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The Sherwin-Williams Co. (SHW)

Q2 2025 Earnings Call

CORPORATE PARTICIPANTS

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

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

OTHER PARTICIPANTS

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

John P. McNulty
Analyst, BMO Capital Markets Corp. `

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Christopher Parkinson
Analyst, Wolfe Research LLC

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Gregory Scott Melich
Analyst, Evercore ISI

John Roberts
Analyst, Mizuho Securities USA LLC

Patrick Cunningham
Analyst, Citigroup Global Markets, Inc.

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

Michael Sison
Analyst, Wells Fargo Securities LLC

Aleksey Yefremov
Analyst, KeyBanc Capital Markets, Inc.

Joshua Spector
Analyst, UBS Securities LLC

Chuck Cerankosky
Analyst, Northcoast Research Partners LLC

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC

Duffy Fischer
Analyst, Goldman Sachs & Co. LLC

Michael J. Harrison
Analyst, Seaport Research Partners

Garik Shmois
Analyst, Loop Capital Markets LLC

Aron Ceccarelli
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Laurence Alexander
Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and thank you for joining The Sherwin-Williams Company's review of Second Quarter 2025 Results and our Outlook for the Third Quarter and Full Year of 2025.

With us on today's call are Heidi Petz, Chair, President and Chief Executive Officer; Al Mistysyn, Chief Financial Officer; Paul Lang, Chief Accounting Officer; and Jim Jaye, Senior Vice President, Investor Relations and Communications.

This conference call is being webcast simultaneously in listen-only mode by ACCESS Newswire 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 this 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 earnings release transmitted earlier this morning. After the company's prepared remarks, we will open this session to questions.

I will now turn the call over to Jim Jaye. Sir, the floor is yours.

James R. Jaye

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

Thank you, and good morning to everyone. Sherwin-Williams continued to execute our strategy in a demand environment that remained choppy as we expected. We also continue to take aggressive and deliberate operational and commercial actions in response to, number one, a softer for longer demand environment, and number two, a rapidly changing and opportune competitive environment, which we are taking advantage of by accelerating our strategic intensity in the short term to favor Sherwin-Williams over the long term.

On a year-over-year basis, consolidated sales were within our guided range, with growth in Paint Stores Group offset by softness in our other two segments. Gross margin and gross profit dollars expanded. It was the 12th quarter in a row of year-over-year gross margin expansion. SG&A in the quarter increased for the reasons described in our press release. Despite the higher level in the quarter, we remain on track for our original guidance of a low-single-digit percentage increase in SG&A for the full year.

The decrease in adjusted earnings per share in the quarter reflects the anticipated higher non-operating costs year-over-year, sooner-than-expected new building expenses, and targeted growth investments we continue to make. From a capital allocation perspective, we continue to execute our disciplined strategy, returning $716 million to shareholders through share repurchases and dividends.

Looking ahead, the macroeconomic indicators we track along with real-time customer sentiment point to continued turbulence and a slowdown in demand across various segments, businesses and regions over the remainder of 2025.

As a result, we are reducing our adjusted earnings guidance for the full year. This is based on softer architectural sales volumes than anticipated coming into 2025 and supply chain inefficiencies due primarily to a reduction in production gallons within our global supply chain, partially offset by a reduction in SG&A spending. Despite these softening market conditions, we remain committed to delivering above-market growth.

Let me now turn it over to Heidi, who will provide some additional color on the second quarter before moving on to our outlook and your questions.

Heidi G. Petz

Chair, President and Chief Executive Officer, The Sherwin-Williams Co.

Thank you, Jim, and good morning to everyone. I want to begin by acknowledging that this was not a perfect quarter. I also want to remind you that we don't run the company to achieve perfect quarters, we run the company with a disciplined strategy to deliver significant long-term outperformance of the market. And that is exactly what we're doing, especially in this opportune competitive environment.

More specifically, I want to address head on some of the larger dynamics and actions that played out in the quarter and give you reassurance and importantly, confidence in what we are doing and why. First, we began the year by telling you that we were operating in a very choppy demand environment. As a result, we also told you we would be responding proactively and aggressively on the cost side, including guiding to approximately $15 million, or $0.15 per share in restructuring initiatives for the year.

As the quarter progressed, demand momentum remains stalled and in some areas, deteriorated further, notably in new residential, DIY and Coil Coatings end markets. We told you we had additional levers available to us. And as you would expect, we did not wait to pull those levers, and we are pulling other levers now.

Specifically, going broader and deeper in our restructuring initiatives and more than doubling our full year target to approximately $105 million, or $0.32 per share. We expect these actions to result in savings of approximately $80 million on an annual basis. Second, building a new global headquarters into our R&D center is not an exact science. It is not always possible to predict timing with precision on a multiyear project of this scale. Frankly, our construction partners and teams made more progress on the project in the quarter than we expected. That's a good thing. We want to begin operating in our new facilities sooner rather than later. As a result, we incurred costs in the quarter that we didn't expect to see until the second half of the year.

Third, one of the many advantages of our direct distribution model is that we have several thousand team members in our stores and in the field that are partnering with our contractors every single day, providing us with real-time market intelligence. Specifically, we've learned of recent and significant reductions in customer-facing positions and assets among our largest architectural competitors. We've also learned of a competitor implementing a high-single-digit minimum price increase in the heart of the paint selling season, which can be highly disruptive to customers. We believe these competitive actions are signals that our strategy is working.

We continue to believe we are at a major inflection point in the North American architectural coatings industry, and we refuse to miss this once-in-a-career opportunity that's unfolding before us. This is why we will continue investing aggressively in Paint Stores Group with customer-facing growth initiatives in the quarter and throughout second half of 2025, while maintaining discipline around G&A costs. We are highly confident that these actions will drive significant above-market growth when the demand environment improves.

