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The Sherwin-Williams Co. (SHW)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for joining The Sherwin-Williams Company's Review of First Quarter 2026 and our Outlook for the Second Quarter and Full Year of 2026.

With us on today's call are Heidi Petz, Chair, President and Chief Executive Officer; Ben Meisenzahl, 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 archive replay of this webcast will be available at www.sherwin.com beginning approximately two hours after this conference call concludes.

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

I will 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 strong sales in a quarter characterized by heightened global uncertainty and persistent demand softness in most end markets. Our growth investments and ongoing new account and share of wallet initiatives continue to yield results as sales exceeded guidance on a consolidated basis and in all three reportable segments.

Consolidated sales grew by a high single-digit percentage inclusive of a low single-digit contribution from the Suvinil acquisition. Reported gross margin expanded by 90 basis points inclusive of a dilutive impact from Suvinil. This was the 14th quarter out of the last 15 quarters we have delivered year-over-year gross margin expansion.

Against a challenging prior year comparison, SG&A increased by a mid-single-digit percentage excluding the anticipated headwinds from our non-annualized acquisition of Suvinil, non-annualized operating costs and depreciation related to our new buildings and foreign currency translation that we anticipated to unfavorably impact our SG&A as a percent to sales by approximately 100 basis points. Our full-year guidance of a low single-digit increase in SG&A remains unchanged.

Adjusted diluted net income per share in the quarter increased by a mid-single-digit percentage and adjusted EBITDA increased by a high single-digit percentage. Net operating cash improved by \$200 million driven by an increase in net income and working capital being a lower use of funds. Our full-year guidance for adjusted diluted net income per share remains unchanged.

We continue to execute our disciplined capital allocation strategy in the quarter by returning \$773 million to shareholders through share buybacks and dividends. We ended the first quarter with a strong balance sheet and a net debt-to-adjusted EBITDA ratio of 2.5 times.

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

Heidi G. Petz

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

Thank you, Jim, and good morning to everyone. I want to begin by thanking our more than 64,000 employees for executing our strategy in what remains a very challenging operating environment. We are continuing to deliver reliability, consistency, and solutions for our customers at a time when these are more valuable than ever.

Our differentiation continues to widen the gap between Sherwin-Williams and our competitors as evidenced by our strong topline and robust new account growth across the business.

Looking at our segment results in the first quarter, I'll begin with Paint Stores Group, which grew by a mid-single-digit percentage. Price/mix and volume both increased by low single-digit percentages with price/mix increasing more than volume. Effectiveness of our January 1 price increase is trending slightly better-than-expected.

Our protective and marine team continued to deliver impressive growth for us, as sales increased by double digits versus a high single-digit comparison. It was the seventh straight quarter of high single-digit growth in this business.

In the commercial business, sales increased by mid-single-digits in what remains a choppy market, reflecting our very targeted and ongoing share gain efforts. These efforts are also evident in residential repaint, which returned to mid-single-digit growth in the quarter. Low single-digit growth in property maintenance was encouraging while demand in new residential remained very challenging as we anticipated.

Segment profit grew by low single-digits with segment margin basically flat. We opened 21 new stores during the quarter and as planned closed 27 or about 0.5% of total PSG stores. As we have done for decades, we continually assess and optimize our store portfolio to drive profitability, strengthen operational flexibility, drive improvement in return on net assets employed, and ensure we maintain the highest level of service for our customers. We still expect to open 80 to 100 new stores for the year.

Consumer Brands sales exceeded our expectations, driven by high-teens growth from the Suvinil acquisition. Price/mix and FX both increased in the low single-digit range, and volume decreased in the mid-single-digit range. Group sales excluding Suvinil increased by low single-digits driven by high-teens growth in Europe and high single-digit growth in our legacy Latin America business. Softness persisted in North America where sales decreased by low single-digits. Adjusted segment margin increased driven by the strong topline with flow through of 34.3%.

In Performance Coatings Group sales increased slightly above the mid-single-digit range we expected with growth in every division and region. These results reflect the strong new account growth focus we have spoken about over the last year, as demand in our underlying core business is still declining in some end markets.

Volume in the quarter grew by low single-digits. Acquisitions were slightly positive. Price/mix was flat and FX was a tailwind.

Automotive Refinish sales increased by a low-teens percentage driven by high single-digit volume. The growth was broad-based with sales up by double-digits in all regions, providing further evidence of the value we are delivering in this end market to win new business.

Packaging continued its strong performance as sales increased by high single-digits against a high single-digit comparison. General Industrial, Coil, and wood also delivered solid growth. Group sales expanded in all regions including double-digit increases in Asia-Pacific and Europe.

Adjusted segment profit for the Group increased by mid-single-digits and segment margin was flat. Higher incentive compensation related to the strong year-over-year sales along with the significant FX headwinds drove segment SG&A higher resulting in muted flow through.

These same dynamics in addition to our non-annualized new building costs also drove SG&A higher within the Administrative segment. The slide deck accompanying our press release this morning provides more detail on second quarter segment results.

Now, moving on to our guidance. The assumptions we provided in our January call and slide deck largely remain intact. What hasn't changed is that our customer feedback as well as the indicators we track continue to signal little support for meaningful recovery in most end markets.

What has changed is the Middle East conflict which has added further complexity and uncertainty in navigating the macro landscape. Our team has repeatedly demonstrated its ability to manage through crisis, most recently during the pandemic and the US supply chain disruption to name just a few. I am highly confident we are well equipped to manage through this newest challenge and continue supporting our customers at the highest levels.

