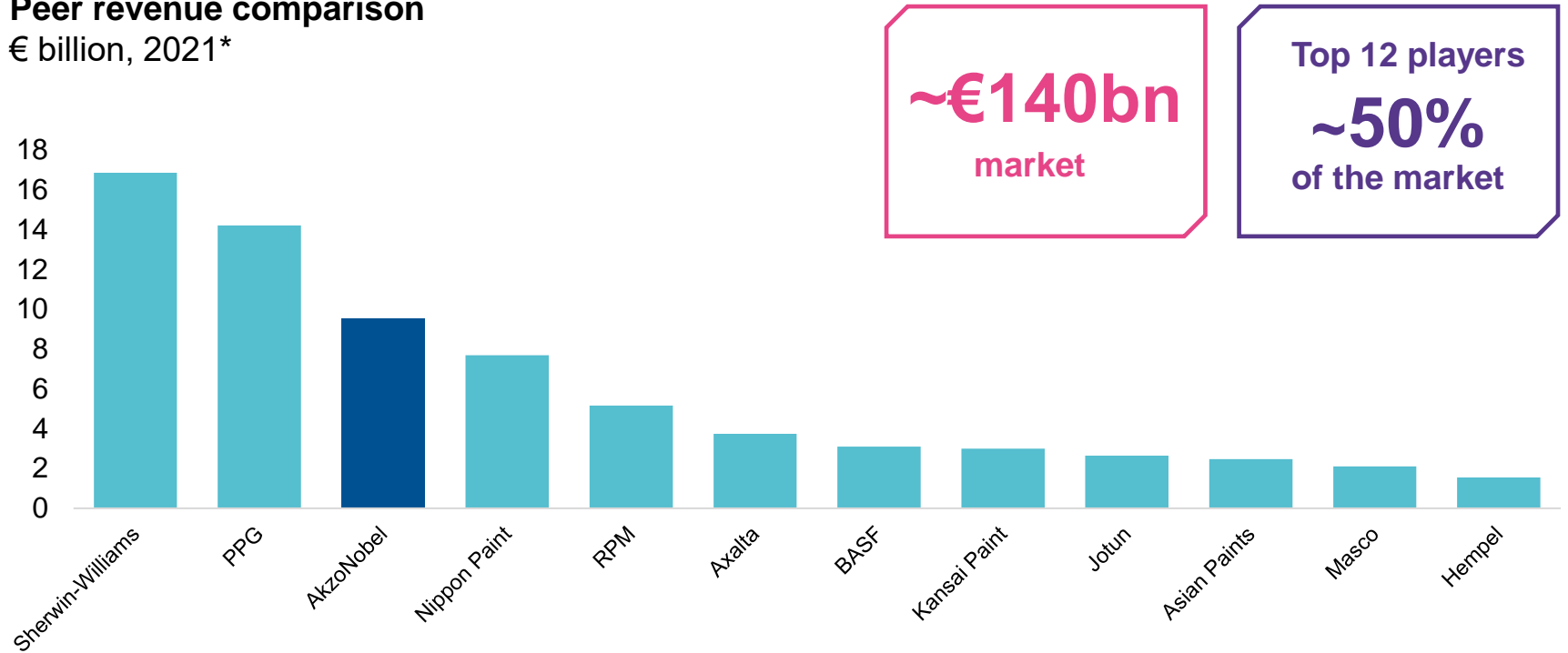
# Global paints and coatings industry

AkzoNobel

Leading global player in large and attractive market

## Peer revenue comparison

€ billion, 2021\*



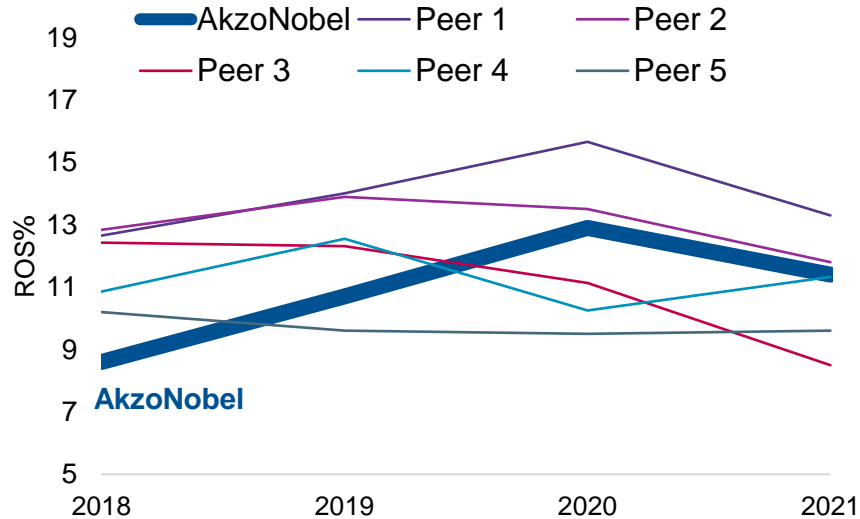
\* Revenue for BASF, Kansai Paint, Jotun, Asian Paints and Hempel is for 2020.  
Source: company reporting, internal analysis.



# From 15 by 20 to *Grow & Deliver*

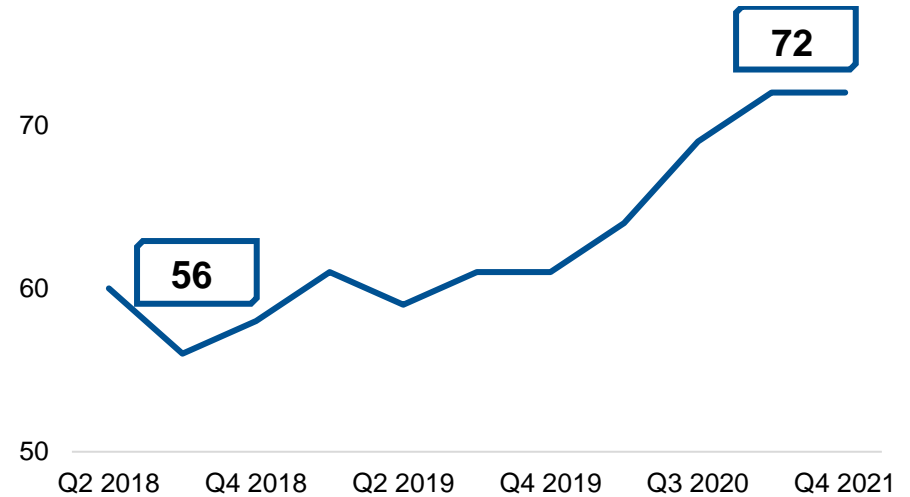
Significant culture change with margins in top tier

## Strong margin progress versus peers



## Organizational Health Index (OHI)\*\*

Participation rate at 86%



EV/EBITDA multiple remains below peers at ~11.5x\*

\* Source: Bloomberg, based on next twelve months EBITDA (2021 year-end).

\*\* Source: Organizational Health Index by McKinsey.

# Grow & Deliver targets

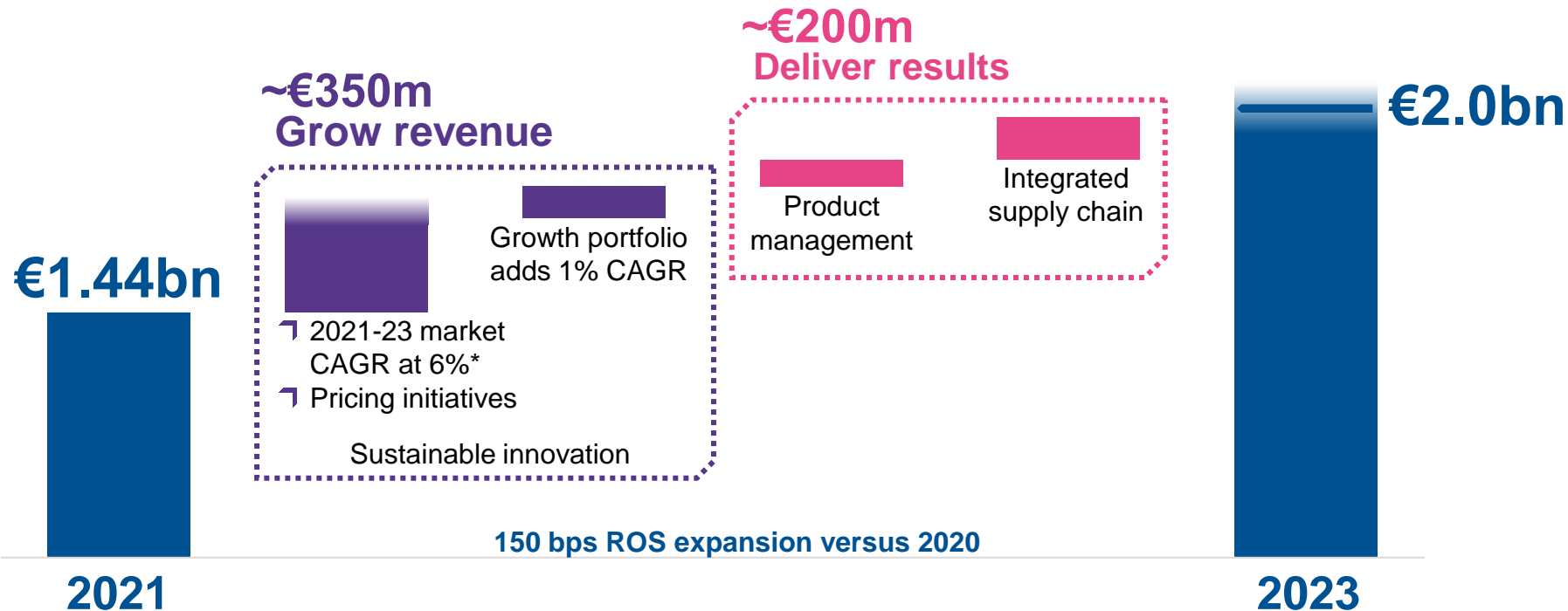
Building on new and strong foundation



\* 2020 ROS margin at 12.9%.

Assumes no significant market disruption.

# Grow & Deliver: €2bn adj. EBITDA by 2023



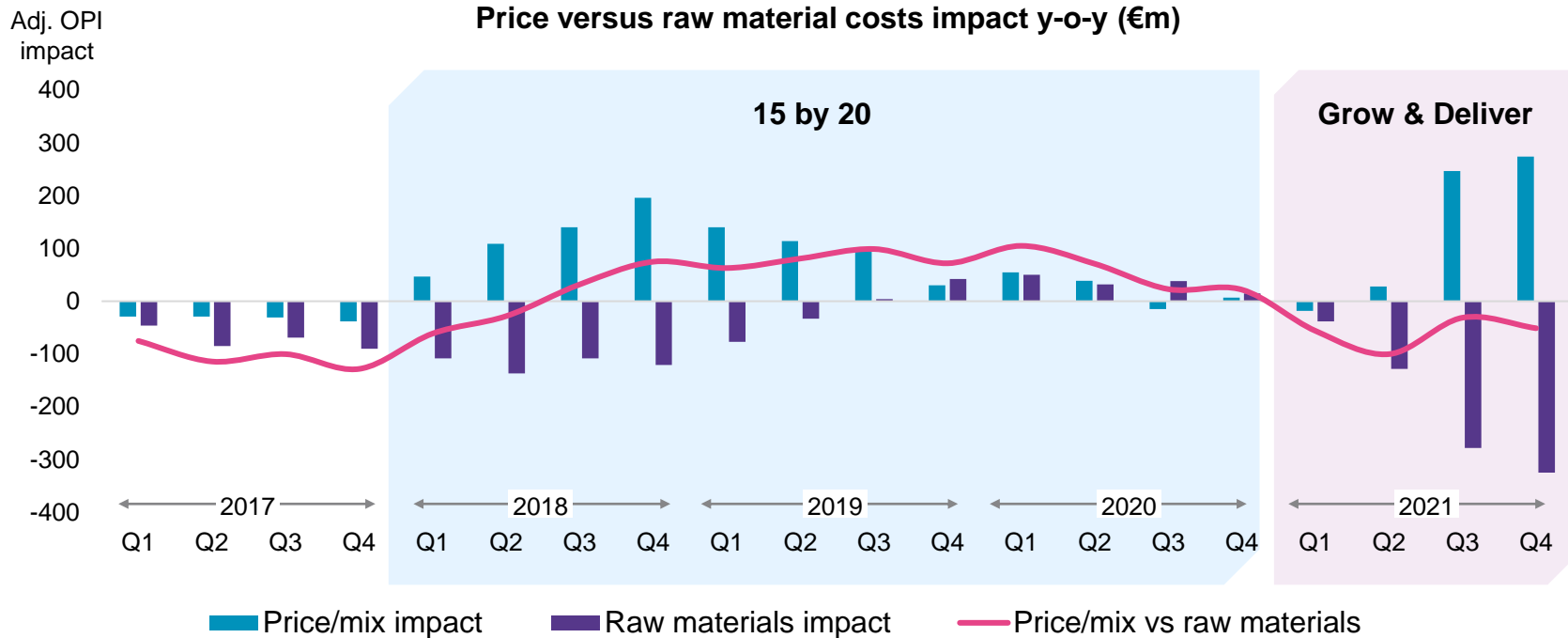
2021

2023

\* Source: Orr & Boss, internally reduced forecast. Assumes no significant market disruption.

# Stronger and faster pricing initiatives

Previous cycle as proof point for margin expansion





# GROW

Thierry Vanlancker  
Michael Friede



# Strong global coatings portfolio with leading positions in key markets

Business	Market size ~€bn, 2021*	Position by revenue	Market growth value '21-'23	Adj. market growth value '21-'23	Current market dynamics
Powder Coatings	10	1	10%	8%	<ul style="list-style-type: none"> <li>↗ Demand for sustainable solutions</li> <li>↗ Strong value proposition including technical quality</li> <li>↗ New markets and applications: e.g. NAM architecture, EV, wood</li> </ul>
Industrial Coatings	15	2	8%	6%	<ul style="list-style-type: none"> <li>↗ Sustainability-driven higher demand and industry capacity for metal beverage packaging</li> <li>↗ Coil highly correlated to GDP especially industrial and housing</li> <li>↗ Wood to benefit from strong housing and remodel market</li> </ul>
Marine and Protective Coatings	15	2	8%	6%	<ul style="list-style-type: none"> <li>↗ Marine growth from market trough, both new build and dry dock</li> <li>↗ Energy investments both in oil &amp; gas and green energy</li> <li>↗ Yacht demand remains strong</li> </ul>
Automotive and Specialty Coatings	14	3	7%	5%	<ul style="list-style-type: none"> <li>↗ Automotive production recovery</li> <li>↗ Vehicle refinish correlated to collision rates &amp; urban miles driven</li> <li>↗ Aerospace OEM to improve and MRO** recovering faster</li> <li>↗ Consumer electronics demand for quality waterborne coatings</li> </ul>

\* Excluding ~€50bn (total paints and coatings) in regions/businesses where AkzoNobel is not present.

