

# Annual Report 1951



***THE SHERWIN-WILLIAMS CO.***



## **THE SHERWIN-WILLIAMS CO.**

A. W. STEUDEL

PRESIDENT

### *To the Stockholders:*

We present herewith the Consolidated Balance Sheet and Consolidated Income and Surplus accounts of The Sherwin-Williams Company for the fiscal year ended August 31, 1951.

The earnings before Federal Income Tax and provision for the Pension Plan are \$21,810,255.

The amount estimated for Federal Income and Excess-Profits Tax is \$9,964,706. This calculation has been made on the basis of the new Revenue Act of 1951, enacted by Congress on October 20, 1951.

\$2,300,000 has again been set aside for the Pension Plan. This figure 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.

The final consolidated net earnings after all deductions are \$9,545,548.

These net earnings, after allowing for Preferred Dividends, are equivalent to \$7.23 per share on the present outstanding 1,277,854 shares of Common Stock.

Sales were the largest in the Company's history, being 17% greater than the previous year.

In July of this year, the Company sold \$5,236,300 of its Preferred Stock to a group of banks and insurance companies. It was considered advisable to provide these additional funds for working capital and expansion of plant facilities.

The inventory has been valued at cost or market prices, whichever was the lower. For several years a reserve was set up to reduce prices still lower, to those prevailing in 1945 with respect to certain raw materials. Last year this reserve amounted to \$1,523,000, but at the end of this year, market prices of oils, which constituted the major portion of the inventories covered by the reserve, so closely approximated those of 1945 that the remaining differences in prices were not material. It was, therefore, decided to discontinue this plan, especially as no tax benefit was obtained by it.

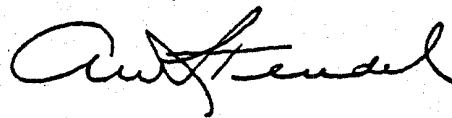
Since the introduction last year of our new product "Super Kem-Tone", we have sold over ten million gallons of this deluxe washable interior wall paint. Our nationally advertised enamel "Kem-Glo", which was introduced to the public in 1949, likewise has had a most enthusiastic market reception. During August of this year we filled our twenty millionth can of this outstandingly fine quality enamel.

About four million dollars were spent at the Company's various plants for modernization and for increasing our productive facilities. A new printing plant has been built at North Olmsted, Ohio, replacing the old one, which had been in use for over fifty years. This new unit will insure an adequate supply of color cards, advertising features, etc., to take care of our expanding volume. We are also increasing, under Certificate of Necessity, our production of Para Cresol, which product is important in the defense program and is used as an additive to gasoline for airplanes, automobiles, etc. Para Cresol is also an important basic ingredient in the manufacture of certain colors.

The Government's rearmament program is developing a gradually tightening raw material situation. Some of our most important raw materials, such as tin plate, zinc, lead, titanium, phthalic anhydride, certain colors and many chemicals are under allocation or restriction by Government Directives.

Our research and technical staffs are constantly at work developing new and better products for the home, farm and industry and are not only making the most of the available raw materials but have formulated from new raw materials many superior finishes which have proven their merit over years of severe laboratory testing technique. Many highly technical protective finishes have also been worked out and approved by Government Engineers for use in the Defense Program.

Once again I desire to thank our staff in our plants, branches and offices for their loyalty and enthusiastic support in promoting the interests of the Company.



