

28-Jan-2026

PPG Industries, Inc. (PPG)

Q4 2025 Earnings Call

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

Chris Parkinson

Analyst, Wolfe Research LLC

Aleksey Yefremov

Analyst, KeyBanc Capital Markets, Inc.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

John Roberts

Analyst, Mizuho Securities USA LLC

John P. McNulty

Analyst, BMO Capital Markets Corp.

Matthew DeYoe

Analyst, BofA Securities, Inc.

Michael Sison

Analyst, Wells Fargo Securities LLC

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Ghansham Panjabi

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

Joshua Spector

Analyst, UBS Securities LLC

Laurent Favre

Analyst, Exane BNP Paribas

Frank J. Mitsch

Analyst, Fermium Research

Michael J. Harrison

Analyst, Seaport Global Securities LLC

Eric Boyes

Analyst, Evercore Group LLC

James Hooper

Analyst, Bernstein Autonomous LLP

Patrick Cunningham

Analyst, Citigroup Global Markets, Inc.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Laurence Alexander

Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Warren and I will be your conference operator today. At this time, I would like to welcome everyone to the Fourth Quarter and Full Year 2025 PPG Earnings Conference Call. [Operator Instructions]

I would now like to turn the conference over to Alex Lopez, Director of Investor Relations. Please go ahead, sir.

Alejandro Lopez

Director-Investor Relations, PPG Industries, Inc.

Thank you, Warren, and good morning, everyone. This is Alex Lopez. We appreciate your continued interest in PPG, and welcome you to our fourth 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, January 27, 2026. 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 our Q&A session. Both the prepared commentary and discussions during this call may contain forward-looking statements reflecting the company's current view of future events and the 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.

Thanks, Alex. Good morning, everyone. Welcome to our fourth quarter and full year 2025 earnings call. I'll start off by providing some highlights on Q4 and full year 2025. And then I'll move on to our 2026 guidance. I'm pleased to report that 2025 was a year of solid commercial, operational, innovation and financial performance for PPG. The year also demonstrated the strength and resilience of our diversified portfolio, as well as the dedication of our PPG global team. Despite a very mixed and dynamic macroeconomic environment throughout the year, we delivered consistent organic growth, both volume and price, capping the year off with our strongest organic growth of over 3% in the quarter.

We also continued our legacy of driving structural cost improvements for our self-help actions and maintained our heritage of strong cash flow generation and disciplined cash deployment, including returning cash to our direct shareholders. For the full year, net sales totaled \$15.9 billion with 2% organic growth, which was driven by a

combination of higher selling prices and volume gains across our segments. Our adjusted earnings per share came in at \$7.58 underscoring our ability to maintain solid profitability in a dynamic environment. Our cash from operations totaled \$1.9 billion, up about \$0.5 billion year-over-year, supporting a robust free cash flow yield of 5%. This strong cash performance enabled us to return \$1.4 billion to shareholders through dividends and share repurchases.

Our segment EBITDA margin for the year was a healthy 19%, reflecting ongoing operational efficiency and cost discipline. I'm pleased that we have delivered on our organic growth commitment, with sales volume and selling price growth resulting in a full year increase of 2% in organic sales, which outpaced the estimated market decline of negative 0.2%. This is the result of our productivity solutions for our customers, as well as the share gains in our core technologies.

Now turning to the fourth quarter. We further accelerated our growth momentum. Net sales were \$3.9 billion, up 5% year-over-year, with 3% organic growth, driven by positive sales volume growth across all regions. We achieved record aerospace coatings sales and earnings led by strong demand for our technology advanced products. Auto OEM, net sales increased 6%, well outpacing the industry driven by share gains and customer mix. Architectural coatings in Latin America delivered high-single-digit organic sales growth, aided by the sequential quarterly recovery of project-related sales and continued strong retail performance. We delivered positive sales volume growth in all regions, with Asia Pacific leading the pack, achieving mid-single-digit percentage, followed by low-single-digit percentage in US, Latin America and Europe.

Our segment EBITDA margin for the quarter was 18%, reflecting solid execution despite some macro headwinds that impacted certain end markets. Adjusted EPS for the quarter was \$1.51, as the improved organic growth and improved operational performance were more than offset by higher interest costs and increased corporate expenses.

Now, looking at each of our segments, in a Global Architectural Coatings segment, fourth quarter net sales rose 8% to \$951 million, with 2% organic growth. This was driven by Mexico's strong retail performance and sequential improvement in project-related spending, as well as for favorable foreign currency translation. Project-related spending was weak in the first half of 2025, driven by uncertainties related to tariffs. However, in the second half of 2025, we experienced consistent recovery and expect this to extend into 2026 based on leading indicators and discussions with our customers.

Architectural coatings demand in Europe was mixed, low-single-digit percentage decline, which was partially offset by favorable pricing. We have now delivered positive pricing for 39 consecutive quarters in this business. Segment income increased 16%, driven by improved pricing and cost management, and EBITDA margins improved nearly 100 basis points. We expect positive organic sales and margin momentum to continue in the first quarter of 2026 in this business.

The Performance Coatings segment delivered 5% net sales growth to \$1.3 billion, led by double-digit organic growth in aerospace and consistent gains in our protective and marine coatings business, which now has delivered 11 consecutive quarters of volume growth. As expected, automotive refinish organic sales decreased by high-single-digit percentage as sales volumes were lower, reflecting customer ordered patterns stemming from distributors more heavily weighting their purchases to the first half of 2025. However, one closely watched data point in the industry is US accident claims, and the December year-over-year claims were down only 2% compared to high-single-digit or low-double-digit declines throughout the year.

As we communicated in our third quarter earnings call, the industry claims normalization and our 2025 distributor order patterns will result in a difficult sales comparison for PPG in the first half of 2026, but incremental volume growth during the second half of 2026. Segment EBITDA margin decreased, driven by lower automotive refinish coating sales and higher growth-related investment spending in aerospace and protective and marine coatings, partly offset by higher selling prices.

And we expect margin contraction for the segment during the first half of 2026, with margin growth during the second half of the year. As you know, our aerospace business is an important growth engine for the company. And I want to take a moment to talk about the momentum and industry growth and the demand for our highly specialized, qualified products. The business is equally weighted to OEM and aftermarket customers, with margins that are accretive to the overall reporting segment and has a strong presence in commercial, military, and general aviation.

