**Axalta Coating Systems (AXTA)**
**Fourth Quarter & Full Year 2021 Financial Results**
*January 31, 2022*

## Q4 & Full Year 2021 Highlights

**Fourth Quarter 2021**

- Net sales increased 5.8% year-over-year to $1,137 million with continued growth from three of four end-markets; ongoing Performance Coatings growth including fifth consecutive quarter of year-over-year Industrial end-market growth, partly offset by continued OEM production constraints from supply shortages in Mobility Coatings
  - Performance Coatings price-mix +4.6%; Mobility Coatings price-mix +1.7%
- Income from operations of $95 million versus $163 million in Q4 2020; Adjusted EBIT of $121 million decreased 41.1% from Q4 2020 including substantial cost inflation impact in addition to Mobility volume headwinds
- Diluted EPS of $0.23 versus $0.30 in Q4 2020; Adjusted diluted EPS of $0.30 versus $0.58 in Q4 2020
- Strong cash flow from operations of $269 million; Liquidity of ~$1.4 billion at December 31, 2021
- Repurchased 1.0 million shares of common stock totaling $30 million at $30.94 average price per share

**Full Year 2021**

- Net sales of $4,416 million increased 18.2%; increased 14.5% ex-FX and M&A with substantial growth across all end-markets though Mobility Coatings substantially impacted by OEM production constraints
- Income from operations of $462 million versus $306 million in 2020; Adjusted EBIT of $623 million increased 16.1% from 2020 despite substantial cost inflation impacts year-over-year
- Diluted EPS of $1.14 versus $0.52 in 2020; Adjusted Diluted EPS of $1.67 versus $1.33 in 2020
- Cash flow from operations of $559 million versus $509 million in 2020
- Free cash flow of $455 million in 2021 versus $442 million in 2020
- Repurchased 8.2 million shares of common stock totaling $244 million at $29.58 average price per share
- Completed two M&A transactions for combined investment of $649 million

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## Slide 3: Q4 & Full Year 2021 Financial Highlights

**Net Sales**: Reflecting a continued trend from third quarter, Axalta reported strong year-over-year growth from three of four end-markets against the prior year quarter, while customer production constraints continued to impact Light Vehicle net sales during the fourth quarter.

Consolidated Q4 net sales increased 5.8% year-over-year (including a 1.2% FX headwind). This result included a 0.5% decrease in volume and a 3.6% positive price-mix contribution, as well as 3.9% M&A contribution. Volume was solidly positive in all end-markets other than Light Vehicle, and price-mix was positive in all four end-markets.

Drivers of fourth quarter net sales performance included continued broad-based demand strength and stability from all of Axalta's coatings end-markets globally, while broad cost inflation and supply chain constraints impacted both sales volumes and Axalta's cost structure substantially, with Mobility Coatings volumes still curbed by semiconductor chip shortages that have caused ongoing widespread customer production disruption. Such impacts were largely consistent sequentially in the fourth quarter, with the automotive channel continuing to have underserved otherwise sound consumer-level auto demand.

Refinish demonstrated sequential stability in overall demand in the fourth quarter, with total net sales up 12.8% year-over-year. Underlying market demand was generally steady sequentially compared with third quarter across key metrics including miles driven, insurance claims and body shop activity. Refinish volumes remained below 2019 levels by high-single digits, however, still implying substantial further cyclical net sales upside once mobility patterns return to pre-pandemic levels.

Industrial net sales also increased an impressive 16.3%, following on similarly strong rates of growth posted by the end-market through the first three quarters of 2021 and reflecting strong overall industrial goods demand.

Light Vehicle net sales declined 14.4% as OEM customers continue to feel the impact of the ongoing semiconductor chip shortage. These impacts were slightly improved versus third quarter levels, suggesting very modest easing in supply chain issues in the period and reflected in sequential global automotive production growth with fewer shutdowns occurring in the quarter.

Commercial Vehicle net sales increased 8.4% ex-FX, benefiting from ongoing strong global truck production rates (excluding China) as well as strong support from non-truck markets including recreational vehicles and sporting equipment.

**Adjusted EBIT**: Adjusted EBIT for the fourth quarter was reported at $121.0 million (versus $205.4 million reported in Q4 2020), as we experienced the impact of significantly higher variable cost inflation (approximately 24% year-over-year), constrained Mobility volumes due to customer supply chain constraints (~$65 million net sales impact) and headwinds from the absence of temporary Q4 2020 cost savings, offset in part by growth and overall strong execution across Performance Coatings as well as Commercial Vehicle within Mobility Coatings.

**Adjusted EBITDA:** Adjusted EBITDA was reported at $180.4 million versus $252.5 million in the prior year quarter, with a 15.9% margin compared with 23.5% in Q4 2020, reflecting drivers consistent with those noted for Adjusted EBIT.

**Balance Sheet & Cash Flows**: Axalta reported very strong cash flow in Q4, with cash flow from operations of $268.6 million and free cash flow of $249.4 million. The result was driven by working capital improvement and a strong focus on cash flow as well as slightly lower capital expenditures compared with Q4 2020. Prior year cash flow from operations of $278.4 million and free cash flow of $256.0 million was aided by a combination of strong operating earnings and the benefit of temporary cash flow actions taken during 2020 in response to the pandemic impacts on the business during the year.

Axalta also closed the year with total liquidity of ~$1.4 billion, including total cash and equivalents of $840.6 million and an undrawn capacity of $527.9 million under our revolving credit facility. Net debt to LTM Adjusted EBITDA, including stronger year-end cash balances and net of share repurchases, remained at 3.5x at December 31.

During fourth quarter, Axalta repurchased 1.0 million of common shares for $30.0 million under its share repurchase program at an average price of $30.94. Share repurchases for the full year totaled $243.7 million of spend at an average price of $29.58.

**Full Year 2021 Results:**

## Business Conditions, Inflation and Offsets

**Business Conditions**

- Continued global recovery in Refinish demand drivers, including traffic and body shop activity, but tempered by supply constraints; net sales volumes in Q4 remain below 2019 levels by high single digits
- Strong continued growth in Industrial, despite ongoing material supply constraints during Q4; overall demand strong across all Industrial end businesses
- Mobility Coatings seeing strong underlying market demand, but volume has been negatively impacted from ongoing semiconductor shortages

**Inflation and Offsets**

- Raw material inflation intensified in 2021; 15% variable cost inflation for full year, 24% in Q4
- Offsets via pricing actions taken: +3.6% price-mix in Q4 and +4.0% for full year 2021
  - Performance Coatings largely offset full year inflation with price actions; Mobility Coatings price-cost gap remains as of year end but ongoing price actions expected to continue to gain traction in 2022
- Focus on implementing structural cost control; achieved more than $50 million in full-year Axalta Way cost savings to help offset inflation in 2021




**Slide 4: Business Conditions, Inflation & Offsets**

**Business Conditions**: Fourth quarter demand conditions across Axalta's business remained stable and solid, though Axalta continued to see customer production impact from supply chain disruptions.

Refinish demand benefited from continued improvement in demand drivers including both traffic and body shop activity, though still uneven by country and with modest impact to traffic witnessed in EMEA late in the quarter, possibly due to the Omicron variant and associated adjustments in mobility patterns. Refinish net sales increased sequentially versus third quarter on an organic constant currency basis, indicating moderate improvement in body shop demand, while fourth quarter net sales were down mid-single digits compared with the same quarter in 2019 before currency and acquisition impacts. Organic volumes also remained below 2019 by high-single digits, similar to last quarter, suggesting continued room for improvement looking ahead.

Industrial end-market demand remained robust globally across virtually all end-businesses and geographies. Net sales increased 17.0% ex-FX and 13.9% on an organic ex-FX basis against a strong fourth quarter of 2020, indicating continued underlying demand strength and success in Axalta's organic growth execution. Net sales growth was also impacted by supply chain constraints in the period to a somewhat greater degree than witnessed during the third quarter inclusive of both raw material supply dynamics as well as logistics and labor bottlenecks. Top line growth on a contribution basis, similar to third quarter, was strongest in North America, followed by EMEA, and led by the Building Products and General Industrial businesses.

