PPG

PPG Investor Update

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CORPORATE PARTICIPANTS

Michael McGarry – *Chairman and Chief Executive Officer*

Vincent Morales – *Senior Vice President and Chief Financial Officer*

John Bruno – *Director of Investor Relations*

PRESENTATION

Operator
Welcome to the PPG Industries strategic business review update conference call. My name is Nicole, and I will be your conference specialist today. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to John Bruno, Director of Investor Relations. Please go ahead.

John Bruno
Thank you, Nicole, and good morning, everyone. Once again, this is John Bruno, Director of Investor Relations. Thank you for joining us this morning to discuss the completion of the strategic review of PPG's business portfolio.

If you recall, in January we communicated that PPG would complete a strategic review of its business portfolio by the end of the second quarter. Today we will provide the results of that review, as well as to cover a few other substantive topics.

Joining me on the call from PPG are Michael McGarry, Chairman and Chief Executive Officer, and Vince Morales, Senior Vice President and Chief Financial Officer. Michael will walk through a few slides, which are being presented on this webcast, and currently available on our website, ppg.com. Following Michael's review of the presentation, we will move to a Q&A session. Both the prepared commentary and discussion during this call may contain forward-looking statements reflecting the company's current view of future events, and their potential effect on PPG's operating and financial performance. These statements involve uncertainties and risks which may cause actual results to differ. The company is under no obligation to provide subsequent updates to these forward-looking statements.

This presentation also contains certain non-GAAP financial measures. The company has provided, in the appendix of the presentation materials which are available on our website, reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. For additional information please refer to PPG's filings with the SEC.

Now let me introduce PPG Chairman and CEO, Michael McGarry.

Michael McGarry
Thank you, John, and good morning, everyone. We appreciate your participation on today's call. The focus of today's call is to communicate the details and the results from the assessment of our strategic business portfolio review. As John mentioned, we will also take this opportunity to cover the results of two additional reviews focused on further improving the operational performance of PPG as a whole, as well as, specifically, with respect to our US and Canadian architectural coatings business. These reviews were conducted in addition to the strategic review of our business portfolio as part of our commitment to continuous operational improvement, and our focus on shareholder value.

Turning to the presentation slides, first on Slide 3, I'll remind everyone of the commitments and targets we communicated during our fourth quarter earnings call in January 2019. First, from a financial perspective, we are reiterating our full-year financial targets, including 3% to 5% sales growth, and 7% to 10% EPS growth. Both of these figures exclude foreign currency translation impacts. Embedded in

these targets is $70 million of cost savings from our previously announced cost savings programs in 2016 and 2018. Also, we continue to hold management to a very high standard, and will maintain a minimum of 10% EPS growth for variable long-term management compensation.

Finally, during 2019, we will recommend to our board of directors a per share dividend increase, continuing PPG's long legacy of rewarding our shareholders with dividend increases. One of our commitments relates to enhancing our governance structure, and along those lines, we included in our proxy statement manager's proposals to eliminate our super majority voting and classified board requirements. This marked the third and fourth time respectively in the last seven years that we have put these proposals forward for a shareholder vote.

PPG's bylaws require an affirmative vote of 80% of PPG's outstanding shares to approve these proposals. To aid in reaching this threshold, we hired a highly regarded proxy solicitation firm to seek additional shareholder votes by both telephone and mail. Despite these extensive efforts, the two proposals did not receive sufficient shareholder support to pass. We will review the outcome of this year's vote and potential future steps later this year.

Now I'd like to move to the principal part of our call. It is important to remind everyone that we have a long history of actively managing our portfolio. As illustrated on Slide 4, we've completed a number of acquisitions and divestitures over the past five years. In addition, we've taken decisive actions with regard to our cost structure, with a focus on business and regions that are facing sluggish demand, an opportunity to reduce administrative costs, capturing synergies we commit to for our acquisitions, and responding to specific market or business unit conditions.

This slide depicts these actions for only the past five years. If we widen the timeframe, you would see that we have consistently completed value creating acquisitions, divested various noncore businesses or product lines regardless of size, and acted aggressively on costs. All these actions over the past several decades are a result of ongoing and well-honed PPG strategic review process that is action biased. We fully intend to continue reviewing our businesses to ensure each is consistent with our strategy, meeting our expectations, and creating appropriate shareholder value.

