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# PPG Industries, Inc. (PPG)

## Q3 2025 Earnings Call


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# CORPORATE PARTICIPANTS

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

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

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

# OTHER PARTICIPANTS

**John P. McNulty**
*Analyst, BMO Capital Markets Corp.*

**Chris Parkinson**
*Analyst, Wolfe Research LLC*

**David Begleiter**
*Analyst, Deutsche Bank Securities, Inc.*

**Michael Sison**
*Analyst, Wells Fargo Securities LLC*

**John Roberts**
*Analyst, Mizuho Securities USA LLC*

**Kevin W. McCarthy**
*Analyst, Vertical Research Partners LLC*

**Duffy Fischer**
*Analyst, Goldman Sachs & Co. LLC*

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

**Jeffrey J. Zekauskas**
*Analyst, JPMorgan Securities LLC*

**Aziza Gazieva**
*Analyst, Fermium Research LLC*

**James Hooper**
*Analyst, Bernstein Societe Generale Group*

**Patrick Cunningham**
*Analyst, Citigroup Global Markets, Inc.*

**Vincent Stephen Andrews**
*Analyst, Morgan Stanley & Co. LLC*

**Michael J. Harrison**
*Analyst, Seaport Research Partners*

**Arun Viswanathan**
*Analyst, RBC Capital Markets LLC*

**Joshua Spector**
*Analyst, UBS Securities LLC*

**Laurence Alexander**
*Analyst, Jefferies LLC*


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# MANAGEMENT DISCUSSION SECTION

**Operator**: Good morning. My name is Carlie, and I'll be the conference operator today. At this time, I would like to welcome everyone to the Third Quarter PPG Earnings Conference Call. 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] Thank you.

I'd now like to turn the call over to our host, Alex Lopez, Director of Investor Relations. Please go ahead, sir.

## Alejandro Lopez

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

Thank you, Carlie; and good morning, everyone. This is Alex Lopez. We appreciate your continued interest in PPG, and welcome you to our third 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, October 28, 2025. We have posted detailed commentary and the accompanying presentation slides on the Investor Center of our website, ppg.com. Following management's perspective on the company's results, we will move to the Q&A session. Both the prepared commentary and discussion during this call may contain forward-looking statements reflecting the company's current view of future events and their potential effect on PPG's operating and financial performance.

These statements involve uncertainties and risks, which may cause actual results to differ. The company is under no obligation to provide subsequent updates to these forward-looking statements. 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 filings 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 good morning, everybody. I'll start by providing a few highlights on Q3 2025 and then move to our outlook. I'm very proud of the PPG team's performance for the quarter in Q3 in a very challenging world. The team delivered organic growth, which included both volume growth and price growth, and delivered a record high Q3 EPS. Our results for the quarter reflect the accelerating momentum in PPG's organic sales growth, with an increase of 2%, including our third consecutive quarter of sales volume growth, despite a challenging macro environment. These results reflect the benefits of PPG's global breadth and our strong commercial execution, which is driving share gains in many of our businesses. In addition, sales volumes in our Industrial Coatings segment once again outpaced industry demand, reflecting benefits from share gains in both packaging coatings and automotive OEM coatings.

Several of our businesses in the Performance Coatings segment delivered outstanding results, including double-digit organic sales growth in both aerospace and protective and marine coatings, although this was offset by lower sales volumes in automotive refinish, as our volumes were heavily weighted to the first half of 2025 due to distributor order patterns. From a regional perspective, the macro environment was choppy. Despite this, PPG


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organic sales grew a low single-digit percentage in the US and Canada, representing the third consecutive quarter of year-over-year increases in this region. Organic sales also increased in Latin America and Asia Pacific and were flat in Europe. Solid sales improvement, combined with our aggressive cost management and consistent cash deployment, drove an adjusted earnings per share increase of 5% year-over-year, establishing a third quarter record of $2.13.

Looking at each of our segments, in the Global Architectural Coatings segment, positive selling prices in both regions and volume growth in Latin America were offset by lower volumes in Europe and the impact of divestitures. In architectural coatings EMEA, organic sales growth in Eastern Europe was more than offset by lower demand in Western Europe. While volumes remained lower in the quarter, this business has now delivered price growth consistently every quarter over the last nine years, demonstrating the value the customers place on our leading brands and products that we provide. In architectural coatings Latin America and Asia Pacific, we delivered mid-single-digit organic sales growth in Mexico, aided by solid retail sales. Project related spending remained lower year-over-year, but improved sequentially versus the second quarter.

We expect sales growth to strengthen in Mexico in the fourth quarter, including stronger year-over-year consumer sales and modest improvement in project-related work. Segment EBITDA margin increased, as strong pricing and operational excellence including our cost control actions, outpaced the impact of lower sales volumes and business divestitures. The Performance Coatings segment delivered record net sales, with a 2% increase in organic sales. Within the segment, aerospace delivered double-digit percentage organic sales growth with recordly quarter (sic) [record quarterly] (00:06:08) sales and earnings. Customer order backlog increased to $310 million, even as growth-related investments improved manufacturing output during the quarter. In automotive refinish, organic sales decreased by a double-digit percentage versus the prior year, driven by lower sales volumes in the US.

As we communicated on our second quarter earnings call, our distributor order patterns were heavily weighted to the first half of the year. On a year-to-date basis, PPG's automotive refinish coatings organic sales are outperforming industry demand, which has declined due to lower US industry collision claims. In the third quarter, the company grew the number of refinish LINQ subscriptions as well as Moonwalk hardware installations, which now total more than 3,000, further supporting customer productivity and related share gains. We continue to add tools to our portfolio in order to expand our industry-leading productivity offering and to further strengthen our differentiation and market position. One such product is our newest Clearcoat, which is DELTRON Premium Glamour Speed Clearcoat.

