

**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) July 25, 2019

**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.)

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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))

Securities registered pursuant to Section 12(b) of the Act:

Common Shares, \$1.00 par value  
(Title of class)

AXTA  
(Trading symbol)

New York Stock Exchange  
(Exchange on which registered)

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

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. ☐

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

On July 25, 2019, 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, 2019. 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, 2019, scheduled to be webcast at 8:00 A.M. on July 25, 2019, 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. Axalta's 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	<a href="#">Press Release dated July 25, 2019</a>
99.2	<a href="#">Second Quarter ended June 30, 2019 Earnings Call Presentation</a>

## 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: July 25, 2019

By: /s/ Sean M. Lannon

Sean M. Lannon

Senior Vice President and Chief Financial Officer

## News Release

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### Immediate Release

#### Axalta Releases Second Quarter 2019 Results

##### Second Quarter 2019 Highlights:

- Net sales of \$1,157.5 million decreased 4.5% year-over-year (decrease of 0.1% ex-FX and JV divestiture); positive price-product mix contribution of 4.0% driven by both segments
- Positive price-mix contribution of 3.6% in Light Vehicle across all regions
- Income from operations of \$157.9 million increased 7.8% year-over-year; Adjusted EBIT of \$197.4 million increased 8.6% versus \$181.7 million in Q2 2018
- Diluted EPS of \$0.42 increased 35.5% from \$0.31 in Q2 2018; Adjusted EPS of \$0.52 increased 13.0% versus \$0.46 in Q2 2018
- Strategic review process underway, announced by Axalta's Board of Directors on June 19

PHILADELPHIA, PA, July 25, 2019 - Axalta Coating Systems Ltd. (NYSE:AXTA) ("Axalta"), a leading global coatings company, announced its financial results for the second quarter ended June 30, 2019.

##### Second Quarter 2019 Consolidated Financial Results

Second quarter net sales of \$1,157.5 million decreased 4.5% year-over-year, including 3.5% negative foreign currency impacts and 0.9% net negative M&A impact including the sale of an interest in a consolidated powder coatings JV in China. Constant currency organic net sales were essentially flat in the period, driven by 4.1% lower volumes which were offset by 4.0% higher average price and product mix from all regions and both segments, including notable acceleration in Light Vehicle of 3.6%. The lower volume result was driven principally by Axalta's Light Vehicle end-market, while Performance Coatings also witnessed some volume pressure, including slower global production trends evident in our Industrial end-market.

Income from operations for the second quarter totaled \$157.9 million, up 7.8% from \$146.5 million in Q2 2018. This was driven by lower selling, general and administrative expenses and a favorable comparison in stock based compensation year-over-year, offset partly by lower net sales, which included positive contribution from average price and product mix offset by negative foreign currency effects and the impact from the sale of our China JV interest. Reported income from operations was also negatively impacted in Q2 2019 by ongoing variable cost inflation, which trended in the low single digits on the cost of goods sold level, as well as by \$6.7 million in accelerated depreciation charges associated with our previously announced Belgium plant closure.

Adjusted EBIT of \$197.4 million for the second quarter increased 8.6% versus \$181.7 million in Q2 2018. This result was driven by strong contribution from higher average price and product mix and from improved productivity, partly offset by lower volumes, most notably in Axalta's Light Vehicle and Industrial end-markets, as well as by year-over-year variable cost inflation and negative foreign currency translation impacts.

"Axalta's second quarter results were strong. We posted continued low to mid-single digit net sales growth ex-FX in both Refinish and Commercial Vehicle end-markets, though offset by anticipated pressures in Light Vehicle and Industrial end-markets in addition to ongoing FX headwinds. Despite those factors, we posted solidly improved year-over-year profits, led by accelerated price and product mix benefits as we work to recapture lost margin from ongoing variable cost inflation," said Robert W. Bryant, Axalta's Chief Executive Officer. "We are pleased to report substantial progress in price and product mix improvement in Transportation Coatings, while Performance Coatings also continues to efficiently offset inflation effects over time. Further, as a partial offset to volume headwinds seen most notably from China Light Vehicle markets, we continue our disciplined focus on productivity and operating cost control, which contributed positively in the second quarter." Mr. Bryant continued, "In June, Axalta's Board of Directors announced a review of strategic alternatives to maximize shareholder value. We are actively engaged in that process currently and will update the market as appropriate, but we have nothing specific to share at this point."

