



PPG Industries (PPG)

Updated February 2nd, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$115	5 Year CAGR Estimate:	14.6%	Market Cap:	\$27 B
Fair Value Price:	\$150	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	02/21/25
% Fair Value:	77%	5 Year Valuation Multiple Estimate:	5.5%	Dividend Payment Date:	03/12/25
Dividend Yield:	2.4%	5 Year Price Target	\$211	Years Of Dividend Growth:	53
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

PPG Industries is the world's largest paints and coatings company. Its only competitors of similar size are Sherwin-Williams and Dutch paint company Akzo Nobel. PPG Industries was founded in 1883 as a manufacturer and distributor of glass (its name stands for Pittsburgh Plate Glass) and today has approximately 3,500 technical employees located in more than 70 countries at 100 locations. With more than five decades of consecutive dividend increases, PPG Industries is a member of the Dividend Kings and trades on the New York Stock Exchange. The company generates annual revenues of nearly \$16 billion.

On July 18th, 2024, PPG Industries raised its quarterly dividend 4.6% to \$0.68, extending the company's dividend growth streak to 53 consecutive years.

On December 2nd, 2025, PPG Industries announced that it had completed its previously announced sale of its U.S. and Canada architectural and coatings business to American Industrial Partners for \$550 million.

On January 31st, 2025, PPG Industries announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue declined 4.6% to \$3.73 billion and missed estimates by \$241 million. Adjusted net income of \$375 million, or \$1.61 per share, compared favorably to adjusted net income of \$372 million, or \$1.56 per share, in the prior year. Adjusted earnings-per-share was \$0.02 below expectations. For the year, revenue from continuing operations decreased 2% to \$15.8 billion while adjusted earnings-per-share totaled \$7.87.

Pricing was flat for the quarter while volume fell 2%. Currency exchange was a 2% headwind as well. Revenue for Global Architectural Coatings, which was formerly part of Performance Coatings, fell 7% to \$881 million. Volume declined 2% while pricing was flat. Currency exchange reduced results by 5%. Performance Coatings improved 2% to \$1.26 billion gains in volume and a small increase in prices more than offset currency exchange. Continuing a trend from prior periods, aerospace demand remains high. Protective and marine coatings were also up for the period. Revenue for Industrial Coatings decreased 9% to \$1.59 billion. Volume fell 4% while selling prices were down 2%. Weaker industrial production in the U.S. and Europe negatively impacted results. PPG Industries repurchased ~\$750 million worth of shares during 2024 and has \$2.8 billion, or ~10.3% of its current market capitalization, remaining on its share repurchase authorization. The company expects to repurchase ~\$400 million worth of shares in Q1 2025.

For 2025, the company expects adjusted earnings-per-share in a range of \$7.75 to \$8.05. At the midpoint, this would represent a slight improvement from the prior year. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$5.14	\$3.28	\$6.31	\$5.89	\$6.22	\$5.70	\$6.77	\$6.05	\$7.67	\$7.87	\$7.90	\$11.08
DPS	\$1.42	\$1.56	\$1.70	\$1.87	\$2.04	\$2.10	\$2.26	\$2.42	\$2.54	\$2.66	\$2.72	\$3.81
Shares¹	274	267	258	245	237	237	237	237	237	232	232	220

PPG Industries' earnings-per-share have a growth rate of 4.8% over the last decade, but the growth rate accelerates to 6.7% when looking at the last five years. We now expect earnings-per-share to grow at a rate of 7% through 2030, down

¹ Share count in millions

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from 8% previously. PPG Industries' demand dropped significantly due to the impact of COVID-19 in 2020, but has established new highs for adjusted earnings-per-share in each of the last two years. We expect dividends to grow at a rate matching earnings-per-share going forward.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2025	Now	2030
Avg. P/E	20.9	31.1	17.1	19.8	22.2	25.3	21.3	20.8	19.5	15.2	14.6	19.0
Avg. Yld.	1.3%	1.5%	1.6%	1.9%	1.5%	1.5%	1.6%	1.9%	1.7%	2.2%	2.4%	1.8%

Shares of PPG Industries have decreased \$12, or 9.4%, since our October 22nd, 2024 update. The stock has traded with an average price-to-earnings ratio of 21.3 over the last decade. We reaffirm our target price-to-earnings ratio of 19 for 2030. Shares are currently priced at 14.6 times expected 2025 earnings-per-share. If the stock's multiple were to revert to our target over the next five years, then valuation would be a 5.5% tailwind to annual returns during this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	28%	48%	27%	32%	33%	37%	33%	40%	33%	34%	34%	34%

