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The Sherwin-Williams Co. (SHW)

Business Update Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for joining the Sherwin-Williams Company Leadership Announcement Conference Call. This conference call is being webcast simultaneously and listen-only 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 2 hours after this conference call concludes.

This conference call may include certain forward-looking statements as defined under the US Federal securities laws. 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. After the company's prepared remarks, we will open the session to questions.

Participants in today's call include John Morikis, Chairman and Chief Executive Officer; Heidi Petz, President and Chief Operating Officer; Al Mistysyn, Senior Vice President of Finance and Chief Financial Officer; and Jim Jaye, Senior Vice President, Investor Relations and Communications.

I will now turn the call over to John Morikis.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

Good morning, everyone, and thank you for joining us. Today is an important and exciting day for The Sherwin-Williams Company. Pleased to announce that Heidi Petz has been appointed by our Board of Directors to assume the responsibilities of CEO of our company effective January 1, 2024. Heidi will remain President and she has also been elected to our Board of Directors, effective immediately. As the current Chairman and CEO of Sherwin-Williams, I believe one of my most critical duties has been the development of talent and a deep bench of seasoned and highly adaptable leaders to ensure the future success of our company.

Taking that responsibility seriously, and after 39 years with the company, including 8 years in my current role and 9 years as COO before that, I'm confident that Heidi is the right leader at the right time to expand upon the remarkable 157-year history of this company. Heidi will become just the 10th CEO of Sherwin-Williams, testament to the culture of our company and the deliberate succession planning we have long head at all levels of the company.

Her selection for this role is a result of a well-developed and thoughtful process, inclusive of the Board of Directors that will ensure a seamless transition. After beginning her career with roles at Target Corporation and Newell Rubbermaid, Heidi joined the Valspar Corporation in 2013, then became part of Sherwin-Williams through the Valspar acquisition in 2017. Since that time, she has repeatedly demonstrated an outstanding ability to lead teams and deliver results through strategic thinking, unshakable leadership and critical decision making in multiple assignments and through some of the most challenging periods in Sherwin-Williams history.

As President of The Americas Group, she maintained a strong focus on our customers and employees, while navigating the business through natural disasters, limited raw material availability, unprecedented cost inflation, multiple price increases and the ongoing COVID-19 pandemic. As President of the Consumer Brands Group, Heidi worked closely with our retail partners to meet unprecedented demand for DIY coatings throughout the pandemic in 2020, while serving as the architect for our Pros Who Paint initiative.

Over the last two years, Heidi has served as President and Chief Operating Officer of the company with all three reportable segments and our global supply chain organization across 123 countries reporting directly to her. Heidi's relentless focus on our customers is what makes her the ideal leader for this role, and importantly, for our culture. She is a tireless advocate for our employees, including our commitment to professional growth, engagement and career progression within Sherwin-Williams. Heidi's aggressiveness, leadership capabilities and ability to execute are highly aligned with the goals of delivering differentiated solutions for our customers and creating exceptional value for our shareholders.

Work side by side with Heidi in multiple high-stakes situations around the world, and simply put, she delivers. As Heidi assumes the role of CEO and as part of our thoughtful transition plan, the board has requested that I remain with the company and continue in the role of Executive Chairman. Pleased to say that I have accepted the board's request and I will continue to serve the company.

Now, it's my pleasure to turn the call over to Heidi.

Heidi G. Petz

Chief Operating Officer, President & Director, The Sherwin-Williams Co.

Thank you, John. I'm honored and humbled that you and the board have chosen me to be the next CEO of Sherwin-Williams. In some companies, incoming CEOs find themselves in a position of having to retool the strategy, build a culture, make significant changes or fix broken businesses. Thanks to your leadership and the efforts of so many of our wonderful employees, that is far from the case of Sherwin-Williams.

We delivered record results in 2022 and our current guidance puts us on track for another record year in 2023. But what's even more exciting is what's ahead as we prepare for the next 150 years of success. We've never been better positioned to aggressively pursue profitable market share growth. As we move forward, my focus will be on strength, momentum and growth.

