INDUSTRY OVERVIEW

BOB WELLS
SENIOR VICE PRESIDENT,
CORPORATE COMMUNICATIONS & PUBLIC AFFAIRS
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The presentations today will contain certain “forward-looking statements,” within the meaning of the federal securities laws, with respect to anticipated future performance (including sales and earnings), expected growth, future business plans and other matters. These statements may be identified by the use of words and phrases such as "believe," "expect," "may," "will," "should," "project," "could," "plan," "goal," "potential," "seek," "intend" or "anticipate" or the negative thereof or comparable terminology. These statements are based upon management's current expectations, estimates, assumptions and beliefs concerning future events and conditions. Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control that could cause actual results to differ materially from such statements and from our historical results and experience. These risks, uncertainties and other factors include such things as: general business conditions, strengths of retail and manufacturing economies and the growth in the coatings industry; changes in raw material and energy supplies and pricing; changes in our relationships with customers and suppliers; our ability to successfully integrate past and future acquisitions into our existing operations, including Valspar, as well as the performance of the businesses acquired; risks inherent in the achievement of anticipated cost synergies resulting from the acquisition of Valspar and the timing thereof; competitive factors, including pricing pressures and product innovation and quality; the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation, and the effect of any legislation and administrative regulations relating thereto; adverse weather conditions and natural disasters; and other risks, uncertainties and factors described from time to time in our reports filed with the SEC. Since it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results, the above list should not be considered a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.
Paint & Coatings Industry
Global Mix by Category (Based on $)

- Architectural Paints: 39%
- OEM Coatings: 41%
- Special Purpose Coatings: 20%

2017:
- ~9.4 Billion Gallons
- ~125 Billion Dollars

Source: KNG Global Research

The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW cannot verify the accuracy of KNG Research.
Global Paint & Coatings Industry
Mix by Category (Based on $)

- 39% Architectural
- 17% General Industrial
- 12% Auto OEM
- 11% Wood
- 7% Coil
- 6% Packaging
- 4% Protective & Marine
- 2% Auto Refinish
- 2% Other

Source: KNG Global Research

The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW cannot verify the accuracy of KNG Research.
Paint & Coatings Demand by Region

Geographic Split of Global Revenue

- **North America**: 23%
  - All Coatings: 24%
  - Architectural Paints: 21%
  - Special Purpose Coatings: 25%

- **Europe**: 23%
  - All Coatings: 23%
  - Architectural Paints: 25%
  - Special Purpose Coatings: 21%

- **South America**: 5%
  - All Coatings: 39%
  - Architectural Paints: 3%
  - Special Purpose Coatings: 7%

- **Asia-Pacific**: 45%
  - All Coatings: 51%
  - Architectural Paints: 37%
  - Special Purpose Coatings: 3%

- **ROW**: ~4%
  - All Coatings: 23%
  - Architectural Paints: 3%
  - Special Purpose Coatings: 3%

Source: KNG Global Research

The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW cannot verify the accuracy of KNG Research.
Top Global Manufacturers
Coatings Industry 2017

Global Market
Top 10 Suppliers ~55%

Source: KNG Global Research
The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW cannot verify the accuracy of KNG Research.
North America Paint & Coatings Industry
Sales ($) Mix by Category

Architectural Paints 41%
OEM Coatings 37%
Special Purpose 22%

North America Paint & Coatings

2017
~1.5 Billion Gallons
~28.0 Billion Dollars

Source: KNG Global Research

The use of KNG information in this presentation is for illustrative and consistency purposes only; SHW cannot verify the accuracy of KNG Research.
U.S. Paint & Coatings Industry
Architectural Paint Gallons (Millions)

Sources: ACA, Department of Commerce, Company Estimates
U.S. Architectural Paints
Estimated Breakdown by Segment

