Corrected Transcript

29-Jul-2026

PPG Industries, Inc. (PPG)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

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

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

Jamie A. Beggs
Chief FInancial Officer & Senior Vice President, PPG Industries, Inc.

OTHER PARTICIPANTS

Matthew DeYoe
Analyst, BofA Securities, Inc.

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

James Hooper
Analyst, Bernstein Autonomous LLP

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

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

John Roberts
Analyst, Mizuho Securities USA LLC

Duffy Fischer
Analyst, Goldman Sachs & Co. LLC

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

Joshua Spector
Analyst, UBS Securities LLC

Michael J. Harrison
Analyst, Seaport Global Securities LLC

Eric Boyes
Analyst, Evercore ISI

Frank J. Mitsch
Analyst, Fermium Research

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Laurence Alexander
Analyst, Jefferies LLC

Abigail J. Eberts
Analyst, Wells Fargo Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Chase, and I will be your conference operator today. At this time, I would like to welcome everyone to the Second Quarter 2026 PPG Earnings Conference Call. All lines have been placed on mute to prevent any background noise. [Operator Instructions] After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] . Thank you.

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

Alejandro Lopez Bustamante

Director-Investor Relations, PPG Industries, Inc.

Thank you, Chase, and good morning, everyone. This is Alex Lopez. Joining me today from PPG are Tim Knavish, Chairman and CEO; and Jamie Beggs, Senior Vice President and CFO. Our remarks relate to the financial information released on July 28, 2026. Supporting materials are available in the Investor Center at ppg.com, and we will take questions following our prepared remarks.

Both the prepared commentary and discussion during this call may include forward-looking statements and non-GAAP financial measures. Forward-looking statements involve uncertainties and risks, which may cause actual results to differ. Please read our cautionary statement on Slide 2 of the presentation materials. Please refer to our presentation materials and SEC filings located on our Investor Center website for additional information and reconciliations of non-GAAP financial measures.

Tim, over to you.

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

Thanks, Alex, and good morning, everyone. Welcome to our second quarter 2026 earnings call. Before reviewing our results, I want to welcome Jamie to our first earnings call as PPG's CFO. Jamie brings deep financial, operational and strategic experience to the role, and I am confident that she'll be a strong partner as we continue executing our growth strategy, expanding margins, and creating long-term shareholder value.

I'd also like to thank our employees in the Middle East for their dedication and resilience during this very difficult period. Their commitment to our business, our customers, our values and to each other has been truly inspiring. I know some of you are listening, so please continue to prioritize your safety and the safety of your family above all else.

Now I'd like to start by providing highlights of our second quarter 2026 financial performance, and then we'll share our outlook for the remainder of the year. I am proud to report that PPG delivered its sixth consecutive quarter of organic sales growth, a solid increase of 4% with equal contributions from sales volumes and selling prices.

As many of you know, we have been systematically building our organic growth muscle through commercial excellence, innovation excellence and operational excellence, and we are seeing positive momentum from these initiatives. We outpaced the industry by 300 basis points, achieving organic growth in all three segments and in eight of our nine businesses, demonstrating our ability to accelerate momentum in a complex and rapidly evolve –

evolving environment. This growth momentum was led by our strategy to deliver product innovation and productivity solutions both inside and outside the can for our customers.

Our second quarter net sales totaled $4.5 billion, up 7% year over year, adjusted earnings per share of $2.23 was slightly higher year over year, driven by strong results in our differentiated aerospace and architectural coatings Latin America businesses, offsetting the expected lower sales volumes in automotive refinish. Our total company adjusted EBITDA margin was over 17%, reflecting solid commercial execution of both pricing and share gains, which partially offset portfolio mix dynamics.

During the quarter, we also covered about 90% of cost of goods sold inflation, with pricing, and we repurchased 75 million of shares, bringing year to date repurchases to $175 million. Turning to our segment performance in Global Architectural Coatings, second quarter net sales rose 8% to $1.1 billion, with 2% organic growth, driven by higher selling prices, partially offset by slightly lower sales volumes.

Organic sales for Architectural Coatings in Latin America and Asia Pacific increased by a mid-single digit percentage, driven by volume growth in Latin America and higher selling prices. In Mexico, retail sales were strong and project-related sales improved compared to prior year. In EMEA, we reached an inflection point with organic sales turning positive, increasing a low single digit percentage with our higher selling price actions partially offset by modestly lower volumes as market demand remains mixed by country.

Segment EBITDA increased by 14% and EBITDA margin improved 100 basis points to 19.4%, driven by the realization of higher selling prices and cost control actions, partially offset by cost of goods sold inflation. Importantly, we delivered EBITDA and margin expansion in both of our major regions this quarter. In Europe in particular, our pricing and cost actions drove a return to margin expansion after several quarters of contraction, marking a change in trajectory for this business.

In the third quarter, we expect year-over-year strengthening in retail sales and project related spending in Mexico, while consumer sentiment in Europe is anticipated to remain mixed, we expect higher prices and self-help actions to increase earnings. Quarterly aggregate organic sales growth for the segment is expected to be in the range of flat to positive, low single digit percentage, compared to the third quarter of 2025, and year over year EBITDA margin is anticipated to be relatively flat.

