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The Sherwin-Williams Co. (SHW)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. Thank you for joining the Sherwin-Williams Company's Review of Third Quarter 2026 and our Outlook for the Fourth 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 statements speak only as of the date of 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 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 continued to deliver strong top line growth despite persistent softness of demand across our end markets. Our above-market performance reflects continued execution of our strategy: new account and share of wallet wins, and a clear return on prior growth investments. Consolidated sales grew by a high single-digit percentage, inclusive of mid-single-digit price mix and low single-digit contributions from acquisitions and volume.

We have grown consolidated volume every quarter this year. Sales in the quarter grew at or above our guidance in all three segments. As we talked about at our Investor Day last month, our strong top line growth will be a key driver of robust earnings growth and incremental margins as the inflationary cycle ultimately moderates.

Reported gross margin in the quarter was primarily impacted by higher raw material and supply chain related costs, dilution from the Suvinil acquisition and higher growth in lower-margin reportable segments. Gross margin is flat year-to-date, excluding the dilutive impact of Suvinil.

Reported SG&A expense increased by a mid-single-digit percentage, but decreased 50 basis points as a percent of sales. The increase was driven primarily by incremental costs related to the Suvinil acquisition and higher employee service costs to support the higher than expected year-over-year sales. We continue to expect full-year reported SG&A to increase by a mid-single-digit percentage, including a low single-digit contribution from Suvinil.

Adjusted diluted net income per share increased by approximately 1%. EBITDA increased 3.4%, while adjusted EBITDA grew 3.3% to \$1.4 billion, and adjusted EBITDA margin of 20.5% remained within our targeted range.

Net operating cash decreased in the quarter and has grown 10% or \$232 million year-to-date, driven by higher year-to-date net income and lower year-to-date use of cash for working capital. We returned \$749 million to shareholders in the quarter and \$3 billion year-to-date through share repurchases and dividends. Our balance sheet remains strong and we ended the third quarter with a net debt to adjusted EBITDA ratio of 2.4 times.

Let me now turn it over to Heidi, who will provide some color on third 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 start by thanking our more than 64,000 employees around the world. Their hard work, dedication and commitment to taking care of our customers continues to set Sherwin-Williams apart. Even in a challenging environment, our teams are finding new ways to win, grow with customers and outperform the market. Our third quarter sales performance reflects the strength of our strategy and the value customers are placing on our products and services.

We continued to generate strong new account growth, deepen relationships with existing customers and gain meaningful share across the business. At the same time, we acknowledge that the sales to earning conversion in the quarter was below our standard, and we will continue to act with urgency to drive greater efficiency throughout the organization.

Actions taken in the third quarter, together with those we've previously disclosed, are expected to deliver approximately \$25 million in 2026 savings. We are pursuing additional opportunities in the fourth quarter that we expect to further strengthen our cost structure and provide incremental benefits in 2027, as we're committed to making Sherwin-Williams a faster, more responsive and even more efficient company.

As we've often said, we don't run this business for a perfect quarter. We run it to consistently outperform the market and create long-term value. And on a year-to-date basis, we are delivering on the commitments we made. We are gaining share across our end markets. We continue to implement targeted pricing and cost actions designed to mitigate inflationary pressures. Excluding the dilutive impact of the Suvinil acquisition, consolidated gross margin is flat year-to-date.

At the same time, we continue to make targeted growth investments that are further separating us from our competitors, while adjusted SG&A growth has moderated in each of the last two quarters. We are maintaining the midpoint of our full-year adjusted diluted EPS guidance, which we raised in July. I continue to have the utmost confidence in our team and we are moving forward with determination and a clear focus on what we can control.

Looking at our segment results in the third quarter, I'll begin with the Paint Stores Group, which grew by a mid-single-digit percentage. Price mix increased by mid-single digits and volume increased by low single digits. Our team delivered growth in all pro segments. Protective and marine continued its momentum, as sales increased by a mid-teens percentage versus a challenging prior year comparison. It was the ninth straight quarter of at least high single-digit growth in this business.

This team's combination of technical expertise and fast reliable service continues to win business in multiple end markets, including AI infrastructure, energy, water treatment, manufacturing and processing. Keep in mind that many of these wins also will create reoccurring revenue annuities related to future maintenance.

In the commercial business, sales increased by high single digits against a mid-single-digit comparison in an underlying market that remains soft. These results continue to illustrate the exclusive contracts and new projects we have targeted and won over the last 24 months, and we are confident meaningful additional gains are still ahead.

Residential repaint remains our single largest growth opportunity, and our targeted investments and relentless focus on new accounts continues to drive above-market growth. Sales in the quarter grew by mid-single digits against a high single-digit comparison, marking 10 of the last 11 quarters that Sherwin-Williams has delivered at least mid-single-digit growth in this end market.

Property maintenance grew by low single digits, as did new residential, which outperformed against a backdrop where single-family completions were down by a high single-digit percentage in the quarter. Segment profit grew by low single digits, primarily due to higher net sales, partially offset by higher raw material and supply chain related costs as well as increased costs to support higher sales, including additional stores, sales reps and digital capabilities.

We've opened 57 gross new stores year-to-date, which have been offset by the planned and targeted closures that are now behind us as we described last quarter. We expect to be back in our typical range of 80 to 100 net new stores starting in 2027. The 8% price increase that became effective September 1 is tracking as planned and is expected to ramp up to our historical realization range in the first half of next year.

In Consumer Brands Group, sales grew as expected, driven primarily by the Suvinil and Do it Best acquisitions. Positive low single-digit price mix, where favorable mix was greater than price and low single-digit FX, were partially offset by a mid-single-digit decrease in volume. Regionally, North America sales increased by low single digits, driven by favorable mix, new product offering and the Pro-Who-Paints as DIY demand remained muted.

