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The Sherwin-Williams Co. (SHW)

Q4 2021 Guidance Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, thank you for joining the Sherwin-William (sic) [Sherwin-Williams] (00:00:09) Company's Preliminary Review of Fourth Quarter and Full-Year 2021 results.

With us on today's call are John Morikis, Chairman, President and CEO; Al Mistysyn, CFO; Jane Cronin, Senior Vice President, Corporate Controller; and Jim Jaye, Senior Vice President, Investor Relations and Communications.

This conference call is being webcast simultaneously in listen-only mode by Issuer Direct via the internet at www.sherwin.com. An archived replay of this webcast will be available at www.sherwin.com, beginning approximately two hours after this conference call concludes.

This conference call will include certain forward-looking statements as defined under US Federal Securities Laws with respect to sales, earnings and other matters. 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. A full declaration regarding forward-looking statements is provided in the company's press release transmitted earlier this morning. After the company's prepared remarks, we will open the session to questions.

I will now turn the call over to John Morikis.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

Thank you, and good morning, everyone. Earlier this morning, we released preliminary sales and earnings per share results for the fourth quarter and full-year 2021 that differ materially from the sales and EPS guidance we provided back on October 26th, 2021.

Fourth quarter consolidated sales increased approximately 6%, a number within our guidance, but at the lower end of the range. Segment sales mix was different than anticipated, which I'll detail in a moment. Full-year sales increased approximately 8.6% to \$19.9 billion.

Our preliminary full-year 2021 adjusted diluted EPS of \$8.15 missed the midpoint of our previous guidance range by approximately \$0.30, and compares to 2020's adjusted diluted EPS of \$8.19. The majority of the miss was driven by The Americas Group where sales came in below our guidance in the fourth quarter.

In the interest of time, I'll keep my prepared remarks brief. Then we'll open the call to questions.

I'll start with sales, while we were within our guidance on a consolidated basis, segment mix was different than anticipated, which impacted profitability. Fourth quarter sales in The Americas Group were up a low-single-digit percentage, a level below our mid-to-high single digit guidance. We experienced unfavorable mix in the quarter with paint sales missing our targets, but partially offset by a better than expected performance in non-paint sales.

This was against a 9% comparison a year ago. Price realization in the quarter was in the high-single-digit range. Sales were impacted by continued choppiness in raw material availability, including selected resins and additives, which are key ingredients in many of our professional contractor products.

Logistics and transportation issues also impacted the supply chain. TAG sales in October met our expectations, highlighting strong demand in the market. Given the slower than anticipated recovery in raw material availability, industry-wide logistic challenges, and the resurgence of COVID, sales progressively softened starting in late November and into December and finished well below our expectations.

The virus meaningfully impacted our TAG workforce, including store managers, field sales reps and drivers, resulting in reduced staff availability, store hours and deliveries in some districts, particularly in the last two weeks of the year. Multiple suppliers and customers also reported increasing rates of labor absenteeism in the quarter due to the virus. January is off to a slower start, as availability and COVID headwinds are persisting.

The underlying good news in all of this is that demand remains solid in all TAG customer segments. Fourth quarter Consumer Brands sales were down by high-single-digit percentage, which was better than our guidance of down mid-teens. Price realization was significant, but less than TAG. Sales improved sequentially each month and were positive in December. The majority of the sales beat was driven by stain and other non-paint products.

Paint gallon production was below anticipated levels, the raw material availability was slightly better here than in TAG, given the different product formulations and more uniform offering appropriate for customers in this channel.

Performance Coatings Group sales also exceeded expectations and were up by high teens percentage in the quarter. This was against a high-single-digit comparison in the fourth quarter of 2020. Price realization was in the low double-digit range. Sales were up double digits each month and we generated double-digit growth in all regions and most businesses.

Turning to our preliminary earnings results, as I mentioned, the miss in the quarter was mainly related to lower than anticipated volume and TAG. Additionally, raw materials and other cost inflation exceeded our estimates. We also experienced supply chain inefficiencies as we made the strategic decision to maintain people in our plants and distribution centers, despite the choppiness in raw material availability. Given the current labor environment, we believe this is the right decision so that we're able and better positioned to produce paint quickly as raw material availability improves more meaningfully.

As we enter 2022, demand remains strong across the majority of our end markets, though we expect raw material availability and COVID issues to persist through the first quarter. Raw material and other costs remain elevated. And we continue to respond with aggressive pricing in every group, including a 12% price increase in The Americas Group, effective February 1st.

We've continued to make additional investments in our business, including the additional 50 million gallons of incremental architectural capacity, which we discussed last quarter. This capacity is now online and making paint.

Additionally, we opened 79 paint stores in the US and Canada during 2021, including 32 in the fourth quarter. We also continue to return cash to our shareholders during the year, paying \$443 million in dividends and buying back 10.1 million shares of company stock for a total of \$2.75 billion. And finally, we closed on the acquisition of Specialty Polymers Incorporated in the quarter, which will strengthen our in-house resin capabilities.

The purpose of our press release and call this morning is to update you on our preliminary results for the fourth quarter and full-year 2021. I realize this information likely raises many questions about 2022, and we intend to address those questions on our fourth quarter year-end earnings call scheduled for January 27th. We appreciate you holding your 2022 questions for that call.

As I've often said, we're not running our business for the perfect quarter. While we're not pleased with our fourth quarter performance, we remain highly confident in our strategy and our ability to emerge an even stronger company following the current near-term disruptions. We have an experienced leadership team and an unparalleled workforce, which will continue to drive our success in the marketplace.

At this time, we'd be happy to answer any questions you have about this morning's release.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Please hold for a moment while we poll for questions. And our first question today is coming from John McNulty at BMO Capital Markets. Your line is live. You may begin.

