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INDUSTRY OVERVIEW

JOHN MORIKIS

CHAIRMAN &
CHIEF EXECUTIVE OFFICER



Forward-Looking Statements

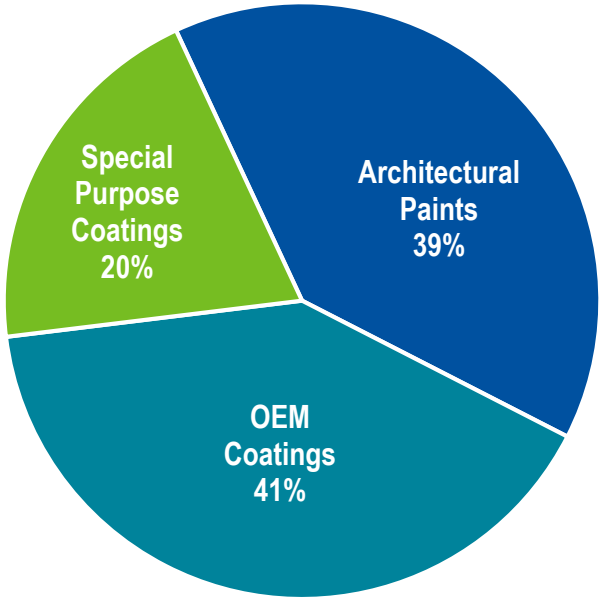
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The presentations today will contain certain “forward-looking statements," within the meaning of the federal securities laws, with respect to anticipated future performance (including sales and earnings), expected growth, future business plans and other matters. These statements may be identified by the use of words and phrases such as "believe," "expect," "may," "will," "should," "target," "project," "could," "plan," "goal," "potential," "seek," "intend" or "anticipate" or the negative thereof or comparable terminology. These statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions. Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control that could cause actual results to differ materially from such statements and from our historical results and experience. These risks, uncertainties and other factors include such things as: general business conditions, strengths of retail and manufacturing economies and the growth in the coatings industry; changes in raw material and energy supplies and pricing; changes in our relationships with customers and suppliers; our ability to successfully integrate past and future acquisitions into our existing operations, including Valspar, as well as the performance of the businesses acquired; risks inherent in the achievement of additional anticipated cost synergies resulting from the acquisition of Valspar and the timing thereof; competitive factors, including pricing pressures and product innovation and quality; the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation, and the effect of any legislation and administrative regulations relating thereto; adverse weather conditions and natural disasters; and other risks, uncertainties and factors described from time to time in our reports filed with the SEC. Since it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results, the above list should not be considered a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Global Paint & Coatings Industry

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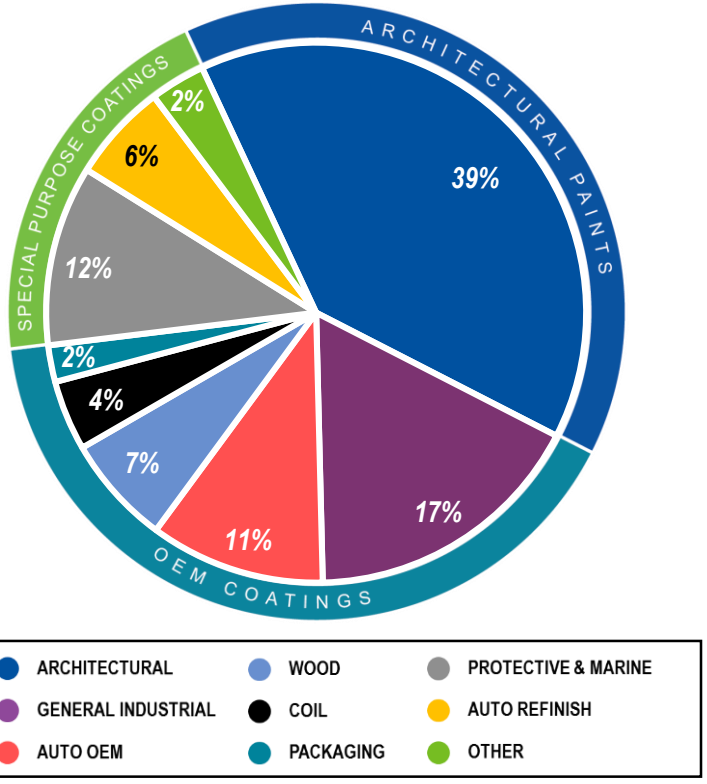
Global Mix by Category (Based on $)



Total Coatings

2018
~9.7 Billion Gallons
~130 Billion Dollars

Mix by Category (Based on $)

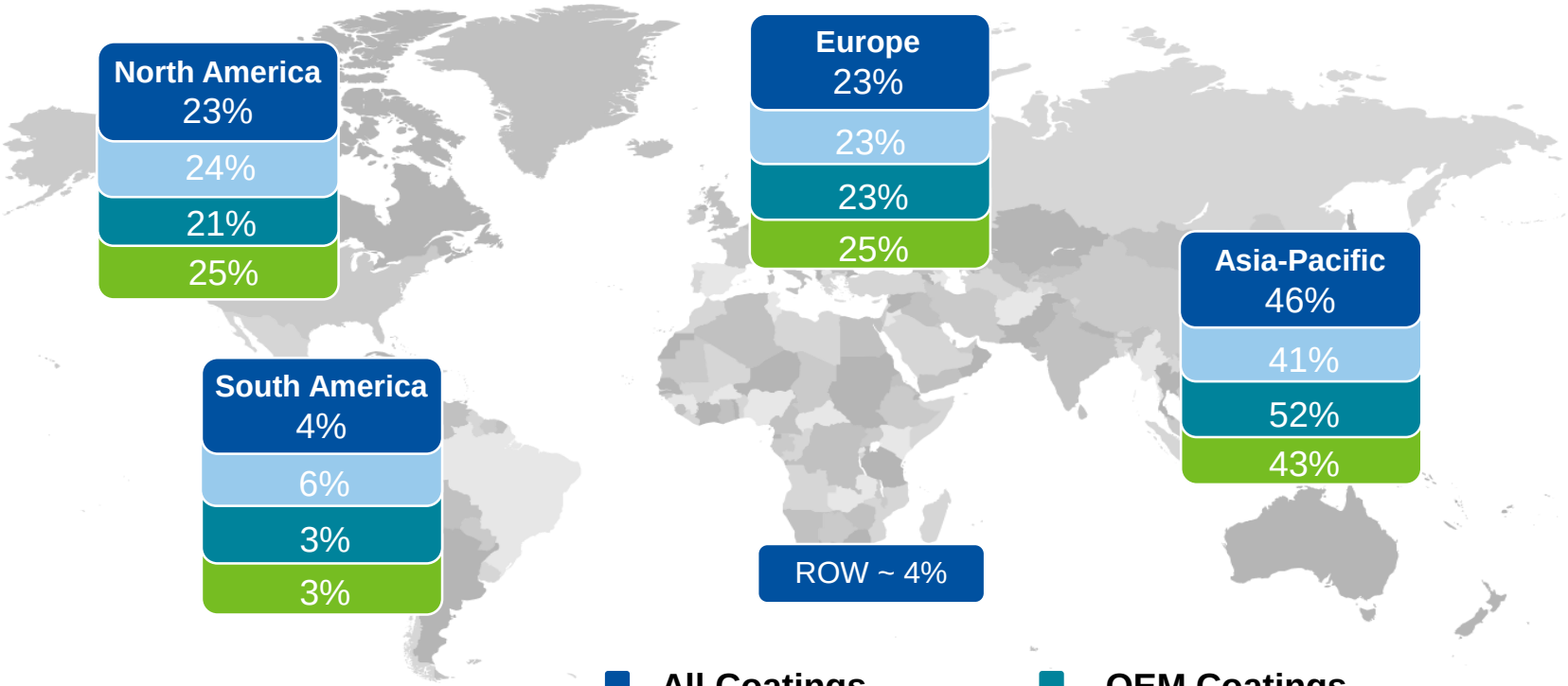


Source: KNG Global Research
The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW have not verified the accuracy of KNG Research.

Paint & Coatings Demand by Region

Geographic Split of Global Revenue

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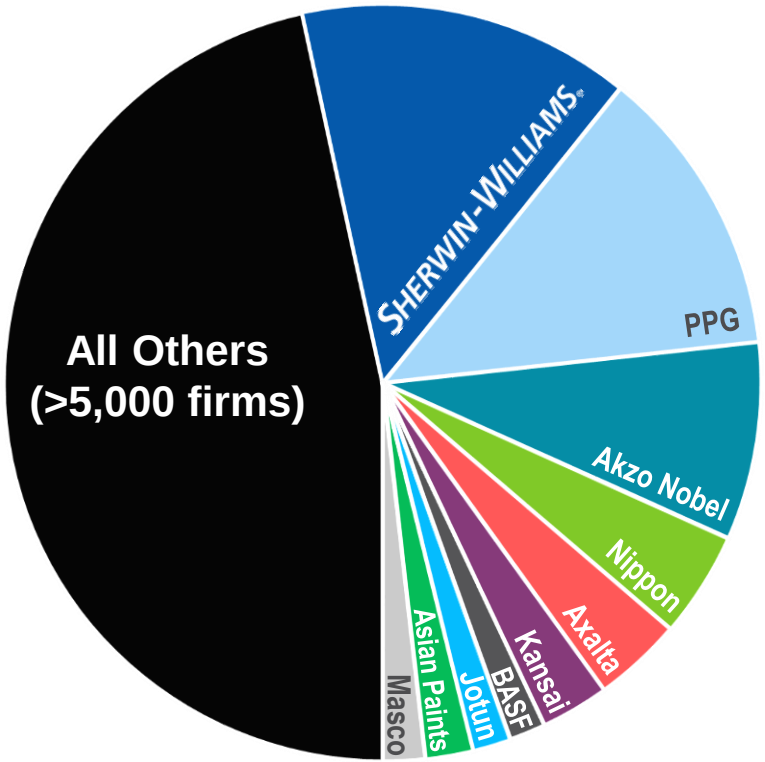


Sources: KNG Global Research

The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW have not verified the accuracy of KNG Research. Company Estimates.