During our second quarter earnings call, we presented the significant expected aerospace OEM growth, given the increased builds forecast for the next several years. In addition to the OEM growth, the forecast for higher aftermarket demand translates into sales growth CAGR of high single-digit percentage growth for the foreseeable future. For PPG, this is a business that is more than just coatings with the majority of the portfolio being represented by transparencies, sealants and adhesives, and service and materials.

For each one of these verticals, we compete with peers that do not have a strong presence in overlapping technologies. This makes our business very unique, with a much stronger segment presence than any traditional competitor in our space.

Moving to the Industrial Coatings segment, fourth quarter net sales grew 3% to \$1.6 billion, with organic growth fueled by share gains that led to 5% sales volume growth, well outpacing industry demand, as we realize the full 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 6% increase in net sales with growth above market as a result of our share gains. We expect to outgrow the market in the first quarter and for the full year in 2026 in this business. Organic sales for our Industrial Coatings business were flat, as sales volumes growth in Europe and Asia-Pacific region offset lower index-based pricing. Packaging coatings' organic sales increased by a double digit percentage year-over-year, growing significantly above industry rates.

These results reflect the positive momentum in share gains led by Europe and the US as a result of the technology shift favoring our sustainable product portfolio. Segment EBITDA was up 6% year-over-year, and EBITDA margin improved by 30 basis points to 15.1%, reflecting the leverage from the organic sales growth along with our manufacturing productivity and strong cost control actions.

Now, looking ahead, we expect some softness in global industrial and automotive demand to impact organic sales and margins in the first quarter 2026.

Now, let me talk about our balance sheet and cash. Strong cash flow generation remains a key pillar of our strategy. As I said, our operating cash flow increased by over \$0.5 billion year-over-year to \$1.9 billion in 2025. We returned \$1.4 billion to shareholders through dividends of \$630 million and share repurchases of \$790 million, which represents about 3% of our outstanding shares. We ended the year with a strong cash balance of \$2.2 billion and a net debt position of \$5.1 billion with \$700 million of debt maturing in the first quarter of 2026, which we intend to pay from our current cash position. Our balance sheet is strong, which continues to provide us with financial flexibility. And we remain committed to using this strength and flexibility to drive shareholder value.

Our capital expenditures for the year total approximately \$780 million, reflecting our investment and growth initiatives, including expansions in aerospace in Mexico and our digital and AI capabilities. 2025 will represent the high water mark of these growth investments, and we expect to sequentially pace back to our historical levels of approximately 3% of sales by 2027.

Looking ahead, I'm encouraged by our organic growth momentum and what we will achieve in 2026. We anticipate that demand in Europe and global Industrial end-use markets will remain challenged. However, despite the macroeconomic environment, we expect sales volume growth will be driven by aerospace, Architectural Coatings in Mexico and about 100 million of share gains in the Industrial Coatings segment that will be realized in 2026, including 50 million of carryover share gains announced last year. We expect overall price for the company to be positive with strength from our performance in Architectural Coatings segments, which were partially offset by modest contraction in the Industrial Coatings segment. This will result in organic sales growth in the range of flat to positive low-single-digit percentage.

Raw material basket remains favorable to coatings producers, and we are consolidating our supplier base, which will help us offset the impacts of already enacted tariffs, resulting in expected overall flat raw material costs for the year.

Finally, during 2026, we expect growing benefits from operational and excellence programs, reducing our costs by another \$50 million. This, combined with the leverage from acceleration and volume growth, is expected to drive earnings per share growth that, at the midpoint of our guidance, represents a mid-single digit percentage increase. We expect earnings per share to be flat to growth of low-single-digit percentage during the first half of the year, and increasing to high-single-digit percentage in the second half of the year.

In closing, I'm excited about the increasing momentum we have demonstrating during the fourth quarter that allows us to start 2026 on strong footing. We are laser focused on executing our enterprise growth strategy, which emphasizes high margin business growth, strong cash flow generation, disciplined capital allocation and operational excellence. Our portfolio pruning completed in 2024, enables us to more effectively win with our customers and drive shareholder value.

Additionally, we are investing in customer innovation, including digital and AI capabilities to maintain our technology leadership in coatings, sealants, specialty materials and productivity solutions for our customers. As always, we remain disciplined with our cash deployment to drive shareholder value. We're confident in our strategy and the strength of our business model to deliver sustainable, long-term growth.

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. I look forward to discussing our results and outlook in more detail during today's call.

Warren, please open the line for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We'll pause for just a moment to compile the Q&A roster. Your first question comes from the line of Chris Parkinson with Wolfe Research. Your line is open.

Chris Parkinson

Analyst, Wolfe Research LLC

Q

Most of us would still call the macro muted or even meager, and yet your organic growth, with maybe one exception, has been pretty solid across a lot of the kind of the substrates and the fastest you've been focusing on the last few years. Could you just add a little bit of insight on what you saw in the fourth quarter and how you're thinking about, everything in 2026 in terms of breaking that growth down? Was the macro actually slightly better than you anticipated? Is it all share gain? Is it new product introductions? If you could kind of just break that down and how that breakdown would actually lead you to think about your 2026 guidance? That'd be particularly helpful. Thank you.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Hey, Chris. I guess a high-level answer, and I'll get into some details for you here. The high-level answer is, the macro is not better than we expected. And to your questions about is our growth based on macro share gain or technology introductions, the answer is yes, yes, and yes. So, the spaces where we're seeing macro help, aerospace, right, that continues to crush it for us. The sequential improvement in Mexico, that helps us. And I'd say it's still a pretty strong, robust PMC market. When you look across the rest of our businesses, well, and those businesses, if you think about auto OEM, S&P has Q1 down, the rest of the year or call it flattish, but we're committed to outperforming that and we will grow. Packaging industry is very mixed bag and we're crushing it there with multiple quarters of double digit. And that's largely share gain, and I will tell you largely Europe, where we're doing quite well, quite well there. If you look at the other businesses; Architectural, Europe still flattish; Industrial or General Industrial, which as you know, is the catchall. It's, some segments are up, some are down. Overall, I'd still call it pretty flat.