With this product, we have broken a paradigm as it is the first of its kind to be fully designed with AI technology using proprietary PPG data, results in a refinish product and application that combines high-quality appearance with increasing speed of application. This also redefines our innovation process; and then applying AI to the design phase, allows us to bring market-leading solutions to our customers faster. Protective and marine coatings delivered the tenth consecutive quarter of year-over-year volume growth, with double-digit percentage organic growth in the quarter. Given this strong and consistent performance and further opportunities in various end markets, including marine aftermarket and certain energy markets, we are channeling additional growth-related investments into this business.

Traffic solutions delivered mid-single-digit percentage organic growth in the quarter, driven by share gains, given the strength of our industry-leading value proposition. Segment EBITDA margin decreased, driven by lower automotive refinish coatings sales volumes and the higher growth-related investment spending in aerospace coatings and protective and marine coatings, partially offset by higher selling prices. Our Performance Coatings segment is an important growth engine for the company, and I want to take a moment to talk about the increasing


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scale and strength of our aerospace business in this segment. Aerospace has grown at a mid-single-digit CAGR over the past 10 years, and now represents a third of the segment and a significant part of the overall PPG portfolio.

Based on the momentum in the industry and the demand for our highly specialized and qualified products, we expect sales growth CAGR of a mid to high single-digit percentage over the next three years. For PPG, this is a business that is equally weighted to OEM and aftermarket, with margins that are accretive to the overall reporting segment. We've experienced significant OEM growth, and customers have recently increased their builds forecast for the next several years. Based on the nature of this industry, this OEM growth will then translate into additional aftermarket growth in the succeeding years. Given the significant growth dynamics we're experiencing today and expecting in the future, we are increasing our investments in this business. This includes near-term OpEx investments in 2025 and into 2026, to further debottleneck our facilities.

We also announced an investment in new manufacturing facility which will be commissioned in 2027, and we will likely have additional investments in the future. These investments represent more than $0.5 billion and are being completed in order to capitalize on the significant multi-year growth opportunity we have in this business. All of these investments will deliver very strong financial returns for our company. We have a strong and unique growing position across commercial, general aviation and military; and we are excited that this will accelerate profitable growth for PPG and our shareholders for the foreseeable future. Now moving to the Industrial Coatings segment, third quarter sales volumes increased 4%, outpacing industry demand as we realized the run rate benefit of share gains with strength in automotive OEM coatings and packaging coatings.

From a business unit perspective, our automotive OEM business delivered an 8% increase in net sales, with growth above market in all regions. The global light vehicle industry production growth was 4%, which we clearly outpaced. We expect to outgrow the market again in the fourth quarter and throughout 2026. Industrial coatings sales volumes declined a low single-digit percentage, as growth in Asia Pacific and share gains were offset by lower demand in US and Europe. Packaging coatings organic sales increased by a double-digit percentage year-over-year, growing significantly above industry rates. These results again reflect the positive momentum and share gain in all regions. Segment EBITDA was up 12% year-over-year, reflecting the leverage from organic sales growth along with our manufacturing productivity and strong cost control actions.

Now, let me talk about our balance sheet and cash. During the quarter, we completed approximately $150 million in share repurchases and paid $160 million in dividends, which combined totals $1.2 billion delivered to shareholders year-to-date. Our balance sheet is strong, which continues to provide us with financial flexibility, and we remain committed to driving shareholder value. Looking ahead, we're committed to driving consistent organic sales and earnings growth even in this highly dynamic macroeconomic environment. As a result of the tariffs enacted, we are expecting low single-digit inflation for the year, and we are actively working with our suppliers to balance volume and price, with most suppliers favoring volume. When looking at our guidance, let me quickly recap some of the elements that we expect in the fourth quarter.

We see structural strength in our Performance Coatings segment, driven by our technology advantaged products in aerospace and protective and marine coatings, which will be offset by lower automotive refinish sales based on customer order patterns. We expect a year-over-year decline in organic sales similar to that in the third quarter, as distributors have been managing their inventories heading into year-end. In our Architectural Coatings segment, while European volume trends are anticipated to remain tepid in the upcoming quarter, we expect strong retail sales and modest recovery of project-related spending in Mexico. In the Industrial Coatings segment, the share gains in automotive OEM, packaging and industrial coatings are yielding benefits, and we expect to outperform the market again in the fourth quarter.


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Finally, during the fourth quarter, we expect growing benefits from operational excellence programs, including reducing our costs. This, combined with the leverage from the acceleration in volume growth, is expected to drive earnings and margin expansion in our Global Architectural Coatings and Industrial Coatings segments. This will be offset by lower earnings in our Performance Coatings segment due to the business mix. Altogether, we have updated our full year guidance of adjusted earnings per diluted share to a range of $7.60 to $7.70. In closing, I'm excited about the increasing momentum we have demonstrated in organic growth. In a macro environment where industry demand remains subdued, we are benefiting from our sharpened portfolio with technology, differentiated products and customer productivity solutions which is delivering positive sales price and volumes in 2025 and above industry levels.

Additionally, the focus we have put on operational excellence, investing in innovation and driving share gains, combined with our disciplined capital allocation and strong balance sheet, supports our strategy to deliver sustainable top line and bottom line growth in the mid-term. 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.

And 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 session of today's call. [Operator Instructions] Our first question comes from John McNulty from BMO. John, your line is now open.

### John P. McNulty
*Analyst, BMO Capital Markets Corp.*

Q

Yeah. Good morning. Thanks for taking my question. Tim, you posted some pretty solid growth across the bulk of the platforms. I think six of the nine businesses were mid-single digits or better. So, I guess one does stand out which is the refinish business which really seemed to be a trouble spot, seemed like it was kind of mid to high teens decline. So, I guess can you speak to why that hit is maybe quite as hard as it was, how you're thinking about the potential for that business to recover and the timing for that? Thanks.

