



PPG Second Quarter 2024 Financial Results

Earnings Brief – July 18, 2024

These prepared remarks should be read in conjunction with PPG's earnings press release and related presentation that were posted on PPG's website at investor.ppg.com on July 18, 2024. In addition, these detailed remarks supplement the commentary that the company makes on its second quarter 2024 earnings conference call on July 19, 2024.



Second Quarter 2024 Highlights

PPG achieved second quarter net sales of \$4.8 billion, a decrease of 2% compared with the second quarter 2023 due to unfavorable foreign currency translation and business divestitures. Overall organic sales were flat as PPG's broad and diverse business portfolio benefited from well-established businesses in Mexico and China. We achieved record quarterly net sales in aerospace coatings and the highest net sales in

architectural coatings Americas and Asia Pacific since the second quarter of 2018. These gains were offset by an as-guided decline in automotive refinish coatings due to a strong prior year comparison, soft global automotive and industrial production and tepid demand in Europe.

Reported earnings per diluted share from continuing operations (EPS) was a record \$2.24, compared to \$2.06 in the prior-year second quarter. Adjusted EPS was an all-time record \$2.50, up 11% compared to \$2.25 in the second quarter 2023. PPG's combined operating segments delivered earnings growth resulting in aggregate segment margins of 17.3%, 110 basis points higher than the prior-year second quarter. This marks the seventh consecutive quarter of year-over-year segment margin improvement. The company benefited from moderating raw material costs, improved manufacturing productivity and certain reductions in overhead. These improvements were partially offset by wage and benefits inflation and growth-related investments.

The company made further progress on improving working capital in the second quarter, reducing working capital as a percentage of sales by 90 basis points year over year. The company reduced inventory year over year by approximately \$210 million. Consistent with the company's capital allocation priorities, and consistent with our legacy, we intend to utilize our strong balance sheet and cash generation for shareholder value creation. During the quarter, the company repurchased approximately \$150 million of stock during the quarter and about \$300 million year to date.

In the second quarter, the realized cost of raw materials declined by a mid-single-digit percentage versus 2023 but remained well above historical levels despite the ample availability of raw materials compared to pre-pandemic conditions. The company expects raw material costs to be flat or to decline by a low single-digit percentage in the third quarter 2024 as prior year deflation is lapped.



Second Quarter Net Sales

Organic sales^(a) were flat compared to the prior-year second quarter. Aggregate selling price was flat year over year as structural price increases in the Performance Coatings segment were offset by declines in certain indexed-based customer contract pricing in the Industrial Coatings segment. Overall company sales volumes were flat compared to the prior-year second quarter. Sales volume grew in six of our ten businesses,

aided by our enterprise growth strategy. This includes growth in aerospace coatings, packaging coatings, architectural coatings Americas and Asia Pacific, traffic solutions, protective and marine coatings and specialty coatings and materials. In line with our April guidance, sales volumes declined in automotive refinish coatings due to a prior year record. Sales volumes declined more than originally anticipated in automotive original equipment manufacturer (OEM) coatings and industrial coatings. During the quarter, overall European year-over-year sales volumes improved sequentially versus the first quarter, but sales volumes remained unfavorable year over year and below our expectations.

Outlook

In the third quarter, demand is expected to vary by region and business. In Mexico we expect to continue our strong momentum of delivering excellent financial results. We believe that demand in China will deliver organic growth as of result of our technology-advantaged products, albeit at lower growth rates than achieved in the first half of the year. In Europe and the U.S., we expect market demand to be mixed by end use with modest sequential improvement in most businesses offset by tepid automotive coatings demand. In addition to the businesses that grew in the second quarter, we expect organic growth in automotive refinish coatings and protective and marine coatings. Despite slightly unfavorable year-over-year organic sales in industrial coatings, we expect modest sequential quarterly improvement in general industrial demand. The company estimates that overall organic sales in the third quarter will be in the range of flat to an increase of a low single-digit percentage compared to the third quarter 2023.



