



Buy: Sherwin-Williams (SHW)

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HOLDINGS UPDATE

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Founded 158 years ago, [Sherwin-Williams](#) (SHW) is a leading manufacturer and retailer of paint, coatings and related products to professional, industrial, commercial and retail customers. Sherwin-Williams is the leading low-cost global coatings producer, with superior scale across 136 manufacturing and distribution facilities in more than 120 countries, generating over \$23 billion sales in 2023 and employing more than 64,000 people worldwide.

Sherwin-Williams operates across three reporting segments: Paint Stores Group (PSG, 56% of sales, 63% of profits in 2023), Consumer Brands Group (CBG, 14% of sales, 10% of profits) and Performance Coatings Group (30% of sales, 27% of profits).

Know What You Own

Sherwin-Williams' Paint Stores Group division, or PSG, has long been its crown jewel, operating a vertical retail model with over 4,500 specialty paint stores in the U.S. and Canada serving as the exclusive retailer of Sherwin-Williams brand architectural paint and coatings. PSG is the dominant player in North America architectural paint, with stores purpose-built to help pro painters (pros) grow their business profitably. The company offers unparalleled customer service through its knowledgeable, highly trained staff in stores, which is supported by more than 3,600 field sales reps working to ensure pros stay supplied while on jobsites. Sherwin-Williams' unique culture and strong training program result in very low employee turnover and long-term relationships formed across its store and service network. PSG is diversified across six primary end markets, including residential repaint, commercial, new residential, property maintenance, do-it-yourself (DIY), and protective and marine. In fact, due to its unrivaled scale and service, Sherwin has exclusive supply relationships with 23 of the top 25 U.S. homebuilders and property management firms.

In 2017, Sherwin-Williams acquired Valspar, adding critical international manufacturing scale to the industrial coatings business within its Performance Coatings Group (PCG) division, which has grown to represent 30% of sales and 27% of profits. This business is diversified across six industrial coatings end markets serving 120+ countries globally, including automotive refinish, coil, general industrial, industrial wood, packaging, and protective and marine. Once subscale, this division is now a strong and profitable complement to the company's core architectural coatings business.

Sherwin-Williams' third and smallest division is its Consumer Brands Group (CBG). This business supplies retail customers like Lowe's and Menards with "hero brand" products like HGTV Home by Sherwin-Williams, Valspar paint brands and Purdy brushes, as well as exclusive branded paints at Lowe's since 2018. This division also operates Sherwin Williams' end-to-end global supply chain organization, including over 50 manufacturing facilities, 37 distribution centers and an owned transportation fleet of trailers and delivery vehicles. Sherwin-Williams is the only paint manufacturer to own its end-to-end supply chain spanning from R&D innovation to vertical retail.



Outlook

We expect Sherwin-Williams to continue to leverage its strong and durable competitive advantages, including economies of scale as a low-cost global coatings producer, a premium quality brand built over 158 years and strong pricing power dynamics. The company continues to invest in its business as peers retrench, which should allow Sherwin-Williams to continue to gain market share as it has through past down cycles.

Sherwin-Williams demonstrates many of the “Quality Growth” attributes we favor including sustainable competitive advantages, consistently high returns on equity, strong and improving margins, an excellent management team and corporate culture, and ample free cash flow generation. We are pleased to add it to the Strategy.

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