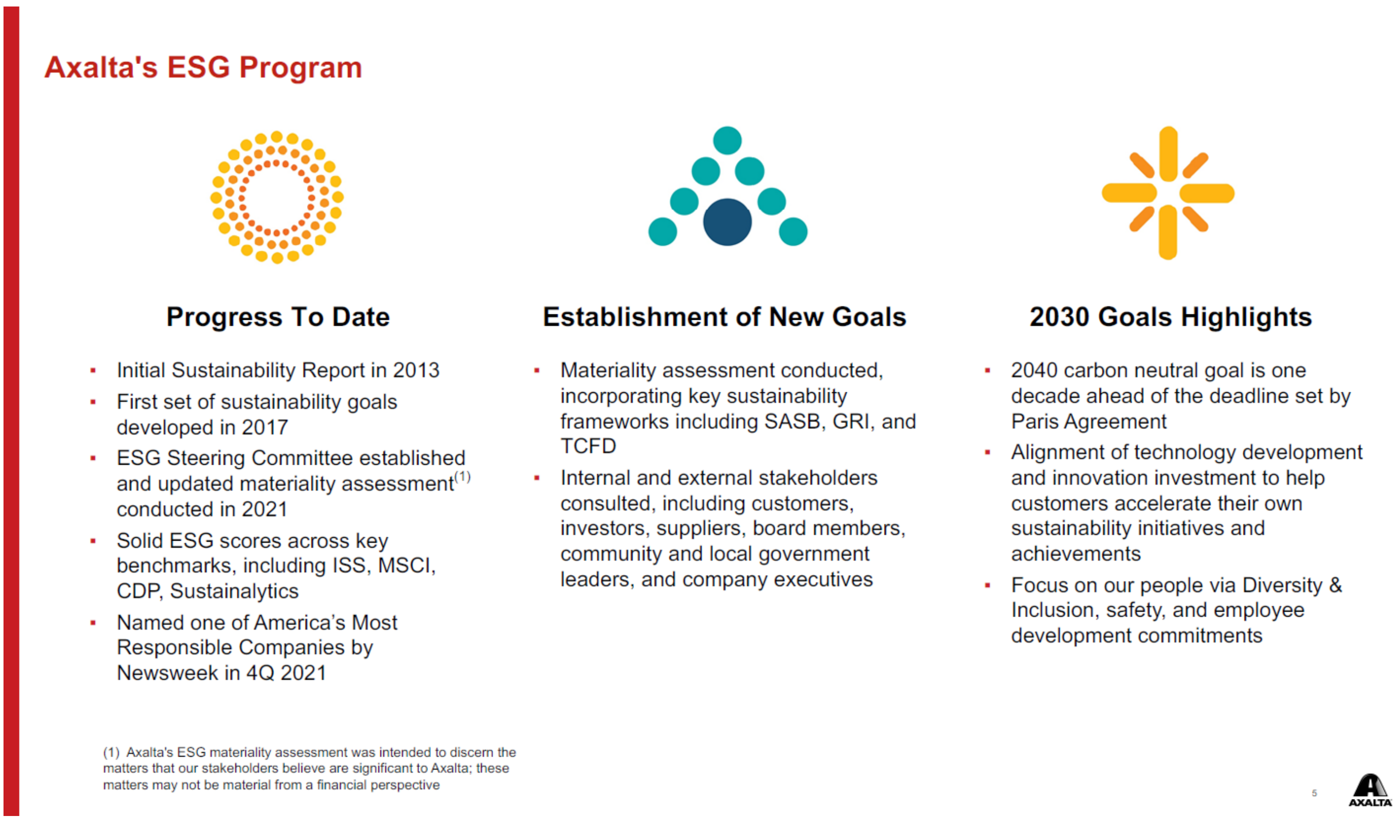
Light Vehicle demand conditions remained complicated during the quarter, with continued unmet demand at the customer and end-consumer level for vehicles due to semiconductor chip and other supply chain shortages impacting OEM production rates through the period. Global vehicle production ended the year at 76.4 million vehicles, up only 2.5% from 2020 which saw dramatic impact from the pandemic during the second quarter of that year. Industry forecasters estimate that some 9.6 million light vehicles were deferred from 2021 production schedules due to supply shortages. That said, availability during the fourth quarter improved slightly versus the third quarter, with a 2.1 million vehicle impact versus 3.5 million during the third quarter. This impact was around 1.4 million lower than the higher-end of the forecast range going into the quarter, and Axalta had assumed an ~11 million vehicle impact for the full year.

Commercial Vehicle underlying demand remained robust through the quarter, with notable strength in North America retail sales, where truck demand indicators have remained strong despite some technical adjustments to backlog made during the fourth quarter (cancellations higher than normal not due to customer demand, but OEM order backlog management). Current backlog remains close to the highest in history, with the majority of expected truck production for 2022 already in hand. As such, we expect production rates near current record highs will likely be sustained in the near-term. In non-truck categories, Axalta has seen ongoing strong demand from recreational vehicles and sporting equipment. China truck demand remains weaker, which does not materially impact Axalta given current business volumes in the China truck market.

**Inflation & Offsets:** The fourth quarter witnessed slightly intensified cost inflation coming from a broad set of raw materials driven by supply dynamics, continued high oil and propylene benchmark prices, as well as inflation seen in packaging, freight, and logistics costs. These cost pressures worsened slightly during the fourth quarter, with 24% raw material cost inflation year-over-year during Q4 (versus Axalta's 20% initial expectation from October) and approximately 15% inflation for the full year at the cost of goods sold level ($206 million for the full year).

Axalta continued to work to offset this inflation via a combination of incremental pricing actions, and doubling down on cost and productivity actions. On the pricing side, Axalta implemented increases in most businesses during Q4, which are necessary to offset persistent inflation that has been witnessed since 2020. Price-mix increased 3.6% year-over-year during Q4, which was inclusive of mix headwinds. Excluding mix effects, net price increased in the mid-single digits.

Axalta is also focused on continuing to effect structural cost and productivity control in reaction to inflationary pressures. The company continues to benefit somewhat from temporary cost savings that have persisted this year, as well as ramping structural savings from actions announced over the last year. Axalta realized slightly over $50 million in Axalta Way savings, including the restructuring actions which have been taken since last year. The company also benefited materially from continued overall cost containment in areas such as travel and entertainment as well as lower than normal overhead and selling expense.




**Slide 5: Axalta's ESG Program**

Axalta has made significant headway with its environmental, social, and governance (ESG) program since inception in 2013. After publishing its first sustainability report in 2013, Axalta established its first set of ESG goals in 2017. During 2021, the company established an ESG steering committee and ultimately published a set of long-term ESG and sustainability goals, which Axalta announced on January 25, 2022.

To set these goals, Axalta conducted a comprehensive ESG materiality assessment with internal and external stakeholders, including customers, suppliers, investors, board members, community and local government leaders, and company executives. Axalta also worked to align with the United Nations Sustainable Development Goals in developing its ESG framework, structured under three key pillars:

1. **Planet Solutions**: Focused on ensuring a more sustainable future for the planet, this first pillar includes a series of goals aimed at improving the company's environmental performance and reducing the impact of its global operations. In addition to the carbon reduction targets, Axalta is taking steps to achieve a 10% reduction of VOC emissions, process waste, and water use from operations by 2030.
2. **Business Solutions**: This second pillar concentrates on how Axalta's products, services, and technology can help customers design and manufacture their finished products to help accelerate their own sustainability initiatives and achievements. Axalta is committing to deliver sustainability benefits from 80% of its new technology and innovation developments by 2030 and increasing, by at least 20%, the total percentage of net sales derived from products, services, and tools that offer sustainability benefits.

3. **People Solutions**: Building on Axalta's corporate culture, which is rooted in inclusivity, integrity, safety, and engagement, this third pillar will ensure that the company continues operating and fostering an environment where all our people can thrive. The company is committing to creating an inclusive environment that results in increasing the representation of women in management positions globally. Axalta will continue to support its local communities via its Bright Futures Program, which includes STEM and vocational scholarships.