Moving to Slide 5, which details the three recently completed assessments, two independent third-party financial advisors, Goldman Sachs and Morgan Stanley, were engaged to perform an independent strategic review under the direction of the board of directors. These advisors completed separate and independent evaluations of our business portfolio and balance sheet opportunities, with a focus on maximizing shareholder value. In addition to these two independent strategic reviews, we concluded a separate engagement by another globally recognized and well regarded consulting firm, focused on our US and Canadian architectural coatings business.

The primary objective for this engagement was to establish and execute an action plan following the customer assortment changes that occurred in mid-2018, to rapidly return this business to its prior earnings level.

Finally, consistent with PPG's constant focus on operating excellence, we completed a comprehensive internal review and organizational assessment. As these three separate initiatives progress, we had regular process updates with our board of directors, who are deeply engaged, and provide oversight and feedback throughout the process. The clear focus was on creating the most value for our shareholders, and the board's instructions were to hold nothing sacred during the reviews.

Now, let me discuss the details and results of these assessments. Slide 6 summarizes the scope and key considerations for the strategic reviews conducted by the two independent financial advisors. The

scope of the reviews included reviewing various alternatives to separate the architectural and industrial coatings businesses; reviewing other portfolio and strategic options, and completing a balance sheet and related cash deployment analysis focused on value creation opportunities. Key considerations, including net value creation for PPG shareholders; pro- forma equity market valuation estimates; implications on business competitiveness, customers and ongoing growth potential; value of synergies or dis-synergies and other financial impacts resulting from portfolio adjustments; tax implications; balance sheet effects; liability assignment; and cash deployment considerations.

The reviews were very thorough, and each financial advisor analyzed various scenarios. Ensuring independence, the advisors utilized external financial estimates as the anchor for their financial analysis, and PPG management wasn't directly involved in their analysis, except to answer occasional advisor questions, to provide requested company specific details that are not publicly available, and to receive updates as to the timing of the expected completion. Also, the advisors worked completely independently of each other, with neither advisor having access to the other advisor's work. Once again, these were thorough and rigorous reviews that took multiple months to complete.

Slide 7 is an assessment summary of this work. Despite running two parallel and independent analyses, both advisors were consistent in their findings, and recommended we stay the course with our current strategy and business portfolio, as the best opportunity to maintain strategic optionality, minimize risk, and maximize shareholder value.

The following are the key findings from the financial advisors. A split of the entire global architectural coatings business were large components of the architectural coatings business is not likely to result in value uplift for PPG shareholders. A change in the portfolio would likely create potential meaningful dis-synergies, incremental costs, and potential tax leakage. Even excluding any potential dis-synergies, a separation isn't likely to result in a material shareholder uplift. A split or separation would reduce overall strategic flexibility, and lower potential synergies available in the future acquisitions.

Both advisors recommend that we continue to pursue accretive acquisitions as the primary use of our cash. The assessment took into account PPG's excellent track record of executing accretive acquisitions, including our disciplined process; the measure of a successful acquisition process and shareholder value creation, and our opinion, the ultimate measure of that return on capital.

As illustrated on Slide 18 and 19 in the appendix, our return on capital from acquisition averages about two times our weighted cost to capital. Cumulatively, PPG's adjusted return on capital has been consistently in the mid to high teen percentages, and remains one of the highest in our sector. This is measurable proof that we've been successful in deploying capital in a disciplined manner, and effectively integrating the over 60 acquisitions that we completed in the past 20 years. We are very cognizant that acquisitions are a use of shareholder money, and we are very proud to deliver these returns consistently for our shareholders.

As detailed on Slide 8, after reviewing the assessment of the independent financial advisors, our board concluded that maintaining our current business portfolio supports competitiveness versus all major coatings peers, nearly all of which have mixed business portfolios; retains investment flexibility via access to a broader M&A pipeline for future value creation opportunities, with neither business being capital constrained; maintain financial flexibility via diversified earnings streams, a robust balance sheet, and strong cash flow; preserve operational and synergy benefits, including supply chain, R&D, operational footprint, and top quartile SG&A.

The company will continue to focus on innovation and operational excellence as primary levers for organic shareholder value creation. In addition, we will continue to deploy capital in the disciplined manner which

you have come to expect from PPG.

