

---

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) August 3, 2017

**AXALTA COATING SYSTEMS LTD.**

(Exact name of registrant as specified in its charter)

Bermuda  
(State or other jurisdiction  
of incorporation)

001-36733  
(Commission  
File Number)

98-1073028  
(IRS Employer  
Identification No.)

Two Commerce Square, 2001 Market Street, Suite 3600, Philadelphia, Pennsylvania 19103  
(Address of principal executive offices) (Zip Code)

(855) 547-1461  
Registrant's telephone number, including area code

Not Applicable  
(Former name or former address, if changed since last report.)

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

---

---

**Item 2.02. Results of Operations and Financial Condition.**

On August 3, 2017, Axalta Coating Systems Ltd. (“Axalta”) issued a press release and posted an earnings call presentation to its website reporting its financial results for the second quarter ended June 30, 2017. Copies of the press release and the earnings call presentation are furnished as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K and are incorporated herein by reference. The information furnished with this Item 2.02, including Exhibits 99.1 and 99.2, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

In the press release, the earnings call presentation and the conference call to discuss its financial results for the second quarter ended June 30, 2017, scheduled to be webcast at 8:00 A.M. on August 3, 2017, Axalta presents, and will present, certain non-GAAP financial measures. Axalta management believes that presenting these non-GAAP financial measures provides meaningful information to investors in understanding operating results and may enhance investors’ ability to analyze financial and business trends. In addition, Axalta management believes that these non-GAAP financial measures allow investors to compare period to period results more easily by excluding items that could have a disproportionately negative or positive impact on results in any particular period. Non-GAAP measures are not a substitute for GAAP measures and should be considered together with the GAAP financial measures. Our non-GAAP financial measures may not be comparable to other similarly titled measures of other companies.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated August 3, 2017
99.2	Second Quarter Ended June 30, 2017 Earnings Call Presentation

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AXALTA COATING SYSTEMS LTD.

Date: August 3, 2017

By: /s/ Robert W. Bryant  
Robert W. Bryant  
Executive Vice President & Chief Financial Officer

---

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release dated August 3, 2017
99.2	Second Quarter Ended June 30, 2017 Earnings Call Presentation

## News Release

**Axalta Coating Systems**  
2001 Market Street  
Suite 3600  
Philadelphia, PA 19103  
USA

**Contact**  
Christopher Mecray  
D +1 215 255 7970  
Christopher.Mecray@axaltacs.com



### For Immediate Release

### Axalta Releases Second Quarter 2017 Results

#### Second Quarter 2017 Highlights:

- Net sales of \$1.1 billion, up 2.3% as-reported and 3.8% on a constant currency basis
- Net loss and Adjusted EBITDA impacted by weaker average pricing and mix, partly offset by acquisition contribution
- Second half focus includes increased pricing to offset raw material inflation and enhanced productivity actions
- Closed three acquisitions expected to add over five percent to consolidated annualized net sales

PHILADELPHIA, PA, August 3, 2017 - Axalta Coating Systems Ltd. (NYSE:AXTA) ("Axalta"), a leading global coatings company, announced its financial results for the second quarter ended June 30, 2017.

#### Second Quarter Consolidated Financial Results

Net sales of \$1,088.5 million for the second quarter of 2017 increased 2.3%, including 1.5% in unfavorable foreign currency translation impact. Constant currency net sales increased 3.8% in the period, driven by 6.5% in acquisition contribution, partly offset by 0.3% lower volumes and 2.4% lower average selling prices. Slightly lower organic net sales were driven by impacts in Latin America, North America, and EMEA, while Asia Pacific continued to show growth.

Net loss attributable to Axalta was \$20.8 million for the second quarter of 2017 compared with net income attributable to Axalta of \$50.7 million in Q2 2016. The decrease was primarily driven by losses resulting from the deconsolidation of our Venezuelan operations as well as financing charges related to our Term Loan refinancing during the quarter. Adjusted net income of \$75.4 million for the second quarter of 2017 decreased from \$83.7 million in Q2 2016.

The deconsolidation of our Venezuelan operations came as a result of a lack of exchangeability between the Venezuelan bolivar and the U.S. dollar coupled with our financial outlook for the foreseeable future. This lack of exchangeability restricted our Venezuelan subsidiary's ability to pay dividends or settle intercompany obligations, which limited our ability to realize the benefits of our Venezuelan operations. In accordance with the applicable accounting guidance, we have deconsolidated our Venezuela operations and will account for our investment at cost going forward. Our cost investment is now valued at \$0 at June 30, 2017 which has resulted in a pre-tax charge of \$70.9 million for the three months ended June 30, 2017. We will no longer report the consolidated results of our Venezuelan operations.

Adjusted EBITDA of \$227.2 million for the second quarter compared with \$251.1 million in Q2 2016. This result was led by the impact of lower average pricing, and also included slightly lower volume driven by Latin America and EMEA, modest variable cost pressure and negative foreign currency translation. These factors were offset in part by savings from our operating improvement initiatives.

"Axalta continued to grow the business overall in the second quarter with net sales up 3.8% on a constant currency basis, including closing several notable acquisitions and posting organic growth in key areas of the business as planned," said Charles W. Shaver, Axalta's Chairman and Chief Executive Officer. "Both the Industrial and Commercial Vehicle end-markets saw solid mid-single digit organic growth through new account penetration and recovering underlying demand in key regions. Still, our overall net sales and Adjusted EBITDA results were impacted by softness this quarter, particularly in April, due to a mix of specific customer demand, some light vehicle pricing concessions and uneven demand by region in several of our end-markets," Mr. Shaver said.

"We have assessed our performance and believe Axalta remains on sound footing to achieve our longer-term strategic and financial goals in spite of some shortfalls in the period, and we are making adjustments with the objective of better performance in the remainder of 2017," Mr. Shaver added. "Key steps are being taken moving forward to implement price increases to offset key input inflation and accelerate cost actions to help deliver our revised 2017 profit outlook."

“We are encouraged that the broader demand outlook remains stable across our businesses. We see supportive end-market conditions in Refinish, stable overall automotive production for Light Vehicle in spite of some expected pullback in North America this year, and recovering conditions across Commercial Vehicle markets. Our focus remains squarely on managing our customer exposure and adding new accounts, working to offset cost inflation pressures while executing on Axalta Way productivity, and continuing to integrate our recently closed acquisitions. We believe we are set up to show stronger performance from the combination of these efforts in the second half of the year,” Mr. Shaver noted.

