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The Sherwin-Williams Co. (SHW)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for joining The Sherwin-Williams Company's review of the Third Quarter 2025 Results and our Outlook for the Full Year of 2025. With us on today's call are Heidi Petz, 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 2 hours after this conference call concludes.

This conference call will include certain forward-looking statements, as defined under the US federal securities laws with respect to sales, earnings and other matters. Any forward-looking statement speaks only as of the date on which such statement is made, and the company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. A full declaration regarding forward-looking statements is provided in the company's earnings release transmitted earlier this morning.

After the company's prepared remarks, we will open this session to questions.

I'll now turn the call over to Jim Jaye.

James R. Jaye

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

Thank you, and good morning to everyone. Sherwin-Williams delivered solid third quarter results as we continued to execute our strategy in a demand environment that remains softer for longer, as we have previously described. Throughout the quarter, we continued to serve our customers, invest for success, control our costs, take advantage of a unique competitive environment, and execute on our enterprise priorities.

On a year-over-year basis, consolidated sales increased at the high-end of our guided range. Paint Stores Group and Consumer Brands Group exceeded expectations, and Performance Coatings Group was in line. Gross margin and gross profit dollars expanded.

SG&A growth in the quarter moderated to the low-single-digit percentage level we expected, driven by ongoing control of general and administrative expenses and inclusive of restructuring costs and new building costs. We remain on track for our original guidance of a low-single-digit percentage increase in SG&A for the full year, including our targeted growth investments.

Adjusted EBITDA margin expanded 60 basis points to 21.4% and adjusted diluted earnings per share grew by 6.5%. We also returned \$864 million to shareholders through shared repurchases and dividends.

Let me now turn it over to Heidi, who will provide some additional color on the third 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. Let me begin by thanking our employees for delivering a solid quarter as we continue to navigate a very choppy demand environment across every one of our end markets. Our strategy continues to resonate with professional painting contractors and manufacturers, who now more than ever are looking for partners that can provide them with predictability and reliability.

Sherwin-Williams provides customers with differentiated solutions that makes them more productive and profitable. This is even more valuable at a time when competitive offerings are inconsistent. We know what works, and we're investing in it while continuing to assess, adapt, and control what we can control. We remain confident our approach is the right one to continue winning near-term, and it leaves us well positioned for when the demand cycle eventually turns.

Let me now provide some color on our third quarter segment performance. Sales in Paint Stores Group increased by a mid-single-digit percentage, with price/mix up at the high-end of low-single digits and volume up low-single digits. This solid top line performance is not due to any market improvement in demand, but rather clear evidence that our growth investments are delivering a return. Given the market data we track, we believe we outperformed the market in all segments that we serve.

Protective and marine increased by low-double digits. This was the fifth straight quarter we've delivered high-single-digit growth or better in this end market. In residential repaint, sales again grew by mid-single digits. We have grown this business by at least this level in every quarter since the start of 2022, a period during which existing home sales have been negative almost every month.

We also outperformed in commercial, where sales were up mid-single digits in a quarter where multifamily completions were down double digits for the two months of available data. Our systematic approach to capturing new opportunities in this segment created by recent competitive actions is working.

In new residential, sales increased by low-single digits in a quarter when single-family completions were down slightly for the two months of available data. Property maintenance and DIY sales both increased by low-single-digit percentages.

Exterior sales were slightly better than interior sales, and both were up mid-single digits. We opened 23 net new stores in the quarter and 61 year-to-date, which is ahead of last year's pace. We've also added a commensurate number of sales reps to serve new accounts and customers through these stores.

Even as we continue to make these growth investments, we continued to drive profitability. Segment profit in the quarter grew by a mid-single-digit percentage and segment margin increased by 40 basis points. With segment gross margin being flattish, this increase reflects leverage on SG&A, with over 30% incremental margin on low-single-digit volume growth.

Moving on to Consumer Brands Group, sales beat our expectations with price/mix up low-single digits, volume down mid-single digits, and FX a slight headwind. Sales reflect continued softness in North America DIY and unfavorable FX in Latin America, partially offset by growth in Europe. Adjusted segment margin increased primarily due to a favorable product mix shift and good cost control, partially offset by supply chain inefficiencies from lower production volumes. Severance and other restructuring expenses also reduced segment margin by 85 basis points.

We're also very pleased to have closed on the Suvinil acquisition earlier this month, and I want to take this opportunity to officially welcome this highly talented team to Sherwin-Williams. This business is an outstanding

addition to the Consumer Brands Group Latin America portfolio, and we're excited by the many profitable growth opportunities ahead for our combined offerings.

Additionally, we continued our channel optimization efforts in this region during the quarter, closing eight net Sherwin-Williams stores and shifting that volume into selected qualified dealers. In Performance Coatings Group, sales were in line with expectations. Volume, acquisitions and FX, all increased by low-single-digit percentages, but were partially offset by unfavorable price/mix.

Regionally, segment growth in Europe and North America was partially offset by decreases in Latin America and Asia. From a division perspective, packaging remained our strongest performer with double-digit growth, inclusive of an acquisition. We're also pleased with mid-single-digit growth in Auto Refinish, inclusive of high-single-digit growth in North America. This growth was driven by share gains that more than offset continued lower insurance claims. Sales in coil, industrial wood and general industrial, all decreased by low-single-digit percentages.