\*\* Maintenance, repair, and overhaul.

# Strong global paints portfolio with leading positions in key regions

Region	Market size ~€bn, 2021*	Position by revenue	Market growth value '21-'23	Adj. market growth value '21-'23	Current market dynamics
Paints EMEA	24	1	7%	5%	<ul style="list-style-type: none"> <li>DIY demand stabilized at higher level</li> <li>Recovery of professional and project segments</li> <li>Visible tailwind from EU-subsidized Green Deal</li> <li>E-commerce, favorable for stronger brands</li> </ul>
Paints Asia	13	3	11%	9%	<ul style="list-style-type: none"> <li>Higher GDP and continued urbanization</li> <li>South Asia as highest growth market globally</li> <li>Health &amp; wellbeing products</li> <li>DIY painting pickup in South Asia</li> <li>China project business less relevant for AkzoNobel</li> </ul>
Paints LATAM**	4	1	7%	5%	<ul style="list-style-type: none"> <li>Home improvement and more sustainable products</li> <li>Demand for healthy and clean surfaces</li> <li>Emerging DIY trend</li> <li>Dollar-based costing and pricing</li> </ul>

\* Excluding ~€50bn (total paints and coatings) in regions/segments where AkzoNobel is not present.

\*\* Latin America excluding Mexico.

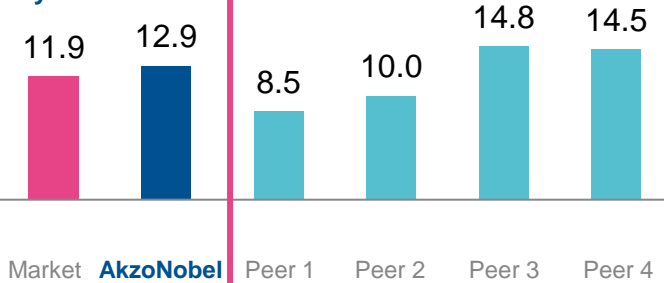
# Strong start to Grow & Deliver

Outgrew market by 1% in 2021, in line with strategy

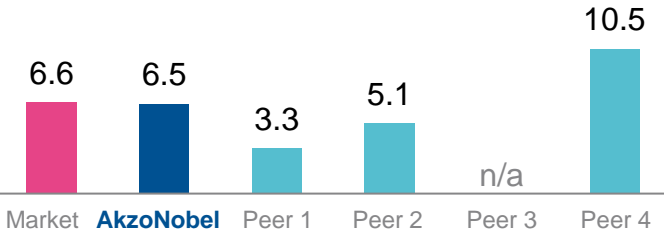
2021 versus 2020 comparison (organic)

Revenue growth %

Outgrew market in 2021 by 1% revenue

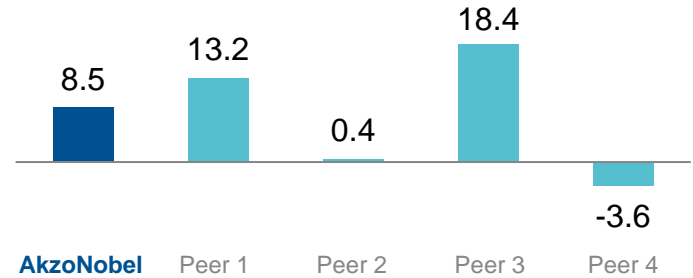


Volume growth %

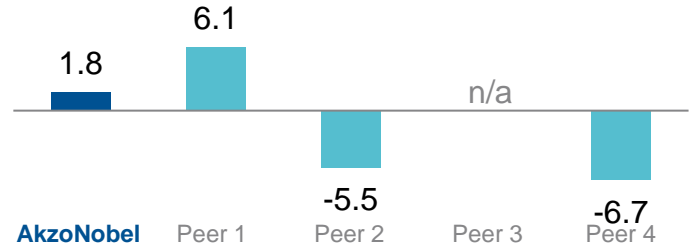


2021 versus 2019 comparison (organic)

Revenue growth %



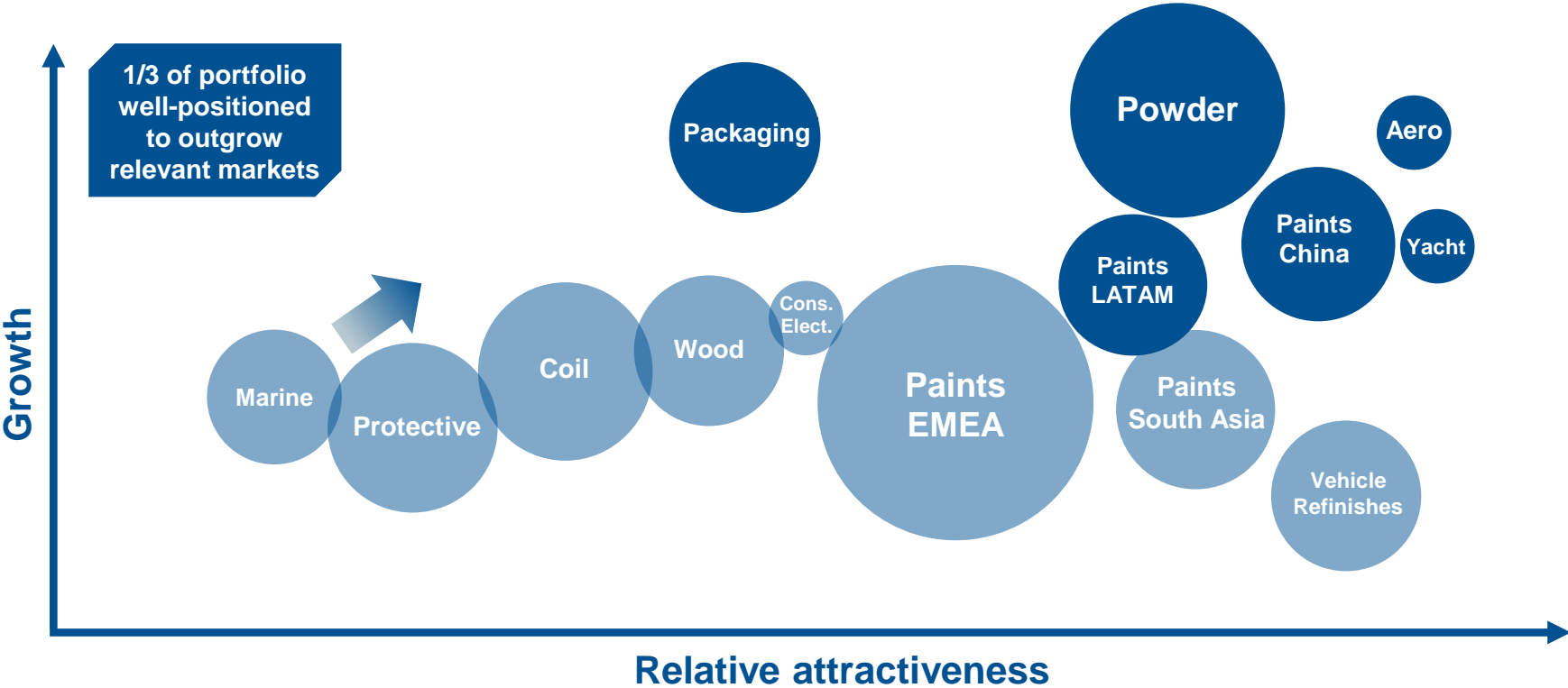
Volume growth %





# Well-positioned in key growth markets

Growth businesses to drive additional 1% revenue CAGR



Bubble size is illustrative for AkzoNobel revenue and not exactly proportionate. Growth and attractiveness is AkzoNobel-specific.



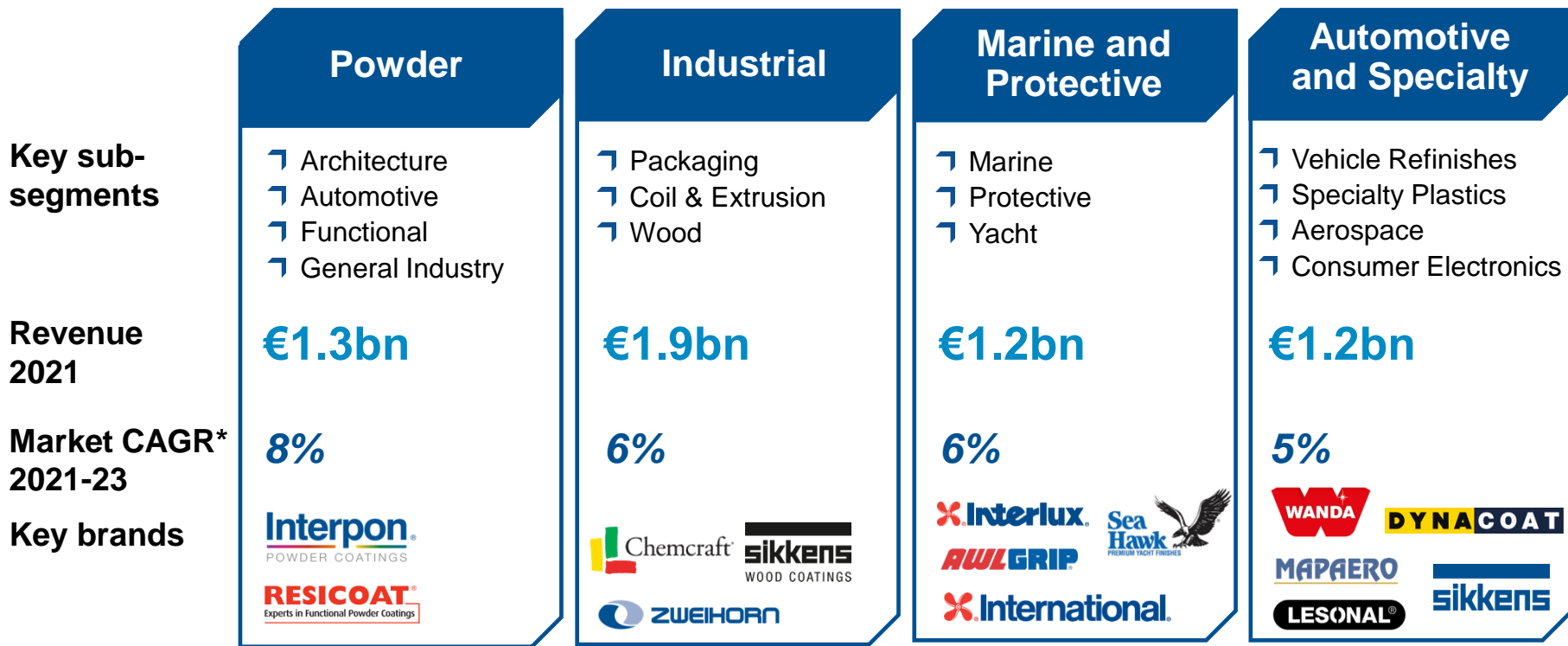
# GROW Coatings

Michael Friede



# Performance Coatings

Leading global businesses; strong technologies and brands



\*By value. Source: Orr & Boss, internally reduced forecast.



## Sustainability and energy transition

- ↗ Liquid-to-powder conversion (low VOC\* and waste)
- ↗ Electric vehicle growth with expected 30% market penetration\*\*
- ↗ Shift from plastic to metal beverage packaging
- ↗ Asset investments into global energy transition



## Hybrid working

- ↗ Consumer preference for personal transport versus. public transportation
- ↗ Demand for high value and sustainable surfaces in direct environment
- ↗ Structurally higher electronics demand (home offices, remote education)



## Recovery and Rebound

- ↗ Airline industry recovery for new build and MRO
- ↗ Marine new build and dry dock to bounce back
- ↗ High energy prices driving business in protective coatings

\* Volatile organic compounds.

\*\* By 2030. Source: Deloitte Insights.

