

DAVID SEWELL: -- to introduce Tom Hablitzel, President of the Automotive Division.

TOM HABLITZEL: Good morning everyone! And thanks for the opportunity to update you on the activities of the Automotive Division. But first of all, I have to just go back on Bob Wells' comments about all of the excitement and all the activity that's going in Cleveland, you know, with the Cavs, one win away from the NBA finals, the planning for the Republic of National Convention, but for a guy in the collision repair business, it doesn't get any better than filming the Fast and Furious 8. Have you seen all those car accidents out here, right on this intersection? I find that very, very exciting. The best that I can tell too, they don't have one take right. We have plenty of body shops in the Cleveland area using Sherwin-Williams Automotive Refinish; they can take those cars to until they get that film right.

But thanks again for the opportunity. The Automotive Division continues to focus on a diverse set of transportation market segments. These segments include, as I mentioned the collision repair and the production shop segments, the OE interior segment, custom finishes and restoration, as well as the commercial, general aviation and military aerospace segments. The collision repair segment does represent our largest opportunity and specialty interior finishes remains a strategic growth opportunity for us, primarily due to the global automotive sales and the margin opportunities that Naval Technologies are able to deliver. All these segments continue to be consistent in their demands for innovative coatings, dependable distribution and a high level of service.

We continue to expand and support our customers globally. We distribute coatings in over 100 countries with products produced at nine primary manufacturing locations. In the past year, our teams in China moved to a new group headquarters in Shanghai. Our South American team moved to a new headquarters in a technical center in São Paulo and our products are distributed through Control Distribution, North America and primarily through strong independent distribution partners for international businesses.

Our business strategy remains consistent with previous presentations. We continue to focus on providing innovative solutions in the markets we serve. We invest and enhance in Control Distribution, distribution model, United States and Canada, and pursue growth in a number of transportation segments and expand our presence globally. We certainly also focus on the development of our people and systems to support our global business.

Our markets continue to experience a unique set of forces that impact our business environment. The slowing Chinese economy and sluggish Brazilian economy has provided headwinds. U.S. economy has benefited from low gas prices and increases in miles driven. Strong car sales provide a refresh to an aging fleet which are all favorable trends for the collision repair segment. Now industry consolidation, the collision repair segment continues at a rapid pace with the big four consolidators now holding approximately 13% market share.

Self-driving technology continues to be a frequently discussed topic, especially the "when" of its influence on our market dynamics. We continue to support our U.S. and Canada customers through our unique model of Control Distribution. Through this model, our customers are supported by our employees from manufacturing, product delivery and business consultation, a

simple approach that provides control of every step of the product life cycle and brand experience. This model matches the strategic objectives of large MSOs in providing a consistent and repeatable experience including the national delivery of pricing and the rapid launch of new products. Our field team is well-positioned with our key customers and aligned to provide training, technical and consultative support to meet their performance metrics.

Now in addition to Control Distribution model, which owns the Sherwin-Williams brand, we sell through a number of independent distribution partners. Through NAPA, our largest independent distributor, we exclusively sell our Martin Senour brand. Through our 90-year business relationship, we had distributed and sold our paint alongside NAPA's extensive automotive product line with the strategy of the paint store in the part store.

Strategically, this relationship expands our distributions to markets with lower registered vehicle concentrations as shown on this map profiling Western New York. We have Sherwin-Williams branches in Albany and Syracuse but NAPA helps us to market through an additional 100 plus jobbers. Martin Senour Auto Refinish Paint is sold at over 1,500 NAPA locations nationwide.

We continue to expand and strengthen our allied product offering as part of our total PBE offering in support of our national distribution platform. Central to our strategy is the development of our fast line, private label product line offering a broad range of products and the opportunity to more efficiently manage margins and inventory levels. This program compliments our national brand offering. Our fast line brand is being widely accepted in the standard operating procedures of our largest customers. We also continue to add products to support our customers including aluminum repairs with OEM approved equipment and tools.

Innovation remains central to our strategy of aligning our resources with the needs of our customers. The need for speed and cycle time reduction with process improvements is a necessity in a highly competitive environment of industry consolidation, inflationary cost and pressures for lower repair cost by insurance providers. We continue to develop products that provide sustainable improvements in speed and process. Our color retrieval tools are constantly upgraded and added to drive accurate formulations and rapid retrieval. Information Technology can be utilized to optimize color formulas, manage AP and GOM inventories and drive operation metrics.

Product innovation remains a high priority for our division. You'll have a chance to see many of these innovations this afternoon. In the summer in 2008, we launched our high speed primer and Clearcoat technology that remains a top seller and a product line advantage today. We translated this innovative, patent-protected technology to additional product lines and market segments to benefit our customers. Big systems have been developed utilizing our technology for the development of express scratch repair, providing a new revenue streams for our dealership customers. Our Hail Damage Repair systems helps with the speed repair of hail-damaged vehicles and with improved shop flow through. Lean Stock and FormulaExpress have been developed utilizing information technology to provide lower working capital and speed in color-retrieval.

We will continue our efforts in the development of product and tools that are sustainable and assist customers with speed and process and lower cost. Last year I previewed our new color retrieval platform, FormulaExpress 2.0. Adaption continues at a rapid pace and is particularly effective when connected with other technologies. This year, we launched a second generation spectrophotometer, iFEX 2.0. iFEX 2.0 recommends the right color repair with 95 plus percent accuracy. It reads effect, the metallic pigments and dramatically speeds up the color verification process. That high speed is required by high volume collision shops and MSOs. I've also presented our new application center including our investment in robotics, as well as our new soft-touch coatings called "G56" which was introduced at General Motors.

The current launches of the Chevy Cruze, Malibu and Volt utilized the soft-touch feel of G56. We have now supported General Motors production of vehicles in the United States, China, Korea and Argentina with numerous additional launches planned. The G56 product remained sole specified to General Motors and has gained the attention of other OEMs including Ford and Tesla. Our investment and robotics has assisted in our application development and smooth transition to the production lines of our tier one customers. Our soft feel technology and expanded applications capability translate well to other transportation segments in the electronics marketplace.

We have leveraged our automotive technology to develop a Basecoat Clearcoat system for the Aerospace General Aviation market. This technology has a competitive advantage of faster dry times with an extensive color library, including solids, metallics and micas. The Basecoat Clearcoat system provides system cost advantages for general aviation including faster dry times, and speed in taping and applying stripes. We have quickly gained a number of strategic approvals with this technology including Cirrus Aircraft, Bell Helicopter, Eclipse Aviation, Learjet and we remain pursuit of many others.

Our brand activities will include a central theme of celebration 150 including AP promotions and selling events. We will continue to leverage our NASCAR and IRL relationships for branding and customer relationship opportunities. A number of our AP partners have produced limited edition tools and products in recognition of our company's milestone. We have partnered with 3M and Roush to provide one lucky customer with the opportunity to win an F-150 in a highly visible promotion this fall at SEMA Show.

Finally, as David indicated to you, we are excited to -- sorry about that. We are excited to be a part of the Virgin Galactic and their innovation and initiative to provide an opportunity for all of us to travel to space. In case you're curious, for only \$250,000, you can be added to a waitlist of approximately 750 people to experience what only 553 others have, feeling weightlessness in space. Now, most important to me as President of the Automotive Division is being part of an initiative that makes us the first division to say our strategy goes beyond being global and we now have a galactic status in business model.

In summary, our strategy remains in place, a commitment to providing innovative solutions for the diverse transportation segments we serve. We continue to expand and strengthen our position globally and leverage our differentiating business model in United States and Canada. With that, I want to thank you again for your time and attention and it's now –

END