Annual Report
1956

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, 1956.

The earnings before Federal Income Tax and provision for the Pension Plan are $30,397,200.

The amount estimated for Federal Income Tax is $13,502,085 and $2,900,000 has been set aside for the Pension Plan.

The final consolidated net earnings, after all deductions, are $13,995,115 which establishes an all-time high record in the history of the Company.

After allowing for Preferred Dividends, these earnings are equivalent to $10.49 per share on the outstanding 1,277,854 shares of Common Stock as compared with $8.89 per share last year, an increase of 18%.

Sales were higher than any previous year and exceeded last year by 7.8%. Again consumers' products were chiefly responsible for this gain, although the industrial division of the business also contributed an increase in volume. Sales of Super Kem-Tone and Kem-Glo substantially exceeded those of any previous year and continue to enjoy the highest acceptance in the country in their respective fields of wall paint and all-purpose enamel. A new feature in the merchandising of these two products is free color service to consumers in the form of a Color Harmony Book which shows about fifteen hundred color combinations taking the guesswork out of putting good colors together correctly. This authoritative guide in color selection is available for lending to consumers by dealers throughout the country. Due to our widespread distribution, as well as having our own facilities for producing this book, we are able to supply it to the trade at a very reasonable price. We have made this the keynote of our advertising in national magazines this year.

In our report last year we told about the construction of a new can plant at San Leandro, California and also important additions to our Chemical and Color facilities at Chicago, namely a Phthalocyanine Blue unit and an addition to the Para Cresol Department. The Can Plant was in partial operation in the latter part of the fiscal year and should be in full production this next fiscal year. The Phthalocyanine Blue plant is gradually increasing its operations and the new Para Cresol unit is expected to start production in November of this year.

In July of this year the Company acquired the assets of the Rubberset Company, manufacturers of brushes, with plants at Newark, New Jersey, and Gravenhurst, Ontario in Canada. Our Company has not made brushes in the past although it has a substantial market for them through its dealers and branches. This is, therefore, a very logical addition to the line of the Company's products. Rubberset is one of the best-known names in the brush market with an excellent reputation, having been in business since 1873.

Our laboratories have this year developed a new type of automotive finish which is expected to be a very marked improvement over what has previously been available in this field. For many years our chemists have sought a finishing material that would combine all the advantages of both enamel and lacquer with none of the disadvantages of either. This new product has much greater speed in drying, levels off to a smooth, mar-free finish and dries with a noticeably higher gloss.

Once again the management expresses its thanks to the organization for the loyal and intense efforts and the enthusiasm that have made this year's results possible.

President

CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

AUGUST 31, 1956

Assets

CURRENT ASSETS		
Cash		$ 31,823,291
Trade receivables, less allowances for doubtful accounts		25,669,977
Inventories—raw materials and supplies, in process and finished merchandise, at lower of cost or market		50,243,211
TOTAL CURRENT ASSETS		$107,736,479
INVESTMENTS AND OTHER ASSETS		
Securities of subsidiaries not consolidated—Note A	$5,005,522	
Miscellaneous receivables, advances, insurance deposits, and miscellaneous securities, less allowances	565,451	5,570,973
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery, and equipment—at cost, less allowances for depreciation		38,384,418
PATENTS AND TRADE-MARKS		
Nominal amount		1
DEFERRED CHARGES		
Advertising stock and miscellaneous supplies	$1,225,947	
Prepaid insurance and other deferred items	836,021	2,061,968
		$153,753,839

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, payrolls, and miscellaneous items		$ 14,692,871
Dividend payable on Preferred Stock—payable September 1, 1956		144,890
Deposits—employees and officers		1,367,819
Accrued taxes (other than federal income taxes) and miscellaneous items		1,047,743
Federal taxes on income—estimated	$13,047,463	
Less U. S. Treasury Tax Anticipation Certificates	3,480,000	9,567,463
TOTAL CURRENT LIABILITIES		$ 26,820,786
RESERVES		
For contingencies and other	$ 4,136,414	
For pensions	2,900,000	7,036,414
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—144,890 shares	$14,489,000	
Common—authorized 1,600,000 shares (par value $25.00 each):		
Outstanding 1,277,854 shares	31,946,350	
	$46,435,350	
Earned surplus	73,461,289	119,896,639
		$153,753,839

Note A—Securities of subsidiaries not consolidated are stated at cost and include investments of $4,119,000 in a partly-owned Canadian subsidiary, and approximately $877,000 in subsidiaries in Brazil and Argentina. The approximate amounts of accumulated undistributed net income, based on the records of such subsidiaries not consolidated, were as follows: Canada—$4,893,000; Brazil—$2,552,000; Argentina—$227,000. 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—Amounts included in the financial statements for consolidated foreign subsidiaries were not significant.

CONSOLIDATED INCOME AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year ended August 31, 1956

INCOME

Profit from operations for the year ended August 31, 1956, before other income, provision for depreciation, other deductions, and federal taxes on income			$32,726,967
Other income:			
Dividends received (net) on capital stock of foreign unconsolidated subsidiaries—Note A		$ 787,565	
Miscellaneous		621,501	1,409,066
			$34,136,033
Other deductions:			
Provision for pensions		$ 2,900,000	
Provision for depreciation		2,741,646	
Provision for foreign taxes and miscellaneous items		659,554	
Net charge arising from sale or abandonment of depreciable assets		243,366	
Interest expense		94,267	
Federal taxes on income:			
Provision for the year—estimated	$14,100,000		
Adjustments for prior year	597,915*	13,502,085	20,140,918
NET INCOME			$13,995,115

EARNED SURPLUS

Balance at September 1, 1955			$65,996,886
Add net income for the year			13,995,115
			$79,992,001
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$4.00 per share	$ 595,340		
Common—$4.625 per share	5,910,080	$ 6,505,420	
Premium on Preferred Stock redeemed		25,292	6,530,712
BALANCE AT AUGUST 31, 1956			$73,461,289

Note A—Equity in net income for the year ended August 31, 1956, reported by unconsolidated subsidiaries was approximately $497,000 more than the Company's share of dividends paid by such subsidiaries.

*Indicates red figure.

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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, 1956, and the related statements of consolidated income 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 income and surplus present fairly the consolidated financial position of The Sherwin-Williams Company and consolidated subsidiaries at August 31, 1956, 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, 1956

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, Brushes, 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.-San Leandro, Cal.

Directors

A. H. BURT
S. B. COOLIDGE
C. S. EATON
GEORGE GUND
C. P. JARDEN
D. A. KOHR
C. M. LEMPERLY
G. H. ROBERTSON
L. H. SCHROEDER
A. W. STEUDEL
C. M. WHITE
H. D. WHITTLESEY
THOS. E. WILSON
L. W. WOLCOTT

Officers

A. W. STEUDEL, *President*
A. H. BURT, *Vice President*
S. B. COOLIDGE, *Vice President*
L. H. SCHROEDER, *Vice President and Treasurer*
B. M. VAN CLEVE, *Vice President*
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.

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ANNUAL REPORT

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1957

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