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# PPG Industries, Inc. (PPG)

Q1 2025 Earnings Call

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning all and thank you for joining us for the First Quarter 2025 PPG Earnings Conference Call. My name is Carly, and I'll be coordinating the call today. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and answer session. [Operator Instructions]

I'd now like to hand over to our host, Alex Lopez, the floor is yours.

### Alejandro Lopez

*Director-Investor Relations, PPG Industries, Inc.*

Thank you, Carly, and good morning, everyone. This is Alex Lopez. We appreciate your continued interest in PPG and welcome you to our first quarter 2025 earnings conference call.

Joining me today from PPG are Tim Knavish, Chairman and Chief Executive Officer; and Vince Morales, Senior Vice President and Chief Financial Officer. Our comments relate to the financial information released after US equity markets closed on Tuesday, April 29, 2025. We have posted detailed commentary and the accompanying presentation slides, which are being shown on this webcast on the investor center of our website, [ppg.com](http://ppg.com).

Following management's perspective on the company's results, 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 effects 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.

The 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 filing with the SEC.

Now, let me introduce PPG Chairman and CEO, Tim Knavish.

### Timothy M. Knavish

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

Thank you, Alex, and welcome, everyone. I'd like to start by providing a few highlights on our first quarter 2025 financial performance, and then I'll move to our outlook.

The PPG team delivered sales of \$3.7 billion. This is a decrease of 4% compared with the first quarter of 2024, primarily due to unfavorable foreign currency translation and the impact from business divestitures, including the silicas business. We are beginning to realize the benefits of our enterprise growth strategy as organic sales grew year-over-year with increases in both sales volumes and selling prices. Regionally, we delivered year-over-year organic sales growth in Asia, driven by strong performance in China, India and Vietnam. In the US, after six quarters of declines or flat performance, we achieved 4% organic sales growth, led by share gains in several of our businesses and improvement in industrial production. Organic sales in Latin America were up slightly, with growth tempered by the recent geopolitical environment. European organic sales were down 1% which was a

significant improvement versus prior quarters as demand for our products are stabilizing in the region. Our top line results reinforce our positive organic growth momentum and contributed to improved manufacturing productivity.

As we noted in our earnings materials released last night, our first quarter segment EBITDA margin was 19.4% and adjusted earnings per diluted share was \$1.72. Also, we repurchased approximately \$400 million of our stock and ended the quarter with a strong balance sheet.

Before we go through the quarterly details, let me first talk about how our results and momentum reflect the consistent disciplined execution of the enterprise growth strategy that we launched in 2023. We are beginning to benefit from the actions we have taken to optimize and focus our portfolio. The development of PPG's organic growth muscle and strategic investments in innovation are driving positive momentum. The company is aggressively managing the bottom line, including decisive self-help. Combined with our disciplined capital allocation and strong balance sheet critical in today's environment, PPG is in a great and differentiated position to prevail in the current economic conditions.

Looking at our segment performance, in the Global Architecture Coatings segment first quarter net sales were significantly impacted by unfavorable foreign currency translation which decreased sales by 7% as both the Mexican peso and Europe weakened year-over-year compared to the US dollar.

In Architectural Coatings EMEA, organic sales were flat versus prior year with improved selling prices offset by slightly lower sales volumes. Sales increased in Central Europe and in the Nordic region while they declined in Western Europe. Our volumes in Europe were slightly unfavorable but stabilizing, and we expect flat to higher volumes year-over-year in the second quarter. We are making rapid progress reducing structural costs in this region and anticipate strong incremental earnings leverage as demand trends improve.

In Architectural Coatings Latin America and Asia Pacific, sales volumes declined reflecting a pause in project-related business and governmental spending in Mexico due to recent geopolitical-related uncertainty. However, core retail sales were solid. We anticipate economic activity and project spending in Mexico will resume in the upcoming quarters as more certainty regarding regional trade evolves. With its structural advantages, Mexico will remain a strong growth country for PPG.

Segment EBITDA margin decreased 310 basis points versus prior year, driven by lower sales volumes and regional inflation stemming from the weaker peso, partially offset by cost control actions.

In the Performance Coatings segment, first quarter organic sales increased 9% with both price and sales volume improvements. Within the segment, aerospace delivered double-digit percentage organic sales growth with record first quarter sales and earnings. Customer order backlogs were stable at \$300 million, even with growth-related investments that improved our output in the quarter. The backlog demonstrates excellent industry dynamics and strong demand for our technology-advantaged products. In automotive refinish, global organic sales increased a low-single-digit percentage versus the prior year. In the US, sales volumes improved a mid-single-digit percentage with benefits from customer order patterns and share gains, offsetting lower industry collision claims. In the first quarter, the company grew the number of LINQ subscriptions as well as MoonWalk installations, which now total more than 2,700 in service, further supporting customer productivity and partnerships. Protective and marine coatings delivered double-digit percentage organic sales growth, supported by increasing global demand for our technologies and our recent share gains in marine. This was the eighth consecutive quarter with positive year-over-year sales volume growth in this business, and we are increasing our growth-related investments to support demand. Traffic solutions delivered above-market mid-single-digit percentage sales growth in the quarter. Demand is expected to remain strong for this business throughout the year, including in the second quarter when

demand steps up seasonally. Segment EBITDA was 8% year-over-year, a new first quarter record, reflecting the organic sales growth as our various growth investments in the segment are yielding benefits.