### **Performance Coatings Results**

Performance Coatings net sales were \$662.9 million in Q2 2017, an increase of 5.1% year-over-year including a 1.8% unfavorable foreign currency translation impact. Constant currency net sales increased 6.9%, driven by a 10.0% acquisition contribution, offset by a 1.9% decrease in volumes, 1.2% lower average selling prices and 1.8% unfavorable foreign currency translation impact.

Net sales in our Refinish end-market decreased 5.8% in Q2 2017 (decreased 4.3% excluding foreign currency translation), led by the impact of lower volumes from Latin America and EMEA as well as pricing pressure from selling channel consolidation in North America. Industrial end-market net sales increased 31.9% in the second quarter (increased 34.4% excluding foreign currency translation and mid-single digits before acquisition contribution).

The Performance Coatings segment generated Adjusted EBITDA of \$146.8 million in the second quarter, a 5.8% year-over-year decrease. Negative impact from organic volumes and pricing, coupled with headwinds from variable costs particularly in certain Industrial end-markets, and modest foreign exchange impacts, were partially offset by acquisition volume contribution. Segment Adjusted EBITDA margin of 22.1% in Q2 2017 reflected a 260 basis point decrease compared to the corresponding prior year quarter.

### **Transportation Coatings Results**

The Transportation Coatings segment produced net sales of \$425.6 million in the second quarter, a decrease of 1.7% versus second quarter 2016. Constant currency net sales were down 0.7% year-over-year, driven by a 2.0% increase in volumes and 1.4% acquisition contribution, offset by a 1.0% unfavorable foreign currency translation impact and by 4.1% lower average selling prices.

Light Vehicle net sales decreased 2.9% year-over-year (decreased 2.1% excluding foreign currency translation and including low single digit acquisition contribution), with modest growth in most regions offset by pricing concessions across all regions and weaker net sales from EMEA this quarter due to Axalta’s specific customer mix in the region. Commercial Vehicle net sales increased 3.0% versus last year (increased 4.3% excluding foreign currency translation), driven by stabilized heavy truck production in North America as well as more stable demand from non-truck customers served.

The Transportation Coatings segment generated Adjusted EBITDA of \$80.4 million in Q2 2017, a decrease of 15.6% compared to the second quarter of 2016, with positive organic volume contribution offset by negative impact from lower selling prices at targeted Light Vehicle customers and moderate ongoing operating expense increases to support planned growth. Segment Adjusted EBITDA margin of 18.9% in Q2 2017 compared with 22.0% in the prior year quarter.

### **Balance Sheet and Cash Flow Highlights**

We ended the quarter with cash and cash equivalents of \$482.1 million. Our net debt was \$3.4 billion as of June 30, 2017. This compared to \$2.9 billion as of the end of the first quarter, with incremental borrowings of approximately \$460 million in USD Term Loans used to fund the three acquisitions that closed in the second quarter. In connection with the incremental Term Loan borrowings, we also refinanced the existing USD Term Loans, with resulting annualized savings of approximately \$7.7 million on the new borrowing cost of LIBOR plus 200 basis points, a 50 basis point improvement while also extending maturities.

Second quarter operating cash flow was \$98.8 million versus \$199.3 million in the corresponding quarter of 2016, reflecting higher working capital use due mainly to timing within the quarter. Free cash flow, calculated as operating cash flow less capital expenditures, totaled \$73.7 million based on capital expenditures of \$25.1 million.

## 2017 Guidance Update

“In spite of uneven demand and some pricing concessions with certain customers during second quarter, we are working actively to address sources of pressure and deliver strong financial results. As some shortfalls in second quarter are not expected to be recovered, we are adjusting our financial guidance outlook, which also incorporates some benefit from our recent acquisitions,” said Robert W. Bryant, Axalta’s Executive Vice President and Chief Financial Officer. “Our existing business restructuring initiatives have been coupled with incremental pricing and cost actions to adjust for changes in certain customer requirements over the last quarter. We are encouraged that the business climate remains generally stable and believe that broadly supportive end-customer demand, together with our specific actions, will help us to deliver our revised full year targets.”

We are updating our outlook for the full year 2017 as follows, inclusive of the recently closed acquisitions:

- Net sales growth of 7-8% as-reported; 8-9% ex-FX, including acquisition contribution of 6-7%
- Adjusted EBITDA of \$940-970 million
- Interest expense of ~\$150 million
- Income tax rate, as adjusted, of 22-24%
- Free cash flow of \$440-480 million
- Capital expenditures of ~\$130 million
- Depreciation and amortization of ~\$350 million
- Diluted shares outstanding of 246-249 million

## 2016 Adoption of Share-based Compensation Expense Accounting Standard

During the three months ended December 31, 2016, Axalta adopted ASU 2016-09, which addresses, among other items, the accounting for income taxes, calculations on diluted weighted average shares outstanding, and cash flow presentation relating to share-based compensation. The adoption resulted in the recasting of previously issued quarterly financial statements, including an increase to net income attributable to Axalta by \$3.2 million and \$4.4 million for the three and six months ended June 30, 2016. The impact of adoption also increased Axalta's dilutive shares by 1.9 million and 1.8 million shares for the three and six months ended June 30, 2016.

## Revision of Prior Year Financial Statements

During the three months ended June 30, 2017, as part of Axalta’s efforts to analyze the impact of the 2018 U.S. GAAP accounting adoption of the new Revenue Recognition standard, Axalta identified and corrected errors that affected previously-issued consolidated financial statements. Axalta determined that these corrections were immaterial to the previously-issued financial statements; however, given the significance of the cumulative adjustments on the financial results for the three and six months ended June 30, 2017, we have revised certain amounts in the condensed consolidated financial statements, as discussed further below.

