
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **June 30, 2024**
or

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

For the transition period from _____ to _____.
Commission File Number: **001-36733**

AXALTA COATING SYSTEMS LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

2851
(Primary Standard Industrial
Classification Code Number)

98-1073028
(I.R.S. Employer
Identification No.)

1050 Constitution Avenue
Philadelphia, Pennsylvania 19112
(855) 547-1461

(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Non-accelerated filer Accelerated filer

Smaller reporting company 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 25, 2024, there were 219,304,924 shares of the registrant's common shares outstanding.

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PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)**

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,	
	2024	2023	2024	2023
Net sales	\$ 1,351	\$ 1,294	\$ 2,645	\$ 2,578
Cost of goods sold	891	904	1,756	1,806
Selling, general and administrative expenses	213	210	420	416
Other operating charges	2	2	63	9
Research and development expenses	18	19	36	38
Amortization of acquired intangibles	22	21	44	46
Income from operations	205	138	326	263
Interest expense, net	50	55	104	103
Other (income) expense, net	(1)	9	7	10
Income before income taxes	156	74	215	150
Provision for income taxes	43	13	63	28
Net income	113	61	152	122
Less: Net income (loss) attributable to noncontrolling interests	1	—	(1)	—
Net income attributable to common shareholders	\$ 112	\$ 61	\$ 153	\$ 122
Basic net income per share	\$ 0.51	\$ 0.27	\$ 0.70	\$ 0.55
Diluted net income per share	\$ 0.51	\$ 0.27	\$ 0.69	\$ 0.55

The accompanying notes are an integral part of these condensed consolidated financial statements.

AXALTA COATING SYSTEMS LTD.
Condensed Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 113	\$ 61	\$ 152	\$ 122
Other comprehensive income, before tax:				
Foreign currency translation adjustments	(29)	1	(73)	46
Unrealized gain (loss) on derivatives	—	1	—	(1)
Unrealized gain on pension and other benefit plan obligations	1	1	2	1
Other comprehensive (loss) income, before tax	(28)	3	(71)	46
Income tax provision related to items of other comprehensive income	1	—	2	—
Other comprehensive (loss) income, net of tax	(29)	3	(73)	46
Comprehensive income	84	64	79	168
Less: Comprehensive income (loss) attributable to noncontrolling interests	1	—	(1)	(1)
Comprehensive income attributable to common shareholders	\$ 83	\$ 64	\$ 80	\$ 169

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 840	\$ 700
Restricted cash	3	3
Accounts and notes receivable, net	1,268	1,260
Inventories	745	741
Prepaid expenses and other current assets	158	117
Total current assets	3,014	2,821
Property, plant and equipment, net	1,158	1,204
Goodwill	1,549	1,591
Identifiable intangibles, net	1,061	1,130
Other assets	524	526
Total assets	\$ 7,306	\$ 7,272
Liabilities, Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 715	\$ 725
Current portion of borrowings	20	26
Other accrued liabilities	600	677
Total current liabilities	1,335	1,428
Long-term borrowings	3,588	3,478
Accrued pensions	236	252
Deferred income taxes	152	162
Other liabilities	177	179
Total liabilities	5,488	5,499
Commitments and contingent liabilities (Note 5)		
Shareholders' equity:		
Common shares, \$1.00 par, 1,000.0 shares authorized, 254.3 and 253.7 shares issued at June 30, 2024 and December 31, 2023, respectively	254	254
Capital in excess of par	1,584	1,568
Retained earnings	1,439	1,286
Treasury shares, at cost, 35.0 and 33.6 shares at June 30, 2024 and December 31, 2023, respectively	(987)	(937)
Accumulated other comprehensive loss	(517)	(444)
Total Axalta shareholders' equity	1,773	1,727
Noncontrolling interests	45	46
Total shareholders' equity	1,818	1,773
Total liabilities and shareholders' equity	\$ 7,306	\$ 7,272

The accompanying notes are an integral part of these condensed consolidated financial statements.

AXALTA COATING SYSTEMS LTD.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(In millions)

	Common Stock			Retained Earnings	Treasury Shares, at cost	Accumulated Other Comprehensive Loss	Non controlling Interests	Total
	Number of Shares	Par/Stated Value	Capital In Excess Of Par					
Balance at December 31, 2023	220.1	\$ 254	\$ 1,568	\$ 1,286	\$ (937)	\$ (444)	\$ 46	\$ 1,773
Comprehensive income:								
Net income	—	—	—	41	—	—	(2)	39
Long-term employee benefit plans, net of tax of \$0 million	—	—	—	—	—	1	—	1
Foreign currency translation, net of tax of \$1 million	—	—	—	—	—	(45)	—	(45)
Total comprehensive income (loss)	—	—	—	41	—	(44)	(2)	(5)
Recognition of stock-based compensation	—	—	6	—	—	—	—	6
Shares issued under compensation plans	0.5	—	1	—	—	—	—	1
Balance at March 31, 2024	220.6	\$ 254	\$ 1,575	\$ 1,327	\$ (937)	\$ (488)	\$ 44	\$ 1,775
Comprehensive income:								
Net income	—	—	—	112	—	—	1	113
Long-term employee benefit plans, net of tax of \$0 million	—	—	—	—	—	1	—	1
Foreign currency translation, net of tax of \$1 million	—	—	—	—	—	(30)	—	(30)
Total comprehensive income (loss)	—	—	—	112	—	(29)	1	84
Recognition of stock-based compensation	—	—	8	—	—	—	—	8
Shares issued under compensation plans	0.1	—	1	—	—	—	—	1
Common stock purchases	(1.4)	—	—	—	(50)	—	—	(50)
Balance at June 30, 2024	219.3	\$ 254	\$ 1,584	\$ 1,439	\$ (987)	\$ (517)	\$ 45	\$ 1,818

	Common Stock			Retained Earnings	Treasury Shares, at cost	Accumulated Other Comprehensive Loss	Non controlling Interests	Total
	Number of Shares	Par/Stated Value	Capital In Excess Of Par					
Balance at December 31, 2022	220.6	\$ 252	\$ 1,537	\$ 1,019	\$ (887)	\$ (467)	\$ 46	\$ 1,500
Comprehensive income:								
Net income	—	—	—	61	—	—	—	61
Net realized and unrealized loss on derivatives, net of tax of \$0 million	—	—	—	—	—	(2)	—	(2)
Foreign currency translation, net of tax of \$0 million	—	—	—	—	—	46	(1)	45
Total comprehensive income	—	—	—	61	—	44	(1)	104
Recognition of stock-based compensation	—	—	6	—	—	—	—	6
Shares issued under compensation plans	0.9	1	4	—	—	—	—	5
Balance at March 31, 2023	221.5	\$ 253	\$ 1,547	\$ 1,080	\$ (887)	\$ (423)	\$ 45	\$ 1,615
Comprehensive income:								
Net income	—	—	—	61	—	—	—	61
Net realized and unrealized gain on derivatives, net of tax of \$1 million	—	—	—	—	—	—	—	—
Long-term employee benefit plans, net of tax of \$0 million	—	—	—	—	—	1	—	1
Foreign currency translation, net of tax benefit of \$0 million	—	—	—	—	—	2	—	2
Total comprehensive income	—	—	—	61	—	3	—	64
Recognition of stock-based compensation	—	—	8	—	—	—	—	8
Shares issued under compensation plans	0.2	—	2	—	—	—	—	2
Balance at June 30, 2023	221.7	\$ 253	\$ 1,557	\$ 1,141	\$ (887)	\$ (420)	\$ 45	\$ 1,689

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2024	2023
Operating activities:		
Net income	\$ 152	\$ 122
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	136	136
Amortization of deferred financing costs and original issue discount	4	4
Debt extinguishment and refinancing-related costs	3	3
Deferred income taxes	8	1
Realized and unrealized foreign exchange losses, net	12	19
Stock-based compensation	14	14
Impairment charges	—	15
Interest income on swaps designated as net investment hedges	(7)	(6)
Other non-cash, net	5	—
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	(35)	(194)
Inventories	(22)	70
Prepaid expenses and other assets	(91)	(52)
Accounts payable	7	(12)
Other accrued liabilities	(6)	(40)
Other liabilities	24	(1)
Cash provided by operating activities	<u>148</u>	<u>79</u>
Investing activities:		
Purchase of property, plant and equipment	(45)	(74)
Interest proceeds on swaps designated as net investment hedges	7	6
Settlement proceeds on swaps designated as net investment hedges	—	29
Other investing activities, net	2	2
Cash used for investing activities	<u>(36)</u>	<u>(37)</u>
Financing activities:		
Proceeds from short-term borrowings	—	9
Proceeds from long-term borrowings	292	—
Payments on short-term borrowings	(5)	(26)
Payments on long-term borrowings	(188)	(157)
Financing-related costs	(4)	(6)
Purchases of common stock	(50)	—
Net cash flows associated with stock-based awards	2	9
Deferred acquisition-related consideration	—	(8)
Other financing activities, net	1	—
Cash provided by (used for) financing activities	<u>48</u>	<u>(179)</u>
Increase (decrease) in cash	160	(137)
Effect of exchange rate changes on cash	(20)	2
Cash at beginning of period	703	655
Cash at end of period	<u>\$ 843</u>	<u>\$ 520</u>
Cash at end of period reconciliation:		
Cash and cash equivalents	\$ 840	\$ 518
Restricted cash	3	2
Cash at end of period	<u>\$ 843</u>	<u>\$ 520</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

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Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

(1) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements included herein are unaudited. In the opinion of management, these statements include all adjustments, consisting only of normal, recurring adjustments, necessary for a fair statement of the financial position and shareholders' equity of Axalta Coating Systems Ltd., a Bermuda exempted company limited by shares, and its consolidated subsidiaries ("Axalta," the "Company," "we," "our" and "us") at June 30, 2024, the results of operations, comprehensive income and changes in shareholders' equity for the three and six months ended June 30, 2024 and 2023 and cash flows for the six months then ended. All intercompany balances and transactions have been eliminated.

These interim unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP").

The interim unaudited condensed consolidated financial statements include the accounts of Axalta and its subsidiaries, and entities in which a controlling interest is maintained. Certain of our entities are accounted for on a one-month lag basis, the effect of which is not material.

In the current year, we changed the presentation in our condensed consolidated financial statements to whole millions from our historical presentation of tenths of millions and, as a result, any necessary rounding adjustments have been made to prior year disclosed amounts.

The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the full year ended December 31, 2024 or any future period(s).

Summary of Significant Accounting Policies Updates

Recently Adopted Accounting Guidance

In January 2023, we adopted Accounting Standards Update ("ASU") 2022-04, *Liabilities – Supplier Finance Programs*, which codifies disclosure requirements for supplier financing programs. This ASU does not affect the recognition, measurement or financial statement presentation of obligations covered by supplier finance programs. Upon adoption of this ASU, we incorporated the required disclosures in Note 14. In addition to the disclosures included in Note 14, ASU 2022-04 requires a rollforward of activity for each supplier financing program beginning with annual reporting for the year ended December 31, 2024, at which time we will incorporate the required rollforward disclosure.

