

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 6, 2021

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))

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. ☐

Item 1.01. Entry Into a Material Definitive Agreement.

On July 6, 2021, Axalta Coating Systems UK Holding Limited (“Axalta UK”), a wholly owned indirect subsidiary of Axalta Coating Systems Ltd. (the “Company”), entered into a Sale and Purchase Agreement and a Minority Sale and Purchase Agreement (together, the “Agreements”) whereby Axalta UK agreed to acquire one hundred percent (100%) of the share capital of U-POL Holdings Limited (“U-POL”) for £428 million in cash, subject to limited adjustments as described in the Agreements. The Company has agreed to guarantee the obligations of Axalta UK under the Agreements.

The transactions contemplated in the Agreements (the “Transactions”) are subject to clearance under applicable antitrust laws and other customary closing requirements. The Agreements will terminate automatically if the Transactions have not been cleared by the relevant antitrust authorities by December 31, 2021 or, if Axalta UK elects to extend, by March 31, 2022.

The foregoing description of the Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the Agreements, which will be filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021.

Item 7.01. Regulation FD Disclosure

On July 7, 2021, the Company issued a press release and posted a presentation to its website announcing the Transactions and the execution of the Agreements. The press release is furnished as Exhibit 99.1 and the presentation is furnished as Exhibit 99.2. The information furnished with this Current Report, 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release dated July 7, 2021
99.2	Website Presentation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 7, 2021

By: /s/ Sean M. Lannon

Sean M. Lannon

Senior Vice President and Chief Financial Officer

News Release

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**For Immediate Release**

Axalta to acquire U-POL, a leading paint, protective coatings, and accessories manufacturer for the automotive aftermarket

- Highly complementary acquisition strengthens global Refinish leadership position
- Accelerates growth and expands addressable markets with mainstream and economy product offerings
- Immediately accretive to adjusted EBITDA margin; acquisition funded from cash on balance sheet

Philadelphia, PA, July 7, 2021 – Axalta Coating Systems (NYSE: AXTA), a leading global supplier of liquid and powder coatings, today announced that it has entered into definitive agreements to acquire U-POL Holdings Limited (“U-POL”) from Graphite Capital Management LLP and other holders for £428 million (approximately \$590 million) subject to certain adjustments set forth in the Sale and Purchase Agreements for the transaction.

Founded in 1948 and based in the United Kingdom, U-POL is a leading manufacturer of repair and refinish products used primarily for automotive refinish and aftermarket protective applications. The business produces a wide range of high-quality automotive refinishing products and accessories including fillers, coatings, aerosols, adhesives, and paint related products as well as other automotive aftermarket protective coatings. U-POL sells its products in over 100 countries and is widely known for its leading brands, including Raptor®, Dolphin®, and Gold™, among others. Axalta will accelerate growth of U-POL’s products by expanding market access through Axalta’s existing sales and distribution channels while leveraging U-POL’s distribution channels to extend the reach of its Refinish Coatings portfolio to new customers.

“Axalta is the world leader in the premium refinish coatings segment. U-POL’s expertise in refinish accessories and protective coatings is highly complementary to Axalta’s business and expands our addressable market into the important and growing mainstream and economy-based refinish segment as well as the consumer do-it-yourself (DIY) aftermarket,” said Robert Bryant, Axalta’s Chief Executive Officer. “We also see opportunities for U-POL’s technology in whitespace applications for other areas of our business, including Mobility and Industrial Coatings.”

U-POL’s talented global organization and its manufacturing plant and R&D lab in Wellingborough, England, bring important capabilities to the company’s commercial, manufacturing, and technology organizations, enhancing Axalta’s ability to serve its customers across the globe.

“The two companies’ cultures of innovation, quality, and strong operating principles are exceptionally aligned,” said Troy Weaver, Axalta’s Senior Vice President, Global Refinish Coatings. “We look forward to serving customers with these additional capabilities and to welcoming U-POL’s dedicated team members to the Axalta family.”

U-POL expects net sales of approximately \$145 million and adjusted EBITDA of approximately \$38 million for fiscal year 2021. Axalta expects to realize meaningful operating and commercial synergies across the combined global businesses. Expected annual operating synergies and efficiencies of approximately \$10 million are expected to be fully realized within 18 to 24 months of close. The total consideration of approximately \$590 million reflects a full year 2021E adjusted EBITDA multiple of approximately 12.5x, including run rate operating synergies and efficiencies. Additionally, the identified commercial synergy opportunities are expected to create significant value over time. Axalta expects the acquisition to be immediately accretive to adjusted EBITDA margin, excluding transaction-related costs associated with the acquisition. Axalta plans to finance the transaction from cash on hand.

The transaction is expected to close in the second half of 2021, subject to clearance under applicable antitrust laws and other customary closing requirements.

Advisors

Rothschild & Co is serving as financial advisor and Morrison & Foerster LLP is serving as legal counsel to Axalta on this transaction.

About Graphite Capital

Graphite is a specialist provider of private equity finance to mid-market companies based in the UK. Graphite focuses on management buy-outs and also invests in development capital opportunities.