Europe grew by mid-single digits versus a high single-digit comparison, driven by share gains. Our legacy Latin America business, excluding Suvinil, increased by a low single-digit percentage. As a reminder, we have annualized the Suvinil acquisition as of October 1.

Adjusted segment profit and margin in CBG decreased primarily due to higher raw material and supply chain costs, incremental SG&A expenses associated with the Suvinil acquisition and unfavorable foreign currency transaction gains and losses. As we've previously shared related to Suvinil, this year is focused on serving our customers while executing on our integration efforts, which are progressing as expected. Excluding acquisitions, CBG adjusted segment margin for the quarter is in the low 20s.

In Performance Coatings Group, sales beat expectations with growth in every division and region. Volume increased at the high end of low single digits, reflecting new account wins and share gains, as demand remained choppy in most end markets. Price mix increased by mid-single digits and FX was a low single-digit tailwind. For the second straight quarter, growth was strongest in the General Industrial division. Sales increased by a mid-teens percentage, inclusive of robust volume growth, led by construction equipment and transportation.

Packaging strength continued as sales increased by a low double-digit percentage and also included strong volume growth. This team has delivered a minimum of high single-digit sales growth in eight of the last nine quarters.

Coil also grew by a low double-digit percentage, driven by construction, HVAC, lighting fixtures and roof decking. Wood and Automotive Refinish both grew by low single digits.

Total group sales expanded in all regions, including a strong double-digit increase in Asia and a high single-digit growth in North America and Latin America. Adjusted segment profit increased due to higher net sales, partially offset by higher raw material and supply chain related costs as well as an increase in employee-related costs to support higher sales. The slide deck accompanying our press release this morning provides more detail on third quarter segment results.

With that, let me move on to our outlook for the remainder of this year, along with some initial considerations related to 2027. The slide deck issued with this morning's press release provides specific sales guidance for the fourth quarter, which reflects our normal seasonality and the full year.

Given our third quarter performance, we are narrowing our earnings outlook and now expect adjusted diluted net income per share to be in the range of \$11.85 to \$12.15 per share, with the prior mid-point of \$12 remaining unchanged. Our slide deck contains other details you may find useful for modeling purposes.

You should expect us to act with discipline and urgency over the remainder of the year while remaining laser-focused on our strategy of driving our customers' success. As we prepare for 2027, our teams are working through our annual planning process. We'll provide you with a more definitive outlook in January, as we typically do, but at this time, we can provide some initial expectations that may be helpful.

From a demand perspective, we expect a continuation of softer for longer with continued choppiness across most end markets. The leading indicators we track point to few positive catalysts at this time. As a result, we will continue investing in the targeted growth initiatives that we know will bring returns, including stores, reps, services and innovative products.

From a cost perspective, we are not immune from inflation. We will continue to manage this variable through targeted pricing actions as needed, disciplined control of general and administrative expenses, and simplification initiatives that drive speed and efficiency. We expect cost savings of approximately \$75 million in 2027, inclusive of \$25 million related to the restructuring actions taken in this year's second and third quarters as well as cost actions currently under review in the fourth quarter.

Given our current visibility, we expect raw material inflation to be in the low to mid-single-digit range for 2027, with the largest year-over-year impact in the first half of the year before moderating in the second half. We also expect other parts of the cost basket to inflate, including energy, fuel, healthcare, wages and technology and software licensing.

We will continue to take a thoughtful approach to any potential price increases by working closely with our customers, balancing the timing and magnitude while continuing to deliver the products, services and solutions that drive their productivity and profitability. We look forward to providing you with a more detailed outlook during our January call.

Sherwin-Williams is a proven share-gaining compounder, built to perform through all cycles. We expect to finish the year with momentum that carries into 2027, supported by a deep and experienced team with a long track record of delivering results and navigating changing market conditions.

We are confident that we are a fundamentally stronger company today than the one that entered this cycle. Through disciplined investment, we have continued to expand our capabilities, create new growth platforms and reinforce our differentiators. Our advantage is not rooted in any single asset. It comes from the combination of our

people, customer relationships, systems, scale and investments, all reinforced by credibility and trust built over decades. That combination is difficult to replicate and only continues to strengthen, better positioning Sherwin-Williams to serve customers, outperform the market and create long-term value.

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

QUESTION AND ANSWER SECTION

Operator: Certainly. Everyone, at this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question is coming from Greg Melich from Evercore ISI. Your line is live.

Gregory Scott Melich

Analyst, Evercore ISI

Q

Hi. Thanks. I wanted to follow up on the pricing, the 8% that you took in the third quarter. You said, I think, that normal would come in through the first half of next year. Do you anticipate that there's some pricing that's needed to stay on top of raws as you go into next year, given the low to mid-single number that you just talked about on raws? Thanks.

Benjamin E. Meisenzahl

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

A

Hey, Greg, it's Ben. Yeah, on the 8% price increase for stores, I mean, we're going to continue to manage pricing just like you've seen us do all year. We've had more of a staggered approach and we've gone when we've needed. And that's the consistent part of our process here.

And I think the headline for you is, the pricing that we're going out with, it's behaving as intended and it is helping to offset the continued cost basket inflation that Heidi talked about. And so the issue we have, it's not pricing power, but it's the timing of the price cost realization in this rapidly changing inflationary environment.

