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The Sherwin-Williams Co. (SHW)

Q4 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for joining The Sherwin-Williams Company's review of Fourth Quarter and Full Year 2025 Results, and our Outlook for the First 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 archived replay of this website 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 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 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 ended the year with strong fourth quarter results, driven by solid core performance and inclusive of the first full quarter of the Suvinil acquisition. Consolidated sales in the fourth quarter increased by a mid single digit percentage, inclusive of a low single digit contribution from Suvinil.

Reported gross margin was flattish year-over-year, but expanded excluding the dilutive impact of the Suvinil acquisition. SG&A as a percent of sales decreased year-over-year, including severance and other restructuring expenses and Suvinil, reflecting our disciplined ongoing cost control measures.

Adjusted diluted net income per share in the quarter increased by 6.7%. Adjusted EBITDA in the quarter grew 13.4% and expanded 120 basis points to 17.7% as a percent of sales. Free cash flow conversion in the quarter was 90.1%.

In terms of our segments in the fourth quarter, Paint Stores Group sales increased in the range we expected, led by high single digit growth in Protective & Marine against a high single digit comp. Residential Repaint remained solid, and growth was just slightly below the mid single digit range and also against a high single digit comp. Group sales included positive low single digit price/mix, partially offset by a low single digit decrease in volume. Segment margin expanded 90 basis points to 20.8%.

Consumer Brands Group sales exceeded our expectations. Sales from the Suvinil acquisition and positive low single digit FX were partially offset by price/mix and volume, both of which were down less than a percentage point. Sales in the underlying business, excluding Suvinil, were essentially flat, which was better than we expected and drove the top line beat. Adjusted segment margin decreased, including a negative impact from

Suvinil and related transaction closing costs and purchase accounting items. Adjusted segment margin increased excluding these impacts.

Within Performance Coatings Group, sales were at the high end of expectations, led by strength in Packaging and Auto Refinish. Adjusted segment margin improved 150 basis points to 19%, driven by new business wins as well as good control of SG&A, which was down mid single digits.

We also continued our strong cost control efforts within the Administrative segment, where SG&A was down a low single digit percentage in the quarter, including one-time restructuring costs of approximately \$2 million. Excluding these restructuring costs and the non-annualized new building operating costs, Administrative SG&A was down by a low teens percentage, improving on third quarter results that were down low double digits, demonstrating our continued tight management of G&A costs.

The slide deck accompanying our press release this morning provides more detail on fourth quarter segment results.

Let me now turn it over to Heidi, who will provide a few full year highlights before moving on to our 2026 outlook and your questions.

Heidi G. Petz

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

Thank you, Jim, and good morning. I want to start by thanking our 65,000 global employees for their dedication and determination to deliver a solid year during one of the more challenging operating environment our company has seen. Sherwin Williams celebrates 160 years in 2026, and it's because of our employees and our culture that we're able to deliver sustainable results through all types of cycles. Our team continues to execute our playbook while finding new ways to help our customers become more productive and more profitable.

I'm proud of what our team accomplished in 2025. At this time last year, we talked about the potential for a softer for longer demand environment, and that is exactly what we saw play out as there was no meaningful improvement in demand across our end markets. Our team refused to wait for the market and instead focused on creating opportunities and controlling what we could control. We stayed true to our strategy, made targeted investments, focused on share gains, and executed on our enterprise priorities. We continued to deliver innovative solutions for our customers and in a disruptive competitive environment, Sherwin Williams stood out by being a consistent, reliable and dependable partner.

Our Success by Design approach resulted in our team delivering record full year consolidated sales and record adjusted diluted earnings per share. Gross profit dollars and gross margin expanded. Adjusted EBITDA dollars and adjusted EBITDA margin also expanded. It was also another very strong year for cash generation, with net operating cash growing 9.4% to \$3.5 billion, or 14.6% of sales. This percent of sales is right in the middle of the most recent target range that we've previously announced. Free cash flow was \$2.7 billion and free cash flow conversion for the year was 59%.

In terms of capital allocation, our policy remains consistent. We returned \$2.5 billion to shareholders through share repurchases and our dividend, which we raised for the 47th consecutive year. We completed the acquisition of Suvinil, and we continued to make strategic CapEx investments, including our new global headquarters and global technology center, which opened at the end of the year. We've been talking about these buildings for years, and we are thrilled that we are here. The move in is going extremely well, and I'm confident that this will

continue to strengthen our culture of collaboration, innovation and winning together. All in, we ended 2025 with a strong balance sheet and a net debt to adjusted EBITDA ratio of 2.3 times.

Looking at our reportable segments on a full year basis. Paint Stores grew sales by a low single digit percentage. Protective & Marine increased by high single digits. Residential Repaint increased by mid single digits and for the third year in a row, meaningfully outperformed the market where existing home sales remained soft. Low single digit growth in Commercial reflects share gains and above market performance, as multifamily completions were down significantly during the year.

Share gains are also evident in property maintenance and new residential, both of which were flattish in the down market, characterized by muted CapEx spending, high rates and affordability challenges. Segment margin increased, reflecting operating leverage and solid returns on our investments. We also added 80 net new stores and 87 net new sales territories.

Consumer Brands full year sales grew by a low single digit percentage, driven by the Suvinil acquisition, as underlying sales decreased by low single digits, resulting from soft DIY demand in North America and unfavorable FX. Adjusted segment margin decreased, including a negative impact from Suvinil as we previously described as well as lower production in the segments' manufacturing operation to match softer demand, resulting in lower fixed cost absorption.

Performance Coatings full year sales varied by division and geography and were flat overall, which outpaced a very challenging industrial demand backdrop. Acquisitions added a low single digit percentage in the year, and FX was a slight tailwind, but these were offset by unfavorable price/mix. Packaging grew at the high end of high single digits as we continued to win new business globally, including those complying with new non-BPA coating requirements. Auto Refinish was flat for the year, with share gains becoming more evident in the second half where sales were up mid single digits. Coil sales decreased by low single digits, as meaningful new account wins were not enough to offset steel tariff impacts. Industrial Wood and General Industrial each decreased by low single digits, driven by soft housing and industrial markets, respectively.