About Axalta Coating Systems

Axalta is a global leader in the coatings industry, providing customers with innovative, colorful, beautiful and sustainable coatings solutions. From light vehicles, commercial vehicles and refinish applications to electric motors, building facades and other industrial applications, our coatings are designed to prevent corrosion, increase productivity and enhance durability. With more than 150 years of experience in the coatings industry, the global team at Axalta continues to find ways to serve our more than 100,000 customers in over 130 countries better every day with the finest coatings, application systems and technology. For more information visit axalta.com and follow us @axalta on Twitter.

Cautionary Statement Concerning Forward-Looking Statements

This release may contain certain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 regarding Axalta and its subsidiaries, including those relating to U-POL's 2021 net sales and adjusted EBITDA as well as the timing and expected benefits of Axalta's acquisition of U-POL. Axalta does not provide a reconciliation for non-GAAP estimates 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. Forward-looking 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 may involve risks and uncertainties, including, but not limited to, the effects of COVID-19, the satisfaction of the closing conditions of the transaction, the parties' ability to consummate the transaction on the anticipated terms and schedule, and Axalta's ability to achieve the expected benefits of the transaction. 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. Adjusted EBITDA of U-POL and adjusted EBITDA margin of Axalta are non-GAAP measures. We believe that such measures provide investors with meaningful information to understand our operating results and the ability to analyze financial and business trends on a period-to-period basis.



U-POL Holdings Acquisition

Transaction Summary Highlights

July 7, 2021



Cautionary Statement Regarding Forward-Looking Statements

This presentation may contain certain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 regarding Axalta and its subsidiaries, including those relating to U-POL's 2021 net sales and adjusted EBITDA as well as the timing and expected benefits of Axalta's acquisition of U-POL. Forward-looking 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 may involve risks and uncertainties, including, but not limited to, the effects of COVID-19, the satisfaction of the closing conditions of the transaction, the parties' ability to consummate the transaction on the anticipated terms and schedule, and Axalta's ability to achieve the expected benefits of the transaction. 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.

Adjusted EBITDA of U-POL and adjusted EBITDA margin of Axalta are non-GAAP measures. We believe that such measures provide investors with meaningful information to understand our operating results and the ability to analyze financial and business trends on a period-to-period basis. Axalta does not provide a reconciliation for non-GAAP estimates 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.

Transaction Highlights

Compelling Strategic Fit

- Accelerates growth strategy and builds on #1 Market Position in attractive Refinish industry
 - U-POL estimated 2021 net sales ~\$145M and pre-synergy Adjusted EBITDA ~\$38M (~26% margin)
- Highly complementary portfolio expands addressable markets and increases Mainstream / Economy presence
- Raptor® protective coatings as well as aftermarket accessories portfolio (fillers, coatings, aerosols, etc.) expand capabilities
- Strong margin profile and FCF conversion; immediately accretive to Adjusted EBITDA margin
- Disciplined bolt-on acquisition with mid-teens IRR and aligned to Financial Filters for M&A
 - ✓ Earnings accretive within first full year
 - ✓ Clear cost and/or revenue synergies
 - ✓ ROIC > Cost of Capital within 3 years

Transaction Overview

- £428 million (~\$590 million) purchase price
- Highly synergistic acquisition with tangible synergies driven by strong strategic fit
 - Expect annual operating synergies and efficiencies of ~\$10 million; fully realized within 18 to 24 months
 - Meaningful commercial synergies across combined global businesses drives significant, additional value over time
- EV/EBITDA multiple of ~12.5x 2021E Adjusted EBITDA including run-rate operating synergies and efficiencies
- Funded with cash on balance sheet

Timing / Closing Considerations

- Anticipated closing in 2H 2021 subject to clearance under applicable antitrust laws and other customary closing requirements
- Net sales and Adjusted EBITDA contribution from the acquisition in 2H 2021 subject to timing of close

U-POL Overview

A Global Growth Play



Net Sales 2021E: ~\$145M	Adjusted EBITDA 2021E: ~\$38M
Adjusted EBITDA margin: ~26%	

(Net sales and Adjusted EBITDA pre-synergy)

- U-POL is a leading manufacturer of repair and refinish products, primarily for automotive refinish and aftermarket protective coatings applications
- Serves growing Mainstream / Economy and DIY segments with global customer base (sales in >100 countries)
- Headquartered in United Kingdom and founded in 1948
- One manufacturing and R&D site in the UK with global distribution sites in the UK, North America, Russia, and South Africa

Key Product Lines



- Automotive Refinish: fillers, primers, clear-coats, aerosols and other products
- Protective Coatings: automotive aftermarket coatings marketed under Raptor brand name

Highly Complementary to Global Refinish

U-POL Builds on #1 Market Position in Attractive Refinish Segment

- Highly complementary to on-going targeted innovation for Mainstream / Economy by leveraging product offerings and market access to tap growing segment
- Expands addressable markets in DIY, accessories, and protective coatings market segments
- Supports growth in under-represented geographies (UK, Russia, MENA and APAC)
- Provides access to new channels (e-commerce, retail), synergy with existing distribution, and diversifies access to new markets
- Leverages combined technology and new product development opportunities to enhance U-POL's product offering
- Creates additional optionality for future bolt-on acquisitions with high confidence

U-POL Extends Axalta's Mainstream / Economy Exposure



