

**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 Quarterly Period Ended September 30, 2024

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
(State or other jurisdiction of incorporation or organization)

**101 West Prospect Avenue
Cleveland, Ohio**
(Address of principal executive offices)

34-0526850
(I.R.S. Employer Identification No.)

44115-1075
(Zip Code)

(216) 566-2000
(Registrant's telephone number including area code)

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, par value of \$0.33-1/3 per share	SHW	New York Stock Exchange

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	☐	Smaller reporting company	☐
Emerging growth company	☐		

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 practicable date.

Common Stock, \$0.33-1/3 Par Value – 251,853,291 shares as of September 30, 2024.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>Item 1. Financial Statements</u>	<u>2</u>
<u>Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition</u>	<u>27</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
<u>Item 4. Controls and Procedures</u>	<u>39</u>

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	<u>40</u>
<u>Item 1A. Risk Factors</u>	<u>40</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>40</u>
<u>Item 5. Other Information</u>	<u>41</u>
<u>Item 6. Exhibits</u>	<u>42</u>

<u>SIGNATURES</u>	<u>43</u>
-----------------------------------	---------------------------

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 6,162.5	\$ 6,116.7	\$ 17,801.3	\$ 17,799.7
Cost of goods sold	3,135.0	3,200.5	9,179.4	9,590.3
Gross profit	3,027.5	2,916.2	8,621.9	8,209.4
Percent to net sales	49.1 %	47.7 %	48.4 %	46.1 %
Selling, general and administrative expenses	1,893.7	1,756.5	5,539.2	5,209.5
Percent to net sales	30.7 %	28.7 %	31.1 %	29.3 %
Other general expense (income) - net	0.7	61.9	(30.9)	39.9
Impairment	—	—	—	34.0
Interest expense	103.4	101.9	317.2	322.9
Interest income	(2.6)	(5.1)	(9.6)	(15.8)
Other expense (income) - net	9.5	(8.0)	(30.2)	(17.0)
Income before income taxes	1,022.8	1,009.0	2,836.2	2,635.9
Income taxes	216.6	247.5	634.9	603.3
Net income	\$ 806.2	\$ 761.5	\$ 2,201.3	\$ 2,032.6
Net income per common share:				
Basic	\$ 3.22	\$ 2.98	\$ 8.76	\$ 7.94
Diluted	\$ 3.18	\$ 2.95	\$ 8.65	\$ 7.85
Weighted average shares outstanding:				
Basic	250.6	255.1	251.4	255.9
Diluted	253.9	258.4	254.6	258.8

See notes to condensed consolidated financial statements.

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

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 806.2	\$ 761.5	\$ 2,201.3	\$ 2,032.6
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments ⁽¹⁾	106.1	(99.6)	(35.8)	(39.5)
Pension and other postretirement benefit adjustments:				
Amounts reclassified from AOCI ⁽²⁾	(4.5)	(4.6)	(13.4)	(13.6)
Unrealized net gains on cash flow hedges:				
Amounts reclassified from AOCI ⁽³⁾	(0.9)	(0.9)	(2.7)	(2.7)
Other comprehensive income (loss)	100.7	(105.1)	(51.9)	(55.8)
Comprehensive income	\$ 906.9	\$ 656.4	\$ 2,149.4	\$ 1,976.8

⁽¹⁾ The three months ended September 30, 2024 and 2023 include unrealized (losses) gains, net of taxes, of \$(31.4) million and \$24.2 million, respectively, related to net investment hedges. The nine months ended September 30, 2024 and 2023 include unrealized (losses) gains, net of taxes, of \$(7.3) million and \$11.4 million, respectively, related to net investment hedges. See Note 12 for additional information.

⁽²⁾ Net of taxes of \$1.6 million for the three months ended September 30, 2024 and 2023. Net of taxes of \$4.5 million and \$4.6 million for the nine months ended September 30, 2024 and 2023, respectively.

⁽³⁾ Net of taxes of \$0.3 million for the three months ended September 30, 2024 and 2023. Net of taxes of \$0.9 million for the nine months ended September 30, 2024 and 2023.

See notes to condensed consolidated financial statements.

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

(in millions)

	September 30, 2024	December 31, 2023	September 30, 2023
Assets			
Current assets:			
Cash and cash equivalents	\$ 238.2	\$ 276.8	\$ 503.4
Accounts receivable, net	2,973.4	2,467.9	2,940.9
Inventories	2,267.4	2,329.8	2,244.3
Other current assets	495.3	438.4	510.2
Total current assets	5,974.3	5,512.9	6,198.8
Property, plant and equipment, net	3,344.7	2,836.8	2,580.6
Goodwill	7,657.0	7,626.0	7,412.3
Intangible assets	3,656.9	3,880.5	3,824.0
Operating lease right-of-use assets	1,890.0	1,887.4	1,874.7
Other assets	1,445.4	1,210.8	1,114.1
Total assets	<u>\$ 23,968.3</u>	<u>\$ 22,954.4</u>	<u>\$ 23,004.5</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	\$ 915.5	\$ 374.2	\$ 338.6
Accounts payable	2,537.7	2,315.0	2,424.8
Compensation and taxes withheld	726.0	862.7	768.3
Accrued taxes	214.5	197.4	379.8
Current portion of long-term debt	1,048.9	1,098.8	1,098.2
Current portion of operating lease liabilities	462.8	449.3	441.1
Other accruals	1,312.7	1,329.5	1,172.4
Total current liabilities	7,218.1	6,626.9	6,623.2
Long-term debt	8,175.3	8,377.9	8,499.2
Postretirement benefits other than pensions	133.2	133.2	139.3
Deferred income taxes	631.7	683.1	648.4
Long-term operating lease liabilities	1,496.5	1,509.5	1,502.9
Other long-term liabilities	2,157.4	1,908.0	1,811.5
Shareholders' equity:			
Common stock - \$0.33-1/3 par value:			
251.9 million, 254.5 million and 256.0 million shares outstanding			
at September 30, 2024, December 31, 2023 and September 30, 2023, respectively	92.4	91.8	91.7
Other capital	4,471.4	4,193.6	4,103.9
Retained earnings	6,946.0	5,288.3	5,087.4
Treasury stock, at cost	(6,677.5)	(5,233.6)	(4,746.6)
Accumulated other comprehensive loss	(676.2)	(624.3)	(756.4)
Total shareholders' equity	4,156.1	3,715.8	3,780.0
Total liabilities and shareholders' equity	<u>\$ 23,968.3</u>	<u>\$ 22,954.4</u>	<u>\$ 23,004.5</u>

See notes to condensed consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS (UNAUDITED)

(in millions)

	Nine Months Ended	
	September 30, 2024	September 30, 2023
OPERATING ACTIVITIES		
Net income	\$ 2,201.3	\$ 2,032.6
Adjustments to reconcile Net income to Net operating cash:		
Depreciation	217.3	218.0
Non-cash lease expense	351.3	333.4
Amortization of intangible assets	244.8	250.2
Gain on divestiture of business	—	(20.1)
Impairment	—	34.0
Stock-based compensation expense	82.6	72.8
Amortization of non-traded investments	56.0	60.3
Gain on sale or disposition of assets	(25.2)	(8.1)
Provisions for environmental-related matters - net	(7.7)	52.7
Other postretirement benefit plan net cost	(18.2)	(13.5)
Deferred income taxes	(49.2)	(89.1)
Other	14.5	27.4
Change in working capital accounts - net	(392.5)	194.6
Change in operating lease liabilities	(353.4)	(335.2)
Costs incurred for environmental-related matters	(23.1)	(24.1)
Other	(79.8)	(182.6)
Net operating cash	2,218.7	2,603.3
INVESTING ACTIVITIES		
Capital expenditures	(770.0)	(568.9)
Acquisition of business, net of cash acquired	—	(23.2)
Proceeds from divestiture of businesses	—	103.7
Proceeds from sale of assets	9.3	49.0
Other	(150.1)	(69.6)
Net investing cash	(910.8)	(509.0)
FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings	541.4	(639.2)
Proceeds from long-term debt	848.7	—
Payments of long-term debt	(1,100.0)	(0.6)
Payments for credit facility and debt issuance costs	(8.6)	—
Payments of cash dividends	(543.6)	(468.4)
Proceeds from stock options exercised	194.8	66.2
Treasury stock purchased	(1,428.6)	(946.0)
Proceeds from real estate financing transactions	211.9	227.6
Other	(62.3)	(24.7)
Net financing cash	(1,346.3)	(1,785.1)
Effect of exchange rate changes on cash	(0.2)	(4.6)
Net (decrease) increase in cash and cash equivalents	(38.6)	304.6
Cash and cash equivalents at beginning of year	276.8	198.8
Cash and cash equivalents at end of period	\$ 238.2	\$ 503.4
Supplemental cash flow information		
Income taxes paid	\$ 597.4	\$ 523.0
Interest paid	\$ 322.3	\$ 324.1

See notes to condensed consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY (UNAUDITED)

(in millions, except per share data)

	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2023	\$ 91.8	\$ 4,193.6	\$ 5,288.3	\$ (5,233.6)	\$ (624.3)	\$ 3,715.8
Net income			505.2			505.2
Other comprehensive loss					(80.7)	(80.7)
Treasury stock purchased				(545.5)		(545.5)
Stock-based compensation activity	0.2	104.3		(14.0)		90.5
Other adjustments		0.9				0.9
Cash dividends -- \$0.715 per share			(182.5)			(182.5)
Balance at March 31, 2024	\$ 92.0	\$ 4,298.8	\$ 5,611.0	\$ (5,793.1)	\$ (705.0)	\$ 3,503.7
Net income			889.9			889.9
Other comprehensive loss					(71.9)	(71.9)
Treasury stock purchased				(434.4)		(434.4)
Stock-based compensation activity	0.1	44.4		(0.2)		44.3
Other adjustments		(1.2)				(1.2)
Cash dividends -- \$0.715 per share			(178.6)			(178.6)
Balance at June 30, 2024	\$ 92.1	\$ 4,342.0	\$ 6,322.3	\$ (6,227.7)	\$ (776.9)	\$ 3,751.8
Net income			806.2			806.2
Other comprehensive income					100.7	100.7
Treasury stock purchased				(448.7)		(448.7)
Stock-based compensation activity	0.3	130.7		(1.1)		129.9
Other adjustments		(1.3)				(1.3)
Cash dividends -- \$0.715 per share			(182.5)			(182.5)
Balance at September 30, 2024	\$ 92.4	\$ 4,471.4	\$ 6,946.0	\$ (6,677.5)	\$ (676.2)	\$ 4,156.1

(in millions, except per share data)

	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2022	\$ 91.2	\$ 3,963.9	\$ 3,523.2	\$ (3,775.6)	\$ (700.6)	\$ 3,102.1
Net income			477.4			477.4
Other comprehensive income					34.8	34.8
Treasury stock purchased				(301.7)		(301.7)
Stock-based compensation activity	0.1	33.8		(23.5)		10.4
Other adjustments		0.3				0.3
Cash dividends -- \$0.605 per share			(156.5)			(156.5)
Balance at March 31, 2023	\$ 91.3	\$ 3,998.0	\$ 3,844.1	\$ (4,100.8)	\$ (665.8)	\$ 3,166.8
Net income			793.7			793.7
Other comprehensive income					14.5	14.5
Treasury stock purchased				(234.2)		(234.2)
Stock-based compensation activity	0.1	47.5		(0.1)		47.5
Other adjustments		(0.9)				(0.9)
Cash dividends -- \$0.605 per share			(156.3)			(156.3)
Balance at June 30, 2023	\$ 91.4	\$ 4,044.6	\$ 4,481.5	\$ (4,335.1)	\$ (651.3)	\$ 3,631.1
Net income			761.5			761.5
Other comprehensive loss					(105.1)	(105.1)
Treasury stock purchased				(410.1)		(410.1)
Stock-based compensation activity	0.3	58.7		(1.4)		57.6
Other adjustments		0.6				0.6
Cash dividends -- \$0.605 per share			(155.6)			(155.6)
Balance at September 30, 2023	<u>\$ 91.7</u>	<u>\$ 4,103.9</u>	<u>\$ 5,087.4</u>	<u>\$ (4,746.6)</u>	<u>\$ (756.4)</u>	<u>\$ 3,780.0</u>

See notes to condensed consolidated financial statements.

THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(millions of dollars, unless otherwise noted)
Periods ended September 30, 2024 and 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of The Sherwin-Williams Company and its wholly owned subsidiaries (collectively, the Company) have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP) for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The Company has historically experienced, and expects to continue to experience, variability in quarterly results. The results of operations for the three and nine months ended September 30, 2024 are not indicative of the results to be expected for the full year as business is seasonal in nature with the majority of Net sales for the reportable segments traditionally occurring during the second and third quarters. However, periods of economic uncertainty can alter the Company's seasonal patterns.

Since December 31, 2023, accounting estimates were revised as necessary during the first nine months of 2024 based on new information and changes in facts and circumstances.

The following represents updates to certain significant accounting policy disclosures. For further details on the Company's significant accounting policies and related disclosures, see Note 1 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Supply Chain Financing

As part of our strategy to manage working capital, we have entered into agreements with various financial institutions that act as intermediaries between the Company and certain suppliers. Liabilities associated with these arrangements are recorded in Accounts payable on the Consolidated Balance Sheets and amounted to \$255.2 million, \$213.1 million and \$247.7 million at September 30, 2024, December 31, 2023 and September 30, 2023, respectively.

Non-Traded Investments

The Company has invested in U.S. affordable housing, historic renovation and other real estate investments (Non-Traded Investments) that have been identified as variable interest entities which qualify for certain tax credits and other tax benefits. Since the Company does not have the power to direct the day-to-day operations of the Non-Traded Investments and the risk of loss is limited to the amount of contributed capital, the Company is not considered the primary beneficiary. Therefore, in accordance with the Consolidation Topic of the Accounting Standards Codification (ASC), the Non-Traded Investments are not consolidated.

