

BRAD ROSSETTO: It's my pleasure to welcome Dennis Karnstein, the president of the Product Finishes Division.

DENNIS KARNSTEIN: Good morning, everybody. It's great to be here with you today to share some of my thoughts about the Product Finishes Division, but I also understand that I'm the last presenter, so we will work through this quickly.

Let's start out with a review of what the Product Finishes Division does. We sell coatings and finishing solutions to original equipment manufacturers, tier suppliers and finishing job shops across two main business; wood and general industrial.

Starting with the wood segments, furniture and kitchen cabinets have long been core to our business around the world. Original equipment manufacturers produce residential and office furniture, kitchen cabinet, hospitality and outdoor furniture as well. But this segment also includes musical instruments, caskets, shelving and retail fixtures.

Building products includes manufacturers of doors, joinery and siding, if you think about it, vinyl windows, composite wood exterior siding. Building products also includes high volume aluminum extrusion manufacturers that focus on large projects like schools, high-rises and metal fencing. But both include windows and doors and sell their products for both new and remodeling use.

Next, we have our heavy equipment and transportation segment and we've increased our scope, as David talked to a little bit earlier, adding focus markets such as truck manufacturers and fleet refinishers who share similar needs with heavy equipment OEMs and tier suppliers.

We're also proud to supply our coatings to the U.S. Military segments and its allies. If you remember, coatings in this market require specific government approvals and include CARC, or what's called Chemical Agent Resistant Coatings.

Our general finishing market includes job shops and OEMs that coat an array of products like enclosures, household goods and warehouse racking. We have a line of both liquid and powder coatings that provide solutions that meet the needs of the ever demanding customers.

And finally, we have a dedicated electronic business that serves OEMs around the world and their tier suppliers that manufacture things like laptops, desktops, consumer electronics and medical devices, and also business machines.

Many of our customers operate globally and demand global solutions by having assets, technologies and resources around the world. We believe we're well-positioned to partner with them. Our ability to provide coating solutions globally gives them confidence that their products will have the same color and coatings performance regardless of where they manufacture their products.

This next slide is really a little bit of a deeper dive about the transportation segment. Since the transportation segment is a consolidation of heavy equipment, the truck and bus work vehicles,

fleet refinishing and signs from previous years, I wanted to just take a minute to talk a little bit about how we leverage these product technologies and services across these customer segments. The pictures, hopefully, give you an idea of what each segment does.

Heavy equipment obviously includes construction and agricultural equipment, along with tractor trailers.

Truck and bus include semi truck trailers and underbody, under-hood applications. While up-fitters include manufacturers of specialty trucks for businesses like cable, plumbing and HVAC companies. Typically, they start with the chassis of a new body and actually add on the entire back end for better storage and utilization.

The fleet segment is focused on managing assets and requires efficient coatings to keep the trucks on the road longer and promote their brands properly.

And finally, signs -- as this historic sign from Las Vegas shows, require coatings that are long-lasting and fade resistant.

I'm not sure, but if you look closely at that picture, you can see that the right of the star that there's actually a person up there. That's actually our customer on top of the sign showing you the magnitude and size of that sign. Obviously it takes bravery and safety to pull off making these signs look so good.

The total OEM market opportunity that we operate as product finishes is estimated to be about \$28.1 billion. This includes both liquid and powder coatings. And as you can see, we do break it down between wood and general industrial.

About three quarters of the total available market is general industrial, which is really not surprising if you think about all the products that are manufactured with plastic and metal, et cetera. However, I do find it interesting and I think you would as well that in Europe, almost 50% of the market is wood. And I also point out, Asia still represent a significant business opportunity with just under 50% of the market.

So our goal is simple, it's to thrill our customers with product innovation, trusted support and value-added services.

I'm going to highlight a few products in just a minute and later, you're going to have an opportunity to see many of these at the Breen Technical Center.

But first let me expand on what I mean by trusted support. Our value proposition focuses on sales, service and technical teams and their role as what we call "trusted advisors" to our customers. We deliver on this by having local blending facilities or trusted distribution partners along with sales and tech reps near our customers so they understand their specific customer needs and make themselves available when needed.

We also segment our teams into wood and general industrial so they are true experts in products, customer needs and application techniques. Our trusted advisors in wood and general industry understand the similarities and differences between the markets we serve. For example, OEMs value process efficiency, color and obviously durability, but how these needs are met differently depending upon the segment.

