



## **Q2 2019 Financial Results**

**July 25, 2019**

# Legal Notices



## Forward-Looking Statements

This presentation and the oral remarks made in connection herewith may contain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including those relating to our 2019 financial projections, which include net sales, net sales excluding FX, Adjusted EBIT, depreciation and amortization, Adjusted EBITDA, interest expense, tax rate, as adjusted, Adjusted EPS, free cash flow, capital expenditures, diluted shares outstanding, impacts from acquisitions and divestitures, FX impacts, pricing actions and related assumptions. Any forward-looking statements involve risks, uncertainties and assumptions. These statements often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “target,” “project,” “forecast,” “seek,” “will,” “may,” “should,” “could,” “would,” or similar expressions. These statements are based on certain assumptions that we have made in light of our experience in the industry and our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances as of the date hereof. Although we believe that the assumptions and analysis underlying these statements are reasonable as of the date hereof, investors are cautioned not to place undue reliance on these statements. We do not have any obligation to and do not intend to update any forward-looking statements included herein, which speak only as of the date hereof. You should understand that these statements are not guarantees of future performance or results. Actual results could differ materially from those described in any forward-looking statements contained herein or the oral remarks made in connection herewith as a result of a variety of factors, including known and unknown risks and uncertainties, many of which are beyond our control including, but not limited to, our recently announced review of strategic alternatives, the risks and uncertainties described in “Non-GAAP Financial Measures,” and “Forward-Looking Statements” as well as “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019.

## Non-GAAP Financial Measures

The historical financial information included in this presentation includes financial information that is not presented in accordance with generally accepted accounting principles in the United States (“GAAP”), including net sales excluding FX, Adjusted Net Income, Adjusted EPS, EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT, Free Cash Flow, tax rate, as adjusted, and Net Debt. Management uses these non-GAAP financial measures in the analysis of our financial and operating performance because they assist in the evaluation of underlying trends in our business. Adjusted EBITDA, Adjusted EBIT and Adjusted EPS consist of EBITDA, EBIT and Diluted EPS, respectively, adjusted for (i) certain non-cash items included within net income, (ii) certain items Axalta does not believe are indicative of ongoing operating performance or (iii) certain nonrecurring, unusual or infrequent items that have not occurred within the last two years or we believe are not reasonably likely to recur within the next two years. We believe that making such adjustments provides investors meaningful information to understand our operating results and ability to analyze financial and business trends on a period-to-period basis. Adjusted net income shows the adjusted value of net income attributable to controlling interests after removing the items that are determined by management to be items that we do not consider indicative of our ongoing operating performance unusual or nonrecurring in nature. Our use of the terms net sales excluding FX, Adjusted Net Income, Adjusted EPS, EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT, Free Cash Flow, tax rate, as adjusted, and Net Debt may differ from that of others in our industry. Net sales excluding FX, Adjusted Net Income, Adjusted EPS, EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT and Free Cash Flow should not be considered as alternatives to net sales, net income, operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. Net sales excluding FX, Adjusted Net Income, Adjusted EPS, EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT, Free Cash Flow, tax rate, as adjusted, and Net Debt have important limitations as analytical tools and should be considered in conjunction with, and not as substitutes for, our results as reported under GAAP. This presentation includes a reconciliation of certain non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP. Axalta does not provide a reconciliation for non-GAAP estimates for net sales excluding FX, Adjusted EPS, Adjusted EBITDA, Adjusted EBIT, Free Cash Flow or tax rate, as adjusted, on a forward-looking basis because the information necessary to calculate a meaningful or accurate estimation of reconciling items is not available without unreasonable effort. For example, such reconciling items include the impact of foreign currency exchange gains or losses, gains or losses that are unusual or nonrecurring in nature, as well as discrete taxable events. We cannot estimate or project those items and they may have a substantial and unpredictable impact on our GAAP results.

## Constant Currency

Constant currency or ex-FX percentages are calculated by excluding the change in average exchange rates between the current and comparable period by currency denomination exposure of the comparable period amount.

