

Ticker:

**PPG**

**Company Snapshot**



EAGLE FUND

PPG INDUSTRIES INC (New York: PPG, Currency: USD) 148.6 / 1.73% / 2.530006  
 Bloomberg Rating: IIG6 Sector: Materials Industry: Chemicals Sub-Industry: Specialty Chemicals FY End: December 2020 EPS Due: 4/27/2021

**Description**  
 PPG Industries, Inc. supplies products for the manufacturing, construction, automotive, chemical processing, and other industries worldwide. The Company makes protective and decorative coatings, flat glass, fabricated glass products, continuous-strand fiber glass products, and industrial and specialty chemicals.

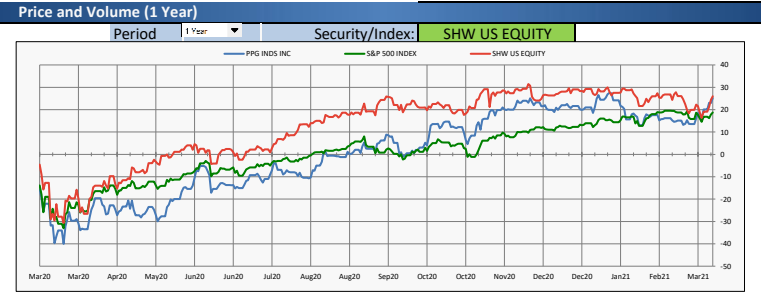
Business Segments (FY: Dec-20)	Revenue
Performance Coating	8,495.00
Industrial Coatings	5,339.00
Corporate	

Key Statistics	
52-Week Range	69.77 - 153.81
Avg Daily Vol (3 Mo)	1,409,573
Market Value	35,210.2
Current Enterprise	40,020.23
Shares Outstanding	236.95 M
Dividend Yield	1.5%
Float %	99.8%
Institutional %	90.1%
Analyst Coverage	28 Analysts
Target Price	156.48
LT Growth Rate	693.3%
Consensus Rating	4.07
Return on Equity	19.3%

	Actual and Estimate Data		
	LTM	12/2021	12/2022
Revenue	13,834.00	16,000.18	16,852.14
% change y/y	15.7%	5.3%	
EBITDA	2,342.00	2,897.26	3,114.77
% Margin	21.1%	7.5%	
EPS	5.591216	7.352	8.222
% change y/y	29.0%	11.8%	
EV/Sales	2.8x	2.4x	2.3x
EV/EBITDA	16.6x	13.5x	12.6x
P/Sales	2.5x	2.2x	2.1x
P/Earnings	26.6x	20.2x	18.1x
P/Book	6.2x	5.1x	4.5x

Relative Comps	Mkt Cap	PE (NTM)
PPG Industries Inc	35.21 B	19.8x
Axalta Coating Systems Lt	7.04 B	15.8x
Sherwin-Williams Co/The	64.03 B	26.5x
Akzo Nobel NV	17.91 B	20.9x
Kansai Paint Co Ltd	746.99 B	21.9x
Nippon Paint Holdings Co	3816.52 B	31.9x
Asian Paints Ltd	2332.72 B	60.9x
RPM International Inc	11.45 B	20.7x
Elementis PLC	0.74 B	25.1x
Chemours Co/The	4.42 B	9.8x
W R Grace & Co	3.98 B	15.8x
Ferro Corp	1.49 B	18.4x
Sakai Chemical Industry C	35.72 B	14.4x
HB Fuller Co	3.12 B	17.9x
Albemarle Corp	18.09 B	42.9x

Measure:	Sales/Revenue/Turnover			
	2019	2020	2021	2022
Q1 Mar	3624.00	3377.00	3677.06	3931.14
Q2 Jun	4024.00	3015.00	4045.73	4330.57
Q3 Sep	3826.00	3685.00	4221.20	4468.00
Q4 Dec	3672.00	3757.00	4078.60	4296.00
Year	15146.00	13834.00	16000.18	16852.14
Cal Yr	15146.00	13834.00	16000.18	16852.14
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 03/21	-0.1%	-0.1%	4.7%	5.8%
Qtr End 06/21	0.0%	0.0%	6.5%	12.2%
FY End 12/21	0.1%	0.1%	6.3%	9.4%
FY End 12/22	0.1%	0.0%	7.1%	9.5%



