PPG Third Quarter 2023 Financial Results

Earnings Brief – October 18, 2023

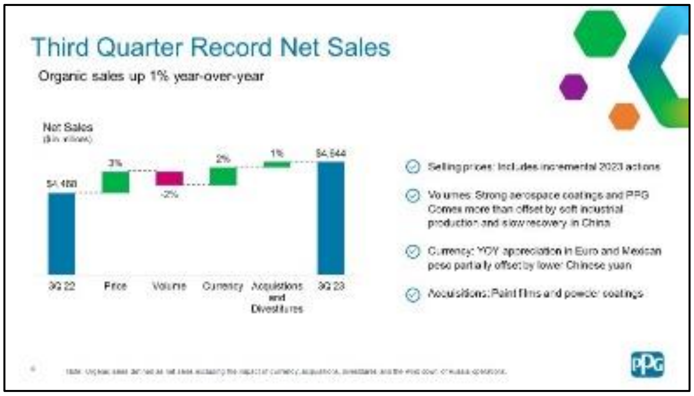
These prepared remarks should be read in conjunction with PPG's earnings press release and related presentation that were posted on PPG's website (investor.ppg.com) on October 18, 2023. In addition, these detailed remarks supplement the commentary that the company will make on its third quarter 2023 earnings conference call on October 19, 2023.

Third Quarter Financial Highlights

PPG achieved record net sales for a third quarter of $4.6 billion, an increase of 4% over the prior year. Results were supported by the company's resilient business portfolio mix despite soft global industrial production, including a slower recovery in China than anticipated. The strong financial performance was aided by record sales for a third quarter in the aerospace, automotive original equipment manufacturer (OEM) and automotive refinish coatings businesses and a quarterly record for PPG Comex. Reported earnings per diluted share from continuing operations (EPS) was $1.79, compared to $1.39 in the prior-year third quarter. Adjusted EPS was $2.07, up 25% compared to $1.66 in the third quarter 2022. Both operating segments delivered at least 25% segment earnings growth. Aggregate segment margins were 260 basis points higher than the prior-year third quarter, driven by strong selling price realization and moderating raw material costs. This quarter marks the fourth consecutive quarter of year-over-year margin improvement.

Raw materials and logistics availability continued to improve during the quarter and are comparable to pre-pandemic conditions. In the third quarter 2023, the realized cost of raw materials was lower by a high single-digit percentage, compared to 2022, but still remains above historical levels. The financial benefits realized on the income statement from lower input costs have been delayed due to more than 80% of the company's inventory being accounted for on a first-in, first-out method and lower purchases due to higher than historical levels of inventory. This is anticipated to lead to further deflation realization in 2024. Realized raw material costs are expected to decrease by a high single-digit percentage in the fourth quarter compared to the same period in 2022. While certain costs have moderated, the company continues to incur wage inflation, which is anticipated to remain a factor in 2024. The company is focused on productivity gains and incremental pricing actions to help offset wage inflation.

During the third quarter, acquisition-related synergies and restructuring actions from previously announced programs delivered about $15 million of incremental structural cost savings. Additionally, the company's reported and adjusted effective tax rates were 21.7% and 19.5% respectively, in the third quarter. The adjusted tax rate was lower than expected, primarily due to nonrecurring favorable discrete tax items, including the settlement of certain prior-year tax return audits. The lower tax rate increased adjusted earnings per diluted share by $0.10, compared to the financial guidance provided by the company in July.



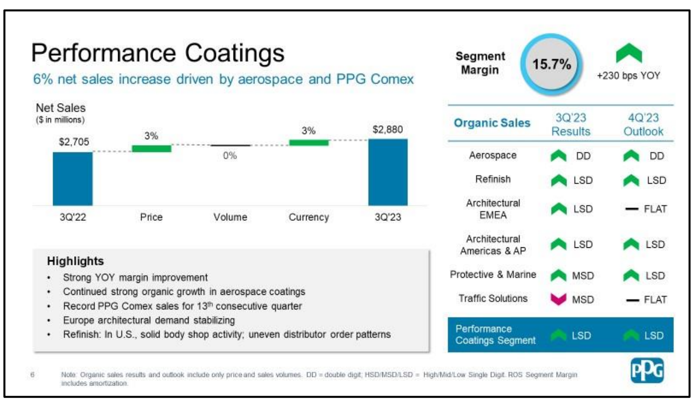
PPG Third Quarter Net Sales

Third quarter net sales of $4.6 billion included 1% organic sales[(a)] growth over the prior-year third quarter. Aggregate selling price increases of nearly 3% year over year were driven by higher prices in most businesses, including incremental 2023 selling price increases that were implemented primarily in the Performance Coatings segment earlier in the year. Overall company sales volumes decreased by about 2% versus the prior-year third quarter, reflecting softer global industrial demand.