**Slide 6: 2030 Sustainability Goals**

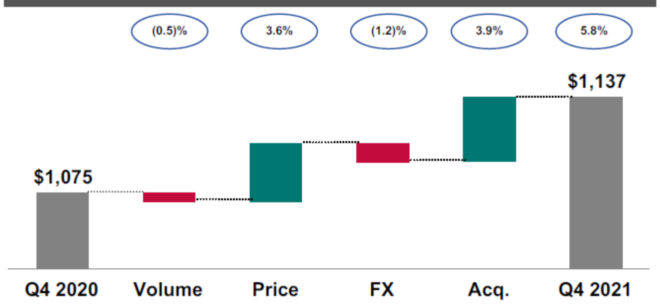
Axalta's published targets include 10 new sustainability commitments for 2030. Key among these is the commitment to produce sustainability benefits from 80% of Axalta's new technology and innovation developments. Specific targets, outlined on the slide above, are perhaps headlined by a commitment to an absolute reduction of 50% of Scope 1 and 2 greenhouse gas (GHG) emissions by 2030, on its way to becoming carbon neutral in its operations by 2040 – one decade ahead of the deadline set by the Paris Agreement on Climate Change. That said, each of the individual targets are of critical importance, and represent a step forward for Axalta in achieving long-term goals to build a more sustainable future. Axalta seeks to lead the coatings industry by example, as well as to inspire its customers in jointly ensuring the long-term well-being of the planet, its business partners, and Axalta's business.

## Q4 Consolidated Results

### Financial Performance

| ($ in million), except per share data | Q4 2021 | Q4 2020 | % Change Incl. FX | % Change Excl. FX |
|---|---|---|---|---|
| Performance Coatings | 804 | 704 | 14.2 % | 15.6 % |
| Mobility Coatings | 333 | 371 | (10.1)% | (9.3)% |
| Net Sales | 1,137 | 1,075 | 5.8 % | 7.0 % |
| Income from operations | 95 | 163 | (42.0)% | |
| Adjusted EBIT | 121 | 205 | (41.1)% | |
| *% margin* | *10.6 %* | *19.1 %* | | |
| Diluted EPS | $ 0.23 | $ 0.30 | (23.3)% | |
| Adjusted EPS | $ 0.30 | $ 0.58 | (48.3)% | |

### Net Sales Variance




### Commentary

**Net sales growth from M&A contribution and price realization as strong volume growth in Performance was offset by Mobility Coatings**

- Volume growth across all end-markets except Light Vehicle which remains impacted by chip shortages
- Positive pricing contribution led by Performance; Mobility gaining traction through year-end with more progress expected for 2022
- M&A contribution from two acquisitions
- FX headwind driven by the Euro and Lira, offset partly by the Renminbi

**Adjusted EBIT reduction for Q4 YoY including challenging profit comparison to Q4 2020**

- Headwinds from raw material, logistics, labor and energy inflation, absence of 2020 temporary savings, and lower Mobility volumes
- Positive offsets from pricing actions and volume growth in Performance Coatings

### Slide 7: Q4 Consolidated Results

Net sales of $1.1 billion represented an increase of 5.8% year-over-year for the fourth quarter. Organic constant currency net sales increased 3.1% for the period, driven by ongoing demand strength across the majority of Axalta's businesses.

Refinish demand remained stable and firm in the period, showing continued recovery in most regions served. Notable continued strength was also seen within Axalta's Industrial end-market – all end-businesses served by Industrial showed solid top-line growth both year-over-year and versus 2019.

Automotive demand at the retail sales level (end consumers) was also solid and even strong when adjusted for limited inventory on hand, though not translating to increased volumes in Light Vehicle within our Mobility Coatings segment due to the ongoing global semiconductor chip and other supply chain shortages that continue to hinder production for global auto OEMs. Commercial Vehicle demand, particularly in Americas truck markets as well as recreational vehicles, also remained supportive.

The 3.1% year-over-year organic and constant currency net sales growth for Q4 included a 9.6% increase from Performance Coatings and a 9.3% decrease from Mobility Coatings (down 13.7% in Light Vehicle offset by 8.4% growth from Commercial Vehicle).

The consolidated volume decline of 0.5% for the quarter was driven by solid mid-single digit increases from three of four end-markets, more than offset by a significant mid-teens percentage pullback in Light Vehicle volumes from the prior year due to supply constraints previously mentioned.

Price-mix contribution was solidly positive (up 3.6% in aggregate) driven by improvement in both segments and all four end-markets (stronger in Performance Coatings vs Mobility Coatings). Mix was a moderate headwind, following on a similar dynamic from third quarter. Excluding mix effects, overall pricing improved by mid-single digits for the quarter.

FX translation was a headwind of 1.2%, driven by the Euro and Turkish Lira, offset partially by strength in the Renminbi during the quarter.

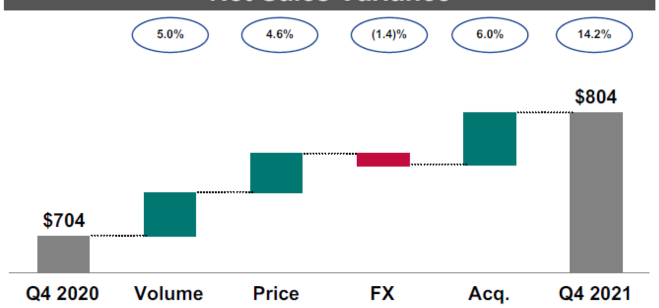
Fourth quarter Adjusted EBIT was $121.0 million versus $205.4 million in the prior year quarter, given strong demand and volume trends in Performance Coatings as well as Commercial Vehicle, more than offset by Light Vehicle volume headwinds, substantially increased variable input cost inflation and lower temporary cost savings versus Q4 2020.

## Q4 Performance Coatings Results

**Financial Performance**

| ($ in million) | Q4 2021 | Q4 2020 | % Change Incl. FX | % Change Excl. FX |
|---|---|---|---|---|
| Refinish | 471 | 418 | 12.8 % | 14.7 % |
| Industrial | 333 | 286 | 16.3 % | 17.0 % |
| Net Sales | 804 | 704 | 14.2 % | 15.6 % |
| Adjusted EBIT | 100 | 130 | (23.0)% | |
| *% margin* | *12.4 %* | *18.4 %* | | |

**Net Sales Variance**




**Commentary**

**Net sales growth driven by M&A contribution, volume recovery, and pricing realization**

- Increased volumes from both Refinish and Industrial despite supply chain constraints; exited December with substantial unfilled orders across both end-markets
- Positive contribution from price-mix across both end-markets as pricing actions continue; mix ~2% headwind
- M&A contribution included first full quarter of U-POL acquisition
- FX headwind driven by the Euro and Lira, offset partly by the Renminbi

**Adjusted EBIT reduction YoY from cost pressures**

- Substantial raw material and logistics cost inflation as well as the absence of 2020 temporary savings, offset partly by pricing actions and volume recovery

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**Slide 8: Q4 Performance Coatings Results**

Performance Coatings Q4 net sales increased 14.2% year-over-year (increased 15.6% excluding a 1.4% FX headwind). The result was driven by 5.0% higher volumes and a 4.6% increase in average price-mix as well as 6.0% M&A contribution.

Refinish reported a 12.8% net sales increase (14.7% ex-FX), driven by improved volumes relative to the pandemic-impacted fourth quarter of 2020, as well as by a high single digit contribution from the U-POL acquisition, which closed in September. Refinish volumes for the period improved moderately on a sequential basis along with body shop activity in the period. Relative to fairly strong 2019 Q4 levels, Refinish volumes remained lower by high single digits, indicating a continued gap versus pre-COVID-19 levels. This also included some impact from supply chain, logistics and labor constraints during the period which inhibited the production and delivery of certain orders at year-end.

Refinish price-mix in the fourth quarter increased low-single digits, which reflected solid price headway made in the business since last year as needed to offset inflation headwinds. Mix during the fourth quarter was a headwind, reflecting increased volumes in various countries from mainstream and economy products. Excluding mix effects, net pricing was up mid-single digits.

Axalta continued to drive new product innovation in Refinish in the third quarter. With the acquisition of U-POL, Axalta Refinish strengthened its leadership position with the launch of 12 new product offerings in the US under the Raptor® branded aerosol line. Raptor® is the leader in aftermarket bed liners and protective coatings. This new aerosol line expands Axalta's global portfolio offering. In Mexico, Axalta completed the first successful field trials of its new mainstream solventborne basecoat system which offers a streamlined and sustainable solution while continuing to offer outstanding color match and performance. In EMEA, Axalta continued its growth strategy in the mainstream and economy segments with the launches of Duxone and Challenger waterborne basecoats in Poland and Eastern Europe.