In the Industrial Coatings segment, net sales declined compared to the first quarter of 2024, primarily due to the impact of foreign currency translation and the divestiture of the silica products business in 2024. These items combined lowered sales by 6%. Organic sales for the segment were down less than 2% which is a significant improvement versus the fourth quarter of 2024 which was down 6%. In the first quarter, selling prices declined 1% due to carryover of certain index-based customer contract. Segment sales volumes also decreased 1% as strength in Industrial Coatings and packaging coatings was offset by soft automotive industry builds. From a business unit perspective, automotive OEM industry production was lower year-over-year in the US and Europe, and our results followed that lower demand trend. We partially mitigated this volume decline with growth in Asia and Latin America, including our share gains in Brazil.

During the first quarter, we narrowed the gap in our volume performance versus auto industry builds. We expect to grow above industry levels starting in the third quarter of this year, driven by already won share gains and our market outperformance in Asia. Industrial Coatings organic sales were flat, with lower index-based pricing offset by improved sales volume after several quarters of weak industrial production. Demand for PPG's industrial products grew in all regions but varied across subsegments. Packaging coatings organic sales increased by a low single-digit percentage year-over-year, driven by share gains on top of strong growth in the prior year. Segment EBITDA margin declined 90 basis points year-over-year as lower sales volumes and price were partially offset by strong cost control and productivity actions. For the Industrial segment, we expect organic results in the second quarter to be generally similar with the first quarter, with share gains aiding organic results in the back-half of the year.

Now, let me talk about our balance sheet and cash. We issued €900 million of debt during the quarter at 3.25%. We have euro debt maturities of €300 million and €600 million due in the second and fourth quarter, respectively. During the quarter, we completed approximately \$400 million in share repurchases and paid approximately \$160 million in dividends. We have repurchased \$1.2 billion in our stock over the last six quarters, and paid \$930 million in dividends over that same time period. Our balance sheet remains strong which continues to provide us with financial flexibility, and we remain committed to driving shareholder value.

Looking ahead, obviously, the current macroeconomic environment is highly dynamic. Our business model has historically proven to be well-positioned to navigate and perform during periods of uncertainty. As it relates specifically to recent tariffs, let me highlight a few relevant business traits that provide structural resilience for PPG. We have a balanced global business portfolio without reliance on any single country, region or end market. We primarily buy, make and sell local-for-local. We are flexible batch process manufacturers which results in an asset-light footprint that is easily adaptable to volume shifts. We have a highly variable cost structure, that allows us to adjust our conversion costs according to demand. Our input cost model is very dependent on commodity materials, including oil, that are reliant on supply and demand. Historically, we have been successful in adjusting our selling prices, including through surcharges, to account for any changes in our delivered cost of raw materials. Finally, we have a demonstrated track record of consistent cash generation through all stages of the business cycle to complement our strong balance sheet.

While these structural advantageous attributes of PPG provide a buffer for macro impacts, we are not immune to lower economic demand, and continue to closely monitor customer order patterns and quickly adjust as necessary. Like all companies, we have potential downsides if overall demand significantly weakens and we are diligently monitoring these conditions. With regard to our supply chain, we are executing our contingency plans

and already working with suppliers on alternative sourcing, and you should expect us to aggressively manage our costs and productivity.

Now, a few more details of what we are seeing. In the first quarter, we already realized a step-down in demand in Mexico as project-related spending was paused, yet the overall PPG enterprise still performed. Beyond Mexico, we did not see any other significant changes to demand and we did not experience any noteworthy customer pull-forward into the first quarter. This pattern has continued for the first four weeks of the second quarter as we have not seen evidence of any curtailment of customer orders in our businesses. Some customers, however, have publicly expressed the need to eventually assess their production depending on the duration and eventual framework of trade outcomes. Additionally, we have not yet experienced any significant change to our raw material pricing as our suppliers continue to favor volume over pricing. We're monitoring this situation and we will react accordingly with pricing actions and/or self-help cost actions to mitigate any impacts.

When considering our guidance, we see structural strength in our Performance Coatings segment, driven by our technology advantage products in aerospace and protective and marine. We expect European Architectural Coatings volume trends to improve, and also anticipate short-term tepid business conditions in Mexico given the economic uncertainty. Demand for various general industrial markets improved in the first quarter, and we see increasing momentum in the coming quarters. While auto OEM industry demand forecasts were slightly reduced, our share gains are beginning to yield benefits, and we expect to outperform the market beginning in the third quarter. We sized our annual share gains in the Industrial segment at \$100 million, and we are tracking to that annualized figure. Finally, we expect growing benefits from our self-help programs and other discretionary cost management programs, the pace and scope of which we have stepped up over the past few months.

In closing, I am confident in our ability to successfully navigate this uncertainty, given our improved business portfolio, the diversity of our regions and businesses, our self-help actions and our share gain momentum. We are reaffirming our full-year earnings per share guidance range of \$7.75 to \$8.05.

Thank you to our PPG team around the world who make it happen and deliver on our purpose every day. We appreciate your continued confidence in PPG.

This concludes our prepared remarks. And now, would you please open the line for questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you very much. We'd now like to open the lines for Q&A. [Operator Instructions] Our first question comes from David Begleiter of Deutsche Bank. David, your line is now open.

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Hey, good morning. Tim, just on Global Architectural, I know margins are under pressure here. How do you expect margins to trend in Q2? Any relief from the pressure you saw in Q1?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. I don't think – we'll get some margin benefit from sequential volume improvement, David. But otherwise, we've had positive price in that segment. And so, really, it's a volume story for us with Europe still being down a bit, and then the Mexico – the project side of Mexico slowing down. It was really a volume story so we fully expect that margin to recover.