Top Global Manufacturers
Coatings Industry 2018

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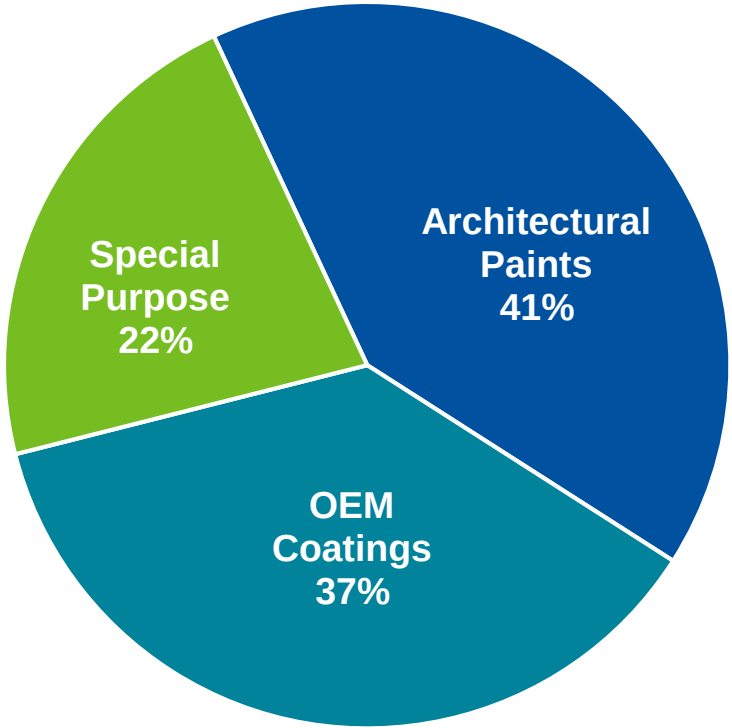
Global Market
Top 10 Suppliers ~55%

Source: KNG Global Research
The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW have not verified the accuracy of KNG Research.

North America Paint & Coatings Industry

Sales ($) Mix by Category

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North America Paint & Coatings

2018
~1.5 Billion Gallons
~29.9 Billion Dollars

Source: KNG Global Research
The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW have not verified the accuracy of KNG Research.

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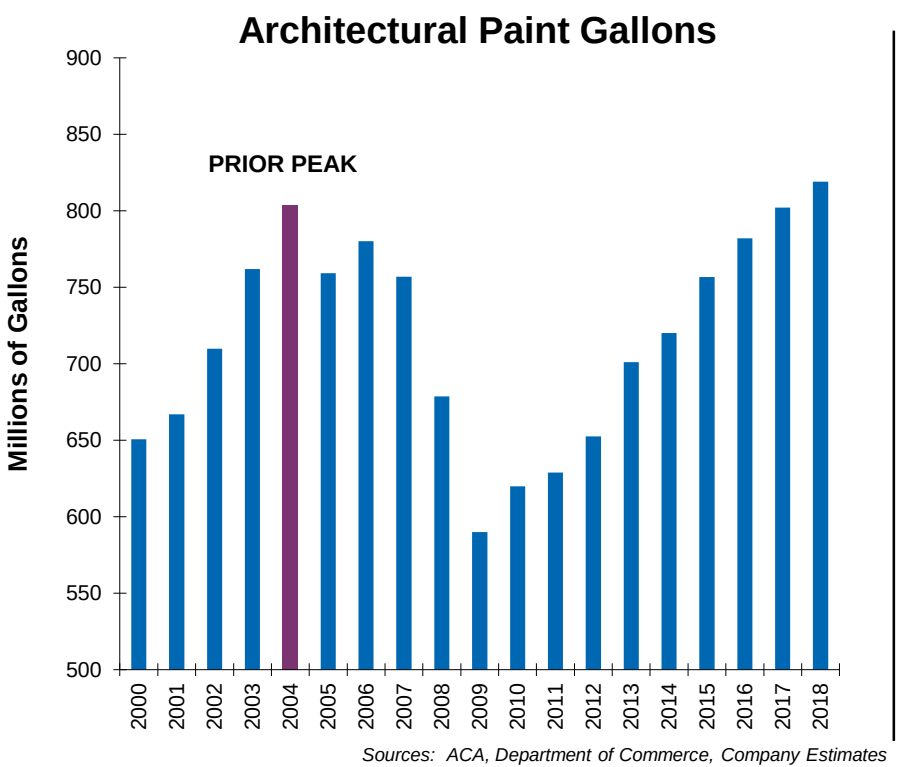
U.S. ARCHITECTURAL COATINGS



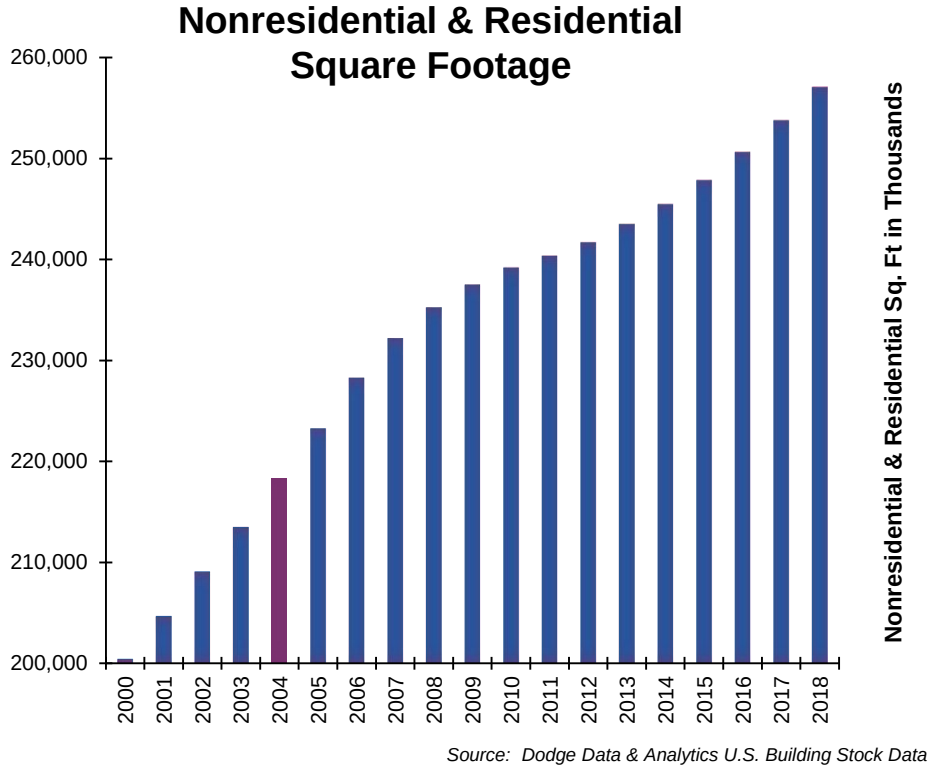
U.S. Paint & Coatings Industry

Architectural Paint Gallons & Square Footage

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Sources: ACA, Department of Commerce, Company Estimates



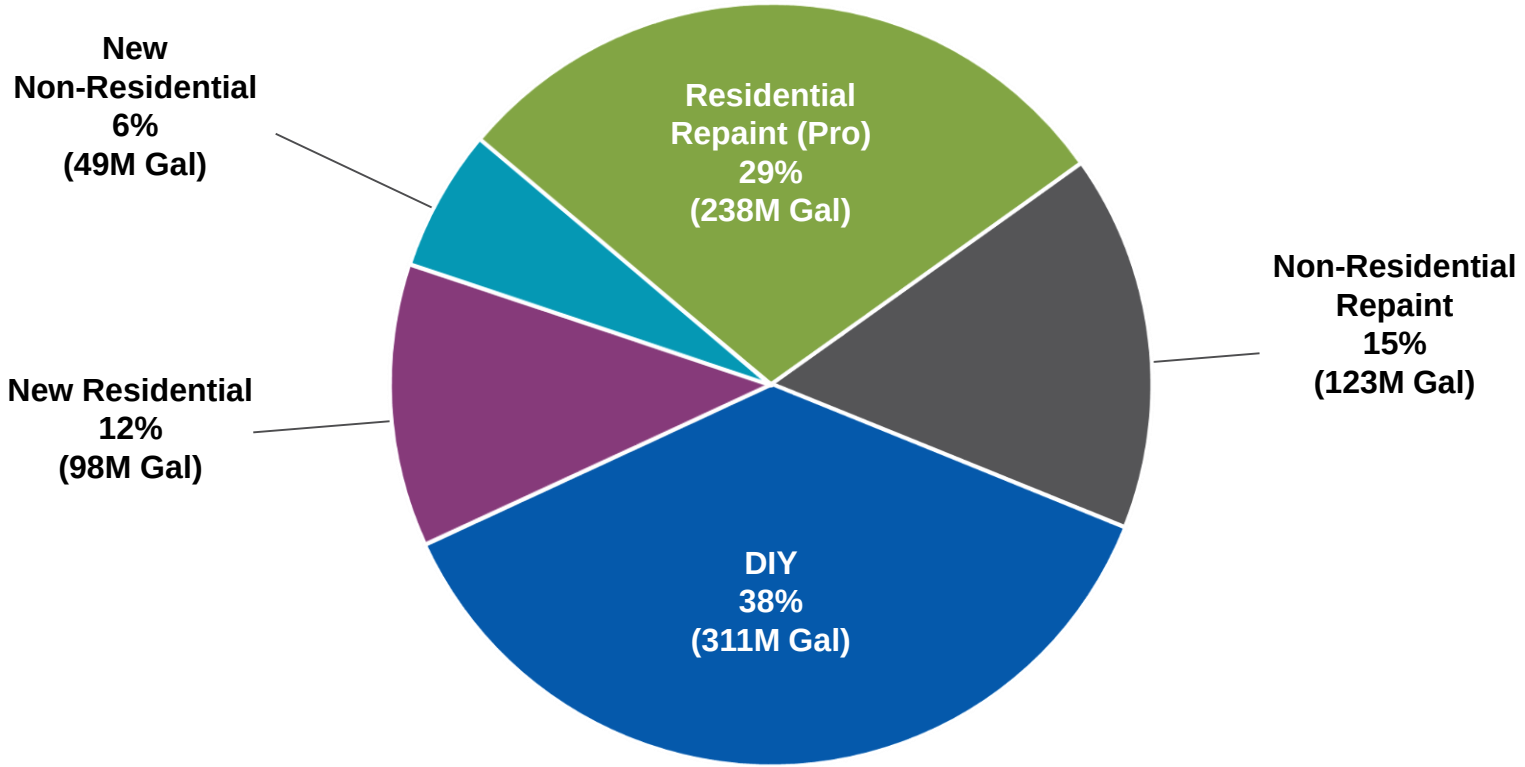
Source: Dodge Data & Analytics U.S. Building Stock Data

18% growth in square footage since prior peak should drive continued gallon growth due to larger repaint opportunity

U.S. Architectural Paints

Estimated Breakdown by Segment

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819 Million Gallons in 2018

Sources: ACA (Total Gallons), Company Estimates (Segment Breakdown)

U.S. Demographics

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SILENT
1928-1945

- Transitioning to Senior Living Facilities

73-90 YEARS OLD
(AS OF 2018)

27 MILLION
8% OF U.S. POPULATION



BABY BOOMERS
1946-1964

- Aging in place; driving remodeling spend
- Eventually will downsize
- Eventually will relocate to active adult facilities

