

Research Update:

Paints And Coatings Producer Akzo Nobel Affirmed At 'BBB/A-2' On Announced Merger With Axalta; Outlook Negative

November 25, 2025

Rating Action Overview

- On Nov. 18, 2025 Akzo Nobel and Axalta announced an all-stock merger, creating a global coatings leader with about \$17 billion of revenue and expected EBITDA of \$3.3 billion, including \$600 million synergy potential.
- We expect the transaction to close by early 2027, subject to regulatory and shareholder approvals. We expect Akzo Nobel shareholders to own 55% of the group, following a €2.5 billion special dividend before the deal's completion, while Axalta shareholders would retain 45%.
- With 2.0-2.5x unadjusted net debt to EBITDA target, we expect the final structure to achieve an investment-grade rating, although the level will depend on the transaction parameters, notably on potential disposals to come as part of the merger.
- We therefore affirmed our 'BBB' long-term and 'A-2' short-term issuer credit rating on Akzo Nobel, and our 'BBB' issue ratings on the company's senior unsecured instruments.
- The negative outlook reflects our view that the rating on the final business combination could deviate by one notch from the 'BBB' rating. This factors in execution risk with the transaction and associated synergies, and the market-related risks given weak conditions in the chemicals industry.

Rating Action Rationale

Akzo Nobel and Axalta announced to combine in all-stock merger of equals. We expect the transaction to close from fourth-quarter 2026 to first-quarter 2027, and will be subject to approvals, including antitrust authorities, shareholders, and works council consultation requirements at Akzo Nobel. The new group expects to be listed on the NYSE, after a period of dual listing on Euronext Amsterdam, and have dual headquarters in the U.S. and the Netherlands. The group will be organized as a Dutch holding company with tax residency in the Netherlands.

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The management team will include Akzo Nobel's current CEO and Axalta's current CFO, and we expect both companies to have equal representation at the board level, with four members each along with three independent members. Akzo Nobel's current shareholders expect to own 55% of the group, while Axalta shareholders would hold 45%. To achieve this, Akzo Nobel intends to pay a special dividend of €2.5 billion, including the 2026 regular dividends, to its shareholders ahead of the transaction closing. Both companies have also agreed to suspend share buybacks until closing, including Akzo Nobel's planned €400 million buybacks following the disposal of its Indian assets expected by year-end 2025.

The merger will create a global leader in paints and coatings, likely to achieve a strong business risk profile. We expect the merged company will hold leading positions in the coatings industry across Europe (43%), North America (23%), Asia-Pacific (24%), and Latin America (10%). The group will benefit from strong product portfolio and diversified end-market exposure, particularly in mobility and vehicle refinish, which has been a key contributor to Axalta's healthy profitability. With broad and balanced portfolio exposure, we view the combined group's scale as comparable with that of competitor PPG, and diversification benefits comparable with that of Sherwin-Williams. Management expects approximately 26% of sales to come from the decoratives segment, 24% from industrials, and 18% from vehicle refinish. By combining Axalta's strengths in auto coatings with Akzo Nobel's capabilities, the new entity could significantly enhance its competitive edge in this sector. Akzo Nobel's established presence in decorative paints could be further strengthened through Axalta's technology and innovation in architectural coatings. Furthermore, the merger would allow the new entity to reinforce its position in protective coatings for industrial applications.

We expect the combined group's margin profile to improve and the gap with peers to narrow with synergies. For fiscal 2025, AkzoNobel's expected adjusted EBITDA margin is about 12%, while Axalta's is projected at 22%-23%. We expect the merged entity to achieve a margin of 19%-20%, largely on the high-margin vehicle refinishing segment from Axalta. The group will be sensitive to global economy conditions, given its exposure to cyclical end-markets and demand for key products being GDP-linked. We anticipate that S&P Global Ratings-adjusted EBITDA margin will stand at 16.0%-16.5% in 2026 (pro forma) and 2027, converging toward that of PPG. This reflects the company's improved product offerings and expected synergies that should be 90% realized within three years of the closing. We also expect the current restructuring plan and the new one post-closing to support profitability improvement. Management expects about \$600 million of synergies. We take a prudent approach to synergies, considering the net negative impact in the first year of implementation as restructuring costs could exceed synergies, and a progressive ramp-up thereafter. We anticipate the combined group would deliver €2.3 billion-€2.5 billion pro forma EBITDA in 2026, growing toward €3.0 billion by 2029. This remains subject to market conditions, with only a very mild recovery captured in our base-case scenario for 2026, as per our industry outlook.