Let me provide some perspective here. First, we expect to see some negative impact on demand from recent events as the year progresses. Though it is difficult to predict the magnitude at this time given the highly fluid nature of the situation. But I will remind you that this is a fourth year in a row we have been operating with the expectation of getting no help from the market. We know we're operating in a share gain environment and we will continue to be very aggressive here. We see opportunity in uncertainty. We will continue to support our existing and new customers by being the most reliable and consistent business partner in our industry.

From a raw material perspective, our first objective is certainty of supply. The good news is that over 80% of our consolidated revenue is in North America. The majority of raw materials for these sales are sourced in region and remain largely insulated from supply disruptions tied to Strait of Hormuz volatility.

In areas such as Asia-Pacific and EMEA where supply could become more challenged, we're managing risk closely. Our focus over many years on building strong relationships with strategic suppliers versus transactional ones is a competitive advantage and should continue to serve us well.

In terms of raw material price/cost dynamics, costs for oil, natural gas, and key petrochemical feedstocks such as propylene have inflated and remain volatile. As we have previously indicated, sustained inflation in these commodities typically takes about a quarter or two before we begin seeing an impact in our P&L. Specifically, we would expect to see these inflating costs impacting us more materially as we move through the second quarter and into the second half of the year.

Our industrial business is seeing inflationary pressures first starting in APAC and EMEA and to a smaller extent in North America. More recently, we have started to see the inflationary impacts in our North and South American architectural businesses. This leads us to increase our full-year raw material inflation outlook to the range of up low- to mid-single-digits.

In this environment, we continue to focus on securing incremental volume balanced with appropriate and decisive pricing and cost out actions that allow us to maintain the products, services, and supply solutions which drive productivity and profitability for our customers.

In terms of pricing, we're out across the business with incremental targeted actions by customer, geography, and end market. As a result, our expectation for consolidated price/mix for the year increases to the high end of our low single-digit range.

We're actively working to limit these increases for our customers by accelerating meaningful and aggressive cost reduction actions. At the same time, we expect continued volatility in the raw material environment as the year progresses and we're prepared to implement additional increases if necessary.

The slide deck issued with this morning's press release includes our expectations for consolidated and segment sales for the second quarter of 2026. Our consolidated sales and earnings guidance for the full year are unchanged, though our deck outlines some adjustments in the mix of volume, price, and FX.

The deck also contains other details you may find useful for modeling purposes. Sherwin-Williams remains well positioned to outperform the market. We're highly confident in the clarity of our strategy and importantly our team's deep experience and ability to out-execute in this environment. We remain deeply focused on the success of our customers, while continuously assessing and adapting to market conditions and controlling what we can.

Whenever there is uncertainty and disruption, there is significant opportunity to demonstrate what makes Sherwin-Williams so unique. This concludes our prepared remarks.

With that, I'd like to thank you for joining us this morning, and we'll be happy to take your questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. At this time, we will be conducting a question-and-answer session. [Operator Instructions] Your first question for today is from John McNulty with BMO Capital Markets.

John P. McNulty

Analyst, BMO Capital Markets Corp.

Q

Yeah, good morning. Thanks for taking my question. Maybe a question on the price and cost dynamic. It seems like your – on your pricing commentary, it sounds like it's a little bit more surgical than maybe you've taken in the past and a little more customer specific or very end market specific. I guess given the global cost pressures that we're seeing, why is it sounding maybe a little bit more surgical than usual and maybe a little bit less of a full across-the-board type price move? Can you help us to think about that?

Heidi G. Petz

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

A

Yeah, John, good morning. I'm starting and I'll hand this over to Ben here for some color commentary. I do want to just demonstrate, this is an opportunity. We've operated through so many different types of cycles where volume is clearly key and the discipline of the team to know when and where to go with pricing is on clear display. You see it in our first quarter results.

But I want to take a moment before I hand this over to Ben. I said this in our prepared comments. It's the credit to our 24,000 employees globally that are operating belly-to-belly with customers and have that intimacy so that when we do need to take pricing, we've got high credibility that is absolutely out of necessity. I'll hand it over to Ben to maybe give some comments on a more surgical approach.

Benjamin E. Meisenzahl

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

A

Hey, good morning, John. It's Ben Meisenzahl. Yeah, just to add to what Heidi said here. I think one place to anchor is that we have more than twice the pricing now in this new guide than what we had in the original guidance that we gave you in January. And it reflects – if you think about the phasing by the regions, we obviously know that Asia-Pacific is maybe more impacted right now. That's going to impact [ph] EMEA (00:16:07), North America comes later.

You also have the phasing where industrial is impacted sooner than you would have architectural. That's because a lot of the solvent pricing that you would expect is – you'd see first. Even the way that we buy is a variable here. You think about, we're [ph] mixed (00:16:25) like 50/50 between contractual and spot buying. More of our architectural business is on a contract. And so you would expect on the industrial side, you're going to see more of that spot buying where you got a more varied range of raw materials.

And so these are all things that have gone into how we thought about the pricing here. And Heidi's absolutely right. We're going to monitor and watch. We're going to work with our customers. We're also really early in the year still. And so, we have a lot of opportunity if our base case doesn't play out the way that we think, we're going to have that ability to go out and get additional pricing.

And lastly, I mean, we always talk about it is balancing price with the right volume. And as we look at some of the competitive opportunities, we're not looking for all volume. And so, that is an opportunity that we want to make sure that we don't forget about here.