So, really there's a few markets where we're getting macro help. Most of our businesses were getting share gain help. And to the technology question, a lot of the share that we're gaining in packaging is technology driven. A lot of the shares that we're gaining in refinish, even though the destocking is covering this right now, a lot of the share gain is driven by the productivity tools that we launch. So, it's really a combination of all three, but high-level. I don't think anything has changed significantly with our view of the macro.

Operator: Your next question comes from the line of Aleksey Yefremov with KeyBanc Capital Markets. Your line is open.

Aleksey Yefremov

Analyst, KeyBanc Capital Markets, Inc.

Q

Yeah. Good morning. Thanks for providing all the color on end markets. I was hoping you could just give us some details on total volumes and price for organic growth in 2026.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Sure. Let me do the easy one first and that's pricing. You should expect to see a positive price in virtually all of the protective businesses, I'm sorry, Performance businesses and the Architectural businesses. You heard my, even our most challenged region for Architectural in Europe, we've gotten price 39 straight quarters. I don't see us breaking that streak. And, of course, our position, our strength in Mexico will capture price there. So, you'll see price there, refinish aerospace to a lesser degree PMC. So, those two segments will definitely have positive price. Now in Industrial segment, I would call it flattish, but we do have two slight negatives. We still do have a little bit of index pricing carryover. And automotive, frankly, automotive in China, we see some low-single-digit price declines, frankly, that are offset by lower raw materials than we expected in China.

But all in, you'll see, Performance and Architectural offset a little bit of decline in Industrial. Volume wise, we're on a pretty good trend. You'll continue to see volume growth in aerospace, PMC, packaging, modest volume growth in Architectural. You'll see volume growth in auto OEM, frankly. We've had two quarters in a row beating market there. And we're optimistic about doing that throughout 2026. And that's driven by share gains. And then, as we move through the year, I think you'll start to see some more in General Industrial, where some of the share gain wins that we have will actually come to launch. So, thank you. Thank you for the question, Aleksey.

Operator: Your next question comes from the line of Kevin McCarthy with Vertical Research Partners. Your line is open.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Yes. Thank you. And good morning. Tim, it was nice to see you finish up the year at plus 3% on organic sales growth. If I look at the EBITDA line, though, it was relatively flat. And so, I was wondering if you could walk us through your thoughts on operating leverage. It seems as though raw materials are pretty benign. And you've been taking costs out of the company as per your restructuring. And so, maybe why did EBITDA not grow more in the quarter? And more importantly, how do you see that trending as 2026 progresses?

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Hey, Kevin. There's several contributors, but the one that by far drives that math is the refinished destocking. As you know that refinish is one of our higher margin businesses. So, when it's down, you've got destocking. I think we were down double digits in Q3, high-single digits in Q4. That just, it overwhelms the positivity of the other businesses' organic growth, just given its margin profile.

So, what you should expect to see there, unfortunately, you'll see some of that in Q1 and Q2. I think you'll see it sequentially get better as the other businesses kick it in more and more pricing kicks in, more of our cost out and productivity kick in. But really, where you'll see that flip is once we get back to the normal buying patterns, which will be the second half of the year.

Vincent J. Morales

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

A

Yeah. Kevin, let me – this is Vince. Just let me remind everybody, our segment earnings did grow in the fourth quarter. So, they were up about \$20 million year-over-year.

Operator: Your next question comes from the line of Vincent Andrews with Morgan Stanley. Your line is open.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Thank you, and good morning. I wanted to dig in a little bit more on refinish. If I think of some of the metrics that have been discussed over the last couple of calls, I think, I think third quarter claims were down mid-single digits, but 4Q claims are back down high singles, though you noted Tim that December was only down 2%. And I believe in the answer to Kevin's question, you're still anticipating, the sort of second half recovery, and normalization of customer shipments. So, could you just help us tie all that together with sort of the latest update and what you're hearing from customers as well as not just – now you're interpreting all that claims data.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Thanks, Vincent. And if you don't mind, I'm going to take a rather holistic answer here, try to answer all the refinished questions here because I want to make sure we leave time to get to everything in the portfolio here. So, I'm going to answer maybe your question in and more when it comes to refinish. So, the headline I'd say is, there's nothing that indicates a huge change for us versus what we told you at the end of Q3 relative to the industry and to our trajectory.

However, we are seeing what I would call some reinforcing green shoots as we move through the quarter. Okay? So, we still – we're still very confident in our best-in-class productivity solutions to grow share, and that's happening. We have market share momentum. That's happening largely in the US, but also across Europe. This is and will be a very good business for PPG as we work through this transitory kind of period, just given the strength of our position versus others. I will also add that there is clearly industry anxiety out there, partly driven by the pressure that body shops have been on for the last 18 months, but also driven by consolidations, divestitures in this industry, and what all of those anxieties play to our strength. One, because the strength of our productivity offering. But second, because of the certainty of continuity that we provide. Insurance rate spikes were really the key driver to this disproportionate drop in claims over the last year and a half or so. Okay? And that led to multi or leading to multi-quarter destocking in our channel. I mentioned last time how it ties to our rebate structure, et cetera. And we said at the last quarter, we expect normalization of buying patterns from our distributors in the second half of 2026.

And normal, I'll remind everybody would be kind of low-single digit claims down. And that's very good. Normal is very good for PPG because our track record for decades shows that at that kind of level, we can put up record after record because of the strength of our offering.

Now, if you look at our guide, I'll remind you too, everybody, that we had a very strong first half of 2025, combined with a pretty weak second half of 2025. So, when you combine that with what we're saying now, which is okay, destocking for two quarters, sales volume and EBIT growth in Q3 and Q4, that really explains a lot of the EPS difference between the first half of the year and the second half of the year.

So, that's kind of the fundamentals. Now, updates, everything we're seeing and hearing from our customers since we last spoke is playing out as expected, distributors are destocking as we expected, body shops are starting to see the beginning signs of normalization as we expected. And thus, we reinforced our guide today, the few points of reinforcement and green shoots, because of two things, strength of our productivity offering and the anxieties in the marketplace that I mentioned. We're winning a lot of share. We saw one public announcement yesterday. There are a lot of other ones happening that are not publicly announced and there are more to come.

