



SHERWIN-WILLIAMS.

2Q 2024 Results

July 23, 2024



Forward-Looking Statements

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2Q 2024 Financial Performance Overview

| (\$ in millions, except per share data) | 2Q 2024 | 2Q 2023 | % Change |
|--------------------------------------------|------------------|------------------|-----------------|
| Sales | \$6,271.5 | \$6,240.6 | 0.5% |
| Gross Profit | \$3,063.4 | \$2,872.3 | 6.7% |
| <i>Gross Margin</i> | <i>48.8%</i> | <i>46.0%</i> | <i>+280 bps</i> |
| Reported EPS | \$3.50 | \$3.07 | 14.0% |
| Adjusted EPS ⁽¹⁾ | \$3.70 | \$3.29 | 12.5% |
| EBITDA ⁽¹⁾ | \$1,437.5 | \$1,282.5 | 12.1% |
| <i>% of Sales</i> | <i>22.9%</i> | <i>20.6%</i> | <i>+230 bps</i> |
| Net Operating Cash | \$1,202.9 | \$1,206.4 | -0.3% |

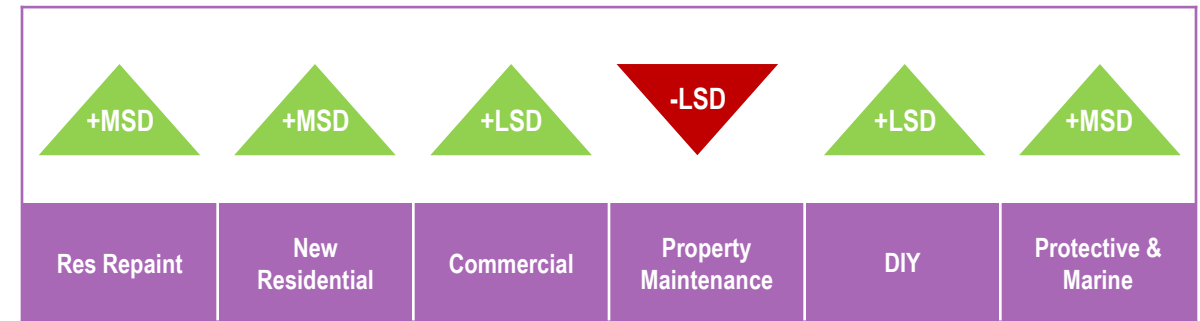
- Consolidated sales increased 0.5% driven by higher sales volumes in Paint Stores and Performance Coatings Groups, partially offset by lower sales volume in Consumer Brands Group
- Year-over-year improvement in gross margin driven primarily by lower raw material costs
- Sequential and year-over-year segment margin expansion in all three reportable segments
- Adjusted EPS increased 12.5% to \$3.70/share
- EBITDA grew 12.1% to \$1.4 billion, or 22.9% of sales (up 230 basis points from prior year)
- Generated \$1.2 billion of net operating cash in the quarter
 - Returned \$613.0 million to shareholders through dividends and share repurchases

Paint Stores Group (PSG)

- Sales up 3.5% against a DD comparison – LSD contributions from volume and price
 - MSD growth in residential repaint in a down market – continue to see return from investments in market-focused sales reps
 - New residential outperformed market and returned to growth in the quarter
 - Modest growth in commercial against a low-teens comparison
 - Modest declines in property maintenance driven by delays in capex projects
 - Protective & marine up MSD against a very challenging comparison; strong pipeline of projects
- Segment margin increased 80 bps year-over-year driven by volume growth and effective pricing



| (\$ in millions) | 2Q 2024 | 2Q 2023 | % Change |
|-----------------------|------------------|------------------|-------------|
| Sales | \$3,619.9 | \$3,498.7 | 3.5% |
| Segment Profit | \$907.1 | \$849.3 | 6.8% |
| Segment Margin | 25.1% | 24.3% | +80 bps |



2Q-24 sales vs. 2Q-23 sales

Consumer Brands Group (CBG)