John P. McNulty

Analyst, BMO Capital Markets Corp.

Q

Yeah. Thanks for taking my question. I guess the first one would just be on TAG because it sounds like it was kind of steaming along as expected in October, which is such a big month relative to the other two. I guess, can you help us to understand how much things fell off as you kind of went into November and December to kind of come in with this being kind of the big driver behind some of the weakness?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah. John, I think your observation is a good one. Demand is strong and October came in as we had planned, and there are a lot of reasons for that. So I'll take a minute to get on to that, and then I'll turn it over to AI to talk a little bit about the specifics of your question as far as the diminishing results.

But as it relates to October, it's driven based on the demand that we see strong LIRA, ABI, Dodge all pointing to strong demand, and many contractors who obviously we're spending a lot of time with our sales organizations referring to a backlog through Q2, with bids increasingly coming in at a pretty steady rate. So as we came through the beginning of the quarter, feeling pretty good and feeling as though there was some good momentum outside the comments, I just made reference primarily residential repaint. We talk about property maintenance, lot of demand in this area as well. Specifically, if you look at the higher turns that we're experiencing in our property management companies, these all bode well for repaints as well as CapEx in common areas, as well as exteriors and new construction.

So there, as well as in commercial where we've seen consistent indication of a strong backlog gives us confidence in the demand equation. But we did face a growing issue in COVID and a repeating issue with the raw materials that you referenced that did have an impact. And I'll turn it over to AI, talk a little bit about what that looks like as a quarter went on.

Allen Joseph Mistysyn

Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, John, so, like we talked about the availability issues that we thought we'd get passed in October and improve in November and December didn't happen exactly the way we expected. So if you think about just versus our expectations, the real miss was in November and December. And in the third quarter, our forecast for the

fourth quarter, we assumed a seasonally adjusted sales trend, maybe less so than what we experienced in prior fourth quarter. So we were expecting to see less of a decrease because as I talked about in the third quarter call, we were expecting to be in a make-and-ship mode and not build any inventory in our fourth quarter and then we'd build inventory in our first quarter. Well, I'll just talk about inventory briefly.

We did build inventory in our fourth quarter that I think actually puts us in a better position coming out of the fourth quarter than we would have been previously all driven because of the miss in TAG. If you look at our inventory build, it was in TAG. Consumer, every gallon we made got shipped. And the part of the inventory build, just to be clear, we made gallons where we have raw materials. They may not have been the right gallons in this timeframe but we made them. We know we're going to sell them in the coming quarters, but we had to make as much as we can make. And even then we didn't have all the raw materials we needed to make the gallons we had projected to make coming into the quarter.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

And clarity to AI's point about may not have been the right gallons, that's based on the raw materials that were available. So as some of those raw materials became available and they might have been, for example, some exterior gallons that will need as spring rolls in rather than pass on those raw materials, we grabbed them, made the exterior product knowing that we would need them in spring, which gives us the capacity come spring to be able to be more responsive to our customers on that side.

John P. McNulty

Analyst, BMO Capital Markets Corp.

Q

Got it. It makes sense. And then maybe just as a follow-up, it seems kind of nuanced, but it seems like you've got – it sounded like you have the raw materials or at least a better supply of the raw materials for the Consumer side than you did for the TAG side. I guess, can you help us understand maybe the few raws that are just really out of whack at this point that would cause a dynamic like that?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Well, let me – I'll turn over to Jim to talk about some of the more specifics. But the point there that you referenced, I think, is an important one. We made whatever products we could based on the raw materials that were available to us. As you look at the Consumer business, much of that is legacy Valspar business that came with a different formulation, often resins and different thickeners that might be a little different than what our TAG business was based on. So, we're out buying everything that we can and making it and converting it as quickly as possible to getting it to our customers. With that in mind, as those products that fit the consumer – customer's product lines were available, we were quick to produce those and get them out to our customers.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Yeah, John. I agree with what John just said. I mean, to reiterate that, we're not necessarily going to get into the specifics of what raws were in short supply beyond our common, you know, specific resins and additives that are key for the pro contractor formulas. As you know, the offering in TAG is highly tailored to specific end markets and applications while the CBG offering is a little bit more uniform to meet the needs of customers in that channel.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah, I think that's really well said. You know, when you look at our segments, we take great pride in our control distribution model. So, we know firsthand what a res repaint customer's expectations are in a gallon of paint versus a property maintenance versus new residential. And we formulate our products uniquely for those. We think that's part of the secret sauce. Some of those additives, particularly, you know, might be what they refer to as small molecule; small batch products are sometimes difficult to get our hands on right now, but very important in the consistency of the product that we're providing our customers. So we're moving aggressively.

And the other thing I want to point out and give great credit to our procurement team, our new leader over there Colin Davie and his team for doing a wonderful job of. We're working very closely with our suppliers in a very collaborative way. And we think going forward there's additional opportunities for this collaborative effort to help us to be a better customer of our suppliers by working to consolidate some of these products, minimizing risks in the future, and becoming more efficient ourselves at the same time. So there's a lot of work going both short-term and long-term to better position our company as we exit this.

John P. McNulty

Analyst, BMO Capital Markets Corp.

Q

Thanks very much for the color. Appreciate it guys.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thanks, John.

Operator: Thank you. Our next question today is coming from Ghansham Panjabi at Baird. Your line is live. You may begin.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Q

Yes, thank you. Good morning, everybody, and a belated Happy New Year.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Good morning, Ghansham.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Q

Good morning. I guess going back to the labor impact specific to Omicron within TAG. Can you give us some more color on how that is playing out for you in real time as absenteeism peak for you based on what you can tell at this point, or is it too early? And then related to that, I assume your backlogs are very high, but the labor challenges are going to be a big issue throughout the supply chain. So just based on that, how long do you think it'll sort of realistically take for the supply chain to catch up to the backlogs?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Well, I'll start with that and we're going to be working hard all year and our teams are preparing for that and our suppliers know that. And so, you're right, there's some choppiness here that we're going to expect. We just added

that capacity that we've referenced both last quarter and early this morning, earlier in my prepared comments, and we're going to be utilizing those assets as hard as we can going forward.