On an aggregate basis, sales increased 2% due to favorable foreign currency translation compared to the prior-year third quarter, as the appreciation of the Euro and Mexican peso was partially offset by depreciation of the Chinese yuan. For the fourth quarter 2023, on an aggregate basis, foreign currency translation is expected to be favorable to the prior-year fourth quarter, increasing sales by about $60 million.

Outlook

Looking ahead, demand is expected to vary by region and business in the fourth quarter, and forecasted global industrial production is anticipated to remain subdued. The company estimates that overall organic sales in the fourth quarter will be in the range of plus or minus a low single-digit percentage compared to the fourth quarter 2022.



Performance Coatings Segment

Third quarter 2023 net sales for the Performance Coatings segment were $2.9 billion, up 6% versus the prior year. Selling prices increased by 3% year over year and were aided by incremental price increases, which were implemented earlier in the year. During the quarter, foreign currency translation favorably impacted sales by 3%. The level of digital sales in the global architectural coatings business continued to increase and represented nearly 10% of global architectural net sales, reflecting solid growth versus the third quarter 2022.

Segment income was $452 million, an increase of 25% versus the prior year primarily due to higher selling prices and moderating raw material costs, which more than offset the impact of lower sales volumes. Segment operating margin improved by 230 basis points year over year.

Aerospace coatings

Third quarter organic sales growth in aerospace coatings remained robust compared to the third quarter 2022 led by increases in both price and volume. This strong growth is despite global air travel remaining about 5% below pre-pandemic levels and international travel remaining down about 10%. Demand remained strong in all major product categories throughout the quarter. Global aftermarket restocking of PPG products continued as the airline industry expanded the number of international flights. Demand for PPG's technologically-advantaged aerospace products is strong, and customer order backlogs expanded versus the previous quarter, now totaling more than $240 million, which is expected to benefit sales in future quarters. The company expects continued robust organic sales growth in fourth quarter compared to the prior year.

Automotive refinish coatings
Organic sales for automotive refinish coatings were slightly higher year over year. Price gains in all regions and sales volume growth in Europe and Asia Pacific were partially offset by lower sales volumes in the U.S. primarily due to shifting order patterns from certain distribution customers. In the U.S., body shop activity remained robust, with backlogs beginning to normalize closer to historical levels as supply chain conditions improved. In Europe, sales volumes were solidly above third quarter 2022 levels, as orders from distributors rebounded. In China, demand for PPG refinish products is slowly recovering and expected to continue to improve in the coming quarters. In the third quarter, the company continued to win new body shops, driven by the company's ability to provide up to a 15% productivity improvement compared to competitors over the full repair process cycle time. The company continues to enhance its digital capabilities and grow its LINQ™ services subscription model. Additionally, more than 400 year-to-date Moonwalk™ installations are further supporting customer wins. The company expects fourth quarter global net sales to be up a low single-digit percentage compared to the fourth quarter 2022.

Architectural coatings – EMEA
Organic sales for architectural coatings – EMEA increased a low single-digit percentage year over year, with higher selling prices partially offset by modestly lower sales volumes. Year-over-year sales volumes are approaching prior-year levels as demand for architectural coatings products is stabilizing at lower absolute levels. Aggregate demand remains uneven by country as sales were robust in some countries, including record third quarter results in a few countries such as Italy and Romania. In the fourth quarter organic sales are expected to be similar to the prior year. Also, normal seasonal historical trends are expected, resulting in sequential lower sales in the fourth quarter.

