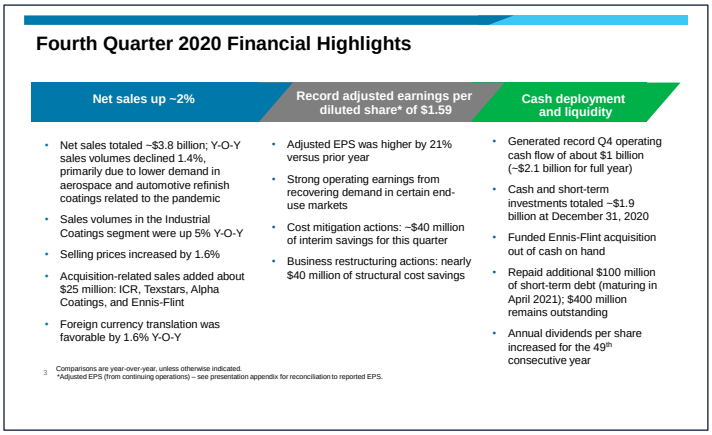
PPG Fourth Quarter 2020 Financial Results

Earnings Brief – January 21, 2021

These prepared remarks should be read in conjunction with the PPG's earnings press release and related presentation that were posted on PPG's website (investor.ppg.com) on January 21, 2021. In addition, these detailed remarks supplement the commentary that the company will make on its earnings conference call on January 22, 2021.



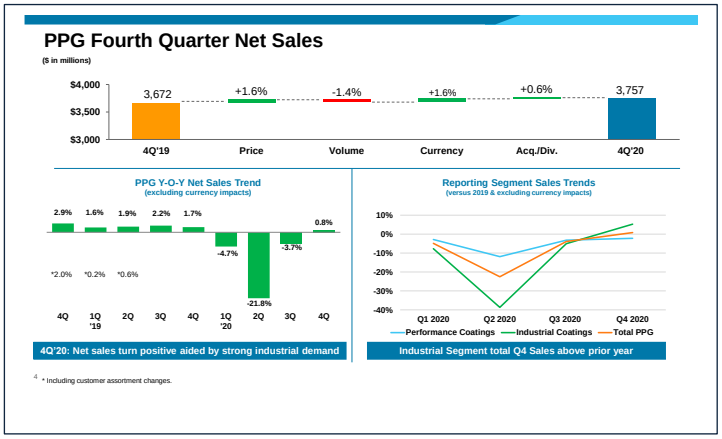
Fourth Quarter Financial Highlights

PPG fourth quarter net sales were approximately $3.8 billion, an increase of more than 2% versus the prior year. Net sales in constant currencies were up by about 1%, as foreign currency translation had a favorable impact to net sales of nearly 2%. Fourth quarter results reflect strengthening global demand for automotive OEM and industrial coatings products, along with continued robust global demand for architectural coatings. Economic activity in the quarter remained the strongest in China. These favorable trends were offset by continuing demand weakness due to the COVID-19 pandemic in automotive refinish, aerospace, marine, and protective coatings products that support the energy markets.

Fourth quarter reported earnings per diluted share was $1.14, compared to $1.23 in the prior-year quarter. Adjusted earnings per diluted share was a fourth quarter record $1.59, compared to $1.31 in the fourth quarter 2019. Year-over-year earnings were higher driven by strong incremental operating margin leverage on improving sales volumes and continued execution of cost initiatives. Interim cost-mitigation actions delivered about $40 million of savings and structural cost-savings programs, which are permanent reductions in the company's cost structure, resulted in an additional $40 million of savings in the quarter.

During the fourth quarter, the company finalized the acquisition of Ennis-Flint, a global leader in pavement markings and traffic safety solutions with a wide range of products, including traffic paint, hot-applied and preformed thermoplastics, raised pavement markers and intelligent transportation systems. Ennis-Flint's 2020 revenue was approximately $600 million. Also, in December and early January 2021, three other acquisitions were announced. These acquisitions are expected to be completed during the first half of 2021, subject to customary regulatory approval and closing conditions. More information on acquisitions is provided later in these prepared remarks.

The fourth quarter reported and adjusted effective tax rates were about 19% and 21% respectively, compared to the reported and adjusted 24% rate in the fourth quarter of 2019. The lower adjusted tax rate for the fourth quarter was mainly due to more favorable non-recurring discrete tax items. The first quarter 2021 tax rate is expected to be between 24% and 25%.

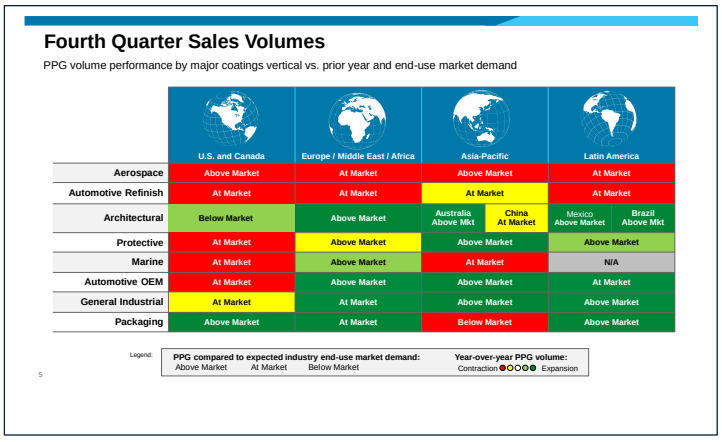


PPG Fourth Quarter Net Sales

PPG fourth quarter net sales of about $3.8 billion were more than 2% higher compared to the prior year.

In aggregate, company sales volumes were lower by about 1.5% versus the prior-year fourth quarter. In the Industrial Coatings reportable segment, the company experienced continued sequential sales volume improvement during the quarter. Regionally, fourth quarter net sales in the Asia-Pacific region were a record.