54-72 YEARS OLD
(AS OF 2018)

72 MILLION
22% OF U.S. POPULATION

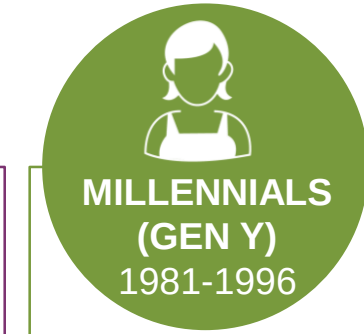


GEN X
1965-1980

- Move up creates churn and drives remodeling
- Most likely to hire contractors

38-53 YEARS OLD
(AS OF 2018)

66 MILLION
20% OF U.S. POPULATION



MILLENNIALS (GEN Y)
1981-1996

- Forming households
- First time homebuyers
- Demand for entry level homes
- Driving multifamily and rentals

22-37 YEARS OLD
(AS OF 2018)

73 MILLION
22% OF U.S. POPULATION



iGEN (GEN Z)
1997-2012

- Will further extend household formation
- Always connected, eComm

6-21 YEARS OLD
(AS OF 2018)

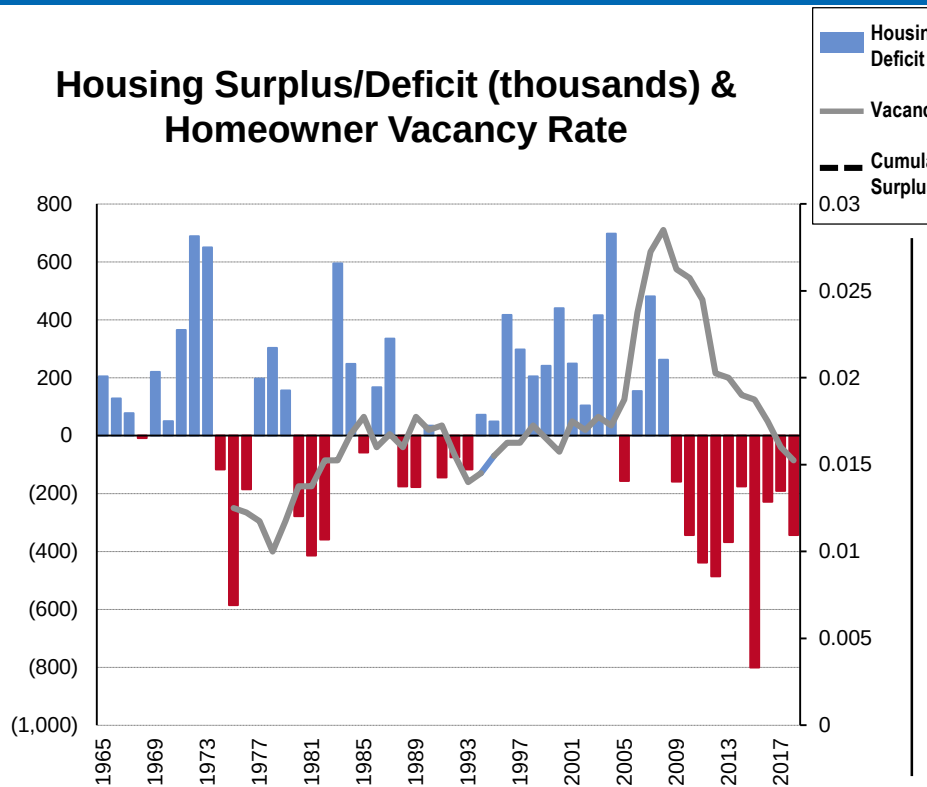
78 MILLION
24% OF U.S. POPULATION

Sources: PewResearch.org
Please Note: above are estimates based Census projections for 2019 US population
Percentages exclude those born before 1928 and after 2012. No chronological end date has been set for Gen-Z

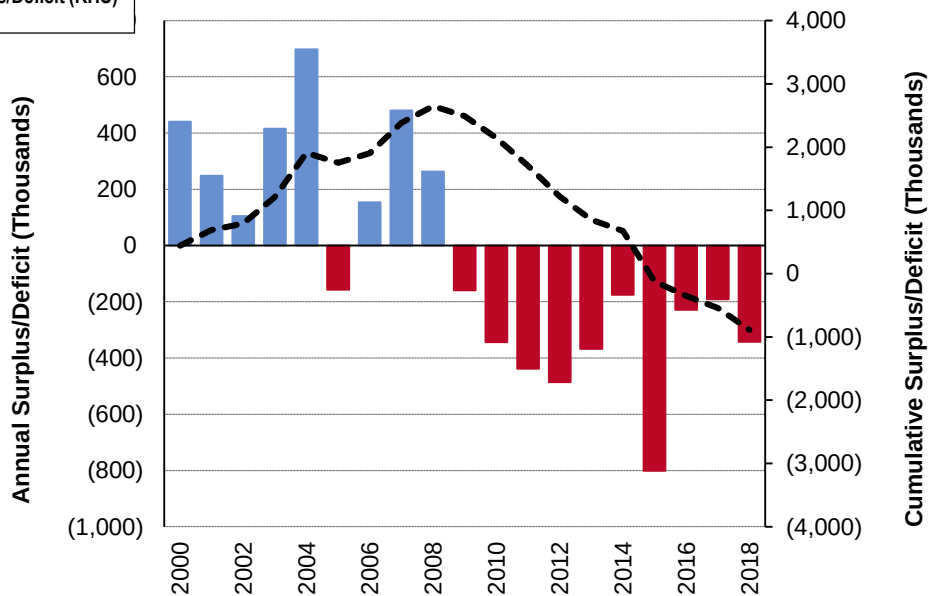
Housing Supply Not Keeping Pace

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Housing Surplus/Deficit (thousands) & Homeowner Vacancy Rate



Housing Surplus/Deficit (thousands)

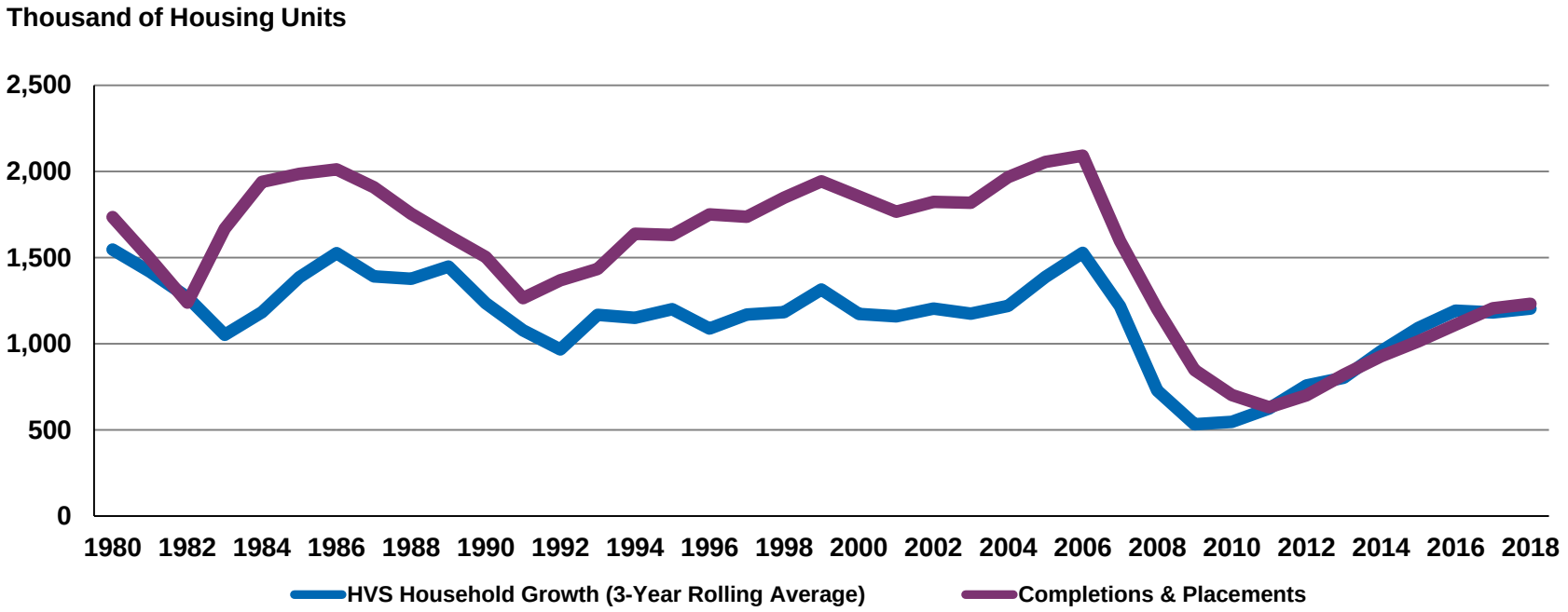


We have underbuilt since the Great Recession and inhabitable vacancies have largely been absorbed

Sources: Wells Fargo Securities, U.S. Commerce Department

Household Growth vs. Completions & Placements

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New construction not keeping up with historic demand

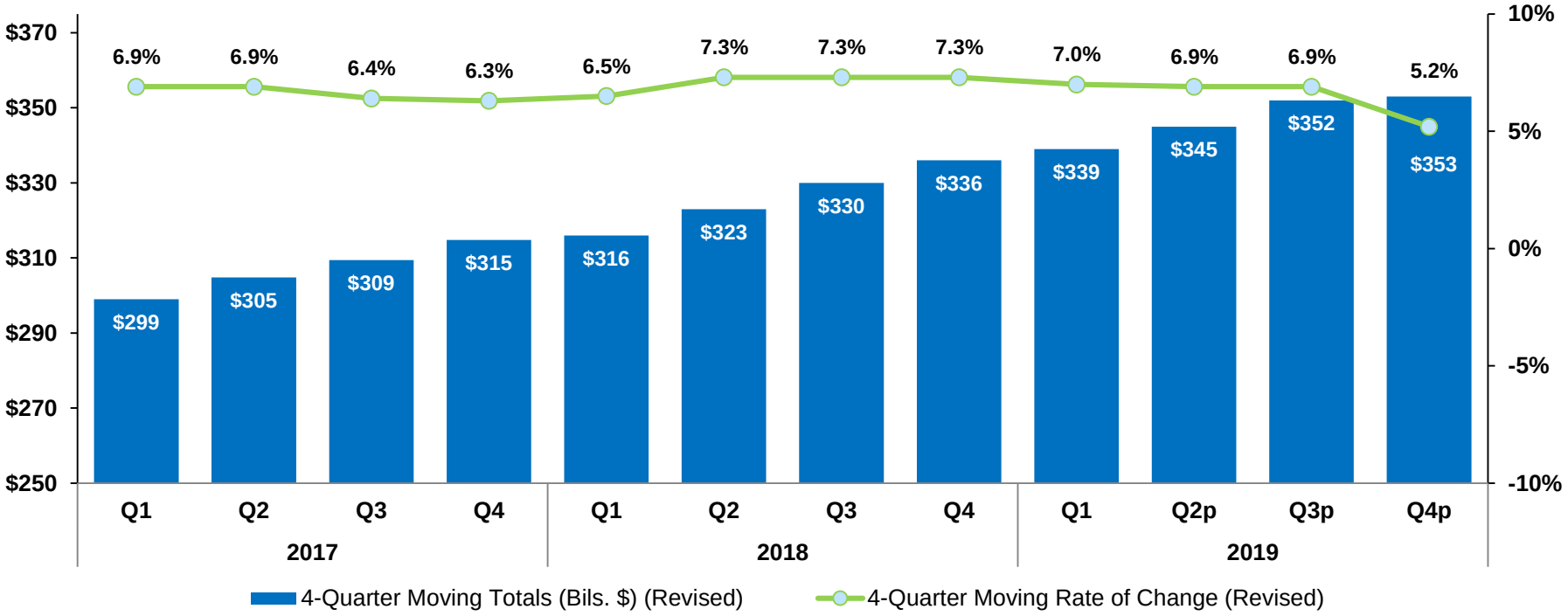
Notes: Household Growth Data are three-year trailing averages.