## Performance Coatings Results

Performance Coatings second quarter net sales were \$756.7 million, a decrease of 3.7% year-over-year, including a 3.5% negative currency impact. Constant currency organic net sales increased 1.2% in the period before the net negative M&A-related impact of 1.4% driven by the China JV sale, and 3.5% from negative foreign currency effect. Drivers in the period included a robust 4.7% improvement in average price and product mix, partly offset by a 3.5% volume decline including both end-markets.

Refinish end-market net sales decreased 0.2% to \$447.3 million in Q2 2019 (increased 3.6% excluding foreign currency) with strong average price and product mix contribution offset partly by lower volume, including ongoing lower North America volumes we believe due in part to continued distributor inventory de-stocking. Industrial end-market net sales decreased 8.4% to \$309.4 million (decreased 1.1% excluding foreign currency and M&A-related impacts), including volume declines from all regions except Asia Pacific, offset largely by positive pricing across all regions. We believe that Industrial volume pressure was aligned with moderated demand globally across multiple sub-markets as reflected in global industrial production metrics.

The Performance Coatings segment generated Adjusted EBIT of \$127.6 million in the second quarter, a 17.2% year-over-year increase. Positive price and product mix and lower overall operating expenses were partially offset by volume declines, raw material inflation and modest foreign exchange impacts. Second quarter segment Adjusted EBIT margin of 16.9% improved 300 basis points from 13.9% in the prior year as price and product mix as well as productivity benefits more than offset ongoing raw material headwinds.

## Transportation Coatings Results

Transportation Coatings net sales were \$400.8 million in Q2 2019, a decrease of 6.0% year-over-year, including a 3.6% negative currency impact. Constant currency net sales decreased 2.4% in the period, driven by a 5.1% decrease in volume, partly offset by 2.7% in higher average price and product mix.

Light Vehicle net sales decreased 8.2% to \$306.1 million year-over-year (decreased 4.3% excluding foreign currency), driven by lower volumes related to global production adjustments and foreign exchange impacts, offset by an acceleration in positive average price and product mix of 3.6%. Commercial Vehicle net sales increased 1.9% to \$94.7 million from Q2 2018 (increased 4.5% excluding foreign currency), including stronger volumes in our core regions. Average price and product mix were essentially flat, similar to the first quarter result.

Transportation Coatings generated Adjusted EBIT of \$40.4 million in Q2 2019, an increase of 5.5% versus Q2 2018, driven by strong price and mix benefit as well as positive contribution from productivity, though offset partly by lower volumes and ongoing impact from raw material inflation. Segment Adjusted EBIT margin of 10.1% in Q2 2019 compared with 9.0% in Q2 2018, representing an important inflection to positive margin comparisons.

## Balance Sheet and Cash Flow Highlights

Axalta ended the quarter with cash and cash equivalents of \$577.3 million. Our debt, net of cash, was \$3.3 billion as of June 30, 2019, which compared with \$3.4 billion as of March quarter end. Our net debt to trailing twelve month Adjusted EBITDA ratio was 3.5x at quarter end. We repurchased 1.6 million shares of its common stock in the second quarter for total consideration of \$39.5 million and an average price of \$24.90 per share.

Second quarter operating cash flow totaled \$126.7 million versus \$142.0 million in Q2 2018, reflecting modest working capital and FX headwinds from the prior year. Free cash flow, which includes the benefit of lower capital expenditures in the current period ended June 30, 2019, totaled \$103.7 million compared to \$106.9 million in the prior year quarter.

“Axalta's second quarter showed very strong financial performance set against a moderately challenging fundamental backdrop. In spite of some volume headwinds, our execution was strong, reflected in both segment margins and in strong cash flow performance,” said Sean Lannon, Axalta's Chief Financial Officer. “For the balance of the year, we see a mix of continued selective end-market volume pressure, but also expect ongoing stable execution and easing raw material headwinds to enable us to achieve the profitability target ranges that we set out back in January. Since our last update, we have seen incremental volume headwinds in Industrial and Light Vehicle end-markets, along with ongoing Refinish volume pressure, coupled with persistent currency headwinds. Still, with help from Axalta Way productivity savings and ongoing benefit from the implementation of announced pricing actions, we expect to meet our full year guidance.”