Finally, consistent with many generation of PPG leaders, we will continue to review our business portfolio, and take appropriate action regarding underperforming product lines, businesses, or regions. I say to our PPG team all the time, you have to continually earn your way into our portfolio.

Now I'll move to slide 9, summarizing our second initiative, the consulting engagement we conducted to assess the operations and growth investment opportunities for our US and Canadian architectural coatings business. The focus of this review was centered on identifying and executing on action plans to fully and rapidly recover our earnings following the customer assortment changes we experienced in 2018, and to position the business for success going forward; including implementing leading-edge business analysis tools, world-class management cadence practices, and accelerated development of digital and e-commerce strategies.

Obviously, because much of this review gets to the core of our strategic and commercial direction for this business going forward, we are not going to discuss the actions and recommendations publicly due to competitive reasons. But what I can say is that we had a full and in-depth review, both internally and with our board, of the business growth strategies and operations. The most immediate outcome was the establishment of a project management office to provide ongoing real-time measurement and guidance on the opportunities identified, to return this business to the prior earnings level. This includes the execution of the restructuring program we announced in mid-2018; however, this is only one of the many elements of the project management office.

We are continuing to strategically implement the findings from this engagement, and I am pleased to report that we are on pace to deliver in the upcoming third quarter, in the short period 12 months, business earnings that are consistent with the pre-customer assortment level change.

Lastly, on Slide 10 is our third initiative, which was an internal, in-depth assessment of our business and product array by region, across a variety of financial measures; including sales growth, profitability, and cash flow. As evidenced by both our business and product line divestitures on Page 3, this has historically been a strong competency for PPG, and at a minimum, we complete annual strategic reviews of our business units, major regions, and also of our support functions.

In addition, this year we completed sub-region reviews and product segment reviews. These line-by-line reviews were vetted against our current and future economic expectations. To the degree possible, we also rolled these reviews, our recently completed acquisitions, with the obvious limitation that we just closed three acquisitions within the past six months. The outcome of this detailed review is a set of decisive strategic action plan to optimize our operating footprint. This includes exiting certain modest business lines of small regional product positions, and approaching certain markets with different business models. This also includes rightsizing certain businesses based on the in-use demand, where our customers are doing the same thing. It also covers various regional elements given today's demand environment.

While we are taking certain redundancy actions associated with our recent acquisitions to begin to realize the targeted synergies, I will stress that at PPG, we don't consider synergies to be just from the acquired company. Many of our acquisitions have their own best practices, and we will adopt these acquired best practices throughout PPG. As a result of these actions, we expect to take a charge in the second quarter of $185 million to $200 million, although we are still working to finalize the final details. This charge excludes certain noncash items, such as accelerated depreciation on certain manufacturing footprint adjustments that we will incur ratably, and other associated expenses that will be recognized as incurred based on accounting guidelines.

We expect to provide more detail about these items on our second quarter earnings call, as they occur over the next several quarters. We are targeting annual run rate savings from these actions of about $125 million when fully implemented. We expect the majority of these savings to benefit years 2020 and 2021. We will begin to work on many of these structural actions immediately. It will take multiple quarters to implement those resulting in more modest impacts on 2019.

Slide 11 summarizes the conclusions of these three separate reviews. We believe that the conclusions and actions presented today best position the company for continued growth, and create additional shareholder value.

Finally, I'd like to thank our shareholders and employees for their continued feedback and support. This concludes our prepared remarks. Once again, we appreciate your interest in PPG.

And, Nicole, would you please open the line for questions.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question and answer session. Please limit your question to one question and one follow-up. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two.

And our first question comes from Matthew Krueger of Robert W. Baird. Please go ahead.

Matthew Krueger
Hi, good morning, everyone. How are you doing today?

Michael McGarry
Good morning, Matthew.

Matthew Krueger
So, my first question is, what criteria did this strategic review process prioritize as it relates to analyzing the business under a variety of economic scenarios, just given the significant end market diversity across PPG as a company?

Vincent Morales
So, Matthew, as Michael alluded to in the prepared remarks, the financial estimates that the advisors were anchored to were external estimates, IBES estimates. That would include, so certainly the current year, as well as the forwards-looking years. And embedded in those would be the equity investor assumptions on the global economy.