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

And, David, just a reminder, typically in Europe, there's a seasonal step-up in the business so we'll get some leverage from that.

**David Begleiter**

*Analyst, Deutsche Bank Securities, Inc.*

Q

Got it. And, Tim, just on Comex, how much was the business down in Q1? And what gives you the confidence the business will come back over the next few quarters?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Look, the confidence comes from a couple of things. First of all, leading up to the tariff of April 2. Prior to that, there was already a pause in project-related spending for business and government investment projects. This pause, it affected our Architectural segment and EBIT in Mexico. It's very important to note that our retail sales, our core retail sales in Mexico, remained very solid in Q1. Now, why our confidence, we're very well-connected in Mexico with our scale and presence. We're very well-connected to the project owners. We're project managers. We're well-connected to key advisers that are close to the government and to the economists in the country. And they all believe that the things will continue to be a bit soft in Q2. But as we move through the year, the project spending will increase. Many of these projects are already in flight. We have not seen any cancellation of projects. We continue to see new projects coming on in our pipeline. So, certainly, if trade discussions and with any reasonable framework for Mexico, that would allow all this spending to resume fully. But even without that, we do expect the project spending to increase again and particularly in the second half. And we're still confident that, given a multitude of factors, favorable business climate, favorable unemployment, favorable inflation, good workforce, good population demographics, proximity, we still believe Mexico remains a strong growth country for some time for PPG.

**Operator:** Thank you very much. Our next question comes from Duffy Fischer of Goldman Sachs. Duffy, your line is now open.

**Duffy Fischer**

*Analyst, Goldman Sachs & Co. LLC*

Q

Yeah. Good morning guys. Just a question on refinish. If you look at the last 4 years, you're kind of down mid-single-digits, up mid-single-digits, down low-single-digits, up low-single-digits. So, that business seems to have gotten much more volatile than what it had been historically. So, just – and you kind of see it in the insurance claims data as well. What's really happening in that industry? Are there structural changes going on there? And does that in any way impair your ability to get that consistent pricing year-on-year in that business?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Hey, Duffy, thanks for the question. I'll answer the last part first. Let's call it, the lumpiness that we see with our sell-out has nothing to do with our ability to get pricing in that business, and we've demonstrated that year-over-year-over-year-over-year despite this lumpiness. And the reason for that is the strength of our total value proposition around customer body shock productivity, where the actual cost of the paint is only a fraction of the cost of the total process, and our productivity solutions help that total process. So one, it does not at all impact our ability to get price. Second, to the lumpiness, this business has always had a bit of lumpiness because of the two-step distribution model. And the distributors are all independent private business people that are managing their own cash flows, trying to time things based on when they think pricing and demand may go certain directions. So, this business is always a bit lumpy quarter-over-quarter, and you really have look at this at a yearly and multiyear basis sometimes.

Now, to the longer-term picture in refinish, and I think you're referring to some of the lower collision claims, let me comment on that. This is a critical coatings vertical because of the reasons that I mentioned earlier where our contributions, both inside the chemistry and outside the chemistry with our productivity tools, are so important to the body shop owners. You've got labor tightness when it comes to skilled painters. So, we play a critical role to the body shop. And that's why you don't hear it just from us. Every coatings company in the world wants to be in refinish and grow and refinish. Collision claims have been trending lower for years, and we've continued to grow and perform during that time period and that's because of our world-class, best-in-class, total productivity value proposition. We have the best chemistry in the can, but you also – we actually capture more value and additional value with what we do outside the can with you've heard about some, our digital productivity tools. We do a lot with related products, allied products, which are associated with the painting process but not actually inside the can of paint itself. We've done – we've grown there organically and inorganically. And the CAGR over a multiyear period for those allied products has consistently been double-digit despite this year-over-year decrease in collisions. The reality is the players that deliver the best overall productivity solution will continue to win, continue to be able to capture price as long as they continue to increase the productivity solution that they deliver. It's probably the weaker players that don't have those solutions that are going to lose share and pay the price.

**Operator:** Thank you very much. Our next question comes from Kevin McCarthy of VRP. Kevin, your line is now open.

**Kevin W. McCarthy**

*Analyst, Vertical Research Partners LLC*

Q

Yes, thank you and good morning. I was wondering if you could unpack the sales guidance that you've provided on slide 11 for Global Architectural Coatings in particular. You were down 11% in the first quarter. I appreciate a

lot of that was currency, which is swinging. But maybe you could kind of talk through your year-over-year volume expectations in that business? For example, would you expect the negative 3% that you saw in the first quarter to penetrate positive territory? Any other color on that outlook will be much appreciated.

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah, hey. Thanks for the question, Kevin. I'm not going to comment on currency. I wish I was that smart as to predict what that's going to do, so – but I will talk about price and volume. We will price as we need to price. We got some positive price in Q1, and we'll continue to monitor all the stuff that's happening outside of our business in the macros. So, you should expect that to be, again, incrementally positive like it was in Q1. On the volume side, we do think this project pause in Mexico will largely continue into Q2, may get sequentially better but we're not counting on that in our guide. We do expect – we've seen some momentum in Europe, finally, and we do expect that to improve. It could – it's been down for a long, long time. It could be flat, it could be incrementally positive. And that's really the change in Q2 versus Q1, much more Europe-focused than anywhere else.

**Operator:** Great. Thank you very much. Our next question comes from Michael Sison of Wells Fargo. Michael, your line is now open.