Adjusted segment margin remained in our high teens target range, but was impacted by unfavorable geographic mix as Europe grew by mid single digits, while other regions were down low single digits.

As we close out 2025, I'm also pleased to share that we are reinstating our 401(k) matching program for eligible US employees, effective February 1st. We'll also be restoring the matching contributions that have been paused since October 1st by the end of our first quarter.

As I described last quarter, the decision to pause the company match was made after we had implemented multiple cost savings initiatives and significant restructuring actions driven by multiyear demand and macroeconomic uncertainty. Given what we anticipated back in July, and with the prospect of additional risks materializing, we faced a difficult decision, either pursue further workforce reductions or temporarily pause the 401(k) company match.

While many companies chose widespread layoffs, we chose a different path. We chose to protect jobs, retain talent, and invest in the long-term health of the organization by keeping our teams intact. We also committed to restoring the match as soon as performance allowed, just as we have done in the past. Our teams responded exactly as strong teams do. We elevated our performance and focused on controlling what we could control, including winning new business, growing share of wallet, pricing discipline and accelerating further cost reductions.

We demonstrated what truly differentiates Sherwin Williams. At the same time, some of the risks that we saw in July did not materialize or were less severe than expected, including the delayed realization of some tariff impacts. The combination of all these factors is enabling us to both resume and retroactively restore the match sooner than originally anticipated.

Now moving on to our 2026 guidance. The demand environment feels much like it did a year ago. The softer for longer dynamic we described again back in October remains intact. While some conditions are gradually becoming more stable, many of the indicators we track, along with cautious consumer sentiment, provide little support for any broad-based or accelerated recovery at this time. This environment is likely to persist well into 2026.

The slide deck issued with our press release lays out our key economic assumptions for 2026. I'd also like to provide you with some additional color that informs our outlook. On the architectural side of the business, Residential Repaint remains our single biggest growth opportunity, and we have and will continue to make investments to win here. Demand remains difficult to predict, with industry forecast for existing home sales growth varying widely from slightly down to up double digits. The mortgage rate lock-in effect remains real. Harvard's LIRA index is projecting very modest growth, and select retailers have forecasted flattish home improvement growth as a base case. Additionally, consumer sentiment remains muted. These same dynamics also signal another potentially challenging year for DIY.

We expect the new residential market to be down at least in the mid single digit range this year given negative single family starts over the back half of 2025 and many forecasters' expectations for further softening in 2026. National Association of Home Builders sentiment levels were notably negative exiting 2025 and mortgage rates remain in the six-plus range.

We welcome meaningful economic and policy proposals to address affordability and increased supply, though these will take time to finalize, implement and take effect. We expect to outperform the market as we continue strengthening our homebuilder customer relationships.

In the Commercial segment, the Architectural Billings Index has continued its long run of negative readings. We do see a bright spot in multifamily starts, which were positive for most of the second half of 2025. However, these starts won't turn to completions and painting until late this year and into 2027.

We are pleased with the share gains we are making here, as demonstrated by our above market growth over the second half of 2025, and which we expect will continue throughout 2026. Property maintenance CapEx spending still appears to be idling and neutral, though we are well-positioned to capture pent-up demand when rates moderate. We expect flattish sales as we continue to grow our account base to help offset core softness.

In Protective & Marine, the project pipeline remains solid, though the timing of starts and completions remain variable. We expect this business, along with Residential Repaint, to be the best sales performers in Paint Stores Group this year.

On the Industrial side, the US manufacturing PMI ended at its lowest point in the year in December after ten months of contraction. Brazil and the Eurozone PMIs are also contracting. Optimism is easing in China and the PMI there remains below its historical average. We see a 2026 backdrop where our core business remains flat at best, but strong new account wins from last year and this year, along with positive price/mix to drive low single digit sales growth in Performance Coatings Group.

We expect modest growth in Auto Refinish, driven by share gains and price/mix, with the industry remaining flattish to down given pressure on consumers and related softness of insurance claims.

In Coil, we expect flattish sales as the market remains under pressure related to steel tariffs. In Packaging, share gains and our industry leading non-BPA coatings should drive flattish sales against a tough double-digit comparison. Our Industrial Wood and General Industrial divisions had the strongest new account growth in the group last year. We expect these wins to drive low single digit growth in both of these divisions, even as core demand remains very weak.

In summary, for the third year in a row the market is not going to give us much help. And for the third year in a row, we expect to outperform the market and grow sales and earnings per share. We'll continue to remain extremely aggressive with a focus on helping existing customers grow as well as winning new business and converting share gains. I want to be very transparent here. We're providing guidance that we believe is very realistic given this backdrop. We are also confident that if the market is better than we're currently seeing, we would expect to outperform the guidance that we are providing to start the year.

The slide deck issued with this morning's press release includes our expectations for consolidated and segment sales for the first quarter of 2026. The deck also includes our initial expectations for the full year, where consolidated sales are expected to be up a low to mid single digit percentage, and diluted net income per share is expected to be in the range of \$10.70 to \$11.10 per share.

Excluding acquisition related amortization expense of approximately \$0.80 per share, adjusted diluted net income per share is expected in the range of \$11.50 to \$11.90, an increase of 2.4% at the mid point compared to 2025 adjusted diluted net income per share of \$11.43. I'll note that at the \$11.70 midpoint, earnings growth will outpace the midpoint of our core sales growth, excluding the impact of Suvinil sales.

Our slide deck contains several additional data points that provide important context that I'd also like to briefly address. Any comparisons described are year-over-year. From a sales perspective, I'll remind you that the Paint Stores Group implemented a 7% price increase effective January 1st. Realization should be in the low single digit range given market dynamics and segment mix. We are also implementing targeted price increases in specific areas with our other two reportable segments.

We expect the market basket of raw materials to be up a low single digit percentage in 2026, driven by tariffs, along with select commodities also inflating. We expect to overcome these raw material headwinds and deliver full year gross margin expansion, given both incremental 2026 pricing and accelerated simplification efforts across our supply chain. We expect GAAP SG&A dollars to grow by a low single digit percentage in 2026, inclusive of a low single digit contribution from Suvinil.

