



PPG Industries (PPG)

Updated January 23rd, 2022 by Nathan Parsh

Key Metrics

Current Price:	\$155	5 Year CAGR Estimate:	9.3%	Market Cap:	\$37 billion
Fair Value Price:	\$154	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	2/17/2022
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	-0.1%	Dividend Payment Date:	3/11/2022
Dividend Yield:	1.5%	5 Year Price Target	\$227	Years Of Dividend Growth:	50
Dividend Risk Score:	A	Retirement Suitability Score:	B	Last Dividend Increase:	9.3%

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 50 years 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 about \$18 billion.

PPG Industries reported fourth quarter and full year results on 1/20/2022. For the quarter, revenue grew 11.4% to \$4.19 billion, beating estimates by \$140 million. Adjusted net income of \$298 million, or \$1.26 per share, compared to adjusted net income of \$403 million, or \$1.69 per share, in the prior year. Adjusted earnings-per-share was \$0.07 ahead of estimates. For 2021, revenue grew 21% to \$16.8 billion. Adjusted net income of \$1,619M, or \$6.77 per share, compared favorably to adjusted net income of \$1,452M, or \$6.12 per share, in 2020.

Quarterly results were greatly impacted by a 30% surge in raw material costs. The company is raising prices in all of its business lines to offset this headwind. Organic sales grew 6% for the quarter and 10% for the year, mostly due to higher selling prices. Performance Coatings revenue grew 16% to \$2.51 billion for the quarter. Higher selling prices (+8%) and benefits from acquisitions (+11%) more than offset foreign currency translation (-1%) and a slight decline in volumes (-2%). Automotive refinish saw higher demand and protective and marine coating volumes were both up 10%. Aerospace performed very well, but remains 20% below pre-pandemic levels. Industrial Coatings grew 6% to \$1.68 billion. Volumes fell (-8%) and currency translation was a small headwind (-1%), but selling prices (+9%) and acquisition related sales (+6%) more than offset these weak points. Packaging coatings did well, but OEM coatings fell due to customer mix and the limited availability of semiconductor chips.

PPG Industries is expected to earn \$8.12 in 2022, which would be a 21.4% improvement from 2021.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$3.03	\$4.14	\$4.05	\$5.14	\$3.28	\$6.31	\$5.89	\$6.22	\$5.70	\$6.77	\$8.12	\$11.93
DPS	\$1.17	\$1.21	\$1.31	\$1.42	\$1.56	\$1.70	\$1.87	\$2.04	\$2.10	\$2.26	\$2.36	\$3.47
Shares¹	310	290	280	274	267	258	245	237	237	237	237	230

PPG Industries' earnings-per-share have a growth rate of 5.8% over the last decade. We expect earnings-per-share to grow at a rate of 8% through 2027, up from our prior estimate of 7%. PPG Industries' demand dropped significantly due to the impact of COVID-19 in 2020. However, we expect the recovery from the pandemic to offer a higher rate of growth for the company as evident by projected earnings-per-share for the current year.

¹ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



PPG Industries (PPG)

Updated January 23rd, 2022 by Nathan Parsh

PPG Industries increased its dividend 9.3% for the 9/10/2021 payment date. This gives the company 50 consecutive years of dividend growth, qualifying it as a Dividend King. We expect dividends to grow at a rate similar to earnings-per-share going forward.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	17.5	19.0	24.7	20.9	31.1	17.1	19.8	22.2	25.3	21.3	19.1	19.0
Avg. Yld.	2.2%	1.5%	1.3%	1.3%	1.5%	1.6%	1.9%	1.5%	1.5%	1.6%	1.5%	1.5%

Shares of PPG Industries have decreased \$5, or 3.1%, since our 10/21/2021 update. The stock has traded with an average price-to-earnings ratio of 21 over the last decade. We have increased our target price-to-earnings ratio to 19 from 17 to better reflect the average valuation over the last decade. Shares are currently priced at 19.1 times expected 2022 earnings-per-share. If the company's valuation were to revert to our target over the next five years, this would be just a 0.1% headwind to annual returns during this time period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	39%	29%	32%	28%	48%	27%	32%	33%	37%	33%	29%	29%

