

The Sherwin-Williams Company Reports 2015 Year-end Financial Results

- **Consolidated net sales for the year increased 1.9% to a record \$11.34 billion**
- **Full year diluted net income per common share increased 27.1% to a record \$11.16 per share**
- **Earnings before interest, taxes, depreciation and amortization increased \$287.9 million in the year to a record \$1.81 billion**
- **Net operating cash increased \$365.9 million to a record \$1.45 billion**
- **The Company anticipates diluted earnings per share for 2016 in the range of \$12.20 to \$12.40 per share**

CLEVELAND, OHIO, January 28, 2016 - The Sherwin-Williams Company (NYSE: SHW) announced its financial results for the year and fourth quarter ended December 31, 2015. Compared to the same periods in 2014, consolidated net sales increased \$209.8 million, or 1.9%, to \$11.34 billion in the year and increased \$35.2 million, or 1.4%, to \$2.60 billion in the quarter due primarily to higher paint sales volume in our Paint Stores and Consumer Groups. Unfavorable currency translation rate changes decreased consolidated net sales 3.3% in the year and 3.6% in the quarter.

Diluted net income per common share in the year increased to \$11.16 per share from \$8.78 per share in 2014 and increased in the quarter to \$2.12 per share compared to \$1.37 per share a year ago. The increases in full year and fourth quarter diluted net income per common share were due primarily to improved operating results of the Paint Stores and Consumer Groups. Unfavorable currency translation rate changes decreased diluted net income per common share by \$.26 per share for the year and \$.06 per share in the quarter.

Net sales in the Paint Stores Group increased 5.2% to \$7.21 billion in the year and increased 5.9% to \$1.68 billion in the quarter due primarily to higher architectural paint sales volume across all end market segments. Net sales from stores open for more than twelve calendar months increased 4.2% in the year and 5.1% in the quarter over last year's comparable periods. Paint Stores Group segment profit increased to \$1.43 billion in the year from \$1.20 billion last year and increased to \$316.1 million in the quarter from \$247.5 million last year due primarily to higher paint sales volume. Segment profit as a percent to net sales increased in the year to 19.9% from 17.5% in 2014 and increased in the quarter to 18.9% from 15.6% last year.

Net sales of the Consumer Group increased 11.1% to \$1.58 billion in the year and increased 13.6% to \$314.6 million in the quarter due primarily to sales of HGTV HOME® by Sherwin-Williams paint to Lowe's stores. Segment profit increased to \$308.8 million in the year from \$252.9 million last year and increased \$20.6 million to \$50.9 million from \$30.3 million last year due primarily to improved operating efficiencies. As a percent to net external sales, segment profit increased in the year to 19.6% from 17.8% in 2014 and increased in the quarter to 16.2% from 11.0% last year.

The Global Finishes Group's net sales stated in U.S. dollars decreased 7.9% to \$1.92 billion in the year and decreased 9.5% to \$454.8 million in the quarter. Unfavorable currency translation rate changes decreased net sales 7.5% and 7.1% in the year and quarter, respectively. Stated in U.S. dollars, segment profit in the year was essentially flat at \$201.9 million compared to \$201.1 million last year due primarily to decreasing raw material costs and good cost control partially offset by unfavorable currency translation rate changes and a gain on the early termination of a customer agreement in the third quarter 2014. Segment profit increased in the quarter to \$50.6 million from \$39.0 million last year due primarily to decreasing raw material costs and good cost control partially offset by unfavorable currency translation rate changes. Unfavorable foreign currency translation rate changes decreased segment profit \$26.5 million in the year and \$4.9 million in the quarter. As a percent to net external sales, segment profit was 10.5% in twelve months 2015 compared to 9.7% in 2014 and 11.1% in the quarter versus 7.8% last year.

The Latin America Coatings Group's net sales stated in U.S. dollars decreased 18.2% to \$631.0 million in the year and decreased 23.5% to \$158.7 million in the quarter due primarily to unfavorable currency translation rate changes and lower paint sales volume partially offset by selling price increases. Unfavorable currency translation rate changes decreased net sales by 19.3% and 21.4% in the year and quarter, respectively. Stated in U.S. dollars, segment profit in the year decreased to \$18.5 million compared to \$40.5 million last year and decreased to \$2.8 million in the quarter from \$13.0 million last year due primarily to increasing raw material costs, lower paint sales volume, and unfavorable currency translation rate changes partially offset by selling price increases. Foreign currency translation rate changes

reduced segment profit \$16.0 million in the year and decreased segment profit \$5.3 million in the quarter. As a percent to net external sales, segment profit was 2.9% in twelve months compared to 5.2% in 2014 and 1.8% in the quarter versus 6.3% in the fourth quarter last year.

The Company acquired 1.00 million shares of its common stock through open market purchases in the quarter bringing our total purchased to 3.58 million shares in the year. The Company had remaining authorization at December 31, 2015 to purchase 11.65 million shares.