Performance Coatings Segment

Second quarter 2024 net sales for the Performance Coatings segment were \$3.0 billion, flat versus the prior year. Selling prices increased by 2% year over year and sales volume was flat. Sales declined 1% due to foreign currency translation and were negatively impacted by 1% as a result of the divestitures of the non-North American portion of PPG's traffic solutions business.

Segment operating margin was a second quarter record of 18.7%, improving by 100 basis points year over year. Segment income was \$570 million, an increase of 6% versus the prior year, primarily due to

higher selling prices and moderating raw material costs partially offset by higher growth-related spending and wage inflation.

Aerospace coatings

Aerospace coatings sales were a record for the sixth consecutive quarter with organic sales increasing by a double-digit percentage compared to the second quarter 2023, led by higher prices and sales volume. Demand remained strong as customer order backlogs increased further, ending the quarter at approximately \$290 million. Global air travel has improved year but remains about 3% below pre-pandemic levels for both domestic and international flights. The company remains focused on debottlenecking and expanding manufacturing capabilities to drive volume and earnings growth. Recovery of demand is expected to continue with organic sales growth anticipated to increase by a double-digit percentage in the third quarter compared to the prior year.

Automotive refinish coatings

Second quarter organic sales for automotive refinish coatings declined a mid-single-digit percentage versus the prior year. In the U.S., sales volumes declined compared to record prior-year results and reflecting lower insurance claims. In Europe, demand was comparable to the same quarter last year and organic sales declined slightly in Latin America. In China, demand for refinish products is recovering and is expected to improve in the coming quarters. In the second quarter, the company grew its LINQ™ services subscriptions and added approximately 230 Moonwalk™ installations, further supporting customer productivity and related share gain. The company expects third quarter global organic sales to increase by a mid-single-digit percentage compared to the third quarter 2023.

Architectural coatings – Europe, Middle East, and Africa (EMEA)

Second quarter organic sales for architectural coatings – EMEA declined a low single-digit percentage year over year, driven by lower sales volumes. Consumer confidence remained weak during the quarter, and regional demand was uneven by country. Sales volumes were strong in central and eastern Europe offset by lower sales volumes in western Europe. In the third quarter 2024, organic sales are expected to decline a low single-digit percentage compared to the third quarter 2023.

Architectural coatings – Americas and Asia Pacific

Organic sales for architectural coatings – Americas and Asia Pacific increased a low single-digit percentage compared to the prior-year second quarter driven by increased sales volumes primarily in the U.S. and Latin America coupled with higher prices. Growth initiatives through our partnership with The Home Depot® drove higher professional contractor sales volumes, which were offset by moderating declines in DIY. The business also benefited from an increased product assortment at Walmart®. In Mexico, the business delivered record results, benefiting from our strong concessionaire network of approximately 5,200 locations. In the third quarter 2024, organic sales are expected to increase by a low single-digit percentage year over year, driven by strength in Mexico and professional contractor gains.

Protective and marine coatings

Organic sales for protective and marine coatings were flat compared with the prior-year second quarter due to higher sales volumes in Europe and the Asia-Pacific region offset by lower sales volumes in other regions. The second quarter was the fifth consecutive quarter with positive year-over-year sales volume

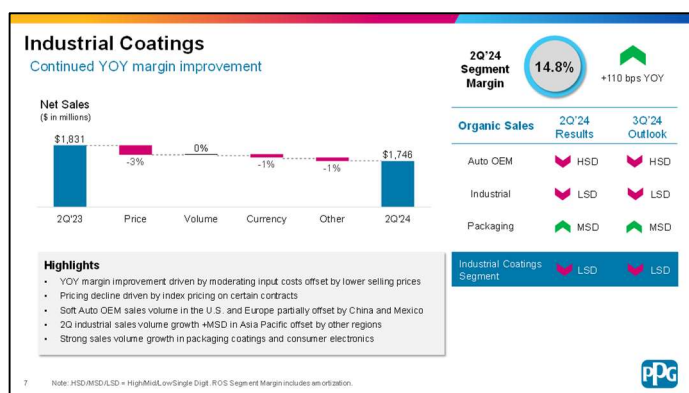
growth. In Europe and the Asia-Pacific region, increased sales volumes were driven by share gains in marine maintenance and repair, reflecting demand for PPG's sustainably advantaged products, and we expect the positive volume trend to continue this year. The sales pipeline for the company's protective coatings products remains solid, and demand is expected to improve as global infrastructure activity progresses. Third quarter organic sales are expected to increase by a low single-digit percentage compared to the prior year.

