



Sherwin-Williams Company (SHW)

Updated May 26th, 2025, by Aristofanis Papadatos

Key Metrics

Current Price:	\$353	5 Year CAGR Estimate:	3.0%	Market Cap:	\$88 B
Fair Value Price:	\$276	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	5/16/25
% Fair Value:	128%	5 Year Valuation Multiple Estimate:	-4.8%	Dividend Payment Date:	6/6/25
Dividend Yield:	0.9%	5 Year Price Target	\$387	Years Of Dividend Growth:	47
Dividend Risk Score:	A	Sector:	Materials	Rating:	Hold

Overview & Current Events

Founded in 1866 and headquartered in Cleveland, OH, Sherwin-Williams is North America's largest manufacturer of paints and coatings. It distributes its products through wholesalers as well as retail stores (including a chain of more than 5,000 company-operated stores and facilities) to 120 countries under the Sherwin-Williams name. The company also manufactures *Dutch Boy*, *Pratt & Lambert*, *Minwax*, *Thompson's Waterseal*, *Krylon*, *Valspar* (acquired in 2017), and other brands. Sherwin-Williams generated annual sales of \$23 billion last year and has a market capitalization of \$88 billion. With 47 years of consecutive dividend increases, Sherwin-Williams is a member of the Dividend Aristocrats Index.

On April 29th, 2025, Sherwin-Williams released financial results for the first quarter of fiscal 2025. Sales dipped -1% over the prior year's quarter, mostly due to weak construction completion activity. However, gross margin expanded from 47.2% to 48.2% and adjusted earnings-per-share grew 4%, from \$2.17 to \$2.25.

Sherwin-Williams reiterated its positive guidance for 2025. It expects sales to be up a low-single digit % and earnings-per-share of \$11.65-\$12.05. As it has beaten the analysts' estimates in 9 of the last 11 quarters and tends to issue somewhat cautious guidance, we still expect earnings-per-share of \$12.00, near the high end of the guidance.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.72	\$4.00	\$5.02	\$6.18	\$7.04	\$8.19	\$8.15	\$8.73	\$10.35	\$11.33	\$12.00	\$16.83
DPS	\$0.89	\$1.12	\$1.13	\$1.15	\$1.51	\$1.79	\$2.20	\$2.40	\$2.42	\$2.86	\$3.16	\$5.08
Shares¹	277	279	282	279	276	276	267	262	257	253	250	240

Sherwin-Williams has put together an exceptionally strong growth record in the past, with earnings-per-share growing at a 13.2% average annual rate over the last decade. This has been driven by solid top line growth, significant margin improvement and a lower share count. The company posted especially impressive results in the 2018 – 2020 period, despite coming off a large base. However, it is important to point out that some of this has been driven by one-time items, such as a decline in the company's tax rate.

While Sherwin-Williams' historical growth rate is outstanding, we believe that the company is unlikely to replicate this performance moving forward. We believe that Sherwin-Williams can deliver 7% annualized earnings growth over a full economic cycle, roughly in line with its 5-year growth rate. Growth can come from several factors, including revenue expansion – resting on higher sales at the company's existing stores – margin improvement, share repurchases, and general economic growth. The company has reduced its share count by ~10% over the last decade, and we believe that the number of shares will continue to decline, albeit irregularly, over time.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	24.3	23.2	22.8	22.2	23.2	24.9	34.6	28.5	24.2	29.8	29.4	23.0
Avg. Yld.	1.0%	1.2%	1.0%	0.8%	0.9%	0.9%	0.8%	0.9%	1.0%	0.8%	0.9%	1.3%

¹ In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Sherwin-Williams has been a high-quality growth name during the last decade and throughout its history. As a result, it has generally commanded a premium valuation – trading hands around 26 times earnings on average during the last 10 years. Given a slower anticipated growth rate, we assume a fair P/E ratio of 23.0. The stock is now trading at a P/E ratio of 29.4. If it trades at our assumed fair valuation level in five years, it will incur a -4.8% annualized valuation drag.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	24%	28%	23%	19%	21%	22%	27%	27%	23%	25%	26%	30%

Sherwin-Williams has raised its dividend consistently for decades, but its dividend payout ratio has never risen to a high level. While the dividend appears exceptionally well covered, the combination of a low payout ratio and above average valuation result in a lackluster dividend yield.