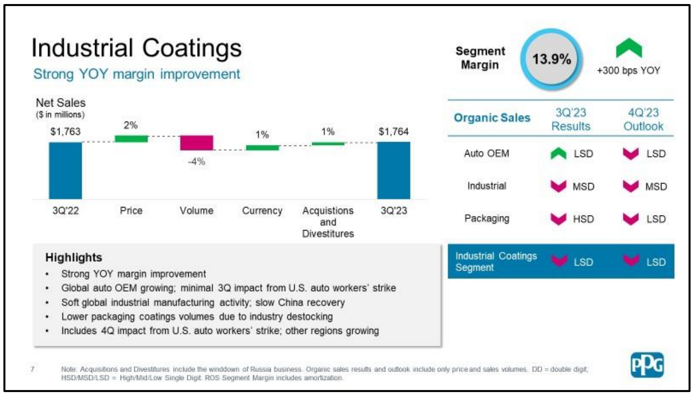
Architectural coatings - Americas and Asia Pacific
Organic sales for architectural coatings - Americas and Asia Pacific were up a low single-digit percentage compared to the prior-year third quarter. Solid organic growth at PPG Comex was partially offset by lower demand for do-it-yourself (DIY) products in the U.S. and Canada. Growth initiatives drove higher aggregate professional contractor (PRO) net sales in the company's omni channel year over year. Our partnership with The Home Depot® (THD) continues to make good progress, and recently THD awarded PPG with innovation and supplier diversity recognitions. The business also benefited from higher year-over-year sales to Walmart®. In Mexico, PPG Comex achieved record sales supported by the addition of about 15 new concessionaire locations in the third quarter. In the fourth quarter 2023, organic sales are expected to be up a low single-digit percentage, driven by higher sales volumes compared to the prior-year fourth quarter.

Protective and marine coatings
Organic sales for protective and marine coatings increased by a mid-single-digit percentage compared with the prior-year third quarter driven by solid selling price realization and higher sales volumes. The third quarter was the second consecutive quarter with positive year-over-year sales volume growth. In the EMEA region, sales volumes were higher due to solid aftermarket marine coatings demand. Sales volumes in the Asia-Pacific region were lower mainly due to tepid demand for marine new-builds and slower recovery of protective coatings in China. The overall sales pipelines remain solid, and it is expected that demand for the company's protective coatings products will continue to improve as infrastructure activity progresses. Fourth quarter organic sales are expected to increase by a low single-digit percentage compared to the fourth quarter 2022.

Traffic solutions
Third quarter organic sales for the traffic solutions business decreased by a mid-single-digit percentage compared to the same quarter last year. In the U.S., the company continued to prioritize higher margin business. The company recently announced the divestiture of certain international operations, which will provide a positive impact to margins in subsequent quarters. Seasonally, fourth quarter sales in the traffic solutions business are typically more than 50% lower than third quarter sales due to the difficulty of applying traffic markings in colder temperatures. The business is well positioned to benefit from U.S.

infrastructure spending, as 2024 highway and bridge capital spending is expected to grow by more than 10 percent.

Outlook
Looking ahead, demand for aerospace coatings and PPG Comex products is expected to remain robust. Demand conditions in Europe and global architectural DIY are anticipated to remain at lower levels. Raw material and transportation availability continue to broadly improve. Aggregate organic sales are anticipated to be up a low single-digit percentage compared to the fourth quarter 2022.



<u>Industrial Coatings Segment</u>
Third quarter net sales for the Industrial Coatings segment were $1.8 billion. Net sales were similar to the same quarter last year as higher selling prices across most businesses were offset by a decline in sales volumes due to soft industrial production. Sales benefited from favorable foreign currency translation and acquisition-related sales. Most of the selling price gains reflect carryforward 2022 pricing.

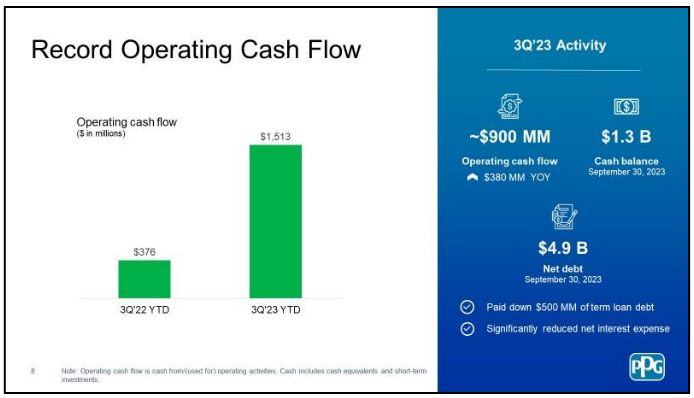
Segment income of $246 million was up 28% year over year mainly due to higher selling prices and moderating raw material costs, partially offset by lower sales volumes. Segment margins improved by 300 basis points compared to the third quarter 2022 as the company continues to focus on restoring historical margin profiles in each business.