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Sure, John. Look, let me talk about refinish, right? First of all, I'm confident in our best-in-class productivity solution that will continue to drive share gain, and that becomes important as I explain kind of what's happening here. And we do have market share momentum in this business as we continue to introduce new productivity tools for our customers. Look, this is and will be a marquee business for PPG despite a transitory slump in collision claims. And the other thing I'll add is this kind of challenging environment in refinish for the next whatever number of quarters, which I'll talk about in a few minutes, plays to the strength of the stronger players, plays to the strength of those that bring the best productivity solutions because it's not just the coatings manufacturers that have seen a slump in demand; it's the body shops.

And the body shops need productivity to survive the journey, so we have a bit of a slump right now. I'll also remind you on a full year basis, our performance is outperforming the industry because of those productivity solutions that I just mentioned. So direct to your question, here's what happened. We highlighted in July that we expected some destocking. The industry, not just PPG, the industry expected normalization of claims as we moved through


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the year, and the normalization of claims did not happen as early as expected. And so, that's driven destocking further than what we expected as we moved through the rest of the year. So, what's happening out there? Miles driven are still climbing? Actually, accident rates are okay. It's translating those accident rates into collision claims that has been depressed for some number of quarters now.

And that's largely driven by the insurance dynamic, affordability, availability of insurance that has kept some people from submitting claims for fear of losing their insurance or dramatic rate increases. If you look at the insurance rates from like 2022 to 2024, they were growing at about a 16% CAGR per year, right? 16% per year average. Now, we have started to see that moderate in 2025 to about a 3% growth CAGR which is normal, normal to be expected with inflation. So, we're expecting that normalization of the insurance situation to drive normalization of collision claims going forward. Now, we'll have a couple – we're expecting a couple more quarters of this normalization through the whole supply chain and collision network to flow through. From an industry standpoint, we're expecting that normalization to be seen in the middle of 2026.

Now for us, we also have some destocking that will occur because of how our inventory or, I'm sorry, how our distributors bought last year. But that's our expectation, is normalization of the industry in the middle of 2026. Now normalization, I'll remind everybody, normalization is collision claims down low single digits, and that's been the case for more than a decade. And in normal situation, even with collision claims down low single digits, our refinish business delivers record year-after-record year-after-record year of sales growth and earnings growth. So again, that plays to our productivity value proposition as we normalize. And right now, we're having a lot of discussions with several large potential customers that find our productivity value proposition even more attractive in these difficult times because it resonates.

It resonates with what they need to be successful in these challenging times, but also as the market normalizes. So, tough market conditions played on our strength. Industry normalization happens in the middle of 2026. We are well-positioned for that. And once industry normalization happens, we'll return to sales and earnings growth.

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

### Chris Parkinson
*Analyst, Wolfe Research LLC*

Q

Hey, Tim. Hope all is well. When I take a step back and look at your business, I mean, the strategy is ultimately paying off. But at the same time, I mean, suffice to say, we're still in a very challenging macro. As the sell and the buy-side kind of look out until 2026 and I look at your three new segments, what are the one or two things you think we should be all focusing on in terms of volume growth, subsegment market outperformance in terms of your end markets, new products, margin opportunities? Just how do you see the PPG story evolving if and when the macro, I'd say, eventually gets better over the next, hopefully, 12 to 24 months? Thank you.

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Hey, Chris. Good to hear from you. Thanks. So, I'll make – 2026, as you know, we normally give our guide in January, and we'll give numbers in January. But I'll make some high-level comments on how we're thinking about it right now to try and answer your question, and if I missed anything I'm sure Vince will fill it in. 2026, as always, there will be a lot of puts and takes. But I'll compare how we're viewing it today versus how we viewed it three to six months ago, some key factors. The macro, we're frankly not expecting much improvement in the macro, with an exception; I'll talk about that in a minute. So the macro means choppy, and it certainly has not recovered or


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gotten momentum that we or anyone else had expected to see at this point. It includes continued uncertainty with global trade, tempering somewhat how businesses spend their money.

And of course, as you know, we're tied closely to how our customers invest and spend on growth. Now specific to PPG, we see signs of several markets stabilizing in the middle of next year later than what we previously thought. You already heard me talk about refinish, so we do expect some carryover refinish volume challenges through the first half as that normalization in the industry doesn't really happen till the middle of 2026. And in addition, I'll remind everybody that we had a very strong first half of refinish sales in the first half of 2025 as our distributor order patterns were very favorable as they were stocking up on inventory. So, we do have that double effect of industry normalization happening in the middle of the year, plus the comp issue related to 2025 patterns. So, look, a pretty muted industrial environment is our outlook for 2026 right now, Chris, with first half in particular being difficult.

Now, we're partly offsetting these headwinds with, you mentioned, our increasing momentum in several of our businesses regarding organic growth, continuing our self-help cost reductions, aggressive discretionary cost management. We do expect the raw material supply chain to continue to be very long, supportive of coatings companies as we move through 2026 because of the benign macro that I just described. And of course, we'll continue to have cash, cash deployment. So, I guess if I were to summarize, we've got several of our end markets that are in challenging market conditions. They're transitory. But they look worse and more extended than we thought as recently as a few months ago. And on the bright side, we continue to control everything we can control. And to your point earlier, we're winning. We have momentum. We're organically growing.

We're taking share. We're getting cost out. But all-in, 2006 look softer in the first half than what we envisioned earlier this year.

**Chris Parkinson**
*Analyst, Wolfe Research LLC*

Q

Great color. Thank you.

**Operator**: Thank you very much. Our next question comes from Dave Begleiter from Deutsche Bank. Dave, your line is now open.