Accounting Guidance and Disclosure Rules Issued But Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280)*, to expand the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We are currently evaluating the impact of ASU 2023-07 on our financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)*, to enhance the transparency and decision usefulness of income tax disclosures, primarily related to the rate reconciliation and income taxes paid disclosures. The new standard is effective for fiscal years beginning after December 15, 2024. We are currently evaluating the impact of ASU 2023-09 on our financial statements.

In March 2024, the Securities and Exchange Commission ("SEC") adopted final rules under SEC Release No. 34-99678 and No. 33-11275 (the "Final Rules"), *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, which will require registrants to provide certain climate-related information in their registration statements and annual reports. The Final Rules require, among other things, disclosures in the notes to the audited financial statements relating to the effects of severe weather events and other natural conditions, subject to certain thresholds, as well as amounts related to carbon offsets and renewable energy credits or certificates in certain circumstances. The financial statement disclosure requirements of the Final Rules are effective for fiscal years beginning in 2025. In April 2024, the SEC stayed the effectiveness of the Final Rules. We are currently evaluating the impact of the Final Rules.

(2) REVENUE

Consideration for products in which control has transferred to our customers that is conditional on something other than the passage of time is recorded as a contract asset within prepaid expenses and other current assets on the condensed consolidated balance sheets. The contract asset balances at June 30, 2024 and December 31, 2023 were \$37 million and \$39 million, respectively.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

We provide certain customers with incremental up-front consideration, subject to clawback provisions, including Business Incentive Plan assets ("BIPs"), which is capitalized as a component of other assets and amortized over the estimated life of the contractual arrangement as a reduction of net sales. We do not receive a distinct service or good in return for these BIPs, but rather receive volume commitments and/or sole supplier status from our customers over the life of the contractual arrangements, which approximates a five-year weighted average useful life. Substantially all of the termination clauses in these contractual arrangements include standard clawback provisions that are designed to enable us to collect monetary damages in the event of a customer's failure to meet its commitments under the relevant contract. BIPs are assessed for recoverability annually or more frequently when certain circumstances arise. At June 30, 2024 and December 31, 2023, the total carrying value of BIPs were \$170 million and \$149 million, respectively, and are presented within other assets in the condensed consolidated balance sheets. For the three and six months ended June 30, 2024 and 2023, \$14 million, \$28 million, \$15 million and \$31 million, respectively, was amortized and reflected as reductions of net sales in the condensed consolidated statements of operations.

See Note 17 for disaggregated net sales by end-market.

(3) GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

The following table shows changes in the carrying amount of goodwill from December 31, 2023 to June 30, 2024 by reportable segment:

	Performance Coatings	Mobility Coatings	Total
Balance at December 31, 2023	\$ 1,513	\$ 78	\$ 1,591
Foreign currency translation	(40)	(2)	(42)
Balance at June 30, 2024	<u>\$ 1,473</u>	<u>\$ 76</u>	<u>\$ 1,549</u>

Identifiable Intangible Assets

The following tables summarize the gross carrying amounts and accumulated amortization of identifiable intangible assets by major class:

June 30, 2024	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted average amortization periods (years)
Technology	\$ 161	\$ (94)	\$ 67	11.2
Trademarks—indefinite-lived	256	—	256	Indefinite
Trademarks—definite-lived	139	(64)	75	14.5
Customer relationships	1,169	(506)	663	19.0
Total	<u>\$ 1,725</u>	<u>\$ (664)</u>	<u>\$ 1,061</u>	

December 31, 2023	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted average amortization periods (years)
Technology	\$ 162	\$ (88)	\$ 74	11.2
Trademarks—indefinite-lived	264	—	264	Indefinite
Trademarks—definite-lived	142	(60)	82	14.5
Customer relationships	1,194	(484)	710	19.0
Total	<u>\$ 1,762</u>	<u>\$ (632)</u>	<u>\$ 1,130</u>	

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

The estimated amortization expense related to the fair value of acquired intangible assets for the remainder of 2024 and each of the succeeding five years is:

Remainder of 2024	\$	44
2025		87
2026		87
2027		86
2028		72
2029		67

(4) RESTRUCTURING

During February 2024, we announced a global transformation initiative intended to simplify the Company's organizational structure and enable us to be more proactive, responsive, and agile and to better serve our customers and to lower our cost base and improve financial performance and cash flow generation (the "2024 Transformation Initiative"). The 2024 Transformation Initiative actions, certain of which are subject to the satisfaction of local law requirements in various jurisdictions, commenced in the first quarter of 2024 and we expect them to be completed by 2026. The 2024 Transformation Initiative is expected to result in a net reduction to our workforce of approximately 600 employees globally and total pre-tax charges of \$75-110 million in the aggregate, of which \$65-90 million represents severance and other exit-related costs and \$10-20 million represents non-cash accelerated depreciation charges. Future cash expenditures related to the 2024 Transformation Initiative are expected to be approximately \$95-135 million, inclusive of \$30-45 million for capital expenditures to, among other things, shift manufacturing capacity or capabilities. The 2024 Transformation Initiative resulted in pre-tax charges of \$55 million for the six months ended June 30, 2024, which primarily relates to employee severance and other exit costs associated with a net reduction to our workforce globally.

In accordance with the applicable guidance for Accounting Standards Codification ("ASC") 712, *Nonretirement Postemployment Benefits*, we accounted for termination benefits and recognized liabilities when the loss was considered probable that employees were entitled to benefits and the amounts could be reasonably estimated.

During the three and six months ended June 30, 2024 and 2023, we incurred costs of \$0 million, \$55 million, \$2 million and \$3 million, respectively, for termination benefits, net of changes in estimates. The majority of our termination benefits are recorded within other operating charges in the condensed consolidated statements of operations. The remaining payments associated with these actions are expected to be substantially completed within 24 months.

The following table summarizes the activity related to the termination benefit reserves and expenses from December 31, 2023 to June 30, 2024:

	2024 Activity	
Balance at December 31, 2023	\$	16
Expenses, net of changes to estimates		55
Payments made		(17)
Foreign currency translation		(1)
Balance at June 30, 2024	\$	53

(5) COMMITMENTS AND CONTINGENCIES

Guarantees

We guarantee certain of our customers' obligations to third parties, whereby any default by our customers on their obligations could force us to make payments to the applicable creditors ("Customer Obligation Guarantees"). At June 30, 2024 and December 31, 2023, we had outstanding Customer Obligation Guarantees of \$21 million and \$10 million, respectively, excluding certain outstanding Customer Obligation Guarantees secured by letters of credit under the Revolving Credit Facility discussed further in Note 15. Excluding Customer Obligation Guarantees secured by letters of credit under the Revolving Credit Facility, substantially all of our Customer Obligation Guarantees do not have specified expiration dates. We monitor the Customer Obligation Guarantees to evaluate whether we have a liability at the balance sheet date. We did not have any liabilities related to our outstanding Customer Obligation Guarantees recorded at either June 30, 2024 or December 31, 2023.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

Operational Matter

In January 2021, we became aware of an operational matter affecting certain North America Mobility Coatings customer manufacturing sites. The matter involves the use and application of certain of our products in combination with and incorporated within third-party products. The matter occurred over a discrete period during the fourth quarter of 2020. We concluded that losses from this matter were probable and that a majority of losses would be covered under our insurance policies, subject to deductible and policy limits as defined in our policies.

During each of the three and six months ended June 30, 2024 and 2023, expenses recorded relating to the operational matter were immaterial. At June 30, 2024 and December 31, 2023, we had \$30 million and \$36 million, respectively, recorded for estimated insurance receivables within accounts and notes receivable, net in the condensed consolidated balance sheets. Liabilities of \$29 million and \$31 million are recorded as other accrued liabilities in the condensed consolidated balance sheets at June 30, 2024 and December 31, 2023, respectively. The recorded probable losses remain an estimate, and actual costs arising from this matter could be materially lower or higher depending on the actual costs incurred to repair the impacted products as well as the availability of additional insurance coverage.

Other

We are subject to various pending lawsuits, legal proceedings and other claims in the ordinary course of business, including civil, regulatory and environmental matters. These matters may involve third-party indemnification obligations and/or insurance covering all or part of any potential damage incurred by us. All of these matters are subject to many uncertainties and, accordingly, we cannot determine the ultimate outcome of the proceedings and other claims at this time. The potential effects, if any, on our condensed consolidated financial statements will be recorded in the period in which these matters are probable and estimable. Except as set forth in the "Operational Matter" section above, we believe that any sum we may be required to pay in connection with proceedings or claims in excess of the amounts recorded would likely not have a material adverse effect upon our results of operations, financial condition or cash flows on a consolidated annual basis but could have a material adverse impact in a particular quarterly reporting period.

We are involved in environmental remediation and ongoing compliance activities at several sites. The timing and duration of remediation and ongoing compliance activities are determined on a site by site basis depending on local regulations. The liabilities recorded represent our estimable future remediation costs and other anticipated environmental liabilities. We have not recorded liabilities at sites where a liability is probable but a range of loss is not reasonably estimable. We believe that any sum we may be required to pay in connection with environmental remediation matters in excess of the amounts recorded would likely occur over a period of time and would likely not have a material adverse effect upon our results of operations, financial condition or cash flows on a consolidated annual basis but could have a material adverse impact in a particular quarterly reporting period.

(6) LONG-TERM EMPLOYEE BENEFITS

Components of Net Periodic Benefit Cost

The following table sets forth the pre-tax components of net periodic benefit costs for our defined benefit plans for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Components of net periodic benefit cost:				
Net periodic benefit cost:				
Service cost	\$ 3	\$ 1	\$ 4	\$ 3
Interest cost	4	5	9	10
Expected return on plan assets	(3)	(3)	(6)	(6)
Amortization of actuarial loss, net	1	—	2	—
Net periodic benefit cost	\$ 5	\$ 3	\$ 9	\$ 7

All non-service components of net periodic benefit cost are recorded in other (income) expense, net within the accompanying condensed consolidated statements of operations.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

(7) STOCK-BASED COMPENSATION

During each of the three and six months ended June 30, 2024 and 2023, we recognized \$8 million, \$14 million, \$8 million, and \$14 million in stock-based compensation expense, which was allocated between cost of goods sold and selling, general and administrative expenses in the condensed consolidated statements of operations. We recognized tax benefits on stock-based compensation of \$0 million, \$1 million, \$1 million and \$2 million for the three and six months ended June 30, 2024 and 2023.

2024 Activity

A summary of stock option award activity as of and for the six months ended June 30, 2024 is presented below.