## 2019 Guidance Update

- Net sales decline of ~(-2%) as-reported; ~0% ex-FX; includes May 2019 China JV sale for ~1% full year impact
- Adjusted EBIT of \$675-725 million <sup>(1)</sup>
- Adjusted EPS of \$1.70-1.90 <sup>(1)</sup>
- Depreciation and amortization of ~\$365 million inclusive of accelerated depreciation of \$25 million
- Adjusted EBITDA of \$950-975 million
- Interest expense of ~\$165 million
- Income tax rate, as adjusted, of 20-22%
- Diluted shares outstanding of ~236 million
- Capital expenditures of ~\$160 million
- Free cash flow of \$430-470 million

(1) Adjusted to exclude ~\$115 million pre-tax (~\$90 million after-tax) incremental step-up depreciation and amortization associated with the acquisition of DuPont Performance Coatings by Axalta

## Conference Call Information

As previously announced, Axalta will hold a conference call to discuss its second quarter 2019 financial results on Thursday, July 25th, at 8:00 a.m. ET. The U.S. dial-in phone number for the conference call is (877) 407-0784 and the international dial-in number is +1 (201) 689-8560. 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 1, 2019. 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 1369 2615.

## Reclassifications and Revisions

During the six months ended June 30, 2019, we revised the presentation of the unaudited Condensed Consolidated Statements of Operations to reclassify prior year Other revenue into Net sales. Other revenue consists primarily of consulting, other service revenue and royalty income and is not considered material to the financial statements.

During the six months ended June 30, 2019, Axalta identified and corrected an error related to the prior year classification of the purchase of an additional financial interest in a consolidated joint venture within our consolidated statement of cash flows. This correction increased cash used for investing activities and reduced cash used for financing activities by \$26.9 million, respectively.

## Cautionary Statement Concerning Forward-Looking Statements

This release may contain certain forward-looking statements regarding Axalta and its subsidiaries including our 2019 full year outlook, which includes net sales growth, currency effects, acquisition or divestment impacts, Adjusted EBIT, Adjusted EPS, 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, as well as the announced review of strategic alternatives, 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, EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA, Adjusted EPS, 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, Adjusted EBIT and Adjusted EPS consist of EBITDA, EBIT and Diluted EPS, respectively, adjusted for (i) certain non-cash items included within net income, (ii) certain items Axalta does not believe are indicative of ongoing operating performance or (iii) certain nonrecurring, unusual or infrequent items that have not occurred within the last two years or we believe are not reasonably likely to recur within the next two years. We believe that making such adjustments provides investors meaningful information to understand our operating results and ability to analyze financial and business trends on a period-to-period basis. Adjusted net income shows the adjusted value of net income (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 EPS, 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, EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA, Adjusted EPS, 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, EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA, Adjusted EPS, 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 EBIT, Adjusted EBITDA, Adjusted 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 change in average exchange rates between the current and comparable period by currency denomination exposure of the comparable period amount.

### ***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.

### ***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 14,000 people of Axalta continue to find ways to serve our more than 100,000 customers in 135 countries better every day with the finest coatings, application systems and technology. For more information, visit [axalta.com](http://axalta.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,	
	2019	2018	2019	2018
Net sales	\$ 1,157.5	\$ 1,212.2	\$ 2,276.8	\$ 2,384.2
Cost of goods sold	748.4	793.8	1,499.7	1,569.8
Selling, general and administrative expenses	206.2	224.6	423.7	452.4
(Gain) loss on divestiture	(1.3)	—	3.9	—
Research and development expenses	17.9	18.0	36.1	37.3
Amortization of acquired intangibles	28.4	29.3	56.9	58.2
Income from operations	157.9	146.5	256.5	266.5
Interest expense, net	41.0	39.3	82.3	78.7
Other (income) expense, net	(0.9)	8.1	(1.9)	5.9
Income before income taxes	117.8	99.1	176.1	181.9
Provision for income taxes	17.9	22.0	32.1	33.8
Net income	99.9	77.1	144.0	148.1
Less: Net income attributable to noncontrolling interests	1.5	2.2	2.2	3.3
Net income attributable to controlling interests	\$ 98.4	\$ 74.9	\$ 141.8	\$ 144.8
Basic earnings per share	\$ 0.42	\$ 0.31	\$ 0.61	\$ 0.60
Diluted earnings per share	\$ 0.42	\$ 0.31	\$ 0.60	\$ 0.59
Basic weighted average shares outstanding	233.3	240.3	233.7	240.6
Diluted weighted average shares outstanding	235.4	244.6	236.0	245.2