PCG's segment profit and margin decreased due to lower gross margin, primarily from unfavorable product and region sales mix and higher costs to support sales. Severance and other restructuring expenses also reduced segment margin by 30 basis points.

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 low-double-digit percentage in the quarter.

Before moving on to our outlook, I want to address a topic that some of you have asked about, and that was our very difficult decision to temporarily pause the company matching contribution to our 401(k) benefit plan effective October 1. I want to be very clear, this was not a decision made lightly, nor was it made without deep appreciation for its impact on our people. It was a decision made after implementing a number of cost-saving initiatives and completing significant restructuring actions, all at a time when we have and continue to face a period of prolonged demand and macroeconomic uncertainty.

Our goal was to preserve as many jobs as possible in the near term, while also protecting the company with targeted customer-facing investments at a time of unprecedented competitive opportunity. Our goal is to reinstate the match as soon as possible, just as we have done successfully in the past. We are focused on delivering the performance that enables us to do so, while also building long-term value for all of our stakeholders.

With that, let me move on to our outlook for the remainder of this year, along with some initial considerations related to 2026. The slide deck issued with this morning's press release provides specific sales guidance for the fourth quarter, which reflects our normal seasonality. This sales guidance includes the Suvinil acquisition, which we expect will increase the company's consolidated sales by a low-single-digit percentage in the quarter, with an immaterial negative impact to diluted earnings per share given transaction closing costs and purchase accounting items.

Given our third quarter sales performance and the addition of Suvinil, we are updating our full-year 2025 sales guidance to be up by a low-single-digit percentage versus 2024. Our second half EPS is in line with what we were expecting in July, excluding the immaterial headwind of Suvinil. We are narrowing our earnings outlook and now expect adjusted diluted net income per share to be in the range of \$11.25 to \$11.45 per share, with the prior midpoint of \$11.35 remaining unchanged.

Additionally, we remain on track to open 80 to 100 North America paint stores for the year. We will also continue to manage production and inventory closely over the rest of the year, on pace with customer demand. We remain laser-focused on our strategy of driving our customers' success.

As far as 2026, our teams have begun working through our annual operating plan process. We'll provide you with a more definitive outlook in January, as we typically do, but at this time we can provide some initial expectations that may be helpful.

From a demand perspective, it appears that a very challenging environment will persist through the first half of the year and most likely beyond that. In other words, softer for longer and continued choppiness across most end markets. The leading indicators we track point to minimal positive catalysts at this time. We will continue to focus on our new account and share of wallet initiatives and driving continued returns on the growth investments we have made.

Our initial view of raw material costs is that they will be up low-single digits, inclusive of tariffs, with varying costs for individual commodities. We also expect other parts of the cost basket to inflate, particularly health care, which will increase by a low-double-digit percentage, and wages, which we expect to increase by a low-single-digit percentage.

We also expect to continue investing in growth initiatives, including stores and reps, to win new business and support existing customers and strategic retail partners, as the competitive environment continues to inflect in our favor. We will continue to counter cost headwinds through efficiency and simplification initiatives and disciplined pricing actions. Specifically, we have announced a 7% price increase in Paint Stores Group effective January 1, along with targeted increases in our other segments. Effectiveness in Paint Stores should be in our typical historical range, but likely will be tempered by market dynamics and segment mix.

We will continue to be very aggressive in growing the business and in controlling general and administrative expenses, though we do not see a reason to be heroic in our initial guidance. We expect interest expense will be higher given our new headquarters financing arrangement and the refinancing of debt at higher rates earlier this year.

We remain on track with the restructuring initiatives we've previously called out, and we expect a total benefit in 2025 of approximately \$40 million in savings. We expect our actions to result in savings of approximately \$80 million on a full-year basis going forward.

On a very exciting note, we've begun the moves into our new headquarters and R&D center in Cleveland, and we expect the process to be completed in the spring. As a result, we anticipate our CapEx returning to our more typical range of around 2% of sales next year. These new world-class facilities are investments in our people and our customers that we are certain will deliver strong return, and there will be multiple chances for you to come visit in the coming year. All-in, including our new and current buildings, we would expect a modest cost headwind next year. We will provide more details on our January call.

2025 is not over and we know we still have work to do. You should expect us to continue acting with discipline and urgency during the remainder of the year. Beyond that, we expect the demand environment to remain soft well into 2026. We are not immune from these persistent, challenging market conditions, which leads us to focus even more intensely on differentiated solutions that help our customers become more productive and profitable.

With our Success by Design mindset and a deeply experienced team, we see this as a great time to continue demonstrating what makes Sherwin-Williams so unique and outperform the market, and that's exactly what we plan to do.

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

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.

Ghansham Panjabi

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

Q

Thank you, operator. Good morning, everybody. Heidi, could you just give us a bit more color on the 7% price increase for Paint Stores Group? How did you come about that number? I mean, raw materials, looks like they're going to be flat this year, up low-single digits next year. I know you have wage increases, et cetera, but the demand environment seems pretty tepid. So how do we get to this 7%, which is, I think, the highest since the COVID inflation spike?

Heidi G. Petz

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

A

Yeah. Good morning, Ghansham, I'm going to hand it to AI here in a moment, but let me start with this is more about our pricing philosophy in general. You and I've had this discussion. When we need to go to the market, our customers understand that we need to go to the market. And so we work the entire year before that that to make sure that we're demonstrating value and earning the right to do that so we can continue to make the investments that I referred to in my earlier remarks. But I'll let AI give you a little bit of color on why the 7%.

