



SHERWIN-WILLIAMS®



2020 FINANCIAL COMMUNITY PRESENTATION

INDUSTRY OVERVIEW

JOHN MORIKIS

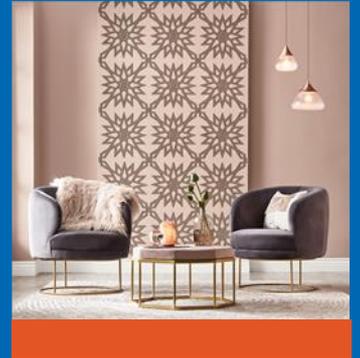
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INDUSTRY DATA: In addition, industry information included in this presentation is not intended to be comprehensive. The coatings industry is global and diversified. The Company believes the multiple data sources cited in connection with industry market sizes, segments and other information are directionally helpful as of the date of this presentation, but may not be comprehensive, including from an absolute volume or industry size standpoint or otherwise. Generally, these sources tend to understate the size of the industry for all geographies.



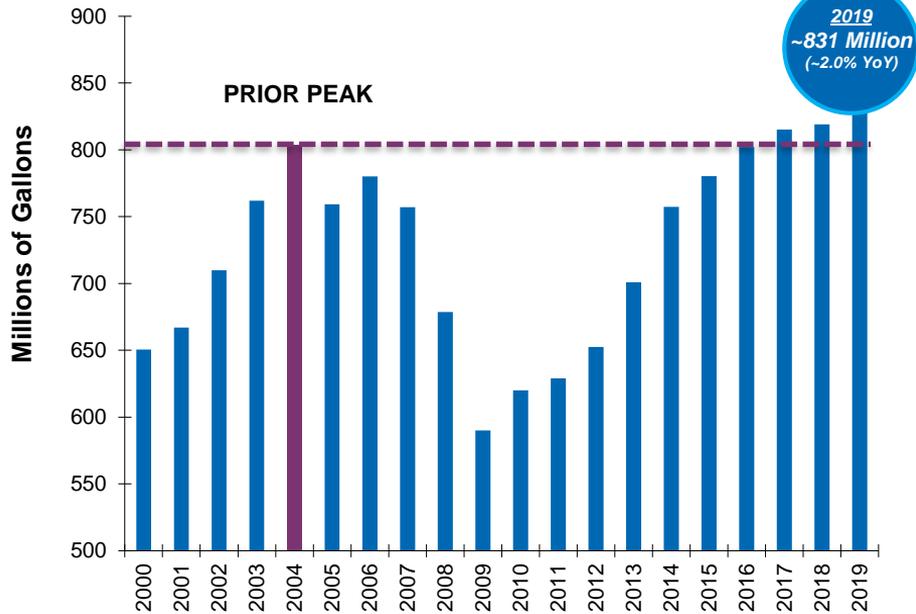
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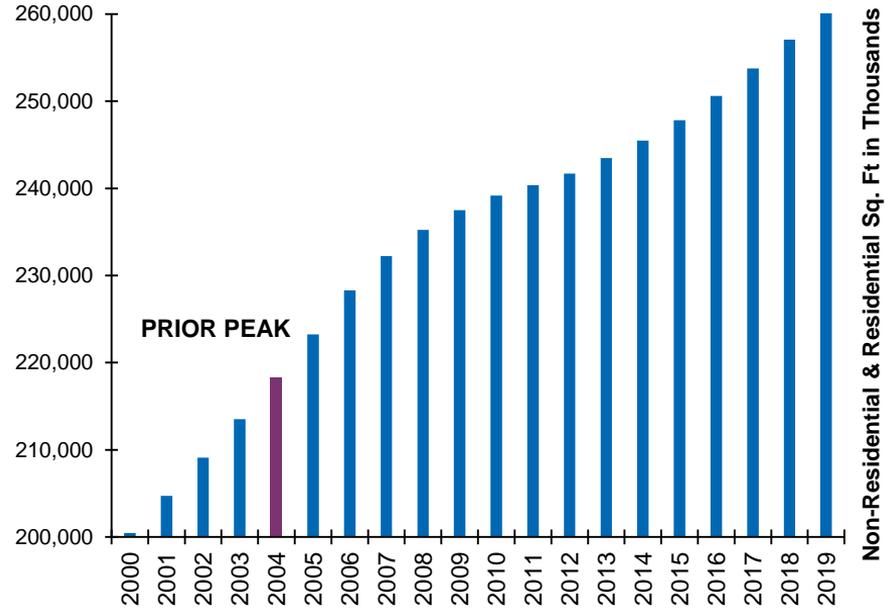
U.S. ARCHITECTURAL COATINGS

Architectural Paint Gallons



Sources: ACA, Department of Commerce, Dodge Data & Analytics & Company Estimates

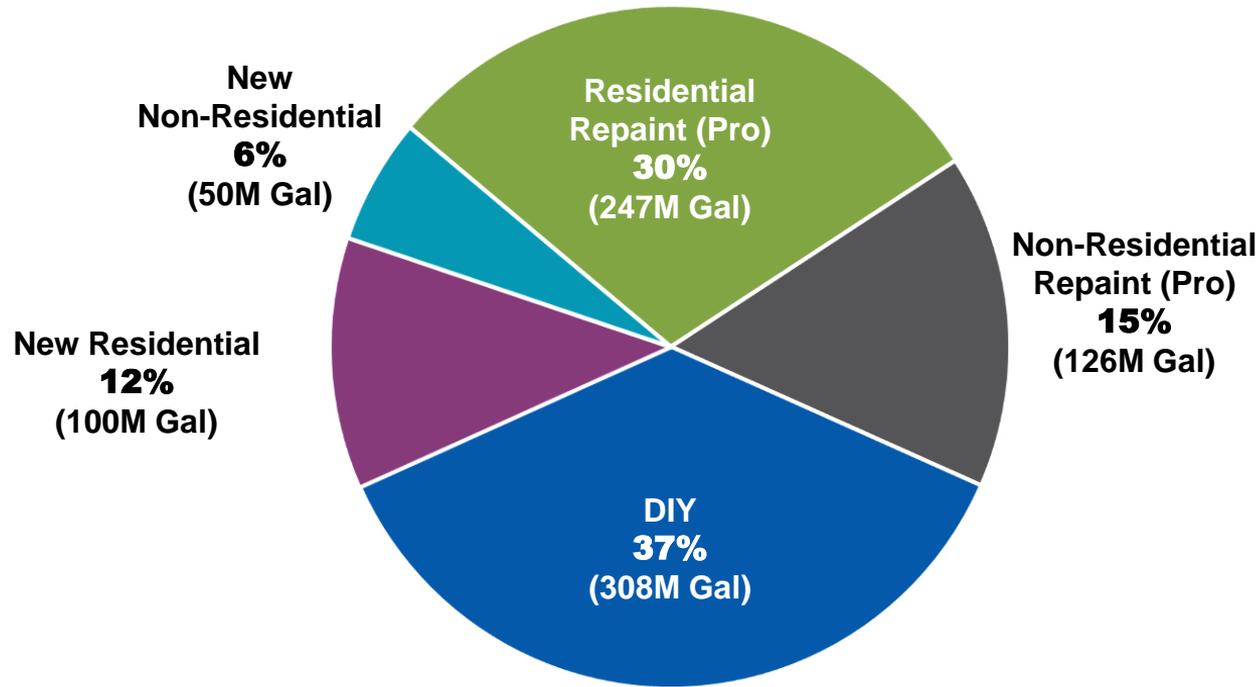
Non-Residential & Residential Square Footage