Our strategy is clear, it's working and it's not changing. But even with a sound strategy and many strength, a key element in the foundation of Sherwin-Williams, the adaptability to change in the moment and the ability to look at adversity as opportunity.

At Sherwin-Williams, we don't believe there's a finish line. We provide differentiated solutions to our customers that make them more productive, profitable and successful, and for which they're willing to pay.

I come into the CEO role with 64,000 dedicated employees aligned on executing the strategy and a deep and experienced leadership team around me. You all know our Chief Financial Officer, Al Mistysyn, and I am blessed to have him and his 33 years of Sherwin-Williams experience by my side.

Justin Binns, Karl Jorgenrud and Todd Rea will continue to lead our three reportable operating segments. These are proven and outstanding leaders, and each one of them has nearly 30 years of experience. Justin and Karl will assume additional enterprise-wide responsibilities and will partner closely with Colin Davie, who will serve as President of our global supply chain. Colin has terrific skills and 29 years of experience in leading technical, commercial and manufacturing teams. Over the last two years, he has served as our Chief Procurement Officer.

As we continue to expect outsize growth, Joe Sladek, with 31 years of Sherwin-Williams service, will continue to lead our global manufacturing operations within the supply chain. I am highly confident in this team and their demonstrated ability to deliver. Our shareholders, customers and employees should be, too.

We have amazing profitable growth opportunities in every one of our businesses and in every regions. More importantly, we have the people, the experience, the brands and the resources to seize these growth opportunities. We will continue our relentless focus on the metrics that drive shareholder value: share gains, return on sales, return on net assets employed and cash generation. We'll also continue to invest wisely in our business and maintain our disciplined capital allocation approach.

I'm highly confident in our ability to widen the moat of our competitive advantages and to outperform the market for years to come.

Like so many of our employees, when I came to Sherwin-Williams, I found the people that I wanted to work with for the rest of my career. I've never been more sure of that than I am right now. And as I've traveled with John over the last several years, he's often been asked about what keeps him up at night. He always answers that it's his excitement about what's ahead for Sherwin-Williams. I share that excitement and I look forward to aggressively delivering for all of our stakeholders in the years ahead.

Thank you all for your interest in Sherwin-Williams. I have enjoyed getting to know many of you over the past few years and I look forward to continued and transparent engagement with the financial community.

John G. Morikis

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

Thank you, Heidi and congratulations to you once again. Highly confident in your leadership and your ability to drive continued success for our customers, our employees, our shareholders and communities. As I've often said, I truly believe we're just getting started here at Sherwin-Williams and the best is still ahead. This is clearly on display this morning. At this time, we'd be happy to take any questions you may have related to today's news. While we have Al with us today, we will not be addressing any questions on the quarter or our outlook as we will be reporting our third quarter results on October 24. Thank you.

QUESTION AND ANSWER SECTION

Operator: Certainly. Everyone at this time, we'll be conducting a question-and-answer session. [Operator Instructions] Your first question is coming from Ghansham Panjabi from Baird. Your line is live.

Matthew T. Krueger
Analyst, Robert W. Baird & Co., Inc.

Q

Hi. Good morning, everyone. This is actually Matt Krueger sitting in for Ghansham. First off, big congrats to both John and Heidi. John, it's been a pleasure. And Heidi, we obviously look forward to working with you for many years to come. So I guess I'd like to start and maybe this is a question for both John and Heidi. I was hoping that you could compare and contrast how the beginning of Heidi's tenure as CEO is setting out versus what we and everyone on the team has seen and experienced with John at the helm over the last eight years, any interesting details or thoughts there would be great?