Our Performance Coatings segment delivered 7% net sales growth to $1.6 billion, with organic sales up 3%, led by aerospace, protective and marine coatings and traffic solutions, partially offset by the lower automotive refinish sales volumes. Aerospace achieved exceptional quarterly sales with double-digit percentage growth. Our order backlog remained around $300 million as we are starting to see the benefits of our capacity and productivity investments in this business.

Protective and marine coatings organic sales increased by a double digit percentage, achieving their 13th consecutive quarter of sales volume growth, including above-market marine growth in both Asia Pacific and Europe.

Traffic solutions grew a mid-single-digit percentage on strong commercial excellence performance. Automotive refinish coatings organic sales decreased by a double-digit percentage, reflecting both the expected challenging comparisons to customer order patterns in the second quarter of 2025 and the modest recovery of underlying industry demand.

US automotive insurance claims continue to improve and over the past two quarters have declined by a mid-single-digit percentage versus double-digit percentage in prior year. While the pace of improvement was not as fast as we would like, the data reinforces a normalization trend for this industry. Importantly, auto insurance premiums declined a low single-digit percentage in the second quarter. This is the first quarterly year-over-year decline in the past five years.

Segment EBITDA margin was 22.7%, declining 300 basis points year-over-year, driven almost entirely by the Refinish year-over-year comparison. Higher selling prices were offset by lower automotive refinish sales volumes due to the strong refinish results in the first half of 2025. In the third quarter, we expect organic sales growth for the segment in the range of mid- to high single-digit percentage. And in the second half of 2026, we expect EBITDA margin expansion to return driven by pricing actions and automotive refinish stabilization.

Now I'd like to recap the highlights of our PPG Aerospace deep dive that took place last month and the importance and sizable role that our aerospace business plays as a growth engine for our company. As a technology leader with nearly 100 years in the industry, we offer a very unique, roughly $2 billion portfolio of qualified products and productivity solutions across sealants, adhesives, transparencies, and coatings.

The demand for our business is expected to remain robust given our highly specialized and qualified products for both the OEM and aftermarket channels, supported by our deep global distribution and customer productivity capabilities. In addition, we are diversified not only across OEM and aftermarket, but also across commercial, general aviation, and military end uses. We are not overly dependent on any single subsegment, and all of them have strong order books.

We are investing more than $0.5 billion in additional capacity to drive scale and support strong growth with technology developed through collaboration and synergies across our other PPG businesses. This positions us to deliver consistent above-industry growth in this key business for years to come.

In the Industrial Coatings segment, second quarter net sales grew 7% to $1.8 billion, led by higher sales volumes. Organic sales increased 5% due to volume growth in all three businesses, reflecting the benefits of our previously communicated share gains. Automotive OEM Coatings organic sales increased a low single-digit percentage with mid-single-digit percentage sales volume growth, including share gains outpacing global automotive industry production by about 500 basis points.

Industrial Coatings organic sales improved a mid-single-digit percentage, marking a change in trajectory for this business, driven by volume and price in Asia Pacific, Europe and North America. Packaging coatings organic sales increased by a double-digit percentage with sales volumes now up over 20% on a two-year stack basis as customers continue to adopt our leading technologies. Segment EBITDA increased 2%, while EBITDA margin declined 70 basis points to 15.9%, driven by cost of goods sold inflation partially offset by higher sales volumes.

Looking ahead, our share gains in automotive OEM coatings, industrial coatings, and packaging coatings are yielding benefits, and we expect to outperform the respective markets again in the third quarter. For the segment, in the second half of 2026, we expect modest organic sales growth and EBITDA margin compression due to the timing of index-based pricing.

Specifically for the third quarter, aggregate organic sales growth for the segment is anticipated to be in the range of flat to positive low single digits compared to the third quarter of 2025. With the impact of the Iran war, costs have risen for raw materials, energy, logistics and packaging across the coatings value chain. In this rapidly evolving macro environment, we have ensured supply continuity of our technology differentiated products and services to our customers.

We have proactively made price adjustments globally and across all of our businesses, resulting in a net 2% selling price improvement in the quarter with an exit run rate of 3% for the month of June. In the second quarter, we covered about 90% of our cost of goods sold inflation with pricing, and we expect to reach 100% coverage by the fourth quarter.

I am proud of this progress, which is one quarter ahead of our commitment made just 90 days ago. This represents a faster price or faster rate of price realization than we achieved during the previous cycles. This is enabled by our customer value propositions, our procurement capabilities, our global footprint, our formula flexibility, and the strength of our portfolio.

We estimate cost of goods sold inflation in the range of mid-single-digit to high single-digit percentage between the second quarter and fourth quarters, and we have executed and remain poised to implement further selling price actions as necessary to fully offset inflation. Importantly, a top priority remains supporting our customer needs through our technical expertise, consistent product quality, and continuity of supply even as the market conditions remain dynamic.

With that, I'll turn the call over to Jamie Beggs, our Senior Vice President and Chief Financial Officer, to take you through the balance sheet and cash as well as our third quarter and full year financial projections. Jamie?

Jamie A. Beggs

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

Thank you, Tim, for the warm welcome, and good morning, everyone. We are building upon our strong balance sheet as we ended the quarter with cash and short-term investments of $1.6 billion. Net debt decreased by more than $400 million from the second quarter of 2025, leaving net debt at 1.9 times adjusted EBITDA.