**David Begleiter**
*Analyst, Deutsche Bank Securities, Inc.*

Q

Thank you. Good morning. Tim, just on 2025, can you talk to what drove the change in your full year guidance resulted in implied Q4 guidance coming in below consensus expectations? Thank you.

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Sure. Hi, Dave. Frankly, it's all refinish, Dave. As I just described, I think it was in John's question, we were expecting industry normalization earlier. And then we had the double whammy of destocking as our distributors. We're also expecting industry normalization earlier. When that didn't happen, now they're focused on running their inventories down for year-end. So, a little bit of a double whammy from refinish is really what caused us to lower our Q4 guidance.

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

A


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Hey, Dave. This is Vince. And if we look at more externally and we look at the claims data which we get each month from the insurance industry, claims in the beginning of the year were down high single digits, in some cases, low double digits. Our latest claims data was down mid-single digits. So we do see that starting to improve, but still negative.

### David Begleiter
*Analyst, Deutsche Bank Securities, Inc.*

Q

Thank you.

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

### Michael Sison
*Analyst, Wells Fargo Securities LLC*

Q

Hey, good morning, guys. Nice quarter. Just curious, maybe I'll pick it one of the other red arrows, architectural EMEA. What do you think needs to happen for that business to sort of turn around maybe sometime next year. Maybe remind us the regions that is the most important for you and how that business gets back to growth?

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hey, Mike, thanks for the question. I thought you're going to ask me about the Brown Steelers this year, but we'll defer that for another day. But look, ACMA, first of all, I'll answer last part of your question first. Our biggest markets are France, The Netherlands, UK and Poland, okay? Now, beyond those kind of big four, we're number one in a total of like 12 to 15 countries over there, okay? But those are the ones that would move the needle the most. So, what's happening? We continue to see soft demand. I just got back from Europe. And it's consumer confidence driven, it's inflations, it's interest rates. It's the wars. There's just a lot of things. It's the energy situation in Europe. So, there's a lot of things holding back consumer confidence from construction and remodel standpoint.

We got great brands. We got great products. We're getting price. You heard my quote earlier, 9 straight years, 36 straight quarters of increased pricing. So, we're doing everything we can to control the controllables. We're not waiting for things to recover over there. We are taking aggressive, structural cost actions with the anticipation that flat, which we're getting close; we're very close to being flat year-over-year now. Flat demand will be a really good situation for our business because of all the cost out and all the price in. So we'll get really, really good leverage as that thing, I'm not going to say, recovers; as that thing stabilizes. And we are beginning to see those signs of stabilization. Flat will be great and we're not waiting.

Now, we are seeing more recovery in the East right now. And again, on that side of the continent, we're number one in Poland, we're number one in Hungary, we're number one in Romania, we're number one in all of the Baltics. We're number one across Scandinavia. So, we're well positioned there as those start to recover. As soon as we see some stabilization in France, UK, Netherlands then you'll start to see that great leverage that we're expecting.

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


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**John Roberts**
*Analyst, Mizuho Securities USA LLC*

Q

Thank you. Tim, I think BYD recently had its first down sales month in two years. How are you viewing the overall Chinese OEM vehicle outlook? And do you think anti-involution actions there are going to have any impact on the coatings industry?

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hey, John. Yeah, BYD did put up a quarter that – for them was a bit disappointing. But the overall auto growth in China has been pretty strong all year, and we expect that to continue. And we're growing in China, China auto despite the challenges there. I don't have insight into BYD's books obviously, but I do think it is extremely competitive over there. And so, perhaps that's driven a lot of their recent challenge, but they continue to be the biggest winner. We are working with and frankly selling to a lot of the other Chinese domestics. And it's win with the winners, as Alicia, who runs that business for us, always says. Picking the winners and making sure we're spread out nicely across a number of winners in the marketplace. So, we don't expect the double-digit kind of growth rates of China auto that we saw in the past.

But we do expect low to mid-single-digit growth there pretty consistently for the industry and for us.

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

A

Yeah. Yeah, John. This is Vince. I'll just add on, just to – Tim mentioned this in the opening comments, but we approved the industry in China, but we have to approve the industry in every other region as well. Regarding anti-involution, we don't see that as an issue, certainly in the short-term or midterm. We think the chemical industry there remains long, and we think they'll continue to provide significant output to our industry even as other industries slow down.

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

**Kevin W. McCarthy**
*Analyst, Vertical Research Partners LLC*

Q

Yes. Thank you and good morning. Tim, if I look at your Performance Coatings results, your sales actually grew year-over-year, notwithstanding the refinish pressure that you articulated. And yet the operating income declined on a year-over-year basis, notwithstanding looks like a 4% contribution from price. So, can you talk through that? Is that all to do with mix issues related to refinish? Or are there other items that you might call out that would explain that dynamic?

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Hey, Kevin. Thanks. I hope you're well. It's definitely, part of it is mix. Refinish is an above segment – let's say, nicely above segment average business. So when we take a pause in refinish earnings growth and go to earnings reduction, that drives some deleveraging from an EBITDA standpoint for the segment. But we are spending well above normal from both OpEx and CapEx in two businesses in that segment: aerospace and protective and marine, because those two businesses have been consistently growing at double digit. And we see a long runway


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for consistent growth capture. And so, while that may hurt us in the short term, Kevin, I'm confident that it helps the company and our shareholders for the long term as we invest more to capture that growth.

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

### Duffy Fischer
*Analyst, Goldman Sachs & Co. LLC*

Q

Hey, good morning, guys. Can I just follow-up on that? So, when you look at aerospace and protective and marine, you're trying to grow that business, what are their margins like today? Obviously, they're lower than the segment because refinish is so high. But relative to, let's say, the company average, aerospace and protective and marine, where do their margins sit? What do their incremental margins look like, let's say, over the next two to three years? And how much longer do you need to have kind of this plus up spending before you get to kind of a cruising altitude?