Professional painting contractors are looking for predictability and reliability. They need partners that are committed to providing solutions that drive their success. That is what Sherwin-Williams provides, especially in the heart of the painting season.

Let me now provide some color on our second quarter segment performance. In the interest of time, I will keep my comments brief in order to focus on our full year outlook and provide time for your questions. Sales in Paint Stores Group increased by a low single-digit percentage, with price/mix up by mid-single digits and volume down low single digits.

As expected, the price/mix component was slightly below the level of our first quarter, which included the residual impact of our February 2024 increase. Protective & Marine increased by high single digits for the fourth straight quarter. Residential repaint sales again grew by mid-single digits, significantly outpacing the market. We also outperformed in new residential where sales increased by low single digits in a quarter when single-family completions were down by double-digits.

Similarly, commercial sales grew low single digits in the quarter with multifamily completions down mid-teens. Property maintenance and DIY sales decreased. Even with the heightened growth investments I mentioned, segment profit increase and segment margin decreased only slightly. We opened 20 net new stores in the quarter and 38 year-to-date, which is ahead of last year's pace.

Consumer Brands Group sales were below expectations with volume, price/mix and FX all down by similar low single-digit percentages. Sales reflect continued softness in North America DIY and unfavorable FX in Latin America, partially offset by growth in Europe. Segment SG&A decreased by low single digits with continued discipline in controlling general and administrative expenses while maintaining investments to support our customers' sales.

Adjusted segment margin decreased primarily due to the lower sales and impact of lower production volumes in our supply chain. Performance Coatings Group sales were in line with expectations. Volume, acquisitions and FX were all up by low single-digit percentages but slightly offset by unfavorable price/mix.

Regionally, segment growth in Europe, Asia and Latin America was offset by a decrease in North America. From a division perspective, Packaging continued to be a bright spot with double-digit growth inclusive of an acquisition. Coil sales were up low single digits, also inclusive of an acquisition, but the outlook for this business has become murkier with uncertainty related to steel tariffs. Industrial wood and general industrial sales were down as expected.

Auto refinish also remained under pressure and was down slightly although the industry is beginning to annualize lower insurance claims. We are encouraged by meaningful new account wins in this business, which are currently being more than offset by softness in core accounts, driven by lower insurance claims.

PCG segment profit and margin decreased primarily due to increased costs, support sales, higher foreign currency transaction losses and a prior year gain on the sale of assets, which did not repeat in the quarter. Severance and other restructuring expenses also reduced segment margin by 50 basis points.

And before moving on to our outlook, I would also like to note the continued good work in our Administrative function to control costs. Excluding the corporate portion of restructuring costs and the new building costs, Administrative SG&A was down by a high single-digit percentage in the quarter.

As we enter the second half of the year, it is clear we continue to be in a softer for longer demand environment with further deterioration possible. Our slide deck describes several of the demand indicators we track. None of these are particularly encouraging at the time. Customer sentiment reflects continued uncertainty and hesitancy to invest and consumer confidence remains mixed. To be clear, we expect no help from the market over the remainder of the year. However, we continue to focus our efforts on market share gains across each of our businesses and segments.

As a result, we are revising our full year sales expectations downward in our Consumer Brands segment while maintaining our Performance Coatings segment sales guidance. We are only minimally adjusting downward Paint Stores segment sales guidance as the January price increase realization is not enough to offset the adjustment downward in full year volumes.

The lower architectural sales volumes are requiring a reduction in our full year production gallons in our supply chain, which is also pressuring bottom line results. Specific third quarter and full year ranges are provided in our slide deck. Accordingly, we are also revising our diluted earnings per share guidance downward.

On a slightly more positive note, the softer demand is resulting in a more favorable commodity backdrop. We now expect slight deflation of our raw material basket in the back half of the year, resulting in flattish full year costs. While welcome, these benefits are not enough to fully offset the impact of the softer demand environment. Tariffs also remain a variable in this outlook.

While we cannot control the demand environment, what we can control is our commitment to a winning strategy, a team that knows how to pivot in uncertain times and our ability to execute to help our customers be successful. You have seen evidence of that by the actions we've taken year-to-date. We will continue to act with discipline and urgency during the remainder of the year. Here is what you can expect to see.

We will continue to focus on differentiated solutions that help our customers become more productive and more profitable. We will continue to invest in growth initiatives in a time of unprecedented competitive opportunity in our industry. We will fund these growth investments by continuing to focus relentlessly on controlling general and administrative spending, and we expect SG&A to be in our low single-digit target range for the year.

We are going deeper and broader in our restructuring initiatives. As I mentioned earlier, we are doubling our initial target. We are reducing our CapEx spending for the year by $170 million or approximately 20%. Total CapEx moved downward from $900 million to $730 million, inclusive of $300 million for our building projects. We are accelerating completion and transition to our new buildings as quickly as possible.

As we seek to begin getting a return on this project, more activity in the current year will result in a pull forward of certain transition and operating expenses. We now estimate total investment in the year to be $115 million, inclusive of $95 million of SG&A and $20 million of interest expense with approximately 50% of SG&A expenses non-repeatable.

We will continue to opportunistically repurchase our shares and pursue targeted acquisitions that accelerate our strategy. We expect the Suvinil acquisition to close before the end of the year. And we will continue to focus on our enterprise priorities. Talent continues to drive us. Simplification and digitization will make us more productive and our supply chain more responsive. Profitable above-market growth over the long term remains our North Star.

Let me conclude by reminding you that because of our success by design mindset and deeply experienced team, we are highly confident that our current course is the right one. While others in this space are abandoning their strategies and are unclear of their direction, we see this as a time for certainty and stability and an opportunity to demonstrate what makes Sherwin-Williams so unique. We will continue to navigate near-term pressures appropriately and with the discipline that you've come to expect from us, and we will be aggressive and targeted as we expand our competitive moat in the short and long term. You should fully expect that we will extend our strong track record of delivering for our customers and ultimately for our shareholders.