# Powder Coatings

Clear leadership position and aggressively investing for growth

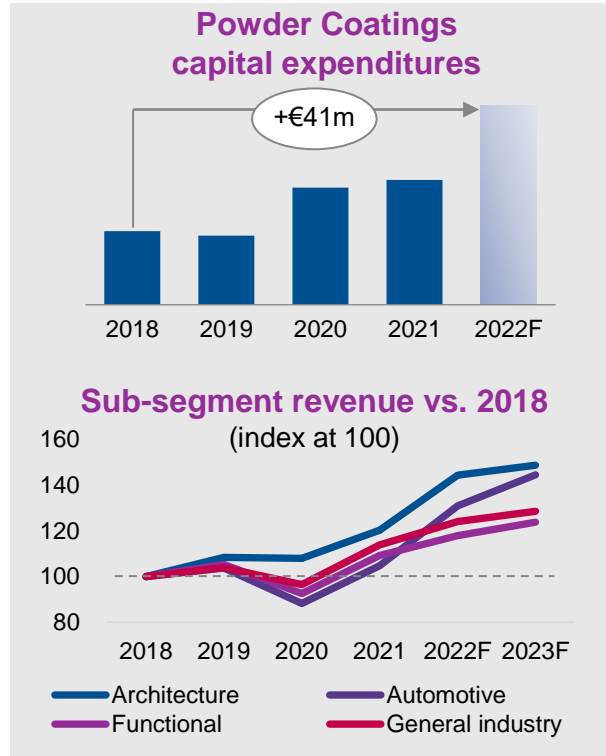
€10bn market

8%  
market CAGR 2021-23

#1 in the market



**Interpon®**  
POWDER COATINGS  
**RESICOAT®**  
Experts in Functional Powder Coatings



## Key growth drivers:

- ↴ Liquid-to-powder conversion, e.g. North America architectural
- ↴ New applications including e-mobility and wood
- ↴ Multi-year comprehensive investment program in people and assets to support growth
- ↴ Unrivaled global supply, digital and next-day service

## Success:

- ↴ Approved at seven major EV OEM and battery manufacturers (accounts for ~70% of EV market)
- ↴ First co-patent for e-motor
- ↴ Low cure powder Interpon W (unique technology to enable new market entry)

# Packaging Coatings

Gaining share and success in beverage 'can-ends'

€2.7bn market

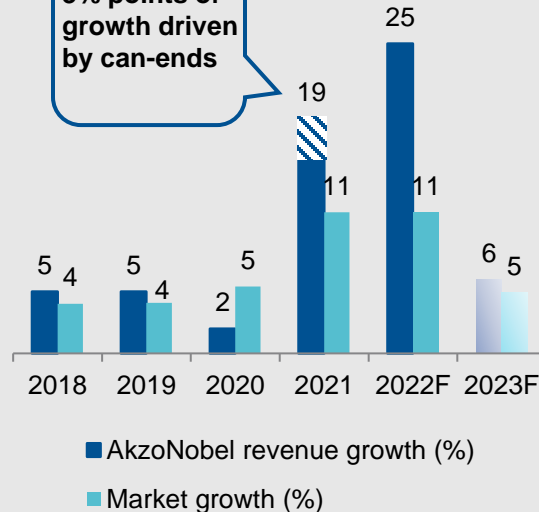
8%  
market CAGR 2021-23

#1 inside can



## Packaging revenue growth

3% points of growth driven by can-ends



## Key growth drivers:

- Accelerated shift from plastic to metal
- Sustainable technology (BPAni)
- ~85 new can production lines to launch within next 24 months
- Higher growth from emerging markets and entrance into beverage can-ends

## Success:

- Key supplier to all major can manufacturers
- Market share gains of ~1% in 2021
- Successful entrance into beverage can-ends; full portfolio

# Aerospace Coatings

Leading technology and strong customer relationship

€0.5bn market

6%  
market CAGR 2021-23

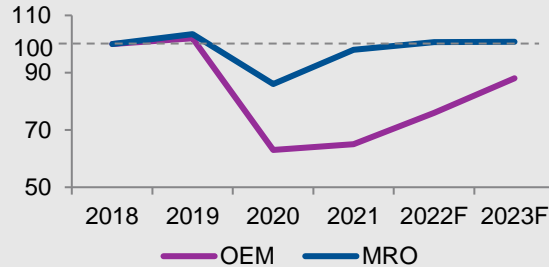
#1 in the market



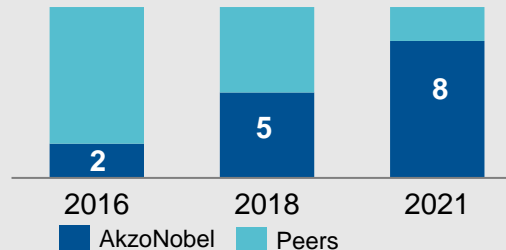
Key AkzoNobel repainting programs

# AkzoNobel

Solid recovery in MRO  
Sub-segment revenue vs. 2018  
(index at 100)



Supply to top ten airlines  
(by fleet size)



## Key growth drivers:

- ↗ Accelerated MRO recovery
- ↗ Rebound of OEM business
- ↗ Acceleration of film and markings
- ↗ Growth trajectory in Asia
- ↗ Entry into interior coatings leveraging Mapaero acquisition

## Success:

- ↗ Basecoat/clearcoat technology qualified at all major global OEMs
- ↗ Commercialization of sustainable solutions (chrome-free technology)
- ↗ Strong key account management and global technical service

# Yacht Coatings

Attractive growth business with leading brands and technology

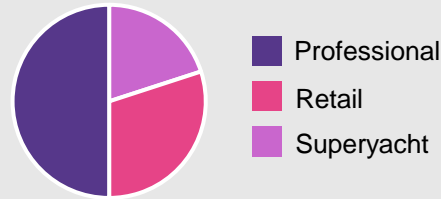
€0.5bn market

6%  
market CAGR 2021-23

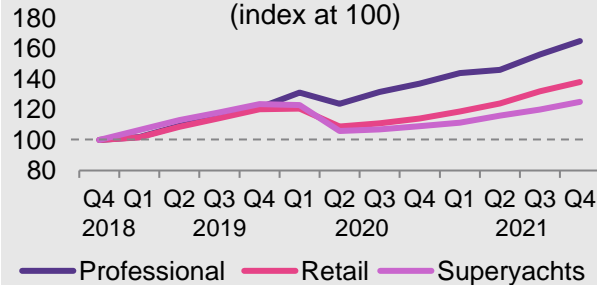
#1 in the market



Yacht business split by € value



Sub-segment revenue moving average sales growth vs. Q4 2018 (index at 100)



## Key growth drivers:

- ↗ Leading position in all segments, including maintenance with complete offering
- ↗ Increased retail demand from consumer lifestyle changes
- ↗ Strong key account management
- ↗ Emerging markets, especially Asia

## Success:

- ↗ Integration of Sea Hawk, acquired end of 2020
- ↗ Commercial launch of spray filler
- ↗ Strong brands and customer intimacy





# GROW Decorative Paints

Thierry Vanlancker



# Decorative Paints

# AkzoNobel

One global brand portfolio with strong local positions

Key sub-segments and regions

Revenue 2021

Market CAGR\* 2021-23

Key brands

## EMEA

- ↗ UK and Ireland
- ↗ Benelux
- ↗ Nordics, Eastern Europe
- ↗ Middle East, Africa

€2.4bn

5%



## LATAM

- ↗ Brazil
- ↗ Argentina
- ↗ Colombia (Grupo Orbis)

€0.5bn

5%



## North Asia

- ↗ China retail
- ↗ China project

€0.6bn

6%



## South Asia

- ↗ India
- ↗ Indonesia
- ↗ Vietnam

€0.5bn

12%



\* By value. Source: Orr & Boss, internally reduced forecast.

Acquisition of Grupo Orbis is expected to close in Q1 2022.

North Asia and South Asia are reported as Decorative Paints Asia.

# Megatrends driving growth in paints



## Sustainability, health and well-being

- ↗ Strong demand for sustainable products supporting well-being & health
- ↗ Driven by legislation, e.g. EU Green Deal
- ↗ Growing middle class in Asia leads to higher quality consumption in lower tier cities (especially China & India)



## DIY trend

- ↗ Structurally higher demand versus pre-pandemic level
- ↗ Increasing labor costs drive demand for DIY products
- ↗ Consumers in Europe increasingly preferring brands



## Digital acceleration

- ↗ Digital sales channels with paint stores fulfilling “last mile” delivery service
- ↗ O2O (offline to online) introduces traffic for consumer convenience
- ↗ Introduction of market platform to connect consumers with painters



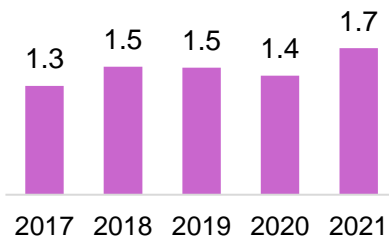
# Strong brand recognition

Leveraging our unique global scale for local impact

## #1 choice for consumers and professionals

Only paint brand listed in top 50 UK consumer brands

### Dulux brand value (€bn)



KANTAR BRANDZ 2021 MOST VALUABLE UK BRANDS

### Innovation

#### Easycare family



31 markets  
€130m Revenue

### Branding

#### Global leveraging



10 countries in 18 months

### Professional loyalty

#### Painter Academy



17 countries

100k Professionals trained in 2020



### Color

#### Color of the Year



All countries  
196m Impressions

### Digital

#### Visualizer app



All countries  
+30m global downloads

### Sustainability

#### Dulux Valentine

Le Blanc Recyclé



Contains 35% recycled paint



# Decorative Paints EMEA

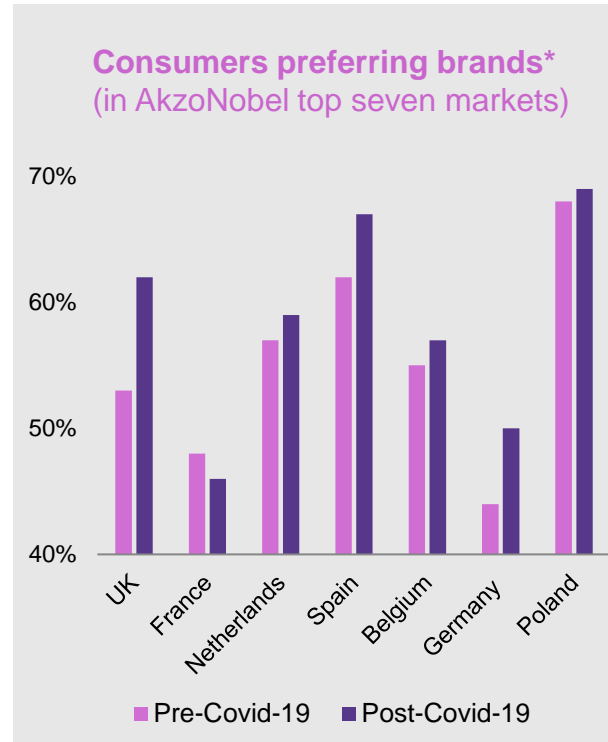
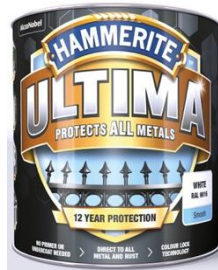
Distribution, brand leverage and strong innovation pipeline

€24bn market

5%  
market CAGR 2021-23

20 leading positions

Including in the UK, Ireland, Netherlands,  
Belgium, Spain, Russia and Italy



# AkzoNobel

## Key growth drivers:

- ↗ Higher DIY demand
- ↗ EU Green Deal (+1% CAGR)
- ↗ Expand distribution network
- ↗ Effective brand investment

## Success:

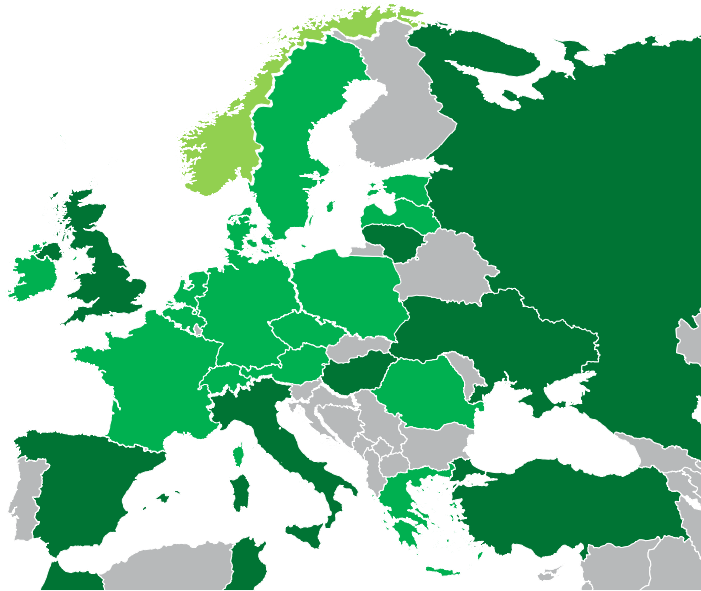
- ↗ Share gains in key markets
- ↗ Spain acquisitions
- ↗ UK Heritage launch
- ↗ AntiScuff wall paint launch
- ↗ Increased online sales

Source: Orr & Boss, internally reduced forecast for market CAGR.

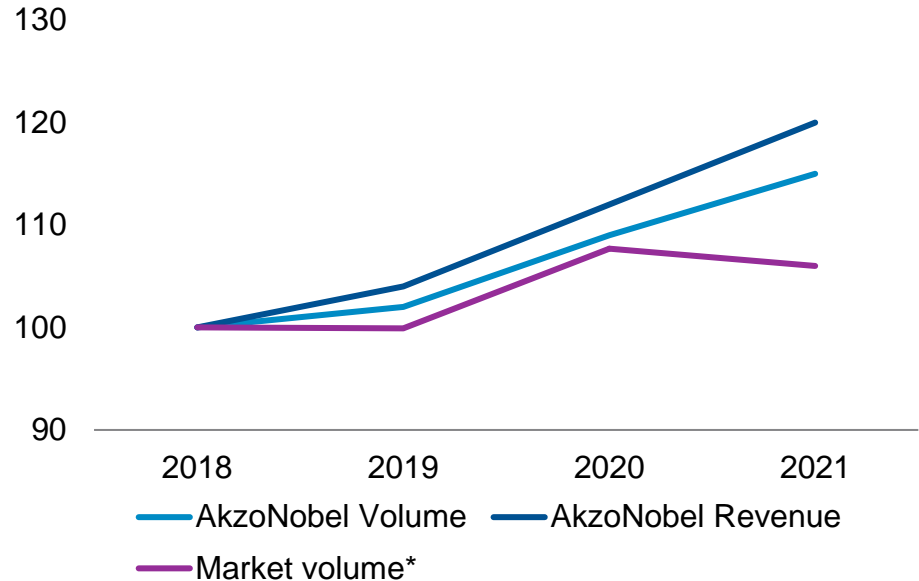
\* European Home Improvement Monitor 2020 (comparing 2020 to 2019).

# Paints EMEA outgrowing the market

Driven by strong brands and distribution



### AkzoNobel Decorative Paints Europe development (Excludes Middle East and Africa) (Index at 100)



\* Source: CEPE, for 2021 preliminary numbers.