As you mentioned the impact on our stores, this might give some color to your question, Ghansham. 35% of our districts had a greater than 5% case rate in the fourth quarter. 9% of those districts had greater than a 10% case rate. And so, it is impacting our entire organization. And so, you look at our stores, our reps, our plants, our distribution centers, and our field leadership, our drivers, certainly even here in our corporate offices. But our employees are not the only ones in the community getting sick to your point, so it's impacting our suppliers. But it's also important to understand that it's impacting our customers as well.

So if you apply that same map just as a guide, many of our customers are referencing, 5%, 10%, 15% of their workforce that were homesick. And if you extend that out, many of their customers, so you take a res repaint customer who is painting in someone's home, many homeowners were homesick and naturally, many of those people were not inviting people into their home while they were home quarantine for COVID.

So there was almost, I might describe it this way and I had a lot of discussions about this as the quarter was rolling through and even as we come out in the new year, I wouldn't call it universal. But there certainly was a common theme that we were experiencing, which were painting contractors experiencing this phenomenon of their workforce sick, their customers sick. And as the holidays rolled in and it was really spiking, there was a sense of, okay, let's just shut this down and get through the holidays and we'll restart on the other side. That said, and I want to be very clear in this, the reason we're so confident and remain very bullish and you see it in our investments and what is that we're doing, demand is strong and our customers are feeling very good about it. So – but to your point, labor is going to be an issue for the contractors.

This COVID, we're not sure the run that it's going to take. There's some speculation that it's come in fast, it'll leave fast. There's others that say it'll be here for a little while, we're not experts in that. What we're experts in are taking care of our customers. And that's what we're working really hard to do is understand what it is that their needs are and how to deliver those. So, we're working with our suppliers, we're going to convert these raw materials as quickly as possible and we're going to serve this really strong demand as best as we can.

Allen Joseph Mistysyn

Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah. Ghansham, the only thing I would add to that is, if you look at the cadence of the case rates, and I'll just say it as a company, October was pretty light and then it ramped up in November, and it really spiked in December. If you look at December, the case rates were double, more than double what they were in October and November. So, just from a line of sight standpoint, it was tough to see on October 26th, what the impacts we would experience in that as the quarter went on, but it definitely spiked in December.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Q

Okay that's very helpful. And then just on the 12% price increase effective Feb 1 for the TAG segment, just give us more color. Does that catch you up on previous inflation or are you just adjusting for surge pricing that you're seeing for some of the cost baskets, labor cost inflation, just more insight into that 12% number.

Allen Joseph Mistysyn

Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, it's encompassing each of the raw material increases that we've experienced that we'll annualize into 2022. It doesn't include labor cost impacts as you know, the labor wages in various both in plants and distribution centers, our drivers, our employees at the field location have gone up dramatically. So we can keep the quality of employees that we have higher throughout the year. The wage inflation is a real event and a serious – and we're building that into our price increase to make sure that our customers are not seeing the turnover at the counter that they've become used to. Quite honestly, our turnover rates have been so low in our field organizations and we're making adjustments where we need to make sure that continues.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

And Ghansham, I'd just add you asked about the 12% in TAG. We are out with aggressive pricing in every group in response to raw materials. In TAG specifically, we – as AI just mentioned, there is a level of expectation if you will, with our low turnover in the stores. Those are the customer facing relationships that are so important. But even there, our customers are telling us that this is a market where they're getting price. So while we're pushing this through, they are as well. And I'll remind you, and I know you know this, we've talked about this a number of times, 85% to 90% of the contractors cost of goods, if you will, is labor. And so, our ability to continue to help them with products and services that help their productivity are well received. No one's happy with price increases right now, but this is a market where our customers are pushing the pricing through.

Ghansham Panjabi

Analyst, Robert W. Baird & Co., Inc.

Q

Perfect. Thanks so much.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thank you, Ghansham.

Operator: Thank you. Our next question today is coming from Vincent Andrews at Morgan Stanley. Your line is live. You may begin.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Thanks, and good morning, everyone. Maybe in Consumer Brands, you mentioned that sales were ahead of forecast, but not because of paint, these are stains and other things. Could you just talk about, is the driver of that, just the paint wasn't on the shelf to sell. And if it was, then you would have had paint sales in excess of your expectations. And I guess really just asking for an update of where you think DIY trends are in Consumer Brands?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Well, I think, we absolutely could have sold more through CBG if we could have made more. There's no question about that. And we've got a lot of wonderful customers there that we're trying to work through. We know they have strong demands and we're working hard to get on top of those. The difference between some of the stains and paint related products had to do with our ability to get the raw materials. I believe the ability to get back on top of this, we have been forced to in some cases lower down the breadth of a product line to be able to make sure that we're servicing our customers. So, the opportunity ahead is to continue to serve in these other areas, obviously, expand in our availability to our customers and the workhorse lines, but also in some of those ancillary or adjacent

product lines as well. And we're determined to do that. We believe the relationships that we have with our suppliers and the additional capacity that we have will allow us to ramp up and be able to do that.

Now, that said, first quarter is an important quarter for us to build that inventory and get on top of that. So we're working hard right now to acquire and convert as much as possible so that we can get into the paint season where demand is much higher with as much inventory as possible.