Matthew Krueger
Okay, got you. That makes sense. And then, just a second question. So, after the strategic review, have you arrived at any different or more focused conclusions on your M&A priorities or future business expansion opportunities as it relates to growing your footprint? Just given some of the commentary around kind of pruning less profitable businesses, and the lines, and things like that.

Michael McGarry
No, Matthew, this is Michael. No, I don't think it changes anything. As you can see in the appendix,

we've been very successful on acquisitions, whether it's been in Europe or the US or Latin America. And many of the acquisitions we've done recently come with facilities in China, which have allowed us to continue to grow faster than the market. So I think we're pleased with where we are.

Operator
Our next questions comes from John Roberts of UBS. Please go ahead.

John Roberts
Thank you. You have at least four non-paint businesses: silicas, eyeglass resins, OLED materials, and airplane windscreens. Did the review evaluate the roles of these businesses in the portfolio?

Michael McGarry
Hi, John, this is Michael. The review covered all of PPG. And what I would tell you about those businesses you referenced, they had all returns above the company average.

John Roberts
Okay. And then, I had the impression that you moved up this announcement from what was originally expected to be the end of the quarter. Was there a reason for the timing shift?

Michael McGarry
No. We wanted to complete it before the end of the quarter, and once the advisors were done our internal work had already been done. We didn't feel a reason to hold it until the end of the quarter.

Operator
Our next question comes from Frank Mitsch of Fremium Research. Please go ahead.

Frank Mitsch
Good morning, gentlemen, and thanks for the comprehensive review this morning. Just curious, have these findings been shared with any shareholders prior to the press release going out this morning?

Michael McGarry
Zero.

Frank Mitsch
Thank you. And I was wondering if you might be able to size some of the buckets or areas where you're expecting the cost savings program, the $125 million, and the charges of $185 million to $200 million that you're taking. On those charges, are some of the expenses associated with the strategic review, the consultants, etc., included in that? How can you help us kind of bucket what's going on with this latest cost savings program?

Vincent Morales
Hi, Frank, this is Vince. All the restructuring charges relate to curtailments of businesses or business activities. There are no charges in that, in those buckets related to work done for this assessment. The three primary buckets we have for restructuring, and we're going to continue to optimize our manufacturing footprint, first and foremost. We're also looking at some small product lines, or some places around the world where we have very small positions, where we haven't been proven to grow at levels consistent with our strategies. And we're obviously looking at the economic backdrop today, and making some decisions around how that looks going forward, and starting to evaluate the sizes of certain regions or businesses.

So those would be all the work we're doing from a restructuring perspective. As Michael alluded to in the

prepared remarks, we're not done with that analysis yet. We will be completed by the end of the second quarter. And in our July conference call, we can provide some more granular details.

Operator
Our next question comes from Kevin McCarthy of VRP. Please go ahead.

Kevin McCarthy
Yes, good morning. Michael, of the various strategic alternatives that the board considered, did any of them receive meaningful support, other than the course of action that you've outlined this morning? Just wondering whether the board is unanimous in its approach, or whether there was any alternative opinions put forth.

Michael McGarry
The board was unanimous. I think when you go through the detail that the advisors put forth, plus the internal review, the conclusions were pretty obvious. So there was a zero opinion that we should do anything different beside what we're announcing today.

Kevin McCarthy
Okay. And then, it sounds like some pruning of smaller product lines will be in the cards going forward. Can you address what criteria you'll look at in determining whether to keep or separate business lines or product lines with subpar profitability?

Michael McGarry
Yes. So the first one, of course, is cash flow return. So that would be one. Second is our future outlook on the ability to grow. So if we're looking at a region that we've had two or three years in a row of what I would call minimal to no profitability, and if we anticipate that the economic conditions in those regions or sub-regions would continue, then we're looking to trim support in that area.

Operator
Our next question comes from Michael Sison of KeyBanc. Please go ahead.

Michael Sison
Hi, guys. Michael, I think you mentioned that your goal for EPS growth is 10%. Can you maybe walk us through the variable that gets you there longer term? And is that goal is an all straight up 10% goal, or is it ex-currency and such?