Industrial net sales increased 16.3% year-over-year (17.0% ex-FX), driven by mid-single digit improvement in both volume and average price-mix, as well as a low-single digit M&A contribution to net sales. Demand trends in most of the Industrial end-businesses we serve remained healthy during the period, with the exception of automotive and wind energy similar to the third quarter, which was evidenced by the fifth straight quarter of year-over-year net sales growth. Net sales also increased more than 20% on an organic basis relative to fourth quarter 2019.

Axalta benefited in Industrial from strong demand across all end-businesses and regions in the quarter, with the exception of customers impacted by the auto sector semiconductor shortages and certain supply constraints which impeded further growth within Industrial. Particular strength continued in markets linked to North American housing and remodeling.

New product launches in Industrial Coatings also continued this quarter. In Building Products & Construction we expanded the Strenex® line with the introduction of a new high performance waterborne primer offering lower emissions and outstanding corrosion resistance for the structural steel market. In General Industrial, a new platform of Imron® waterborne products with broad color capabilities was launched in Asia Pacific, targeted to replace solventborne systems used in China's growing theme park industry. In addition, the powder platform expanded its global offering of Alesta HR; a line of heat resistant products for global consumer barbecue grill producers.

The Performance Coatings segment reported Q4 Adjusted EBIT of $99.7 million versus $129.5 million in Q4 2020, driven by ongoing volume growth and drop through benefits of stronger average price-mix, more than offset by significant headwinds from higher variable costs and lack of temporary cost savings which benefited the prior year quarter. The Adjusted EBIT margin for the segment decreased to 12.4% from 18.4% in the prior year record-setting quarterly margin, reflecting the drivers noted above.

## Performance Coatings Demand Environment

**Refinish**

- The global refinish market showed overall stability in Q4 demand indicators
  - U.S. miles driven remained around normal levels through Q4; body shop activity, however, remained down ~12% versus 2019 levels
  - Europe miles driven appeared to soften slightly during Q4 though remaining well above 2019 levels; body shop activity remained around 6% below 2019 levels during the quarter
  - Latin America and Asia Pacific traffic indicators remained largely recovered from pandemic impacts during Q4 despite ongoing country-specific variation
  - Omicron variant causing moderate impact to traffic and office occupancy which could have some volume impact to Refinish during 1H 2022
- Raw material supply constraints hindered further sales upside in Q4 in Refinish

**Industrial**

- Broad-based global industrial demand strength continued; growth during Q4 from all end businesses, including Energy Solutions, Building Products, and General Industrial
- U.S. housing and remodeling market remains strong
- Raw material supply constraints hindered further sales upside in Q4 in Building Products and General Industrial

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**Slide 9: Performance Demand Environment**

Axalta saw overall stability in Refinish market level demand during fourth quarter and Industrial coatings demand also remained broadly solid across end businesses served globally.

In **Refinish**, North America vehicle traffic was slightly above pre-pandemic levels during the fourth quarter but included moderate shifts in driving habits such as less driving in urban road systems versus stronger levels seen in rural road systems. There also appears to still be a gap versus pre-pandemic in rush hour congestion but offset to some extent by higher levels of traffic during off-peak hours including weekday mid-day hours.

Despite relatively normalized overall traffic levels in terms of fully recovered total miles driven, North American collision claims remain lower than pre-pandemic levels (~14% lower), lagging the miles driven recovery perhaps due to the shifting driving patterns noted previously. This level of collision claims was essentially even with third quarter levels. Comparing market-level claims to Axalta's customer-level operating data, body shop activity is running around 12% below pre-pandemic levels, also essentially even with levels seen in September and October 2021. As with the third quarter, there was some indication that labor and parts shortages at the body shop level may have had some impact on operating rates during the quarter.

In Europe, after initial traffic recovery lagged North America during the first quarter due to continued COVID-19-related lockdowns, the recovery has been strong and progressed through the fourth quarter. Miles driven in Europe did appear to soften somewhat, however, in the sequential months of the fourth quarter after peaking in September, which may be related to the Omicron variant. At the body shop level, activity appeared to improve towards year-end, but remained overall mid-single digits below 2019 levels during Q4 and still running somewhat ahead of the North American levels of insurance claim recovery.

In Latin America, Mexico miles driven continued to recover on a sequential basis and versus pre-pandemic levels, running around 2% below baseline levels during Q4 compared with ~7% below those levels during Q2 and 4% below normal during Q3. Brazil remained solid with traffic running above 2019 levels year-to-date and holding fairly steady versus third quarter.

In China and Asia Pacific, the fourth quarter saw traffic levels at improved levels sequentially and the region was largely recovered from pandemic traffic impacts. Thailand and India both saw sequential traffic recovery during Q4, while other countries with more volatile impacts from COVID-19 variants saw improvement as well, including Australia, Japan and Indonesia.

In the **Industrial** end-market, Axalta's fourth quarter results continued to indicate that global industrial demand remains broadly robust, also seen in 3% global industrial production metrics, including below-trend growth in China in the period. All three Industrial end-businesses as well as all regions served increased top-line during the quarter versus the prior year period. Axalta witnessed double-digit growth across Industrial year-over-year, led by continued strength in North America home building and remodeling markets as well as general industrial markets globally. The sole apparent exceptions to strong demand appeared to be automotive, given the supply chain disruption occurring in that market, and weaker wind energy demand notably in China.

## Q4 Mobility Coatings Results

### Financial Performance

| ($ in million) | Q4 2021 | Q4 2020 | % Change Incl. FX | % Change Excl. FX |
|---|---|---|---|---|
| Light Vehicle | 255 | 298 | (14.4)% | (13.7)% |
| Commercial Vehicle | 78 | 73 | 7.6 % | 8.4 % |
| Net Sales | 333 | 371 | (10.1)% | (9.3)% |
| Adjusted EBIT | (4) | 48 | (107.3)% | |
| *% margin* | *(1.1)%* | *12.9 %* | | |

### Net Sales Variance


### Commentary

**Net sales reduction despite pricing actions as volumes remain constrained by supply shortages**

- Axalta volumes largely aligned with reductions in Light Vehicle global builds, offset partly by high-single digit increases in Commercial Vehicle volumes
- Price-mix improvement driven largely by price increases in Light Vehicle and moderate contribution from Commercial Vehicle
- FX headwind driven by the Euro, Lira, and Real, offset partly by the Renminbi

**Adjusted EBIT decrease from cost inflation, volume pressure**

- Adjusted EBIT reduction from raw material cost inflation, substantial supply constraints impacting production at our customers, and fixed cost pressures, offset partly by pricing actions

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**Slide 10: Q3 Mobility Coatings Results**

Mobility Coatings net sales decreased 10.1% year-over-year in the fourth quarter, including a 0.8% currency translation headwinds led by the Euro, Turkish Lira and Real. Net sales included a 11.0% decrease in volume partially offset by a 1.7% improvement in average price-mix.

Light Vehicle fourth quarter net sales decreased 14.4% (13.7% ex-FX). Volume decreased by mid-teens, relatively in line with the global rate of production in the period. Average selling prices and mix increased low single digits in the quarter, which included a component of negative mix effects in the quarter associated with differences in customer mix and geography versus the prior year quarter. Pricing in Q4, as expected, remained positive by near mid-single digits. The business did see solid sequential improvement in net sales, which also aligned with global production improvement as the impact of chip shortages was somewhat lower during fourth quarter compared with third quarter.

Commercial Vehicle fourth quarter net sales increased 7.6%, and by 8.4% excluding modest FX headwinds. This increase was driven by strong truck production against the prior year quarter, which saw some impact from pandemic-related recovery timing, and current demand remains healthy across most global truck markets excluding China. Demand for non-truck vehicle types also remains broadly solid, including recreational vehicles and sporting equipment. For the quarter, Axalta saw volume increases in Commercial Vehicle well ahead of industry pacing for Class 4-8 truck production globally, driven by market share gains in the period. Price-mix for Commercial Vehicle increased low single digits versus the prior year period, inclusive of negative mix differences from the prior year and implying mid- to high-single digit average pricing in the period.