Stock Options	Awards (in millions)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted Average Remaining Contractual Life (years)
Outstanding at January 1, 2024	0.5	\$ 28.33		
Exercised	(0.2)	\$ 26.91		
Forfeited / Expired ⁽¹⁾	—	\$ 32.50		
Outstanding at June 30, 2024	<u>0.3</u>	<u>\$ 28.88</u>		
Vested and expected to vest at June 30, 2024	0.3	\$ 28.88	\$ 2	3.02
Exercisable at June 30, 2024	0.3	\$ 28.88	\$ 2	3.02

(1) Activity during the six months ended June 30, 2024 rounds to zero.

Cash received by the Company upon exercise of options for the six months ended June 30, 2024 was \$4 million. No excess tax benefits or shortfall expenses were recorded related to these exercises.

At June 30, 2024, there was no unrecognized expense relating to unvested stock options.

Restricted Stock Units	Units (in millions)	Weighted Average Fair Value
Outstanding at January 1, 2024	1.3	\$ 28.71
Granted	0.5	\$ 32.50
Vested	(0.4)	\$ 29.06
Forfeited	(0.1)	\$ 29.80
Outstanding at June 30, 2024	<u>1.3</u>	<u>\$ 30.10</u>

Tax benefits on the vesting of restricted stock units during the six months ended June 30, 2024 were immaterial.

At June 30, 2024, there was \$20 million of unamortized expense relating to unvested restricted stock units that is expected to be amortized over a weighted average period of 1.5 years.

Performance Share Units	Units (in millions)	Weighted Average Fair Value
Outstanding at January 1, 2024	0.8	\$ 33.20
Granted	0.3	\$ 38.52
Vested ⁽¹⁾	—	\$ 29.53
Forfeited	(0.2)	\$ 30.89
Outstanding at June 30, 2024	<u>0.9</u>	<u>\$ 35.82</u>

(1) Activity during the six months ended June 30, 2024 rounds to zero.

Our performance share units allow for participants to vest in zero to 200% of the targeted number of shares granted. At June 30, 2024, there was \$22 million of unamortized expense relating to unvested performance share units that is expected to be amortized over a weighted average period of 2.1 years. The forfeitures include portions of performance share unit grants that were determined to not have vested during the period as a result of not meeting established financial performance thresholds.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

(8) OTHER (INCOME) EXPENSE, NET

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Foreign exchange losses, net	\$ 3	\$ 10	\$ 8	\$ 12
Debt extinguishment and refinancing-related costs ⁽¹⁾	—	1	3	3
Other miscellaneous income, net	(4)	(2)	(4)	(5)
Total	<u>\$ (1)</u>	<u>\$ 9</u>	<u>\$ 7</u>	<u>\$ 10</u>

(1) Debt extinguishment and refinancing-related costs include third-party fees incurred and the loss on extinguishment associated with the write-off of unamortized deferred financing costs and original issue discounts in conjunction with the restructuring and refinancing of our long-term borrowings, as discussed further in Note 15.

(9) INCOME TAXES

Our effective income tax rates for the six months ended June 30, 2024 and 2023 are as follows:

	Six Months Ended June 30,	
	2024	2023
Effective Tax Rate	29.1 %	19.1 %

The higher effective tax rate for the six months ended June 30, 2024 was primarily due to the tax impacts of the 2024 Transformation Initiative pre-tax charges, as well as the 2023 favorable impact of changes in unrecognized tax benefits, which did not repeat in 2024.

The effective tax rate for the six months ended June 30, 2024 differs from the U.S. Federal statutory rate due to various items that impacted the effective rate both favorably and unfavorably. We recorded unfavorable impacts for changes in the valuation allowance and for increases in unrecognized tax benefits. These adjustments were primarily offset by the favorable adjustments for earnings in jurisdictions where the statutory rate is lower than the U.S. Federal statutory rate.

The Organization for Economic Cooperation and Development's ("OECD") Pillar Two framework that imposes, among other items, a minimum tax rate of 15% has been implemented by several jurisdictions in which we operate, with effect from January 1, 2024. The effect of enacted Pillar Two taxes did not have a significant impact on our condensed consolidated financial statements. We will continue to monitor the implementation of Pillar Two by additional jurisdictions and will evaluate the potential impact on our consolidated financial statements.

We anticipate that it is reasonably possible our unrecognized tax benefits will decrease by \$46 million, exclusive of interest and penalties, within the next 12 months mainly due to the expiration of statutes of limitations in various countries and the expected final assessment from the 2010-2013 German income tax audit which concluded in 2021.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

(10) NET INCOME PER COMMON SHARE

Basic net income per common share excludes the dilutive impact of potentially dilutive securities and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted net income per common share includes the effect of potential dilution from the hypothetical exercise of outstanding stock options and vesting of restricted stock units and performance share units. A reconciliation of our basic and diluted net income per common share is as follows:

(In millions, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income to common shareholders	\$ 112	\$ 61	\$ 153	\$ 122
Basic weighted average shares outstanding	219.9	221.6	220.2	221.4
Diluted weighted average shares outstanding	220.9	222.5	221.2	222.3
Net income per common share ⁽¹⁾ :				
Basic net income per share	\$ 0.51	\$ 0.27	\$ 0.70	\$ 0.55
Diluted net income per share	\$ 0.51	\$ 0.27	\$ 0.69	\$ 0.55

(1) Basic earnings per share and diluted earnings per share are calculated based on full precision. Figures in the table may not recalculate due to rounding.

The number of anti-dilutive shares that have been excluded in the computation of diluted net income per share for the three and six months ended June 30, 2024 and 2023 were 0.2 million, 0.1 million, 0.1 million and 0.5 million, respectively.

(11) ACCOUNTS AND NOTES RECEIVABLE, NET

Trade accounts receivable are stated at the amount we expect to collect. We maintain allowances for doubtful accounts for estimated losses by applying historical loss percentages, combined with reasonable and supportable forecasts of future losses, to respective aging categories. Management considers the following factors in developing its current estimate of expected credit losses: customer credit-worthiness; past transaction history with the customer; current economic industry trends; changes in market or regulatory matters; changes in geopolitical matters; and changes in customer payment terms, as well as other macroeconomic factors.

	June 30, 2024	December 31, 2023
Accounts receivable - trade, net ⁽¹⁾	\$ 1,054	\$ 1,043
Notes receivable	74	79
Other ⁽²⁾	140	138
Total	\$ 1,268	\$ 1,260

(1) Allowance for doubtful accounts was \$24 million and \$25 million at June 30, 2024 and December 31, 2023, respectively.

(2) Includes \$30 million and \$36 million at June 30, 2024 and December 31, 2023, respectively, of insurance recoveries related to an operational matter discussed further in Note 5.

Bad debt expense of \$4 million, \$5 million, \$1 million, and \$5 million was included within selling, general and administrative expenses for the three and six months ended June 30, 2024 and 2023, respectively, and benefits of \$1 million, \$1 million, \$0 million, and \$1 million related to sanctions imposed on Russia in response to the conflict with Ukraine was included in other operating charges for the three and six months ended June 30, 2024 and 2023.

(12) INVENTORIES

	June 30, 2024	December 31, 2023
Finished products	\$ 407	\$ 405
Semi-finished products	127	126
Raw materials	182	182
Stores and supplies	29	28
Total	\$ 745	\$ 741

Inventory reserves were \$25 million and \$27 million at June 30, 2024 and December 31, 2023, respectively.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

(13) PROPERTY, PLANT AND EQUIPMENT, NET

	June 30, 2024	December 31, 2023
Property, plant and equipment	\$ 2,428	\$ 2,454
Accumulated depreciation	(1,270)	(1,250)
Property, plant and equipment, net	<u>\$ 1,158</u>	<u>\$ 1,204</u>

Depreciation expense amounted to \$31 million, \$62 million, \$30 million and \$59 million for the three and six months ended June 30, 2024 and 2023, respectively.

(14) SUPPLIER FINANCE PROGRAMS

We have a supplier financing program in China that is utilized to finance the purchases of goods and services from our suppliers through local banking institutions. The payment terms under the program vary, but the program has a weighted average maturity date that is approximately 90 days from each respective financing inception. These financing arrangements are included in the current portion of borrowings within the condensed consolidated balance sheets and at the time of issuance each transaction is treated as a non-cash financing activity within the condensed consolidated statements of cash flows. Upon settlement of the financing, the cash outflow is classified as a financing activity within the condensed consolidated statements of cash flows. Amounts outstanding under this program were \$10 million at June 30, 2023, including \$3 million related to purchases of property, plant and equipment. There were no balances outstanding under this program at June 30, 2024. Cash outflows under this program were \$4 million and \$23 million for the six months ended June 30, 2024 and 2023, respectively.

We maintain a voluntary supply chain financing ("SCF") program with a global financial institution that allows a select group of suppliers to sell their receivables to the participating financial institution at the discretion of both parties on terms that are negotiated between the supplier and the financial institution. The supplier invoices that have been confirmed as valid under the program are paid by us to the financial institution according to the terms we have with the supplier. Amounts outstanding under the SCF program were \$27 million and \$28 million at June 30, 2024 and December 31, 2023.

We also participate in a virtual card program with a global financial institution, in which we pay supplier invoices on the due date using a Virtual Card Account ("VCA") and subsequently pay the balance in full 25 days after the billing statement date of the VCA. The program allows for suppliers to receive accelerated payments for a fee at each supplier's discretion. Fees paid by our suppliers are negotiated directly with the financial institution without our involvement. Amounts outstanding under the VCA program were \$7 million and \$8 million at June 30, 2024 and December 31, 2023, respectively.

The payment terms we have with our suppliers who participate in the SCF and VCA programs are consistent with the typical terms we have with our suppliers who do not participate. These financing arrangements are included in accounts payable within the condensed consolidated balance sheets and the associated payments are included in operating activities within the condensed consolidated statements of cash flows.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

(15) BORROWINGS

Borrowings are summarized as follows:

	June 30, 2024	December 31, 2023
2029 Dollar Term Loans	\$ 1,707	\$ 1,786
Revolving Credit Facility	185	—
2027 Dollar Senior Notes	500	500
2029 Dollar Senior Notes	700	700
2031 Dollar Senior Notes	500	500
Short-term and other borrowings	55	62
Unamortized original issue discount	(15)	(17)
Unamortized deferred financing costs	(24)	(27)
Total borrowings, net	3,608	3,504
Less:		
Short-term borrowings	3	7
Current portion of long-term borrowings	17	19
Long-term debt	\$ 3,588	\$ 3,478

Our senior secured credit facilities (the "Senior Secured Credit Facilities") consist of a term loan due 2029 (the "2029 Dollar Term Loans") and a revolving credit facility (the "Revolving Credit Facility") that is governed by a credit agreement (as amended, the "Credit Agreement").

Revolving Credit Facility

During June 2024, in connection with the acquisition discussed in Note 19, we borrowed \$185 million against the Revolving Credit Facility, which bears interest at a rate based on the Secured Overnight Financing Rate ("SOFR") plus a margin of 1.50% and is due June 2029. At both June 30, 2024 and December 31, 2023, letters of credit issued under the Revolving Credit Facility totaled \$22 million which reduced the availability under the Revolving Credit Facility as of such dates. Availability under the Revolving Credit Facility was \$593 million and \$528 million at June 30, 2024 and December 31, 2023, respectively. The letters of credit issued under the Revolving Credit Facility include \$14 million that secures Customer Obligation Guarantees at both June 30, 2024 and December 31, 2023.