**Michael Sison**

*Analyst, Wells Fargo Securities LLC*

Q

Hey, good morning. Great start to the year. Season started in the Browns or Steelers draft. But I just want to dig into Performance Coatings real quick, volumes pretty impressive there. What do you think your volume should be for this year in total? And then, what do you think market demand is? I know it's a little bit different per little business unit, but I suspect the market share gains are really what's driving that growth.

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Hey, Mike. Thanks for the question. The challenge for our Performance Coatings business is to deliver higher growth than a number of quarterbacks that Cleveland Browns now have in their quarterback room. That will be a challenge, but we're confident in it because you look at the performance in Q1 across the businesses, aerospace, double-digit. As much as we can make, we'll ship. PMC, double-digit, great momentum, great pipeline. Traffic will sequentially improve, one, because of the share we won last year; and two, because of seasonality. So, I think we see a good set there of dynamics and demand with each of the businesses in our Performance Coatings segment.

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Yeah, Mike, and this is Vince. Just a little tagalong comment here. We are delivering consistent growth in these businesses. We are starting to comp – again some more difficult comps in the back-half of the year. On a two-year stack basis, most of these businesses are up. Aerospace, protective and marine, up double-digits. Refinish and traffic up low-to-mid-single-digits in organic sales growth, and we expect those traits to continue.

**Operator:** Great. Thank you very much. Our next question comes from Ghansham Panjabi of Baird. Ghansham, your line is now open.

### Ghansham Panjabi

*Analyst, Robert W. Baird & Co., Inc.*

Q

Thank you, operator. Good morning, everybody. Tim, I just want to go back to your comments on Europe as a region. And just for the color as it relates to what do you think is going on there from a macro perspective? Is it just easier comparisons that are kind of flowing through to you specifically or do you sense an actual inflection in demand that could be a little bit more sustainable than what we've seen over the last few years?

### Vincent J. Morales

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Hi, Ghansham, this is Vince. Let me start, and Tim will add some color here. When we look at Europe, we've seen obviously some easier comps. But across the continent, we're seeing stabilization in a couple areas. Industrial production was stabilized relative to recent past. We also saw in Western Europe better order pattern, especially exiting the quarter. For our Western European countries in architectural, we do know there's some sentiment on increased governmental spending there. And I think there is, in the Nordics, recovery underway from a couple tough years

### Timothy M. Knavish

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah, I would just add to that that it's – a lot of it is based on the momentum we saw growing as we moved through Q1, Ghansham. And even automotive, which has been down for quite some time, you've got the easier comps. You've got some of our key customers launching new models as we move through the second half of the year. So, we are not expecting a hockey stick at all. But we've been saying for years in Europe, all we need is stabilization and a little bit of volume because we've been doing so much structural cost action that we will get really good earnings leverage when that happens.

**Operator:** Thank you very much. Our next question comes from John McNulty of BMO. John, your line is now open.

### John P. McNulty

*Analyst, BMO Capital Markets Corp.*

Q

Yeah, good morning. Thanks for taking my question. So, I guess, the first one is, look, the first quarter came in a good bit better than I think was expected. It seems like you've got now an FX tailwind. It also looks like if anything from a volume perspective, year-over-year, you're thinking things are maybe better in 2Q than they were in 1Q, and yet you maintain the guide. So, I guess, can you help us to think about what is maybe holding you back on that? It sounds like tariffs don't seem to be making too many waves yet for you, but maybe that's just conservatism, but can you just help us to think about that?

### Timothy M. Knavish

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Hey, John. I'm going to give – I'll give a little tariff overview for PPG, and then Vince can take your more specific questions around FX and volumes. So, overall for PPG, based on what we know today, look, the team as you would expect, we've been running many scenarios and game theories on how this is going to play out. We've got external help on it. We're on top of it on a very granular basis. And I put it into three buckets of potential PPG impact. First of all, our products, our finished goods, very minimal impact because we're almost completely local-for-local. So, our finished goods don't really cross too many borders.

Second bucket, the direct cost impact to PPG. We are heavily localized from a raw material standpoint. More than 95% of what we buy is locally sourced or no tariffs. And just a few factoids. If you look at our US businesses, our top 30 suppliers for our US businesses, zero of them are Chinese. You look at our top 100 suppliers in the US and add up that aggregate spend, 1% is from China. So we're largely locally sourced and the mitigation actions in the way we've taken advantage of our global footprint has positioned us well. In some of the larger categories, TiO<sub>2</sub>, epoxy, they were already tariffs coming into this year and mitigation actions were already put in place. The upstream chemical supply market is very long, so not all the announced tariffs will actually directly pass through to us. And if and when there is a direct impact to us, we work with our customers on pricing, surcharges, reformulations, substitutions, things like that.

So, the third bucket of potential impact for us is demand. We have built this into our guide. We've built in everything we know, and everything we can estimate is already built into our guide. You'll note that Mexico already impacted in Q1 and the enterprise still performed. The biggest potential impact, you think auto, China, Mexico, we included that on the slides. Each of these impacts, based on everything that's out there today, we expect each of them be less than 1% of total PPG sales. A China example, everything that we paint in China, only 10% of it gets shipped to the US. So, the vast majority of what we do is local-to-local. And as I mentioned, one month into quarter two, our order patterns are consistent with our expectations.