Aggregate selling prices increased by about 1.5% year-over-year, with strong contributions from the Performance Coatings reportable segment. Further selling price increases are expected in the first quarter to mitigate expected cost inflation in raw materials, logistics, and employee wages and benefits. The recent acquisitions of Texstars, ICR, Ennis-Flint, and Alpha Coating increased net sales by less than 1%, or about $25 million, in the quarter. The U.S. dollar weakened year-over-year, compared to the company's overall basket of currencies, resulting in a favorable foreign currency translation impact to net sales of about $60 million in the fourth quarter. For the first quarter 2021, foreign currency translation is expected to have a favorable impact year-over-year to net sales and earnings by $100 million to $130 million and $10 to $15 million, respectively.



Fourth Quarter Sales Volumes

Aggregate year-over-year global sales volumes decreased about 1.5% in the fourth quarter of 2020, as improving demand for coatings that go into industrial products and continued strong demand for global architectural coatings was more than offset by continued soft demand for coatings that are utilized for mobility applications, such as aerospace and automotive refinish, and in support of the oil and gas industry, such as protective coatings, primarily due to the economic impacts of the global pandemic.

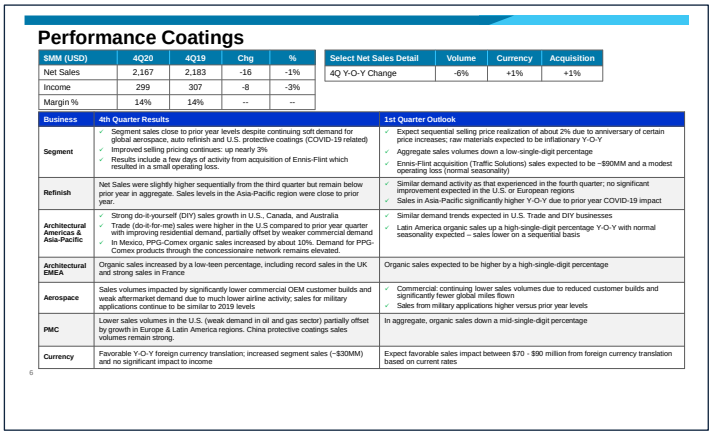
In the U.S. and Canada region, sales volumes were down a high-single-digit percentage compared to the prior year. Aerospace coatings sales volumes were lower by about 30% due to weak commercial new-build and aftermarket demand. Aerospace net sales for military applications remained stable year over year. Industry demand in automotive refinish coatings remained subdued and well below prior year levels due to less traffic congestion at peak driving hours and mandated stay-at-home requirements in various parts of the world. Collision claims in the U.S. were estimated to be down 20% year over year in the quarter. Sales volumes for the packaging coatings business grew by at least a high-single-digit percentage for the fourth consecutive quarter. In the architectural coatings business, net sales, excluding the impact of currency and acquisitions (organic sales) increased by a mid-single-digit percentage, as organic sales were higher for both the do-it-yourself (DIY) and trade/professional channels. Demand for architectural coatings products supporting the commercial segment remained depressed and are expected to remain so in the first half of 2021. Sales volumes in both the automotive original equipment manufacturer (OEM) and industrial coatings businesses were lower by a mid-single-digit percentage on a year-over-year basis with sales volumes in both businesses trending positively at the end of the quarter. The Ennis-Flint acquisition was completed near the end of December and included a small operating loss reflecting the business' seasonality. More than 80% of Ennis-Flint's sales are in the U.S. and Canada region.

Sales volumes increased by a low-single-digit percentage in the Europe, Middle East, and Africa (EMEA) region compared to the previous year. These results were led by the architectural coatings – EMEA business, as organic sales were a low-teen-percentage higher than the prior year. Sales volumes in the automotive OEM coatings business were also higher by a low-teen-percentage, supported by higher industry production rates in the quarter. The general industrial coatings business experienced sales volumes growth of a mid-single-digit percentage compared to the prior year. Sales volumes for the packaging coatings business grew by a mid-single-digit percentage. Industry demand for the protective and marine coatings products slightly improved on a sequential quarterly basis. Organic sales in the aerospace and automotive refinish coatings businesses remained significantly below prior-year levels.

Sales volumes in the Asia-Pacific region were up a mid-single-digit percentage year over year in aggregate, with benefits from a strong demand recovery in China and India, partially offset by continued demand softness in other parts of the region. Net sales in China and India were both higher by about 10% on a year-over-year basis, driven by strong sales in the automotive OEM, general industrial, and protective and marine coatings businesses. In the fourth quarter, automotive OEM industry retail sales in China were up about 7% year-over-year. Sales volumes in Australia were mixed, as strong architectural coatings demand was offset by softer automotive refinish sales due to less commuting.

In Latin America, sales volumes were higher by a mid-single-digit percentage versus the prior year due to strong sales volume growth from the businesses in the Industrial Coatings reportable segment. In addition, the Performance Coatings reportable segment had positive year-over-year sales volume growth led by the architectural coatings business in Brazil and the PPG-Comex architectural coatings business in Mexico, partially offset by lower sales volumes in the automotive refinish coatings business.

Looking ahead, in aggregate for the company we expect demand recovery to continue. However, the pace of recovery will vary across end-use markets and geographic regions. In the first quarter, we expect that sales volumes will be flat –to- up by a low-single digit percentage, compared to the prior year. This includes the impact of one fewer shipping day in the first quarter of 2021 compared to the prior year, which primarily impacts our distribution-related businesses.