*President*

# CONSOLIDATED PROFIT AND LOSS AND SURPLUS

## THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year Ended August 31, 1951

### PROFIT AND LOSS

|                                                                                                                                                               |                        |              |                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------|------------------------|
| Profit from operations for the year ended August 31, 1951, before other income, provision for depreciation and other deductions, and federal taxes on income. |                        |              | \$22,582,568.23        |
| Other income:                                                                                                                                                 |                        |              |                        |
| Cancellation of allowance to reduce certain inventories to last-in, first-out basis—Note A.....                                                               | \$1,523,000.00         |              |                        |
| Dividends received on capital stock of unconsolidated subsidiaries—Note B.....                                                                                | 270,718.29             |              |                        |
| Miscellaneous.....                                                                                                                                            | 76,128.50              |              | 1,869,846.79           |
|                                                                                                                                                               |                        |              | <u>\$24,452,415.02</u> |
| Deductions:                                                                                                                                                   |                        |              |                        |
| Provision for pensions.....                                                                                                                                   | \$2,300,000.00         |              |                        |
| Provision for depreciation.....                                                                                                                               | 1,849,473.47           |              |                        |
| Provision for foreign taxes and miscellaneous items.....                                                                                                      | 515,310.70             |              |                        |
| Net charge arising from sale or abandonment of depreciable assets.....                                                                                        | 161,014.50             |              |                        |
| Interest expense.....                                                                                                                                         | 116,361.19             |              |                        |
| Federal taxes on income:                                                                                                                                      |                        |              |                        |
| Provision for the year (based on the Revenue Act of 1951) estimated:                                                                                          |                        |              |                        |
| Normal tax and surtax.....                                                                                                                                    | \$ 9,444,500.00        |              |                        |
| Excess profits tax.....                                                                                                                                       | 1,100,500.00           |              |                        |
|                                                                                                                                                               | <u>\$10,545,000.00</u> |              |                        |
| Adjustments for prior years.....                                                                                                                              | 580,293.58*            | 9,964,706.42 | 14,906,866.28          |
| NET PROFIT.....                                                                                                                                               |                        |              | <u>\$ 9,545,548.74</u> |

### EARNED SURPLUS

|                                                                   |                     |                |                        |
|-------------------------------------------------------------------|---------------------|----------------|------------------------|
| Balance at September 1, 1950.....                                 |                     |                | \$41,533,293.24        |
| Add net profit for the year.....                                  |                     |                | <u>9,545,548.74</u>    |
| Deduct:                                                           |                     |                | \$51,078,841.98        |
| Cash dividends declared and paid or provided for during the year: |                     |                |                        |
| Preferred—\$4.00 per share....                                    | \$ 302,378.55       |                |                        |
| Common—\$3.50 per share....                                       | <u>4,472,489.00</u> | \$4,774,867.55 |                        |
| Premium on preferred stock called for redemption.....             | 24,750.00           |                | 4,799,617.55           |
| BALANCE AT AUGUST 31, 1951.....                                   |                     |                | <u>\$46,279,224.43</u> |

Note A—Reference is made to Note A to the consolidated balance sheet.

Note B—Equity in net profit for the year ended August 31, 1951, reported by unconsolidated subsidiaries was approximately \$1,550,000.00 more than dividends received.

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

\* Indicates red figure.