Automotive OEM coatings
Third quarter global automotive OEM coatings organic sales were up a low single-digit percentage driven by higher pricing and sales volumes compared to third quarter last year. In Western Europe, automotive retail sales and industry build rates remain robust compared to a weak prior-year base. Industry consultants are projecting 2023 full-year European sales to increase by about 10%, and PPG continues to benefit from our strong customer positions in the region. In China, automotive retail sales activity continued to be solid, along with exports which have grown nearly 60% year to date. PPG is well positioned in China and is increasing its product content on electric vehicles. In the U.S., automotive retail sales were higher than originally forecasted due to solid consumer demand and replenishment of certain fleet vehicles during the quarter. The UAW labor actions had a minor impact on the company's third quarter financial results. The duration and scope of the labor actions in the fourth quarter could result in incrementally higher impacts to the company sales and earnings; although, the overall exposure for the company is a small percentage of total revenue. The company expects industry builds outside the U.S. to grow in the fourth quarter compared to the fourth quarter 2022. In addition, disruptions over the past three years have created a supply deficit for new automobiles estimated to be about 40 million units, which should enable growth over the next few years.

Industrial coatings
Third quarter industrial coatings organic sales were down a mid-single-digit percentage compared to the prior year. Selling price increases partially offset lower sales volumes. Sales volumes were lower by a low-teen percentage in most major regions, driven by decelerating worldwide industrial production evidenced by global manufacturing output falling for 4 consecutive quarters. Sales in most product categories were below prior-year levels, with the most pronounced weaknesses in wood, consumer electronics and general finishes. Demand in China has not recovered at the pace that was originally forecast but is nearing trough levels which should support growth in 2024. In 2023, the company's powder coatings products have produced strong year-over-year sales growth and are expected to continue to grow in 2024 as more customers look for sustainable coatings products. In the fourth quarter 2023, organic sales are expected to be lower by a mid-single-digit percentage year over year as industrial activity is expected to still be lower in most regions.

Packaging coatings
Organic sales in packaging coatings decreased by a high single-digit percentage in the third quarter versus the prior year due to lower demand in all regions. On a year-over-year basis, global demand in the metal packaged food and beverage subsegment remained lower, while demand for personal-care products was higher. Recent customer wins and moderation of destocking activity are expected to improve year-over-year comparisons over the next few quarters. Fourth quarter 2023 organic sales are expected to decline a low single-digit percentage compared to the prior-year fourth quarter.

Outlook
Looking ahead, global industrial production is expected to remain at lower levels in the fourth quarter. Aggregate organic sales are anticipated to decrease by a low single-digit percentage compared to the fourth quarter 2022. Much like the third quarter, automotive industry build rates and retail activity are expected to continue to be solid, but other industrial production end-use markets are expected to be soft, including industrial coatings, packaging coatings, and the specialty coatings and materials businesses. In the fourth quarter, the pricing gains realized in 2022 will reach their anniversary.



<u>Balance Sheet, Cash and Other</u>
Cash and short-term investments totaled nearly $1.3 billion and net debt totaled $4.9 billion at the end of the third quarter, which is about $800 million lower than the same quarter last year. Third quarter year-to-date operating cash flow was $1.5 billion, improving by more than $1.1 billion on a year-over-year basis, reflecting the benefits from higher earnings and favorable changes in working capital. Net interest expense for the quarter was $25 million, down $7 million versus the prior year.

Approximate uses of cash for the third quarter were as follows:

- Capital expenditures were approximately $140 million in the quarter and about $380 million year to date. The company expects full-year 2023 capital spending will be about $575 million in support of future organic growth opportunities.
- Dividends paid were $153 million in the quarter and $445 million year to date. PPG has paid uninterrupted annual dividends since 1899.
- During the quarter, the company repaid $500 million of a 2021 term-loan leaving a remaining balance of $300 million on this loan.
- During the quarter, the company completed the sale of its legacy industrial Russian operations following a prolonged divestiture process that began in 2022. The financial impact of the sale has been excluded from adjusted EPS and is included in the Regulation G Reconciliation table under transaction-related costs, and primarily represents the recognition of accumulated foreign currency translation losses recorded upon the divestiture.