Axalta recognizes revenue from the sale of products to its customers when risk of loss and ownership of the product transfers to the customer. Ownership transfers either upon shipment of the product or when the product is delivered to the customer. In regards to Axalta’s Refinish end-market, risk of loss passes upon the sale to its distribution customers. Subsequent to the sale to distribution customers, when distribution customers sell the products to collision repair body shops, additional rebates or further pricing concessions can be given. Axalta previously recorded these additional rebates and pricing concessions at the time of sale from the distributor to the collision repair body shops. Axalta has concluded those rebates and pricing concessions should have been estimated and recorded as a reduction to net sales upon the sale to our distribution customers.

Axalta has corrected the errors in the timing of revenue recognition by estimating those additional rebates and pricing concessions at the time of sale to distribution customers and reducing net sales by \$1.5 million (\$1.0 million after tax) and increasing net sales by \$0.1 million (\$0.0 million after tax) for the three and six months ended June 30, 2016, respectively. The cumulative impacts on the condensed consolidated balance sheet at December 31, 2016 were increases of \$22.4 million, \$3.1 million, \$8.3 million and \$11.0 million to other accrued liabilities, goodwill, other assets and accumulated deficit, respectively. These corrections did not have a material impact on the 2017 condensed consolidated financial statements.

#### ***Conference Call Information***

As previously announced, Axalta will hold a conference call to discuss its second quarter 2017 financial results on Thursday, August 3rd, at 8:00 a.m. ET. The U.S. dial-in phone number for the conference call is 877-300-8521 and the international dial-in number is +1-412-317-6026. A live webcast of the conference call will also be available online at [www.axalta.com/investorcall](http://www.axalta.com/investorcall). For those unable to participate in the conference call, a replay will be available through August 10, 2017. The U.S. replay dial-in phone number is 844-512-2921 and the international replay dial-in number is +1-412-317-6671. The replay passcode is 10110895.

#### ***Cautionary Statement Concerning Forward-Looking Statements***

This release may contain certain forward-looking statements regarding Axalta and its subsidiaries including those relating to the impact of our acquisitions as well as our 2017 full year outlook, including net sales growth, Adjusted EBITDA, interest expense, income tax rate, as adjusted, free cash flow, capital expenditures, depreciation and amortization, and diluted shares outstanding. 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 that may cause its business, industry, strategy, financing activities or actual results to differ materially. More information on potential factors that could affect Axalta's financial results is available in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" section 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. 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, EBITDA, Adjusted EBITDA, free cash flow, net debt and Adjusted Net Income. 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 consists of EBITDA adjusted for (i) non-cash items included within net income, (ii) items Axalta does not believe are indicative of ongoing operating performance or (iii) nonrecurring or infrequent items that Axalta believes 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 constant currency net sales growth, income tax rate, as adjusted, EBITDA, Adjusted EBITDA, free cash flow, net debt and Adjusted Net Income may differ from that of others in our industry. Constant currency net sales growth, income tax rate, as adjusted, EBITDA, Adjusted EBITDA, free cash flow, net debt and Adjusted Net Income should not be considered as alternatives to net sales, net income (loss), income (loss) 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, EBITDA, Adjusted EBITDA, free cash flow, net debt and Adjusted Net Income 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 EBITDA, 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.

## **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 13,600 people of Axalta continue to find ways to serve our more than 100,000 customers in 130 countries better every day with the finest coatings, application systems and technology. For more information visit [axaltacoatingsystems.com](http://axaltacoatingsystems.com) and follow us @axalta on Twitter.

**Financial Statement Tables**  
**AXALTA COATING SYSTEMS LTD.**  
Condensed Consolidated Statements of Operations (Unaudited)  
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	\$ 1,088.5	\$ 1,063.6	\$ 2,096.3	\$ 2,020.8
Other revenue	6.1	7.0	12.0	13.0
Total revenue	1,094.6	1,070.6	2,108.3	2,033.8
Cost of goods sold	690.0	649.0	1,331.1	1,255.4
Selling, general and administrative expenses	246.1	237.7	471.4	456.8
Venezuela deconsolidation charge	70.9	—	70.9	—
Research and development expenses	16.4	14.1	32.0	26.7
Amortization of acquired intangibles	23.8	20.3	45.5	40.5
Income from operations	47.4	149.5	157.4	254.4
Interest expense, net	35.6	47.8	71.4	97.9
Other expense, net	21.2	32.8	19.6	40.8
Income (loss) before income taxes	(9.4)	68.9	66.4	115.7
Provision for income taxes	9.5	16.6	19.4	30.6
Net income (loss)	(18.9)	52.3	47.0	85.1
Less: Net income attributable to noncontrolling interests	1.9	1.6	3.7	2.5
Net income (loss) attributable to controlling interests	\$ (20.8)	\$ 50.7	\$ 43.3	\$ 82.6
Basic net income (loss) per share	\$ (0.09)	\$ 0.21	\$ 0.18	\$ 0.35
Diluted net income (loss) per share	\$ (0.09)	\$ 0.21	\$ 0.18	\$ 0.34
Basic weighted average shares outstanding	240.9	237.7	240.4	237.4
Diluted weighted average shares outstanding	240.9	244.3	246.5	243.8

**AXALTA COATING SYSTEMS LTD.**  
Condensed Consolidated Balance Sheets (Unaudited)  
(In millions, except per share data)

	June 30, 2017	December 31, 2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 482.1	\$ 535.4
Restricted cash	2.9	2.7
Accounts and notes receivable, net	961.4	801.9
Inventories	580.1	529.7
Prepaid expenses and other	68.5	50.3
Total current assets	2,095.0	1,920.0
Property, plant and equipment, net	1,370.7	1,315.7
Goodwill	1,219.3	964.1
Identifiable intangibles, net	1,436.5	1,130.3
Other assets	535.6	536.1
Total assets	\$ 6,657.1	\$ 5,866.2
<b>Liabilities, Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 489.9	\$ 474.2
Current portion of borrowings	35.5	27.9
Other accrued liabilities	456.2	440.0
Total current liabilities	981.6	942.1
Long-term borrowings	3,823.4	3,236.0
Accrued pensions	262.9	249.1
Deferred income taxes	164.5	160.2
Other liabilities	33.2	32.2
Total liabilities	5,265.6	4,619.6
Commitments and contingencies		
Shareholders' equity		
Common shares, \$1.00 par, 1,000.0 shares authorized, 243.0 and 240.5 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	241.5	239.3
Capital in excess of par	1,326.3	1,294.3
Accumulated deficit	(14.8)	(58.1)
Treasury shares, at cost	(8.3)	—
Accumulated other comprehensive loss	(278.5)	(350.4)
Total Axalta shareholders' equity	1,266.2	1,125.1
Noncontrolling interests	125.3	121.5
Total shareholders' equity	1,391.5	1,246.6
Total liabilities and shareholders' equity	\$ 6,657.1	\$ 5,866.2