This concludes our prepared remarks. With that, I'd like to thank you joining us this morning, and we'll be happy to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we will conducting a question-and-answer session. [Operator Instructions] Thank you. Our first question is coming from David Begleiter with Deutsche Bank. Your line is live.

David Begleiter
Analyst, Deutsche Bank Securities, Inc.
Q

Thank you. Good morning. Heidi, you mentioned potential deterioration in the back half of the year in demand. What gives you that caution? And if it does occur, where do you expect to see that deterioration?

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

Yeah. Good morning, David. There's really three key areas. I don't know that anyone's immune in total here as there's so much volatility. But I would point to new residential becomes – continues to be choppier, if not a bit more challenging. We're seeing a bit of evidence in Coil as well. And as you see, some good wins there, continues to be a challenging environment, especially as it relates to the tariffs and the uncertainty around that. And I would also point to the DIY market. We would love to get back to some of the historical highs. This continues to be choppier for longer. So, we're staying very close to this relative to not only our stores, but our strategic partners. I'll point to Lowe's, Menards, and others. I would tell you that we've never been in a better position of strength with some of these partnerships. So, David, those are the three areas that we're continuing to stay focused on.

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

Thank you, David.

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

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC
Q

Thank you and good morning everyone. Heidi, thank you in particular for the proactive comments on the incremental competitive dynamics. I'm wondering if you can just help us if we think about, let's just say, over the next 12 months in PSG, which of the six sub-segments do you think these incremental competitive dynamics will lead to the most share in? I noticed in the quarter, it looked like there was some improvement in commercial versus the first quarter, but just curious what this opportunity presents for the sub-segments going forward?

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

Well, Vincent, I would be remiss if I didn't say there's opportunity in all segments. But let me start with the segments that are going to obviously just take a bit longer. Let me start there, because we're still being aggressive in terms of conversion market share gains on the segments you mentioned. But relative to the competitors, the competitive environment, we would point largely to commercial, new residential and property maintenance, given where they have largely been focused. Now that – those projects tend to be longer, bigger, multiyear and so some of that is just going to happen as a function of project timing. It's not stopping us from being aggressive and getting in front of these customers now. And so some of those wins that you are seeing are a result of short-term market share gains. So, we're not waiting for project timing.

And then if I take you to the other segment, I think what you're seeing already in our results point to residential repaint, we continue to be up mid-single-digit in a flat to down market, which is 100% driven by market share gains. And as you kind of go around the horn, we've got the challenges in commercial, new residential. Those are really the biggest opportunities in the short and long term.

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.
A

Hey, Vincent. This is Al Mistysyn. I'd also like to highlight, it's not the – we talked about the accelerated investments that allow us to grow market share at a faster rate. And I can point to going back to 2019, we have over 400 more stores, we have over 500 more reps. And our six-year compounded average growth rate, that includes our forecast for 2025, is up low-single-digits in volume. That compares to an industry volume, not our reporting numbers, but ACA and others, that's been down consistently year-over-year since 2020.

So, we have a lot of confidence that the investments we're making, we're going to get a return on them and it's across each of the pro architectural segments, because we have more people on the street, relationship building with our customers, and we're very disciplined. When things get tough, we do not stray away from our strategy. We stick to our strategy to grow market share.

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

And Vincent, if you hear excitement in our voice, that would be a reflection of how we're feeling right now. The confidence in what we're doing to take advantage of some of this – we frame this as a once-in-a-career opportunity, because it is just that. And so there's confidence and excitement, and we're committed to moving forward.

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

Thank you, Vincent.

Operator: Thank you. Our next question is coming from John McNulty with BMO Capital Markets. Your line is live.

John P. McNulty
Analyst, BMO Capital Markets Corp. `
Q

Yes. Thanks for taking my question. Maybe just a little more detail on the SG&A spend. So, it sounds like you've got some big opportunities here. I guess, can we – should we be thinking about that as primarily head count adds? Or should we be thinking about maybe the store count creeping higher than what you've targeted? And it also seems like SG&A in the back half of the year, if we kind of adjust for the corporate headquarter move, like it actually seems like it may not be as robust in the back half of the year. So, is this – I guess, how should we be thinking about that?

Allen J. Mistysyn

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

A

Yeah. John, let me start with the building here, just to get that off the table. You're right, we had originally estimated $100 million. $80 million of that was SG&A, all in the second half. We did have some cost pull forward and we're quicker, and we took those. Now, I expect our new building costs on SG&A to be about a little less than $60 million in our second half compared to the $80 million.

I think when you look at the investments we're making in stores, we still are going to open 80 to 100 stores this year, likely that will continue into next year. So, it's really targeted rep adds in very specific markets where we believe we can get a bigger return and a quicker return, quite honestly, for those investments.

When you look at our second quarter, and I'll use adjusted, it was up a little over $108 million, new BOF costs of about $40 million were in that. So, our SG&A in the quarter was up 3.8%. All of it was incremental – an increase in Paint Stores Group. There's some timing and advertising and marketing in there to support in quarter promotions. But it's primarily new stores, which is over 91 stores and over 108 reps – additional reps in the field that's driving those increases.

If you look at our other segments, Consumer was down, PCG was up slightly mainly because of acquisitions. And then Admin was down, as Heidi mentioned, a high-single-digit percentage, excluding the new BOF. So, in the short term, we're pulling levers to manage through this tough environment. You saw the restructuring charges are higher than we had originally forecasted. That will carry into our second half with continued adds in Paint Stores Group. But I would tell you, we're going to have a lot of discipline around G&A and we're going to realize the benefits of the restructuring charges we've already put in place. So, I expect our second half SG&A to be up only low-single-digits in 1% to 2% range, which is better than what we had planned coming into the year.

James R. Jaye

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

A

Thank you, John.