Allen Joseph Mistysyn

Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, Vincent. I'd just add to that. If you look at the quarter for Consumer on the sales, if you back out the impact of the Wattyl divestiture earlier this year, our sales would be up flattish to last year, but up almost mid-teens versus the fourth quarter of 2019. So you do start seeing the annualization of the tough comps that we saw in 2020 and improvements on top of those.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

And there's a lot of really good things taking place with this Consumer Brands business. We've got a lot of – we've talked openly about our Pros Who Paint initiative, a lot of effort going in not just in the DIY side to these important customers, but also on the professional side as well. We're committed to this. We're going to make this happen.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Thanks very much, guys.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thanks, Vincent.

Operator: Thank you. Our next question today is coming from David Begleiter at Deutsche Bank. Your line is live. You may begin.

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you and good morning. John, just on raw material availability, is it improving and how you expect it to improve throughout Q1 and Q2?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

It is improving. I expect it to continue to improve, but I do expect it to be choppy. And I'll remind you, let's say, on an average gallon of paint, just directionally, let's say, there are 16 raw materials that go into a gallon of paint. We need all 16 of those to be able to make paint in that batch. And so, one small item is missing, it could be a challenge for that plant, that batch. And so we're as AI mentioned, this is real time. We're not building or working off of a lot of inventory. It's making shift from us to our customers and oftentimes most nearly every time right now with our suppliers to us. So each of those elements are – items are very important in the manufacturing. I expect the first quarter to be choppy. I expect it to be better as the year goes on.

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Very good, and just maybe longer-term, there's a recent announcement by Home Depot and PPG about an expanded relationship targeting the pro sector. Any concern your end or how strong competitor do you think they'll be in that pro setting going forward?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

I respect every competitor I have, but I have a lot of confidence in my customers and our determination. So we're going to be working really hard to make sure that every change that a competitor makes is an advantage to us. And we've got a terrific set of customers on that CBG side to be able to compete. This is again, if you go back in time, just a moment and just say, we made a very, I think, bold and important strategic decision to pull some brands and move them into other customers. You know, that alignment between Sherwin-Williams and Lowe's and Sherwin-Williams and Menards, they were our determination on display, it was our determination on display. These contractors, the reason we call them Pros Who Paint are they typically are remodelers and they do other work, other than just painting. Many of them prefer that channel of distribution so that they can go in, get a broader assortment of products than just paint. This alignment gives us a terrific opportunity to better penetrate a segment that as a paint store, we don't offer all those other products. So we absolutely believe that was the right thing to do. We've got terrific confidence in our ability to deliver for our customers, and a greater amount of determination to do just that. It's moving in the right direction. We want it to move faster.

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you very much.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thank you, David.

Operator: Thank you. Our next question today is coming from Kevin McCarthy at VRP. Your line is live. You may begin.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Yes. Good morning. John, relative to the 12% pricing you have set to flow through in TAG effective February 1. How would you characterize the pricing uplift in Consumer and in Performance Coatings, appreciate you have a variety of customers and end markets there. But perhaps you can give us a sense of the relative magnitude and timing of price contributions there?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah, Kevin, you know, the Consumer price increase is very similar to the TAG, if not a little higher, just because of the catch up that needs to happen in the channel. As you know, our TAG is a little more uniformed, little more consistent across each of the customer base, the Consumer is a little more choppy, but ultimately we need a similar amount of price in our Consumer – Performance Coatings, depending on the business. It may be out with more, maybe out with a little less. It really as you know, the increases we saw in 2021 on raw material costs hit

our industrial businesses harder, I talked about 60% of the increase in raw materials hit industrial. So they've been chasing it all year, and they're going to be out strong in the first quarter across all our businesses, all our regions, some much higher than 12% just because of the need.

Allen Joseph Mistysyn

Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, we've learned a lot. If you go back to 2015 to today in particular, the need to be out there getting the price when it's moving and we've got a lot of conviction to be able to do that. And we work hard every day for our customers trying to improve their efficiency and drive their profitability, help them reach their goals and to be able to do that, we need to be able to take care of our shareholders. So we're not looking to get fat here, we're trying to protect our company while helping our customers. So there's a – you should expect a great deal of determination in getting this pricing in.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Understood. And then as a follow up on Consumer, is there a way to characterize how depressed your customers' inventory levels are in general, just trying to get a sense of looking through the other end, if we're able to alleviate all the various constraints. How much of a volumetric uplift might we expect at some point in 2022 as the downstream inventories begin to normalize?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah, there's a fine line here, I hope you'll respect. I will tell you their inventories are lower than they would like, lower than we would like. We're going to be working hard to build them, but I don't feel it's appropriate for me to comment on their inventory levels. Out of respect to my customers, I will tell you that we have our work ahead of us and a lot of conviction and determination and confidence that we'll be able to do it.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Fair enough, thank you.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thanks, Kevin.

Operator: Thank you. Our next question today is coming from Mike Harrison at Seaport Research Partners. Your line is live. You may begin.

Michael J. Harrison

Analyst, Seaport Global Securities LLC

Q

Hi, good morning.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Morning, Mike.

Michael J. Harrison

Analyst, Seaport Global Securities LLC



John, I was wondering if you could maybe give us a little bit more color on how it affects your paint stores when you have staffing issues? Are you – you mentioned operating reduced hours, are you having to close some of your stores temporarily? Are you paying overtime? I assume that they're in addition to some higher costs, maybe some service impacts that are dragging on volume. So maybe just help us understand at the store level what the impact looks like and what steps are you taking to work around some of these staffing issues again at the store level?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.