- **Residential Repaint (Pro)**
  - 29% (230M Gal)
- **Non-Residential Repaint**
  - 15% (123M Gal)
- **New Non-Residential**
  - 6% (51M Gal)
- **New Residential**
  - 12% (93M Gal)
- **DIY**
  - 38% (305M Gal)

802 Million Gallons

Sources: ACA (Total Gallons), Company Estimates (Segment Breakdown)
Five Reasons for Solid Growth Prospects

Sherwin-Williams is well positioned in all areas

- NEW CONSTRUCTION
- REPAINT & REMODELING
- PROTECTIVE & MARINE
- GLOBAL MANUFACTURING
- AUTO REFINISH
NEW CONSTRUCTION

- RESIDENTIAL
- NON-RESIDENTIAL
**U.S. Residential Activity**
Factors Supporting a Continued Growth Cycle

<table>
<thead>
<tr>
<th>Annual household formation</th>
<th>Housing supply is not keeping pace – especially at entry level</th>
<th>New housing activity lags prior periods</th>
<th>Home values rising rapidly due to tight supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>~1.4 million for the next 6-8 years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baby Boomers averaged ~1.6M households from 1970-1980</td>
<td>Existing entry level supply is under 3 mo. (compared to 6.5 mo. historical average)</td>
<td>2017 single family completions 21% below historical average</td>
<td>5-yr avg. home values up 8% compared to 10-yr average of +1.3%</td>
</tr>
</tbody>
</table>

Strong household formation over foreseeable future…
…but building like a recession

Refer to Industry Appendix for support data
## U.S. New Non-Residential

Current Activity is Positive

<table>
<thead>
<tr>
<th>Architectural Billings</th>
<th>Multi-Family starts soften in 2019 as completions catch-up</th>
<th>Commercial Building Starts</th>
<th>Institutional Building Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2018 was 6th straight month of expansion</td>
<td>Completions expected to rise ~15% YoY in 2018</td>
<td>Square feet (in millions) estimated +2% YoY in 2018</td>
<td>Square feet (in millions) estimated +3% YoY in 2018</td>
</tr>
</tbody>
</table>

**Softer start to 2018 season**

*Positive customer commentary on the full year*
Latin America New Residential & Non-Residential
Early Stages of Recovery

Residential Construction Spend

2012-2017 CAGR Total: -0.92%

- Mexico: -1.35%
- Brazil: -4.08%

2017-2022 CAGR Total: +2.64%

- Mexico: +1.55%
- Brazil: +2.99%

Non-Residential Construction Spend

2012-2017 CAGR Total: -0.65%

- Mexico: +0.41%
- Brazil: -2.83%

2017-2022 CAGR Total: +4.27%

- Mexico: +2.2%
- Brazil: +5.3%

Recovery is forecasted for 2017-2022
Mexico and Brazil most impactful for Sherwin-Williams

Refer to Industry Appendix for support data
REPAINT & REMODEL

- Painting Contractors
- Remodelers
- DIY
### U.S. Repaint and Remodel
Factors Supporting a Continued Growth Cycle

<table>
<thead>
<tr>
<th>Strong remodeling activity forecast</th>
<th>Baby boomers aging in place and rising home values</th>
<th>Residential fixed investment</th>
<th>Non-Residential fixed investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>+7% YoY growth for 2018 &amp; 2019</td>
<td>Less than 8% of households over 55 move annually</td>
<td>3.9% of GDP in 1Q18 down 13% from historical average</td>
<td>12.8% of GDP in 1Q18 down 4% from historical average</td>
</tr>
<tr>
<td>2018 total spending ~$337 billion</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sherwin-Williams has had double digit growth in residential repaint category in 16 of last 18 quarters**

Refer to Industry Appendix for support data
Repaint & Remodel
Well Positioned to Serve All Segments

SPECIALTY PAINT STORE

PRO PAINT CONTRACTOR
PROJECT TYPE(S)

DIY

MULTICATEGORY RETAIL STORES

REMODELER
PROJECT TYPE(S)
Repaint and Remodel
DIY ➔ Contractor Shift Will Continue in U.S. & Canada