Significant Transactions

During the six months ended June 30, 2024, we prepaid \$75 million of the outstanding principal amount of the 2029 Dollar Term Loans. As a result of these prepayments, we recorded a loss on extinguishment of debt of \$1 million for the six months ended June 30, 2024, which comprised the proportionate write-off of unamortized deferred financing costs and original issue discounts.

During March 2024, we entered into the Fourteenth Amendment to the Credit Agreement to lower the interest rate spread applicable to the 2029 Dollar Term Loans, which continues to be based on SOFR from 2.50% to 2.00% and to make related changes to effect such repricing. The other material terms of the Credit Agreement, including the outstanding principal amount and maturity date of the 2029 Dollar Term Loans, remained unchanged. As a result of the repricing, we recorded a \$2 million loss on financing-related costs during the six months ended June 30, 2024 related to the write-off of unamortized deferred financing costs and original issue discount and fees incurred to complete the repricing.

During June 2024, we entered into the Fifteenth Amendment to the Credit Agreement (the "Fifteenth Amendment"), to among other things, increase commitments available pursuant to the Revolving Credit Facility from \$550 million to \$800 million and extend the maturity of the Revolving Credit Facility from May 2026 to June 2029, provided that such date would be accelerated in certain circumstances as set forth in the Credit Agreement and the Fifteenth Amendment. As a result, we recorded \$4 million of incremental deferred financing costs to other assets within the condensed consolidated balance sheets during the six months ended June 30, 2024.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

Future repayments

Below is a schedule of required future repayments of all borrowings outstanding at June 30, 2024.

Remainder of 2024	\$	10
2025		21
2026		21
2027		521
2028		22
Thereafter		3,052
Total borrowings		3,647
Unamortized original issue discount		(15)
Unamortized deferred financing costs		(24)
Total borrowings, net	\$	3,608

(16) FINANCIAL INSTRUMENTS, HEDGING ACTIVITIES AND FAIR VALUE MEASUREMENTS**Fair value of financial instruments**

Equity securities with readily determinable fair values - Balances of equity securities are recorded within other assets, with any changes in fair value recorded within other (income) expense, net. The fair values of equity securities are based upon quoted market prices, which are considered Level 1 inputs.

Long-term borrowings - The estimated fair values of these borrowings are based on recent trades, as reported by a third-party pricing service. Due to the infrequency of trades, these inputs are considered to be Level 2 inputs.

Derivative instruments - The Company's interest rate swaps, cross-currency swaps and foreign currency forward contracts are valued using broker quotations, or market transactions in either the listed or over-the-counter markets. As such, these derivative instruments are included in the Level 2 hierarchy.

Fair value of contingent consideration

Contingent consideration is valued using a probability-weighted expected payment method that considers the timing of expected future cash flows and the probability of whether key elements of the contingent event are completed. The fair value of contingent consideration is valued at each balance sheet date, until amounts become payable, with adjustments recorded within other (income) expense, net in the condensed consolidated statements of operations. Due to the significant unobservable inputs used in the valuations, these liabilities are categorized within Level 3 of the fair value hierarchy.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

The table below presents the fair values of our financial instruments measured on a recurring basis by level within the fair value hierarchy at June 30, 2024 and December 31, 2023.

	June 30, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Prepaid expenses and other current assets:								
Cross-currency swaps ⁽¹⁾	\$ —	\$ 12	\$ —	\$ 12	\$ —	\$ 8	\$ —	\$ 8
Other assets:								
Cross-currency swaps ⁽¹⁾	—	2	—	2	—	—	—	—
Investments in equity securities	1	—	—	1	1	—	—	1
Liabilities:								
Other accrued liabilities:								
Cross-currency swaps ⁽¹⁾	—	—	—	—	—	8	—	8
Contingent consideration	—	—	10	10	—	—	8	8
Other liabilities:								
Cross-currency swaps ⁽¹⁾	—	11	—	11	—	38	—	38
Long-term borrowings:								
2029 Dollar Term Loans	—	1,712	—	1,712	—	1,794	—	1,794
2027 Dollar Senior Notes	—	486	—	486	—	487	—	487
2029 Dollar Senior Notes	—	626	—	626	—	633	—	633
2031 Dollar Senior Notes	—	519	—	519	—	527	—	527

(1) Net investment hedge

The table below presents a roll forward of activity for the Level 3 liabilities for the six months ended June 30, 2024.

	Fair Value Using Significant Unobservable Inputs (Level 3)
Beginning balance at December 31, 2023	\$ 8
Change in fair value	3
Foreign currency translation	(1)
Ending balance at June 30, 2024	\$ 10

Derivative Financial Instruments

We selectively use derivative instruments to reduce market risk associated with changes in foreign currency exchange rates and interest rates. The use of derivatives is intended for hedging purposes only, and we do not enter into derivative instruments for speculative purposes.

Derivative Instruments Qualifying and Designated as Net Investment and Cash Flow Hedges

Cross-Currency Swaps Designated as Net Investment Hedges

One fixed-for-fixed cross-currency swap with a notional amount of \$150 million, previously executed in 2023, was set to mature on March 31, 2024. We extended the maturity on this cross-currency swap to September 30, 2025 and reset the terms. Under the terms of this reset cross-currency swap agreement, we notionally exchanged \$150 million at an interest rate of 6.692% for €142 million at an interest rate of 4.899%. The cross-currency swap is designated as a net investment hedge. This cross-currency swap is marked to market at each reporting date and any unrealized gains or losses are included in unrealized currency translation adjustments, within accumulated other comprehensive loss ("AOCI").

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

Interest Rate Swaps Designated as Cash Flow Hedges

An interest rate swap with a notional amount of \$150 million, which was previously executed in 2023 and set to expire on March 31, 2024, was terminated early on March 27, 2024. Concurrently, we entered into an interest rate swap with a notional amount of \$150 million to hedge interest rate exposures associated with the 2029 Dollar Term Loans. Under the terms of the interest rate swap agreement, the Company is required to pay the counter-party a stream of fixed interest payments at a rate of 4.692% on \$150 million of notional value, and in turn, receives variable interest payments based on 3-month SOFR from the counter-party subject to a floor of 0.5%. The interest rate swap is designated as a cash flow hedge and expires on September 30, 2025. This interest rate swap is marked to market at each reporting date and any unrealized gains or losses are included in AOCI and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings.

Gains and losses for hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis.

The following table sets forth the locations and amounts recognized during the three and six months ended June 30, 2024 and 2023 for the Company's cash flow and net investment hedges.

Derivatives in Cash Flow and Net Investment Hedges	Location of (Gain) Loss Recognized in Income on Derivatives	Three Months Ended June 30,			
		2024		2023	
		Net Amount of Gain Recognized in OCI on Derivatives	Amount of Gain Recognized in Income	Net Amount of (Gain) Loss Recognized in OCI on Derivatives	Amount of Gain Recognized in Income
Interest rate swaps	Interest expense, net	\$ (1)	\$ —	\$ (1)	\$ (1)
Cross-currency swaps	Interest expense, net	(15)	(4)	7	(2)

Derivatives in Cash Flow and Net Investment Hedges	Location of (Gain) Loss Recognized in Income on Derivatives	Six Months Ended June 30,			
		2024		2023	
		Net Amount of Gain Recognized in OCI on Derivatives	Amount of Gain Recognized in Income	Net Amount of (Gain) Loss Recognized in OCI on Derivatives	Amount of Gain Recognized in Income
Interest rate swaps	Interest expense, net	\$ (1)	\$ —	\$ (2)	\$ (3)
Cross-currency swaps	Interest expense, net	(48)	(8)	14	(6)

Derivative Instruments Not Designated as Cash Flow Hedges

We periodically enter into foreign currency forward and option contracts to reduce market risk and hedge our balance sheet exposures and cash flows for subsidiaries with exposures denominated in currencies different from the functional currency of the relevant subsidiary. These contracts have not been designated as hedges and all gains and losses are marked to market through other (income) expense, net in the condensed consolidated statements of operations.

Fair value gains and losses of derivative contracts, as determined using Level 2 inputs, that have not been designated for hedge accounting treatment under ASC 815, *Derivatives and hedging*, are recorded in earnings as follows:

Derivatives Not Designated as Hedging Instruments under ASC 815	Location of Gain Recognized in Income on Derivatives	Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023
		Foreign currency forward contracts	Other (income) expense, net	\$ —	\$ (4)

(17) SEGMENTS

The Company identifies an operating segment as a component: (i) that engages in business activities from which it may earn revenues and incur expenses; (ii) whose operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance; and (iii) that has available discrete financial information.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions, unless otherwise noted)

We have two operating segments, which are also our reportable segments: Performance Coatings and Mobility Coatings. The CODM reviews financial information at the operating segment level to allocate resources and to assess the operating results and financial performance for each operating segment. Our CODM is identified as the Chief Executive Officer because he has final authority over performance assessment and resource allocation decisions. Our segments are based on the type and concentration of customers served, service requirements, methods of distribution and major product lines.

Through our Performance Coatings segment, we provide high-quality liquid and powder coatings solutions to both large regional and global original equipment manufacturers ("OEMs") and to a fragmented and local customer base. These customers comprise independent or multi-shop operator body shops as well as a wide variety of industrial manufacturers. We are one of only a few suppliers with the technology to provide precise color matching and highly durable coatings systems. The end-markets within this segment are refinish and industrial.

Through our Mobility Coatings segment, we provide coatings technologies for light vehicle and commercial vehicle OEMs. These global customers are faced with evolving megatrends in electrification, sustainability, personalization and autonomous driving that require a high level of technical expertise. The OEMs require efficient, environmentally responsible coatings systems that can be applied with a high degree of precision, consistency and speed. The end-markets within this segment are light vehicle and commercial vehicle.