Source: Harvard Joint Center for Housing Studies, 2019, www.jchs.harvard.edu. All rights reserved.

Repaint & Remodel

Leading Indicator of U.S. Remodeling Activity

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U.S. residential remodeling remains SOLID

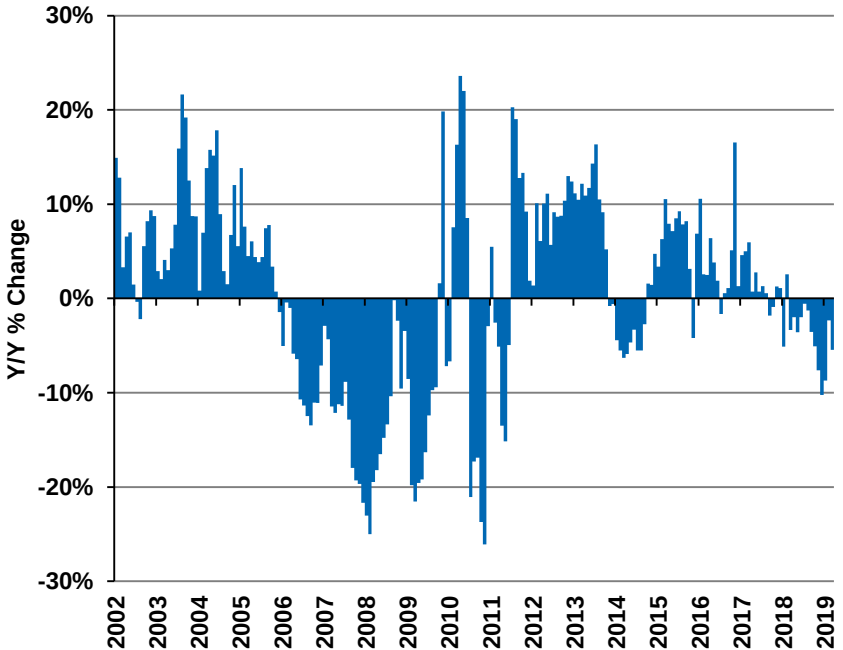
Source: Harvard Joint Center for Housing Studies

Remodeling Drivers

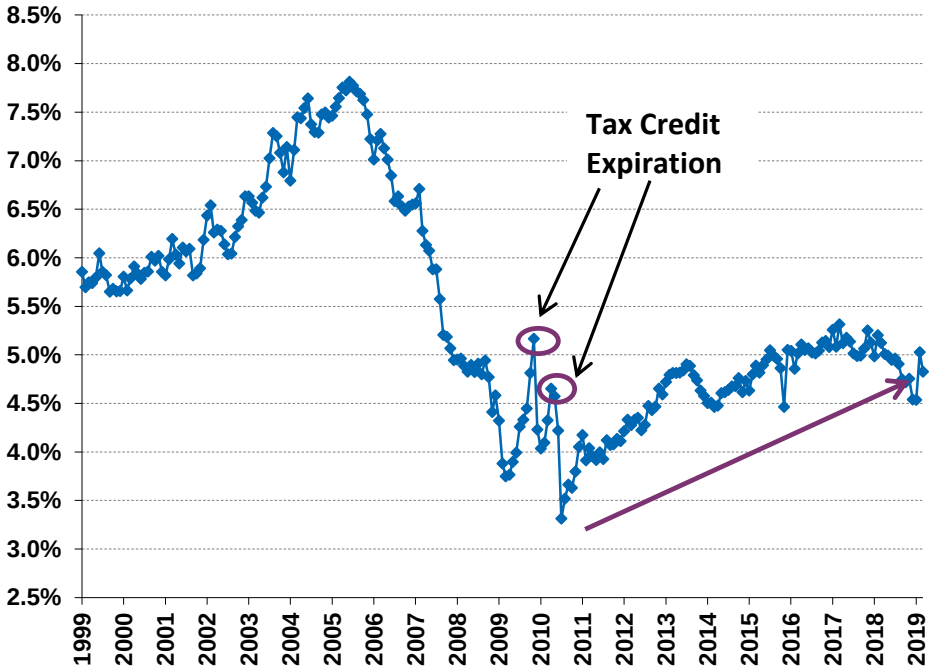
Existing Home Sales & Monthly Housing Turnover

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Existing Home Sales



Monthly Housing Turnover



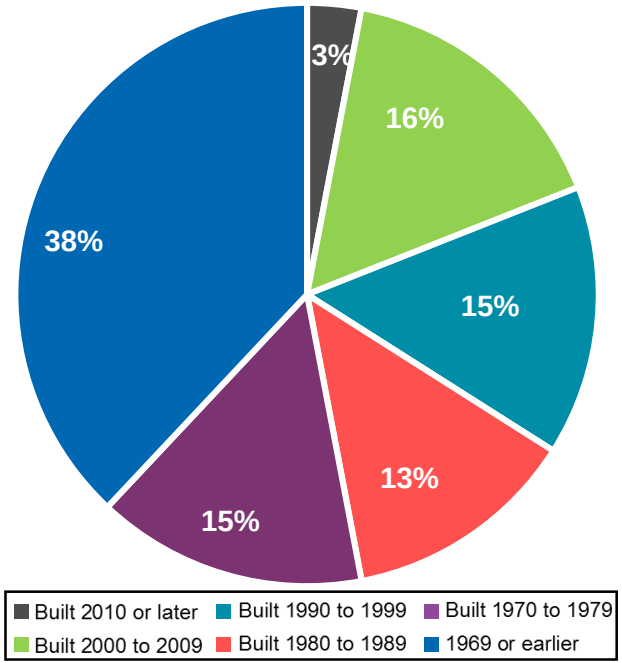
Existing Home Sales uneven recently, but not the only factor driving remodeling

Source: Census, NAR, Wells Fargo Securities, LLC Estimates

Remodeling Drivers
Aging Housing Stock

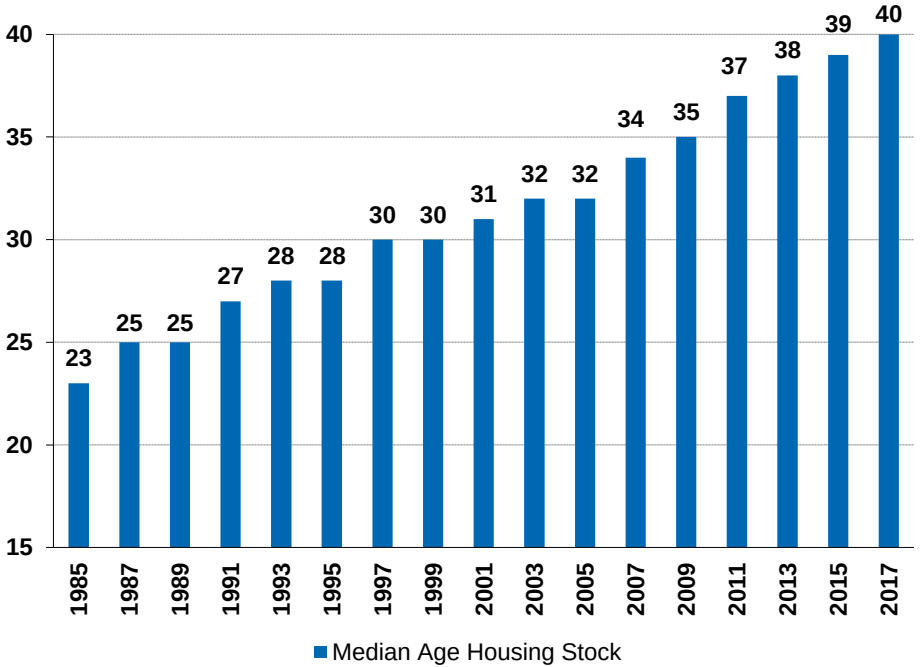
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Share of Owner-Occupied Housing by Year Structure Built



Source: NAHB

Median Age of Housing Stock



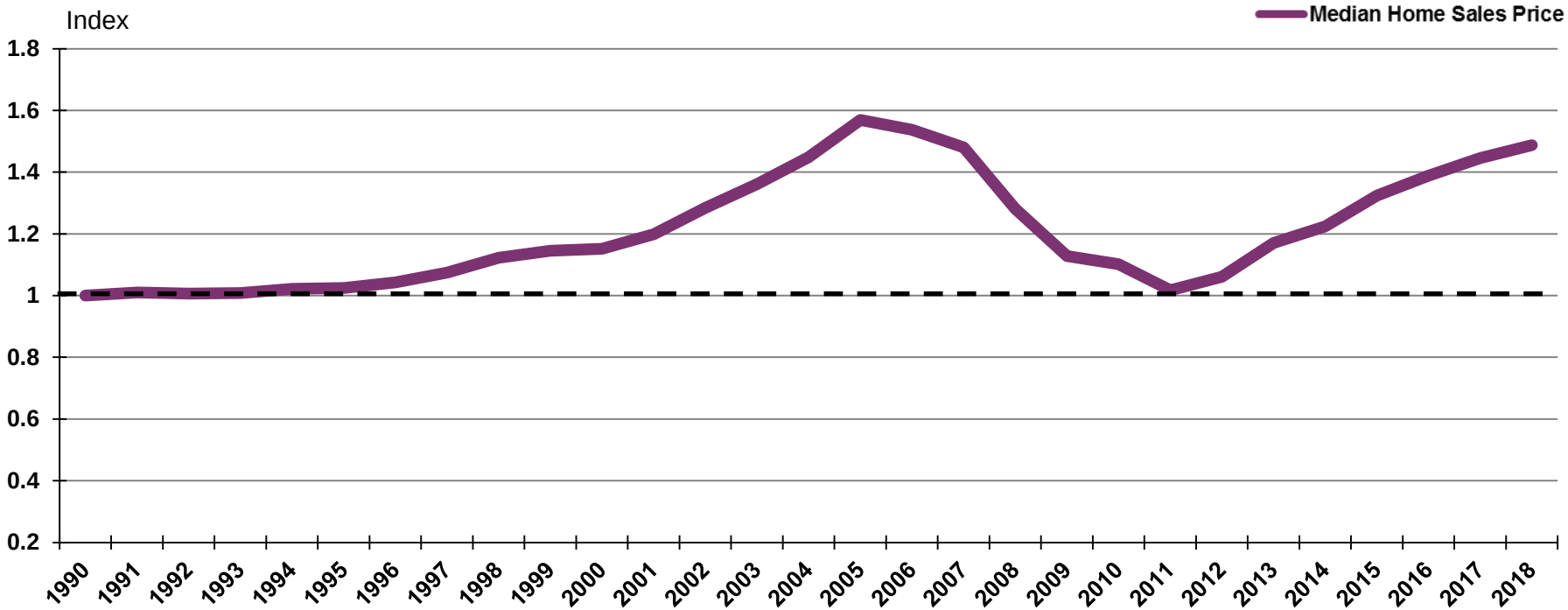
Sources: Wells Fargo Securities, LLC, Estimates, Census Bureau