Sherwin-Williams is well positioned to serve both segments

Sources: U.S. Commerce Department, Company Estimates
### Protective & Marine
Upside Opportunities in the U.S. Continue to Improve

<table>
<thead>
<tr>
<th>Rig counts are following steady recovery of oil prices</th>
<th>Poor condition of US highways &amp; bridges</th>
<th>Government infrastructure investment below trend since 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average rig count&lt;br&gt;2017 YoY +71.6%&lt;br&gt;2018 YTD +30.6%</td>
<td>$420B repair backlog&lt;br&gt;$836B capital needs backlog</td>
<td>Under-funded ~$950B over last 7 years</td>
</tr>
</tbody>
</table>

Refer to Industry Appendix for support data.
Global Manufacturing Confidence

Global Consumer Confidence

Sources: IHS-Markit, OECD
Global Manufacturing
Factors Supporting a Continued Growth Cycle

- **General Industrial**
  - Macroeconomic trends support global growth in heavy construction & agricultural machinery

- **Industrial Wood**
  - Primarily driven by US remodeling activity and construction starts

- **Packaging**
  - Conversion to Non-BPA technology and growing consumption in emerging markets

- **Coil & Extrusion**
  - 2018 expected to be another record year for high-rise construction completions

Refer to Industry Appendix for support data
AUTO REFINISH

- VEHICLES IN USE
- MILES DRIVEN
- COLLISION REPAIR
Automotive Refinish
Factors Supporting a Continued Growth Cycle

Vehicle Miles Driven & Vehicles In Use (US)
Positive trend since 2015, potential slow down as oil/gas rises

Collision repair industry consolidation drives partnership opportunities
MSO’s expected to account for ~50% of revenues by 2020

Continued shift to waterborne products
Global regulatory environment driving technology change

Refer to Industry Appendix for support data
INDUSTRY APPENDIX
U.S. Residential Activity
Sustained Household Formation Underpins Housing Demand

Source: U.S. Census Bureau
U.S. Residential Supply & Demand
Shortfall Particularly Acute in Entry Level

Sources: Zelman & Associates, Case-Shiller, CoreLogic, Local MLS
U.S. Residential Limited Supply
Inventory For Sale (New & Existing) Below Multi-Decade Norms

Seasonally-Adjusted Single-Family New and
Existing Home Inventory as Percentage of Households

Sources: Zelman & Associates, Census Bureau, NAR
U.S. New Residential Housing Supply Not Keeping Pace

Housing Surplus/Deficit (thousand) & Homeowner Vacancy Rate

Housing Surplus/Deficit (thousand)

Annual Surplus/Deficit (Thousands)

Cumulative Surplus/Deficit (Thousands)

Sources: Wells Fargo Securities, U.S. Commerce Department
U.S. New Residential
New Housing Activity Lags Prior Periods

Sources: Zelman & Associates, Census Bureau
U.S. New Non-Residential Positive Manufacturing & Construction Outlook

Architectural Billings by Sector

Sources: American Institute of Architects
U.S. New Non-Residential
Positive Growth to Continue in Non-Res Spending

U.S. Architectural Billings Index and Non-Residential Construction Spending

Sources: American Institute of Architects, St Louis Fed
U.S. Non-Residential
Moderating Permits and Starts – Completions Likely to Continue Rising

Multi-Family Construction - Units in Thousands

Sources: Zelman & Associates, Census Bureau
U.S. New Non-Residential Positive Starts Support Completions thru 2018 and into 2019

**Commercial Building Starts**
*Commercial includes Retail, Warehouse, Office, Parking Garage.*

**Institutional Building Starts**
*Institutional includes Education, Dormitory, Healthcare, Govt Building, Religious building, recreation building, transportation building*

Source: Dodge Data & Analytics
Latin America New Residential & Non-Residential Construction Spend by Country