James R. Jaye

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

Thank you, John

A

Operator: [Operator Instructions] Your next question for today is from Duffy Fischer with Goldman Sachs.

Duffy Fischer

Analyst, Goldman Sachs & Co. LLC

Yeah, good morning, guys. Just a question on cost. If you could kind of break the basket down a little bit where you've seen the increase and going from kind of low single-digits to low-to-mid. What is that based off of vis-à-vis spot prices?

Q

Do you think that we've put in the peak already for a lot of the VAMs, the propylenes, all that kind of stuff, and they're starting to roll over or do you think they'll continue to go up from there? Just some help with kind of what that increase is vis-à-vis what you think the market's going to show us over the next several months?

James R. Jaye

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

Yeah, good morning, Duffy. It's Jim. I'd say where we're seeing the most pressure, as Ben mentioned, would be more on that industrial basket. So, you're seeing that in the solvents and resins, those petrochemical-based commodities. Propylene drives about 75% of our basket and that pricing is up because of the Middle East forecasted – maybe up 50% more through the rest of 2026 related to those disruptions. The solvents are elevated as well. Epoxies I would say as well. TiO2 for the most part has not elevated as much yet.

A

I think we've talked, Duffy, offline about the sulfur dynamics coming out of the Strait of Hormuz. The good news is we're not really buying sulfate TiO2. I understand it's a global market, but we're more on the chlorinated side. So, I think that's important.

The other thing I would say is again, as Heidi mentioned in her remarks, 80% of our sales are in North America and the vast majority of our raws that we're buying come from that region. So, from a supply perspective, we feel very good. And the contractual buying that Ben mentioned, the way we buy is also helping us navigate these initial headwinds. And thanks for the question.

Operator: Your next question for today is from David Begleiter with Deutsche Bank.

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you. Good morning. Hi, just a small thing. On your guidance for raw materials, you removed the term select commodity inflation from the prior quarter slide deck. Can you help us with what that meant and why that was removed? Thank you.

Q

James R. Jaye

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

A

Yeah, I'll take that one, Dave – David. I think when we talked about it earlier in the year, we just wanted to make sure that people were indicating that tariffs were part of it and we wanted to say, hey, commodities were moving a little bit as well. We just took that off now because it's very obvious that the commodities are moving upwards. So, I wouldn't read much into that. And thanks for the question, Dave.

Operator: Your next question is from Christopher Parkinson with Wolfe Research.

Christopher Parkinson

Analyst, Wolfe Research LLC

Q

Great. Thank you so much. Heidi, you mentioned we've been consistently in that share gain environment over the last several years. Can you just give us kind of a quick update just given the current dynamics on how you're thinking about growth spend, how you're thinking about net new store openings and closures, just any dynamics that you can help us think about not only 2026 but also the trajectory which you still see for 2027 and 2028 would be particularly helpful? Thank you so much.

Heidi G. Petz

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

A

Yeah, you bet. Good morning, Chris. There's a lot of volatility obviously in the macro, but there's also a lot of volatility in the competitive environment. I also said in the prepared remarks, that is absolutely our opportunity. You're going to hear us talk about this jump ball environment. And so in this economy and in this competitive landscape, we're going to be extremely aggressive and making sure that we continue to take more than our fair share of volume. I'll point to a couple examples here and then I'll come back to the stores and your second question.

If you look at our res repaint segment, we're up mid-single digits in a flat-to-down market focusing on a lot of these share gains we see interiors are increasing some bidding activity; we're going to take advantage of that. We see the exterior backlogs are very healthy; we're going to take advantage of that. Our team has been out laser-focused. Justin Binns and the stores organization committing to aggressive new account activity.

I would tell you it's the strongest we've seen in a long time. So, even though there's some slowing in the market, our teams are out chasing square footage, earning business with these contractors every single day.

I'd point to our commercial segment. We're outperforming. There's soft completions and yet we're up mid-single-digits while completions are down-double digits. And so, again, some good bidding activity out there. We see some positive signals that there's uptick with office tenant improvement, some modest uptick in multifamily starts that won't benefit us for at least 12 to 18 months. But we're up year-over-year all four quarters of 2025 and 2026 because we've been completely focused on demonstrating value with these contractors.

I'm going to take a moment and just give you a bit more by segment. If you look at our property maintenance, we're up low-single-digits here in a market where turns and CapEx were both under pressure. So continue to be laser-focused on how we can add value.

Even in the DIY space, we're up mid-single-digits in stores. That premium DIYer is holding up a bit better than that value-conscious DIYer that prefers a home center environment. Our protective and marine seventh straight quarter of being up at least high single-digits. It's all share gains.

And so, we're going to be relentless in being very targeted on our strategic investments as we're obviously going to be very focused on taking cost out on the admin side. But to your point on stores, it's going to be a continued disciplined process of looking at our portfolio. Ultimately, we're going to be driving a focus on return on net assets employed. And so, it's incumbent upon us that as we're looking at that portfolio – as we've done for decades, we're going to make sure that we're driving profitability and strengthening our flexibility and our agility. As we see migration, as we see changes in the competitive landscape, we're going to be very thoughtful in chasing that volume.

James R. Jaye

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

A

Thanks, Chris.

Operator: Your next question is from Ghansham Panjabi with Baird.

Ghansham Panjabi

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

Q

Yeah, thank you. Good morning. On the 2026 guidance, I think initially you had volumes up low single-digits for your original expectation and then it seems like now it's guided towards low single-digits decline. Is the delta just your reflection of what you think the market will do the rest of the year just given the sequence of events. And then what are the offsets as it relates to the intact earnings expectations on the plus side? Thank you.

