CHERI PHYFER: It's my pleasure to introduce Joel Baxter, our President of Global Supply Chain and our partner in service in our customers.

JOEL BAXTER: Thank you, Cheri. Good morning! It's my pleasure to be here to present an update on the Global Supply Chain Organization. We operate 75 facilities through four geographic regions as shown here. We have 9500 team members who operate as one focus organization having been formed back in 2012 charged with sharing best practices across our end-to-end supply chain worldwide. And when I speak of supply chain at Sherwin-Williams, it starts with research and development and carries through the delivery to our customers. We use customer insights to feed our innovation pipeline and we use their feedback to help improve the overall service performance while at the same time driving continuous improvement across each of these supply chain components you see on this chart.

We utilized an execution roadmap built on these enablers, our people, systems, tools and processes to drive execution that helps us accomplish these three things. Drive customer satisfaction up through better service and quality while reducing our costs and positioning the supply chain to support accelerated growth for the company. Our global business management system has three foundational areas. They include operational excellence, global procurement and innovation excellence.

Beginning with operational excellence and safety which is a core value at the Sherwin-Williams Company, this chart shows our recordable case rate for the last two years versus the Paint and Coatings Industry as a whole. We utilized the United States Occupational Safety and Health Administration standards across the world to track our safety results. As you see with Sherwin-Williams in blue, we maintain a significantly lower accident rate in the Paint and Coatings Industry as a whole. And this is important because it's not only good for our people and their morale, but it helps us reduce our cost within our manufacturing and distribution operations.

First pass quality has long been a focus for us within the Supply Chain Organization. We're getting there right the first time through our manufacturing footprint through precision and consistency that delivers repeatable quality that our customers demand while reducing cost and capital. We have a long history of improving this metric.

As shown here, just going back to four years since we formed Global Supply Chain and I've broken it down into two categories, our North America operations which we actually started on this journey back in 2002 and our rest of the world operations shown here on blue which we've been tracking since 2012. Our first pass quality results outside of North America are quickly closing in on the high standards that we've been able to achieve in North America. And not only that these improve precision and consistency but is equally as important, it reduces cycle time to the plants. And when you reduce cycle time, you create more free capacity that allows you to make more incremental volume without driving up your fixed costs.

Our first pass quality results support our service and working capital as well. This chart showing the last three years for both Sherwin-Williams and our rest of the world locations, and as you see here, when I speak of rest of the world, I'm talking about the other three regions, Latin America, Europe, Middle East and Africa and Asia Pacific. We made it a focus for ourselves to really go

after our on-time product availability once forming the Supply Chain Organization in the other three regions. And today just like first pass quality we're closing in on the same level of performance that we've been able to achieve in North America. And we've accomplished this, our remaining focus on working capital as a percent to sales.

Here's a four-year chart just comparing North America to the rest of the world. We've made steady progress in reducing our needs outside of North America through the leveraging of those systems tools and processes that I've referred earlier while maintaining very strong performance in North America.

And I would mention -- I told you last year we had a little bit of an increase when we did the one time load in for the Lowes rollout. But as you see in 2015, we've been able to reduce that right back down. And I would note further that the North American operations continue to operate in an average negative working capital.

Our net fixed asset trends within the supply chain have been positive as well. Again, comparing North American to rest of the world, we've driven this down every single year with the exception of 2013. And if you recall that's the year that we acquired Comex U.S and Canada. Our rest of the world results have steadily been reduced as we continue to leverage across the world.

Our focus remains in the Supply Chain Organization on flowing through incremental volume without driving up net fixed assets. And if you take a longer look at this, there are some impressive results. So this is for North America only and it goes back to 2008, the yellow bars represent our net fixed assets for each of the years and the blue line is our volume produced in those same years. And as was referenced earlier when Bob talked, we were coming through a recession, we did rationalizations like everyone else and once again Comex joined the company in 2013. But what I would point out to you most importantly here is that in 2015 we made significantly more volume that we did in 2008. And that changed in that fixed asset represents the double digit percentage reduction in net fixed asset. And we're doing that through the Global Supply Chain Organization in the leveraging I spoke of earlier.