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah. Matt, thank you for that question. And I would maybe begin with the strategy work that we've done in comparison. I think while clearly taking over a wonderful company from Chris Connor, who did a phenomenal job as CEO, I believe that the strategy work that we've done that was, I'd say that Valspar was a catalyst for the need for additional strategy work as help position the company I think very favorably for the future. And as I turn the company over to Heidi, I feel we have a terrific leader in Heidi, a terrific leadership team around her and a very well-defined strategy that she can build on.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Yeah. Good morning, Matt. Building on John's point, I do think that the work that we've done over the last few years has been foundational. And I would say with our 157-year history, what we're looking for now is building on that foundation for the next 150 years. And while there might be a change in the person, that strategy is rock solid and it's not changing.

When you look at where we stand out, we talk a lot about our differentiation. And I think that, when we come into environments that are uncertain, there's a lot of change in the marketplace that truly is where I, John, the team are confident that our differentiation is never more on display. But I do want to just comment, if I – we got John here and much to his leadership, certainly Chris before him and those that came before them, as well as the 64,000 employees that we have right by our side here, I would tell you, Sherwin-Williams has never been better positioned to aggressively pursue profitable market share growth ahead. And that's what we're most excited about.

So when we come into – when I come into this role, and I mentioned on the previous comments, day 1 focused on strength, momentum and growth. And there's a lot behind that as we talk about what we can be doing to continue to create value for our customers, our shareholders, certainly our employees. We want to be the employer of choice, a lot of pride and effort is going into that work. And last but not least, our communities. So that might be a long answer to your question, Matt, but I think the takeaway is candidly not a lot is changing. Our strategy is sound.

Matthew T. Krueger
Analyst, Robert W. Baird & Co., Inc.

Q

Great. And then just one quick follow-up. We've talked a lot about continuing on with the strategy, but the fundamental backdrop is much different, the setup is much different this decade versus the last decade. Heidi, maybe you can talk a little bit about how you expect the fundamental operating environment to change over the next decade versus, again what you've experienced over the prior 10 years?

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Yeah. Great question. And if you have a crystal ball Matt, I would love to take a look at that. But I would say what's really important is despite our scale and despite our growth ambition, where the team has built a lot of muscle, and muscle memory is in our ability to read the market, look around the corner, understand what's coming and adapt. And so I would say while I don't have a crystal ball or the answers of what those macros will be, I'm confident in our team's ability, the experience, the depth of leadership, we've seen this movie. We've built some battle scars here. And I'm confident that our ability to react and adapt and continue to position Sherwin for the growth that's coming ahead is a complete differentiator for us.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

A

Matt, I might just add, watching Heidi as she is developed, she's outstanding at turning adversity into opportunity and we've had some challenges over the last couple of years if it's with raw material or whatever it might be, every single situation that we have faced adversity in, she has turned it into a terrific opportunity for our company.

Matthew T. Krueger
Analyst, Robert W. Baird & Co., Inc.

Q

Great. That's very helpful. Congratulations to everyone. Thank you.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Thank you.

Operator: Thank you. Your next question is coming from Vincent Andrews from Morgan Stanley. Your line is live.

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Good morning, and congratulations to both of you. I guess my question would just be on the timing and maybe I put it this way, I know that succession is very clearly laid out at Sherwin. And so, we kind of all knew this was coming at some point in time. What makes the beginning of 2024 the right time? And maybe the way I'd ask you this, would you have done it at the beginning of 2023 or the beginning of 2022, given the challenges the business and the environment was facing then? And does that sort of what makes 2024 the right time or why wouldn't it have been 2025? Just any thoughts along those lines would be helpful?

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

A

Well, Vincent, I'd say it comes down to my confidence in the company and the position and the place that we are as a company and the solid foundation that we had. Heidi just mentioned the elements of the strategy work that we've been doing. And I would not turn this company over. This is, for all practical purposes, is my family. These are my kids. This is important to me. And I wouldn't turn this company over at any time unless I believed in the leadership and the situation and our position in the market for it to thrive. And I have absolute confidence in Heidi and the team around her to take this company to the next level. So the timing is right. And I'm actually really excited that the board has asked me to continue on as Executive Chair.