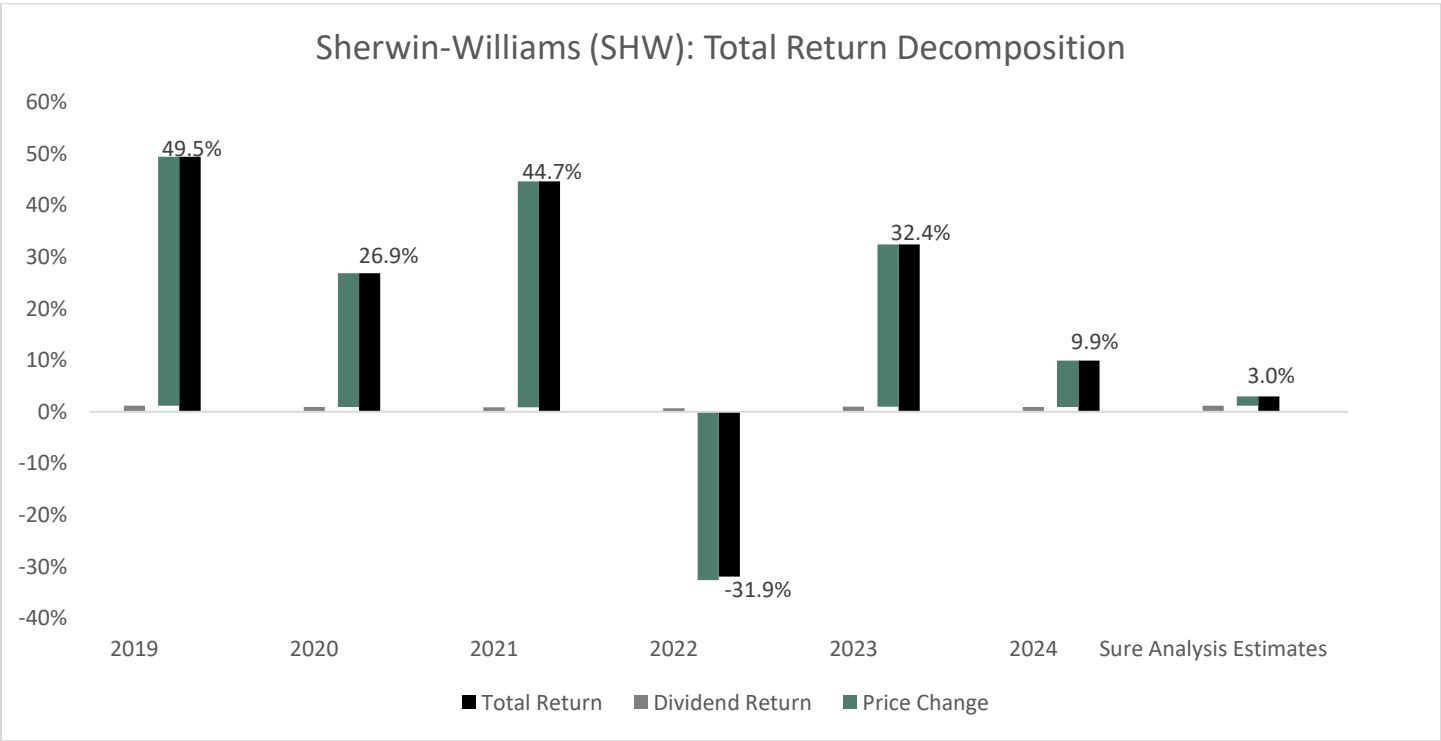
Sherwin-Williams is not necessarily in a high-growth industry, but its entrenched position offers the company its fair share of competitive advantages, allowing the business to grow consistently. Moreover, acquisitions are a way for Sherwin-Williams to enhance its presence, with the Valspar transaction being a good example.