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Hey, Duffy. So, let me try to – as you know, we don't give specific business margins, but let me frame it for you. So first of all, Performance Coatings segment, clearly our highest margin segment. That's public. We share that with you every quarter. Within that segment, I've always said, refinish is nicely above segment average. And I've already said, aerospace is nicely above segment average. And so, that leads two other businesses which must be below segment average with one of them being PMC, okay? So, that answers part of your question. I'll answer some more, and I'm sure Vince captured a few things. And how much longer do we need to spend more there? I think, honestly, aerospace, it's couple of years more because there's just such tremendous profitable growth to be captured there.

What I'd say, PMC probably a little shorter. The investments are more incremental in PMC. The larger investments are in aerospace.

### Vincent J. Morales
*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Yeah, Duffy, Vince. I would just accentuate one of the things Tim said that this growth for our shareholders is important. But both of these businesses are mid- to long-cycle businesses. So we do feel these investments, which are on the frontend of this growth curve, will provide us benefit certainly in 2026 and 2027. Some of the investments in aerospace, as Tim articulated earlier, are capital; some of them are OpEx. The OpEx, we're going to continue to spend in the 2026. The capital will be longer, as Tim just mentioned. But we're trying to make sure we are well positioned on the frontend of this growth curve that will benefit us for multiple years, given the nature of these industries.

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

And in every one of these investments, I can assure you, has IRRs significantly above our risk-adjusted WACC. So, good investments for our long-term future and shareholders.

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


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

Q

Yeah. Thank you, operator. Good morning, everybody. Tim, can you just give us a bit more color on the operating environment in Mexico? I know, for you it's been sort of bifurcated between the retail component versus project activity. I'm just curious as to how you think about how that will evolve as we cycle into 2026.

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hey, Ghansham. Good to hear from you. So yeah, Mexico, really important country, as you know. We're very pleased that we are seeing recovery there. Going by memory here a bit, but that's been a consistent growth engine for us since we – for 10 years, 11 years. And we took, I think, a dip. We were negative in Q2 – or Q1, I mean, because even though Liberation Day wasn't until the beginning of Q2, the Mexico-Canada tariffs were actually announced in February. And literally, overnight, we saw a dramatic reduction in spending by consumers and projects. So, we were negative in Q1 in organic growth, which almost never happens for us in Mexico. We returned to positivity in Q2, low single digits; Q3, mid-single digits. And we feel good about Q4, as we see continued sequential recovery. So retail, in particular, has already come back and come back strong.

And now, on top of that, we're beginning to see some sequential improvement in the project spending because, remember, a lot of these projects were already in flight. And so, they've got to be completed. And if you believe that a deal will be reached with Mexico then that's a huge accelerator to that project spending. So, we do feel good that we're seeing recovery. And based on all of our networking in Mexico, we feel good that that will return to what we all expect – have come to expect from PPG Comex.

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

**Jeffrey J. Zekauskas**
*Analyst, JPMorgan Securities LLC*

Q

Thanks very much. When I look at your aerospace capital expenditures going up more than $500 million, is the conclusion that should be drawn is that your annual capital expenditures are going to stay around $700 million or $650 million over the next couple of years? And I know you don't forecast yet, but just order of magnitude. And for Vince, it's a little hard to read some of the working capital changes that you've had, but it looks like cash flows from operations around $1.6 billion this year. Should they step up to closer to $2 billion in the out years because there isn't the same working capital drag? Or should it just move with the change in your EBITDA?

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hey, Jeff. Good to hear from you. So aerospace CapEx, it will, let's say, peak this year, 2026 and 2027. But overall CapEx, our mission is to get back to 3% of sales. I think this year will be the peak of our CapEx spending, 2025. We'll go down a bit in 2026, a bit further in 2027, on a glide path to get back to that 3%. So, this is really a temporary spike. And one of the – honestly, Jeff, it's one of the reasons I called it out, is because previous to that you were just seeing our total CapEx number, and everybody is like why are you spending more. We're spending more because one of our most profitable business has a tremendous multi-year, possibly decade growth trajectory that I believe it's in our company's best interest to invest and capture that growth.


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So I called that out so you'd see it, but it doesn't change our long-term objective of about 3% of sales. And we do believe this is the peak and will start to trend down towards that. On working capital, I know that's Vince's favorite subject so I'll let him cover it. But one piece of it is with all the tariff uncertainty, at first we did pre-buy a bunch of raw materials to capture it at a good price. That bought us time to work through other tariff mitigation actions so that we can control our inflation to that LSD number as we move through the year. We fully expect that the inventory piece of it will normalize by year-end.

And Vince, you can answer [ph] the... (00:43:14)

**Vincent J. Morales**
*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*
A

Yeah, Jeff. Good to hear from you. Again, just to echo what Tim said, we've had a step-up year-over-year this year in working capital as we look at it as a percent of sales or DIO or whatever metric you want to use. That's a transitory step up. We would expect in the out years to get more leverage as most companies would on inventory. Inventory would be fairly stationary. If our volumes grow, we don't need to have excess inventory storage at our plants as our volumes – as we return to growth here. So, I would expect our operating cash flow to grow at a faster clip than EBITDA in the future years.

**Operator**: Great. Thank you very much. Excuse me. Next question comes from Aziza Gazieva from Fermium Research. Aziza, your line is now open.

**Aziza Gazieva**
*Analyst, Fermium Research LLC*
Q

Hi, guys. Good morning. You recently highlighted that epoxy resins have been inflating slightly. I was wondering if you could provide any outlook on that and maybe some of the puts and takes for the expectations for low single-digit inflation on raws. Thank you.