# Decorative Paints China

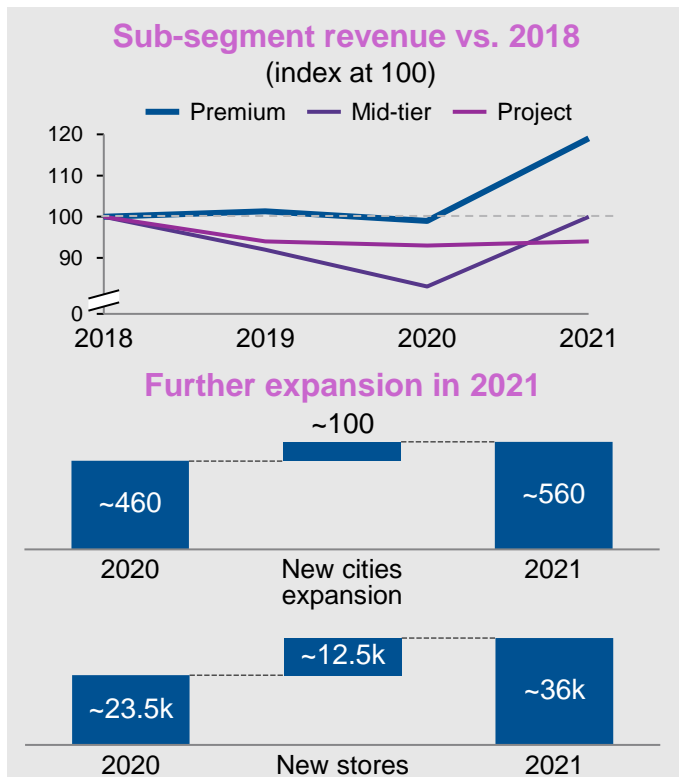
Geographic retail expansion with strong brand and sustainable products

~€6bn market

6%  
market CAGR 2021-23

Double digit growth in premium retail focused post 2018 “reset”

Recognized “*super brand*”



## Key growth drivers:

- ↗ Geographic expansion focused on tier 3-5 cities
- ↗ Digital ecosystem upgrade
- ↗ Leverage core premium Dulux brand
- ↗ Eco-friendly & well-being products
- ↗ Limited and selective exposure to project business – quality optimized

## Success:

- ↗ 2021 expansion into +100 new cities and +12.5k new stores
- ↗ Dulux online platform in 128 cities
- ↗ Launch of Dulux Forest Breath

# Decorative Paints Latin America

AkzoNobel

Expanding strong presence with Grupo Orbis acquisition

€4bn market\*

5%  
market CAGR 2021-23

Leading positions

in Brazil, Argentina, Uruguay, Bolivia and Colombia (Grupo Orbis)



Leader overall with  
Grupo Orbis



Key growth drivers:

- Proactive margin management to offset raw materials and FX impact
- Developing premium business through innovation and branding
- Expansion through Blue Store program
  - 1,000 stores, adding 500 in 2021
  - Distributor network (doubled over the past five years)
- Stronger customer and painter preference

Grupo Orbis as expansion platform

- Colombia-based, leading presence from Ecuador to Central America
- Leading local brands include Pintuco, Protecto and AVF Paints
- Annualized revenues at ~€260m

Source: Orr & Boss, internally reduced forecast for market CAGR.

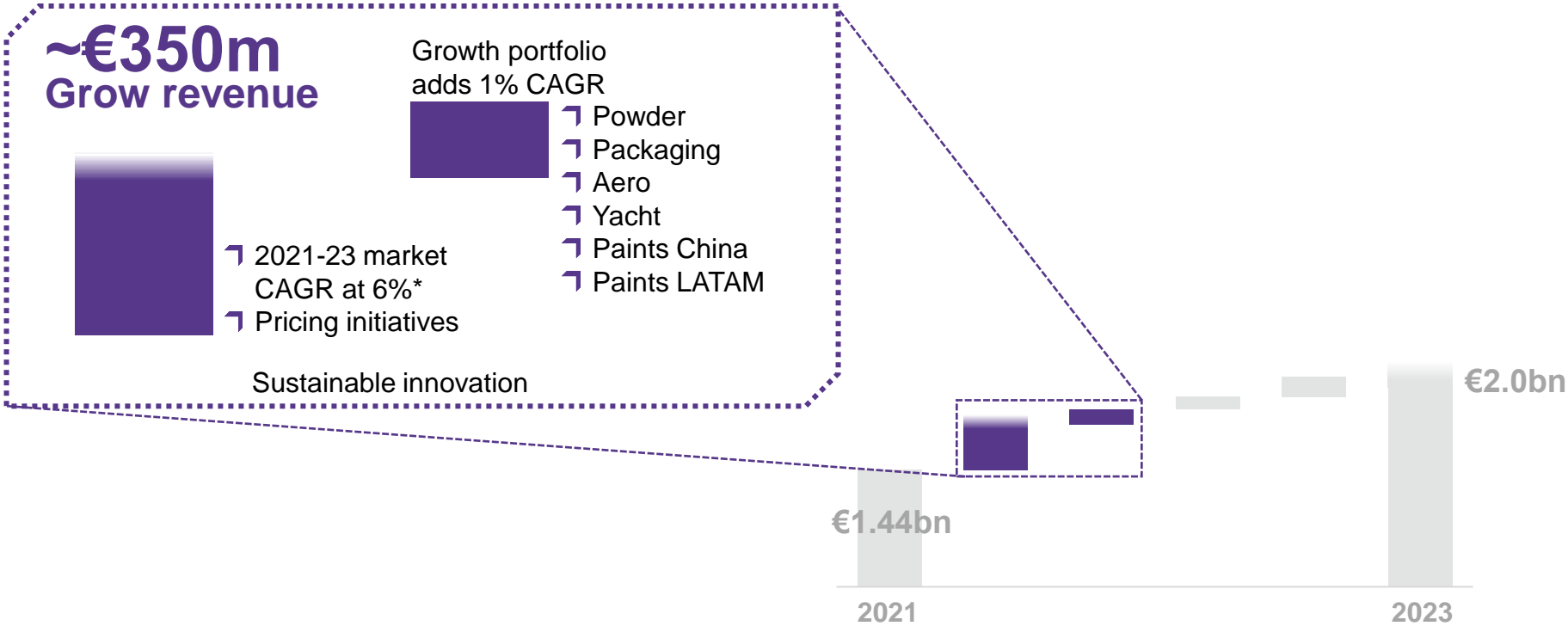
Acquisition of Grupo Orbis is expected to close in Q1 2022.

\* Our definition of Latin America as a region excludes Mexico (part of North America).



# Grow & Deliver: €2bn adj. EBITDA by 2023 AkzoNobel

Grow revenue in line with the market and outgrow selected markets



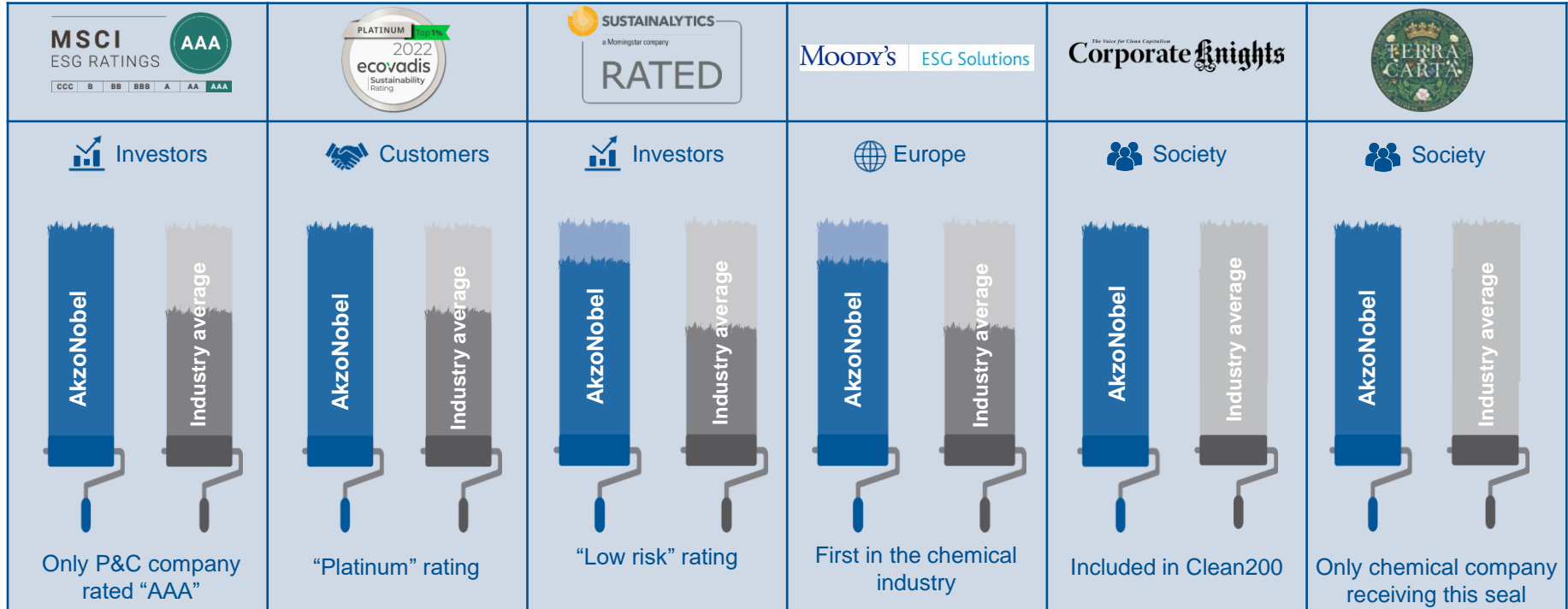
\* Source: Orr & Boss, internally reduced forecast.

# Sustainable Innovation

## Klaas Kruithof

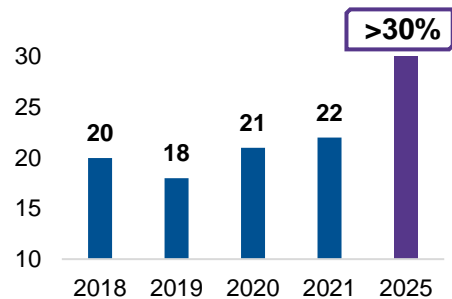


# Recognized sustainability leader in industry AkzoNobel



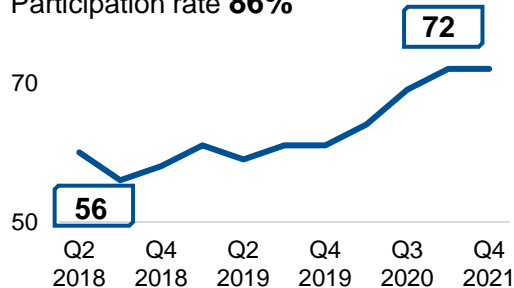
# People. Building a diverse, inclusive and caring organization

## Female executives (in %)



## Organizational Health Index (OHI)\*

Participation rate **86%**



## Demonstrating diversity and inclusion

- Leading safety record in the industry
- >1,000 projects to help revitalize communities between 2020 and 2025
- 35,000 community members trained between 2020 and 2025

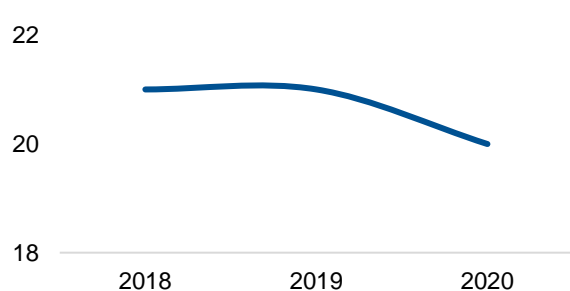
**Top employer** recognition in many key countries, including **China, the UK, the Netherlands, US, Brazil, France and Germany** and **top employer** in Europe



\* Source: Organizational Health Index by McKinsey.

# Planet. 50% less carbon emissions from our own operations by 2030

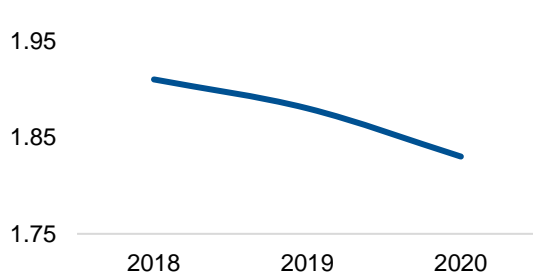
Waste per ton of production (in kg)



## Ambitious 2030 environmental targets

- ↴ 100% renewable electricity
- ↴ >30% energy reduction\*
- ↴ Towards zero waste:
  - ↴ 100% reusable waste
  - ↴ 100% of water intensive sites reusing water

Energy use per ton of production (in GJ)



**€9 million**  
 Saved from projects directly related to **waste, energy reduction and water reuse** in 2020



**100%**  
 Renewable electricity in Europe in 2022



Circular use of paint sludge (Vietnam)



\* Versus 2018 baseline.  
 2021 numbers for energy and waste to be published on March 2, 2022.

# Paint. Delivering value by offering increasingly more sustainable solutions

From...

~40%

Revenue from **sustainable solutions** in 2021

### Ambitious sustainable portfolio targets

- >50% of revenue from sustainable solutions by 2030
- 50% recycled content to be used in plastic packaging by Deco Paints EU by 2025

...Towards

>50%

Revenue from **sustainable solutions** by 2030



### Margin accretive sustainable solutions

Higher gross margin for sustainable solutions versus standard products\*



Dulux Trade contains 35% recycled paint



Robotized application

\* For Performance Coatings, analysis covers majority of coatings product portfolio.

# Pioneering carbon reduction target validated AkzoNobel by the Science Based Targets initiative

- First paints and coatings company with a **carbon reduction target** for the full value chain
- Our target is to reduce carbon emissions for the **whole value chain by 50% by 2030\***
- Our target is **aligned with the Paris agreement**, aiming to limit global warming to max 1.5°C\*\*

# 50%

Reduction in carbon emissions for the whole value chain



info@sciencebasedtargets.org  
www.sciencebasedtargets.org



## Approved science-based target

The Science Based Targets initiative has validated that the corporate greenhouse gas emissions reduction target(s) submitted by

### AkzoNobel NV

have been deemed to be in conformance with the SBTi Criteria and Recommendations (version 4.2). The SBTi's Target Validation Team has classified your company's scope 1 and 2 target ambition and has determined that it is in line with a 1.5°C trajectory.