Axalta's Mobility Coatings business continued to innovate during Q4. In Core Mobility solutions we received customer approvals with a sustainable technology for use over plastic substrates. This new basecoat/clearcoat system enables OEM customers to lower cure temperatures, resulting in energy savings, and also enabling the use of newer, alternate substrates. We also launched our AquaEC™ 6000 electrocoat at three global customer plants - a technology that offers superior corrosion protection, especially on aluminum substrates, combined with improved efficiency to reduce usage, cost, and waste. In Advanced Mobility, Axalta's Radar Transmission Simulator (ARTS) won the 2022 BIG Innovation Award, which recognizes new innovative products. Axalta's modeling technology maximizes the color palette while ensuring radar sensor compatibility, an enabling technology for autonomous and advanced driver assistance system equipped (ADAS) vehicles. Precision color matching and coatings formulation allows for radar-compatible coatings without compromising aesthetics.

Mobility Coatings reported a fourth quarter Adjusted EBIT loss of $3.5 million versus income of $47.9 million in the fourth quarter of 2020. Adjusted EBIT and associated margins in Q4 were impacted by the severe volume loss during the quarter due to the semiconductor chip and other supply chain shortages, which dramatically impacted production at the customer level and net sales volumes for Axalta. Results were further impacted by significantly increased cost inflation, with only modest offsets in positive pricing which began to accrue during the third quarter and continued during the fourth quarter.

## Mobility Coatings Demand Environment

**Light Vehicle**

- The LV market was impacted during Q4 by the semiconductor chip shortage with an estimated reduction of ~2.1 million units, bringing the full year 2021 impact to ~9.6 million deferred builds (versus the Axalta assumption of ~11 million)
- Global LV production decreased 13.2% YoY in Q4 and increased 2.5% for the full year 2021; production during Q4 was moderately better than forecast as chip shortage impacts eased somewhat
- Axalta net sales were in line with the market in Q4 driven by specific customer and model exposures in regions served
- The chip shortage is expected to ease only moderately in 2022, with production forecasts now calling for ~8.5% growth, or still 6.8% below 2019 levels

**Commercial Vehicle**

- The North America and EMEA truck markets remain very healthy with strong order backlogs supporting production rates near 20 year highs
- Global truck production, excluding China, decreased 3.4% YoY in Q4 and increased 22.0% for 2021; forecasts call for continued strength globally during 2022 (+11.2%) excluding expected further China contraction (-17.1%)
- Notable ongoing strength in RV market
- Some impact from chip and supply shortages, though less than LV

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**Slide 11: Mobility Demand Environment**

Axalta's **Mobility Coatings** segment performance is closely linked to global automotive and commercial vehicle OEM global production rates for the customers and plants served globally. Axalta generally expects to track the recovery rate of the global vehicle markets, and this has been the case in recent periods, though adjusted for specific countries served and including a somewhat smaller footprint of customers in China versus other regions.

In the fourth quarter, the Light Vehicle market, despite strong underlying consumer demand for autos, remained severely impacted by the ongoing shortage of semiconductor chip supply as well as shortages of other materials, which has caused rolling line shutdowns and curtailments since early in the first quarter of 2021. The impact of supply chain disruptions worsened during the third quarter, but somewhat eased during the fourth quarter, leading to sequentially higher automotive production in the period.

Industry forecasts remained largely stable during fourth quarter and estimates of total cumulative vehicles impacted and not produced during 2021 relative to assumed levels at the start of the year ended at 9.6 million units, inclusive of 2.1 million units during fourth quarter, and compared with earlier expectations of ~10.0-11.5 million units. Axalta had assumed a production loss of ~11 million units as of October.

Measuring the strength of retail level consumer demand has become complicated in recent quarters by an unprecedented decline of inventory on dealer lots. In 2021, U.S. auto sales (SAAR) recovered strongly from 2020 lows in the first half, but lagged in the second half. Total auto sales in 2021 were 15.4 million units, with a 17.4 million average SAAR in the first half and a 13.5 million SAAR in second half, which was 21% lower versus average 2019 levels. These results appear to be impacted by low inventories, which are now at historic lows around 20 days of inventory supply versus pre-pandemic norms of around 60-70 days. Such low inventory now makes it impossible to accurately portray underlying retail demand. Similar low inventories exist in many global auto markets, with retail level demand still unsatisfied and expected to persist in 2022.

For the quarter, global light vehicle production decreased 13.2% year-over-year. Declines were led by EMEA (-24.0%) and North America (-13.0%), while Latin America (-14.6%) and Asia Pacific (-8.4%) were also impacted. Axalta Net Sales volumes were essentially in line with this global production picture, down mid-teens versus the 13.2% industry declines.

For 2022, current industry forecasts call for ~8.5% light vehicle production growth, which includes 17.6% growth in North America, 16.0% in EMEA, 12.9% in Latin America, and +0.9% in China (+2.8% Asia Pacific). Production rates are currently assumed to be fairly constant across the four quarters between 20-21 million units for a total of 83 million units for the year (according to one leading forecaster), but Axalta currently assumes a somewhat more back half loaded weighting. First quarter production is assumed to be down from the first quarter of 2021, which was only marginally impacted by the chip shortage.

For the Commercial Vehicle end-market, overall global Class 4-8 truck production decreased 33.4% in the fourth quarter, continuing the trend that began in the third quarter following multiple quarters of solid growth. This included a modest 2.3% decrease in North America, and a 4.2% decrease in EMEA, but pressured dramatically by a 47.8% decrease in Asia Pacific (59.1% decrease in China) as a truck demand downturn and supply shortages continues to hamper Chinese demand and production. Axalta Net Sales in Commercial Vehicle for the quarter easily exceeded global rates at 7.6% (8.4% ex-FX), underscoring the customer leaning to markets outside of China, and with a share emphasis skewed somewhat towards North America. Further out-performance is attributed to business mix inclusive of non-truck customers.

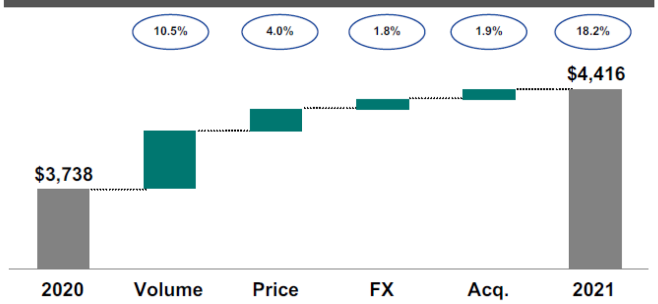
Industry forecasters are calling for a 1.8% decrease in 2022 production (Class 4-8) globally, or 11.2% growth excluding China. This includes 15.2% and 7.9% increases in North America and Europe, respectively. China is expected to decrease 17.1% in 2022 after already dropping 21.0% during 2021. Axalta's Commercial Vehicle business is not substantially exposed to the China market currently.

## FY 2021 Consolidated Results

### Financial Performance

| ($ in million), except per share data | FY 2021 | FY 2020 | % Change Incl. FX | % Change Excl. FX |
|---|---|---|---|---|
| Performance Coatings | 3,096 | 2,516 | 23.0 % | 20.9 % |
| Mobility Coatings | 1,320 | 1,221 | 8.1 % | 6.8 % |
| Net Sales | 4,416 | 3,738 | 18.2 % | 16.4 % |
| Income from operations | 462 | 306 | 51.4 % | |
| Adj. EBIT | 623 | 537 | 16.1 % | |
| *% margin* | *14.1 %* | *14.4 %* | | |
| Diluted EPS | $ 1.14 | $ 0.52 | 119.2 % | |
| Adj. diluted EPS | $ 1.67 | $ 1.33 | 25.6 % | |

### Net Sales Variance




### Commentary

**Net sales increase reflects recovery from COVID-19; customer supply shortages tempered growth for Mobility Coatings**

- Volume growth from COVID-19 recovery in 2021; Mobility Coatings volumes impacted by semiconductor chip and both segments from other supply shortages
- Price-mix contribution driven largely by Performance; Mobility pricing actions picking up towards year-end with expected delays versus Performance
- FX tailwinds driven by the Euro, Renminbi, and Pound
- M&A contribution from two acquisitions

**Adjusted EBIT increase YoY from volume recovery and pricing actions; cost inflation a material offset**

- Profit drivers included volume recovery, pricing actions to offset inflation, and M&A contribution
- Raw material, logistics, labor, and energy inflation were partial offsets

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**Slide 12: Full Year 2021 Consolidated Results**

Net sales of $4.4 billion represented an increase of 18.2% year-over-year for the full year. Constant currency net sales increased 14.5% on an organic basis for the period, driven by ongoing demand strength across the majority of Axalta's businesses, except Light Vehicle.