**AXALTA COATING SYSTEMS LTD.**  
Condensed Consolidated Statements of Cash Flows (Unaudited)  
(In millions)

	Six Months Ended June 30,	
	2017	2016
Operating activities:		
Net income	\$ 47.0	\$ 85.1
Adjustment to reconcile net income to cash used for operating activities:		
Depreciation and amortization	167.3	154.6
Amortization of deferred financing costs and original issue discount	4.2	10.1
Debt extinguishment and refinancing related costs	12.4	2.3
Deferred income taxes	(12.9)	(7.2)
Realized and unrealized foreign exchange (gains) losses, net	(2.4)	26.0
Stock-based compensation	21.3	21.6
Asset impairments	3.2	10.5
Loss on deconsolidation of Venezuela	70.9	—
Other non-cash, net	2.8	(2.9)
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(128.9)	(89.7)
Inventories	(5.1)	13.4
Prepaid expenses and other	(60.9)	(20.2)
Accounts payable	(6.3)	4.0
Other accrued liabilities	(13.4)	(15.2)
Other liabilities	(5.1)	(6.4)
Cash provided by operating activities	94.1	186.0
Investing activities:		
Business acquisitions	(533.3)	—
Purchase of property, plant and equipment	(57.4)	(64.8)
Reduction of cash due to Venezuela deconsolidation	(4.3)	—
Other investing activities	(0.3)	(2.4)
Cash used for investing activities	(595.3)	(67.2)
Financing activities:		
Proceeds from long term borrowings	456.4	—
Payments on short-term borrowings	(4.4)	(5.5)
Payments on long-term borrowings	(6.1)	(113.7)
Financing-related costs	(8.9)	—
Dividends paid to noncontrolling interests	(0.9)	(1.5)
Purchase of treasury stock	(8.3)	—
Proceeds from option exercises	12.9	5.9
Deferred acquisition-related consideration	(3.4)	—
Other financing activities	—	(0.2)
Cash provided by (used for) financing activities	437.3	(115.0)
Increase (decrease) in cash	(63.9)	3.8
Effect of exchange rate changes on cash	10.8	(8.3)
Cash at beginning of period	538.1	487.7
Cash at end of period	\$ 485.0	\$ 483.2
Cash at end of period reconciliation:		
Cash and cash equivalents	\$ 482.1	\$ 480.1
Restricted cash	\$ 2.9	\$ 3.1
Cash at end of period	\$ 485.0	\$ 483.2

The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$ (18.9)	\$ 52.3	\$ 47.0	\$ 85.1
Interest expense, net	35.6	47.8	71.4	97.9
Provision for income taxes	9.5	16.6	19.4	30.6
Depreciation and amortization	84.9	78.6	167.3	154.6
EBITDA	111.1	195.3	305.1	368.2
Debt extinguishment and refinancing related costs (a)	12.4	2.3	12.4	2.3
Foreign exchange remeasurement losses (b)	6.0	18.0	4.8	25.5
Long-term employee benefit plan adjustments (c)	0.1	0.7	0.5	1.3
Termination benefits and other employee related costs (d)	—	7.0	0.8	8.9
Consulting and advisory fees (e)	—	2.6	(0.1)	5.6
Transition-related costs (f)	3.9	—	3.9	—
Offering and transactional costs (g)	6.6	1.4	5.6	1.4
Stock-based compensation (h)	10.9	11.4	21.3	21.6
Other adjustments (i)	2.6	1.9	2.8	3.7
Dividends in respect of noncontrolling interest (j)	(0.5)	—	(0.9)	(1.5)
Deconsolidation impacts and impairments (k)	74.1	10.5	74.1	10.5
Adjusted EBITDA	\$ 227.2	\$ 251.1	\$ 430.3	\$ 447.5

- (a) In April 2016, we prepaid \$100.0 million of the outstanding principal on the 2020 Dollar Term Loans and recorded a non-cash loss on extinguishment of \$2.3 million for the three and six months ended June 30, 2016. In connection with the refinancing of our Dollar Term Loans during the three and six months ended June 30, 2017, we recorded losses of \$12.4 million. We do not consider these to be indicative of our ongoing operating performance.
- (b) Eliminates foreign exchange gains and losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, net of impacts associated with our foreign currency instruments used to hedge our balance sheet exposures. Exchange effects attributable to the remeasurement of our Venezuelan subsidiary represented losses of \$0.3 million and \$1.8 million for the three and six months ended June 30, 2017, respectively, and losses of \$15.6 million and \$22.7 million for the three and six months ended June 30, 2016, respectively.
- (c) Eliminates the non-cash, non-service cost components of long-term employee benefit costs.
- (d) Represents expenses primarily related to employee termination benefits and other employee-related costs associated with our Axalta Way initiatives, which are not considered indicative of our ongoing operating performance.
- (e) Represents fees paid to consultants for professional services primarily related to our Axalta Way initiatives, which are not considered indicative of our ongoing operating performance.
- (f) Represents integration costs related to the acquisition of the Industrial Wood business that was a carve-out business from Valspar. These amounts are not considered indicative of our ongoing operating performance.
- (g) Represents acquisition-related expenses, including changes in the fair value of contingent consideration, as well as costs associated with the 2016 secondary offerings of our common shares by Carlyle, both of which are not considered indicative of our ongoing operating performance.
- (h) Represents non-cash costs associated with stock-based compensation.
- (i) Represents costs for 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 equity investee dividends, indemnity losses (gains) associated with the Acquisition, losses (gains) on sale and disposal of property, plant and equipment, losses (gains) on the remaining foreign currency derivative instruments and non-cash fair value inventory adjustments associated with our business combinations.
- (j) 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 the entities on Axalta's financial statements.