During the Great Recession, Sherwin-Williams posted earnings-per-share of \$4.70, \$4.00, \$3.78, and \$4.21 over the 2007 through 2010 stretch (with a growing dividend). This is somewhat surprising for a company in the paints and coatings industry – generally thought to be a cyclical business – but illustrates the underlying strength of the company. The company proved resilient to the pandemic as well.

Final Thoughts & Recommendation

Sherwin-Williams is an exemplary company but it almost always trades with a premium valuation. The stock has shed -12% off its all-time high six months ago but it remains richly valued. We are forecasting 3.0% total return potential, as 7% growth of earnings-per-share and a 0.9% dividend may be partly offset by a -4.8% valuation drag. The stock receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	11339	11856	14984	17534	17901	18360	19940	22150	23052	23099
Gross Profit	5560	5921	6719	7419	8,036	8683	8543	9325	10758	11195
Gross Margin	49.0%	49.9%	44.8%	42.3%	44.9%	47.3%	42.8%	42.1%	46.7%	48.5%
SG&A Exp.	3886	4140	4798	5034	5,275	5478	5572	6014	7050	7435
D&A Exp.	199	197	492	596	---	---	573	581	623	624
Operating Profit	1615	1713	1699	1890	2448	2891	2665	3001	3628	3762
Operating Margin	14.2%	14.4%	11.3%	10.8%	13.7%	15.7%	13.4%	13.5%	15.7%	16.3%
Net Profit	1054	1133	1728	1109	1541	2030	1864	2020	2389	2681
Net Margin	9.3%	9.6%	11.5%	6.3%	8.6%	11.1%	9.3%	9.1%	10.4%	11.6%
Free Cash Flow	1213	1070	1661	1693	---	---	1873	1275	2634	2083
Income Tax	495	463	-300	251	441	489	384	553	721	770

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5779	6753	19900	19134	20514	20400	20670	22590	22954	23633
Cash & Equivalents	206	890	204	156	162	227	166	199	277	210
Accounts Receivable	1114	1231	2105	2019	2089	2078	2352	2564	2468	2389
Inventories	1019	1068	1742	1815	1890	1804	1927	2626	2330	2288
Goodwill & Int. Ass.	1399	1382	12817	12158	11739	11520	11140	11590	11507	11113
Total Liabilities	4911	4874	16252	15404	16391	16790	18230	19490	19239	19581
Accounts Payable	1158	1035	1792	1799	1894	2118	2403	2436	2315	2253
Long-Term Debt	1950	1953	10521	9344	8685	8292	9615	10570	9851	9888
Shareholder's Equity	868	1878	3648	3731	4123	3611	2437	3102	3716	4051
LTD/E Ratio	2.25	1.04	2.88	2.50	2.11	2.30	3.95	3.41	2.65	2.44

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	18.4%	18.1%	13.0%	5.7%	7.8%	9.9%	9.1%	9.3%	10.5%	11.5%
Return on Equity	113%	82.5%	62.5%	30.1%	39.2%	52.5%	61.7%	72.9%	70.1%	69.0%
ROIC	37.6%	34.1%	19.2%	8.1%	11.9%	16.4%	15.6%	15.7%	17.5%	19.5%
Shares Out.	92.3	93.0	93.9	93.1	93.4	91.9	267	261	258	254
Revenue/Share	119.94	125.47	157.85	184.60	191.56	199.71	74.67	84.6	89.24	90.90
FCF/Share	12.83	11.32	17.50	17.82	7.8	---	7.01	4.87	10.20	8.20

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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