The official target wording is:

*Dutch multinational paints and coatings company AkzoNobel NV commits to reduce absolute scope 1 and 2 GHG emissions 42% by FY2030 from a FY2020 base year. AkzoNobel NV also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, processing of sold products, and end-of-life treatment of sold products 42% by 2030 from a 2020 base year.*

**Date of issue:** August, 2021

**Certificate Number:** AKZO-NET-003-OFF

An initiative by



\* Baseline 2018.

\*\* Above pre-industrial levels.

# Sustainable innovation

Solutions beyond generations for our customers worldwide

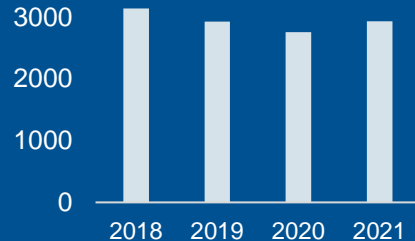
€1.25 billion  
spent on R&D in the last five years

3,000  
scientists employed worldwide

70  
laboratories globally

5  
global technology centers

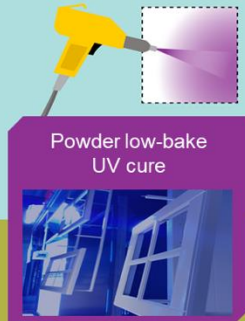
Patent positions



## SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

 Productivity



 Asset protection



 Surface enhancement



 Environmental protection



Customers | Suppliers | Startups | Academia





Advanced Research Center  
Chemical Building Blocks Consortium



Utrecht University

**TU/e** EINDHOVEN  
UNIVERSITY OF  
TECHNOLOGY



rijksuniversiteit  
 groningen

## Startup challenges Global – Brazil – China



MEMBERS  
**10.008**

SUBMISSIONS  
**750**

SoMe REACH  
**71m**

## Supplier challenges 2019-2021



INVITEES  
**127**

SUBMISSIONS  
**214**

SoMe REACH  
**157k**

## Academic program 2016-2026



- Employing ~150 PhDs
- Scientific leader: Prof. Ben Feringa, Nobel Prize Chemistry Laureate 2016



# Collaborative Sustainability Challenge 2022

Expanding our collaborative innovation ecosystem and collectively reducing our carbon footprint together with our value chain partners





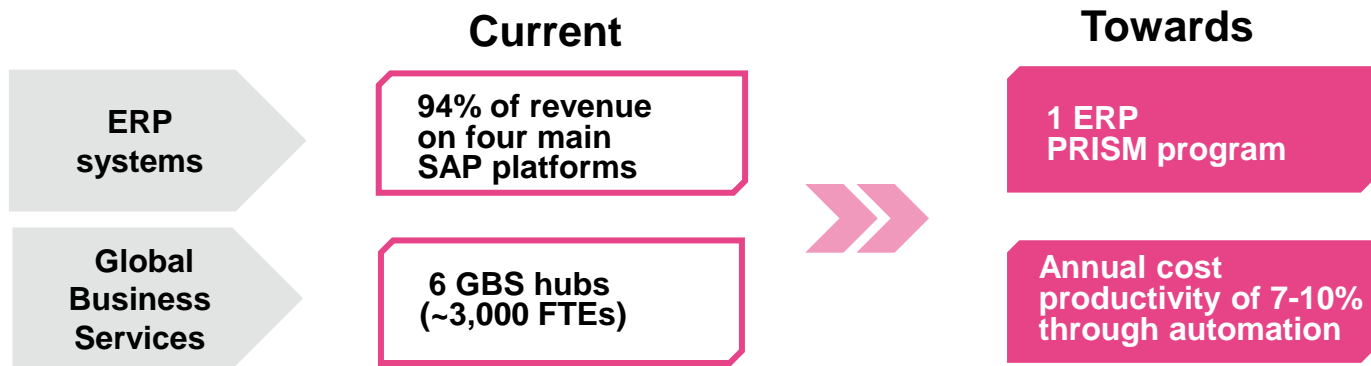
# DELIVER

Maarten de Vries

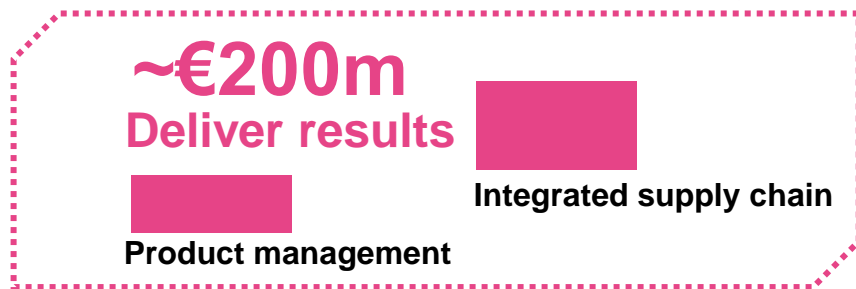


# Strong foundation enables Grow & Deliver AkzoNobel

Precise processes allow for further complexity reduction



Foundation serves as key enabler for complexity reduction



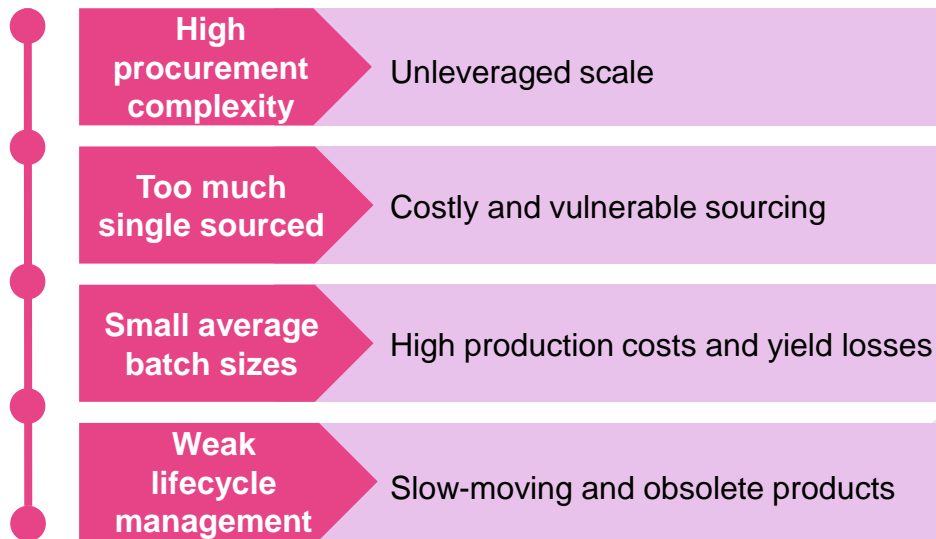


**DELIVER**  
**Product management**  
Thierry Vanlancker



# Product management unlocking end-to-end value through complexity reduction

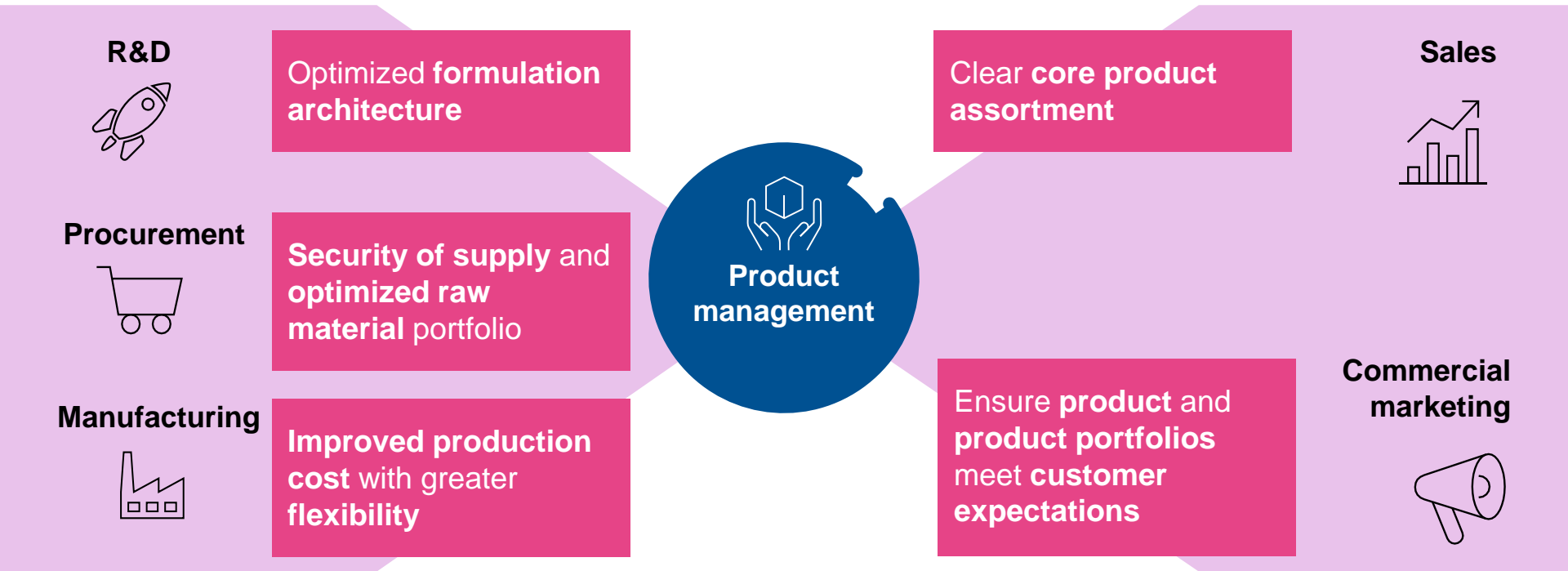
## Legacy...



# Cross-functional collaboration is key to make product management successful

Delivering cost competitive portfolio...

... Defining winning product range



# Product management in place

Driving standardization and simplification

**AkzoNobel**

Resulting in  
**reduced complexity**

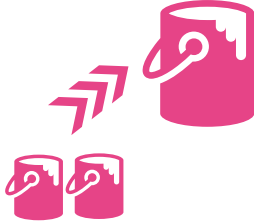
**Half**  
# of raw materials

**Double**  
dual sourcing

**Fewer raw materials**



**Increased batch size**



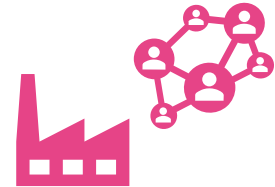
**Late differentiation**



**Standardized packaging**



**Network optimization**





# Case study 1: Product management Decorative Paints EMEA

### From

- ↗ High complexity in
  - ↗ Raw materials and packaging
  - ↗ Finished products
- ↗ Minimal product portfolio and manufacturing leverage
- ↗ 8,400 semi-finished products / formulations with slow-moving and obsoletes



### To

- ↗ EMEA catalog of **formulations** and **packaging**
- ↗ **Late differentiation** for color, labeling and packaging
- ↗ **Reduced complexity** in raw materials
- ↗ **Leverage** of manufacturing network through **archetypes**
- ↗ **Optimization opportunity** in working capital



**-40%**  
formulations

**-25%**  
packaging variants

**~€30m**  
EBITDA improvement  
by 2023\*

\* Compared to 2021 baseline.

# Case study 2: Resins manufacturing and supply **AkzoNobel**

Creating additional in-house value for sustainable growth

Resins to support innovation, growth and sustainability



Strategically positioned to leverage scale and generate value with 23 resin assets



Investments to drive asset efficiency, secure raw material supply and maximize utilization



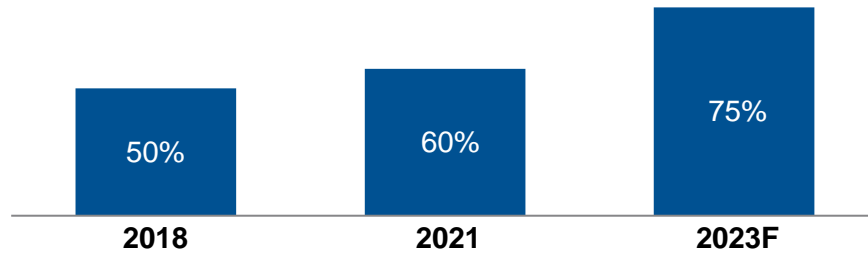
Significant value creation to drive EBITDA improvement by 2023



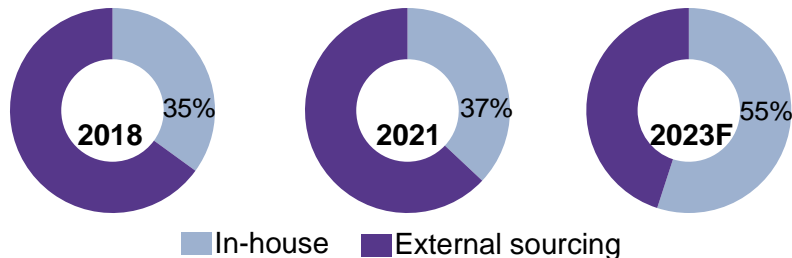
# Resins: Value creation opportunity

Delivering more balanced supply at lower cost

Our global Resin plants' utilization (%)



In-house production volumes vs. external sourcing



- ↗ **Resins** assets to be better utilized
- ↗ Improving overall **profitability**
- ↗ Driving **supply chain resilience** for one of our key raw material streams (2021: ~€1.6bn sourced externally\*)
- ↗ Driving **innovation** through key resins in **collaboration** between our supply partners and our in-house capabilities
- ↗ **EBITDA improvement of ~€15-20m** by 2023

\* Excluding raw material for in-house production.