Adjusted EBITDA is the primary measure used by our CODM to evaluate financial performance of the operating segments and allocate resources and is therefore our measure of segment profitability in accordance with GAAP under ASC 280, *Segment Reporting*. Asset information is not reviewed or included with our internal management reporting. Therefore, we have not disclosed asset information for each reportable segment. The following table presents relevant information of our reportable segments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales ⁽¹⁾ :				
Refinish	\$ 546	\$ 520	\$ 1,065	\$ 1,018
Industrial	341	336	670	685
Total Net sales Performance Coatings	887	856	1,735	1,703
Light Vehicle	354	330	696	659
Commercial Vehicle	110	108	214	216
Total Net sales Mobility Coatings	464	438	910	875
Total Net sales	\$ 1,351	\$ 1,294	\$ 2,645	\$ 2,578

(1) The Company has no intercompany sales between segments.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

The following table reconciles our segment operating performance to income before income taxes for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Segment Adjusted EBITDA ⁽¹⁾ :				
Performance Coatings	\$ 223	\$ 181	\$ 419	\$ 350
Mobility Coatings	68	46	131	90
Total	291	227	550	440
Interest expense, net	50	55	104	103
Depreciation and amortization	68	66	136	136
Debt extinguishment and refinancing-related costs ^(a)	—	1	3	3
Termination benefits and other employee-related costs ^(b)	1	2	56	2
Acquisition and divestiture-related costs ^(c)	2	(1)	4	—
Site closure costs ^(d)	—	1	1	2
Impairment charges ^(e)	—	8	—	15
Foreign exchange remeasurement losses ^(f)	3	10	8	12
Long-term employee benefit plan adjustments ^(g)	2	2	5	4
Stock-based compensation ^(h)	8	8	14	14
Environmental charge ⁽ⁱ⁾	—	—	4	—
Other adjustments ^(j)	1	1	—	(1)
Income before income taxes	<u>\$ 156</u>	<u>\$ 74</u>	<u>\$ 215</u>	<u>\$ 150</u>

(1) The primary measure of segment operating performance is Adjusted EBITDA, which is defined as net income before interest, taxes, depreciation, amortization and select other items impacting operating results. These other items impacting operating results are items that management has concluded are (1) non-cash items included within net income, (2) items the Company does not believe are indicative of ongoing operating performance or (3) non-recurring, 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. Adjusted EBITDA 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 the Company's core operating performance, which represents Adjusted EBITDA adjusted for the select items referred to above.

- (a) Represents expenses and associated changes to estimates related to the prepayment, restructuring, and refinancing of our indebtedness, which are not considered indicative of our ongoing operating performance.
- (b) Represents expenses and associated changes to estimates related to employee termination benefits, consulting, legal and other employee-related costs associated with restructuring programs and other employee-related costs. These amounts are not considered indicative of our ongoing operating performance.
- (c) Represents acquisition and divestiture-related expenses and integration activities associated with our business combinations, all of which are not considered indicative of our ongoing operating performance.
- (d) Represents costs related to the closure of certain manufacturing sites, which we do not consider indicative of our ongoing operating performance.
- (e) Represents impairment charges, which are not considered indicative of our ongoing operating performance. The losses recorded during the three and six months ended June 30, 2023 were due to the decision to demolish assets at a previously closed manufacturing site during the three months ended June 30, 2023 and the then anticipated exit of a non-core business category in the Mobility Coatings segment during the three months ended March 31, 2023.
- (f) Represents 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.
- (g) Represents the non-cash, non-service cost components of long-term employee benefit costs.
- (h) Represents non-cash impacts associated with stock-based compensation.
- (i) Represents costs related to certain environmental remediation activities, which are not considered indicative of our ongoing operating performance.
- (j) Represents costs for certain non-operational or non-cash losses (gains), unrelated to our core business and which we do not consider indicative of our ongoing operating performance.

Notes to Condensed Consolidated Financial Statements (Unaudited)
(In millions, unless otherwise noted)

(18) ACCUMULATED OTHER COMPREHENSIVE LOSS

	Unrealized Currency Translation Adjustments	Pension Adjustments	Unrealized Gain (Loss) on Derivatives	Accumulated Other Comprehensive (Loss) Income
Balance, December 31, 2023	\$ (374)	\$ (70)	\$ —	\$ (444)
Current year deferrals to AOCI	(41)	—	—	(41)
Reclassifications from AOCI to Net income	(4)	1	—	(3)
Net Change	(45)	1	—	(44)
Balance, March 31, 2024	(419)	(69)	—	(488)
Current year deferrals to AOCI	(26)	—	—	(26)
Reclassifications from AOCI to Net income	(4)	1	—	(3)
Net Change	(30)	1	—	(29)
Balance, June 30, 2024	<u>\$ (449)</u>	<u>\$ (68)</u>	<u>\$ —</u>	<u>\$ (517)</u>

The cumulative income tax expense related to the adjustments for foreign exchange at June 30, 2024 was \$1 million. The cumulative income tax benefit related to the adjustments for pension benefits at June 30, 2024 was \$29 million. The cumulative income tax expense related to the adjustments for the unrealized gain on derivatives at June 30, 2024 was immaterial. See Note 16 for classification within the condensed consolidated statements of operations of the gains and losses on derivatives reclassified from AOCI.

	Unrealized Currency Translation Adjustments	Pension Adjustments	Unrealized (Loss) Gain on Derivatives	Accumulated Other Comprehensive (Loss) Income
Balance, December 31, 2022	\$ (434)	\$ (36)	\$ 3	\$ (467)
Current year deferrals to AOCI	50	—	1	51
Reclassifications from AOCI to Net income	(4)	—	(3)	(7)
Net Change	46	—	(2)	44
Balance, March 31, 2023	(388)	(36)	1	(423)
Current year deferrals to AOCI	4	1	1	6
Reclassifications from AOCI to Net income	(2)	—	(1)	(3)
Net Change	2	1	—	3
Balance, June 30, 2023	<u>\$ (386)</u>	<u>\$ (35)</u>	<u>\$ 1</u>	<u>\$ (420)</u>

The cumulative income tax benefit related to the adjustments for foreign exchange at June 30, 2023 was \$1 million. The cumulative income tax benefit related to the adjustments for pension benefits at June 30, 2023 was \$14 million. The cumulative income tax expense related to the adjustments for the unrealized gain on derivatives at June 30, 2023 was immaterial. See Note 16 for classification within the condensed consolidated statements of operations of the gains and losses on derivatives reclassified from AOCI.

(19) SUBSEQUENT EVENTS

Acquisition of The CoverFlexx Group

As disclosed in our Current Report on Form 8-K furnished on May 13, 2024, we entered into a definitive agreement to acquire The CoverFlexx Group ("CoverFlexx") from Transtar Holding Company for an initial cash consideration of \$285 million, plus an additional \$10 million earnout contingent on CoverFlexx's 2024 performance. As disclosed in our Current Report on Form 8-K furnished on July 2, 2024, we completed the acquisition in July 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the interim unaudited condensed consolidated financial statements and the condensed notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

FORWARD-LOOKING STATEMENTS

Many statements made in the following discussion and analysis of our financial condition and results of operations and elsewhere in this Quarterly Report on Form 10-Q that are not statements of historical fact, including statements about our beliefs and expectations, are "forward-looking statements" within the meaning of federal securities laws and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan, strategies and capital structure. These statements often include words such as "anticipated," "expect," "believe," "intended," "estimated," "projections," "could," "would," "may," "will," "future," "can," "assumptions," "potential," "possible," and "forecasts" and the negative of these words or other comparable or similar terminology. We base these forward-looking statements or projections on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances and at such time. As you read and consider this Quarterly Report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. The forward-looking statements and projections are subject to and involve risks and uncertainties, including, but not limited to, economic, competitive, governmental, geopolitical and technological factors outside of our control, as well as risks related to the execution of the 2024 Transformation Initiative, our acquisition of The CoverFlex Group, and our previously-announced three-year 2024-2026 strategy, that may cause our business, industry, strategy, financing activities or actual results to differ materially. More information on potential factors that could affect our financial results is available in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023 as well as "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 and in other documents that we have filed with, or furnished to, the SEC, and you should not place undue reliance on these forward-looking statements or projections. Although we believe that these forward-looking statements and projections are based on reasonable assumptions at the time they are made, you should be aware that many factors, including, but not limited to, those described in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements and projections.

These forward-looking statements should not be construed by you to be exhaustive and are made only as of the date of this Quarterly Report on Form 10-Q. We undertake 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.

We intend to use our investor relations page at ir.axalta.com as a means of disclosing material information to the public in a broad, non-exclusionary manner for purposes of the SEC's Regulation Fair Disclosure (or Reg. FD). Investors should routinely monitor that site, in addition to our press releases, SEC filings and public conference calls and webcasts, as information posted on that page could be deemed to be material information.

OVERVIEW

We are a leading global manufacturer, marketer and distributor of high-performance coatings systems and products. We have over a 150-year heritage in the coatings industry and are known for manufacturing high-quality products with well-recognized brands supported by market-leading technology and customer service. Our diverse global footprint of 43 manufacturing facilities, four technology centers, 49 customer training centers and approximately 12,000 team members allows us to meet the needs of customers in over 140 countries. We serve our customer base through an extensive sales force and technical support organization, as well as through approximately 4,000 independent, locally based distributors.

We operate our business in two operating segments, Performance Coatings and Mobility Coatings. Our segments are based on the type and concentration of customers served, service requirements, methods of distribution and major product lines.

Through our Performance Coatings segment, we provide high-quality sustainable liquid and powder coating solutions to both large regional and global customers and to a fragmented and local customer base. These customers comprise, among others, independent or multi-shop operator body shops as well as a wide variety of industrial manufacturers. We are one of only a few suppliers with the technology to provide precise color matching and highly durable coatings systems. The end-markets within this segment are refinish and industrial.

Through our Mobility Coatings segment, we provide coatings technologies for light vehicle and commercial vehicle OEMs. These global customers are faced with evolving megatrends in electrification, sustainability, personalization and autonomous driving that require a high level of technical expertise. The OEMs require efficient, environmentally responsible coatings systems that can be applied with a high degree of precision, consistency and speed. The end-markets within this segment are light vehicle and commercial vehicle.

BUSINESS HIGHLIGHTS

General Business Highlights

Our net sales increased 2.6% for the six months ended June 30, 2024 compared with the six months ended June 30, 2023. The increased net sales were driven by higher volumes of 2.4%, including the contribution from the André Koch acquisition completed in October 2023, and higher average selling price and product mix of 0.2%. There was an immaterial impact from foreign currency translation as favorable fluctuations from currencies such as the Mexican Peso offset unfavorable fluctuations from currencies such as the Chinese Yuan compared to the U.S. Dollar. The following trends impacted our segment net sales performance for the six months ended June 30, 2024:

- *Performance Coatings*: Net sales increased 1.9% for the six months ended June 30, 2024 compared with the six months ended June 30, 2023. The increased net sales were driven by higher sales volumes of 1.2% including the contribution from the André Koch acquisition and higher average selling price and product mix of 0.7%. There was an immaterial impact from foreign currency translation as favorable fluctuations from currencies such as the Mexican Peso offset unfavorable fluctuations from currencies such as the Chinese Yuan compared to the U.S. Dollar.
- *Mobility Coatings*: Net sales increased 4.0% for the six months ended June 30, 2024 compared with the six months ended June 30, 2023. The increased net sales were driven by higher sales volumes of 4.7%. This gain was partially offset by lower average selling price and product mix of 0.6% and a headwind from unfavorable foreign currency translation of 0.1% driven by fluctuations from currencies such as the Chinese Yuan largely offset by favorable fluctuations from currencies such as the Mexican Peso compared to the U.S. Dollar.

