

SHERWIN WILLIAMS CO
Form 10-Q
April 25, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the Period Ended March 31, 2019

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from _____ to _____
Commission file number 1-04851

THE SHERWIN-WILLIAMS COMPANY
(Exact name of registrant as specified in its charter)

OHIO 34-0526850
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

101 West Prospect Avenue, 44115-1075
Cleveland, Ohio
(Address of principal executive offices) (Zip Code)
(216) 566-2000
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$1.00 Par Value – 92,316,202 shares as of March 31, 2019.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME (UNAUDITED)

Thousands of dollars, except per share data

| | Three Months Ended | |
|--|--------------------|-------------|
| | March 31, | |
| | 2019 | 2018 |
| Net sales | \$4,040,861 | \$3,965,006 |
| Cost of goods sold | 2,305,784 | 2,278,159 |
| Gross profit | 1,735,077 | 1,686,847 |
| Percent to net sales | 42.9 | % 42.5 |
| Selling, general and administrative expenses | 1,244,017 | 1,214,565 |
| Percent to net sales | 30.8 | % 30.6 |
| Other general (income) expense - net | (458 |) 2,990 |
| Amortization | 78,771 | 85,049 |
| Interest expense | 90,994 | 91,547 |
| Interest and net investment income | (410 |) (1,618 |
| Other expense (income) - net | 23,309 | (9,272 |
| Income before income taxes | 298,854 | 303,586 |
| Income taxes | 53,617 | 53,459 |
| Net income | \$245,237 | \$250,127 |
| | | |
| Net income per share - basic | \$2.67 | \$2.68 |
| | | |
| Net income per share - diluted | \$2.62 | \$2.62 |
| | | |
| Average shares outstanding - basic | 91,952,828 | 93,339,564 |
| | | |
| Average shares and equivalents outstanding - diluted | 93,668,728 | 95,546,152 |

See notes to condensed consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
 STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)
 Thousands of dollars

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------|
| | 2019 | 2018 |
| Net income | \$245,237 | \$250,127 |
| Other comprehensive income, net of tax: | | |
| Foreign currency translation adjustments | 7,971 | 52,732 |
| Pension and other postretirement benefit adjustments: | | |
| Amounts reclassified from Other comprehensive income ⁽¹⁾ | (360) | (209) |
| | (360) | (209) |
| Unrealized net gains on cash flow hedges: | | |
| Amounts reclassified from Other comprehensive income ⁽²⁾ | (1,530) | (988) |
| | (1,530) | (988) |
| Other comprehensive income | 6,081 | 51,535 |
| Comprehensive income | \$251,318 | \$301,662 |

⁽¹⁾ Net of taxes of \$148 and \$90 in the three months ended March 31, 2019 and 2018, respectively.

⁽²⁾ Net of taxes of \$505 and \$1,047 in the three months ended March 31, 2019 and 2018, respectively.

See notes to condensed consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Thousands of dollars

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-------------------------------------|-------------------|----------------------|-------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 94,393 | \$ 155,505 | \$ 158,613 |
| Accounts receivable, less allowance | 2,339,551 | 2,018,768 | 2,326,411 |
| Inventories: | | | |
| Finished goods | 1,618,404 | 1,426,366 | 1,510,534 |
| Work in process and raw materials | 375,033 | 388,909 | 432,186 |
| | 1,993,437 | 1,815,275 | 1,942,720 |
| Other current assets | 387,763 | 354,939 | 400,249 |
| Total current assets | | | |