- (k) In conjunction with the deconsolidation of our Venezuelan subsidiary during the three and six months ended June 30, 2017, we recorded a loss on deconsolidation of \$70.9 million. During the three and six months ended June 30, 2017 and 2016, we recorded non-cash impairment charges related to a manufacturing facility previously announced for closure of \$3.2 million and to a real estate investment of \$10.5 million, respectively. We do not consider these to be indicative of our ongoing operating performance.

The following table reconciles net income (loss) to adjusted net income for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	\$ (18.9)	\$ 52.3	\$ 47.0	\$ 85.1
Less: Net income attributable to noncontrolling interests	1.9	1.6	3.7	2.5
Net income (loss) attributable to controlling interests	(20.8)	50.7	43.3	82.6
Debt extinguishment and refinancing related costs (a)	12.4	2.3	12.4	2.3
Foreign exchange remeasurement losses (b)	6.0	18.0	4.8	25.5
Termination benefits and other employee related costs (c)	—	7.0	0.8	8.9
Consulting and advisory fees (d)	—	2.6	(0.1)	5.6
Transition-related costs (e)	3.9	—	3.9	—
Offering and transactional costs (f)	6.6	1.4	5.6	1.4
Deconsolidation impacts and impairments (g)	76.7	10.5	78.9	10.5
Other (h)	2.6	—	2.6	—
Total adjustments	108.2	41.8	108.9	54.2
Income tax impacts (i)	12.0	8.8	13.7	9.1
Adjusted net income	75.4	83.7	138.5	127.7
Diluted adjusted net income per share	\$ 0.31	\$ 0.34	\$ 0.56	\$ 0.52
Diluted weighted average shares outstanding <sup>(1)</sup>	246.8	244.3	246.5	243.8

- (1) For the three months ended June 30, 2017, represents what diluted shares would have been compared to the 240.9 million diluted shares, as reported, if the period had been in a net income position versus the reported loss.

- (a) In April 2016, we prepaid \$100.0 million of the outstanding principal on the 2020 Dollar Term Loans and recorded a non-cash loss on extinguishment of \$2.3 million for the three and six months ended June 30, 2016. In connection with the refinancing of our Dollar Term Loans during the three and six months ended June 30, 2017, we recorded losses of \$12.4 million. We do not consider these to be indicative of our ongoing operating performance.

- (b) Eliminates foreign exchange gains and losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, net of impacts associated with our foreign currency instruments used to hedge our balance sheet exposures. Exchange effects attributable to the remeasurement of our Venezuelan subsidiary represented losses of \$0.3 million and \$1.8 million for the three and six months ended June 30, 2017, respectively, and losses of \$15.6 million and \$22.7 million for the three and six months ended June 30, 2016, respectively.

- (c) Represents expenses primarily related to employee termination benefits and other employee-related costs associated with our Axalta Way initiatives, which are not considered indicative of our ongoing operating performance.

- (d) Represents fees paid to consultants for professional services primarily related to our Axalta Way initiatives, which are not considered indicative of our ongoing operating performance.

- (e) Represents integration costs related to the acquisition of the Industrial Wood business that was a carve-out business from Valspar. These amounts are not considered indicative of our ongoing operating performance.

- (f) Represents acquisition-related expenses, including changes in the fair value of contingent consideration, as well as costs associated with the 2016 secondary offerings of our common shares by Carlyle, both of which are not considered indicative of our ongoing operating performance.

- (g) In conjunction with the deconsolidation of our Venezuelan subsidiary during the three and six months ended June 30, 2017, we recorded a loss on deconsolidation of \$70.9 million. During the three and six months ended June 30, 2016, we recorded non-cash impairment charges relating to a real estate investment of \$10.5 million. During the three and six months ended June 30, 2017, we recorded non-cash impairment charges related to a manufacturing facility previously announced for closure of \$3.2 million and an abandoned in-process research and development asset of \$0.5 million. In connection with the manufacturing facilities announced for closure, we recorded accelerated depreciation of \$2.1 million and \$4.3 million for the three and six months ended June 30, 2017. We do not consider these to be indicative of our ongoing operating performance.

- (h) Represents costs for non-cash fair value inventory adjustments associated with our business combinations, which we do not consider indicative of ongoing operations.
- (i) 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, there were no discrete items removed from our income tax expense for the three and six months ended June 30, 2017 and the three months ended June 30, 2016. Our income tax expense includes the removal of \$1.0 million for the six months ended June 30, 2016.



# Axalta Coating Systems

Q2 2017 FINANCIAL RESULTS

August 3, 2017

# 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 2017 financial projections, including execution on our 2017 goals as well as 2017 net sales, net sales excluding FX, Adjusted EBITDA, interest expense, tax rate, as adjusted, free cash flow, capital expenditures, depreciation and amortization, diluted shares outstanding, cost savings, contributions from acquisitions, raw material cost increases, 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, 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, 2016 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

## 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, EBITDA, Adjusted EBITDA, 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 consists of EBITDA adjusted for (i) non-operating income or expense, (ii) the impact of certain non-cash, nonrecurring or other items that are included in net income and EBITDA that we do not consider indicative of our ongoing performance and (iii) certain unusual or nonrecurring items impacting results in a particular period. 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 unusual or nonrecurring in nature or items that we do not consider indicative of our ongoing operating performance. Our use of the terms net sales excluding FX, Adjusted Net Income, EBITDA, Adjusted EBITDA, 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, EBITDA, Adjusted EBITDA 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, EBITDA, Adjusted EBITDA, 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 Net Income, EBITDA, Adjusted EBITDA, Free Cash Flow or tax rate, as adjusted, as-reported 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 US GAAP results.

## Segment Financial Measures

The primary measure of segment operating performance is Adjusted EBITDA, 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.

