AkzoNobel received questions from the VEB on April 22nd. Below are the answers to the questions, dated April 23, which were not answered live during the Annual General Meeting 2020.

Agenda item 2a.
Question 2. On March 31 AkzoNobel announced that it was forced 'to pause key parts of the transformation'. Could AkzoNobel provide some more background on what specific parts of the transformation have been put on hold?

As announced on March 31st, the significant market disruption resulting from the COVID-19 pandemic means we have to pause key parts of our transformation and suspend our 2020 financial ambition. Practically, this means we will pause ERP integrations for the second quarter, after having successfully integrated our ERP systems in the Middle East during the first quarter.

Question 3. Does AkzoNobel have the flexibility to initiate more cost saving programmes at short notice? If so, could AkzoNobel substantiate this further?
Question 4. Considering the operating leverage that characterizes AkzoNobel, will the anticipated cost savings programme for 2020 of EUR 120 mln suffice to protect margins?

As mentioned, unfortunately, the COVID-19 situation means we need to pause key parts of our transformation and suspend our 2020 financial ambition. At the same time, we're also taking all necessary measures, including steps to rapidly reduce costs and carefully manage cash flows in the short term. Examples are a complete hiring freeze, a zero-based expense mentality and virtually no travel expenses at present. We have also commented quite elaborately on cost savings in our Q1 2020 results analyst webcast yesterday. A replay is available on our website.

Overall, we delivered a further €44 million cost savings in the first quarter 2020, from both transformation and other cost savings. For the full year, we will fully deliver the €120 million savings overall.

Question 6. During the annual results 2019 presentation AkzoNobel announced the withdrawal of its return on investment target (ROI) for financial year 2020, initially set at more than 25 percent. The goal is now reduced to at least 20 percent. In the press release of March 31 2020 AkzoNobel stated that due to the COVID-19 pandemic, this lowered target was no longer achievable in 2020 and – in essence – postponed.

What gives AkzoNobel the comfort that the 20 percent hurdle will be reached albeit not in 2020?

As mentioned, the COVID-19 situation means we have to pause key parts of our transformation and suspend our 2020 financial ambition, which included our ROI ambition. As presented in our Investor Update in February, our current strategy provides good momentum to deliver improved ROI, despite the impact of IFRS 16, lower growth and acquisitions.

Question 7. Given the fact that the guided increase in capex spend (as a % of revenues), is it fair to assume that the increase in capital productivity will be fully driven by the optimization of working capital?
Question 8. Does AkzoNobel foresee that – next to margin expansion – a higher capital productivity can be realized? If so, could AkzoNobel shed some colour on the different moving parts there?

The multi-year programs we are running as part of our transformation will deliver further margin expansion and more efficient use of capital in the coming years. For example, integrated business planning (or IBP) and our footprint optimization. It is good to mention that AkzoNobel is relatively capital light, with around 2.5% of revenue invested in capital expenditure each year and, compared to our industry peers, we are the leader in terms of working capital performance.

Question 9. Will AkzoNobel continue repurchasing shares under the current EUR 500 mln share buyback program, of which EUR 408 mln was completed as per Q1 2020? If so, does that compromise its risk profile?

The total amount repurchased under the program was around €472 million by April 17, 2020. We expect the €500 million share buyback to be completed very soon.