Under the Investments - Equity Method and Joint Ventures Topic of the ASC, the Company uses the proportional amortization method, whereby the initial cost and any subsequent changes in the level of investment of Non-Traded Investments is amortized in proportion to the receipt of related tax credits. The Company reasonably expects amortization based on the receipt of tax credits would produce a measurement substantially similar to amortization based on the receipt of tax credits and other tax benefits. Both the amortization and related tax credits and other tax benefits are recognized in Income tax expense on the Statements of Consolidated Net Income.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Amortization of Non-Traded Investments	\$ 13.6	\$ 20.6	\$ 56.0	\$ 60.3
Tax credits and other tax benefits received	27.8	17.6	75.2	66.8

The carrying value of Non-Traded Investments is recorded in Other assets. The liabilities for estimated future capital contributions are recorded in Other accruals and Other long-term liabilities. In addition, the associated impact of related tax credits and other tax benefits are recorded as a reduction of Accrued taxes and a net deferred income tax asset within Deferred income taxes. On the Statements of Condensed Consolidated Cash Flows, the tax credits and other tax benefits are presented as a change in Accrued taxes and in Deferred income taxes within Operating activities. Tax credits and other tax benefits reduced Accrued taxes by \$75.2 million, \$94.8 million and \$66.8 million at September 30, 2024, December 31, 2023 and September 30, 2023, respectively. The following table summarizes the balances related to Non-Traded Investments and related tax credits and other tax benefits on the Consolidated Balance Sheets:

	September 30, 2024	December 31, 2023	September 30, 2023
Other assets	\$ 724.5	\$ 675.0	\$ 597.0
Other accruals	79.6	80.9	48.5
Other long-term liabilities	606.8	568.2	536.6
Net deferred income tax asset	21.5	19.4	20.0

NOTE 2 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Adopted

Effective January 1, 2024, the Company adopted Accounting Standards Update (ASU) 2023-02, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for investments in tax credit structures using the proportional amortization method." This ASU allows entities to apply the proportional amortization method to all tax equity investments if certain conditions are met. In addition, the ASU requires certain disclosures about the nature and financial implications of tax equity investments on an entity's financial position, results of operations and cash flows, including the impact of transition on the periods presented, if any. The adoption of the ASU did not materially affect the Company's financial position, results of operations or cash flows since the Company has historically applied the proportional amortization method to its Non-Traded Investments, however, certain disclosures have been added based on the requirements of the ASU. See Note 1 for further details.

Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." This ASU enhances reportable segment disclosures on both an annual and interim basis primarily in regards to the disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within the reported measure(s) of segment profit or loss. In addition, the ASU requires disclosure, by segment, of other items included in the reported measure(s) of segment profit or loss, including qualitative information describing the composition, nature and type of each item. The ASU also expands disclosure requirements related to the CODM, including how the reported measure(s) of segment profit or loss are used to assess segment performance and allocate resources, the method used to allocate overhead for significant segment expenses and others. Lastly, all current required annual segment reporting disclosures under Topic 280 will be effective for interim periods. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is evaluating the impact of adopting this ASU and expects the standard will only impact its segment disclosures with no impact to the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." This ASU enhances income tax disclosures by providing information to better assess how an entity's operations, related tax risks, tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This ASU requires additional disclosures to the annual effective tax rate reconciliation including specific categories and further disaggregated reconciling items that meet the quantitative threshold. Additionally, the ASU requires disclosures relating to income tax expense and payments made to federal, state, local and foreign jurisdictions. This ASU is effective for fiscal years beginning after December 15, 2024. The Company is evaluating the impact of adopting this ASU.

NOTE 3 - ACQUISITIONS AND DIVESTITURES

Acquisitions

Closed in Prior Year

In October 2023, the Company completed the acquisition of German-based SIC Holding GmbH, a Peter Möhrle Holding venture comprised of Oskar Nolte GmbH and Klumpp Coatings GmbH (SIC Holding). This business specializes in foil coatings as well as radiation-cured and waterbased industrial wood coatings for the board, furniture and flooring industry. The Company has finalized the purchase price allocation for the acquisition within the allowable measurement period. SIC Holding is reported within the Company's Performance Coatings Group and the results of operations for the acquisition have been included in the consolidated financial statements since the acquisition date. Pro forma results of operations have not been presented as the impact on the Company's consolidated financial results is not material. The total purchase price for the acquisition was approximately \$290 million, including an immaterial amount paid in the third quarter of 2024 to finalize certain representations, warranties and closing conditions.

Subsequent Event

The Company completed the acquisition of a metal packaging coatings business in October 2024. The acquisition was funded via an escrow account in September 2024 for approximately \$80 million in cash. The deposit is recorded in Other assets on the Consolidated Balance Sheets as of September 30, 2024 and presented in Other investing activities on the Statements of Condensed Consolidated Cash Flows for the nine months then ended. The acquired business develops, manufactures and sells coatings for the food and household product markets and will be reported within the Company's Performance Coatings Group.

Divestitures

Closed in Prior Year

The Company completed the divestiture of a non-core domestic aerosol business within the Consumer Brands Group in the second quarter of 2023. This transaction resulted in the recognition of a \$20.1 million gain within the Administrative function and was recorded within Other general expense (income) - net in the Statements of Consolidated Income.

During the third quarter of 2023, the Company completed the divestiture of the China architectural business within the Consumer Brands Group. An immaterial working capital adjustment was finalized during the first quarter of 2024. The associated net assets were classified as held for sale at June 30, 2023 in accordance with the Property, Plant, and Equipment Topic of the ASC. Following the prescribed order of impairment testing, the Company first reviewed individual tangible and intangible assets under their applicable Topic of the ASC to determine if their carrying value was higher than their respective fair value. As a result, the Company recorded an impairment charge of \$6.9 million within the Consumer Brands Group in the second quarter of 2023 related to China architectural trademarks. The Company then compared the updated carrying value of the assets and liabilities comprising the disposal group as a whole to its respective fair value which was determined to be equal to the selling price, less costs to sell. As a result of this comparison, the Company recorded an additional impairment charge of \$27.1 million within the Administrative function in the second quarter of 2023 and classified the remaining assets as Other current assets and remaining liabilities as Other accruals at June 30, 2023. The fair value of the disposal group was classified as level 2 in the fair value hierarchy as fair value was based on a specific price and other observable inputs for similar items with no active market.

These divestitures did not meet the criteria to be reported as discontinued operations in the consolidated financial statements as the Company's decision to divest these businesses did not represent a strategic shift that will have a major effect on the Company's operations and financial results.

NOTE 4 - INVENTORIES

Included in Inventories were the following:

	September 30, 2024	December 31, 2023	September 30, 2023
Finished goods	\$ 1,734.2	\$ 1,810.9	\$ 1,833.7
Work in process and raw materials	533.2	518.9	410.6
Inventories	<u>\$ 2,267.4</u>	<u>\$ 2,329.8</u>	<u>\$ 2,244.3</u>

The Company primarily uses the last-in, first-out (LIFO) method of valuing inventory. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly,

interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs are subject to the final year-end LIFO inventory valuation. In addition, interim inventory levels include management's estimates of annual inventory losses due to shrinkage and other factors. For further information on the Company's inventory valuation, see Note 5 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

NOTE 5 - LONG-LIVED ASSETS

Included in Property, plant and equipment, net were the following:

	September 30, 2024	December 31, 2023	September 30, 2023
Land	\$ 255.2	\$ 257.5	\$ 262.3
Buildings	1,183.7	1,048.7	1,039.2
Machinery and equipment	3,662.6	3,459.8	3,379.4
Construction in progress	1,471.0	1,111.0	882.0
Property, plant and equipment, gross	6,572.5	5,877.0	5,562.9
Less allowances for depreciation	3,227.8	3,040.2	2,982.3
Property, plant and equipment, net	\$ 3,344.7	\$ 2,836.8	\$ 2,580.6

In accordance with the Goodwill and Other Intangibles Topic of the ASC, goodwill and indefinite-lived intangible assets are tested for impairment annually during the fourth quarter, and interim impairment tests are performed whenever an event occurs or circumstances change that indicate an impairment has more likely than not occurred. See Note 3 for information on the impairment test performed as a result of the China architectural business classification change to held for sale as of June 30, 2023.

NOTE 6 - DEBT

The following table summarizes the Company's outstanding debt:

	September 30, 2024	December 31, 2023	September 30, 2023
Long-term debt (including current portion)	\$ 9,224.2	\$ 9,476.7	\$ 9,597.4
Short-term borrowings	915.5	374.2	338.6
Total debt outstanding	\$ 10,139.7	\$ 9,850.9	\$ 9,936.0

Long-Term Debt

The Company's long-term debt primarily consists of senior notes. In August 2024, the Company repaid the principal of \$600.0 million related to the Company's 4.05% senior notes due August 8, 2024 using commercial paper and subsequently issued \$400.0 million of 4.55% senior notes due 2028 and \$450.0 million of 4.80% senior notes due 2031 in a public offering. The net proceeds from the issuance of these notes were used to repay outstanding borrowings under the Company's domestic commercial paper program and for general corporate purposes. The newly issued senior notes contain customary qualitative covenants as defined in their respective agreements. The Company is in compliance with these and all other covenants related to the senior notes as of September 30, 2024. During the second quarter of 2024, the Company paid the principal of \$500.0 million related to its 3.125% senior notes due June 1, 2024. For further details on the Company's debt, see Note 8 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Short-Term Borrowings

In July 2024, the Company entered into a new \$2.500 billion revolving credit agreement maturing on July 31, 2029 (the New Credit Agreement) which replaced the \$2.250 billion credit agreement dated August 30, 2022, as amended. The New Credit Agreement may be used for general corporate purposes, including the financing of working capital requirements. Under the terms of the New Credit Agreement, the Company may request to extend the maturity date for two additional one-year periods, request an uncommitted increase up to \$750.0 million and issue letters of credit under a \$250.0 million subfacility. The

quantitative leverage ratio and other customary qualitative covenants for the revolving credit agreement have not changed under the terms of the New Credit Agreement. The Company is in compliance with these covenants as of September 30, 2024.

The Company's available capacity under its committed credit agreements is reduced for amounts outstanding under its domestic commercial paper program, various credit agreements and letters of credit. At September 30, 2024, the Company had unused capacity under its various credit agreements of \$3.026 billion. The following table summarizes the Company's short-term borrowings:

	September 30, 2024	December 31, 2023	September 30, 2023
Short-term borrowings:			
Domestic commercial paper	\$ 904.0	\$ 347.7	\$ 338.5
Foreign facilities	11.5	26.5	0.1
Total	<u>\$ 915.5</u>	<u>\$ 374.2</u>	<u>\$ 338.6</u>
Weighted average interest rate:			
Domestic commercial paper	5.2 %	5.5 %	5.5 %
Foreign facilities	3.4 %	3.6 %	6.2 %

For further details on the Company's debt, including available credit facilities and related agreements, see Note 8 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

NOTE 7 - PENSION AND OTHER POSTRETIREMENT BENEFITS

The following table summarizes the components of the Company's net periodic benefit cost (credit) for domestic and foreign defined benefit pension plans and other postretirement benefits:

	Domestic Defined Benefit Pension Plan		Foreign Defined Benefit Pension Plans		Other Postretirement Benefits	
	2024	2023	2024	2023	2024	2023
Three Months Ended September 30:						
Service cost	\$ 0.9	\$ 0.9	\$ 1.2	\$ 1.1	\$ 0.1	\$ 0.1
Interest cost	1.3	1.1	3.0	2.9	1.7	1.9
Expected return on assets	(2.0)	(1.8)	(2.8)	(3.1)	—	—
Amortization of prior service cost (credit)	0.4	0.3	—	(0.1)	(6.0)	(6.0)
Amortization of actuarial gains	(0.1)	—	(0.3)	(0.4)	(0.1)	—
Net periodic benefit cost (credit)	<u>\$ 0.5</u>	<u>\$ 0.5</u>	<u>\$ 1.1</u>	<u>\$ 0.4</u>	<u>\$ (4.3)</u>	<u>\$ (4.0)</u>
Nine Months Ended September 30:						
Service cost	\$ 2.7	\$ 2.5	\$ 3.6	\$ 3.2	\$ 0.3	\$ 0.4
Interest cost	3.7	3.4	9.0	8.6	5.1	5.6
Expected return on assets	(6.2)	(5.5)	(8.4)	(9.3)	—	—
Amortization of prior service cost (credit)	1.4	1.0	(0.1)	(0.2)	(17.9)	(18.0)
Amortization of actuarial (gains) losses	(0.2)	—	(0.8)	(1.1)	(0.3)	0.1
Net periodic benefit cost (credit)	<u>\$ 1.4</u>	<u>\$ 1.4</u>	<u>\$ 3.3</u>	<u>\$ 1.2</u>	<u>\$ (12.8)</u>	<u>\$ (11.9)</u>

Service cost is recorded in Cost of goods sold and Selling, general and administrative expenses. All other components are recorded in Other expense (income) - net. For further details on the Company's pension and other postretirement benefits, see Note 9 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

NOTE 8 - OTHER LONG-TERM LIABILITIES

Environmental Matters

The operations of the Company, like those of other companies in its industry, are subject to various domestic and foreign environmental laws and regulations. These laws and regulations not only govern current operations and products, but also impose potential liability on the Company for past operations. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and the industry in the future. Management believes that the Company conducts its operations in compliance with applicable environmental laws, regulations and requirements and has implemented various programs designed to help protect the environment and promote continued compliance.

The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites (including sites that were previously owned and/or operated by businesses acquired by the Company). In addition, the Company, together with other parties, has been designated a potentially responsible party under federal and state environmental protection laws for the investigation and remediation of environmental contamination and hazardous waste at a number of third-party sites, primarily Superfund sites. In general, these laws provide that potentially responsible parties may be held jointly and severally liable for investigation and remediation costs regardless of fault. The Company may be similarly designated with respect to additional third-party sites in the future.

The Company initially provides for estimated costs of environmental-related activities relating to its past operations and third-party sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. Costs for environmental-related activities may not be reasonably estimable, particularly at early stages of investigation, and therefore would not be included in the accrued amount. The costs which are estimable are mostly undiscounted and determined based on currently available facts regarding each site. If the reasonably estimable costs can only be identified as a range and no specific amount within that range can be determined more likely than any other amount within the range, the minimum of the range is provided.