Michael McGarry
Well, as we said in our prepared remarks, it's ex-currency. And the goal for us is to continue to drive a growth in the various businesses, capital deployment, a growth from the acquisitions, cost savings, are all part of that metric.

Vincent Morales
And, Mike, the other thing we're obviously working on is recapturing our margins so that price raw mixture that has been unfavorable the past couple years. We're working to get that back in our favor and in 2019.

Michael Sison
Okay, great. And then, in terms of your guidance for this year, any sort of updates near term how trends are going in terms of sales growth and [indiscernible] in Q2?

Michael McGarry
Well, we can confirm our two quarter guidance.

Vincent Morales
Yes we gave guidance with a range in Q2. The quarter is shaping up as we had envisioned when we gave the guidance about five weeks ago. That guidance had a little bit of a range due to some of the geopolitical and economic uncertainty out there. We're comfortable where we stand today. When we gave that guidance in mid-April, we did have visibility for three or four weeks in most of our businesses, if they grant us that visibility. So again, we're comfortable right now with the guidance we put forth in Q2.

Operator
Our next question comes from David Begleiter of Deutsche Bank. Please go ahead.

David Begleiter
Thank you, good morning. Michael and Vince, of the $125 million of cost savings, are any going to come from US and Canada architectural?

Michael McGarry
Nothing of materiality.

Vincent Morales
David as you know, we have a separate program that Michael talked about in the opening remarks, really focused on that recovery of that business, its profitability. There are certainly some smaller items in all of our businesses that we're tackling, but the majority of the restructuring comes from other regions or other businesses.

Michael McGarry
And, David, just to add to that just as a reminder. When we announced the assortment change, we said that we were going to be taking plants down, and we have closed four plants since that period of time. All those actions have been taken, that's why we're confident that our earnings in 3Q will be at or better than the prior earnings before the assortment change.

David Begleiter
Very good. And just on the charge for this current program, how much is cash versus non-cash?

Vincent Morales
So $185 million to $200 million is primarily cash. Again, as we said in the prepared remarks, there are non-cash charges that we'll incur ratably as we accelerate depreciation on certain assets. Again, we'll give some of that information out as we hit the 2Q call. There are also certain cash charges beyond $185 to $200 million, that we'll expense as we incur per the accounting guidelines. Again, we'll size that in 2Q earnings call, but that's not a significant amount.

Operator
Our next question comes from Christopher Parkinson of Credit Suisse. Please go ahead.

Christopher Parkinson
Thanks. So, as far as the realignment's concerned, to what extent do you believe there are kind of incremental opportunities for, let's say the future portfolio, whether that be cross-selling powder and liquid into industrial customers? Any other opportunities, even something on the services fronts for aero and/or industrial? Can we get an update there? Thank you.

Michael McGarry
Well, we do cross-selling all the time. I think one of the reasons why the advisors continue to recommend

the acquisitions, as well as the path that we have internally recommended, is that if you look at, like our protect and marine business. When we grow into a new market with architectural footprint, we're able to increase the size of our protective and marine business; we're able to do some additional cross-selling with industrial, lite industrial products. So those are two examples of where that happens.

We always look for opportunities in our automotive space to sell other products in our industrial. Obviously we just bought our Whitford, and with the low-friction coatings they have, we have a very good automotive team that will be trying to sell more of those coatings into the automotive and heavy-duty equipment market. So, cross-selling opportunities abound in this coating space.

Vincent Morales
And, Chris, if I could just add, the other opportunities we have is really pushing R&D across the portfolio. There are customer demands in different coatings verticals, and we try to meet each year. We find either same year or another point in time, those customer demands may pop up somewhere else in our portfolio, in another region, in another business. We're able to very quickly redeploy our R&D across, again, our entire portfolio, in a similar vein of cross-selling, but certainly up to technology scale.

Christopher Parkinson
Great. And you hit on this a little, but can you just further break down the $185 to $200 million Q2 charge, the noncash items? Can you help us reconcile that versus that 125? Is there any chance that savings will be material higher when it's all said and done? Thank you.

Vincent Morales
Thanks, Chris. No, again, we're still working through the final details of the charge. Again, our target is $125 million of savings. The cash outlay is going to be between $185 million and $200 million; again, plus some other costs that will be recognized as incurred. That's the information we have today. Again, we'll provide some more granular details on that in the July earnings call.