We also issued long-term bonds of CHF 320 million due in 2030 and 2034 with a weighted average interest rate of approximately 1.4%. Year to date cash from operating activities was approximately $600 million, more than $220 million higher year over year, primarily driven by working capital improvements.

During the quarter, we returned approximately $235 million to shareholders through dividends and share repurchases. Our cash deployment remains focused on maximizing shareholder value creation. Looking ahead, our organic growth momentum and proactive pricing actions, position us well for the remainder of the year. For the third quarter, we anticipate robust organic sales growth across most of our businesses, led by strength in aerospace, Latin American architectural coatings, and packaging coatings.

We expect third quarter organic sales growth in a range of a low single digit to a mid-single digit percentage, and company adjusted EBITDA margin, which includes corporate expenses to be in the range of a flat to a decline of 100 basis points year over year. We are reaffirming our full year adjusted earnings per share guidance range of $7.70 to $8.10. This reflects our confidence and our earnings trajectory given our positive momentum, the realization of pricing and the execution of our self-help actions.

With that, let me turn it back over to Tim for closing remarks.

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

Thanks, Jamie. In closing, we are confident in our strategy, and the strength of our business models in our momentum in delivering higher sales and earnings growth and in outperforming the market with a very unique portfolio, strong brands, technologies, and asset light and flexible cost structure, and consistent cash generation, PPG remains a compelling long term investment. Thank you to our PPG team around the world who make it happen and deliver on our purpose every day. We protect and beautify the world. We appreciate your continued confidence in PPG.

That concludes our prepared remarks. Chase, we're now ready to begin the question and answer session. Please open the first line for question.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Matthew DeYoe of Bank of America.

Matthew DeYoe
Analyst, BofA Securities, Inc.
Q

I appreciate that comps can vary quarter to quarter, but as I look at performance coatings, kind of wanted to know why they were down so much sequentially. And then as we try to bridge the gap to 2H, what gives you the confidence the business can actually accelerate, particularly as some of this raw material backdrop is actually going to creep up on you incrementally as we move through the rest of the year.

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

Yeah. Hey. Thanks, Matt. Performance coatings, the drop in sales was entirely refinish year-over-year comps. That's really the quick answer. All of our other businesses in that space, we grew double digit in aerospace. We grew double digit in protective marine. We grew mid-single digit in traffic. So the rest of that segment is growing.

So the delta in performance was purely refinish comps. To your second question, look, we had a great quarter on growth across the company, eight out of nine businesses. And we fully understand what happened on the 9th. And that one's going to return to growth starting in this quarter. And refinish will grow in Q3 and refinish will grow in Q4. So we've got great momentum on the top line. We're beating market across most of our businesses. Couldn't be happier with how fast we came out of the gates on pricing, able to pull forward our breakeven point. So we've got strong momentum there.

And look, to your point, while there are a number of factors outside of our control, we've proven that how quickly we can move on pricing to accommodate any other changes in what might happen on the raw material environment. And we are confident that, that refinish destocking in the US is behind us. So the one business that didn't grow is now going to start growing. And so, when you add that plus the momentum that we have in pricing, we feel really confident in our second half guide.

Alejandro Lopez Bustamante
Director-Investor Relations, PPG Industries, Inc.
A

Hey, Matt, this is Alex. And just to add some color to your third question, sequentially, the drop in margin on that segment, let's remember, price net inflation in Q1 was positive. Price net inflation in Q2 on that segment is neutral. It covered inflation, but we – it was positive in Q1, flat in Q2.

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

A

And it will be positive in Q3.

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

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

Q

Yes. Thank you. Thank you very much. Good morning, everyone. Tim, wanted to move the discussion to your industrial business. The volume there of plus 5%, I think, was the best in five years. It looks as though maybe you punched above your weight in auto OEM. So maybe you can kind of unpack the volume growth trajectory as you see it in that business.

And then on a related note, I think your Industrial segment sales guide for the third quarter is like flat to down low single digits compared to the plus 7% total sales growth that you posted in June. So maybe just some comments on why that might decelerate sequentially would be helpful.

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

A

Yeah. Hey, Kevin, you nailed it, man. I mean, we are – we're thrilled with the growth results out of Industrial Coatings segment, and it's one that we've been working on for a couple of years. And as you know well, when you win business in auto or packaging, it could be 1.5 years until you actually launch that business. So we've been talking about share gains in that business – in those businesses for two years, and it's starting to hit the P&L now as we launch at our customer facilities.

The good news is we had – you should count on about $25 million of new business wins in that segment per quarter hitting the P&L as we go forward, mostly – across all three of those businesses, auto, packaging, and industrial. So yeah, great quarter for growth in Industrial segment. All three of those have growth momentum. And if you look at auto, plus low single digits for Q2, that's accelerating as we launch more share gains in Q3.

Industrial is the one that really flipped for us that had been down for a number of quarters. And now, the share gains in that business have started to launch, up mid-single digits in Q2. We expect that to grow in Q3 and beyond. The reason the overall range, frankly, is a little bit lower is because packaging, we are stacking double digits on double digits on double digits.