As we pointed out last quarter, interest expense will be up this year. This increase includes approximately \$40 million related to the lease payments for our new global headquarters, and approximately \$35 million of interest related to the \$1.1 billion one year delayed draw term loan that we executed in September. It also includes approximately \$15 million in increased interest expense related to refinancing at higher rates.

We expect to end the year within our current long-term target debt to EBITDA leverage ratio of 2 to 2.5 times. We expect to open 80 to 100 net new stores in the US and Canada in 2026. We'll also continue adding sales reps in territories, accelerating innovation and expanding our digital capabilities. Next month at our Board of Directors

meeting, we will recommend an annual dividend increase of 1.3% to \$3.20 per share, up from \$3.16 last year. If approved, this will mark the 48th consecutive year we've increased our dividend.

We expect to continue making opportunistic share repurchases. We'll also continue to evaluate acquisitions that fit and accelerate our strategy. In addition, our slide deck provides guidance on our expectations for currency exchange, effective tax rate, CapEx, depreciation, and amortization.

Finally, I'll remind you that as our first quarter is a seasonally smaller one, we do not plan to make any updates to full year guidance up or down until our second quarter is completed, at which point we will have a better view of how the paint and coatings season is unfolding.

Sherwin-Williams is extremely well-positioned as we enter 2026. Again, while we expect little if any help in terms of end market demand, our teams refuse to be discouraged by these near term trends. We know stronger demand will return at some point, driven by powerful demographics and enduring market fundamentals. But we're not waiting for that moment.

We're focused on winning today and securing our long term future. We know the playbook, stay true to our proven customer-first strategy, control what we can control and turn volatility into opportunity. That means relentlessly pursuing new accounts and share of wallet, innovating in and out of the can, investing where returns are clear, maintaining price/cost discipline, advancing our enterprise priorities, and driving accountability to ensure flawless execution. This is how we grow and create value, regardless of market cycles.

We're proud of what we've accomplished, but we're even more energized by the opportunities ahead. Across every business, we see room to grow, innovate, and lead. Our focus remains sharp. Gross sales drive returns on sales and assets and generate cash. We'll continue to deliver unique solutions for customers and outperform the market. This is a great time to continue demonstrating what makes Sherwin-Williams so unique. We win when our customers win, and that is exactly what we plan to do.

I'd like to end where I started by thanking our team for being truly the best in the industry.

This concludes our prepared remarks. And 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. Everyone, at this time we'll be conducting a question-and-answer session. [Operator Instructions] Our first question is coming from Ghansham Panjabi from Baird. Your line is live.

Ghansham Panjabi

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

Q

Yeah. Thanks, operator. Good morning, everybody. I guess first off, on the Performance Coatings segment, the margin outperformance there relative to at least our expectations. The incremental seem very, very high in 4Q. And I know you called out some of the more profitable businesses like Packaging and Auto Refinish being up nicely, et cetera. But can you just give us a bit more color in terms of what drove that?

Heidi G. Petz

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

A

Yeah. Ghansham, good morning. I think what you're seeing there clearly is discipline on display. This is an organization led under Karl Jorgenrud. Been in industry for over 30 years. And I think this is an environment where we're in the fifth straight year of a challenging demand environment. The team stood tall and delivered, and you're going to see this play out a very clear, aggressive focus on new business wins, taking market share, but also a lot of heavy lifting. And we talk about simplification in our enterprise priorities, taking complexity out of the business. I'm very pleased with some of the heavy lifting there. Having said that, we're early innings and I'll hand it over to Ben here to jump in.

Benjamin E. Meisenzahl

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

A

Hey, Ghansham, Ben Meisenzahl. Yeah, adding to what Heidi said there, I point to the two halves of PCG. Heidi called out simplification. SG&A has been a focus of this team here. They've consistently been able to keep their SG&A at a moderate pace considering where volumes are at. But if I look at the two halves, I think that's a good way to look at it here. We were under pressure the first part of the year, right after the election, and we started seeing some of the new policies take shape. There might have been some hesitation.

The operating margin was backwards, about 160 basis points in the first half. The second half adjusted operating margin showed 20 basis points worth of improvement. The second half was at 17.9%, pretty close to where we ended 2024. Obviously, the 19% is a good pop in the fourth quarter. And so I agree with what Heidi said there. It just comes down to discipline, focus on SG&A. I think this is also a good example. We always talk about the operating margin and that looking just at gross margin or SG&A. Here's a really good example of why we do that, because we're able to demonstrate and grow operating margin because of really good SG&A controls.

James R. Jaye

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

A

Thank you, Ghansham.

Operator: Thank you. Our next question is coming from 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. And maybe kind of a decent segue from that last question. On the SG&A outlook for 2026, I guess, can you help us to think about what you're factoring in? What kind of level of growth we should be expecting? Because I know you continue to invest even when the markets struggle. You've also got this 401(k) match coming back in. So I guess, can you help us to think about how that should play out as the year progresses?

Benjamin E. Meisenzahl

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

A

Hey, John. Yeah. The way to think about that and we called out, Heidi talked about in her opening comments with reinstating the 401(k) and doing our retroactive match, we're apples to apples 2025 versus 2024. And so that catch up contribution as it relates to 2025 earnings were apples to apples there. And so because we did that as you look 2024, 2025 and then into 2026, there is no quarter-to-quarter or a year-over-year 401(k) impact.

As you look at broader SG&A, as we called out in the opening remarks, SG&A up a low single digit. That obviously includes the history of the restructuring costs that we took in 2025. And then you layer on the incremental Suvinil, which is also a low single digit. So you can do the math there to figure out the core versus Suvinil. But really what we have embedded there is that low single digit growth, again, that points right back to the cost controls, everything that we talked about throughout the year here. We had about \$40 million in savings in 2025. You saw that our one-time restructuring costs were a little bit higher than what we guided to in October. That's going to give us the ability to upsize the other \$40 million that we initially called out. It's probably closer to a \$46 million in savings in 2026. And so, again, really proud what the teams are doing to really control cost while volumes are challenged.

Heidi G. Petz

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

A

John, we give Ben a lot of credit. He uses this phrase of, to the team. And for those employees listening, I'm talking to you here too. We want to earn our SG&A, right. And so we're going to always pace that to volume. And you're going to see that discipline play out throughout the year.