The median age of the nation's 137 million homes is 40 years old

Remodeling Drivers

Change in U.S. Home Values

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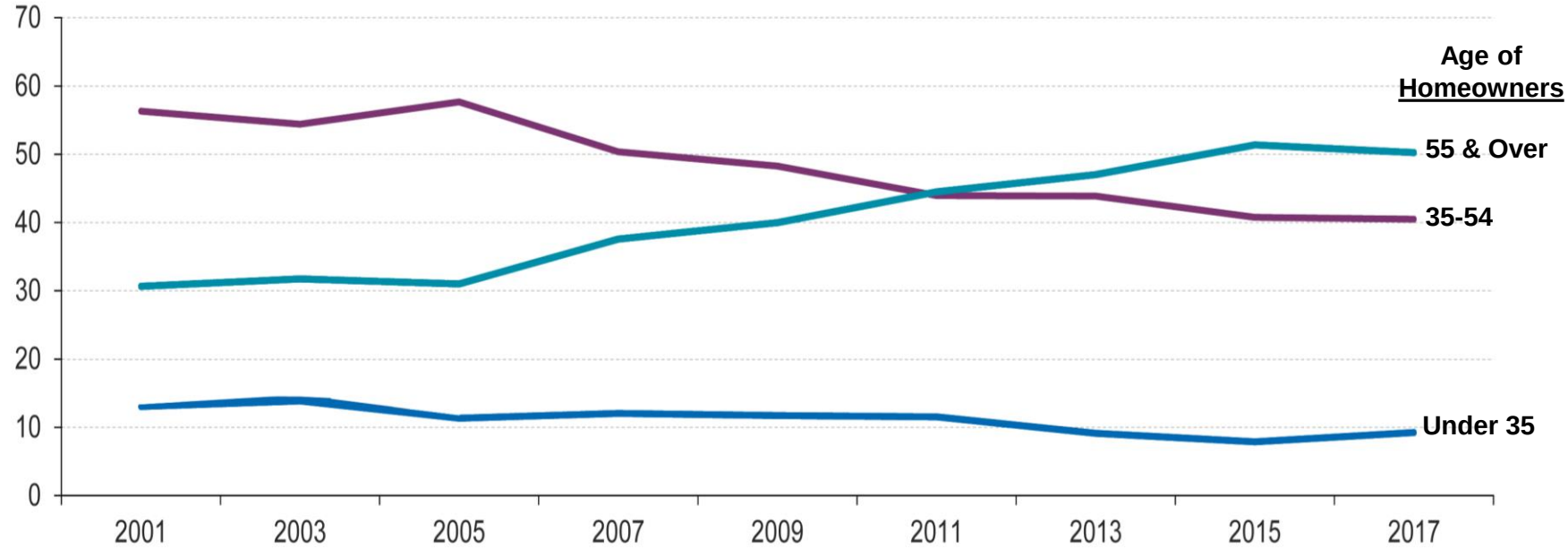
Price appreciation gives homeowners confidence to remodel

Source: Harvard Joint Center for Housing Studies, 2019, www.jchs.harvard.edu. *All rights reserved.*

Repaint & Remodel
Baby Boomers Aging in Place

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Share of Home Improvement Spending (Percent)



Older homeowners now account for fully half of improvement spending nationally

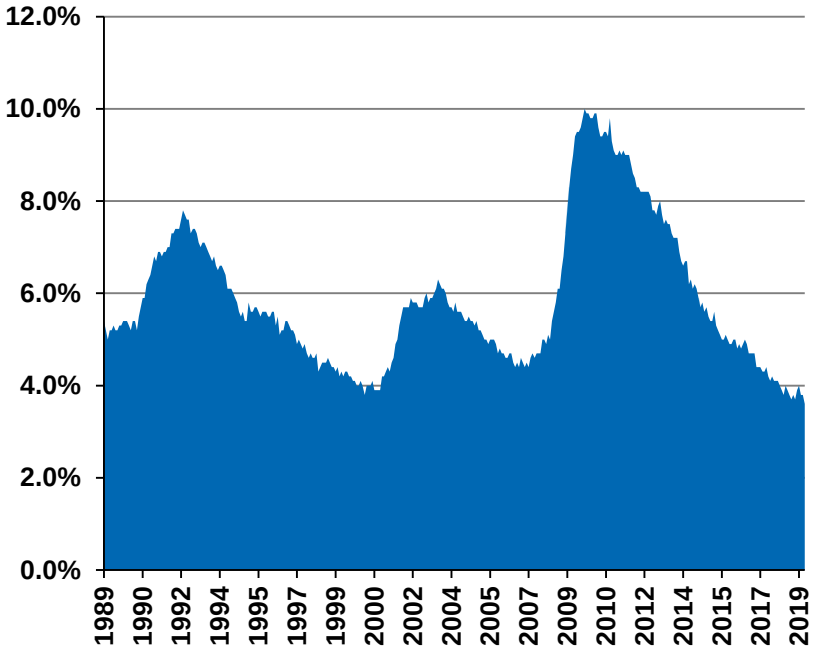
Source: Harvard Joint Center for Housing Studies, Improving America's Housing 2019, www.jchs.harvard.edu.

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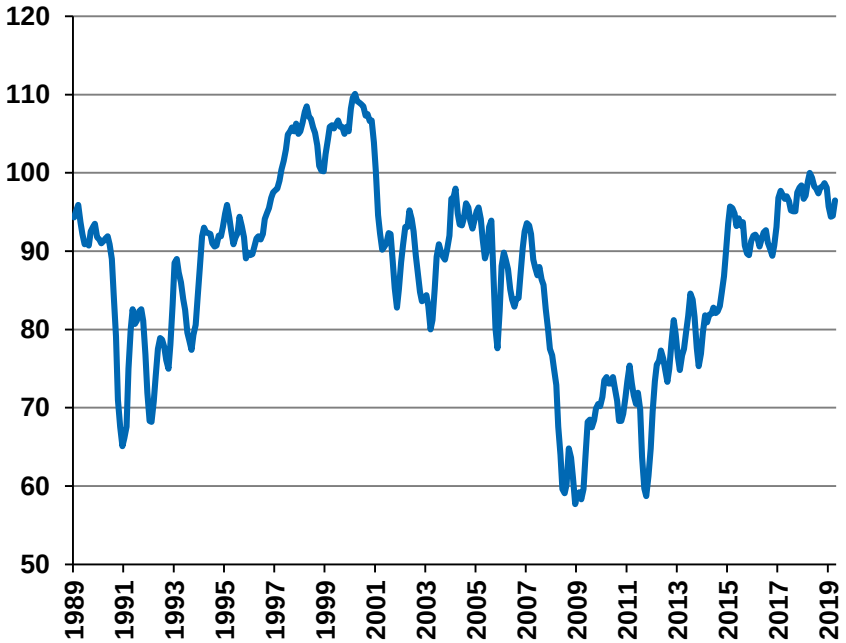
Repaint & Remodel
Employment & Consumer Sentiment

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U.S. Monthly Unemployment Rate



Consumer Sentiment Index



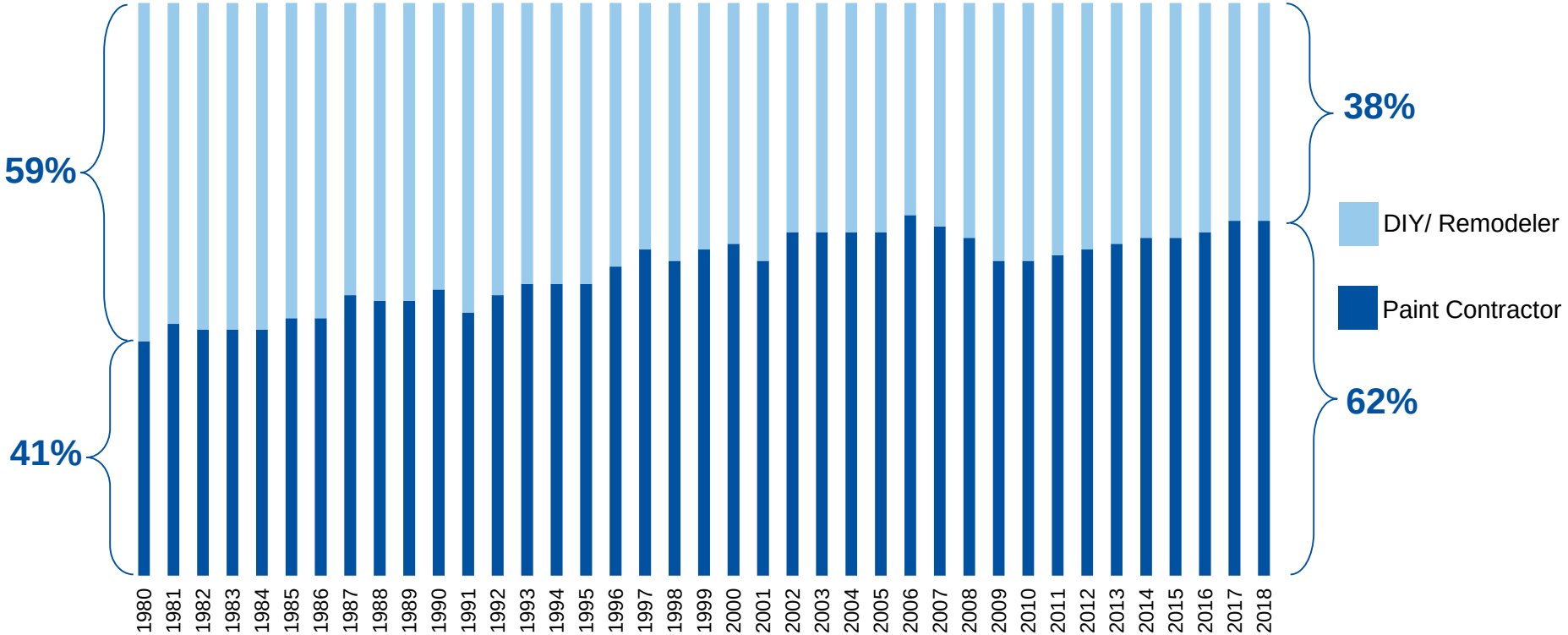
Employment and consumer confidence remain high