Operator: Our next question is coming from Jeff Zekauskas with JPMorgan. Your line is live.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Thanks very much. Heidi, you've talked about there being an inflection point for the stores business, so once-in-a-career opportunity. Is that because of the opportunities following the divestiture of the PPG architectural business? Or is it because we're in a higher interest rate environment, and so demand should increase in the future? What is it about the current moment that makes it so important? And then secondly, in the Consumer Brands Group, your stores decreased from 325 to 312, what's that about? And why are prices down in Consumer Brands?

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

Great. Well, good morning, Jeff. Let me start with your first question, and I think it's a great question. It starts and ends with a differentiated strategy that we've been working on for decades. And so, while this is a unique moment in the industry, it's also a result of a strong and very steadfast commitment to what we believe is important to showing up for our customers every single day. You then layer into that certainly what's happening from a macro standpoint, the uncertainty, some of the turbulence and there's been a lot of, I would call it, competitive turbulence that I believe is playing to our favor because of our stability, because of our predictability.

When I'm out with customers, I mentioned this on our last call, I just was out with another contractor last week and heard the very same sentiment, which is who would have thought that simply doing what you say you will do in an environment where there's so much volatility and uncertainty, you guys show up and you're focused on our success. So, I think, in this environment, the backdrop of we've been stable for decades, you combine that with the macro and some of the competitive choppiness. And then, yes, there is an opportunity there to continue to focus on the fundamentals relative to market share, new business wins, making sure that we are securing the best possible market position. So, it is a unique point in time and we're not going to – we never let a crisis go to waste. We're not going to let this environment go to waste.

Let me now pivot to your question on the CBG side. Maybe Jim, I'll start with you.

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

Yeah. Good morning, Jeff. This is Jim. Yeah, on CBG, we did have the store closures, as you pointed out, those were really transitions from company-owned stores to dedicated dealers. So, the channel continues to evolve down in Brazil, and that was the pivot that we made down there. Your question around price [ph] in Consumer Brand (00:27:50), I remind you, it's price/mix. So there's also a mix element in there. You saw that the Europe piece was higher this year than the North America piece and the Latin America piece. There's a little bit of mix impact there and maybe a little bit of price/mix in Latin America. And thank you for the questions, Jeff.

Operator: Thank you. Our next question is coming from Christopher Parkinson with Wolfe Research. Your line is live.

Christopher Parkinson
Analyst, Wolfe Research LLC
Q

Hi. Thank you so much for taking my questions. Heidi, when we took a look at growth spend, one of your main competitors has allegedly been kind of laying off customers and obviously, some others have been facing a lot of challenges. Has that changed your calculus at all and how you're thinking about allocating growth spend between PSG and Consumer Brands? Is there anything there? Or has that kind of just been the status quo?

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

Well, Chris, let me start with laying off customers. I think you meant laying off employees, but we would not see...

Christopher Parkinson
Analyst, Wolfe Research LLC
Q

Yeah. Excuse me, yes.

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.

A

So, in that environment, I think I'm going to ask Al to jump in on a few of these items. I think there are a few things. There are unique dynamics here. Let me just take you to the view of a contractor in the middle of the paint selling season, the way that we approach things like pricing, the way that we approach conversations relative to tools to help our contractors be more productive. We're starting those conversations well ahead of the paint season, but we want to make sure that we're honoring that in the middle of that cycle. So, I think you are seeing some short-term pressures where customers and contractors are confused. We are seeing some layoffs relative to some of our competitors. And yes, you should expect that we're going to be extremely aggressive relative to customer acquisition in that environment.

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah. Chris, the only thing I would add to that is with Consumer Brands and the second half outlook on sales to be down to mid- to high-single-digits, we have to manage our expenses with the outlook. But again, we have a strategy. We're not going to cut our way to health and we're not going to cut our way to hurt long-term growth, but we are looking at opportunities there.

Within our Performance Coatings Group, I think one of the key things that they've been doing all along and they've done a really nice job is with demand environment being softer for longer, we're [ph] tuck-in (00:30:22) around the fifth year. They've done a really nice job controlling their costs and their field expenses without taking away from the customer differentiating things that we do, tech service reps and how we approach new account activity. They've been laser-focused on accelerating new account activity so that as demand does improve and it will improve, GI, Industrial Wood, Auto Refinish, they all will improve, we'll get our – more than our fair share of that market growth.

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

A

Thanks, Chris.

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

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my question. Congrats on the progress here. Congrats on the progress here. I guess, I just wanted to maybe if you could frame us on how to think about your future growth algorithm. So, it sounds like you are leaning into a lot of investments that will help you drive continued above market growth. Should we also kind of take away that you've made some comments about softer for longer. So, the housing market maybe will – should it settle into maybe a 1% to 3% growth rate and you could be maybe two times that? Or how should we think about your long-term volume opportunity? And do these investments kind of increase it from what it was in the past? Maybe it was 1.5 times to 2 times in the past, now we're squarely in the 2 times to 2.5 times range. Is that kind of the strategy and objective behind really leaning into these investments during this opportune time? Thanks.

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, Arun. I would say, we've been here before and go back to 2007, 2008, 2009, and we continue to invest when the industry lost 30% of its paint volume. And although we're in a different environment, what I would say is because demand has been pent up for longer with existing home sales down, now we're seeing a little bit of softness in new residential. So, the market opportunity is very similar. And coming out of that environment and look at 2010 to 2020, we grew Paint Stores Group sales low-double-digit percentage.

And as we talk about what our expectations are for growth in that algorithm coming out of we get interest rates to start moderating, we get affordability of homes to start moderating. And the position we have relative to our competitors, yeah, our expectation is higher that instead of 1.5 times to 2 times, we'd grow 2.5 times to 3 times in some cases with minimal high-single-digit growth. So, that – we've set the bar very high for our Paint Stores Group. And when we see demand start turning, the expectations are even going to be stronger then.

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

A

Thank you, Arun.

