

Initiated 2026-10-29 · Price \$118.44 (as of 2026-10-28 close, stockanalysis) · Mkt cap \$26.33bn (222.3mm shares) · Materials / paints & coatings · Model: verified

Rating: Hold — Conviction: Low

PPG is a high-quality, A3/BBB+ global coatings franchise trading at 13.9x forward earnings, well below Sherwin-Williams and RPM. The discount is earned, though. Sales have been flat for three years (\$16.2bn FY2023, \$15.9bn FY2025, continuing operations), adjusted EBITDA margin has gone nowhere, and Industrial Coatings is absorbing input-cost inflation just as Brent sits near \$110. A Base case that restores the 2024 margin and grows about 3% a year is worth roughly today's price on the exit-multiple method and less on the Gordon method. Hold, with the downside skew stated plainly.

Conviction tests (3a-v-c): T1 fail (Base -20.3% at +1pp → Sell; +1.4% at -1pp → Hold) · T2 fail (Gordon \$95.12 (-19.7%) → Sell; exit \$116.10 (-2.0%) → Hold) · T3 pass (revenue from EDGAR XBRL; adj. EBITDA, NWC, debt, cash, shares from 8-K releases and the Q3 10-Q; no est facts) · T4 pass (no pending deal, litigation or regulatory event outside the cases)

MODEL VALUE RANGE VS PRICE



Business overview

PPG sells paints, coatings and specialty materials in more than 70 countries. FY2025 sales were \$15.9bn across three segments: Industrial Coatings (\$6.5bn: auto OEM, packaging, general industrial), Performance Coatings (\$5.5bn: aerospace, auto refinish, protective and marine, traffic) and Global Architectural Coatings (\$3.8bn: EMEA, Latin America and Asia, since the U.S./Canada business was sold in December 2024). Earnings turn on three things. The first is volume in industrial end-markets and European construction. The second is the spread between selling prices and oil-derived raw materials (resins, solvents, pigments). The third is mix, since Performance earned a 23.9% segment EBITDA margin in Q3 2026 against Industrial's 14.4%. Q3 2026 sales rose 7% (organic +5%) to \$4.35bn. Management narrowed FY2026 adjusted EPS guidance to \$7.90–8.10.

Competition

On PCI's 2026 Global Top 10 (2025 sales), Sherwin-Williams leads at ~\$19.8bn of coatings sales, PPG is second at \$15.9bn, and AkzoNobel and Nippon Paint are each around \$11bn. The AkzoNobel–Axalta all-share merger was approved by both companies' shareholders on 2026-08-05. Closing is expected late 2026 to early 2027, subject to regulators. The combination would have about \$16.2bn of 2025 coatings sales, overtaking PPG in auto refinish, auto OEM and industrial, where Axalta competes directly. Pressure would show up first as price in contract-indexed Industrial and Refinish business, where PPG already reported a high-single-digit refinish organic decline for the first nine months. Sherwin, the closest listed comparable, trades at 24.8x forward earnings on its North American architectural store network, a business PPG no longer owns.

Bull case

- 1. **Performance mix and aerospace** — Aerospace organic sales grew double digits through nine months with a strong order backlog. Every point of mix toward Performance lifts the group margin. Plays out if aerospace build rates keep rising and refinish volumes stabilise in 2027. *Model: rev_growth, ebitda_margin*
- 2. **Industrial recovery on a reset cost base** — After \$377mm of 2024 restructuring, a volume recovery in auto OEM and general industrial would lift margin back above 18% toward ~19.5%. Plays out if global industrial production turns up and raw materials ease. *Model: rev_growth, ebitda_margin*
- 3. **Multiple normalisation** — EV/EBITDA has fallen from 16.6x (FY2022) to 11.0x (FY2025) on the source's basis. Visible growth would reverse part of that de-rating. *Model: exit_ev_ebitda*

Bear case

- 1. **Industrial and European volume downturn** — Industrial is 41% of sales and EMEA architectural is construction-linked. A 2027 industrial recession would cut volume on high fixed costs. Plays out if U.S. and European manufacturing PMIs roll over. *Model: rev_growth, ebitda_margin*
- 2. **Raw-material squeeze** — Industrial margins compressed in Q3 on input-cost inflation, and Q4 guidance repeats it. Q2 pricing covered only ~90% of COGS inflation (call coverage, secondary). Plays out if Brent holds above \$100 and contract index pricing lags. *Model: ebitda_margin*
- 3. **Structural low growth and a scaled rival** — Three years of flat sales, a larger Akzo–Axalta in PPG's industrial and refinish markets, and a de-rating toward diversified-chemicals multiples. *Model: rev_growth, exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/E forward (consensus)	13.9x	TTM P/E 14.6x (FY2025) – 28.8x (FY2022)	SHW 24.8x · RPM 16.2x · AXTA 12.7x	stockanalysis, 2026-10-28
EV/EBITDA, model basis (mkt cap – cash + debt + NCI/pension claims ÷ FY2025 adj. EBITDA; ex-leases)	11.9x	11.0x–20.5x FY2021–25 (stockanalysis basis, reported EBITDA)	RPM 12.2x · AXTA 9.9x (stockanalysis basis)	8-K/10-Q; stockanalysis, 2026-10-28
FCF yield (TTM)	5.3%	P/FCF 18.6x–62.0x FY2021–25	SHW 4.0% · RPM 5.6% · AXTA 6.7%	stockanalysis, 2026-10-28
Dividend yield	2.5%	—	SHW 1.0% · RPM 2.3% · AXTA none	stockanalysis, 2026-10-28

