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The Sherwin-Williams Co. (SHW)

Q2 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for joining the Sherwin-Williams Company's Review of Second Quarter 2026 and our Outlook for the Third 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 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 the US federal securities laws with respect to sales, earnings and other matters. Any forward-looking statement speaks only as of the date of which such statement is made, and the company undertakes no obligation to update or revise any forward-looking statements, 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 the 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.

Good morning to everyone and thank you for joining our call. Sherwin-Williams delivered strong top and bottom line growth in the quarter amid ongoing global uncertainty and without any meaningful improvement in demand. Our sales outperformance reflects continued execution of our strategy, new account wins, and a clear return on prior growth investments, 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 decreased slightly, but increased excluding the dilutive impact of Suvinil. Targeted pricing actions during the quarter enabled us to offset raw material inflation.

Reported SG&A expense increased by a mid-single-digit percentage, but decreased 90 basis points as a percent of sales. The increase was driven primarily by non-annualized Suvinil acquisition costs and higher employee service costs related to the greater than expected year-over-year sales and profit improvement in the quarter. We expect full year reported SG&A to increase by a mid-single-digit percentage.

Adjusted diluted net income per share increased approximately 10%. Adjusted EBITDA grew by 10.5% to $1.5 billion, and adjusted EBITDA margin expanded 60 basis points to 21.5% of sales. Net operating cash improved by 21% or $235 million in the quarter, driven by an increase in net income and working capital being a higher source of cash year-over-year. Free cash flow conversion was 86%.

Consistent with our disciplined approach to capital allocation, we took advantage of volatility in the market to accelerate share repurchases in the quarter, and combined with dividends, returned $1.5 billion to shareholders. We ended the second quarter with a strong balance sheet and a net debt to adjusted EBITDA ratio of 2.4 times. Based on our strong first half performance as well as our assumptions for the remainder of the year, we are increasing our full year consolidated sales and EPS guidance.

Let me now turn it over to Heidi, who will provide some color on second 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. I want to begin by thanking our more than 64,000 employees for their relentless focus on executing on behalf of our customers. In an environment that remains challenging, our employees continue to work hard and find new ways to deliver the reliability, consistency and customer-focused solutions that set Sherwin-Williams apart.

The strength of our strategy is evident in our performance. We are continuing to widen the gap between Sherwin-Williams and the competition through meaningful customer engagement, robust new account growth and meaningful share gains across the business. At the same time, we continue to focus on optimizing the enterprise and controlling our costs, as evidenced by the restructuring actions taken during the quarter. We expect these actions will result in approximately $17 million of annual savings, with about half realized over the remainder of this year.

Looking at our segment results in the second quarter, I'll begin with Paint Stores Group, which grew by a mid-single-digit percentage. Price/mix grew at the low end of mid-single digits and volume increased by a low-single-digit percentage. Our team delivered growth in all pro segments.

Protective and marine continued its momentum as sales increased by a mid-teens percentage versus a high-single-digit comparison. It was the eighth straight quarter of at least high-single-digit growth in this business. Data centers, semiconductor infrastructure and manufacturing onshoring are among several drivers of this growth, where customers continue turning to Sherwin-Williams for a suite of solutions that can be delivered quickly and consistently.

In the commercial business, the gains we have been targeting over the past 24 months are now evident, as sales increased by high-single digits in an underlying market that remains soft. These efforts have also resulted in the mid-single-digit increases in residential repaint and property maintenance.

New residential remained very challenging as single family starts and completions have been negative for five of the last six months. But meaningful account wins propelled us to low-single-digit growth in the quarter. Segment profit grew by mid-single digits and segment margin was 24.6%.

As planned, we have opened 45 new stores year-to-date and also, as planned, closed 57 or about 1% 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 that we maintain the highest level of service for our customers. Sales are not being negatively impacted by this targeted surgical approach as our mid-single-digit growth year-to-date is meaningfully outpacing the market.

We are still on pace to open 80 to 100 new stores for the year, though the net number will be approximately 30. The cost of closing stores year-to-date is immaterial and the store footprint optimization initiative is behind us. We fully expect to be at the high end of 80 to 100 net new stores beginning next year, given the trimming we have completed this year.

We also announced an 8% price increase effective September 1 to offset raw material and other cost inflation. Because of our strong supplier relationships and disciplined supply chain execution, we were able to delay this increase for customers and avoid disrupting their business during the height of the paint selling season. We expect effectiveness of this increase to be in our typical range, though we will continue to be opportunistic in pursuing additional volume.

Consumer Brands Group sales exceeded our expectations, driven by a mid-teens contribution from the Suvinil acquisition. Mid-single-digit price/mix and low-single-digit FX were partially offset by a low-single-digit decrease in volume. Group sales, excluding Suvinil, increased by mid-single digits, and our legacy Latin America business, excluding Suvinil, increased by a low-double-digit percentage.

North America sales increased by high-single digits against a soft comparison and included low-single-digit volume growth. The North America growth was driven by new product offering, favorable mix and the Pro-Who-Paints as DIY demand remained muted.

