



PPG Industries (PPG)

Updated January 21st, 2023 by Nathan Parsh

Key Metrics

Current Price:	\$131	5 Year CAGR Estimate:	10.0%	Market Cap:	\$31 B
Fair Value Price:	\$133	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	02/17/23
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.3%	Dividend Payment Date:	03/10/23
Dividend Yield:	1.9%	5 Year Price Target	\$195	Years Of Dividend Growth:	51
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 \$18 billion.

On July 21st, PPG Industries raised its quarterly dividend 5.1% to \$0.62, extending the company's dividend growth streak to 51 consecutive years.

On January 19th, 2023, PPG Industries reported fourth quarter and full year results for the period ending December 31st, 2022. For the quarter, revenue of \$4.2 billion was flat compared to the prior year, but topped estimates by \$70 million. Adjusted net income of \$286 million, or \$1.22 per share, compared to adjusted net income of \$298 million, or \$1.26 per share, in the prior year. Adjusted earnings-per-share was \$0.09 better than expected. For 2022, revenue grew 5.4% to a record \$17.7 billion while adjusted net income of \$1.4 billion, or \$6.05 per share, compared unfavorably to adjusted net income of \$1.6 billion, or \$6.77 per share, in the previous year.

Revenue results were driven by 8% organic growth, mostly due to higher prices. Overall volumes fell by 5%. Performance Coatings revenue fell 1% to \$2.49 billion during the quarter. Higher selling prices (+9%) were more than offset by currency exchange (-5%), lower volumes (-4%), and divestitures and the winding down of Russian operations (-1%). DIY demand was once again lower in both the U.S. and Europe. Automotive grew by a low double-digit figure despite pandemic restriction headwinds in China. Aerospace demand remained strong as well. Industrial Coatings increased 1% to \$1.7 billion. Higher selling prices (+14%) were offset by currency exchange (-6%), weaker volumes (-5%), and divestitures and the winding down of Russian operations (-1%). Pricing and volume growth for Automotive OEM was up low double-digits due to global selling prices and volume gains in Europe.

PPG Industries expects adjusted earnings-per-share of \$1.10 to \$1.20 in the first quarter of 2023. The company is expected to earn \$6.99 per share in 2023, which would be a 15.5% improvement from the prior year.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$4.14	\$4.05	\$5.14	\$3.28	\$6.31	\$5.89	\$6.22	\$5.70	\$6.77	\$6.05	\$6.99	\$10.27
DPS	\$1.21	\$1.31	\$1.42	\$1.56	\$1.70	\$1.87	\$2.04	\$2.10	\$2.26	\$2.42	\$2.48	\$3.64
Shares¹	290	280	274	267	258	245	237	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

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 21st, 2023 by Nathan Parsh

for the company as evident by projected earnings-per-share for the current year. We expect dividends to grow at a rate similar to earnings-per-share going forward.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	19.0	24.7	20.9	31.1	17.1	19.8	22.2	25.3	21.3	20.8	18.7	19.0
Avg. Yld.	1.5%	1.3%	1.3%	1.5%	1.6%	1.9%	1.5%	1.5%	1.6%	1.9%	1.9%	1.9%

Shares of PPG Industries have increased \$21, or 19.1%, since our October 20th, 2023 update. The stock has traded with an average price-to-earnings ratio of 21 over the last decade. We reaffirm our target price-to-earnings ratio of 19 for 2028. Shares are currently priced at 18.7 times expected 2023 earnings-per-share. If the stock's multiple were to revert to our target over the next five years, then valuation would add 0.3% to annual returns during this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	29%	32%	28%	48%	27%	32%	33%	37%	33%	40%	35%	35%

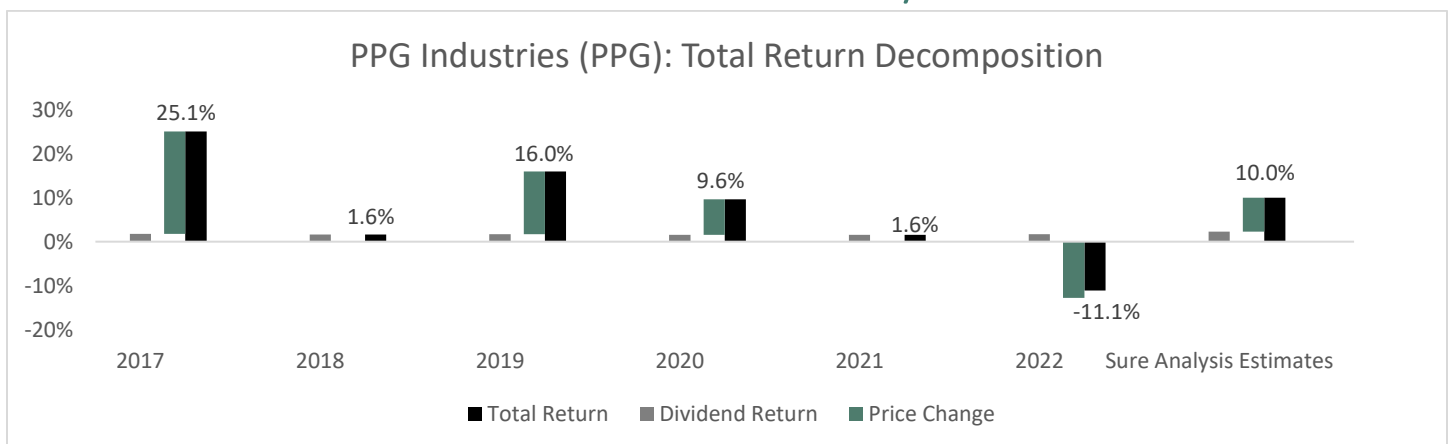
Even after 51 years of dividend growth, PPG Industries has a very low payout ratio. The only time the company's dividend payout ratio was above 50% for the year in the relatively recent past was 2009. The average payout ratio since then is just 35%, demonstrating how conservative the company has been 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. This has been reflected in the company's ability to increase product prices in order to offset volume declines.