Refinish demand recovered during the course of 2021, though plateauing during the fourth quarter after more rapid improvement seen earlier in the year. Notable continued strength was also seen within Axalta's Industrial end-market – all end-businesses served by Industrial showed solid top-line growth both year-over-year and versus 2019.

For Mobility Coatings, the ongoing global semiconductor chip and other supply chain shortages that continue to hinder production for global Light Vehicle OEMs had a fairly dramatic effect on net sales, which increased a moderate 8.1% for the year. Commercial Vehicle demand, particularly in Americas truck markets as well as recreational vehicles, also remained supportive.

The 14.5% year-over-year organic and constant currency net sales growth for 2021 included a 18.1% increase from Performance Coatings and a 6.8% increase from Mobility Coatings (up 4.0% in Light Vehicle and up 17.2% in Commercial Vehicle).

The consolidated volume increase of 10.5% for the year was driven by solid double-digit increases from three of four end-markets, while Light Vehicle volume recovery was only low-single digits against the pandemic impacted year of 2020 due to supply constraints previously mentioned.

Price-mix contribution was solidly positive (up 4.0% in aggregate) driven by improvement in both segments and all four end-markets (stronger in Performance Coatings vs Mobility Coatings). Mix was a moderate headwind for the year. Excluding mix effects, overall pricing improved by mid-single digits for the period.

FX translation was a tailwind of 1.8%, driven by the Euro, Renminbi and Pound.

2021 full year Adjusted EBIT was $623.2 million versus $536.9 million in the prior year, given strong demand and volume trends in Performance Coatings as well as Commercial Vehicle, more than offset by Light Vehicle volume headwinds, substantially increased variable input cost inflation and somewhat lower temporary cost savings versus 2020.

## Debt and Liquidity Summary

### Capitalization

| ($ in millions) | Interest | @ 12/31/2021 | | Maturity |
|---|---|---|---|---|
| Cash and Cash Equivalents | | $ | 841 | |
| **Debt:** | | | | |
| Revolver ($550 million capacity)[1] | Variable | | 0 | 2026[2] |
| First Lien Term Loan (USD) | Variable | | 2,028 | 2024 |
| **Total Senior Secured Debt** | | **$** | **2,028** | |
| Senior Unsecured Notes (EUR)[3] | Fixed | | 504 | 2025 |
| Senior Unsecured Notes (USD) | Fixed | | 493 | 2027 |
| Senior Unsecured Notes (USD) | Fixed | | 691 | 2029 |
| Finance Leases | | | 63 | |
| Other Borrowings | | | 51 | |
| **Total Debt** | | **$** | **3,830** | |
| **Total Net Debt** [4] | | **$** | **2,989** | |
| Full Year Adjusted EBITDA | | $ | 848 | |
| **Total Net Leverage** [5] | | | **3.5x** | |
| **Interest Coverage** [6] | | | **6.3x** | |

(1) $527.9 million available on our undrawn revolver net of letters of credit
(2) Maturity will be accelerated to 2024 in certain circumstances as set forth in Amendment No. 10
(3) Assumes exchange rate of 1.1307 USD/Euro
(4) Total Net Debt = Total Debt minus Cash and Cash Equivalents
(5) Total Net Leverage = Total Net Debt / LTM Adjusted EBITDA
(6) Interest Coverage Ratio = LTM Adjusted EBITDA / LTM Interest Expense

### Commentary

- ~$1.4 billion in available liquidity at December 31, 2021
- Weighted average cost of debt of 3.1% at December 31, 2021
- Net leverage 3.5x at December 31 was flat versus September 30, reflecting higher year end cash balance despite ongoing share repurchases and lower LTM Adjusted EBITDA
- Long-term debt interest rates are effectively 89% fixed
  - $250 million of term loan debt protected from rising interest rates with 3-month USD LIBOR at 1.50%
  - $1.375 billion of term loan debt fixed with interest rate swaps at weighted average of 1.84%

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**Slide 13: Debt and Liquidity Summary**

Axalta's balance sheet and liquidity profile remained solid in the fourth quarter. The company ended the quarter with ~$1.4 billion in total liquidity, including $840.6 million of cash and cash equivalents on the balance sheet, and $527.9 million of available capacity in our undrawn revolver.

Axalta's net leverage ratio ended the quarter at 3.5x, even with September 30 levels, driven by increased cash at period end offset by lower LTM Adjusted EBITDA versus Q4 2020. The company also repurchased $30.0 million in total shares in fourth quarter for a 2021 total of $243.7 million.

Free cash flow for the quarter totaled $249.4 million versus $256.0 million in Q4 2020, driven by somewhat lower operating profit, and inclusive of slightly lower capital expenditures versus the comparable prior year period.

## Financial Guidance Update

### Q1 2022 Guidance

- Net Sales: ~+5% including ~(3)% FX, ~4% M&A benefit; anticipated price of mid- to high-single digits
  - Performance Coatings: high single digits growth (ex-FX and M&A)
  - Mobility Coatings: high single digits contraction (ex-FX and M&A)
- Adjusted EBIT: $100-120 million
- D&A: ~$81 million; including ~$24 million of step-up D&A
- Interest Expense: ~$32 million
- Tax Rate: 22-24%
- Adjusted Diluted EPS: $0.22-0.29; including $0.02 FX headwind
- Expected raw material inflation of ~25-27% versus Q1 2021

### FY 2022 Commentary

- Performance Coatings growth expected from continued Refinish recovery, continued robust organic growth within Industrial Coatings
- Global auto production expected to improve; Mobility Coatings growth solidly ahead of global production levels
- Modest FX headwinds expected driven largely by the Euro and Real
- Raw material inflation expected at low double digits, inclusive of oil price at $85 per barrel (Brent); peak inflation is expected to occur in Q1 2022
- Price-mix anticipated to offset cumulative raw material inflation within 2022
- Adjusted EBIT expected to show strong growth versus 2021 on strong volumes and ramping of pricing, offset partially by continued inflationary pressure which is expected to moderate in 2H 2022



## Q1 and Full Year 2022 Assumptions

### Macroeconomic Assumptions

- Global GDP growth ~4.2% for Q1 2022 and ~4.2% for FY 2022
- Global industrial production growth of ~2.6% for Q1 2022 and ~4.1% for FY 2022
- Global auto builds expected to be ~(2.2%) for Q1 2022 and ~8.5% for FY 2022, according to industry forecasters
- Global truck production expected to be ~(5.4%) for Q1 2022 and ~11.2% for FY 2022, excluding China
- Overall inflation pressure continues to remain pervasive as robust demand, logistical bottlenecks, and elevated energy costs remain key drivers
- Supply has moderately improved for commodity raw materials compared to prior quarters while specialty chemicals, additives, and pigments continue to be a supply challenge
- Expect inflationary raw material to persist through 1H 2022 driven by further increases in pigments, isocyanates, and specialty materials

### Q1 2022 Currency Assumptions

| Currency | Q1 2021 % Axalta Net Sales | Q1 2021 Average Rate | Q1 2022 Average Rate Assumption | USD % Impact of FX Rate Change |
|---|---|---|---|---|
| US$ per Euro | ~29% | 1.21 | 1.12 | (7.4%) |
| Chinese Yuan per US$ | ~9% | 6.48 | 6.40 | 1.2% |
| US$ per British Pound | ~3% | 1.38 | 1.35 | (1.9%) |
| Brazilian Real per US$ | ~3% | 5.47 | 5.60 | (2.4%) |
| Mexican Peso per US$ | ~2% | 20.32 | 20.76 | (2.2%) |
| US$ per Canadian Dollar | ~2% | 0.79 | 0.79 | 0.0% |
| Indian Rupee per US$ | ~1% | 72.92 | 75.00 | (2.9%) |
| Other | ~51% | NA | NA | (1.6%) |

