Annual Report
1953

THE SHERWIN-WILLIAMS CO.

THE SHERWIN-WILLIAMS CO.

A. W. STEUDEL
PRESIDENT

To the Stockholders:

Herewith are presented the Consolidated Balance Sheet and the Consolidated Income and Surplus Statements of The Sherwin-Williams Company for the fiscal year ended August 31, 1953.

The earnings before Federal Income Tax and provision for the Pension Plan are $22,722,290.

The amount estimated for Federal Income and Excess-Profits Tax is $10,352,559.

$2,400,000 has been set aside for the Pension Plan. This is approximately equivalent to the annual normal requirement of the Plan, together with 10% of the original past service liability, as estimated by the Company's actuaries in 1947.

The final consolidated net earnings after all deductions are $9,969,731.

After allowing for Preferred Dividends, these earnings are equivalent to $7.29 per share on the outstanding 1,277,854 shares of Common Stock.

The results of this year's operations topped all previous years both in sales and earnings. Sales were 4.2% larger than last year and earnings before Federal Income

Taxes were $2,833,183 better. Practically all divisions of the Company contributed to this increase. There was a substantial gain in the principal part of the Company's business, namely in sales of consumer products through the Company's dealers and stores. Super Kem-Tone and Kem-Glo continue to enjoy the highest acceptance in the country in their respective fields of wall paint and all-purpose enamel. Sales of these two products substantially exceeded those of any previous year. The volume of industrial finishes also was considerably greater than last year. The Pigment and Chemical Division sales were just about even with the previous year. A decline in sales to the Government, on which the profit margin is negligible, brought down to some extent the average percent in the sales gain for the year.

Plant expenditures covered a great many additions and improvements to existing facilities, none of which, however, were large enough to require special comment.

Referring to the Company's foreign investments, the earnings of the Cuban and Mexican corporations are included in the consolidated income and compare very favorably with previous years. A new plant is being built in Mexico, which will be paid for entirely out of funds accumulated from earnings in Mexico. The profits of the Brazilian Company are not taken into the Company's consolidated earnings on account of exchange restrictions, but this year it was possible to transfer a substantial dividend in dollars to this country. As to Argentina, this year final payment will be made out of the earnings of the Argentine Company to liquidate the loan that was originally granted by a bank in Buenos Aires to finance our entire investment there. In other words, the whole undertaking will have been paid for out of earnings of the Argentine Company with no dollars involved.

As above stated, $2,400,000 has been appropriated for the Pension fund. During the year an amendment was made to the Plan whereby all compensation except overtime is treated as creditable earnings in determining an employee's pension. There was also adopted another amendment according to which the Plan contains no maximum limitation on the amount of pension benefits, except such as is inherent in the benefit formula.

Once again the management expresses its thanks to the staff in our plants, offices, and branches for their loyalty and enthusiastic support in promoting the interests of the Company.

President.

CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

AUGUST 31, 1953

Assets

CURRENT ASSETS		
Cash		$ 27,150,021
Trade receivables, less allowances for doubtful accounts		20,509,176
Inventories—raw materials and supplies, in process and finished merchandise, at lower of cost or market		46,882,642
TOTAL CURRENT ASSETS		$ 94,541,839
INVESTMENTS AND OTHER ASSETS		
Securities of subsidiaries not consolidated—Note A	$ 4,951,622	
Miscellaneous receivables, advances, insurance deposits, and miscellaneous securities, less allowances	535,399	5,487,021
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery, and equipment—at cost to consolidated companies, less allowances for depreciation		30,974,237
PATENTS AND TRADE-MARKS		
Nominal amount		1
DEFERRED CHARGES		
Advertising stock and miscellaneous supplies	$ 1,117,861	
Prepaid insurance and other deferred items	1,197,778	2,315,639
		$133,318,737

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, pay rolls, and miscellaneous items		$ 14,730,384
Dividend on preferred stock—payable September 1, 1953		160,050
Deposits—employees and officers		1,463,210
Accrued taxes (other than federal income taxes) and miscellaneous items		941,343
Federal taxes on income—estimated	$10,550,000	
Less U. S. Treasury Savings Notes	4,003,716	6,546,284
TOTAL CURRENT LIABILITIES		$ 23,841,271
RESERVES		
For contingencies and other	$ 3,589,872	
For pensions	2,400,000	5,989,872
CAPITAL STOCK AND SURPLUS		
Capital stock:		
Preferred—authorized 395,500 shares (par value $100.00 each—redeemable at $105.00 per share):		
Outstanding—cumulative preferred stock, 4% series—160,050 shares	$16,005,000	
Common—authorized 1,600,000 shares (par value $25.00 each):		
Outstanding 1,277,854 shares	31,946,350	
	$47,951,350	
Earned surplus	55,536,244	103,487,594
		$133,318,737