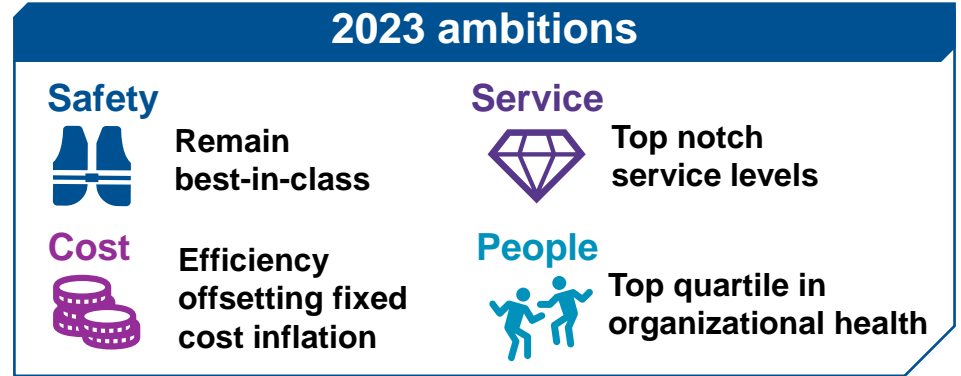
**DELIVER: Integrated  
supply chain**  
Karen-Marie Katholm



# Fit-for-purpose integrated supply chain

Focusing on customer centricity with our 2023 ambitions in mind

- ~14,000 People
- 120 Manufacturing Sites
- 330 Warehouses
- ~€300m CapEx/Year
- ~€1.5bn OpEx
- 80m Customer order lines per year
- 134,000 End products
- >12,000 Raw materials



# Turning supply chain into a competitive advantage



## Plan

- ↗ Enhanced operating model
- ↗ Standardized and integrated processes
- ↗ Best-in-class, end-to-end planning system



## Source

- ↗ Digital transformation
- ↗ Enhanced forecasting capabilities
- ↗ Sourcing experts located close to all markets



## Make

- ↗ Network optimization with insourcing capabilities
- ↗ Continuous improvement
- ↗ Digital enablers and sustainable solutions



## Deliver

- ↗ End-to-end visibility in logistics
- ↗ Optimized warehouse and transport management
- ↗ Best-in-class order fulfilment



# State-of-the-art demand & supply planning AkzoNobel

Increased reliability, responsiveness and visibility for value-driven decisions



## Plan



### From

- ↯ Multiple versions of truth
- ↯ Manual, disconnected planning
- ↯ Limited effectiveness of decision-making



### Through

- ↯ Optimally centralized supply planning
- ↯ Standardized processes
- ↯ One source of truth
- ↯ Scenarios generated by state-of-the-art planning suite



### To

- ↯ **Efficiently leveraged** and resilient supply chain network
- ↯ **High responsiveness** to changing conditions while sensing external dynamics
- ↯ **Agile, effective and speedy** decision-making



~20% lower days of inventory\* and improved service levels

EBITDA improvement of ~€30m by 2023\*

\* Compared to 2021 baseline.

# Digital procurement transformation

Unlocking further value through sourcing efficiency and supply security



## Source



## Challenges

- Supply disruptions
- Inflation
- Raw material shortages
- Logistics capacity shortages
- Labor shortages

## Our response

- Optimizing operating model
- Improving forecasting capabilities
- Preparation for digital transformation

## Towards 2023

- Increase dual-sourcing through **portfolio optimization**
- Improve **supplier risk and performance management**
- More **effective tendering** and **increased market insights**



**Enabling lower cost to serve, value engineering and product management**



# Customer-centric network optimization

Organized through manufacturing archetypes, while investing for growth



**Simple and efficient**

**60%**  
of volumes



- Lowest total cost for high volumes at consistent quality
- Example: White wall paint, packaging coatings



**Managed complexity**

**35%**  
of volumes



- Many end products with selective customizations at balanced cost
- Example: Coloured wall paint, basecoats for vehicle refinishes



**Make**

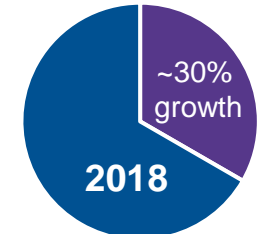
**Agile and adaptive**

**5%**  
of volumes

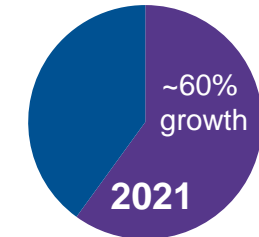


- Fulfil new and/or last-minute customer requests at a fast pace
- Example: Aerospace Coatings, rapid service unit for Powder

**CAPEX shifting towards growth**



**2018**



**2021**

■ Growth  
■ Maintenance



# Driving operational efficiency

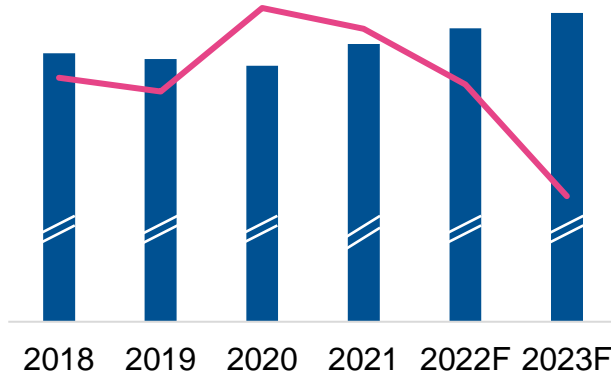
Continuous improvement via digitization & automation to offset fixed cost inflation



3+% efficiency gains on average  
(year-on-year)

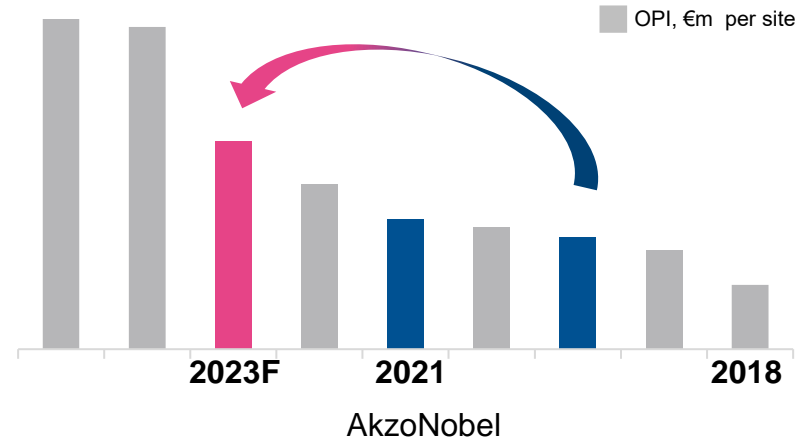


Make



Production volumes  
Production cost per unit

Improvement in OPI per  
site vs peers by 2023\*



EBITDA improvement of ~€60m by 2023\*\*  
(net of fixed cost inflation)

Source: company reporting and internal analysis.

\*AkzoNobel assumes 2021 OPI (peers latest available annual figures and number of plants).

\*\* Compared to 2021 baseline and by end of 2023.

# Improved customer service

Enabled by transparency and agility at competitive cost levels



- ↙ Freight optimization
- ↙ Predictive analytics



- ↙ Warehouse management
- ↙ Network optimization



- ↙ Tailored service level agreements
- ↙ Track and trace

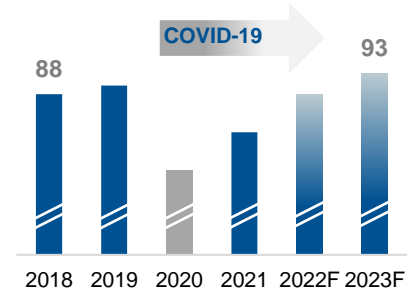


**Deliver**

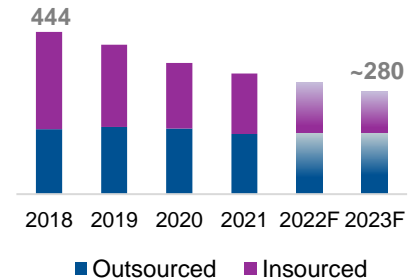


**EBITDA improvement of ~€60m by 2023\*\***

## Improved service levels\*



## Optimized warehouse network

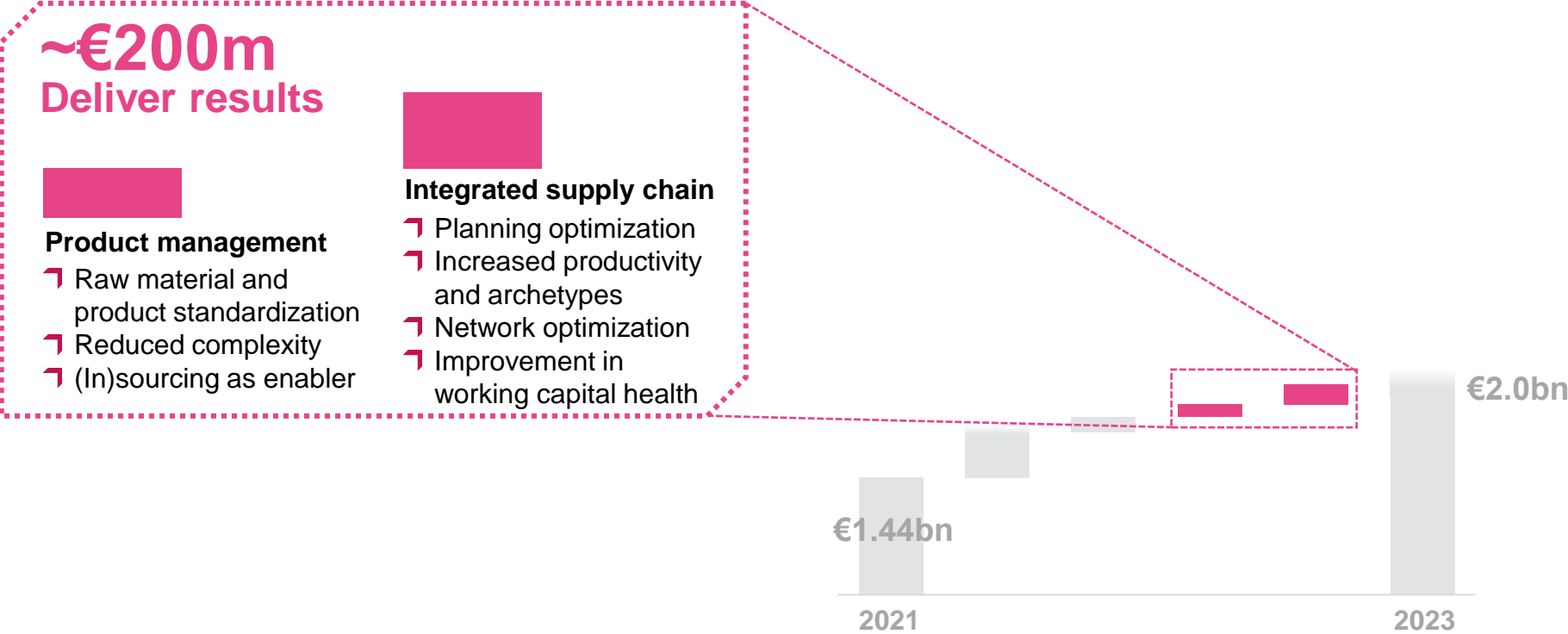


\* Measured by the metric "on time, in full %".

\*\* Compared to 2021 baseline.