- Sales down 10.7% driven by lower volumes, the impact of the China architectural divestiture and unfavorable foreign exchange
 - North America DIY consumer under considerable pressure; broad macro inflation, depleted savings and household debt
 - Strong DD prior year comparisons in Latin America and EMEA
- Segment profit increased due to higher fixed cost absorption in the manufacturing and distribution operations within the segment and moderating raw material costs, partially offset by lower net sales and higher employee-related costs



| (\$ in millions) | 2Q 2024 | 2Q 2023 | % Change |
|-----------------------------------------------|----------------|----------------|-------------------|
| Sales | \$844.3 | \$945.8 | -10.7% |
| Reported Segment Profit | \$204.4 | \$110.3 | 85.3% |
| <i>Reported Segment Margin</i> | <i>24.2%</i> | <i>11.7%</i> | <i>+1,250 bps</i> |
| Adjusted Segment Profit ⁽¹⁾ | \$220.4 | \$148.3 | 48.6% |
| <i>Adjusted Segment Margin</i> | <i>26.1%</i> | <i>15.7%</i> | <i>+1,040 bps</i> |



2Q-24 sales vs. 2Q-23 sales

Note: All comparisons are to the second quarter of the prior year, unless otherwise noted.

Note: LSD/MSD/HSD = low, mid or high single digit %. DD = double digit %.

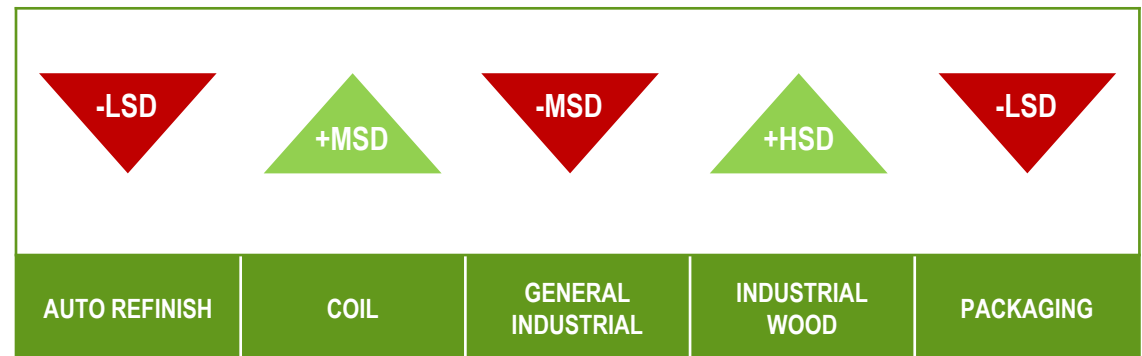
(1) This is a non-GAAP financial measure. Adjusted segment profit equals Segment profit excluding the impact of Valspar acquisition-related amortization expense, restructuring costs and impairment charges; reconciliation from Segment profit to Adjusted segment profit provided in Appendix.

Performance Coatings Group (PCG)

- Sales increased LSD – modest volume growth and acquisition impact, partially offset by unfavorable foreign exchange
- HSD growth in Asia, LSD growth in Europe and Latin America and LSD decline in North America
- Sales growth led by Industrial Wood, including acquisition impact, and continued Coil gains
- Auto Refinish sales down less than one percent; sales up LSD in North America
- Sales decreased in Packaging less than expected; General Industrial demand lower in all regions
- Adjusted segment margin increased to 19.4% of sales, driven by moderating raw material costs and higher net sales, partially offset by higher employee-related costs



| (\$ in millions) | 2Q 2024 | 2Q 2023 | % Change |
|-----------------------------------------------|------------------|------------------|-----------------|
| Sales | \$1,806.4 | \$1,794.9 | 0.6% |
| Reported Segment Profit | \$301.5 | \$272.7 | 10.6% |
| <i>Reported Segment Margin</i> | <i>16.7%</i> | <i>15.2%</i> | <i>+150 bps</i> |
| Adjusted Segment Profit ⁽¹⁾ | \$350.5 | \$322.3 | 8.7% |
| <i>Adjusted Segment Margin</i> | <i>19.4%</i> | <i>18.0%</i> | <i>+140 bps</i> |



2Q-24 sales vs. 2Q-23 sales

Note: All comparisons are to the second quarter of the prior year, unless otherwise noted.

Note: LSD/MSD/HSD = low, mid or high single digit %. DD = double digit %.

(1) This is a non-GAAP financial measure. Adjusted segment profit equals Segment profit excluding the impact of Valspar acquisition-related amortization expense; reconciliation from Segment profit to Adjusted segment profit provided in Appendix.