Let me give you an example. In the wood segments like furniture, OEMs want to use lower cost substrates such as MDF, or medium-density fibreboard. We have coating solutions in both liquid and powder that allow them to make this possible. In general industrial, OEMs focus on factory throughput and process cost and we have coating solutions that enable them to drive efficiency with faster dry times and lower temperature cure cycles.

Value-added services go from complete turnkey design and installation of complete finishing systems to technical support where experts fine tune an existing process. They also include one-stop shopping for equipment and associated products.

We also have our color and design services to provide custom color palettes and assessments for color trends and have our products and color team design new product innovations from our own customers.

So that's a great segue into our product innovations for wood as color is such a big point of differentiation for us. And it's the first product I'm going to speak to in this segment.

Surewood SB Stain, I actually talked a little bit about this last year and it's a product that you're going to see a little bit more today. It allows our customers to hit the right colors consistently and it reduces work or rework which in turn improves productivity. But it's one thing for me to tell you about it. Let me show you what one of our customers said.

That's a big issue in that market, one defective piece from where he went to where he is today using this product line. And I see that customer is as thrilled to be using the new SB Stain.

Moving on to some other products in the wood segment is Kem Aqua BP Siding Plus. Homeowners are looking at the exterior of their homes to express themselves through color. BP Siding Plus allows manufacturers of composite siding to match virtually any color in the Sherwin-Williams fan deck with fast-dry, factory-applied waterborne formulation to maximize productivity again and substantially improve the customer solutions for color offering. The product offers the homeowner or the contractor the option to leverage their near Sherwin-Williams store for touch up paint as well.

Wood manufacturers are also driving value with lower cost substitutes. I mentioned MDF earlier, or medium-density fibreboard. This is something that was developed by a European team for large furniture OEM customers. This new way of applying an edge coating leads to a dramatic timesaving. As you can see in the photo, you'd have no idea that under the color is MDF. You would think it's a solid wood piece. You'll see samples of this, this afternoon at Breen Technical Center as well.

Another success story from Europe is our Sayerlack product line based in Italy called Hydroplus. I have been following this product a long time. It's a wonderful product. It's water-based. It looks great. It's durable. And you might ask, "How durable?" Well, this is the product that is used on manufacturers of baseball bats. Now, there aren't a lot of dining room tables that require protection against a 90 mile an hour fastball, but if you need that for your tables, this is the type of coating that you want to use.

Now, I'm going to switch gears to speak on just a few products in our general industrial coating segment.

Kem Aqua 8710 is a water-based coating with great application for metal job shops. You can see how easy it sprays in this video clip. Since we work with spray equipment manufacturers, as Tom was showing you a little earlier, we believe that this product is very, very easy to convert and it's vetted with existing systems from our customers. Once it's applied, it dries fast, 30 minutes to touch, meaning the finisher can move on to new products faster and improve their throughput.

Powdura OneCure, this is a powder new product technology, eliminates an entire step from finishing processes by applying a topcoat directly over a primer with only one cure cycle or bake cycle. Obviously, that reduces time and energy and cost in manufacturing. This product also has patent pending technology to deliver durability and performance required by our OEMs in markets like trailers, which is actually what is being shown -- being applied right here. You'll see this down at the Breen Technical Center as well.

And now I just want to kind of end on just something that has been relative to our 150th anniversary. You may be familiar with the product Polane and it's what I believe might be the longest-standing individual product brand launched in 1930. This shows a cover of our brochure we produced in 1975 for Polane that really demonstrates how versatile it has been and continues to be. You can see from the brochure, it coats everything from mailboxes, to tractors, to even -- I think those are pig troughs. But a coating like Polane doesn't get to be 86 years old without consistent evolution and innovation to meet the challenge and customer needs. And there are numerous examples of improved performance or efficiencies that I could talk about today, but I'm just going to talk about one. And that's Polane D 8700, which is new in the market from its direct to metal urethane which goes straight on pretreated steel without a need for priming. So once again, it's aimed at improving efficiencies for our customers.

Last but not least is another product that comes from the DNA of Polane which is our Genesis line of premium automotive grade finishes for the transportation and sign markets. This Genesis line has a newly launched accelerator that when added to the base product, it simply speeds up the cure time.

But that's not the point I wanted to make on this. The innovation sometimes comes from other businesses. If you've ever used a fuel stabilizer, you've seen packaging like this that self-measures exactly how much you need without spilling. This is a great example of the work our teams do to thrill our customers thinking about every detail of the finisher's experience to optimize it in every possible way.

And with that, I'd like to thank you and ask John Morikis to come back up here for the Q&A session.

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