## Segment Financial Measures

Our primary measure of segment operating performance, as determined in accordance with GAAP, is Adjusted EBIT, which is a key metric that is used by management to evaluate business performance in comparison to budgets, forecasts and prior year financial results, providing a measure that management believes reflects Axalta's core operating performance. A reconciliation of this non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP is not required.

## Defined Terms

All capitalized terms contained within this presentation have been previously defined in our filings with the United States Securities and Exchange Commission.

## Rounding

Due to rounding the tables presented may not foot.

# Q2 2019 Highlights



## ■ Q2 2019 financial results

- Net sales of \$1.2 billion down 4.5% YoY (decrease of 0.1% ex-FX and China JV sale)
- Positive price-product mix in both segments, including notable acceleration in Light Vehicle
- Income from operations of \$158 million increased 7.8% YoY; Adjusted EBIT of \$197 million increased 8.6% versus \$182 million in Q2 2018
- Diluted EPS of \$0.42 increased 35.5% from Q2 2018; Adjusted EPS of \$0.52 increased 13.0% from Q2 2018

## ■ End-market observations

- Refinish: Strong price-product mix globally; mid-single digit net sales growth ex-FX
- Industrial: Strong price-product mix globally; moderate volume pressures from slower global industrial production trends as well as impact of a consolidated China powder coatings JV sale
- Light Vehicle: Strong price-product mix contribution of 3.6%; volume pullback reflecting production trends globally
- Commercial Vehicle: Continued volume growth in all core regions

## ■ Cash flow highlights

- Operating cash flow of \$127 million in Q2 2019 versus \$142 million in Q2 2018
- Free cash flow of \$104 million in Q2 2019 versus \$107 million in Q2 2018
- \$40 million deployed for share repurchases at \$24.90 weighted average price (\$105 million deployed year-to-date)
- \$400 million revolver (currently undrawn) extended by three years at improved terms

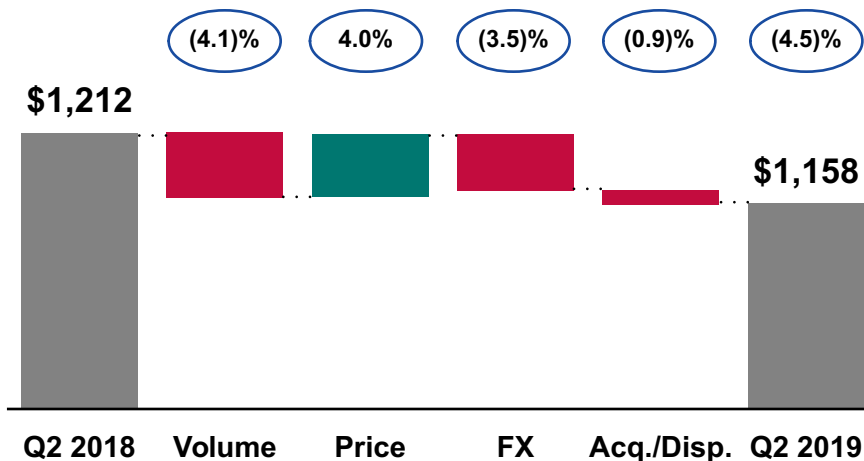
# Q2 Consolidated Results



## Financial Performance

(\$ in millions, except per share data)	Q2		% Change	
	2019	2018	Incl. F/X	Excl. F/X
Performance	757	786	(3.7)%	(0.2)%
Transportation	401	426	(6.0)%	(2.4)%
Net Sales	1,158	1,212	(4.5)%	(1.0)%
Income from ops	158	147	7.8 %	
Adjusted EBIT	197	182	8.6 %	
Diluted EPS	0.42	0.31	35.5 %	
Adjusted EPS	0.52	0.46	13.0 %	

## Net Sales Variance



## Commentary

### Net sales stable excluding FX and China JV sale - continued strong price-mix

- Volume decline in Transportation Coatings from Light Vehicle, partly offset in Commercial Vehicle with ongoing Americas strength; modest pressure in Performance Coatings most notably from Industrial
- Price momentum remained strong across Performance Coatings; accelerating price recapture in Light Vehicle
- Unfavorable currency impact driven by the Euro, Renminbi and Real
- Net sales negatively impacted from disposition of a consolidated China powder coatings JV

