

SEAN HENNESSY: I would like to introduce Jay Davisson, the President of The Americas Group. Thank you.

JAY DAVISSON: Good morning! Thank you, Sean. I'm excited to share with you the progress that we're making within The Americas Group. To give you a picture here of what The Americas Group looks like, again, it's combining the two groups, Paint Stores Group along with the Latin American Coatings Group. In my presentation today, I'll break out both of those groups and go into a little bit more detail on some of the initiatives.

Starting with Paint Stores Group, you can see here geographically, we've broken this area into five operating divisions, all with similar management structures driving the business in North America. When you look at the financial highlights, Paint Stores Group delivered pretty strong results in 2015. Revenues grew over five percent. We had about a \$200 million profit improvement, and our return on sales improved 240 basis points as a percent of sales.

The results in the first quarter started out very strong. Revenue was up 10.5%. Segment profit here increased \$77 million which was a 43% improvement delivering a 360 basis point improvement in ROS. Since we are kind of in the political environment, we're hosting the RNC, I can stand here and say the state of our union is strong. I can also tell you that our brand as John mentioned is very strong. Market Vision Research continues to show that Sherwin-Williams is the number one brand from brand awareness perspective. We were recently recognized as America's most trusted paint brand in a poll of over 20,000 consumers. And it's our ongoing quest for excellence that enables Sherwin-Williams to continually enhance our brand equity and increase our revenues.

As mentioned earlier by John, our quest for excellence combined with our close connection to our customers has made Sherwin-Williams the most preferred brand by the professional painting contractor. And again, this year we've been recognized by J.D. Power as having the highest customer satisfaction among exterior paints, and for the fourth year in a row, the highest customer satisfaction among paint retailers. I think these accolades are kind of a result of our continuous customer-centric approach and through our controlled distribution platform that has allowed us to get this kind of recognition because we dial in and focus on market segments, and that's a key driver for our business.

We understand that different types of customers perform and work in different types of market segments and that they have different needs. So we conduct a lot of research. We use focus groups by segment. Our customers provide feedback and input to our store managers and reps who then relay that information back to us. And that enables us to determine what programs, what products, what processes need improvements so that we can help them become more productive and more profitable. We do know their business and they know that we care about their business.

So our model continues to grow and enables us to take care of the customer where they want to be taken care at. And we continue to aggressively invest here, sales and territories. We opened 83 net new stores and added 170 sales reps to the street in 2015 to better serve our customers. And our plan for 2016 is to increase that to 90 or to 100 net new store openings in a similar pace

with rep investment as we try to improve our rep-to-store ratio and get better contact one-on-one with our painting contractor. So this is kind of the next step focused to 5,000 stores on our way to 6,000 stores. We don't have a cap on what we think we can deliver from a store perspective.

I do believe that this model is definitely a differentiator in the marketplace and our people are really what makes the difference when it comes to all of the accolades we're receiving from the research and in our paint, being the number-one brand in the U.S.

Our customer-centric approach, again, allows us to deliver what we think is superior customer service, giving our customers the experience that they want to have. It gives them exceptional products. We provide color expertise and the trademark service that our people offer our customers is second to none.

Again, going back to utilizing this customer feedback, I think we've become stronger partners in their business, and it really drives our innovation not just with products but with processes and systems as well. New products continue to be a stronghold for us. They represent about 28% of our total volume year in and year out. And these are innovative new products that are unique that really differentiate us from our competitors.

Innovation is not new to The Sherwin-Williams Company. Painting seasons used to be limited from a time standpoint because of cool weather. In the mid '80s we addressed consumer needs, again, utilizing their input, and developed the first ever low-temp product that could be applied down to 35 degrees Fahrenheit. What that did is it enabled our contractors to extend their season to be more productive and more profitable; again, focusing on the input that they provide us. Two to three years after that, we put that technology into all of our exterior paints. Now, competitors have followed suit.

In the '90s, we were the first company that came out with the most washable interior wall paint. Everclean, if you can remember. But we didn't settle or rest on our laurels here. Our customers want improvement at all times. They wanted the most washable paint they could get. So we took washability even further and introduce our Emerald product. Its best-in-class performance, improved application characteristics, and enhancing our customer's productivity, once again, we continue to raise the bar with premium products coming out this year with an Emerald washable flat. So, these are the things, again, meeting with our customers always, getting their input and feedback and finding out what they need to improve their business.