Operator
Our next question comes from PJ Juvekar of Citi. Please go ahead.

PJ Juvekar
Yes, hi, good morning, Michael and Vince.

Michael McGarry
Good morning, PJ.

Vincent Morales
Good morning.

PJ Juvekar
Did this architectural study evaluate your channel strategy. What I mean by that is, would you deemphasize a particular channel, like the dealer network, or maybe open more stores? Was there any finding there that looked at your channel strategy and how to grow organically?

Michael McGarry
Yes. They looked very carefully at all phases, whether it's company-owned stores, dealers, or the big boxes, and they were very comfortable with our current strategy, and they validated that. Obviously they have a few tweaks that they suggested that we consider, but by and large it was consistent with what we're doing.

PJ Juvekar
And then secondly, by eliminating some product lines, are you moving up the price ladder? Meaning, would your price mix move up in the subsequent quarters?

Michael McGarry
That would be a good assumption, PJ. I think though when you think about finding some of these, these are going to be small products and small countries. The answer is yes, but it's not going to be something you would probably find quickly.

Vincent Morales
PJ, Vince again. Again, normal process here is we look at profitability by business by region. There's a tail of products and customers in regions where you try to work on that tail year in and year out. You should assume these are lower profit portions of the tail, and we're trying to enact on those. Some of those were put in place in the past as potential growth opportunities that didn't materialize, but we're trying to make sure we react based on current environment.

Operator
Our next question comes from Arun Viswanathan of RBC Capital Markets. Please go ahead.

Arun Viswanathan
Great, thanks. Good morning. Just wondering about the volume side of your business. Volumes have been weak, and obviously there's been macro pressures. Did the review include any new initiatives from a company standpoint that would drive extra volume growth? Is there anything that you could do internally to accelerate and potentially recover some of that volume?

Vincent Morales
Yes, I'd say two things, Arun. One, our review, our internal review, as well as, again, the IBES estimates, have certain assumptions in them. We definitely are focused on our cost savings programs around our views of the economy and certain regions, etc. With respect to the current environment, it is certainly a bit choppy out there. Again, that was assumed in our Q2 guidance and our full-year guidance, so there's no change there. We do have a significant amount of work underway in our US architectural business around the consultant feedback to try to increase our volume growth there. In all of our businesses, frankly, significant actions around volume growth, even in an amiable volume environment.

So, there's nothing out of this study, other than the architectural work, that's specific to that. But again, we have significant organic R&D efforts underway that have been underway for quite some time, and we're executing against those.

Arun Viswanathan
And on the cash deployment side, did it also include maybe some consideration of larger scale M&A? It seems like that's been something that you would've considered before. Where do you stand on whether that would be additive to shareholder value? Thanks.

Michael McGarry
Yes, so, Arun, they did make specific recommendations. Obviously, I don't think this is the environment to go through which ones they did do. Let's just say they didn't turn up any buy that we were not fully aware of.

Vincent Morales
And again, I think what we've been talking about for the last year is it's a very active M&A space right now. Michael mentioned we closed three deals in the last six months. There's been another three deals

done really in the last six weeks. Some of those have been large deals, several billions of dollars. We continue to look at our pipeline. We continue to vet opportunities. We still feel that's a very good use of shareholder cash at the right price. We have remained disciplined, but the pipeline's active now. If we don't have an opportunity to close on certain deals, then we'll look at share repurchase as a lever to return cash to our shareholders.

Operator
Our next question comes from Andrew Keches of Barclays. Please go ahead.

Andrew Keches
Hi, good morning, everyone. Just two questions on the balance sheet. I guess first, leverage has certainly picked up over the last year and a half. Is there a debt metric or perhaps a ratings target that you'd like to maintain to the cycle? And then, I guess a follow-up. You clearly highlight preserving financial flexibility for opportunities. Is it possible to cram up maybe how much balance sheet capacity you would have for such opportunities? Or said differently, I guess, are A minus credit ratings sacred to the business?

Michael McGarry
Andrew, we've been pretty consistent in saying we want to maintain investment credit rating. We also said we would stretch for a really good acquisition, which we did try a year and a half ago. So those parameters remain in place. If it's a really good one, we're happy to stretch. But right now, investment grade is where we're comfortable being.

