



**SHERWIN-WILLIAMS.**

# 3Q 2023 Results



Guaranteed on Every Product We Sell  
Garantizada en cada producto que vendemos

October 24, 2023

# Forward-Looking Statements

This presentation contains certain “forward-looking statements,” as defined under U.S. federal securities laws with respect to sales, earnings and other matters. These statements can be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “should,” “project,” “could,” “plan,” “goal,” “target,” “potential,” “seek,” “intend,” “aspire,” “strive” or “anticipate” or the negative thereof or comparable terminology. These forward-looking statements are based upon management’s current expectations, predictions, estimates, assumptions and beliefs concerning future events and conditions. Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company that could cause actual results to differ materially from such statements and from the Company’s historical performance, results and experience. These risks, uncertainties and other factors include such things as: general business conditions, strengths of retail and manufacturing economies and growth in the coatings industry; changes in general economic conditions; changes in raw material and energy supplies and pricing; disruptions in the supply chain; adverse weather conditions or natural disasters, including those that may be related to climate change or otherwise; losses of or changes in the Company’s relationships with customers and suppliers; competitive factors; the Company’s ability to successfully integrate past and future acquisitions into its existing operations, as well as the performance of the businesses acquired; the Company’s ability to achieve expected benefits of restructuring and productivity initiatives; public health crises; damages to our business, reputation, image or brands due to negative publicity; and other risks, uncertainties and factors described from time to time in the Company’s reports filed with the Securities and Exchange Commission. Since it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results, the above list should not be considered a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# 3Q 2023 Financial Performance Highlights

(\$ in millions, except per share data)	3Q 2023	3Q 2022	% Change
<b>Sales</b>	<b>\$6,116.7</b>	<b>\$6,047.4</b>	<b>1.1%</b>
<b>Gross Profit</b>	<b>\$2,916.2</b>	<b>\$2,589.4</b>	<b>12.6%</b>
<i>Gross Margin</i>	<i>47.7%</i>	<i>42.8%</i>	<i>+490 bps</i>
<b>Reported EPS</b>	<b>\$2.95</b>	<b>\$2.62</b>	<b>12.6%</b>
<b>Adjusted EPS <sup>(1)</sup></b>	<b>\$3.20</b>	<b>\$2.83</b>	<b>13.1%</b>
<b>EBITDA <sup>(1)</sup></b>	<b>\$1,266.3</b>	<b>\$1,124.2</b>	<b>12.6%</b>
<i>% of Sales</i>	<i>20.7%</i>	<i>18.6%</i>	<i>+210 bps</i>
<b>Net Operating Cash</b>	<b>\$1,308.7</b>	<b>\$639.2</b>	<b>104.7%</b>

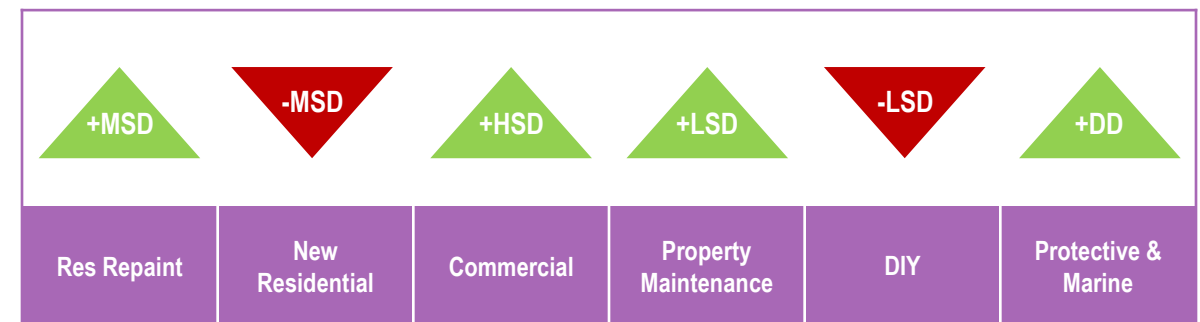
- Sales increased 1.1% driven by effective pricing and a LSD contribution from acquisitions, partially offset by a LSD decline in volumes
  - Sales in all three segments were within our guidance range
- Gross margin expanded 490 basis points to 47.7%, driven by pricing discipline and moderating raw material costs
- Adjusted EPS increased 13.1% to \$3.20/share
- EBITDA grew 12.6% to \$1.3 billion, or 20.7% of sales
- Net operating cash more than doubled to \$1.3 billion
  - Continued SG&A investments in customer solutions and growth initiatives
  - Returned \$565.8 million to shareholders through dividends and share repurchases