Second, insurance premiums are normalizing. Okay. So, kind of the catalyst for this whole cycle is beginning to normalize. We continue to reinforce the strength of our productivity offering. Two things we did just this quarter, we launched the next chapter of digital tools for the body shops beyond Moonwalk, beyond LINQ, beyond VisualizID. We launched a new digital tool called Mix'n'Shake, which drives further body shop productivity savings. And that's being well received. And we also launched our first AI formulated product in refinish to, again to help body shops be more productive.

So, the industry is playing out as we expected. We're winning share with our solutions. It reinforces our guide to see destocking in first half, normalized order patterns in second half. Two other things that happened, notably in December. You did see the -2% claims. One data point, I get that, but you got to start somewhere. So, let's watch that closely as we move through the first half of 2026. And we did start to see what we call fill-in orders from our distributors. Okay. So, this multi-quarter destocking, you can only de-stock so far before you've got to supply the body shops.

And that's when you start seeing fill-in orders. And we did start to see those in December. So, another reinforcing sign. So, all that added up, we expect a muted first half for continued destocking, second half return to sales and EBIT growth for refinish and a more normalized distributor buying pattern. So, just one other thing, more for the segment and to speak to the strength of our portfolio despite a challenging back half of the year in one of our best margin businesses, the Performance Coatings segment still put up a record sales year and record earnings year for the full year in 2025.

So, the strength of our portfolio just really comes through there when things like PMC, aerospace and traffic can offset this transitory period of refinish. So, I hope I answered your question and more on refinish. It's playing out as we expected, and obviously, more data points to come as we move through Q1 and Q2.

.....
Operator: Your next question comes from the line of David Begleiter with Deutsche Bank. Your line is open.

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning. Tim, on aerospace, can you tell us what the growth – what the sales growth was in 2025? And are you at all capacity constrained in 2026 ahead of the new supply capacity coming on next year?

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Thanks, David. The growth rate for 2025 was double digit. By the way, it was 20 – double-digit in 2024 as well. So, we expect continued growth. You're starting to lap double digit on top of double-digit, denominators are getting bigger. By the way, this business is almost the same size as refinish now. So, the denominator is getting bigger and bigger as you start lapping multiple double digits.

So, we're guiding high single digits for 2026, I think for aerospace. We are capacity constrained, no doubt about it. That's why our CapEx has been above our historical norm for the last couple of years, round numbers. I approved about \$120 million of CapEx last year that I would call incremental aerospace de-bottlenecking CapEx expansion. We've also brought in a number of consultants to help us just with de-bottlenecking on the expense side. And that's why you see some of the margin challenges that I think Kevin asked about.

And in addition to that 120 or so, we announced \$380 million new factory. That'll take about two years to bring online for the sealants and coatings side of the business. And we're working on some other capacity expansions. I

can't get ahead of my board here, but we're not done. This business will be growing likely for the rest of my career. And hopefully, that's longer than Mr. Morales' career here. But – so, we see that coming for as far as our forecast go.

Operator: Your next question comes from the line of John Roberts with Mizuho. Your line is open.

John Roberts

Analyst, Mizuho Securities USA LLC

Q

Thanks. And congrats on a long career, Vince, and best wishes.

Vincent J. Morales

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

A

Thank you, John.

John Roberts

Analyst, Mizuho Securities USA LLC

Q

[ph] Could you (00:34:29) talk a little bit more about the depth of the AI reformulation activity going on? You launched the first product in refinish. And how broad is this across the industry? Does PPG have a differentiated position or the consultants who are bringing AI to all the coatings companies?

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Hey, John, we're super excited about this. There are things in AI that consultants are bringing to everybody. And I would say that's more kind of back office customer service, finance transaction processing. Those are things that are kind of table [ph] stakes (00:35:08) that everybody's doing. Formulation AI, this is internally developed, working with a few partners, but it's organically internally developed. And we believe it's a differentiator. Now, I'm guessing our competitors are out there trying to work on it and catch up, but we believe we're definitely out front here.

And we've launched, commercialized a refinish clearcoat that optimizes performance of the end coating as well as productivity in the body shop for our customers. We launched that. It was the first product fully developed using AI, but it's not based on anything public. It's based on scraping all of our internal formulations that we've developed over 100 years and optimizing. So, that is commercialized. Beyond that, we've launched another 50 products already where they were existing products in the marketplace that we've used AI to optimize, both from a product performance standpoint and a cost to PPG standpoint, 50 products already since we made that first announcement.

Going forward, we'll continue to both optimize existing formulations, but we've got development projects like we did in refinish across virtually all of our businesses. So, more to come there. Hope you hear a little kick in my step on this one, John, because I'm pretty, pretty excited not only about where we are, but where we're going.

Vincent J. Morales

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

A

Hey, John, this is Vince. Let me add a little here. The precursor to this was really the scraping of the data that Tim described. So, we were fortunate a couple of years ago. We digitized a lot of our data so that we think that puts us

in maybe the pole position, certainly in the front row in the industry because of that activity was very time consuming. And we did it a couple of years ago that allowed us to now take advantage of that digitized data.

Operator: Your next question comes from the line of John McNulty with BMO Capital Markets. Your line is open.

John P. McNulty

Analyst, BMO Capital Markets Corp.

Q

Yeah. Thanks for taking my question. So, Tim, over the last couple of years, you've dialed back investment in [ph] inorganic (00:37:31) growth. You've really focused internally and it seems like it's delivered. You've gotten share gains like you were saying from technology, from service, the whole nine yards. And it seems like you're able to outpace your markets right now. I guess, as we look forward, just given the strength of the balance sheet, the strength of the cash flows, is that still pretty much the main focus where, look, inorganic growth really isn't necessary for PPG going forward. And you keep focusing on the internal opportunities. Or have you played a lot of that out and now that you're in a stronger position, do you start looking maybe a little bit more aggressively at acquisitions? I guess, how should we be thinking about that?

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

So, hey, John, great question. So, they're both important to us, but the tip of the spear, as I always say, continues to be building this organic growth and margin engine because I believe in many, if not most of the cases, we can deliver better shareholder returns by making those investments in organic growth, organic productivity, organic cost out, etc. Now, we still will do acquisitions, either bolt-ons or someday transformational. We still believe that the industry needs some consolidation and we're supporters of that. We still believe there are acquisitions that will add value to PPG's customers and shareholders that can be tuck-ins from a technology standpoint or reinforce our position somewhere.