James R. Jaye

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

A

Thank you, John.

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

Chris Parkinson

Analyst, Wolfe Research LLC

Q

Great. Thank you so much. Can we talk about some of the things that are more or less in your control in terms of your guidance and just how [ph] you, Ben now (00:28:45) are thinking about it in terms of the implied gross margin guide. Perhaps just a quick comment on healthcare labor assumptions, the raw basket seems like there's some divergences between solvents, acrylics and TiO2 asset utilization. Just kind of just what underpins that and what gives you the confidence that that is the correct framework at least to begin the year? Thank you so much.

James R. Jaye

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

A

Yeah. Good morning, Chris. This is Jim. I'll start with the raws piece of your question. So as you saw on our slide deck, we're guiding to our raw material basket to be up a low single digit percentage this year. That includes tariffs and some of the commodities inflating. In particular, I'd say the areas where we're seeing the most pressure would be on the packaging side of our basket. Also non-TiO2 pigments, extenders, things of that nature. Also some pressure on resins. And I'd say that's a little bit heavier weighted on the industrial side of the basket. But those are the things that are driving the raw material guidance that we're laying out.

Benjamin E. Meisenzahl

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

A

Yeah. Chris, I'll add on to the SG&A side and just the overall cost side. You think about we called out in the Admin segment, interest expense being a headwind for next year. And so when you look at the growth that we have in our Admin spending next year, about half of that is going to be interest expense. And then half of it is normalization of other non-operating costs and just your general SG&A and you called that healthcare. We've all seen the headlines healthcare up double digits. We're in that camp. We have things that we can do to mitigate that. So what we're passing on to our employees isn't as meaningful as that. And so we're trying to be really diligent there. But, we continue to try to keep that cost low. If I go back and point to some of the opening comments on the Admin SG&A, the core SG&A, we've been able to keep that down low double digits, down low teens. And that just demonstrates, again, the levers we're able to pull to make sure we can keep the costs in check knowing that again, we're in that lower volume environment right now.

James R. Jaye

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

A

Thank you, Chris.

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

Gregory Scott Melich

Analyst, Evercore Group LLC

Q

Hi. Thanks. I wanted to follow-up on price/mix in the fourth quarter and then also the 7% price hike on Jan 1. I guess it looks like it was 3% to 3.5% price/mix in 4Q and with the price increase coming in in January, why wouldn't we expect that to be more going into the first quarter in 2026?

Heidi G. Petz

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

A

Yeah, Greg, I'll start and I'll hand this over to Ben to give a little bit more color. But I'll take you back to some of the comments I said in my prepared remarks relative to market dynamics. And we are looking at the competitive environment. I would frame it more as a jump ball environment, to be honest with you. And so we're going to continue to be, as you would expect, extremely aggressive as it relates to chasing volume right now. And so there's a balance. The team is very prepared. There's a lot of tenure in the organization. They know how to strike that right balance. But I'm very confident that when we get some of our customers in, I'm very confident in the team's ability to work with them to add value and continue to trade them into more premium products that ultimately is going to make them more productive. Let me hand it to Ben to comment on the quarter.

Benjamin E. Meisenzahl

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

A

Yeah, I agree with what everything Heidi said there. And again, we've talked about that price/mix looking at incremental pricing and mix of some of the business as well. And so you may have a little bit of noise in there, but Heidi hit the head on it with volume. I mean, we've talked about in this environment prioritizing volume. And so as our teams know that high effectiveness is critical. For us to get to the high end of our guide, we're going to continue to put the pressure on there to capture as much price as we can. But we're not going to put volume at risk to do that. And so that may be what's a little bit different than what you've seen in the past.

Heidi G. Petz

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

A

But still very confident in our gross margin targets that we put out. And we're going to hold to that.

James R. Jaye

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

A

Thank you, Greg.

Operator: Thank you. Our 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, can you discuss the impact of the severe winter weather on your current demand trends? And does that mean that Q1 EPS could be down year-over-year just because of the weather impacts? Thank you.

Benjamin E. Meisenzahl

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

A

Hey David, it's Ben. Let me make a couple of comments here. I mean, I realize right now in the midst of watching the storm go through this week, we have weather every quarter. I mean, it impacts us every year. If you remember, last year we had the Gulf winter storm. We had all the classic ice, wind, snow, everything that you would expect with a winter storm like that. But our Southeast Division and our Southwestern Division, they deal with weather at this time of year every single year. And so, no concerns there right now.

James R. Jaye

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

A

Thank you, David.

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

John Roberts

Analyst, Mizuho Securities USA LLC

Q

Thank you. And your packaging coatings performance is impressive here. Have we recovered to new highs since the correction you had? And how much more is left in terms of the conversion of the industry?

Heidi G. Petz

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

A

Yeah. Good morning, John. I would tell you, we've essentially recovered a lot of what we said was kind of temporary share loss. And but that doesn't mean that we're happy with where we are. There's still a lot more to go get. I really like our position here. With our leading technology, we continue to win and demonstrate value. We've got some obviously dynamics playing out. EFSA, the European Food Safety Association's ban on BPA, that's going to be taking effect in Q2. We know that that will continue to drive more customer conversions for us. So, really like our position here. So we're in good shape. Jim, maybe if you could comment on a few of those areas.

James R. Jaye

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

A

Yeah, I would add to that, John, that in terms of how much is left to go, I would say that in Asia and LatAm, there's still quite a bit to go. North America, and as Heidi just pointed out, Europe are farther ahead on that. But in terms of that conversion, those other regions still have quite a ways to go. Thanks for the question.

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.

Q

Thanks. Good morning. Heidi, I wanted to come back to your comments on focusing more on volumes than prices here. I guess typically this could lead to a bit of a zero sum game where your competitors would also focus on volumes. Is there something that's different right now about competitive environment? Maybe your competitors cannot afford lower prices, so they have to raise their prices and cede some volume. Or is there another dynamic that it kind of makes your strategy of being more volume focused, the right one this year?