## Q2 2017 Highlights

---

### ■ Q2 financial results

- ✓ Net sales of \$1,088.5 million – driven primarily by 6.5% acquisition contribution
- ✓ Net loss attributable to Axalta of \$20.8 million versus \$50.7 million of income in Q2 2016, driven by Venezuela deconsolidation and M&A transaction and integration costs
- ✓ Adjusted net income attributable to Axalta of \$75.4 million versus \$83.7 million in Q2 2016
- ✓ Adjusted EBITDA of \$227.2 million versus \$251.1 million in Q2 2016

### ■ Operating & innovation progress highlights

- ✓ Opened Asia Pacific Technology Center in Shanghai; opened new training centers in North Carolina and Dubai; opened new India headquarters
- ✓ Honored with Supplier of the Year award from GM and supplier award from Honda in Brazil
- ✓ Key new Industrial product introductions within our Colar®, Alesta®, and Durapon 70™ brands to extend product reach in new markets

### ■ Balance sheet & cash flow progress

- ✓ Free Cash Flow generation: \$73.7 million versus \$174.8 million last year
- ✓ Upsized and refinanced USD Term Loans to finance Q2 2017 acquisitions and reduce cost of debt while extending maturities

### ■ Capital deployment & M&A activity

- ✓ Closed on three acquisitions including the North American Industrial Wood Coatings business from Valspar and Spencer Coatings Group in the U.K.
- ✓ Initiated share repurchase program by purchasing \$8.3 million of shares

## Key Goals & Priorities For 2017



Stated Objective	Results Expected	Status
<b>Outgrow our End-markets</b>	<ul style="list-style-type: none"> <li>New product introductions, broader global market penetration, benefit from consolidation in key end-markets and regions</li> </ul>	
<b>Execute on Structural Savings with Productivity Programs</b>	<ul style="list-style-type: none"> <li>Complete our programs for \$200 million total savings (run-rate by end of 2017)</li> </ul>	
<b>Maintain Active Operating Cost Discipline</b>	<ul style="list-style-type: none"> <li>Begin rollout of global operating model, complexity reduction, active cyclical cost discipline, and footprint optimization</li> </ul>	
<b>Drive Superior Customer Service &amp; Innovation</b>	<ul style="list-style-type: none"> <li>Maintain focus on customer productivity; offer a broad and deep product selection as differentiator</li> </ul>	
<b>Disciplined Capital Allocation</b>	<ul style="list-style-type: none"> <li>Five deals completed to date providing over \$300 million incremental net sales (annualized)</li> <li>Authorized and executed share buybacks provide incremental value creation optionality</li> </ul>	
<b>Continue Free Cash Flow and Balance Sheet Focus</b>	<ul style="list-style-type: none"> <li>Focus on FCF and effective capital allocation while maintaining our balance sheet discipline</li> </ul>	

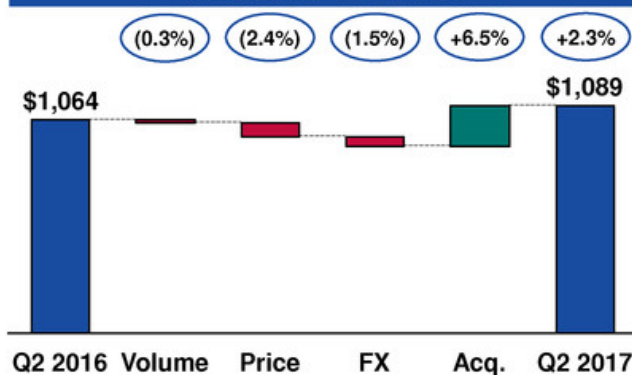
## Q2 Consolidated Results

### Financial Performance

(\$ in millions)	Q2		% Change	
	2017	2016	Incl. F/X	Excl. F/X
Performance	663	631	5.1%	6.9%
Transportation	426	433	(1.7%)	(0.7%)
Net Sales	1,089	1,064	2.3%	3.8%
Net Income (Loss) <sup>(1)</sup>	(21)	51		
Adjusted EBITDA	227	251	(9.5%)	

(1) Represents Net Income (Loss) attributable to controlling interests

### Net Sales Variance



### Commentary

#### Net sales led by acquisition growth

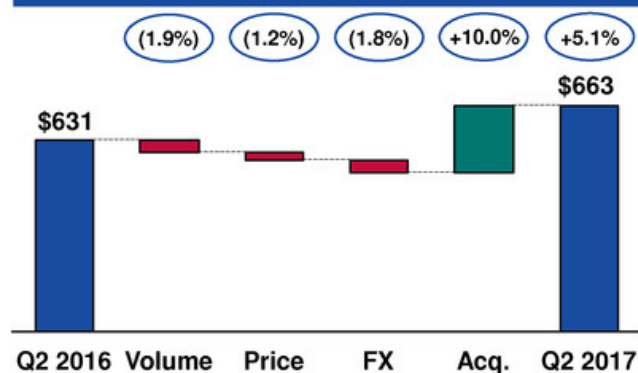
- Net sales pressured by lower volumes in Latin America Refinish and EMEA Light Vehicle, partly offset by solid growth in Industrial and Commercial Vehicle end-markets
- Pricing concessions in Light Vehicle and unfavorable price and product mix in Performance Coatings drove lower net sales in North America and EMEA
- 1.5% unfavorable currency impact shows moderating impact versus prior two years

## Q2 Performance Coatings Results

### Financial Performance

(\$ in millions)	Q2		% Change	
	2017	2016	Incl. F/X	Excl. F/X
Refinish	421	447	(5.8%)	(4.3%)
Industrial	242	183	31.9%	34.4%
Net Sales	663	631	5.1%	6.9%
Adjusted EBITDA	147	156	(5.8%)	
% margin	22.1%	24.7%		

### Net Sales Variance



### Commentary

#### Strong net sales growth led by Industrial M&A contribution

- Solid Industrial organic volume growth across all regions; Refinish volumes constrained by Latin America weakness
- 10.0% growth from acquisitions, driven primarily by Dura Coat and the wood coatings business for one month
- Refinish North America impacted by unfavorable net price driven by customer specific elements
- 1.8% unfavorable currency impact from the Euro and Renminbi

#### Adjusted EBITDA margin lower

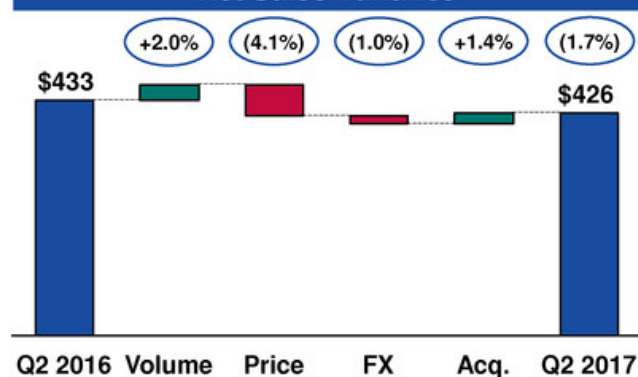
- Margin impacted by lower organic volume, unfavorable pricing, raw material headwinds, modest currency impact, offset by modest early acquisition contribution