Performance Coatings

$MM (USD)	4Q20	4Q19	Chg	%
Net Sales	2,167	2,183	-16	-1%
Income	299	307	-8	-3%
Margin %	14%	14%	--	--

Select Net Sales Detail	Volume	Currency	Acquisition
4Q Y-O-Y Change	-6%	+1%	+1%

Business	4th Quarter Results	1st Quarter Outlook
Segment	✓ Segment sales close to prior year levels despite continuing soft demand for global aerospace, auto refinish and U.S. protective coatings (COVID-19 related) ✓ Improved selling pricing continues: up nearly 3% ✓ Results include a few days of activity from acquisition of Ennis-Flint which resulted in a small operating loss.	✓ Expect sequential selling price realization of about 2% due to anniversary of certain price increases; raw materials expected to be inflationary Y-O-Y ✓ Aggregate sales volumes down a low-single-digit percentage ✓ Ennis-Flint acquisition (Traffic Solutions) sales expected to be ~$90MM and a modest operating loss (normal seasonality)
Refinish	Net Sales were slightly higher sequentially from the third quarter but remain below prior year in aggregate. Sales levels in the Asia-Pacific region were close to prior year.	✓ Similar demand activity as that experienced in the fourth quarter; no significant improvement expected in the U.S. or European regions ✓ Sales in Asia-Pacific significantly higher Y-O-Y due to prior year COVID-19 impact
Architectural Americas & Asia-Pacific	✓ Strong do-it-yourself (DIY) sales growth in U.S., Canada, and Australia ✓ Trade (do-it-for-me) sales were higher in the U.S compared to prior year quarter with improving residential demand, partially offset by weaker commercial demand ✓ In Mexico, PPG-Comex organic sales increased by about 10%. Demand for PPG-Comex products through the concessionaire network remains elevated.	✓ Similar demand trends expected in U.S. Trade and DIY businesses ✓ Latin America organic sales up a high-single-digit percentage Y-O-Y with normal seasonality expected – sales lower on a sequential basis
Architectural EMEA	Organic sales increased by a low-teen percentage, including record sales in the UK and strong sales in France	Organic sales expected to be higher by a high-single-digit percentage
Aerospace	Sales volumes impacted by significantly lower commercial OEM customer builds and weak aftermarket demand due to much lower airline activity; sales for military applications continue to be similar to 2019 levels	✓ Commercial: continuing lower sales volumes due to reduced customer builds and significantly fewer global miles flown ✓ Sales from military applications higher versus prior year levels
PMC	Lower sales volumes in the U.S. (weak demand in oil and gas sector) partially offset by growth in Europe & Latin America regions. China protective coatings sales volumes remain strong.	In aggregate, organic sales down a mid-single-digit percentage
Currency	Favorable Y-O-Y foreign currency translation; increased segment sales (~$30MM) and no significant impact to income	Expect favorable sales impact between $70 - $90 million from foreign currency translation based on current rates

6

Performance Coatings

Fourth quarter net sales for the Performance Coatings segment were about $2.2 billion, down about 1% versus the prior year. Selling prices increased nearly 3%. Segment sales volumes were down about 6%. Acquisition-related sales and favorable foreign currency translation each added about 1% to sales growth.

Segment income was $299 million, down about $10 million compared to the fourth quarter 2019. Earnings were adversely impacted by lower sales volumes, partially offset by cost-mitigation actions and restructuring savings. Aerospace and automotive refinish coatings had strong performances in the prior- year fourth quarter.

From a business unit perspective, year-over-year organic sales for automotive refinish coatings were lower by about 10%, impacted by further stay-at-home mandates issued during the quarter, particularly in Europe, and a difficult comparison with a strong fourth quarter in 2019. Demand did improve in the Asia-Pacific region sequentially led by China where congestion has continued to recover closer to 2019 levels. In Europe, congestion and miles driven in major cities, which had improved sequentially in the third quarter, weakened due to most countries imposing stricter mobility restrictions due to the pandemic. In the U.S., body shop activity was impacted by an estimated 17% reduction in collision claim activity on a year-over-year basis. Globally, the business continued to convert new body shops to PPG products

during the fourth quarter. In Europe, PPG has now installed about 470 Moonwalk automated paint dispensing devices, with about 10% of these new PPG customers. It is expected that the weak demand conditions will linger into the first quarter. The ongoing demand recovery in the Asia-Pacific region and what was experienced in Europe during the third quarter are an indication of how quickly demand recovers once normal commuting patterns return. Even without a full return to office work, there is potential for driving rates to return to 2019 levels over the next year, as driving may replace some air travel and mass transit use.

Aerospace coatings sales volumes decreased by more than 30%, similar to year-over-year levels experienced in the third quarter, as sharp declines continued in commercial OEM and aftermarket product demand. Sales to the military segment, representing about 30% of PPG's aerospace coatings net sales, remain solid and are expected to trend higher in subsequent quarters due to new business wins driven by PPG's advantaged technology. During the quarter, there was a modest uptick in demand for aerospace coatings aftermarket products reflecting slight increases in global passenger flights and some modest inventory restocking. During the quarter, airplane miles flown for domestic flights in China continued trending to about 90% of 2019 levels. Outside of China, flight activity remains significantly below prior year levels, and is only expected to gradually improve until the summer of 2021, at the earliest. This will likely keep demand muted for PPG aerospace products in the commercial aftermarket and in the business overall. Sales volumes, in aggregate, are expected to remain about 30% below prior-year in the first quarter of 2021. It is expected that the commercial aftermarket industry will recover earlier than the new commercial build industry.

Year-over-year organic sales increased by a low-teen percentage in architectural coatings - EMEA, We experienced strong year-over-year sales volumes growth in most countries including France and the U.K. This performance was led by strong consumer demand for residential repaint and DIY products after many countries imposed additional, or stricter, stay-at-home mandates. Demand for DIY products are expected to remain elevated through the first quarter. Overall, first quarter organic sales are expected to be higher by a mid to-high-single-digit percentage year-over-year, with normal seasonal trends. Industry demand trends in the U.K. have thus far not been impacted by the start of the BREXIT process, but we will closely monitor this transition, including any cross-border logistics issues.