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

~19% Growth in Square Footage Since Prior Peak Should Drive Continued Gallon Growth Due to Larger Repaint Opportunity

~831 Million Gallons in 2019



SHW is Well-Positioned in All Architectural Coating Segments

U.S. Architectural Paint Industry Trends

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NEW RESIDENTIAL

- Robust recovery in starts
- Strong household formations drive long-term demand



RESIDENTIAL REPAINT (PRO)

- Rapid return of exterior projects; interior gaining momentum
- Demographic and economic indicators favorable long-term



COMMERCIAL

- Projects resuming – pace of completions choppy
- Pace of new starts uncertain in near-term



PROPERTY MANAGEMENT

- Slower recovery
- Expect apartment turns, hospitality and other drivers to eventually return



DIY

- Unprecedented demand driven by consumers nesting
- Expect return to historical low-single-digit growth rate

U.S. Demographics

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SILENT
1928-1945

- Transitioning to Senior Living Facilities

75-92 YEARS OLD
(AS OF 2020)

23
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

56-74 YEARS OLD
(AS OF 2020)

72
MILLION
22% OF U.S.
POPULATION



GEN X
1965-1980

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

40-55 YEARS OLD
(AS OF 2020)

65
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

24-39 YEARS OLD
(AS OF 2020)

72
MILLION
22% OF U.S.
POPULATION



iGEN (GEN Z)
1997-2012

- Will further extend household formation
- Always connected, eComm

8-23 YEARS OLD
(AS OF 2020)

78
MILLION
24% OF U.S.
POPULATION

Boomers, Gen X and Millennials Driving Demand, With Largest Generation in History (Gen Z) on the Way

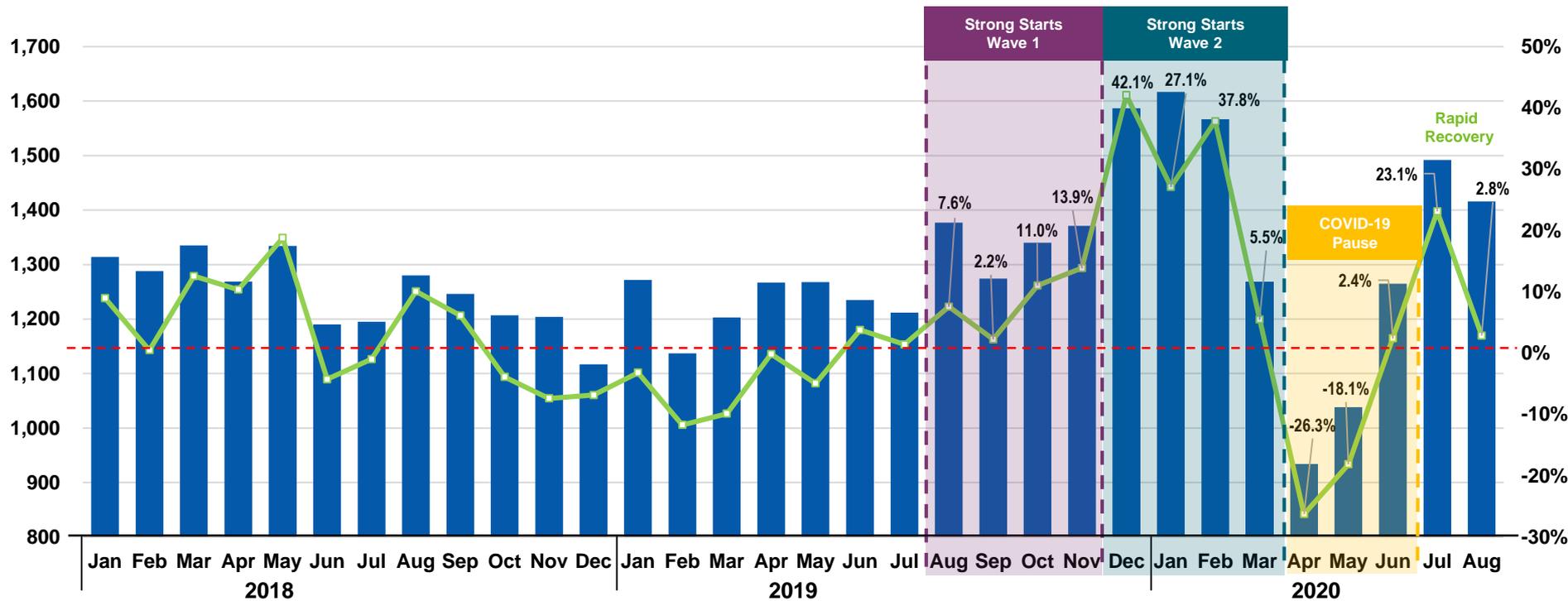
Source: [PewResearch.org](https://www.pewresearch.org). Please Note: above estimates based on Census projections for 2019 US population.
7 Percentages exclude those born before 1928 and after 2012. No chronological end date has been set for Gen-Z.

New Residential Housing Starts

Painting Begins ~3-4 Months After Start

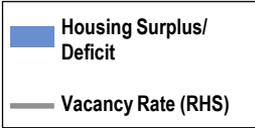
Housing Starts in '000s (Seasonally Adjusted Annual Rate) & YoY% Change

