

Analyst Factsheet

Half-year and Q2 2017

July 25, 2017

AkzoNobel



Half-year revenue up 4%; strong progress on strategy to accelerate growth and value creation

Progressing strategy to accelerate growth and value creation

- Capacity expansions in Brazil, Mexico, Sweden and Thailand
- Two acquisitions announced to strengthen Performance Coatings business
- Decorative Paint product launches including Levis in China and EasyCare in Brazil
- Specialty Chemicals separation process on track for completion by April 2018
- Shareholder engagement plans announced including EGM on September 8, 2017
- New set-up for Executive Committee

Half-year:

- Volumes up 2%, driven by Decorative Paints and Specialty Chemicals
- Revenue up in all Business Areas and 4% overall, mainly due to volume growth and acquisitions
- EBIT up 1% at €837 million (2016: €825 million), mainly due to volume growth and continuous improvement, partly offset by higher raw material costs and continued weak demand in Marine and Protective Coatings

Q2:

- Volumes increased for Decorative Paints and Specialty Chemicals, and flat overall
- Revenue up 2% driven by Performance Coatings and Specialty Chemicals
- EBIT at €461 million (2016: €491 million), impacted by higher raw material costs, continued weak demand in Marine and Protective Coatings and a planned maintenance turnaround in Industrial Chemicals

Outlook

We continue to anticipate positive developments for EMEA (excluding the UK), North America and Asia, improving during the year, while Latin America is expected to stabilize. Market trends will remain challenging for the marine and oil and gas industries.

We have improved our ability to respond to developments in our markets and continue taking appropriate measures, including structure to drive operational excellence and additional cost control, to deal with higher raw material prices in an inflationary environment.

We continue to expect EBIT for 2017 to be around €100 million higher than 2016, as a result of growth momentum and continuous improvement, assuming no further material changes in market and economic dynamics, including foreign currencies.

Highlights half-year and Q2 2017

Decorative Paints

Half-year:

Volumes up 6%, driven by Asia and Latin America. Revenue was impacted by adverse price/mix effects. Favorable impact from Brazilian real was offset by the weakening of pound sterling. EBIT and operating income improved 8%, driven by volumes and cost control, adversely impacted by unfavorable price/mix effects and higher than anticipated raw material costs. ROS increased to 10.1% (2016: 9.6%); ROI increased to 13.5% (2016: 12.3%).

Q2:

Volumes up 3%, driven by Asia and Latin America. Revenue was impacted by adverse price/mix and currency effects. EBIT and operating income were adversely impacted by unfavorable price/mix effects and higher than anticipated raw material costs, partly offset by cost measures.

Performance Coatings

Half-year:

Volumes down 2% due to weak demand for Marine and Protective Coatings. Volumes up excluding Marine and Protective Coatings. Revenue up 4%, mainly due to the acquired Industrial Coatings business. EBIT and operating income adversely impacted by ongoing weakness in the marine and oil and gas industries. ROS at 13.1% (2016: 14.3%) and ROI at 27.2% (2016: 31.0%), affected by Marine and Protective Coatings and the integration of the acquired Industrial Coatings business.

Q2:

Volumes up for Industrial and Powder Coatings more than offset by lower volumes in Marine and Protective Coatings. Revenue up 2%, mainly due to the acquired Industrial Coatings business. EBIT and operating income adversely impacted by ongoing weakness in the marine and oil and gas industries, as well as increased costs of raw materials.

Specialty Chemicals

Half-year:

Volumes up 4% with growth in most business units and all regions. Revenue up 6% due to higher volumes and positive currency and price/mix effects. EBIT and operating income up 3% mainly due to the higher volumes. ROS at 13.9% (2016: 14.2%); ROI at 18.0% (2016: 17.1%).

Q2:

Volumes up 2% with growth in all business units, except for Industrial Chemicals, and all regions. Revenue up 4% due to higher volumes and positive price/mix effects. EBIT and operating income flat as favorable volume and price/mix developments were offset by the impact of a planned maintenance turnaround in Industrial Chemicals.

Raw materials

Raw material prices were higher compared to the same period in 2016. We are taking appropriate measures to deal with higher raw material prices in an inflationary environment. These measures were already effective for Specialty Chemicals, while for Decorative Paints and Performance Coatings it can take several quarters before the necessary mitigating impact is fully realized.

Other activities

Half-year: In other activities, EBIT improved. Operating income was impacted by identified items. In 2016, operating income was positively impacted by an identified item of €23 million with respect to sale of assets. In 2017, operating income was negatively impacted by identified items totaling €20 million, mainly related to the implementation of the new strategy to create two focused high-performing businesses and legal and anti-trust related items.

Q2: EBIT in other activities was in line as lower insurance related costs in Q2 2017 offset favorable one-time adjustments on legacy provisions in Q2 2016. Operating income was negatively impacted by identified items totaling €20 million.

Cash flows and net debt

Operating activities in Q2 2017 resulted in a cash inflow of €312 million (2016: €453 million). At June 30, 2017, net debt was €1.9 billion (2016: € 1.6 billion) versus € 1.3 billion at year-end. The increase is mainly due to pension top-ups which were paid in Q1 and the share repurchase program.

Financial summary

€ million Unless stated otherwise	2016			2017		
	Q1	Q2	Half-year	Q1	Q2	Half-year
Revenue	3,430	3,711	7,141	3,661	3,785	7,446
Decorative Paints	861	1,055	1,916	922	1,046	1,968
Performance Coatings	1,388	1,473	2,861	1,471	1,504	2,975
Specialty Chemicals	1,206	1,206	2,412	1,289	1,259	2,548
Other	(25)	(23)	(48)	(21)	(24)	(45)
EBITDA	487	642	1,129	534	620	1,154
D&A	(153)	(151)	(304)	(158)	(159)	(317)
EBIT(operating income excluding identified items)	334	491	825	376	461	837
Decorative Paints	52	131	183	77	121	198
Performance Coatings	186	222	408	187	202	389
Specialty Chemicals	164	179	343	176	179	355
Other	(68)	(41)	(109)	(64)	(41)	(105)
Identified items	23	0	23	-	(20)	(20)
Operating income	357	491	848	376	441	817
Finance income/expenses	(27)	(22)	(49)	(22)	(19)	(41)
Results from associates and joint ventures	20	8	28	8	8	16
Profit before tax	350	477	827	362	430	792
Income tax	(86)	(138)	(224)	(101)	(104)	(205)
Non-controlling interests	(23)	(27)	(50)	(21)	(24)	(45)
Discontinued operations	(1)	-	(1)	-	(1)	(1)
Net income attributable to shareholders	240	312	552	240	301	541
Tax rate	25%	29%	27%	28%	24%	26%

Revenue development

in % versus half-year 2016	Volume	Price/mix	Acquisitions/ Divestments	Exchange rates	Total
Decorative Paints	6	(3)	-	-	3
Performance Coatings	(2)	-	5	1	4
Specialty Chemicals	4	1	-	1	6
Total	2	(1)	2	1	4

in % versus Q2 2016	Volume	Price/mix	Acquisitions/ Divestments	Exchange rates	Total
Decorative Paints	3	(3)	-	(1)	(1)
Performance Coatings	(4)	1	5	-	2
Specialty Chemicals	2	2	-	-	4
Total	-	-	2	-	2

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