The Company routinely assesses its potential liability for investigation and remediation-related activities and adjusts its environmental-related accruals as information becomes available, including as a result of sites progressing through investigation and remediation-related activities, upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. At September 30, 2024 and 2023, the Company had accruals reported on the balance sheet as Other long-term liabilities of \$209.8 million and \$260.1 million, respectively. Estimated costs of current investigation and remediation activities of \$93.6 million and \$50.2 million are included in Other accruals at September 30, 2024 and 2023, respectively.

Actual costs incurred may vary from the accrued estimates due to the inherent uncertainties involved including, among others, the number and financial condition of parties involved with respect to any given site, the volumetric contribution which may be attributed to the Company relative to that attributed to other parties, the nature and magnitude of the wastes involved, the various technologies that can be used for remediation and the determination of acceptable remediation with respect to a particular site. If the Company's future loss contingency is ultimately determined to be at the unaccrued maximum of the estimated range of possible outcomes for every site for which costs can be reasonably estimated, the Company's accrual for environmental-related activities would be \$88.7 million higher than the minimum accruals at September 30, 2024.

Four of the Company's currently and formerly owned manufacturing sites (Major Sites) account for the majority of the accrual for environmental-related activities and the unaccrued maximum of the estimated range of possible outcomes at September 30, 2024. At September 30, 2024, \$255.6 million, or 84.2% of the total accrual, related directly to the Major Sites. In the aggregate unaccrued maximum of \$88.7 million at September 30, 2024, \$65.2 million, or 73.5%, related to the Major Sites. The significant cost components of this liability continue to be related to remedy implementation, regulatory agency interaction, and project management and other costs. While different for each specific environmental situation, these components generally each account for approximately 85%, 10% and 5%, respectively, of the accrued amount and those percentages are subject to change over time. While environmental investigations and remedial actions are in different stages at these sites, additional investigations, remedial actions and monitoring will likely be required at each site.

The largest and most complex of the Major Sites is the Gibbsboro, New Jersey site (Gibbsboro) which comprises the substantial majority of the environmental-related accrual. Gibbsboro, a former manufacturing plant, and related areas, which ceased operations in 1978, has had various areas included on the National Priorities List since 1999. This location has soil, sediment, surface water and groundwater contamination related to the historic operations of the facility. Gibbsboro has been divided by the Environmental Protection Agency (EPA) into six operable units (OUs) based on location and characteristics, whose investigation and remediation efforts are likely to occur over an extended period of time. To date, the Company has completed remedy construction on three of the six operable units. While there are administrative tasks to be completed before final agency approval, the remediation phase of the work for these three OUs is effectively complete and future work for these OUs is anticipated to be limited. OUs are in various phases of investigation and remediation with the EPA that provide enough

information to reasonably estimate cost ranges and record environmental-related accruals. The most significant assumptions underlying the reliability and precision of remediation cost estimates for the Gibbsboro site are the type and extent of future remedies to be selected by the EPA and the costs of implementing those remedies.

The remaining three Major Sites comprising the majority of the accrual include (1) a multi-party Superfund site that (a) has received a record of decision from the federal EPA and is currently in the remedial design phase for one OU, (b) has received a record of decision from the federal EPA for an interim remedy for another OU, and (c) has a remedial investigation ongoing for another OU, (2) a closed paint manufacturing facility that is in the operation and maintenance phase of remediation under both federal and state EPA programs, and (3) a formerly-owned site containing warehouse and office space that is in the remedial/design investigation phase under a state EPA program. Each of these three Major Sites are in phases of investigation and remediation that provide sufficient information to reasonably estimate cost ranges and record environmental-related accruals.

Excluding the Major Sites discussed above, no sites are individually material to the total accrual balance. There are multiple, future events yet to occur, including further remedy selection and design, remedy implementation and execution, and securing applicable governmental agency approvals, all of which have the potential to contribute to the uncertainty surrounding these future events. As these events occur and to the extent that the cost estimates of the environmental remediation change, the existing reserve will be adjusted.

Management cannot presently estimate the ultimate potential loss contingencies related to these sites or other less significant sites until such time as a substantial portion of the investigation at the sites is completed and remedial action plans are developed. Unasserted claims could have a material effect on the Company's loss contingency as more information becomes available over time. At September 30, 2024, the Company did not have material loss contingency accruals related to unasserted claims. Management does not expect that a material portion of unrecognized loss contingencies will be recoverable through insurance, indemnification agreements or other sources. In the event any future loss contingency significantly exceeds the current amount accrued, the recording of the ultimate liability may result in a material impact on Net income for the annual or interim period during which the additional costs are accrued. Moreover, management does not believe that any potential liability ultimately attributed to the Company for its environmental-related matters will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended length of time during which environmental investigation and remediation takes place. An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties.

Management expects these contingent environmental-related liabilities to be resolved over an extended period of time. Management is unable to provide a more specific time frame due to the indeterminate amount of time to conduct investigation activities at any site, the indeterminate amount of time to obtain environmental agency approval, as necessary, with respect to investigation and remediation activities, and the indeterminate amount of time necessary to conduct remediation activities.

Asset Retirement Obligation

The Asset Retirement and Environmental Obligations Topic of the ASC requires a liability to be recognized for the fair value of a conditional asset retirement obligation if a settlement date and fair value can be reasonably estimated. The Company recognizes a liability for any conditional asset retirement obligation when sufficient information is available to reasonably estimate a settlement date to determine the fair value of such a liability. The Company has identified certain conditional asset retirement obligations at various current and closed manufacturing, distribution and store facilities. These obligations relate primarily to asbestos abatement, hazardous waste Resource Conservation and Recovery Act (RCRA) closures, well abandonment, transformers and used oil disposals and underground storage tank closures. Using investigative, remediation and disposal methods that are currently available to the Company, the estimated costs of these obligations were accrued and are not significant. The recording of additional liabilities for future conditional asset retirement obligations may result in a material impact on net income for the annual or interim period during which the costs are accrued. Management does not believe that any potential liability ultimately attributed to the Company for its conditional asset retirement obligations will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended period of time over which sufficient information may become available regarding the closure or modification of any one or group of the Company's facilities. An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties.

Real Estate Financing

The Company has entered into certain sale-leaseback agreements that do not qualify as asset sales and were accounted for as real estate financing transactions. Net proceeds are recognized within the Financing Activities section in the Statements of Consolidated Cash Flows. These arrangements primarily consist of the new headquarters currently under construction, for which the Company expects to receive total proceeds approximating \$800 million to \$850 million on an incremental basis until completion of construction. The following table summarizes the activity related to this transaction during the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Proceeds received	\$ 50.4	\$ 87.4	\$ 211.9	\$ 226.1
Capitalized interest ⁽¹⁾	12.1	6.5	32.3	15.7

⁽¹⁾ Interest is capitalized within Other long-term liabilities.

The financing obligation for the new headquarters was \$731.9 million and \$435.7 million at September 30, 2024 and 2023, respectively. The short-term portion of the liability recorded in Other accruals was \$48.5 million and \$34.9 million at September 30, 2024 and 2023, respectively. See Note 11 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for more information concerning real estate financing.

NOTE 9 - LITIGATION

In the course of its business, the Company is subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. These uncertainties will ultimately be resolved when one or more future events occur or fail to occur confirming the incurrence of a liability or the reduction of a liability. In accordance with the Contingencies Topic of the ASC, the Company accrues for these contingencies by a charge to income when it is both probable that one or more future events will occur confirming the fact of a loss and the amount of the loss can be reasonably estimated. In the event that the Company's loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred or the amount of any such loss cannot be reasonably estimated, any potential liability ultimately determined to be attributable to the Company may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued. In those cases where no accrual is recorded or exposure to loss exists in excess of the amount accrued, the Contingencies Topic of the ASC requires disclosure of the contingency when there is a reasonable possibility that a loss or additional loss may have been incurred.

Lead pigment and lead-based paint litigation. The Company's past operations included the manufacture and sale of lead pigments and lead-based paints. The Company, along with other companies, is and has been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions, and actions brought by various counties, cities, school districts and other government-related entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs' claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs have sought various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. The Company has also been a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non-lead-based paint on surfaces previously painted with lead-based paint. The Company is vigorously defending such litigation. The Company expects that additional lead pigment and lead-based paint litigation may be filed against the Company in the future asserting similar or different legal theories and seeking similar or different types of damages and relief. The Company will continue to vigorously defend against any additional lead pigment and lead-based paint litigation that may be filed, including utilizing all avenues of appeal, if necessary.

Litigation is inherently subject to many uncertainties, including costs, unpredictable court or jury decisions, and differing laws in jurisdictions where the Company operates, and the Company ultimately may not prevail. Adverse court rulings or determinations of liability in a particular case, among other factors, could affect other lead pigment and lead-based paint litigation against the Company and encourage an increase in the number and nature of future claims and proceedings. In addition, from time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which the Company and other manufacturers have been successful.

Due to the uncertainties involved, management is unable to predict the outcome of the lead pigment and lead-based paint litigation, the number or nature of possible future claims and proceedings or the effect that any legislation and/or administrative regulations may have on the litigation or against the Company. In addition, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. Except with respect to the litigation in the California Proceedings, discussed below, the Company has not accrued any amounts for such litigation because the Company does not believe it is probable that a loss has occurred, or the Company believes it is not possible to estimate the range of potential losses. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. Due to the uncertainties associated with the amount of any such liability and/or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to the Company arising out of such litigation may have a material adverse effect on the Company's results of operations, liquidity or financial condition. An estimate of the potential impact on the Company's results of operations, cash flow, liquidity or financial condition cannot be made due to the aforementioned uncertainties.

Public Nuisance Claim Litigation. The Company and other companies were defendants in legal proceedings seeking recovery based on public nuisance liability theories, among other theories, brought by the State of Rhode Island; the City of St. Louis, Missouri; various cities and counties in the State of New Jersey; various cities in the State of Ohio and the State of Ohio; the City of Chicago, Illinois; the City of Milwaukee, Wisconsin; the County of Santa Clara, California, and other public entities in the State of California (the California Proceedings); and Lehigh and Montgomery Counties in Pennsylvania. Except for the California Proceedings in which the Company reached a court-approved agreement in 2019 after nearly twenty years of litigation, all of those legal proceedings have been concluded in favor of the Company and other defendants at various stages in the proceedings. Most recently, on May 7, 2024, as further described below in Wisconsin Proceedings, the plaintiffs in the Gibson and Valoe cases filed amended complaints alleging, in part, public nuisance claims.

Litigation Seeking Damages from Alleged Personal Injury. The Company and other companies are or have been defendants in a number of legal proceedings seeking monetary damages and other relief from alleged personal injuries. The current proceedings include claims by children allegedly injured from ingestion of lead pigment or lead-containing paint. The plaintiffs generally seek compensatory damages and have invoked Wisconsin's risk contribution theory (which is similar to market share liability, except that liability can be joint and several) due to the plaintiff's inability to identify the manufacturer of any product that allegedly injured the plaintiff.

Wisconsin Proceedings. In April 2016, the United States District Court for the Eastern District of Wisconsin consolidated three cases (Ravon Owens v. American Cyanamid, et al., Cesar Sifuentes v. American Cyanamid, et al., and Glenn Burton, Jr. v. American Cyanamid, et al.) for purposes of trial. A trial was held in May 2019 and resulted in a jury verdict for the three plaintiffs in the amount of \$2.0 million each for a total of \$6.0 million against the Company and two other defendants (Armstrong Containers Inc. and E.I. du Pont de Nemours). Post-trial motions resulted in a reduced damages award to one plaintiff. Subsequently, the Company filed a notice of appeal with the Seventh Circuit with respect to each of the Owens, Sifuentes and Burton cases. On April 15, 2021, the Seventh Circuit reversed the judgments and held that the Company was entitled to judgment as a matter of law on all claims filed by the three plaintiffs. The plaintiffs filed a petition with the Seventh Circuit on April 27, 2021, seeking a rehearing en banc and, in the alternative, a request for certification of questions to the Wisconsin Supreme Court. The plaintiffs' petition was denied.

On May 20, 2021, as a result of the Seventh Circuit's decision in favor of the Company in the Owens, Sifuentes and Burton cases, the Company and the three other defendants filed motions for summary judgment to dismiss all claims of the approximately 150 plaintiffs then pending in the Eastern District of Wisconsin (Maniya Allen, et al. v. American Cyanamid, et al.; Ernest Gibson v. American Cyanamid, et al.; Dijonae Trammel, et al. v. American Cyanamid, et al., and Deziree Valoe, et al. v. American Cyanamid, et al.). On March 3, 2022, the district court granted summary judgment in favor of the Company and the other defendants on all claims then pending in the district court. On September 15, 2022, the plaintiffs filed notices of appeal with the Seventh Circuit, seeking to appeal the district court's summary judgment in favor of the Company and the other defendants. As part of the plaintiffs' appellate reply brief to the Seventh Circuit, the plaintiffs included a motion to certify issues to the Wisconsin Supreme Court. On February 9, 2024, the Seventh Circuit declined to certify any issues to the Wisconsin Supreme Court and affirmed the district court's summary judgment in favor of the Company and the other defendants in all claims except involving those filed by three plaintiffs in the Gibson and Valoe cases, which cases were remanded to the district court for further proceedings. Following remand of the Gibson and Valoe cases, the three remaining plaintiffs filed amended complaints on May 7, 2024, alleging strict liability, negligence, and public nuisance claims. The defendants filed motions to dismiss the plaintiffs' amended complaints on June 20, 2024.