Sales decreased in Europe by a double-digit percentage against a high-teens comparison, driven by customer inventory management and destocking. Adjusted segment margin increased 210 basis points to 24.5%. Leverage from mid-single-digit sales growth and flat SG&A, excluding Suvinil, drove half of the improvement, with the other half coming from favorable non-operating items.

In Performance Coatings Group, sales beat expectations with growth in every division and region. These results reflect the strong new account focus that we continue to drive, as demand largely remains unchanged in our underlying core business. Price/mix and volume both grew by low-single digits in the quarter, with price/mix greater than volume. FX was a low-single digit tailwind.

Growth was strongest in the General Industrial division, led by strength in heavy equipment as sales were up high-single digits, inclusive of mid-single-digit volume growth. Automotive Refinish also grew in the high-single-digit range, driven by price/mix and favorable FX. Packaging continued its strong performance as sales increased by mid-single digits against a low-teens comparison.

Coil and Wood also delivered mid-single digit growth. Group sales expanded in all regions, including a strong double-digit increase in Asia Pacific and mid-single-digit growth in North America. Adjusted segment margin increased 50 basis points, with strong incremental margin of 26.4%.

Within the Administrative segment, SG&A declined 9.8%. As a reminder, this improvement largely reflects a favorable year-over-year comparison with the prior-year period, including approximately $49 million of severance and other restructuring expenses versus approximately $3 million in the current quarter. The slide deck accompanying our press release this morning provides more detail on second quarter segment results.

Now, moving on to our guidance. Our better than expected first half performance gives us increased confidence in our ability to deliver growth through the balance of the year. Importantly, our updated outlook assumes there is not a broad-based demand recovery. Customer feedback and the leading indicators we track continue to show limited signs of meaningful improvement in most end markets. In this environment, we continue to focus on the levers within our control, securing incremental volume while maintaining the products, services, and supply solutions which drive productivity and profitability for our customers.

Inflation remains a variable we are actively managing. Our supplier relationships are strong and continue to be a competitive advantage, and we do not expect raw material availability to be an issue for us. At the same time, we are not immune from inflation. We are seeing the impact of higher oil and related cost pressures, and we expect continued volatility throughout the balance of the year.

We expect inflation in our raw material basket to be up in the high-single-digit range in the second half, moving our full year outlook to the mid-single-digit range. We've taken a thoughtful approach to balance the timing and amount of price increases for our customers, and we are taking actions to keep pace with inflation while continuing to deliver the products, services, and solutions that our customers value. We expect consolidated price/mix for the year to increase to the mid-single-digit range, and we expect to maintain full year gross margin at last year's level at the midpoint of our guidance.

The slide deck issued with this morning's press release includes our expectations for consolidated and segment sales for the third quarter and full year 2026. Based on our strong first half performance and the momentum that we are carrying into the second half, we are raising our full year sales and adjusted EPS guidance.

Consolidated sales are now expected to increase by a mid- to high-single-digit percentage, and adjusted diluted net income per share is now expected to be in the range of $11.80 to $12.20 a share. Our guidance reflects stronger execution versus our initial January expectations, continued share gains, discipline price/cost management and ongoing productivity actions. Our slide deck contains other details you may find useful for modeling purposes.

We are encouraged by our second quarter performance and proud of what our teams accomplished during the first half of the year. Their execution demonstrates the strength of our business, the durability of our strategy, and the advantages that continue to differentiate us in the marketplace.

Our mindset has not changed. In this environment, we know growth will need to come from what we do, not from what the market gives us. We remain focused on being our own catalyst for growth, which means taking share, serving customers better than anyone else, and creating opportunities regardless of the demand backdrop. That's exactly where Sherwin-Williams excels, and we intend to continue leaning into these strengths.

At the same time, we are not satisfied as we know there is more business to earn, more productivity to unlock and more value to create. Our employees are the key to our success, and I want to take a moment to speak directly to them and express my deep respect and appreciation. As we have just demonstrated, we will continue approaching the many opportunities ahead of us with urgency, discipline and confidence in our ability to deliver.

This concludes our prepared remarks. As a reminder, we will be hosting our Financial Community Presentation at our new global headquarters and Global Technology Center on September 24. I look forward to seeing many of you there. Please reach out to our Investor Relations team if you have not registered as space is limited.

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] Your first question is coming from John McNulty from BMO Capital Markets. Your line is live.

John P. McNulty
Analyst, BMO Capital Markets Corp.

Q

Yeah. Thanks for taking my question and congrats on some really solid results, especially in a tough environment. So I wanted to ask, maybe you can unpack a little bit, mid-quarter you and Nippon made a bid for Akzo and then relatively quickly thereafter pulled that bit. I guess, can you walk us through the rationale for both moves and how we should be thinking about M&A going forward in terms of the opportunities that you may see out there?

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

A

Yeah. Good morning, John. I'll take that. We take a very disciplined approach, not only to our capital allocation philosophy that remains unchanged, but as it relates specifically to M&A. As you can imagine, we're constantly looking and assessing assets that would be a fit or an accelerator to our strategy. And so we probably pass well over – we pass on well over 90%, I would say, that cross our desk. But when we look at those specific assets, those were very premium targeted assets that we had long admired. And there was an opportunity at the right price, at the right time, at the right value, that would have been something that would absolutely have been complementary to our strategy.