■ Housing Starts ◻ YoY % Change

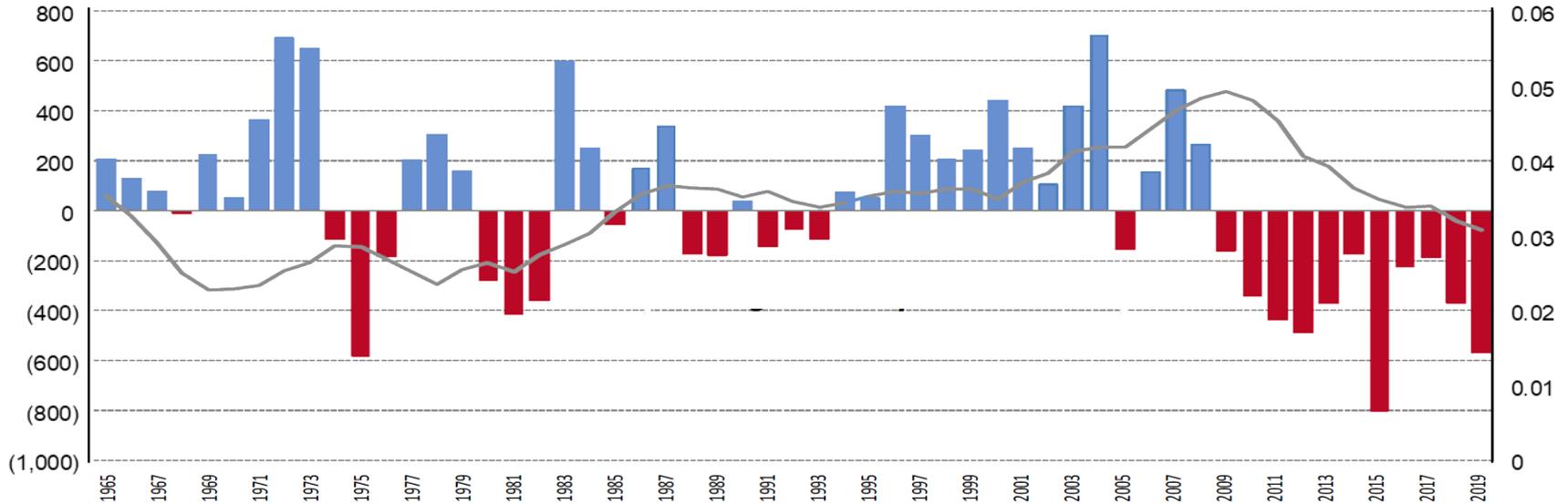


Painting of Homes Started in 1Q Delayed by COVID-19 into 2020 Second Half. New Starts Recovering from April trough.

Housing Supply Not Keeping Pace



Housing Surplus/Deficit (thousands) & Homeowner Vacancy Rate



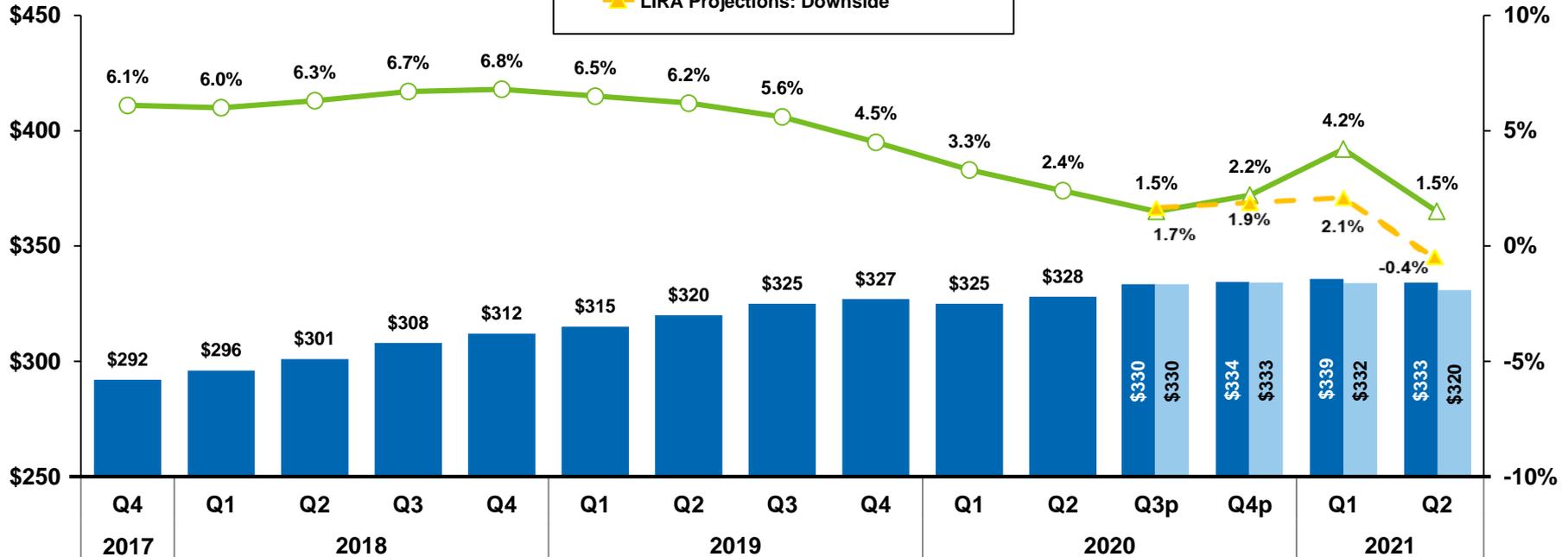
We have Underbuilt Since the Great Recession and Inhabitable Vacancies have Largely Been Absorbed

Repaint & Remodel

Leading Indicator of U.S. Remodeling Activity

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Homeowner Improvements & Repairs
Four-Quarter Moving Totals
Billions



Notes: The downside projections incorporate forecasted data for coincident model inputs: retail sales at building materials and supplies dealers, CoreLogic's Home Price Index, and GDP. Forecasted data provided by Moody's Analytics Forecasted, Baseline Scenario, July 2020. Historical estimates since 2017 are produced using the LIRA model until American Housing Survey benchmark data become available.

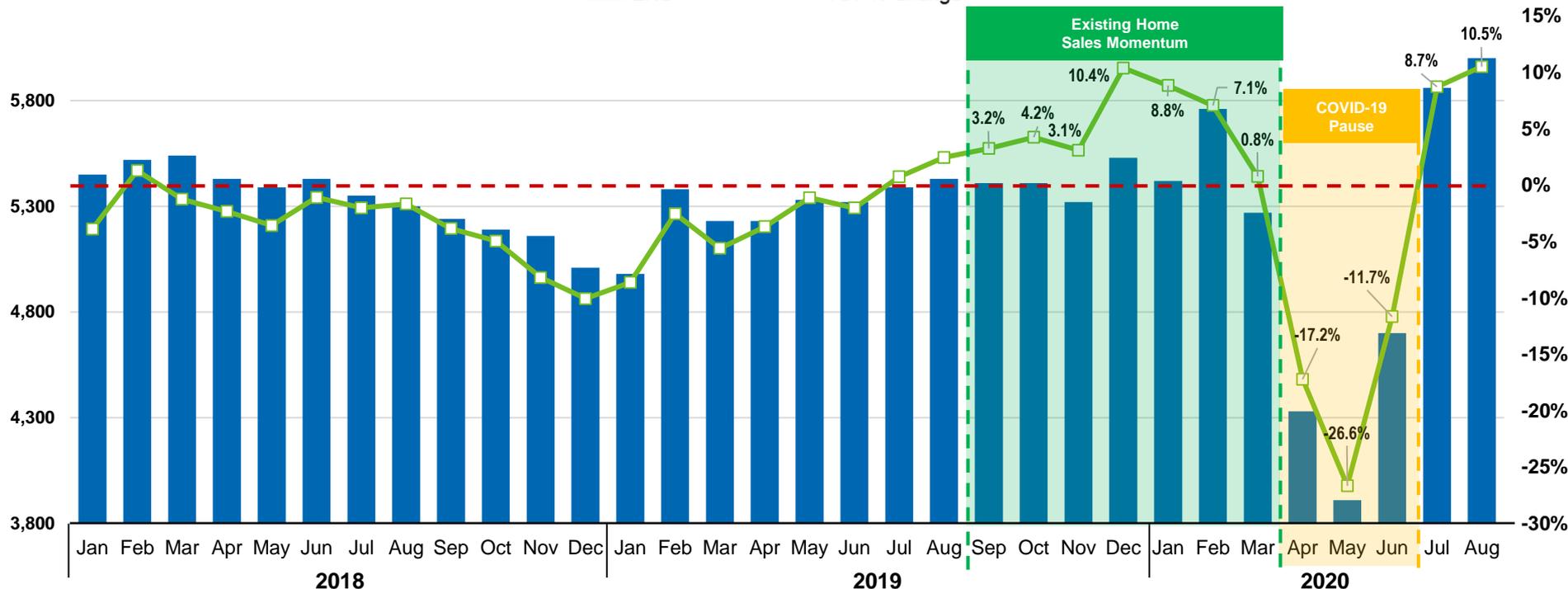
Painting Remains More Resilient than Big Ticket Projects