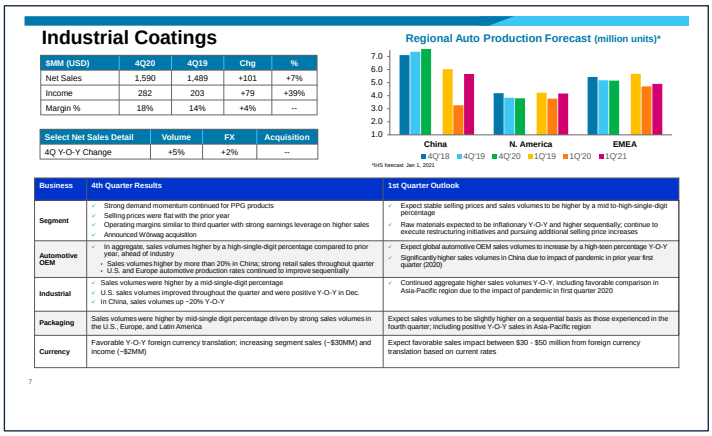
Architectural coatings - Americas and Asia-Pacific organic sales increased by a mid-single-digit percentage, as strong demand in the DIY channel continued in the fourth quarter. Organic sales in the trade (do-it-for-me) channel also increased during the quarter due to continuing residential paint demand, partially offset by lower commercial repaint activity. The Australian architectural business continued to deliver strong sales volume growth driven largely by strong DIY demand trends despite additional, mandated retail shutdowns in certain states. In Mexico, PPG-Comex organic sales were higher by about 10%, as the concessionaire network sell-out of PPG products was strong throughout the quarter. During the fourth quarter, about 45 new concessionaire locations were added, bringing the total to about 80 for the year 2020. Looking ahead, aggregate net sales, excluding foreign currency translation, are expected to be up a mid-single-digit percentage with normal seasonal demand patterns anticipated.

Aggregate protective and marine coatings organic sales were lower by a mid-single-digit percentage compared with the prior-year fourth quarter, driven by lower demand for protective coatings products in the U.S. and lower marine coatings activity in the Asia-Pacific region. The lower sales volumes in the U.S. were related to continued soft demand in the oil and gas industry. This was partially offset by higher sales volumes in Europe, which benefited from the restart of delayed projects in the third quarter and strong protective coatings growth in the Asia-Pacific region where PPG's technology-advantaged products continue to be in high demand. First quarter sales trends are expected to be similar to those experienced in the fourth quarter.

Looking ahead, overall segment net sales, on a sequential basis, are anticipated to be generally similar to the fourth quarter. Sales volumes are expected to be slightly lower on a year-over-year basis. Sharp year-over-year declines in the commercial aerospace coatings business will continue. Lastly, acquisitions

that have already been finalized are forecast to add about $90 million of net sales, primarily from Ennis-Flint. First quarter sales and earnings for the Ennis-Flint business are historically low due to normal seasonality in that business. The acquisition has been established as a separate business unit “Traffic Solutions” within the Performance Coatings reportable segment.

It is expected that raw material, logistics, and certain other costs will be inflationary in 2021. The company has already announced selling price increases in most of the businesses in the Performance Coatings reportable segment and will continue to execute against various cost-savings initiatives. Finally, foreign currency translation is expected to have a favorable impact on segment sales and earnings of about $80 million and $10 million, respectively, based on recent exchange rates.



Industrial Coatings

SMM (USD)	4Q20	4Q19	Chg	%
Net Sales	1,590	1,489	+101	+7%
Income	282	203	+79	+39%
Margin %	18%	14%	+4%	--

Select Net Sales Detail	Volume	FX	Acquisition
4Q Y-O-Y Change	+5%	+2%	--

Regional Auto Production Forecast (million units)*

*IHS forecast Jan 1, 2021

Business	4th Quarter Results	1st Quarter Outlook
Segment	✓ Strong demand momentum continued for PPG products ✓ Selling prices were flat with the prior year ✓ Operating margins similar to third quarter with strong earnings leverage on higher sales ✓ Announced Wörwag acquisition	✓ Expect stable selling prices and sales volumes to be higher by a mid-to-high-single-digit percentage ✓ Raw materials expected to be inflationary Y-O-Y and higher sequentially; continue to execute restructuring initiatives and pursuing additional selling price increases
Automotive OEM	✓ In aggregate, sales volumes higher by a high-single-digit percentage compared to prior year, ahead of industry • Sales volumes higher by more than 20% in China; strong retail sales throughout quarter • U.S. and Europe automotive production rates continued to improve sequentially	✓ Expect global automotive OEM sales volumes to increase by a high-teen percentage Y-O-Y ✓ Significantly higher sales volumes in China due to impact of pandemic in prior year first quarter (2020)
Industrial	✓ Sales volumes were higher by a mid-single-digit percentage ✓ U.S. sales volumes improved throughout the quarter and were positive Y-O-Y in Dec. ✓ In China, sales volumes up ~20% Y-O-Y	✓ Continued aggregate higher sales volumes Y-O-Y, including favorable comparison in Asia-Pacific region due to the impact of pandemic in first quarter 2020
Packaging	Sales volumes were higher by mid-single digit percentage driven by strong sales volumes in the U.S., Europe, and Latin America	Expect sales volumes to be slightly higher on a sequential basis as those experienced in the fourth quarter; including positive Y-O-Y sales in Asia-Pacific region
Currency	Favorable Y-O-Y foreign currency translation; increasing segment sales (~$30MM) and income (~$2MM)	Expect favorable sales impact between $30 - $50 million from foreign currency translation based on current rates

7

Industrial Coatings

Fourth quarter net sales for the Industrial Coatings segment were about $1.6 billion, up nearly 7% year over year. Segment sales volumes were higher by 5% as global industrial production demand continued to recover from the pandemic low point in the second quarter. In China, demand continued to be above prior year levels in several end-use markets. Aggregate selling prices were consistent with the fourth quarter 2019. Favorable foreign currency translation added nearly 2% to sales growth.

Segment income of about $280 million was up about $80 million, or about 40%, year over year. Segment income was aided by the impact of the higher sales volumes, cost-mitigation actions, restructuring cost savings, and favorable foreign currency translation.