But I would say that it's organic first. We still look at every opportunity. We put it through a filter of, is it the right asset that's consistent with our enterprise growth strategy, where it gives us a strong number one or number two, or reinforces a strong number one or number two. Is it the right asset? Is it the right time, given everything else that we have going on, so that we can ensure that we cannot fall back in a trap where we had built this excellent inorganic muscle, but not an excellent organic muscle.

So, is it the right time that we can still do both, if you will. And most importantly, is it the right price, especially given where our depression, undervalued stock price is, when you do the mathematics and say, well, okay it's organic first, then on some of these inorganics, man, I'm better off buying shares. So, I want to make sure everybody recognizes that all of those are on the table, organic investment, inorganic investment, share repos. But we run them through this filter to make sure that all of our decisions are maximizing shareholder value.

Operator: Your next question comes from the line of Matthew DeYoe with Bank of America. Your line is open.

Matthew DeYoe

Analyst, BofA Securities, Inc.

Q

Yeah. Good morning everyone. And I'd also echo John's comments and congrats on the career and the retirement. I wanted to walk through some of the corporate cost inflation and bucket some of this stuff out across potential sources. I mean, you're not the only coatings company to talk about healthcare inflation and I get that, but where is that coming in and kind of related, does it make sense to align compensation fully to organic growth if

there isn't commensurate EBIT accretion? Because it's helping the top line, but it also seems to exacerbate the headwinds from some of the other unabsorbed fixed costs.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah, Matt, I'll take this first and then I'll let my short timer CFO here take it from there. The leading answer here is medical claims in Q4, Vince will explain it, we're a pay-as-you-go company, they exceeded our expectations. The second piece is incentive comp. Now, remember, some of that's a year-over-year comp issue, right? Because we were drawn down our incentive comp accruals in Q4 of last year because of overall performance. And in this year, we had done the same.

But then we came in stronger in Q4, much stronger in Q4 on two of our three metrics that guide our incentive payout, our short-term incentive payout. It's an important point, the short-term versus long-term. I'll get to that in a second. So, our short-term incentives are based on three metrics; organic growth, EPS growth, and cash flow. So, on two of those three, we finished better than expected. So, that increases the payout. But a lot of that all came in Q4. So, we had to catch up for the full year, right? So, when you compare that to last year's comp, it looks like a big number. I want to reinforce, though, we are not overpaying ourselves or our team because the total payout is still less than target.

Now another point to your point about, kind of how do you balance all these different metrics? If you look at the grand total compensation for our executives, including myself, the TSR payout, which is an important factor if you look through our proxy, that is not paying out. We have not performed there. The other one is on our restricted shares. We did not meet our EPS growth for that payout. So, some of our longer term payouts for the year will be significantly below target. But that kind of just explains how and why you see that delta in the Q4.

Vincent J. Morales

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

A

Yeah, Matt, I'll just add, a good summary by Tim. The prior year, again, we lowered our Q4 incentive comp, as we ended the year lower than we expected. When we came into the Q4 this year, a strong fourth quarter organic growth exceeded, a strong cash flow, especially the latter part of December in receivables welcomed. And our cash from ops was \$500 million higher than the prior year.

As Tim mentioned, we did not hit our EPS target, so we are not getting the target path for that. Flipping back to the medical, we are a company that's pay-as-you-go. We, as I talked to my peers in the industry, we do see folks, we think, pulling some medical expenses into 2025 ahead of some potential inflation in 2026. So, our medical costs year-over-year are up significantly in Q4 and particularly in December. So, hopefully that answers some of the questions you had on corporate expenses.

Operator: Your next question comes from the line of Michael Sison with Wells Fargo. Your line is open.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Hey, guys. A couple of quick questions on Architectural [indiscernible] (00:45:06). That's a business that has struggled to grow. I mean, end markets, I understand. But why is that a good business for you all to keep longer term and maybe what's the growth algorithm there? And maybe similar on Industrial Coatings. Again, I understand end markets have been tough. But, how do you see those two businesses grow longer term. And then – and just curious if Vince is going to take the Browns coaching job because I don't think anybody else wants it.

Vincent J. Morales

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

A

Let me answer that question, first, Mike. I think that's a hopeless job. So, I'm trying to retire, not going to hopeless job.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

I think he's already declined it officially, too. So – so, Mike, the two answers to the two businesses you asked about are very different. One is an ongoing macro issue and that's Architectural Europe. The other one is really kind of a tariff and time stamp issue and that's General Industrial. But let me talk about Architectural Europe. It's been a depressed volume market for years, as has much of the European economy. Two years ago, I guess, three years ago now, 2023, which was depressed, we generated record earnings and record cash, it goes all the way back to 2008. So, even in depressed markets, we can generate good earnings and good cash. And we don't spend that cash within the business. We use that cash to supplement what we're trying to do in some of our higher growth businesses. What's happened in the last couple of years is, the volume decline has been a pretty pronounced.

At this point last year, one of the things we missed, frankly, was we were projecting some upside in the market. We are not projecting upside in the market this year. We're saying flat, flattish for the whole year, but we're not waiting. We're not sitting around waiting for this macro to improve. It still makes good money for us, but with the actions we've started to take and we'll take throughout the year, we'll see margin expansion, cash generation expansion out of this business as we move through 2026. So, it's not our best growth business certainly. But it can deliver, has delivered good earnings, good cash in a challenging macro.

Vincent J. Morales

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

A

Yeah. Before Tim goes on to industrial, Mike, I just want to remind everybody that this is a maintenance cycle business. We did have significant growth during COVID, so 2020, 2021. So the maintenance cycle clock reset. Typically, this is a 5- to 6-year maintenance window. So, we're now getting to that fifth year where repaint typically would occur. So some of the volume declines the past couple years really have been because we pulled forward maintenance into those COVID years.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Industrial very different. Yeah. It's a bit more cyclical than – probably our most cyclical business is auto, second most would probably be our general industrial because you're essentially painting big hunks of metal that get moved around the world. And so with the tariff uncertainty and what that's done to confidence of some of our customers, that's been dialed back, and then what's that's done from consumer affordability, so some of those folks are struggling. But we do see sequential improvement in this business.

