

PPG Industries, Inc. (PPG)

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

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Recommendation: **BUY**

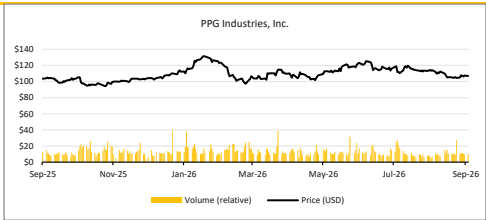
Value Fit **8 / 10**

Philosophy Fit **5 / 5**

As of: 09/28/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	11.0% vs 9.4% → Above ke
Change in performance — ΔROIC	+0.6 pts, FY2026E vs FY2025A → Improving
Lifecycle phase	Phase III — highest expectations
Valuation gap — target vs. price	+19.6% → Price below our value



BUSINESS DESCRIPTION

PPG Industries, Inc. engages in the manufacture and distribution of paints, coatings, and specialty materials. It operates through the following segments: Global Architectural Coatings, Performance Coatings, and Industrial Coatings. The company was founded by John B. Ford and John A. Pitcairn in 1883 and is headquartered in Pittsburgh, PA.

INVESTMENT THESIS

PPG, a global paint and coatings maker, is executing well despite a soft auto refinish market: Q2 2026 net sales rose 7% to \$4.5 billion, organic sales grew for the sixth straight quarter, and management reaffirmed full-year adjusted EPS guidance of \$7.70 to \$8.10. Price increases should fully cover cost inflation by the fourth quarter, and at about 14.7x FY2026E model EPS (15.4x FY2025A), PPG trades 22% below the peer median.

Current Price	\$107.01	Market Cap (\$B)	\$23.8	Beta	1.03
52-Week Range	\$94 – \$132	Inst. Ownership	92.8%	Insider Own.	0.1%
Shares Out. (mm)	222.3	Short Interest (% float)	2.9%	Dividend Yield	2.8%
Consensus L-T Growth	8.1%	Payout Ratio	40.8%	Cost of Equity	9.4%
Price Target	\$128.00	Upside to Target	19.6%	Value Range	\$80 – \$164

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF — terminal P/E	\$119.15	11.3%	18.0x P/E
Equity DCF — terminal P/S	\$164.41	53.6%	2.5x P/S
Equity DCF — terminal P/B	\$146.89	37.3%	3.0x P/B
Equity DCF — constant growth	\$80.00	(25.2%)	2.0% g, 9.4% ke
Average of methods	\$127.61	19.2%	Equal-weighted
Analyst price target	\$128.00	19.6%	Average of methods, rounded

PHILOSOPHY FIT — Five pillars · Score: 5 / 5

	Fit?
1. Fundamental improvement & valuation discipline	ΔROIC +0.6 pts; price is 0.84x our average value Yes
2. Investing through company cycles	Phase III; EBIT margin 13.3% → 13.0% Yes
3. Initial position sizing & risk limits	Sized within fund limits; review on 20% drawdown or if pricing lags costs Yes
4. Capital allocation discipline	Net debt/invested capital 31.6%; net debt/EBIT 2.7x Yes
5. Identifiable catalysts & conservative underwriting	Three drivers, each with a monitor; equal-weighted FCFE valuation Yes

VALUE CRITERIA — 10-Point Checklist · Score: 8 / 10

	Pass?
1. Catalyst / Investment Drivers	Yes
Driver 1 — Pricing Restores Margins	PPG raised prices 2% in Q2 and covered about 90% of cost inflation, with full coverage expected by the fourth quarter, one quarter ahead of plan. Management expects Performance Coatings margins to expand in the second half. The model holds FY2026E EBIT margin at 13.5%, below the 14.2% of FY2024A, so a return to that level is upside. Watch: price versus cost coverage.
Driver 2 — Share Gains in Growth Markets	Aerospace organic sales grew by a double-digit percentage with a backlog near \$300 million, protective and marine coatings posted a 13th straight quarter of volume growth, and packaging coatings grew by a double-digit percentage on share gains. Automotive OEM volumes beat global auto production by about 500 basis points. Watch: Industrial Coatings volume growth.
Driver 3 — Refinish Recovery	Automotive refinish, one of PPG's highest-margin businesses, saw organic sales fall by a double-digit percentage in Q2 as insurance claims recovered slowly. Management expects low to mid-single-digit growth in the second half, which should lift Performance Coatings EBITDA margin from 22.7% in Q2 (25.7% a year ago). Watch: Q3 refinish organic sales.
What does management say?	Management reaffirmed 2026 adjusted EPS guidance of \$7.70 to \$8.10 and expects Q3 organic sales growth in the low to mid-single digits. It guided Q3 adjusted EBITDA margin flat to down 100 basis points, with Industrial Coatings margins squeezed by the timing of index-based pricing. PPG bought back \$175 million of stock in the first half.