As Heidi and I have worked, many hours, many days, weeks traveling around the world, we've locked arms and we've become terrific colleagues, terrific friends. And I admire what she's doing and how she's going to do it. So the opportunity to support her as Executive Chair and see her success continue to thrive is exciting to me. And the fact is, I'm ready and she's ready and the company is ready, and it's the right time to do it.

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

Q

Okay. That sounds great. Thanks very much. And again, congratulations to both of you.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

A

Thank you.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Thank you.

Operator: Thank you. Your next question is coming from Arun Viswanathan from RBC Capital Markets. Your line is live.

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my question. Congrats, John, on a great career. And, Heidi, congrats on the new role. I'm definitely very excited to see the future at Sherwin here. So I guess I had two questions. So first off, it is a little bit of a departure from the prior CEO roles, given, Heidi, you do come from the Valspar family and some other families rather than homegrown at Sherwin per se. Does that maybe give you a little bit of a different perspective on two things, maybe international growth and capital allocation. How would you think about maybe some changes or differences in approaches that you would have along those lines? Thanks.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Yeah. Arun, thank you for your question. I will tell you that nothing changes relative to my view on capital allocation policy. I think, Al and I, John and I, we're in lockstep on that.

And regarding just your question on not the typical homegrown, I'll certainly hand it to John, I'm sure he'll want to comment on that as well. I think what works and is at the center for all of us at the leadership team is we share the exact same values. And so, to be really candid, when I came into the company, I felt like I had spent my career here. So it's not a stretch for me to feel like I did grow up here, that I am homegrown, and I say that with a lot of humility. But I think importantly, as we look to build on this foundation, this 157 years, the world is changing around us. Our ability to be adaptable, to read the market, see this uncertainty and then take full advantage of it, I think I can bring that lens in to complement what we've been doing here.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.
A

I would add, Arun, first, I think your observation is terrific. She bleeds Sherwin blue, and I love that. And in the organization, we're well past as the businesses have been integrated. Any kind of legacy Sherwin, legacy Valspar, we're all Sherwin. And I would tell you, again, just having spent so much time with Heidi, she has an uncanny ability to build on the historic values of Sherwin and yet find opportunities to improve in areas, and in some cases, challenge some of the traditional norms and ways that they need to be challenged and still be respectful of those that have made Sherwin successful. So from my point of view, it's the best of both worlds. And again, I'll reiterate, I wouldn't turn this company over if I didn't believe in her.

Arun Viswanathan
Analyst, RBC Capital Markets LLC
Q

Great. Thanks for that. And if I could just ask one quick follow-up. If there is – you've got – you've highlighted a lot of opportunities for us. So maybe if you could maybe present us maybe with one challenge that you see ahead for the company and maybe one large opportunity. I imagine the large opportunity could be all of you coming together in Cleveland under the new headquarters and R&D center. But is that it? And then, yeah, what would be a challenge that you think that we should just be mindful of as we go forward? Thank you.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.
A

Yeah. Great question. I'll start here. I think – let me just look at this broadly on as we look at the architectural side, maybe just a comment or two on the industrial side. I think if you look at the architectural side, first and foremost, it's the strength that the Sherwin-Williams brand, and as you well know, combined with our unique controlled distribution models, over 4,800 company-owned stores, so with that unique distribution base, we're excited, Arun, for all the market share that we know is out there for us. If you look segment-by-segment, there's an incredible amount of growth ahead. So it's both an opportunity and the challenges I want it to go faster. So I think we're going to be in great hands there under Justin Binns' leadership.

And I do want to just comment to before I hit on the industrial side, we really, we do have a lot of depth of talent here on both the architectural and industrial side. We got the best employees in the business, in the industry. These guys are out working hard every day to earn what it is that we want to earn and the strength, the loyalty, the gallon growth that we're able to accomplish is a testament to our team. So I'd be remiss not to touch on that.