Having said that, I think timing is everything, value is everything, and when we get to a point where we're two bids in, and what I think was a very fair, reasonable and premium all-cash offer without the level of engagement that we wanted, it was a simple decision that there was absolutely more attractive uses of our shareholders' cash. And so the decision to walk away and put that cash to use was in our and our shareholders' best interest.

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

A

Thank you, John.

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

Vincent Stephen Andrews
Analyst, Morgan Stanley & Co. LLC

Q

Thank you. Good morning, everyone. Can I ask for a little more color on the Consumer Brands margins? Obviously, very strong improvement. How should we expect those margins to move on a go-forward basis? I also sort of noticed versus the other two segments there, there wasn't really a call-out here on market share gains or anything. Obviously, some other nice call-outs, but nothing on the share gain. So what drove these margins to be so much better than the other two segments and what is the sustainability of it?

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

A

Hey, Vincent. It's Ben Meisenzahl. On the margin piece, it really comes from probably two parts. First, you look about half of it is coming from just the core operating performance. You look at the stronger sales that Consumer Brands had in the quarter. And if I strip out Suvinil and just look at the core business, which was up about mid-single digits, the result in SG&A was flat. And so you think about the leverage that you get in a situation like that. And then the other half of the margin expansion was from more favorable non-operating items. That also impacted the sequential first quarter to second quarter. So if you back out those non-operating items, we're more flattish first quarter to second quarter. So that's what's driving the adjusted segment margin there.

Heidi G. Petz

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

A

Vincent, I'll add in from a market share standpoint. DIY, obviously, there's not been any meaningful improvement in that particular segment. Pro-Who-Paints, however, we are seeing continued share gains there, and that's a testament to the team successfully executing on our strategy. We've got, obviously, our very strategic partnerships, Lowe's and Menards and others, but this is a growing segment, still a small base but the fundamentals are intact there. So a lot of credit to the team for continued focus.

James R. Jaye

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

A

Thank you, Vincent.

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

Duffy Fischer

Analyst, Goldman Sachs & Co. LLC

Q

Yeah. Good morning. Just a question around kind of the implied guidance at the midpoint. So in the first half year-over-year, you guys were up about $0.40 of EPS. And at the midpoint in the second half, you're up a little more than $0.10, even though you have a pretty big price increase rolling through in September. So, one, just wanted to see what is it that might slow down when you're looking at it year-over-year that would have a smaller increase. And then second part of that, between Q3 and Q4, should Q4 be seasonally bigger than normal because of that price increase when you look at it versus history?

Benjamin E. Meisenzahl

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

A

Hey, Duffy. Yeah. If you look at the year-over-year, I mean there's two things really that impact the first half versus the second half. If you look first at the comps, last year's first half were more difficult than the second half. And so if you look at that phasing and what we're going against this year here, that does have an impact. But if you do look at the second half of this year and that slower growth of EPS, as we've talked about, we still expect that ramp-up of raw material costs.

We've taken our guide up a little bit for the back half or for the full year, and that's coming on the back half. And so even though we have pricing that we're still laying in and our commitment to staying in front of that with balanced management of the price/cost environment, it is still an economic headwind that we're facing here. And so that's probably the biggest reason why you would see maybe a little less of the growth in the second half that you saw in the first half.

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

A

Thanks, Duffy.

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

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

Q

Thank you, operator. Good morning, everybody. Heidi, going back to your comments on the outlook and just given the steady increase in interest rates recently, specific to the PSG segment, are you embedding any sort of volume deterioration sequentially for the back half of this year which will be offset by share gain initiatives on your end? Just to sort of sum to that low-single-digit volume growth, is that the right way to think about it? Thank you.

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

A

No. I look at this, Ghansham, we don't expect that to happen. We don't expect any material change. And I'll see if Ben is going to give some color or commentary to give you a little bit more perspective. But – and I'll ask him to touch base in a minute. I just want to take a moment though and give you a little bit of segment perspective to reinforce my point.

If you look broad strokes, and obviously, we talk a lot about what's going on from a residential standpoint. New residential, I would say the exact opposite, obviously, very confident. And the backlogs are stable, but the team is really standing tall. We continue to take share here. Our new account activity continues to be very strong as our active accounts where we're growing our current customers' share of wallet. And so even though it's a challenging market, we're still continuing to be very aggressive out there.

We talk a lot about innovation with this segment, and we talk about innovating in and out of the can. Something I want to highlight here, this is really exciting. We just launched a product called Emerald Symmetry and it's the best performing interior product that we've ever produced. So not only with the right performance characteristics, but it's going to be a great plant-based zero-VOC product, so helping to really advance our sustainability agenda. So we're doing a lot of work here in this current macro to certainly favor growth in square footage for these res repaint contractors. So volume certainly positive there.

