

COMPANY PROFILE

PPG Industries, Inc.

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COMPANY OVERVIEW

PPG Industries, Inc. (PPG or 'the company') is chemical manufacturer that produces and sells coatings, paints, specialty materials and optical products. The company markets its products under PPG brand and through other well-known brands such as GLIDDEN, DULUX, OLYMPIC, RENNER, SIGMA, LIQUID NAILS, BRISTOL, HOMAX, PROMINENT PAINTS, GORI, BONDEX and DANKE!, among others. These products are widely used in commercial transport, military, regional jet and general aviation aircrafts, manufacturers of ships, bridges and rail cars, maintenance of residential and commercial building structures, consumers for decoration, automotive parts and accessories, transportation vehicles, e-passports, drivers' licenses and identification cards and optical lenses and color changing products. The company has business presence across North America, Asia Pacific, Latin America and Europe, the Middle East, and Africa (EMEA) regions. The company is headquartered in Pittsburgh, Pennsylvania, the US.

The company reported revenues of (US Dollars) US\$13,834 million for the fiscal year ended December 2020 (FY2020), a decrease of 8.7% over FY2019. In FY2020, the company's operating margin was 10.4%, compared to an operating margin of 11.2% in FY2019. In FY2020, the company recorded a net margin of 7.7%, compared to a net margin of 8.2% in FY2019.

The company reported revenues of US\$3,881 million for the first quarter ended March 2021, an increase of 3.3% over the previous quarter.

KEY FACTS

Head Office	PPG Industries, Inc. 1 Ppg Pl PITTSBURGH Pennsylvania PITTSBURGH Pennsylvania USA
Phone	1 412 4343131
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Web Address	www.ppg.com
Revenue / turnover (USD Mn)	13,834.0
Financial Year End	December
Employees	46,900
New York Stock Exchange Ticker	PPG

SWOT ANALYSIS

PPG Industries, Inc. (PPG or 'the company') is a manufacturer and supplier of paints, coatings, optical products and specialty materials. Increase in cash position, diverse end markets and well-established manufacturing and distribution network are the company's major strengths, whereas decline in financial performance remains the cause for concern. Strategic acquisitions, new product launches and positive outlook for global paints and coatings market are likely to offer growth opportunities to the company. However, foreign exchange risks, intense competition and volatile raw material prices could affect its business operations.

Strength Increase in cash position enables the company to meet its short-term obligations Diverse end markets attract new and potential customers Well-established manufacturing and distribution network provide significant competitive advantage	Weakness Declining financial performance affects growth and expansion plans
Opportunity New product launches enhance product portfolio Positive outlook for global paints and coatings market Strategic acquisitions to support inorganic growth strategy	Threat Volatile raw material prices could affect PPG's operating results Intense competition may put strain on the company's margins Foreign exchange risks

Strength

Increase in cash position enables the company to meet its short-term obligations

Increase in cash position enables the company to meet its short-term obligations. Its cash and cash equivalents increased by 25.8% from US\$902 million at the end of FY2018 to US\$1,216 million at the end of FY2019. The company's current assets also increased by 3.4% annually at the end of FY2019 over previous year. The increase in assets was attributable to increased inventories and income tax receivable. Therefore, strong cash position provides the company an advantage, while funding any potential opportunities arising in the market.

Diverse end markets attract new and potential customers

PPG leverages its diversified customer base to strengthen its market presence. It primarily manufactures and distributes a broad range of paints, coatings and specialty materials and offers quality, innovative and sustainable solutions that in turn protect and beautify the products and surroundings. The company's

refinish coatings are used in automotive and commercial transport/fleet repair, light industrial coatings and specialty coatings markets. Its aerospace coatings are used for commercial, military, regional jet and general aviation aircraft's. PPG's protective and marine coatings are used by metal fabricators, heavy duty maintenance contractors and manufacturers of ships, bridges and rail cars. Its artificial coatings are used by Painting and maintenance contractors and consumers for decoration and for maintenance of residential and commercial building structures. The company's automotive OEM and industrial coatings are used in appliances, agricultural and construction equipment, consumer electronics, automotive parts and accessories, residential and commercial construction building products, transportation vehicles and numerous other finished products. Its packaged coatings are used for the protection, performance and decoration of metal cans, closures, plastic tubes, industrial packaging, and promotional and specialty packaging. PPG's specialty coatings and materials are used in radio frequency identification (RFID) tags and labels, e-passports, drivers' licenses and identification card, displays and lightings, optical lenses and color change products. The diverse end markets also help the company to expand and strengthen its presence, both in domestic and international markets.

Well-established manufacturing and distribution network provide significant competitive advantage

PPG has well established manufacturing and distribution capabilities across the world. As of February 2020, the company managed 150 production facilities in 70 countries across the globe. PPG's Performance Coatings segment operates major manufacturing and distribution centers in the Netherlands, the UK, Hungary, Australia, Korea, the US, Italy, France, Canada, Poland, Denmark, and Mexico. The company's Industrial Coatings segment operates manufacturing and distribution centers in the US, South Korea, Poland, Italy, Mexico, Brazil and China. The company offers its products to paint dealers, company-owned stores, concessionaires, home centers and other regional or national consumer retail outlets, independent distributors and company-owned distribution networks. It also sells its products directly to manufacturing companies and retail customers. Such strong manufacturing and distribution capabilities indicate the company's extensive reach and provide significant competitive advantage.