Traffic solutions

Second quarter organic sales for the traffic solutions business increased by a low single-digit percentage compared with the prior-year second quarter primarily due to increased sales volumes stemming from share gains. Additionally, PPG divested its traffic solutions business in Argentina in the second quarter. Seasonally, second and third quarter sales in the traffic solutions business are typically more than 50% higher than the first and fourth quarter due to the difficulty of applying traffic markings in colder temperatures. Third quarter organic sales are expected to increase by a mid-single-digit percentage compared to the third quarter 2023, and the business is well positioned to benefit from increased U.S. infrastructure spending.

Segment outlook

Looking ahead, we expect demand in Mexico to remain robust and consumer sentiment in Europe to be tepid. In the third quarter we anticipate continued strength in aerospace coatings and the benefit of summer seasonal sales in traffic solutions. Automotive refinish coatings is expected to return to solid organic growth reflecting incremental price increases and improved year-over-year sales volume. Aggregate organic sales are anticipated to increase by a mid-single-digit percentage compared to the third quarter 2023.



Industrial Coatings Segment

Second quarter net sales for the Industrial Coatings segment were \$1.7 billion, down 5% versus the prior year. Organic sales declined 3% compared to the second quarter 2023 driven primarily by lower selling prices relating to certain index-based customer contracts. Sales volume was flat with strong growth in packaging coatings and consumer electronics offset by soft global industrial production and weakening automotive

production. Net sales declined 1% due to foreign currency translation.

Segment margin improved by 110 basis points compared to the second quarter 2023, as the company continues to focus on restoring historical margin profiles in each business. Segment income of \$259 million was up 4% year over year, mainly due to moderating input costs offset by lower prices and employee-related cost inflation.

Automotive OEM coatings

Organic sales decreased by a high single-digit percentage compared to the second quarter 2023 driven by lower sales volumes and lower indexed-based selling prices for certain customer contracts. Sales volumes increased in the Asia-Pacific and Latin America regions offset by declines in the U.S. and Europe. In Western Europe, automotive industry build rates were lower than the second quarter 2023. In China, automotive retail sales activity continued to be solid, along with exports, which have grown about 30% year to date compared to last year. PPG is well positioned in China with a growing share. Overall global demand weakened in the second quarter, and we expect third quarter organic sales to decrease by a high single-digit percentage compared to the prior year, with growth in Latin America more than offset by declines in other regions.

Industrial coatings

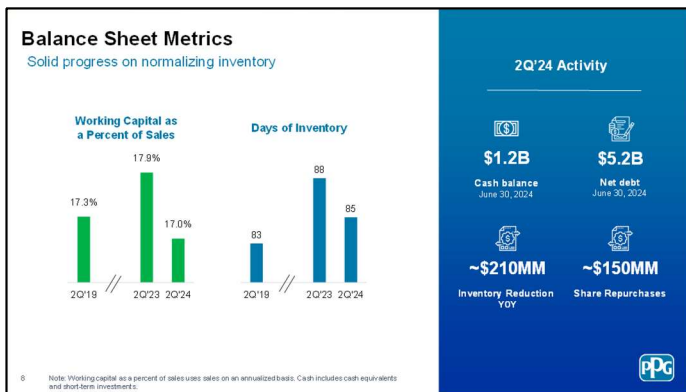
Second quarter industrial coatings organic sales were down a low single-digit percentage compared to the prior year due to lower sales volumes and lower indexed-based prices. Overall, global industrial production remained sluggish resulting in lower sales volumes in all regions except Asia Pacific where volumes increased by a mid-single-digit percentage. Demand growth in China is expected to continue for the next several quarters. Sales in several product categories were above prior-year levels, including solid volume growth in general finishes, consumer electronics, kitchen bakeware and coil. The most pronounced weakness was in heavy duty equipment, and declines were experienced in transportation, appliance and wood. In the third quarter 2024, organic sales for the business are expected to decrease by a low single-digit percentage versus prior year.