Yeah. So, it's a really good question because I think that the way that we've experienced has impacted different areas in different density or intensity, maybe a better word. So let me start with this. We don't believe that we've lost customers. We do believe that there have been times we might have lost projects or some specific products, but we believe these are transactional. In fact, many customers have returned to our stores with a greater appreciation for Sherwin-Williams and our value proposition. Through this process, we believe we've maintained a transparent and I'd say a very responsive approach to our customers. And we've utilized our distribution platform we believe to be in a way to be more responsive and more deliberate in working with our customers kind of leveraging our core, I guess, is the way that I would describe that now.

Now – so, to your question, what does that mean? And then I'll also add maybe how have the results been? First, I would say, as I mentioned earlier, our customers have felt the same impact. So, part of what's impacted the sales and we're using the statistics I just gave you about the number of case rate we had in our districts is kind of an indicator or – indicative of what's happening in the market. But what has happened in some cases is customers have come in and we may not have had delivery available, because the drivers that were out were sick and we may have not been able to hit a timeline where someone needed it.

And a time like this and the holidays is an example where people are trying to get projects done, it could have an impact. It could have looked – actually let me start with we had issues with raw material suppliers that work through our plants, that work through our distribution center, then to our stores. So it's kind of a compounding issue that we faced. But as it relates to our stores specifically, you have reps that may not have been out calling and working with their customers, could have been specification efforts that may not have been taking place and staffing levels in the store. And what separates us from our competitors is in a specialty store format where we are exceedingly responsive to our customers' needs. As we faced some of these challenges, you're right, there were times where we had to close stores earlier than we would have liked. In some cases, we had to close stores because we didn't have staff to be able to do that. So, the responsiveness at our field level with our leadership teams of ensuring that we're doing what's right, what we believe will allow us to get back on top of that. When I say what's right, that includes the steps we're taking to ensure our people are safe in our stores, that they have the resources that they need and certainly that they have the product that they need.

Now, all that said, what I think is important to understand also is, is that our teams are executing. And what's amazing is despite the challenges that we faced – I'll give you another couple of statistics here I think that will capture what's happening. If you just go back in time, I'll use a 2018 period and then I'll use today as an example of the ability of our stores to execute. In 2018, if we use our national accounts as an example, which is a big part of and growing part of our business, 63% of our national accounts that we contracted with would have called us exclusive. As we exit 2021 with the challenges that we have faced not only last year, but the year before, our account base, the numbers have grown and the penetration is growing. So what used to be 63% contracted as

exclusive is now 83%. So we're focused on the success of growing with our customers and growing the number of customers. And then people in our stores and our reps allow us to do that.

During a very short period of time between November and December, as this COVID rolled in, we weren't able to always deliver on what it is that has allowed us to separate ourselves from our competitors. We have a lot of people that were sick and a lot of customers that were sick as well. And so, as we come out of this, we're resuming that level of service and we expect to regain those customers and build on those relationships.

Michael J. Harrison

Analyst, Seaport Global Securities LLC

Q

All right, I appreciate the detail there. And then you mentioned the SPI acquisition. Not sure exactly when that closed, but you have expected to incorporate that into your internal resin production network. Can you maybe give us a sense, again, I know it's not been very long that it's been in the fold, but how is that integration progressing? And have you started to see that alleviate some of the resin availability issues?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah, it only closed in December 1, so we've not seen a tremendous amount of impact yet, but we do have high expectations and this is, you know, our teams have been inside these facilities. I think I'm going to be there in the next week or two as well myself. Our teams have been there, very impressed with the assets, very impressed with the people. We've known these people. They've [indiscernible] (00:38:48) produced resin for us in the past, but we're really excited about this. This is going to be an area that we feel we can invest in, not a tremendous amount of money, but get a very good return.

Michael J. Harrison

Analyst, Seaport Global Securities LLC

Q

All right. Thanks very much.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thank you, Mike.

Operator: Thank you. Our next question today is coming from John Roberts at UBS. Your line is live. You may begin.

John Roberts

Analyst, UBS Securities LLC

Q

Thank you. You opened up a fair amount of new stores in the fourth quarter. How did you do that? And did they mostly open in October before the staffing issues? And will they take longer now to turn profitable because of the staffing issues?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Well, John, I think the lay in was pretty consistent throughout the quarter. And we'd like to see that lay in spread out more evenly throughout the year, but I think it's a question that we have to answer every year. It just seems like we're always fourth quarter heavy as just the negotiations in construction take place. Our teams have been hard at work in building up the pipeline of people, as I think we've – I know you and I have spoken about this our MTP program. We recruit about 1,400 to 1,500 to be able to serve our customers. So that that's not a pipeline that gets filled when the store opens, so all of that heavy lifting goes through the year so that we're training and getting those people up to speed and ready so that when the store opens, they're fully prepared. Our view on this is that a customer is not coming into a new Sherwin-Williams store expecting anything less than the best. They're not going to accept that there's a new employee who doesn't understand our product line in our system. So those employees have been in the pipeline getting trained and prepared. And as they open, we staff the stores accordingly.

Allen Joseph Mistysyn

Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, John, I just add to that. You know, it just, it shows that the confidence and the commitment we have to our long-term strategy of putting stores and putting reps in, commiserate with those stores to drive future growth. And I don't believe the profitability will be impacted due to availability, due to inventory issues. We have a plan. We're working the plan and our densest markets we fully expect those stores to get to profitability within 18 months and grow from there. On our least dense areas we keep putting stores in to hit – we've talked about this glide path and our least dense districts, and there is a step change when we get to the density number that you have to be committed though to continuing to invest in these stores and we believe long-term profitability will pay off for it.

