

**CHERI PHYFER:** Good morning. It's an honor to update you on Diversified Brands. When we look at our go-to-market strategy, we look at having four performance drivers. The fourth one, not listed here but critically important, is our people. And suffice it to say that I believe we have the best people in the industry and the best in class group in diversified brands. Equally important to us is finding the right product, the right partner, and the right promotion or advertising mix.

When you look at Consumer Group for the full year, sales increased 11.1% for 2015 and we got off to a nice first-quarter with a 7.5% increase. Talking about some of our partners, The Home Depot, several key product lines that do extremely well there, Thompson's, Purdy, and Minwax. With Thompson's, we'd always had a waterproofer that wasn't a clear. And in 2014 with Home Depot, we launched a stain- and waterproofer in one. It's an F-Style grab-n-go can and it's done extremely well. We've been fortunate late last year to add to that with a timber oil product. And we continue to drive the market through Home Depot, we believe, with this category and this product.

Also at Home Depot, we have the Purdy. We expanded our Purdy offering introducing a new line called the Pro Finish Line as well as putting in regional SKUs. Our merchant there continues to partner with us to go after to the pro customer that they have coming in to their stores with increase promotional activities at the paint desk as well as map promotions.

Menards, another very important partner to us, carries our broadest assortment of our brands. And we continue to grow with Menards and invest in this relationship. And I'll walk you to quite a few slides showing you that.

In 2015, we added a new sample program there. We added a chalky paint there. And we also added a comprehensive agency concrete program there. In 2016, we've already launched in an applicator expansion as well an expansion to Minwax with some innovative new products in Minwax complete [PH] Poly One as well as a new Dutch Boy exterior product, Dura Clean.

Last year in all 285 Menard stores, we reset with a new color system, all-new color collateral and color pallets. In this color collateral were QR codes. And it's one of the first times that they've been leveraged on the back of cards to show room scenes. And this technology is really allowing people to go in, choose colors, look at it in different rooms. And what it has done is it has doubled the time that people are spending on our site and on our visualizer in uploading photos and looking at samples or in saved projects. So when you look at the saved projects, we were about 14 minutes prior to that and we're up to 29 minutes with this new QR technology on the back of those chips.

Last year in Menards as well, we introduced new labels throughout the majority of the program. And we're wrapping at up in 2016. We were taking a lot of their specialty coatings under the Dura Clean label. So this is the wrap-up of a whole new label expansion for them. And then most importantly, we've continued to get behind the advertising and drawing customers into the Menards store. And I'd like to share the newest Dutch Boy commercial with you.

**[VIDEO PLAYING]**

Obviously, we're extremely excited about our strong partnership, the strong brands, and the strong promotions that we have going on with Lowe's. Great wins happening for us across numerous brands. This spring, we launched our Infinity paint product there. It's a complete paint and primer in one; one-coat hiding, superior stain resistance, and best scrubability in its class.

What we're really pleased with at Lowe's is that they have refreshed their department. And we were excited to be their partner in doing this. Each of their counters has been painted with the Infinity to get the product out in employee's hands. If you haven't visited a Lowe's store, I recommend you get into one soon. They've cleaned up everything around their counters, much more professional, really showcasing products well. They've come up with a new counter mat that ranks their products in a "good, better, best" and Sherwin-Williams placed at the premium position in all of those.

What we're extremely excited about is our in-store presence in a Lowe's store right now. I would say that it's dramatic, but it's also extremely impressive. There are three indexes that go along with the paint department. And right now, we occupy all three of those indexes as well other signage located throughout lumber, moving supplies, the pro, kitchen and bath. So our presence and our product in the Lowe's stores is better than it has ever been.

What's exciting about the Lowe's partnership is that it has opened up other opportunities to continue to grow some great brands. We had always been a partner to them and Minwax, but we've worked with them and put in this new set in the third quarter of last year. We were able to displace a few competitors in doing this, and we really made the department easy to shop. A category that can be somewhat cumbersome or a little bit intimidating for the DIY customer, now easy to navigate, easy to shop and we get what we want. And it's performing extremely well in the Lowe's store.

Next, probably a brand you haven't heard about for a while. And I actually just had a few questions about it before I got the opportunity to come up and speak to you. Pratt & Lambert. We really felt that this was the brand we needed to get behind to drive our business in the co-op and the independents. Pratt & Lambert has great brand awareness and really a heritage of quality. And as you talk to people that have used Pratt & Lambert, you never hear anything disappointing in it. Where we were struggling was having our distribution and really getting behind the products. We have over a thousand points of distribution. Most of them are small, especially independent shops. We also have a large marketing advertising campaign that we believe will really bring Pratt & Lambert back to life in this channel, any channel partner here. Let me show you a video that will bring it to life a little bit more for you.

**[VIDEO PLAYING]**

And here's a picture of the display. Our launch partner has been Do it Best. This has been rolling out into the market since March and doing extremely well where it's placed and continuing to be placed. The other thing we're doing behind Pratt & Lambert is a lot of the co-ops and independents, they received large co-op funds and they have no way -- they don't know how to

invest those if you have eight stores, if you have one store, if you have two stores, we have some that are larger members.

Those smaller members are really looking for how to drive business into their locations. They get co-op money not just in the paint category but in all categories in the stores. So we've stepped up to find a way to be a concierge to them, in a sense, to advertise locally for them and draw business into their stores which will help the paint department continue to grow. I'll show you a little bit of a video on local color.

### **[VIDEO PLAYING]**

We believe this campaign will continue to help us increase the share in the independent and co-op channel and be a true partner in helping them grow and do well. One of our other channels of distribution, our automotive channel, continues to do extremely well, really driven by a new product innovation and great partners that we have in that channel.

Our craft channel, very strong partners and products in the craft channel. And really, in this channel, I would say that we have led the innovation for several years now. And then in the industrial or MRO, industrial channel, a great win last year. Pratt & Lambert was able to displace a competitor, and it's the exclusive architectural paint supplier for all of Grainger. We've partnered with Joel and his team in running six tint facilities in our DSCs that service Grainger customers within 48 hours. So another nice opportunity for the Pratt & Lambert brand.

On top of that, with Grainger, we were able to add over 600 Krylon industrial paints and products into their catalogue that was launched in February. So we're extremely excited to grow in this channel and with this customer.

Our Europe business continues to do well. We have very strong partners, very diverse customers over there, but really driven by our performance in the garden market and bringing new innovation to all customer types.

So in concluding, I think you can see that we have several numerous great partners, great products and promotions. When you look at it later on, Vicky Varley, our Vice President of R&D, will be able to show some of the innovation that we have around new products. Clearly having a very strong team that has driven results for diversified brands, great partners, and increasing promotions with those customers. I think with these four drivers, you really see what helped us achieve our goals for 2015, but more importantly our excitement for 2016 and beyond.

**END**