## Q2 Transportation Coatings Results

### Financial Performance

(\$ in millions)	Q2		% Change	
	2017	2016	Incl. F/X	Excl. F/X
Light Vehicle	334	344	(2.9%)	(2.1%)
Commercial Vehicle	91	89	3.0%	4.3%
Net Sales	426	433	(1.7%)	(0.7%)
Adjusted EBITDA	80	95	(15.6%)	
% margin	18.9%	22.0%		

### Net Sales Variance



### Commentary

#### Net sales led by Commercial Vehicle

- Solid Light Vehicle volume growth in Asia Pacific as well as Latin America, while EMEA slightly weaker; Commercial Vehicle growth led by North America and Asia Pacific
- Impact from lower average pricing for select customers in Light Vehicle globally
- 1.0% unfavorable currency impact largely from the Renminbi and Euro

#### Adjusted EBITDA margin lower

- Margin impact from lower average selling prices and moderate increases in operating costs, partially offset by organic volume growth

# Debt and Liquidity Summary

Capitalization			Comments
(\$ in millions)	@ 6/30/2017	Maturity	
Cash and Cash Equivalents	\$482		
<b>Debt:</b>			
Revolver (\$400 million capacity)	-	2021	
First Lien Term Loan (USD)	1,977	2024	
First Lien Term Loan (EUR) <sup>(1)</sup>	451	2023	
<b>Total Senior Secured Debt</b>	<b>\$2,428</b>		
Senior Unsecured Notes (USD)	490	2024	
Senior Unsecured Notes (EUR) <sup>(1)</sup>	377	2024	
Senior Unsecured Notes (EUR) <sup>(1)</sup>	505	2025	
Capital Leases	46		
Other Borrowings	13		
<b>Total Debt</b>	<b>\$3,859</b>		
<b>Total Net Debt<sup>(2)</sup></b>	<b>\$3,377</b>		
LTM Adjusted EBITDA	\$885		
<b>Total Net Leverage<sup>(3)</sup></b>	<b>3.8x</b>		

(1) Assumes exchange rate of \$1.142 USD/Euro

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

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

- Upsized and modified USD Term Loan to finance the acquisition of Valspar's North American Industrial Wood Coatings business and Spencer Coatings Group and to take advantage of favorable market conditions
- Reduced LIBOR spread by 50 basis points; maturity extended by one year
- Leverage ratio increased due to incremental borrowing for acquisitions and higher Euro denominated balances from stronger Euro
- Leverage ratio reflects only one month contribution of recent acquisitions in LTM Adjusted EBITDA

# Full Year 2017 Guidance

(\$ millions)	Original	Revised
Net Sales	1-3%	7-8%
Net Sales, ex FX	4-6%	8-9%
Adjusted EBITDA	\$930-980	\$940-970
Interest Expense	~\$150	~\$150
Tax Rate, As Adjusted	22-24%	22-24%
Free Cash Flow	\$440-480	\$440-480
Cash flow from operations less capex		
Capex	~\$160	~\$130
D&A	\$335	\$350
Diluted Shares (millions) <sup>(1)</sup>	246-249	246-249

## Comments on Revised Guidance

- Net sales growth includes incremental M&A contribution of 6-7% from completed acquisitions
- Headwinds to margins from input cost inflation, certain pricing and customer mix changes, and foreign currency
- Tax rate, as adjusted, benefits from full year effect of actions completed in mid-2016
- Free cash flow expectation imbeds assumed core working capital improvement year-over-year, with acquisitions offsetting lower organic Adjusted EBITDA
- Interest expense savings from refinancing offset by incremental borrowings to fund recent acquisitions
- D&A increased somewhat from acquisitions

(1) Reflects adoption of ASU 2016-09, which contributed 1.7 million shares of dilution



# Appendix

## Full Year 2017 Assumptions

### Macroeconomic Assumptions

- Global GDP growth of approximately 3.0%
- Global industrial production growth of approximately 2.9%
- Global auto build growth of approximately 1.9%
- Headwinds from supply constrictions in some raw material categories i.e. Monomers, Polyester Resins and TiO<sub>2</sub> more pronounced than inflation related to Oil

### Currency Assumptions

Currency	2016 % Axalta Net Sales	2016 Average Rate	2017 Average Rate Assumption	USD % Impact of F/X Rate Change
US\$ per Euro	~28%	1.11	1.10	(0.9%)
Chinese Yuan per US\$	~13%	6.65	6.89	(3.5%)
Brazilian Real per US\$	~3%	3.49	3.29	5.9%
Mexican Peso per US\$	~2%	18.68	19.61	(4.7%)
US\$ per British Pound	~2%	1.36	1.26	(6.7%)
Russian Ruble per US\$	~1%	67.03	58.48	14.6%
Turkish Lira per US\$	~1%	3.02	3.62	(16.4%)
Other	~50%	N/A	N/A	(0.2%)

# Adjusted EBITDA Reconciliation

(\$ in millions)	FY 2016	Q1 2016	Q2 2016	Q1 2017	Q2 2017	LTM 6/30/2017
Net Income (loss)	\$45	\$33	\$52	\$66	(19)	\$7
Interest Expense, net	178	50	48	36	36	152
Provision for Income Taxes	38	14	17	10	10	27
Depreciation & Amortization	322	76	79	82	84	333
<b>Reported EBITDA</b>	<b>\$583</b>	<b>\$173</b>	<b>\$195</b>	<b>\$194</b>	<b>\$111</b>	<b>\$520</b>
A Debt extinguishment and refinancing related costs	98	-	2	-	12	108
B Foreign exchange remeasurement (gains) losses	31	8	18	(1)	6	10
C Long-term employee benefit plan adjustments	2	1	1	-	-	-
D Termination benefits and other employee related costs	62	2	7	1	-	54
E Consulting and advisory fees	10	3	3	-	-	4
F Transition-related costs	-	-	-	-	4	4
G Offering and transactional costs	6	-	1	(1)	7	11
H Stock-based compensation	41	10	11	10	11	41
I Other adjustments	5	2	2	-	3	4
J Dividends in respect of noncontrolling interest	(3)	(2)	-	-	(1)	(2)
K Deconsolidation impacts and impairments	68	-	11	-	74	131
Total Adjustments	\$319	\$24	\$56	\$9	\$116	\$364
<b>Adjusted EBITDA</b>	<b>\$902</b>	<b>\$196</b>	<b>\$251</b>	<b>\$203</b>	<b>\$227</b>	<b>\$885</b>

Note: Numbers might not foot due to rounding.

