

# MAKING A SPLASH

AkzoNobel CFO Keith Nichols' colourful career spans treasury, transformation and taking tough decisions

Words: **Sally Percy** / Photos: **Suki Dhandra**

It seems fitting that Keith Nichols, the CFO of Amsterdam-based paint and coating manufacturer AkzoNobel, has built his career on transforming companies. "In a lot of jobs that I've been in, change has been a red thread," he observes. "Whether it was the reorganisation at Storehouse in the early 90s, BET being a turnaround, selling pharma, buying ICI... a lot has been transformation and changes. As CFO, that has stood me in good stead. I really enjoy the more adventurous side of the job where there are projects, initiatives and deals. I would probably be no good if everything was ticking like a Swiss watch and all I had to do was fine-tune the quarterly results."

That's just as well, then, since AkzoNobel has not been ticking like a Swiss watch for a while. As Nichols himself admits, trading conditions are tough for the owner of well-known brands including Dulux paint, marine coating International and yacht coating Awlgrip. In the second quarter of this year, operating income was down 17% on the same quarter in 2012 and last year AkzoNobel recorded a one-off impairment charge of €2.5bn in its decorative paints business, resulting in a €2.4bn loss for the third quarter. The housing and construction sectors are the end markets for more than 40% of its business, while two-thirds of revenues come from mature markets. These two factors explain the company's woes. A former constituent of the prestigious Fortune 500 Index of the world's largest companies, AkzoNobel slipped off the list in 2012. "We'll have to work our way back to that," Nichols vows.


Along with countless other companies, AkzoNobel has responded to the challenging economic conditions over the past five years by becoming more efficient, cutting costs and divesting unprofitable businesses. Since 2008, it has followed a restructuring programme that has affected every aspect of its business from its purchase-to-pay processes through to the formulation of its paints. "It's about operational efficiency and harnessing economies of scale to deliver on our market position and brands," Nichols explains. For treasury, which has been at the heart of the transformation, the emphasis has been

on centralising cash and liquidity management, rationalising bank accounts and raising awareness of risk mitigation.

AkzoNobel has a net debt of €2.2bn. Furthermore, its cash flow for the financial year ending 31 December 2012 was negative because it invested in growing its markets and boosting profits while making higher contributions to its pension schemes. Now the company's top priority is to generate greater returns and achieve positive cash flow by 2015. "We've set ourselves certain financial targets," Nichols explains. "We're saying to the market that despite everything that's going on, we've got strong fundamentals – scale, positions and brands – and these are the measures we're going to take to improve performance."

Nichols admits that the challenge of delivering on these plans and driving the company forward is what keeps him awake at night. "We have to adapt to the market conditions and improve our performance by restructuring, cutting costs and changing the way we operate," he says. "Coping with, and embracing, change is not always easy. So inspiring employees – despite the difficult times – is a key priority for me." Fortunately, he feels that there is plenty to be upbeat about. "We've achieved a lot of good things so far, which we should be proud of. We are profitable and starting to close the gap on our peers. Our working capital is getting more efficient, functional excellence is landing across the company, we are top of the materials industry group on the Dow Jones Sustainability Index, and our treasury team is doing an excellent job of managing our finances. We will benefit enormously when our end markets pick up."

Transforming the fortunes of a company that operates in more than 80 countries is not the only problem giving Nichols a headache. AkzoNobel's pension liability, which is greater than its market capitalisation of €11.3bn, also weighs heavily on his mind, not least because the company is topping it up by more than €300m annually in a bid to close its deficit. "That's a lot of money," he says. "That's almost half our capex and equivalent to our dividend to our shareholders." >

A middle-aged man with short, graying hair is seated at a desk in an office. He is wearing a white long-sleeved shirt and a blue and white striped tie. His hands are clasped together on his lap. He is looking directly at the camera with a slight smile. The background features a large window with a view of a city skyline. The text is positioned in the upper right corner of the image.

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for me”



## KEITH'S TOP TIPS FOR SUCCESS:

“Work hard, have fun and be a good colleague to work with. And don't stay on your email until two in the morning.”

“Don't get too hung up on planning your career. You can end up beating yourself up if it doesn't go the way you wanted it to. Think about how you handle responsibility and keep your feet on the ground.”

“I did the MCT and I encourage others to do it. I think the standard was fantastic. It has underpinned a lot of my technical abilities, which has been very useful.”

“At the moment, my favourite gadget is my iPad.”

“What would be the most difficult question my CEO could ask? If I knew it, it wouldn't be the most difficult one.”

“The best way to wind down after a stressful day is to ride my bike home from the office.”



## KEITH'S CURRICULUM VITAE

**2008 to present**  
CFO, AkzoNobel

**2005-2008**  
Senior vice president finance, AkzoNobel

**2004-2005**  
Group treasurer, Corus

**1999-2003**  
Various financial positions including CFO, TPG (TNT Post Group)

**1998-1999**  
Director of treasury, WPP

**1996-1998**  
Worked on two consultancy projects

**1991-1996**  
Director of investor relations and treasury, BET

**1987-1991**  
Treasurer, Storehouse

**1980-1987**  
Various trainee and financial analyst roles, Barclays Bank; Mees & Hope

**Qualifications**  
MCT



Like other companies in its position, AkzoNobel makes considerable efforts to de-risk. It incentivises scheme members with deferred pensions to transfer those funds to a self-invested personal pension and, in some countries, it sells its pension liabilities to insurers. Last year, it entered into a €1.75bn longevity hedge with insurer Swiss Re for one of its closed UK pension schemes, which reduced the volatility associated with mortality assumptions for that scheme. “We're trying to find ways to get rid of these liabilities from the past,” reveals Nichols. “Much of the liability relates to pensioners or former employees of businesses the company no longer owns. These pension plans have been closed for years, but they still represent a large liability on our balance sheet. We hope to find opportunities to de-risk further.”