Remodeling Drivers

Existing Home Sales

Existing Home Sales '000s - SAAR (YoY % Change)

EHS YoY % Change

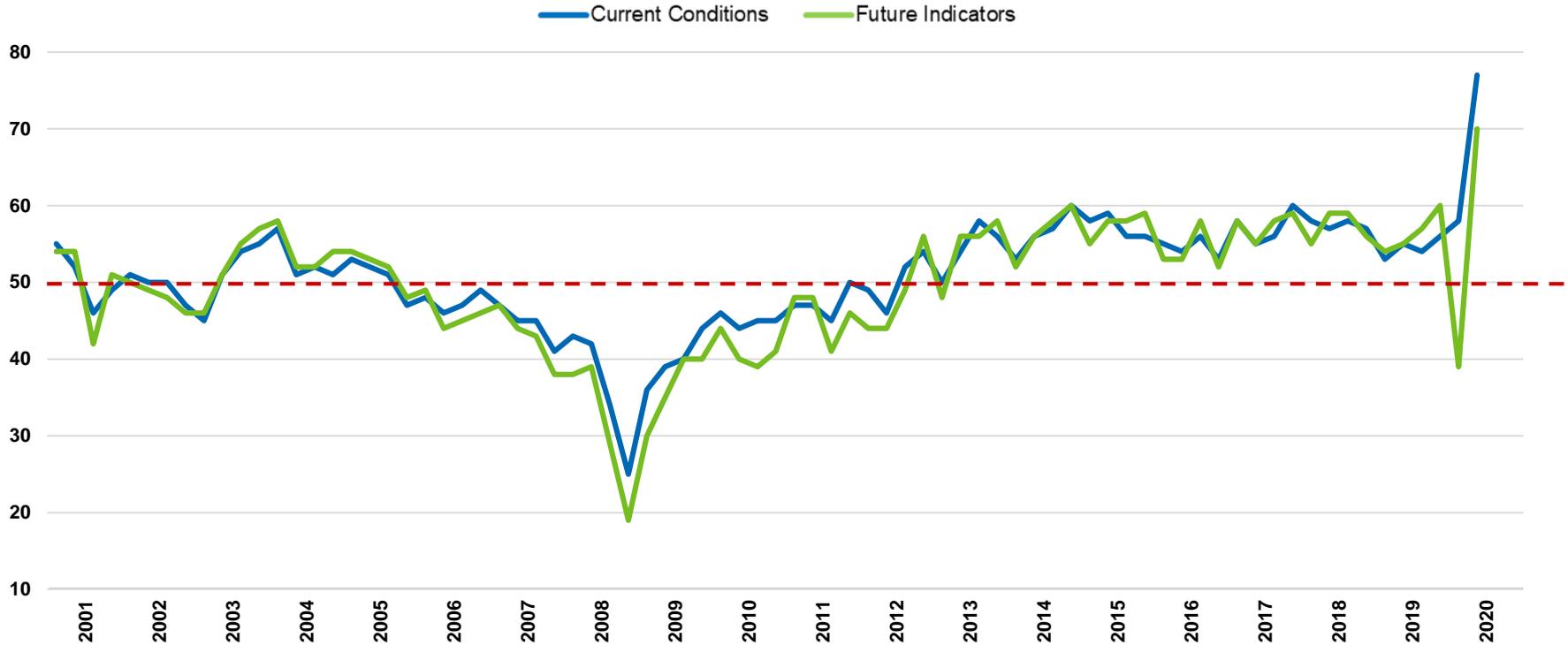


COVID-19 Paused Strong Existing Home Sales Momentum; Activity Recovering

National Association of Home Builders (NAHB) Remodeling Index

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NAHB Remodel Index - Quarterly (50+ = expansion)