Our business serves four end-markets globally with net sales for the three and six months ended June 30, 2024 and 2023, as follows:

(In millions)	Three Months Ended June 30,		2024 vs 2023	Six Months Ended June 30,		2024 vs 2023
	2024	2023	% change	2024	2023	% change
Performance Coatings						
Refinish	\$ 546	\$ 520	4.7 %	\$ 1,065	\$ 1,018	4.6 %
Industrial	341	336	1.8 %	670	685	(2.1)%
Total Net sales Performance Coatings	887	856	3.6 %	1,735	1,703	1.9 %
Mobility Coatings						
Light Vehicle	354	330	7.1 %	696	659	5.6 %
Commercial Vehicle	110	108	3.0 %	214	216	(0.7)%
Total Net sales Mobility Coatings	464	438	6.1 %	910	875	4.0 %
Total Net sales	\$ 1,351	\$ 1,294	4.4 %	\$ 2,645	\$ 2,578	2.6 %

2024 Transformation Initiative

During February 2024, we announced the 2024 Transformation Initiative intended to simplify the Company's organizational structure and enable us to be more proactive, responsive, and agile and to better serve our customers and to lower our cost base, improve financial performance and cash flow generation. See Liquidity and Capital Resources included elsewhere in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 4 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

CoverFlexx Acquisition

During July 2024, we completed the acquisition of CoverFlexx. See Note 19 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Capital and Liquidity Highlights

During the six months ended June 30, 2024, we prepaid \$75 million of the outstanding principal amount of the 2029 Dollar Term Loans. See Note 15 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

During the three months ended June 30, 2024, we repurchased 1.4 million shares of our common stock for total consideration of \$50 million as we executed against the share repurchase program approved by the Board of Directors in April 2024. See Part II, Item 2 of this Quarterly report on Form 10-Q for additional information.

During March 2024, we entered into the Fourteenth Amendment to the Credit Agreement to lower the interest rate spread applicable to the 2029 Dollar Term Loans, which continues to be based on SOFR, from 2.50% to 2.00% and to make related changes to effect such repricing. The other material terms of the Credit Agreement, including the outstanding principal amount and maturity date of the 2029 Dollar Term Loans, remained unchanged. See Note 15 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

During June 2024, we entered into the Fifteenth Amendment to the Credit Agreement, to among other things, increase commitments available pursuant to the Revolving Credit Facility from \$550 million to \$800 million and extend the maturity of the Revolving Credit Facility from May 2026 to June 2029, provided that such date would be accelerated in certain circumstances as set forth in the Credit Agreement and the Fifteenth Amendment. See Note 15 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

During June 2024, in connection with the acquisition discussed in Note 19 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, we borrowed \$185 million against the Revolving Credit Facility.

FACTORS AFFECTING OUR OPERATING RESULTS

There have been no changes in the factors affecting our operating results previously disclosed under such heading in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023.

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information contained in the accompanying unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. Our historical results of operations summarized and analyzed below may not necessarily reflect what will occur in the future.

Net sales

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Net sales	\$ 1,351	\$ 1,294	\$ 57	4.4 %	\$ 2,645	\$ 2,578	\$ 67	2.6 %
Volume effect				5.1 %				2.4 %
Price/Mix effect				0.1 %				0.2 %
Exchange rate effect				(0.8)%				— %

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Net sales primarily increased due to the following:

- Higher sales volumes including the contribution from the André Koch acquisition and partially driven by lower volumes in the prior year period in connection with production constraints associated with our multi-year enterprise resource planning ("ERP") system implementation in North America
- Higher average selling prices and product mix driven by Performance Coatings

Partially offset by:

- Unfavorable impacts of currency translation due primarily to the fluctuations of the Euro, Chinese Yuan and Brazilian Real, partially offset by the Mexican Peso, compared to the U.S. Dollar

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Net sales increased primarily due to the following:

- Higher sales volumes including the contribution from the André Koch acquisition and partially driven by lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America
- Higher average selling prices and product mix driven by Performance Coatings, partially offset by Mobility Coatings
- Impacts of currency translation were immaterial when compared to the prior year period as favorable fluctuations from currencies such as the Mexican Peso, offset unfavorable fluctuations from currencies such as the Chinese Yuan compared to the U.S. Dollar

Cost of sales

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Cost of sales	\$ 891	\$ 904	\$ (13)	(1.4)%	\$ 1,756	\$ 1,806	\$ (50)	(2.8)%
% of net sales	66.0 %	69.9 %			66.4 %	70.1 %		

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Cost of sales decreased primarily due to the following:

- Lower variable input costs as a result of deflationary benefits
- Decreased costs of \$11 million related to our multi-year ERP system implementation and productivity programs
- Favorable impacts of currency translation of 0.7% due primarily to the fluctuations of the Chinese Yuan, Euro and Brazilian Real, partially offset by the Mexican Peso, compared to the U.S. Dollar
- \$8 million impairment charge in the prior year due to the decision to demolish assets at a previously closed manufacturing site
- Decreased expense of \$2 million associated with utilization at certain manufacturing sites

Partially offset by:

- Higher sales volumes including the contribution from the André Koch acquisition
- Higher operating expenses due primarily to increased labor costs
- Increase of \$3 million in inventory charges related to obsolescence, quality and yield loss in manufacturing

Cost of sales as a percentage of net sales decreased primarily due to the following:

- Lower variable input costs as a result of deflationary benefits
- Decreased costs of \$11 million related to our multi-year ERP system implementation and productivity programs
- \$8 million impairment charge in the prior year due to the decision to demolish assets at a previously closed manufacturing site
- Decreased expense of \$2 million associated with utilization at certain manufacturing sites

Partially offset by:

- Higher operating expenses due primarily to increased labor costs
- Increase of \$3 million in inventory charges related to obsolescence, quality and yield loss in manufacturing

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Cost of sales decreased primarily due to the following:

- Lower variable input costs as a result of deflationary benefits
- Decreased costs of \$10 million related to our multi-year ERP system implementation and productivity programs
- \$8 million impairment charge in the prior year due to the decision to demolish assets at a previously closed manufacturing site
- Decreased expense of \$3 million associated with utilization at certain manufacturing sites

Partially offset by:

- Higher sales volumes including the contribution from the André Koch acquisition
- Higher operating expenses due primarily to increased labor costs
- Increase of \$4 million in inventory charges related to obsolescence, quality and yield loss in manufacturing
- Impacts of currency translation were immaterial when compared to the prior year period

Cost of sales as a percentage of net sales decreased primarily due to the following:

- Lower variable input costs as a result of deflationary benefits
- Decreased costs of \$10 million related to our multi-year ERP system implementation and productivity programs
- \$8 million impairment charge in the prior year due to the decision to demolish assets at a previously closed manufacturing site
- Decreased expense of \$3 million associated with utilization at certain manufacturing sites

Partially offset by:

- Higher operating expenses due primarily to increased labor costs
- Increase of \$4 million in inventory charges related to obsolescence, quality and yield loss in manufacturing

Selling, general and administrative expenses

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Selling, general and administrative expenses	\$ 213	\$ 210	\$ 3	1.4 %	\$ 420	\$ 416	\$ 4	1.0 %

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Selling, general and administrative expenses increased primarily due to the following:

- Higher operating expenses due primarily to increased labor costs
- Increase of \$3 million in bad debt expense

Partially offset by:

- Decrease of \$6 million in commissions resulting from changes to contractual arrangements
- Favorable impacts of currency translation of 0.9% due primarily to the weakening of the Euro and Chinese Yuan compared to the U.S. Dollar

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Selling, general and administrative expenses increased primarily due to the following:

- Higher operating expenses due primarily to increased labor costs

Partially offset by:

- Decrease of \$11 million in commissions resulting from changes to contractual arrangements
- Favorable impacts of currency translation of 0.2% due primarily to fluctuations of the Chinese Yuan, partially offset by the Mexican Peso, compared to the U.S. Dollar

Other operating charges

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Other operating charges	\$ 2	\$ 2	\$ —	—%	\$ 63	\$ 9	\$ 54	600.0 %

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Other operating charges remained consistent primarily due to the following:

- Increase of \$3 million in acquisition-related costs

Offset by:

- Decrease of \$1 million in termination benefits and other employee-related costs

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Other operating charges increased primarily due to the following:

- Increase of \$54 million in termination benefits and other employee-related costs associated with the 2024 Transformation Initiative
- \$4 million in environmental remediation costs recognized in the current year period
- Increase of \$4 million in acquisition-related costs

Partially offset by:

- \$7 million impairment charge recognized in the prior year period related to the then anticipated exit of a non-core business category in the Mobility Coatings segment

Research and development expenses

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Research and development expenses	\$ 18	\$ 19	\$ (1)	(5.3)%	\$ 36	\$ 38	\$ (2)	(5.3)%

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Research and development expenses remained generally consistent:

- Impacts of currency translation were immaterial when compared to the prior year period

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Research and development expenses remained generally consistent:

- Impacts of currency translation were immaterial when compared to the prior year period

Amortization of acquired intangibles

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Amortization of acquired intangibles	\$ 22	\$ 21	\$ 1	4.8 %	\$ 44	\$ 46	\$ (2)	(4.3)%

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Amortization of acquired intangibles increased due to the following:

- Increased amortization of \$2 million associated with assets acquired in the prior year
- Impacts of currency translation were immaterial when compared to the prior year period

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Amortization of acquired intangibles decreased primarily due to the following:

- Reduced amortization of \$4 million from certain intangible assets reaching the end of their useful lives during February 2023, primarily relating to intangibles from the 2013 DuPont Performance Coatings acquisition

Partially offset by:

- Increased amortization of \$3 million associated with assets acquired in the prior year
- Impacts of currency translation were immaterial when compared to the prior year period

Interest expense, net

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Interest expense, net	\$ 50	\$ 55	\$ (5)	(9.1)%	\$ 104	\$ 103	\$ 1	1.0 %

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Interest expense, net decreased primarily due to the following:

- Favorable impact of \$7 million attributable to lower principal on our 2029 Dollar Term Loans, primarily as a result of \$125 million of prepayments during the twelve months ended June 30, 2024, partially offset by the increased variable interest rate
- Favorable impact of \$5 million attributable to the redemption in November 2023 of our Euro-denominated Senior Notes due in 2025
- Increased benefit of \$3 million from derivative instruments used to hedge the variable interest rate exposure on certain debt arrangements

Partially offset by:

- Unfavorable impact of \$10 million attributable to our 2031 Dollar Senior Notes which were issued in November 2023
- Impacts of currency translation were immaterial when compared to the prior year period

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Interest expense, net nominally increased primarily due to the following:

- Unfavorable impact of \$19 million attributable to our 2031 Dollar Senior Notes which were issued in November 2023

Partially offset by:

- Favorable impact of \$10 million attributable to the redemption in November 2023 of our Euro-denominated Senior Notes due in 2025
- Favorable impact of \$9 million attributable to lower principal on our 2029 Dollar Term Loans, primarily as a result of \$125 million of prepayments during the twelve months ended June 30, 2024, partially offset by the increased variable interest rate
- Impacts of currency translation were immaterial when compared to the prior year period

Other (income) expense, net

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Other (income) expense, net	\$ (1)	\$ 9	\$ (10)	111.1 %	\$ 7	\$ 10	\$ (3)	30.0 %

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Other (income) expense, net decreased due to the following:

- Favorable impact of foreign exchange gains and losses of \$7 million when compared with the prior year period, primarily driven by expenses from the remeasurement of net monetary assets denominated in the Argentinian Peso due to a significant devaluation in the prior year period
- \$1 million debt extinguishment and refinancing-related costs recognized in the prior year period as part of the write-offs related to \$75 million of prepayments on our 2029 Dollar Term Loans
- Increased miscellaneous income, net of \$2 million

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Other expense, net decreased due to the following:

- Favorable impact of foreign exchange gains and losses of \$4 million when compared with the prior year period, primarily driven by expenses from the remeasurement of net monetary assets denominated in the Argentinian Peso due to a significant devaluation in the prior year period.