Then, you get to mitigations. I mentioned a few of them, but a number of our levers. We're doing volume deals with suppliers. We're working with customers on formulation tweaks and adjustments, maximizing our footprint flexibility. And we always have, in our toolbox, pricing surcharges if necessary. And look, there's a key mitigator that I think is differentiated for PPG, and I call it the PPG shock absorber, a little bit of a buffer impact, it's structural. Our diverse portfolio, lack of dependency on any individual country, geography or segment, our highly variable cost structure, we're even more asset-light than we've ever been with the divestitures. We divested two of our heaviest asset – fixed asset businesses when we got rid of 11 factories and 750 brick-and-mortar stores. And we've got a natural hedge where demand drops typically, so does the price of our primary input costs. So, we have a shock absorber that does help us with macro events.

And then finally, our guide, based on everything we know, we have identified a clear path to meet our full-year EPS guide. I mean, we've got momentum in share. We've got momentum in self-help. We've got momentum in productivity combined with the structural resilience and mitigation efforts that I just meant, we do have line of sight to our guide. So, look, we clearly recognize there's uncertainty and a lot of things are moving fast, and we're not immune to that. We'll flex things as they change and charge forward, but we are laser-focused on controlling what we can control.

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### Vincent J. Morales

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Yeah. Just to try to provide some granular thoughts on what I would call where we were in January versus what we see today on a full-year basis. A couple things that are moving against us. Mexico, we were not aware in January, obviously, of the project spending pause. Again, we feel that will eventually come back. The automotive industry has stepped down a 1% or 2% versus the guide and the forecast in January. Offsetting that, foreign currencies moving our direction. We have a pretty stiff headwind of foreign currencies coming into the year. We still have a headwind in Q2 and, for some currencies, the balance of year based on current rates. We've upped our self-help expectations for the year and we're tracking to those higher expectations. We got share gains that are coming in quicker than we had anticipated.

And finally, Tim alluded to this on an earlier question, Europe is stabilizing at a faster clip, albeit modest than we anticipated in our original guide. So, some puts and takes like there are every quarter, but those are the bigger pieces.

**Operator:** Thank you very much. Our next question comes from John Roberts at Mizuho. John, your line is now open.

**John Roberts**

*Analyst, Mizuho Securities USA LLC*

Q

Thanks and congrats on a return to growth here. Tim, there were a lot of not-yets in your opening comments. Assuming the tariffs stay as is, how long before you see customers repositioning production? And do you think you'll have to idle any of your auto OEM paint lines?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Hey, John, thanks. Second part first. I don't think we'll have to idle any lines. We may decrease staffing, decrease output as necessary. We'll flex but we don't have to idle any factories. And I can't really say what, when any customer would decide to significantly change their production plans. We are positioned virtually everywhere in the world so, wherever they decide to go, we can make coatings for them. So, we feel that we have a lot of flexibility. If there's something dramatic and severe well, we'll talk about that. But we have the ability to follow our customers wherever they go.

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Yeah, John. Vince here. Just two things and I'd reiterate what Tim said. We are a batch process. So, small or large changes in customer order patterns, we're able to easily see and adapt our staffing levels to. Just also what we said in our opening remarks, we have we have not seen any significant change in our customer order patterns through April. And we have order patterns looking into May. Depending on our short-cycle or long cycle businesses and in our short-cycle businesses, looking at the first couple of weeks of May, again, no discernible change right now.

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. One last part on the idling of assets that you questioned. We don't need to do that in response to what our customers may do. But I want to remind everyone that we have a significant rightsizing as part of our self-help already underway where we'll be closing a number of facilities over the next three years. And so, that's separate from what's happening, but that will give us even more leverage going forward than what we have today.

**Operator:** Thank you very much. Our next question comes from Laurent Favre of BNP Paribas. Laurent, your line is now open.

**Laurent Favre**

*Analyst, Exane BNP Paribas SA*

Q

Yes. Good morning, all. A question on capital allocation, if I may. So, you didn't get the [ph] BSS building (00:40:29) assets. And with all the uncertainty, I assume that deal activity is going to come to a pause anyway.

So, I was wondering if you could talk about the intensity on and the intent, I guess, intention and intensity on share buybacks after the \$400 million in Q1?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hey, Laurent. Let me answer M&A first, and then I'll get to repo. So, we've been very consistent on this since 2023 that we're changing from the tip of the spear for growth being M&A and secondary organic to tip of the spear for us being organic and secondary M&A. So, it's still part of our long-term growth strategy, but it's not what we're leading with. We will look at any asset that comes available or any asset that we think would fit with our enterprise growth strategy. But I'll continue to say it's got to be the right asset, fitting with our enterprise growth strategy. It's got to be the right price, we're not going to overpay. And it's got to be the right time relative to what else we have going on with focus and balance on organic growth. And you mentioned Brazil. I said many times that that was a good asset that we would look at and we were interested in, but that didn't fit my right price category. The price wasn't where we would have paid relative to other options for use of that cash, which then brings us to the repo question.

I hope – and again, I've been consistent with saying exactly the same things since I took over relative to capital deployment that the first thing we did, we paid down debt back in 2023. Beyond that, I said I wouldn't let it grow on the balance sheet. And after not buying shares for many quarters, we've now gone six straight quarters of buying shares. It's been the best use of our cash to deliver shareholder value. And I would just – you should expect to see that continued prioritization for me. And the reason I can't and won't commit to a specific number is more than ever right now, it is a highly variable environment. And so, we'll make that decision as we move through the months and quarters. But I would just say you should expect to see the same decision-making process that has been made for the last seven quarters or six quarters.

**Laurent Favre**

*Analyst, Exane BNP Paribas SA*

Q

Thank you.

**Operator:** Thank you very much. Our next question comes from Vincent Andrews of Morgan Stanley. Vincent, your line is now open.