Again, listening to our customers, people had concerns about odors and chemicals in the air. So we created Harmony. It had odor-eliminating technology that helps reduce the common household odors from pets, cooking, and smoke, and it keeps the room smelling fresher longer. It also contains a technology that helps improve indoor air quality overall. It reduces VOCs from carpets, cabinets and fabrics that are in the house today and sucks them into the finish on the wall. It's still washable, it's still very durable, it's GREENGUARD Air Quality certified, and GREENGUARD certified for children and schools. And we're the only paint company that has a product that has odor-eliminating technology along with formaldehyde-reducing technology in the same bucket.

Continuing to add breakthrough technologies to our product portfolio and helping our customers is always going to be a priority. According to the U.S. Health Department and Human Resources, healthcare-associated infections are one of the leading causes of preventable deaths in the United States. The U.S. Center for Disease Control and Prevention notes that approximately 1 in 25 patients contract some type of an infection during their stay in the hospital. Our breakthrough in new Paint Shield microbicial paint is the first EPA-registered paint that kills greater than 99.9% percent of bacteria, certain bacteria, for four years. So two hours after this product is applied to the walls, you've got a four-year span here where it will kill bacteria like staph and E. coli within two hours after being painted on the surface. And there's a big difference between companies that promote an antimicrobial paint versus a microbicial paint.

This afternoon, Steve Revnew, our Senior Vice President of Innovations, is going to walk you through this product and others so that you can put it on for yourselves. But I do want to steal a little bit of his thunder and show you this video.

[VIDEO PLAYING]

It's a pretty amazing technology. We launched this product at the Cleveland Clinic's Medical Innovation Summit in October and we've generated a ton of interest from that exposure. We've secured over half a billion impressions on A-list media like The Wall Street Journal, USA Today, Fox Business News. And Dr. Oz named Paint Shield as one of his 10 Oscar's winners for in-home products. This product has just hit our stores in April. And in addition to our trade, marketing, and advertising which is launching as we speak, we're also going to be introducing a new consumer campaign that will take off in June. Take a look at this.

[VIDEO PLAYING]

So, again, we're very excited about our new technologies that we're launching into the marketplace. But as we continue introducing new products, we've also been heavily focused on product rationalization and SKU consolidation. So between 2009 and 2015 we've reduced our active SKU counts by about 54%. This is assisting us in improving of course our working capital, but also our margins.

Innovation continues with innovative color selection. And it's not just product, as I mentioned before. In the fourth quarter of 2015, Paint Stores Group launched our groundbreaking new ColorSnap studio displays. These unique displays that are in our stores significantly improve the color selection process for our customers and continues again to distance us, Sherwin-Williams, from the competition. We also made at the same time enhancements to our industry-leading ColorSnap designer and digital tools. And we've folded our accurate and consistent delivery of color under our ColorSnap umbrella calling it "ColorSnap Precision."

So now, the entire ColorSnap offering cements our leadership as the unquestioned source for color expertise within the market. And color drives this business. This system enables our customers to select colors while they're in our stores up to 60% faster than before. And it's not just the DIY customer. It's the designer, it's the res-repaint contractor coming in. And again, time is valuable, time is money. And if they can spend less time selecting that color, they benefit.

You'll also be able to demo some of these digital tools this afternoon as you go through the technology center. Here's a look at some of the unique features of our ColorSnap Precision.

[VIDEO PLAYING]

Here again, ColorSnap is just making it easier for customers both DIY and wholesale to do business with us. And we have to stay connected with those customers. So another colorful program that we've recently introduced is #SWColorLove. We want to help customers visualize and select paint colors through content that's submitted online by other users. So these color detailed pages on sherwin-williams.com now feature customer-submitted photos of finished paint projects and inspirational imagery related to each color. So remaining customer-centric even with our DIY customers, customer-generated content is being put out on our website which helps us stay connected to those customers.

Staying focused on innovation from a digital perspective, our customer's business is important to us so we recently launched an innovative feature on our popular ColorSnap mobile application. Homeowners and designers rely heavily on Pinterest for inspiration. So from our app, you can go to your Pinterest page, create a custom Sherwin-Williams pallet based on those colors that are in that pen, and then you can share those colors on social media.

