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WHITEPAPER

# AkzoNobel × Axalta

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Your early insight into this merger  
announcement



REPORT PREPARED BY  
Valona Intelligence & A-INSIGHTS  
[www.valonaintelligence.com](http://www.valonaintelligence.com)

# Why AkzoNobel and Axalta are pursuing this merger

## AkzoNobel and Axalta Are Merging — But Will Scale Be Enough?

AkzoNobel and Axalta plan to merge in an all-stock deal worth roughly \$25B to gain scale, widen their product portfolio, and defend margins in a coatings market that is growing only slowly. Both come from a position of pressure rather than strength: Akzo's growth and profitability have trailed the leaders, while Axalta, though solid, still sits a step below Sherwin-Williams, PPG, and Nippon Paint.

By forming a ~\$17B revenue group with operations in 160+ countries and a presence across decorative, automotive, refinish, powder, marine, protective, and industrial coatings, they aim to pool R&D and sales, sharpen their global footprint, and unlock around \$600M in cost savings. Management is effectively pitching the merger as the scale and efficiency upgrade needed to stay in the global top tier as competition shifts toward players that can combine breadth with tight cost control.

## So what?

The deal creates a new heavyweight, but it doesn't solve the core problem on its own: slow demand and squeezed margins. The real test is whether Akzo–Axalta can turn this extra scale into a structurally lower cost base and a better-run portfolio, rather than just becoming a bigger, still-pressured competitor.

# Market perspective

## Key uncertainties

Coatings demand is only growing 2–5% per year. Inflation, tariffs, supply chain resets, and weak volumes have squeezed margins across the sector since 2022. With organic growth stuck, market leaders have shifted to the same old formula: merge, cut costs, and broaden the portfolio.

This deal reflects that shift. In 2017, similar combinations fell apart because boards weren't willing to move. Today, the pressure is higher and, consolidation has become the practical path forward.

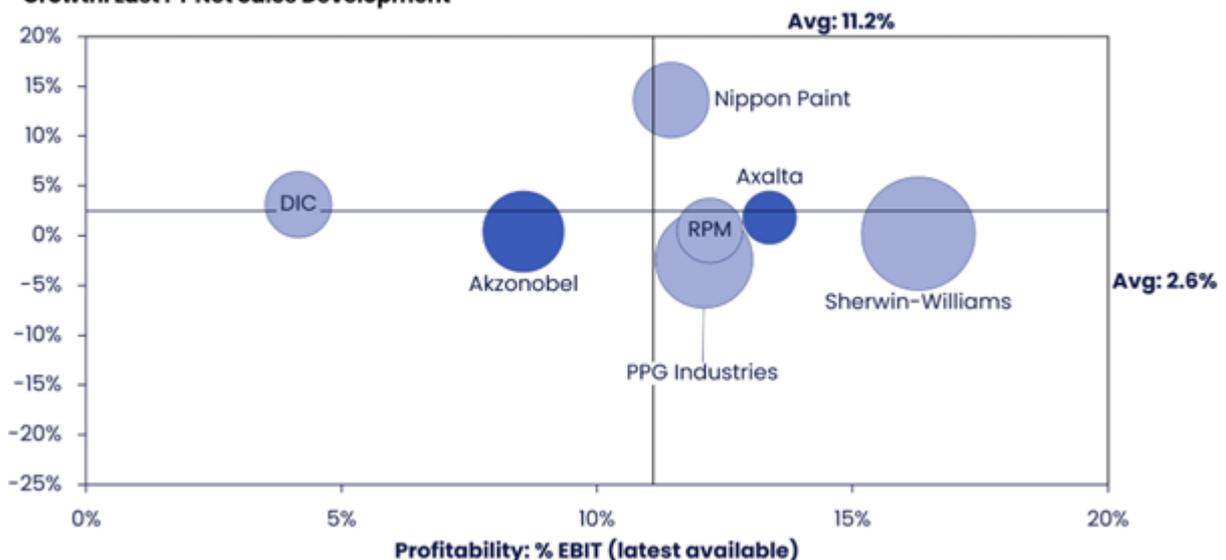
If approved, Akzo–Axalta would create one of the most balanced portfolios in the industry — spanning decorative, automotive, refinish, powder, marine, protective, and industrial. That breadth is something rivals would need years (and billions) to replicate.