New residential continues to be under pressure. We are outperforming as monthly single-family completions are down an average of high-single digits in 2026, while our sales were down low-single digits, so demonstrating that we're taking share there. I certainly can touch on property maintenance. Our year-over-year rent growth remains weak with some sequential improvement. I would underscore some. But our outperformance with low-single-digit growth is also evidence of share gains. So the market is not going to help us in any regard.

But I do want to take a moment here on protective and marine because it's been a fantastic highlight. I said this in the call earlier, but it's our eighth straight quarter of at least high-single-digit growth. So we are exceptionally and uniquely well positioned, I would say, for some of these tailwinds. We talk a lot about data center build-out, infrastructure, the semiconductor infrastructure. The team is really going to market very effectively here with a very unique suite of solutions.

And so, again, back to the comments earlier, we know the market is not going to help us. We're not waiting. We have a lot of time ahead of us this year. We know we can control what we can control, but we're going to expect that we outpace the market.

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

A

Yeah, Ghansham. And I'll add to what Heidi said there and going back to the original part of your question. I mean, if you look at the phasing of volume year-over-year, the half-over-half in the guidance, it's relatively consistent. And if you go back to our original guidance in January, our assumptions were the same. What's different is the level of volume is higher than what we would have expected, and you see that in our original January guidance, down low-single-digit to up low-single-digit Stores Group volume and now we're guiding to that up low-single-digit volume. And so that supports all the things that Heidi talked about there. But again, the quarter-over-quarter volume, you're going to see consistent, and what changes is the pricing as we try to balance that against the inflation.

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

A

Thank you, Ghansham.

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

Gregory Scott Melich
Analyst, Evercore ISI

Q

Great. Thanks. I guess I'd follow up on that last point. I think you mentioned in the prepared comments the price increase in September. You expect realization to be in the historic range. Can you just – is that the range that we've seen this year? I think they're more like 40%. Or is it the historic more 60% to 70%? And then the second part of that question is, would that be enough for gross margins to grow year-over-year in the back half given the raw material still accelerating?

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

A

Yeah. Greg, I mean, starting with the back part of your question there, I mean our expectation is that we're balanced with pricing and our commitment has been to stay in front of that. And so you'll continue to see that there. Again, going back to your September price increase question, we normally see a glide path. And to Heidi's point, this pricing will be at that same historical trend. And as you know, we have customers that have contracts. There are probably some things that go into 2027 as well. But we would expect that over time that we're really, really able to capture that the same way.

And I'll remind you as well, I mean, the goal here has been to implement pricing when the market can support it. And we can do it in a way that preserves our customer relationships and manages our ability to get share gains. And so we felt that September provided the best balance between those objectives, and that's why you see us going right now.

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

A

Thanks, Greg.

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

Patrick Cunningham
Analyst, Citigroup Global Markets, Inc.
Q

Hi. Good morning. Thanks for taking my question. I was hoping you could just give a little bit of detail behind the drivers for both the commercial and protective segments. And what sort of multi-quarter or multiyear visibility do you have there from some of your share gains, new product wins, anything that we should think about across those two strong segments?

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

Yeah. Good morning, Patrick. It's Jim. I'd say on the commercial side, you're seeing this is a couple of quarters in a row where we're outperforming. We've talked about some of the market share opportunities that we've been targeting over the last 24 months or so. I think you're starting to see those come through in a more prominent way now, a lot of credit to the team that's driving the commercial side there.

The other part of your question, Patrick, just again, was which other segment?

Benjamin E. Meisenzahl
Chief Financial Officer & Senior Vice President-Finance, The Sherwin-Williams Co.
A

PM.

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

The P&M piece? Yeah. So the P&M piece is – Heidi I think touched on it. The data center build-out, the infrastructure build-out, semiconductor fabs. There's others that maybe aren't getting as much of a headline, but water treatment, pharmaceutical, the onshoring, all of that is opportunity for us. A great suite of solutions, flooring, structural steel, and there's also an architectural element of the office space in all of those applications as well.

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

Patrick, one other piece to add, and Jim mentioned this, but when we talk about AI, data centers and the build-out, you think of the race of these hyperscalers and speed matters, and we can provide speed. We can provide a comprehensive one-shop solution for many of their coatings needs across the board that Jim just mentioned. So we love the tailwind and we're ready for it.

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

Thanks, Patrick.

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

John Roberts
Analyst, Mizuho Securities USA LLC
Q

Thank you. Back to the original M&A question, Sherwin didn't appear to be interested in the number one European [ph] DECKO (00:29:08) business. Why was that?

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

A

Well, we've looked at that, John, for a long time. And one of the things that we love about our controlled distribution model certainly is the backdrop, the market dynamics in which we sit here in North America. We absolutely are proud about the playbook that we've created. Obviously, there's a lot of agility within that playbook. But the market fundamentals outside of North America simply don't support that level of capital deployment. So we do think there are, again, other very attractive alternatives of shareholders' cash and we're going to put that to good work.

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

A

Thank you, John.

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

Arun Viswanathan
Analyst, RBC Capital Markets LLC

Q

Great. Thanks for taking my question. I was hoping to ask just on two segments, resi repaint and packaging. I think both of those are in the mid-single-digit range, if I'm not mistaken. Could you just elaborate? It sounds like resi repaint, obviously, you've been at higher ranges before. But is that kind of plateauing? Is there anything else that you could do to drive higher growth there? And then similarly, in packaging, are you still working on some share gains there? And where are we in kind of the European BPA transition? Thanks.