In a separate proceeding, on August 24, 2021, the plaintiff in Arrieona Beal v. Hattie and Jerry Mitchell filed an amended complaint in Milwaukee County Circuit Court, naming the Company and other alleged former lead pigment manufacturers as defendants pursuant to the risk contribution liability theory. The plaintiff previously had sued her landlords. On January 3, 2024, the Company and some of the other manufacturing defendants filed a third-party complaint against NL Industries, Inc.,

and cross-claims against the landlord defendants. On January 10, 2024, one of the landlord defendants filed a counterclaim and cross-claim against all parties. On May 15, 2024, the plaintiff filed a motion for partial judgment on the pleadings to strike the Company and other manufacturing defendants' affirmative defenses, and on August 6, 2024, the circuit court granted defendants' motion to strike the plaintiff's motion. The parties have been conducting discovery.

Insurance coverage litigation. The Company and its liability insurers, including certain underwriters at Lloyd's of London, initiated legal proceedings against each other to determine, among other things, whether the costs and liabilities associated with the abatement of lead pigment are covered under certain insurance policies issued to the Company. The insurers' action, which was filed on February 23, 2006 in the Supreme Court of the State of New York, County of New York, was dismissed. The Company's action, filed on March 3, 2006 in the Common Pleas Court, Cuyahoga County, Ohio, previously was stayed and inactive. On January 9, 2019, the Company filed an unopposed motion to lift the stay with the trial court, which was granted, allowing the case to proceed. On June 28, 2019, the Company and its liability insurers each filed separate motions for summary judgment seeking various forms of relief. The trial court entered an order on December 4, 2020, granting the insurers' motion for summary judgment, denying the Company's motion, and entering final judgment in favor of the insurers. The trial court sided with the Company on all of the issues presented, except one.

On December 21, 2020, the Company filed a notice of appeal to the Court of Appeals of Cuyahoga County, Ohio, Eighth Appellate District, and the insurers filed cross-appeals. On September 1, 2022, the appellate court reversed the trial court's grant of summary judgment, finding in favor of the Company on its appeal and against the insurers on their cross-appeal, and remanded the case to the trial court. On September 12, 2022, the insurers applied to the appellate court for reconsideration of its decision, en banc review, or certification of an appeal to the Ohio Supreme Court, which the appellate court denied. The insurers subsequently filed a notice of appeal to the Ohio Supreme Court, to which the Company filed its response. On May 9, 2023, the Ohio Supreme Court accepted the insurers' appeal. Oral argument was held on October 24, 2023.

An ultimate loss in the insurance coverage litigation would mean that insurance proceeds could be unavailable under the policies at issue to mitigate any ultimate abatement related costs and liabilities. The Company has not recorded any assets related to these insurance policies or otherwise assumed that proceeds from these insurance policies would be received in estimating any contingent liability accrual. Therefore, an ultimate loss in the insurance coverage litigation without a determination of liability against the Company in the lead pigment or lead-based paint litigation will have no impact on the Company's results of operation, liquidity or financial condition. As previously stated, however, except with respect to the litigation in the California Proceedings discussed above, the Company has not accrued any amounts for the lead pigment or lead-based paint litigation and any significant liability ultimately determined to be attributable to the Company relating to such litigation may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued.

Other matters. On December 18, 2019, the New Jersey Department of Environmental Protection, the Commissioner of the New Jersey Department of Environmental Protection, and the Administrator of the New Jersey Spill Compensation Fund (collectively, the NJ DEP) filed a lawsuit against the Company in the Superior Court of New Jersey Law Division in Camden County, New Jersey. The NJ DEP seeks to recover natural resource damages, punitive damages, and litigation fees and costs, as well as other costs, damages, declaratory relief, and penalties pursuant to New Jersey state statutes and common law theories in connection with the alleged discharge of hazardous substances and pollutants at the Company's Gibbsboro, New Jersey site, a former manufacturing plant and related facilities. The parties have been conducting expert discovery. Trial is scheduled to start on March 10, 2025.

In July 2024, a third-party assurance, testing, inspection and certification provider changed its listing for one of the Company's protective coatings products, an intumescent coating used for fire protection of steel beam assemblies. The Company has received claims regarding this matter and is working with its customers and end users to assist in understanding the potential impacts of the listing change, including the extent of potential remedial action that may involve the application of additional product. The Company's review of this matter is ongoing. Except for an immaterial product warranty liability recorded on the Consolidated Balance Sheets as of September 30, 2024, any additional amount or range of potential loss cannot be reasonably estimated at this time.

NOTE 10 - SHAREHOLDERS' EQUITYDividends

The following table summarizes the dividends declared and paid on common stock:

	2024		2023	
	Cash Dividend Per Share	Total Dividends (in millions)	Cash Dividend Per Share	Total Dividends (in millions)
First Quarter	\$ 0.715	\$ 182.5	\$ 0.605	\$ 156.5
Second Quarter	0.715	178.6	0.605	156.3
Third Quarter	0.715	182.5	0.605	155.6
Total	<u>\$ 2.145</u>	<u>\$ 543.6</u>	<u>\$ 1.815</u>	<u>\$ 468.4</u>

Treasury Stock

The Company acquires its common stock for general corporate purposes through its publicly announced share repurchase program. As of September 30, 2024, the Company had remaining authorization from its Board of Directors to purchase 35.3 million shares of its common stock. The table below summarizes share repurchases during the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Treasury stock purchases (in millions)	\$ 448.7	\$ 410.1	\$ 1,428.6	\$ 946.0
Treasury stock purchases (in shares)	1,250,000	1,500,000	4,350,000	3,800,000
Average price per share	\$ 358.96	\$ 273.45	\$ 328.41	\$ 248.96

Other Activity

During the nine months ended September 30, 2024, 1,584,890 stock options were exercised at a weighted average price per share of \$124.82. In addition, 120,973 restricted stock units vested during the same period.

NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of Accumulated other comprehensive income (loss) (AOCI), including the reclassification adjustments for items that were reclassified from AOCI to Net income, are shown below.

	Foreign Currency Translation Adjustments	Pension and Other Postretirement Benefits Adjustments	Unrealized Net Gains on Cash Flow Hedges	Total
Balance at December 31, 2023	\$ (716.9)	\$ 64.3	\$ 28.3	\$ (624.3)
Amounts recognized in AOCI ⁽¹⁾	(35.8)	—	—	(35.8)
Amounts reclassified from AOCI ^{(2),(3)}	—	(13.4)	(2.7)	(16.1)
Balance at September 30, 2024	<u>\$ (752.7)</u>	<u>\$ 50.9</u>	<u>\$ 25.6</u>	<u>\$ (676.2)</u>

⁽¹⁾ Foreign currency translation adjustments include changes in the fair value of cross currency swap contracts of \$(7.3) million, net of taxes during the nine months ended September 30, 2024. See Note 12.

⁽²⁾ Pension and other postretirement benefit adjustments are net of taxes of \$4.5 million for the nine months ended September 30, 2024. See Note 7.

⁽³⁾ Unrealized net gains on cash flow hedges are net of taxes of \$0.9 million for the nine months ended September 30, 2024. See Statements of Consolidated Comprehensive Income.

	Foreign Currency Translation Adjustments	Pension and Other Postretirement Benefits Adjustments	Unrealized Net Gains on Cash Flow Hedges	Total
Balance at December 31, 2022	\$ (810.8)	\$ 78.3	\$ 31.9	\$ (700.6)
Amounts recognized in AOCI ⁽¹⁾	(39.5)	—	—	(39.5)
Amounts reclassified from AOCI ^{(2),(3)}	—	(13.6)	(2.7)	(16.3)
Balance at September 30, 2023	\$ (850.3)	\$ 64.7	\$ 29.2	\$ (756.4)

⁽¹⁾ Foreign currency translation adjustments include changes in the fair value of cross currency swap contracts of \$11.4 million, net of taxes during the nine months ended September 30, 2023. See Note 12.

⁽²⁾ Pension and other postretirement benefit adjustments are net of taxes of \$4.6 million for the nine months ended September 30, 2023. See Note 7.

⁽³⁾ Unrealized net gains on cash flow hedges are net of taxes of \$0.9 million for the nine months ended September 30, 2023. See Statements of Consolidated Comprehensive Income.

NOTE 12 - DERIVATIVES AND HEDGING

Net Investment Hedges

The Company has U.S. Dollar to Euro cross currency swap contracts with various counterparties to hedge the Company's net investment in its European operations. During the term of the contracts, the Company will pay fixed-rate interest in Euros and receive fixed-rate interest in U.S. Dollars, thereby effectively converting a portion of the Company's U.S. Dollar denominated fixed-rate debt to Euro denominated fixed-rate debt. The outstanding contracts as of September 30, 2024 are summarized in the table below.

Contract Date	Notional Value	Maturity Date
June 28, 2023	\$ 200.0	August 8, 2025
November 8, 2021	162.7	June 1, 2027
May 10, 2024	100.0	June 1, 2027
May 21, 2024	175.0	June 1, 2027
August 7, 2024	150.0	June 1, 2027
September 26, 2024	100.0	June 1, 2027
September 12, 2024	100.0	March 1, 2028
December 7, 2023	150.0	August 15, 2029
May 21, 2024	225.0	August 15, 2029
September 24, 2024	100.0	September 1, 2031

In August 2024, the Company settled its \$150.0 million U.S. Dollar to Euro cross currency swap contract entered into on March 28, 2023. In May 2024, the Company settled its \$500.0 million U.S. Dollar to Euro cross currency swap contract entered into on February 13, 2020. At the time of both of these settlements, an immaterial loss was recognized in AOCI.

The following table summarizes amounts recognized in the Consolidated Balance Sheets for cross currency swap contracts. See Note 13 for additional information on the fair value of these contracts.

	September 30, 2024	December 31, 2023	September 30, 2023
Other current assets	\$ —	\$ —	\$ 14.7
Other assets	—	—	9.6
Other accruals	4.5	12.0	—
Other long-term liabilities	27.5	12.4	—

The changes in fair value of the cross currency swap contracts are recognized in the foreign currency translation adjustments component of AOCI. The following table summarizes the unrealized (losses) gains for the three and nine months ended September 30, 2024 and 2023.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(Losses) gains	\$ (41.7)	\$ 32.1	\$ (9.7)	\$ 15.2
Tax effect	10.3	(7.9)	2.4	(3.8)
(Losses) gains, net of taxes	\$ (31.4)	\$ 24.2	\$ (7.3)	\$ 11.4

Derivatives Not Designated as Hedging Instruments

The Company enters into foreign currency option and forward contracts with maturity dates less than twelve months primarily to hedge against value changes in foreign currency. The related gains and losses are recorded in Other expense (income) - net. See Note 15 for further details. There were no material foreign currency option and forward contracts outstanding at September 30, 2024 and 2023.

NOTE 13 - FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the ASC applies to the Company's financial and non-financial assets and liabilities. The guidance applies when other standards require or permit the fair value measurement of assets and liabilities. Under the guidance, assets and liabilities measured at fair value are categorized as follows:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

There were no assets and liabilities measured at fair value on a recurring basis classified as Level 3 at September 30, 2024 and December 31, 2023. Except for the acquisition and divestiture related fair value measurements described in Note 3, there were no assets and liabilities measured at fair value on a nonrecurring basis. The following table presents the Company's financial assets that are measured at fair value on a recurring basis, categorized using the fair value hierarchy.

	September 30, 2024				December 31, 2023			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets:								
Deferred compensation plan	\$ 94.0	\$ 94.0	\$ —	\$ —	\$ 84.7	\$ 84.7	\$ —	\$ —
Liabilities:								
Net investment hedges	\$ 32.0	\$ —	\$ 32.0	\$ —	\$ 24.4	\$ —	\$ 24.4	\$ —

The deferred compensation plan assets consist of investment funds maintained for future payments under the Company's executive deferred compensation plans, which are structured as rabbi trusts. The investments are marketable securities accounted for under the Debt and Equity Securities Topics of the ASC. The Level 1 investments are valued using quoted market prices multiplied by the number of shares. The deferred compensation plan assets also include partnership funds measured using net asset value (or its equivalent) as a practical expedient, which are not classified in the fair value hierarchy. As of September 30, 2024 and December 31, 2023, the fair value of the partnership funds was \$6.8 million and \$6.4 million, respectively. The cost basis of all investments within the deferred compensation plan was \$78.6 million and \$76.3 million at September 30, 2024 and December 31, 2023, respectively.

The net investment hedges represent the fair value of outstanding cross currency swap contracts. See Note 12 for further details. The fair value is based on a valuation model that uses observable inputs, including interest rate curves and the Euro foreign currency rate.

The fair value of the Company's publicly traded debt is based on quoted market prices. The fair value of the Company's non-publicly traded debt is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The Company's publicly traded debt and non-publicly traded debt are classified as Level 1 and Level 2, respectively, in the fair value hierarchy. The following table summarizes the carrying amounts and fair values of the Company's publicly traded debt and non-publicly traded debt.

	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Publicly traded debt	\$ 9,224.0	\$ 8,485.0	\$ 9,475.8	\$ 8,615.1
Non-publicly traded debt	0.2	0.2	0.9	0.8

NOTE 14 - REVENUE

The Company manufactures and sells paint, stains, supplies, equipment and floor covering through company-operated stores, branded and private label products through retailers, and a broad range of industrial coatings directly to global manufacturing customers through company-operated branches. A large portion of the Company's revenue is recognized at a point in time and made to customers who are not engaged in a long-term supply agreement or any form of contract with the Company. These sales are paid for at the time of sale in cash, credit card or on account with the vast majority of customers having terms between 30 and 60 days, not to exceed one year. Many customers who purchase on account take advantage of early payment discounts offered by paying within 30 days of being invoiced. The Company estimates variable consideration for these sales on the basis of both historical information and current trends to estimate the expected amount of discounts to which customers are likely to be entitled.

The remaining revenue is governed by long-term supply agreements and related purchase orders (contracts) that specify shipping terms and aspects of the transaction price including rebates, discounts and other sales incentives, such as advertising support. Contracts are at standalone pricing. The performance obligation in these contracts is determined by each of the individual purchase orders and the respective stated quantities, with revenue being recognized at a point in time when obligations under the terms of the agreement are satisfied. This generally occurs with the transfer of control of our products to the customer. Sales, value add and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

Refer to Note 18 for the Company's disaggregation of Net sales by reportable segment. As the reportable segments are aligned by similar economic factors, trends and customers, this disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Approximately 80% of the Company's Net sales are in the North America region (which is comprised of the United States, Canada and the Caribbean region), slightly less than 10% in the EMEAI region (Europe, Middle East, Africa and India), with the remaining global regions accounting for the residual balance. No country outside of the United States is individually significant.