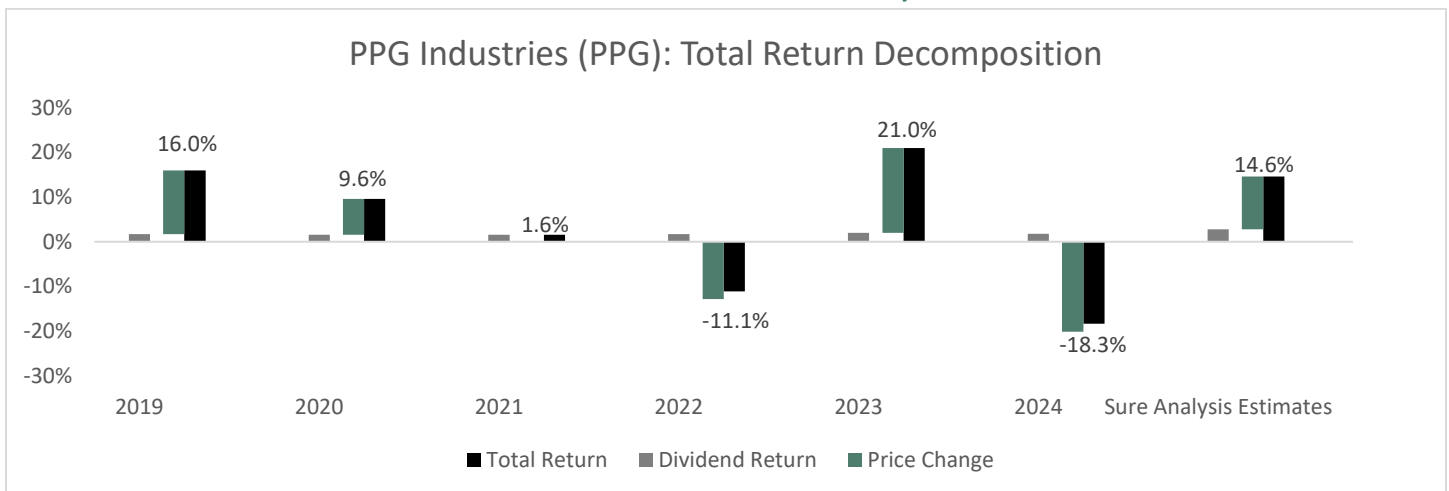
Even after more than five decades of dividend growth, PPG Industries has a very low payout ratio. The only time the company's dividend payout ratio was above 50% for the year in the relatively recent past was 2009. The average payout ratio since then is just 34%, demonstrating how conservative the company has been with regards to its dividend.

PPG Industries' key advantage is that it is one of the most well-known and respected companies in the paints and coatings space. The company is also one of just three similarly-sized companies in this industry, which limits PPG Industries' competitors. This gives PPG Industries size and scale and the ability to increase prices.

Final Thoughts & Recommendation

After fourth quarter results, PPG Industries is expected to offer a total annual return 14.6% through 2030. Our forecast stems from an expected earnings growth rate of 7%, a starting yield of 2.4%, and a mid-single-digit contribution from multiple expansion. PPG Industries once again had some weakness during the period. The company set several quarterly records last year so comparable periods had been challenging. Still, 2024 was a new high for adjusted EPS for the company. We have lowered our 2030 price target \$19 to \$211 to reflect earnings estimates for the year, but we continue to rate shares of PPG Industries as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	14,241	14,270	14,748	15,374	15,146	13,834	16,802	17,652	18,246	15,845
Gross Profit	6,455	6,605	6,539	6,373	6,493	6,057	6,516	6,556	7,501	6,593
Gross Margin	45.3%	46.3%	44.3%	41.5%	42.9%	43.8%	38.8%	37.1%	41.1%	41.6%
SG&A Exp.	3,584	4,523	3,614	3,573	3,604	3,389	3,815	3,832	4,451	3,391
D&A Exp.	446	440	460	497	511	509	561	554	558	
Operating Profit	1,974	1,201	2,025	1,872	1,954	1,787	1,701	1,722	2,059	2,287
Op. Margin	13.9%	8.4%	13.7%	12.2%	12.9%	12.9%	10.1%	9.8%	11.3%	14.4%
Net Profit	1,406	873	1,594	1,341	1,243	1,059	1,439	1,026	1,270	1,116
Net Margin	9.9%	6.1%	10.8%	8.7%	8.2%	7.7%	8.6%	5.8%	7.0%	7.0%
Free Cash Flow	1,465	971	1,208	1,056	1,667	1,826	1,191	445	1,862	699
Income Tax	413	214	615	353	392	291	374	325	439	475

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2015
Total Assets	17,076	15,771	16,538	16,015	17,708	19,556	21,351	20,744	21,647	6,557
Cash & Equivalents	1,311	1,820	1,436	902	1,216	1,826	1,005	1,099	1,514	1,270
Acc. Receivable	2,343	2,288	2,559	2,505	2,479	2,412	2,687	2,824	2,881	2,985
Inventories	1,659	1,514	1,730	1,783	1,710	1,735	2,171	2,272	2,127	1,846
Goodwill & Int.	5,847	5,555	5,987	6,042	6,601	7,453	9,031	8,492	8,624	
Total Liabilities	12,007	10,856	10,866	11,283	12,305	13,741	14,940	14,035	13,624	9,890
Accounts Payable	2,716	2,799	3,162	3,007	2,910	3,156	3,735	3,472	3,569	
Long-Term Debt	4,307	4,416	4,146	5,016	5,052	5,749	6,581	6,816	6,054	5,815
Total Equity	4,983	4,828	5,557	4,630	5,284	5,689	6,286	6,592	7,832	
LTD/E Ratio	0.86	0.91	0.75	1.08	0.96	1.01	1.05	1.03	0.77	

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2015
Return on Assets	8.1%	5.3%	9.9%	8.2%	7.4%	5.7%	7.0%	4.9%	6.0%	7.9%
Return on Equity	27.2%	17.5%	30.1%	25.8%	24.5%	18.9%	23.5%	15.6%	17.2%	
ROIC	15.1%	9.3%	16.6%	13.7%	12.3%	9.6%	11.7%	7.7%	9.2%	
Shares Out.	274	267	258	245	237	237	237	237	237	232
Revenue/Share	52.05	53.37	57.21	62.65	63.59	58.15	70.18	74.39	76.92	67.45
FCF/Share	5.35	3.63	4.69	4.30	7.00	7.68	4.97	1.88	7.85	2.98

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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