Heidi G. Petz

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

A

So, Aleksey, let me reframe what I heard you say. I think you said not putting volume above price. And I would say it's not putting volume above price, it's being very balanced in our view here. And so in this is a jump ball competitive environment. There's a lot of market share up for grabs right now. And we're not going to lose our minds lose our way. We're very disciplined when it comes to pricing, but we want to make sure that the teams are empowered out in the front lines to convert some of these larger, bigger customers that weren't in Sherwin-Williams family before. We're going to be dog-on-a-bone in chasing that business.

Benjamin E. Meisenzahl

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

A

Aleksey, I'll add to that. We've always talked about volume as the number one driver of our operating margin. And so when you look over the long term getting that wider base of business, getting that share of wallet and the new accounts in. And even when we bring them in, we have ways in our stores, wherever the customer is in their journey to help get them up into those premium products, in other ways, that flows into that price/mix as well. But we recognize over the long term that securing the volume, the right volume that we want is how we get to our mid-term and long-term goals.

Heidi G. Petz

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

A

One piece Ben just said and I think it's really important to emphasize when we bring our contractors in, the confidence we have in trading them up to premium is they are making more money as a result of working with these higher end, better products. And I'll remind you, the total cost, labor comprises 85%, 87% of their total cost. So their willingness to pay a premium to get on and off of job sites faster have less touch up, less quality issues, especially in an inflationary environment. It plays to our strengths.

James R. Jaye

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

Thanks, Aleksey.

A

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

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Thanks very much. Your Residential Repaint sales were up low single digits, but your prices were probably up higher than that. So, were Residential Repaint volumes flat or down? And have they decelerated through the course of the year, and if so, why?

Q

Benjamin E. Meisenzahl

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

Hey, Jeff, if you look at the fourth quarter, last year, we were up against a really strong comp in Residential Repaint. We were up a high single digit. And so that had a little bit of impact of what you're seeing here for the third quarter. We remained very confident in Res Repaint. This is where we get – we made a lot of investments, has the biggest opportunity for share gains, we're very confident with that segment, with our pricing realization. And so I think we continue to be very happy with where Res Repaint is. And obviously, as you look forward into 2026, that's a segment that we're going to continue to count on and invest in.

A

Heidi G. Petz

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

This is also a segment we have a lot of confidence in because we continue year-over-year to outperform the market. And so I wouldn't characterize it, Jeff, as slowing. I think if you go back into some of our history, last two years, there was a surge as we continued to focus on taking that Kelly-Moore share that's now in our history and behind us. So you're probably seeing a little bit of that. But in terms of what is out there, the amount of market share to be gained is extraordinary. And we're going to chase it.

A

James R. Jaye

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

Thank you, Jeff.

A

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

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Thank you. And good morning, everyone. Wondering if you can help us bridge Consumer Brands from the fourth quarter performance on the top line up about 25% with Suvinil in the mid-20s. To your expectations for 1Q and for the full year with 1Q up low to mid-teens now and the full year up high single to low doubles recognizing that you

Q

have to comp Suvinil late in the year. But what does that imply that the existing business is going to do from a volume price/mix perspective? And then what is your FX assumption within there as well? Thank you.

Benjamin E. Meisenzahl

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

A

Hey, Vincent. Yeah. So, going from fourth quarter into next year, I mean, you nailed it. We got the annualization that's obviously going to have a sizable impact through the third quarter of next year when we annualize. The underlying business, I mean, as Heidi talked about in her opening comments, I mean there's still a lot of challenges with the North American DIY market. We don't expect that to be an overperformer for us until we see some of the housing catalysts really catch.

You asked about pricing. All of our businesses have some level of pricing embedded in their guide for next year. And so even though we don't go out all at the same time like we do for Stores Group, you should expect that there are some targeted price increases not only for Consumer Brands Group, but also for Performance Coatings Group that could differ by the different business units or by region. And then, FX, when you look at full year basis, I mean, we do have Consumer Brands Group down a low single digit because of FX. That's mainly going to come in the second half of the year. And that's mainly coming from headwinds that we anticipate in Latin America.

Heidi G. Petz

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

A

And I'll mention on the Suvinil piece because I can't help it. We're really excited about this acquisition and the progress that we're making. It's obviously early, but the teams are laser focused. We've got our dedicated integration teams so that our commercial teams can remain laser focused on our customer and business continuity. I think that we are certainly pulling out the Valspar playbook. The rigor behind customers and employees and making sure that we're keeping what's happening in the market is going to be really important here. We got an opportunity to demonstrate why these brands are better together, why these teams are better together so that we can drive innovation with a market leading brand. And I'm very confident in what we're going to be able to do in Brazil.

James R. Jaye

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

A

Thank you, Vincent.

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

Joshua Spector

Analyst, UBS Securities LLC

Q

Yeah. Hey, good morning. So I was trying to go through all the macro assumptions you have in that slide, which is very helpful. When I put that all together, it seems to say that maybe you're thinking the market in your Paint Stores Group is down something like 1%, maybe 2% next year. If I look at your Paint Stores Group guidance, you're flat, your store addition is typically at a point. So to me that implies that you're basically saying you do closer to in line with the market versus outperform by a point or two. I'm just curious if you disagree with any of that framing, is the market lower? Are you assuming more? And just square that with the comments you've been talking about earlier about focus on gaining volumes and share gains? Thanks.

Heidi G. Petz

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

A

Josh, respectfully I disagree. The market is down, I think probably hard to characterize it, but I would say it's down more than that. And where we look at our performance base case, we've guided to down single to up single and the controllable in that space. And I'll point to Res Repaint, where we continue to take share in a down market. We're going to continue to make the investments, putting a new store in every four days, continue to invest in dedicated reps. We're investing in innovation. In fact, at the end of the quarter we're going to be launching a zero VOC plant based interior coating that will be the best paint we've ever made. And it's because we're that confident in our ability to convert share with Residential Repaint. I'll hand over to Ben to speak to any of the other segments here.

Benjamin E. Meisenzahl

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

A

Yeah. I mean, if I take it to talking about volume here, I think one thing to point out in Paint Stores Group is the ability even in a challenged volume market to still grow incremental margins. And you look at what happened in the fourth quarter with volumes down low single digit. With stores through good cost control, we're able to generate almost a 50% incremental margin. And if you look at the full year, I mean, it's almost 40% again, in a volume challenging environment. And so we're going to continue to find ways despite what's happening in the market to continue to drive margin.