Sources: IHS Global Construction Outlook (Jan. 2018)
Repaint & Remodel
U.S. Residential Remodeling Remains Strong

Leading Indicator of Remodeling Activity

Source: Harvard Joint Center for Housing Studies
Repaint & Remodel
Change in U.S. Home Values

<table>
<thead>
<tr>
<th>Year</th>
<th>FHFA</th>
<th>Case-Shiller</th>
<th>Zillow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>-20.00%</td>
<td>-15.00%</td>
<td>-10.00%</td>
</tr>
<tr>
<td>2007</td>
<td>-15.00%</td>
<td>-10.00%</td>
<td>-5.00%</td>
</tr>
<tr>
<td>2008</td>
<td>0.00%</td>
<td>5.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>2009</td>
<td>5.00%</td>
<td>10.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>2010</td>
<td>10.00%</td>
<td>15.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>2011</td>
<td>15.00%</td>
<td>20.00%</td>
<td>25.00%</td>
</tr>
<tr>
<td>2012</td>
<td>20.00%</td>
<td>25.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>2013</td>
<td>25.00%</td>
<td>30.00%</td>
<td>35.00%</td>
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<tr>
<td>2014</td>
<td>30.00%</td>
<td>35.00%</td>
<td>40.00%</td>
</tr>
<tr>
<td>2015</td>
<td>35.00%</td>
<td>40.00%</td>
<td>45.00%</td>
</tr>
<tr>
<td>2016</td>
<td>40.00%</td>
<td>45.00%</td>
<td>50.00%</td>
</tr>
<tr>
<td>2017</td>
<td>45.00%</td>
<td>50.00%</td>
<td>55.00%</td>
</tr>
</tbody>
</table>
Senior Cohort Show Lowest Mobility; Choosing to Age in Place

Average Share of Households That Moved Per Year by Age

Sources: Zelman & Associates, Census Bureau
U.S. Paint & Coatings Industry
Residential and Non-Residential Fixed Investment as % of GDP

Residential Investment
3.9% of GDP in 1Q18
13% Below Historical Average

Non-Residential Investment
12.8% of GDP in 1Q18
4% Below Historical Average

Sources: Wells Fargo Securities, U.S. Commerce Department
Protective & Marine Coatings
Forecasted U.S. & Canada Activity

Sources: IHS Global Insight, Company Estimates
Global Economic Indicator: Oil and Gas

Global Oil & Gas Rig Count

Number of Rigs

Source: Baker Hughes
U.S. Infrastructure Spending
Under-Funded is Increasingly Urgent

Government Investment Has Been Running Below Trend Since 2010

Real Government Gross Investment
Bil. Chn. 2009$

Source: Bureau of Economic Analysis, Morgan Stanley Research

© 2018 Morgan Stanley
U.S. Infrastructure Spending
Funding is Increasingly Urgent

The Average Age of Government Fixed Assets Has Increased Broadly

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Age (Years)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Buildings</td>
<td>52</td>
<td>Bureau of Economic Analysis, Morgan Stanley Research</td>
</tr>
<tr>
<td>Military Facilities</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Conservation &amp; Development Structures</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Highways &amp; Streets</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Public Safety Buildings</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Health Care Structures</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Other Structures</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td>Amusement &amp; Recreation Buildings</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Commercial Buildings</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Power Structures</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Educational Buildings</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Office Buildings</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Transportation Structures</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Intellectual Property Products</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

Net Government Investment Has Been Extraordinarily Low

Source: Bureau of Economic Analysis, Morgan Stanley Research
## U.S. Infrastructure Spending