**Vincent Stephen Andrews**

*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you. Good morning. Just a few cleanup questions for me on the guidance. You didn't put out the full-year details the way you did last quarter. So, just some of it, Vince, you covered already. But do you still expect segment margins to be up 50 basis points for the full-year? And then, if I could also ask, my recollection is that usually the EPS guidance does not include the benefit from share repurchases. Is there any change in that for this year or for the reiteration of the guide?

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Vincent, you're spot-on on both. No change to our margin profile and guide. Again, moving around within the segments but, in totality, we're still holding to that, and we typically do not include cash deployment in our EPS guide.

**Operator:** Thank you very much. Our next question comes from Aleksey Yefremov of KeyCorp. Aleksey, your line is now open.

**Aleksey Yefremov**

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Thanks. Good morning, everyone. In Performance Coatings, your price was up 3%, volumes up 6%. So, I would have expected margins to be up a bit more than 20 basis points. Could you just describe what's going on with the margin there?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hey, Aleksey. This clearly remains our highest margin and best growth segment if you look at this quarter or the last several quarters. And given the increase in growth prospects, we've increased our growth-related investments, our growth-related spending in several of these businesses to capitalize on the opportunities, capture more share for the longer-term. We've had a backlog in aerospace as you know. We've been spending some money there to gain incremental output, which delivers incremental sales not only for current quarter but for future with debottlenecking. And by the way, we're also looking at longer-term, more significant capital investments to support that growth. We're applying incremental growth spending to protective and marine where we've delivered eight straight quarters of growth, volume growth, and we expect that to continue. And so, we've had to make some investments there to keep that kind of strong growth rate, strong rate going. And finally, we continue to invest in the next-gen of those productivity tools that I mentioned in refinish. Those allied products, those digital tools have been tremendous drivers of growth for us in auto refinish in a flat-to-down market. So, that's really the reason why you're not seeing, let's say, the typical leverage in this quarter that you would see for Performance Coatings.

**Operator:** Thank you very much. Our next question is from Patrick Cunningham of Citigroup. Patrick, your line is now open.

**Patrick Cunningham**

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi, good morning. Just on the Industrial Coatings subsegment within Industrial, you had positive volumes in the quarter. How meaningful were share gains here? And was there any evidence of some pre-buying impact that may mute sales into 2Q? I guess, how should we think about volume sensitivity going forward for the remainder of the year?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Pat, thanks for asking that great question because we're excited about this. We have momentum in Industrial Coatings. You should think about it as positive going forward, and it's two things. A lot of it is share gain delivered. As we started to execute on our enterprise growth strategy and build that organic growth muscle throughout 2024 and into early 2025, we've been winning business. And we're starting to launch that business. And you do see, of course, the country dependent, you see a little bit of improvements in industrial production in some countries. And because of our portfolio, we're well-positioned to capture that. We've seen some positives. China, India, both grew for us in the quarter. We've seen it in general finishes. We saw Industrial Coatings United States grow in the quarter. So, the word I would use here and we use it every day when I spoke with my leader of this business, its momentum. We've got momentum in this business.

**Operator:** Thank you very much. Our next question comes from Frank Mitsch of Fermium Research LLC. Frank, your line is now open.

**Frank J. Mitsch**

*Analyst, Fermium Research LLC*

Q

Thank you. I want to follow up on the 2025 guide. You answered the questions, obviously, on the margin expectations and also gave us some puts and takes. I'm just curious on the organic growth expectations. Obviously, Performance Coatings very strong in the first quarter, exceeding the 1Q guide. Your expectation for the full-year was up low-single-digits to up mid-single-digits. I suspect we should probably start thinking about Performance Coatings organically up in 2025, moving that up to high-single-digits, low-double-digits. So, curious, your comment on that.

And while I've got you, might as well ask about the other two segments which, in 2025, Global Architectural was expected up low-single-digits to up mid-single-digits. So, is that still hold? And the same with Industrial Coatings, where we have momentum, is that still expected to get up low-single-digits? Thank you.

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Let me – you gave us a lot of parts to that question, so it's going to take a team effort to answer that, Frank. But you should expect, as a total company, low-single-digit growth for us the year, okay? And again, that's based on what we know today, but we've built in not only known but estimated impacts from our team. And it's all about the momentum in share. We said last quarter that we won a bunch of share in Industrial Coatings segment that will launch in the second half of this year. We still see that on time. Some of them actually even pulled forward. And we've continued to win share. There are smaller pieces across the other businesses, just the nature of the customer, but we continue to win share across a number of them. Performance Coatings, you should expect mid-single-digits for the year due to that growth momentum in that space.

And, Vince, you can...

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Yeah. Just a reminder, what we said earlier, Frank, on Performance Coatings, certainly performing well. Comps get harder as we go through the year. If we look at our Industrial segment and we talked about this on the January call, comps, we started to see Industrial activity in the back-half of 2024 weaken. So, comps in that segment get easier. And we talked earlier in the call about what's happening in the Architectural business, both in Q1 and on a forward look, especially in Mexico.

**Operator:** Great. Thank you very much. Our next question comes from Chris Parkinson of Wolfe Research. Chris, your line is now open.

**Chris Parkinson**

*Analyst, Wolfe Research LLC*

Q

Great. Thank you so much. Can you talk a little bit more about the aerospace opportunity and just go through aftermarket OE and military. On one hand, you've got there a few airlines pulling guidance. On the other hand, you have a pretty strong backlog. So, just how should we be thinking about that? And is there any potential to further debottleneck and add capacity to facilitate the intermediate to long-term growth algo? Thank you so much.