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

A

Yeah, you bet. Well, let me start with resi repaint. Is it plateauing? Absolutely not. In fact, I would say we're just getting started there. I'll remind you that this is the segment where we have the largest share gains ahead, and we are continuing to be agile and deploy resources and make sure that that team is well prepared. There's a lot of share available for grabs right there. And so we're going to continue not only with our dedicated stores, our residential repaint reps, the product launches, the innovation that we're providing in the can, all of the digital suite of tools that we're innovating and continue to innovate for these residential repaint contractors regardless of their size to help them with their economics, be better planners, make sure that we're helping them leveraging our multiple stores and helping them grow and travel. So we're in a really good place.

Also a testament to the team. We've got an organization that we've long been focused on not just selling but shifting to more of a consultative selling approach. And so our team, I'm very proud of what our folks in the stores are doing day in and day out to help our customers succeed here. And it's evident in our numbers, and we continue to expect that outsized growth.

I'll touch on packaging. You mentioned mid-single-digit volume. That certainly was led by strength in beverage cans. We're clearly outgrowing the market here. I think the EFSA piece you mentioned, the ban on BPA taking effect in Q2, obviously, of this year, that will continue to drive customer conversion back half of this year and into next year. So we expect that to be goodness heading our way.

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

A

Thanks, Arun.

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

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

Morning. I just wanted to ask kind of a clarifying question a little bit on the consumer business. You'd mentioned some non-operating tailwinds. Absent that, things would have been flat quarter-over-quarter. Was that a [ph] margin (00:32:40) would have been flat or was that a EBITDA would have been flat? Can you just tie that up, Ben?

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

A

Yeah. Matt, that would have been – the adjusted segment margin would have been flat. And so, again, roughly half of the improvement that you saw quarter-over-quarter, if you adjusted that for what we saw in the first quarter, you would have seen more flattish adjusted segment margins in CBG.

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

Yeah. Okay. I appreciate that. That's helpful. And then, Heidi, to jump back a little bit on John's earlier question and I guess maybe both Johns, but – and I don't know if I want to drag this conversation too much. But like ultimately, what changed between your first two attempts on AkzoNobel and then the release of the slide deck and then your decision to walk away? Like, I appreciate the price discipline comment, but conceptually, you kind of already you had to come up in a more material way. And then the slide deck comes out and then a few days later, you walk.

Is that – am I reading too much into what was a couple of days' lapse or is there something else there? Because, I mean, that deal isn't necessarily done, though, I think the market expects, but just wondering how it relates to your appetite. And then conceptually, I would assume any spin-offs are a fair game for Sherwin to consider or...

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

A

Yeah.

Matthew DeYoe
Analyst, BofA Securities, Inc.

Q

... [ph] asset acquisition (00:34:04)

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

A

Right. So, Matt, let me attack your question here. I think there's basically three parts of it. First, I do think you're assigning too much weight to the days. And if you look at the discipline in which we think about capital allocation deployment, we've been looking at those assets for years. And so we're not desperate for those assets. I want to be very clear. And we've said we don't need acquisition to grow. We have a lot of organic scale opportunity. The team is doing a fantastic job demonstrating that. We're not going fast enough. We'll happily take more.

But you asked about what's changed kind of between bid one and bid two. And it was what I stated earlier as we talked about putting a very – what we thought was not only fair and reasonable, but superior all-cash offer forward at some point without getting the level of engagement that you want. What we're not going to do is negotiate against ourselves if we're not desperate for these assets. We're going to be laser-focused on growing these businesses with or without.

But I think your third point, and it's a very fair point, should these assets fall out of the sky at the completion of the MOE at the right value, then we would absolutely take a look at those. But it would have to be at the right value and the right time.

I will take a moment, Matt, just to point to the success of Suvinil is a great example of capital being put to great use. And just a moment on this, while you didn't ask about it, I think it demonstrates the discipline of how we think about M&A. We've long admired that asset down in Latin America and had been looking at that for over 10 years. We were very thoughtful in our approach, not just in terms of the deal, but in terms of the integration.

Coming from the Valspar side and playing a big role on integration, it's extremely important that when we're thinking about success here, it is customer and employee first, and I'm very pleased with the success that the team is having. The business continuity continues to be our North Star, making sure that we're providing stability, not only in our relationships with our customers, but in our service levels.

I think the cultural compatibility is also worth noting. You've got two great teams coming together. We say one plus one equals three here. And the compatibility of strong teams and what we're able to do to leverage a strong asset of the market leadership and certainly the strong ability to provide innovation from Sherwin-Williams, we are really just getting started there.

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

A

And Matt, I just want to build on one thing that Heidi said here. Again, it's – we've talked about how our cash generation remains a strategic advantage for us. And you look at the first half and that's really on display. I mean, we returned almost $1 billion more in cash to shareholders. We did the ASR in between when we walked away from the joint bid to when we were blacked out for the quarter. And so you can see us there taking decisive actions in an environment where our share price is on sale. And so you're going to continue to see us be really strategic with how we're managing our capital allocation. And just wanted to put an explanation on that.