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*
A

Yeah. Hi, Aziza. I was going to ask [ph] Frank (00:44:34) about how he's feeling about the [ph] Fields for Roger swap that led to the Jet (00:44:40) success, but maybe you can pass that question on for me. So, epoxies were actually impacted prior to Trump, right? Last year, there were some antidumping and some tariffs put on under the Biden administration. And so, we already had that built into our contributors to the low single-digit inflation. In fact, that's a differentiator between us and maybe companies that are more weighted towards architectural coatings because architectural coatings don't use epoxy; but things like automotive, packaging, PMC, industrial do use epoxy. So, it's actually one of the key contributors. It's not a huge impact for us. Again, it's all built into our low single-digit guide for the year. And even as we look to next year, the supply/demand calculus is still very much in favor of us.

And our purchasing team is finding that our upstream suppliers in many spaces, including epoxy, are looking to do volume deals more than price increases.

**Vincent J. Morales**
*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*
A

Yeah, Aziza. I'll just add on here. Working with our procurement team, one of the angles that we're working is if you recall during the supply chain crisis, most companies, including PPG, we expanded our supplier base to make sure we had a sure supply of many raw materials. Now that the supply chain crisis has passed, we are now


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in the process of contracting our supply base back to our prior weightings so we're able to share more volume with fewer suppliers, which we also think will contribute next year to the raw material environment we're seeing today.

**Operator**: Thank you very much. Our next question comes from James Hooper from Bernstein Societe Generale. James, your line is now open.

### James Hooper
*Analyst, Bernstein Societe Generale Group*

Q

Good morning and thank you very much for taking my question. My question is about kind of a bigger-picture question. It seems that a lot of the coatings players and your peers are all seeming – calling out share gains, and this seems to be an increasingly competitive volume environment. So for example, if we take refinish, your competitor reported yesterday they gained share and grew mid-single-digit. Are you seeing a more competitive volume environment? Or are you expecting more pressure across your businesses going forward in 2026?

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hi, James. I don't see any, what I would call, fundamental changes in the competitive structure within our businesses, with one caveat and that's China. China has more competitors; that's not a change. And so, it's a more competitive environment. But specific to your point about refinish, I've said many times there are two companies that kind of lead the pack with productivity solutions and we fight each other every day, and we win and sometimes lose to each other every day. But the bigger picture is that, the companies that don't have as much of those productivity solutions are the net losers over time. And that becomes even more accentuated when the industry times are tough because, again, the body shops really need those industry players that have the productivity solutions. So, am I surprised that one particular competitor gained share – announced gain share yesterday? Absolutely not.

We are absolutely gaining share as well and quite confident, and we just introduced a couple of new – we've been supplying digital as well as chemistry productivity solutions to our portfolio of refinish to win even more share. We just announced a couple of new ones this quarter. So, as we continue to boost that value proposition, and I'm confident that we'll continue to gain share. And as I mentioned in my remarks, I think it maybe was to John's question, the first one, we're actively getting interest from some potential customers now that are fairly sizable and that we weren't previously because of the challenges in the industry and the value of our productivity solutions. So fundamentally, are we seeing some fundamental change in the competitive dynamic out there? Not really, but we are seeing increased pull for our value proposition.

### Vincent J. Morales
*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Hey, James, this is Vince. Let me just add a comment there. I think we always measure the litmus test of the value proposition as you're gaining share, i.e., higher volume plus you have positive price. That shows you have a true value proposition. And I think when you look at our results, you'll see that across many of our businesses.

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Plus, we get paid for those digital solutions in addition to the coatings that we sell.


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

### Patrick Cunningham
*Analyst, Citigroup Global Markets, Inc.*

Q

Hi, good morning. Thanks for taking my question. Maybe a related question on share gains. So, you've previously quantified some of the industrial share gains at $100 million. I guess, first, is that still tracking to plan? And how would you characterize your ability to price and the margin profile of some of this new auto OEM business or some of this new packaging business? Or is that not relevant?

### Vincent J. Morales
*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*

A

Yeah, Patrick, let me start here. I think what we've been talking about and I know we've talked over the last couple of years is, volume plus volume leverage. And you can see that clearly in our industrial segment results where we've had some volume growth, but significant leverage on the bottom line. And so, our biggest earnings lever off that volume is that leverage we're getting on our fixed cost base.

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. And to your question on $100 million, I think we quoted that $100 million a year ago, and all of that $100 million is starting to flow through now, because most of those were launched or are being launched here in the second half of the year. None of that went away. But in addition to that, Patrick, we've been winning business throughout the year. And on these longer launch businesses, that's typically the case in industrial segment, in packaging, in automotive and industrial, you'll see more and more of those wins above and beyond the $100 million start to flow through. Again, it won't – unfortunately and particularly in the first half of 2026, it won't be enough to offset some of those macro things I talked about earlier. It won't be enough to offset that refinish comp issue on distributor buying patterns, but those are transitory items.

So, as the transitory pressure starts to come off, then we'll be better positioned as we go forward for the midterm.

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

### Vincent Stephen Andrews
*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you, and good morning, everyone. Tim, wondering if you could speak a little bit about the M&A environment, both large and small. One of your competitors has made a big exit to private equity. Another on their conference call was talking up sort of potential for further consolidation in the industry overall, but not clear what it was going to be. So just curious, how you're thinking about things you referenced your balance sheet and flexibility earlier in the call. You've been acquisitive and good at it in the past. So, what are you thinking going to 2026, both large and small? Thanks.