Full Year and Fourth Quarter 2023 Financial Projections

Category	Fourth Quarter 2023	Full-Year
Total organic sales (YOY)	+/- LSD	
Adjusted EPS	$1.44 - $1.50 per share	$7.58 – $7.64 per share
Raw material costs (YOY)	- HSD	
Favorable foreign currency impact (YOY) Based on current rates	~$60 MM net sales ~$10 MM EBIT	
Corporate expense	~$90 MM	
Net interest expense	~$25 MM to $27 MM	
Restructuring savings (incremental)	~$15 MM	
Capital expenditures		~$575 MM
Effective tax rate	~21.5% - 22.5%	

11 Note: HSD/MSD/LSD = High/Mid/Low Single Digit. The fourth quarter and full-year 2023 adjusted EPS figures exclude amortization expense, previously approved and communicated business restructuring, a non-cash pension settlement charge, transaction-related costs and the benefit from an insurance recovery in the first quarter 2023. The company is not able to provide a reconciliation of fourth quarter or full-year 2023 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.

Fourth Quarter and Full-Year 2023 Financial Assumptions

The company detailed financial assumptions for the fourth quarter and full-year 2023 in its accompanying presentation materials based on information that is currently known. A few of the assumptions are highlighted below.

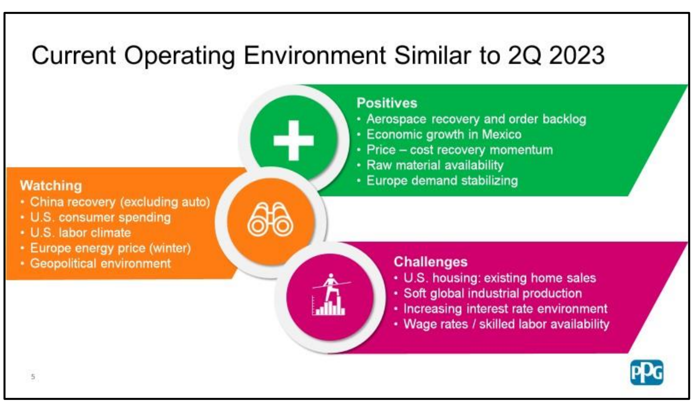
- Fourth quarter aggregate organic sales are expected to be in the range of plus or minus a low single-digit percentage compared to the fourth quarter 2022
- Fourth quarter corporate expenses of about $90 million; higher than prior year primarily due to increased performance-based incentive compensation and pension costs (non-cash)
- Fourth quarter net interest expense of $25 million to $27 million, down $6 million to $8 million year over year
- Fourth quarter effective tax rate of 21.5% to 22.5%,
- Fourth quarter adjusted earnings per diluted share of $1.44 to $1.50
- Full-year adjusted earnings per diluted share of $7.58 to $7.64

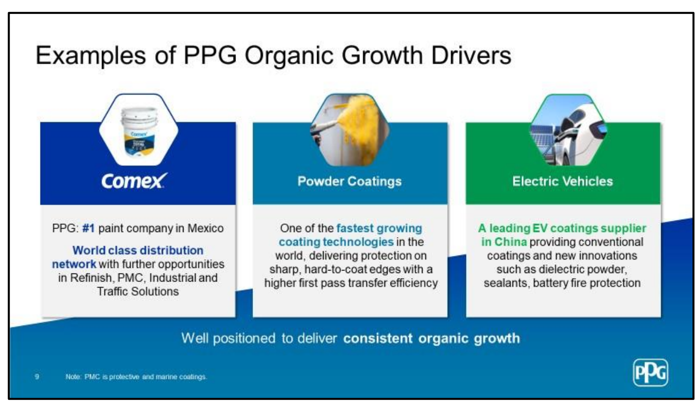
Since July, the company's foreign currency basket has been unfavorably impacted, with an estimated $0.03 impact to fourth quarter EPS compared to the prior financial guidance.