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

A

Thanks, Matt.

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

David Begleiter
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you. Good morning. Heidi, just on DIY. I saw it did tick down versus the prior three quarters of it being up. What changed in the DIY market for you guys this quarter?

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

A

I don't think there's really any material shift there, David. It would be more nominal than material. We're still waiting for the catalyst to kick in on the DIY segment. I think if you look at bifurcating that segment, you've got more of the premium DIY homeowner in our stores that prefer a specialty kind of experience, and we're faring better there. The recovery there is certainly less inflationary sensitive. On the more value-conscious DIY homeowner that prefers a home center, still under pressure. But again, this is where our strategic partnerships are extremely important that we continue to find new and different ways to look at that volume.

But I want to take a moment on this point, and we talk a lot about this in our prepared comments, but the fundamental theme here is we do not believe there will be a catalyst in the market anytime soon. And the charge to the team is that we have to be our own catalyst for growth. And so you're going to continue to hear us talk about that. There are a lot of levers that we can pull, they're not infinite, but it is a control what we can control mindset, and that is what gives us confidence. We continue to focus on execution discipline. I think we've built strong credibility on that front because we've been able to demonstrate even in a challenging environment.

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

A

Thank you, David.

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

Joshua Spector
Analyst, UBS Securities LLC

Q

Yeah. Hi. Good morning. I wanted to follow up on the pricing side. Just, I mean, I heard your comments around the realization of the 8% increase. But just trying to think about the timing of that relative to kind of your updated pricing guidance. I mean, it seems like my interpretation is maybe you're realizing 1% to 2% in the fourth quarter and then maybe more of that falls into 2027. So, one, is that kind of the right interpretation? And then, two, what does that mean for your approach to pricing for what you typically do around January 1, 2027? Is that coming up in conversations now or is that going to be a separate conversation three months from now? Thanks.

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

A

Hey, Josh. Yeah, the phasing of this, and again, we've done a lot of pricing throughout the year here, and we're being realistic with what the approach is. And I know we keep hammering back on volume being the premium. There is going to be a balance there to make sure that all the work that we've done to keep our customers and to make sure that we're able to supply them and keep a minimum price increase, because we did. We've waited long. I mean, as I mentioned, waiting until September, that was a strategic decision to make sure that we didn't impact our customers the way that some of our competitors may have by going earlier in the painting season.

And so obviously, the season is rolling over later in the year. I mean, that might have an impact on realization. But I can assure you that the way that we're approaching this year, it is balanced with the inflation that we continue to see. And obviously, that will go into the first part of next year. And so that is part of the calculation. But we're not ready to call anything beyond 2026 right now. We're watching this quarter-by-quarter, half-by-half, and we'll continue to watch the market. There are uncertainties out there with what inflation will do. And our teams are constantly assessing what those impacts are and what actions we would need to take.

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

A

Thanks, Josh.

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

Jeffrey J. Zekauskas
Analyst, JPMorgan Securities LLC

Q

Thanks very much. A two- part question. You talked about 57 store closures. Is there a pattern to the closures? Are these unprofitable or in a particular region or too small? And why are they happening this year?

And secondly, in terms of pricing, you're lifting your Paint Stores pricing by 8%. If you compare that pricing action to what's going on in Performance Coatings, should Performance Coatings price initiatives be at least that number because the raw material inflation would be a little bit higher or is there some other dynamic at work? What are you doing in pricing in Performance?

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

A

Yeah. Jeff, good morning. I'll start the first question on the stores, and then I'll hand it over to Ben. He can comment on the pricing question that you had. You asked if there was a pattern and there is a pattern, they didn't meet the profitability threshold. And so if you think about the – we've built what I would consider one of the industry's premier distribution platforms over many, many decades. And with that comes the responsibility for us to actively manage that platform.

So we're going to continue to open stores, and you heard in my prepared remarks, as we were pruning we wanted to take advantage of just this downturn, being really candid, to do that and make sure that we're favoring the best use of shareholder cash in the right places. The expectation going forward is that we get to the higher end of the 80 to 100 net new stores beginning next year and you should expect to see us be aggressive there on that front.

So in this environment, while we've got this great platform, we think that it's in our shareholders' best interest if we are looking at making these increasingly productive – our platform increasingly efficient, leveraging AI where it makes sense and where it's helpful, but also making sure that we're increasingly aligned with where our customers are growing. So that's what we're solving for. And I think the result is going to be a healthier, more productive platform that better serves customers and better generates stronger returns for our shareholders. So we're excited that this is behind us, and we can move forward with a more productive platform.

And I'll hand it to Ben on the pricing question here.

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

A

Yeah. Jeff, on pricing, as you know, the way we go to market with pricing is very different between our architectural business and the industrial business. And so with PCG, and we've talked about this going back to April and even into January where we had announced some pricing, it is a little more surgical within PCG. And so as you can expect, with raw material inflation continuing to climb here in the second half, that PCG has been out with pricing a little more surgically by business unit or by region.