Source: Census Bureau

Repaint & Remodel

DIY → Contractor Shift Will Continue in U.S. & Canada

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Sherwin-Williams well positioned to serve both segments

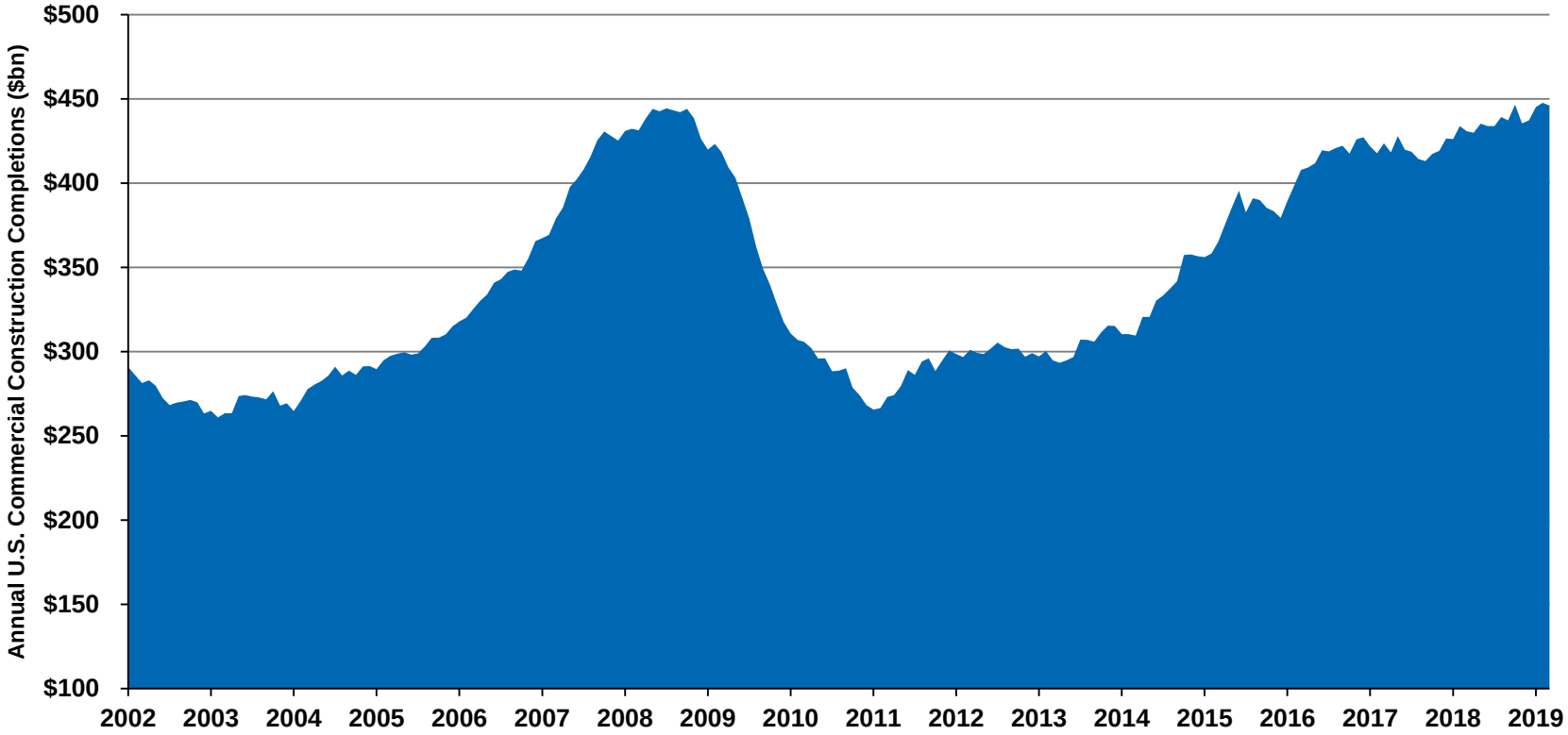
Sources: U.S. Commerce Department, Company Estimates

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COMMERCIAL CONSTRUCTION



Commercial Construction Put in Place



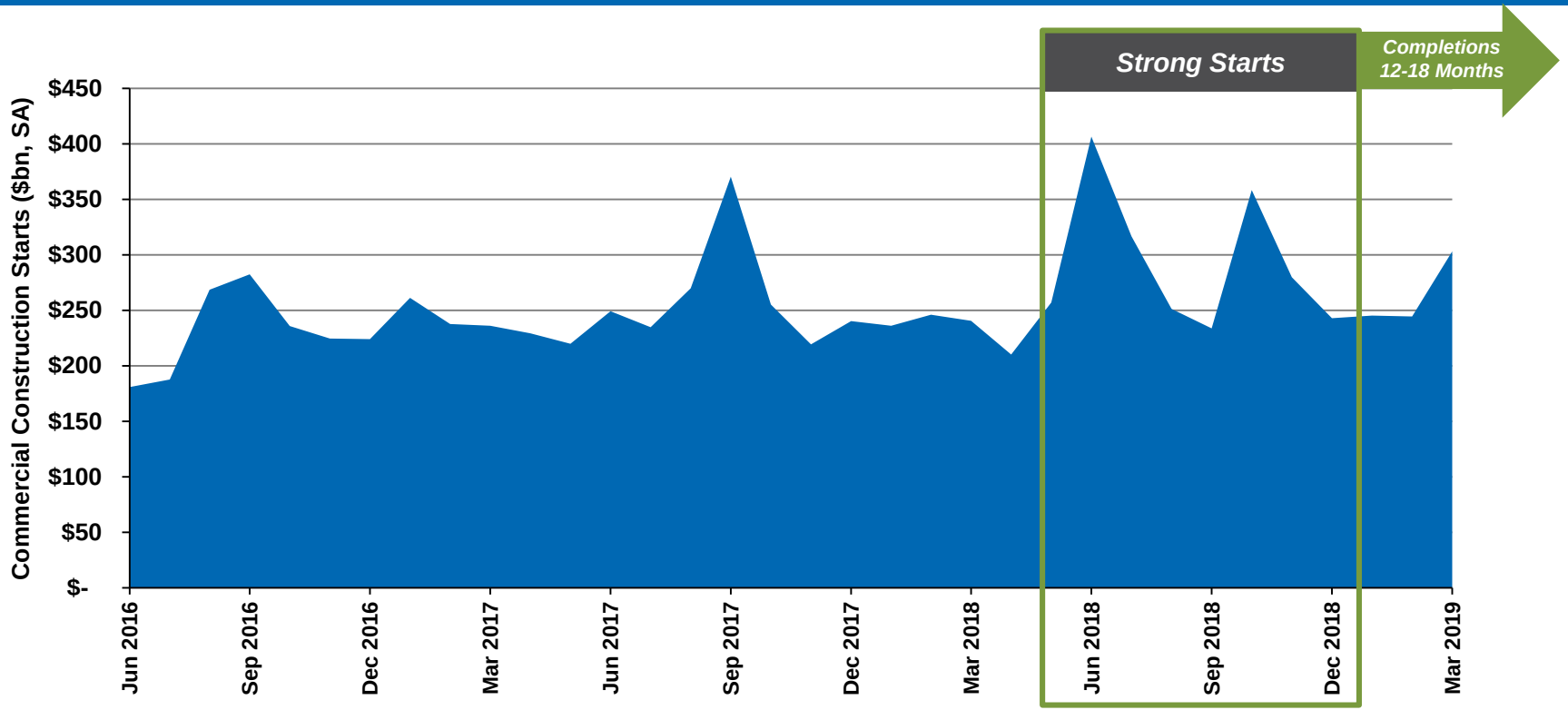
Accumulated construction put in place drives maintenance opportunities

Sources: Deutsche Bank, Census Bureau

Commercial Construction Starts

Painting is one of the last trades into projects

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Strong commercial construction starts in back half of 2018 leading to completions over next 12-18 months

Sources: Deutsche Bank, Dodge Commercial Analytics

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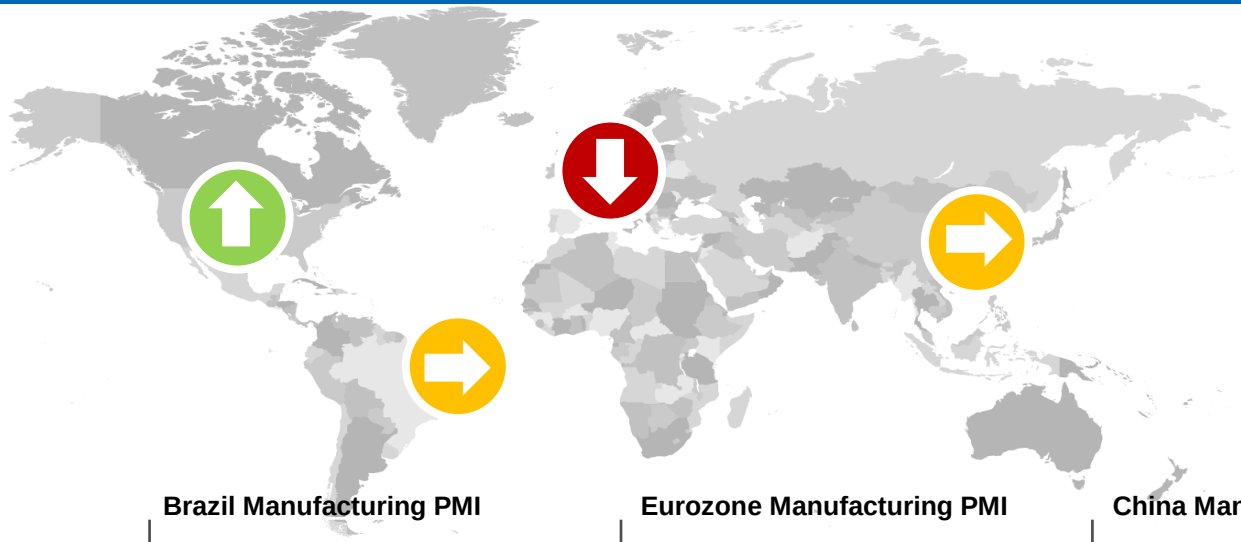
INDUSTRIAL & SPECIAL PURPOSE COATINGS