John Roberts

Analyst, UBS Securities LLC

Q

And then last week RPM indicated that they had a problem getting dryers in one of their businesses. Your stores distribute a lot of products that go along with paint. Sprayers, ladders, tapes, is there – are there any collateral constraints there as well? And I know sprayers and ladders tend to be leading indicators of paint sales, but is that connection maybe going to break down because of constraints in those other products?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Well, I don't think it's significant. I mean, I think a majority or many companies are having challenges with supply chain right now, but I don't think that there's anything sticking out there saying, hey, we're going to have a problem in the paint industry because of this adjacent product or associated product. Our teams on that side in procurement are doing a wonderful job as well. And quite frankly, we work with our suppliers in a way we want to be the ones that our suppliers are betting on. We're going to be growing, they know it. We've laid out a number of our growth plans and strategies. We just talked about new reps and managers. We didn't talk about new products. We didn't talk about some of the other digital initiatives. I mean, there's a lot of things going on that give us great confidence in a market with strong demand. And so, when we are working with our suppliers we want to be the ones that they're serving and they see the growth opportunities. And I think we'll be ahead of the curve taking care of our customers.

John Roberts

Analyst, UBS Securities LLC

Q

Thank you.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thanks, John.

Operator: Thank you. Our next question today is coming from Steve Byrne at Bank of America. Your line is live. You may begin.

Steve Byrne

Analyst, BofA Securities, Inc.

Q

Yes. Thank you. I recall last spring when some of the raw material cost inflation was really starting to take off, you seemed very deliberate then about not pushing price in TAG as much as, say, your competitors. And I just wondered your view on whether this 12% now starting February 1 is a function of just the magnitude change now in raws or is it that you're a little bit of a cushion here ahead of the peak season for your contractors? Does that give you a little more latitude? And maybe just a follow-on on that, do you have any empirical way of assessing whether the impact of the 12% price increase in TAG will erode demand in anyway? Whether it'll cause your contractors to maybe have less loyalty or homeowners to take a break from remodeling activity, any thoughts on that?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah. Steve, I think that's an important question. We really do a lot of work in the price elasticity model – modeling of our business to gain a really good understanding. So let me address the points that you made. First, as it relates to the end demand consumers, the fact that we build a very quality product that also comes along with great service, I believe is an important element. And again, I'll repeat the important statistic of the fact that 85% to 90% of our customers' costs are labor and so we don't take that lightly. That doesn't give us the right to go in and charge whatever we'd like to. We need to be competitive and we are competitive.

But we're not trying to be the lowest price, we're trying to be the best at helping our customers be successful, the best at helping them make more money. And there are some costs associated in doing that. And if those costs aren't justified and we're not helping our customers to make more money, then we shouldn't be doing that – those things and they shouldn't be buying product from us. But the fact is, is that we, I think, demonstrate every day that value proposition in a way that helps our customers to, in fact, make more money. And that's an important gauge and important question that we ask in nearly every survey, every market research project we do, which is who helps you make more money? We're proud of our position in that which has been strong and continues to grow.

As it relates to price, I think it's important to understand that we're not out there pricing with the idea that this gives us some cushion to be able to absorb more in the future. Our commitment to our customers is the exact opposite. We try to minimize the price increases that we go out. We try to drive more efficiency through our factories, our plants. I just mentioned earlier formulation, everything that we can do that allows us to provide a high quality, the highest consistent product in the market at the most competitive price with all the other services that we provide.

And as it relates to the cadence that you mentioned, the cadence, I would do that – I'd make that exact same decision again and I'll – through the rest of my career, I will always do exactly what we did because I know what it does to our loyalty with our customers. So what we did was we worked with them as the cadence was picking up to give them more time to get in front of their customers. What we – with the difference now between this time that we're experiencing now and what we experience then is that we've been able to communicate to them a changing environment. So, our pricing at that time was going out and there were times when we talk about the paint season

pricing or how long the price has been good. Now, as we experience different environment, we've been more deliberate in sharing with our customers some of the challenges in or chopiness in pricing and availability, so that they can incorporate and cover that pricing in their pricing.

And what we did during that time, I think was terrific. We bought a lot of loyalty, a lot of transparency, and we think we differentiated ourselves in the marketplace. And as we've come through this and I mentioned, we're starting to get better as we exit this, I absolutely believe that we're leaving this chapter with a higher level of loyalty and a greater partnership with our customers as a result of the way we've handled this.

Steve Byrne

Analyst, BofA Securities, Inc.

Q

And any empirical assessment of homeowner impacts here, do you see any price inflation causing any erosion in remodeling activity?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

No, actually, if you look at our mix, which I would use as a gauge for this, our mix is a positive mix. People are moving up in quality, paying more in product price to get a better product, both at the consumer level and a painting contractor. So it's the exact opposite of what you're asking.

Steve Byrne

Analyst, BofA Securities, Inc.

Q

Okay. That's helpful. And just one quick one, are there any other raw materials that you were looking at that you might consider back integrating into?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

No, not at this time.

Steve Byrne

Analyst, BofA Securities, Inc.

Q

Okay. Thank you.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

You bet.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thank you.

Operator: Thank you. Our next question today is coming from Eric Bosshard at Cleveland Research. Your line is live. You may begin.

Eric Bosshard

Analyst, Cleveland Research Co. LLC

Q

Good morning. A follow-up and then a question that price realization, I think you had a surcharge in 4Q. I'm curious in this environment how you're seeing price realization playing out relative to history and the same thing with the 12% is that the price take similar, is it diluted because of service challenges in the market, or should we assume that it's behaving as it always behaves?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah. Eric, our expectation is it's going to behave similar to the past price increases. The team in our TAG organization has spent a lot of time with how to communicate that transition from a surcharge to a permanent price increase. And I think they've done a really good job at preparing our customers to understand it and our store employees to understand it. And my expectation is we'll be as effective, if not a little bit better than past increases.