What's interesting is we see really good sequential improvement in places like Europe, in Latin America, largely driven by share gain. We see sequential improvement in things like heavy duty equipment, not ag related, but construction related. We see some sequential improvements in transportation and powder and in a broad category of general finishes. But we still see challenges in the US market, and we still see challenges in a small part of what we do in China is exported to the US, about 10% of what we do in China, and think electronics and kitchen and bakeware, those kind of things remain depressed a bit. So the industrial story is more of a timing one.

And we are starting to see green shoots. We are starting to win share. And we'll start to launch those share wins as we move through 2026.

Operator: Your next question comes from the line of Jeff Zekauskas with JPMorgan. Your line is open.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Thanks very much. Your Performance Coatings' revenue expectation for 2026 is flat to up low-single digits. And in that segment, you've got aerospace and you've got auto refinish. If aerospace grows at a high-single-digit rate, in order to meet that guidance, refinish has to contract at a high-single-digit rate or a mid- to high-single-digit rate, is that the correct conclusion to draw? And for Vince, how many shares did you buy back this quarter and what did you spend?

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Hey, Jeff, I'll take the first one. I don't think we're seeing that much of a decline. More like low to mid for a finish in the first half. You think sequentially what did we see in Q3, Q4, we saw a double digit, then we saw a high-single digit. So, I'd say you ought to say that that slope continued towards normalization as we move through the quarter. Remember I mean traffic is quite small there. But we also have a nice PMC business in there that's not small that'll contribute to some of the grand total of what we guided to for the year.

Vincent J. Morales

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

A

Yeah, Jeff, for us, from a share repurchase perspective, we bought just under 980,000 shares at an average price of about \$102. And we spent, as we said in the press release, around \$100 million in the fourth quarter.

Operator: Your next question comes from the line of Ghansham Panjabi with Robert W. Baird. Your line is open.

Ghansham Panjabi

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

Q

Thanks, operator. Good morning, everybody. Vince, congrats from our team as well. I wish you the best in retirement.

Vincent J. Morales

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

A

I'm still here till July.

[indiscernible] (00:51:56)

Ghansham Panjabi

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

Q

The first one on raw materials. Sorry.

Vincent J. Morales

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

A

I'm still here till July, but thank you.

Ghansham Panjabi

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

Q

Yeah, I understand. Just an early congratulations.

Vincent J. Morales

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

A

Yeah, thanks.

Ghansham Panjabi

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

Q

On the raw materials side, as it relates to guidance, can you just give us a bit more color as to the constituents, as you think about some of the major ones that TiO₂, Petros, et cetera? It looks like you've gotten flat for the year and also flat for the first quarter, but some of the spot markets were weaker from the fourth quarter of 2025. So just curious as to which categories may be inflating as well. Thanks.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. So, first, Ghansham, and a public service announcement for everybody. This is not Vince's last earnings call. And I don't want Vince to think it's his last earnings call. He's still got six more months of work to do here. So – but thank you for the kind words. And we'll have lots of kind words as we get closer to his actual date. But, Ghansham, high level, it's still a very long, favorable to us supply demand balance. So, across the board, that generally means good pricing for us. But what offsets that? A couple of things. I put them in three categories.

Epoxies are up a bit because of tariffs. Right? And that's included in our guide. And, you know, that obviously affects more the industrial businesses. So it doesn't affect deco companies because most deco products do not have epoxy. So when you compare to what others might say the epoxies is one. The second one is pigments. But let's not put TiO₂ in that. I'd say more of the specialty pigments we are seeing some inflation there, driven by tariffs, because those things come from all over the world. Okay?

And the other category that's up is metal packaging. And everybody knows what's happening on the aluminum and steel tariffs. Those are really the only categories that I can think of that are up in our guide. TiO₂ is still pretty soft just given the supply demand. We've been doing some supplier consolidation. We've been working volume for – volume commitment deals for pricing. So that one is still pretty soft. You know what oil is doing, so that drives solvents to be. And then across the board, everything else is still in a very long situation. Add it all together and we come up with flat for Q1, flat for the year.

Vincent J. Morales

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

A

Yeah. I'll just remind everybody what we said at the outset. We do have targeted pricing that we institute either in the back half of 2025 or we'll institute in 2026, including in Q1. So we do expect higher pricing for 2026.

Operator: Your next question comes from the line of Josh Spector with UBS. Your line is open.

Joshua Spector

Analyst, UBS Securities LLC

Q

Yeah. Hi. Good morning. I just wanted to ask on Mexico. I don't know if there's a way you can maybe index your volumes for where you are today in fourth quarter versus a year ago, because, obviously, there's some easy comps in first half with all the Liberation Day disruptions. But it seems like the fourth quarter performance might say you're even above where you were coming into last year. So, can you help us square that away a little bit? It would be helpful. Thank you.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Let me give a high level and then I'll let Vince give the details because he's doing the math in his head here. So we definitely finished pretty strong in Mexico. And if you look kind of sequentially at how we moved through the year, we're down call mid-single digits in Q1, up low-single digits Q2, up mid-single digits Q3, up high-single digits Q4. Now where that puts us relative to year end 2024, I'll give that to Vince.

Vincent J. Morales

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

A

Yeah, Josh, if you look at the fourth quarter as a standalone basis, and again, there's two parts of our Mexican business. There's the retail or consumer segment. There's also the project segment. The retail segment has continued to grow. The project segment is the one that had contracted the most in the first half of the year. Fourth quarter over fourth quarter, just on the volume basis, we're right around mid-single digits higher. [ph] And again (00:56:36), some of that's recovery. And we expect again in the first quarter a good volume based on an easier comp.

Operator: Your next question comes from the line of Laurent Favre with BNP. Your line is open.

Laurent Favre

Analyst, Exane BNP Paribas

Q

Yes. Good morning, guys. I want to go back to the, I guess, M&A discussion. I understand what you're saying on buybacks versus M&A, but there are some pretty obvious situations with assets coming out or potentially coming out of the recent announcements in Germany, Amsterdam and Philly. Now, I think it's unlikely that we'll have any clarity before the second half of 2027. So am I right to assume that this might be a very quiet year for buybacks as you wait to get clarity on what's happening on those situations?

