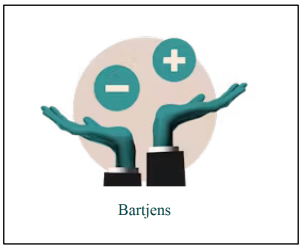
Down Under they're not so happy with AkzoNobel



2 May 2024 (21:42)

By Bartjens, Het Financieele Dagblad

A compromised pipeline network along the Australian coast threatens to become a financial noose for AkzoNobel. The Dutch paint giant supplied coatings to a billion-dollar LNG project, but the 900 kilometers of pipelines are ‘affected’ and ‘discolored’ according to the clients. Reasons to put a claim of **€1.5 billion** on Akzo.

By order of the judge, the three parties – Akzo, the Japanese oil company Inpex and the engineering company JKC Australia – tried to sort this out together. But the talks stalled and a hearing turned out to be inevitable. It is planned for this spring, Akzo reported last week in their quarterly report.

On the stock exchange, Akzo’s shares reacted strongly to the report. According to CEO Grégoire Poux-Guillaume, this came from disappointment: investors would not agree that the company did not adjust the targets for the whole of 2024, after a ‘solid’ first quarter.

Is that statement more likely than the impending billion-dollar claim? - Just say it. The fact is that the price that date fell by almost 7% that day, or € 5.08 per share. That figure times the total number of outstanding shares and then you end up with about €867 million. More than half the amount required. You could conclude that the market gives AkzoNobel less than 50% chance of winning the business.

Perhaps more important is the question of what the potential consequences of a loss are for their debt position, which was already quite high at the end of the quarter of 2.7 times the EBITDA. Does the company have enough space to digest a fine of €1.5 billion? For example, for this year, AkzoNobel strives for a gross operating result between €1.5 and € 1.65 billion.

At the end of March, the net debt of the paint giant was more than €4 billion. With a debt ratio of 2.7, Akzo charged with a gross operating result (EBITDA) of around €1.49 billion. If you add €1.5 billion in the current debt position, you will reach a ratio of 3.7. Should the company reach the top of its EBITDA target

(€ 1.65 billion this year), the debt ratio will be 3.4. That is considerably higher than the goal of AkzoNobel to have a debt ratio of 2.3 at the end of 2024.

Akzo has been in hot water before, but it would be a downer if the company sees its debt position rise again. In any case, Akzo's top management say they are not worried about the outcome of the lawsuit trial. The company rejects all claims and would be well insured. Let's hope that the bravado of CEO Poux-Guillaume turns out to be well founded and the 'Down Under' situation ends with a fizzle.

Originally published as **'*Down Under zijn ze niet zo blij met AkzoNobel*' in Het Financieele Dagblad (fd) - Financiële markten (May 2024)**
https://fd.nl/financiele-markten/1515386/down-under-zijn-ze-niet-zo-blij-met-akzonobel
with translation service provided by Google Translate®