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

	June 30, 2019	December 31, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 577.3	\$ 693.6
Restricted cash	7.3	2.8
Accounts and notes receivable, net	980.6	860.8
Inventories	610.9	613.0
Prepaid expenses and other current assets	136.0	139.4
Total current assets	2,312.1	2,309.6
Property, plant and equipment, net	1,259.1	1,298.2
Goodwill	1,220.5	1,230.8
Identifiable intangibles, net	1,287.3	1,348.0
Other assets	613.9	489.1
Total assets	<u>\$ 6,692.9</u>	<u>\$ 6,675.7</u>
<b>Liabilities, Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 508.4	\$ 522.8
Current portion of borrowings	43.7	42.2
Other accrued liabilities	444.7	475.6
Total current liabilities	996.8	1,040.6
Long-term borrowings	3,812.4	3,821.8
Accrued pensions	259.0	261.9
Deferred income taxes	133.6	140.8
Other liabilities	184.0	100.1
Total liabilities	5,385.8	5,365.2
Commitments and contingencies		
Shareholders' equity:		
Common shares, \$1.00 par, 1,000.0 shares authorized, 248.5 and 246.7 shares issued at June 30, 2019 and December 31, 2018, respectively	248.2	245.3
Capital in excess of par	1,441.8	1,409.5
Retained earnings	336.0	198.6
Treasury shares (at cost) of 15.2 and 11.1 shares at June 30, 2019 and December 31, 2018, respectively	(417.5)	(312.2)
Accumulated other comprehensive loss	(356.0)	(336.1)
Total Axalta shareholders' equity	1,252.5	1,205.1
Noncontrolling interests	54.6	105.4
Total shareholders' equity	1,307.1	1,310.5
Total liabilities and shareholders' equity	<u>\$ 6,692.9</u>	<u>\$ 6,675.7</u>

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

	<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities:</b>		
Net income	\$ 144.0	\$ 148.1
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	180.3	182.1
Amortization of deferred financing costs and original issue discount	4.4	3.9
Debt extinguishment and refinancing related costs	0.2	8.4
Deferred income taxes	(1.6)	4.0
Realized and unrealized foreign exchange losses, net	2.8	6.1
Stock-based compensation	5.3	18.1
Loss on divestiture	3.9	—
Interest income on swaps designated as net investment hedges	(7.2)	—
Other non-cash, net	(0.6)	3.5
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(152.9)	(133.5)
Inventories	(1.4)	(31.8)
Prepaid expenses and other assets	(81.6)	(59.7)
Accounts payable	20.7	37.0
Other accrued liabilities	(54.0)	(60.6)
Other liabilities	6.5	(4.6)
Cash provided by operating activities	<u>68.8</u>	<u>121.0</u>
<b>Investing activities:</b>		
Acquisitions, net of cash acquired	(1.9)	(78.2)
Purchase of property, plant and equipment	(47.2)	(74.6)
Proceeds from sale of noncontrolling interest subsidiary, net	8.2	—
Interest proceeds on swaps designated as net investment hedges	7.2	—
Other investing activities, net	—	5.3
Cash used for investing activities	<u>(33.7)</u>	<u>(147.5)</u>
<b>Financing activities:</b>		
Proceeds from long-term borrowings	—	468.9
Payments on short-term borrowings	(20.5)	(23.0)
Payments on long-term borrowings	(13.7)	(498.5)
Financing-related costs	(2.1)	(4.5)
Purchase of treasury stock	(105.3)	(103.8)
Proceeds from option exercises	25.9	10.5
Dividends paid to noncontrolling interests	(1.1)	(1.0)
Investments in noncontrolling interests	(31.1)	(26.9)
Deferred acquisition-related consideration	—	(5.9)
Cash used for financing activities	<u>(147.9)</u>	<u>(184.2)</u>
Decrease in cash	<u>(112.8)</u>	<u>(210.7)</u>
Effect of exchange rate changes on cash	1.0	(8.4)
Cash at beginning of period	696.4	772.9
Cash at end of period	<u>\$ 584.6</u>	<u>\$ 553.8</u>
<b>Cash at end of period reconciliation:</b>		
Cash and cash equivalents	\$ 577.3	\$ 551.1
Restricted cash	7.3	2.7
Cash at end of period	<u>\$ 584.6</u>	<u>\$ 553.8</u>