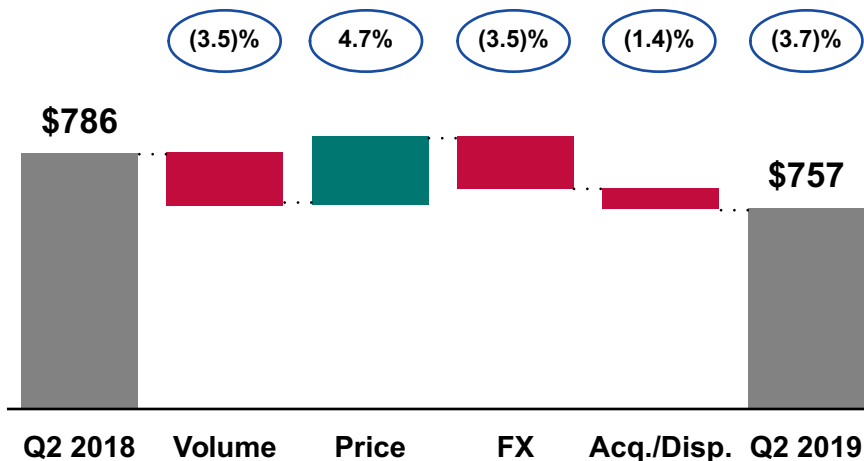
# Q2 Performance Coatings Results



## Financial Performance

(\$ in millions)	Q2		% Change	
	2019	2018	Incl. F/X	Excl. F/X
Refinish	447	448	(0.2)%	3.6 %
Industrial	309	338	(8.4)%	(5.3)%
Net Sales	757	786	(3.7)%	(0.2)%
Adjusted EBIT	128	109	17.2 %	
% margin	16.9%	13.9%		

## Net Sales Variance



## Commentary

### Solid net sales growth ex-FX and JV sale driven by strong price contribution

- Refinish volume down modestly pressured by North America and emerging markets; Industrial volume decline driven by global industrial production trends
- Continued strong price-product mix tailwinds across both end-markets and all regions
- Net M&A impact includes China powder coatings JV sale in Industrial
- Unfavorable currency impact driven by the Euro, Renminbi and Real

### Adjusted EBIT margin up 300 bps

- Improvement driven by positive price-product mix and lower fixed costs

# Q2 Transportation Coatings Results



## Financial Performance

(\$ in millions)	Q2		% Change	
	2019	2018	Incl. F/X	Excl. F/X
Light Vehicle	306	333	(8.2)%	(4.3)%
Commercial Vehicle	95	93	1.9 %	4.5 %
Net Sales	401	426	(6.0)%	(2.4)%
Adjusted EBIT	40	38	5.5 %	
% margin	10.1%	9.0%		

## Net Sales Variance



## Commentary

### Light Vehicle volume impacting net sales, but price increases accelerating

- Light Vehicle volume pressure driven by lower global production rates; continued strong Commercial Vehicle growth in the Americas
- Acceleration of Light Vehicle pricing, benefits of announced price increases coming through
- Unfavorable currency impact driven by the Euro, Renminbi and Real

### Adjusted EBIT margin inflection

- Improvement driven by improved pricing and productivity, partially offset by lower volumes and input cost inflation

# Debt and Liquidity Summary



## Capitalization

(\$ in millions)	Interest	@ 6/30/2019	Maturity
Cash and Cash Equivalents		\$ 577	
<b>Debt:</b>			
Revolver (\$400 million capacity)	Variable	-	2024
First Lien Term Loan (USD)	Variable	2,376	2024
<b>Total Senior Secured Debt</b>		<b>\$ 2,376</b>	
Senior Unsecured Notes (USD)	Fixed	491	2024
Senior Unsecured Notes (EUR) <sup>(1)</sup>	Fixed	375	2024
Senior Unsecured Notes (EUR) <sup>(1)</sup>	Fixed	504	2025
Finance Leases <sup>(4)</sup>		66	
Other Borrowings		44	
<b>Total Debt</b>		<b>\$ 3,856</b>	
<b>Total Net Debt <sup>(2)</sup></b>		<b>\$ 3,279</b>	
LTM Adjusted EBITDA		\$ 927	
<b>Total Net Leverage <sup>(3)</sup></b>		<b>3.5x</b>	