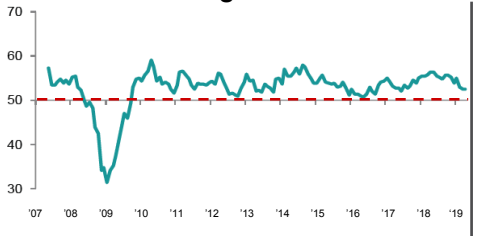
Industrial Demand by Region

Purchasing Managers Index (PMI) - Manufacturing

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US Manufacturing PMI



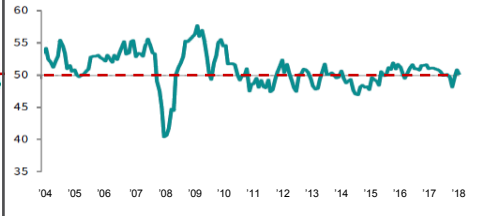
Brazil Manufacturing PMI



Eurozone Manufacturing PMI



China Manufacturing PMI

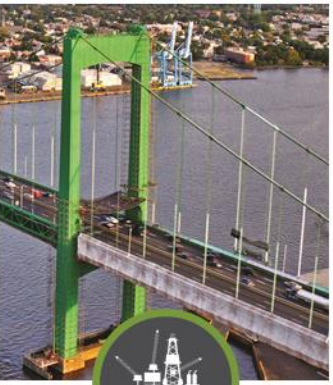


UNITED STATES	BRAZIL	EUROZONE	CHINA

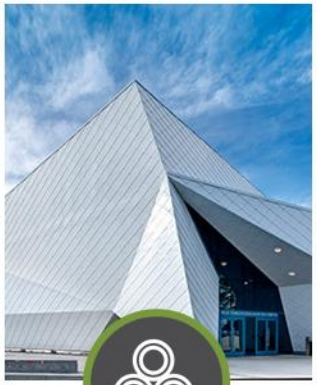
PMI is a weighted average of five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). A reading above 50 indicates an overall increase compared to the previous month. 50 = stagnation. Up or down from prior month indicates acceleration or moderation. Sources: 2019 IHS Markit, Caixin

Industrial Coatings

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PROTECTIVE & MARINE



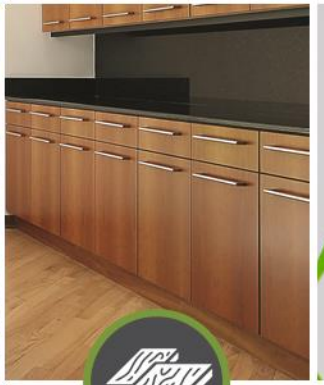
COIL COATINGS



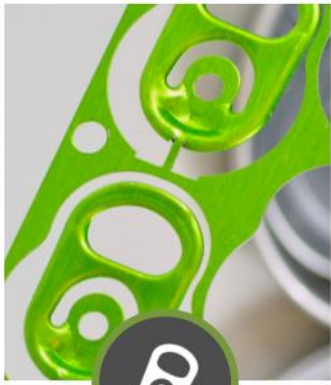
AUTOMOTIVE REFINISH



GENERAL INDUSTRIAL



INDUSTRIAL WOOD



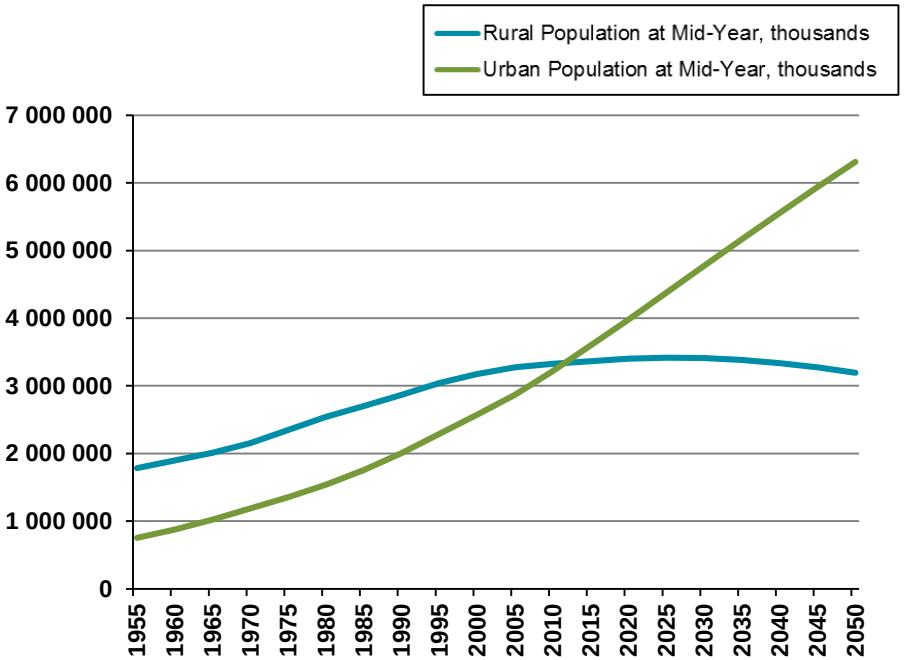
PACKAGING

Technology driven, specialty solutions that drive customer throughput and productivity

Urbanization

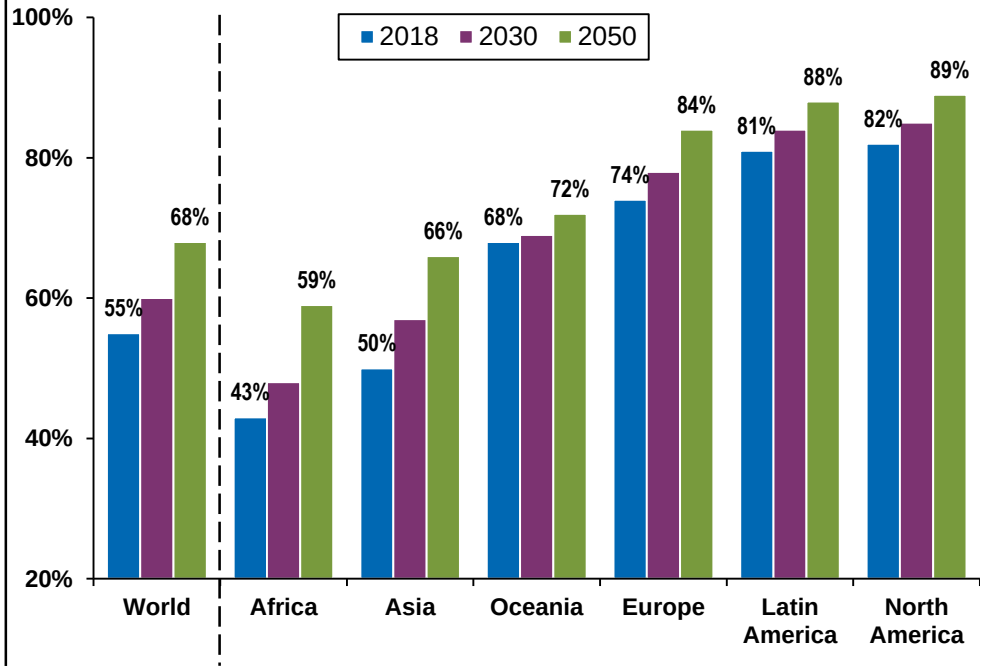
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Urban vs. Rural Global Population, 1950 - 2050



Source: United Nations Department of Economics & Social Affairs, Population Division

% of Population Living in Urban Areas



Source: United Nations Department of Economics & Social Affairs

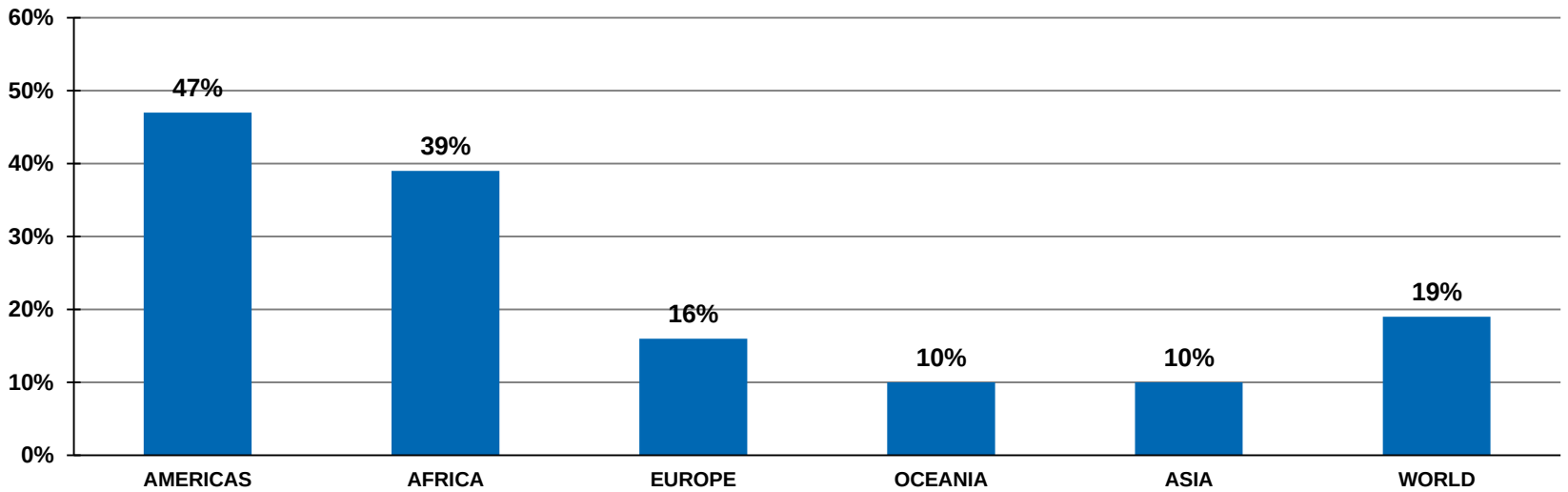
Population shift to urban areas supports long-term growth across multiple end markets

Global Infrastructure Spending

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Infrastructure Investment Gap by Region, 2016-2040

Extent to which estimated investment need is greater than investment expected under current trends