Our continuous improvement efforts driving annualized across savings is a big contributor to driving down our net fixed assets and our overall performance in our ability to flow through incremental volume in our existing footprint. 2015 was the 14th consecutive year inside of North America that we increased our annualized cost savings. And our rest of the world locations, it was their seventh consecutive year. And today, our annualized cost savings represents tens of millions of dollars, there's plenty of opportunity to still leverage that keeps our team excited going forward. And we are equally as excited about the work that's occurring with our Global Procurement Organization. This dedicated team that's been together for eight years now is helping us achieve greater buying leverage across the globe through visibility of being one team while managing the simplification of our portfolio impelling a significant role in our working capital results.

Now I know for some of you this is your favorite slide coming up here in two slides. But I thought I would give you a little bit of a flavor for what we see relative to year-over-year trends.

So if you look back, the favorable side feed stocks costs have been favorable. Although as we all know oil is starting to turn recently. On the “to be determined” category, [INDISCERNIBLE 00:08:26] two pricing appears have reached the bottom in the market. And any future capacity rationalizations relative to the industry are unknown. And foreign currency exchange continues to be a headwind. So based on these factors I’d like to share our 2016 estimate of raw material cost for typical coatings, industry product and this is for North America only because again of the fluctuation in foreign currency exchange.

So by our estimate, resins and LaTeX will represent 41% of the purchases and we see the industry down 3% to 5%. Pigments will come in at estimated 25% and we see the industry down 2% to 4%. The other three categories, containers, additives, and solvents are negative as well. And if you put this together in a weighted average, we see the industry for 2016 estimated to be down 3% to 5%.

Our Global Procurement team plays a significant role in other things other than just helping us with our pricing. In partnership with the R&D organization, they helped with three strategic areas of focus in the two major purchasing categories, identifying alternate supply, internal development projects and efficiency projects. And I want to point out these are long-term strategic projects for us. We worked on this with dedicated resources regardless of what’s happening with raw material price in the marketplace.

For example, with titanium dioxide, the Sulfate Grade Manufacturers continue to make improvement in their quality which is opening up more formulation space on the efficiency side, efficiency projects that have helped us gain more efficiency for every pound of TL2 that we consume and we have a proven track record of formulating with high-hiding LaTeX technologies today.

And we accomplished all of these while never ever compromising the quality of our product and the same is true for the other major purchasing category, resins and LaTeX. Since 2009, we’ve had a strategic focus on achieving a balanced optimization of internal versus external resins and LaTeX. In the way that we’ve accomplished this is through our own internal development in our Polymer Science Lab, the manufacturing control of our proprietary formulation and our partnerships with the external market who continue to bring us new technology that helps us improve the performance of our product while reducing our cost.

So as you can see our procurement team and our R&D team along with marketing have a very strong link relative to innovation. And this is just as exciting for me to share with you the opening of our brand new innovation resource center, the first of its kind at Sherwin-Williams. Last year, pictured here on the upper lefthand side, we opened a Collaboratory for free flow of idea sharing and just this past 60 days we opened this new innovation resource center pictured here on the upper right. This is our dedicated team of scientists who came from across all of our R&D organizations throughout all of the Americas. And they along with the Collaboratory that we've put together are charged with helping us identify at a faster pace and implement at a faster pace those new technologies across all segments of our business.

So dedicated resources that are going to help us drive even faster with the accelerated launch of new products just like this. And Cheri and Jay referred to a number of these already, but I will tell you, 2015 was our fifth year of achieving double digit new product launches on the architectural side and we had over 40 which is an all-time record high for us and as Jay alluded to included new national launches in Latin America.

All of these new product launches go through one process at Sherwin-Williams and we use this across all of our technical organization and that's our innovation pipeline. Like everything else we do at SW it's a disciplined process built on a Stage-Gate foundation and as Bob pointed out at the beginning, focused on those customer-specific needs. All of our efforts in these pipelines go right back into those five areas. You see them running through the Stage-Gate process, identified as large and small circles, but this is only a visual representation, as the actual pipeline itself would not fit on this page. Every single product that we developed in 2015 went through the innovation pipeline. And as we moved forward, we're excited about -- with our new innovation resource center and all the other tools and some of the things you're going to see this afternoon been able to continue to reduce our time to market, with new architectural product specifically to our lab into the Americas and continue to drive that speed to market down.

So in summary, our Global Supply Chain Organization today operates as one focus organization who is leveraging our systems, tools and processes the best of what we do across the world that's leading to accelerated, continuous improvement as I showed you driving down costs, driving up repeatability in our factories and as I showed you, delivering best in class service while positioning ourselves to support the accelerated growth of the company.

So thank you very much for your time. And I'd like to introduce David Sewell –

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