The targeted 2.0-2.5x unadjusted net debt to EBITDA and commitment to an investment-grade rating tends to align with a 'BBB' rating. However, there is still large uncertainty regarding the transaction's execution and related potential disposals, chemicals markets' general underperformance, and the final capital structure within the leverage targets. We expect the group will have to execute some disposals, either because of antitrust requirements or business overlaps. The details of these disposals could affect the capital structure at closing. The targeted leverage would be consistent with an adjusted funds from operations (FFO) to debt of about 30% in our calculations. We would expect that clarity on the disposals would help derive a more precise starting leverage level. We also expect that the newly established financial policy target

should support a 'BBB' rating as the corresponding adjusted FFO to debt would be about 30%, although we expect the final capital structure will provide clarity on how management intends to articulate leverage tolerances within the 2.0x-2.5x range.

Outlook

The negative outlook reflects our view that the rating on the final business combination could deviate by one notch from the current 'BBB' rating on Akzo Nobel. This factors in execution risk with the transaction and associated synergies, along with market-related risks from weak conditions in the chemicals industry. We expect an adjusted FFO to debt comfortably above 30% to be commensurate for a 'BBB' rating for the combined entity, considering the execution risks.

Downside scenario

We could lower the ratings on Akzo Nobel if the paints and coatings market deteriorated further, such that the company's stand-alone adjusted FFO to debt declined materially below 30%, such that this could weigh on the business combination's capital structure and credit metrics. Execution risk includes the transaction's sequencing, including potential disposals and funding of the special dividend, which could also affect the final capital structure. Risks related to the combined entity also include targeted synergies not materializing within the first three years of implementation.

Upside scenario

We would revise the outlook to stable if we saw better operating conditions for Akzo Nobel's and Axalta's key end markets, such that adjusted FFO to debt remained above 30%, with a subsequent favorable impact on the combined entity's starting capital structure. Timely execution of the transaction, such as visibility and progress on the contemplated business disposals and the corresponding funding for the special dividend, would also ease the pressure on the rating. Rating upside is limited at this stage by the challenging market environment. We expect the financial policy and leverage targets to constrain the combined group's rating upside.

Company Description

Headquartered in the Netherlands, Akzo Nobel is a global leading producer of decorative paints (about 41% of group EBITDA in 2024) and performance coatings (about 59%). In 2024, it generated total sales of €10.71 billion and EBITDA of €1.48 billion (as adjusted by the company). Akzo derives about 40% of its revenue from decorative paints, 19% from industrial coatings, 13% from powder coatings, 13% from auto and specialty coatings, and 15% from marine and protective coatings. The company has a global footprint, with 47% of sales from in Europe in 2024, 16% in North Asia, 12% in South Asia-Pacific, 13% in North America, and 12% in Latin America. Akzo is publicly listed with a market capitalization of about €9.4 billion.

With trailing-12-month revenue of about \$5.17 billion as of Sept. 30, 2025, Axalta is one of the world's largest coatings companies, serving the auto original equipment manufacturer, refinish, industrial, and transportation sectors. It operates in two segments: performance coatings (64% of sales for the first nine months of 2025) and mobility coatings (36%). Within performance coatings, refinish accounts for 62% of subsegment sales while industrial accounts for 38%. On the mobility side, light vehicle accounts for 78% and commercial vehicle for 22%. Axalta's products range from temperature and corrosion resistance to color and chip protection. It

operates 42 manufacturing facilities and four technology centers and conducts business in more than 140 countries.