So the year-over-year comp starts to get, just mathematically, go from double digits down to something else, but maybe high single digits or mid-single digits for packaging and it drags [ph] the whole (00:23:44) segment. But we'll still be growing nicely for – at least for the rest of 2026. And some of the wins we're getting won't even launch until 2027. So yeah, exciting turnaround in the Industrial Coatings segment.

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

James Hooper
Analyst, Bernstein Autonomous LLP

Q

Hi. Good morning. Thanks so much for taking my questions. I'd like to go into a little bit more detail about the refinish margin and how you see that coming back over time. Because previously, you've said this was the highest margin business in the group. And I think to get more detail on how that rebuilds will really help drive the kind of EPS growth story.

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

A

Yes. Thanks, James. So it's definitely one of our top margin businesses in the portfolio. There's a couple of others that are in a tight race as well with refinish, but one of our top margin. And within refinish, refinish is majority collision, which is what we talk about all the time, but there are other parts of that business that use Refinish technologies that aren't exactly collision. But within that business, collision is the highest margin within that business.

So when you have a big year-over-year comp delta on one of your top, top segments, it has a fairly sizable negative margin impact on the whole segment. Our confidence level going forward is a couple of things. Number one, we are confident that the destocking in the United States is behind us. And so, our run rate going forward and our year-over-year comp rate going forward changes significantly.

And number two, Alex touched on this a bit, while we were out quickly on pricing in Refinish with what happened with the Iran conflict, we'll continue to drive pricing to get that kind of gross margin back where it needs to be. And so, the combination of those two give us confidence that going forward, you won't see that margin delta. And in fact, if you look at the total Performance Coatings segment, you'll see sales growth, you'll see earnings growth and we'll return to margin growth as we move through Q3 and beyond.

James Hooper
Analyst, Bernstein Autonomous LLP

Q

Thank you.

Operator: Your next question comes from Ghansham Panjabi of Baird. Your line is open. Please go ahead.

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

Q

Yeah. Good morning everybody and welcome to you, Jamie. I guess just going back to the price cost recovery timeline coming in one quarter ahead of schedule, Tim, can you just give us more color as to how you were able to accomplish that? Was it pricing execution on your end? Is it [indiscernible] (00:27:01) have moderated relative to perhaps what you thought initially? What's driving that change?

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

A

Hey, Ghansham. It's actually not. And I mean, [ph] raws (00:27:10) were up more than we thought initially, right? So what happened is, we learned through these inflationary cycles, and we learned some things last time and got a little faster. We learned some more things this time and got even faster. And I think also just the abruptness of the increase driven by the conflict with Iran, it took away any lag period between assessing whether or not or do we need to go out with significant price increases pretty much overnight.

So you take away any lag period at the beginning, you incent the teams to beat what they did last time, and of course, you take the learnings from last time. And so, all of our businesses came out of the gates a lot faster and with more meaningful price increases. And we're again, we were able to offset 90% of it in just a quarter. And we've got some more price actions coming out this quarter and beyond, which gives us full confidence to pull forward that kind of breakeven run rate period that we previously committed to you.

Operator: Your next question comes from David Begleiter with Deutsche Bank. Your line is open. Please go ahead.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning and Jamie, welcome as well. Tim, just to be finished, to be clear, do you expect volumes to still be up in Q3 and if so, how much? And also, one of your competitors announced some pretty large body shop wins, et cetera this past quarter. Are you seeing similar winds and share gains in refinish as we move forward? Thank you.

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

A

Yeah. Hey, David. Yeah, volumes will be up in Q3 and Q4, not huge amounts because this business is a typically a low volume business, and then you make your top line by a combination of expanding your TAM to some of our productivity solutions and share gains and pricing. So, yes on the volumes, even better on the top line.

I used to be a sales person in this business. I know it well. And shares, unlike automotive or packaging where there's like huge cost of change, there's share shift in this business not just every quarter, every month. There's share shift every day, right? And we closely watch net wins. Sometimes there's an MSO share shift, which is a little bigger than a body shop here and there. You'll recall last quarter, we talked about a big MSO that we had won, that's now converted. We have another big MSO that we're going to be converting in the future here. And so, it's really just a normal period, I would call it, and nothing extraordinarily different as far as what's happening with share in the refinish market.

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

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

A

Maybe if we go to the next question, Chase. I don't know if it's – Mike open, but we can try, I see [ph] Chris Parkinson (00:30:54) on the line.

Q

So Tim, if we just take a step back and just get away from refinish for a second. In the second half of the year, and I'm not going to ask you for a crystal ball for 2027 quite yet, but where are the areas, the three or four areas where you're stealing the most share and you are incredibly confident with your team that you are growing above market sustainably?

Would that be essentially aerospace, protective and marine, Comex and perhaps packaging? Is there anywhere else you think you should be stealing more share? If you could just give us a little bit more to triangulate where you think you should be growing relative to market rates over the next 6 to 12 months, that would be particularly helpful. Thank you.

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

A

Yeah. Hey, [ph] Chris (00:31:40), I prefer to say winning share versus stealing share. But I'm just going to look through our businesses here. Aerospace, the story there, you were at the deep dive. We just continue to incrementally increase our strong share position there. PPG Comex, similar thing, more of a continuous improvement of share wins. Packaging, step change, and that's driven by our technologies, US and Europe in particular. And a lot of the share gain this year is coming from Europe. So that's more of a step change versus incremental.