On the industrial side, obviously very different in terms of opportunity relative to the global reach. I do believe we've got the right end markets. I do believe under Karl Jorgenrud's leadership, we've got the right disciplined approach to continue on the path to improve our ROS there. We're going to continue to lead. We're going to continue to focus on innovation. We're out in lockstep with our customers, and our tech reps and our value added services. So we're only going to continue to invest and strengthen where we know we have a right to win there. So a lot of confidence that there's a lot of growth across both of those macro environments.

Arun Viswanathan
Analyst, RBC Capital Markets LLC
Q

Thanks a lot.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.
A

Thanks, Arun.

Operator: Thank you. Your next question is coming from Mike Sison from Wells Fargo. Your line is live.

Michael Sison
Analyst, Wells Fargo Securities LLC
Q

Hey, good morning. Congrats to both of you. John, I'm hoping at your free time, you can help the Browns out a little bit if they need it. But I guess my question, Heidi is, if you think about the growth going forward, much more difficult interest rate environment, and if it happens to stay here, do you think the growth this decade will mirror last decade, stronger, a little bit lighter, just sort of the thought on what the growth goal is?

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.
A

Yeah, no, it's a great question, Mike. And I think I almost go back to the – if we had a crystal ball on the interest rate volatile environment. But regardless and what we've said over the last few calls and we got a call coming up here, of course we won't comment on that. But as we watch those interest rates bump around we've commented and we will continue to outpace the market. I have no doubt, as you know, as you well know, what's happening on new housing, new residential. There's certainly an opportunity for us to come out of this even stronger. We've demonstrated that in the COVID environment. We went into that with 18 of the top 20 national homebuilders in an exclusive relationship. And while they were looking for diversification and all, that's where we came out of that with strengthening our exclusivity with 23 of the top 25. So I think we've demonstrated and we will continue to demonstrate that regardless of that volatile inflationary environment, we will absolutely be growing market share.

Michael Sison
Analyst, Wells Fargo Securities LLC
Q

Right. Thank you.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.
A

Thanks, Mike.

Operator: Thank you. Your next question is coming from Kevin McCarthy from Vertical Research Partners. Your line is live.

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC
Q

Yes, good morning. And I'll add my congratulations to you both to the list. Heidi, it strikes me that there are a lot of similarities to the path you've followed versus the path that John followed, rising to lead the Paint Stores Group, then becoming President and COO, but also some differences as the prior questionnaire are alluded to. So wondering if you can elaborate on that, maybe talk a little bit about your background at Valspar as well as outside of the coatings industry at Target, Newell Rubbermaid. How have those experiences helped you in your career and how have those perspectives helped Sherwin as you've risen through the ranks?

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Yeah. It's another great question. I think what we share is similarities is we've been in industries and positions where it's always been the customer first. So whether it's on the sales side, the marketing side, manufacturing side, retail side, it's always been an environment where it starts and ends with the customer. And I think what is also similar is John and I, both share of touching a lot of those similar functions and roles, getting a better appreciation for certainly the end user that experience the go-to-market and all the way back to strategy as John mentioned earlier.

I think in terms of differences, I can tell you there's a lot more similarities than there are differences. And I would maybe just touch on our backgrounds. I think it really is the bringing kind of the best of both building on what John has done in his nearly 40 years in terms of understanding every component of this industry and certainly the depth of relationship and then bringing in an understanding of what is working, what we want to continue to drive and leverage where we find incredible opportunity for growth and where there's opportunity to adapt and ensure that the trajectory we're on for the next 150 years is going to have the greatest shareholder return.

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

Q

Thank you. And best of luck to you both.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

A

Thank you, Kevin.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Thank you.

Operator: Thank you. Your next question is coming from Laurence Alexander from Jefferies. Your line is live.

Daniel Rizzo
Analyst, Jefferies LLC

Q

Good morning, and thank you for taking my question. This is Dan Rizzo on for Laurence. You guys do talk about profitable market share growth. I was just wondering if there's product lines or businesses where it's not quite as profitable that are kind of where you're looking at to maybe exit or divest?