Operator: Thank you. Our next question is coming from Greg Melich with Evercore. Your line is live.

Gregory Scott Melich
Analyst, Evercore ISI

Q

Hi. Thanks. I'd love to follow up on the dynamics of volume and gross margins. So, clearly, the weakness continuing in architectural. I guess, what would gross margins have been if we managed to have volume be flat or up in the quarter? Can we think of that being 40 bps, 50 bps, 60 bps of relative pain?

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah. I think you're probably because of the way it flows out. So think about Paint Stores Group was down low-single-digit, Consumer volumes were down more than that. So, you have a little bit of mix. So, I'd be hesitant to go all the way to 60 basis points. But what you did see in the quarter to drive the incremental gross margin, which is we talked about in our opening remarks, up 60 basis points in a tough volume environment, 12th consecutive quarter due to the price increase effectiveness within Paint Stores. Paint Stores is growing faster than the other segments, which also at a higher margin. So that helps our gross margin. But with supply chain efficiencies due to the lower production volumes, because we need to manage our inventories tightly. We need to manage our inventories with our production volumes, with our sales volume and you'll see us do that through the second half. But that's also a drag on gross margin in the quarter.

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

A

Thanks, Greg.

Operator: Thank you. Our next question is coming from John Roberts with Mizuho. Your line is live.

John Roberts
Analyst, Mizuho Securities USA LLC

Q

Thank you. Where are the CapEx reductions coming from? And I think the new accelerated depreciation is retroactive back to the start of the year. Is there any meaningful benefit coming here from cash taxes?

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, John. So, we – just to level set, we took our CapEx down from $900 million to $730 million with the idea that we're going to continue completing our Statesville architectural capacity project. We're going to continue to work through our warehouse automation. And even Coil, we have a coil capacity expansion in process because of the confidence we have in our long-term growth. I think what we've had to do is slow down spending in some of our other areas that, yeah, they need to be done, we're going to do them, they just got pushed back. So, we're not canceling things. We're just moving things back as we reset cash with the demand environment.

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

A

Thank you, John.

Operator: Thank you. Our next question is coming from Patrick Cunningham with Citi. Your line is live.

Patrick Cunningham
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning. Thanks for taking my question. Resi repaint continues to have strong above market growth. I think there's a lot of debate on the direction of this market. Can you comment on how underlying backlogs and activity evolved throughout the balance of the quarter and into July? Thank you.

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.

A

Yeah. Good morning, Patrick. The sentiment among these contractors and obviously, there's some variability relative to size of these resi repaint contractors. But by and large, they would characterize the backlogs are stable and that there's work to be done. We are seeing some marginal increase in bid activity. But the caveat here is that, as you think about some of these projects, project size could be smaller, but we're working hard with these contractors to help them work, look leads, help them travel and find new opportunities, launching products to help them have more surface area once they're in a home and have more activity to bid on.

But by and large, we've gotten to a point of a bit of stability, but we need more volume here. I think we'd be remiss to say that we're happy with where the market is. We are happy that we continue to take share in this environment. But when the market recovers, we're going to absolutely be best positioned given the market share gains that we're seeing in the down cycle.

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

A

Thank you, Patrick.

Operator: Thank you. Our next question is coming from Ghansham Panjabi with Baird. Your line is live.

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

Q

Hey, guys. Good morning. Heidi, just given the current backdrop that you summarized in slide 8, is your base case at this point that the volume weakness you're seeing at an industry level is likely to spill over into at least the first part of 2026? And then on the flip side of that, as you think about your PSG verticals, which do you think would be the quickest to show any signs of improvement, if, in fact, long-duration interest rates correct lower?

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.

A

Well, I think it starts with – as you look by segment, obviously, the devil is in the details here. [ph] Res – we've (00:38:55) talked a bit about. I do want to hit on, as you think about our other segments here, commercial is a really good example, where the backlog of projects continues to be a challenge. I'm out with some our existing and some new large commercial contractors and the conversation is changing a bit is they're looking for true partners here that I would say now more than ever that we can help them look at their growth plans, bid activity becoming even more productive on job sites, that would be another big opportunity. As we talk about multi-family completions [ph] have been (00:39:31) down double digits year-over-year, we continue to be up low single digits, so taking share within that segment.

If I point to property maintenance, property management, interest rates still continue to be a challenge here, putting a lot of them on pause and we're continuing to stay really focused with these customers and these contractors. The overage of supply occupancy preservation efforts are still causing a bit of a reduction, but we're continuing to focus on share gains. So Al, if you want to [ph] chime in (00:40:01)?

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah. Ghansham, I think I'd say when you look at first half 2026, clearly, we're not going to guide to that, but you know we run our forecasting models. And I would just say our line of sight today in this dynamic, rapidly changing environment is less transparent than may be in a stable environment. And that seems obvious. But early indications would say that there is a continuation, and that's why we're paid to influence results and that's why we're taking action now with additional investments within Paint Stores Group to influence results in the first half. We don't have to be satisfied and aren't satisfied in the demand environment. So we're trying to do things about that to do better. So you can expect us to continue doing that.

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

A

Thank you, Ghansham

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

Michael Sison
Analyst, Wells Fargo Securities LLC

Q

Hey. Good morning. I wanted to visualize the market share gains a little bit better in Paint Stores Group. Your volumes were down low-single digits in 2Q. What do you think industry volumes were down in 2Q? And what do you think the outlook is for the full year? And then, Heidi, maybe longer term, what mortgage rate do you think we need to get to for industry volumes to turn the corner? I mean, would 6% help, 5%? Maybe there's some historical correlation you can walk us through.