# Paint Stores Group (PSG)

- Sales increased 3.6% against a 21.5% comparison, driven by effective pricing
  - Sales growth led by Protective & Marine – strength in flooring, infrastructure and oil & gas applications
  - Pro architectural sales led by Commercial, followed by Residential Repaint and Property Maintenance
  - New Residential down as expected but continuing to outperform the market
  - Pro architectural volume up LSD excluding New Residential
  - DIY down against a challenging comparison – consumer remains under pressure
- Segment margin grew to 25.9% driven by effective pricing and lower raw material costs



(\$ in millions)	3Q 2023	3Q 2022	% Change
<b>Sales</b>	<b>\$3,537.1</b>	<b>\$3,414.0</b>	<b>3.6%</b>
<b>Segment Profit</b>	<b>\$917.5</b>	<b>\$741.3</b>	<b>23.8%</b>
Segment Margin	25.9%	21.7%	+420 bps



3Q-23 sales vs. 3Q-22 sales

Note: The Americas Group became Paint Stores Group effective January 1, 2023 to reflect realignment of management and reporting of Latin America architectural business to Consumer Brands Group. 3Q Paint Stores Group results reflect this change in both years. Note: All comparisons are to the third quarter of the prior year, unless otherwise noted. Note: LSD/MSD/HSD = low, mid or high single digit %. DD = double digit %



# Consumer Brands Group (CBG)

- Sales decreased 4.0% – MSD volume declines and the negative impact from the China architectural divestiture partially offset by effective pricing
  - North America down MSD – DIY softness partially offset by growth in Pros Who Paint category
  - LDD growth in Europe; HSD growth in Latin America
- Divestiture of China architectural business completed on August 1, 2023
- Adjusted segment margin impacted by lower sales volume and lower fixed cost absorption due to lower production volumes



(\$ in millions)	3Q 2023	3Q 2022	% Change
<b>Sales</b>	<b>\$854.8</b>	<b>\$890.6</b>	<b>-4.0%</b>
<b>Reported Segment Profit</b>	<b>\$101.6</b>	<b>\$117.7</b>	<b>-13.7%</b>
<i>Reported Segment Margin</i>	<i>11.9%</i>	<i>13.2%</i>	<i>-130 bps</i>
<b>Adjusted Segment Profit <sup>(1)</sup></b>	<b>\$117.6</b>	<b>\$136.6</b>	<b>-13.9%</b>
<i>Adjusted Segment Margin</i>	<i>13.8%</i>	<i>15.3%</i>	<i>-150 bps</i>



3Q-23 sales vs. 3Q-22 sales

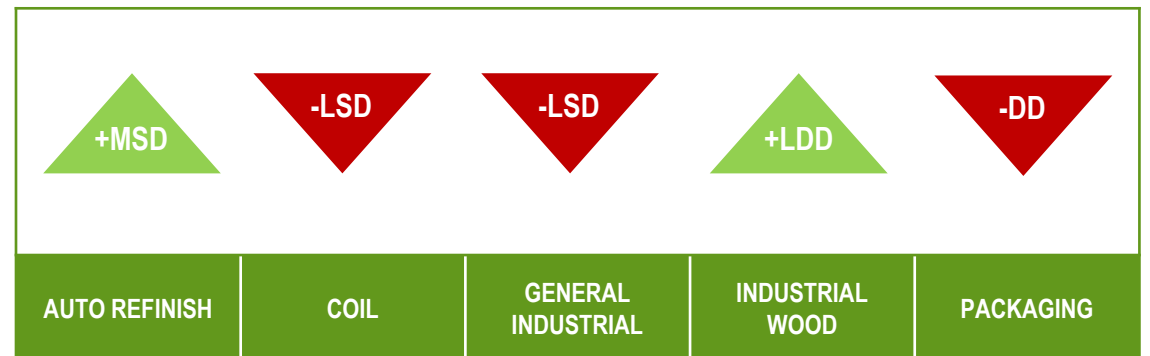
Note: Consumer Brands Group 3Q results in both years reflect the inclusion of the Latin America architectural business, which was previously reported in The Americas Group (now known as Paint Stores Group)  
 Note: All comparisons are to the third quarter of the prior year, unless otherwise noted  
 Note: LSD/MSD/HSD = low, mid or high single digit %. DD = double digit %  
 (1) Adjusted segment profit equals Segment profit excluding the impact of acquisition-related amortization expense; reconciliation from segment profit to adjusted segment profit provided in Appendix