From a business unit perspective, global automotive OEM coatings year-over-year sales volumes rose by a high-single-digit percentage versus the prior year, above global industry production rates. The outperformance was driven by strong sales volumes in China and Europe, and supported by the company’s strong technology and service capabilities. In China, automotive industry retail sales were up by about 7% compared to the prior-year fourth quarter. In the U.S., automotive retail dealer inventories continue to be at relatively low levels for more popular models despite the impacts of the pandemic. Aggregate sales volumes are expected to be up significantly in the first quarter, partially due to a weaker first quarter of 2020, when the pandemic effects were initially realized in Asia. While industry forecasts are projecting global automotive builds to increase by a mid-teen percentage in the first quarter compared to the prior year, some risk exists related to automotive OEM customers being able to obtain all necessary components to meet expected production rates due to the pandemic. Overall automotive OEM retail demand remains robust in most regions.

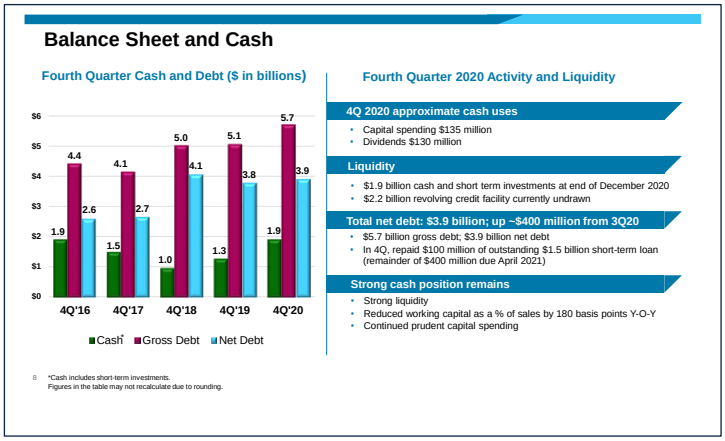
Industrial coatings sales volumes also were higher on a year-over basis, rising a mid-single-digit percentage in aggregate during the fourth quarter, as global industrial production continued to improve compared to the start of the pandemic. In China, sales volumes were higher by about 25% on a year-over-year basis. On a global basis, demand trends were positive in most key sub-segments and the strongest in electronic materials, cookware, appliance, and wood. In addition, demand trends for heavy duty equipment improved during the fourth quarter, and it is expected that for the first quarter overall industrial demand and year-over-year sales volumes will be similar to those experienced in the recently completed quarter.

Organic sales in packaging coatings increased by a mid-single-digit percentage versus the prior year, as strong sales volume growth in the U.S., Europe, and Latin America more than offset softer demand in the Asia-Pacific region. In the U.S., performance was supported by strong demand in the canned food and beverage segment. Demand for the canned food segment in Europe was strong, partially offset by softer

demand for canned personal care items, which remains soft in Europe and Asia-Pacific due to the pandemic. First quarter demand and sales trends are expected to be similar to those experienced in the fourth quarter.

During the quarter, the company incurred additional costs related to Hurricanes Laura and Delta, which impacted a company facility in Louisiana in September and October 2020. In the fourth quarter, the net earnings impact of the damage to PPG's assets was $9 million on a pre-tax basis. These costs were reported as a natural-disaster-related charge and were excluded from adjusted net income in the quarter. Additionally and separately, the company estimated $4 million of lost revenue in the fourth quarter due to the production interruption and a total of $11 million to date since the hurricanes occurred. The facility is open and fully operational. Remaining repairs are estimated to be no greater than $5 million on a pre-tax basis and are expected to be completed in the first quarter 2021.

Looking ahead for the segment in aggregate, sales volumes are expected to be higher than the prior-year first quarter by a mid-to-high-single-digit percentage, including the benefit of an easier comparison due to the lower industrial activity in China during the first quarter of 2020 stemming from the pandemic. It is expected that raw material, logistics, and certain other costs will be inflationary in early 2021. The company is planning or has instituted selling price increases to help mitigate these inflationary pressures, along with continued execution of the previously announced restructuring initiatives. Finally, foreign currency translation is expected to have a favorable impact on segment sales and earnings of about $40 million and $5 million, respectively, based on recent exchange rates.



Balance Sheet and Cash

PPG finished the fourth quarter with approximately $1.9 billion of cash and cash equivalents. Operating cash flow was nearly $1 billion in the fourth quarter, about 20% higher than the prior-year quarter, and a record $2.1 billion for the full year. Working capital, as a percent of sales, improved about 180 basis points on a year-over-year basis.

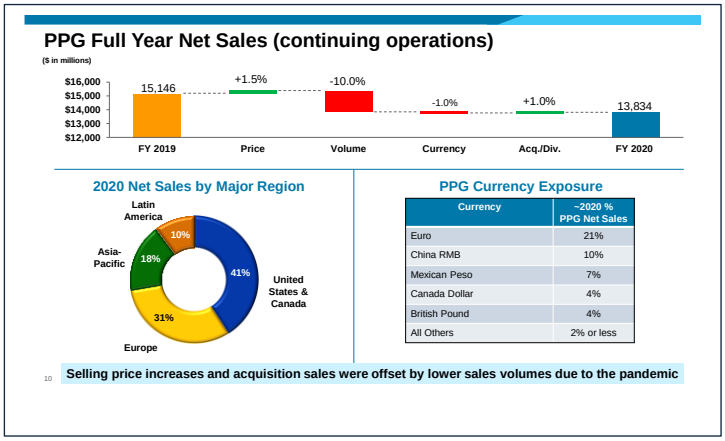
During the fourth quarter, the company repaid $100 million of short-term debt due in April 2021, leaving $400 million outstanding on this term loan. The company ended the fourth quarter with net debt of about $3.9 billion, which is $400 million higher than the end of the third quarter. The company's $2.2 billion revolving credit facility remains undrawn.