Guidance

Third Quarter 2024

Sales

- Up low-single digit percentage
- **Segments**
 - *PSG: up low to mid-single digit percentage*
 - *CBG: down high-single to low-double digit percentage*
 - *PCG: up or down low-single digit percentage*

Updated Full Year 2024

Sales

- Up low-single digit percentage
- Foreign Exchange: < -1.0%
- **Segments**
 - *PSG: up low to mid-single digit percentage*
 - *CBG: down high-single to low-double digit percentage*
 - *PCG: flat to up low-single digit percentage*

GAAP Earnings Per Share: \$10.30-\$10.60

- Includes acquisition-related amortization expense of \$0.80 per share
- Adjusted earnings per share: \$11.10-\$11.40

Raw materials: down low-single-digit percentage

Capital expenditures: approximately \$675 million total, includes \$165 million for new R&D facility

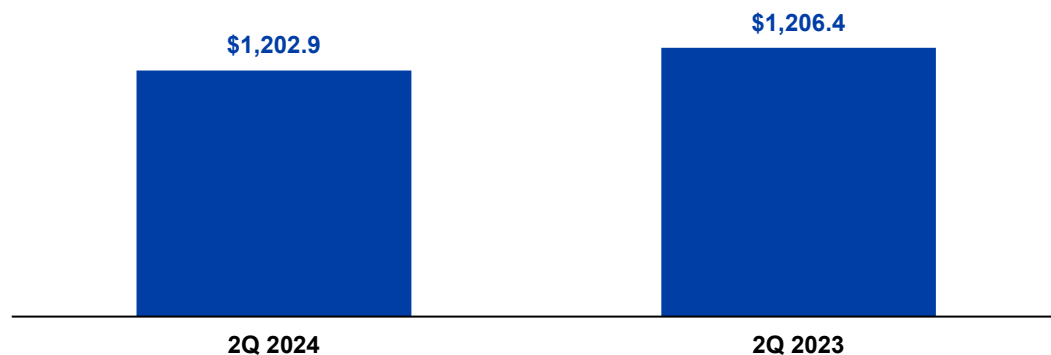
Interest expense: approximately \$425 million

Depreciation and amortization: ~\$300 million and ~\$330 million, respectively

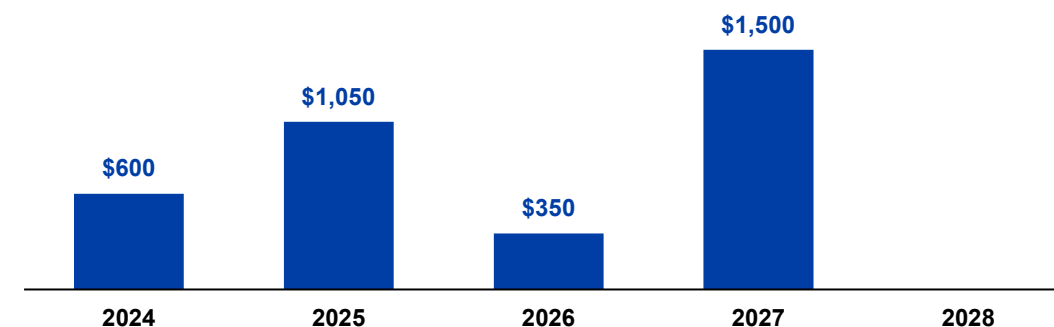
Tax rate: low 20s percent

Strong Financial Position

Operating Cash Flow (\$ in millions)



Near-Term Debt Maturities ⁽¹⁾ (\$ in millions)



Cash & Liquidity Position (\$ in millions)

| | 6/30/2024 |
|-------------------------|------------------|
| Cash | \$200.0 |
| Liquidity | |
| Total Credit Facilities | \$3,750.0 |
| (Less Amount Utilized) | <u>(1,407.2)</u> |
| Net Credit Available | \$2,342.8 |

Selected Financial Ratios

| | 6/30/2024 |
|-----------------------------------------------------|-----------|
| Total Debt / TTM EBITDA ⁽²⁾ | 2.4x |
| Net Debt ⁽³⁾ / TTM EBITDA ⁽²⁾ | 2.3x |