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

A

Well, I would tell you that that's a regular process here at Sherwin. And I would point to a number of the decisions we've made with different programs or geographies. We've exited Australia. We've recently sold the architectural business in China, the specialty aerosol, and Heidi and I both along with Al and this is a leadership mentality that we have here. We had an earlier question towards Heidi on capital allocation. That's capital, that's been deployed.

And there's a constant review of everything that we do to ensure that it's creating the greatest shareholder value opportunity for that capital. And so, it's a regular review that we go through and I would tell you, there's no complacency here.

And again, I want to – this call is really, I think, an opportunity to highlight the strengths of Heidi. And this is an opportunity, again, to highlight just how aggressively she pursues these areas and the willingness to look at a traditional model or view with a different sense of opportunity. And I might say one of the examples of how she is different and quite frankly will be better is the opportunity to look at things and find those opportunities that where in the past, our culture has been, we're just going to grind and try to fix it. And I was always proud of that.

And I'd like to think that I have influenced Heidi and she has certainly influenced me. And so this is an area where she has helped influence me to say, well, you know what, with those kinds of opportunities and the operating margins where we are, even improving it doesn't get us to the threshold that Al and our financial teams have modeled out. And so, it's been an opportunity to help each other get better. And she's going to continue to build on that going forward. Heidi, maybe you can add to that.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Yeah. Laurence (sic) [Dan] (00:29:29), one more piece that I would add to that, I think just by broad strokes kind of characterize this as, it's an ongoing portfolio refinement. And so divestiture, as John mentioned, I would put M&A on the other end, but I would put the very center of that, and our belief in gaining market share is we don't need M&A to grow. We've got incredible organic growth opportunities ahead. The team is laser focused on that. So I look broadly, I think part of the discipline that I think, if I'm putting myself in your shoes, that I'm going to walk away with this understanding how we look at this, how routinely we understand portfolio refinement, whether it's divestiture, organic growth or a consideration of an acquisition candidate.

Daniel Rizzo
Analyst, Jefferies LLC

Q

All right. Thank you very much, and congratulations.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

A

Thank you, Dan.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Thank you.

Operator: Thank you. Your next question is coming from Josh Spector from UBS. Your line is live.

Christopher Silvio Perrella
Analyst, UBS Securities LLC

Q

Hi. Good morning. It's Chris Perrella on for Josh. Congratulations to everyone. Just, Heidi, a follow-up. Where do you see the role of the COO? Is that something you're going to keep going forward? And in the interim, while that's [indiscernible] (00:30:38), how do you keep on track with all those responsibilities that you've managed over the past couple of years?

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.
A

Yeah. Well, I keep saying it's a great question because they're all great questions. So, Chris, I would say a few things. In the prepared remarks, we mentioned the elevation of both Justin Binns in our architectural side and Karl Jorgenrud on the architectural side, and that they would have stronger engagement with our global supply chain. So I think the way to think about that is they're essentially operating as kind of Co-COOs. While we're not calling it that because we think that that could be confusing, that's essentially what they're going to be doing. So they will take a more direct responsibility to provide direction within the supply chain.

I think just another – just brief comment. While we typically have had a COO, there have been times in the past where we haven't. So I think this structure that we have in place, we talk often, structure follows strategy and we have every intention of chasing the market growth that we know is out there for us in both the architecture and industrial businesses. And we've got two leaders with an incredible amount of accomplishments behind them, 30 years on average. So we're in a great position to continue looking further.

Christopher Silvio Perrella
Analyst, UBS Securities LLC
Q

No, thank you for the clarification. Best of luck.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.
A

Thank you.

Operator: Thank you. Your next question is coming from [ph] Shokai McCarey (00:32:04) from Goldman Sachs. Your line is live.

Duffy Fischer
Analyst, Goldman Sachs & Co. LLC
Q

Yeah. Hi. This is Duffy. Congrats to both. My one question is to John. Oftentimes, the Executive Chairman role is kind of transitory. I think Lindy has done one of the best jobs in the space, [ph] whereas Steve – Angel who's (00:32:23) kind of made that semipermanent. How do you view your role there? Is that something we should think of as transitory or should we expect you to be in that role for quite some time?