And again, our decision to wait on the architectural side to make sure we preserve volume in our share and made sure that we didn't put those pressures on our customers, it's just – it's a different approach that we have between the two different businesses. But your thought is right. There are – there's pricing out in all of our segments right now as we're trying to balance the price/cost dynamics that are there.

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

A

Thank you, Jeff.

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

Chuck Cerankosky
Analyst, Northcoast Research Partners LLC

Q

Good morning, everyone. I'd like to talk a little bit about Suvinil, how the integration is going, where you're at in the process and to what degree it contributed or dent to EPS dollars.

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

A

Hey, Chuck. Yeah. Suvinil continues to really be a great addition to Sherwin-Williams for us. And as we've talked about on the last couple of calls, really encouraged by what we're seeing down there as we're bringing Suvinil into the existing Sherwin-Williams business that's been there for 80 years.

I think some of the highlights that I'd call out here because our teams have gotten their hands more on what that Suvinil business brings. We've identified additional synergies, even things that maybe we didn't appreciate through the industrial lens when we were initially looking at opportunities. On the customer front, there's been a lot of really great growth opportunities as the two brands come together. And so we're really encouraged about that. In April, I talked a lot about we were going to continue to be doing integrating activities the rest of this year, into early part of next year. And so we still think it's an immaterial tailwind to our EPS for the year as we continue to merge the companies.

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

A

Thank you, Chuck.

Operator: Thank you. Your next question is coming from Abigail Eberts from Wells Fargo. Your line is live.

Abigail J. Eberts
Analyst, Wells Fargo Securities LLC

Q

Hi, there. Thanks for taking my question, and congrats on the quarter. You've talked in the past about your strategy for driving new business wins in Paint Stores with your rep network, your app launches and things like that. Can you speak to how you're driving new business wins in PCG given the different customers?

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

A

Yeah, Abigail. Good morning. I think it's – Ben kind of alluded to this a little bit on the last question. These are very different models, different customers, end markets, regions. And so you're right, we need to think about our ability to kind of standardize within Paint Stores Group. It's a little bit different on the Performance Coatings side. This is really a team with incredible tenure and expertise in these end markets and regions, and it really is about making sure that we are best serving these customers.

And so if you think about some of the assets that we have on our Performance Coatings side that are fairly underappreciated would be our blending facilities. And so our ability to have these assets that are close to industrial wood, coil large customers, we're able to better serve oftentimes at days and weeks, even longer, versus our competitors and these customers are willing to pay a premium for that. So the speed, the consistency of color, our ability to demonstrate value every day affords us a position to create these new business opportunities and new business wins.

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

Thank you, Abigail.

Operator: Thank you. Your next question is coming from Kevin McCarthy from VRP. Your line is live.

Kevin W. McCarthy
Analyst, Vertical Research Partners LLC
Q

Yes. Thank you, and good morning. Heidi, I have a broad question for you on the subject of market share gains. You're doing a nice job with broad-based gains for a while now. But wanted to ask, are there certain businesses where you've been pleasantly surprised by the magnitude of share gains where you wound up winning more than you had expected? And then in contrast, are there any businesses that come to mind where share gains have proven to be more challenging than you would have thought maybe due to competitive behavior or otherwise, where you see room for improvement moving forward?

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

Well, Mike, I have to start – or Kevin rather, I have to start with, there's never enough share gains, right? So let's agree with that. I'm not surprised by the magnitude anywhere. In fact, the team has been really, really hard at work, and I'll point to commercial as a really, I think, good example. We've talked a lot about res repaint, and I do continue to see heightened growth there.

The commercial segment, we talked a lot about this for the last few years, putting additional focus on what it is that only Sherwin-Williams can provide to some of these contractors, even some of these larger contractors. And so the team has been really focused and hard at work in a very data-driven, very disciplined approach by looking for customers that maybe had – we had some share of wallet in the past. Is there opportunity to earn and demonstrate the value that Sherwin-Williams can bring with our delivery, with our ability to – as we talked about the PRO+, our app, our ability to help these contractors to plan to bid, to grow, to travel, to better leverage our stores and delivery.

So we're hard at work out demonstrating our value every day. Some of these projects are multiyear in nature. And so the timing in which we're seeing these conversions that you're seeing in our share gains now are a realization of some of those projects coming to completion and new projects beginning, but I'm very pleased about that.

I think your question on where it's more challenging. New residential, I'd have to point to new residential. Industrial wood is it's really tied mostly to new residential just based on cabinets and furniture. Those are the areas that are still under pressure the most. I am pleased though that even despite new residential is down low-single digits in the first half of 2026, it's flat I think full year in 2025. And we are outperforming given the soft single-family completions. They've been very choppy to start the year with a lot of economic uncertainty, but we're continuing to take share in a really challenged environment.

So the expectation across the board is we're not waiting for the market, and we need to be at a minimum of 1.5 to 2 times the market. So as the market starts to move, we expect to continue to have outsized growth there.

James R. Jaye A

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

Thank you, Kevin.