Eric Bosshard

Analyst, Cleveland Research Co. LLC

Q

Okay. That's helpful. And then secondly, just a little bit of clarity on the share gains that you've made with big customers and John, I thought that data was helpful in your conviction you're coming out of this with an even better share position. Specifically within November-December you talked about you're not able to deliver, I'm curious as you look at like how that played out? Does this mean that these projects are deferred or did your customers buy paint somewhere else? And if they bought paint somewhere else, what are competitors doing in this environment that you're not doing?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah, I'd say, Eric, at times we needed to adjust paint systems to accommodate. So, earlier we mentioned, our procurement team's terrific efforts to acquire product at times because of some shortages in some areas, we were able to buy maybe a different basket of raw materials or a couple of different raw materials to be able to make a product to help our large customers through that. I would say that many of our, if not most of our customers have expressed a much greater sense of appreciation for our supply chain capabilities.

I'm not sticking my head in the sand, there have been some challenges and we run right at those, from the senior leadership team to senior leadership team all the way down to the local people servicing the mini-contractors, there's a level of openness and transparency that allows us to, I believe, be responsive. But to your point is, and I want to reemphasize as we exit this, we exit with a stronger relationship and I believe with greater trust.

Now, were there customers that, on a specific job, if we didn't have – I don't know, Eric, maybe there was some trim paint in some area that we didn't have in a market and someone else might have had some of that trim paint in that market and the project needed to be done. They might have gone down the street and bought some and our product might have arrived the next day or two days later. We hate those situations. We hate it because A, we put our customers in a difficult situation, residential as an example. There's a family waiting to get into that home. We know how serious it is and that's part of why I think we've been able to work so closely and retain the agreements that we have with our important customers because we understand their world and the important role that we play.

And in those rare cases, they needed to get product somewhere else, while we didn't like it, we understood it. That didn't stop us from replenishing that store, getting back on top of it and working with our customers to avoid that happening in the future. But with this choppiness comes a little bit of a whack-a-mole that we're moving product aggressively to be where it is needed and when it is needed, but there are [indiscernible] (00:53:13) where they might have arrived a day, two or three days later than what was needed. That's getting better as the raw materials' availability improves and we want to get this behind us as quickly as possible.

Eric Bosshard*Analyst, Cleveland Research Co. LLC*

Q

Okay. And then just one other point of clarity, AI, you comment about more finished inventory in TAG, which didn't make sense until you clarified it that this is maybe making exterior paint? I'm trying to connect that with the comments on the choppiness through 1Q. Are you suggesting you're in a better inventory position for when 2Q and exterior season starts back up or is that too strong of a point?

Allen Joseph Mistysyn*Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.*

A

Yeah, I would say, we would be all else being equal, Eric, I think that we'll sell through some of that in our first quarter. We're trying to move exterior product where it's needed in the southeast, southwest, and we're actively doing that, but we're going to need exterior in the Midwest. We're going to need exterior in the East. And if we can build, interior versus exterior and you have a little bit of a cushion, we'll do that. But in some cases, yeah, we'll see that exterior go in the second quarter.

Eric Bosshard*Analyst, Cleveland Research Co. LLC*

Q

Okay, that's helpful. Thank you.

James R. Jaye*Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.*

A

Thanks, Eric.

Operator: Thank you. Our next question today is coming from Gregory Melich at Evercore. Your line is live. You may begin.

Gregory Scott Melich*Analyst, Evercore ISI*

Q

Hi. Thanks, guys. I've had really a follow-up on pricing to make sure I fully understand it. On my math I get about 20% now of announced price increases on TAG over the last 13 months. I just want to make sure I've got that right once we get February one. And then I guess you said that price realization was high single-digit in the fourth quarter, could you provide what it was for all of 2021?

Allen Joseph Mistysyn*Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.*

A

Yeah, Greg. The pricing that you're talking about that we've announced, including the surcharge to your point, is going to be a little bit in that – it'll be in that 20% range assuming the 4% surcharge rolled into that February 1st price increase, which we do. If you look at it for the full-year on TAG, the effectiveness, if I got your question right,

is we expect that to be in the kind of the high-single digit or mid-single digit range when you look at all the effectiveness, mid-to-high for the full-year.

Gregory Scott Melich*Analyst, Evercore ISI*

Q

Got it. That makes sense. And I guess there's another follow-up on your – you mentioned that the price in your – thinking about the 12% is really encompassing getting on the right side of raw materials, but I thought it you mentioned that it didn't include labor cost increases. Did I get that right or not?

Allen Joseph Mistysyn*Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.*

A

Okay. It does. It includes labor – we're seeing labor accelerate faster than we have in previous years. So, you have to bake that into the price increase. And our expectation is we will start seeing margins recover, but we'll get into that more on the 27th call.

Gregory Scott Melich*Analyst, Evercore ISI*

Q

Sure. But that the – do you have a number that you can provide for labor inflation, like high-single digits or anything like that?

Allen Joseph Mistysyn*Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.*

A

When you look at it across the company, it varies. We have some that are in the double-digit low-teens, we have some in the low-single digits. So, I don't have an average number, but it's going to be mid to high when you look at it all in.

Gregory Scott Melich*Analyst, Evercore ISI*

Q

Got it. Thanks a lot, and good luck, guys.

James R. Jaye*Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.*

A

Thanks, Greg.

Operator: Thank you. Our next question today is coming from Chris Parkinson at Mizuho. Your line is live. You may begin.

Christopher Parkinson*Analyst, Mizuho Securities USA LLC*

Q

Great. Just two very quick questions here. One is on the demand backdrop, it's – it doesn't seem like it's really an issue. But can you just give us a sense of where we stand right here right now in terms of resi repaints, housing inventory, new builds, commercial multifamily? Like is there anything that we should be paying particularly close attention to heading into 2022?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

I would say, Chris, what you should be paying attention to is strong demand across every professional segment that we serve. Strong demand.