We're the first to market with this type of Pinterest integration. And API stands for Application Programming Interface, so our app talks directly to the Pinterest app as you proceed through the process. This app is going to allow our customers to share and engage in color with other Sherwin-Williams customers and non-Sherwin-Williams customers and help us build upon that strong brand awareness.

From an advertising perspective, we continue to focus on our color leadership, on our exceptional product quality. We continue to run this year our very popular Color Chips campaign commercials and we're supporting our best-in-class Emerald paint along with, as you saw, our Paint Shield launch. We've got a comprehensive TV print, digital, and advertising program lined up. And here is one of our Chips commercials that I'll show you now that's highly rated.

[VIDEO PLAYING:]

Again, as I mentioned, very highly rated; consumer feedback on these has been exceptional and we do believe this is somewhat driving our awareness numbers.

We have a couple of partnerships, one with Pottery Barn and one with Wayfair. And these partnerships again enable us to connect with homeowners who are currently in the redecorating process. These partnerships provide us access to highly-targeted individuals who have a high propensity of purchasing paint in the very near future. And both of these partnerships are outperforming our expectations.

Paint Stores Group will soon open its largest store ever through a new sales channel with our e-commerce platform. We know this is going to expand opportunities not only with existing customers, but new and potential customers. And we're already conducting business with some

of our national accounts on this e-commerce platform today. Later this year, we're going to be launching our e-commerce platform for pros as well as our DIY customers where they can buy online and pick up in-store.

Again, I think this enables our customers to do business with us the way they want to do business with us, when they want to do business with us 24/7. And staying focused on the customer and doing what we can to make it easier for them to buy from us is kind of our mission. We know this is going to drive not only incremental sales but improve and increase our loyalty among customers.

So let's turn to Latin America. Again, this is its own division within The Americas Group. The Latin American division has five operating units that are run by five country presidents in the region reporting to a division president that resides in Mexico. The team is battling down there. They're battling through the tough economic and political environments. But we believe we're positioning ourselves for profitable growth in the future. 2015 sales were basically flat when you back out the currency impact. Profits declined \$22 million, again, primarily affected by currency. And we did a fantastic job managing SG&A and pricing through 2015. Unfortunately, first quarter results continue on the same trend. But we are seeing some stabilization politically and from a currency perspective in some of our countries. So we have a strong belief in our strategy that's country-by-country. That's going to position ourselves for profitable growth when these economies turn back, and we believe they will.

Much like Paint Stores Group, we're committed to increasing our footprint in Latin America. In 2015, we opened 101 additional points of controlled distribution including 15 company-owned stores and 86 dedicated dealers. A dedicated dealer looks exactly like a Sherwin-Williams store where they sell at least 85% to 90% of Sherwin-Williams products through those stores but it is a third-party investor.

We added 51 new sales territories into the Latin American market last year, again, starting to improve our customer engagement. We also converted 80-plus external third-party reps to internal company employees that's going to help us enhance control over their activities. We plan to aggressively increase our store and rep count. Moving forward in our 2016 plans, we're going to increase our controlled distribution platform by about 200 doors, 50 of those will be controlled distribution or company-owned stores and 150 dedicated dealers.

Market segmentation is starting to become a core competency within the region. We use the same North American strategies and key segments with targeted sales strategies and marketing programs. We're applying similar segmentation analytics tools to help them see a better picture of where they're at in the sales process. And our selling programs are improving execution because they see some measurement.

Our focus on controlled distribution and channel optimization is really important to us. We've kind of got a little bit of a change in strategy but feel it will pay dividends in the future and assist us in avoiding channel conflict with our customers as we move forward. So we're working to ensure we've got differentiated products in the different channels. So our controlled distribution,

we think we can elevate not only the quality but the price, and we think we can do the same thing through non-controlled distribution such as home centers and non-dedicated dealers.

For example, in Mexico we sell Kem-Tone and Super Kem-Tone only through our controlled distribution outlets, our company-owned stores or our dedicated dealers. We then take a different product line with [PH] Vini Plus and Fresh Finish and sell those products only through the home center channel. And then we have another product line selling through other channels like distributors or non-dedicated dealers. We're doing similar things in all the countries as we speak.