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hi, Chris. So, military, commercial, general aviation aftermarket, strong, strong, strong, strong. And even with the noise that you hear today, the backlogs are huge. The backlogs are years in these segments, not months, not quarters, years. And part of that is what happened during COVID. Not a lot of planes were produced during COVID. Everybody depleted their inventories. So, we're trying to keep up not only with production, but we're also – the whole industry is trying to gradually rebuild aftermarket and OE pipelines. So, we see no slowdown here on the horizon despite the little – you'll have news pieces here about what this airline is doing, what this country is doing. But you saw what Boeing said in their comments that they – no matter what happens with China, that their backlog remains multiple years.

So, we're fully confident that this is going to be a strong business for us for the foreseeable future. There is still – we have many active debottlenecking projects going on right now across a number of our facilities for aerospace. And I would just say, stay tuned for kind of larger capital investments that are under engineering analysis now that would position this business for even better growth and rewards for our shareholders long-term.

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

And, Chris, it's Vince. Just if you look at our manufacturing, we have the flexibility to move between OEM, aftermarket and military. So, if we do see some pause in any activity, we can work at that backlog, which is primarily aftermarket for us is a net positive. And one thing Tim didn't mention as we look at the business today versus pre-pandemic, military has also picked up, unfortunately. But that's unfortunately for geopolitical reasons. But that's another leg of growth that we didn't see pre-pandemic.

**Chris Parkinson**

*Analyst, Wolfe Research LLC*

Q

Very helpful. Thank you so much.

**Operator:** Thank you very much. Our next question comes from Michael Leithead of Barclays. Michael, your line is now open.

**Michael Leithead**

*Analyst, Barclays Capital, Inc.*

Q

Great. Thank you. Good morning, guys. I just had two quick follow-ups. First, on the Comex performance. How does the Comex business split between residential and commercial? You mentioned that retail is quite strong, so it seems commercial has a much more meaningful drop-off. And then second, apologies if I missed this in the answer to an earlier question. But what is your updated full-year currency EPS headwind you're assuming in your guidance?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. I'll take the first one, let Vince take the currency, Michael. It's mostly – the core business in PPG Comex is mostly residential. We don't give out the specific percentages because that does fluctuate depending on project activity, but it's mostly residential. That's the history and legacy of Comex. In recent years, we've been expanding significantly the outside of store sales which is the project business.

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

So, for FX, we have \$0.09 impact that I think we laid out in the materials. That will diminish as we go through the year as we started to see the currencies weaken especially in the fourth quarter. So, \$0.09 impact in Q1, that will step down in the subsequent quarters.

**Operator:** Thank you very much. Our next question comes from Laurence Alexander from Jefferies. Laurence, your line is now open.

**Laurence Alexander**

*Analyst, Jefferies LLC*

Q

Hey, good morning. Just wanted to unpack the comments around Industrial. I think in the prepared remarks, you indicated you thought momentum would be accelerating over the next several quarters. And it sounds as if you were referring to the underlying end markets rather than just share gain. Can you just clarify whether that's sequential or year-over-year because of the easy comp effects? And in particular, kind of what you're seeing in the wood and heavy-duty market?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Sure. It's actually both, Laurence, that's driving the momentum going forward. We do see some slight upticks in industrial production in the segments that we are strongest. And we also have booked a number of share gains around the world that it's a bit – these things on Industrial, you have to work with customer lines, so it's not an immediate benefit. So, that will be spread out throughout the year. So, it's really a combination of both of those. We're not a big player in wood. It's not a segment that we track very close. And heavy-duty remains down for us. But other segments – general finishes, coil – has continued to do well for us. And I mentioned earlier, broadly across our book of businesses in China, which is China-for-China, and broadly across India as well that we've seen good growth across multiple segments.

**Operator:** Thank you very much. Our next question comes from Josh Spector of UBS. Josh, your line is now open.

**Joshua Spector**

*Analyst, UBS Securities LLC*

Q

Yeah. Hi, good morning. This may be a bit redundant, but I'll try this around the EPS guide for the year. So, if I look at what you guys are guiding to roughly for 2Q, maybe \$2.20, \$2.30 in EPS, roughly normal seasonality in second half kind of plus what you did in first half probably gets you around the \$7.65 range. If I add back some of the Mexico project coming back, maybe that's \$0.05 a quarter or so about \$0.10. So, you get to kind of the low-end of the guide with just those assumptions. So, I guess, the easiest way to ask this is second half versus first half, what needs to sequentially improve to get that extra \$0.15, \$0.20 to your midpoint? Is it markets and we talked about Europe improving, or is it something else within your control cost savings, new wins? Just wondering if you can bridge that out for us a little bit. Thanks.

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Yeah. Josh, this is Vince. First of all, a good reminder to everybody. We did recast our financials in January for the prior years based on the sale of our US Architectural Canada business, and the seasonality of our recast

business changed dramatically because the US Architectural business had peak seasonality in Q2, Q3 and weaker, obviously, bracket quarters. Just a reminder, our EPS last year, adjusted on a recast basis, we were \$1.87 in Q1. We were \$2.35 in Q2, \$2.03 in Q3 and \$1.61 in Q4, so total \$7.87. We did see in the back -half of last year, as we alluded to earlier, weaker industrial activity. So, if Industrial activity would remain constant, the seasonality of last year would have been different. As we look at our seasonality this year, again, we're comping against those weaker numbers plus we have share gains in Industrial. So, [indiscernible] (00:59:21) lot of pieces you asked, Josh, trying to go through blow-by-blow those pieces. But things helping us going into the back-half of the year, second quarter back-half of the year, additional self-help as I said earlier, some improvement in Europe, some share gain and easier comps in Industrial. So, those affect the year-over-year seasonality comparisons that you're doing. So, those would be the things I'd pull forward.