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

No, I wouldn't say that, Laurent. I would say, look, our balance sheet is strong enough that we've got optionality if something gets spit out of either of those two deals, and if it makes sense to us at the right price, we've got optionality to do something there in 2027 without it impacting our ability to do buybacks in 2026. I think we're on nine straight quarters of buybacks now. And we run a play, Vince, myself, our treasurer, and our corporate development guy, sit down every quarter and say what's pipeline look like? What's cash flow look like? And we make a decision on buybacks. And we'll continue to do that because even if we make a buyback and then all of a sudden I get a phone call saying, hey, there's something on the table here from one of these deals that's being spun out, I'm not worried about my ability to do both.

Operator: Your next question comes from the line of Frank Mitsch with Fermium Research LLC. Your line is open.

Frank J. Mitsch

Analyst, Fermium Research

Q

Thank you, and good morning, Tim. I hope you can understand some of the confusion we have regarding Vince's retirement date. Since many of us had already assumed that he was. So, I appreciate your clarification there. I want to drill into a little bit about the first quarter here. In the script, I don't want to make too big a deal about it, but in the script, you described the first half as being low-single-digit EPS growth. And in your comments this morning, you talked about it being flat to low-single digits in the first half of the year. Obviously, you didn't provide any 1Q guidance. Can you just speak to your expectations in terms of 1Q? I mean, I guess flat down, modestly up, all that's in the calculus as we sit here in late January.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Yeah, Frank. By the way, I made that clarification not only for you but I made that clarification for Vince, too. So, I appreciate that. And I will publicly acknowledge that you were right a year ago that [ph] Aaron Rodgers (00:59:55) would be better with us than anything he could do with the [ph] Jets (00:59:58), so we'll leave that out there. So, look, here's the easiest way to say it. We're going to ramp up in our EPS growth. I said flat to low-single digits for the first half. So I would interpret that as flattish for Q1, low-single digits-ish for Q2, and then stronger in the second half of the year.

Operator: Your next question comes from the line of Mike Harrison with Seaport Research Partners. Your line is open.

Michael J. Harrison

Analyst, Seaport Global Securities LLC

Q

Hi. Good morning. Tim, in response to one of the first questions you were asked on this call about organic growth and kind of what was running ahead of expectations. I was surprised to hear you not specifically mention China. It sounded a little bit like Asia-Pacific was ahead of expectations. Can you talk about what you're seeing in China [indiscernible] (01:00:58-01:01:08)? Thank you.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Hey, Mike. I'm glad you asked that question because I want to clarify. I was responding by business, by vertical, not as much by geography. So, appreciate the opportunity to do that. Despite all the headlines, we're growing in China. We grew in Q4 in China and we will grow in 2026 in China. It's because we have a strong position of local-for-local businesses. We're well positioned in the kind of the right industries. But more broadly, Asia-Pacific is very strong for us because India is doing great for us. Parts of Southeast Asia are doing great for us.

So, if you look at specifically China going forward, we'll see low-single digits kind of growth, maybe mid-single digits kind of growth in 2026. So it's not the growth of a decade ago. But it's also not the gloom and doom that you see, at least for our portfolio, because we're in the right places with the right kind of offering for the customers. If you move to India, India has delivered double-digit growth for us throughout most of 2025. We expect that to continue into 2026. So part of that overall Asia-Pacific story is China still putting up growth numbers. India contributing with double-digit growth numbers.

Operator: Your next question comes from the line of Eric Boyes with Evercore. Your line is open.

Eric Boyes

Analyst, Evercore Group LLC

Q

Thanks. Good morning. My question is back to aero. I appreciate the [ph] intra-business (01:03:08) mix breakdown as aero becomes a bigger percentage of the segment. From a profitability and margin standpoint, how would you rank order aero coatings transparencies and sealants? And then maybe also on customer mix, military versus [ph] G&A (01:03:24) commercial. And then I think you mentioned the OEM tailwinds, but how do you see the product mix for transparencies and sealants evolving in 2026 and beyond? Thanks.

Vincent J. Morales

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

A

Hey Eric, this is Vince. As we've never done, we don't give our [ph] intra-business (01:03:41) profitability by product or by end market. As Tim said in his opening remarks or in one of the Q&A questions, it's certainly one of our better performing businesses due to the technology and specification requirements. So – but we're not going to give product specific profitability.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. As far as some of your other questions, mix of OEM, military, and after – general aviation, I think we provided that pie chart. And the growth rates among those three are very similar, which helps the portfolio. And to Vince's point, look, we're giving more detail on aerospace because we don't believe it's fully understood because we have a competitor that has a very – I'll give them props. They've got a very good aerospace coatings business. This is much more than that.

And as I said in my opening comments, coatings is actually the minority of our total profile here. So I don't know if I've addressed all your questions. I know you're particularly interested here because I believe you're a pilot or air force pilot. So, I'll be happy to show you how we make F-35 canopies someday or F-16 canopies, not sure which bird you flew.

Vincent J. Morales

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

A

Yeah. And if you look again buy end market, we do sell to OEM. We sell to military and general aviation. All those markets right now are sold out. All the products we have are sold out. Hence the capital increase we've had the last couple of years. Also the operating expense increase as we have, folks trying to debottleneck our existing operations. These operations are specified and qualified. So they do require significant handholding as we change the processes.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. And one more point and then we can move on. But it's also significant R&D in this business. That's why we're able to command a better margin, better than rest of or better than many parts of our portfolio because of the significant long cycle R&D investment that it takes to win in this space.

Operator: Your next question comes from the line of James Hooper with Bernstein. Your line is open.

James Hooper

Analyst, Bernstein Autonomous LLP

Good morning, guys.

Q

Vincent J. Morales

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

Good morning.

A

James Hooper

Analyst, Bernstein Autonomous LLP

Thanks very much for the question. My questions on auto OEM and the share gains there. Can you unpack a few more of the drivers for us, please? Is this to do with kind of your positioning in China, or is it to do with your customers gaining share of the auto OEM market? And can you give us a little update about some of the technology offering there? Is that a driver of share gains? Thanks.

Q

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

Yeah. Thank you, James. It's a little bit of all of those. I mentioned there is some element of customer mix there, where one of our customers where we have a fairly large share wallet had a rough couple of years. They're recovering now and that helps us to some degree. But most of what we're winning on, we've been introducing [ph] lower QR (01:07:00) products. We've got a new electrocoat product out there that is – bring more productivity and so sustainability benefits to our customers.