### Timothy M. Knavish
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Thanks, Vincent. I've said many times since I took over and been pretty consistent that the tip of the spear for PPG is to build an organic growth and margin machine. And we've been doing that, working hard on it. We're


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starting to see the fruits of our labor. We're winning. We have momentum. That organic growth and margin machine is working. Now consistent with that, from day one I've also said, we're not going to exclude M&A. It's part of the algorithm for growth for us long term, but it's not the tip of the spear like maybe it was a decade or so ago. But we will look at anything that comes across our desk. I've talked earlier about a couple that we did take a close look at with the Brazil architectural, with the recent auto refinish and pretreatment opportunity.

I think it's in our best interest, our shareholders' best interest to look at every opportunity that comes along. There are some bolt-ons out there that we look at and are looking at. I've also said it has to be the right asset at the right price and at the right time relative to that organic growth and margin machine. And that hasn't changed and doesn't change now. It will continue to execute on building that organic growth and margin machine. We will look at M&A opportunities that come along. And we'll decide is that the best use of cash for our shareholders. If not, we'll move on and keep using that cash like we've been for the last eight quarters, and executing on our organic growth and margin machine.

**Vincent Stephen Andrews**
*Analyst, Morgan Stanley & Co. LLC*

Q

Thank you very much.

**Operator**: Our next question comes from Aleksey Yefremov from Key Group. Aleksey, your line is now open.

Q

Hey, guys. Good morning. This is [ph] Ryan (00:55:10) on for Aleksey. There's been a lot of questions on refinish this morning, so I figured I'd tag a couple more on. Can you maybe just help us understand the differences in what's going on in the US market versus maybe what's going on in Europe right now? And then, just on share gains. I understand you and peers are talking about them in the refinish market. Can you maybe help us understand maybe which regions or segments of the market where you guys feel like you're kind of gaining share? Thanks.

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

A

Hey, Ryan. This is Vince. Let me start and then Tim will add some color here. Specific to your first question on US versus non-US markets, I think it dovetails exactly what we're talking about which is, insurance premiums in the US are up significantly. We're not seeing that dynamic outside the US, and we're seeing claims rates outside the US, more closely parallel accident rates. So if we look at Europe, claims are down maybe mid-single digits, not double digits that we saw year-to-date in the US, same in other parts of the world. So again, that I think provides additional color around the insurance premiums being a causation factor in the US.

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. And on the share gains, we're gaining share – most of the wins that we've been seeing have been across both the US and Europe. And in the US, the competitor that – the number one and number two are net-net winning; sometimes a three or a four or a five. We'll talk about a share gain that's driven by maybe one shift of a customer, but not the broad multi-hundreds per quarter net shop wins that us, and I suspect that, other number one or number two delivers. So, it really comes down to – we're beyond just as an industry, providing solutions of chemistry inside the can of paint. And we are proud of the solutions that we now provide outside of the can of


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paint that drive productivity. And net-net, that is driving share gain across United States and Europe for the most part. Of course, in the other smaller regions, there's also a share shift, but that's what's moving the needle.

**Vincent J. Morales**
*Senior Vice President & Chief Financial Officer, PPG Industries, Inc.*
A

Yeah. And again, I know there's a lot of discussion about the refinish pie, if you will. And as Tim mentioned earlier, that typically would shrink a low percentage every year. What we've done which is unique to PPG is, we're re-expanding that revenue pie for us because we do have PPG-specific revenue streams with the pulls Tim mentioned earlier. These are subscription – typically subscription-based, somewhat volume agnostic and they're providing productivity so the customers are willing to pay incrementally for them. So again, for PPG, in particular, we're able to re-expand that pie from a revenue perspective.

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*
A

Yeah. So again, refinish is getting a lot of air time today and that's, by the way, no surprise. So, if you think about what I've talked about and Vince talked about, and now being forward to when we get through this transitory slump and get to normalization, you'll have a PPG that has more body shops using our products. You'll have a PPG that has more body shops using our digital products, and you'll have a PPG that has more shops using our allied products which are non-digital, non-paint complementary products that are used and consumed by the body shops. So, we're really working hard and making great strides in positioning PPG for real strength in the refinish market as it normalizes in the middle of next year.

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

**Michael J. Harrison**
*Analyst, Seaport Research Partners*
Q

Hi. Good morning. You mentioned, Tim, the new Clearcoat product that was developed by AI or with the help of AI. I was hoping that you could give us a little bit more detail on the role that AI is playing on the innovation front. Thank you.

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*
A

Yeah. Hey, Mike. Hope you are doing well? Yeah, we're really excited about this. And again, I'm not an AI expert, right? But fortunately, I have many of them working for us that do the hard work. Essentially, think of it this way. We've got 100-plus years of PPG proprietary formulation expertise around our laboratories around the world. And what we've done is, we've developed tools working with some partners that really go out and scrape that history of formulation to optimize much quicker than humans can optimize, the best performing product at the most competitive price point and with the best speed of launch to market. And this is just the first product to do that, and it's not only refinish. We're expanding that across our other businesses. And by the end of this year, we expect about 50 products to be commercialized that have used, what we call, formulation AI.

Some of those products are new, but some of them are just optimization of existing formulas using this technique across our 100-plus years of PPG confidential proprietary data. And I'd love to talk to you about all the other ways that we're using AI to drive both internal productivity, but also customer-facing speed and optimization, but that will be a discussion for another day. But we called this out because it's really a milestone moment for us with the launch of this first of many products.


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

A

And Mike, just a clarification, when Tim says at the best price point, what that means for us is the best composition of raw materials at the lowest price for us, agnostic of specific vendors. So we're able to put together the best raw material stack pricing and get the best outcome for our customers in terms of color, performance, et cetera.