Christopher Parkinson

Analyst, Mizuho Securities USA LLC

Q

All right, John, fair enough. And then the second question is, I just to circle back to [ph] one of my competitors' (00:58:00) questions. On the price points, you guys kind of dominate the top end of the shelf base for pretty much across the board at Lowe's and then at the top end with [indiscernible] (00:58:10) Menards. But just given the degree and the magnitude of the price increases over the last 12 to 18 months, I'm not necessarily worried about demand destruction on a gallon that covers, roughly 400 square feet, but just perhaps a stupid question. But does that begin to change regional competitive dynamics versus guys like Ben Moore and, in the Northeast and who haven't necessarily raised prices at much – as much as given the spread per gallon is a little bit more narrow than at historically or is that just not even coming into play?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

It's not an issue. I'd say that again, a couple of different dynamics because again, you know this again, the labor issues only 85% to 90% of the cost is number one.

Second, our customers, the professional contractor if you take just dialing in because you ask about some specific customers that mainly play in residential repaint, you know, labor is an issue for them. And so, oftentimes they're hiring maybe less experienced in some cases less qualified labor and they're trying to train them. And what we are finding is a positive mix shift to these products that I mentioned earlier are formulated for the residential repaint. And what it does is it helps to hide some of the sins of the less experienced, less qualified contractors. Now, that works its way into some of the challenges that we've talked about in raw materials because while our products are formulated with a better what we would call better Realogy package to allow the flow in leveling that helps to hide some of these sins, it does come with a broader basket of raw materials, some of which have been challenged. So we're working through that and we expect for that to get better. But the value proposition, in addition to a gallon of paint that will help make a newer labor painting contractor produce as an experienced tradesman – tradesperson, as well as the durability that comes along with that has definitely resulted in a positive mix shift that we think is favorable not only for our customers, but also for our shareholders.

Christopher Parkinson

Analyst, Mizuho Securities USA LLC

Q

Thank you, as always.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

You bet.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

A

Thanks, Chris.

Operator: Thank you. [Operator Instructions] Our next question today is coming from Michael Sison at Wells Fargo. Your line is live. You may begin.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Hey, guys, good morning. Just one question. It does sound like demand is there to grow sales in 2022, maybe just qualitatively, what do you think these to happen to grow earnings next year? What's in your control and maybe what are areas that you know are going to continue to be a headwind and your ability to sort of get back on sort of EPS growth?

Allen Joseph Mistysyn

Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah. Mike, you know, let us get into that on our 27th call where we can have full-year results fully complete this year. We'll have a plan and rollout and we can talk more specifically about that on that call.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Okay. And just as a quick follow up then what was the total impact of inflation in 2021 and what sort of the total impact of the sales that you weren't able to generate because of the raw material availability?

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

Well, like, as you know, we said raw material inflation was north of 20% for the full-year and the full basket. And I think on the availability, we're coming in somewhere high or...

Allen Joseph Mistysyn

Senior Vice President - Finance and Chief Financial Officer, The Sherwin-Williams Co.

A

Low single-digit on tags specifically, and the range was mid to high-single-digit.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Got it. Thank you.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

A

You bet.

Operator: Thank you. Our next question today is coming from P.J. Juvekar at Citi. Your line is live. You may begin.

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Q

Yes. Hi. Good morning.

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

P.J., good morning.

A

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

You know, I was, I was – I joined a little late, unfortunately. So if this question has been answered, let me know. But the Omicron variant seems a bit more contagious. So, is that causing less traffic in big boxes for DIY or is it like the first wave when people were sitting at home, they're painting more? Can you just comment on that.

Q

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

Well, I'd say it's a bit of a mix, mix, and as it relates to anything with customers going through our home center out of respect for our customers would rather them talk to that than us.

A

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Okay. And then secondly, on the infrastructure bill that was signed by the President, when do you think demand in your industrial area will kick into higher gear from that and will the raw material situation be resolved by then. Thank you.

Q

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

First, I would say we're excited to have a business that can capitalize on many of the elements that will be invested in. So, if you look at airports and we target the high-value infrastructure, so in Virgin Highway, we would be focused on the higher-value bridge coatings and other elements that we believe we can bring a very unique solution to. Timing wise, on something like that, you have to think about what it takes in some areas where projects have been on hold holding for funding, those might be more readily available and quicker to come out to RFQ process. Those could be within a year, but the largest majority of these things are going to be projects that are going to be designed engineered a lot of process work that goes through and finally build and oftentimes while we could play a piece in structural steel and some of those areas oftentimes were the very end of the projects. So, you're looking at projects that could be measured well beyond a year period, so.

A

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Okay.

Q

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

What I would say is that we've got a pretty dedicated team that's working every angle on this preemptively to ensure that we get more than our fair share on this spending.

A

P.J. Juvekar

Analyst, Citigroup Global Markets, Inc.

Great. Great. That's helpful. Thank you.

Q

John George Morikis

Chairman, President & Chief Executive Officer, The Sherwin-Williams Co.

You bet.

A

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

Thanks, P.J.

A

Operator: Thank you. We have no further questions in the queue at this time. I would now like to turn the floor back over Jim Jaye.

James R. Jaye

Senior Vice President - Investor Relations & Corporate Communications, The Sherwin-Williams Co.

Thank you, Kate. And what I'd like to say is, even with today's near-term news, I hope you heard in our comments that we're very confident in our strategy, our people. We look forward to providing more details on the fourth quarter, as AI said and our 2022 outlook on Thursday, January 27. So, we look forward to speaking with you then. And as always, we will be available for your follow up calls. Thanks very much for joining us today.

Operator: Thank you, ladies and gentlemen, this does conclude today's event. You may disconnect at this time and have a wonderful day. We thank you for your participation.

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