

## Coatings Industry News

### AkzoNobel Q2 Financials Indicate Flat Revenue

Thursday, July 25, 2019

Global coatings manufacturer AkzoNobel (Amsterdam) released its second-quarter financial report Wednesday (July 24), with revenue coming in flat, though there was an increase in return on sales for both the Decorative Paints and Performance Coatings segments.

The company also reported an increase in strength in its aerospace coatings offerings with the [acquisition of Mapaero](#), announced earlier this month.

#### Financial Overview

Though revenue was flat for the second quarter at 2.45 billion euros (\$2.73 billion) there was a 1% increase in constant currencies. Adjusted operating income was also up 36%, totaling 305 million euros (roughly \$339.9 million), over 2018's second-quarter 225 million euros. This growth was largely attributed to ongoing pricing initiatives and cost-saving programs. ROS also clocked in at 13.7%, excluding unallocated costs, up over 2018's 12.1%.



Images: AkzoNobel

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Operating income totaled 308 million euros, including a 3 million euro positive impact from identified items connected to a gain on disposal following asset network optimization and transformation costs. The company's focus on "value over volume" also resulted in a 5% increased price/mix and 6% lower volumes.

The [Mapaero acquisition](#) will strengthen the company's position in the aerospace coatings segment, according to AkzoNobel, specifically in the structural and cabin coating sub-segments. Mapaero was established in 1992 and specializes in sustainable water-based and eco-friendly products.

AkzoNobel also reported progress toward its "Winning Together: 15 by 20" initiative, which aims for the company's ROS to hit 15% and its ROI to be greater than 25%.

#### Decorative Paints

The ROS for AkzoNobel's Decorative Paints segment was up by 13.5% (a 1.3% increase over 2018). The positive trend continued with a 4% increase in price/mix. Both pricing initiatives and acquisitions more than compensated for lower volumes.

Revenue for the segment was reportedly flat, but was up 2% in constant currencies, and revenue from acquisitions was up 2%. Adjusted operating income increased to 196 million euros over 2018's 179 million euros, which was attributed to pricing initiatives and cost savings successfully offsetting as well as overcompensating for higher raw material costs and lower volumes.

Volumes were also 5% lower due to the company's focus on value over volume, as well as lower volumes in China. If China is excluded, volumes were 1% lower.

## Performance Coatings

ROS for the Performance Coatings' second quarter increased to 13.6%, which was attributed to a price/mix of 7% connected to pricing initiatives. Revenue for Marine and Protective Coatings was reportedly flat, and the Powder Coatings segment experienced the same.



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Segment revenue decreased 1%. Adjusted operating income increased to 197 million euros, with pricing initiatives and cost control more than compensating for higher cost of raw materials and lower volumes.

### Looking Ahead

Though demands differ per region and segment "in an uncertain macro-economic environment," according to AkzoNobel, raw material inflation is forecasted to stabilize during the second half of this year. The company will be using pricing initiatives and cost saving to address current issues.

Currently, AkzoNobel is aiming to deliver the next 200 million euros in cost savings by next year, which will also include incurring one-off costs in both this and next year.

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