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PPG Industries Inc. Q3 2008 Earnings Call Transcript

Earnings Call Excerpt

Start Time: 08:30

End Time: 15:01

PPG Industries Inc. (PPG)

Q3 2008 Earnings Call

October 16, 2008 08:30 am ET

Executives

Vince Morales - VP of IR

William Hernandez - SVP and CFO

Presentation

Vince Morales

Good morning, this is Vince Morales, Vice President of Investor Relations for PPG Industries. Welcome to PPG's third quarter 2008 financial commentary. The financial commentary is provided by PPG's Senior Vice President and Chief Financial Officer, William Hernandez. These comments relate to the financial information released on Thursday, October 16, 2008. Visuals supporting this briefing may be accessed through the Investor Center on the PPG website at www.ppg.com.

As shown on slide number two, the following presentation contains forward-looking statements reflecting the company's current views about future events and their potential effect on PPG's operating and financial performance. These statements involve risks and uncertainties that could affect the company's operations and financial results and as discussed in PPG's filings with the SEC may cause actual results to differ from such forward-looking statements.

This presentation also contains certain non-GAAP financial measures. Pursuant to the requirements of Regulation G, the company has provided a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures presented on slide number five of the visuals supporting this briefing.

Now let me introduce PPG's Senior Vice President and CFO, William Hernandez.

William Hernandez

Good morning and thank you for your time and interest in PPG. Today I will review PPG's third quarter 2008 operating performance and comment on various trends that impacted our results. Before I recap the quarter, let me quickly discuss a few strategic updates.

First, we completed the sale of our automotive glass and services business within our originally communicated timeline, despite challenging market conditions. I will discuss a few details on the deal later, but once again we are pleased to have followed through on our commitments.

Also, we recorded a business restructuring reserve in the third quarter, which focuses on adjusting the cost structure of our ongoing operations to reflect current market conditions, and will aid in achieving the year 2009 synergy targets that we set-forth for our SigmaKalon acquisition. We anticipate the restructuring will result in a \$100 million cash outlay, and expect to achieve savings at a \$100 million annual run-rate by the end of 2009.

Last, we repaid net debt of over \$650 million, which puts us on pace to more than double our 2008 debt reduction target. Also, as you would expect from PPG, we remain financially disciplined, as we ended the quarter with cash of \$500 million which exceeds our short-term commercial paper of about \$175 million. We have been able to deliver these results due to our excellent cash generation, which is about \$250 million or 50% ahead of a strong 2007 performance, including about \$450 million of cash from operations in the third quarter.

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