The following table reconciles income from operations to adjusted EBIT and segment adjusted EBIT for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Income from operations	\$ 157.9	\$ 146.5	\$ 256.5	\$ 266.5
Other (income) expense, net	(0.9)	8.1	(1.9)	5.9
Total	158.8	138.4	258.4	260.6
Debt extinguishment and refinancing related costs <sup>(a)</sup>	0.2	8.4	0.2	8.4
Termination benefits and other employee related costs <sup>(b)</sup>	2.8	(0.9)	4.1	(2.2)
Consulting and advisory <sup>(c)</sup>	0.8	—	0.8	—
Offering and transactional costs <sup>(d)</sup>	0.2	0.1	0.8	0.1
Accelerated depreciation <sup>(e)</sup>	6.7	—	12.8	—
(Gain) loss on divestiture <sup>(f)</sup>	(1.3)	—	3.9	—
Indemnity (income) losses <sup>(g)</sup>	(0.2)	0.9	(0.2)	0.9
Change in fair value of equity investments <sup>(h)</sup>	—	0.3	—	0.4
Step-up depreciation and amortization <sup>(i)</sup>	29.4	34.5	60.5	72.1
Adjusted EBIT	<u>\$ 197.4</u>	<u>\$ 181.7</u>	<u>\$ 341.3</u>	<u>\$ 340.3</u>
Segment Adjusted EBIT:				
Performance Coatings	\$ 127.6	\$ 108.9	\$ 206.2	\$ 184.9
Transportation Coatings	40.4	38.3	74.6	83.3
Total	168.0	147.2	280.8	268.2
Step-up depreciation and amortization <sup>(i)</sup>	29.4	34.5	60.5	72.1
Adjusted EBIT	<u>\$ 197.4</u>	<u>\$ 181.7</u>	<u>\$ 341.3</u>	<u>\$ 340.3</u>

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

The following table reconciles net income to adjusted net income for the periods presented (in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 99.9	\$ 77.1	\$ 144.0	\$ 148.1
Less: Net income attributable to noncontrolling interests	1.5	2.2	2.2	3.3
Net income attributable to controlling interests	98.4	74.9	141.8	144.8
Debt extinguishment and refinancing related costs <sup>(a)</sup>	0.2	8.4	0.2	8.4
Termination benefits and other employee related costs <sup>(b)</sup>	2.8	(0.9)	4.1	(2.2)
Consulting and advisory <sup>(c)</sup>	0.8	—	0.8	—
Offering and transactional costs <sup>(d)</sup>	0.2	0.1	0.8	0.1
Accelerated depreciation <sup>(e)</sup>	6.7	—	12.8	—
(Gain) loss on divestiture <sup>(f)</sup>	(1.3)	—	3.9	—
Indemnity (income) losses <sup>(g)</sup>	(0.2)	0.9	(0.2)	0.9
Change in fair value of equity investments <sup>(h)</sup>	—	0.3	—	0.4
Step-up depreciation and amortization <sup>(i)</sup>	29.4	34.5	60.5	72.1
Total adjustments	38.6	43.3	82.9	79.7
Income tax provision impacts <sup>(j)</sup>	14.3	5.6	20.6	15.6
Adjusted net income	\$ 122.7	\$ 112.6	\$ 204.1	\$ 208.9
Adjusted earnings per share	\$ 0.52	\$ 0.46	\$ 0.86	\$ 0.85
Diluted weighted average shares outstanding	235.4	244.6	236.0	245.2

(a) Represents expenses associated with the restructuring and refinancing of our indebtedness, which are not considered indicative of our ongoing operating performance.

(b) Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs. Employee termination benefits are associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.

(c) Represents legal and advisory fees pertaining to our previously announced comprehensive review of strategic alternatives. These amounts are not considered indicative of our ongoing performance.