Protective and marine, I would say mostly in the marine businesses in Europe and Asia is where our share gains are coming there. Industrial, we've been building up to this for about five or six quarters now. So some of the share that we won there, we actually won last year, launching it this year. We're seeing outsized growth in powder coatings, specifically within industrial, and we see some solid pipeline coming. Auto, we outperformed the market by 500 bps. So definitely share gain there with more to launch in the second half of the year.

Architectural Europe, again, in the countries that we operate, we don't operate in every country. But in the larger countries that we operate, about 75% of them, we are gaining share. And 25%, we've either held or lost incrementally. So net-net, we're winning. And then our traffic business, small US only, we did an acquisition, a small acquisition last quarter. So it's a bit of a step change in share there.

And so, you add all that together, [ph] Chris (00:33:40), this is why we feel so good about our momentum. This is why we're so proud of what we put out in second quarter, something we've been incrementally building up to for three years now. And it's why we feel so good about second half and beyond is I didn't list one business there where I was concerned that we might be losing share.

Jamie A. Beggs
Chief FInancial Officer & Senior Vice President, PPG Industries, Inc.

A

Yeah. If I can add on, Tim, it's been so impressive to see just the commercial efforts walking into PPG. And if you take a look, six consecutive quarters of organic growth. And if I look at the actual individual performance of all the SBUs, the majority of them actually grew volume. And this is a really hard environment for any company to be able to do. So, I've been very impressed.

There's been a lot of structural things on the selling machine and some other things that Tim has advocated. And for me to see that live underneath the hood here, it's quite impressive. And it gives us a ton of confidence, especially if we go to the second half, how we're going to continue to grow organically which is an important objective for the entire company.

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

A

Yes. And then on refinish, [ph] Chris (00:34:47), you'll recall in October, we told everyone on this call, we told the world that we recognized we were going to be subject to a significant destocking until the middle of 2026. We're now in the middle of 2026. And that's significant destocking is behind us. And so, now the path forward here is net-net body shop wins which we typically do very well at. So again, we feel great about our momentum.

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

Alejandro Lopez Bustamante
Director-Investor Relations, PPG Industries, Inc.
A

Operator, I see John Roberts on the line. Maybe, John, if you can try.

Operator: My mistake. Sorry. John Roberts with Mizuho. Your line is open. Please go ahead.

John Roberts
Analyst, Mizuho Securities USA LLC
Q

Thank you. Tim, within general industrial, or the general industrial SBU, within the industrial segment, two of the largest competitors of yours are merging. And I think that's where they may have the most antitrust overlap. Is that a contributor to the inflection that you're seeing in your growth there?

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

Hey. John. It's hard to say because some of this growth we're achieving in general industrial is stuff we won last year. Most of it announced, before the merger, the potential merger that I think was announced in November. Some of it announced after that. So it's really hard to say whether, how much of that is driven by pre announcement and post announcement. What I will say is, there's obviously some – it does bring some anxiety and a bit of a distraction in the short term.

So maybe that contributed to some of it. But our team is out there every day just attacking the share gain opportunities in general, industrial, which happens to be one of our bigger growth opportunities as a company because we have relatively, compared to some of our other verticals, lower market share there with great technologies. So I think it's more about the execution of what Jamie talked about, commercial excellence, our selling machine, and perhaps some, but we can't really point to that specifically.

Operator: Your next call comes from the line of Duffy Fisher with Goldman Sachs. Your line is open. Please go ahead.

Duffy Fischer
Analyst, Goldman Sachs & Co. LLC
Q

Yeah. Good morning. Just a couple of questions back on refinish if we could. So, when was peak sales for that business and how much are we down from that peak sales period on a run rate basis? And then underlying, has there been a mix shift in your business within that? I mean, are customers trading down because of the financial difficulties around insurance and paying for stuff? And then at this lower level of sales, how has structural margins been impacted within that business?

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

Yeah. Duffy, so we'll have to let – I'll let Alex confirm with you the specific quarter of peak, but if you think about where the market in the United States saw a downturn, it was largely, say mid 2024 and all of 2025. So I would surmise that our peak was around that 2024 area, but I have to caveat that with even though that was market, you know very well that we were expanding our TAM, we're expanding our pricing, and we're expanding our share. So there may be a little bit of a delta there. And I'll let. Alex come back and confirm.

We have not, your second point, we have not seen a negative mix shift despite the challenging financials that some of our end users were under during that period. Frankly quite the opposite because what they value in good times but particularly in bad times is their own productivity and their own shop output. And we sell outstanding coatings in that business, but we also bring best-in-class productivity tools through our digital ecosystem that helps them reduce labor costs, increase throughput, reduce waste, and net-net get more cars out per week, which is really what drives their financial performance. So we do not – we did not see a step down in premium to value or anything like that during this period.

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

A

Yeah, the big derailment, if you look at annual sales of [indiscernible] (00:39:52) 2024, 2025, it was the insurance premiums when they escalated, let's say, 16%, 17% every year. And that's what created the big disconnect with miles driven. As Tim pointed out at the beginning of the call, those insurance premiums, actually we saw this quarter Q2 in the US lower insurance premiums, and it's the first time since 2023 that, that happens.