### Total Nonbuilding Starts for the United States

<table>
<thead>
<tr>
<th>Bills of Current Dollars</th>
<th>History</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Nonbuilding</td>
<td>157.3</td>
<td>147.5</td>
</tr>
<tr>
<td>% Chg</td>
<td>-5%</td>
<td>-6%</td>
</tr>
<tr>
<td>Public Works</td>
<td>127.4</td>
<td>122.4</td>
</tr>
<tr>
<td>% Chg</td>
<td>13%</td>
<td>-4%</td>
</tr>
<tr>
<td>Street</td>
<td>45.1</td>
<td>43.6</td>
</tr>
<tr>
<td>% Chg</td>
<td>14%</td>
<td>-3%</td>
</tr>
<tr>
<td>Bridge</td>
<td>22.1</td>
<td>15.6</td>
</tr>
<tr>
<td>% Chg</td>
<td>60%</td>
<td>-29%</td>
</tr>
<tr>
<td>Dam/Flood Control</td>
<td>11.5</td>
<td>11.5</td>
</tr>
<tr>
<td>% Chg</td>
<td>33%</td>
<td>0%</td>
</tr>
<tr>
<td>Sewer</td>
<td>10.9</td>
<td>12.2</td>
</tr>
<tr>
<td>% Chg</td>
<td>3%</td>
<td>13%</td>
</tr>
<tr>
<td>Water Supply</td>
<td>11.1</td>
<td>10.7</td>
</tr>
<tr>
<td>% Chg</td>
<td>11%</td>
<td>-3%</td>
</tr>
<tr>
<td>Other Nonbuilding</td>
<td>26.7</td>
<td>28.8</td>
</tr>
<tr>
<td>% Chg</td>
<td>-10%</td>
<td>8%</td>
</tr>
<tr>
<td>Power/Utilities</td>
<td>29.9</td>
<td>25.1</td>
</tr>
<tr>
<td>% Chg</td>
<td>-44%</td>
<td>-16%</td>
</tr>
</tbody>
</table>

### 2017-2020 CAGR

- Total Nonbuilding: +1.51%
- Public Works: +4.53%
- Street: +2.11%
- Bridge: +5.65%
- Dam/Flood Control: +6.49%
- Water Supply: +8.29%
- Other Nonbuilding: -6.16%
- Power/Utilities: -9.1%

Source: Dodge Data & Analytics
<table>
<thead>
<tr>
<th>Index</th>
<th>April 2018</th>
<th>March 2018</th>
<th>Change</th>
<th>Direction</th>
<th>Rate of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMI</td>
<td>57.3</td>
<td>59.3</td>
<td>-2.0</td>
<td>Growing</td>
<td>Slower</td>
</tr>
<tr>
<td>New Orders</td>
<td>61.2</td>
<td>61.9</td>
<td>-0.7</td>
<td>Growing</td>
<td>Slower</td>
</tr>
<tr>
<td>Production</td>
<td>57.2</td>
<td>61.0</td>
<td>-3.8</td>
<td>Growing</td>
<td>Slower</td>
</tr>
<tr>
<td>Employment</td>
<td>54.2</td>
<td>57.3</td>
<td>-3.1</td>
<td>Growing</td>
<td>Slower</td>
</tr>
<tr>
<td>Inventories</td>
<td>52.9</td>
<td>55.5</td>
<td>-2.6</td>
<td>Growing</td>
<td>Slower</td>
</tr>
<tr>
<td>Order Backlog</td>
<td>62.0</td>
<td>59.8</td>
<td>+2.2</td>
<td>Growing</td>
<td>Faster</td>
</tr>
<tr>
<td>Exports</td>
<td>57.7</td>
<td>58.7</td>
<td>-1.0</td>
<td>Growing</td>
<td>Slower</td>
</tr>
</tbody>
</table>

Source: Institute for Supply Management
Industrial Coatings
Positive Global Activity & 2018 Outlook

Source: IHS Global Insight, KNG Global Research
Metal can consumption increasing in developing regions where Population and GDP driving consumers to spend more on packaged food. North American per capita consumption decreasing as Population growth flattens and alternative packaging shifts buying preferences.

Sources: OECD, Euromonitor, Company Estimates
Industrial Coatings
Coil Coatings - High Rise Construction

Completions Timeline

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