Benjamin E. Meisenzahl

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

A

Hey, Ghansham, it's Ben. On the volume piece, yes, I mean, you heard us talk about a lot of the stronger price that's coming through. We recognize that with some of the inflation that there is going to be a likely demand impact. And so, I think what you see in our guide, keeping it full year in that same range, it's how we get there is very, very different.

So, we expect maybe volumes to be a little more muted. And you think through the consumer sentiment numbers, I mean, we've seen the lowest level on record. Even going back to GFC and COVID, we've seen prints that are much worse than that. And so, some of our guidance is baking in some of the expectation on that volume being softer there. And again, as we talked about on the prior question, price is obviously an offset to that and that helps us get to that same kind of guide for the full year.

James R. Jaye

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

A

Thank you, Ghansham.

Operator: Your next question for today is from John Robert (sic) [Roberts] (00:25:42) with Mizuho.

John Roberts

Analyst, Mizuho Securities USA LLC

Q

Thank you, here. The current administration has turned its attention towards housing affordability. Do you see anything in the proposed actions that you think could help out the end markets materially?

Benjamin E. Meisenzahl

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

A

Hey, John, it's Ben. We've been monitoring obviously a lot of what they're doing. We agree that affordability is a big part of the equation. We've talked pretty openly that we thought rates was maybe going to be the first indicator that could drive additional unlocking demand. That affordability and consumer confidence have been maybe more at the forefront.

Our opinion is that we'd like to see some more of the supply opportunities versus some more of the gimmicky demand. You've seen the 50-year mortgage, you've seen the Trump homes, you've seen some of these other maybe shorter-term unlocks.

And so, what we're looking for in some of these policy changes would be how do you get local governments working better with the federal government to open up land that makes it more cost effective for the new homebuilders to lower their costs. That obviously has a trickle-down effect to the affordability piece for the consumer who's buying the home. And so, we welcome obviously any of the unlocking of affordability-type mechanisms and we're watching that closely to see how we should be reacting and be ready to act when you do see something unlock.

James R. Jaye

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

A

Thank you, John.

Operator: Your next question for today is from Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Thank you, good morning. Could you talk a little bit about the margin improvement in Consumer Brands, and I guess from a couple of different lenses. One, should we think about that as a base level. Typically, I believe those margins go up in the middle of the year. So will they be improving sequentially. And then was there any reallocation of costs among the three segments, I recall in prior years sometimes at the beginning of the year you've changed the cost allocation of the Paint Supply from Consumer Brands and the other two segments? Thank you.

Benjamin E. Meisenzahl

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

A

Hey, Vincent, it's Ben. On the first part of your question, the margin improvement in Consumer Brands that you saw, a lot of that is coming from our global supply chain efficiencies. And we've talked many quarters over about a lot of the simplification and continuous improvement culture that that team has and we continue to see benefits there.

If you remember the second half of last year where our production was lower than what we had called out the first half of the year. That team is getting lean in a lot of different ways. And so that's a big part of what you see in the improved margin there.

You also have some opportunities where our price/mix has been a little bit better. You think about premium gallons improving in that segment and maybe a little bit of price ahead of the things that Heidi and I have already

talked about with inflation. And so, you see that there in that part of it. There is no reallocation. I know back in 2023 we talked about how we had that fixed cost allocation between the businesses. Nothing here. You should expect to still see low 20s margin in the segment as we've talked about.

James R. Jaye

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

Thank you, Vincent. Holly? We've – Holly are you there?

A

Operator: Your next question is from Mike Harrison with Seaport Research Partners.

Michael J. Harrison

Analyst, Seaport Research Partners

Hi, good morning. Was hoping that we could go back to pricing. It seems like maybe the realization that you're getting on that 7% increase from January 1 is a little bit better than you had initially thought. And I'm curious at this point, have all of those conversations with customers taken place and that the pricing is what it is? Or are there still some conversations yet to happen? And in terms of potentially needing another increase in response to what's going on in the Middle East and higher raw material cost, has the window passed to announce a price increase ahead of this year's paint season, or would you be willing to kind of break tradition and go with a mid-season increase if that's what's necessary or if you see competitors doing that? Thank you.

Q

Heidi G. Petz

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

Yeah, Mike, good morning. I'll start. It's kind of a two-part question. The first part of your question relative to the January increase, yes, the realization is better than we expected and yes, all of those conversations have happened and are out there.

A

As it relates to, has the window passed or how do we think about maybe more of this turbulent environment? And we've done this in the past. In fact, I did this when I was running stores. When you're in a more volatile environment, our – what we're not going to do is go out with a big increase in the middle of the season and announce effective immediately. But what we might do if we need to go out with price, we will go out with price in the middle or the beginning or the end of the season, but we'll do it the right way. We'll sit down with our customers. We'll make sure that they are prepared so they're not stuck absorbing this and we can work with them to get those into their bids. So, we'll do it very methodically. But let me be very clear, if we need to go again, we will go again.

James R. Jaye

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

Thank you, Mike.

A

Operator: Your next question for today is from Greg Melich with Evercore ISI.

Gregory Scott Melich

Analyst, Evercore ISI

Hi, thanks. I'd love to dig a little deeper on the gross margin expansion in the first quarter, I guess the 90 bps. And what would it have been without the Suvinil degradation. And if you think about going forward, do you think gross

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margins could be up each quarter this year year-on-year, or is that volatility mean there could be some quarters where it contracts year-over-year? Thanks.