# Performance Coatings Group (PCG)

- Sales down slightly (-1.0%) – HSD volume declines partially offset by LSD pricing and a LSD contribution from acquisitions
- Mid-teens growth in Europe, LSD growth in Latin America, MSD decline in North America and DD decline in Asia Pacific
- Sales growth led by Industrial Wood, followed by Auto Refinish
- Sales decreased in Coil and General Industrial – variable by region
- Packaging impacted by continued end-customer destocking
- Adjusted segment margin expanded to 19.1%



(\$ in millions)	3Q 2023	3Q 2022	% Change
<b>Sales</b>	<b>\$1,724.2</b>	<b>\$1,741.7</b>	<b>-1.0%</b>
<b>Reported Segment Profit</b>	<b>\$279.7</b>	<b>\$236.3</b>	<b>18.4%</b>
<i>Reported Segment Margin</i>	16.2%	13.6%	+260 bps
<b>Adjusted Segment Profit <sup>(1)</sup></b>	<b>\$329.4</b>	<b>\$286.0</b>	<b>15.2%</b>
<i>Adjusted Segment Margin</i>	19.1%	16.4%	+270 bps



3Q-23 sales vs. 3Q-22 sales

# Guidance

## Fourth Quarter 2023

### Sales

- Up or down low-single-digit percentage
- **Segments**
  - **PSG:** up low-single-digit percentage
  - **CBG:** down mid-teens percentage
    - Excluding impact of portfolio adjustments, expect sales to be down low-double-digit percentage
  - **PCG:** flat to up low-single-digit percentage

## Full Year 2023

### Sales

- Up low-single-digit percentage
- Foreign Exchange: < -1.0%
- **Segments**
  - **PSG:** up mid to high-single-digit percentage
  - **CBG:** down low-single-digit percentage
    - Excluding impact of portfolio adjustments, expect sales to be flat to down low-single-digit percentage
  - **PCG:** flat to up low-single-digit percentage

### **GAAP Earnings Per Share:** \$9.21-\$9.41

- Includes acquisition-related amortization expense of \$0.80 per share and net expense related to the restructuring plan of \$0.09 per share
- Adjusted earnings per share: \$10.10-\$10.30

**Raw materials:** down high-single-digit percentage

**Capital expenditures:** approximately \$750 million total, includes \$250 million for new R&D facility

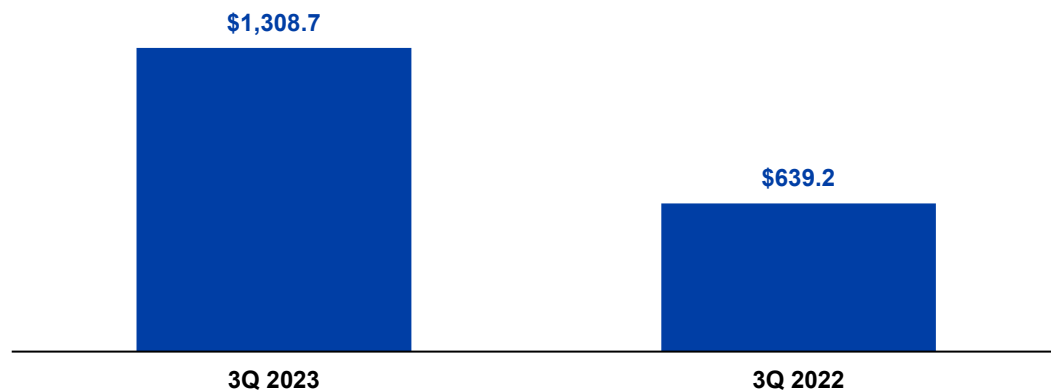
**Interest expense:** approximately \$420 million