Final Thoughts & Recommendation

After fourth quarter results, PPG Industries is expected to offer a total annual return 10.0% through 2027, down from our previous estimate of 10.6%. Our forecast stems from an expected earnings growth rate of 8%, a starting yield of 1.9%, and a small contribution from multiple expansion. PPG Industries continues to use price increases to offset raw material costs with only a slight dampening of demand. This speaks to the strength of the company's business model. We have raised our 2028 price target \$28 to \$195 to reflect earnings-per-share expectations for 2023. Shares continue to earn a buy rating due to projected returns.

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 21st, 2023 by Nathan Parsh

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	14,265	14,791	14,241	14,270	14,748	15,374	15,146	13,834	16,802	17,652
Gross Profit	5,951	6,443	6,455	6,605	6,539	6,373	6,493	6,057	6,516	6,556
Gross Margin	41.7%	43.6%	45.3%	46.3%	44.3%	41.5%	42.9%	43.8%	38.8%	37.1%
SG&A Exp.	3,486	3,696	3,584	4,523	3,614	3,573	3,604	3,389	3,830	3,842
D&A Exp.	452	450	446	440	460	497	511	509	561	
Operating Profit	1,598	1,843	1,974	1,201	2,025	1,872	1,954	1,787	1,694	1,712
Op. Margin	11.2%	12.5%	13.9%	8.4%	13.7%	12.2%	12.9%	12.9%	10.1%	9.7%
Net Profit	3,231	2,102	1,406	873	1,594	1,341	1,243	1,059	1,439	1,026
Net Margin	22.6%	14.2%	9.9%	6.1%	10.8%	8.7%	8.2%	7.7%	8.6%	5.8%
Free Cash Flow	1,297	964	1,465	971	1,208	1,056	1,667	1,826	1,191	963
Income Tax	253	237	413	214	615	353	392	291	374	325

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	15,863	17,535	17,076	15,771	16,538	16,015	17,708	19,556	21,351	
Cash & Equivalents	1,116	686	1,311	1,820	1,436	902	1,216	1,826	1,005	1,099
Acc. Receivable	2,449	2,366	2,343	2,288	2,559	2,505	2,479	2,412	2,687	3,303
Inventories	1,824	1,825	1,659	1,514	1,730	1,783	1,710	1,735	2,171	2,272
Goodwill & Int.	4,347	6,212	5,847	5,555	5,987	6,042	6,601	7,453	9,031	
Total Liabilities	10,665	12,270	12,007	10,856	10,866	11,283	12,305	13,741	14,940	
Accounts Payable	2,015	2,183	2,118	2,142	2,582	2,460	2,378	2,579	3,102	
Long-Term Debt	3,406	4,014	4,307	4,416	4,146	5,016	5,052	5,749	6,581	-
Total Equity	4,932	5,180	4,983	4,828	5,557	4,630	5,284	5,689	6,286	
LTD/E Ratio	0.69	0.77	0.86	0.91	0.75	1.08	0.96	1.01	1.05	

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	20.4%	12.6%	8.1%	5.3%	9.9%	8.2%	7.4%	5.7%	7.0%	
Return on Equity	71.8%	41.6%	27.7%	17.8%	30.7%	26.3%	25.1%	19.3%	24.0%	
ROIC	38.2%	23.5%	15.1%	9.3%	16.6%	13.7%	12.3%	9.6%	11.7%	
Shares Out.	290	280	274	267	258	245	237	237	237	237
Revenue/Share	49.16	52.90	52.05	53.37	57.21	62.65	63.59	58.15	70.18	74.39
FCF/Share	4.47	3.45	5.35	3.63	4.69	4.30	7.00	7.68	4.97	4.06

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.