Benjamin E. Meisenzahl

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

A

Hey, Greg, it's Ben. We haven't been calling out the specifics with Suvinil. But I could tell you that it's a multi-basis point level up. We would have been over a 100-basis point improvement without Suvinil in the quarter. And then as you look forward to prior quarters, you do normally see our gross margins increase into the selling season as our sales improve and we get better cost, margin dynamics. There could still be a little bit of lumpiness. We talked about even with our mid-term gross margin target that it's not a straight line up, that it is a little bit lumpy. But we would expect that we continue to get a little bit of expansion there. And obviously all the things that we're trying to manage through with the Middle East conflict and the raw materials, that plays into it as well. But if again, you look at the normal phasing quarter by quarter, you should expect us to see improved gross margins as we go into the spring and summer selling season.

James R. Jaye

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

A

Thanks, Greg.

Operator: Your next question for today is from Arun Viswanathan with RBC.

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my question. I guess I was a little bit pleasantly surprised by some of the volume comments and performance across a couple of your businesses. So maybe in PSG, still very strong I guess or relatively solid resi repaint. Do you see that continuing? And then in PCG, better than expected performance out of refinish and general industrial and coil turning around. Do you see those continuing as well? Thanks.

Heidi G. Petz

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

A

The answer is, absolutely, we see those continuing. And Arun, I'll point to res repaint, just a little bit more color on that. It's the actions that we've taken over the last three or four years that help, Sherwin-Williams has never been better positioned. I would tell you, we're better positioned now than even the turbulent last two, three, four years. And so the controllables mindset, residential repaint, I won't repeat what I said earlier but this is an area where we're bringing really important innovation forward and technologies to help job site productivity.

So, an example, we just launched a product – a system called the Emerald Symmetry which is our best performing interior product that we've ever produced. So, these have performance characteristics that are putting our contractors in a position to get on and off of job sites faster. The secondary benefit of something like this is this happens to be zero-VOC, a plant-based interior coating. So, helps us on a number of fronts. We're taking the time to make sure that we're setting our contractors up for success. And when we do that, we get rewarded.

And so, your point on some of the important businesses in PCG. Just take a moment here. This doesn't happen by chance. We talk about Success by Design. You mentioned refinish. We have very strong momentum here. We're up double-digits in every region. We're getting price in every region. And I think that is a demonstration of a clear value proposition that customers are really understanding. There's a lot of dynamics certainly within the industry that we watch closely, but what we don't do is sit back and wait for the market to correct. We're out

chasing new business aggressively. Our direct installs continue to grow double-digits in the quarter. So, there's a lot of runway in terms of future share gains there.

Packaging, another fantastic example. We're up high-single-digits. The global beverage market is up low-single-digits. The global food market is flat to down low-single-digits. So, it tells you that we're up high-single-digits. What we're doing is working. Coil, general industrial, and wood, all have really positive stories. But the coil business, we're up mid-single-digits and that's despite a lot of softness that's tied to the North American commercial residential construction tariff uncertainty. The teams are out aggressively hunting.

And GI is another great example. General Finishing, Heavy Equipment, they're both up double-digits. So, we're out trying to offset core erosion and core softness there. And industrial wood being up low-single-digits despite the correlation to residential there, the soft residential end markets that impact wood furniture flooring and cabinetry. So, despite that backdrop the team's out chasing. So here's the punchline. We're building new muscle and I do expect that we will continue to keep our foot on the gas and take share.

James R. Jaye

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

A

Thanks, Arun.

Operator: Your next question for today is from Kevin McCarthy with Vertical Research Partners.

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Yes. Thank you and good morning. I had a clarification and a question. On the clarification side, Ben, I think you made a comment that the price embedded in today's guide is more than twice what you had included last quarter. And I guess the clarification was – is that all to do with the January 1 increase and the realization against that or have you implemented incremental pricing since the onset of the war on March 1? And then just my question is on raw materials, you're ratcheting the guide up a little bit although frankly not as much as I might have thought. So, I was wondering if you could just talk about the quarterly cadence of that. I think you're a majority LIFO company, so maybe you can kind of speak to the accounting flow-through and the assumptions that you're making on duration of the conflict there. Thanks.

Benjamin E. Meisenzahl

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

A

Hey, Kevin. Yeah, to clarify on my price comment from earlier, that is on the consolidated pricing. That would have been everything that we did in January with stores; that would be everything new that we've done since then. You see in our guide that we took up our pricing in Performance Coatings Group and it goes back to the comment we made, industrial with all the more solvent-born type raw materials with the international locations, that's where we're seeing it first.

So, that kind of phases into your second question of how do you see the raw materials flowing through. And so our updated guide to low-to-mid on a full year, you have to expect that the first half of this year, even as we have some of the deferrals, you don't see it as much in the first half. You're going to see it heavier in the second half and as you exit the year, you're going to be at the higher end of that up low- to mid-single digits. And so we're managing that closely.

And as I mentioned earlier, we have enough price with what we see right now for what that inflation is. If the baseline changes, as Heidi mentioned, we're willing to go out and work with our customers to implement new pricing. There's plenty of time in the year to do that. And so that's how we're going to manage that.

James R. Jaye

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

Thanks Kevin.

A

Operator: Your next question is from Josh Spector with UBS.