**Depreciation** (~\$300 million) and **amortization** (~\$340 million)

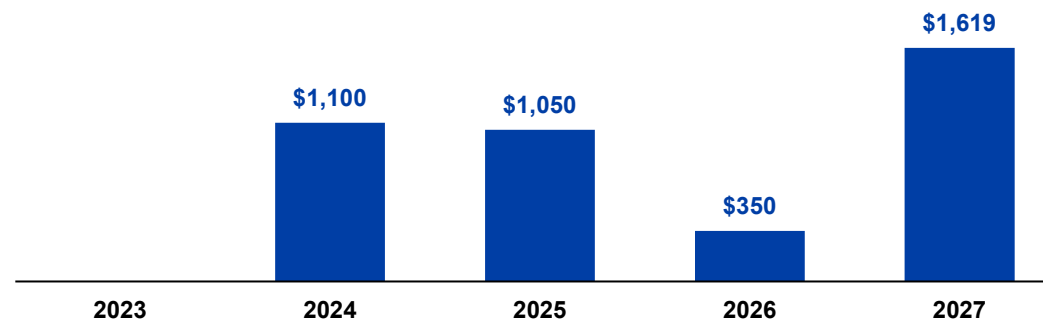
**Tax rate:** low 20s percent

# Strong Financial Position

## Operating Cash Flow (\$ in millions)



## Near Term Debt Maturities <sup>(1)</sup> (\$ in millions)



## Cash & Liquidity Position (\$ in millions)

	9/30/2023
Cash	\$503.4
<b><u>Liquidity</u></b>	
Total Credit Facilities	\$3,750.0
(Less Amount Utilized)	(408.5)
Net Credit Available	\$3,341.5

## Selected Financial Ratios

	9/30/2023
Total Debt / TTM EBITDA	2.4x
Net Debt / TTM EBITDA	2.3x



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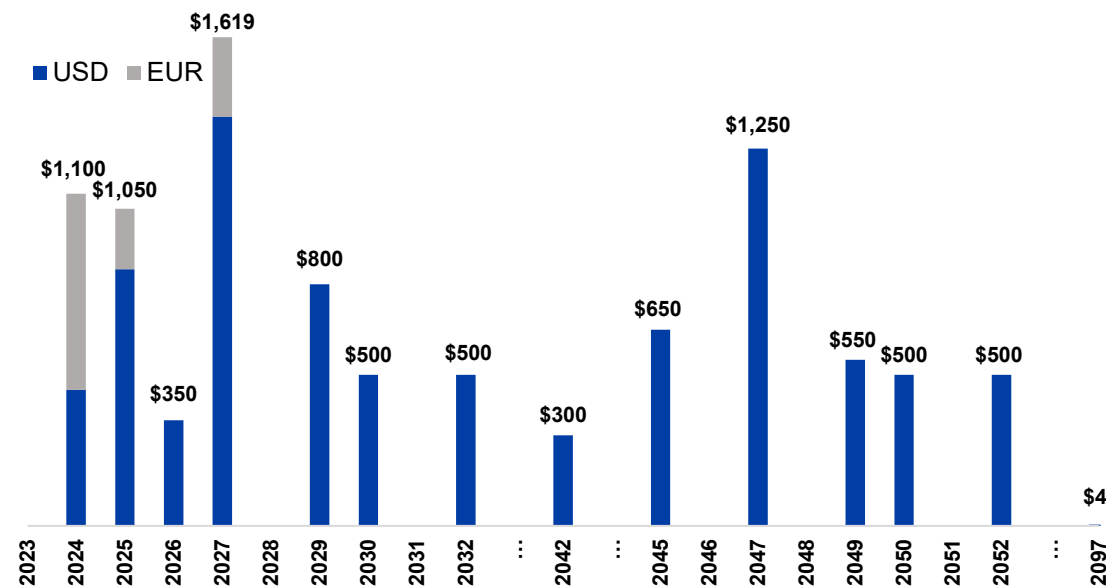
# Appendix