Commenting on the financial results, John G. Morikis, President and Chief Executive Officer, said, "It is gratifying to report another year of record performances in sales, net income, which surpassed \$1.0 billion for the first time, earnings per share, earnings before interest, taxes, depreciation and amortization and net operating cash.

"Over the past year, our Paint Stores Group grew architectural sales volume across every end market segment and delivered positive operating results. The Consumer Group improved its operating results through improved operating efficiencies. The HGTV HOME® by Sherwin-Williams paint program continues to drive sales improvements in Consumer Group. Our Global Finishes Group improved segment profit as a percent to sales through greater operating efficiencies and good cost control. The Latin America Coatings Group continues to manage through the negative effects of currency devaluation and weak end market demand in some geographies by raising selling prices and good cost control.

"We continue to generate significant cash from operations allowing us to invest in the business and return a substantial portion to our shareholders. In 2015, we generated net operating cash flow of \$1.45 billion. Our working capital ratio (accounts receivable plus inventories less accounts payable to sales) at December 31, 2015 was 8.6% compared to 10.1% last year. In 2015, we added 83 net new stores, finishing the year with 4,086 stores in operation. During the year, we continued to buy our stock on the open market and increased our annual cash dividend approximately 22% to \$2.68 per common share. Our balance sheet remains flexible and is positioned well for future acquisitions and other investments in our business.

"In the first quarter of 2016, we anticipate our consolidated net sales will increase a low single digit percentage compared to the first quarter of 2015. At that anticipated sales level, we estimate diluted net income per common share in the first quarter of 2016 will be in the range of \$1.50 to \$1.65 per share compared to \$1.38 per share earned in the first quarter of 2015. For the full year 2016, we expect consolidated net sales to increase a low single digit percentage compared to full year 2015. With annual sales at that level, we anticipate diluted net income per common share for 2016 will be in the range of \$12.20 to \$12.40 per share compared to \$11.16 per share earned in 2015."

The Company will conduct a conference call to discuss its financial results for the fourth quarter and year 2015, and its outlook for the first quarter and full year 2016, at 11:00 a.m. EST on Thursday, January 28, 2016. The conference call will be webcast simultaneously in the listen only mode by Issuer Direct. To listen to the webcast on the Sherwin-Williams website, www.sherwin.com, click on About Us, choose Investor Relations, then select Press Releases and click on the webcast icon following the reference to the January 28th release. The webcast will also be available at Issuer Direct's Investor Calendar website, www.investorcalendar.com. An archived replay of the live webcast will be available at www.sherwin.com beginning approximately two hours after the call ends and will be available until Wednesday, February 17, 2016 at 5:00 p.m. EST.

Founded in 1866, The Sherwin-Williams Company is a global leader in the manufacture, development, distribution, and sale of coatings and related products to professional, industrial, commercial, and retail customers. The company manufactures products under well-known brands such as Sherwin-Williams®, HGTV HOME® by Sherwin-Williams, Dutch Boy®, Krylon®, Minwax®, Thompson's® Water Seal®, and many more. With global headquarters in Cleveland, Ohio, Sherwin-Williams® branded products are sold exclusively through a chain of more than 4,100 company-operated stores and facilities, while the company's other brands are sold through leading mass merchandisers, home centers, independent paint dealers, hardware stores, automotive retailers, and industrial distributors. The Sherwin-Williams Global Finishes Group distributes a wide range of products in more than 115 countries around the world. For more information, visit www.sherwin.com.

This press release contains certain “forward-looking statements”, as defined under U.S. federal securities laws, with respect to sales, earnings and other matters. These forward-looking 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 the control of the Company, that could cause actual results to differ materially from such statements and from the Company's 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 the Company's relationships with customers and suppliers; changes in raw material availability and pricing; unusual weather conditions; and other risks, uncertainties and factors described from time to time in the Company's reports filed with the Securities and Exchange Commission. 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 the Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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The Sherwin-Williams Company and Subsidiaries
Statements of Consolidated Income (Unaudited)

Thousands of dollars, except per share data	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Net sales	\$ 2,604,596	\$ 2,569,412	\$ 11,339,304	\$ 11,129,533
Cost of goods sold	1,282,357	1,351,437	5,780,078	5,965,049
Gross profit	1,322,239	1,217,975	5,559,226	5,164,484
<i>Percent to net sales</i>	<i>50.8%</i>	<i>47.4%</i>	<i>49.0%</i>	<i>46.4%</i>
Selling, general and administrative expenses	991,472	985,329	3,913,518	3,822,966
<i>Percent to net sales</i>	<i>38.1%</i>	<i>38.3%</i>	<i>34.5%</i>	<i>34.3%</i>
Other general expense - net	12,853	25,411	30,268	37,482
Interest expense	19,560	15,412	61,791	64,205
Interest and net investment income	(456)	(885)	(1,399)	(2,995)
Other expense (income) - net	1,589	3,837	6,082	(15,400)
Income before income taxes	297,221	188,871	1,548,966	1,258,226
Income taxes	99,204	56,128	495,117	392,339
Net income	\$ 198,017	\$ 132,743	\$ 1,053,849	\$ 865,887
Net income per common share:				
Basic	\$ 2.15	\$ 1.40	\$ 11.38	\$ 8.95
Diluted	\$ 2.12	\$ 1.37	\$ 11.16	\$ 8.78
Average shares outstanding - basic	91,591,944	94,527,134	92,197,207	96,190,101
Average shares and equivalents outstanding - diluted	93,188,808	96,441,049	94,024,092	98,075,435