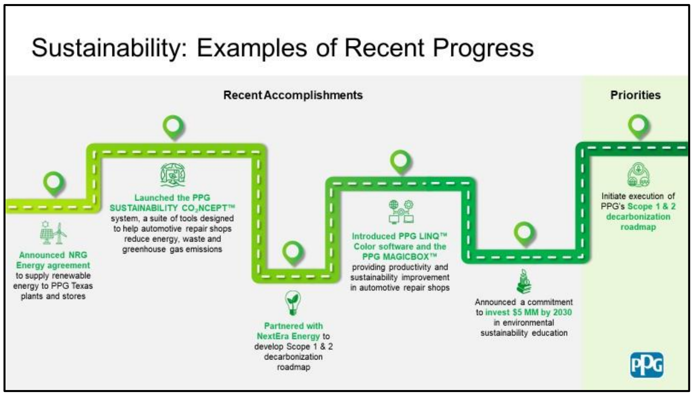
The quarterly and full-year adjusted EPS figures exclude amortization expense, previously approved and communicated business restructuring, a non-cash pension settlement charge, transaction-related costs and the benefit from an insurance recovery in the first quarter 2023. Additional information related to 2023 financial projections may be found in the detailed commentary and associated presentation slides related to the third quarter financial information which are posted on the investor section of the company's website.

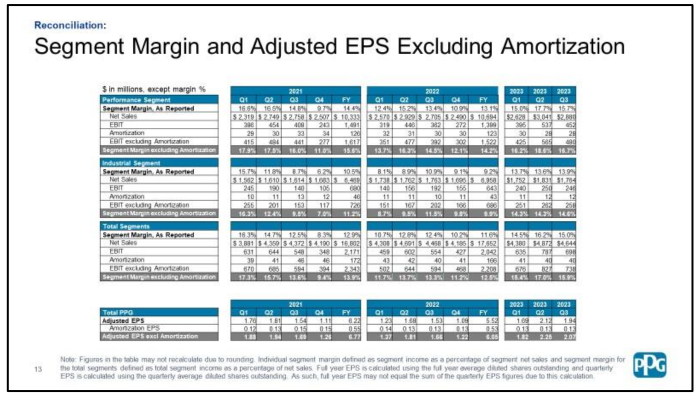
The company excludes intangible asset amortization related to completed acquisitions from its reporting of adjusted earnings per share. The appendix of the earnings presentation includes a table with historical reconciliations of adjusted earnings per share excluding amortization expense. The company is not able to provide a reconciliation of fourth-quarter or full-year 2023 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, divestitures and the Russia wind down.









Reconciliation:

Segment Margin and Adjusted EPS Excluding Amortization

$ in millions, except margin %

	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY	2023 Q1	2023 Q2	2023 Q3
Performance Segment													
Segment Margin, As Reported	16.6%	16.5%	14.8%	9.7%	14.4%	12.4%	15.2%	13.4%	10.9%	13.1%	15.0%	17.7%	15.7%
Net Sales	$ 2,319	$ 2,749	$ 2,758	$ 2,507	$ 10,333	$ 2,570	$ 2,929	$ 2,705	$ 2,490	$ 10,694	$2,628	$3,041	$2,880
EBIT	386	454	408	243	1,491	319	446	362	272	1,399	395	537	452
Amortization	29	30	33	34	126	32	31	30	30	123	30	28	28
EBIT excluding Amortization	415	484	441	277	1,617	351	477	392	302	1,522	425	565	480
Segment Margin excluding Amortization	17.9%	17.5%	16.0%	11.0%	15.6%	13.7%	16.3%	14.5%	12.1%	14.2%	16.2%	18.6%	16.7%
Industrial Segment													
Segment Margin, As Reported	15.7%	11.8%	8.7%	6.2%	10.5%	8.1%	8.9%	10.9%	9.1%	9.2%	13.7%	13.6%	13.9%
Net Sales	$ 1,562	$ 1,610	$ 1,614	$ 1,683	$ 6,469	$ 1,738	$ 1,762	$ 1,763	$ 1,695	$ 6,958	$1,752	$1,831	$1,764
EBIT	245	190	140	105	680	140	156	192	155	643	240	250	246
Amortization	10	11	13	12	46	11	11	10	11	43	11	12	12
EBIT excluding Amortization	255	201	153	117	726	151	167	202	166	686	251	262	258
Segment Margin excluding Amortization	16.3%	12.4%	9.5%	7.0%	11.2%	8.7%	9.5%	11.5%	9.8%	9.9%	14.3%	14.3%	14.6%
Total Segments													
Segment Margin, As Reported	16.3%	14.7%	12.5%	8.3%	12.9%	10.7%	12.8%	12.4%	10.2%	11.6%	14.5%	16.2%	15.0%
Net Sales	$ 3,881	$ 4,359	$ 4,372	$ 4,190	$ 16,802	$ 4,308	$ 4,691	$ 4,468	$ 4,185	$ 17,652	$4,380	$4,872	$4,644
EBIT	631	644	548	348	2,171	459	602	554	427	2,042	635	787	698
Amortization	39	41	46	46	172	43	42	40	41	166	41	40	40
EBIT excluding Amortization	670	685	594	394	2,343	502	644	594	468	2,208	676	827	738
Segment Margin excluding Amortization	17.3%	15.7%	13.6%	9.4%	13.9%	11.7%	13.7%	13.3%	11.2%	12.5%	15.4%	17.0%	15.9%