Provision for income taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Income before income taxes	\$ 156	\$ 74	\$ 215	\$ 150
Provision for income taxes	43	13	63	28
Statutory U.S. Federal income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
Effective tax rate	27.3 %	18.0 %	29.1 %	19.1 %
Effective tax rate vs. statutory U.S. Federal income tax rate	6.3 %	(3.0)%	8.1 %	(1.9)%

	(Favorable) Unfavorable Impact			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Items impacting the effective tax rate vs. statutory U.S. federal income tax rate				
Earnings generated in jurisdictions where the statutory rate is different from the U.S. Federal rate ⁽¹⁾	\$ (9)	\$ (8)	\$ (15)	\$ (15)
Changes in valuation allowance ⁽²⁾	14	5	30	13
Foreign exchange losses (gains), net	(2)	—	(8)	—
Non-deductible expenses and interest	1	1	2	2
Changes in unrecognized tax benefits	2	(3)	4	(5)

(1) Primarily related to earnings in Bermuda, Germany, Luxembourg, and Switzerland.

(2) Changes in valuation allowance primarily relates to operations in Luxembourg, the Netherlands, and the United Kingdom, including tax impacts of foreign exchange losses.

SEGMENT RESULTS

The Company's products and operations are managed and reported in two operating segments: Performance Coatings and Mobility Coatings. See Note 17 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Performance Coatings Segment

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Net sales	\$ 887	\$ 856	\$ 31	3.6 %	\$ 1,735	\$ 1,703	\$ 32	1.9 %
Volume effect				4.0 %				1.2 %
Price/Mix effect				0.3 %				0.7 %
Exchange rate effect				(0.7)%				— %
Adjusted EBITDA	\$ 223	\$ 181	\$ 42	22.4 %	\$ 419	\$ 350	\$ 69	19.4 %
Adjusted EBITDA Margin	25.0 %	21.2 %			24.1 %	20.6 %		

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Net sales increased primarily due to the following:

- Higher sales volumes including the contribution from the André Koch acquisition, new body shop wins and lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America
- Higher average selling prices and product mix driven by the refinish end-market

Partially offset by:

- Unfavorable impacts of currency translation due primarily to fluctuations of the Euro and Chinese Yuan compared to the U.S. Dollar

Adjusted EBITDA and Adjusted EBITDA margin increased primarily due to the following:

- Decreased variable input costs due to deflationary benefits
- Higher sales volumes including the contribution from the André Koch acquisition, new body shop wins and lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America
- Decreased costs of \$7 million related to our multi-year ERP system implementation and productivity programs
- Higher average selling prices and product mix driven by the refinish end-market

Partially offset by:

- Unfavorable impacts of currency translation due primarily to fluctuations of the Euro compared to the U.S. Dollar

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Net sales increased primarily due to the following:

- Higher sales volumes including the contribution from the André Koch acquisition, new body shop wins and lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America
- Higher average selling prices and product mix driven by the refinish end-market

Adjusted EBITDA and Adjusted EBITDA margin increased primarily due to the following:

- Decreased variable input costs due to deflationary benefits
- Higher sales volumes including the contribution from the André Koch acquisition, new body shop wins and lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America
- Higher average selling prices and product mix driven by the refinish end-market
- Decreased costs of \$7 million related to our multi-year ERP system implementation and productivity programs

Partially offset by:

- Higher operating expenses due primarily to increased labor costs

Mobility Coatings Segment

	Three Months Ended June 30,		2024 vs 2023		Six Months Ended June 30,		2024 vs 2023	
	2024	2023	\$ Change	% Change	2024	2023	\$ Change	% Change
Net sales	\$ 464	\$ 438	\$ 26	6.1 %	\$ 910	\$ 875	\$ 35	4.0 %
Volume effect				7.2 %				4.7 %
Exchange rate effect				(1.0)%				(0.1)%
Price/Mix effect				(0.1)%				(0.6)%
Adjusted EBITDA	\$ 68	\$ 46	\$ 22	50.4 %	\$ 131	\$ 90	\$ 41	46.8 %
Adjusted EBITDA Margin	14.8 %	10.4 %			14.5 %	10.3 %		

Three months ended June 30, 2024 compared to the three months ended June 30, 2023

Net sales increased primarily due to the following:

- Higher sales volumes in both end-markets partially driven by lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America

Partially offset by:

- Lower average selling prices and product mix driven by the commercial vehicle end-market
- Unfavorable impacts of currency translation due primarily to fluctuations of the Chinese Yuan, Brazilian Real and Euro compared to the U.S. Dollar

Adjusted EBITDA and Adjusted EBITDA margin increased primarily due to the following:

- Decreased variable input costs due to deflationary benefits
- Higher sales volumes in both end-markets partially driven by lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America
- Decreased costs of \$4 million related to our multi-year ERP system implementation and productivity programs
- Decreased expense of \$1 million associated with utilization at certain manufacturing sites

Partially offset by:

- Higher operating expenses due primarily to increased labor costs
- Increase of \$2 million in inventory charges related to obsolescence, quality and yield loss in manufacturing
- Lower average selling prices and product mix driven by the commercial vehicle end-market

Six months ended June 30, 2024 compared to the six months ended June 30, 2023

Net sales increased primarily due to the following:

- Higher sales volumes in both end-markets partially driven by lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America

Partially offset by:

- Lower average selling prices and product mix driven by the commercial vehicle end-market

Adjusted EBITDA and Adjusted EBITDA margin increased primarily due to the following:

- Decreased variable input costs due to deflationary benefits
- Higher sales volumes in both end-markets partially driven by lower volumes in the prior year period in connection with production constraints associated with our multi-year ERP system implementation in North America
- Decreased costs of \$3 million driven by our multi-year ERP system implementation and productivity programs
- Decreased expense of \$2 million associated with utilization at certain manufacturing sites

Partially offset by:

- Higher operating expenses due primarily to increased labor costs
- Lower average selling prices and product mix driven by the commercial vehicle end-market
- Increase of \$3 million in inventory charges related to obsolescence, quality and yield loss in manufacturing

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash on hand, net cash provided by operating activities and available borrowing capacity under our Senior Secured Credit Facilities.

At June 30, 2024, availability under the Revolving Credit Facility was \$593 million, net of \$22 million of letters of credit outstanding and \$185 million of loans outstanding. All such availability may be utilized without violating any covenants under the Credit Agreement or the indentures governing our senior notes (the "Senior Notes"). At June 30, 2024, we had no outstanding borrowings under other lines of credit. Our remaining available borrowing capacity under other lines of credit in certain non-U.S. jurisdictions totaled \$58 million.

We, or our affiliates, at any time and from time to time, may purchase shares of our common stock or the Senior Notes, and may prepay our 2029 Dollar Term Loans or other indebtedness. Any such purchases of our common stock or Senior Notes may be made through the open market or privately negotiated transactions with third parties or pursuant to one or more redemptions, tender or exchange offers or otherwise, upon such terms and at such prices, as well as with such consideration, as we, or any of our affiliates, may determine.

We have various supplier finance programs in place around the world. We partner with large banking institutions and utilize these programs to enhance our liquidity profile. Depending on the program, the liabilities under the program are classified either as accounts payable or current portion of borrowings on our unaudited condensed consolidated balance sheets. Our supplier financing programs are more fully described in Note 14 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

During February 2024, we announced a global transformation initiative intended to simplify the Company's organizational structure and enable us to be more proactive, responsive, and agile and to better serve our customers and to lower our cost base, improve financial performance and cash flow generation. Future cash expenditures related to the 2024 Transformation Initiative are expected to be approximately \$95-135 million. We estimate that, once fully executed, the 2024 Transformation Initiative will yield net savings, inclusive of non-labor savings and costs for backfilling certain roles, of approximately \$75 million on an annualized basis. We expect \$10 million of the run-rate savings from the 2024 Transformation Initiative to be realized in 2024 with the full run-rate expected to be realized during 2026. See Note 4 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

Cash Flows

(In millions)	Six Months Ended June 30,	
	2024	2023
Net cash provided by (used for):		
Operating activities:		
Net income	\$ 152	\$ 122
Depreciation and amortization	136	136
Amortization of deferred financing costs and original issue discount	4	4
Debt extinguishment and refinancing-related costs	3	3
Deferred income taxes	8	1
Realized and unrealized foreign exchange losses, net	12	19
Stock-based compensation	14	14
Impairment charges	—	15
Interest income on swaps designated as net investment hedges	(7)	(6)
Other non-cash, net	5	—
Net income adjusted for non-cash items	327	308
Changes in operating assets and liabilities	(179)	(229)
Operating activities	148	79
Investing activities	(36)	(37)
Financing activities	48	(179)
Effect of exchange rate changes on cash	(20)	2
Net increase (decrease) in cash	\$ 140	\$ (135)

Six months ended June 30, 2024

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2024 was \$148 million. Net income before deducting depreciation, amortization and other non-cash items generated cash of \$327 million. This was partially offset by net uses of working capital of \$179 million, for which the most significant drivers were increases in prepaid expenses and other assets, accounts and notes receivable and inventories of \$91 million, \$35 million and \$22 million, respectively, as well as decreases in other accrued liabilities of \$62 million. These outflows were driven primarily by payments of BIPs, timing of collections from and payments to customers and vendors, increased production and seasonal cash payments for employee-related benefits. These outflows were partially offset by increases in other liabilities of \$24 million largely driven by accruals related to the 2024 Transformation Initiative and timing of payments and accounts payable of \$7 million.

Net Cash Used for Investing Activities

Net cash used for investing activities for the six months ended June 30, 2024 was \$36 million. The primary use was for purchases of property, plant and equipment of \$45 million, partially offset by proceeds of \$7 million from interest proceeds from swaps designated as net investment hedges, which are discussed further in Note 16 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2024 was \$48 million. The primary financing inflow was from borrowing \$185 million against our Revolving Credit Facility in connection with the acquisition discussed in Note 19 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The primary uses were prepayments of \$75 million of the outstanding principal amount of the 2029 Dollar Term Loans, purchases of our common stock of \$50 million, contractual debt repayments of \$11 million and payments of \$4 million for fees associated with repricing our 2029 Dollar Term Loans in March 2024 and increasing borrowing capacity and extending the maturity date of our Revolving Credit Facility in June 2024. The 2029 Dollar Term Loans repricing resulted in \$107 million of constructive financing cash inflows and corresponding constructive financing cash outflows.