Operator: Your next call comes from the line of Jeff Zekauskas with JPMorgan. Your line is now open. Please go ahead.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Thanks very much. I have a two-part question. In your press release, you say that your cash flow from operations was higher by roughly $220 million year-over-year. Is that temporary or is that something you can maintain over the course of the year, that is your operating cash flow being a couple of hundred million better than last year?

And second, in auto refinish, just to try to clarify things, your first half volumes are down, I don't know, 12% or 13%, and you think your second half volumes will be up maybe 8%. And so, you're looking for roughly a 5% volume decrease this year. Is that the way to encapsulate it?

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

A

Jeff, this is Tim. I'll take part B and let our new CFO take part A on the cash. I'd say you're in the right ballpark on first half volumes, right, down low double digits. I don't know if it was exactly 12%, but that's in the ballpark. I'd say you're a little high on your second half volumes. You might be right on, on your second half revenue. But on volumes, liters of paint, it's probably more like up low single digits, but then you've got price on top of that, and then you've got our digital ecosystem and our subscriptions on top of that. So down low double digits first half, up low single digits second half on pure volume.

Jamie A. Beggs
Chief FInancial Officer & Senior Vice President, PPG Industries, Inc.

A

Yeah. And Jeff, on cash flow from operations, there's been a lot of good work by the teams on managing working capital. So what we expected was basically that continuous improvement instead of waiting towards the back half of the year, but really getting on that earlier and really good management by the team. So I don't expect there to be anything changed from what was provided for we're operating from cash flow. We expect north of 10% on a sales basis, we expect that to be where we end up for the year. It was just a really nice win by the team to manage that earlier in the year.

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

Q

Hey, good morning. This is [ph] Caleb (00:43:08) on for John. Tim, you've spoken a lot about pushing through pricing and also going for share on the call. So how are you balancing those two dynamics?

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

A

Yeah. Hey [ph] Caleb (00:43:20). So, the reality is that we haven't really seen any – frankly none that I know of lost business as a result of our pricing efforts. We don't jam price with our customers. We collaborate with our customers. We're not just selling them a product, right? We're part of their operations. We're a part of their business success. So it's more of a collaborative approach. We respect the business they run. They respect the business we run. So, we don't really lose share typically when we approach pricing because of the way we approach pricing.

So the momentum that we have on sales growth is just continuous execution of sales pipeline. And then when it comes time where you've got a dramatic increase in cost of goods sold inflation, some of them are contractual, but a lot of them are just collaboration with our end customers in a way that it's – we help their business, they help ours.

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

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

Q

Thank you very much. I just wanted to ask on buybacks. The pace decelerated in 2Q versus 1Q, but your cash flow was better. Looks like the share price was lower for most of the quarter. So was it you were looking at some M&A stuff or any other any other issues there? And I guess maybe just also a comment on forget about the large stuff, but how's the smaller, more bolt-on M&A pipeline looking?

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

A

Yeah. Hey, Vincent. On the capital deployment, we still deployed about the same amount because we did close on one of our small bolt-ons that cost us about $65 million. And so, we bought back about $75 million. As Jamie was describing that working capital execution throughout the quarter, frankly came in better than we expected. So we had – some of it was timing and that we ended up with more cash than we expected when we put our buyback plan in.

The way we do it, we sit down in the middle of each quarter, me, Jamie, and John Jankowski, our treasurer, and we do our best estimate of what's it going to look like from an incoming cash. We know what it's going to take to pay our dividend. We got some really great CapEx investments right now in aero in particular. And then we look at

M&A pipeline and then whatever's left, we say, okay, let's do repo. And when we did our math this time, the total deployment was a little less than what we did last quarter and the quarter before. But in the same ballpark, that's not at all a change in execution strategy.

We're going to continue to do what we've done. I've been consistent for 15 quarters since I took this job. We bought shares back 11 straight quarters. And I stand behind. I'm not going to let cash grow on the balance sheet. And yeah, we raised dividends this quarter, too. So no change in strategy. A little bit of it was timing of we did better on working capital than we thought we would. And we got to remember that we did that small bolt-on.

Now the second part of your question on pipeline, there's nothing really big in our pipeline right now. We've got a couple of little bolt-ons may or may not happen. I wouldn't hold your breath, but you never know. So I think you should expect us to continue the same capital deployment strategy, and that is we'll look at it next month in the middle of the quarter and we're not going to let cash grow on the balance sheet and we'll do our best to estimate what that surplus cash is going to be, and then we'll buy back shares accordingly.

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

Joshua Spector
Analyst, UBS Securities LLC

Q

Yeah, hey, good morning. I want to come back to performance and maybe some of the initial questions around the margins in that segment. And I know the year-on-year is messy. So I was looking quarter-on-quarter and you had almost $300 million higher sales, you had about $40 million-ish higher EBITDA. It's about a 15% incremental. So it's probably about half I would have expected if you were even on price cost.

So it seems like there's something else in there, either investments or something on mix that may have impacted you. But I'm just curious on your thoughts about why that would have looked that way and why it wouldn't have been higher given you've had growth in Aero and some of the other businesses, which were generally higher incrementals? Thank you.