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.
A

Well, the board has purposefully let that end date open. I would tell you that the confidence that I have and the board has in Heidi would lead me to believe that the three, myself, Heidi and the board will work together on what is the right timing. And I don't know that I want to speculate on how long that will be, the progress and success that Heidi has already demonstrated leads me to believe that she's going to be down the runway quickly. But what she also knows and the board knows I'm going to be here either formally or informally for the rest of my life. I'll always be tied to Sherwin-Williams.

Duffy Fischer
Analyst, Goldman Sachs & Co. LLC
Q

Great. Thank you, guys.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.
A

Thanks, Duffy.

Operator: Thank you. Your next question is coming from Silke Kueck from JPMorgan. Your line is live.

Silke Kueck
Analyst, JPMorgan Securities LLC
Q

Hi. Good morning. And congratulations.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.
A

Thank you, Silke.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.
A

Thank you.

Silke Kueck
Analyst, JPMorgan Securities LLC
Q

I have a question for John and one for Heidi. John, what did you set out to achieve when you took over as CEO in early 2016? And do you think that you met your goals or you exceeded these goals, you came short of these goals? And for Heidi, if you had an opportunity to make any changes because John made some big changes, would you think there's more opportunity on the architectural side or more on the industrial side?

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.
A

Well, I'll start with, did I achieve what I set out? So the answer is no. And that's the Sherwin culture. There's never a finish line in what we do. And while I'm proud of many of the accomplishments, there's still so many opportunities. And Heidi mentioned it earlier, and it really is truthful response that I've given and it's how I feel. I've been asked a number of times of people trying to get into what's keeping me up at night as to what are the issues we're facing. And truly what keeps me up at night is the excitement and determination that I have and the understanding that this company has so many opportunities. And so the answer is, I'm proud of what we have accomplished, but there's so much more to do and I have great confidence that it's going to continue to get better under Heidi's leadership.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.
A

And Silke, I can just jump in on the second part of that question, too. I think, we certainly, John, Chris and as I mentioned earlier, predecessors before that we've got a long history of performance in a strong culture of continuous improvement. I feel confident, we got a very strong balance sheet, cash generation that Al mentioned is core to what we do and provides us a base of strength and an ability to invest, I think uniquely. And so as we come through this, I think some of the things that we're learning and as we built resilience into our global supply chain, things that we're learning about how to better leverage the data in our control distribution environment. So a lot of opportunity for us to continue to accelerate.

When we talk about being aggressive, it's not just about how we're out hunting for growth, it's about how we can do it efficiently and effectively. So I think you'll continue to see us put our foot on the gas here, much like John has done in the past.

Silke Kueck
Analyst, JPMorgan Securities LLC

Q

Thanks. We look forward to working with you. And we enjoyed working with you, John.

John G. Morikis
Chairman & Chief Executive Officer, The Sherwin-Williams Co.

A

Thank you very much, Silke.

Heidi G. Petz
Chief Operating Officer, President & Director, The Sherwin-Williams Co.

A

Thank you, Silke.

Operator: Thank you. This concludes the question-and-answer portion of our call. I'll now turn the call over to Jim Jaye for final remarks.

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

Thank you, Matthew, and thank you, everybody, for joining us this morning. I also want to offer my congratulations to Heidi on being named our CEO and tell you all that you can expect us to continue to be very visible on the street and transparent in our communication.

I also want to thank John for his tremendous leadership over nearly 40 years and we're all very pleased that he's agreed to continue as our Executive Chairman. As Heidi mentioned, the team is deep, we're experienced, and together we're going to continue to create shareholder value. I'd leave you with mark your calendars for our third quarter earnings release. That's going to be Tuesday, October 24. We'll look forward to reviewing our results with you at that time. And with that, we'll end the call. And thank you again for joining us.

Operator: Thank you, everyone. This concludes today's event. You may disconnect at this time and have a wonderful day. Thank you for your participation.