And so as we progress into the fourth quarter here, and then to your question, into 2027, you should expect that we're going to continue to watch that cost basket. I think we have decent visibility of what's coming. And just like you've seen us do since the start of the year, we're going to pace the pricing as we need it, and that balance of the price cost basket, you're going to continue to see us do that. And then when pricing does roll over, just like you've seen in prior cycles, that's when we would expect to get that margin expansion, just like you've seen in each inflationary cycle before.

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 Jeff Zekauskas from JPMorgan. Your line is live.

Jeffrey J. Zekauskas

Analyst, JPMorgan Securities LLC

Q

Thanks very much. I was wondering about your comment about gross margins for the year being flat, exclusive of the penalty from Suvinil. It looks to me then that the penalty year-to-date is about \$65 million. Is that the correct number or maybe 35 basis points of gross margin? And if so, do those costs go away in 2027? And how do you connect that with the normal margins of Suvinil, which I think are double-digit?

And then I think Akzo was grousing about your pricing actions in Brazil being negative. Maybe you could talk about that as well for Suvinil. That's really one question if you put it all together.

Heidi G. Petz

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

That was a multi-part one-part question, Jeff. Good morning. And by the way, great to see you and many of you on the call here at our recent Analyst Day last month. I'm going to start with the second question and then the second part of your one-part question, and then hand it over to Ben.

In terms of pricing actions in Brazil, there is nothing broad-based. You're not going to see anything unique in any discounting. I mean, we are very consistent across all regions. And so where there might be some short-term opportunistic or strategic campaigns, which are really kind of more micro promotions, if you will, to be opportunistic, you'll see that. But absolutely not, you're not going to see any broad-based discounting.

Benjamin E. Meisenzahl

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

Yeah. And Jeff, to the first part of your question, we're calling out our gross margin without Suvinil, and we've done that a little bit in the prior quarters as well. We've had that dilutive impact at the gross margin level going back to the fourth quarter of last year because of their cost structure. And so the point we're trying to show, as we try to reconcile what's happening with gross margin, is that business mix, especially for businesses like Suvinil that we haven't annualized yet, do have a dilutive impact to the gross margin piece.

We talked about at our Investor Day, the cost to serve is very different for different parts of our businesses. And so there's times when gross margin is going to be diluted because you have growth in businesses that might have a lower gross margin. They also might have a much lower SG&A base as well. And so what we're trying to reconcile there for you is that business mix did play a part of that there.

And if I come back up to a higher level and look at our total gross margin in general, I would characterize probably half of the decrease in margin related to the price cost, the supply chain cost, fuel, the things that Heidi called out in the opening remarks, and half of it to business mix, where you have not only the Suvinil piece, but you also have higher growth in some of our lower gross margin businesses in PCG and CBG.

And so I think this is why, again, at FCP, we talked about adjusted operating margin being a better barometer, and even though that's under pressure here in the quarter as well, that points to where the operating margin growth, that's the value creation piece of the equation there.

James R. Jaye

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

Thank you, Jeff.

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

Vincent Stephen Andrews

Analyst, Morgan Stanley & Co. LLC

Q

Thank you, and good morning. I wanted to follow up on the Consumer Brands' PBT margins. Obviously, I heard everything you've said about Suvinil so far, but it would also just look, even if you ex that out, that the underlying Consumer Brands margins are a little softer in the quarter. Clearly, there's a raw material issue. But that's the segment where you're seeing the least amount of price. Versus the other two are up mid-singles, this one's only up low-singles. Can you talk about what you're doing from a price perspective there and when you think in that particular segment you'll be able to match price with the raw material inflation that you're seeing?

Benjamin E. Meisenzahl

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

A

Thanks, Vincent. Yeah, I mean, if I talk about price in CBG, and I'll remind you, too, I mean, this is a smaller business, so some of the magnitude and the swings, especially with global supply chain being embedded in there, it does have a bigger magnitude of move on the gross margin piece. But I think what I would say with Consumer Brands Group is we have done pricing there.

I think that if I had to compare it against all three of the reportable segments, it's probably the area where we still have some opportunity, and that is because of strategic choices. I mean, we've talked about putting a premium on volume and watching both the timing and magnitude to make sure we pace with what's actually happening in the cost baskets. There is obviously a little bit of pressure there.

But if I looked it at gross margin altogether on an adjusted basis, and yeah, your 430 basis points backwards, it really boils down to two things. I mean, one of them is, again, the Suvinil impact. That's approximately 70% of that impact. And then the other part of it is just the timing with higher raw material costs and supply chain costs. And that is inclusive of, again, what we have in our global supply chain business where they've been realizing a lot of the fuel and supply chain costs. You think about the high cost of diesel, and other energy costs that we don't fully move into the businesses until we do our annual kind of standard cost process.

And so very consistent there with how we've reported that out, but that's obviously putting pressure on the segment.

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 Salvator Tiano from KeyBanc Capital Markets. Your line is live.

Salvator Tiano

Analyst, KeyBanc Capital Markets, Inc.

Q

Yes. Thank you very much. Just wanted to see what you're – what you've experienced the past few months with regard to the US housing market demand, whether it's the Paint Stores Group or CBG. If you can provide a little bit the cadence of sales over Q3 and what you're seeing in October, and then the line of sight you have in the next few months as we're getting – we got that interest rate and mortgage spike.

Heidi G. Petz

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

A

Yeah. Good morning. I'll take that. I'm going to give you maybe just a brief snapshot by segment, because the devil is always in the details there, related to housing. If I start with our residential repaint segment, obviously, this is an area that we continue taking market share. A lot of the indicators remain soft, but if you look at our new account activity, it remains very strong. And importantly, it's not just the new account activity, it's our active accounts, which continues to grow. This for us is really a good barometer of the size and the frequency of these purchases.