The Company has made payments or given credits for various incentives at the beginning of a long-term contract where future revenue is expected and before satisfaction of performance obligations. Under these circumstances, the Company recognizes a contract asset and amortizes these prepayments over the expected benefit life of the long-term contract typically on a straight-line basis.

The majority of variable consideration in the Company's contracts include a form of volume rebate, discounts and other incentives, where the customer receives a retrospective percentage rebate based on the amount of their purchases. In these situations, the rebates are accrued as a fixed percentage of sales and recorded as a reduction of sales until paid to the customer per the terms of the contract. Forms of variable consideration such as tiered rebates, whereby a customer receives a retrospective price decrease dependent on the volume of their purchases, are calculated using a forecasted percentage to determine the most likely amount to accrue. Management creates a baseline calculation using historical sales and then utilizing forecast information, estimates the anticipated sales volume each quarter to calculate the expected reduction to sales. The remainder of the transaction price is fixed as agreed upon with the customer, limiting estimation of revenues including constraints.

The Company's Accounts receivable and current and long-term contract assets and liabilities are summarized in the following table.

	Accounts Receivable, Less Allowance	Contract Assets (Current)	Contract Assets (Long-Term)	Contract Liabilities (Current)	Contract Liabilities (Long-Term)
<i>Consolidated Balance Sheets caption:</i>	<i>Accounts receivable, net</i>	<i>Other current assets</i>	<i>Other assets</i>	<i>Other accruals</i>	<i>Other long-term liabilities</i>
Balance at December 31, 2023	\$ 2,467.9	\$ 46.2	\$ 151.7	\$ 365.7	\$ 3.8
Balance at September 30, 2024	2,973.4	57.8	225.1	363.2	4.0

The difference between the closing and opening balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the contractual performance obligation and the associated payment.

Provisions for estimated returns are established and the expected costs continue to be recognized as contra-revenue per ASC 606 when the products are sold. The Company only offers an assurance type warranty on products sold, and there is no material service to the customer beyond fixing defects that existed at the time of sale and no warranties are sold separately.

Warranty liabilities are excluded from the table above. Amounts recognized during the year from deferred revenue were not material. The Company records a right of return liability within each of its operations to accrue for expected customer returns. Historical actual returns are used to estimate future returns as a percentage of current sales. Obligations for returns and refunds were not material individually or in the aggregate.

Allowance for Current Expected Credit Losses

Accounts receivable are recorded at the time of credit sales, net of an allowance for current expected credit losses. The Company records an allowance for current expected credit losses to reduce Accounts receivable to the net amount expected to be collected (estimated net realizable value).

Under ASC 326, the Company reviews the collectability of the Accounts receivable balance each reporting period and estimates the allowance for current expected credit losses based on historical bad debt experience, aging of accounts receivable, current creditworthiness of customers, current economic factors, as well as reasonable and supportable forward-looking information. Accounts receivable balances are written-off against the allowance for current expected credit losses if a final determination of uncollectibility is made. All provisions for the allowance for current expected credit losses are included in Selling, general and administrative expenses.

The following table summarizes the movement in the Company's allowance for current expected credit losses:

	Nine Months Ended September 30,	
	2024	2023
Beginning balance	\$ 59.6	\$ 56.6
Bad debt expense	58.8	50.7
Uncollectible accounts written off, net of recoveries	(34.2)	(32.1)
Ending balance	<u>\$ 84.2</u>	<u>\$ 75.2</u>

NOTE 15 - OTHER**Other general expense (income) - net**

Included in Other general expense (income) - net were the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Provisions for environmental matters - net	\$ 2.8	\$ 39.4	\$ (7.7)	\$ 52.7
Gain on divestiture of business (see Note 3)	—	—	—	(20.1)
(Gains) losses on sale or disposition of assets	(2.0)	12.7	(25.2)	(8.1)
Other	(0.1)	9.8	2.0	15.4
Other general expense (income) - net	\$ 0.7	\$ 61.9	\$ (30.9)	\$ 39.9

Provisions for environmental matters - net represent initial provisions for site-specific estimated costs of environmental investigation or remediation and increases or decreases to environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. Provisions for environmental matters - net for the nine months ended September 30, 2024 included an immaterial amount of insurance proceeds related to environmental cleanup at a current manufacturing site. For the three months ended September 30, 2023, additional provisions were recorded based on new information which impacted the estimate of required remediation at certain Major Sites and other Company locations. See Note 8 for further details on the Company's environmental-related activities.

(Gains) losses on sale or disposition of assets represents (gains) losses with the sale or disposal of property, plant and equipment and intangible assets previously used in the conduct of the primary business of the Company.

There were no items within the Other caption that were individually significant.

Other expense (income) - net

Included in Other expense (income) - net were the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net investment gains	\$ (1.9)	\$ (0.5)	\$ (10.8)	\$ (19.2)
Net expense from banking activities	3.6	3.1	11.3	10.9
Foreign currency transaction related losses - net	6.8	1.1	9.8	24.7
Miscellaneous periodic benefit income	(4.9)	(5.2)	(14.7)	(15.4)
Other income	(17.5)	(10.5)	(51.7)	(40.9)
Other expense	23.4	4.0	25.9	22.9
Other expense (income) - net	\$ 9.5	\$ (8.0)	\$ (30.2)	\$ (17.0)

Net investment gains primarily relate to the change in market value of the investments held in the deferred compensation plan and realized change in market value of bonds issued by a foreign government. See Note 13 for further details on the fair value of these investments.

Foreign currency transaction related losses - net include the impact from foreign currency transactions, including from highly inflationary economies such as Argentina, and net realized (gains) losses from foreign currency option and forward contracts. See Note 12 for further details regarding these foreign currency contracts.

Miscellaneous periodic benefit income consists of the non-service components of pension and other postretirement benefit net periodic benefit cost (credit). See Note 7 for further details.

Other income and other expense include items of revenue, gains, expenses and losses that were unrelated to the primary business purpose of the Company. There were no items within the other income or other expense caption that were individually significant.

NOTE 16 - INCOME TAXES

The effective tax rate was 21.2% and 22.4% for the third quarter and first nine months of 2024, respectively, compared to 24.5% and 22.9% for the third quarter and first nine months of 2023, respectively. The decrease in the effective tax rate for both periods was primarily due to a more favorable impact from tax benefits related to employee share-based payments. The other significant components of the Company's effective tax rate were consistent year-over-year.

At December 31, 2023, the Company had \$121.8 million in unrecognized tax benefits, the recognition of which would have an effect of \$109.4 million on the effective tax rate. Included in the balance of unrecognized tax benefits at December 31, 2023 was \$8.4 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months.

The Company classifies all income tax related interest and penalties as income tax expense. At December 31, 2023, the Company had accrued \$20.4 million for the potential payment of income tax interest and penalties.

In the second quarter of 2024, the Company agreed to a Notice of Proposed Adjustment by the IRS for \$28.7 million related to certain adjustments for 2017 through 2019, and is adequately reserved. There were no significant changes to any of the balances of unrecognized tax benefits at December 31, 2023 during the first nine months of 2023.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company finalized the IRS audit for the 2013 through 2016 income tax returns in 2023 and paid the related assessments in the fourth quarter of 2023 and first quarter of 2024. The Company finalized the IRS audit for the 2011 income tax return in 2023 and paid the tax assessment in the second quarter of 2024 and the interest assessment in the third quarter of 2024. The IRS is currently auditing the Company's 2017 through 2019 income tax returns. As of September 30, 2024, the federal statute of limitations has not expired for the 2017 through 2023 tax years.

At September 30, 2024, the Company is subject to non-U.S. income tax examinations for the tax years of 2014 through 2023. In addition, the Company is subject to state and local income tax examinations for the tax years 2016 through 2023.

NOTE 17 - NET INCOME PER SHARE

Basic and diluted net income per share are calculated using the treasury stock method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Basic				
Net income	\$ 806.2	\$ 761.5	\$ 2,201.3	\$ 2,032.6
Average shares outstanding	250.6	255.1	251.4	255.9
Basic net income per share	<u>\$ 3.22</u>	<u>\$ 2.98</u>	<u>\$ 8.76</u>	<u>\$ 7.94</u>
Diluted				
Net income	\$ 806.2	\$ 761.5	\$ 2,201.3	\$ 2,032.6
Average shares outstanding assuming dilution:				
Average shares outstanding	250.6	255.1	251.4	255.9
Stock options and other contingently issuable shares ⁽¹⁾	3.3	3.3	3.2	2.9
Average shares outstanding assuming dilution	<u>253.9</u>	<u>258.4</u>	<u>254.6</u>	<u>258.8</u>
Diluted net income per share	<u>\$ 3.18</u>	<u>\$ 2.95</u>	<u>\$ 8.65</u>	<u>\$ 7.85</u>

⁽¹⁾ There were 0.1 million of stock options and other contingently issuable shares excluded due to their anti-dilutive effect for the three and nine months ended September 30, 2024. There were 1.1 million and 2.0 million of stock options and other contingently issuable shares excluded due to their anti-dilutive effect for the three and nine months ended September 30, 2023, respectively.

NOTE 18 - REPORTABLE SEGMENT INFORMATION

The Company reports its segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding the allocation of resources in accordance with the Segment Reporting Topic of the ASC. The Company determined it has three reportable segments: Paint Stores Group, Consumer Brands Group and Performance Coatings Group (individually, a Reportable Segment and collectively, the Reportable Segments). Refer to Note 23 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for further details on the Company's Reportable Segments.

Three Months Ended September 30, 2024					
	Paint Stores Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net sales	\$ 3,650.2	\$ 790.5	\$ 1,720.0	\$ 1.8	\$ 6,162.5
Intersegment transfers	—	1,412.2	6.4	(1,418.6)	—
Total net sales and intersegment transfers	\$ 3,650.2	\$ 2,202.7	\$ 1,726.4	\$ (1,416.8)	\$ 6,162.5
Segment profit	\$ 895.9	\$ 165.5	\$ 259.7		\$ 1,321.1
Interest expense				\$ (103.4)	(103.4)
Administrative expenses and other				(194.9)	(194.9)
Income before income taxes	<u>\$ 895.9</u>	<u>\$ 165.5</u>	<u>\$ 259.7</u>	<u>\$ (298.3)</u>	<u>\$ 1,022.8</u>

Three Months Ended September 30, 2023					
	Paint Stores Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net sales	\$ 3,537.1	\$ 854.8	\$ 1,724.2	\$ 0.6	\$ 6,116.7
Intersegment transfers	—	1,359.1	49.3	(1,408.4)	—
Total net sales and intersegment transfers	\$ 3,537.1	\$ 2,213.9	\$ 1,773.5	\$ (1,407.8)	\$ 6,116.7
Segment profit	\$ 917.5	\$ 101.6	\$ 279.7		\$ 1,298.8
Interest expense				\$ (101.9)	(101.9)
Administrative expenses and other				(187.9)	(187.9)
Income before income taxes	<u>\$ 917.5</u>	<u>\$ 101.6</u>	<u>\$ 279.7</u>	<u>\$ (289.8)</u>	<u>\$ 1,009.0</u>

Nine Months Ended September 30, 2024

	Paint Stores Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net sales	\$ 10,143.1	\$ 2,445.8	\$ 5,208.3	\$ 4.1	\$ 17,801.3
Intersegment transfers	—	4,073.9	50.2	(4,124.1)	—
Total net sales and intersegment transfers	\$ 10,143.1	\$ 6,519.7	\$ 5,258.5	\$ (4,120.0)	\$ 17,801.3
Segment profit	\$ 2,296.2	\$ 523.3	\$ 798.9		\$ 3,618.4
Interest expense				\$ (317.2)	(317.2)
Administrative expenses and other				(465.0)	(465.0)
Income before income taxes	\$ 2,296.2	\$ 523.3	\$ 798.9	\$ (782.2)	\$ 2,836.2

Nine Months Ended September 30, 2023

	Paint Stores Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net sales	\$ 9,894.9	\$ 2,673.3	\$ 5,228.9	\$ 2.6	\$ 17,799.7
Intersegment transfers	—	4,046.2	159.1	(4,205.3)	—
Total net sales and intersegment transfers	\$ 9,894.9	\$ 6,719.5	\$ 5,388.0	\$ (4,202.7)	\$ 17,799.7
Segment profit	\$ 2,293.5	\$ 305.7	\$ 771.3		\$ 3,370.5
Interest expense				\$ (322.9)	(322.9)
Administrative expenses and other				(411.7)	(411.7)
Income before income taxes	\$ 2,293.5	\$ 305.7	\$ 771.3	\$ (734.6)	\$ 2,635.9

In

the reportable segment financial information, Segment profit represents each reportable segment's Income before income taxes. Due to the nature of the Company's integrated manufacturing operations and centralized administrative and information technology support, a substantial amount of allocations are made to determine segment financial information. Domestic intersegment transfers are primarily accounted for at the approximate fully absorbed manufactured cost, based on normal capacity volumes, plus customary distribution costs for paint products. Non-paint domestic and all international intersegment transfers are primarily accounted for at values comparable to normal unaffiliated customer sales. All intersegment transfers are eliminated within the Administrative function. In 2023, absorbed manufactured cost standards for domestic intersegment transfers were established inclusive of forecasted cost reductions from planned initiatives for which unfavorable deviations were recognized within the Consumer Brands Group. The manufactured cost standards established at the beginning of 2024 did not include forecasted cost reductions.

Net sales of all consolidated foreign subsidiaries were \$1.124 billion and \$1.105 billion for the three months ended September 30, 2024 and 2023, respectively. Net external sales of all consolidated foreign subsidiaries were \$3.370 billion and \$3.342 billion for the nine months ended September 30, 2024 and 2023, respectively. Long-lived assets of these subsidiaries totaled \$3.631 billion and \$3.217 billion at September 30, 2024 and 2023, respectively. Domestic operations accounted for the remaining Net sales and long-lived assets. No single geographic area outside the United States was significant relative to consolidated Net sales, Income before income taxes or consolidated long-lived assets. Export sales and sales to any individual customer were each less than 10% of consolidated Net sales in 2024 and 2023.