(d) Represents acquisition and divestiture-related expenses, all of which are not considered indicative of our ongoing operating performance.

(e) Represents incremental depreciation expense resulting from truncated useful lives of the assets impacted by our manufacturing footprint assessments, which we do not consider indicative of our ongoing operating performance.

(f) Represents the impacts recognized on the sale of our interest in a joint venture business, which is not considered indicative of our ongoing operating performance.

(g) Represents indemnity (income) losses associated with the acquisition by Axalta of the DuPont Performance Coatings business, which we do not consider indicative of our ongoing operating performance.

(h) Represents mark to market impacts of our equity investments, which we do not consider to be indicative of our ongoing operating performance.

(i) Represents the incremental step-up depreciation and amortization expense associated with the acquisition of DuPont Performance Coatings by Axalta. We believe this will assist investors in performing meaningful comparisons of past, present and future operating results and better highlight the results of our ongoing operating performance.

(j) The income tax impacts are determined using the applicable rates in the taxing jurisdictions in which expense or income occurred and includes both current and deferred income tax expense (benefit) based on the nature of the non-GAAP performance measure. Additionally, the income tax impact includes the removal of discrete income tax impacts within our effective tax rate which were tax benefits of \$5.7 million and \$4.1 million for the three months and six months ended June 30, 2019, respectively and tax benefits of \$0.1 million and \$1.8 million for the three months and six months ended June 30, 2018, respectively.

The following table reconciles cash (used in) provided by operating activities to free cash flow for the periods presented (in millions):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018	2019	2018
Cash (used in) provided by operating activities	\$ (57.9)	\$ (21.0)	\$ 126.7	\$ 142.0	\$ 68.8	\$ 121.0
Purchase of property, plant and equipment	(20.5)	(39.5)	(26.7)	(35.1)	(47.2)	(74.6)
Interest proceeds on swaps designated as net investment hedges	3.5	—	3.7	—	7.2	—
Free cash flow	<u>\$ (74.9)</u>	<u>\$ (60.5)</u>	<u>\$ 103.7</u>	<u>\$ 106.9</u>	<u>\$ 28.8</u>	<u>\$ 46.4</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income	\$ 99.9	\$ 77.1	\$ 144.0	148.1
Interest expense, net	41.0	39.3	82.3	78.7
Provision for income taxes	17.9	22.0	32.1	33.8
Depreciation and amortization	88.7	90.2	180.3	182.1
EBITDA	247.5	228.6	438.7	442.7
Debt extinguishment and refinancing related costs <sup>(a)</sup>	0.2	8.4	0.2	8.4
Foreign exchange remeasurement losses <sup>(b)</sup>	2.2	1.7	4.6	1.7
Long-term employee benefit plan adjustments <sup>(c)</sup>	0.3	(0.5)	0.5	(1.0)
Termination benefits and other employee related costs <sup>(d)</sup>	2.8	(0.9)	4.1	(2.2)
Consulting and advisory <sup>(e)</sup>	0.8	—	0.8	—
Offering and transactional costs <sup>(f)</sup>	0.2	0.1	0.8	0.1
Stock-based compensation <sup>(g)</sup>	(1.4)	9.7	5.3	18.1
Other adjustments <sup>(h)</sup>	(0.3)	0.5	(0.2)	0.8
Dividends in respect of noncontrolling interest <sup>(i)</sup>	—	—	(1.1)	(1.0)
(Gain) loss on divestiture <sup>(j)</sup>	(1.3)	—	3.9	—
Adjusted EBITDA	\$ 251.0	\$ 247.6	\$ 457.6	\$ 467.6

(a) Represents expenses associated with the restructuring and refinancing of our indebtedness, which are not considered indicative of our ongoing operating performance.

(b) Eliminates foreign exchange losses resulting from the remeasurement of assets and liabilities denominated in foreign currencies, net of the impacts of our foreign currency instruments used to hedge our balance sheet exposures.

(c) Eliminates the non-cash, non-service cost components of long-term employee benefit costs.

(d) Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs. Employee termination benefits are associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.

(e) Represents legal and advisory fees pertaining to our previously announced comprehensive review of strategic alternatives. These amounts are not considered indicative of our ongoing performance.

(f) Represents acquisition and divestiture-related expenses, all of which are not considered indicative of our ongoing operating performance.