Joshua Spector

Analyst, UBS Securities LLC

Yeah. Hi, good morning. I'll go down a similar line of questioning as Kevin. Just, I mean, it's surprising to hear that at the exit rate, you're talking about the high end of low- to mid-single digits on raws. I mean, we have math out there that says you could see raws up 20% in that range. And that seems more consistent with some of the competitor price increases that are out there.

Q

So, I don't know if due to your North America exposure, you'd say that inflation is substantially less or if how you're buying those raw materials and maybe some of the contracts either gives you more protection for this year. So, this is more of an early 2027 inflationary event that you would see or if there's something that gives you more permanent kind of protection against some of that. Can you – so can you talk about that a little bit and help us understand maybe what's going on that's different for you guys versus some of your competitors?

Benjamin E. Meisenzahl

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

Josh, it's Ben. I can't comment on how our competitors buy. But I can tell you with – and Heidi called out strategic relationship with key suppliers, our procurement is maybe tighter than some of the others. And so we're using that as a strategic advantage so that we're not having to maybe pass as much price to our customers as some of our competitors might have to do right now that aren't advantaged because of the way that their contracts are set up.

A

And so we do have a number of spot buying. We aren't seeing the exit rates in that 20% range that you're seeing. And again, I think you alluded to the mix of our business, the architectural and the industrial, that probably has some impact on that. And then again, I'll point back to 50% of our business on contract. That's an advantage for us right now.

James R. Jaye

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

Thanks, Josh.

A

Operator: Your next question is from Matthew DeYoe with Bank of America.

Matthew DeYoe

Analyst, Bank of America

Good morning everyone. Heidi, you talked a bunch about the packaging and it's been brought up a few times and clearly the numbers are really good. As we move into next year and we lap some of these regulatory shifts like how much of what you're accomplishing now is because of that catalyst? Do you expect you can continue to

Q

outgrow the industry like this much or would you expect growth to shift closer to that low single-digit level that the industry is kind of growing at?

Heidi G. Petz

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

A

So it's an interesting question because I think based on our preferred technology and our position to be ready for a lot of what's coming. You know I'm sure with EFSA, the European Food Safety Authority's ban on BPA is scheduled to take effect in Q2 of this year. And that we're at the very front edge of that, so there's a nice tailwind there.

It's going to continue to drive a lot more customer conversions certainly first half this year well into the back half and into 2027 and I can tell you with confidence that no one is better positioned to ride that so we do expect to see some significant wins here.

James R. Jaye

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

A

And Matt, this is Jim. Just to add to that, that conversion to the non-BPA, Europe you called out but really if you look at Asia and LatAm there's still a lot of room to run in those regions as well and thanks for the question.

Operator: Your next question for today is from Chuck Cerankosky with Northcoast Research.

Chuck Cerankosky

Analyst, Northcoast Research Partners LLC

Q

Good morning everyone. Can you talk a little bit what you're looking at in terms of the mortgage environment, household formations in North America for the remainder of this year?

James R. Jaye

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

A

Yeah, Chuck, it's Jim. I think in terms of the mortgage rate environment for this year, we're not expecting it to move a whole lot. And I think Ben referenced, if you dial back a year or so ago, we were putting a lot of emphasis on rates getting below that 6% number. I think that would help, but certainly it's more about affordability as well. And it's sort of this triangle that we look at of rates, affordability and incomes. So, we need all three of those to sort of work in sync, if you will.

In terms of where we go from household formation, it has slowed a little bit but it's still a pretty healthy rate in terms of household formations and we expect that to continue. And I'd also point to as we've talked about many times, Chuck, the structural deficit that's out there in terms of we've underbuilt for a long period of time. So even if household formations do slow a little bit, there's a tremendous pent-up demand that has to happen and whether that's single family, if it doesn't come through that way it's going to come through in multifamily. People have – need a place to live. So, we're well positioned on that multifamily side as well.

Heidi G. Petz

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

A

One piece I would add to that, Chuck, as well because the depth of our position with a lot of these national homebuilders and exclusive partnerships, I do believe we'll be uniquely rewarded as this pent-up demand starts to

soften because it's what we do right now in these partnerships. We said this on the supplier side; it's true with our customers.

We want to be the strategic partner that's helping them solve for simplification, helping them solve for cycle time. And so I think the work that we're doing now, while it's masked in the market, when things start to move, I think we'll be uniquely rewarded for that.

James R. Jaye

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

Thanks, Chuck.

A

Operator: Your next question for today is from Patrick Cunningham with Citi.

Patrick Cunningham

Analyst, Citigroup Global Markets, Inc.

All right, good morning. I just wanted to unpack the lower Performance Coatings sales volume guide. Have you seen any evidence of weakness quarter-to-date in order books or any indication that there was perhaps some pull forward in March?

And conversely, we've seen some fits and starts on stable-to-expansionary industrial activity, particularly in the US. Have you seen any areas of more positive underlying market growth?

Q

Heidi G. Petz

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

No, I wouldn't say, Patrick, that we're seeing any material shift there in terms of orders or timing from a standpoint, but I'll hand this over to Ben to give a bit more commentary on guidance.

A

Benjamin E. Meisenzahl

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

Yeah, Patrick, I think one way to think about it is we know that there's going to be this gap in feedstocks and you've had boats that are on the water 60 to 90 days from the start of the conflict. And so at some point Asia and Europe are going to feel the squeeze a little bit more than maybe what they're seeing right now. And so I think what you have – what you see in our guide is a pretty realistic view that there is going to be kind of an inflection point where getting those feedstocks are going to be tougher.

