

# Sherwin-Williams - Company Overview

## Industry Context and Strategic Positioning

Sherwin-Williams is a global leader in the coatings and paints industry, operating with a long-term, disciplined strategy focused on organic growth, operational efficiency, and shareholder returns. The company is structured into three core segments: Paint Stores Group (PSG), Consumer Brands Group (CBG), and Performance Coatings Group (PCG). Each segment targets distinct customer bases and end markets, enabling Sherwin-Williams to diversify revenue streams and maintain resilience across economic cycles.

## Segment Overview and Product Set

### Paint Stores Group (PSG)

- Core business serving professional painting contractors via 4,600+ stores in the U.S. and Canada and 3,500+ field sales reps.
- End-market mix:
  - Residential repaint (30–35% of PSG sales)
  - New residential (15%)
  - New commercial and property maintenance (15–20% each)
  - DIY (10%)
- Residential repaint is the strongest growth area, driven by SG&A investments and demographic trends (aging in place, remote work).
- New residential and commercial segments are expected to be flat in 2024, with a “tale of two halves” dynamic due to mortgage rate sensitivity and construction lead times.
- Property maintenance is steady but facing CapEx delays from large property managers.

### Consumer Brands Group (CBG)

- Focused on North American retail, with exclusive supply agreements at Lowe’s and Menards.
- 80–85% of sales are DIY-focused, a segment currently under pressure from inflation and consumer discretionary trade-offs.
- Growth is supported by the “Pros Who Paint” initiative, targeting general contractors and handypersons who value one-stop-shop retail experiences.
- 2024 guidance: flat to low-single-digit growth in both volume and price.

### Performance Coatings Group (PCG)

- Most global segment, with ~50% of sales outside North America.
- Six divisions:
  - **Automotive Refinish:** Direct-to-consumer model via 250 branches; strong share gains in North America.
  - **Coil Coatings:** Strong execution and new business wins; expected mid-single-digit growth.

- **Industrial Wood:** Soft due to residential market weakness, but supported by acquisitions.
- **Packaging Coatings:** Leading non-BPA technology; EU regulation by 2026 presents growth opportunity.
- **General Industrial:** Choppy demand; largest exposure is to heavy machinery OEMs like Deere and Caterpillar.
- **Protective & Marine:** Not detailed, but part of the broader industrial portfolio.

## Growth Investments and Competitive Landscape

Sherwin-Williams continues to invest across all segments, even during economic turbulence. Key initiatives include:

- Expanding sales rep headcount in high-growth end markets (residential repaint, property maintenance, Pros Who Paint).
- Enhancing digital capabilities:
  - E-commerce platform for contractors.
  - Internal CRM with AI-driven “next best actions.”
  - AI-powered color match app for consumers.
- Leveraging proprietary data from its vertically integrated model to drive customer engagement and efficiency.

The competitive landscape is shifting. Kelly-Moore’s exit and PPG’s strategic review of its North American architectural coatings business (low-margin, \$1.8B revenue) present share gain opportunities. Sherwin-Williams is not pursuing acquisitions in this space but expects to benefit from customer migration due to its superior service, delivery, and product ecosystem.

## Cash Flow and Profitability

- In 2023, Sherwin-Williams generated \$3.5 billion in cash from operations, representing approximately 15% of sales<sup>1</sup>.
- The company maintains a disciplined capital allocation strategy, targeting 1.5% to 2% of sales for capital expenditures, primarily directed toward growth initiatives<sup>1</sup>.
- Sherwin-Williams has increased its dividend for 46 consecutive years, including an 18% increase in the most recent year<sup>1</sup>.

## Free Cash Flow and Shareholder Returns

- With CapEx well below \$1 billion, Sherwin-Williams retains over \$2 billion in free cash flow, which is allocated to share repurchases and selective M&A<sup>1</sup>.
- The company emphasizes that it does not hold excess cash and will continue to return capital to shareholders when not used for reinvestment<sup>1</sup>.