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

A

Yeah, Mike, it's Jim. I think I'll start and maybe turn it to Al or Heidi for other comments. But as Heidi mentioned in her opening, I think if you look in the second quarter, you see that our new res business was up slightly. We've seen completions down in the quarter, very meaningfully. For us to be up, I think, tells you we've got to be outperforming our competitors. Same thing on Commercial, where you saw Commercial up slightly in the quarter, but you saw multifamily completions were down in the teens during the quarter. So I think that bodes very well for the share gains and we expect that trajectory to continue.

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.

A

And Mike, on your other question here relative to what would be the trigger. I think it's a mix of a few variables. Rates is obviously a huge piece of that, as I'm spending time with a lot of these builders, while they're anticipating a rate reduction, anything south of 6% is going to be seen as a positive. I would tell you that the general sentiment is while that's important, of equal importance is consumer confidence and affordability. So I think it's somewhere in the mix of those three things coming together that we are absolutely staying laser-focused on.

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

A

Thanks, Mike.

Operator: Thank you. Our next question is coming from Aleksey Yefremov with KeyBanc. Your line is live.

Aleksey Yefremov
Analyst, KeyBanc Capital Markets, Inc.

Q

Good morning. I wanted to ask you about new construction markets within PSG. I mean, you just mentioned outperformance in new commercial and [ph] you keep (00:43:19) outperforming in new residential as well. Do you expect to stay at roughly these levels of sales within these segments in the second half? Or could there be more pronounced deterioration sort of in line with the completions?

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

No. I think, Aleksey, what we've talked about with – coming out of our first quarter call, the commercial property maintenance and property maintenance was already under pressure because of CapEx projects and the higher interest rates. We really don't expect to see an inflection good or bad in property [ph] maintenance (00:43:56). It's just – it's bouncing along.

We talked about new res in our first quarter call, the same way, it just kind of bouncing along up or down a little bit. Clearly, with foot traffic and some of the reports you've seen it's [ph] getting (00:44:12) softer and that's what's driving our second half low single-digit volume decline in Paint Stores Group, offset by higher price. So it just feels like we're kind of in a not – we're not getting better, we're not getting worse in a number of these segments.

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

A

Thank you, Aleksey.

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

Joshua Spector
Analyst, UBS Securities LLC

Q

Yeah. Hey, good morning. I just had a few quick follow-ups just probably mostly for Al. First, on SG&A, when you're talking about low single-digit inflation, is that the adjusted basis that you talk about? So 2Q was 3.8% ex the items. Is that the right basis to compare against?

Second, when you talk about the one-time impacts in SG&A, how much do we get back in next year, maybe net of another quarter of the new building? And then third, the higher cost to bring the inventory down or the production overhang, are you able to size the second half EBIT impact from that? Thanks.

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, Josh, the 3.8% is adjusted SG&A less the impact of the new building. On the second half outlook, we talk about low single-digit SG&A that has the building into it. Think of the building as – you're right, we're going to have essentially two quarters of the new building, primarily – pretty evenly spread on SG&A between the third and fourth quarter, but that adds about 1.5% to our SG&A in the second half, which tells you that we're going to control SG&A tight on other – our other segments, in particular, our Admin segment.

And then when you look at our full year EPS guide, part of the reduction – part of that $0.50 reduction was due to lowering our production volumes in – really for the year, lowering our production volumes for the year, a low single-digit percentage to match up with that reduced architectural sales volume. And when I look at our gross profit reduction for the year, think of it 80-20, 80% of it's going to be sales volumes lower, partially offset by the better price effectiveness in Paint Stores Group and the rest of it is the unfavorable impact on our global supply chain.

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

A

Thank you, Josh.

Operator: Thank you. Our next question is coming from Chuck Cerankosky with Northcoast Research. Your line is live.

Chuck Cerankosky
Analyst, Northcoast Research Partners LLC

Q

Good morning, everyone. Could you talk about what role product pricing plays as Sherwin goes aftermarket share and volume growth across the various end markets, please?

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, Chuck, I think we have confidence in the value proposition that we provide our customers. So we do not approach new account activity on price alone. I think if you looked at the surveys, third-party surveys, not our surveys, painting contractors price is probably fourth or fifth on the list of importance when you talk about consistent quality, service, knowledge, our sales reps and our store employees. We are very knowledgeable and can help them not only on getting through projects, but also helping them utilize the tools and we have in our

PRO+ app to better run their business so that they can be more efficient at that and spend more time painting, which is where they make all their money. And really the differentiated solutions that Heidi talks about is really all about how do we help them make more money. And that's the driving factor behind our new account activity. And I could say that across all our PCG businesses, all our segments within Paint Stores Group and within our Consumer Brands Group.

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

Thank you, Chuck.

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

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC
Q

Yes, good morning and thank you very much. Heidi, I think you commented that you doubled the size of your previously announced restructuring program. I was wondering if you could elaborate on the magnitude and flow-through and sources of the savings there. For example, how much was achieved in the second quarter? And would you expect those savings to accelerate as we progress through the back half of the year?

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

Yeah, Kevin, obviously, the rationale of equal importance here and as we did expect a choppy environment coming into 2025, what we didn't expect is deterioration in some end markets. And so the absolute right thing to do is a function of our discipline was to go deeper on some of those costs. Al will give you a little bit more color into some of the areas.

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.
A

Yeah, Kevin, I think when you look at the $105 million, about 20% of that is in gross profit. Those are previously announced plant consolidations that will take a little longer to see the savings flow through the P&L, but you can expect as we get later this year and into the first half of next year, we'll start seeing the benefit of those. Obviously, the biggest increase is on SG&A. And we do expect to see annually about $80 million in savings related to the restructuring chart – restructuring activities that we have completed thus far. I think you'll start seeing a good portion of that in our second half and it'll annualize into 2026. And we'll continue to look for opportunities and levers as we monitor the demand environment.

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

[ph] So that'd be 1 of the 6 (00:50:43) – we talk about our 6 enterprise priorities very consistently with our 64,000 global employees. One of them, as you'll remember, is around simplification. And so where we have laid out road maps to everything from raw material to asset optimization. What you're seeing here is that, in effect, and essentially pulled forward. So, lot more work to be done in simplification, but some good progress by the team.