That could have obviously a greater inflationary impact on the business there. We feel as a big global company, we're going to be able to get our customers product. It may come at a higher cost. So you may start seeing some people waiting for prices to come down and that could have an impact on demand. And so that's really what you see in our guide that has that there.

And I'll call out, I mean, we've started to look at inflation not as an uncontrollable headwind, but a variable we're actively managing. And so you start to see that with how we're looking at each of the different regions and that realistic view and our confidence for how we're going to support our customers.

A

James R. Jaye

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

A

Thanks, Patrick.

Operator: Your next question for today is from Laurence Alexander with Jefferies.

Kevin Estok

Analyst, Jefferies LLC

Q

Hey, good morning. This is Kevin Estok on for Laurence. Just, in Performance Coatings, just given the macro uncertainty, I guess, how would you characterize customer behavior? Are you seeing, I guess, confidence around production schedules or sort of more short-cycle ordering and hesitation to commit to like longer-term orders? Thanks.

Heidi G. Petz

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

A

Well, there's probably a mix if we're honest on balance. I mean, I think there'll be some prudence and people waiting to see kind of where cost of capital is, but there's also a lot of confidence in the backlogs and the pipelines, and so it's really a mix across the board, Kevin.

But I think that it's a portfolio and so importantly in that while we would love for all segments to be up at all times across PCG, the reality is that we're going to be very focused on where the market is and make sure that we are best positioned for that run-up.

And so we're going to continue to do what we do. Karl Jorgenrud in that organization runs with a very strong sense of agility and urgency and you're seeing that play out right now. I think our strategy is clearly working. What we said we would do we're doing it and we're doing it better than we even thought and that's a result of that strategy.

James R. Jaye

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

A

Thank you, Kevin.

Operator: Your next question for today is from Garik Shmois with Loop Capital.

Zack Pacheco

Analyst, Loop Capital Markets LLC

Q

Good morning. This is Zack Pacheco on for Garik Shmois. Thanks for taking my question. Just another quick one on customer behavior. Do you guys get the sense of any pre-buy taking place due to inflationary increases in which customers are trying to lock in supply or is this not really something you're seeing in this moment? Thanks.

Heidi G. Petz

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

A

We're not seeing that in this moment. Nothing material. We're not at all concerned on that.

James R. Jaye

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

A

Thanks, Zack.

Operator: Your next question is from Mike Sison with Wells Fargo.

Michael Sison

Analyst, Wells Fargo Securities LLC

Q

Hey, good morning. Nice quarter. Heidi, it just feels like US architectural paint demand in the US has been structurally impaired. If this continues to the end of the decade, how do you sort of think about strategy in this environment for even longer than we're seeing it?

And then just curious on your 2026 full year sales guide for Paint Stores Group. Are we kind of tracking toward that down low-single digits given how the housing market is shaping up this year?

Heidi G. Petz

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

A

So Mike, two-part question. I'll take the first part on demand and then hand it to Ben for guidance. I wouldn't use the word, impaired. I would say, under pressure. But you can imagine when we're sitting in our conference rooms and boardrooms, we are looking at every scenario, including softer for much, much longer. And so I can assure you that we do have a whole host of multiple levers that we look at, we contemplate. We don't want to have to pull some of those. And so we're going to do what we said we would do. It's control the controllables.

We're going to look at this as a jump ball environment. There are a lot of gallons available and up for grabs right now. And if I even point to res repaint, I'm like, you know this well, this is an area where not only do we continue to take share, but it's the area where we have the most share to gain. And so, even in this environment, we're going to continue to outperform the market and we're going to compensate for some of that core softness.

Benjamin E. Meisenzahl

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

A

Yeah, Mike, I'll add to that. I mean, as far as our full-year guidance for Paint Stores Group, it remains in line in that low-single digit and you don't see as many of the variables changing as maybe you saw with some of the other segments. And so I think that's a barometer of confidence for us and how we're assessing the business there.

But as we've talked about already, we're going to continue to make the right selling investments there. There could be different mix by the different segments that Heidi has walked through. But we feel pretty confident about our continued opportunities, especially with all the share gains that we've been after in Stores Group. And so that's why you see the guide kind of remaining where it's at.

James R. Jaye

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

A

Thanks, Mike.

Operator: Your next question is from Sebastian Bray with Berenberg.

Sebastian Bray

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

Q

Hello, good morning and thank you for taking my question. I'm interested in two areas where Sherwin has taken market share: Refinish and the [ph] EMEAI (00:51:50) decorative market. What is it that Sherwin has to offer in refinish that its competitors don't? Is the aggressiveness on price something that has happened here and any

comments that you can give on [ph] EMEA (00:52:02) deco are welcome? I think Sherwin has a relatively niche position in UK and one or two other markets. Thank you.

Heidi G. Petz

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

A

Thanks, Sebastian. So on the refinish side, I'll take you – not to make this a history lesson, but I think context is really important here. If you look at the acquisition of Valspar a few years ago, if you leverage the best of both, we've combined not only our controlled distribution platform with our automotive business and everything we have to offer with the subject matter expertise of our reps that are embedded in these customers' body shops. Then you layer in with Valspar the waterborne technologies that we've been able to bring together and we really have created kind of a best of both in terms of value proposition.

Benjamin E. Meisenzahl

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

A

Yeah. And I'll take a little bit on the Europe sales. I mean, Europe benefited from a reporting mix impact this quarter. At certain immaterial resin sales we had previously reported as part of Performance Coatings Group are now fully integrated and reflected in our global supply chain which is reported here in our Consumer Brands Group.