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## Adjusted EBIT Reconciliation

| | ($ in millions) | | FY 2021 | FY 2020 | Q4 2021 | Q4 2020 |
|---|---|---|---|---|---|---|
| | Income from operations | $ | 462.4 | $ 305.5 | $ 94.7 | $ 163.2 |
| | Other (income) expense, net | | (12.3) | 33.4 | (1.4) | 32.5 |
| | Total | $ | 474.7 | $ 272.1 | $ 96.1 | $ 130.7 |
| A | Debt extinguishment and refinancing related costs | | 0.2 | 34.4 | — | 32.0 |
| B | Termination benefits and other employee related costs | | 36.9 | 74.9 | 1.8 | 4.5 |
| C | Strategic review and retention costs | | 9.7 | 30.7 | — | 5.6 |
| D | Acquisition and divestiture-related costs | | 16.9 | 0.3 | 6.1 | — |
| E | Impairment charges | | 0.8 | 5.7 | 1.6 | 2.2 |
| F | Pension special events | | 0.4 | (0.4) | 0.4 | 2.1 |
| G | Accelerated depreciation | | 2.5 | 9.2 | 0.7 | 0.3 |
| H | Indemnity (income) loss | | (0.4) | 0.3 | (0.2) | — |
| I | Operational matter | | 4.4 | — | 0.5 | — |
| J | Brazil indirect tax | | (8.3) | — | — | — |
| K | Gains on sales of facilities | | (19.7) | — | (10.8) | — |
| L | Step-up depreciation and amortization | | 105.1 | 109.7 | 24.8 | 28.0 |
| | **Adjusted EBIT** | $ | 623.2 | $ 536.9 | $ 121.0 | $ 205.4 |
| | | | | | | |
| | Segment Adjusted EBIT: | | | | | |
| | Performance Coatings | $ | 479.4 | $ 344.3 | $ 99.7 | $ 129.5 |
| | Mobility Coatings | | 38.7 | 82.9 | (3.5) | 47.9 |
| | Total | $ | 518.1 | $ 427.2 | $ 96.2 | $ 177.4 |
| L | Step-up depreciation and amortization | | 105.1 | 109.7 | 24.8 | 28.0 |
| | **Adjusted EBIT** | $ | 623.2 | $ 536.9 | $ 121.0 | $ 205.4 |



## Adjusted EBIT Reconciliation (cont'd)

**A** Represents expenses and associated changes to estimates related to the prepayment, 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 primarily associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.

**C** Represents costs for legal, tax and other advisory fees pertaining to our review of strategic alternatives that was concluded in March 2020, as well as retention awards for certain employees, which were earned over a period of 18-24 months ending in September 2021. These amounts are not considered indicative of our ongoing performance.

**D** Represents acquisition and divestiture-related expenses and non-cash fair value inventory adjustments associated with our business combinations, all of which are not considered indicative of our ongoing operating performance. The amount for the year ended December 31, 2021 includes $1.0 million of due diligence costs associated with an unconsummated M&A transaction.

**E** Represents impairment charges, which are not considered indicative of our ongoing performance. The amount for the year ended December 31, 2021 includes a recovered gain on a previously impaired asset.

**F** Represents certain defined benefit pension costs associated with special events, including pension curtailments, settlements and special termination benefits, which we do not consider indicative of our ongoing operating performance.

**G** 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.

**H** Represents indemnity (income) loss associated with acquisitions, which we do not consider indicative of our ongoing operating performance.

**I** Represents expenses, changes in estimates and insurance recoveries for probable liabilities related to an operational matter in the Mobility Coatings segment, which is not indicative of our ongoing operating performance.

**J** Represents non-recurring income related to a law change with respect to certain Brazilian indirect taxes which was recorded within other (income) expense, net.

**K** Represents non-recurring income related to the sales of previously closed manufacturing facilities and a customer training facility.

**L** 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) | FY 2021 | FY 2020 | Q4 2021 | Q4 2020 |
|---|---|---|---|---|---|
| | Net income | $ 264.4 | $ 122.0 | $ 53.4 | $ 70.3 |
| | Less: Net income attributable to noncontrolling interests | 0.5 | 0.4 | 0.2 | 0.6 |
| | Net income attributable to controlling interests | 263.9 | 121.6 | 53.2 | 69.7 |
| A | Debt extinguishment and refinancing related costs | 0.2 | 34.4 | — | 32.0 |
| B | Termination benefits and other employee related costs | 36.9 | 74.9 | 1.8 | 4.5 |
| C | Strategic review and retention costs | 9.7 | 30.7 | — | 5.6 |
| D | Acquisition and divestiture-related costs | 16.9 | 0.3 | 6.1 | — |
| E | Impairment charges | 0.8 | 5.7 | 1.6 | 2.2 |
| F | Pension special events | 0.4 | (0.4) | 0.4 | 2.1 |
| G | Accelerated depreciation | 2.5 | 9.2 | 0.7 | 0.3 |
| H | Indemnity (income) loss | (0.4) | 0.3 | (0.2) | — |
| I | Operational matter | 4.4 | — | 0.5 | — |
| J | Brazil indirect tax | (8.3) | — | — | — |
| K | Gains on sales of facilities | (19.7) | — | (10.8) | — |
| L | Step-up depreciation and amortization | 105.1 | 109.7 | 24.8 | 28.0 |
| | Total adjustments | $ 148.5 | $ 264.8 | $ 24.9 | $ 74.7 |
| M | Income tax provision impacts | 25.4 | 71.4 | 9.9 | 8.0 |
| | **Adjusted net income** | $ 387.0 | $ 315.0 | $ 68.2 | $ 136.4 |
| | **Adjusted diluted net income per share** | $ 1.67 | $ 1.33 | $ 0.30 | $ 0.58 |
| | **Diluted weighted average shares outstanding** | 231.9 | 236.0 | 228.9 | 236.2 |

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## Adjusted Net Income Reconciliation (cont'd)

A Represents expenses and associated changes to estimates related to the prepayment, 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 primarily associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.

C Represents costs for legal, tax and other advisory fees pertaining to our review of strategic alternatives that was concluded in March 2020, as well as retention awards for certain employees, which were earned over a period of 18-24 months ending in September 2021. These amounts are not considered indicative of our ongoing performance.

D Represents acquisition and divestiture-related expenses and non-cash fair value inventory adjustments associated with our business combinations, all of which are not considered indicative of our ongoing operating performance. The amount for the year ended December 31, 2021 includes $1.0 million of due diligence costs associated with an unconsummated M&A transaction.

E Represents impairment charges, which are not considered indicative of our ongoing performance. The amount for the year ended December 31, 2021 includes a recovered gain on a previously impaired asset.

F Represents certain defined benefit pension costs associated with special events, including pension curtailments, settlements and special termination benefits, which we do not consider indicative of our ongoing operating performance.

G 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.

H Represents indemnity (income) loss associated with acquisitions, which we do not consider indicative of our ongoing operating performance.

I Represents expenses, changes in estimates and insurance recoveries for probable liabilities related to an operational matter in the Mobility Coatings segment, which is not indicative of our ongoing operating performance.

J Represents non-recurring income related to a law change with respect to certain Brazilian indirect taxes which was recorded within other (income) expense, net.

K Represents non-recurring income related to the sales of previously closed manufacturing facilities and a customer training facility.

L 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.

M 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 benefits of $7.9 million and expenses of $4.4 million for the three months ended December 31, 2021 and 2020, respectively, and benefits of $1.0 million and $22.4 million for the years ended December 31, 2021 and 2020, respectively. The tax benefits for the year ended December 31, 2020 include the removal of a significant one-time benefit associated with the recognition of a deferred tax asset related to an intra-entity transfer of certain intellectual property rights. The tax benefits for the year ended December 31, 2021 include the deferred tax benefit ratably amortized into our adjusted income tax rate as the tax attribute is realized.