Other Impacts on Cash

Currency exchange impacts on cash for the six months ended June 30, 2024 were unfavorable by \$20 million, which was driven primarily by the fluctuations of the Euro, Mexican Peso and Brazilian Real compared to the U.S. Dollar.

Six months ended June 30, 2023

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2023 was \$79 million. Net income before deducting depreciation, amortization and other non-cash items generated cash of \$308 million. This was partially offset by net uses of working capital of \$229 million, for which the most significant drivers were increases in accounts and notes receivable and prepaid expenses and other assets of \$194 million and \$52 million, respectively, as well as decreases in other accrued liabilities and accounts payable of \$40 million and \$12 million, respectively. These outflows were driven primarily by timing of collections and payments, payments of BIPs and largely seasonal cash payments for employee-related benefits and were partially offset by decreases in inventories driving \$70 million of inflows as a result of lower production levels as we intentionally managed inventory levels.

Net Cash Used for Investing Activities

Net cash used for investing activities for the six months ended June 30, 2023 was \$37 million. The primary use was for purchases of property, plant and equipment of \$74 million, partially offset by proceeds of \$35 million from settlements and interest from swaps designated as net investment hedges.

Net Cash Used for Financing Activities

Net cash used for financing activities for the six months ended June 30, 2023 was \$179 million. The primary uses were voluntary prepayments of \$150 million of the outstanding principal amount of the 2029 Dollar Term Loans, contractual repayments of \$33 million on borrowings, payments totaling \$8 million for acquisition-related consideration and payments of \$6 million for fees associated with refinancing our 2024 Dollar Term Loans, partially offset by proceeds of \$9 million from a short-term borrowing and \$9 million net cash received from our stock-based compensation program.

Other Impacts on Cash

Currency exchange impacts on cash for the six months ended June 30, 2023 were favorable by \$2 million, which was driven primarily by the fluctuations of the Mexican Peso compared to the U.S. Dollar, partially offset by fluctuations of the Euro compared to the U.S. Dollar.

Financial Condition

We had cash and cash equivalents at June 30, 2024 and December 31, 2023 of \$840 million and \$700 million, respectively. The June 30, 2024 cash balance includes \$185 million borrowed against Axalta's revolving credit facility in connection with the acquisition discussed in Note 19 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Of these balances, \$472 million and \$462 million were maintained in non-U.S. jurisdictions at June 30, 2024 and December 31, 2023, respectively. We believe at this time our organizational structure allows us the necessary flexibility to move funds throughout our subsidiaries to meet our operational and working capital needs.

Our business may not generate sufficient net cash provided by operating activities and future borrowings may not be available under our Senior Secured Credit Facilities in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs, including planned capital expenditures. In such circumstances, we may need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, selling additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. Our primary sources of liquidity are cash on hand, net cash provided by operating activities and available borrowing capacity under our Senior Secured Credit Facilities. Based on our forecasts, we believe that net cash provided by operating activities, available cash on hand and available borrowing capacity under our Senior Secured Credit Facilities and other existing lines of credit will be adequate to service debt, fund our cost saving initiatives, meet liquidity needs and fund necessary capital expenditures for the next twelve months.

Our ability to make scheduled payments of principal or interest on, or to refinance, our indebtedness or to fund working capital requirements, capital expenditures and other current obligations will depend on our ability to generate cash from operations. Such cash generation is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

If required, our ability to raise additional financing and our borrowing costs may be impacted by short and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by certain credit metrics such as interest coverage and leverage ratios. Our highly leveraged nature may limit our ability to procure additional financing in the future and elevated interest rates, as experienced during 2022 and 2023 and continuing in 2024, may further increase our interest expense and weaken our financial condition.

The following table details our borrowings outstanding at the dates indicated:

(In millions)	June 30, 2024	December 31, 2023
2029 Dollar Term Loans	\$ 1,707	\$ 1,786
Revolving Credit Facility	185	—
2027 Dollar Senior Notes	500	500
2029 Dollar Senior Notes	700	700
2031 Dollar Senior Notes	500	500
Short-term and other borrowings	55	62
Unamortized original issue discount	(15)	(17)
Unamortized deferred financing costs	(24)	(27)
Total borrowings, net	3,608	3,504
Less:		
Short-term borrowings	3	7
Current portion of long-term borrowings	17	19
Long-term debt	\$ 3,588	\$ 3,478

Our indebtedness, including the Senior Secured Credit Facilities, Senior Notes and short-term borrowings, is more fully described in Note 15 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q and in Note 18 to the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2023.

We believe that we continue to maintain sufficient liquidity to meet our cash requirements, including our debt service obligations as well as our working capital needs. Availability under the Revolving Credit Facility was \$593 million and \$528 million at June 30, 2024 and December 31, 2023, respectively, all of which may be borrowed by us without violating any covenants under the Credit Agreement or the indentures governing the Senior Notes.

During March 2024, we entered into the Fourteenth Amendment to the Credit Agreement to lower the interest rate spread applicable to the 2029 Dollar Term Loans, which continues to be based on SOFR, from 2.50% to 2.00% and to make related changes to affect such repricing. The other material terms of the Credit Agreement, including the outstanding principal amount and maturity date of the 2029 Dollar Term Loans, remained unchanged. See Note 15 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

During June 2024, we entered into the Fifteenth Amendment to the Credit Agreement (the "Fifteenth Amendment"), to among other things, increase commitments available pursuant to the Revolving Credit Facility from \$550 million to \$800 million and extend the maturity of the Revolving Credit Facility from May 2026 to June 2029, provided that such date would be accelerated in certain circumstances as set forth in the Fifteenth Amendment. As a result, we recorded \$4 million of incremental deferred financing costs.

During June 2024, in connection with the acquisition discussed in Note 19 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, we borrowed \$185 million against the Revolving Credit Facility.

Contractual Obligations

Information related to our material contractual obligations and cash requirements can be found in Note 6 and Note 18 to the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023. As noted above and within Note 15 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, we have made prepayments during the six months ended June 30, 2024 of \$75 million of the outstanding principal amount of the 2029 Dollar Term Loans. During June 2024, we borrowed \$185 million against the Revolving Credit Facility. There have been no other material changes in the Company's contractual obligations and cash requirements as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Off-Balance Sheet Arrangements

See Note 5 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for disclosure of our guarantees of certain customers' obligations to third parties.

Recent Accounting Guidance

See Note 1 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a summary of recent accounting guidance.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. The preparation of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q requires us to make estimates and judgments that affect the amounts reported in the financial statements. We base our estimates and judgments on historical experiences and assumptions believed to be reasonable under the circumstances and re-evaluate them on an ongoing basis. Actual results could differ from our estimates under different assumptions or conditions. There have been no material changes to our critical accounting policies and estimates previously disclosed under "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the market risks previously disclosed in Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As required by Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. No matter how well designed and operated, disclosure controls and procedures can provide only reasonable, rather than absolute, assurance of achieving the desired control objectives. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2024.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

We are from time to time party to legal proceedings that arise in the ordinary course of business. We are not involved in any litigation other than that which has arisen in the ordinary course of business. We do not expect that any currently pending lawsuits will have a material adverse effect on us as discussed in Note 5 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

SEC regulations require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed a specified threshold. Consistent with SEC rules, we will be using a threshold of \$1 million for such proceedings. At this time, the Company is not aware of any matters that exceed this threshold and that meet the other conditions for disclosure pursuant to this requirement.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*Issuer Purchases of Equity Securities*

The following table summarizes the Company's share repurchase activity through its publicly announced share repurchase program for the three months ended June 30, 2024:

(in millions, except per share data)

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Programs ⁽¹⁾	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans of Programs ⁽¹⁾
April 1 - April 30, 2024	—	\$ —	—	\$ 700.0
May 1 - May 31, 2024	1.4	35.04	1.4	650.0
June 1 - June 30, 2024	—	—	—	650.0
Total	1.4	\$ 35.04	1.4	\$ 650.0

⁽¹⁾ On May 1, 2024, the Company announced that its Board of Directors had authorized a common share repurchase program (the "Program") replacing the previous program, which had \$367 million in authorization remaining. The total size of the Program is \$700 million, of which we have purchased \$50 million as of and during the three months ended June 30, 2024. At June 30, 2024, the Company had \$650 million in authorization remaining under the Program. The Program has no expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

(c) During the three months ended June 30, 2024, no director or "officer" of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

ITEM 6. EXHIBITS

EXHIBIT NO.	DESCRIPTION OF EXHIBITS
10.1*	Fifteenth Amendment to Credit Agreement, dated as of June 21, 2024, among Axalta Coating Systems Ltd., Axalta Coating Systems Dutch Holding B.B.V., Axalta Coating Systems U.S. Holdings, Inc., Axalta Coating Systems U.S., Inc., certain subsidiary guarantors party thereto, certain lenders party thereto and Barclays Bank PLC, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36733) filed with the SEC on June 24, 2024)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	INS - Inline XBRL Instance Document. The document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
101	SCH - Inline XBRL Taxonomy Extension Schema Document
101	CAL - Inline XBRL Taxonomy Extension Calculation Linkbase Document
101	DEF - Inline XBRL Taxonomy Extension Definition Linkbase Document
101	LAB - Inline XBRL Taxonomy Extension Label Linkbase Document
101	PRE - Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
*	Previously filed.
†	This certificate is being furnished solely to accompany the report pursuant to 18 U.S.C. Section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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 duly authorized.

AXALTA COATING SYSTEMS LTD.

Date: August 1, 2024

By: /s/ Chris Villavarayan
Chris Villavarayan
Chief Executive Officer and President
(Principal Executive Officer)

Date: August 1, 2024

By: /s/ Carl D. Anderson II
Carl D. Anderson II
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 1, 2024

By: /s/ Anthony Massey
Anthony Massey
Vice President and Global Controller
(Principal Accounting Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carl D. Anderson II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Axalta Coating Systems Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2024

By: /s/ Carl D. Anderson II
Name: Carl D. Anderson II
Title: Senior Vice President and Chief Financial Officer

**Certification of CEO Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Chris Villavarayan, Chief Executive Officer and President of Axalta Coating Systems Ltd. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2024

By: /s/ Chris Villavarayan
Name: Chris Villavarayan
Title: Chief Executive Officer and President

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to liability pursuant to that section. The certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of CFO Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

I, Carl D. Anderson II, Senior Vice President and Chief Financial Officer of Axalta Coating Systems Ltd. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2024

By: /s/ Carl D. Anderson II
Name: Carl D. Anderson II
Title: Senior Vice President and Chief Financial Officer

This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or otherwise subject to liability pursuant to that section. The certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.