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

Michael J. Harrison Q

Analyst, Seaport Research Partners

Hi. Good morning. Within the PCG segment, you said that your General Industrial sales were up high-single digits. Just was looking to see if you could break down how much of that was pricing versus volume? What end markets are showing strength in industrial? And do you think that that strength is going to be sustainable into the second half?

Heidi G. Petz A

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

Yeah. Mike, the volume was up mid-single digits and price/mix up low-single digits. We had some FX tailwind low-single digits there. But like I mentioned in my prepared comments, the growth is really coming from general finishing and heavy equipment construction. So we're continuing to see transportation and energy have some headwinds. But a lot of – compliments to the team that despite that backdrop, they're out focusing very heavily on new business to offset some of that core erosion.

James R. Jaye A

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

Thank you, Mike.

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

Daniel Rizzo Q

Analyst, Jefferies LLC

Hi. This is Dan Rizzo on for Laurence. Thanks for fitting me in here. Just getting back to the store closures, I understand this is kind of an unusual situation, but just historically speaking, I mean, how many stores do you close kind of on an annual basis prior to this kind of period we've been in? And also is franchising something that's ever been considered for the Paint Stores Group?

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

A

Yeah. I mean, in a normal year, you're talking a small handful, two, three, four. A lot of times, again, you may see those because of prior acquisitions and you got duplication. And so – but generally, the focus is getting those new stores in. And so as Heidi talked about earlier, strategically finding the stores where maybe they're not hitting the return profile that you want and getting those out now. It allows us to go faster later, and we have that. We're looking for the opportunity to be at the higher end of that 80 to 100 stores. And then franchising is not something that we've considered, doesn't fit the long-term strategy value model. And so it wouldn't be something that you see us talk about.

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

A

Laurence, one of the things that we talk a lot about with our stores is this idea of ownership. And our store managers own the P&L. They own the culture of the store. They own the hiring of that store. Obviously, they own bringing business into the store. But I think Ben said it well, and it really is making sure that at the core, we're really – we're grooming that ownership mindset.

The store closures piece, we have our six enterprise priorities. Simplification is a very, very important priority that I want to take a moment and talk about. The reason that we're taking this approach to really pruning stores is so we can go faster, but it is by design. We don't expect to annualize that level year-over-year. That's why I intentionally said it's behind us, so that we could continue to put the new stores in when and where they make sense to support our customers.

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

A

Thank you, Dan.

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

Chris Parkinson
Analyst, Wolfe Research LLC

Q

Just on the back of that, when you take a step back as CEO, is there anything else in terms of major initiatives that you feel the Sherwin team should be even more aggressive on? I mean, you've gone through the store count, you've been increasing the average price point by attacking some of the lower volume, higher price point paints and going after kind of the top end of the market over time, you've increased your sales force. Is there any one or two initiatives where you said, you know what, we can double down on X, Y and Z to even further improve our trajectory and really go after that 1.5 times market growth? Is there anything that comes to mind?

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

A

Well, a whole lot. How long do we have? So, Chris, it's a great question. There's a couple of things here. And I think when you look at the moat and you look at what we're trying to do, especially in a downturn to put more space between us and our competitors, there are absolutely not only levers, but we talk about growth vectors, top line growth, bottom line growth, and I said this earlier, we need to be our own catalyst in this market that's not going to simply provide one.

And so, yeah, there's a lot here. What gets me really excited, not just our stores, our employees or the data that we own, we've assembled the world's largest database of painting contractors. There's so much we can be doing with that to be better partners to our customers. We've got a distribution platform that I'm very proud that we can do two things very well at the same time, which is provide scale and agility, again, which our contractors, our customers value.

This is an opportunity, especially in a downturn with so much volatility and inflationary pressure. This is an opportunity for Sherwin-Williams to really stand tall and demonstrate our differentiation to our customers and to elevate our partnerships with our customers. That's where the team is focused. That's why we're taking share and that's why I'm confident we're going to have a strong back half.

Benjamin E. Meisenzahl A

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

Yeah. Chris, I'll add to what Heidi said there. I think digital is another opportunity. I think the industry is under-digitized and this supports all the things – all the investments that we've been making in digital. And really, I mean, whoever gets demand signals the quickest, they're going to be the ones that get the disproportionate amount of share. And so our teams are actively working through that, through ERP modernizations, CRM work. We've talked a lot about data and how we get insights to our businesses faster. And so I think that remains a really big opportunity for us that our teams are actively working on and you'll see us continue to talk about.

James R. Jaye A

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

Thank you, Chris.

Operator: Thank you. That concludes our Q&A session. I'll 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.

Thank you, Matthew. And thank you, everybody, for joining our call. And I want to reiterate Heidi's comments thanking our employees for their hard work in delivering a really strong quarter in this really difficult environment.

Strategy is clear. It's working. It's unchanged. And you can expect us to continue executing at this high level. I want to close out, as Heidi mentioned, also, again, another commercial for our Financial Community Presentation, Cleveland, September 24. You'll have the chance to see our new HQ and our Global Technology Center. So hope that many of you will be able to join us for that.

Thanks again for your interest in Sherwin. And we're available, as always, for your follow-ups. 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.