A

We've been doing very well with automotive parts in that business. We've been doing well with particular large EV manufacturer based in China, who despite some headlines of what's happening to the EV market is doing very well both domestically and export, not to the US obviously but to many other countries.

So it's a combination of some customer mix, some new technology wins and some – as [ph] Alicia (01:07:46), who runs a business for us, calls it targeting the win with the winners, partnering with those that are going to win in the marketplace and developing – and bringing them their best value proposition and then growing with them.

Vincent J. Morales

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

Yeah, as we said all year, we did pick up some significant share in South America as one of our competitors exited the market. We've realized the full quarterly benefit of that in Q4. We had some benefit in Q3, full quarterly benefit in Q4. That will carry over into the first half of 2026.

A

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

We've also got, as I said in my opening remarks, in addition to the carryover, there's another significant double-digit millions share wins that we'll launch throughout 2026 that we won in late 2025.

A

Operator: Your next question comes from the line of Patrick Cunningham with Citigroup. Your line is open.

Patrick Cunningham

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning. Thanks for taking my question. Just a quick one on protective and marine. You seem to call out normalization to industry growth rates. It seems like you still have some nice marine products that are ramping up. So, are there any share losses offsetting in 2026, and what would you expect the overall industry growth rate to be across the platform?

Vincent J. Morales

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

A

Yeah, Patrick. This is Vince. Just really two factors there. Tim mentioned 11 consecutive quarters of volume growth, organic growth, that's compounding. So we're running up against some very difficult comparables. This is a project-oriented business. So, as projects roll off, we have to win new projects. So those are two of the factors. We do feel good about our technology as you mentioned. That's going to continue to allow us to carry the day.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

And you specifically mentioned marine. Marine is a particular area of strength for us right now. We've been disproportionately winning in aftermarket, also dry docks, because of our SIGMAGLIDE technology. This year, we've also been disproportionately winning in Asia new builds. So, marine continues to be a real strength for us as well. Then on the protective side, some of our specialty fire-proofing products.

Operator: Your next question comes from the line of Arun Viswanathan with RBC Capital Markets. Your line is open.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my question. Congrats on the impending retirement, Vince. Great working with you over the last several years. So, I guess, first off, just wanted to dig back into the operating leverage and corporate expense question. So, it looks like you're guiding to about 4% EPS growth. If I back into it, it looks like about 3% EBITDA growth. And as you show on the slide, flat to low-single-digit up organic growth. So, I think you mentioned price would be slightly positive. So that would kind of imply flattish to maybe even slightly down volumes. Is that correct?

And then, I guess, as a follow on, is it really that volume number that we need to see go higher that would drive the operating leverage, or are the corporate expenses going to be structurally higher and kind of mute that in the foreseeable future? How do we kind of get to the point where you do see kind of a lot of the fruits of your labor paying off and you see that, that actual EPS growth come through? Thanks.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Yeah. Thanks, Arun. I'll take it first and Vince will fill in the details. First, we're not seeing structural change in our corporate expense going on. Right? That's going forward. Vince will explain that. The biggest issue with our lack of leverage with the volume growth that we're getting today is first, second and third, the refinish destocking, because it's just such a strong margin for us that a lot of the other gains until that stabilizes, and you'll see it in the second half of the year as normalization happens there. But that's like kind of number one, number two, and number three is the reasons why you're not seeing more leverage.

We'll continue to gain incremental volume going forward and that'll bring incremental leverage. Pricing will bring incremental leverage. We've got the cost outs which will continue bring in incremental leverage. In the second half of 2025, all those happened, but they got overshadowed by two things. One, the refinish destocking, and two, corporate and interest. So with that, let me throw it to Vince and fill in the details.

Vincent J. Morales

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

A

Yeah. If you look at 2026 versus 2025, couple – the segments are going to grow mid-single digits or higher in aggregate in terms of segment earnings. We do have higher interest costs. Like most companies, we have some very low-cost debt rolling off. We have three maturities. Two maturities in 2025 roll off. We have another maturity in early 2026 roll off. We're replacing that in kind in absolute dollars but not at the same interest rate. So, unfortunately, our interest costs are higher in 2026 versus 2025 in addition, and most companies are also seeing this, we're seeing a slight increase in our tax rate, and that's driven around a variety of different factors, especially in different jurisdictions. So those two items are a bit of a detractor. But the segment results, we are seeing growth year-over-year in 2026.

Operator: Your next question comes from the line of Laurence Alexander with Jefferies LLC. Your line is open.

Laurence Alexander

Analyst, Jefferies LLC

Q

Good morning. Just two quick ones. First, on the AI investments. Given you're leveraging internal projects, do you have enough data to see what your paybacks are like on incremental investments? And secondly, on the share gains in industrial, do you expect those to be [ph] pro or contracyclical? If demand accelerates, you expect the (01:14:00) share gain to accelerate.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah, yeah, Laurence. Let me take both and Vince can fill in anything. The AI, so first of all, it's still early days, right? We are – yeah. Part of our increase in operating expense and capital expense is because of the AI. We've got a few runs on the board that have delivered millions to the bottom line. Not yet material to the company, but very favorable early indicators relative to the investments that we made that this will be a very good ROI for us as we go forward. And you consider the fact that we've only [indiscernible] (01:14:51) optimized 50 formulas that are commercialized so far, and we've only launched one that was AI developed so far. And if you look at the size of our pipeline, the materiality is yet to come. But, even today, we are booking savings to the bottom line with what's already been launched. So very confident in the ROI going forward.

Vincent J. Morales

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

A

Yeah. On the industrial side, Laurence, we would expect our share gains to be additive if there's a cyclical recovery here. As Tim mentioned earlier, this is one of our early warning businesses, both up and down, kind of the canary in the coal mine we have seen in the past and expect at some point green shoots in this business. And then with our share gains and technology offerings on top of that, would expect it to be additive.

Operator: There are no further questions at this time. I will now turn the call back over to Alex Lopez.

Alejandro Lopez

Director-Investor Relations, PPG Industries, Inc.

Thank you, Warren. We appreciate your interest and confidence in PPG. This concludes our fourth quarter earnings call.

Operator: This concludes today's conference call. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.