## Adjusted EBITDA Reconciliation (cont'd)

- A. During the year ended December 31, 2016 we amended our Credit Agreement and refinanced our indebtedness, resulting in losses of \$88 million, and prepaid principal on our term loans, resulting in non-cash extinguishment losses of \$10 million. In 2Q 2016, we prepaid \$100 million of the outstanding principal on the 2023 Dollar Term Loans and recorded a non-cash loss on extinguishment of \$2 million. In connection with the refinancing of our Dollar Term Loans during 2Q 2017, we recorded losses of \$12 million. We do not consider these to be indicative of our ongoing operating performance.
- B. Eliminates foreign exchange gains and losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, net of 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 primarily related to employee termination benefits and other employee-related costs associated with our Axalta Way initiatives, which are not considered indicative of our ongoing operating performance.
- E. Represents fees paid to consultants for professional services primarily related to our Axalta Way initiatives, which are not considered indicative of our ongoing operating performance.
- F. Represents integration costs related to the acquisition of the Industrial Wood business that was a carve-out business from Valspar. These amounts are not considered indicative of our ongoing operating performance.
- G. Represents acquisition-related expenses, including changes in the fair value of contingent consideration, as well as costs associated with the 2016 secondary offerings of our common shares by Carlyle, both of which are not considered indicative of our ongoing operating performance.
- H. Represents non-cash costs associated with stock-based compensation.
- I. Represents costs for 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 equity investee dividends, indemnity losses (gains) associated with the Acquisition, losses (gains) on sale and disposal of property, plant and equipment, losses (gains) on the remaining foreign currency derivative instruments and non-cash fair value inventory adjustments associated with our business combinations.
- J. Represents the payment of dividends to our joint venture partners by our consolidated entities that are not wholly owned, which are reflected to show cash operating performance of these entities on Axalta's financial statements.
- K. As a result of currency devaluations in Venezuela, during the year ended December 31, 2016, we recorded non-cash impairment charges relating to a real estate investment for \$11 million and long-lived assets for \$58 million. In conjunction with the deconsolidation of our Venezuelan subsidiary during 2Q 2017, we recorded a loss on deconsolidation of \$71 million. In addition, during 2Q 2017, we recorded non-cash impairment charges related to a manufacturing facility previously announced for closure of \$3 million. We do not consider these to be indicative of our ongoing operating performance.

## Adjusted Net Income Reconciliation

(\$ in millions)	Q2 2016	Q2 2017
Net Income (loss)	\$52	(19)
Less: Net income attributable to noncontrolling interests	2	2
Net income (loss) attributable to controlling interests	51	(21)
<b>A</b> Debt extinguishment and refinancing related costs	2	12
<b>B</b> Foreign exchange remeasurement losses	18	6
<b>C</b> Termination benefits and other employee related costs	7	-
<b>D</b> Consulting and advisory fees	3	-
<b>E</b> Transition-related costs	-	4
<b>F</b> Offering and transactional costs	1	7
<b>G</b> Deconsolidation impacts and impairments	11	77
<b>H</b> Other	-	3
Total adjustments	\$42	\$108
<b>I</b> Income tax impacts	\$9	\$12
<b>Adjusted net income</b>	<b>\$84</b>	<b>\$75</b>

Note: Numbers might not foot due to rounding.

## Adjusted Net Income Reconciliation (cont'd)

- A. In 2Q 2016, we prepaid \$100 million of the outstanding principal on the 2023 Dollar Term Loans and recorded a non-cash loss on extinguishment of \$2 million. In connection with the refinancing of our Dollar Term Loans during 2Q 2017, we recorded losses of \$12 million. We do not consider these to be indicative of our ongoing operating performance.
- B. Eliminates foreign exchange gains and losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, net of impacts of our foreign currency instruments used to hedge our balance sheet exposures.
- C. Represents expenses primarily related to employee termination benefits and other employee-related costs associated with our Axalta Way initiatives, which are not considered indicative of our ongoing operating performance.
- D. Represents fees paid to consultants for professional services primarily related to our Axalta Way initiatives, which are not considered indicative of our ongoing operating performance.
- E. Represents integration costs related to the acquisition of the Industrial Wood business that was a carve-out business from Valspar. These amounts are not considered indicative of our ongoing operating performance.
- F. Represents acquisition-related expenses, including changes in the fair value of contingent consideration, as well as costs associated with the 2016 secondary offerings of our common shares by Carlyle, both of which are not considered indicative of our ongoing operating performance.
- G. As a result of currency devaluations in Venezuela, during 2Q 2016, we recorded a non-cash impairment charges relating to a real estate investment for \$11 million. In conjunction with the deconsolidation of our Venezuelan subsidiary during 2Q 2017, we recorded a loss on deconsolidation of \$71 million. During 2Q 2017, we recorded non-cash impairment charges related to a manufacturing facility previously announced for closure of \$3 million and an abandoned in-process research and development asset of \$1 million. In connection with the manufacturing facilities announced for closure, we recorded accelerated depreciation of \$2 million during 2Q 2017. We do not consider these to be indicative of our ongoing operating performance.
- H. Represents costs for non-cash fair value inventory adjustments associated with our business combinations, which we do not consider indicative of ongoing operations.
- I. 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, there were no discrete items removed from our income tax expense for the 2Q 2017 and 2Q 2016.



**Thank you**

**Investor Relations Contact:**  
**Chris Mecray**  
**[Christopher.Mecray@axaltacs.com](mailto:Christopher.Mecray@axaltacs.com)**  
**215-255-7970**

AXALTA COATING SYSTEMS