Packaging coatings

Second quarter organic sales in packaging coatings increased by a mid-single-digit percentage compared to the prior year with higher sales volumes offset by lower, index-driven prices. Global beverage demand is strong, and PPG sales growth is outpacing the market reflecting prior year and current year share gains. In the Asia-Pacific region growth is strong in all categories, and PPG is well positioned to support the growth. Moderation of destocking activity and customer wins as a result of PPG's preferred technologies are expected to improve year-over-year comparisons over the next few quarters. Third quarter 2024 organic sales are expected to increase by a mid-single-digit percentage compared to the prior-year third quarter.

Segment outlook

Looking ahead, global industrial production is expected to remain at a low level in the third quarter with improvement in the Asia-Pacific and Latin America regions offset by sluggishness in Europe and the U.S. Automotive industry build rates are expected to decline in the third quarter with growth in Latin America more than offset by declining builds in all other regions. Additionally, packaging coatings is expected to have positive sales volume growth in all regions compared to the prior-year quarter. Aggregate organic sales are anticipated to decline a low single-digit percentage compared to the third quarter 2023.



Balance Sheet, Cash and Other

Cash and short-term investments totaled \$1.2 billion and net debt totaled \$5.2 billion at the end of the second quarter, which is about \$400 million lower than the same quarter last year. In the second quarter 2024, operating cash flow generated was \$365 million.

Second quarter 2024 additional financial highlights:

- Reduced inventory year over year by approximately \$210 million
- Restructuring actions from previously announced programs delivered about \$10 million of incremental structural cost savings
- Effective tax rate was 23%
- Corporate expenses were \$69 million, \$16 million lower than the prior year, primarily due to lower incentive-based compensation and cost savings initiatives, partially offset by inflation increased benefits costs and growth-related investments

Second quarter 2024 uses of cash were as follows:

- Capital expenditures were \$118 million
- Dividends paid were \$152 million
- Shares repurchased were approximately \$150 million

Third Quarter and Full-Year 2024 Financial Projections

Category	Third Quarter 2024	Full Year
Total organic sales (YOY)	Flat to +LSD	Flat to +LSD
Adjusted EPS	\$2.10 - \$2.20 per share	\$8.15 - \$8.30 per share
Raw material costs (YOY)	Flat to -LSD	-LSD
Corporate expense	~\$75MM to \$80MM	~\$300MM to \$310MM
Net interest expense	~\$24MM to \$28MM	~\$80MM to \$90MM
Restructuring savings (incremental)	~\$8MM to \$10MM	~\$35MM
Capital expenditures		~\$600MM to \$650MM
Effective tax rate	~23.5% - 24.5%	~23% - 24%

Note: MSD, LSD = Middle/Single Digit. The company is not able to provide a reconciliation of second quarter or full-year 2024 expected adjusted earnings per diluted share to the most directly comparable GAAP financial measure because certain items that impact both measures are unobservable or cannot be reasonably predicted at this time.

Third Quarter and Full-Year 2024 Financial Assumptions

The company provided financial assumptions for the third quarter and full-year 2024 in its accompanying presentation materials based on information that is currently known. A few of the assumptions are highlighted below.