### Route to the top

Nichols joined AkzoNobel in 2005, charged with taking the company's pharmaceutical business through an initial public offering (IPO). Even at that stage, his curriculum vitae was already one that many finance professionals would dream of. After starting out in banking, he switched to treasury when he joined retailer Storehouse in 1987, becoming group treasurer two years later. Following that, his career spanned being group treasurer of steelmaker Corus (now part of Tata Steel), director of treasury at FTSE 100 advertising giant WPP and services conglomerate BET, and several finance roles including CFO at TPG (TNT Post Group), among other positions. While he never had a grand plan of making it to the giddy heights of CFO of a Fortune 500 company, he has tried to gain mainstream finance experience and stay close to the businesses he's worked for throughout his career – two strategies that have helped to smooth his path to the top. (For more on Nichols' career, see page 18 of *The Treasurer*, September 2013.)

As it turned out, the IPO that Nichols was supposed to oversee never went ahead because the pharmaceutical subsidiary was bought by Schering-Plough, now part of drug maker Merck. But the way that Nichols managed the sale through to completion had made an impression on the board. So they asked him to stay on and work on a project to potentially acquire chemical producer ICI, once the largest manufacturing company in the British Empire. AkzoNobel bid £8bn for ICI in August 2007 and the takeover completed in January 2008. “I had to get committed financing in place in August 2007, which was an interesting experience at the start of the credit crunch,” Nichols recalls with a wry smile.

Once the deal was sealed, AkzoNobel's then CEO, Hans Wijers, reshuffled the board and asked Nichols to take on the CFO role. “I had been a CFO in other places and had investor relations experience,” says Nichols. “With the integration of ICI, there were a lot of synergies to secure. We had a head office to close in the UK and we had two procurement teams, two IT teams, two finance teams... And we had to track all the benefits of doing this deal and deliver on our promises. I had been closely involved in the deal and I had a finance background so that played into the logic of me becoming CFO.”

Helping to turn round a business that employs more than 50,000 people globally while heading a 2,800-strong finance function (including a treasury team of 59) is a big responsibility. So how does Nichols cope with the pressure? “I try to stay focused and prioritise,” he explains. “You have to accept that you cannot do everything and I'm lucky to have an excellent team. You also need to be able to switch off. It's a lot about discipline and hard work. I do need my six hours' sleep and weekends are – mostly – my time.”

Nichols holds the MCT, but he has never studied for an accountancy qualification. Has he ever felt disadvantaged by not having one? He looks genuinely astonished by the

“The discipline of starting out in treasury teaches you the importance of cash flow”



question. “No, never. I don’t want to be a chartered accountant or an auditor,” he insists. “That’s not me. On technical issues, I always have an expert with me.” He believes his treasury background has given him an important leg-up in his career, however. “The discipline of starting out in treasury teaches you the importance of cash flow,” he says.

What’s the best thing about being CFO? According to Nichols, it’s the satisfaction he gets when something goes well. “When you get it right, that’s one of the nice things about the big responsibilities that you have.”

The path from CFO to CEO is well trodden and Nichols has already had a taste of the top job. He was stand-in for four months last year after AkzoNobel’s CEO, Ton Büchner, took time off to recover from fatigue brought on by his punishing workload.

So is the CEO role, either at AkzoNobel or elsewhere, something that he sees himself doing in future? “Maybe, you never know,” Nichols responds cautiously. “I’m not a great one for setting out a plan. I’ve got a lot on my plate at the moment.”

Much is made of the qualities that distinguish those CFOs who go on to become CEOs from those who don’t. Successful CEOs tend to be calm and engaging with the rare knack of being able to communicate effortlessly with a range of people. Softly spoken Nichols clearly has those attributes. So what will come next in this remarkable career? As the saying goes in transformational projects: watch this space. ♡

Sally Percy is editor of *The Treasurer*

### VITAL STATISTICS

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| <p><b>€15.4bn</b><br/>was AkzoNobel’s full-year revenue for the financial year ending 31 December 2012</p> | <p><b>57,200</b><br/>people are employed by AkzoNobel</p> | <p><b>80+</b><br/>is the number of countries in which AkzoNobel operates</p> | <p><b>1</b><br/>is AkzoNobel’s position in the decorative paints market. It is the world’s largest supplier with a 15% market share</p> | <p><b>50%</b><br/>is the proportion of stadiums at the June 2013 FIFA Confederations Cup football tournament in Brazil that were protected with high-performance coating systems from AkzoNobel</p> | <p><b>8,000</b><br/>litres of AkzoNobel’s Sikkens paint was used for the restoration of the Rijksmuseum in Amsterdam</p> | <p><b>8</b><br/>different Interpon powder coating products by AkzoNobel were used on The Shard skyscraper in London, Western Europe’s tallest building</p> | <p><b>€9bn</b><br/>in FX transactions (spot and forward) was handled by AkzoNobel’s treasury in 2012</p> |
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