Our **Performance Quadrant** shows why this matters. Nippon Paint, Sherwin-Williams, and Axalta are the ones entering this cycle with real leverage: stronger growth and/or higher profitability. Akzo sits in the low-growth cluster, closer to RPM, PPG, and DIC. By joining forces with Axalta, Akzo effectively buys into a better margin profile and a more resilient earnings base.

### Growth cornerstone: Performance Quadrant<sup>1</sup>

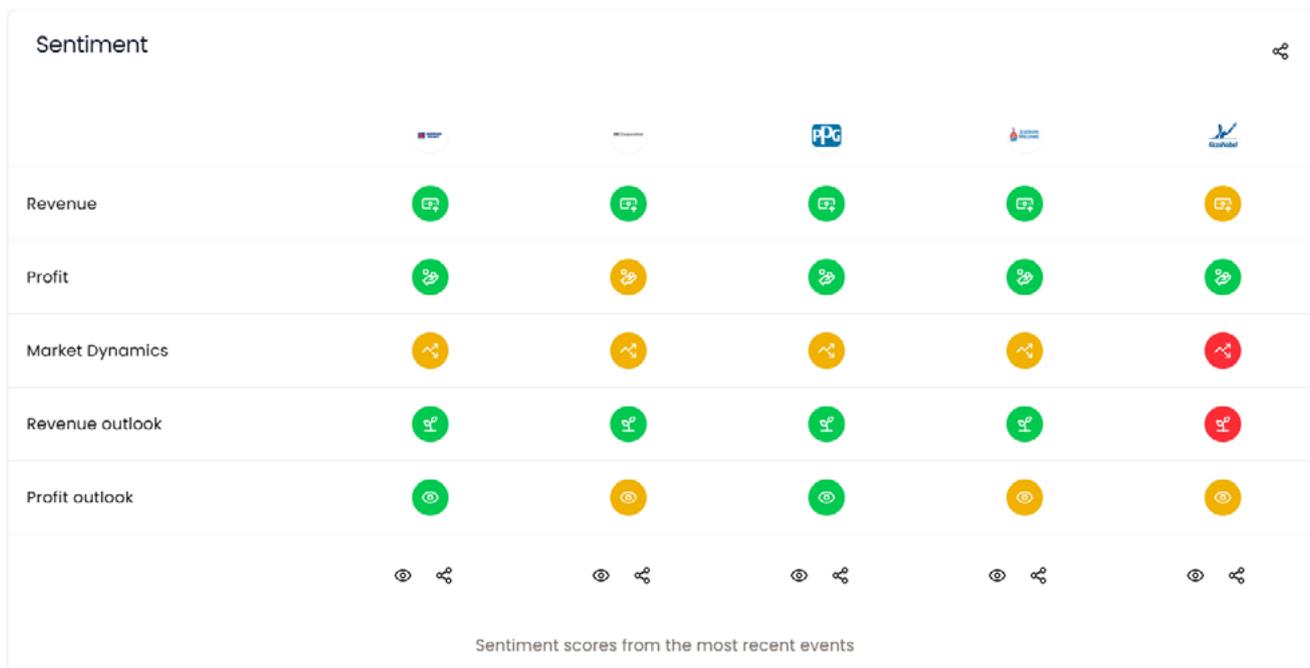
**Note:** Bubble size reflects Avg. Net sales over reported period (2020–2024)

**Growth:** Last FY Net Sales Development



This take is also being confirmed in the most recent earnings calls of these firms, and what their management said:

- **Nippon Paint** showed the strongest tone, pointing to improving momentum in China and early signs of stabilization across markets.
- **Sherwin-Williams & PPG** sounded steady and confident, reinforcing their positive sentiment on revenue and profitability.
- **AkzoNobel** came across defensive — weak market dynamics, pressure in refinish, a major litigation provision, and even openness to separating Deco vs. Coatings.
- **Axalta** stood out for the opposite reason: management delivered a distinctly strong message — record EBITDA, expanding margins, disciplined cost control, and confidence in 2026. Their only caution came from softer demand in North America and Europe.