Andrew Keches
Thanks.

Operator
Our next question comes from Don Carson of Susquehanna Financial Group. Please go ahead.

Don Carson
Yes, a question on your consultant work on the US and Canadian architectural. What recommendations do they have in terms of your future investment in the business? Is this something where you're just going to not invest capital, or you're going to be more aggressive in store openings, or brandings? You seem lately to be pushing the PPG brands. Can you just talk about your willingness to invest in that business?

Michael McGarry
We're going to continue to invest to grow that business, but I always remind people we run a global architectural business. So when we look at store openings, we look at where we're going to have the best bang for the buck. And obviously, Mexico has been a high return environment for us. UK and France have been high return environments. So we're going to continue to invest selectively in the stores in the US, where it makes the most amount of sense.

Don Carson
And then as a follow-up, how big a factor was the tax leakage from separating out architectural and industrial?

Vincent Morales
Don, this is Vince. Again, it depends on your view of what the value of the business is. We're not going to give out specific numbers on the call here, but in different scenarios tax leakage comes into effect on any company's portfolio. So again, it wasn't the biggest decision driver. The biggest decision driver, as

we earmarked on one of the slides, was the dis-synergies. And that was the much bigger factor in terms of the analysis.

Operator
Our next question comes from John McNulty of BMO. Please go ahead.

John McNulty
Yes, good morning, thanks for taking my question. So with regard to the returns analysis that you did on the M&A, the results coming in at two times your cost to capital is impressive. Does it make you think you should be even more aggressive with M&A going forward, considering how high the returns have been on the acquisitions you've done?

Michael McGarry
Well, John, that was a point that was debated by the advisors. Again, we're going to be diligent and make sure we're disciplined. And when we look at all these things, sometimes we do have better returns because the raw material synergies pop a little higher, or the sales synergies pop a little higher. I think our approach has been consistent, but I think you raise a valid point and the advisors also raised a valid point.

Vincent Morales
Make no mistake, all those decisions are with the backdrop that this is shareholder money. I'd rather have a little higher batting average, and continue to return our value to our shareholders. But by the same token, it's a very valid question.

John McNulty
Fair enough. And then just a follow-up. On the buckets that you have on, I think it's Page 17 where it shows the technology, geography, scale, and adjacency buckets in terms of the types of acquisitions you've done, are there any that stand out, any of those buckets that stand out where the returns were noticeably either higher or lower than kind of what you were talking to in the total corporate average?

Michael McGarry
No, not really, John.

Vincent Morales
It's more of the property, John, more the ability for us to strike, obviously, a good acquisition price, and then, obviously, the synergy level. Those are typically the key parameters that drive the returns.

Operator
Our next question comes from Jeff Zekauskas of JP Morgan. Please go ahead.

Jeff Zekauskas
Thanks very much. Will the Goldman and Morgan Stanley studies be disclosed?

Michael McGarry
Sorry, Jeff, no.

Vince Morales
No, Jeff. They contain a lot of proprietary information that's non-public, from a company perspective.

Jeff Zekauskas
Okay. And second, in the assessment of the value of breaking the company into two pieces, an industrial

piece and an architectural piece, was there also an examination of the strategic possibilities of the two smaller companies; that is, if there were merger possibilities, or sale possibilities, or divestiture possibilities that were weighed against the dis-synergies that would come from splitting the company into two pieces? Or was it simply a simpler analysis of looking at the big company versus two smaller companies and their valuation in the public markets with raw material dis-synergies? How complex was the analysis?

Vince Morales
Jeff, the advisors did a thorough analysis, more of the former of what you talked about. Again, there's multiple permutations everybody can go through, but they try to do the perspective from our shareholder. So if the shareholder has a RemainCo and a SpinCo, what that means, again, there's certainly a lot of assumptions that go into these analyses; but I do believe the advisors tried to do their perspective based on the shareholder creation, the ultimate shareholder value creation.

Operator
Our next question comes from Steve Byrne of Bank of America. Please go ahead.

Steve Byrne
Yes, thank you. Did your strategic review lead you down the path of reassessing your current structure of your segments? For example, is two optimal? What about three? Or why are five businesses in one and four in the other? Could you have pulled architectural out? Anything along those lines, also assessed in the review.