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$56.23 · Base \$105.61 · Bull \$146.32 per share, i.e. implied returns of –52.5% / –10.8% / +23.5% vs \$118.44. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits above Base and about a third of the way from Base to Bull, so the market is already paying for some of the margin recovery. The Base exit multiple of 11.0x is a ~8% de-rating from today's 11.9x. The Gordon method is 22% below the exit method (\$95.12 vs \$116.10), so it embeds a further de-rating at a 9.0% WACC. The rating turns on that gap. No tail run: no customer or product is ≥50% of sales, and the bear is a break, not a plateau.

Balance sheet: net leverage 1.9x FY2025 adj. EBITDA (net debt \$5.2bn), coverage 12.0x, liquidity \$1.64bn cash and short-term investments plus an undrawn \$2.3bn revolver and no commercial paper. The nearest material maturity is \$686mm of short-term debt and current LTD (incl. the 1.400% 2027 notes). Ratings: Moody's A3, S&P BBB+, Fitch BBB+.

Model note: Built and verified (LibreOffice recalculation matched all 3,207 formula cells). Unverified inputs: none. Assumptions without basis: none. Scenario consistency CHECKS: none. FY0 = FY2025 continuing operations, with balance-sheet facts at 2026-09-30. `other_claims` of \$1,074mm carries NCI plus pre-tax pension and OPEB liabilities; excluding pension/OPEB would add ~\$4.20/sh. WACC 9.0% equals the CAPM arithmetic in its basis (10Y 5.05%, β 1.05, 5% ERP, 5.6% pre-tax debt, 79/21 weights = 9.07%), with no haircut. The

debt coupons and the weighted maturity are aggregate estimates; they have no value effect. Base Y1 EPS \$7.81 is 2.4% below the \$8.00 guidance midpoint, within tolerance.

Relative Value vs Peers						
Metric	PPG	SHW	RPM	AXTA	Peer median	vs median
P/E (TTM)	16.9x	29.6x	18.4x	21.3x	21.3x	-21%
P/E (forward)	13.9x	24.8x	16.2x	12.7x	16.2x	-15%
PEG	1.8x	2.3x	1.7x	1.6x	1.7x	+8%
P/B	3.1x	19.4x	3.6x	2.9x	3.6x	-14%
FCF yield (TTM)	5.3%	4.0%	5.6%	6.7%	5.6%	-0.2pp
Dividend yield	2.5%	1.0%	2.3%	0.0%	1.0%	+1.5pp

P/E (TTM)

SHW	29.6x
AXTA	21.3x
RPM	18.4x
PPG	16.9x

P/E (forward)

SHW	24.8x
RPM	16.2x
PPG	13.9x
AXTA	12.7x

PEG

SHW	2.3x
PPG	1.8x
RPM	1.7x
AXTA	1.6x

P/B

SHW	19.4x
RPM	3.6x
PPG	3.1x
AXTA	2.9x

FCF yield (TTM)

AXTA	6.7%
RPM	5.6%
PPG	5.3%
SHW	4.0%

Dividend yield

PPG	2.5%
RPM	2.3%
SHW	1.0%
AXTA	0.0%

As of 2026-10-29. One source and one definition for every company: stockanalysis TTM and consensus-forward figures as the source defines them. Not the model's own EV basis. All quotes at the 2026-10-28 close Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-29.

Notes. Omitted: the source showed no EV/EBITDA for PPG or SHW on 2026-10-28 (RPM 12.21x, AXTA 9.94x). PPG on the model basis is ~11.9x FY2025 adjusted EBITDA (see the report). SHW's P/B reflects years of buybacks shrinking book equity; not comparable. Axalta pays no dividend (0).