The **earnings-call sentiment** picture reinforces this. Nippon, Sherwin, and PPG sound confident about revenue and profit; Axalta’s management talks about record EBITDA, expanding margins, disciplined cost control, and a solid 2026 outlook. Akzo, by contrast, sounds defensive – weak market dynamics, pressure in refinish, a large litigation provision, and even openness to separating Deco and Coatings.

## Key drivers

Against that backdrop, the merger offers three concrete drivers, that make the deal makes sense:

- **Scale as the entry ticket.** In a market growing only 2–5% per year, with inflation and supply-chain resets squeezing margins, scale is becoming the minimum requirement to stay in the top tier. The combined group can negotiate better on raw materials, load factories more efficiently, and optimize logistics across a larger network.
- **A portfolio match the industry couldn't assemble before.** Akzo's strength in decorative, marine, and protective coatings complements Axalta's leadership in automotive OEM, refinish, and powder. Together, they can serve OEM, aftermarket, industrial, protective, and decorative customers from one platform – a breadth that would take rivals years and billions to replicate.
- **Synergies as the new currency.** The targeted \$600M in cost synergies is a direct response to weak volume growth. If delivered, it would materially reset the cost base and free up cash for R&D, service, and selective M&A. In a sector where “merge, cut costs, broaden the portfolio” has become the standard playbook, that cost edge is what can turn scale into real advantage.

## Key uncertainties

- **Both are starting from pressure, not strength** – Akzo's growth and margins have lagged the leaders for years, while Axalta is solid but still a step below Sherwin-Williams, PPG, and Nippon. This deal is a catch-up move, not a victory lap.
- **Slow-growth market doesn't disappear** – Coatings demand is only growing 2–5% a year; inflation, tariffs, and weak volumes are still there the day after closing. Combining two pressured players doesn't magically create new growth.
- **Synergy and execution risk is real** – The \$600M savings target depends on tough calls on plants, systems, and organisation. Any regulatory remedies, integration delays, or culture clashes could erode the cost edge they're banking on.
- **Complex portfolio to operate** – Blending decorative with automotive, refinish, industrial, and powder raises the bar on coordination. If integration slows innovation or keeps teams in silos, specialists will happily pick off frustrated customers.

# Conclusion

(expert's take)

The AkzoNobel–Axalta merger is a rational response to a tough reality: slow-growing demand, squeezed margins, and an industry where scale and breadth are becoming the entry ticket to sit alongside Sherwin-Williams, PPG, and Nippon Paint. Akzo comes from a position of weakness, Axalta from solid but not top-tier strength; together they are trying to build the size and portfolio they can't reach alone. AkzoNobel has been overhauling its strategy to cut costs and boost efficiency, closing some European sites and shedding 2,500 jobs.

Whether this becomes a real step up or just a bigger version of the same problem will come down to two things:

- **Cost base:** scale only creates value if the \$600M synergy plan truly lowers procurement, manufacturing, and logistics costs. Size is a tool, not a strategy.
- **Execution:** a broad portfolio only matters if they can run decorative, automotive, refinish, industrial, powder, and protective as one coherent business. Without that, portfolio breadth turns into complexity, and specialists will keep picking off the best customers.

More broadly, this deal marks the end of an era where strategic logic alone couldn't force consolidation. The fundamentals have now done the pushing. Competitors will increasingly face a binary choice: **scale up, specialise, or risk drifting into the middle of the pack** while the new top tier locks in long-term advantages.



#1 COMPETITIVE & MARKET INTELLIGENCE PLATFORM

# Nothing beats knowing first

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This report provides an early view of the AkzoNobel–Axalta merger, but every organization faces unique competitive dynamics. Whether you need deeper analysis of specific competitors, specific market segments, or custom KPI tracking, let's discuss how we can support your intelligence needs.

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