Vince Morales
Steve, it's Vince. Our reporting structure was not part of the deliberations here. It's something we control as a company. We have that reporting structure, as it really separates distribution type businesses versus B2B type businesses. We're comfortable with our reporting structure as it exists, but this analysis was not inclusive of that.

Steve Byrne
And a question on your Home Depot business. Have you increased your commercial investment in that relationship, and are you seeing any traction as of now in that investment?

Michael McGarry
Well, all I will tell you is that we've been very happy with that relationship with Home Depot. We've grown with the various DIY segments better than our underlying customers. I won't get into a specific customer, but we've been very pleased with our growth in that area.

Operator
Our next question comes from Dmitry Silversteyn of Buckingham Research. Please go ahead.

Dmitry Silversteyn
Yes, good morning. I just wanted to follow up on Arun's question from earlier. Was there anything in this review process that sort of identified the source of the difficulty that you have of growing the business organically, even in line with your markets, let alone exceeding the market growth rate? And if so, what are some of the steps that you can be taking in the near and the midterm to speed up your organic growth performance?

Michael McGarry
Dimitri, the primary focus of this was the performance of the company and then the separation of it. Clearly they had some commentary that they provided us. But again, as we mentioned on our earlier

remarks, it gets into the strategic part of how we're going to run the company. I think we'll pass on getting into further detail on that.

Dmitry Silversteyn
Okay, thank you.

Operator
Our next question comes from Jim Sheehan of SunTrust. Please go ahead.

Jim Sheehan
Thank you, good morning. On the $125 million in cost savings, how will you apportion that by segment, performance coatings versus industrial coatings?

Vince Morales
Again, Jim, we'll give some more details on our 2Q call. As Michael alluded to in the opening remarks, the majority of that will occur in 2020 and 2021. We will have a sliver of that that we'll recognize the savings of in 2019, but again, all those details are forthcoming.

Jim Sheehan
Thank you.

Operator
Our next question comes from Bob Koort of Goldman Sachs. Please go ahead.

Bob Koort
Thank you, good morning. On Slide 18 where you show your returns on capital, is that left to right timescale? And then secondly, the bars where you've been able to get a lot more in the post-completion returns, have there been commonalities that have driven that superior return from what you first estimated?

Michael McGarry
No. They're not by time. They're by just different acquisitions. A lot of the returns have to do with the price we paid, obviously. So you can see, like acquisition two, it was a very, what I would say, a very accretive price, and some of the other ones were more competitive; but they are a variety of end markets and variety of regions and a variety of products.

Vince Morales
Yes, Bob, every acquisition's different. In the criteria, every acquisition's different in terms of the synergy capability and opportunity. Obviously there's execution that we do on each one of these. So it's really hard to, overall, have a rule of thumb. There are certain averages that we follow and seem to come true over time, but each one is a different entity.

Bob Koort
And then, I'm curious, you said the advisors gave you some ideas, maybe what you could do around the edges. You guys are fairly active in your productivity goals. Was there anything uncovered that you didn't expect or that was new to you, that maybe the external view gave you some new perspective?

Vince Morales
Let me start, and I'll let Michael finish here. I think in the architectural study, again, it's always good to get an outside perspective and a refresh on different things; management tools, management cadence, different analysis tools. And so that respect, it was very helpful. In the separation review, again, the

advisors bounced up a lot of different ideas that were informative. As Michael alluded to, they all ran to the same result at the end, but it certainly gave us different things to think about as we go through individual strategic reviews with our businesses or regions. But those would be the two I'd pinpoint.

Michael McGarry
Yes, the one thing I would point to, Bob, one of the items that they were able to track in, I would say better real time than we were doing it before, was pricing. The tools that they brought, I would say accelerated our viewpoint of pricing by a week or two. So we might know at midmonth, or end of month they would know it more on a real-time basis. And so, they complimented what we were doing, but they certainly thought they could accelerate insight.

Bob Koort
Got it, thank you very much.

CONCLUSION

Operator
This concludes our question and answer session. I would like to turn the conference back over to John Bruno for any closing remarks.

John Bruno
Thank you, Nicole. I'd like to thank everyone for their time and interest in PPG. If you have any further questions, please contact our Investor Relations department. This concludes our call.

Operator
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.