# Debt Summary (as of September 30, 2023)

\$ in millions	Q3 2023		
	Balance	Int. Rate	
Short-Term:			
Domestic	\$ 338.5	5.48%	
Non-Domestic:	0.1	6.15%	
<b>Total Short-Term Borrowings</b>	<b>\$ 338.6</b>	<b>5.48%</b>	
Long-Term:			
7-year, 3.125% notes due <sup>(1)</sup>	2024	500.0	1.39%
2-year, 4.05% notes due <sup>(2)</sup>	2024	600.0	3.70%
10-year, 3.30% notes due	2025	250.0	3.30%
10-year, 3.45% notes due	2025	400.0	3.45%
3-year, 4.25% notes due <sup>(3)</sup>	2025	400.0	3.62%
10-year, 3.95% notes due	2026	350.0	3.95%
30-year, 7.375% notes due <sup>(4)</sup>	2027	119.4	6.25%
10-year, 3.45% notes due <sup>(5)</sup>	2027	1,500.0	3.32%
10-year, 2.95% notes due	2029	800.0	2.95%
10-year, 2.30% notes due	2030	500.0	2.30%
10-year, 2.20% notes due	2032	500.0	2.20%
30-year, 4.00% notes due	2042	300.0	4.00%
30-year, 4.40% notes due	2045	250.0	4.40%
30-year, 4.55% notes due	2045	400.0	4.55%
30-year, 4.50% notes due	2047	1,250.0	4.50%
30-year, 3.80% notes due	2049	550.0	3.80%
30-year, 3.30% notes due	2050	500.0	3.30%
30-year, 2.90% notes due	2052	500.0	2.90%
100-year, 7.45% notes due	2097	3.5	7.45%
Promissory Notes	Various	0.9	3.45%
Other <sup>(6)</sup>		(76.4)	0.00%
<b>Total LT Debt</b>		<b>\$ 9,597.4</b>	<b>3.44%</b>
<b>Total Debt</b>		<b>\$ 9,936.0</b>	<b>3.51%</b>

## Maturities of Long-Term Debt



## Fixed vs. Floating Rate Debt



(1) Debt swapped to EUR fixed rate interest

(2) \$150 million of 2024 2-year notes swapped to EUR

(3) \$200 million of 2025 3-year notes swapped to EUR

(4) \$100 million of 2027 30-year notes swapped to EUR

(5) \$163 million of 2027 10-year notes swapped to EUR

(6) "Other" long-term debt is comprised of unamortized premiums, discounts and issuance costs

# Adjustments to Segment Profit

(\$ in millions)	Three Months Ended September 30, 2023				
	Paint Stores Group	Consumer Brands Group	Performance Coatings Group	Admin	Consolidated
Net external sales	\$ 3,537.1	\$ 854.8	\$ 1,724.2	\$ 0.6	\$ 6,116.7
Segment profit (as reported)	\$ 917.5	\$ 101.6	\$ 279.7	\$ (289.8)	\$ 1,009.0
% of sales (as reported)	25.9%	11.9%	16.2%	NM	16.5%
Acquisition-related amortization <sup>(1)</sup>	-	16.0	49.7	-	\$ 65.7
Segment Profit (as Adjusted)	\$ 917.5	\$ 117.6	\$ 329.4	\$ (289.8)	\$ 1,074.7
% of sales (as adjusted)	25.9%	13.8%	19.1%	NM	17.6%

(\$ in millions)	Three Months Ended September 30, 2022				
	Paint Stores Group	Consumer Brands Group	Performance Coatings Group	Admin	Consolidated
Net external sales	\$ 3,414.0	\$ 890.6	\$ 1,741.7	\$ 1.1	\$ 6,047.4
Segment profit (as reported)	\$ 741.3	\$ 117.7	\$ 236.3	\$ (218.1)	\$ 877.2
% of sales (as reported)	21.7%	13.2%	13.6%	NM	14.5%
Acquisition-related amortization <sup>(1)</sup>	-	18.9	49.7	-	\$ 68.6
Segment Profit (as Adjusted)	\$ 741.3	\$ 136.6	\$ 286.0	\$ (218.1)	\$ 945.8
% of sales (as adjusted)	21.7%	15.3%	16.4%	NM	15.6%

# Regulation G Reconciliation: Adjusted EPS and EBITDA

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Pre-Tax	Tax Effect <sup>(2)</sup>	After-Tax	Pre-Tax	Tax Effect <sup>(2)</sup>	After-Tax
Diluted net income per share			\$ 2.95			\$ 2.62
Items related to restructuring plan:						
Discrete income tax expense related to China divestiture	-	(0.06)	0.06	-	-	-
Total	\$ -	\$ (0.06)	\$ 0.06	\$ -	\$ -	\$ -
Acquisition-related amortization expense <sup>(1)</sup>	0.25	0.06	0.19	0.26	0.05	0.21
Adjusted diluted net income per share			\$ 3.20			\$ 2.83

(\$ in millions)	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
Net income	\$	761.5	\$	685.1
Interest expense		101.9		101.2
Income taxes		247.5		192.1
Depreciation		71.9		64.5
Amortization		83.5		81.3
EBITDA	\$	1,266.3	\$	1,124.2
% to net external sales:				
EBITDA		20.7%		18.6%
Net external sales for EBITDA % calculation	\$	6,116.7	\$	6,047.4