Approximate uses of cash for the fourth quarter and full year were as follows:

- Capital expenditures were about $135 million for the quarter and about $300 million for the year. The Company currently expects full-year capital spending for the year 2021 to be around $450 million, reflecting a return to normal levels of spending in support of future organic growth opportunities.

- Dividends paid were about $130 million in the fourth quarter and about $500 million for the year. The fourth quarter dividend payment represented a 6% increase from the prior quarterly dividend payment.

Interest expense for the first quarter is expected to be $27 million to $29 million.



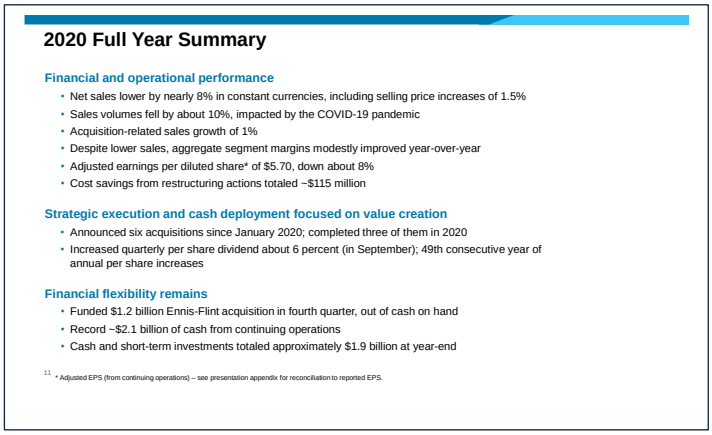
PPG Full-Year Net Sales

PPG's full-year net sales totaled approximately $13.8 billion, down nearly 9% compared to the prior year. Net sales in constant currencies were down about 8% versus the prior year, impacted by lower sales volumes of about 10% due primarily to the pandemic, partially offset by improved selling prices of 1.5% and acquisition-related sales of 1%, with the largest contribution coming from the ICR, Whitford, and Hemmelrath acquisitions.

Net sales in constant currencies were lower year over year in each region. From a business unit perspective, architectural coatings EMEA, architectural coatings America and Asia-Pacific, and packaging coatings all realized full year positive net sales growth in constant currencies. The remaining businesses all had negative year-over-year net sales in constant currency.

Foreign currency translation was a significant headwind in the first half of the year and became a tailwind during the latter part of 2020. For the full year, foreign currency translation had an unfavorable impact on net sales of more than 1% versus the prior year. The company's largest foreign currency translation exposures remained generally the same as in 2019.

The company's 2020 regional sales mix was largely consistent with the prior-year. Net sales in the U.S. and Canada were about 41%, with net sales in the U.S. representing slightly less than 40% of total company revenues.

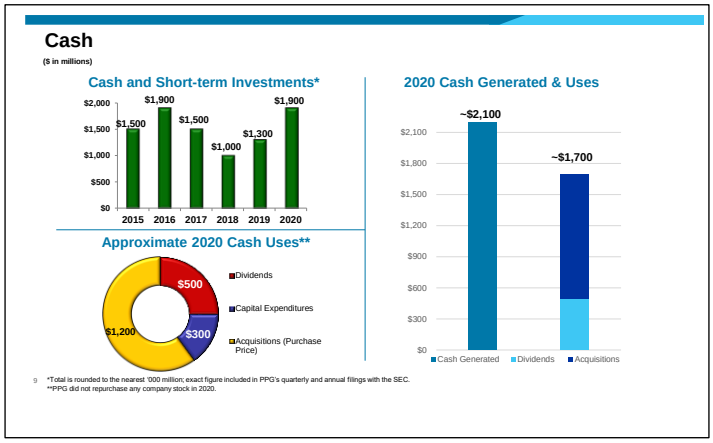


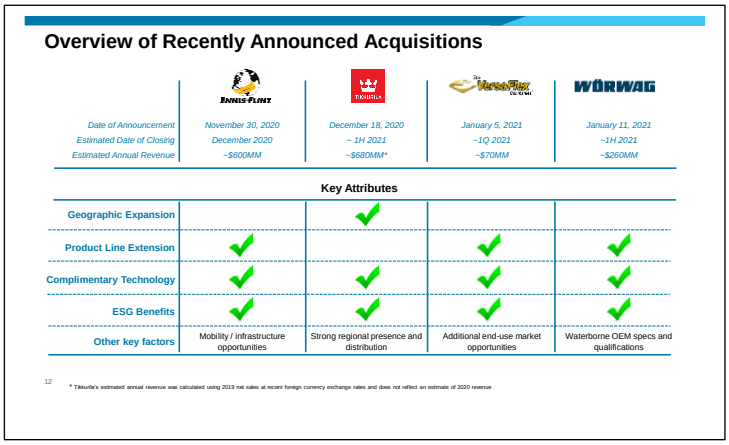
2020 Full-Year Earnings Summary

In summary for the full year, the company generated adjusted earnings per diluted share from continuing operations of $5.70, down about 8% versus the prior year.

The company continued to perform well operationally, achieving about $115 million in cost savings from the previously communicated restructuring cost programs. The company drove additional interim cost savings of about $300 million during the year to mitigate the adverse demand impacts from the pandemic. The company expects to retain about $80 million to $90 million of these cost savings in 2021. In addition, working capital as a percent of sales was 180 basis points lower than the prior year.

The effective tax rate from continuing operations was about 21% for 2020, versus about 24% for 2019, and the adjusted effective tax rate from continuing operations was about 22% for 2020, versus about 24% for 2019. The effective tax rate was lower in 2020 due to higher favorable discrete tax items compared to the prior year.