Allen J. Mistysyn

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

A

Yeah. Ghansham, [indiscernible] (00:17:21). How we got to the 7% is it's really driving – it's because of higher year-over-year increases. You talk about our initial view of raw material costs being up low-single digits as compared to being flattish in the current year, and the other cost basket increases. But I think what I would like to also add to that is, Heidi mentioned in her opening remarks about the effectiveness being in our typical range but being tempered by market dynamics and segment mix.

As you said, we're going to – in this environment, a slow growth, choppy demand environment, we're going to be very aggressive in growing the business with new account growth and share of wallet. And why is that important to us is because when we look – as I talked about a year ago on this similar call, we look at price/mix as one bucket and we report on that metric quarterly. And we've got a number of pro-architectural segments that perform at varying levels. And as an example, in our third quarter, we saw commercial property maintenance, new residential improve and perform better.

They have similar operating margins, but they do dilute the price/mix realization. And if you look at our third quarter price/mix realization, it was up – at the upper end of the low-single digits, which was compared to a mid-

single-digit percentage in the second quarter. And as said before, we're focused on growing operating margin. In the third quarter, our net sales and volume growth was better in the third quarter than we expected.

So even though we have flattish gross margin, we experienced SG&A leverage, we grew our operating margin and saw strong incremental margins of 30-plus percent on that low-single-digit volume gain. So my point here is it's a balance. We are going to go strong after volume. We're going to come out of the other end of the price increase with our customers, but we're going to balance both.

James R. Jaye

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

Thank you, Ghansham.

Ghansham Panjabi

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

Thank you.

Operator: Thank you. Your next question is coming from Jeff Zekauskas from JPMorgan. Your line is live.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Thanks very much. 30-year mortgage rates have come down. I think they're about 6.4% now. Where do you think those rates need to go to really catalyze demand in the Paint Stores Group?

Allen J. Mistysyn

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

Yeah. Jeff, I think I can go back because it sticks out in my head where mortgage rates dipped to around 6% in October of last year, we saw a nice bump in applications. And so I think when you look at the pent-up demand and depending on what number you look at and how long it's been with existing home turnover being flat, down and now it's starting to turn, there's a lot of pent-up demand.

So when we get towards 6%, and certainly we've seen the 10-year dip below 4% for a day, which was exciting, but I think the around 6% or a little bit below should drive stronger existing home turnover since the homebuilders have been paying down the rate to get more people and more traffic into their homes already.

Heidi G. Petz

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

Jeff, one piece I think I would add to that too. 6% seems to be the magic number, but we spent a lot of time with our national and regional homebuilders. And not a surprise, I think everybody is squarely focused on affordability. And while they're trying to reduce upfront construction costs, redesigning floor plans, even looking at lot sizes and the actual product, the biggest impact is obviously affordability. Rates will certainly have an impact. So we are all hoping that the Fed makes some shifts here in the future.

James R. Jaye

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

Thank you, Jeff.

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

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, and good morning. Heidi and Al, I wanted to ask on the investment spending. We're a bit more than two years into it. I think we can all look and see the positive results that are coming from it in terms of market share gains and how it's manifesting itself in your volume results. I think what's less clear to us from the outside is just how you define the efficiency of the spend. And you can look at it both ways. You can say, could you get the same results spending less or could you get better results if you were spending more?

And so I think it would be helpful if you could just sort of talk to a little bit of a look-back analysis on this as we're a little bit more than two years in. And what defines and what helps you understand what the right level of spend is and what causes you to add more or presumably you've pulled back at the same time in other areas where you haven't seen the effectiveness? So, some detail there would be helpful.

Likewise, as we look into 2026, if we don't get the help from the Fed that we all want and things remain choppy, what causes you to continue to make the incremental investments? Thank you.

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

A

Yeah, Vincent, I think it always starts and ends with how we get a return for the investments we make. We have a very disciplined process around new store adds, rep adds, and we look for stores on what's the time to get to, I think, a steady-state profit and how long that is. And that gives us some idea, are we in a saturated market or not. And I would tell you that each of the stores we add, including in our densest markets, get to profitability faster as we continue to invest in our least dense markets.

For our reps, we look at residential repaint in the mid-single-digit growth we've had in residential repaint through this year through most of last year. And we look at the investments we made in the second half of 2023, we can look by territory, by sales growth, by margin growth, and I would tell you without a doubt that we are getting a return on those investments, and what dictates how fast or slow you go, and this has been very consistent over many years.

We put a plan in place, 80 to 100 stores, similar or a little bit higher number of reps. We look at our performance through the first half, we look at our outlook for the second half, and if we think sales are going to be stronger, if we think our gross margin is going to be stronger than we had planned, we are willing and able to invest heavier typically on the rep side, it's a little harder to invest more on the store side, but typically on the rep side, and they're more focused on res repaint. And again, we look very, very tactically and look at each of those reps and see what kind of return they're getting.

But a ton of confidence that we are getting a return for those based on the sales performance we're seeing in a very difficult, I would argue, down market in res repaint.