- Third quarter aggregate organic sales expected to be flat to higher by a low single-digit

percentage compared to the third quarter 2023; flat to higher by a low single-digit percentage for the full-year 2024

- Third quarter corporate expenses of \$75 million to \$80 million; \$300 million to \$310 million for 2024
- Third quarter net interest expense of \$24 million to \$28 million; \$80 million to \$90 million for 2024
- Third quarter adjusted earnings per diluted share of \$2.10 to \$2.20; \$8.15 to \$8.30 for 2024
- Full-year capital expenditures of approximately \$600 million to \$650 million in support of future organic growth opportunities and as we continue to recover from lower spending during the pandemic
- Third quarter effective tax rate of 23.5% to 24.5%; 23% to 24% for the full year 2024, higher than prior year due to higher tax rates in certain countries and the geographic mix of earnings and the absence of certain prior year favorable discrete tax items.

Additional information related to financial projections may be found in the detailed commentary and associated presentation slides related to the second quarter financial information which are posted on the investor section of the company's website.

The company is not able to provide a reconciliation of third quarter or full year 2024 expected adjusted earnings per diluted share to the most directly comparable GAAP financial measure without unreasonable effort because certain items that impact such measure are uncertain or cannot be reasonably predicted at this time.

(a) Organic sales are defined as: net sales excluding the impact of currency, acquisitions and divestitures.

Operating Environment Heading Into 3Q 2024

Positives

- Aerospace recovery and order backlog
- Mexico economic growth
- Share gain in aerospace, packaging, and refinish
- Price – targeted increases
- Raw material availability
- Infrastructure spending

Challenges

- U.S. existing home sales, multi-family construction
- Soft global auto and industrial production
- Skilled labor availability
- Higher global tax rates
- Lag impacts from higher interest rates

Watching

- Geopolitical environment
- Consumer spending
- European demand recovery
- Supplier anti-dumping cases
- Chinese consumer sentiment

Segment Margin Reconciliation

\$ in millions, except margin %

	2023		2024		2024	
	Q1	Q2	Q1	Q2	Q1	Q2
Performance Chemical						
Segment Margin, As Reported	46.0%	47.2%	45.7%	49.2%	46.4%	46.7%
Net Sales	\$2,036	\$1,044	\$3,080	\$2,175	\$1,564	\$1,046
Segment Income	936	497	1,402	1,076	713	479
Amortization	33	28	36	114	27	25
Segment Income excluding Amortization	903	469	1,366	962	686	454
Goodwill impairment recognition	—	—	—	—	—	—
Industrial Segment	12.2%	10.5%	11%	12.5%	10.3%	10.5%
Segment Margin, As Reported	13.7%	13.2%	13.9%	13.3%	14.7%	14.8%
Net Sales	\$1,726	\$1,014	\$1,704	\$1,726	\$1,092	\$1,246
Segment Income	240	203	240	233	160	180
Amortization	14	12	12	11	8	11
Segment Income excluding Amortization	226	191	228	222	152	169
Goodwill impairment recognition	—	—	—	—	—	—
Total Segments	14.1%	14.2%	14.3%	14.3%	14.3%	14.3%
Segment Margin, As Reported	46.0%	47.2%	45.0%	49.3%	46.1%	47.2%
Net Sales	\$4,000	\$4,072	\$4,004	\$4,000	\$4,000	\$4,000
Segment Income	836	797	899	899	653	659
Amortization	47	40	48	125	35	36
Segment Income excluding Amortization	789	757	851	774	618	623
Goodwill impairment recognition	—	—	—	—	—	—
Segment Margin, As Reported	19.7%	18.8%	21.2%	19.3%	15.4%	15.6%

ESG Report Issued in May 2024: Solid Progress in 2023

10%↓
Reduction in Scope 1 and 2 GHG Emissions

12%↓
Reduction in Scope 3 GHG Emissions

13%↓
Reduction in Water Intensity at Priority Sites in Water-Scarcity Communities