Overview of Recently Announced Acquisitions

	Ennis-Flint	Tikkurila	VersaFlex	Wörwag
Date of Announcement	*November 30, 2020*	*December 18, 2020*	*January 5, 2021*	*January 11, 2021*
Estimated Date of Closing	*December 2020*	*~ 1H 2021*	*~1Q 2021*	*~1H 2021*
Estimated Annual Revenue	*~$600MM*	*~$680MM**	*~$70MM*	*~$260MM*
Key Attributes				
Geographic Expansion		✓		
Product Line Extension	✓		✓	✓
Complimentary Technology	✓	✓	✓	✓
ESG Benefits	✓	✓	✓	✓
Other key factors	Mobility / infrastructure opportunities	Strong regional presence and distribution	Additional end-use market opportunities	Waterborne OEM specs and qualifications

12

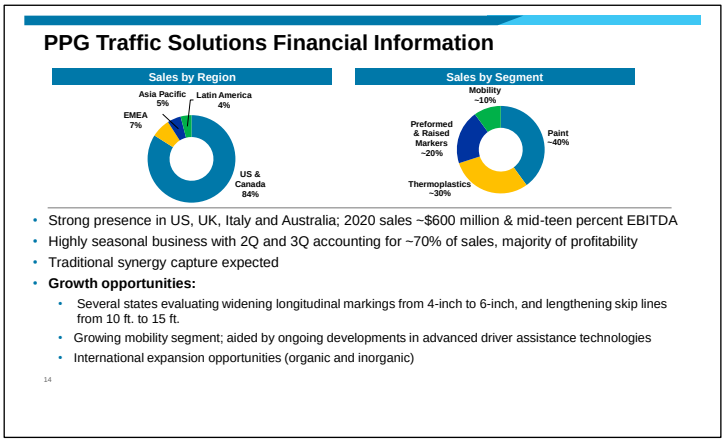
* Tikkurila's estimated annual revenue was calculated using 2019 net sales at recent foreign currency exchange rates and does not reflect an estimate of 2020 revenue



PPG Traffic Solutions (Ennis-Flint) Overview

- A leading global manufacturer of pavement marking products – leading position in the U.S.
- 22 manufacturing facilities and ~1,000 employees
- Resilient demand: non-discretionary & essential maintenance spending
- Global total addressable sales ~$2.5 billion
- New PPG business unit – Traffic Solutions
- Included in Performance Coatings reportable segment

13



PPG Traffic Solutions Financial Information

Sales by Region

Sales by Segment

- Strong presence in US, UK, Italy and Australia; 2020 sales ~$600 million & mid-teen percent EBITDA
- Highly seasonal business with 2Q and 3Q accounting for ~70% of sales, majority of profitability
- Traditional synergy capture expected
- **Growth opportunities:**
  - Several states evaluating widening longitudinal markings from 4-inch to 6-inch, and lengthening skip lines from 10 ft. to 15 ft.
  - Growing mobility segment; aided by ongoing developments in advanced driver assistance technologies
  - International expansion opportunities (organic and inorganic)

14

Strategically, business portfolio optimization continued, including the announcement of six acquisitions since January 2020, which will further broaden the company's geographical footprint and technology reach. The ICR and Alpha Coating acquisitions were completed in early in 2020 and have been included in quarterly updates. A brief description of the four recently announced acquisitions follows:

- Ennis-Flint, a global leader in pavement markings and traffic safety solutions with a wide range of products, including traffic paint, hot-applied and pre-formed thermoplastics, raised pavement markers and intelligent transportation systems. Ennis-Flint's 2020 revenue was approximately $600 million. The business is highly seasonal with approximately 70% of sales and the majority of its earnings occurring in the second and third quarter.

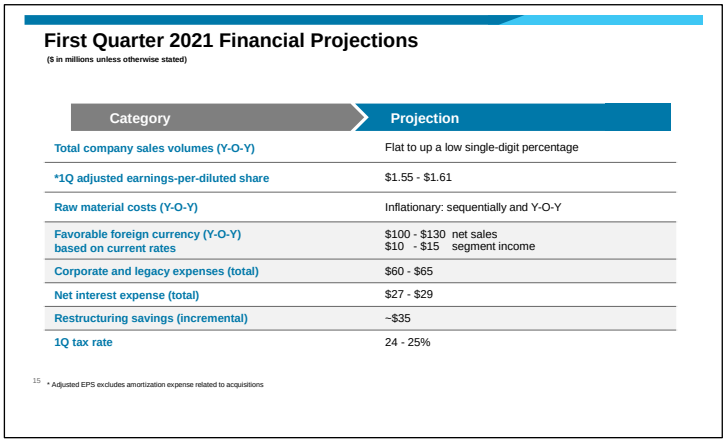
- Tikkurila, a publicly-traded, European-based paint and coatings company listed and headquartered in Helsinki, Finland. Tikkurila sells decorative paints and painting related products to wholesalers, retailers, and construction supply stores. About 85% of sales are from decorative paint and the remaining sales are from general industrial products. Its premium brands include Tikkurila, ALCRO, and Beckers. The Beckers brand is only in use in the decorative paints end-use market under a license obtained by Tikkurila, in conjunction with its acquisition of Alcro-Beckers AB in 2001 from Wilh Becker AB. Wilh Becker AB is not a party to the PPG acquisition of Tikkurila announced on December 18, 2020. The company employs approximately 2,600 people globally and reported sales of approximately €564 million in the first nine months of 2020. It is expected that the acquisition will be completed in late first quarter or early second quarter, subject to customary closing conditions. This business will be included in the architectural EMEA business within the Performance Coatings reportable segment.

- VersaFlex, a manufacturer specializing in polyurea, epoxy and polyurethane coatings for water and waste water infrastructure, flooring, transportation infrastructure, and industrial applications. VersaFlex has approximately 130 employees and its full year 2020 revenue is expected to be approximately $70 million. The transaction is expected to close in the first quarter of 2021, subject to customary closing conditions. This business will be included in the protective and marine coatings business, which is included in the Performance Coatings reportable segment.

- Wörwag, a global manufacturer of coatings for industrial and automotive applications headquartered in Stuttgart, Germany. The company specializes in developing sustainable liquid, powder and film coatings. The company employs about 1,100 people globally, and its full year 2020 revenue is expected to be approximately €200 million. The transaction is expected to close in the first half of 2021, subject to customary closing conditions. This business will be included in the Industrial Coatings reportable segment.