(1) Assumes exchange rate of \$1.137 USD/Euro

(2) Total Net Debt = Total Debt minus Cash and Cash Equivalents

(3) Total Net Leverage = Total Net Debt / LTM Adjusted EBITDA

(4) Includes impacts of new leasing standard resulting in net increase of \$10 million upon adoption as of 1/1/19

## Comments

- **Net leverage lower versus Q1 end due to:**
  - Higher cash position
  - Slightly higher LTM Adjusted EBITDA
- **Long term debt interest rates are effectively 73% fixed**
  - \$850 million of term loan debt protected from rising interest rates with 3 month USD LIBOR capped at 1.50%
  - \$475 million of term loan debt is swapped to Euro and a fixed rate of 1.44%
- **\$400 million undrawn revolver maturity extended to March 2024 at improved terms**

# Full Year 2019 Guidance



(\$ millions, except per share data) **Apr. Guide**    **2019E**

<b>Net Sales</b>	<b>~0-1%</b>	<b>~(2%)</b>
<b>Net Sales, ex FX<sup>1</sup></b>	<b>~1-2%</b>	<b>~0%</b>
<b>Adjusted EBIT</b>	<b>\$675-725</b>	<b>\$675-725</b>
<b>Adjusted EPS</b>	<b>\$1.68-1.88</b>	<b>\$1.70-1.90</b>
<b>D&amp;A</b>	<b>~\$375</b>	<b>~\$365</b>
<b>Adjusted EBITDA</b>	<b>\$950-1,000</b>	<b>\$950-975</b>
<b>Interest Expense</b>	<b>~\$165</b>	<b>~\$165</b>
<b>Tax Rate, As Adjusted</b>	<b>20-22%</b>	<b>20-22%</b>
<b>Diluted Shares (millions)</b>	<b>~238</b>	<b>~236</b>
<b>Capex</b>	<b>~\$160</b>	<b>~\$160</b>
<b>Free Cash Flow</b>	<b>\$430-470</b>	<b>\$430-470</b>

1. Includes partial year impact of China JV sale in May

## Comments

- Earnings phasing (% of midpoint Adjusted EBIT guidance): Q3 ~25%, Q4 ~26%
- Net sales guidance reflects May disposition of consolidated China powder coatings JV with ~1% full year impact and minor Adjusted EBIT impact
- FX headwind of ~2%
- Adjusted EBIT and Adjusted EPS guidance exclude ~\$115 million of pre-tax ~\$90 million after-tax) incremental step-up D&A associated with the 2013 acquisition of DuPont Performance Coatings by Axalta
- Accelerated depreciation of ~\$25 million in 2019 from Belgium plant closure
- No incremental share repurchases beyond Q2 included in full year 2019 diluted share guidance





## Appendix

# Full Year 2019 Assumptions



## Macroeconomic Assumptions

- Global GDP growth of approximately ~2.8%
- Global industrial production growth of approximately ~1.5%
- Global auto build decline of approximately ~(3.7%)
- Constrained supply and tariffs for a few key raw materials have continued impacting our pricing
- Truck capacity improvement in the U.S., while shortages in Europe will continue; global economic pressures will further impact cost inflation

## Currency Assumptions

Currency	2018 % Axalta Net Sales	2018 Average Rate	2019 Average Rate Assumption	USD % Impact of FX Rate Change
US\$ per Euro	~27%	1.18	1.13	(4.2%)
Chinese Yuan per US\$	~11%	6.62	6.85	(3.4%)
Brazilian Real per US\$	~3%	3.65	3.83	(4.7%)
US\$ per British Pound	~2%	1.34	1.29	(3.7%)
Mexican Peso per US\$	~2%	19.23	19.32	(0.5%)
Indian Rupee per US\$	~1%	68.41	70.00	(2.3%)
Turkish Lira per US\$	~1%	4.84	5.86	(17.4%)
Other	~53%	N/A	N/A	0.0%