Appendix

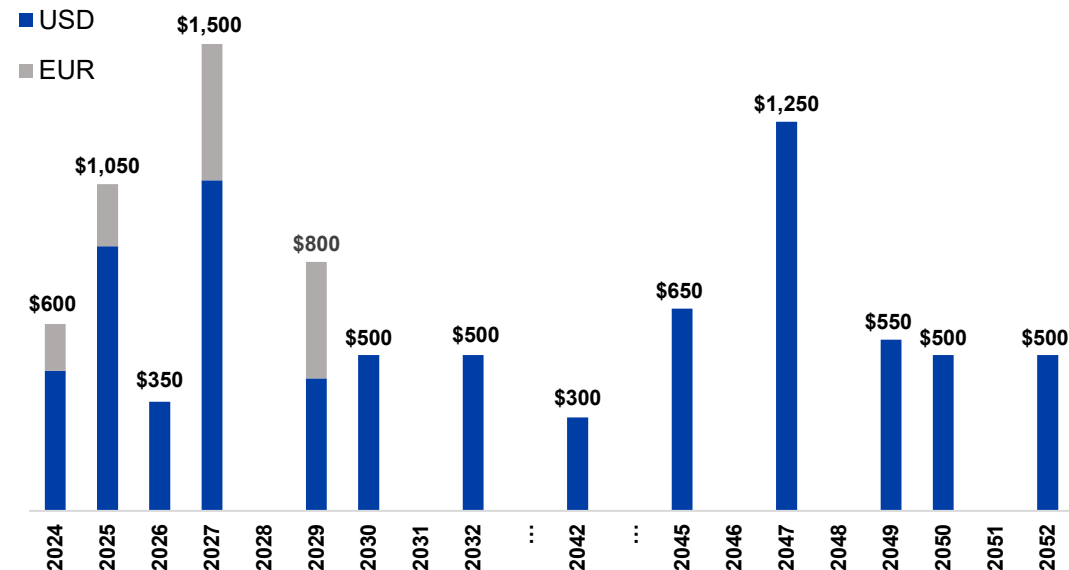
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Debt Summary (as of June 30, 2024)

| \$ in millions | 6/30/2024 | | |
|-----------------------------------------|--------------------|--------------|-------|
| | Balance | Int. Rate | |
| Short-Term: | | | |
| Domestic | \$ 1,337.2 | 5.51% | |
| Non-Domestic | 21.1 | 3.47% | |
| Total Short-Term Borrowings | \$ 1,358.3 | 5.48% | |
| Long-Term: | | | |
| 2-year, 4.05% notes due ⁽¹⁾ | 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 ⁽¹⁾ | 2025 | 400.0 | 3.62% |
| 10-year, 3.95% notes due | 2026 | 350.0 | 3.95% |
| 10-year, 3.45% notes due ⁽¹⁾ | 2027 | 1,500.0 | 2.79% |
| 10-year, 2.95% notes due ⁽¹⁾ | 2029 | 800.0 | 2.31% |
| 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% |
| Promissory Notes | Various | 0.5 | 4.79% |
| Other ⁽²⁾ | | (70.0) | 0.00% |
| Total LT Debt | \$ 8,980.5 | 3.37% | |
| Total Debt | \$ 10,338.8 | 3.64% | |

Maturities of Long-Term Debt



Fixed vs. Floating Rate Debt



Regulation G Reconciliation: Adjustments to Segment Profit

| (\$ in millions) | Three Months Ended June 30, 2024 | | | | | Three Months Ended June 30, 2023 | | | | |
|---------------------------------------------------|----------------------------------|-----------------------|----------------------------|------------|--------------|----------------------------------|-----------------------|----------------------------|------------|--------------|
| | Paint Stores Group | Consumer Brands Group | Performance Coatings Group | Admin | Consolidated | Paint Stores Group | Consumer Brands Group | Performance Coatings Group | Admin | Consolidated |
| Net external sales | \$ 3,619.9 | \$ 844.3 | \$ 1,806.4 | \$ 0.9 | \$ 6,271.5 | \$ 3,498.7 | \$ 945.8 | \$ 1,794.9 | \$ 1.2 | \$ 6,240.6 |
| Segment profit (as reported) | 907.1 | 204.4 | 301.5 | (239.6) | 1,173.4 | 849.3 | 110.3 | 272.7 | (220.2) | 1,012.1 |
| % of sales (as reported) | 25.1% | 24.2% | 16.7% | NM | 18.7% | 24.3% | 11.7% | 15.2% | NM | 16.2% |
| <u>Items Related to Restructuring Plan</u> | | | | | | | | | | |
| Severance and other | - | - | - | - | - | - | 13.2 | (0.1) | 1.3 | 14.4 |
| Impairment of assets related to China divestiture | - | - | - | - | - | - | 6.9 | - | 27.1 | 34.0 |
| Gain on divestiture of domestic aerosol business | - | - | - | - | - | - | - | - | (20.1) | (20.1) |
| Total | - | - | - | - | - | - | 20.1 | (0.1) | 8.3 | 28.3 |
| <u>Other Adjustments</u> | | | | | | | | | | |
| Acquisition-related amortization ⁽¹⁾ | - | 16.0 | 49.0 | - | 65.0 | - | 17.9 | 49.7 | - | 67.6 |
| Segment Profit (as Adjusted) | \$ 907.1 | \$ 220.4 | \$ 350.5 | \$ (239.6) | \$ 1,238.4 | \$ 849.3 | \$ 148.3 | \$ 322.3 | \$ (211.9) | \$ 1,108.0 |
| % of sales (as adjusted) | 25.1% | 26.1% | 19.4% | NM | 19.7% | 24.3% | 15.7% | 18.0% | NM | 17.8% |