Heidi G. Petz

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

A

And it's a huge testament to our team. They're out every day belly-to-belly with these customers. And while the market may have gotten kind of worse in some pockets here, I think AI makes a great point on res repaint. We continue to outperform in what I would also consider a highly unprecedented competitive environment. So in that two-year span, Vincent, obviously, as you well know, there's a lot of gallons up for grabs and we're going to be relentless to grab them.

James R. Jaye

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

A

Thank you, Vincent.

Operator: Thank you. [Operator Instructions] Your next question is coming from John McNulty from BMO Capital Markets. Your line is live.

John P. McNulty

Analyst, BMO Capital Markets Corp.

Q

Yeah. Good morning. Thanks for taking my question. Maybe an early one on Suvinil. Can you help us to think about some of the actions that you plan on taking there? How to think about maybe some of the opportunities around synergies and where we might be looking at the profitability levels as we look to 2026? Thank you.

Heidi G. Petz

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

A

Yeah. Good morning, John. I'll start and then hand it over to AI to talk a bit about kind of further out as we think about profitability. But I'm thrilled, I'm beyond excited on this acquisition. I'm going to be out with our team in Brazil here shortly, of course, getting in front of some customers. Really proud of the team's joint effort and their laser focus on business continuity, where we can create more value together as two great companies. So a lot of opportunity both commercially and operationally.

It's early days. The teams are just getting started. I wish I had all the answers laid out, but I can tell you we've got the right people, the right leaders that are going to help us to realize that value at an accelerated rate.

Allen J. Mistysyn

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

A

Yeah, John, let me just start impact on the fourth quarter. Suvinil will increase consolidated sales a low-single-digit percentage. It increases our Consumer Brands sales a low-20s percentage. Heidi talked about an immaterial headwind in the fourth quarter predominantly due to onetime transaction costs and inventory step-up. We'd be accretive in the quarter, slightly accretive in the fourth quarter.

As you look out, and we'll give you more detail on our January call, but as you recall, we talked about a \$525 million business, mid-teens EBITDA. And I would expect, as we implement our systems, tools and processes and realize the synergies across both organizations because, as you recall, we talked about being somewhat of a reverse integration. We'd expect to see that growth into the high-teens, low-20s over a mid-term period of time.

James R. Jaye

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

A

Thank you, John.

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

Aleksey Yefremov

Analyst, KeyBanc Capital Markets, Inc.

Thanks. Good morning, everyone. Heidi, I wanted to ask you about your comments on the second half of next year. I realize it's pretty far away, but are you seeing anything specific to sound maybe a little less hopeful about recovery? Or is this just looking at current trends and being conservative?

Heidi G. Petz

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

Yeah. I think it's more a function of our current sight line, given how far out we can see relative to backlogs, overall pipeline of the business is honestly more of the comments there. But I will go back to the statements regarding we are not yet seeing consistent data points that are really telling a story that there's this catalyst coming anytime soon. So I don't believe it's conservatism. I think it's pragmatism. But I can assure you, if the market rebounds faster, we will be prepared for it.

James R. Jaye

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

Thank you, Aleksey.

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

James R. Jaye

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

Duffy?

Operator: And once again, your next question is coming from Duffy Fischer. Your line is live.

James R. Jaye

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

You might be on mute, Duffy. Why don't we move on? We'll come back to Duffy later.

Operator: Certainly. Your next question is coming from Mike Harrison from Seaport Research Partners. Your line is live.

Michael J. Harrison

Analyst, Seaport Research Partners

Hi. Good morning. I was wondering, kind of piggybacking on the last question, if you could give some more detail on what you're hearing from your contractor customers about their backlogs and about visibility over the next three to six months. And I'm just curious, within Paint Stores Group, what sub-markets are your contractors sounding maybe a little bit more confident? And what sub-markets are giving you a more cautious outlook?

Heidi G. Petz

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

A

Yes. Good morning, Mike. I'll start. Let me – I'll point to the commercial segment. Within that includes the multifamily starts. Again, you're seeing a continued outperformance here for the company. We are seeing some improvement on starts, but I would tell you that we're looking more for trends and a sustained view of some of those positive signals. So we need to see more of that. This also comes over some soft comps over the last two years.

Our sight line in this area is more like 9 to 12 months. And so when that does start to pick up, it would likely be late back half, if not early 2027. Some of that movement is accounted for in our current commercial outlook.

Any additional comments, AI, you would like to share? Okay.

James R. Jaye

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

A

Thank you, Mike.

Operator: Thank you. Your next question is coming from Matthew DeYoe from Bank of America. Your line is live.

Matthew DeYoe

Analyst, BofA Securities, Inc.

Q

Good morning. Can we just flesh out briefly the 4Q implied guidance and the deceleration in year-over-year growth? Is that just because it's harder to grow a seasonally weaker quarter? Is there a regional mix issue there? Or is there anything else that might point to higher cost of decel?

Allen J. Mistysyn

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

A

No, Mike (sic) [Matt] (00:31:38). I think when you look at our fourth quarter sales guide or consolidated is expected to be up low-to-mid. And Paint Stores grew above low-to-mid. I think we saw – we beat our third quarter forecast for stores on the back of better exterior gallon sales. I'd say our fourth quarter is sequentially smaller and exterior is really going to be dependent, as we've talked about in the past, of Southeast and Southwest and how those pan out. I don't think we're expecting anything dramatically changed. It's more of the same across each of the other segments within stores.