So even though single-family is soft, there is still more square footage that's being installed, and that becomes an annuity for us now, and over time, as the market recovers. We're going to continue to find new ways to help these contractors grow and be productive, and we're continuing to win. I'll remind you that segment is the area where we have the largest opportunities to grow.

Next, I'll take you to the commercial segment. We're outperforming. Obviously, there's soft multifamily completions, and we are taking meaningful market share. These sales are up year-over-year, all four quarters of 2025 and all three quarters in 2026.

So I would tell you, while the market is seeing, generally, solid multifamily starts since the start of 2025, we should begin to inflect those to more positive completions well into 2027. Certainly, there's a lot of support from an AI infrastructure standpoint, providing even more opportunity, and I really believe no one is better positioned to win in that space than we are.

Next, if I go to new residential, we're outperforming soft completions. And despite homebuilder sentiment has been – is the lowest it's been since 2012, we're still taking share. In Q3, our single-family completions down high single-digit on average in the market and Sherwin's new res up low single digits. So that just goes to show you, we continue to take share there. So broad-based, that's kind of a snapshot as we think about the quarter and a bit of the short-term outlook.

Benjamin E. Meisenzahl

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

A

Yeah. And I'll just add one thing to what Heidi said there. And just again, as a reminder, as we're building our guidance, whether it's for the fourth quarter or even as we go into 2027, we're not building that on a macro recovery that we don't control. And we talked a lot about that at Investor Day that you see us focused on the things we can control. Heidi called out some of the cost restructuring savings that are impacting not only 2026, but we gave you a preview to what we expect in 2027.

And so that gives you an idea and shows you the levers that we're still able to pull on durable, structural cost-out that'll help us combat some of the things that you're going to see with some of the economic indicators.

James R. Jaye

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

A

Thank you, Sal.

Operator: Thank you. Our 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. Maybe I could just get some initial thoughts. I know in the release, you guys commented that you do expect choppy conditions to kind of maintain as you head into 2027. Could you just elaborate on what you're seeing there? Are your customers still kind of trepidatious across different verticals? And on a related note, do you expect to kind of see mid-single-digit pricing and maybe low single-digit volume to continue, or how does that kind of work out? Thanks.

Heidi G. Petz

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

A

Arun, I'll take the first part and hand it over to Ben on the second part. I would tell you, it obviously varies by segment. If I – we just covered some of the housing segments, but if I take you to a few areas where I would tell you there's a bullish outlook, protective and marine is a great example. We are intentionally positioning this business to be exactly where our customers want us to be. The reason I point that out, because if you think about historically, more of a focus on maybe gas and the like, this portfolio is really looking more broadly at water, data centers, semiconductor, energy, pharma and infrastructure, where demand remains strong. And that's supported by public funding, owner CapEx and then the maintenance opportunities.

So there's really a bright spot here. And I would tell you, energy activity is rebounding in midstream, downstream and LNG and maintenance work. Upstream remains selectively volatile and is more sensitive to oil price movement, but we're seeing some really good kind of green shoots there.

We've covered a lot of the housing, but if I give you just a big-picture view across the Performance Coatings business where you've got some bright spots here, we pointed out General Industrial. For us, we're up mid-teens. This has been a really good growth, and in general, finishing and heavy equipment has been up double digits. So there's some really good new business that we're chasing to offset some of that core softness.

Packaging, up low double digits. This is the two-piece bev end, up double digits. Food and household products are up high single digits. And – sorry, the two-piece bev is up double digits. Our bev end is still under pressure, but you're seeing a lot of continued activity there.

Coil, up low double digits, and there's strength that we're seeing in construction, HVAC, lighting fixtures and roof decking, and then, obviously, AI is going to be a nice tailwind for us there.

Our Refinish business continues to grow. I think there's some stability in the large shops that have been largely flat through 2026. The medium shops are down mid-single digits and small shops are seeing some continued pressure as well. But you're seeing our ability to chase new business wins offsetting the core. We are going to see in Refinish some temporary share shift that we are very confident that we will earn back in the short term, but the team has been out aggressively chasing new accounts.

And I'll hand it to Ben to answer the other part of your question, Arun.

Benjamin E. Meisenzahl

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

A

Yeah. Arun, you had asked about pricing going into next year, considering that we've got the raw materials, talking about low to mid-single-digit. I wouldn't frame it all around pricing. I mean, we're getting price, we're going to continue to take appropriate actions where needed, but it isn't a question of just how much more price. And this

is why you see us calling out some of the structural cost activities as well. And so it's improving the overall price to cost equation through multiple different avenues.

And so I'm not going to give a company-wide percentage. I mean, even as I talked about the realization curves, they vary by business, by customer, by geography, and we're thoughtfully managing each piece and part of those as we go into next year.

And I'll reiterate again, and as we've talked about since April, we have good visibility into the cost environment, and we're going to remain disciplined on pricing, and we'll take additional cost action and price action where the economics require it.

James R. Jaye

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

Thank you, Arun.

A

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

Aleksey Yefremov

Analyst, Barclays Capital, Inc.

Thank you. Good morning. Heidi, I think you mentioned that your price cost situation, you're not happy with it. Was it the case that the costs increase faster than you expected in the third quarter, or were you not able to raise the price as much as expected, or is it something else?

Q

Heidi G. Petz

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

Well, I'm not happy – I'm never happy with it because there's always more opportunity. I'm going to have Ben walk you maybe through some of the details here.