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## Free Cash Flow Reconciliation

| ($ in millions) | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | FY 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | YTD 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash provided by (used in) operating activities | $ 268.6 | $ 142.9 | $ 107.5 | $ 39.6 | $ 558.6 | $ 278.4 | $ 233.4 | $ (1.7) | $ (0.8) | $ 509.3 |
| Purchase of property, plant and equipment | (22.9) | (38.4) | (28.5) | (31.8) | (121.6) | (25.9) | (13.8) | (19.7) | (22.7) | (82.1) |
| Interest proceeds on swaps designated as net investment hedges | 3.7 | 7.2 | 3.6 | 3.5 | 18.0 | 3.5 | 3.7 | 3.6 | 3.7 | 14.5 |
| Free cash flow | $ 249.4 | $ 111.7 | $ 82.6 | $ 11.3 | $ 455.0 | $ 256.0 | $ 223.3 | $ (17.8) | $ (19.8) | $ 441.7 |

## Adjusted EBITDA Reconciliation

| | ($ in millions) | | FY 2021 | | FY 2020 | | Q4 2021 | | Q4 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | Net income | $ | 264.4 | $ | 122.0 | $ | 53.4 | $ | 70.3 |
| | Interest expense, net | | 134.2 | | 149.9 | | 33.5 | | 37.5 |
| | Provision for income taxes | | 76.1 | | 0.2 | | 9.2 | | 22.9 |
| | Depreciation and amortization | | 316.5 | | 320.3 | | 81.8 | | 76.7 |
| | **Reported EBITDA** | **$** | **791.2** | **$** | **592.4** | **$** | **177.9** | **$** | **207.4** |
| A | Debt extinguishment and refinancing related costs | | 0.2 | | 34.4 | | — | | 32.0 |
| B | Termination benefits and other employee related costs | | 36.9 | | 74.9 | | 1.8 | | 4.5 |
| C | Strategic review and retention costs | | 9.7 | | 30.7 | | — | | 5.6 |
| D | Acquisition and divestiture-related costs | | 16.9 | | 0.3 | | 6.1 | | — |
| E | Impairment charges | | 0.8 | | 5.7 | | 1.6 | | 2.2 |
| F | Foreign exchange remeasurement (gains) losses | | 2.3 | | 7.2 | | — | | (0.3) |
| G | Long-term employee benefit plan adjustments | | (0.7) | | (0.1) | | 0.1 | | 2.2 |
| H | Stock-based compensation | | 14.9 | | 15.1 | | 3.2 | | (0.8) |
| I | Dividends in respect of noncontrolling interest | | (0.7) | | (0.9) | | — | | (0.4) |
| J | Operational matter | | 4.4 | | — | | 0.5 | | — |
| K | Brazil indirect tax | | (8.3) | | — | | — | | — |
| L | Gains on sales of facilities | | (19.7) | | — | | (10.8) | | — |
| M | Other adjustments | | (0.1) | | 0.4 | | — | | 0.1 |
| | Total adjustments | $ | 56.6 | $ | 167.7 | $ | 2.5 | $ | 45.1 |
| | **Adjusted EBITDA** | **$** | **847.8** | **$** | **760.1** | **$** | **180.4** | **$** | **252.5** |



## Adjusted EBITDA Reconciliation (cont'd)

- **A** Represents expenses and associated changes to estimates related to the prepayment, 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 primarily associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.
- **C** Represents costs for legal, tax and other advisory fees pertaining to our review of strategic alternatives that was concluded in March 2020, as well as retention awards for certain employees, which were earned over a period of 18-24 months ending in September 2021. These amounts are not considered indicative of our ongoing performance.
- **D** Represents acquisition and divestiture-related expenses and non-cash fair value inventory adjustments associated with our business combinations, all of which are not considered indicative of our ongoing operating performance. The amount for the year ended December 31, 2021 includes $1.0 million of due diligence costs associated with an unconsummated M&A transaction.
- **E** Represents impairment charges, which are not considered indicative of our ongoing performance. The amount for the year ended December 31, 2021 includes a recovered gain on a previously impaired asset.
- **F** Eliminates foreign exchange (gains) 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.
- **G** Eliminates the non-cash, non-service cost components of long-term employee benefit costs.
- **H** Represents non-cash impacts associated with stock-based compensation.
- **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 expenses, changes in estimates and insurance recoveries for probable liabilities related to an operational matter in the Mobility Coatings segment, which is not indicative of our ongoing operating performance.
- **K** Represents non-recurring income related to a law change with respect to certain Brazilian indirect taxes which was recorded within other (income) expense, net.
- **L** Represents non-recurring income related to the sales of previously closed manufacturing facilities and a customer training facility.
- **M** 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 and gains and losses from the remaining foreign currency derivative instruments.


AXALTA COATING SYSTEMS

**Forward-Looking Statements**

This presentation and the oral remarks made in connection herewith may contain certain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 regarding Axalta and its subsidiaries including our outlook and/or guidance, which includes net sales growth, currency effects, acquisition or divestment impacts, Adjusted EBIT, Adjusted diluted EPS, interest expense, income tax rate, as adjusted, free cash flow, capital expenditures, depreciation and amortization, diluted shares outstanding and various assumptions noted in the presentation, the effects of COVID-19 on Axalta's business and financial results, our and our customers' supply chain constraints and our ability to offset the impacts of such constraints, the timing or amount of any future share repurchases, contributions from our prior acquisitions and our ability to successfully make future acquisitions. Axalta has identified some of these forward-looking statements with words "believes," "expects," "assumptions," "estimates," "likely to," "likely be," "outlook," "project," "forecasts," "may," "will," "looking ahead," "we look," "view," "goals," "could," "guidance," "upside" and "anticipated" and the negative of these words or other comparable or similar terminology. All of these statements are based on management's expectations as well as estimates and assumptions prepared by management that, although they believe to be reasonable, are inherently uncertain. These statements involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of Axalta's control, including the effects of COVID-19, that may cause its business, industry, strategy, financing activities or actual results to differ materially. The impact and duration of COVID-19 on our business and operations is uncertain. Factors that will influence the impact on our business and operations include the duration and extent of COVID-19, the extent of imposed or recommended containment and mitigation measures, and the general economic consequences of COVID-19. More information on potential factors that could affect Axalta's financial results is available in "Forward-Looking Statements," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" within Axalta's most recent Annual Report on Form 10-K, and in other documents that we have filed with, or furnished to, the U.S. Securities and Exchange Commission, including our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2021, June 30, 2021 and September 30, 2021. Axalta undertakes no obligation to update or revise any of the forward-looking statements contained herein, whether as a result of new information, future events or otherwise.

## 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 constant currency net sales growth, income tax rate, as adjusted, EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA, Adjusted diluted EPS, free cash flow, net debt, Adjusted net income and Adjusted EBITDA to interest expense coverage ratio. 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 diluted 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 (loss) 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 or unusual or nonrecurring in nature. Our use of the terms constant currency net sales growth, income tax rate, as adjusted, EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA, Adjusted diluted EPS, free cash flow, net debt, Adjusted net income and Adjusted EBITDA to interest expense coverage ratio may differ from that of others in our industry. Constant currency net sales growth, income tax rate, as adjusted, EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA, Adjusted diluted EPS, free cash flow, net debt, Adjusted net income and Adjusted EBITDA to interest expense coverage ratio should not be considered as alternatives to net sales, net income, income before operations or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. Constant currency net sales growth, income tax rate, as adjusted, EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA, Adjusted diluted EPS, free cash flow, net debt, Adjusted net income and Adjusted EBITDA to interest expense coverage ratio 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 constant currency net sales growth, Adjusted EBIT, Adjusted EBITDA, Adjusted diluted EPS, income tax rate, as adjusted, or free cash flow 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 these items and they may have a substantial and unpredictable impact on our US GAAP results.

## Constant Currency

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

## Organic Growth

Organic growth or ex-M&A percentages are calculated by excluding the impact of recent acquisitions and divestitures.

## Segment Financial Measures

The primary measure of segment operating performance 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. As we do not measure segment operating performance based on net income, a reconciliation of this non-GAAP financial measure with the most directly comparable financial measure calculated in accordance with GAAP is not available.

## 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.

***About Axalta Coating Systems***

Axalta is a global leader in the coatings industry, providing customers with innovative, colorful, beautiful and sustainable coatings solutions. From light vehicles, commercial vehicles and refinish applications to electric motors, building facades and other industrial applications, our coatings are designed to prevent corrosion, increase productivity and enhance durability. With more than 150 years of experience in the coatings industry, the global team at Axalta continues to find ways to serve our more than 100,000 customers in over 140 countries better every day with the finest coatings, application systems and technology. For more information, visit axalta.com and follow us @axalta on Twitter.