I think consumer is a similar kind of outlook including – or excluding SuviniL. And then our PCG group has been in line with our second half guide. So I don't think there's anything to read into that other than exterior being stronger, both in stores and in consumer in our third quarter, and then we'll see how that pans out in our fourth quarter.

James R. Jaye

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

A

Thanks, Matt.

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. Nice quarter. Your pricing capture this year has been better or higher than in the past. What do you think pricing capture would be in 2026 and going forward? And do you think it's structurally better than you've had historically?

Allen J. Mistysyn

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

A

Yeah. Mike, I think I'll just touch on 2026. Going further than 2026 in this environment, it's a little hard to see. We've talked about market dynamics and going out with a higher rate to cover the higher costs that we're experiencing. But in this softer-for-longer demand environment and the dynamics in the market with our competitors and some of the actions they've taken, we've talked openly about this on each of our calls this year. We're just going to be very aggressive on gallons and balance the gallon growth with the price increase effectiveness.

And what I talked about earlier is what we report on with price/mix as one bucket can be impacted by changes in segment sales like we saw in our third quarter. So if you look at our third quarter versus our second quarter, we said price/mix was up low-single digits. We said on our second quarter, it was up mid-single digits. The price effectiveness itself is similar quarter-to-quarter, but we had better performance in commercial new res and property maintenance. And that's what kind of tempered the effectiveness of that price/mix bucket.

James R. Jaye

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

A

Thanks, Mike.

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

John Roberts

Analyst, Mizuho Securities USA LLC

Q

Yeah. Thank you. Could you talk about where you think industry gallons are down in the US by sub-segment? Just in buckets here, which sub-segments are down low-single-digit percent gallons against for the industry mid-single digit? And are any of the sub-segments down high-single digit in your opinion?

James R. Jaye

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

A

Yeah. John, this is Jim. I think this is another year where gallons – obviously, we're not through the year, but I think the gallons this year are likely going to be down again, which is what we've seen since we've come out of COVID. I'm not going to get into the specifics by end markets, I would say. But if you look at the different signals that we look at, for example, existing home sales, the starts on single-family, some of the property maintenance, which has remained in neutral, I think you can say that gallons are probably challenged across most of our end markets.

I think the good takeaway is, as Heidi said in her prepared remarks, we're outperforming in all of those, which is our North Star, right, at above-market performance. So it's further evidence of the investments we've made, delivering a return. And even in a down market, we've been able to grow our volumes.

Thank you, John.

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

Thanks for taking my question. Maybe I could get like a little bit of an early read on next year. You do have some share gains coming to you. You've announced the price increase. So in Paint Stores Group, I know you've also signed up some exclusive new contracts. So do you think a mid-single-digit comp is reasonable? Or should we push maybe to high-single-digits, given that 7% price increase? Thanks.

Heidi G. Petz

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

A

Well, I'll start with what we just covered on the last question, which is we don't expect any help from the market whatsoever anytime soon. We do hold ourselves to higher expectation, as you should expect as well. We don't often hold a yardstick based on what's happening in the competitive landscape where we really push ourselves. We talk about what's possible often in our organization and really push to think differently and think outside of the box.

So when I think about this environment, our ability to go demonstrate value with these contractors and gain some exclusivity, I think, is a testament to our differentiation on display. In this environment, these contractors in the stores are looking for predictability and reliability to partner, and that's exactly what we're setting out to accomplish.

Allen J. Mistysyn

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

A

Arun, the only thing I would add to that is, as we have typically done, we're headed into our 2026 operating plan process where we sit down with each of the divisions and the field sales organizations and field sales teams to talk about what's happening in their individual markets and by segment.

And it gives us a much better idea of the trends that we expect. They'll be having conversations with their customers on the price increase, and we'll see how those are progressing and that will give us a clear picture on what to expect on the full year when we look at sales volume. And we certainly will give you an update on that in January.

Heidi G. Petz

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

A

We're going to continue taking share, but we're not immune from what's happening in the market.

James R. Jaye

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

A

Thank you, Arun.

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

Patrick Cunningham

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning. Maybe just a question on Performance Coatings. Can you help square the negative operating leverage despite the positive sales? Maybe just some color around the mix drag and higher costs there. And then it seems like you're pretty firmly guiding for low-single-digit growth across that segment for 4Q. Should we expect similar margin declines with some of these similar mix dynamics? Just any sort of framework there would be helpful.

Allen J. Mistysyn

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

A

Yeah, Patrick. On the adjusted segment margin, we talk about unfavorable mix by region and by business. We look at North America, which is our most mature market, and our sales were only up low-single-digits. And when you look at Europe, which we have grown quite a bit through acquisitions, and we were up a high-single-digit at a differing operating margin performance along with Latin America being down, which is typically a better market for us. So those combinations drove that our gross margin down, drove the profit margin down and offset by higher volumes.

I think looking at our fourth quarter, my expectation is we're planning to see some moderation in that mix, unfavorable mix. We're looking at – I expect to see some gross margin expansion due to sales volume. I think as we continue to maintain good cost control, and that team has done a terrific job all year controlling their costs, I'd expect to see some leverage on SG&A and segment profit margin improving in our fourth quarter. And we'll see how it goes into 2026. And again, we're going through the planning process now, and we'll give you an update on 2026 in January.