A

Benjamin E. Meisenzahl

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

Yeah. Aleksey, yeah, I would say, and as I mentioned earlier here, the price is working as we expected. There are other parts of the cost basket that are conversion, the fuel, other things that some of them could be temporary in nature that we're going to protect against having to pass to our customers in price, because we would expect that at some point you get some moderation there.

A

And so not everything in the cost basket that goes up turns ultimately into, hey, we're passing that into price. But as I mentioned earlier, it is working. And this staggered approach we went earlier this year with stores, we went again in September. On the industrial side of the business, you've seen us go at many, many more cadences that have different magnitudes and timing. That's consistency. I mean, that's how we've been able to manage through the prior cycles.

And so I think your read into us not being happy, we're making strategic choices and we're doing everything we can to try to keep the margin from falling behind. I feel very good about what we're doing from a dollar point of view. And that's been a central ask of our teams back since the start of the year when we started doing a lot of the pricing increases, but you also see this as our commitment to continue to manage that price cost balance and everything that we're doing, pricing, the cost out actions that we talked about, are all there to make sure that we can get back to that margin growth.

Heidi G. Petz

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

And Aleksey, we see this as short-term pressure. We know how to take price and get price. Success is that we have the volume, the price and the customers with us on the other side of price activity. So we're going to deliver that.

James R. Jaye

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

Thank you, Aleksey.

Operator: Thank you. Your next question is coming from Michael Rehaut from Melius. Your line is live.

Michael Rehaut

Analyst, Melius Research LLC

Thanks. Good morning. Appreciate you taking my question. I wanted to zero in on the price mix dynamic for 2026 and maybe how to think about 2027 at least more from the mix side. I know price is something that you're still working through perhaps in terms of how to approach 2027. But if you could remind us on price mix, up mid-single digits for the full year on 2026, how much of that is price versus mix? And if you think about your – going into 2027 in terms of how your product – new products and other initiatives are tracking, how we should think at least about mix as an impact to sales growth for 2027?

Benjamin E. Meisenzahl

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

Hey, Mike, its Ben. We generally don't break out the price mix component, and as you can imagine, just the complexity of the different product offerings, you have – all the way down to you've got paint, you've got non-paint and other things that go on in there. And so we historically haven't broken apart that price mix piece here. But I can tell you that part of the benefit that we get there is that, on the paint side, the premium uplift that our stores work through, and even on the industrial side, because it gives our customers a better opportunity to be more productive.

And so that is an important part that is embedded there. In our operating model here, we do lean heavily on our ability to keep moving up in that premium mix. You've heard us talk in prior quarters about our ability to walk people up to the premium piece.

As we go into 2027 and we look at mix, we're a little – you look at our mid-term targets, and we've talked about our mid-term targets for stores being mid to high single-digits. You look at Industrial being more of a mid-single-digit, inclusive of acquisitions, and you look at Consumer Brands Group being more of a low single-digits. We're a little bit inverted right now. And you see that a little bit in the quarter. And that's why we're calling mix out so much where you've got CBG with their acquisition of Suvinil. And then with the tailwinds that we're seeing in the Industrial business, it's upside down temporarily.

And so we still strongly believe in our mid-term targets and we believe in our ability to get Stores Group growing at that mid to high single digits. This is why you continue to see us make investments even in this downturn because of our confidence of what that segment's going to do when the volumes inflect.

Heidi G. Petz

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

A

And especially, in an inflationary environment, this is where premium plays to our benefit, to our strategy, because we're ultimately solving for how we help our customers be more productive. And these premium products are obviously a key to helping them to do just that.

James R. Jaye

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

A

And this is Jim. I think it's also part of what you saw at the Investor Day for those that were here, the innovation, the investment we've made in the new R&D center just down the road here from our headquarters, is going to continue to drive that premium product mix that ultimately drives our customers' productivity. And thanks for the question, Mike.

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

Harris Fein

Analyst, Wolfe Research LLC

Q

Hey. This is Harris on for Chris. Thanks for taking my question. Just lately, there's been a little bit of talk about FX volatility in Brazil, questions about the economic outlook, interest rates post-election. Just with Suvinil, I'd be curious to hear your thoughts on how you're thinking about managing to get out in front of that? And any way to frame the risks that you see there that could potentially be coming up? Thanks.

Benjamin E. Meisenzahl

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

A

Hey, Harris, it's Ben. Yeah, I mean, if you look at the news, the last 24 hours or so, you can imagine we've had a lot of discussions around just Brazil in general, it goes beyond just Suvinil. We're not going to break out, obviously, what we think all those impacts are. But what I can tell you is, when you've seen devaluation, whether it's in Brazil or whether it's in other countries, we have very good line of sight to which parts of the cost basket might be denominated in US dollars. You think about raw materials and other things. And so we know where to go there.

And I think the team in Latin America, because you've had other countries with similar issues, they're really, really good at going out and getting that price when you have the currency impacting the business there. And so I have a high degree of confidence that we'll be able to manage and watch that and react appropriately.

And then, obviously, there's other impacts throughout the income statement and the balance sheet that could have big impacts if this devaluation holds. But the message I would tell you is, hey, we're used to managing this. This isn't something that's a shock to our business. And so you should expect that we're going to continue to manage that way, just like we have with the other cycles.

James R. Jaye

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

A

Thank you, Harris.

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.

Thank you. Good morning. Heidi and Ben, just on pricing in the Paint Stores Group. Is the message that we may not – we should not expect a typical Jan 1 price increase next year because you were still working through the September price increase and managing the overall price cost dynamic, but maybe get a price increase in the group later in the year? Is that the message? Thank you.

Heidi G. Petz

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

Yeah, David, that's not the – the message is, one, we're not announcing anything on our call today. I would also tell you the message is we're going to do what we do every month, which is look at all the input costs. And if we do need to go, we will unapologetically go. So there is no message other than it's not a message for today.