Note A—Securities of subsidiaries not consolidated are stated at cost and include investments of approximately $4,119,000 in a partly-owned Canadian subsidiary, and approximately $822,000 in South American subsidiaries. The proportionate share of accumulated net profits, not taken up, applicable to investments in subsidiaries not consolidated amounted to approximately $3,791,000 for the Canadian subsidiary and approximately $4,897,000 for the South American subsidiaries. Transfer of funds from the South American subsidiaries is restricted and although they are wholly-owned the accounts of such subsidiaries are not consolidated for that reason.

Note B—Net current assets (approximately 3% of consolidated net current assets) of consolidated foreign subsidiaries, located in Mexico and Cuba, have been translated into U. S. dollars at the applicable exchange rates in effect at August 31, 1953.

CONSOLIDATED PROFIT AND LOSS AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year Ended August 31, 1953

PROFIT AND LOSS

Profit from operations for the year ended August 31, 1953, before other income, provision for depreciation and other deductions, and federal taxes on income			$24,790,000
Other income:			
Dividends received on capital stock of unconsolidated subsidiaries—Note A		$ 529,004	
Unused portion of reserve returned to income		370,546	
Miscellaneous		117,165	1,016,715
			$25,806,715
Deductions:			
Provision for pensions		$2,400,000	
Provision for depreciation		2,227,556	
Provision for foreign taxes and miscellaneous items		563,730	
Interest expense		164,418	
Net charge arising from sale or abandonment of depreciable assets		128,721	
Federal taxes on income:			
Provision for the year—estimated:			
Normal tax and surtax	$10,100,000		
Excess profits tax	450,000		
	$10,550,000		
Adjustments for prior years	197,441*	10,352,559	15,836,984
NET PROFIT			$ 9,969,731

EARNED SURPLUS

Balance at September 1, 1952			$50,876,510
Add net profit for the year			9,969,731
			$60,846,241
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$4.00 per share	$ 654,149		
Common—$3.62½ per share	4,632,224	$5,286,373	
Premium on preferred stock redeemed		23,624	5,309,997
BALANCE AT AUGUST 31, 1953			$55,536,244

* Indicates red figure.

Note A—Equity in net profit for the year ended August 31, 1953, reported by unconsolidated subsidiaries was approximately $1,534,000 more than dividends received.

Note B—The profit and loss accounts of the consolidated foreign subsidiaries (Mexico and Cuba) have been translated into U. S. dollars mainly on the basis of rates of exchange in effect at the close of the year.

EXECUTIVE DEPARTMENT
101 PROSPECT AVE., N. W.
CLEVELAND

We are of the opinion selling prices in our industry will be fairly stable for the next 6 months.

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Inventories should remain about the same as a year ago.

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The number of employees on our payrolls will show a very slight increase.

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New orders are slightly higher than a year ago.

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EXECUTIVE DEPARTMENT
101 PROSPECT AVE., N. W.
CLEVELAND

7.400.000	1953
7.000.000	1952
7.300.000	1951
7.300.000	1950
7.300.000	1949
3.000.000	1948

16.300.000
7.400.000

13.900.000

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AUDITORS' CERTIFICATE

Board of Directors,
The Sherwin-Williams Company,
Cleveland, Ohio.

We have examined the consolidated balance sheet of The Sherwin-Williams Company and consolidated subsidiaries as of August 31, 1953, and the related statements of consolidated profit and loss and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and summaries of profit and loss and surplus present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1953, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST
Certified Public Accountants

Cleveland, Ohio
October 12, 1953

THE SHERWIN-WILLIAMS CO.

101 Prospect Ave., N. W. Founded in 1866 Cleveland, Ohio

Manufacturers of

Paints, Varnishes, Colors, Stains, Enamels, Lacquers, Lead Products, Dyes, Chemicals, Lithopone, Litharge, Linseed Oil, Dry Colors, Cans, Insecticides.

Main Plants

Cleveland - Chicago - Dayton - Detroit - Newark - Pittsburgh
Hubbard, Ohio - Oakland, Cal. - Bound Brook, N. J. - Gibbsboro, N. J.
Deshler, Ohio - Dallas - Los Angeles - Coffeyville, Kan.

Transfer Agents

CLEVELAND TRUST COMPANY
Cleveland, Ohio

BANKERS TRUST COMPANY
New York, N. Y.

Registrars

CENTRAL NATIONAL BANK
Cleveland, Ohio

GUARANTY TRUST COMPANY
New York, N. Y.

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