For further details on the Company's Reportable Segments, see Note 23 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

(dollars in millions, except as noted and per share data)

BACKGROUND

The Sherwin-Williams Company, founded in 1866, and its consolidated wholly owned subsidiaries (collectively, the Company) are engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region and throughout Europe, Asia and Australia.

The Company is structured into three reportable segments - Paint Stores Group, Consumer Brands Group and Performance Coatings Group (collectively, the Reportable Segments) - and an Administrative function in the same way it is internally organized for assessing performance and making decisions regarding the allocation of resources. See Note 18 in Item 1 for further details on the Company's Reportable Segments.

SUMMARY

- Consolidated Net sales increased 0.7% in the quarter to \$6.163 billion
 - Net sales from stores in the Paint Stores Group open more than twelve calendar months increased 2.2% in the quarter
- Diluted net income per share increased 7.8% to \$3.18 per share in the quarter compared to \$2.95 per share in the third quarter 2023
- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) in the quarter increased 1.2% to \$1.282 billion in the quarter, or 20.8% of Net sales

OUTLOOK

We remain focused on navigating choppy macroeconomic conditions by purposefully executing our differentiated strategy to provide our customers with solutions that make them more productive and profitable. We remain well-positioned in each of our targeted markets and continue to prioritize investments in new stores, sales and technical personnel, innovation, digital and other growth initiatives that will allow us to generate sustained and profitable above-market growth in an increasingly uncertain and competitive landscape.

We employ a disciplined capital deployment strategy, while maintaining a balanced approach toward driving value for our customers and returns to our shareholders. We continue to pursue business acquisitions, transactions and investments that fit our long-term growth strategy. We will return value to our shareholders through the payment of dividends and the reinvestment of excess cash for share repurchases of Company stock. We have a strong liquidity position, with \$238.2 million in cash and \$3.026 billion of unused capacity under our credit facilities at September 30, 2024. We are, and expect to remain, in compliance with bank covenants.

RESULTS OF OPERATIONS

The Company has historically experienced, and expects to continue to experience, variability in quarterly results. The results of operations for the three and nine months ended September 30, 2024 are not indicative of the results to be expected for the full year as our business is seasonal in nature, with the majority of Net sales for the Reportable Segments traditionally occurring during the second and third quarters. However, periods of economic uncertainty can alter the Company's seasonal patterns.

The following discussion and analysis addresses comparisons of material changes in the consolidated financial statements for the three and nine months ended September 30, 2024 and 2023.

Net Sales

Three Months Ended September 30, 2024

	Three Months Ended September 30,					
	2024	2023	\$ Change	% Change	Currency Impact	Acquisition and Divestiture Impact
Paint Stores Group	\$ 3,650.2	\$ 3,537.1	\$ 113.1	3.2 %	(0.1) %	— %
Consumer Brands Group	790.5	854.8	(64.3)	(7.5)%	(3.6) %	(0.6) %
Performance Coatings Group	1,720.0	1,724.2	(4.2)	(0.2)%	(1.0) %	1.3 %
Administrative	1.8	0.6	1.2	200.0 %	— %	— %
Total	\$ 6,162.5	\$ 6,116.7	\$ 45.8	0.7 %	(0.8) %	0.3 %

Consolidated Net sales increased by 0.7% in the third quarter of 2024 primarily due to higher sales in the Paint Stores Group and the impact from the acquisition of SIC Holding GmbH in 2023. These increases were partially offset by lower sales in the Consumer Brands and Performance Coatings Groups as well as unfavorable foreign currency translation. Net sales of all consolidated foreign subsidiaries increased to \$1.124 billion in the third quarter of 2024 compared to \$1.105 billion in the same period last year. The increase in Net sales for all consolidated foreign subsidiaries was due to higher Net sales in the Europe and Asia regions. Net sales of all operations other than consolidated foreign subsidiaries increased to \$5.038 billion in the third quarter of 2024 compared to \$5.012 billion in the same period last year.

Net sales in the Paint Stores Group increased by 3.2% in the third quarter of 2024 primarily due to low-single digit sales volume growth and continued realization of higher selling prices implemented earlier in the year. Net sales increased in most professional customer end markets, led by protective and marine, residential repaint and new residential. Net sales from stores open for more than twelve calendar months increased by 2.2% in the third quarter of 2024 compared to last year's comparable period. Net sales of non-paint products increased 1.0% in the third quarter of 2024 compared to last year's comparable period. A discussion of changes in volume versus pricing for sales of non-paint products is not pertinent due to the wide assortment of general merchandise sold.

Net sales in the Consumer Brands Group decreased by 7.5% in the third quarter of 2024 primarily due to soft DIY demand in North America and a 3.6% impact from unfavorable foreign currency translation driven by Latin America. These decreases were partially offset by selling price increases in Latin America, which impacted Net sales by a low-single digit percentage and a low-single digit percentage sales volume increase in Latin America and Europe.

Net sales in the Performance Coatings Group was effectively flat as sales volume growth, inclusive of the impact of the 2023 acquisition of SIC Holding GmbH, was fully offset by unfavorable foreign currency translation. Performance was led by Packaging, which increased in all regions, Coil and Industrial Wood.

Nine Months Ended September 30, 2024

Nine Months Ended September 30,						
	2024	2023	\$ Change	% Change	Currency Impact	Acquisition and Divestiture Impact
Paint Stores Group	\$ 10,143.1	\$ 9,894.9	\$ 248.2	2.5 %	— %	— %
Consumer Brands Group	2,445.8	2,673.3	(227.5)	(8.5) %	(2.2) %	(1.8) %
Performance Coatings Group	5,208.3	5,228.9	(20.6)	(0.4) %	(0.6) %	1.4 %
Administrative	4.1	2.6	1.5	57.7 %	— %	— %
Total	\$ 17,801.3	\$ 17,799.7	\$ 1.6	— %	(0.5) %	0.2 %

Consolidated Net sales were essentially flat in the first nine months of 2024. Sales volume growth in the Paint Stores and Performance Coatings Groups was offset by lower sales volume in the Consumer Brands Group, inclusive of the impact from the divestiture of the China architectural business and a non-core domestic aerosol business in the prior period. Net sales of all consolidated foreign subsidiaries increased to \$3.370 billion in the first nine months of 2024 compared to \$3.342 billion in the same period last year. The increase in Net sales for all consolidated foreign subsidiaries was due to growth in the Europe region, partially offset by lower Net sales in the Latin America and Asia regions. Net sales of all operations other than consolidated foreign subsidiaries decreased 0.2% to \$14.431 billion in the first nine months of 2024 compared to \$14.458 billion in the same period last year.

Net sales in the Paint Stores Group increased by 2.5% in the first nine months of 2024 primarily due to low-single digit sales volume growth and realization of higher selling prices that were implemented earlier in the year. Net sales from stores open for more than twelve calendar months increased 1.6% in the first nine months of 2024 compared to last year's comparable period. Net sales of non-paint products increased 0.5% in the first nine months of 2024 compared to last year's comparable period. A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of general merchandise sold.

Net sales in the Consumer Brands Group decreased by 8.5% in the first nine months of 2024 primarily due to a mid-single digit percentage sales volume decline primarily due to soft DIY demand in North America and the impact from the divestiture of the China architectural business and a non-core domestic aerosol business in the prior period. In addition, Net sales were unfavorably impacted by foreign currency translation.

Net sales in the Performance Coatings Group decreased by 0.4% in the first nine months of 2024 primarily due to selling price decreases, which impacted Net sales by a low-single digit percentage and unfavorable foreign currency translation, partially offset by mid-single digit sales volume growth, inclusive of the acquisition of SIC Holding GmbH in 2023. Performance was led by Industrial Wood and Coil, but was offset by a decrease in General Industrial and Automotive Refinish.

Income Before Income Taxes

The following table presents the components of Income before income taxes as a percentage of Net sales:

	Three Months Ended September 30,				Nine Months Ended September 30,				
	2024		2023		2024		2023		
		% of Net Sales		% of Net Sales		% of Net Sales		% of Net Sales	
Net sales	\$	6,162.5	100.0 %	\$	6,116.7	100.0 %	\$	17,801.3	100.0 %
Cost of goods sold		3,135.0	50.9 %		3,200.5	52.3 %		9,179.4	51.6 %
Gross profit		3,027.5	49.1 %		2,916.2	47.7 %		8,621.9	48.4 %
SG&A		1,893.7	30.7 %		1,756.5	28.7 %		5,539.2	31.1 %
Other general expense (income) - net		0.7	—%		61.9	1.0 %		(30.9)	(0.2)%
Impairment		—	—%		—	—%		—	—%
Interest expense		103.4	1.6 %		101.9	1.7 %		317.2	1.9 %
Interest income		(2.6)	—%		(5.1)	(0.1)%		(9.6)	(0.1)%
Other expense (income) - net		9.5	0.2 %		(8.0)	(0.1)%		(30.2)	(0.2)%
Income before income taxes	\$	1,022.8	16.6 %	\$	1,009.0	16.5 %	\$	2,836.2	15.9 %
							\$	2,635.9	14.8 %

Three Months Ended September 30, 2024

Consolidated Cost of goods sold decreased \$65.5 million, or 2.0%, in the third quarter of 2024 compared to the same period in 2023 primarily due to improved efficiencies in manufacturing and distribution operations and foreign currency translation rate changes, which decreased Cost of goods sold by approximately 1%. These decreases were partially offset by a low single-digit increase in sales volume.

Consolidated gross profit increased \$111.3 million in the third quarter of 2024 compared to the same period in 2023 primarily due to higher Net sales in the Paint Stores Group and improved efficiencies in manufacturing and distribution operations. Consolidated gross profit as a percent of consolidated Net sales increased in the third quarter of 2024 to 49.1% compared to 47.7% during the same period in 2023 for these same reasons.

The Paint Stores Group's gross profit in the third quarter of 2024 was higher than the same period last year by \$59.6 million due primarily to higher Net sales. The Paint Stores Group's gross profit as a percent of Net sales was effectively flat in the third quarter of 2024 compared to the same period in 2023. The Consumer Brands Group's gross profit increased by \$55.1 million in the third quarter of 2024 compared to the same period last year due primarily to higher fixed cost absorption in the manufacturing and distribution operations within the segment, partially offset by lower Net sales. The Consumer Brands Group's gross profit as a percent of Net sales increased in the third quarter of 2024 compared to the same period in 2023 for these same reasons. The Performance Coatings Group's gross profit decreased \$14.1 million in the third quarter of 2024 compared to the same period last year due primarily to lower sales in North America and unfavorable foreign currency related impacts. The Performance Coatings Group's gross profit as a percent of Net sales decreased in the third quarter of 2024 compared to the same period last year for these same reasons.

Consolidated Selling, general and administrative expenses (SG&A) increased \$137.2 million in the third quarter of 2024 versus the same period last year primarily due to investments in long-term growth strategies, including expenses to support net new store openings and digital technologies, and higher employee-related costs. As a percent of Net sales, consolidated SG&A increased 200 basis points in the third quarter of 2024 compared to the same period last year for these same reasons.

The Paint Stores Group's SG&A increased \$75.0 million in the third quarter of 2024 compared to the same period last year due primarily due to investments in long-term growth initiatives, including increased spending from new store openings, and higher employee-related costs. The Consumer Brands Group's SG&A decreased \$5.4 million in the third quarter of 2024 compared to the same period last year primarily due to effective cost control in managing the operations of the business, partially offset by higher employee-related costs. The Performance Coatings Group's SG&A decreased \$0.5 million in the third quarter of 2024 compared to the same period last year primarily due to lower employee-related costs. The Administrative function's SG&A increased \$68.1 million in the third quarter of 2024 compared to the same period last year due primarily to higher employee-related costs and increased expenses related to digital technologies and systems.

Other general expense (income) - net decreased \$61.2 million in the third quarter of 2024 compared to the same period last year primarily due to a decrease in provisions for environmental matters, net in the Administrative function and increased net gains on sale or disposition of assets. See Note 15 in Item 1 for further details.

Interest expense increased \$1.5 million in the third quarter of 2024 compared to the same period last year primarily due to an increase in short-term borrowings. See Note 6 in Item 1 for additional information on the Company's outstanding debt.

Other expense (income) - net was expense of \$9.5 million in the third quarter of 2024 compared to income of \$8.0 million in the same period last year primarily due to higher foreign currency transaction losses in the current year and an increase in miscellaneous expenses, partially offset by an increase in miscellaneous income. See Note 15 in Item 1 for further details.

Nine Months Ended September 30, 2024

Consolidated Cost of goods sold decreased \$410.9 million, or 4.3%, in the first nine months of 2024 compared to the same period in 2023 due primarily to moderating raw material costs, partially offset by a low single-digit increase in sales volume.

Consolidated gross profit increased \$412.5 million in the first nine months of 2024 compared to the same period in 2023 primarily due to moderating raw material costs and higher Net sales. Consolidated gross profit as a percent of consolidated Net sales increased in the first nine months of 2024 to 48.4% compared to 46.1% during the same period in 2023 for these same reasons.

The Paint Stores Group's gross profit in the first nine months of 2024 was higher than the same period last year by \$181.8 million due primarily to higher Net sales and moderating raw material costs. The Paint Stores Group's gross profit as a percent of Net sales increased in the first nine months of 2024 compared to the same period in 2023 for these same reasons. The Consumer Brands Group's gross profit increased by \$206.2 million in the first nine months of 2024 compared to the same period last year due primarily to higher fixed cost absorption in the manufacturing and distribution operations within the segment and moderating raw material costs, partially offset by lower Net sales. The Consumer Brands Group's gross profit as a percent of Net sales increased in the first nine months of 2024 compared to the same period last year for these same reasons. The Performance Coatings Group's gross profit increased \$11.6 million in the first nine months of 2024 compared to the same period last year primarily due to moderating raw material costs, partially offset by lower Net sales. The Performance Coatings Group's gross profit as a percent of Net sales increased in the first nine months of 2024 compared to the same period last year for these same reasons.