James R. Jaye

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

A

Thanks, Jeff.

Operator: Thank you. Our 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. Heidi, you mentioned that you'd welcome some policies or proposals to help affordability increase supply. What do you think would be helpful in terms of maybe sparking a recovery in paint demand this year? And then quick follow-up and Protective & Marines had another good year. Is that mostly the Protective side and does it do it? Does it go into data centers? And if it does, how big and what's the potential there? Thank you.

Heidi G. Petz

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

A

Great. Well, Mike, I thought you were going to offer up a policy recommendation. So, yeah, we look at this kind of a three legged stool, if you will. I don't know that it's going to be one without the other. I think it's a combination of household income rates and affordability. And so as we come into a year of a midterm election, we'll see what moves there. But at the end of the day, our builders, our partners are still hesitating and waiting to see for some of those things to be solved.

I think we're in an environment here where, as we partner with our builders and I remind you, we've got a pretty healthy position with some of the largest builders from an exclusive standpoint. So our ability to lock in with them, help them see around the corner, and plan is going to be important now more than ever.

I'll move on to the P&M side. And yeah, it is higher on the Protective side than the Marine side. And you said it right, Mike, this is where Sherwin-Williams is so exceptionally well-positioned because of the boom we see with AI infrastructure. As you look across that P&M division and the healthy pipeline that the team is working on and what we can bring to market, these data centers, for example, if you look at every coating that every surface that needs to be coated, we've got a solution. Our high performance flooring that we've just made some acquisitions in recently puts us in market leadership position, and you're going to see us be extremely bullish as we move forward.

Benjamin E. Meisenzahl

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

A

Yeah. Mike, I'll add just one more thing. I mean, going back to the first question in the policies and Heidi laid that out well. What that all means to us as it relates to our outlook, if there are things that happen, if there are policies that are implemented that become tailwinds for us, the plan that we have built is going to enable us to capture those and win from those. And so I know we outlined on slide 9 of the presentation some of our economic assumptions. And so we're going to be watching to see if there are policy adjustments that could turn some of those metrics better for us. And in turn, you should expect our performance to mirror that.

James R. Jaye

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

A

Thanks, Mike.

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

Patrick Cunningham

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning. So, Heidi, throughout the past year and a half you talked about capitalizing on opportunities, disruption in the industry, given the recent mega merger announcement, there's potentially some fresh disruption. So how would you characterize the opportunity set maybe within more of your industrial facing businesses?

Heidi G. Petz

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

A

Yeah, it's a great question. I think the word disruption is the right word. When you think about what's in play there, obviously there's – it impacts several of our divisions, and the teams are going to continue to be very aggressive out there. But when I step back and look at the big picture, over the last few years, I think it's safe to say that by and large, there's been a lot of shift across the competitive set on both architectural and industrial.

And what I'm most excited about is the stability of our strategy. We've got a rock solid strategy. We've got the playbook. We've got the management team, the team out in the field every day. Clarity about how to execute that playbook. And so we mentioned earlier that there's – we take volatility as an opportunity to create opportunity whether that's in the macro or in the competitive landscape. And we're going to do – we're going to be just that. We're going to continue to stay close and get closer to our customers, find new ways to solve their challenges, and we're going to come out winning.

James R. Jaye

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

A

Thank you, Patrick.

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

Arun Viswanathan

Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my question. I hope you guys are well. I guess I just wanted to understand the element of potential conservatism in the guide here. And maybe what could get you to the upper end? It sounds like you will be implementing that price increase, maybe get 2 to 3 points out of that. And then, would it be mainly volume in Paint Stores Group? I mean, we have seen some improvement in existing home sales over the last few months. And are you kind of assuming kind of continued softness in Commercial and new? Maybe you can just kind of go through some of the verticals within Paint Stores Group and see how maybe some of the different scenarios could play out and maybe push you towards the upper end of that guide? Thanks.

Benjamin E. Meisenzahl

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

A

Hey, Arun. I'll start with saying that, as you look at our outlook, I would call it realistic. And again, if I point back to the presentation deck and the economic assumptions that are the foundation of our guidance, you can see how we're framing that out. And I'll point to a couple of the indicators. If you look at existing home turnover, there's a wide varying range of assumptions next year. You have some people that think it's going to be back 1% to 2%. You've got some that are reporting it could be as high as 14%. And so I think what's important for us to share and the reason that we put that slide together so you could anchor on, you can see where we were anchoring our basis for our midpoint guidance.

And so, we feel in that example with existing home sales, it's more realistic to be in that low single digit range, absent any major policy shifts or anything else that we talked about. And so the basis of that foundation, I think we feel very comfortable and confident with. And as I mentioned earlier, if those indicators get better, if we see rates trend lower, if existing home sales turnover is higher, if consumer confidence and affordability gets better, you should expect that our results are higher than the midpoint that we're providing.

James R. Jaye

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

A

Thank you, Arun.

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

Duffy Fischer

Analyst, Goldman Sachs & Co. LLC

Q

Yeah. Good morning. Could we go back to Consumer Brands Group? I just want to understand the margin implication of Suvinil coming in and the cost cutting programs. So do we need to kind of model a 2% decline year-over-year until we anniversary Suvinil? And then, it kind of bounces back up towards normal or how to think about that playing out throughout this year? And then once we've anniversaried, what does it look like?

Benjamin E. Meisenzahl

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

A

Hey, Duffy. Yeah, if you think about the fourth quarter is generally a lower margin quarter for us anyway. And as we talked about coming out of our second quarter call, Consumer Brands Group, we had some supply chain

inefficiencies built in there. And that was due to targeted production volume reductions as we're trying to manage our inventory to the end of the year.

So with Suvinil, I know there's a lot of noise there. Suvinil coming in that doesn't help as well. But what I will tell you is that from an operating margin point of view, we should expect to see similar core business to our existing Sherwin business. We will have some integrating costs. As you can imagine a deal of that size, the integrating activities that are going to be required, the system integrations, et cetera, we're going to have some cost as we go through 2026. But from a margin point of view, yeah, until we anniversary that in the third quarter of next year, you can expect it to be maybe a little muted, the same degree that you saw in the fourth quarter.