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

A

Yes. Hey, Josh. It really, and Alex can fill in if there's any smaller down on the Pareto list that I'm not thinking about. But when I look at, it was really two things. We already talked about the year-over-year comp in refinish, which is the biggest part of it. But price cost was not neutral for the whole quarter, right? And so in Q1, it was positive, right, because that was largely before the war.

So we had a big positive price cost in Q1 and a slightly negative price cost in Q2, which will be positive going forward. Those two make up the vast majority. Now if I'm missing some minutia, but that's – when I looked at it, those were really the explanations.

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

Michael J. Harrison
Analyst, Seaport Global Securities LLC

Q

Hi. Good morning. Can you hear me?

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

A

Yes, Mike.

Michael J. Harrison
Analyst, Seaport Global Securities LLC

Q

Great. Well, welcome aboard, Jamie. My question is on the protective and marine business. It seems like you guys have been in this sustained upswing. I think you said 13 straight quarters of organic growth. It seems like other companies are seeing this as well. And so understanding that you guys have a nice innovation and some share gains in marine.

But I'm just curious, do you feel like the underlying strength in the business is related to infrastructure growth? Is there pent-up demand or maintenance requirements that are flowing through? What are the main drivers of the strength? And really, what I'm trying to get at is how sustainable do you think that strength could be? Is it possible that we are starting to get near a peak and may start to see demand cycle a little bit lower?

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

A

Hey, Mike. We put up double digits again. And to be honest with you, just from a comp standpoint because we're comping double, double, double, we thought we might actually be high single digits. So we outperformed our own expectations there. I don't think we're anywhere near a peak. Like just from the law of big denominators, you might start seeing high single digits, mid-single digits as we comp multiple, multiple, multiple doubles.

You mentioned marine, we're doing particularly well in marine, particularly well in marine aftermarket, but also in marine newbuild in Asia. We're doing particularly well in fire protection, which is really growing, whether it's hydrocarbon or cellulosic fire protection for things like data centers and warehouses. We are doing – there's quite a pipeline in datacenter world which is not only fire protection but structural steel flooring, insulated coatings, dielectric coatings.

So there's a number of verticals. You mentioned infrastructure. There's a number of verticals that are particularly strong here, energy. So all of those things are driving robust top line and we see that continuing for quite some time period.

You mentioned maintenance. Maintenance is more like a floor where it just keeps chugging along. It doesn't go up a lot. It doesn't go down a lot. It's pretty steady. It's more those particulars that I pointed out that still have quite a bit of runway, so we don't really see a peak on the horizon, but we'll start having lower comps just because of bigger denominators.

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

Eric Boyes
Analyst, Evercore ISI

Q

Good morning and thanks. Could you remind on the cadence of your raw material purchases? Do you lock in a good portion for the quarter at the very beginning of the quarter or maybe late in the prior quarter? And when we see some of these recent temporary spikes in crude, does PPG tend to kind of vary your purchase cadence, or is it pretty programmatic? I guess I'm trying to get a sense on how impactful these short term crude volatility is or isn't for PPG. Thank you

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

A

Yeah, Eric, I'd say there's a, there's a typical answer that on average, we're locking stuff in at 45 to 60 days in advance, but every contract is different. But that's a good walk around kind of number. Well, you mentioned oil in particular. Solvents, which is one part of our spend that's somewhere probably in the 10%, 15% of our total spend and Alex can give you the exact number later, that stuff moves very quickly because it's pretty much straight off the wellhead, right?

So up, down that moves pretty quickly. Then not all of, only about half of our raw material basket is any form of a derivative of petrochem. So some of it, we'll do a annual contract on things like pigments or things like that that don't really have much to do at all with the price of oil.

And then we've got oil derivatives that don't move nearly as fast up or down with the price of oil because they're one step or two steps removed from the wellhead. So that's how I would describe it. Walk around average, 45 to 60 days, but there's exceptions on both ends.

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

Frank J. Mitsch
Analyst, Fermium Research

Q

Thank you so much and welcome, Jamie, to PPG. Hey, just a couple of questions on auto. I know that it's been discussed a lot. But obviously, Tim, it sounded like on the refinish side, you didn't have any major concerns in terms of share shifts one way or the other on the refinish side. But then on auto OEM, it sounded like, obviously, you're gaining share there. Can you talk about the sustainability of your market shares in both refinish and in auto OEM?

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

A

Sure, Frank. Auto OEM, we started talking about our $100 million of Industrial segment share gains last year. And being very impatient, I kept waiting to see that on the P&L. And hey, we're seeing it on the P&L now. And about 40% of the numbers that me and Alex have been quoting for Industrial segment wins are in auto OEM.

We talked about 100 total industrial segments last year, probably another 100 this year, some of which will roll into next year. So we've got a good line of sight to additional auto OEM outperformance for the next several quarters, which is really about as far out as you're quoting business. So we feel good there.

Refinish is more of a – there's very few big share shifts in that industry. It's more about singles and the occasional double every day. And despite what's shown up on the P&L because of the destocking comp issue, we've continued to win those singles and doubles at more than our fair share. So, we feel good about kind of incremental share gains in refinish, more step change in auto OEM.