Regulation G Reconciliation: Adjusted EPS and EBITDA

| | Three Months Ended June 30, 2024 | | | Three Months Ended June 30, 2023 | | |
|---------------------------------------------------------|-------------------------------------|-----------------------|----------------|-------------------------------------|-----------------------|----------------|
| | Tax | | | Tax | | |
| | Pre-Tax | Effect ⁽¹⁾ | After-Tax | Pre-Tax | Effect ⁽¹⁾ | After-Tax |
| Diluted net income per share | | | \$ 3.50 | | | \$ 3.07 |
| Items related to Restructuring Plan: | | | | | | |
| Severance and other | \$ - | \$ - | - | \$ 0.06 | \$ 0.03 | 0.03 |
| Impairment of assets related to China divestiture | - | - | - | 0.13 | 0.08 | 0.05 |
| Gain on divestiture of domestic aerosol business | - | - | - | (0.08) | (0.02) | (0.06) |
| Total | - | - | - | 0.11 | 0.09 | 0.02 |
| Acquisition-related amortization expense ⁽²⁾ | \$ 0.26 | \$ 0.06 | 0.20 | \$ 0.26 | \$ 0.06 | 0.20 |
| Adjusted diluted net income per share | | | <u>\$ 3.70</u> | | | <u>\$ 3.29</u> |

| (\$ in millions) | Three Months Ended June 30, 2024 | Three Months Ended March 31, 2024 | Three Months Ended December 31, 2023 | Three Months Ended September 30, 2023 | Three Months Ended June 30, 2023 |
|---------------------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------------|------------------------------------------|-------------------------------------|
| Net income | \$ 889.9 | \$ 505.2 | \$ 356.2 | \$ 761.5 | \$ 793.7 |
| Interest expense | 110.8 | 103.0 | 94.6 | 101.9 | 111.7 |
| Income taxes | 283.5 | 134.8 | 117.8 | 247.5 | 218.4 |
| Depreciation | 71.8 | 71.1 | 74.3 | 71.9 | 75.7 |
| Amortization | 81.5 | 82.1 | 80.0 | 83.5 | 83.0 |
| EBITDA | <u>\$ 1,437.5</u> | <u>\$ 896.2</u> | <u>\$ 722.9</u> | <u>\$ 1,266.3</u> | <u>\$ 1,282.5</u> |
| Restructuring expense | - | - | - | - | 8.7 |
| Impairment of assets related to China divestiture | - | - | - | - | 34.0 |
| Gain on divestiture of domestic aerosol business | - | - | - | - | (20.1) |
| Impairment related to trademarks | - | - | 23.9 | - | - |
| Devaluation of the Argentine Peso | - | - | 41.8 | - | - |
| Adjusted EBITDA | <u>\$ 1,437.5</u> | <u>\$ 896.2</u> | <u>\$ 788.6</u> | <u>\$ 1,266.3</u> | <u>\$ 1,305.1</u> |
| % to net external sales: | | | | | |
| EBITDA | 22.9% | 16.7% | 13.8% | 20.7% | 20.6% |
| Adjusted EBITDA | 22.9% | 16.7% | 15.0% | 20.7% | 20.9% |
| Net external sales for EBITDA % calculation | \$ 6,271.5 | \$ 5,367.3 | \$ 5,252.2 | \$ 6,116.7 | \$ 6,240.6 |