# Adjusted EBIT Reconciliation



(\$ in millions)	Q2 2019	Q2 2018
Income from operations	\$ 158	\$ 147
Other (income) expense, net	(1)	8
Total	\$ 159	\$ 138
<b>A</b> Debt extinguishment and refinancing related costs	—	8
<b>B</b> Termination benefits and other employee related costs	3	(1)
<b>C</b> Consulting and advisory	1	—
<b>D</b> Offering and transactional costs	—	—
<b>E</b> Accelerated depreciation	7	—
<b>F</b> (Gain) loss on divestiture	(1)	—
<b>G</b> Indemnity (income) losses	—	1
<b>H</b> Change in fair value of equity investments	—	—
<b>I</b> Step-up depreciation and amortization	29	35
<b>Adjusted EBIT</b>	\$ 197	\$ 182
Segment Adjusted EBIT:		
Performance Coatings	\$ 128	\$ 109
Transportation Coatings	40	38
Total	\$ 168	\$ 147
<b>I</b> Step-up depreciation and amortization	29	35
<b>Adjusted EBIT</b>	\$ 197	\$ 182

## Adjusted EBIT (cont'd)



- A. Represents expenses associated with the restructuring and refinancing of our indebtedness, which are not considered indicative of our ongoing operating performance.
- B. Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs. Employee termination benefits are associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.
- C. Represents legal and advisory fees pertaining to our previously announced comprehensive review of strategic alternatives. These amounts are not considered indicative of our ongoing performance.
- D. Represents acquisition and divestiture-related expenses, all of which are not considered indicative of our ongoing operating performance.
- E. Represents incremental depreciation expense resulting from truncated useful lives of the assets impacted by our manufacturing footprint assessments, which we do not consider indicative of our ongoing operating performance.
- F. Represents the impacts recognized on the sale of our interest in a joint venture business, which is not considered indicative of our ongoing operating performance.
- G. Represents indemnity (income) losses associated with the acquisition by Axalta of the DuPont Performance Coatings business, which we do not consider indicative of our ongoing operating performance.
- H. Represents mark to market impacts of our equity investments, which we do not consider to be indicative of our ongoing operating performance.
- I. Represents the incremental step-up depreciation and amortization expense associated with the acquisition of DuPont Performance Coatings by Axalta. We believe this will assist investors in performing meaningful comparisons of past, present and future operating results and better highlight the results of our ongoing operating performance.

# Adjusted Net Income Reconciliation



(\$ in millions, except per share data)		Q2 2019	Q2 2018
Net Income	\$	100	\$ 77
Less: Net income attributable to noncontrolling interests		2	2
Net income attributable to controlling interests		98	75
<b>A</b> Debt extinguishment and refinancing related costs		—	8
<b>B</b> Termination benefits and other employee related costs		3	(1)
<b>C</b> Consulting and advisory		1	—
<b>D</b> Offering and transactional costs		—	—
<b>E</b> Accelerated depreciation		7	—
<b>F</b> (Gain) loss on divestiture		(1)	—
<b>G</b> Indemnity (income) losses		—	1
<b>H</b> Change in fair value of equity investments		—	—
<b>I</b> Step-up depreciation and amortization		29	35
Total adjustments	\$	39	\$ 43
<b>J</b> Income tax provision impacts		14	6
<b>Adjusted net income</b>	\$	123	\$ 113
<b>Adjusted earnings per share</b>	\$	0.52	\$ 0.46
<b>Diluted weighted average shares outstanding</b>		235	245

## Adjusted Net Income Reconciliation (cont'd)



- A. Represents expenses associated with the restructuring and refinancing of our indebtedness, which are not considered indicative of our ongoing operating performance.
- B. Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs. Employee termination benefits are associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.
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- H. Represents mark to market impacts of our equity investments, which we do not consider to be indicative of our ongoing operating performance.
- I. Represents the incremental step-up depreciation and amortization expense associated with the acquisition of DuPont Performance Coatings by Axalta. We believe this will assist investors in performing meaningful comparisons of past, present and future operating results and better highlight the results of our ongoing operating performance.
- J. The income tax impacts are determined using the applicable rates in the taxing jurisdictions in which expense or income occurred and includes both current and deferred income tax expense (benefit) based on the nature of the non-GAAP performance measure. Additionally, the income tax impact includes the removal of discrete income tax impacts within our effective tax rate which were tax benefits of \$5.7 million for the three months ended June 30, 2019 and tax benefits of \$0.1 million for the three months ended June 30, 2018.



