

AKZO NOBEL NV  
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The following is a translation of an interview with Michael H. McGarry, Chairman and Chief Executive Officer of PPG Industries, Inc., published by Algemeen Dagblad in the Netherlands on May 24, 2017.

Algemeen Dagblad at pages 24-25

‘Akzo management only concerned about its own jobs’

By Sander van Mersbergen

PPG CEO Michael McGarry met much hostility during his AkzoNobel takeover approach. Now he hits back: “Minister Kamp should not protect underperforming companies.”

Michael McGarry traveled to the Netherlands only to be present at the Enterprise Chamber hearings. The Enterprise Chamber heard the case between shareholder Elliott and Dutch paints and chemicals company AkzoNobel. There, PPG (led by McGarry, who is close to sixty, short in stature and full of bravado) was again characterized as a company that didn’t care for sustainability. There was no evidence of a rapprochement between hunter and prey. The atmosphere was icy. A day later, he elaborated on his impressions. “You see that Akzo is still very defensive. They’ve spent more time in court than they did talking to us, which would have been much more productive. Together, we are stronger. But instead, they’ve taken up a hostile attitude.”

What’s your feeling about this reception in the Netherlands?

“It’s disappointing. The Netherlands is a fantastic and historically open country. Now the vision is quite limited. Take the proposal by Minister Kamp to protect companies by law against takeovers. In the end, that’s bad for the ordinary workers. Management teams that perform badly, as is the case with Akzo, shouldn’t be rewarded by drawing up a protective wall. This eventually makes the country weaker.”

Can you explain this to the ordinary workers? Many believe it’s excellent that the government protects our companies.”

“Those workers are dependent on a pension. And pension funds won’t be able to pay these pensions when a company consistently underperforms year after year.”

Employees are not so sure whether things will improve under PPG.

“Maybe they haven’t looked at all the details yet. Do they know that Akzo has been among to the worst performing companies in the sector for years? That the industry is changing? That Akzo was the largest coating company five years ago, but is now the number two and soon the number three? How far will they have to drop before they look for help?”

The chief of the works council says he doesn’t trust PPG. He wants guarantees.

“First of all: get to know us. And second: does Akzo offer guarantees? Don’t you rather want to belong to a strong company? If a company wins in the marketplace, this is good for employees. I believe they should understand this message. We have a good track record when it comes to employment. Akzo should stop spreading fear and instead switch to analysis. Then you see that PPG performs better, grows better and has more satisfied customers. That’s good for employees.”

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How do you see the road ahead? There seems to be no other option than a hostile bid.

“We haven’t made a decision on this yet. But if we proceed, there will be no hostile, but a friendly proposal to shareholders. There’s only hostility between Akzo and shareholders.”

In the market, this is simply called a hostile takeover.

Shareholders won’t see it this way. They see that Akzo doesn’t create value and deliver any long-term performance. Seventeen percent of shareholders appeared before the Enterprise Chamber on Monday. There were no shareholders to support Akzo’s management. I’ve never seen a more hostile situation between shareholders and a company. And I’ve seen a lot.”

What do you think of the way PPG is pictured in the media?

“It’s incorrect. We are similar to AkzoNobel in many respects. Our employees are satisfied, and we are locally involved. Akzo talks about sustainability and is very proud that they are number one, but we are proud to be number two. There’s not really that much difference. Or maybe there is: we don’t pay a third party to confirm what we do and don’t brag about it that much. We don’t talk about it with the media, but with our customers and the local communities.”

Using a third party does allow outsiders to see what happens. In your case, we only have your word.

“Our customers and shareholders don’t want us to pay for things like this. They believe our story. Furthermore, there are also parties that study these things out of their own budget. PPG is the most admired chemical company in the Fortune 500. One of the most important pillars in this assessment is sustainability.”

Are you still confident about a positive end to this story?

“Monday, at the Enterprise Chamber, Akzo’s tone was not very constructive. Some remarks were childish. Akzo’s strategy up to now is to just say no to everything. Nothing else.”

But why do they do this? There should be a reason.

“They want to remain independent. But management does not do this for the sake of employees or shareholders, they are only defending their own jobs. We offer a 50 percent premium on the share price and even this is no reason for them to enter talks. They present their own plan, but refuse to show how they will trump our offer. In any case, the market doesn’t believe it.”

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