The Sherwin-Williams Company and Subsidiaries
Business Segments (Unaudited)

Thousands of dollars

	2015		2014	
	Net External Sales	Segment Profit (Loss)	Net External Sales	Segment Profit (Loss)
<u>Three Months Ended December 31:</u>				
Paint Stores Group	\$ 1,675,198	\$ 316,136	\$ 1,581,501	\$ 247,458
Consumer Group	314,590	50,907	276,864	30,327
Global Finishes Group	454,844	50,580	502,357	39,036
Latin America Coatings Group	158,697	2,818	207,403	13,030
Administrative	1,267	(123,220)	1,287	(140,980)
Consolidated totals	<u>\$ 2,604,596</u>	<u>\$ 297,221</u>	<u>\$ 2,569,412</u>	<u>\$ 188,871</u>
<u>Year Ended December 31:</u>				
Paint Stores Group	\$ 7,208,951	\$ 1,433,504	\$ 6,851,581	\$ 1,201,420
Consumer Group	1,577,955	308,833	1,420,757	252,859
Global Finishes Group	1,916,300	201,881	2,080,854	201,129
Latin America Coatings Group	631,015	18,494	771,378	40,469
Administrative	5,083	(413,746)	4,963	(437,651)
Consolidated totals	<u>\$ 11,339,304</u>	<u>\$ 1,548,966</u>	<u>\$ 11,129,533</u>	<u>\$ 1,258,226</u>

The Sherwin-Williams Company and Subsidiaries

Consolidated Financial Position (Unaudited)

Thousands of dollars	December 31,	
	2015	2014
Cash and cash equivalents	\$ 205,744	\$ 40,732
Accounts receivable	1,114,275	1,130,565
Inventories	1,018,530	1,033,527
Other current assets	320,325	361,956
Short-term borrowings	(39,462)	(679,436)
Current portion of long-term debt	(3,154)	(3,265)
Accounts payable	(1,157,561)	(1,042,182)
Other current liabilities	(941,682)	(955,783)
Working capital	517,015	(113,886)
Net property, plant and equipment	1,041,862	1,021,030
Deferred pension assets	244,882	250,144
Goodwill and intangibles	1,398,704	1,447,473
Other non-current assets	447,533	420,625
Long-term debt	(1,920,196)	(1,122,715)
Postretirement benefits other than pensions	(248,523)	(277,892)
Other long-term liabilities	(613,367)	(628,309)
Shareholders' equity	\$ 867,910	\$ 996,470

Selected Information (Unaudited)

Thousands of dollars	Three Months Ended December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Paint Stores Group - net new stores	38	44	83	95
Paint Stores Group - total stores	4,086	4,003	4,086	4,003
Global Finishes Group - net new branches	(3)	—	(4)	—
Global Finishes Group - total branches	296	300	296	300
Latin America Coatings Group - net new stores	15	(2)	15	(6)
Latin America Coatings Group - total stores	291	276	291	276
Depreciation	\$ 43,351	\$ 43,326	\$ 170,323	\$ 169,087
Capital expenditures	76,350	64,642	234,340	200,545
Cash dividends	62,405	53,085	249,647	215,263
Amortization of intangibles	8,270	7,247	28,239	29,858
Significant components of Other general expense - net:				
Provision for environmental related matters - net	12,383	25,012	31,071	36,046
Loss (gain) on disposition of assets	470	399	(803)	1,436
Significant components of Other expense (income) - net:				
Dividend and royalty income	(1,235)	(1,331)	(3,668)	(4,864)
Net expense from financing activities	2,704	3,192	11,091	11,367
Foreign currency transaction related losses	2,543	3,056	9,503	3,603
Other ⁽¹⁾	(2,423)	(1,080)	(10,844)	(25,506)
Intersegment transfers:				
Consumer Group	599,709	630,023	2,736,286	2,744,914
Global Finishes Group	1,084	1,975	4,727	7,687
Latin America Coatings Group	9,225	9,705	39,819	40,051
Administrative	3,097	3,056	13,313	12,427

⁽¹⁾ Consists of items of revenue, gains, expenses and losses unrelated to the primary business purpose of the Company. The year ended December 31, 2014 includes a \$6,336 gain on the early termination of a customer agreement recorded in the Global Finishes Group and a \$6,198 realized gain resulting from final asset valuations related to the acquisition of the U.S./Canada business of Comex recorded in the Administrative segment. No other items are individually significant.