James R. Jaye

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

A

Thanks, Duffy.

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

Michael J. Harrison

Analyst, Seaport Global Securities LLC

Q

Hi. Good morning. You've talked in the past about periodic repaint of houses occurring every 5 to 7 years. A lot of demand was pulled forward into the 2021 timeframe. So, we should be getting into a period where we should start to see more repaint activity. In your view, Heidi, what is preventing that thesis from playing out? Is it the cost of labor and maybe availability of paint contractors? Is it the cost of the paint itself? When you think about consumer sentiment and just propensity to repaint periodically, what could conflict with that prevailing view of repainting every 5 to 7 years?

Heidi G. Petz

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

A

Yeah. And you're right. It is. We say it's kind of a 5 to 6 to 7 year cycle. And we are coming off of that post COVID. I do think there are some natural governors in play right now just because we are in an inflationary environment. Consumer confidence is absolutely impacted. When you think about home improvement in general, though, what I love about our position is that we're one of the most affordable and most quick to update your home versus larger kitchen and bath projects. And so I do believe as we continue to monitor a lot of these indicators, we're going to stay very close to it, but we'd like to see more tick up happen faster. I do think it's going to still be a bit choppy throughout the year.

And I'll remind you to the DIY segment represents about 40% of the available gallons out there. And so when it starts to move, you're going to want to come along for the ride, but we just need to start moving.

James R. Jaye

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

A

And I think Ben's point that he mentioned a minute ago is important too Mike around the existing home sale outlook. I mean, that range of some saying existing home sales could be down low single digits to up 14%. That gives you a really good view, I think, into the uncertainty that's out there in terms of demand. So, whatever way it goes, though, we expect to outperform and we're very well-positioned to do that based on the investments we've consistently made over the last two years.

And thanks for the question.

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

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Q

Yes. Thank you. And good morning. Heidi, in the prepared remarks, I think you commented with regard to the 7% price increase that you'd expect realization to be in the low single digit percentage range. I'm not sure if that was a near term comment or if that's where you would expect to be in the fullness of time. But maybe you can elaborate on what that trajectory does look like over the next few quarters. And what I'm really trying to get at is the nexus between this realization versus your historical realizations against the backdrop of your aggressive pursuit of volume. Will it be lower this time, or do you think ultimately it will be the same?

Heidi G. Petz

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

A

We've said it's going to be in the historic range, maybe at the low end of the historic range. But I would look at this again because of this unique competitive environment that we find ourselves in. When I look at the low single digit guidance, I would think of that, Kevin, as a full year guide, and I'll invite Ben to jump in on any other details.

Benjamin E. Meisenzahl

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

A

Yeah. Kevin, I think what's important to know here, the teams are engaged. We're getting after the effectiveness where we can get it. There might be some delayed realization, as you have different accounts that go a little later than January. And so we're going to continue to monitor this. We know how to do this well. There's a high degree of confidence in our Paint Stores Group teams to get the price where they can. And we're going to manage it that way.

James R. Jaye

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

A

Thank you, Kevin.

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

Matthew DeYoe

Analyst, BofA Securities, Inc.

Q

Yeah. Good morning, everyone. To build a little bit on Pat's question, would you look at or participate in any asset sales on the backs of kind of the pure merger going on? I mean, I know it's a bit of a broad question considering there's pretty diversified portfolio, but say, for example, powder coatings, right, would new market entry be interesting to you or expansion in some of these, other more core industrial segments?

Heidi G. Petz

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

A

Well, Matt, we love to grow and we love expansion. Having said that, the way we look at our growth strategy, obviously, what we start with an organic focus. When we consider inorganic activity, it's a very disciplined review of our portfolio, which you just said. And so when I think about what's in play there, and as stewards of your

capital, we're always going to look. But, there are a few of those businesses that they fell out of the air and into our laps all day long. Yes, we would love them, but right now we're just focusing on growing organically and competing in the market.

James R. Jaye

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

A

Thank you, Matt.

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

Garik Shmois

Analyst, Loop Capital Markets LLC

Q

Oh, hi. Thank you. As you made the decision to bring back the 401(k) match, you cited delays in tariffs as one of the drivers that helped you decide to reinstate it. I was wondering if there's anything else specifically that you're looking at that gave you confidence. And just on the flip side, you're talking to a number of choppy macro indicators and trends that don't seem to be flipping anytime soon. I was wondering if there's any incremental cost that you're looking to implement this year.

Heidi G. Petz

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

A

Right. So, Garik, I'm going to start and then I'll hand this over to Ben. I think your point and your recognition and our recognition that the tariffs are going to have a delayed realization, so I'll have Ben comment on that here in a moment. But I do want to take a minute just to address this. I think we said this in the prepared remarks, but this decision was not made on a single quarter or any short term optics. And we all know this period of elevated and prolonged uncertainty.

We had one objective in mind, which was protecting the operating strength, the stability in the long-term health of our company by protecting jobs. And I'm really proud that we've been in a position to restore that. But here's the reality, and I share this with you just to bring you into how I'm thinking about this. When you have a differentiated strategy that you believe in and it's clearly working, and you've got a world class team that knows how to execute through all types of cycles, your number one focus is on execution.

And so I think now more than ever, you've got customers that are dealing with so much uncertainty. They are looking for partners that can be stable, reliable and predictable. And when you've got a winning strategy, you've got customers that need you. You're going to invest in that execution capacity. So which means we're going to continue to not only attract and hire, but it's in our best interest to retain this talent.

So we've seen a lot of widespread layoffs out there in and out of our industry. And I said earlier, we chose a different path and it was to maintain and preserve these jobs. And I think that making sure that we have that execution capacity that is what has rewarded our shareholders very well over the last few decades. But let me hand it back to Ben to talk more about the 2026 implication.

Benjamin E. Meisenzahl

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

A

Yeah, I mean, just one comment there. And I'll remind you back in July, when we gave our guidance, we were operating in an environment of high uncertainty. And Heidi talked about us wanting to have and make sure we preserve that financial flexibility. And so that didn't materialize the way that we had planned out. And part of

having that flexibility and pulling that 401(k) lever is, since it didn't play out the way that we had thought throughout the year, it gave us that ability to reinstate that. And even though it was quicker than we had expected, it's great that we were able to do that.