(g) Represents non-cash impacts associated with stock-based compensation.

(h) Represents certain non-operational or non-cash gains and losses unrelated to our core business and which we do not consider indicative of ongoing operations, including indemnity (income) losses associated with the acquisition by Axalta of the DuPont Performance Coatings business, gains and losses from the sale and disposal of property, plant and equipment, gains and losses from the remaining foreign currency derivative instruments and from non-cash fair value inventory adjustments associated with our business combinations.

(i) Represents the payment of dividends to our joint venture partners by our consolidated entities that are not 100% owned, which are reflected to show the cash operating performance of these entities on Axalta's financial statements.

(j) Represents the impacts recognized on the sale of our interest in a joint venture business, which is not considered indicative of our ongoing operating performance.



## **Q2 2019 Financial Results**

**July 25, 2019**

**AXALTA COATING SYSTEMS**

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# Legal Notices



## Forward-Looking Statements

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

## Non-GAAP Financial Measures

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

## Constant Currency

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

## Segment Financial Measures

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

## Defined Terms

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

## Rounding

Due to rounding the tables presented may not foot.

## Q2 2019 Highlights



### ▪ Q2 2019 financial results

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

### ▪ End-market observations

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

### ▪ Cash flow highlights

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

## Q2 Consolidated Results



### Financial Performance

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

### Net Sales Variance



### Commentary

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

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

## Q2 Performance Coatings Results



### Financial Performance

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

### Net Sales Variance



### Commentary

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

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

#### Adjusted EBIT margin up 300 bps

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

## Q2 Transportation Coatings Results



### Financial Performance

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

### Net Sales Variance



### Commentary

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

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

#### Adjusted EBIT margin inflection

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

# Debt and Liquidity Summary



## Capitalization

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

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

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

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

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

## Comments

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

## Full Year 2019 Guidance



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

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

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

### Comments

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



## Appendix

AXALTA COATING SYSTEMS

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# Full Year 2019 Assumptions



## Macroeconomic Assumptions

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

## Currency Assumptions

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

## Adjusted EBIT Reconciliation



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

## Adjusted EBIT (cont'd)



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

## Adjusted Net Income Reconciliation



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

## Adjusted Net Income Reconciliation (cont'd)



- A. Represents expenses associated with the restructuring and refinancing of our indebtedness, which are not considered indicative of our ongoing operating performance.
- B. Represents expenses and associated changes to estimates related to employee termination benefits and other employee-related costs. Employee termination benefits are associated with Axalta Way initiatives. These amounts are not considered indicative of our ongoing operating performance.
- C. Represents legal and advisory fees pertaining to our previously announced comprehensive review of strategic alternatives. These amounts are not considered indicative of our ongoing performance.
- D. Represents acquisition and divestiture-related expenses, all of which are not considered indicative of our ongoing operating performance.
- E. Represents the incremental depreciation expense resulting from truncated useful lives of the assets impacted by our manufacturing footprint assessments, which we do not consider indicative of our ongoing operating performance.
- F. Represents the impacts recognized on the sale of our interest in a joint venture business, which is not considered indicative of our ongoing operating performance.
- G. Represents indemnity (income) losses associated with the acquisition by Axalta of the DuPont Performance Coatings business, which we do not consider indicative of our ongoing operating performance.
- H. Represents mark to market impacts of our equity investments, which we do not consider to be indicative of our ongoing operating performance.
- I. Represents the incremental step-up depreciation and amortization expense associated with the acquisition of DuPont Performance Coatings by Axalta. We believe this will assist investors in performing meaningful comparisons of past, present and future operating results and better highlight the results of our ongoing operating performance.
- J. The income tax impacts are determined using the applicable rates in the taxing jurisdictions in which expense or income occurred and includes both current and deferred income tax expense (benefit) based on the nature of the non-GAAP performance measure. Additionally, the income tax impact includes the removal of discrete income tax impacts within our effective tax rate which were tax benefits of \$5.7 million for the three months ended June 30, 2019 and tax benefits of \$0.1 million for the three months ended June 30, 2018.

## Free Cash Flow Reconciliation



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

## Adjusted EBITDA Reconciliation



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

## Adjusted EBITDA Reconciliation (cont'd)



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



**Thank you**

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**AXALTA COATING SYSTEMS**

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