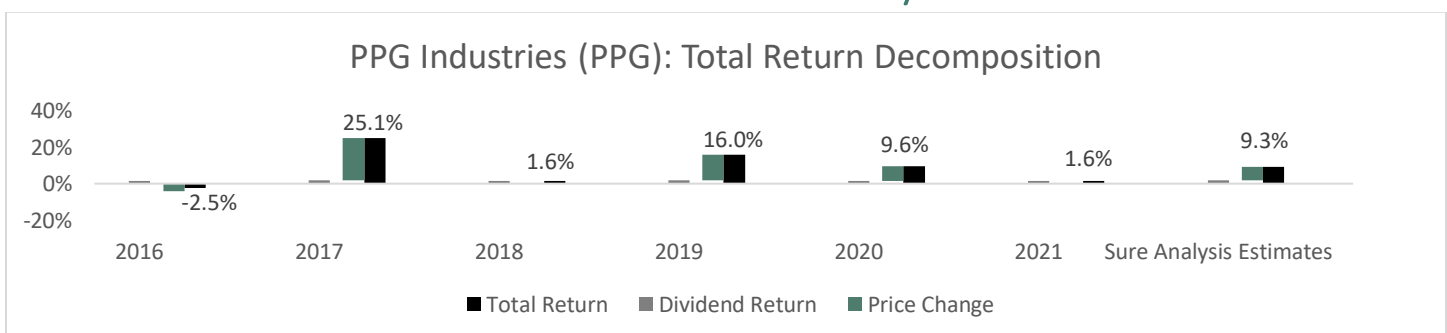
Even after 50 years of dividend growth, PPG Industries has a very low payout ratio. The only time the company's dividend payout ratio was above 50% for the year in the relatively recent past was 2009. The average payout ratio since then is just 35%, which is below our projected levels for the current year.

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. This has been reflected in the company's ability to increase product prices in order to offset volume declines.

Final Thoughts & Recommendation

Following fourth quarter results, PPG Industries is expected to offer a total annual return of 9.3% through 2027, up from our previous estimate of 4.8%. Earnings growth of 8% and a 1.5% yield are expected to be partially offset by a small headwind from valuation reversion over the next half-decade. Inflationary costs surged again in the fourth quarter, but higher selling prices helped to reduce this impact. Both segments saw organic growth for the quarter and full year, a positive sign due to inflationary pressures. We have raised our 2027 price target \$40 to \$227 due to revised guidance for 2022. We maintain our hold rating on the stock, but suggest long-term investors consider using a further pullback as an entry point into PPG Industries.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



PPG Industries (PPG)

Updated January 23rd, 2022 by Nathan Parsh

Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	13,153	12,686	14,265	14,791	14,241	14,270	14,748	15,374	15,146	13,834
Gross Profit	5,288	5,087	5,951	6,443	6,455	6,605	6,539	6,373	6,493	6,057
Gross Margin	40.2%	40.1%	41.7%	43.6%	45.3%	46.3%	44.3%	41.5%	42.9%	43.8%
SG&A Exp.	3,122	2,987	3,486	3,696	3,584	3,555	3,554	3,573	3,604	3,389
D&A Exp.	425	399	452	450	446	440	460	497	511	509
Operating Profit	1,368	1,322	1,598	1,843	1,974	2,169	2,085	1,872	1,954	1,787
Op. Margin	10.4%	10.4%	11.2%	12.5%	13.9%	15.2%	14.1%	12.2%	12.9%	12.9%
Net Profit	1,095	941	3,231	2,102	1,406	873	1,594	1,341	1,243	1,059
Net Margin	8.3%	7.4%	22.6%	14.2%	9.9%	6.1%	10.8%	8.7%	8.2%	7.7%
Free Cash Flow	1,110	1,457	1,297	964	1,465	971	1,208	1,056	1,667	1,826
Income Tax	260	148	253	237	413	214	615	353	392	291

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	14,382	15,878	15,863	17,535	17,076	15,771	16,538	16,015	17,708	19,556
Cash & Equivalents	1,457	1,306	1,116	686	1,311	1,820	1,436	902	1,216	1,826
Acc. Receivable	2,512	2,568	2,449	2,366	2,343	2,288	2,559	2,505	2,479	2,412
Inventories	1,607	1,687	1,824	1,825	1,659	1,514	1,730	1,783	1,710	1,735
Goodwill & Int.	3,785	3,846	4,347	6,212	5,847	5,555	5,987	6,042	6,601	7,453
Total Liabilities	10,936	11,556	10,665	12,270	12,007	10,856	10,866	11,283	12,305	13,741
Accounts Payable	1,813	1,832	2,015	2,183	2,118	2,142	2,582	2,460	2,378	2,579
Long-Term Debt	3,682	4,010	3,406	4,014	4,307	4,416	4,146	5,016	5,052	5,749
Total Equity	3,249	4,063	4,932	5,180	4,983	4,828	5,557	4,630	5,284	5,689
D/E Ratio	1.13	0.99	0.69	0.77	0.86	0.91	0.75	1.08	0.96	1.01

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	7.5%	6.2%	20.4%	12.6%	8.1%	5.3%	9.9%	8.2%	7.4%	5.7%
Return on Equity	31.8%	25.7%	71.8%	41.6%	27.7%	17.8%	30.7%	26.3%	25.1%	19.3%
ROIC	14.6%	12.2%	38.2%	23.5%	15.1%	9.3%	16.6%	13.7%	12.3%	9.6%
Shares Out.	319	310	290	280	274	267	258	245	237	237
Revenue/Share	41.28	40.90	49.16	52.90	52.05	53.37	57.21	62.65	63.59	58.15
FCF/Share	3.48	4.70	4.47	3.45	5.35	3.63	4.69	4.30	7.00	7.68

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.