Prices/Volume	
YTD Change	3.04%
6 Month Change	43.31%
3 Month Change	16.0%
1 Year Change	27.4%
Daily Volume	282,853
Average Volume 30 Day	1,475,148
Average Volume 3 Month	1,409,573
Average Volume 6 Month	1,349,978
Dividend Yld	1.4%
52 Week Beta	1.17

Measure:	Diluted EPS Bef XD Items			
	2019	2020	2021	2022
Q1 Mar	1.31	1.02	1.40	1.59
Q2 Jun	1.13	0.42	1.95	2.17
Q3 Sep	1.54	1.86	1.96	2.30
Q4 Dec	1.24	1.14	1.63	1.88
Year	5.22	4.44	6.84	7.62
Cal Yr	5.22	4.44	6.84	7.62
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 03/21	0.0%	-2.7%	2.4%	-
Qtr End 06/21	0.0%	-1.3%	4.9%	-
FY End 12/21	0.9%	-0.6%	3.2%	-
FY End 12/22	1.0%	-0.3%	2.9%	-

Performance	2012	2013	2014	2015	2016	2017	2018	2019	2020	5 Yr Avg
Price Change	62.1%	40.1%	21.9%	-14.5%	-4.1%	23.3%	-12.5%	30.6%	8.0%	9.1%
S&P 500 INDEX	13.4%	29.6%	11.4%	-0.7%	9.5%	19.4%	-6.2%	28.9%	16.3%	13.6%
Industry (INDU Index)	7.3%	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	12.5%
Div Yield	1.7%	1.3%	1.1%	1.4%	1.6%	1.5%	1.8%	1.5%	1.5%	1.6%
Financials	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr CAGR
Sales	12,686.0	14,265.0	14,791.0	14,241.0	14,270.0	14,748.0	15,374.0	15,146.0	13,834.0	-0.6%
EBITDA	1,482.0	1,893.0	2,264.0	2,405.0	2,530.0	2,530.0	2,559.0	2,669.0	2,504.0	0.8%
EBIT	1,083.0	1,441.0	1,814.0	1,959.0	2,090.0	2,074.0	1,862.0	1,946.0	1,780.0	-1.9%
Net Income	941.0	3,231.0	2,102.0	1,406.0	873.0	1,594.0	1,341.0	1,243.0	1,059.0	-5.5%
EPS (Diluted)	3.03	11.14	7.52	5.14	3.27	6.18	5.47	5.22	4.45	-2.8%
Dividends per Share	1.17	1.21	1.31	1.41	1.56	1.70	1.86	1.98	2.10	8.3%
Shares for Fully Diluted	310.2	290.2	279.7	273.6	267.4	257.8	245.4	238.2	237.9	-2.8%
Book Value per Share	13.23	17.79	19.05	18.67	18.76	22.13	19.63	22.42	24.04	5.2%
Cash & Near Cash	1,306.0	1,116.0	686.0	1,311.0	1,820.0	1,436.0	902.0	1,216.0	1,826.0	6.9%
Total Assets	15,878.0	15,863.0	17,535.0	17,076.0	15,771.0	16,538.0	16,015.0	17,708.0	19,556.0	2.7%
Working Cap	3,254.0	3,079.0	1,568.0	2,017.0	2,321.0	2,583.0	1,588.0	1,795.0	1,967.0	-0.5%
LT Debt	3,368.0	3,372.0	3,533.0	4,026.0	3,787.0	4,134.0	4,365.0	5,161.0	5,848.0	7.8%
Cash Flow-Oper Activiti	1,787.0	1,791.0	1,528.0	1,895.0	1,351.0	1,568.0	1,467.0	2,080.0	2,130.0	2.4%
Capital Expenditures	330.0	494.0	564.0	430.0	380.0	360.0	411.0	413.0	304.0	-6.7%
Free Cash Flow	1,457.0	1,297.0	964.0	1,465.0	971.0	1,208.0	1,056.0	1,667.0	1,826.0	4.5%
Ratios	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr Avg
Gross Margin	40.1%	41.7%	43.6%	45.3%	46.1%	44.3%	41.5%	42.9%	43.8%	43.7%
EBITDA Margin	11.7%	13.3%	15.3%	16.9%	17.7%	17.2%	15.3%	17.6%	18.1%	17.2%
EBIT Margin	8.5%	10.1%	12.3%	13.8%	14.6%	14.1%	12.1%	12.8%	12.9%	13.3%
Profit Margin	7.4%	22.6%	14.2%	9.9%	6.1%	10.8%	8.7%	8.2%	7.7%	8.3%
Return on Assets	6.2	20.4	12.6	8.1	5.3	9.9	8.2	7.4	5.7	7.3
Return on Com Eqty	25.7	71.8	41.6	27.7	17.8	30.7	26.3	25.1	19.3	23.8
Asset Turnover	0.8	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.7	0.9
Assets/Equity	3.7	3.1	3.3	3.4	3.2	2.9	3.4	3.3	3.4	3.2
Net Inc per 1000 Empl	24.0	78.0	47.3	30.2	18.6	33.8	28.4	26.1	22.6	25.9
Days Sales Out (DSO)	77.9	64.2	59.4	60.3	59.4	60.0	60.1	60.1	64.7	60.8
Acc Pay Turn Days (DPO)	77.0	73.6	81.1	91.1	92.0	91.6	90.7	90.9	102.2	93.5
Current Ratio	1.7	1.7	1.3	1.4	1.5	1.7	1.4	1.4	1.4	1.5
Quick Ratio	1.1	1.0	0.7	0.8	1.0	1.0	0.8	0.9	0.9	0.9
Total Debts/Total Capiti	48.1	39.6	43.3	45.9	47.3	42.2	51.5	52.0	53.2	49.2
Total Debt/Total Equity	92.8	65.5	76.2	85.0	89.8	73.1	106.0	108.2	113.6	98.1