2. Low P/E Ratio							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
EPS (model)	\$5.18	\$5.75	\$6.94	\$7.30	\$7.41	\$7.12	
P/E at current price	20.6x	18.6x	15.4x	14.7x	14.4x	15.0x	
Peer median P/E (FactSet, subject excl.)	19.8x	FY2026E P/E vs. peer median		(26%)			
3. Low Price / Cash Flow							No
FCFE / share	\$4.95	\$11.59	-\$0.49	\$6.57	\$8.77	\$5.07	
Price / FCFE	21.6x	9.2x	NM	16.3x	12.2x	21.1x	
Peer median P/CF (FactSet, subject excl.)	12.4x	Price / FCFE (today) vs. peer median		NM			
4. Low Price / Book Value							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Book value / share	\$33.19	\$29.02	\$35.09	\$39.29	\$43.57	\$47.55	
Price / Book	3.2x	3.7x	3.0x	2.7x	2.5x	2.3x	
ROE (EOY book)	15.6%	19.8%	19.8%	18.6%	17.0%	15.1%	
Peer median P/B (FactSet, subject excl.)	3.9x	Price / book (today) vs. peer median		(21%)			

PPG Industries, Inc. (PPG) — Value Criteria, continued

5. Financial Soundness							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	6,599	6,395	7,896	7,896	7,896	7,896	
Net debt (\$mm)	5,031	5,037	5,677	4,954	3,746	3,398	
Total debt / equity (gross)	84.3%	94.3%	99.4%	89.2%	80.8%	74.6%	
Total debt / assets (gross)	30.5%	32.9%	35.7%	34.0%	32.5%	31.3%	
Net debt / invested capital	29.7%	32.7%	31.6%	26.2%	18.9%	16.5%	
Net debt / EBIT	2.3x	2.2x	2.7x	2.2x	1.6x	1.5x	
Tax rate	22.4%	Book equity (\$mm)	7,941				

6. Positive Earnings Dynamics							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	3.4%	(13.2%)	0.2%	5.7%	3.2%	3.0%	
EBIT margin	12.0%	14.2%	13.3%	13.5%	13.5%	13.0%	
EPS growth	19.0%	10.9%	20.8%	5.1%	1.6%	(4.0%)	

7. Business Strategy & Segment Mix							Yes
Strategy	Win share with technology-led coatings in aerospace, packaging and auto OEM, price ahead of cost inflation, and cut costs, after selling the U.S. and Canada architectural business.						

Segment / geography mix	Industrial ~40%, Performance ~36%, Architectural ~24% of Q2-26 sales; 50+ countries						
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8. Capable Management & Insider Ownership						Yes
Insider ownership	0.1%	Inst. ownership	92.8%	Div+buybacks, % NOPAT (FY1E)		41.8%
Insider activity / governance	Former CFO sold \$10M+ of stock in Feb-26; CEO's last open-market purchase was May-24. Insider ownership only 0.1%.					

9. Valuation — Value Creation (ROIC vs. ke)							Yes
ROIC (FY1E)	11.0%	Cost of equity (ke)	9.4%	EVA spread (ROIC – ke)		1.6%	
Price target / upside	\$128.00	19.6%		Value / share range (low–high)		\$80 – \$164	

10. Uses of Capital — allocation discipline							Yes
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Reinvestment 11% of NOPAT, dividends + buybacks 42% in FY2026E; pays a dividend and buys back stock — full detail in the Uses of Capital table below.