In addition, as part the company's on-going review and optimization of its business portfolio, the company announced that it plans to divest certain entities in non-strategic developing countries entered through prior acquisitions. As a result, an impairment charge was taken in the fourth quarter 2020 to write-down the assets and liabilities of these entities to the estimated fair value. These entities had net sales of approximately $65 million in 2020 and were close to breakeven on a pre-tax earnings basis. After the completion of the sale, PPG will account for the lower sales as part of the acquisitions and divestitures commentary it provides each quarter. The company expects that the assets will be sold in 2021.

The company generated more than $2.1 billion of cash flow from operations, which is a record. The company continues to have excellent financial flexibility with cash and short-term investments of about $1.9 billion at year-end.

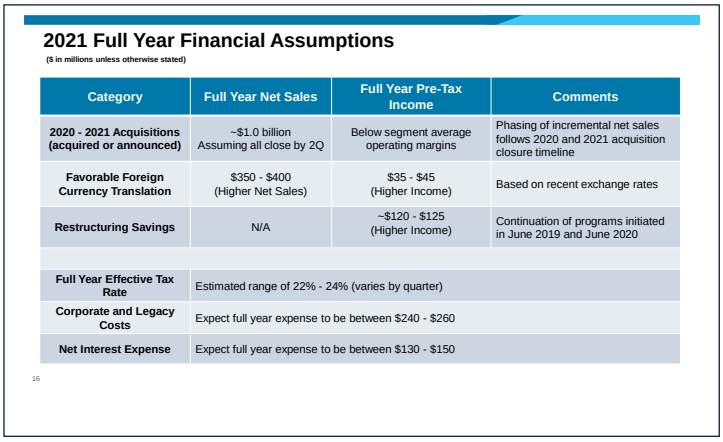


First Quarter 2021 Financial Projections

($ in millions unless otherwise stated)

Category	Projection
Total company sales volumes (Y-O-Y)	Flat to up a low single-digit percentage
*1Q adjusted earnings-per-diluted share	$1.55 - $1.61
Raw material costs (Y-O-Y)	Inflationary: sequentially and Y-O-Y
Favorable foreign currency (Y-O-Y) based on current rates	$100 - $130 net sales $10 - $15 segment income
Corporate and legacy expenses (total)	$60 - $65
Net interest expense (total)	$27 - $29
Restructuring savings (incremental)	~$35
1Q tax rate	24 - 25%

15 * Adjusted EPS excludes amortization expense related to acquisitions



2021 Full Year Financial Assumptions

($ in millions unless otherwise stated)

Category	Full Year Net Sales	Full Year Pre-Tax Income	Comments
2020 - 2021 Acquisitions (acquired or announced)	~$1.0 billion Assuming all close by 2Q	Below segment average operating margins	Phasing of incremental net sales follows 2020 and 2021 acquisition closure timeline
Favorable Foreign Currency Translation	$350 - $400 (Higher Net Sales)	$35 - $45 (Higher Income)	Based on recent exchange rates
Restructuring Savings	N/A	~$120 - $125 (Higher Income)	Continuation of programs initiated in June 2019 and June 2020
Full Year Effective Tax Rate	Estimated range of 22% - 24% (varies by quarter)		
Corporate and Legacy Costs	Expect full year expense to be between $240 - $260		
Net Interest Expense	Expect full year expense to be between $130 - $150		

16

2021 Financial Assumptions

For 2021, the company detailed financial assumptions in its accompanying presentation materials based on information currently known that will affect 2021 financial results. Some further details are provided below for some of these assumptions. The company also announced plans to exclude, beginning in 2021, all intangible asset amortization related to completed acquisitions from its reporting of adjusted earnings per share.

- First quarter 2021 sales volumes are expected to be flat –to- up by a low-single-digit percentage, compared to the prior-year first quarter.

- Adjusted earnings-per-diluted share excluding amortization expense from acquisitions is expected to be between $1.55 to $1.61, an increase of more than 20% over the comparable earnings-per-diluted share figure for the first quarter of 2020 of $1.31.

- Due to economic uncertainty relating to the pandemic, The Company is not providing full year guidance at this time.

- The three acquisitions pending are expected to add incremental annualized net sales of approximately $1.0 to $1.1 billion, once finalized. The 2021 sales impact will be generally proportional, based on the closing dates of each acquisition. In aggregate, the acquisitions are expected to contribute below their respective segment margins as they are being fully integrated during 2021.

- In the past several months, the overall basket of major foreign currencies that impact the company have strengthened versus the U.S. dollar. As a result, based on recent exchange rates, the company expects that year-over-year foreign currency translation will favorably impact full year sales by $350 -to- $400 million, and pre-tax income by about $35 -to- $45 million. The company generally purchases raw materials, incurs manufacturing costs and sells finished products in the same currency, so it does not typically incur significant foreign currency-related transaction impacts.

- The company has two remaining active business-restructuring programs in place targeting more than $200 million in total run-rate annual savings, once fully implemented. Execution against these programs is expected to result between $120 million and $125 million of cost savings in 2021, in addition to the approximately $115 million achieved in 2020.

- The company's 2021 adjusted effective tax rate on income from continuing operations is expected to be in the range of 22% to 24%, with variation by quarter. The comparable rate for 2020 was about 22%. The company will actively monitor potential legislative proposals that could impact the 2021 estimated effective tax rate. Other factors may affect the 2021 adjusted effective tax rate throughout the year, including changes to various tax regulations in the U.S. and abroad.

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," "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 expected effects on our business of the COVID-19 pandemic, global economic conditions, increasing price and product competition by our competitors, fluctuations in cost and availability of raw materials, the ability to achieve selling price increases, the ability to recover margins, customer inventory 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, 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 Annual Report on Form 10-K and the third quarter 2020 quarterly report on Form 10-Q are considered representative, 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 January 21, 2021, 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.