# Grow & Deliver: €2bn adj. EBITDA by 2023

Deliver efficiency gains and cost optimization



# Capital allocation

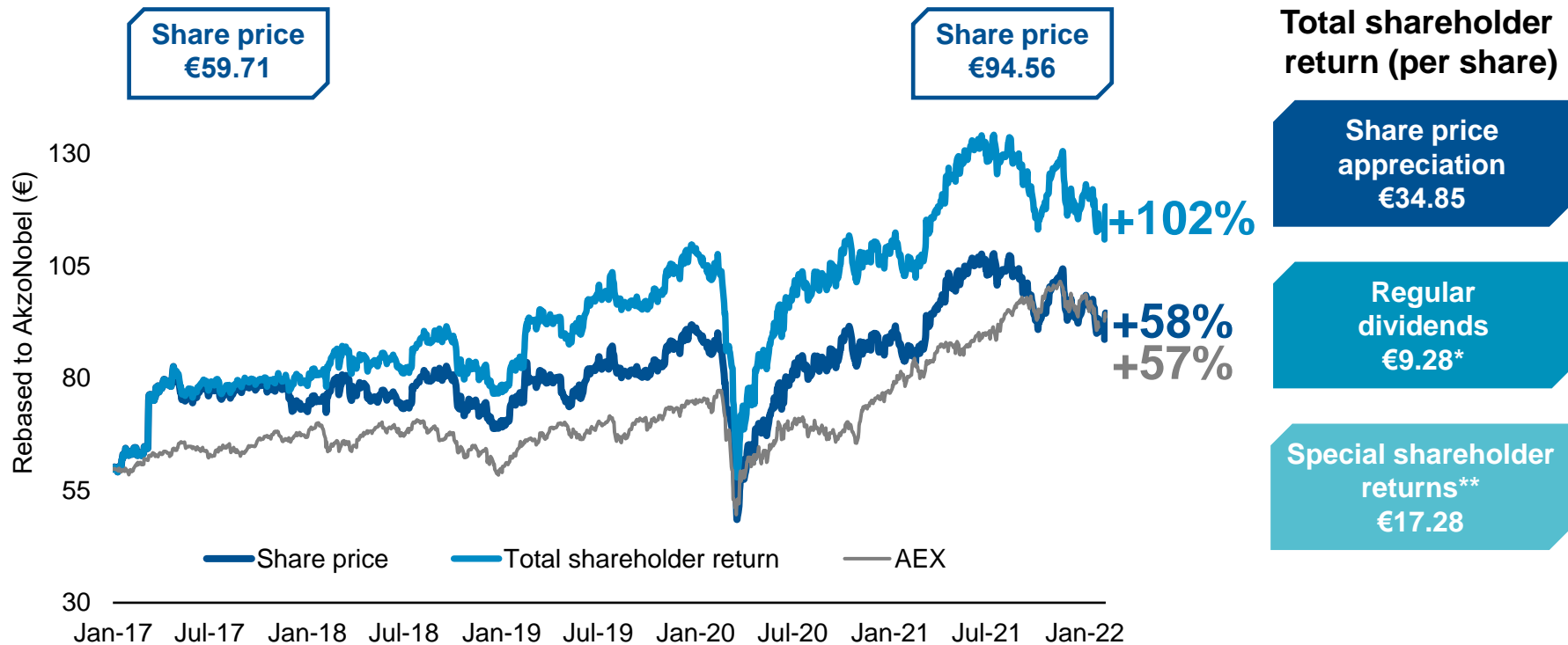
Maarten de Vries



# Total shareholder return

Significant value unlocked since 2017

# AkzoNobel

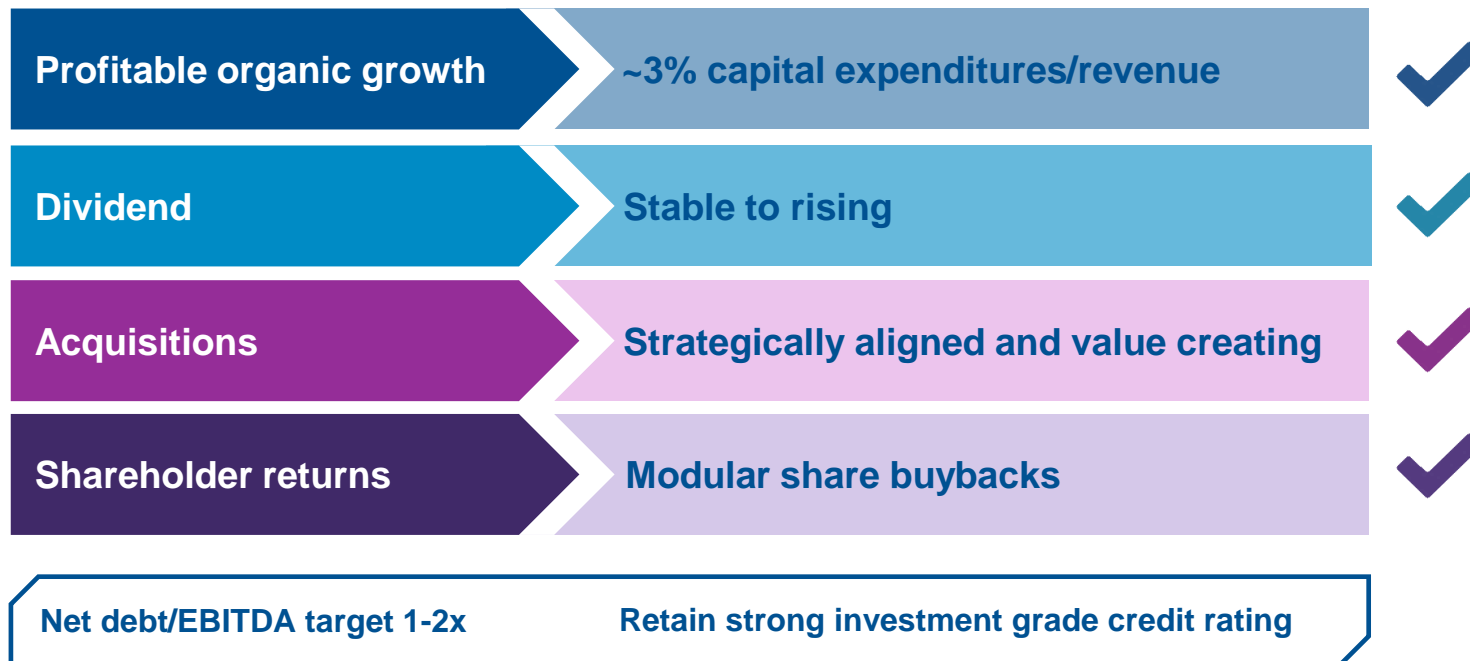


Source: Bloomberg; January 2, 2017 to February 10, 2022.

\* Regular dividends declared for 2017-2021.

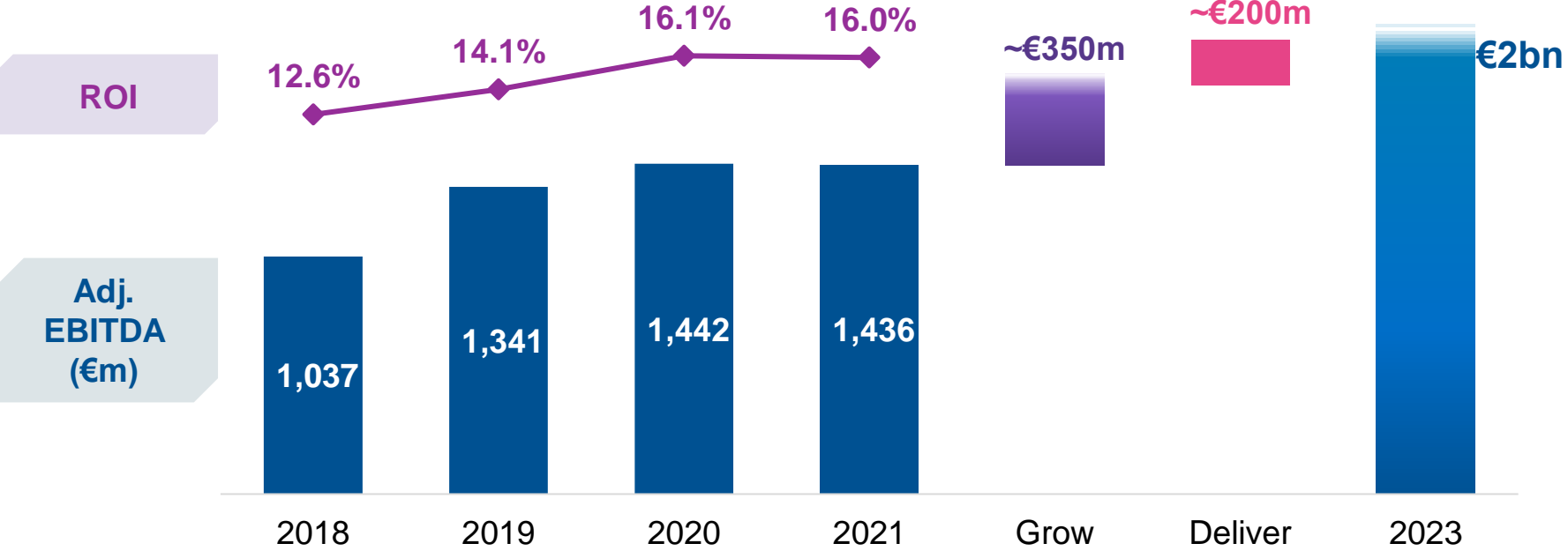
\*\*Special dividend (€4.00) + capital repayment (€8.78) + special dividend (€4.50).

# Delivering on capital allocation priorities



# On the way to €2bn adj. EBITDA by 2023

Increasing return on invested capital

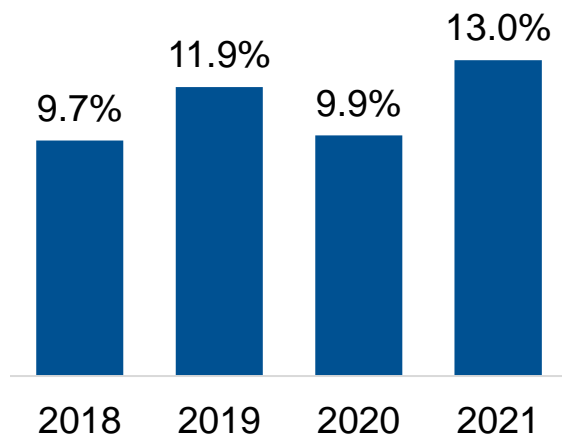




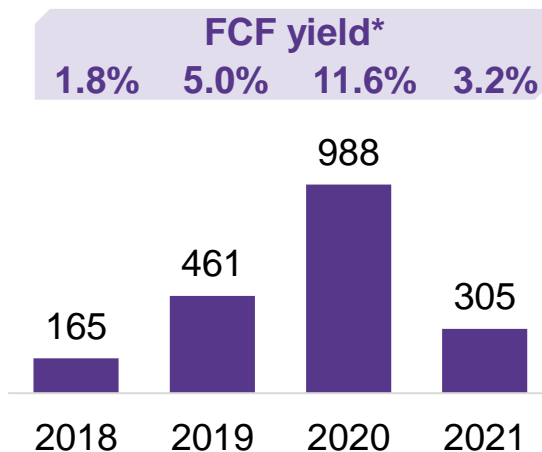
# Working capital and free cash flow

Impacted by raw material inflation and supply constraints

Operating working capital (Trade) as a % of revenue



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



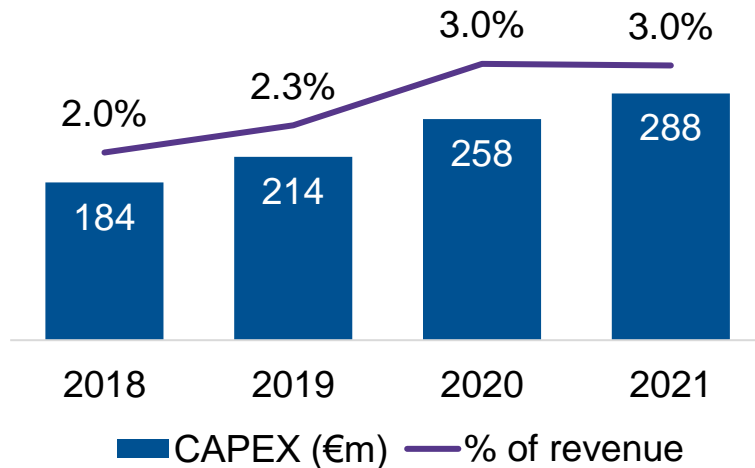
- Working capital lower versus comparable peers
- Working capital impact from raw material inflation at ~2% (2021)
- Supply chain initiatives to drive 20% improvement in days in inventory by 2023
- Annual pension top-up payments of ~€10m moving forward

\* Defined as free cash flow excl. pension pre-funding and top-payments as percentage of revenue.

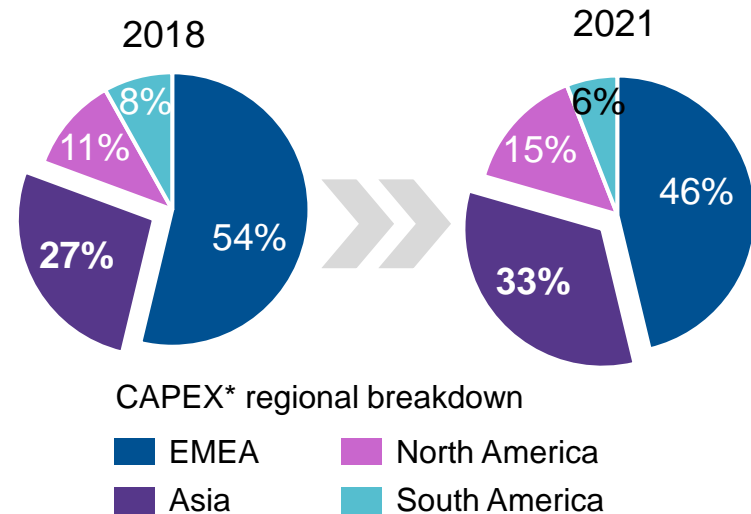
# Capital expenditures

Directing investments to support growth businesses

CAPEX expansion to support Grow & Deliver ...



...with increased focus on Asia



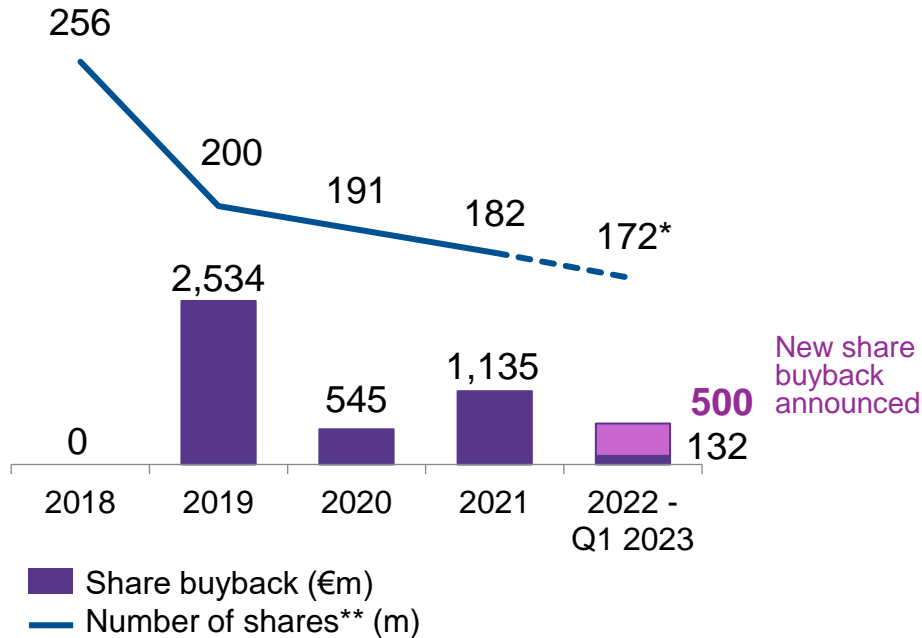
CAPEX\* regional breakdown

- EMEA
- Asia
- North America
- South America

\* Excludes CAPEX in intangible assets.

## Shareholder returns

Significant reduction in shares through share buybacks



- ↗ **29%** of shares canceled vs 2018
- ↗ **€2.5bn** cash returned from Specialty Chemicals divestment in 2019
- ↗ **€1.8bn\*\*\*** in Q4 2019-22 YTD
- ↗ **€500m** new share buyback to be completed by Q1 2023

\* Based on the share price as of February 10, 2022, and cancellation of treasury shares.

\*\* At year-end and including treasury shares.

\*\*\* Includes €132m share buyback completed in Q1 2022.