Growth Rate (CAGR) Summary				
	1Yr	3Yr	5Yr	10Yr
Sales	-8.7%	-2.1%	-0.6%	0.3%
EBIT	-8.5%	-5.0%	-1.9%	2.8%
EBITDA	-6.2%	-0.4%	0.8%	3.2%
Net Income	-14.8%	-12.7%	-5.5%	3.3%
EPS (Diluted)	-14.8%	-10.4%	-2.8%	6.8%
Dividends	6.1%	7.3%	8.3%	6.8%
BVPS	7.2%	2.8%	5.2%	7.8%
Free Cash Flow	9.6%	17.8%	7.4%	9.7%
Valuation Summary				
12/31/2020	5 Year Periodicity: 1 Year			
P/E (LTM)	25.8x	High	Low	Avg
P/E (NTM)	19.8x	21.1x	15.0x	18.1x
PEG (NTM)	2.9x	3.5x	1.9x	2.7x
P/Bk	6.0x	6.2x	5.1x	5.6x
P/CF	16.0x	19.1x	15.2x	17.1x
P/Sales	2.5x	2.5x	1.6x	2.1x
EV/EBITDA	15.6x	15.6x	10.7x	12.9x
EV/Sales	2.8x	2.8x	1.8x	2.2x
Div Yield	1.5%	1.8%	1.4%	1.5%

**Valuation**

- Trading at 18.7x earnings, PPG is trading at a P/E discount compared to its competitors (21.4x) and S&P 500 overall (23.0x). Looking forward, PPGs stock price could appreciate 10-15% on valuation expansion alone.

**Fundamentals / Drivers**

- PPG has exceeded estimates in 8 out of the last 9 quarters.
- Revenue and Earnings estimates have been steadily rising in recent months, and are expected to grow 16% and 30% respectively in 2021 after declining during 2020 due to the pandemic.
- The company has been generating strong FCF past several years, well in excess of reported net income evidencing high quality of earnings. Recently, the company has shifted gears in terms of Free Cash Flow deployment from debt paydown and share repurchase, towards accretive acquisitions and has continued to steadily increase its dividends.
- 2021 consensus earnings estimates are potentially too low given all the emerging catalysts including 1)1120-125mm of restructuring saving (+35c EPS), 2) favorable FX which is expected to benefit sales by \$350-5400MM and pretax income by \$35-550MM (+10-15c EPS) and 3) \$1B of incremental sales (+30c from acquisitions/acquired Tikkurilla/leading decorative paints comp. in the Baltic Sea region)
- Q4 reflected a recovery in several industrial end markets, continued strong architectural coating demand, cost savings and strong operation leverage. In the quarter, Architectural Coating was up double digit in Europe and resilient DIY(Do It yourself) and trade demand in North America.
- PPG is doing very well in China where both auto OEM and general industrial coating sales were up nearly 20% YoY.
- PPG has been and will keep on raising prices in Industrial coatings starting in Q2 to offset raw material and logistics costs inflation.

**Negatives**

- Because of the pandemic PPG is experiencing higher raw material cost and 30% of the portfolio that remains challenged( auto refinsh, commercial aerospace coatings, protective coatings, oil and gas application) that are well positioned to benefit from when demand recovers and their valuation are attractive.