Our Base-Case Scenario

Assumptions

- Eurozone GDP growth of about 1.1% in 2025, 1.1% in 2026, and 1.4% in 2027.
- U.S. GDP growth of 1.9% in 2025, 1.8% in 2026, and 1.8% in 2027.
- Asia-Pacific GDP growth of 4.4% in 2025, 4.0% in 2026, and 4.3% in 2027.
- Revenue decline of 2%-3% year on year in 2025 for Akzo Nobel stand-alone at €10.3-€10.5 billion, mirroring the challenging business environment.
- S&P Global Ratings-adjusted EBITDA down slightly in 2025 to €1.2 billion-€1.3 billion for Akzo Nobel stand-alone, or an approximately 12.2% margin, considering management’s full-year guidance at third-quarter-end 2025.
- Capex of about €350 million in 2025.
- Proceeds from the disposals of Indian assets of €900 million by year-end 2025.
- No share buybacks.
- No acquisitions.

As a result, we expect the following credit metrics in 2025 for Akzo Nobel stand-alone:

- Adjusted FFO to debt approaching 30%, helped by the disposals of Indian assets and the absence of share buybacks, which are currently on hold.
- Free cash flow of about €550 million.
- Adjusted debt to EBITDA of 2.3x-2.5x.

Liquidity

The short-term rating on Akzo is 'A-2'. We continue to view the company's stand-alone liquidity as adequate as we forecast its ratio of liquidity sources to uses at above 1.2x over the next 12 months from Oct. 1, 2025. The assessment captures high short-term debt maturities at third-quarter 2025, including commercial paper and the short-term bond due in 2026, of which we expect a large portion to be refinanced and a smaller portion to be repaid. Akzo’s financial debt is not subject to any financial covenants.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none">• Cash of €1.32 billion as of Oct. 1, 2025;• Undrawn revolving credit facility, due March 2027, of €1.3 billion. The facility is not subject to any maintenance financial covenants.• FFO of €1.48 billion-€1.50 billion.	<ul style="list-style-type: none">• Short-term debt maturities of €2.19 billion;• Capital expenditure of €470 million-€480 million;• A special dividend of €2.5 billion to Akzo Nobel’s shareholders;

- Proceeds from disposal from Indian assets of €900 million.
- Cash proceeds from disposals related to the merger.
- Working capital outflow of about €45 million over the next 12 months, and €200 million of potential intra-year seasonal working capital; and
- No share buybacks (which are on hold).

Environmental, Social, And Governance

ESG factors have an overall neutral influence on our credit rating analysis of Akzo. As a leading specialty chemicals producer focusing on paints and coatings, it has lower energy intensity and greenhouse gas emissions than the industry average. It reduced its combined scope 1 and 2 emissions by 41% in 2024 versus the 2018 baseline. It aims to achieve a 50% reduction by 2030 by increasing the share of renewable electricity used to 100% and reducing energy consumption by 30%. In 2024, renewables met about 65% of its electricity needs, and Akzo achieved 100% renewables use in Europe and North America in early 2022 and 2023, respectively. The company is also developing more sustainable products. Its sustainable solutions have more environment-friendly characteristics than mainstream offerings and accounted for more than 39% of sales in 2024, which the company aims to increase to more than 50% by 2030. Akzo is the first paints and coatings company to receive approval from the Science-Based Targets initiative for its carbon reduction targets, including for scope 3 emissions: a 50% reduction in carbon emissions in the entire value chain by 2030 compared with 2018. In 2024, the company achieved a 12% reduction aligned with this target.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Negative/A-2
Local currency issuer credit rating	BBB/Negative/A-2
Business risk	Satisfactory
Country risk	Intermediate risk
Industry risk	Low risk
Competitive position	Satisfactory
Financial risk	Intermediate
Cash flow/leverage	Intermediate
Anchor	bbb
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bbb

Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [European Chemicals Sector Pulse: Financial Resilience Amid Demand Weakness, June 12, 2025](#)
- [Tear Sheet: Akzo Nobel N.V.](#), May 22, 2025

Ratings List

Ratings List	
Ratings Affirmed	
Akzo Nobel N.V.	
Issuer Credit Rating	BBB/Negative/A-2
Senior Unsecured	BBB
Commercial Paper	A-2

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