# Free Cash Flow Reconciliation



(\$ in millions)	Q2 2019		Q1 2019		Q2 2018		Q1 2018	
Cash provided by (used in) operating activities	\$	127	\$	(58)	\$	142	\$	(21)
Purchase of property, plant and equipment		(27)		(21)		(35)		(40)
Interest proceeds on swaps designated as net investment hedges		4		4		—		—
Free cash flow	\$	104	\$	(75)	\$	107	\$	(61)

# Adjusted EBITDA Reconciliation



(\$ in millions)	LTM 6/30/2019	Q2 2019	Q1 2019	Q2 2018	Q1 2018	FY 2018
Net income	\$ 209	\$ 100	\$ 44	\$ 77	\$ 71	213
Interest expense, net	163	41	41	39	39	160
Provision for income taxes	53	18	14	22	12	54
Depreciation and amortization	367	89	92	90	92	369
<b>EBITDA</b>	<b>\$ 792</b>	<b>\$ 248</b>	<b>\$ 191</b>	<b>\$ 229</b>	<b>\$ 214</b>	<b>796</b>
<b>A</b> Debt extinguishment and refinancing related costs	1	—	—	8	—	10
<b>B</b> Foreign exchange remeasurement losses	12	2	2	2	—	9
<b>C</b> Long-term employee benefit plan adjustments	—	—	—	(1)	(1)	(2)
<b>D</b> Termination benefits and other employee related costs	88	3	1	(1)	(1)	82
<b>E</b> Consulting and advisory	1	1	—	—	—	—
<b>F</b> Offering and transactional costs	2	—	1	—	—	1
<b>G</b> Stock-based compensation	25	(1)	7	10	8	37
<b>H</b> Other adjustments	4	—	—	1	—	5
<b>I</b> Dividends in respect of noncontrolling interest	(1)	—	(1)	—	(1)	(1)
<b>J</b> (Gain) loss on divestiture	4	(1)	5	—	—	—
Total Adjustments	\$ 136	\$ 4	\$ 15	\$ 19	\$ 6	141
<b>Adjusted EBITDA</b>	<b>\$ 927</b>	<b>\$ 251</b>	<b>\$ 207</b>	<b>\$ 248</b>	<b>\$ 220</b>	<b>937</b>



## Adjusted EBITDA Reconciliation (cont'd)



- A. During Q2 2018 and FY 2018 we refinanced our indebtedness, resulting in losses of \$8 million and \$10 million, respectively. We do not consider these items to be indicative of our ongoing operating performance.
- B. Eliminates foreign exchange losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, net of the impacts of our foreign currency instruments used to hedge our balance sheet exposures.
- C. Eliminates the non-cash, non-service cost components of long-term employee benefit costs.
- D. Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs. Employee termination benefits are associated with our Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.
- E. Represents legal and advisory fees pertaining to our previously announced comprehensive review of strategic alternatives. These amounts are not considered indicative of our ongoing performance.
- F. Represents acquisition and divestiture-related expenses, all of which are not considered indicative of our ongoing operating performance.
- G. Represents non-cash impacts associated with stock-based compensation.
- H. Represents certain non-operational or non-cash gains and losses unrelated to our core business and which we do not consider indicative of ongoing operations, including indemnity (income) losses associated with the acquisition by Axalta of the DuPont Performance Coatings business, gains and losses from the sale and disposal of property, plant and equipment, gains and losses from the remaining foreign currency derivative instruments and from non-cash fair value inventory adjustments associated with our business combinations.
- I. Represents the payment of dividends to our joint venture partners by our consolidated entities that are not 100% owned, which are reflected to show the cash operating performance of these entities on Axalta's financial statements.
- J. Represents the impacts recognized on the sale of our interest in a joint venture business, which is not considered indicative of our ongoing operating performance.



**Thank you**

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