James R. Jaye

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

Thanks, David.

David Begleiter

Analyst, Deutsche Bank Securities, Inc.

Thank you.

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

Joshua D. Spector

Analyst, UBS

Yeah. Hi. Good morning. I was wondering if you could talk a little bit more about your ability for share gains in Paint Stores Group in 2027. I guess, I mean, if you look at the last few years, you made more investments in SG&A. In prior years, you made other kind of increased investments. Now, a little bit more mixed where we're doing consolidation of some stores, we're doing cost savings.

So I'd just be curious, like, it seems like you've outperformed the market maybe a couple percent, 2%, 3% this year. Are you able to do that next year based on what you have in place today, or does that outperformance shift based on kind of what you've already harvested from prior investments?

Heidi G. Petz

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

So, Josh, in a lot of areas, I would tell you, we're just getting started. I mentioned earlier, in residential repaint, where we are clearly taking market share, it's the segment where we have the largest share gains ahead, as we continue to take share across the board.

I'd also remind you, maybe as a backdrop here, we talked about this throughout 2026, we do believe it's only a matter of time when demand is going to pick up in the US due to the continued severe shortage of single-family homes in the country as well as the continued growth of the addressable square footage that's ultimately going to need to be repainted. There's a lot of market share to be gained between now and when that – and the market does start to move.

So you are going to see us continue to come out with very strategically placed investments that are customer facing that support where we know we can get, and we've proven we can get a return across some of these segments. So, yes, there is ample and sufficient market share ahead.

James R. Jaye

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

Thank you, Josh.

A

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

John P. McNulty

Analyst, BMO Capital Markets Corp.

Yeah. Thanks for taking my question. Maybe just to flush out the incremental service costs that you highlighted, where that was a – it sounds like a decent piece of the SG&A jump. Can you help us to think about how much of it was just general inflationary pressures on the service side versus investing, whether it's on the staffing side or what have you? I guess, can you help us to think about that, just how it impacted you in the quarter and then how you see that trending as we look out over the next 12 months or so?

Q

Benjamin E. Meisenzahl

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

Hey, John, it's Ben. Yeah, when you break out the SG&A growth in the quarter, a big chunk of that is still the non-annualized Suvinil. And I'm happy that this is the last quarter we got to be calling that out every single time. But that is obviously a big chunk of that.

A

And then, if you look – so if you look at the half, that's not the Suvinil piece. Yeah, we called out the employee service and benefit costs. I mean, our sales are running higher than what we had initially expected at the start of the year. And for all those sales reps, stores, tech reps that are on sales plans, you can imagine that there's higher cost to support that higher sale there.

And so we don't want to break out individual pieces and parts of that. I mean, we do low single-digit merit increase each year. And so there's a component of that in there. But all-in-all, I mean, again, a big part of that, our SG&A growth is the Suvinil piece that goes away after this quarter and then really heavier on the service side related to cost to service the higher sales.

James R. Jaye

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

Thanks, John.

A

Operator: Thank you. Your next question is coming from Steve Forbes from Guggenheim Partners. Your line is live.

Steven Forbes

Analyst, Guggenheim Securities LLC

Good morning, Heidi and everyone. Heidi, maybe just revisiting...

Q

[indiscernible] (00:44:15)

Steven Forbes

Analyst, Guggenheim Securities LLC

Q

Good morning. The consumer brands group. I was curious if you can maybe just frame for us so we can better understand the volume performance in the quarter versus expectation. And then given the 4Q volume guidance for the segment, like, do you have a line of sight to recapturing neutral to positive volume growth? Or what are you sort of seeing in that sort of DIY or consumer segment as it pertains to sort of deferral of project spend? Like, any sort of directional commentary around your consumer macro forces?

Heidi G. Petz

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

A

Yeah, Steve, good morning. I would tell you, first and foremost, on the DIY side, the market, we do see continued softness. We also talked in the Consumer Brands Group a lot about the Pro-Who-Paints segment, which is kind of the remodeler and flipper. We do continue to see growth here. It is still on a small base, but certainly more promising. We've talked a lot about, we don't see a catalyst naturally in the market here on the DIY side, but I'll hand it to Ben to give you a perspective of how we're thinking about gallons there.

Benjamin E. Meisenzahl

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

A

Yeah. Steve, the volume was a little bit weaker, again, mainly for some of the DIY comments that Heidi talked about there in the third quarter. You look at the full year guidance, though, for what we've given for CBG and everything on the volume price front, is pretty consistent on a full year basis to what we, yeah, provided back in July.

And so we're going to continue to work with the segment there. We've made a lot of the investments on the Pros-Who-Paint, and Heidi called that out earlier that that is an outsized area where we can continue to get share and perform. So you're going to see us do that there. But, yeah, the volume, we've been pretty consistent with. So that's been a challenge this year. We're bumping along the bottom there, and you should expect to see some more of that as we go into 2027.

James R. Jaye

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

A

Thank you.

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

Ghansham Panjabi

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

Q

Yeah. Thank you. Good morning, everybody. On the Performance Coatings Group segment and the volume resilience in that segment, considering the macro that we've had for a while now, do you expect the volume to sort of continue? I mean, it's been pretty impressive with GI growth, Packaging, and I mean, Auto Refinish to some extent. Just curious as to your thoughts on not just 4Q, but also as we cycle into 2027. Thank you.

Heidi G. Petz

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

A

Yeah, Ghansham, good morning. We do expect that to continue. And I think ultimately, the barometer of strength is our successful, I would tell you, record high new business wins that we're seeing on the PCG side. And so that

pipeline health is very, very positive. So, yes, we do absolutely expect to see a continuation of that volume growth.