I talked to you last year about introducing some region-wide products. While we've introduced Pro Constructor which is ProMar 200 in the U.S., very similar quality, attributes, into the entire Latin America region so all countries have this product, they have the same thing when it comes to a light industrial line with our Ultra Proteccion, and this is giving us now a vision across the country for our global/national accounts that have home offices here in the United States. And we're starting to get a lot of wins here. National account sales we believe is a key strategy for us in Latin America. This product development that we've taken on has really positioned us to take some business from the competition and enhance our relationships with our global accounts here in the U.S. And we've got several wins that have already taken place since we've put this position in with a director of national accounts to cover Latin America.

Prologis, Marriotts, and Hiltons have just converted to us. Watchtower which is Jehovah's Witness, 7,000 locations in Brazil alone, we are now their primary paint supplier. The Mormon Church has 5,000 chapels. We've just reached an agreement with them. So we've got a lot of momentum building. Another example would be within-country regional accounts, OXXO in Mexico has 7,000 gas stations/convenience store locations and we just signed an exclusive deal with them. So we see some momentum starting to build from a national account perspective.

Similar to the U.S. with all the new product development activity that's taken place, we know it's important to focus on our portfolio; the same results that you saw in Paint Stores Group over the last three or four years, we're beginning to see in Latin America. We've reduced our product portfolio by about 30%, again enabling us to positively impact working capital and improve our margin performance down there.

Branding is a big piece. We've never really had a branding strategy in Latin America and we're going to elevate the Sherwin-Williams brand throughout Latin America. We wanted to have a consistent brand message north to south, and we also knew that we had to be creative and achieve some cost synergies when developing our brand cost base so that we can start growing that expense base in Latin America.

We basically did a lot of quantitative testing to make sure that we hit the mark and that we were relevant to the Latino customer. We know we needed to get those cost synergies so we'll build the Sherwin-Williams brand utilizing our paint chips campaign because all the focus groups have pointed back that this is going to work well. It's been customized to support multiple channels with distribution within Latin America. And I like you to take a look at their first Sherwin-Williams branded commercial.

[VIDEO PLAYING]

Again, sales excellence has been a real key driver for us in North America. I think taking the best practices of those elements down to Latin America is going to prove a strong strategy for us. It's a very important part of our growth strategy there. Once again, I think getting more input and feedback from our customer base down there is going to help drive and alter that strategy as we move forward. But we know we've got differences in the markets. We know we've got differences between countries, even within countries. So it's really important for us that we're putting pretty solid training programs together on our reps just to understand the basics of the sales process. We're implementing a customer relations management system throughout Latin America. And just by providing them better analytic tools, it adds accountability that lets them see how well they're doing, and we believe this is going to lead to accelerated growth moving forward.

Building the bench is a key element in our strategy as well. We will recruit and hire about 115 SMTs. We call them "Sales Management Trainees" in Latin America. And that's kind of a line to the business needs based on our controlled distribution growth, our anticipated turnover rates. Again, here, I think we want to get to the point where we're funding and putting executives in that have come in through the system ground-up as opposed to going out and always hiring executive-level talent from the outside.

We're going to increase the number of training classes by about 70%. We've got to get our basics covered. We've got to get our people up to speed. So we're going to have about 51 core classes throughout Latin America compared to the 30 we had last year. And we've brought a couple of high-potential country presidents up to the United States to mirror our U.S. division president for about two weeks at a time just to get faster learnings of understanding this controlled distribution model and how things work. And then we've also assigned -- and we're excited about this. We've got three North American expats that have been placed in executive positions down there, two in Brazil and one in our national accounts organization. They're down there on assignment, big parts of the team, but we're starting to see how it accelerates that learning curve on our model within the countries and we plan to continue to expand upon that.

Since having the opportunity to impact Latin America starting in late 2014, we believe in our strategy. We know it's country-by-country, market-by-market, even some micro centers have different strategies. But the division country leaders have embraced it. We're starting to see strong execution at the field level throughout the organization. And we know that we're positioning ourselves for success in the near future over all of Latin America. For that, I say thank you for your time and attention. And I get to be the hero and announce a 15-minute break.

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