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

Thank you, Kevin.

Operator: Thank you. Our next question is coming from Duffy Fischer with Goldman Sachs. Your line is live.

Duffy Fischer
Analyst, Goldman Sachs & Co. LLC

Q

Yeah, good morning guys. Just question on the transfer accounting. Historically, you could get some wonky numbers when volumes differed from what you expected, I think you changed the way you accounted for that from [ph] CSB (00:51:35) into PSG a couple of years back. But this is the first time that we're going to stress that with a meaningful volume change. Would you expect the pain from the lower operating rates to be evenly distributed between the two segments? Or might we get kind of a disproportionate burden in [ph] CSB (00:51:54)?

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, Duffy, you're going to get in the short-term, meaning over the last two quarters of the year, that deficit, if you will, because of the lower production gallons will stay in our Consumer Brands Group and then we'll true up what the costs are in the – when we do the standards in January. And some of that will flow through Paint Stores Group, some of it will find its way in our Performance Coatings Group.

Because part of what we're trying to do, Duffy, is maintain the staffing we have at our factories and distribution centers similar to what we have done in the past with lower volumes, like when we were having trouble getting raw materials through our factories and product through our distribution centers, maintaining those head count because it's hard to – once you lose them, it's very hard to get them back. So, we're trying to do everything we can and trying to be creative to do different things to keep as many people as we can.

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

A

Thank you, Duffy.

Operator: Thank you. Our next question is coming from Mike Harrison with Seaport Research Partners. Your line is live.

Michael J. Harrison
Analyst, Seaport Research Partners

Q

Hi, good morning. A couple questions around raw materials and pricing. First of all, in terms of the deflation that you're expecting to see in the second half, can you give a little bit more detail on what specific raw material baskets might be improving? And are there any materials that you're kind of keeping an eye on?

And then on the pricing front, I'm just curious, if raws are coming lower and your competitors are worried about losing more market share, are you worried about competitors cutting price? I know you just said, pricing maybe is lower on the list of considerations, but is that something that could be a pricing dynamic that we need to keep in mind in the second half? Thank you.

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

A

Yeah, Mike, sure. I'll take the raws question. So, as we said earlier in the year, our initial guidance for the year was to be up low single digits and now we're changing that down to flat. We do expect to see some modest deflation in the back half of the year. I would say that is more around the petrochemical parts of our basket. Certainly, around solvents, we're seeing a little bit of relief, some of the resins as well. Where we're seeing pressure is around applicators, packaging, certain pigments, not so much TiO_2, but other pigments and extenders. That's really being driven by the tariffs. So, when you shake it all out, Mike, a little bit higher in the first half, a little bit lower in the back half, we come out with a flat for the year.

I think on the pricing, I'll see if Heidi or Al want to add to this, but as Heidi mentioned, we're seeing competitors actually do the opposite. We saw competitors with – in the quarter, a high single-digit price increase announced in heart of the paint selling season, which as you know, it can be highly disruptive. So, I think we're going to maintain our discipline. We don't necessarily – the game we play, not the game, but the way that we operate, certainly is on the value that we deliver and we price for that appropriately. Heidi, I don't know if you want to add anything to that.

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.

A

I think you said it really well. This was maybe at the beginning of some of the earlier businesses that was for sale competitively, and we focused on quality sales. We want – we don't want all the sales, we want quality sales. So when we look at price volume, you should expect that same discipline in the back half and going forward.

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

A

Thanks Mike.

Operator: Thank you. Our next question is coming from Garik Shmois with Loop Capital. Your line is live.

Garik Shmois
Analyst, Loop Capital Markets LLC

Q

Hi. Thank you. You called out unfavorable mix in Performance Coatings is the main impact on pricing in the quarter. I was wondering if you can expand on that in a little bit more detail. And was there any mix impacts in Consumer Brands as well driving the lower price?

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah, Garik, when you look at both of those businesses because of our maturity and scale in North America, typically, it is our higher gross margin type of businesses and the type of customers. So within PCG in North America, we have a large business, the small mid-sized accounts through our facility. So I think quick turnaround, custom color and higher gross margins. So when our North America does not grow as fast as some of the other regions in both segments, you get a negative mix shift. And that's quite honestly, what we saw in the quarter.

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

A

Thank you, Garik.

Operator: Thank you. Our next question is coming from Aron Ceccarelli with Berenberg. Your line is live.

Aron Ceccarelli
Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Q

Hello, good afternoon. Thanks for taking my question. Good morning. [ph] I should say (00:57:10) your Performance Coatings Group sales were flat but your adjusted segment margin was down 260 bps, and you mentioned increased cost to support sales. Perhaps can you expand a little bit on this? Is this relating to promotional activity to support sales. And on PCG again, I see that you kept your full year guidance stable for up or down low single-digit percentages. We saw this morning a competitors, ExxonMobil [ph] was also (00:57:43) downgrading guidance on volumes. I'm trying to understand what gives you confidence on the upper end of the guidance today considering that volumes probably have decreased a little bit at least in terms of outlook, while pricing doesn't seems more than 1%, let's say. Thank you.

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.

A

So, Aron, I'm going to start with your second question first and then I'll flip it over to Al on your question relative to the sales environment. What gives us a lot of confidence in holding full year guide is simply the team's focus on understanding that the core is not – the market is not going to help us, the core health of where markets are even globally are under pressure. The team's focus on two things are at the forefront of everything that we're doing. It's obviously market share gains, but a big focus on new business wins and conversions. And you'll see that across every of the divisions, a great leader [ph] called (00:58:42) Karl Jorgenrud of that business, a lot of discipline. And even in a volume constrained environment that they work with the high teens that we've committed to when we put more volume through that, we're very confident we're going to continue to expand our operating margins there.