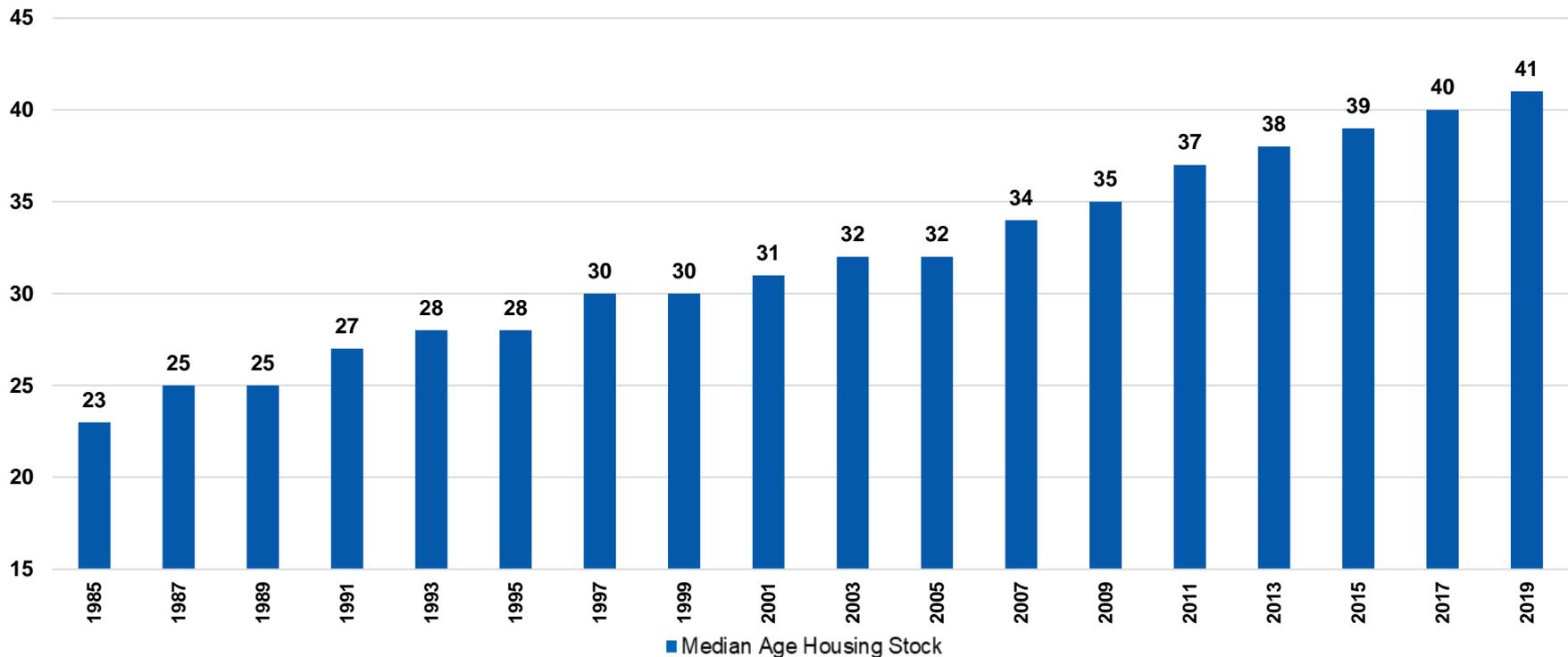


Current and Future Indicators Quickly Returned to Positive

Repaint Drivers

Aging Housing Stock

Median Age of Housing Stock

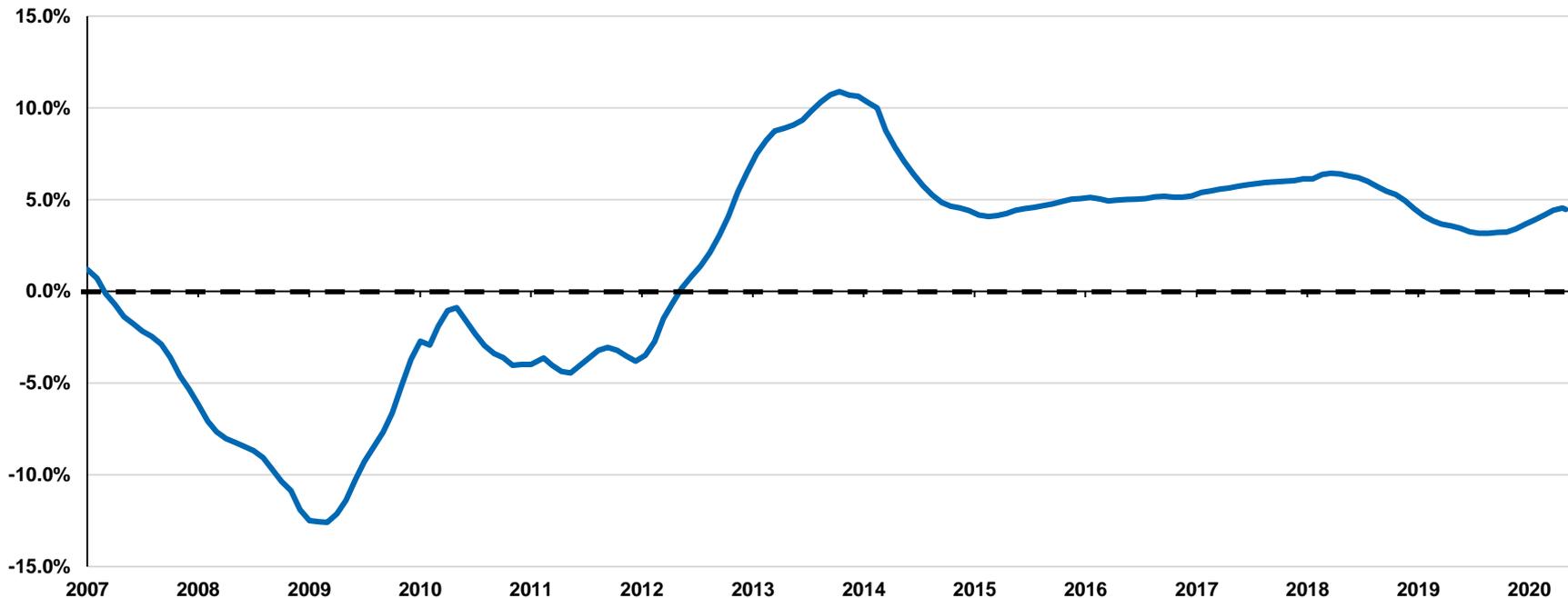


The Median Age of the Nation's 137 Million Homes is 40 Years Old

Repaint Drivers

Change in U.S. Home Values

S&P/Case-Shiller Home Price Appreciation Index - YoY % Change



Price Appreciation Gives Homeowners Confidence to Remodel

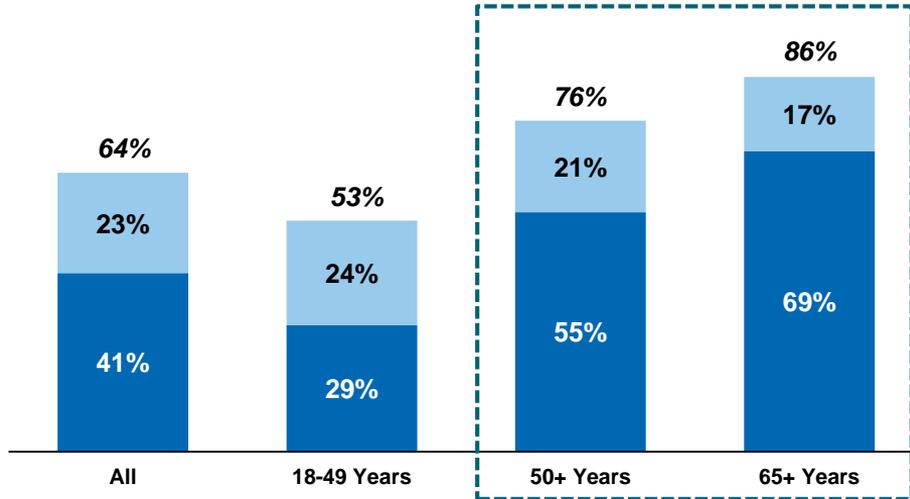
Repaint & Remodel

Baby Boomers Aging in Place

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“What I’d really like to do is stay in my current residence for as long as possible”