VALUE FIT SCORE — criteria met	8 / 10
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FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	18,246	15,845	15,875	16,780	17,317	17,836	(0.5%)
Gross margin	33.0%	38.3%	37.9%	38.0%	39.0%	40.0%	
EBIT	2,190	2,257	2,110	2,265	2,338	2,319	1.1%
Net income	1,223	1,344	1,571	1,644	1,662	1,587	5.4%
EPS (basic)	\$5.18	\$5.75	\$6.94	\$7.30	\$7.41	\$7.12	6.6%
Dividend / share	\$2.53	\$2.66	\$2.78	\$2.79	\$2.80	\$2.82	
FCFE / share	\$4.95	\$11.59	-\$0.49	\$6.57	\$8.77	\$5.07	0.5%
Invested capital	16,952	15,396	17,986	18,895	19,815	20,634	4.0%
ROIC	10.6%	11.9%	10.3%	11.0%	11.5%	11.0%	
NOPAT margin	9.0%	10.6%	10.3%	10.5%	10.4%	10.0%	
Sales / NWC	14.68x	12.68x	9.43x	11.83x	13.42x	13.42x	
Sales / NFA	1.28x	1.23x	1.12x	1.15x	1.20x	1.20x	
Sales / invested capital (ex cash)	1.18x	1.12x	1.00x	1.05x	1.10x	1.10x	

USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	1,635	1,678	1,637	1,758	1,800	1,785	
Uses, as % of NOPAT							
CapEx, R&D & content (Δ NFA)	39.4%	(79.9%)	77.1%	25.7%	(8.9%)	24.2%	13.0%
Working capital (Δ NWC)	(33.7%)	0.4%	26.5%	(15.1%)	(7.1%)	2.2%	(4.5%)
Dividends	36.6%	37.1%	38.4%	35.7%	34.9%	35.2%	36.3%
Share buybacks	(37.6%)	105.4%	(13.0%)	6.1%	6.4%	7.8%	12.5%
Debt repaid (neg. = borrowing)	63.3%	12.2%	(91.7%)	—	—	—	(2.7%)
Cash & securities build	25.3%	(12.5%)	52.6%	41.1%	67.1%	19.5%	32.2%
Interest & other (residual)	6.6%	37.3%	10.1%	6.5%	7.6%	11.1%	13.2%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	5.7%	(79.4%)	103.6%	10.6%	(16.0%)	26.4%	8.5%
Dividends + buybacks, % of NOPAT	(1.0%)	142.5%	25.3%	41.8%	41.3%	43.0%	48.8%

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)						
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
RPM	RPM International Inc.	19.4x	1.6x	3.9x	14.2x	16.0x
MMM	3M Company	30.1x	3.5x	29.6x	18.1x	19.7x
SHW	Sherwin-Williams Company	30.7x	3.4x	21.0x	21.1x	23.7x
AXTA	Axalta Coating Systems Ltd.	20.1x	1.4x	2.8x	10.0x	12.6x
EMN	Eastman Chemical Company	17.3x	0.9x	1.2x	7.7x	12.3x
MAS	Masco Corporation	15.8x	1.8x		10.5x	12.5x
Median	Peer median (subject excluded)	19.8x	1.7x	3.9x	12.4x	14.3x
PPG	Subject, at current price	15.4x	1.5x	3.0x	NM	14.2x
Premium / (discount) to peer median		(22%)	(11%)	(21%)	n/a	(1%)

Peer set from AutoTearSheet-5Page!DI4:DI9. Median is of peers only and excludes blanks.

KEY RISKS						
1. Price-cost slips — pricing covered only about 90% of cost inflation in Q2; if full coverage slips past the fourth quarter or index-based contracts keep lagging in Industrial Coatings, the 13.5% FY2026E EBIT margin is too high. Watch price versus cost coverage and Q3 margins (guided flat to down 100 bp).						
2. Refinish and end-market demand — automotive refinish organic sales fell by a double-digit percentage in Q2 and the second-half recovery depends on insurance claims; a weaker auto build or soft European consumer would also put 5.7% FY2026E revenue growth at risk. Watch refinish organic sales and auto OEM volumes.						
3. Leverage and valuation spread — net debt is 2.7x EBIT, and the four valuation methods range from \$80 to \$164; the constant-growth case of \$80 is -25.4% from here, so the target leans on terminal multiples holding.						
Exit discipline — exit if TTM ROIC falls two consecutive quarters, if full-year EBIT margin guidance drops below the 13.3% FY2025A base, or if the position breaches the fund's drawdown limit.						

Sources: model outputs linked to Auto-FinandValInfo and AutoTearSheet-5Page (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.