44%
Sales from Sustainably Sourced Products

97%
Key Suppliers Assessed to Sustainability and Social Responsibility Criteria

45%
Plastic Waste Sent to Reuse, Recycle and Recovery

\$18MM
Global Giving in 2023

Adjusted EPS Reconciliation

\$ in millions, except EPS

	Total PPG	
	Net Income	EPS ⁽¹⁾
Second Quarter 2024		
Net Income from Continuing Operations, As Reported	\$ 528	\$ 2.24
Acquisition-related amortization expense	27	0.11
Business restructuring-related costs, net ⁽²⁾	2	0.01
Portfolio optimization ⁽³⁾	18	0.08
Legacy environmental remediation charges ⁽⁴⁾	15	0.06
Adjusted Net Income Attributable to PPG	\$ 690	\$ 2.50
Second Quarter 2023		
Net Income from Continuing Operations, As Reported	\$ 480	\$ 2.08
Acquisition-related amortization expense	30	0.13
Business restructuring-related costs, net ⁽²⁾	11	0.05
Portfolio optimization ⁽³⁾	3	0.01
Adjusted Net Income Attributable to PPG	\$ 534	\$ 2.28

⁽¹⁾ Earnings per diluted share is calculated based on unrounded numbers. Figures in the table may not reconcile due to rounding.

⁽²⁾ Business restructuring-related costs, net include business restructuring charges, offset by business related to previously approved programs, which are included in Other charges (income), net on the condensed consolidated statement of income. Amortization of intangible assets, which is included in amortization on the condensed consolidated statement of income and other restructuring-related costs, which are included in Cost of sales, exclusive of depreciation and amortization and Selling, general and administrative on the condensed consolidated statement of income.

⁽³⁾ Portfolio optimization includes the sale of non-core assets, including the assets recognized on the sale of the Oregon (1) frame division located in Argentina, which were completed during the second quarter 2024, which is included in Other charges (income), net on the condensed consolidated statement of income. Portfolio optimization also includes internal legal, accounting, valuation, other professional fee, consulting fees and other internal and external expenses, as well as other costs related to these operations, net income. These costs are included in Selling, general and administrative expense on the condensed consolidated statement of income. In 2023, net loss of \$2 million was attributable to nonrecurring events.

⁽⁴⁾ Legacy environmental remediation charges represent environmental remediation costs at certain non-operating PPG manufacturing sites. These charges are included in Other charges (income), net in the condensed consolidated statement of income.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the company. This earnings brief contains forward-looking statements that reflect the company's current views with respect to future events and financial performance. You can identify forward-looking statements by the fact that they do not relate strictly to current or historic facts. Forward-looking statements are identified by the use of the words "aim," "target," "believe," "expect," "anticipate," "intend," "estimate," "project," "outlook," "forecast" and other expressions that indicate future events and trends. Any forward-looking statement speaks only as of the date on which such statement is made, and the company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our reports to the Securities and Exchange Commission. Also, note the following cautionary statements:

Many factors could cause actual results to differ materially from the company's forward-looking statements. Such factors include statements related to the effects on our business of COVID-19, global economic conditions, geopolitical issues, increasing price and product competition by our competitors, fluctuations in cost and availability of raw materials, energy, labor and logistics, the ability to achieve selling price increases, the ability to recover margins, customer inventory and production levels, the ability to maintain favorable supplier relationships and arrangements, the timing of realization of anticipated cost savings from restructuring and other initiatives, the ability to identify additional cost savings opportunities, the timing and expected benefits of our acquisitions, difficulties in integrating acquired businesses and achieving expected synergies therefrom, economic and political conditions in international markets, the ability to penetrate existing, developing and emerging foreign and domestic markets, foreign exchange rates and fluctuations in such rates, fluctuations in tax rates, the impact of future legislation, the impact of environmental regulations, unexpected business disruptions, the unpredictability of existing and possible future litigation, including asbestos litigation, and governmental investigations. However, it is not possible to predict or identify all such factors. Consequently, while the list of factors presented here and in our 2023 Annual Report on Form 10-K, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results compared with those anticipated in the forward-looking statements could include, among other things, lower sales or earnings, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on PPG's consolidated financial condition, results of operations or liquidity.

All of this information speaks only as of July 18, 2024 and any distribution of this earnings brief after that date is not intended and will not be construed as updating or confirming such information. PPG undertakes no obligation to update any forward-looking statement, except as otherwise required by applicable law.