Consolidated SG&A increased \$329.7 million in the first nine months of 2024 versus the same period last year primarily due to investments in long-term growth strategies, including expenses to support net new store openings and digital technologies, and higher employee-related costs. As a percent of Net sales, consolidated SG&A increased 180 basis points in the first nine months of 2024 compared to the same period last year for these same reasons.

The Paint Stores Group's SG&A increased \$166.9 million in the first nine months of 2024 compared to the same period last year primarily due to investments in long-term growth initiatives, including increased spending from new store openings, costs to support higher sales and higher employee-related costs. The Consumer Brands Group's SG&A increased \$1.0 million in the first nine months of 2024 compared to the same period last year due to higher employee-related costs, partially offset by effective cost control in managing the operations of the business. The Performance Coatings Group's SG&A increased \$15.7 million in the first nine months of 2024 compared to the same period last year due primarily to investments in long-term initiatives. The Administrative function's SG&A increased \$146.1 million in the first nine months of 2024 compared to the same period last year due primarily to higher employee-related costs and increased expenses related to digital technologies and systems.

Other general expense (income) - net was income of \$30.9 million in the third quarter of 2024 compared to expense of \$39.9 million in the same period last year primarily due to a decrease in provisions for environmental matters, net in the Administrative function, increased net gains on sale or disposition of assets and a decrease in miscellaneous expenses. This activity was partially offset by the gain recognized in the prior period related to the divestiture of a business. See Note 15 in Item 1 for further details.

For information on impairment recognized in prior periods as a result of the divestiture of the China architectural business, see Notes 3 and 5 in Item 1 and Note 3 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Interest expense decreased \$5.7 million in the first nine months of 2024 compared to the same period last year primarily due to a decrease in long-term debt outstanding during the first nine months of 2024 compared to the same period last year, partially offset by higher interest expense on short-term borrowings. See Note 6 in Item 1 for additional information on the Company's outstanding debt.

Other expense (income) - net was income of \$30.2 million in the first nine months of 2024 compared to income of \$17.0 million in the same period last year. The increase is primarily due to lower foreign currency transaction related losses in the current year compared to the prior period and an increase in miscellaneous income, partially offset by a decrease in investment gains. See Note 15 in Item 1 for further details.

The following table presents Income before income taxes by segment and as a percentage of Net sales by segment:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Income Before Income Taxes:						
Paint Stores Group	\$ 895.9	\$ 917.5	(2.4) %	\$ 2,296.2	\$ 2,293.5	0.1 %
Consumer Brands Group	165.5	101.6	62.9 %	523.3	305.7	71.2 %
Performance Coatings Group	259.7	279.7	(7.2) %	798.9	771.3	3.6 %
Administrative	(298.3)	(289.8)	(2.9) %	(782.2)	(734.6)	(6.5) %
Total	<u>\$ 1,022.8</u>	<u>\$ 1,009.0</u>	1.4 %	<u>\$ 2,836.2</u>	<u>\$ 2,635.9</u>	7.6 %
Income Before Income Taxes						
as a % of Net Sales:						
Paint Stores Group	24.5 %	25.9 %		22.6 %	23.2 %	
Consumer Brands Group	20.9 %	11.9 %		21.4 %	11.4 %	
Performance Coatings Group	15.1 %	16.2 %		15.3 %	14.8 %	
Administrative	nm	nm		nm	nm	
Total	16.6 %	16.5 %		15.9 %	14.8 %	

nm - not meaningful

Income Tax Expense

The effective tax rate was 21.2% for the third quarter of 2024 compared to 24.5% for the third quarter of 2023, and 22.4% for the first nine months of 2024 compared to 22.9% for the first nine months of 2023. The decrease in the effective tax rate for both periods was primarily due to a more favorable impact of tax benefits related to employee share-based payments. The other significant components of the Company's effective tax rate were consistent year-over-year in both periods. See Note 16 in Item 1 for further details.

Net Income Per Share

Diluted net income per share in the third quarter of 2024 increased 7.8% to \$3.18 per share compared to \$2.95 per share in the third quarter of 2023. Diluted net income per share included a \$0.19 per share charge for acquisition-related amortization expense in both the third quarter of 2024 and 2023. In the third quarter of 2023, diluted net income per share also included a charge of \$0.06 per share related to activities associated with the Company's restructuring plan. Foreign currency translation rate changes decreased diluted net income per share by \$0.04 in the third quarter of 2024.

Diluted net income per share for the first nine months of 2024 increased 10.2% to \$8.65 per share compared to \$7.85 per share in the first nine months of 2023. Diluted net income per share included a \$0.59 and \$0.60 per share charge for acquisition-related amortization expense for the first nine months of 2024 and 2023, respectively. In the first nine months of 2023, diluted net income per share included a net charge of \$0.09 per share related to activities associated with the Company's restructuring plan. Foreign currency translation rate changes decreased diluted net income per share by \$0.06 in the first nine months of 2024.

For information on the Company's restructuring plan, see Note 4 in Item 1 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

FINANCIAL CONDITION, LIQUIDITY AND CASH FLOW

Overview

The Company's financial condition and liquidity remained strong at September 30, 2024. The Company generated \$2.219 billion in Net operating cash during the first nine months of 2024. The Company returned cash of \$1.972 billion to its shareholders in the form of dividends and share repurchases during the first nine months of 2024. The Company's EBITDA increased 5.5% to \$3.616 billion for the first nine months of 2024. Refer to the Non-GAAP Financial Measures section below for the definition and calculation of EBITDA.

At September 30, 2024, the Company had Cash and cash equivalents of \$238.2 million and total debt outstanding of \$10.140 billion. Total debt, net of Cash and cash equivalents, was \$9.902 billion. The Company continues to maintain sufficient short-term borrowing capacity at reasonable rates, and the Company has sufficient cash on hand and total available borrowing capacity to fund its current operating requirements.

Net Working Capital

Net working capital, defined as Total current assets less Total current liabilities, decreased \$819.4 million to a deficit of \$1.244 billion at September 30, 2024 compared to a deficit of \$424.4 million at September 30, 2023. The net working capital decrease is due to an increase in current liabilities and a decrease in current assets.

Current asset balances decreased \$224.5 million at September 30, 2024 compared to September 30, 2023 primarily due to a decrease in Cash and cash equivalents of \$265.2 million primarily due to the timing of the SIC Holding acquisition in October 2023 and a decrease of \$14.9 million in Other current assets, partially offset by an increase of \$32.5 million in Accounts receivable, net and an increase in Inventories of \$23.1 million.

Current liability balances increased \$594.9 million at September 30, 2024 compared to September 30, 2023 primarily due to an increase in Short-term borrowings of \$576.9 million, an increase in Other accruals of \$140.3 million, primarily related to environmental liabilities, liabilities from contracts with customers, commitments related to Non-Traded Investments and miscellaneous other current liabilities, an increase in Accounts payable of \$112.9 million and an increase in the Current portion of operating lease liabilities of \$21.7 million, partially offset by a decrease in Accrued taxes of \$165.3 million, a decrease in the Current portion of long-term debt of \$49.3 million and a decrease of \$42.3 million in compensation and taxes withheld. At September 30, 2024 and 2023, the Company's current ratio was 0.83 and 0.94, respectively, compared to 0.83 at December 31, 2023.

Property, Plant and Equipment

Net property, plant and equipment increased \$507.9 million in the first nine months of 2024 and \$764.1 million in the twelve months since September 30, 2023. The increase in the first nine months was primarily due to capital expenditures of \$730.6 million, partially offset by depreciation expense of \$217.3 million and foreign currency translation and other adjustments of \$5.4 million. Since September 30, 2023, the increase was primarily due to capital expenditures of \$1.080 billion and foreign currency translation and other adjustments of \$5.6 million, partially offset by depreciation expense of \$291.6 million and the sale or disposition of fixed assets of \$29.9 million.

Capital expenditures primarily represented expenditures related to construction activities associated with the new headquarters and research and development (R&D) center in the Administrative function. Construction of the new headquarters and R&D center is expected to be complete in 2025. In addition, capital expenditures were related to manufacturing capacity expansion, operational efficiencies and maintenance projects in the Consumer Brands and Performance Coatings Groups and the opening of new paint stores and renovation and improvements in existing stores in the Paint Stores Group.

In 2024, the Company expects to spend approximately the same as 2023 for capital expenditures, which it will fund primarily through the generation of operating cash. Core capital expenditures are targeted to be approximately 2% of Net sales in 2024 and are expected to be for investments in various productivity improvement and maintenance projects at existing manufacturing, distribution and R&D facilities and new store openings. Additionally, the Company will continue to construct its new headquarters and R&D center. Refer to "Real Estate Financing" below for further information on the financing transaction for the new headquarters.

Real Estate Financing

In December 2022, the Company closed a transaction to sell and subsequently lease back its partially-constructed new headquarters. As part of the terms of the transaction, the Company is contractually obligated for completing the construction of the building and related improvements at the new headquarters. This transaction did not meet the criteria for recognition as an

asset sale under U.S. generally accepted accounting principles (US GAAP) and as such, was accounted for as a real estate financing transaction. The Company expects to receive total proceeds approximating \$800 million to \$850 million on an incremental basis until completion of construction. The initial lease term includes the construction period and extends for 30 years thereafter, and the Company has the right and option to extend the lease term. The lease payment amounts during the construction period are dependent upon the timing and amount of total reimbursement of construction and other costs received by the Company. The amount of the lease payments during the initial 30 year lease term will be calculated upon completion of the construction period and receipt of total reimbursement of construction and other costs. Once determinable, this is expected to result in a significant increase in the Company's long-term contractual obligations.

See Note 8 in Item 1 and Notes 8 and 11 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for more information concerning real estate financing.

Goodwill and Intangible Assets

Goodwill increased \$31.0 million from December 31, 2023 and increased \$244.7 million from September 30, 2023. The increase during the first nine months of 2024 was primarily due to purchase accounting allocations of \$27.1 million and foreign currency translation fluctuations of \$3.9 million. The increase over the twelve month period from September 30, 2023 was primarily due to purchase accounting allocations of \$181.3 million and foreign currency translation fluctuations and other adjustments of \$63.4 million.

Intangible assets decreased \$223.6 million from December 31, 2023 and \$167.1 million from September 30, 2023. The decrease during the first nine months of 2024 was primarily due to amortization of \$244.8 million and foreign currency translation fluctuations and other adjustments of \$0.4 million, partially offset by capitalized software of \$21.6 million. The decrease over the twelve month period from September 30, 2023 was primarily due to amortization of \$319.6 million and trademark impairment of \$24.0 million, partially offset by purchase accounting allocations of \$110.7 million, capitalized software of \$21.6 million, and foreign currency translation fluctuations and other adjustments of \$44.2 million.

See Note 5 in Item 1 for further details concerning the Company's Goodwill and Intangible assets and Note 3 in Item 1 for information on the impairment test performed as a result of the China architectural business divestiture in the third quarter of 2023. In addition, see Note 7 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for more information concerning the Company's Goodwill and Intangible assets.

Other Assets

Other assets increased \$234.6 million from December 31, 2023 and \$331.3 million from September 30, 2023. The increase in the first nine months of 2024 and from September 30, 2023 was primarily due to an increase in Non-Traded Investments and other assets related to contracts with customers, deposits, including the deposit related to the acquisition that closed in October 2024 (see Note 3 in Item 1), and assets related to cloud computing arrangements. See Note 1 in Item 1 for further details on the Company's Non-Traded Investments.

Debt (including Short-term borrowings)

	September 30, 2024	December 31, 2023	September 30, 2023
Long-term debt (including current portion)	\$ 9,224.2	\$ 9,476.7	\$ 9,597.4
Short-term borrowings	915.5	374.2	338.6
Total debt outstanding	<u>\$ 10,139.7</u>	<u>\$ 9,850.9</u>	<u>\$ 9,936.0</u>

The Company's long-term debt primarily consists of senior notes as disclosed in Note 8 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. See Note 6 in Item 1 for additional information concerning debt.

Defined Benefit Pension and Other Postretirement Benefit Plans

Long-term liabilities for defined benefit pension and other postretirement benefit plans did not change significantly from December 31, 2023. The changes from September 30, 2023 are primarily due to changes in actuarial assumptions. See Note 9 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 for more information concerning the Company's liabilities for defined benefit pension and other postretirement benefit plans.

Deferred Income Taxes

Deferred income taxes decreased \$51.4 million from December 31, 2023 and \$16.7 million from September 30, 2023 primarily due to amortization of acquisition-related intangible assets.

Environmental-Related Liabilities

The operations of the Company, like those of other companies in the same industry, are subject to various domestic and foreign environmental laws and regulations. These laws and regulations not only govern current operations and products, but also impose potential liability on the Company for past operations. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and the industry in the future. Management believes that the Company conducts its operations in compliance with applicable environmental laws, regulations and requirements and has implemented various programs designed to help protect the environment and promote continued compliance.

Depreciation of capital expenditures and other expenses related to ongoing environmental compliance measures were included in the normal operating expenses of conducting business. The Company's capital expenditures, depreciation and other expenses related to ongoing environmental compliance measures were not material to the Company's financial condition, liquidity, cash flow or results of operations during the first nine months of 2024. Management does not expect that such capital expenditures, depreciation and other expenses will be material to the Company's financial condition, liquidity, cash flow or results of operations in 2024. See Notes 8 and 15 in Item 1 for further information on environmental-related long-term liabilities.

Contractual Obligations, Commercial Commitments and Warranties

There have been no significant changes to the Company's contractual obligations and commercial commitments in the first nine months of 2024 as summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Litigation

See Note 9 in Item 1 for information concerning litigation.

Shareholders' Equity

	September 30, 2024	December 31, 2023	September 30, 2023
Total shareholders' equity	\$ 4,156.1	\$ 3,715.8	\$ 3,780.0

Shareholders' equity increased \$440.3 million during the first nine months of 2024 primarily as a result of Net income of \$2.201 billion and an increase in Other capital of \$277.8 million mainly associated with stock-based compensation expense and stock option exercises. These increases were partially offset by \$1.444 billion of treasury stock activity mainly attributable to treasury stock repurchases, cash dividends paid on common stock of \$543.6 million and a decrease in AOCI of \$51.9 million mainly due to foreign currency translation adjustments.