Heidi G. Petz

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

A

We don't see any strong catalyst for market recovery, but we're not waiting for that either. I think there's some really good bright spots to point to. We mentioned in my prepared remarks, I'd point to Auto Refinish as a great example being up mid-single digits. And we are confidently taking market share, especially in North America where we're up high-single digits. I would point to certainly the direct business, but our branches continue to demonstrate value.

The large A shops are improving. The larger shops – some of the small and medium shops continue to see declines, but we are being very bullish right now, making sure that our Collision Core continues to build momentum. Adoption continues to grow, very proud of the team's efforts there. There are a number of different examples to point to across the portfolio. But just to reinforce Al's point, a lot of confidence in the team's focus on both growing volume and significant cost control.

Patrick Cunningham

Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

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

Joshua Spector

Analyst, UBS Securities LLC

Q

Yeah. Hi. Good morning. This might be redundant, but I'll try again here around Paint Store volumes. I guess, if we look at the first half, your organic volumes in same-store sales down maybe 3% to 4% depending on where you landed on pricing. Your second half guide is closer to flat, maybe plus or minus 50 basis points on the volume side.

So as we think about a lower-for-longer environment and maybe some acceleration in share gains in commercial and multifamily, should we be thinking about a flattish volume environment for 2026 as the base case? Or would you go back to what we might have thought a quarter ago, which is maybe down low-single digits?

Allen J. Mistysyn

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

A

Yeah. Josh, I don't want to give you a firm outlook today for 2026. But from quarter-to-quarter or half-to-half, you look at how like in our third quarter exterior sales performed better than it did in the first half, which gives us a little bit of tailwind on volume. So when we look at our forecasting models, depending on the timing of how commercial comes in, is property maintenance CapEx is going to come back or still stay soft. You're looking up or down low-single digits.

And I think initially in our first consideration is starting there and then working with our teams to see how we can accelerate the share gains, both the new account activity and share of wallet, and see how we can build those in to get to a sustainable up low-single-digit volumes with all the good actions they've taken as a team to control their G&A costs while still putting in stores, still putting in reps.

We have 95 more reps year-over-year, our stores year-over-year. We have over 110 more reps year-over-year and their SG&A, we got leverage in SG&A in the third quarter. So I think there's a combination of things that we're looking at. But segment-by-segment, we'll look at and see where we end up. But initially, right now, it's probably up or down low-single digits until we get a better line of sight coming out of the year.

James R. Jaye

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

A

Thanks, Josh.

Operator: Thank you. Your next question is coming from David Begleiter from Deutsche Bank. Your line is live.

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning. Heidi, just on your price increase, given the challenges we're seeing now at Pittsburgh Paint, why wouldn't you not raise prices next year just to apply maximum pressure on Pittsburgh Paint and really step on their neck while they are down? And sorry to be so graphic. Thank you.

Heidi G. Petz

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

A

That was very graphic. David, I'll go back to a comment I made earlier and completely this guides how we're thinking about the current operating environment, which is about balancing gallon growth with price increase effectiveness. We are going to be extremely aggressive on volume. I mentioned there's a lot of gallons up for grabs. We need to go earn that. It doesn't just come our way naturally. The team is out there across the Paint Stores organization, every store manager, assistant manager, our reps, they're fighting tooth and nail every day to make this happen, and I'm very proud of the team's achievement that allows us to kind of beat the market.

But it is a balance. And I think what you'll find, as we've always done historically, when we come out with price, we want to do it the right way. We want to get out in front of our customers, give them time to plan, get ahead of the bidding season. We don't want our customers start absorbing this and helping them to pass that along. But the timing of the increase is of strategic importance, but we're going to be extremely aggressive on volume. So if there's a way to thread the needle, it is going to be a little bit of art and science to balance the two.

Allen J. Mistysyn

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

A

And David, I'd just add. I appreciate the comment on PPC. But we have a disciplined approach to how we look at pricing, how we approach our strategy. And we just aren't going to react to each competitor's actions in the market that we can't control. We've done very well. We've been very successful on managing what we can manage and sticking to the things that we know how to do. So we're going to stick with that. It's been a successful formula for us and it's going to be going forward.

James R. Jaye

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

A

Thanks, David.

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

James R. Jaye

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

A

You might be on mute, Kevin?

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Oh. Sorry, can you hear me okay?

Heidi G. Petz

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

A

Yeah.

James R. Jaye

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

A

Yes, we can.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Sorry about that. Do you have any price increases on the table that you would care to call out for Consumer Brands or across the Performance Coatings Group? Just trying to get a sense of whether there might be a potential for any price acceleration on those platforms relative to the 7% that you called out for Paint Stores?

Allen J. Mistysyn

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

Yeah, Kevin, based on the overall cost basket dynamics and increasing, we have targeted price increases across each of the businesses in each of the regions to help offset that and keep moving us forward.

Heidi G. Petz

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

And to move forward by investing in our customers' success. And so it's going to be incumbent that we get that accomplished.

James R. Jaye

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

Thanks, Kevin. Matthew?

Operator: Apologies for the delay. Your next question is coming from Chris Parkinson from Wolfe Research. Your line is live.

Chris Parkinson

Analyst, Wolfe Research LLC

Great. Thank you so much. Understanding there are a lot of moving parts heading into 2026. So when we think of all the dynamics between price/cost and manufacturing, is there a scenario, AI, for which you see Sherwin consistently being at or above 50% gross margin, absent any material volume recovery? Have those dynamics or puts and takes really changed since last year's Analyst Day? Thank you so much.