■ Strongly Agree ■ Somewhat Agree



76%

OF BABY BOOMERS
OWN THEIR HOME



88%

ARE LOOKING TO
RENOVATE
(and borrowing an
average of \$18K)

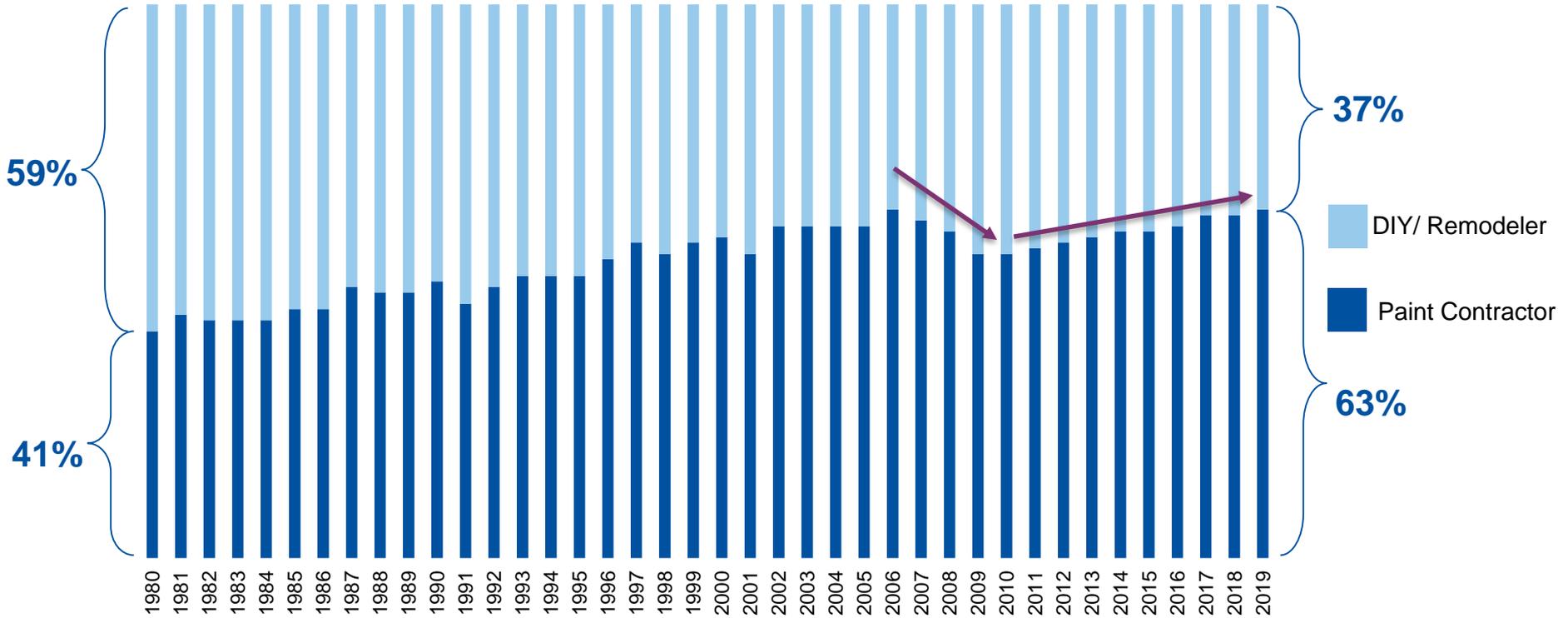
66%

BELIEVE HOME
VALUES ARE
GOING UP

Older Homeowners Staying in Place and Remodeling

DIY to Contractor Shift Expected to Continue in U.S. & Canada

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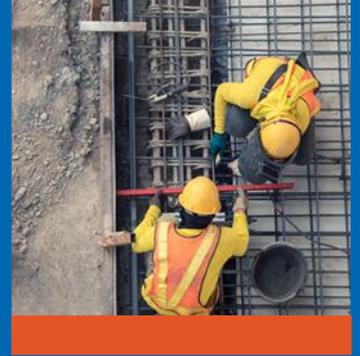
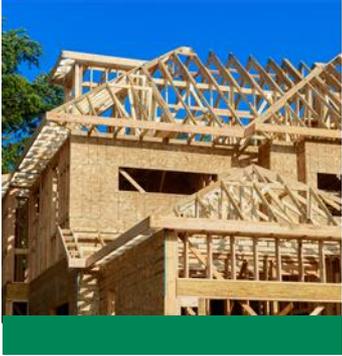


Sources: U.S. Commerce Department, Company Estimates

Sherwin-Williams is Well Positioned to Serve Pro and DIY



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COMMERCIAL CONSTRUCTION

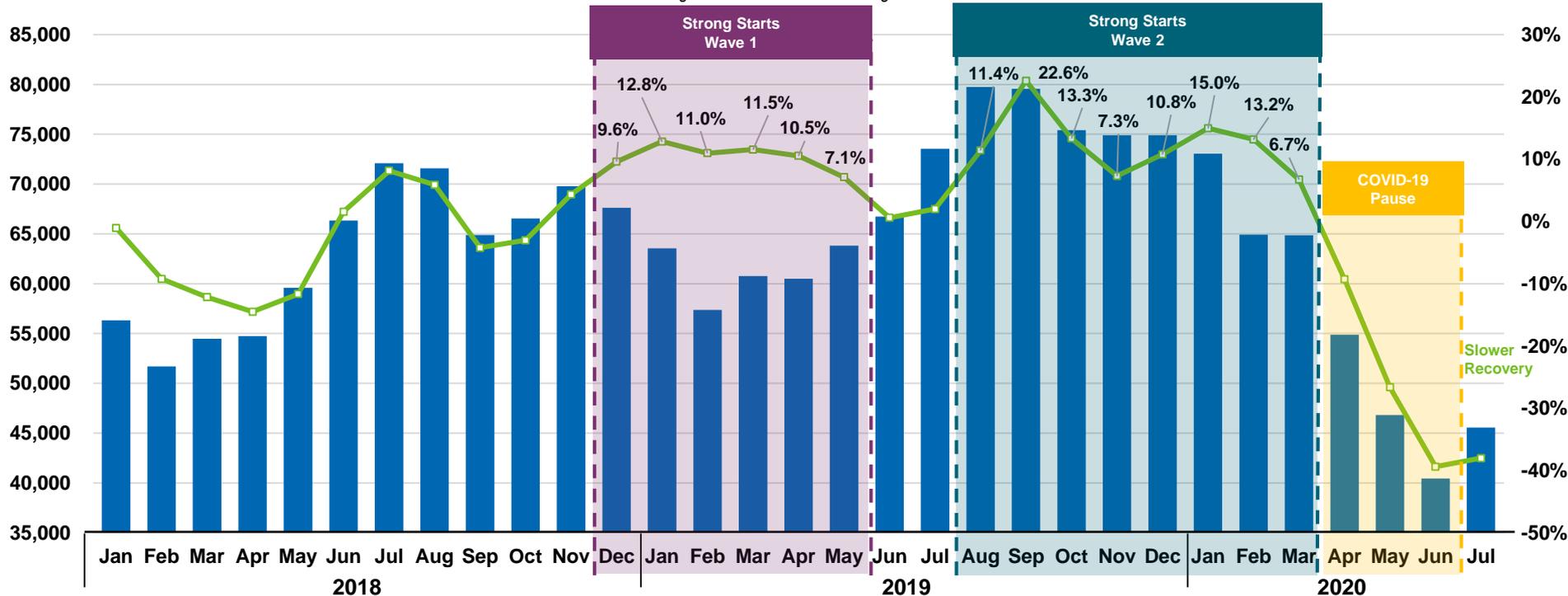
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Commercial Construction Starts