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

**Arun Viswanathan**
*Analyst, RBC Capital Markets LLC*

Q

Great. Thanks for taking my question. Hope you guys are well? I guess, I just wanted to ask about the portfolio overall. It seems like we still get impacted by – you're still being impacted by several headwinds across many of your industrial-oriented businesses. Are there further actions you can take there maybe to redeploy some of that capital into aerospace and other areas that are growing, and maybe deprioritize some of the more cyclical businesses? I know you've already taken some actions there with the silicas and architectural divestitures. And along those lines, are there any businesses where you're potentially a number three or number four competitor? Or has that also been addressed? Thanks.

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

A

Hey, Arun. I'll let Tim add all the color here. But I do – you did mention our two divestitures this year which is architectural Russia and silicas. And we did have about a $0.05 decrement year-over-year due to that, those divestitures in terms of segment earnings. So on a like-for-like basis, our numbers are actually up with our current business portfolio more than the straight headline number.

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Look, Arun, we have been – I'd say, look, I have been here 38 years. I think you know that. I'd say we've been more active in portfolio management in the last couple years than we were since the big pivot from glass coatings chemicals to coatings. So, decade and a half or two decades, we're very active on the portfolio management. Architectural US, silicas, Russia, traffic solutions, exiting Africa countries that were holding us back and a number of other pruning around the corners. One thing, if you look at the EBITDA, the segment EBITDA of our company before we did this portfolio pruning, we were typically – if you look at 2018, 2019, 2022, I ignore the main COVID years, but 2018, 2019, 2022 we are consistently like a 15% EBITDA company. We're consistently like a 20% EBITDA company now.

So, we're very pleased with the work that we've done to-date from a kind of cleanup and optimization standpoint. We will continue to prune. I would tell you there's nothing that we're working on right now to exit that would move the needle. It's more pruning around the edges. But I hope that with what we've done over the last couple years, I hope that that's given us some credibility that we are constantly looking at our portfolio. It's one of my main jobs as the CEO, and I will continue to do that going forward.

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


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**Joshua Spector**
*Analyst, UBS Securities LLC*

Q

Yeah. Hi. Thanks for squeezing me in. Just a quick one relating to capital allocation again, is just if I look at buybacks, you're buying back less in the second half this year than you were last year. Your stock is lower. You guys have obviously some view of a delayed improvement in the second half, but all the comments around organic investments seem as positive as they've been. So, the quick question here is why aren't you buying back more stock now? What's holding you back? Thanks.

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Yeah. Hey, Josh. We didn't squeeze you in, we love to have you in. So, please keep the good questions coming, good to hear from you. I hope if nothing else that you guys will recognize that I've been consistent since I took over, and I said I will not let cash grow on the balance sheet. And 11 straight quarters I've been saying that. Three of those quarters we had to pay down some high-cost debt after Tikkurila. And the other eight, we have been buying back shares eight quarters in a row. So for the 12th quarter, I'll continue to say I will not let cash grow on the balance sheet. I would deploy it in a way that maximizes shareholder value. Unlike some others, we do pay a nice dividend. We have this extra investment for a transitory period to capture future growth. We will continue to look at M&A on an opportunistic basis. And if we see a great deal that maximizes shareholder value, we'll jump on it.

But for all of those, you should expect the behavior that we've done in the last eight quarters. Now remember, some of what we did fourth quarter last year, first quarter of this year, we got proceeds from the sales of some businesses. So, we deployed those and bought more shares back. And, look, your point on stock price, yeah, it's absolutely undervalued right now, and so that's a pretty good use of the cash that we have. And so, you should expect me to continue to behave and operate in that way.

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

A

Yeah. And just a point of clarification. We do have a little bit of a grossed up cash balance now [ph] that (01:08:07) we have grossed up short-term. We have some debt coming due in the fourth quarter that we're going to pay off here in a couple weeks, so that cash balance at the end of the quarter reflects that debt payment coming due here.

**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

Good morning. Just pretty quickly on aerospace. If memory serves, your content per plane over time should grow about 1% or 2% faster than inflation. Is that roughly right? And as you think about adjacencies or innovation platforms, is there – what can you do to accelerate that?

**Timothy M. Knavish**
*Chairman & Chief Executive Officer, PPG Industries, Inc.*

A

Man, thank you for that question, Laurence. That's my favorite one. By the way, we are growing much more than 1% or 2% per year in content. We capture price because of the great value that we add, and we also grow our


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physical content significantly in this business. And how do we do that? Well, the biggest piece of this business is our sealant business, right? And that we have a very strong technology differentiation, and we're constantly growing content per build across the sealant space. And it's tremendous value-add content because we don't just supply the bulk sealant. We supply it in specialty packaging or actually in frozen end cap format to really help our customers not only with the performance of the sealant itself but with productivity and applying it. And we continue to innovate new ways of applying that value-add sealant, including 3D printing.

We 3D print some sealants for military aircraft, so it's the chemistry plus those outside-of-the-can productivity tools that grow our content. Our second biggest piece of that business is our transparency business where we're providing canopies and windshields for just about every aircraft type in the world, military, general aviation, and commercial. With each new design of an aircraft, the content per canopy gets higher, right? There's all kinds of additional coatings and some military attributes that I can't talk about that grow content as new and improved aircraft come out. Then, we also have the traditional coatings, right? And that, I think, is a space that we're all pretty familiar with. And then, we also do a bunch of other value-add services as the fourth key component to our aerospace portfolio.

And that's why, honestly, you'll hear me and you may have heard it in my opening remarks, I don't call it aerospace coatings; I call it aerospace, because we do so much more than just the coatings. And I think going forward, we'll try to provide more and more visibility into that outstanding business as it has become a large part of our company portfolio, and we'll continue to grow at a higher rate than the rest of our portfolio, so we become more and more of an aerospace solutions provider.

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

### Alejandro Lopez

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

Thank you, Carlie. We appreciate your interest and confidence in PPG. This concludes our third 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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