Allen J. Mistysyn

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

Yeah, Chris, can we sustain 50% gross margin implies volume growth. And like we talked about, there's going to be chopiness across each of the segments, each of the businesses and regions. And one thing I will say is, I believe Paint Stores Group will grow faster, excluding Suvinil acquisition, but will grow faster than the other segments over the next year over the midterm at a higher gross margin that helps drive an overall consolidated gross margin improvement.

We did experience a headwind in our supply chain this year because of the lower production volumes. And I would say that the global supply chain team has done a really terrific job trying to offset these low- to mid-single-digit production gallon decreases by controlling their costs and being really creative on how we control our costs.

So we're not losing people because we are confident in our strategy. We're confident that that volume will return. And we want our people there when it does return and we bring hours back and we fill our factories back up to a more efficient capacity utilization. So I don't want to commit to above 50% until I understand we have a consistent, sustained volume growth, but we've certainly positioned ourselves very well to get there when volume does come back.

James R. Jaye

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

Thanks, Chris.

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

Gregory Scott Melich

Analyst, Evercore ISI

Hi. Thanks. Maybe on – following up on that point, Al, could you help us understand this year, if we look at the full year or just the third quarter, how much volume hurts gross margin rate? And what sort of volume growth you'd need to get 100 bps of leverage out of margin? What's the variable margin there?

Allen J. Mistysyn

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

Yeah, Greg, I think the – you're talking gross margin impact with the supply chain inefficiencies are in the low 10, 20, 30 bps. And Greg, I'm glad you asked that follow-up question because it gives me an opportunity to talk about our focus on driving operating margin and not just the gross margin. And we saw that in our third quarter with the gross margin expansion. We got leverage on SG&A to help drive the operating margin forward on an adjusted consolidated basis.

I think you know volume is the number one driver of operating margin expansion. And all the things, the good things each of our groups and divisions have done to get their cost base down, I would tell you that a low-single-digit volume growth or any volume growth will be accretive and we'll see operating margin expansion. And what I'm trying to say is it will be less today than it would have been two years ago, if that makes sense to you. We'll get better leverage on future incremental volume than we would have had prior to coming into the cycle.

James R. Jaye

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

Thank you, Greg.

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

Garik Shmois

Analyst, Loop Capital Markets LLC

Hi. Thanks. Just wanted to follow-up on that last point. You said the 30% incremental margins on the low-single-digit volume growth in Paint Stores that you got in this quarter. Just wondering if that's a good benchmark moving forward, just given what you just mentioned, both for that segment and maybe help us think about incremental margins and volume in the other segments when demand does start to improve more consistently,

Allen J. Mistysyn

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

Yeah, Garik, I think with Paint Stores Group, historically, what we've said is we expect mid-20% incremental margins on lower volume growth – low-single-digit volume growth. I think you saw the benefit that that group, all the actions they've taken throughout the year to get their costs lower while still investing. So we've got SG&A leverage in the quarter on flattish margins, and that's what helped drive that, I think – drove the 30%.

I think as we go forward, we'll consistently look at the outlook. And if we think our volumes are higher, we'll lean in like we've done in previous years and add more selling – sales reps to take advantage of the market share opportunities that we have.

I think it's – our Performance Coatings Group, I think, is dependent on – because of the difference in business region mix, that one's a little harder to say. If you told me that our volume growth would be predominantly in North America, our largest region, our most mature region and by definition our highest operating margin region, then yeah, I'd say our float – incremental margin will be in that 20s, in the 30s, depending on – so if it's the other regions, we're going to get varying degrees.

And then Consumer Brands Group, I would just point to the strong volume we had in 2020. And the strong incremental margins that we had there and the strong volume will also help supply chain efficiencies to help their operating incremental margins growth. So we have examples. We just have to see sustained volume growth as we come out of this.

Heidi G. Petz

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

A

And Garik, one piece I would add to that as well. We launched a few years ago, we talked about Success by Design, but our six enterprise priorities, one of them is simplification. And we've done a lot of work globally to understand where are the costs sitting that we're not getting paid for.

So to the team's credit, you've heard the expression don't let the downturn go to waste – or don't let a crisis go to waste. We're saying don't let a downturn go to waste. There's a lot of self-help that we can do to make sure we're continuing to improve our cost position. So I'm confident that there's good progress, but there's a lot more ahead.

James R. Jaye

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

A

Thank you, Garik.

Operator: Thank you. Your next question is coming from Eric Bosshard from Cleveland Research. Your line is live.

Eric Bosshard

Analyst, Cleveland Research Co. LLC

Q

Thanks. On the Consumer Brands side, I'm curious what organic growth you saw in that business. And then if you zoom back, I'm interested in the volume and pricing in 2025 and how you think about that into 2026.

Heidi G. Petz

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

A

I'll start us off here. Not a lot of organic growth. I think DIY is still very much under pressure. And as a reminder, the DIY segment is a very important part of our long-term strategy. It represents about 40% of the available gallons in the market. So, very important certainly within our stores, but absolutely our strategic retail partners as well.

The Pros who Paint, we continue to see some good progress and movement here. We like how we're positioned here. It continues to be a growing segment on a smaller basis, but it is an area that we're continuing to invest in people, products, services to support our strategic partners. So we're in good trajectory. We just need more volume.