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.

A

Yeah. Aron, when you look at the second quarter year-over-year decrease, obviously, the lower net sales, partially offset by good cost control that I mentioned earlier. We also had other non-operating expenses, which were significantly higher year-over-year. And so the decrease in segment profit and segment operating margin would have been down maybe 120 basis points due to the just – we had a gain on sale last year. You have FX losses this year that we didn't have last year. So those are kind of the drivers that are outside of just the mix that I talked about just a minute ago and the impact that had on our gross profit.

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

A

Thanks, Aron.

Operator: Thank you. Our next question is coming from [ph] Matt Dale with Bank of America (00:59:57). Your line is live.

Q

Good morning, everyone. Can we just dig in a little bit on the supply chain inefficiencies and why they maybe appear to be a bigger headwind this quarter? I mean, I was looking back, it seemed like that was maybe more of an area of investment in tailwinds. So what specifically arose in 2Q? And with that in mind, how should we think about the fixed cost leverage should some of these businesses kind of deteriorate as you said was possible in the guidance?

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.
A

Yeah, Matt, what you saw in the second quarter was we adjusted our production schedules to down to account for the lower sales volumes that we saw. And so when you look at our sites, we're probably 60% fixed, 40% variable. So you lose the absorption on the production gallons, it does have an impact, and it did so in our second quarter. But really, our second quarter impact in Consumer was more driven by the lower volume sales, not the impact on global supply chain.

If you look at the second half, we believe we have a good production plan. I talked about the reduction in our Consumer Brands outlook, primarily 80% of which is gross profit driven, 80% of that is lower volume sales, 20% of it is due to the global supply chain inefficiencies. And we're trying to build more flexibility into that organization. I think Colin and team have done a nice job of reducing their fixed costs. But we'll see. We'll see if it's – if the markets and demand deteriorates further, we have discipline on getting to the right inventory number by year-end, so we don't have an issue going into 2026. So it's hard to judge at the current time. I think we've been pretty realistic about volumes, but we'll have to – we're going to manage it as we go.

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

Thank you, [ph] Matt (01:02:21).

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

Laurence Alexander
Analyst, Jefferies LLC
Q

Good morning. Just very quickly, could you give a bit more detail on what you're seeing in Refinish? You mentioned kind of lapping the comps will help. But any sign of underlying improvement in consumer behavior on that front?

And secondly, on the productivity question earlier, could you just give us a sense for what the run rate will be at year-end? So what the net tailwind would be in 2026 from the cost measures this year? And as demand accelerates or as you see volumes come back, how quickly would CapEx need to come back to support a better environment?

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

Great. Laurence, I'll start on the Refinish question. We mentioned – and you said it well. The growth in new accounts, new business, continuing to drive record high installs to offset the core. I don't necessarily see any underlying health coming back within the industry itself. As you know, there's been a lot of challenges relative to some of the claim environment, higher insurance premiums, et cetera. That continues to be a headwind. But as I mentioned, this is an area where we are out demonstrating value every day. The market share gains, our ability to take and hold price and our Collision Core momentum, we continue to drive adoption there. So we're very confident, there's a lot of market share gain opportunity for us in that segment. Al, maybe if you want to touch on the productivity of Laurence's question.

Allen J. Mistysyn
Senior Vice President-Finance & Chief Financial Officer, The Sherwin-Williams Co.
A

Yeah, Laurence. The restructuring activities that have been completed to date should provide us about $80 million savings annually. We'll see a little bit less than half of that in our second half and then the rest we'll see in the first half next year. And then on your CapEx question, we're still going to target 2% of sales for CapEx. And the reason I have a lot of confidence in being able to maintain that is we've gotten ahead of some of the growth in packaging and the capacity expansion we completed in our Tournus, France factory, our Deeside factory, our Rochester, Pennsylvania factory. We're in the middle of expanding our Bowling Green factory for coil capacity expansion because of the confidence we have in our ability to continue to grow share in that business. And then also Statesville, I mentioned, continuing to build that out to handle the sales growth we expect to see in stores and in consumer. And then finally, warehouse automation will continue to build that out. So I think from a capacity standpoint, I feel pretty good that we have a little bit of a runway before we have to be thinking about another work center within another factory.

Heidi G. Petz
Chair, President and Chief Executive Officer, The Sherwin-Williams Co.
A

And one last piece, Laurence, to leave you with on this. Al said this earlier, and I think it's really worth underscoring is this notion of discipline. So discipline when things are good, but also discipline in a challenging environment. And as we've said earlier, this is not an environment for incrementalism. This is truly an opportunity for step change in our industry. I also want to take a moment and just thank our 64,000 global employees who are out there on the front lines every day, partnering with our customers, our contractors to help them win. We couldn't do it without them. So I appreciate your questions.

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

Thanks Laurence.

Operator: Thank you. As we have reached the end of our question-and-answer session, I'd like to turn the call back over to Mr. Jim Jaye for closing remarks.

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

And I [ph] totally (01:06:26) agree with Heidi's comment about thanking our employees for all their hard work. As we outlined today, we're operating in a softer for longer environment and we're also operating in this rapidly changing competitive environment that's giving us the unprecedented opportunity that we've talked about. As you would expect, we are responding as these things are unfolding in real time and we're responding with urgency and discipline.

We've got great confidence in what we're doing, and we know that's going to drive outsized market growth over time, as Al talked about on the call. At the same time, we're going to be very aggressive controlling that G&A. We've doubled our initiative for this year, and you can expect us to continue to operate with discipline there. So we see this as a time to really differentiate ourselves with our customers in particular. Nobody is better positioned than we are. We feel very good about what we're doing and appreciate your confidence in us and your support for Sherwin-Williams. We'll be available for your follow-ups and thank you very much.

Operator: Thank you, ladies and gentlemen. This concludes today's conference, and you may disconnect your lines at this time, and we thank you for your participation.