As we go into 2026, it doesn't mean that the pressures that we see have alleviated. There are still tariff pressures as part of our low single digit raw material guide that we're going to have to contend with this year, and that delayed realization is something that we're going to have to contend with this year. You've seen us on the cost out and pulling levers for some of the big needle movers. We have confidence that our teams are going to continue to do that. And we see [ph] our cross (01:02:10) business unit teams working really well together to unlock cost in areas that have been harder to get at in prior years. And so our confidence in them being able to do that also helps our decision to make this and get it reinstated, get this behind us and we're going to find ways to continue to overcome the volume challenges.

James R. Jaye

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

A

Thank you, Garik.

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

Chuck Cerankosky

Analyst, Northcoast Research Partners LLC

Q

Good morning, everyone. I want to take a look at the Paint Stores Group and see if there's any insights to be gleaned by how the non-coatings sales are going, especially with the professional's basket when they're in your stores.

Heidi G. Petz

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

A

Chuck, we're going to need a little bit more on the question if you don't mind. When you say non-coatings, what specifically are you referring to?

Chuck Cerankosky

Analyst, Northcoast Research Partners LLC

Q

I'm thinking about the supplies, brushes, sprayers things like that, that might indicate now where the pros' head is at and what you folks might be looking at to change in their baskets.

Heidi G. Petz

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

A

That was helpful. Jim's going to start off here and then I'll jump in.

James R. Jaye

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

A

Yeah. Chuck I was just going to say, one of the things you may be thinking about is spray equipment sales. And I'd say those have been flattish, reflecting the environment that we're in. Especially those are areas we talked about new res being under pressure. That'd be an area where you might see some more of that activity. But, Heidi, did you have anything else you wanted to add?

Heidi G. Petz

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

A

Just flat. I mean, it's flattish. And, Chuck, the way we think about that and we call it AP, Applied Products is just obviously can be more of a leading indicator. Sprays equipment is a really good example, but I would just characterize it as flat is what we're looking at.

James R. Jaye

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

A

Thanks, Chuck.

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

Eric Bosshard

Analyst, Cleveland Research Co. LLC

Q

Good morning. On the DIY market, could you just frame a bit of what you're seeing in terms of perhaps your performance in terms of volume and what's going on with price/mix in 4Q and the expectation in 2026?

Heidi G. Petz

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

A

Yeah. Eric, volume continues to be very choppy. Obviously this is similar to the comments I made earlier. I wish it was a different environment. Having said that, we've got a unique distribution because we serviced this DIY customer in two areas, one through our paint stores. And we love the margin accretion on that side of the business. That's more discerning DIY customer that's looking for a higher level of service. But our partnerships through a lot of our strategic retail partners are extremely important here and in this environment we say don't let a downturn go to waste. Making sure that we are aligned, thinking differently about what's on the shelf, how we can compete across the street. And so there's a lot of good momentum in terms of planning. We just need the catalyst to come to realization. On price/mix, I'll hand it over to Ben.

Benjamin E. Meisenzahl

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

A

Yeah. Eric, I mean, you've seen in our stores, I mean, our DIY performance has been a little bit better in the quarter here. If I look at DIY in total, though, a lot of what you see there is maybe the premium gallon push. We talked about that on our third quarter call with some of our channel partners. We're seeing better premium gallons. And so that's obviously a component of the price/mix bucket that you see there. And that's a win for our customers because that's putting them in a position where they can be more efficient for the projects that they're doing in their homes. And so that's about what we're seeing there. Obviously in our stores, again, if we're changing pricing, that's a segment where maybe we can be a little more effective. But that'd be my only comment there.

James R. Jaye

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

A

Thanks, Eric.

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

Laurence Alexander

Analyst, Jefferies LLC

Q

Good morning. Could you give an update on what your net price tailwind is expected to be going into 2026 and how that compares to how you think about trend pricing absent a sharp cyclical improvement?

Benjamin E. Meisenzahl

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

A

Hey, Laurence. Yeah, I mean we're going to annualize our pricing. We went out January 6th last year. And so by the time we did our pricing January 1st in stores this year, we've annualized that. There might have been a little bit of pricing that we captured later in the year. But our expectation is, hey, we've lapped last year's price increase. The timing coincides pretty well with the new price increase. And so as we've talked about a couple of times here this morning, we'll be managing high effectiveness in that pricing as best we can as we work through 2026.

Heidi G. Petz

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

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And maybe just a final comment as it relates to pricing I think and the discipline just to put a bow on this. I think we are in a very unique position. There's a lot of inflection happening across the industry, and I'm very confident in our strategy, our leadership team and confident where we're taking this company. And I'm excited for what's ahead. And we just – we need the market to help us a little bit. And we're having a very different conversation.

James R. Jaye

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

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I would just add to tie that all up, Laurence. Again, if you look in the slide deck that we put out with some of the guidance, we're talking for the full year in 2026, we've got low single digit positive price/mix in all three segments, and that gives you a positive, low single digit price/mix on a consolidated basis for the full year.

And thanks for the question.

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.

Yeah. Thank you, Matthew. And thank you, everybody for joining our call. And thanks to all the employees of Sherwin-Williams for all their continued hard work. Clearly, you heard today we're continuing to operate in a very challenging demand environment, and we expect that to continue well into the year. But as Heidi mentioned, Ben mentioned, we believe the guidance we're giving today, this initial guidance is realistic, given all the economic assumptions that we laid out in our slide deck. And quite frankly, should the market be better than we're seeing today, we'd expect to outperform that guidance.

So, regardless of the environment, you can count on us. Our strategy is clear, which is providing those differentiated solutions for our customers. I will close with a save-the-date request for everybody for our 2026 Financial Community presentation. It's going to be in Cleveland this year on Thursday, September 24, and it will include the opportunity for you to see our new global headquarters and our new global technology center. So, we're excited for all of you to experience this amazing investment that we've made for our customers and our

people. That date again is September 24, and we'll have more details on that later in the year. As always, we'll be available for your follow-ups here. And thanks again for your interest in Sherwin. Have a great day.

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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