Shareholders' equity increased \$376.1 million since September 30, 2023 primarily as a result of Net income of \$2.558 billion and an increase in Other capital of \$367.5 million mainly associated with stock-based compensation expense and stock option exercises. These increases were partially offset by \$1.931 billion of treasury stock activity mainly attributable to treasury stock repurchases, cash dividends paid on common stock of \$698.9 million and an increase in AOCI of \$80.2 million mainly due to foreign currency translation adjustments.

During the first nine months of 2024, the Company purchased 4.4 million shares of its common stock for treasury purposes through open market purchases. The Company acquires its common stock for general corporate purposes, and depending on its cash position and market conditions, it may acquire additional shares in the future. The Company had remaining authorization at September 30, 2024 to purchase 35.3 million shares of its common stock.

In February 2024, the Company's Board of Directors increased the quarterly cash dividend from \$0.605 per share to \$0.715 per share. This quarterly dividend was approved in all subsequent quarters and will result in an annual dividend for 2024 of \$2.86 per share, or a 31% payout of 2023 diluted net income per share.

Cash Flow

Net operating cash for the nine months ended September 30, 2024 was a source of \$2.219 billion compared to a source of \$2.603 billion for the same period in 2023. The decrease in Net operating cash was primarily due to higher cash requirements for working capital, partially offset by higher Net income.

Net investing cash usage increased \$401.8 million in the first nine months of 2024 to a usage of \$910.8 million compared to a usage of \$509.0 million for the same period in 2023 primarily due to an increase in cash used for capital expenditures, cash on deposit for a pending acquisition in the current year and reduced proceeds from the sale of assets, partially offset by proceeds from the divestiture of a business in the prior period.

Net financing cash usage decreased \$438.8 million in the first nine months of 2024 to a usage of \$1.346 billion compared to a usage of \$1.785 billion for the same period in 2023 primarily due to an increase in short-term borrowings, proceeds from long-term debt in the current year and higher proceeds from stock options exercised, partially offset by an increase in payments of long-term debt, treasury stock purchases and cash dividends.

In the twelve month period from October 1, 2023 through September 30, 2024, the Company generated net operating cash of \$3.137 billion, used \$1.441 billion in investing activities and used \$1.986 billion in financing activities.

Market Risk

The Company is exposed to market risk associated with interest rate, foreign currency and commodity fluctuations. The Company occasionally utilizes derivative instruments as part of its overall financial risk management policy, but does not use derivative instruments for speculative or trading purposes. In 2024 and 2023, the Company entered into foreign currency forward contracts with maturity dates of less than twelve months primarily to hedge against value changes in foreign currency. The Company also has cross currency swap contracts to hedge its net investment in European operations. See Notes 12 and 15 in Item 1 for additional information related to the Company's use of derivative instruments.

The Company believes it may be exposed to continuing market risk from foreign currency exchange rate and commodity price fluctuations. However, the Company does not expect that foreign currency exchange rate and commodity price fluctuations or hedging contract losses will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Financial Covenant

Certain borrowings contain a consolidated leverage covenant. The covenant states that the Company's consolidated leverage ratio is not to exceed 3.75 to 1.00, however, the Company may elect to temporarily increase the leverage ratio to 4.25 to 1.00 for a period of four consecutive fiscal quarters immediately following the consummation of a qualifying acquisition, as defined in the New Credit Agreement dated July 31, 2024. The leverage ratio is defined as the ratio of total indebtedness (the sum of Short-term borrowings, Current portion of long-term debt and Long-term debt) at the reporting date to consolidated "Earnings Before Interest, Taxes, Depreciation, and Amortization" (EBITDA), as defined in the credit agreement, for the 12-month period ended on the same date. Refer to the "Non-GAAP Financial Measures" section below for a reconciliation of EBITDA to Net income. At September 30, 2024, the Company was in compliance with the covenant and expects to remain in compliance. The Company's notes, debentures and revolving credit agreements contain various default and cross-default provisions. In the event of default under any one of these arrangements, acceleration of the maturity of any one or more of these borrowings may result. See Note 8 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 and Note 6 in Item 1 for additional information concerning the Company's debt and related covenants.

Non-GAAP Financial Measures

Management utilizes certain financial measures that are not in accordance with US GAAP to analyze and manage the performance of the business. The required disclosures for these non-GAAP measures are shown below. The Company provides such non-GAAP information in reporting its financial results to give investors additional data to evaluate the Company's operations. Management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitution for, financial information prepared in accordance with US GAAP.

EBITDA and Adjusted EBITDA

EBITDA is a non-GAAP financial measure defined as Net income before income taxes, Interest expense, depreciation and amortization. Adjusted EBITDA is a non-GAAP financial measure defined as EBITDA that excludes certain adjustments that management believes enhances investors' understanding of the Company's operating performance. Management considers EBITDA and Adjusted EBITDA useful in understanding the operating performance of the Company. The reader is cautioned that the Company's EBITDA and Adjusted EBITDA should not be compared to other entities unknowingly. Further, EBITDA and Adjusted EBITDA should not be considered alternatives to Net income or Net operating cash as an indicator of operating performance or as a measure of liquidity. The reader should refer to the determination of Net income and Net operating cash in accordance with US GAAP disclosed in the Statements of Consolidated Income and Statements of Condensed Consolidated Cash Flows in Item 1.

The following table summarizes EBITDA and Adjusted EBITDA as calculated by management for the periods indicated below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 806.2	\$ 761.5	\$ 2,201.3	\$ 2,032.6
Interest expense	103.4	101.9	317.2	322.9
Income taxes	216.6	247.5	634.9	603.3
Depreciation	74.4	71.9	217.3	218.0
Amortization	81.2	83.5	244.8	250.2
EBITDA	\$ 1,281.8	\$ 1,266.3	\$ 3,615.5	\$ 3,427.0
Restructuring expense	—	—	—	9.6
Impairment of assets related to China divestiture	—	—	—	34.0
Gain on divestiture of domestic aerosol business	—	—	—	(20.1)
Adjusted EBITDA	\$ 1,281.8	\$ 1,266.3	\$ 3,615.5	\$ 3,450.5

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect amounts reported in the accompanying condensed consolidated financial statements. These determinations were made based upon management's best estimates, judgments and assumptions that were believed to be reasonable under the circumstances, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

A comprehensive discussion of the Company's critical accounting policies, management estimates and significant accounting policies followed in the preparation of the condensed consolidated financial statements is included in Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes in critical accounting policies, management estimates or accounting policies since the year ended December 31, 2023.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report constitute “forward-looking statements” within the meaning of federal securities laws. These forward-looking statements are based upon management’s current expectations, predictions, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and the costs and potential liability for environmental-related matters and the lead pigment and lead-based paint litigation. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as “believe,” “expect,” “estimate,” “project,” “plan,” “goal,” “target,” “potential,” “intend,” “aspire,” “strive,” “may,” “will,” “should,” “could,” “would,” “seek,” or “anticipate” or the negative thereof or comparable terminology.

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, performance and experience. These risks, uncertainties and other factors include such things as:

- general business conditions, including the strength of retail and manufacturing economies and growth in the coatings industry;
 - changes in general domestic and international economic conditions, including due to changes in inflation rates, interest rates, tax rates, unemployment rates, labor costs, healthcare costs, recessionary conditions, geopolitical conditions, government policies, laws and regulations;
 - weakening of global credit markets and our ability to generate cash to service our indebtedness;
 - fluctuations in foreign currency exchange rates, including as a result of inflation, central bank monetary policies, currency controls and other exchange restrictions;
 - any disruption in the availability of, or increases in the price of, raw material and energy supplies;
 - disruptions in the supply chain, including those related to industry capacity constraints, raw material availability, transportation and logistics delays and constraints, political instability or civil unrest;
 - catastrophic events, adverse weather conditions and natural disasters, including those that may be related to climate change or otherwise;
 - losses of or changes in our relationships with customers and suppliers;
 - competitive factors, including pricing pressures and product innovation and quality;
 - our ability to successfully integrate past and future acquisitions into our existing operations, as well as the performance of the businesses acquired;
 - risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets, including general economic conditions, policy changes affecting international trade, political instability, inflation rates, recessions, sanctions, foreign currency exchange rates and controls, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest, armed conflicts and wars (including the ongoing conflict between Russia and Ukraine and the Israel-Hamas war) and other economic and political factors;
 - cybersecurity incidents and other disruptions to our information technology systems, and our reliance on information technology systems;
 - our ability to attract, retain, develop and progress a qualified global workforce;
 - our ability to execute on our business strategies related to sustainability matters, and achieve related expectations, including as a result of evolving regulatory and other standards, processes, and assumptions, the pace of scientific and technological developments, increased costs and the availability of requisite financing, and changes in carbon markets;
 - damage to our business, reputation, image or brands due to negative publicity;
 - our ability to protect or enforce our material trademarks and other intellectual property rights;
 - our ability to comply with numerous and evolving U.S. and non-U.S. laws, rules, and regulations and the effectiveness of our compliance efforts;
 - adverse changes to our tax positions in U.S. and non-U.S. jurisdictions, including as a result of new or revised tax laws or interpretations;
 - increasingly stringent domestic and foreign governmental regulations, including those affecting health, safety and the environment;
 - inherent uncertainties involved in assessing our potential liability for environmental-related activities;
-

- other changes in governmental policies, laws and regulations, including changes in tariff policies, accounting policies and standards; and
- 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.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that 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, except as otherwise required by law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with interest rates, foreign currency and commodity fluctuations. The Company occasionally utilizes derivative instruments as part of its overall financial risk management policy, but does not use derivative instruments for speculative or trading purposes. The Company enters into option and forward currency exchange contracts and commodity swaps to hedge against value changes in foreign currency and commodities. The Company believes it may experience continuing losses from foreign currency translation and commodity price fluctuations. However, the Company does not expect foreign currency translation, transaction, commodity price fluctuations or hedging contract losses to have a material adverse effect on the Company's financial condition, results of operations or cash flows. There were no material changes in the Company's exposure to market risk since the disclosure included in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our President and Chief Executive Officer and our Senior Vice President - Finance and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, our President and Chief Executive Officer and our Senior Vice President - Finance and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and accumulated and communicated to our management including our President and Chief Executive Officer and our Senior Vice President - Finance and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during the periods covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Securities and Exchange Commission regulations require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed a specified threshold. Pursuant to these regulations, the Company uses a threshold of \$1 million for purposes of determining whether disclosure of any such proceedings is required.

For information regarding certain environmental-related matters and other legal proceedings, see the information included under the captions titled “Other Long-Term Liabilities” and “Litigation” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 8 and 9 of the “Notes to Condensed Consolidated Financial Statements.” The information contained in Note 9 to the Condensed Consolidated Financial Statements is incorporated herein by reference.

Item 1A. Risk Factors.

We face a number of risks that could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. A discussion of our risk factors can be found in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2023. Readers should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. During the nine months ended September 30, 2024, there were no material changes to our previously disclosed risk factors.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

A summary of the Company’s third quarter activity is as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Plan
July 1 - July 31				
Share repurchase program ⁽¹⁾	150,000	\$ 349.11	150,000	36,375,000
Employee transactions ⁽²⁾	1,423	\$ 340.66	—	N/A
August 1 - August 31				
Share repurchase program ⁽¹⁾	550,000	\$ 354.88	550,000	35,825,000
Employee transactions ⁽²⁾	988	\$ 351.25	—	N/A
September 1 - September 30				
Share repurchase program ⁽¹⁾	550,000	\$ 365.72	550,000	35,275,000
Employee transactions ⁽²⁾	645	\$ 374.97	—	N/A
Quarter Total				
Share repurchase program ⁽¹⁾	1,250,000	\$ 358.96	1,250,000	35,275,000
Employee transactions ⁽²⁾	3,056	\$ 351.33	—	N/A

⁽¹⁾ Shares were purchased through the Company’s publicly announced share repurchase program. There is no expiration date specified for the program.

⁽²⁾ Shares were delivered to satisfy the exercise price and/or tax withholding obligations by employees who exercised stock options or had restricted stock units vest.

Item 5. Other Information.

Trading Arrangements

During the quarter ended September 30, 2024, none of the Company's directors or "officers," as defined in Rule 16a-1(f) of the Exchange Act, adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

- 4.1 [Credit Agreement, dated as of July 31, 2024, by and among the Company, Sherwin-Williams Canada Inc. and Sherwin-Williams Luxembourg S.à r.l., as borrowers, the lenders party thereto, the issuing lenders party thereto and Citibank, N.A., as administrative agent, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 31, 2024, and incorporated herein by reference.](#)
- 4.2 [Third Supplemental Indenture, dated as of August 9, 2024, by and between the Company and U.S. Bank Trust Company, National Association, as Trustee \(including Form of Note\), filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 9, 2024, and incorporated herein by reference.](#)
- 4.3 [Fourth Supplemental Indenture, dated as of August 9, 2024, by and between the Company and U.S. Bank Trust Company, National Association, as Trustee \(including Form of Note\), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated August 9, 2024, and incorporated herein by reference.](#)
- 31(a) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer \(filed herewith\).](#)
- 31(b) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer \(filed herewith\).](#)
- 32(a) [Section 1350 Certification of Chief Executive Officer \(furnished herewith\).](#)
- 32(b) [Section 1350 Certification of Chief Financial Officer \(furnished herewith\).](#)
- 101.INS Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104 The cover page from this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024, formatted in Inline XBRL and contained in Exhibit 101.
-

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE SHERWIN-WILLIAMS COMPANY

October 22, 2024

By:

/s/ Jane M. Cronin

Jane M. Cronin
Senior Vice President -
Enterprise Finance

October 22, 2024

By:

/s/ Allen J. Mistysyn

Allen J. Mistysyn
Senior Vice President - Finance
and Chief Financial Officer