

PPG Industries: What should the coatings business become?

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In February 2024, PPG Industries announced a strategic review of its U.S. and Canada architectural coatings business. Eight months later, the company had reported third-quarter results, but its public disclosures still did not provide the business's standalone profit, cash flow, capital requirements, or separation economics. PPG had named several possible structures: remain part of PPG, operate independently, form a joint venture, or move to a partner or different owner.

For this exercise, assume you advise a hypothetical PPG board strategy committee immediately after the October 16 Q3 release. The committee must decide which path to prioritize and what evidence and conditions should govern a final decision. This case is based on public information; it does not describe an actual committee mandate.

The assignment

Recommend whether PPG should retain and invest in the business, pursue a standalone or partnership/JV structure, or seek a sale to a strategic or financial owner. You may recommend a staged process or a combination, but specify what should happen next and what would change your view.

Address the strategic logic, the evidence for and against it, the information needed to compare alternatives, and the risks to customers, employees, brands, and continuing PPG operations. Distinguish observed results from management's pro forma calculations and from your own assumptions. The public record does not establish a best answer.

A scaled business under review

PPG described the reviewed business as architectural coatings in the United States and Canada, including paint, stain, adhesives and sealants, and certain light-duty protective coatings. The February announcement said the business represented approximately 10% of PPG's 2023 net sales, had about 6,600 employees, served more than 15,000 distribution touchpoints, and included approximately 750 company-owned stores in the U.S. (including Puerto Rico) and Canada. The store figure therefore extends beyond the U.S./Canada decision scope. The release described a shared factory footprint but did not quantify which plants, services, technologies, or costs were shared with other PPG businesses.

The business reaches customers through company-owned stores, independent dealers, home centers, retailers, distributors and direct channels. PPG's 2023 Form 10-K described competition across its architectural coatings businesses in terms of product performance, technology,

quality, technical and customer service, price, customer productivity, distribution, and brand recognition. These are company-level descriptions; they do not disclose the reviewed unit's channel profitability or customer-level economics.

PPG said it had modernized the business through customer-facing digital tools, changes to manufacturing and distribution, an asset-light distribution model, and new products. Management characterized the business as having positive momentum and as being positioned to accelerate its transformation. These statements support a possible case for retaining or partnering around the business, but the company did not disclose initiative-level spending, adoption, or returns.

The portfolio case for change

PPG said 2023 volume in the reviewed business was flat. Management calculated that excluding the business would have improved PPG's three-year sales-volume change by more than 200 basis points. It also said 2023 Performance Coatings margins would have been approximately 300 basis points higher if the business's earnings before interest and taxes (EBIT) and associated growth investments were excluded.

These are management's pro forma comparisons, not demonstrated improvements from a transaction. The public announcement does not provide the denominators, detailed business allocations, amount of associated growth investments, or a bridge from the calculations to profit or cash flow. Removing a lower-growth business can raise a portfolio's reported growth or margin rate even if total earnings fall. The figures do not establish that a buyer would pay more than the value of retaining the business or that redeployed capital would earn a higher return.

PPG's February announcement said a partner or different owner might accelerate growth and transformation. The company also said it would consider retaining the business as core, operating it standalone, or establishing a joint venture. The announcement did not identify a counterparty, offer, valuation, financing plan, or preferred structure.

The latest operating evidence

PPG's October 16 Q3 release reported consolidated sales of \$4.575 billion, compared with \$4.644 billion a year earlier; organic sales were flat. The company maintained its full-year 2024 guidance of flat organic sales and adjusted earnings per share at the low end of \$8.15-\$8.30. Q3 adjusted EPS was \$2.13, while reported EPS was \$2.00. Adjusted EPS is a non-GAAP measure. These are consolidated results, not results for the business under review.

Performance Coatings reported Q3 sales of \$2.921 billion, up 1%, segment income of \$513 million, up 13%, and a 17.6% segment margin. Segment volume increased 2%. Industrial Coatings reported sales of \$1.654 billion, down 6%, segment income of \$199 million, down 19%, and a 12.0% margin; volume declined 3%. Performance Coatings includes multiple businesses beyond the reviewed architectural coatings unit, and neither segment is a proxy for the unit's standalone economics.

The Q3 release attributed Performance Coatings growth to aerospace, refinish share gains, and architectural coatings in the Americas and Asia Pacific. It also reported solid U.S./Canada professional-contractor sales volumes. This is counterevidence to a simple claim that the reviewed business was uniformly weak. Yet the geographic and channel descriptions are partial: "Americas and Asia Pacific" is broader than the U.S./Canada unit, and professional contractors are one channel rather than the entire business. PPG also reported soft U.S./Canada do-it-yourself (DIY) demand in its 2023 discussion. Neither observation establishes the whole unit's trajectory.

PPG's 2023 filing places AC Americas/APAC within Performance Coatings alongside aerospace, refinish, protective and marine, traffic solutions, and AC EMEA. The broader portfolio may create technology, manufacturing, procurement, distribution, or customer advantages. The filing does not measure the value of those links or the cost of retaining them after a separation.

Three plausible paths

Path	Strategic case	Questions and risks
Retain and invest	Preserve PPG's brands, channels, technical resources and possible operating links; continue the transformation while professional-contractor volume is solid.	What investment remains, what returns could it earn, and how long should PPG wait? Could the business receive focused management attention without a change of ownership?
Standalone, partner or JV	Add governance focus, capital, or capabilities while preserving selected PPG relationships, supply, technology or brands.	What would transfer or remain? Who would control investment, pricing, service, and customer relationships? How would contributions, costs, and future value be divided? No partner or design is public.
Sell to a strategic or financial owner	Reallocate management attention and capital; a buyer may have capabilities or ownership incentives suited to the business.	Would a strategic buyer pay for synergies? Would a financial owner have a credible operating plan? What proceeds, transition costs, taxes, stranded costs, supply terms, and customer protections would determine value? No bids or standalone valuation are public.