Painting Begins ~12-18 Months After Start

T3M Avg - Sq Ft in '000s and YoY% Change

Comm Bldg Starts YoY % Change



Significant Wave of Existing Projects Should be Reaching Painting Phase Now Through End of 2021

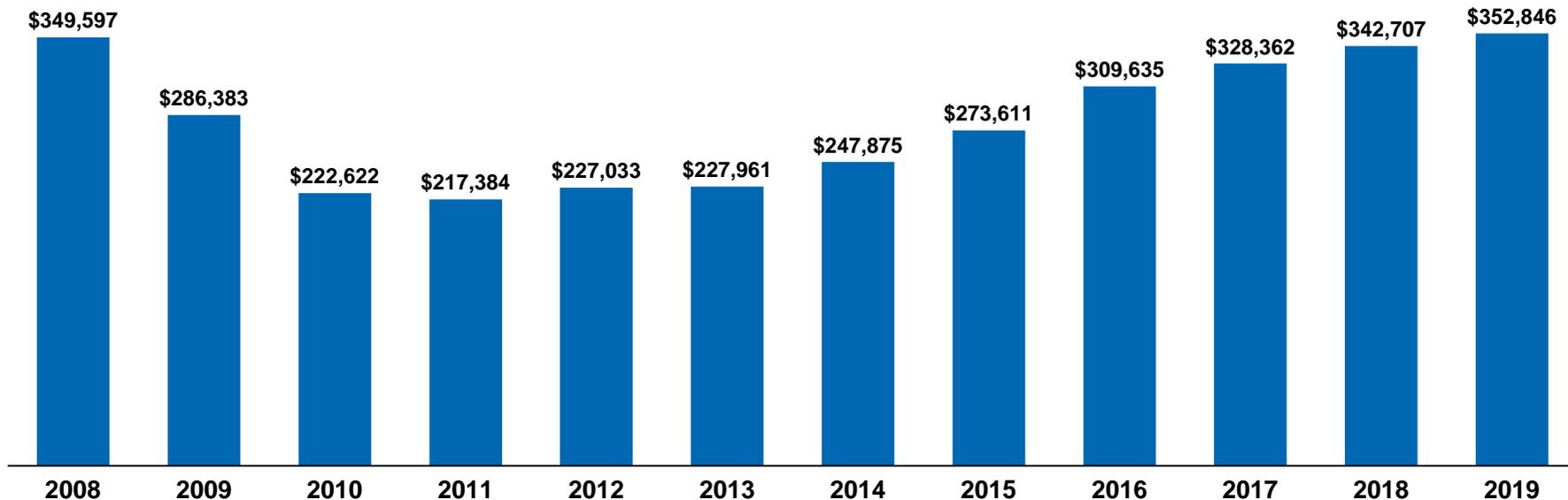
U.S. Commercial Construction Put in Place

Projects Will Resume as Maintenance Cannot be Delayed Indefinitely

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Annual Commercial Construction Put in Place

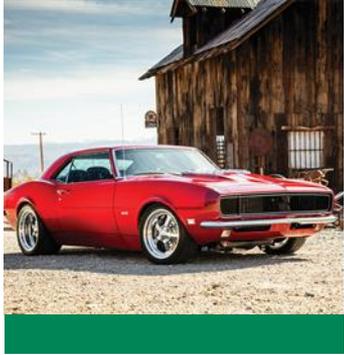
(Millions of Dollars)



\$3.0T in Accumulated Commercial Construction Put in Place Since 2008 Drives Maintenance Opportunities



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INDUSTRIAL COATINGS

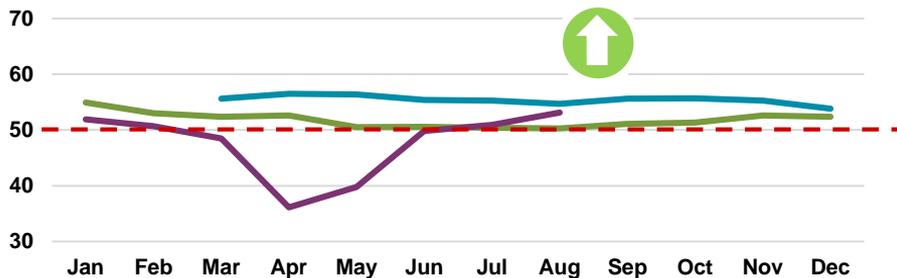
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Industrial Demand by Region

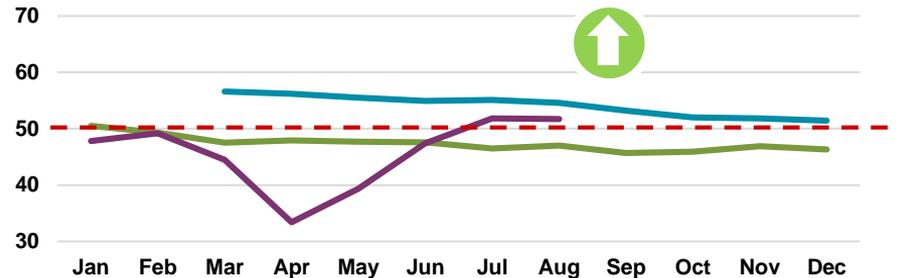
Purchasing Managers Index (PMI) - Manufacturing

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US PMI - IHS MARKIT (50+ = expansion)

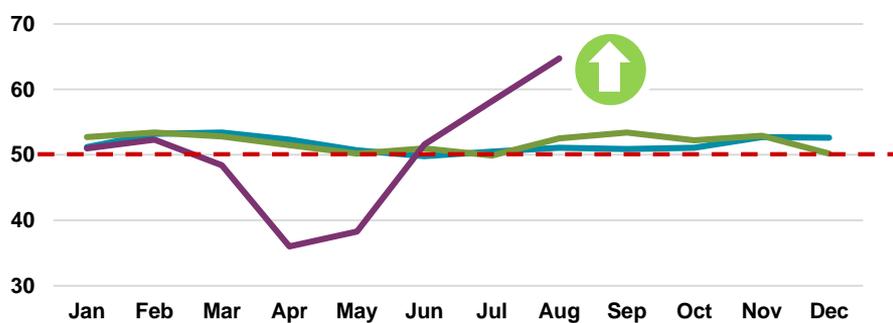


EUROZONE PMI - IHS MARKIT (50+ = expansion)