Weakness

Declining financial performance affects growth and expansion plans

PPG reported decline in financial performance in FY2019. The company reported revenue of US\$15,146 million as compared to US\$15,374 in FY2018, with an overall decline of 1.5% in net sales in FY2019. This was primarily due to 3% decrease in the sales volumes and 2% loss due to unfavorable foreign currency translation. In FY2019, the company's operating margin was 11.2%, compared to an operating margin of 11.3% in FY2018. In FY2019, the company recorded a net margin of 8.2%, compared to a net margin of 8.7% in FY2018. Weak financial performance could affect the company's ability to pursue growth and expansion plans.

Opportunity

New product launches enhance product portfolio

The launch of new and improved products at regular intervals may help PPG retain and attract new customers. In November 2020, the company introduced PPG ENVIROCRON HeatSense powder coating for heat-sensitive wood and wood-composite applications. In the same month, the company launched PPG AQUACOVER waterborne coating system for shipping containers in China. In October 2020, the company launched PPG SANISHIELD 3000/5000 two-part polyurea coating system for walls and ceilings in industrial environments, such as food and beverage facilities. In September 2020, the company introduced PPG Flooring coatings, that includes prime coats, base coats and topcoats and are tailored to provide optimum performance based on the specific work environment. In the same month, the company launched a new waterborne coating system consisting of an epoxy primer, primer surfacer and clearcoat in China. In June 2020, the company introduced PPG ULTRALAST paint + primer. The new product protects walls using scratch resistant and easy-clean surface technology used for car exteriors and consumer electronics. In May 2020, the company launched its quick-ship program for PPG SILVERSAN antibacterial-protected powder coating formulated with silver ionic technology. In January 2020, the company introduced marketplace-ready automotive battery solutions which include thermal gap filler and NMP-free cathode binder.

Positive outlook for global paints and coatings market

The positive outlook for the global paints and coatings market augurs well for the PPG. According to in-house research, the global paints and coatings market is forecast to reach US\$186.8 billion by 2022. Architectural and decorative was the largest segment of the global paints and coatings market, which accounted for 51.6% of the market's total value, followed by industrial paints and coatings (35.5%), and special-purpose paints and coatings (12.9%). Moreover, Asia-Pacific accounted for 54.5% of the global paints and coatings market value, followed by the US (15.5%), Europe (15.3%), Japan (4.1%) and rest of the world (10.6%). Such market trend offers significant growth opportunities for the company to increase its sales.

Strategic acquisitions to support inorganic growth strategy

PPG has made several acquisitions in the past year to strengthen its existing portfolio. In January 2021, the company announced its plan to acquire VersaFlex, a manufacturer specializing in polyurea, epoxy and polyurethane coatings for water and waste water infrastructure, flooring, transportation infrastructure, and industrial applications. The acquisition is expected to expand and strengthen the company's coatings portfolio. In December 2020, PPG signed an agreement to acquire Tikkurila, a Nordic Paint and Coatings Company. The acquisition would enhance the company's presence in northern and eastern European countries, while adding formulating and manufacturing solutions to its portfolio. In the same month, PPG acquired Ennis-Flint, a provider of pavement markings and traffic safety solutions. The acquisition is expected to expand the company's automotive refinish coatings business. In March 2020, the company acquired Alpha Coating Technologies LLC, a manufacturer of powder coatings for light industrial applications and heat sensitive substrates. The acquisition would offer greater opportunities for the company to support its customers and strengthen its presence in the market. In February 2020, the company acquired Industria Chimica Reggiana, a manufacturer of paints and coatings for the automotive refinish and light industrial coatings industries. The acquisition is expected to expand the company's automotive refinish coatings business.

Threat

Volatile raw material prices could affect PPG's operating results

PPG's financial results are significantly affected by the cost of raw materials. The company's most significant raw materials are titanium dioxide, epoxy and other resins, solvents and other pigments in the coating's businesses; sand, lenses, and soda ash in the optical and specialty materials segment; and sand, clay and soda ash in the glass segment. These materials accounts for 70% to 80% of its cost of goods sold in most coatings formulations and represent PPG's single largest production cost component. PPG expects overall coatings raw material prices to increase modestly, with varied results by region and commodity type. Natural gas pricing remains volatile, although increased output and infrastructure development from shale gas should continue to play a role in muting long-term changes in natural gas pricing. Increase in raw material prices could affect the company's growth margins.

Intense competition may put strain on the company's margins

PPG faces intense competition across all its market segments, both from large international competitors and local players. Besides competing with smaller regional coating companies, PPG competes in its primary markets with the world's largest coatings companies, most of which have global operations with larger scale. The major competitors of the company include Benjamin Moore, Axalta Coating Systems Ltd, Masco Corporation, BASF Corporation, Nippon Paint, The Jotun Group, RPM International Inc, Akzo Nobel N.V, and Sherwin-Williams Company. Intense competition could force the company to reduce prices, which could affect the bargaining power of the company and strain its margins and brand image.

Foreign exchange risks

PPG conducts its business activities in various countries across the world. The company reports financials in the US Dollars and is exposed to the volatility of the US dollars against other functional currencies such as Canadian dollar, Japanese Yen, Australian dollar, Euro and British pound. Though PPG is involved in foreign exchange hedging to optimize currency fluctuations risks, there could be no assurance that these measures would limit effect on financial results.

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