Allen J. Mistysyn

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

A

Yeah. Eric, the only thing I would add color around for the quarter is we did see adjusted operating margin expansion and predominantly, even though we had our volume backwards, the sales volume we had in the quarter was more skewed to exterior sale gallons, and also our premium product gallons grew faster than the total, which was a nice tailwind for us in the quarter and more than offset the supply chain inefficiencies that we saw with the lower production volumes in the quarter. So I know that team is continually pushing for driving the premium side of the business, and we saw it in our third quarter, and you can see the positive results with that.

James R. Jaye

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

A

Thank you, Eric.

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

Chuck Cerankosky

Analyst, Northcoast Research Partners LLC

Q

Good morning, everyone. Great quarter. I'd like to ask about a portion of the res repaint market, if that's how it's categorized. There seems to be a lot more activity based on our work around investors buying houses and doing very significant rehab of those properties and then selling them back into the existing home market. Is that how it flows through the housing numbers? And how significant is that business for Sherwin's contractors?

Heidi G. Petz

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

A

Well, remodeling is definitely, I think, more favorable than what we're seeing relative to the new residential side and the building side. There has been certainly increasing activity. By and large, though, the market does still continue to be choppy. So I don't believe that that sub-segment is enough to offset the core of the residential repaint contractor in general. But we're certainly going to take advantage of that sub-segment.

Allen J. Mistysyn

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

A

Yeah. Chuck, I think the only other thing I would highlight there is, again, we continue to invest in the res repaint segment. It's our largest segment. It's our fastest-growing segment and it's our largest opportunity. And that situation you talked about would be part of that res repaint segment. And again, we're being aggressively going after the new account and share of wallet growth.

James R. Jaye

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

A

Thanks, Chuck.

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

Laurence Alexander

Analyst, Jefferies LLC

Q

So, good morning. In the past, you've spoken about when a recovery occurs, you expect to get an amplification effect or an acceleration in the rate of share gains with the delta that Sherwin outperforms. If we do have another year or so of softer for longer and you're leaning heavily into share gains in a tougher environment, are you pulling forward some of the share gains that we would normally see in a recovery?

Heidi G. Petz

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

No.

Laurence Alexander

Analyst, Jefferies LLC

Or do you still expect that amplification effect? And do you expect that even to be larger because you're taking more share in the downturn?

Heidi G. Petz

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

So, Laurence, that was a two-part question because I answered your first question. So, no, we do not believe it's a pull forward on market share. The expectation is that regardless of where the market is, that we are at a minimum of 1.5 to 2 times the market. So we are taking share gains. I also would point to some of the exclusive contracts that we're picking up across different end markets on the store side. We're doing that quietly. I believe that when the market starts to move that you will see that we've created structural competitive advantage, given some of the additional wins we have here.

James R. Jaye

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

Thank you, Laurence.

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

Duffy Fischer

Analyst, Goldman Sachs & Co. LLC

Yeah. Good morning. Can you guys hear me now?

Heidi G. Petz

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

We can.

James R. Jaye

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

Yes.

Duffy Fischer

Analyst, Goldman Sachs & Co. LLC

Awesome. So, question on the SBUs within Paint Stores. So if you look, both of the resi businesses have been pretty flat – I mean sequentially flat as far as their improvement, so they're not accelerating. The other four businesses, all accelerated in the third quarter in their growth rate.

And so I was just wondering, is that delayed pricing rolling through, is that that those markets actually accelerated in demand themselves? Or is that basically where the overlap on your competitive advantage is taking share? What's driving those for with the acceleration in Q3.

Heidi G. Petz

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

A

Duffy, it's not the pricing piece that you referenced. It is our opportunity in this unprecedented environment to demonstrate the value that Sherwin-Williams can provide. And I would tell you, across every one of our end markets, our teams are out, they're responding. Our employees understand how to – in this environment, how to rapidly adapt and adjust to make sure that we are anticipating what it is that our customers and our contractors are needing.

When we talk about bringing differentiated solutions, it's in these times when I think our differentiation is even more on display because we're committed to our strategy. We are steadfast in putting our customers first, and we have their success in mind. So we're going to continue bringing new solutions even in these times. AI used the word creative earlier, and our team's willingness to be creative in this environment is why this is such an important quarter for us. And Sherwin-Williams is weathering this softer-for-longer environment, we're going to continue to do that.

James R. Jaye

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

A

Thanks, Duffy.

Operator: Thank you. That concludes our Q&A session. I will now hand the conference back to Jim Jaye for closing remarks. Please go ahead.

James R. Jaye

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

Yes. Thank you again, everybody, for joining our call today. And thanks to all the employees of Sherwin-Williams for all of their hard work. As Heidi said, we continue to operate here in a really challenging demand environment, and we expect that's likely going to continue well into next year. But at the same time, we see challenge as opportunity. So we've got a lot of confidence in our strategy, controlling what we can control: serving our customers, focusing on their success, making our targeted growth investments and controlling our G&A spending. That's the recipe, that's the playbook.

So we are focused on finishing 2025 strong, and we're going to continue to build on our momentum hopefully that will propel us well into 2026. So, thanks again. As always, we'll be available for your follow-up calls, and appreciate your interest in Sherwin-Williams.

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.

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