James R. Jaye

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

Thanks, Ghansham.

A

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

John Roberts

Analyst, Mizuho Securities USA LLC

Thank you. Could you talk a little bit about M&A opportunities? I think Liquid Nails failed to close its sale, and Akzo's European refinish business is now on the market.

Q

Heidi G. Petz

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

John, good morning. It's Heidi. I assume you know that's Heidi because I don't sound like Ben. How about that? Yeah. We are absolutely – as we always do, we will take an active look at assets that fit within our strategy and accelerate our strategy. I think you've also seen that while we will kick tires on assets, we're also not in the business to overpay for them.

A

And so if the right assets were to fall out of the sky, you mentioned a few of them, you should expect that, yeah, we'll take a hard look at that if it makes sense for our business and the value for what we would – what we think would make sense.

James R. Jaye

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

Thanks, John.

A

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

Duffy Fischer

Analyst, Goldman Sachs & Co. LLC

Yeah. Good morning. Just trying to get at the COGS a little bit more. Your COGS, percentage-wise, is up 11% year-on-year in the quarter. Volume looks like it's up probably 1%. So your unit COGs looks like it's up 10%. But a lot of the basket, if you think, healthcare, labor, TiO₂, is quite a bit below 10%. So can you walk through what was up more than 10% in the basket? Kind of what are the things really dragging that up? And then, roughly how much of a hit was that relative to what you expected in the quarter?

Q

Benjamin E. Meisenzahl

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

Hey, Duffy, it's Ben. A big part of – I'm going to call out just hopefully, again, the last time, a big part of that increase in COGs is related to Suvinil, so about roughly 30% of that. So if you exclude Suvinil out of that, our COGs is up – still up at the low end of a high single-digit to compare against sales more mid-single-digit without Suvinil. And so I think that's a good comparison for you there, but several drivers.

A

I mean, first we had strong sales growth and higher volumes, which naturally just would increase the absolute base cost of our COGs. And then as we've been talking about, we also have experienced that higher raw material and supply chain cost. There's also that mix factor that I talked about earlier.

And so when you look at the different components there, and I mentioned earlier, being able to have price getting over raw materials, we feel pretty balanced in that respect there. We did have, obviously, waiting for the end of the spring, painting season, or the summer painting season, I'm sorry, for Stores Group. So you really only had one month of pricing in the third quarter where I'm going to get three months of that pricing in the fourth quarter. And so this goes back to just that realization timing of the curvature of pricing and the other cost-out activities that we have, not necessarily always being in the same perfect quarter every single time.

And so I would say, again, both price and the cost-out are going to help normalize that cost of goods sold to sales ratio. And as you can imagine, we're going to keep working through different actions to close that gap.

James R. Jaye

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

Thank you, Duffy.

A

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

Kevin W. McCarthy

Analyst, Vertical Research Partners LLC

Yes. Thank you and good morning. Just a few questions on your protective and marine business. I was hoping you could help us unpack the marine portion relative to the strength that you cited in protective across infrastructure, data centers, water and other verticals there.

Q

And then, maybe more importantly, you had a difficult comp here, and you grew double-digits against the double-digit comp. So how much runway do you continue to see in protective and marine as you look into 2027?

Heidi G. Petz

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

Kevin, I'm going to start with the second part of your question. There is a tremendous amount of runway, I will tell you, in our protective and marine division. And you said it, a lot of the AI, we talk a lot about data centers, that's just the tip of the iceberg. It's the AI infrastructure build-out that supports all of that, where we are extremely well-positioned across a lot of our different segments. But where we sit today, there's – we are largely protective. We do have some marine business. That's part of the reason is we were looking at some other assets out there where we think that there could be a complement to our portfolio, but we're really largely protective in terms of the totality.

A

James R. Jaye

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

Yeah, Kevin, it's Jim. And I think the other thing, too, to remember here, and Heidi said it in her prepared remarks, is think about protective and marine, there's an annuity there, too. All this new business that we're winning, all this build-out comes over time with maintenance coatings, whether it's flooring, whether it's oil and gas, storage tanks, whether it is any number of opportunities. So we feel good about the runway on new, but also over the longer term, the maintenance piece. And thank you for your question.

A

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

Michael J. Harrison

Analyst, Seaport Research Partners

Hi. Good morning. You talked a little bit about the premiumization that you're seeing across some of your product lines. I was wondering if you can give us a sense of how the Emerald Symmetry product that you introduced in the spring is progressing relative to your expectations. And I guess, how does the traction that you're seeing with that product compare to past launches in that kind of ultra-premium or top-of-the-line category?

Heidi G. Petz

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

We're very pleased, Mike, with how Symmetry has not only launched, but the adoption. And this is – remind you, this is actually the best product we've ever manufactured and it satisfies not only superior performance characteristics, but also our sustainability agenda because it is a plant-based – rather zero-VOC product. So we're very pleased with the traction that we're getting here.

But back to your, I think, your ultimate question around the premiumization, this just goes to prove, again, to my earlier point, especially in an inflationary environment, we can get products in the hands of our contractors and customers that help them be more productive on the job site and faster application and getting crews on and off of job sites with these premium products. Their total cost – 85% of their total cost is labor. So our ability to get them into premium products to help them save time on the job site is a cost benefit to our customers. And so, again, it plays to our strategy here of helping to make them as productive as possible, especially in this environment.

James R. Jaye

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

Thanks, Mike.