**Operator:** Thank you very much. Our next question comes from Jeff Zekauskas of JPMorgan. Jeff, your line is now open.

**Jeffrey J. Zekauskas**

*Analyst, JPMorgan Securities LLC*

Q

Thanks very much. In your protective and marine business, roughly how much is protective and how much is marine? And do any of the issues having to do with China shipbuilding affect that business for you? Is it something that accelerates your growth or detracts from your growth? And can you talk about your China exposure in that business?

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Sure, Jeff. So, your first question, a strong majority of that business is protective, and that's true around the world. China shipbuilding, obviously, we do participate there. That's actually been quite strong for us this year. But in marine, our biggest strength has actually been aftermarket, aftermarket dry docks. And so, we feel good about a healthy mix from a country standpoint, a healthy mix from a segment standpoint. But to your particular question on China shipbuilding, China marine, it's been part of our growth story over the last several quarters.

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Yeah. And, Jeff, I think you're alluding to the fact that some of the Chinese activity is in question, at least that's what the periodicals say. In terms of shipbuilding, we also participate in Korea which is where you may see if the shipbuilding that moves to a different country, we have beachheads and have participated in the Korea market for quite some time. So, again, Tim's earlier comments about our business being a shock absorber local-for-local, we're in different regions. If our customers move production, we're there to handle the production wherever they're moving to.

**Operator:** Thanks very much. Our next question comes from Arun Viswanathan. Arun, your line is now open.

**Arun Viswanathan**

*Analyst, RBC Capital Markets LLC*

Q

Thanks for taking my question. I just had a quick question on auto OEM and auto refinish. So, in auto OEM, I understand that there's some choppy demand trends right now. But would you say that your customer mix or maybe your mix towards EVs or ICEs would be, in any way, a mitigating factor? And then, similarly in refinish, it sounds like you were able to turn the corner on a little bit better quarter there, but despite lower claims activity.

So, is that also maybe your customer mix more towards MSOs, or maybe just comment on customer mix in those two auto businesses? Thanks.

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Hey, Arun. So, let me take auto OEM first. Customer mix has been a challenge for us in a couple of regions. I talked about that in previous quarters. And the team is doing a lot of work to rebalance that mix. And we will see a lot of that \$100 million in share gain is auto OEM, both with – on the body side, but also the parts side. So, we'll see that both the customer mix and the overall performance of that business continue, especially starting in Q3 when we expect to be outperforming the industry.

EV-wise, the only thing I'd say there is the EV outside of China is not a huge part of our business today. EV inside of China, we are number one with the largest player. And that player is doing quite well and they are obviously not shipping to the US. It's largely local-for-local, and that business is doing well for us. On the refinish side, it's not so much a customer mix issue. The strength in Q1 was really driven by two things: lot of share wins in the last several quarters in that business; and in the US, we did have some favorable customer order patterns.

**Operator:** Thank you very much. Our next question comes from Mike Harrison of Seaport Research Partners. Mike, your line is now open.

**Michael J. Harrison**

*Analyst, Seaport Research Partners*

Q

Hi, good morning. A couple of questions on the Performance Coatings business. First of all, that pricing number of 3%, was that a pretty similar number across all the subsegments, or were there pockets where pricing was stronger? And then, within specifically on traffic solutions, I'm just curious, does the strength that you see in Q1 suggest a stronger, busy season or high season for that business? What are some of the leading indicators that you have available in that business? And what are those indicators saying right now about traffic demand into the high season? Thank you.

**Vincent J. Morales**

*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Hey, Mike. This is Vince. I'll take the pricing question and let Tim answer the traffic question. Hey, if you look at our four businesses in there, some are long-cycle businesses, some are project-oriented businesses, and some are shorter-cycle. Certainly, we're still seeing some benefits in pricing from our long-cycle businesses that typically would take six months, nine months, so we're seeing some carryover benefits from that. We are also interjecting additional pricing in a couple of these businesses in Q2, so you should see a solid pricing number moving forward. In our short-cycle businesses, we're reacting to market trends on price.

**Timothy M. Knavish**

*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. And on traffic specifically, I'd say there's three factors here that are driving the strong performance in Q1 and we expect to see in Q2 as well and going forward. Number one, we've got momentum in that business from share gains that we won in the latter part of 2024. So, number one is share. Number two is, believe it or not, weather. This is the most weather-sensitive business that we have. And last year was a very wet year in many parts of the United States, particularly where we have the strongest positions. And so, there's a lot of miles of road that need painted that are pent up from last year. And so, as the weather improves here as we move through the end of Q1 and into Q2, the strippers are out there trying to catch up on pent-up demand as well as this year's

demand. And the third would be just overall infrastructure spending has been a growing tailwind for that business, and some of that is finally starting to come to fruition. So, we're expecting because of those three factors another strong performance in Q2 and beyond.

**Operator:** Great. Thank you very much. We currently have no further questions, so I'd like to hand back to Alex Lopez for any further remarks.

## Alejandro Lopez

*Director-Investor Relations, PPG Industries, Inc.*

Thank you, Carly.

We appreciate your interest and confidence in PPG. This concludes our first quarter earnings call.

**Operator:** As we conclude today's call, we'd like to thank everyone for joining. You may now disconnect your lines.

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