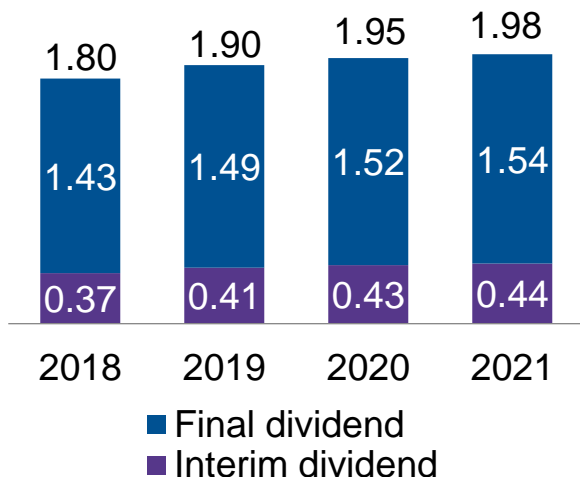
# Dividends and earnings per share

Stable to rising dividends and significant EPS growth

## 2.3%

avg. dividend  
yield 2018-21

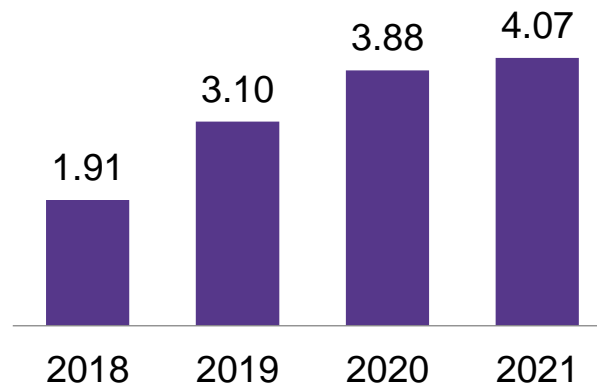
### Dividends per share (€)



## 113%

adj. EPS  
growth  
2018-21

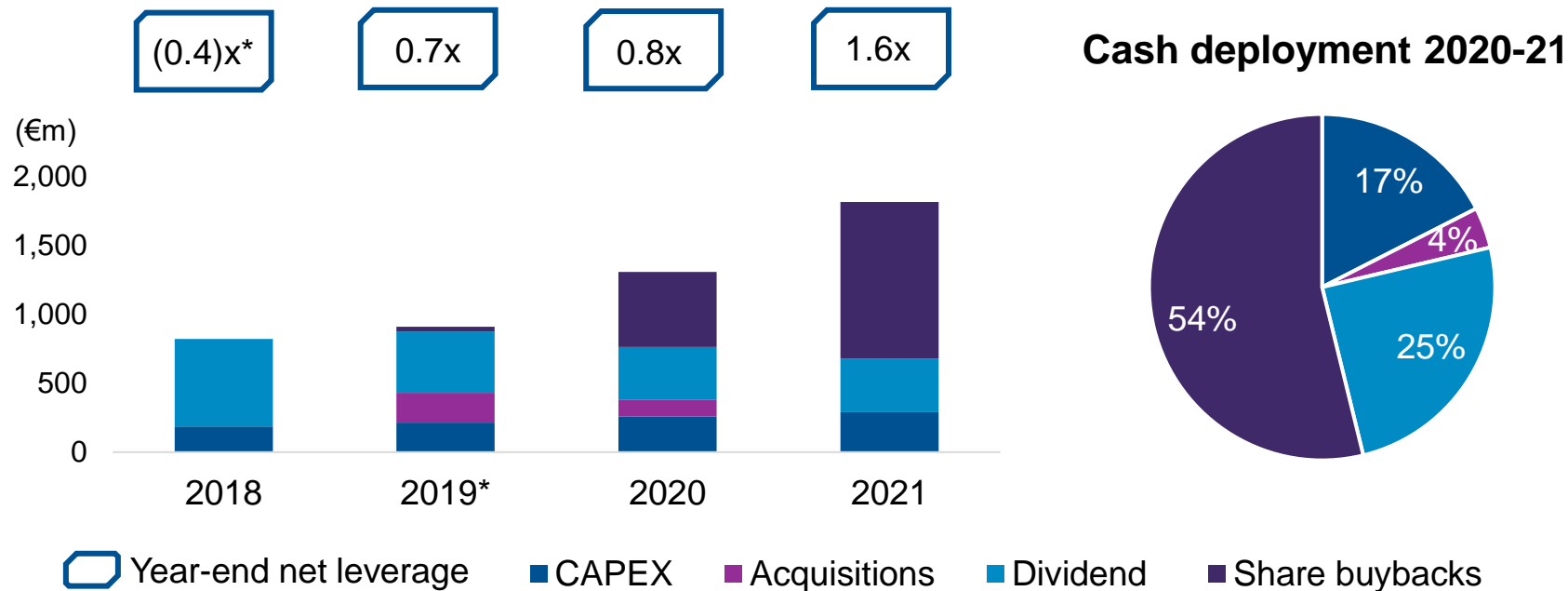
### Adj. earnings per share\* (EPS) (€)



\* Adjusted earnings per share from continuing operations.

# Executing on capital allocation priorities

Deployed >75% of cash to shareholder returns (2020-21)



\* Adjusted for the cash returned to shareholders from the Specialty Chemicals divestment.

# Track record of strategic M&A

2018

xylazel

**Spain**

Leading woodcare position



**Romania**

Leading paints position



**Malaysia**

Leading paints position

2019

MAPAERO

**Aerospace**

Cabin/interior coatings



**Mauritius**

Leading paints position

2020



**Yacht**

North America retail

2021



**Spain**

Leading paints position

2022



**Central and South America**

Leading paints position

- ↗ Track record of accretive acquisitions
- ↗ Clear mapping to business and regional gaps and opportunities
- ↗ Delivered **1% CAGR** of **inorganic topline growth (2018-21)**
- ↗ Discipline to buy the right assets at the right price, post synergy value-weighted multiple **<11.5x\***

Acquisition of Grupo Orbis is expected to close in Q1 2022.

\* EV-weighted average of EV/EBITDA transaction multiples.

# M&A case study: Decorative Paints Spain

# AkzoNobel

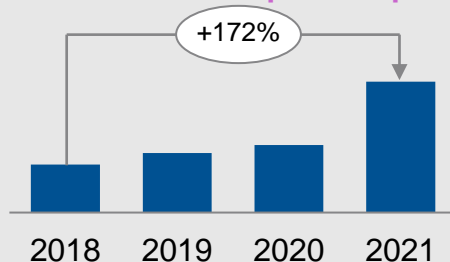
Building on strong foundations with series of acquisitions

€600m\* market

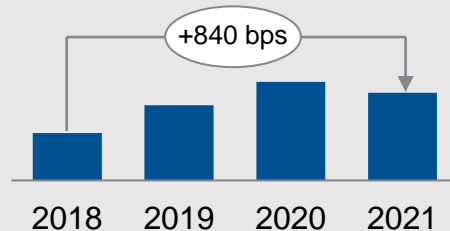
#1 position\*\*



Revenue AkzoNobel paints Spain (€m)



ROS AkzoNobel paints Spain (%)



## Logical fit

- ↙ Leading position\*\*
- ↙ Leading local brands:
  - #1 brand\*\* in color (Bruguer)
  - #1 brand\*\* in premium wall paint (Titan)
  - Leading woodcare position\*\* (Xylazel)
- ↙ Joint technical and commercial expertise
- ↙ Foundation for future growth opportunities including Green Deal

## Synergy case

- ↙ Network optimization
- ↙ Selling, general & administrative costs
- ↙ Cross-channel sales opportunities
- ↙ Titan: 50% of synergies will be realized in 2022

\* Source: internal analysis.

\*\* By value.

# **GROW & DELIVER recap**

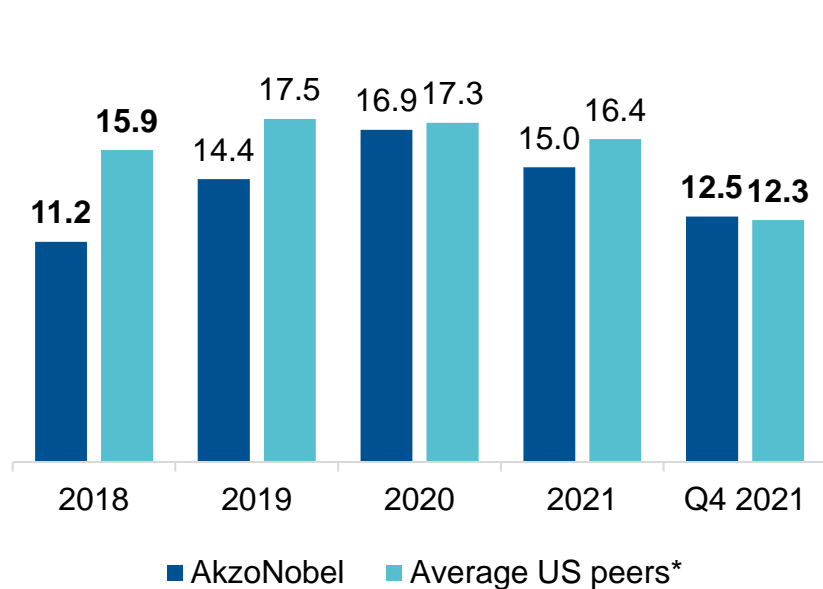
Thierry Vanlancker



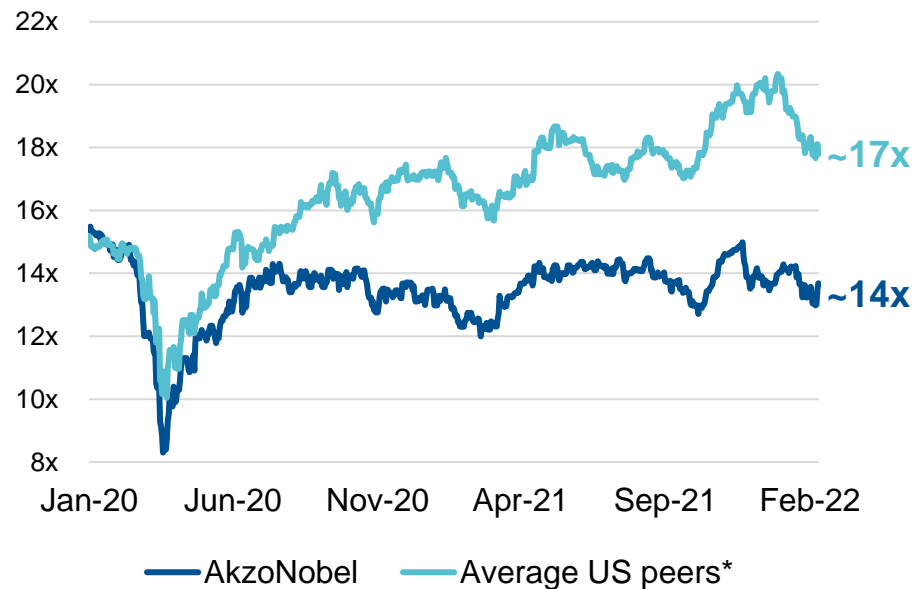


# EBITDA margin on par with US peers

### Adj. EBITDA margin (%)



### Evolution of EV to trailing 12 months adj. EBITDA\*\*

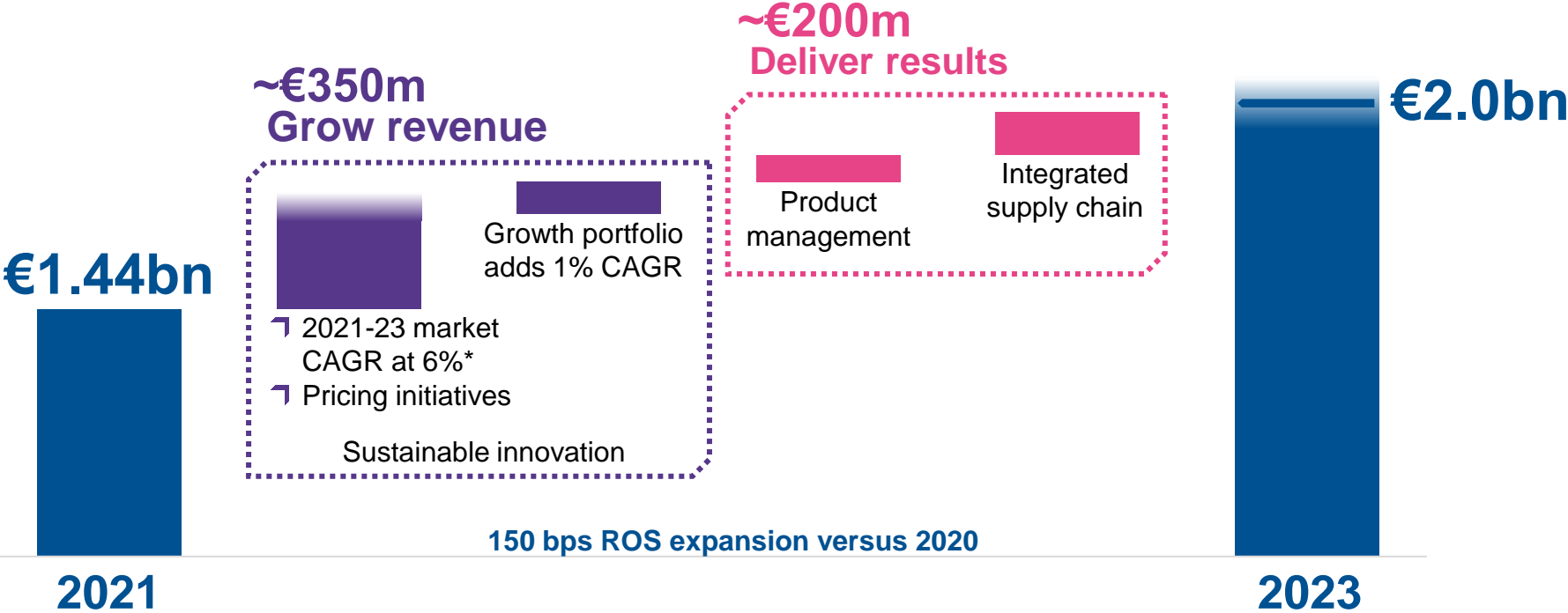


\* Sherwin-Williams, PPG, Axalta. Source: company reporting.

\*\* Source: Factset; January 1, 2020 to February 10, 2022.

## Grow & Deliver: €2bn adj. EBITDA by 2023

Step-up underpinned by growth and operational efficiencies



\* Source: Orr & Boss, internally reduced forecast. Assumes no significant market disruption.

# Appendix

## 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
- ↴ **Adjusted EBITDA margin** is adjusted EBITDA as percentage of revenue
- ↴ **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 2021-2023

- ↴ Revenue growth  $\geq$  market CAGR\*
- ↴ €2bn adjusted EBITDA for 2023
- ↴ 150 bps ROS expansion versus 2020
- ↴ Effective tax rate ~26%
- ↴ Capital expenditures ~3% of revenue
- ↴ Dividend policy “stable to rising”
- ↴ Leverage 1-2x net debt/EBITDA

Assumes no significant market disruption