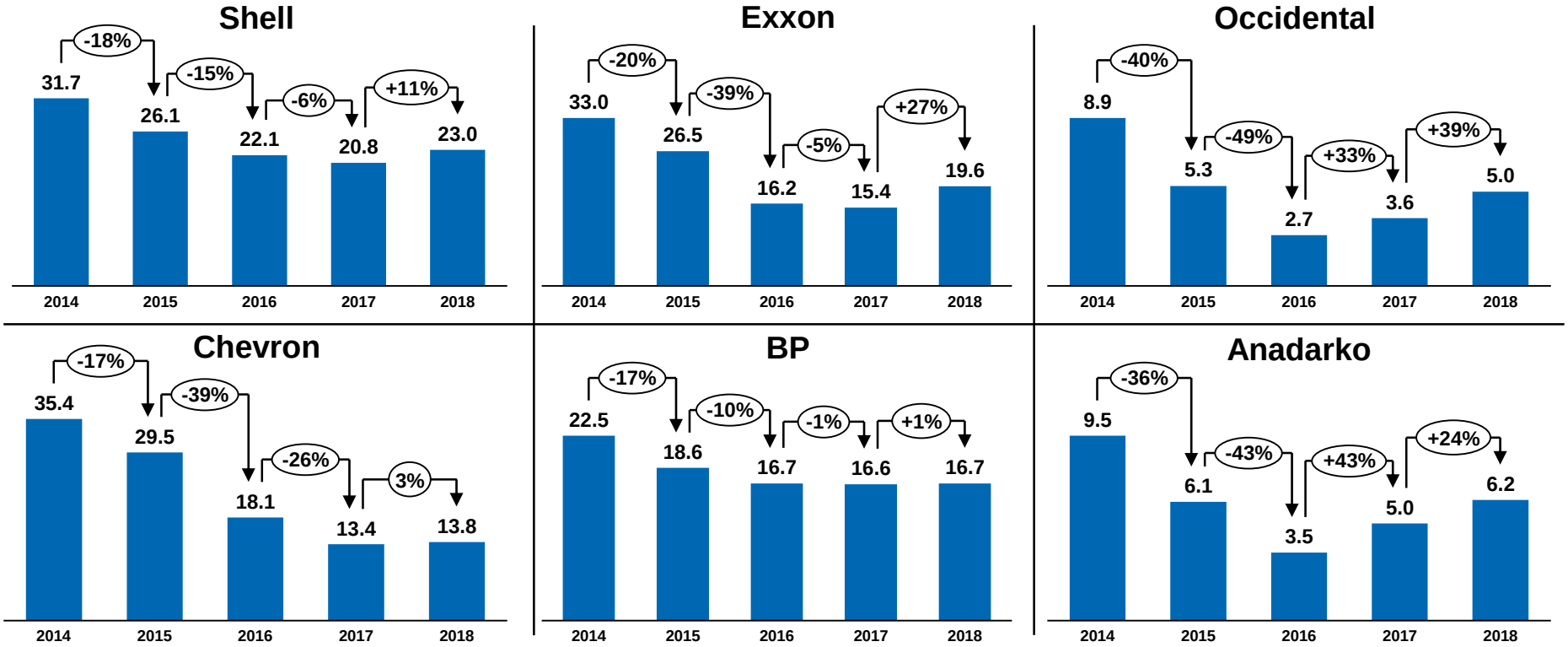
Significant global backlog of infrastructure projects

Source: Oxford Economics, Global Infrastructure Investment Needs (2017).

Oil & Gas Infrastructure

Capital Expenditures (In billions of dollars)

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Oil & gas infrastructure capex spending is up, driving coating opportunities

Source: Public Company Reports

Global Beverage Cans

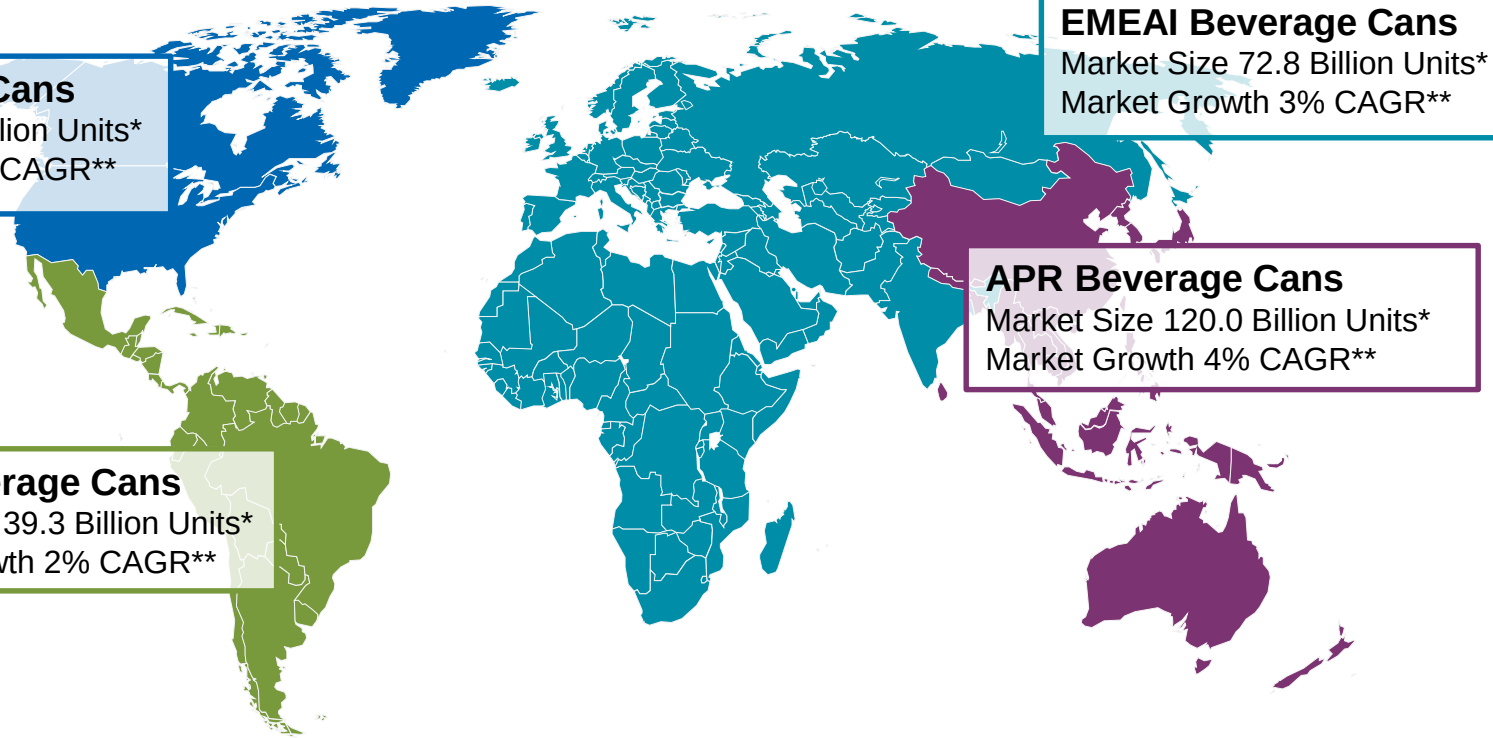
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NAR Beverage Cans
Market Size 93.5 Billion Units*
Market Growth -1% CAGR**

EMEAI Beverage Cans
Market Size 72.8 Billion Units*
Market Growth 3% CAGR**

APR Beverage Cans
Market Size 120.0 Billion Units*
Market Growth 4% CAGR**

LAR Beverage Cans
Market Size 39.3 Billion Units*
Market Growth 2% CAGR**

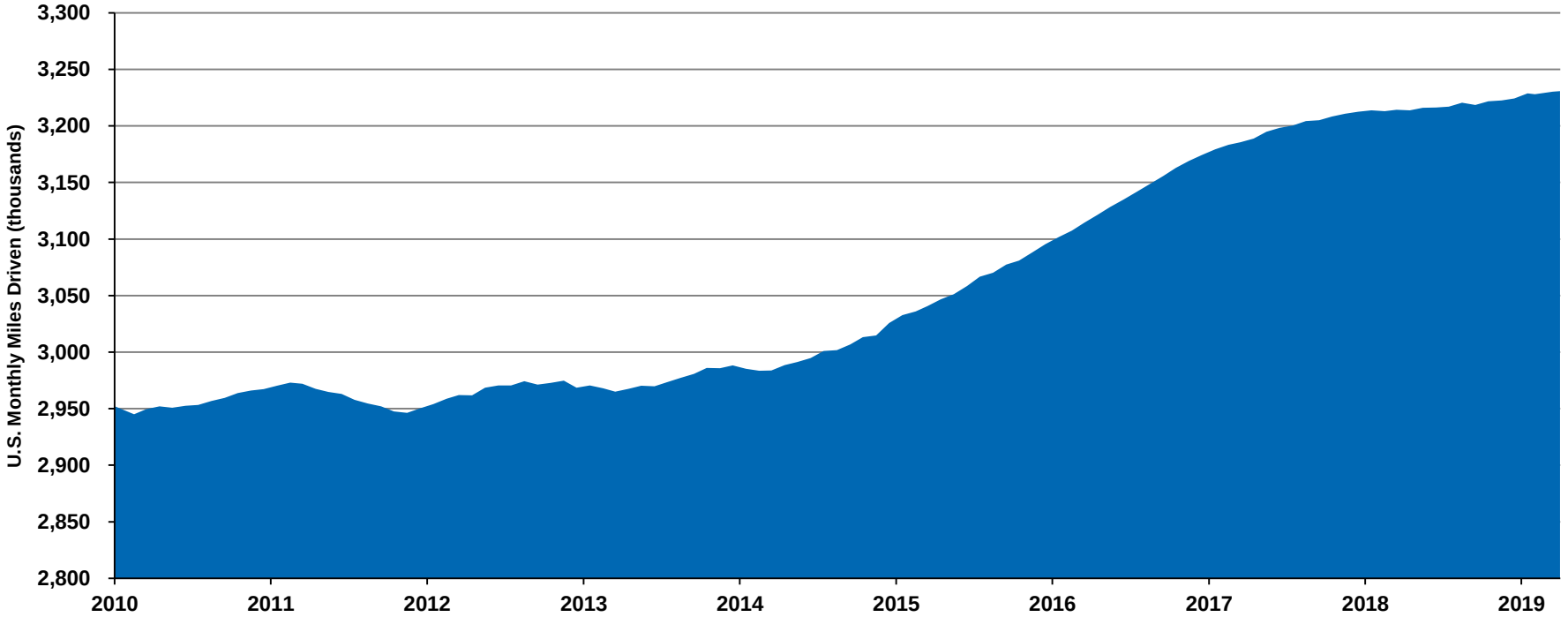


Solid international growth to continue

**2017 Est.*
***CAGR% 2017-2021*
Sources: Euromonitor, CMI, SW Internal Est

Auto Refinish Demand

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Miles driven continues to increase steadily, driving demand for automotive refinish

Source: Federal Reserve Bank of St. Louis Economic Data