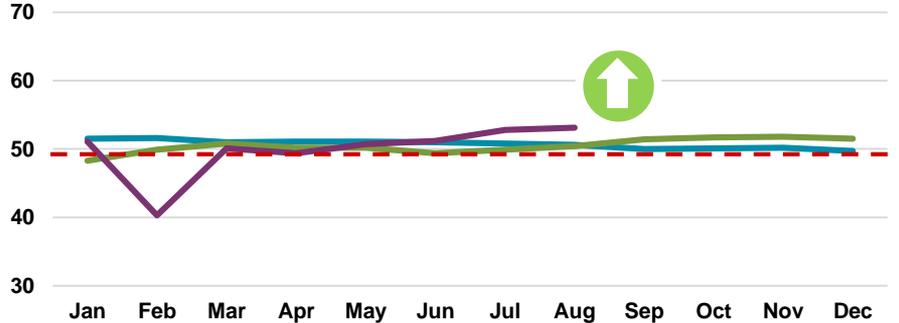


— 2018 — 2019 — 2020

BRAZIL PMI - IHS MARKIT (50+ = expansion)



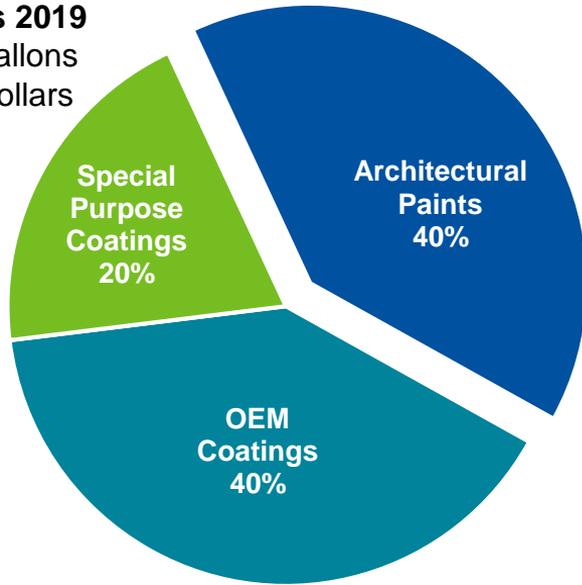
CHINA PMI - IHS MARKIT (50+ = expansion)



Improving Industrial Indicators in All regions Signal Additional Momentum

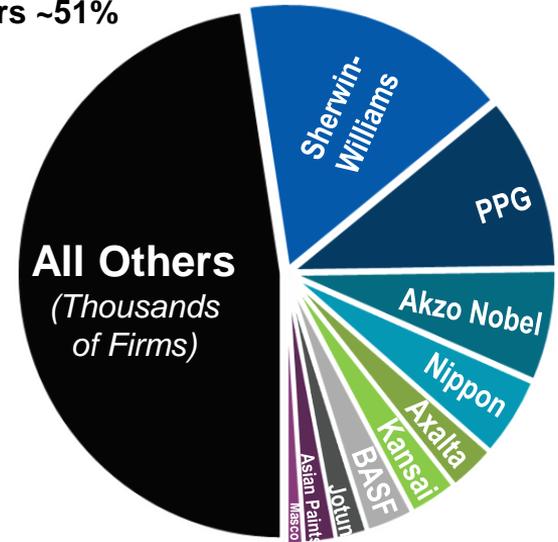
Paint & Coatings Industry Global Mix by Category (Based on \$)

Total Coatings 2019
~ 9.8 Billion Gallons
~132 Billion Dollars



Top Global Manufacturers Coatings Industry 2019

Global Market
Top 10 Suppliers ~51%



Significant Organic and Acquisitive Growth Opportunities in Industrial Coatings

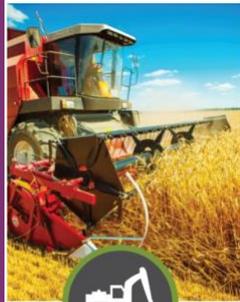
Source: KNG Research

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

Technology Driven, Specialty Solutions That Drive Customer Throughput and Productivity



**PROTECTIVE
& MARINE**



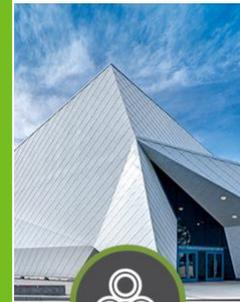
**GENERAL
INDUSTRIAL**



**INDUSTRIAL
WOOD**



**AUTOMOTIVE
REFINISH**



**COIL
COATINGS**



PACKAGING

Slower

Pace of Global Recovery

Faster



- Shift from plastic to cans – environmental concerns
- Growing new categories – spiked seltzer and energy drinks
- Shift to non-BPA technology
- Customer investments in capacity expansion

“Up-cycle for beverage cans to be robust and supply/demand to likely remain tight at least through the next 3-4 years”¹



- Recovery of commercial construction - similar drivers as architectural
- Appliance, HVAC, trailer truck to regain momentum in 2021
- New business wins in all regions

“Following this year’s steep drop, commercial starts are expected to begin to recover in 2021 as the economy slowly re-opens. The current commercial construction forecast faces greater-than-normal risks as a result of continued uncertainties about the future of COVID-19.”²



INDUSTRIAL WOOD

- Strong recovery of new residential construction a driver for key end markets: furniture, flooring, cabinetry, doors, molding
- Heightened consumer interest in customized finishes and colors
- Manufacturers relocating from China to SE Asia beginning to ramp up

“July (domestic) cabinet industry sales returned to growth as economies reopened and consumers become increasingly comfortable with contractors in their homes.”¹



AUTO REFINISH

- Collision rates and pace of recovery tied to miles driven, urban congestion levels and gasoline consumption among others
- New customer wins should aid SHW recovery

“Vehicle accidents in 2020 could fall by a high single digit percentage and only rise gradually as congestion levels return to normal... Vehicle miles driven should bounce back more quickly, but absolute levels are not expected to return to those seen in 2019 until 2022.”²



- Asia-Pacific showing strongest recovery
- Long-supply chains slowing some larger OEM recovery
- COVID-19 limiting access to some facilities
- Focus on deeper segmentation, new account activity

“Industrial production improving sequentially in most major regions with return to year-over-year growth forecast for 2021.”¹



- Oil and gas maintenance cannot be delayed indefinitely
- COVID-19 limiting access to some facilities
- Capture share in other segments - water treatment, food & beverage, flooring.
- Infrastructure bill would add momentum – bridge & highway etc.

“U.S. non-building starts expected to rebound in 2021.”²