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

Abigail J. Eberts

Analyst, Wells Fargo Securities LLC

Good morning. Thanks for taking my question. Just wanted to follow up on your comment on Refinish with the share shifts. Could you provide some color on where you're seeing that happening and what, in your opinion, caused this?

Heidi G. Petz

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

Yeah. I'll be very brief in my comment here, Abigail. I would tell you, it's share shift, not share shifts. So it's singular, not plural. And it's an isolated incident that we are very confident that we can demonstrate not only that our unique value proposition and earn this back. But it is – what you said is spot on. It is temporary.

James R. Jaye

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

Thanks, Abigail.

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

Yeah. Good morning. Curious, a lot of conversation about the Pro-Who-Paints. How are you thinking about the selling proposition for that customer and how that line blurs with what you're doing out of the stores?

Heidi G. Petz

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

So, Eric, if you can picture kind of a Venn diagram, who we service in our stores, these pros that are painting for a living, they're buying paint, largely and only paint, and they are preferring a specialty paint store model with the level of service, that the Pro-Who-Paints is a very complementary segment that we just aren't setup in our specialty control distribution model, because this contractor's looking for everything else in terms of house flipping from lumber and electrical to plumbing and everything. And so they do prefer more of a home center environment.

And so it really plays to our strategy where we want to be able to cover all of the segments that are buying paint. And our partnerships with Lowe's and Menards and others in our Consumer Brands Group are strategically very important for that reason.

James R. Jaye

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

Thanks, Eric.

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.

Good morning, everyone. Thank you for squeezing me in. I really appreciate the commentary on price and costs as we move into 2027. And so as you've given me an inch, I will ask for a lot more.

Do you think – if I'm just thinking about price costs here, in general, margins are pretty good if we put everything we've seen in the grand – in the context of like raw material moves to-date. And obviously, you're announcing more price through PSG. You have three months for that to bake in, but it also sounds like maybe some of that happens next year. You're already kind of offsetting a lot of the raw mat inflation effectively, and 8% price, though, I know net effective will be low, is a pretty big knock-on.

So if I get to my question here, like, can we move to more normalized contribution margins on volume next year if we just take a freeze frame on where we are on raws and what you've announced on price and your expectations there? Is that possible? Or do you still expect kind of more muted contributions to any real volume?

Benjamin E. Meisenzahl

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

Hey, Matt, it's Ben. I think the – one of the assumptions you're making there is that you can get positive volume next year. As I mentioned earlier, I mean, we're building our model. I mean, the algorithm, the guidance we're giving, we're assuming that's softer for longer. And this is why you see us not only reacting with price, but you – as Heidi talked about earlier, the cost actions that we've done this year that carry into next year. But I think to get maybe to kind of the some of the heart of what you're asking there, we will get inflection. We've said that volume's the number one driver of our operating margin. And so we believe that when those inflections happen, you're going to see that stronger leverage. This is why we're doing all the actions that you see us taking today.

And so until then, we're going to pace pricing with the inflation. Heidi mentioned earlier, we expect in the first quarter to be where the height of that inflection is next year. Maybe that's true, maybe it's not. But either way, we're going to continue to manage, based on what we see, and try to stay in front of that as much as possible.

As we've talked about today, there are other parts of the cost basket that are going up and some of those will translate [ph] into what we're doing with (00:59:01) pricing and some won't. But what we do have confidence with, and again, we didn't change any of our mid-term targets when we talked at Investor Day, we continue to have confidence in being able to achieve those targets through the cycle, but we're obviously operating in an inflationary environment right now. And you're going to see us taking actions to make sure that we stay close to that until we see that volume inflection that I think you're looking for.

Heidi G. Petz

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

A

And Matt, what you should expect is to see a continued discipline regardless. And so it does start with simplification and how we can take complexity out of the business. And then, obviously, price is always a lever where – when and where it makes sense, but you should expect just continued discipline.

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 Patrick Cunningham from Citi. Your line is live.

Patrick Cunningham

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning. What specific factors drove the working capital and operating cash flow pressure in 3Q? And how does this affect the outlook for cash generation in the fourth quarter?

Benjamin E. Meisenzahl

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

A

Hey, Patrick, it's Ben. Yeah, net operating cash maybe was a little bit lower than what you saw last year. Some of it is related to timing. We had – just the phasing of our deferred income tax accruals last year had a pretty sizable impact. We still feel very, very good about the cash flow generation. Even when you look at, year-to-date, I mean, our net operating cash is still pretty healthy, up almost 10%.

And so I don't have any concerns with what's happening there. The working capital is a little bit high because of the annualization of Suvinil. When you back out Suvinil, we're just slightly higher, maybe 10 basis points as a percent of sales. And so no concerns with how we're managing working capital either.

Heidi G. Petz

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

And Patrick, one final comment, too. I think we all acknowledge, we're not just simply navigating a difficult market. We're using this time and this period to really continue to take outsized market share and to continue to strengthen our competitive position. Success is we're building a more productive and even more profitable Sherwin-Williams coming out of this downturn. And that's what you should expect to see.

James R. Jaye

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

Thank you, Patrick.

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 especially thank you to our employees for all their hard work in serving our customers in what continues to be a very, very tough environment.

I think as we close this call, I hope you heard today that our focus is very clear. We're going to finish 2026 with strength and we're building momentum into 2027. And I like Heidi's line a lot, too, as well. We are better positioned today than we were entering this cycle. So you should expect when this cycle eventually moderates that you will see a lot of leverage and a lot of good things happen.

We like the position we're in, we're very confident where we're headed, and we're going to keep focusing on outperforming the market and driving that long-term value.

So, appreciate everyone listening, and we're available 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.

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