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

Arun Viswanathan
Analyst, RBC Capital Markets LLC
Q

Great. Thanks for taking my question. Hope you guys are well. Just wanted to get your thoughts on the portfolio as it stands right now. Are there any areas that you find are delivering returns below your threshold maybe due to some structural volume issues? It just appears that you have some momentum in aerospace and a few other businesses, but unfortunately, that's being canceled out by some of the other verticals. So, just wanted to get your thoughts on the portfolio and if there's any areas that you think could be optimized or you'd want to exit at this point. Thanks.

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

Yeah. Hey, Arun. I mean, I'll give you the spoiler alert first, and then I'll walk through them a little bit. Spoiler alert, I got nothing for sale right now, right? I mean, we went through nothing of size, nothing – anything you all would notice even. We went through the period of selling two sizable businesses – two businesses, and we also sold a whole bunch of small ones to clean things up.

We have a couple on the fringes that I'd like to clean up too. Some of it's performance. Some of it is, they just don't fit our enterprise growth strategy going forward. But so small, you would never even see them. So, that's the conclusion right now. I have to put the stamp on. I always say and all of our businesses know this, they have to earn their right to be in the portfolio every day, every quarter, every year. So naturally, you mentioned aerospace. That's at one end of the profitability growth spectrum, laws of averages.

We have some that are below that average that we're working really hard to get up. And you can see which ones they are just by looking at our segment EBITDA performance, but not – that doesn't mean that they're on the for sale block right now. We're working really hard to continuously improve their margin delivery. And if we didn't believe that we had path to improve margin delivery, then we'd be having another conversation.

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

Laurence Alexander
Analyst, Jefferies LLC
Q

So for the industrial and the auto, when you look at the amount that the innovation pipeline is contributing to your performance ahead of the end markets, do you expect based on what you have visibility on now to be running? Is that gap widening going into next year, or do you expect it to at least be stable for next year through the end of the year?

Alejandro Lopez Bustamante
Director-Investor Relations, PPG Industries, Inc.
A

Hey, Laurence, this is Alex. I mean, we've been outperforming the industry for quite some time now, one year. We expect to continue to outperform probably not at the same level of the 500 basis points that we did this quarter. Just to remind you, last quarter we did 300 basis points, but certainly we expect that gap to continue, not at the same level of the 500 basis.

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

Yeah. And if I try to – maybe I misunderstood your question, Laurence, on the innovation side. We've got a continuous innovation pipeline in auto. And as you know, that's one of our highest technology businesses. And a lot of those share wins are coming from a combination of that innovation pipeline plus commercial excellence, plus the great field service that we provide to help our customers be more productive.

But as I look at the innovation pipeline in auto, we've got a number of things that aren't ready to launch today that are coming through to drive, productivity for our customers, lower energy for our customers. I know EV isn't – it's not exactly the shining star it used to be, but the EV growth rates particularly in China continue to expand.

And so, we've got a number of product initiatives coming for that space as well. So Alex is right. Our line of sight, we have good outperformance on the horizon. And then innovation pipeline, we've got a number of things that just aren't quite ready to be commercialized yet that we feel good about for the coming quarters and years.

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

Q

Hey, everyone. Good morning. This is [ph] Rachel (01:01:32) on for Patrick. So for architectural EMEA, how much of the margin improvement is sustainable from price realization versus some early benefits from your restructuring and planned closure of European manufacturing plants? Thank you.

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

A

Yeah. Hey, [ph] Rachel (01:01:49). I mean, I would say, we've only just begun to see the margin enhancement from that business. It's a combination of three things. We've taken some good share in that business in our key countries. So the volume certainly helps give us some leverage. We've launched a number of sustainable products, which for our European customers are very poor – very important, which have incrementally higher, gross margins. We've gotten price in that business ahead of the inflation spike with the war, and we'll get more price after this quarter.

And we've taken out some RSG&A and you're starting to see that benefit. But you really haven't seen any benefit from a leverage standpoint from the plant closures because they won't close until Q4, Q1. And so there's still – there's like some continuous incremental improvement in margin in that business that you'll see as we move through the year, and then there's another step change in 2027 as we execute the closure of those facilities.

Operator: Your next question comes from the line of Abigail Eberts with Wells Fargo. Your line is open. Please go ahead.

Abigail J. Eberts
Analyst, Wells Fargo Securities LLC

Q

Hi there. Thanks for taking my question. You called out $0.5 billion in aerospace CapEx. I'm recalling your Shelby, North Carolina project is supposed to run about $380 million. Is any of that $120 million delta from CapEx creep from that project, or is that from other smaller debottlenecking projects?

Timothy M. Knavish

Chairman & Chief Executive Officer, PPG Industries, Inc.

A

Yeah. Hey, Abigail. So $0.5 billion, I think $380 million – I don't think I know – $380 million was Shelby, the new plant that's under construction now. The other $120 million was above and beyond CapEx that we're spending at existing facilities such as Huntsville, Alabama, Mojave, California and others to debottleneck, but also just add incremental capacity at those facilities.

And so that – it's that $120 million that we're just now starting to see improvement in outputs from. And of course, the $380 million will come when that plant comes online. And we're probably not done. We'll be – we continue to build for the future in that outstanding high-growth, good margin business at returns that are great for our shareholders.

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

Alejandro Lopez Bustamante

Director-Investor Relations, PPG Industries, Inc.

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

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