Research on divestitures suggests that portfolio changes can support focus and resource reallocation, but that evidence does not resolve this company-specific decision. Feldman and McGrath (2016) distinguish financial explanations for divestiture from strategic renewal and caution that selloffs and spin-offs have different units of analysis. Nary's study of U.S. manufacturers found lower average seller announcement returns for direct private-equity acquisitions than for corporate buyers, while estimates for PE-owned corporate buyers were generally not statistically distinct. Those historical associations concern short-window investor response, not PPG's likely sale price or the performance of this business. They invite questions about buyer fit and bargaining conditions rather than dictate a buyer choice.

What the board does not know

The cutoff-safe public record does not disclose a target-only revenue bridge, operating profit or cash flow, working capital, capital expenditure, R&D, or invested capital. It also does not quantify shared plants and services, stranded costs, separation expense, tax effects, transition-service needs, customer or employee retention risks, buyer synergies, bids, or returns on redeployed resources. PPG's rounded pro forma figures cannot fill those gaps.

The board can still decide what to prioritize and what diligence to require. It can compare a transparent retain-and-invest plan with independently prepared standalone and buyer cases; require consistent definitions and full cost allocation; test customer and employee continuity; and set milestones that would justify proceeding, pausing, or changing structure. Such a process should preserve the possibility that the business is more valuable inside PPG, with a partner, or under another owner.

Discussion questions

1. Which path should PPG prioritize, and what is the strongest counterargument to your recommendation?
2. What do the 200+ basis-point volume and approximately 300 basis-point margin pro formas establish? What do they leave unresolved?
3. How should the Q3 contractor-volume evidence affect the decision, given the broader geographic and segment reporting?
4. What minimum information would allow a fair comparison of retain, partner/JV/standalone, and sale alternatives?
5. How would you structure a process to test buyer interest and standalone feasibility without assuming in advance that a sale creates value?
6. What milestones, guardrails, or decision rights would protect customers, employees, and continuing PPG businesses while the committee evaluates options?

Exhibits

Exhibit 1. Publicly described scope and scale

Item	PPG disclosure	Interpretation limit
Reviewed scope	U.S. and Canada architectural coatings	Includes certain light-duty protective coatings; not all AC Americas/APAC
Share of 2023 PPG sales	Approximately 10%	Rounded share, not a business revenue or profit statement
Distribution	15,000+ touchpoints	No channel-level profitability or customer data
Company-owned stores	Approximately 750 in U.S. (including Puerto Rico) and Canada	Count includes Puerto Rico; not a U.S./Canada-only count
Employees	Approximately 6,600	No business-specific transition or retention data
Alternatives named by PPG	Retain as core, standalone, JV, partner/different owner	No public offer, counterparty, or valuation

Exhibit 2. Management's portfolio pro formas

Management statement	What it compares	What is not disclosed
More than 200 bps improvement in three-year sales-volume change	PPG's result excluding the reviewed business	Denominator details, calculation bridge, and whether the comparison predicts future growth
Approximately 300 bps higher 2023 Performance Coatings margin	Segment margin excluding the unit's EBIT and associated growth investments	Exact allocations, investment amount, resulting total earnings/cash flow, and transaction value

Both are management calculations disclosed February 26, 2024. They are not transaction outcomes or proof of value creation.

Exhibit 3. Q3 2024 results available at cutoff

Measure	Q3 2024	Comparison / context
Consolidated sales	\$4.575B	\$4.644B in Q3 2023
Consolidated organic sales	Flat	Compared with prior-year quarter
Reported EPS / adjusted EPS	\$2.00 / \$2.13	Adjusted EPS is non-GAAP
Performance Coatings sales	\$2.921B	+1% year over year
Performance Coatings segment income / margin	\$513M / 17.6%	Segment volume +2%; broader than reviewed unit
Industrial Coatings sales	\$1.654B	−6% year over year
Industrial Coatings segment income / margin	\$199M / 12.0%	Segment volume −3%
FY2024 guidance	Flat organic sales; adjusted EPS low end of \$8.15-\$8.30	Management guidance, not realized result

PPG attributed Performance Coatings growth to several businesses, including architectural coatings Americas/APAC, and described U.S./Canada professional-contractor sales volumes as solid. These statements do not isolate the reviewed unit's total volume, profit, or outlook.

Sources and cutoff

- PPG, **2023 Form 10-K**, filed February 20, 2024: Item 1, printed pp. 3-5; Item 7, printed p. 22; Note 21, printed pp. 67-69.
- PPG, **“PPG to review strategic alternatives for architectural coatings business in the U.S. and Canada”**, February 26, 2024: business description, management pro forma discussion and footprint paragraphs.
- PPG, **Q3 2024 Form 8-K**, accession 0000079879-24-000213, accepted October 16, 2024 at 16:13:16 ET; Exhibit 99, **Q3 earnings release**: consolidated and segment tables, CEO remarks, definitions and guidance.
- Academic context: Feldman and McGrath, “Divestitures” (2016), **DOI**; Nary, “Do Corporations Benefit from Divesting to Private Equity Acquirers?” (2024), **DOI**. The studies provide mechanisms and historical associations, not PPG-specific forecasts.

The information set ends at the Form 8-K's EDGAR acceptance time on October 16, 2024, 16:13:16 ET. The 8-K and furnished earnings-release exhibit are included; only information available by the stated cutoff informs the assignment.