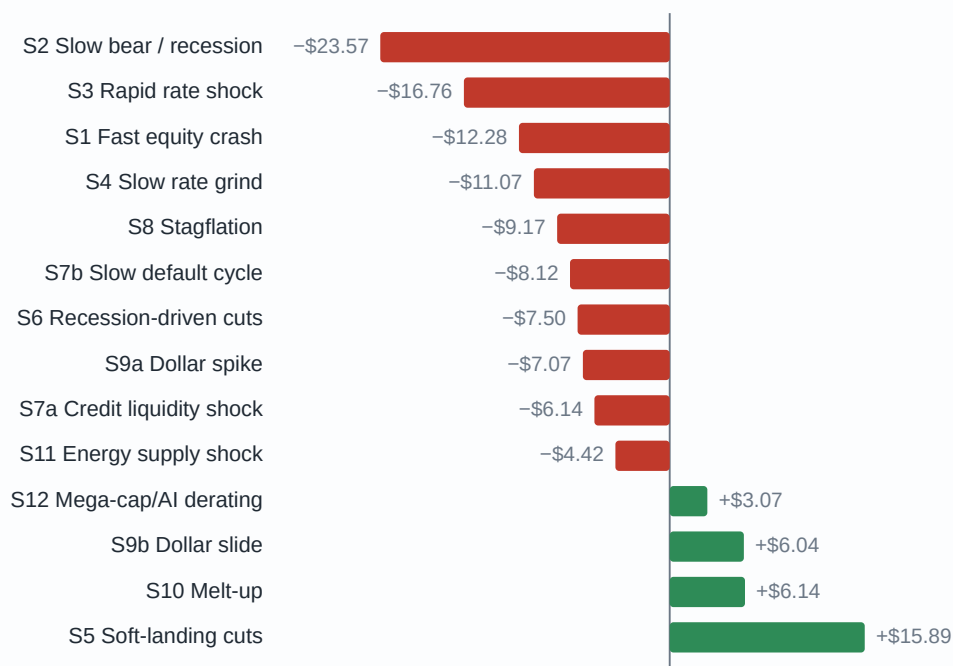
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Beta ~1.05 large cap de-rates with the market; no operating channel	Med	-\$12.28
S2 Slow bear / recession	-	Industrial, auto OEM and EMEA volume falls, margin -2.5pp, trough multiple. About half of Base – Bear (\$49.38) on purpose: a two-year dip, not the bear's permanent margin reset plus a 10% WACC	High	-\$23.57
S3 Rapid rate shock	-	+1pp discount rate on a mid-teens-multiple compounder; fixed-rate debt mutes the interest channel	High	-\$16.76
S4 Slow rate grind	-	Same channel, slower; housing- and construction-linked architectural demand grinds	Med	-\$11.07
S5 Soft-landing cuts	+	Lower rates, steady industrial demand and a European construction recovery	High	+\$15.89
S6 Recession-driven cuts	-	Volume loss outweighs the lower discount rate	Med	-\$7.50
S7a Credit liquidity shock	-	A3/BBB+ with undrawn revolver; multiple compresses with risk assets, no funding stress	Low	-\$6.14
S7b Slow default cycle	-	Stress among industrial OEMs and distributors trims volume	Med	-\$8.12
S8 Stagflation	-	Oil-derived inputs inflate faster than price; nominal sales up	Med	-\$9.17
S9a Dollar spike	-	About half of sales outside the U.S. translate lower	Med	-\$7.07
S9b Dollar slide	+	Translation tailwind	Low	+\$6.04
S10 Melt-up	+	Lower-beta cyclical participates modestly	Low	+\$6.14
S11 Energy supply shock	-	Feedstock spike hits margin with a 1–2 quarter lag before pricing catches up; modeled as a two-year margin dip	Low	-\$4.42
S12 Mega-cap/AI derating	+	Rotation into cheaper industrial cyclicals; no operating channel	Low	+\$3.07

Currently active/on watch per the playbook: S3 partially active (10Y 5.05% on 2026-10-28); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: organic growth runs $\geq 3\%$ for two consecutive quarters with Industrial segment EBITDA margin back above 15%, or the price falls toward the low \$90s with the Base case intact. **Downgrades if:** the 2027 guide implies flat-to-down adjusted EPS, Industrial margin compression persists into H1 2027, or the 10Y holds well above 5% (the rating is Sell at +1pp).

Watch items

- **W1:** FY2026 adjusted EPS vs \$7.90–8.10 and the first 2027 organic-growth guide — met if 2027 guide is $\geq$ low-single-digit organic with EPS growth — Q4 2026 release — late January 2027 — *Model: rev_growth*
- **W2:** Industrial Coatings segment EBITDA margin (14.4% in Q3 2026) — missed if below 14% in Q4 2026 and Q1 2027 — 8-K releases — Jan/Apr 2027 — *Model: ebitda_margin*
- **W3:** AkzoNobel–Axalta closing and any remedies in refinish/industrial — closes or breaks — AkzoNobel 6-K — late 2026 to early 2027 — *Model: none*
- **W4:** FY2026 free cash flow $\geq$ \$1.2bn and net debt $\leq$ \$5.2bn — FY2026 10-K — February 2027 — *Model: none*

Sources

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