# CONSOLIDATED BALANCE SHEET

## THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

August 31, 1951

| Assets                                                                                                                              | Liabilities, Capital Stock, and Surplus                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <b>CURRENT ASSETS</b>                                                                                                               | <b>CURRENT LIABILITIES</b>                                                                                                      |
| Cash.....                                                                                                                           | Trade accounts payable, pay rolls, and miscellaneous items (includes \$37,902.95 payable to subsidiaries not consolidated)..... |
| Trade receivables (includes \$251,917.31 receivable from subsidiaries not consolidated), less allowances for doubtful accounts..... | Dividend on preferred stock payable September 1, 1951.....                                                                      |
| Inventories—raw materials and supplies, in process and finished merchandise, at lower of cost or market.—Note A.....                | Deposits—employees and officers.....                                                                                            |
| TOTAL CURRENT ASSETS.....                                                                                                           | Accrued taxes (other than federal income taxes) and miscellaneous items.....                                                    |
|                                                                                                                                     | Federal taxes on income:                                                                                                        |
|                                                                                                                                     | Provision for year ended August 31, 1951—estimated.....                                                                         |
| <b>INVESTMENTS AND OTHER ASSETS</b>                                                                                                 | Portion of taxes for year ended August 31, 1950, payable in September and December, 1951.....                                   |
| Securities of subsidiaries not consolidated, at cost.—Note B.....                                                                   | Notes payable to banks (in connection with advances to and loans by foreign subsidiaries)                                       |
| Miscellaneous receivables, insurance deposits, advances, and miscellaneous securities, less allowances.....                         | TOTAL CURRENT LIABILITIES.....                                                                                                  |
| PROPERTY, PLANT, AND EQUIPMENT                                                                                                      | <b>RESERVES</b>                                                                                                                 |
| Land, buildings, machinery, and equipment—                                                                                          | For pensions.....                                                                                                               |
| at cost to consolidated companies, less allowances for depreciation.....                                                            | For investments in foreign subsidiaries.....                                                                                    |
| PATENTS AND TRADE-MARKS                                                                                                             | For contingencies and other.....                                                                                                |
| Nominal amount.....                                                                                                                 | CAPITAL STOCK AND SURPLUS                                                                                                       |
| Deferred charges                                                                                                                    | Capital stock:                                                                                                                  |
| Advertising stock and miscellaneous supplies.....                                                                                   | Preferred—authorized 395,500 shares (par value \$100.00 each—redeemable) at \$105.00 per share:                                 |
| Prepaid insurance and other deferred items.....                                                                                     | Outstanding—cumulative preferred stock, 4% series—120,000 shares.....                                                           |
|                                                                                                                                     | Common—authorized 1,600,000 shares (par value \$25.00 each):                                                                    |
|                                                                                                                                     | Outstanding—1,277,854 shares.....                                                                                               |
|                                                                                                                                     | Earned surplus.....                                                                                                             |

Note A.—In 1948 the Company adopted the policy of establishing reserves against inventories of certain oils and pigments which had the effect of reducing the amounts of these inventories to a basis equivalent to the last-in, first-out method of pricing inventories, based on prices during 1948. Such method was not adopted for federal income tax purposes because of certain provisions of the Internal Revenue Code, which provisions are still unchanged. In view of the fact that no tax benefit was obtained by this method, the Company, for this reason as well as other reasons, has decided to discontinue (as of September 1, 1950) pricing the inventories referred to on such last-in, first-out method. The effect of this change was to increase net profit for the year ended August 31, 1951, by approximately \$2,100,000.00.

Note B.—Securities of subsidiaries not consolidated include investments of approximately \$4,119,000.00 in a Canadian subsidiary, and approximately \$1,037,000.00 in South American subsidiaries. The proportionate share of accumulated net profits, not taken up, applicable to investments in subsidiaries not consolidated amounted to approximately \$5,800,000.00.

Note C.—Net current assets (approximately 2½% 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, 1951.

## 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, 1951, 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, 1951, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (approved by us) in pricing certain inventories, referred to in Note A to the consolidated balance sheet, have been applied on a basis consistent with that of the preceding year.

ERNST & ERNST  
Certified Public Accountants

Cleveland, Ohio  
October 20, 1951

## ***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, Herbicides, Cleaners, Polishes.

### *Main Plants*

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

### *Directors*

A. D. BALDWIN  
C. S. EATON  
M. J. FORTIER  
GEORGE GUND

C. P. JARDEN  
D. A. KOHR  
C. M. LEMPERLY  
G. H. ROBERTSON  
L. H. SCHROEDER

A. W. STEUDEL  
H. D. WHITTLESEY  
THOS. E. WILSON  
L. W. WOLCOTT

### *Officers*

A. W. STEUDEL, *President*  
M. J. FORTIER, *Vice President*  
S. B. COOLIDGE, *Vice President*  
C. M. LEMPERLY, *Vice President*  
L. H. SCHROEDER, *Vice President and Treasurer*  
N. E. VAN STONE, *Vice President*  
H. D. WHITTLESEY, *Vice President*  
F. J. SQUIRES, *Secretary*

### *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.