Total PPG	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY	2023 Q1	2023 Q2	2023 Q3
Adjusted EPS	1.76	1.81	1.54	1.11	6.22	1.23	1.68	1.53	1.09	5.52	1.69	2.12	1.94
Amortization EPS	0.12	0.13	0.15	0.15	0.55	0.14	0.13	0.13	0.13	0.53	0.13	0.13	0.13
Adjusted EPS excl Amortization	1.88	1.94	1.69	1.26	6.77	1.37	1.81	1.66	1.22	6.05	1.82	2.25	2.07

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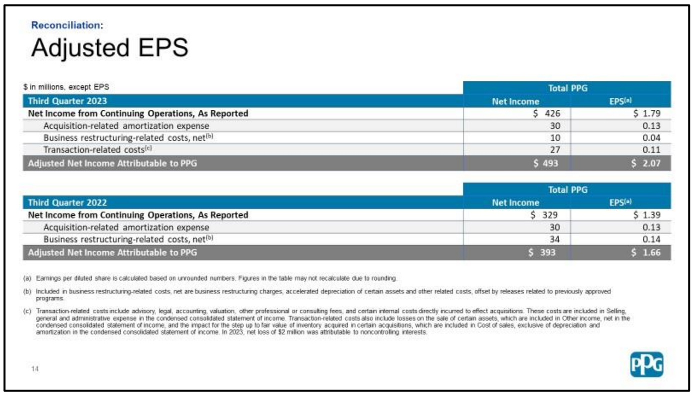
Note: Figures in the table may not recalculate due to rounding. Individual segment margin defined as segment income as a percentage of segment net sales and segment margin for the total segments defined as total segment income as a percentage of net sales. Full year EPS is calculated using the full year average diluted shares outstanding and quarterly EPS is calculated using the quarterly average diluted shares outstanding. As such, full year EPS may not equal the sum of the quarterly EPS figures due to this calculation.



Reconciliation:

Adjusted EPS

$ in millions, except EPS

Third Quarter 2023	Total PPG Net Income	Total PPG EPS[a]
Net Income from Continuing Operations, As Reported	$ 426	$ 1.79
Acquisition-related amortization expense	30	0.13
Business restructuring-related costs, net[b]	10	0.04
Transaction-related costs[c]	27	0.11
Adjusted Net Income Attributable to PPG	$ 493	$ 2.07

Third Quarter 2022	Total PPG Net Income	Total PPG EPS[a]
Net Income from Continuing Operations, As Reported	$ 329	$ 1.39
Acquisition-related amortization expense	30	0.13
Business restructuring-related costs, net[b]	34	0.14
Adjusted Net Income Attributable to PPG	$ 393	$ 1.66

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

(b) Included in business restructuring-related costs, net are business restructuring charges, accelerated depreciation of certain assets and other related costs, offset by releases related to previously approved programs.

(c) Transaction-related costs include advisory, legal, accounting, valuation, other professional or consulting fees, and certain internal costs directly incurred to effect acquisitions. These costs are included in Selling, general and administrative expense in the condensed consolidated statement of income. Transaction-related costs also include losses on the sale of certain assets, which are included in Other income, net in the condensed consolidated statement of income, and the impact for the step up to fair value of inventory acquired in certain acquisitions, which are included in Cost of sales, exclusive of depreciation and amortization in the condensed consolidated statement of income. In 2023, net loss of $2 million was attributable to noncontrolling interests.

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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 expected effects on our business of COVID-19, global economic conditions, geopolitical issues in Europe, 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 2022 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 October 18, 2023 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.