And so, don't read too much into the much stronger reported sales. If you look at the core sales of Consumer Brands Group in Europe, it grew by more of a mid-single-digit percentage if I exclude that resin classification. And similar to what we've seen in Europe with the challenging environment, DIY being a more challenged part of the segment, I think you see that playing out here.

James R. Jaye

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

A

Thank you, Sebastian.

Operator: Your next question for today is from Eric Bosshard with Cleveland Research Company.

Eric Bosshard

Analyst, Cleveland Research Co. LLC

Q

Hi. I'm intrigued. You commented that DIY volume in stores is up 5%, and it feels like at the rest of retail it was down maybe 5%. Can you talk about why and then also talk a bit more about the down side at the rest of retail and where that's going from here?

Heidi G. Petz

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

A

So Eric, if you look at the DIY segment and split it into the premium, the homeowner that's willing to pay a premium rather and is looking for that high-touch service, generally prefers the specialty store environment. So, the up was – our sales were up; it was not volume. So that's obviously a mix of both volume and price.

If you then look at more of that value-conscious homeowner that might prefer a home center environment rather that's where our strategic partnerships with Lowe's and Menards and others are so important so that together we can cover that landscape. But really it is kind of unique if you split those out. They're different behaviors right now given some of the inflationary pressures.

James R. Jaye

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

A

Thank you, Eric.

Operator: Your next question is from Jeff Zekauskas with JPMorgan.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Thanks very much. Is it fair to say that your architectural paint price increase happened at the very beginning of the year, but there haven't been architectural increases since then? But in your industrial businesses, you have increased prices later in 2026. And I was wondering how much that might be, what those price issuances were.

And then secondly, in your description of raw materials, you said that 75% of your raw materials are related to propylene, and you said that propylene was up 50%. So, wouldn't that mean that your raw materials are up 38%, 37% if you ignore timing?

Benjamin E. Meisenzahl

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

A

Hey, Jeff, it's Ben. I'm going to take this first part here. I'll let Jim answer the question about raw materials. The pricing phasing, you're right, yes. Our architectural price that we went out with in January, the intention before the conflict was that that's the price that we needed for the year. And if you go back to our initial raw material guidance of up low single digits for the year, we built that initial pricing based on that assumption that we made at that time.

And as you can imagine, we have a lot of architectural customers who are on contracts or we have other points throughout the year. And we've talked about our effectiveness can get better throughout the year as you hit those certain milestones where we're able to get more pricing. But yeah, you're right. A bulk of that comes at the start of the year.

Industrial historically has been all throughout the year at different times based on business needs, based on what the raw material basket is doing. And so I think what you've seen post-Middle East conflict, we've had to be – we've had to go out and reassess in all parts of the business.

And so even though there's not an announced general increase for Paint Stores Group as we try to manage through cost out and other simplification efforts, there might be some spotty other areas where we are able to get price without doing a full launch. And similarly with the industrial business, as you can imagine Asia and Europe where you've got pricing that has got to be 20% or higher to cover where you have the bigger part of the inflation happening, our teams are out by the business unit and geography getting coverage where they need.

And again, that would be bigger again on industrial in APAC, in [ph] EMEAI (00:57:48). There are still industrial impacts that are happening in the Americas and so there is pricing that is going out there on the industrial side. But I think as we've talked about on a couple of different questions and even in Heidi's opening remarks, being very surgical and trying to find where we can take that price without having to be generic because we realize right now in this inflationary environment, we don't want to put volume at risk. And so yet, you have to do that maybe to a stronger degree than you normally would see us do.

Heidi G. Petz

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

A

And our confidence that being very thoughtful about chasing volume in this environment that with the right programs that we're trading these contractors up because the ability to get them on and off of job sites faster. The ability – less touch-up required, they're willing to pay a premium for that even in an inflationary environment because 85% of their cost is labor. And so, we're being very thoughtful to get the volume and it has to be the right volume. To Ben's earlier point, but I'm very confident in the team's ability to get these contractors into premium gallons.

James R. Jaye

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

A

And then Jeff, on your question about propylene, I'd give you a couple things to think about. The 50% that I mentioned is a forecast of where it could go perhaps over the rest of the year. We'll see how that plays out and as Ben mentioned here, we'll be out with price if we need to there. The other thing I would say is, as you know, we're not buying propylene. We're buying the things that are derivatives of propylene. Those do take some time to flow into our basket. And we'll be ready again if we need to go out with additional surgical price increases. That is – we'll be prepared to do that. And thanks for the question.

Operator: We have reached the end of the question-and-answer session and I will now turn the call over to Jim Jaye for closing remarks.

James R. Jaye

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

Yeah, thank you Holly and thank you again everyone for joining our call and special thanks to our employees for their hard work in delivering a really solid start to our year. I think Heidi said it well. Our strategy is clear. It's working and it's not changing. We're continuing to focus on providing our customers with solutions that make them more productive and profitable. You can count on us. We're going to continue executing at a high level, focusing on winning new business and controlling what we can.

I'll close with a reminder. Our 2026 financial community presentation is coming up in Cleveland this year, September 24. You'll have an opportunity to see our investments in our new global headquarters and our global technology center. Excited for all of you to experience that and see how that's moving the needle forward for us. So, thanks again for your interest in Sherwin-Williams. As always, we'll be available for follow-up calls and hope you have a great day. Thank you.

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

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