Annual Report

1952

THE SHERWIN-WILLIAMS CO.

N 15360

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, 1952.

The earnings before Federal Income Tax and provision for the Pension Plan are $19,489,107.34.

The amount estimated for Federal Income and Excess-Profits Tax is $7,874,084.86.

For the Pension Plan $2,000,000 has been set aside this year.

The final consolidated net earnings after all deductions are $9,615,022.48.

These net earnings, after allowing for Preferred Dividends, are equivalent to $7.12 per share on the present outstanding 1,277,854 shares of Common Stock.

Sales were larger than any previous year in the Company's history and exceeded those of last year by 1.3%. Trade sales—that is, sales of consumer products—were substantially greater than last year. The gain in this main part of the Company's business is responsible for the over-all increase over last year and helped to offset a decline in volume in the industrial field as well as in the Pigment and Chemical Division. The drop in production of industrial items such as automobiles, furniture, refrigerators, television sets and home appliances necessarily brought with it a reduced demand for industrial finishes. The steel strike and other strikes contributed to this to some extent but, as is well known, there was a considerable slackening in the buying of these products by consumers throughout the country. Referring to the Pigment and Chemical Division which sells principally to manufacturers such basic materials as pigments, cans, colors, dyestuffs, intermediates and chemicals, this section of the business also suffered because manufacturers were cutting down their production on account of reduced sales. On the other hand, the public demand for finishes for the home exceeded by far all previous records.

This applies particularly to two of our products, namely, Super Kem-Tone and Kem-Glo. Super Kem-Tone has the largest acceptance of any wall paint on the market, and Kem-Glo likewise is the leader in its field as the highest quality enamel for kitchens, bathrooms and woodwork.

Expenditures for plant were made during the year to increase and improve the Company's production facilities throughout its various units without any outstanding investment that would call for specific mention. No project of major importance is now contemplated.

In June of this year the Company sold an additional $4,995,000 of its Preferred Stock to a small group of banks and insurance companies. This brings the Company's Preferred Stock up to $16,500,000 as shown on the balance sheet, which was the amount the Company once had outstanding some years ago. Inasmuch as the Preferred Stock agreement required an annual redemption of 3% of the largest amount it once had previously outstanding, $495,000 has been called each year ever since then. For the same reason no increase in this annual redemption is necessary.

A reduction of approximately $10,000,000 was made in the Company's inventories since a year ago. This, together with the $4,995,000 new capital through sale of Preferred Stock, has resulted in building the Company's cash position to $28,707,050, which is about $2,100,000 in excess of all its liabilities.

The management expresses its appreciation to the organization for the loyal and efficient efforts that have made this year's results possible.

President

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CONSOLIDATED PROFIT AND LOSS AND SURPLUS

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

Year Ended August 31, 1952

PROFIT AND LOSS			
Profit from operations for the year ended August 31, 1952, before other income, provision for depreciation and other deductions, and federal taxes on income			$21,614,542.06
Other income:			
Adjustment of excess insurance charges in prior years, less estimated federal taxes on income		$ 514,821.54	
Dividends received on capital stock of unconsolidated subsidiaries—Note A		236,452.65	
Miscellaneous		222,161.37	973,435.56
			$22,587,977.62
Deductions:			
Provision for depreciation		$2,070,851.14	
Provision for pensions		2,000,000.00	
Provision for foreign taxes and miscellaneous items		754,843.52	
Interest expense		208,022.32	
Net charge arising from sale or abandonment of depreciable assets		65,153.30	
Federal taxes on income:			
Provision for the year—estimated:			
Normal tax and surtax	$8,350,000.00		
Excess profits tax	400,000.00		
	$8,750,000.00		
Adjustments for prior years	875,915.14*	7,874,084.86	12,972,955.14
NET PROFIT			$ 9,615,022.48
EARNED SURPLUS			
Balance at September 1, 1951			$46,279,224.43
Add net profit for the year			9,615,022.48
			$55,894,246.91
Deduct:			
Cash dividends declared and paid or provided for during the year:			
Preferred—$4.00 per share	$ 520,519.47		
Common—$3.50 per share	4,472,489.00	$4,993,008.47	
Premium on preferred stock redeemed		24,728.43	5,017,736.90
BALANCE AT AUGUST 31, 1952			$50,876,510.01

* Indicates red figure.

Note A—Equity in net profit for the year ended August 31, 1952, reported by unconsolidated subsidiaries was approximately $1,375,000.00 more than dividends received.

Note B—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.

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CONSOLIDATED BALANCE SHEET

THE SHERWIN-WILLIAMS COMPANY AND CONSOLIDATED SUBSIDIARIES

AUGUST 31, 1952

Assets

CURRENT ASSETS		
Cash		$ 28,707,050.14
Trade receivables (includes $930,470.71 receivable from subsidiaries not consolidated), less allowances for doubtful accounts		19,833,950.79
Inventories—raw materials and supplies, in process and finished merchandise, at lower of cost or market		45,358,192.09
TOTAL CURRENT ASSETS		$ 93,899,193.02
INVESTMENTS AND OTHER ASSETS		
Securities of subsidiaries not consolidated—Note A	$4,951,534.57	
Miscellaneous receivables, advances, insurance deposits, and miscellaneous securities, less allowances	435,971.10	5,387,505.67
PROPERTY, PLANT, AND EQUIPMENT		
Land, buildings, machinery, and equipment—at cost to consolidated companies, less allowances for depreciation		30,210,632.57
PATENTS AND TRADE-MARKS		
Nominal amount		1.00
DEFERRED CHARGES		
Advertising stock and miscellaneous supplies	$1,010,823.67	
Prepaid insurance and other deferred items	1,270,500.96	2,281,324.63
		$131,778,656.89

Liabilities, Capital Stock, and Surplus

CURRENT LIABILITIES		
Trade accounts payable, pay rolls, and miscellaneous items (includes $38,969.13 payable to subsidiaries not consolidated)		$ 13,601,851.59
Dividend on preferred stock—payable September 1, 1952		160,559.47
Deposits—employees and officers		1,388,712.20
Accrued taxes (other than federal income taxes) and miscellaneous items		910,060.13
Federal taxes on income:		
Provision for year ended August 31, 1952—estimated	$ 8,750,000.00	
Portion of taxes for year ended August 31, 1951, payable in October, 1952	1,779,102.22	10,529,102.22
TOTAL CURRENT LIABILITIES		$ 26,590,285.61
RESERVES		
For contingencies and other	$ 3,865,511.27	
For pensions	2,000,000.00	5,865,511.27
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—165,000 shares	$16,500,000.00	
Common—authorized 1,600,000 shares (par value $25.00 each):		
Outstanding 1,277,854 shares	31,946,350.00	
	$48,446,350.00	
Earned surplus	50,876,510.01	99,322,860.01
		$131,778,656.89

Note A—Securities of subsidiaries not consolidated are stated at cost and include investments of approximately $4,119,000.00 in a Canadian subsidiary, and approximately $822,000.00 in South American subsidiaries. The proportionate share of accumulated net profits, not taken up, applicable to investments in subsidiaries not consolidated amounted to approximately $7,183,000.00.

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, 1952.

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, 1952, 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, 1952, 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 13, 1952

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

Officers

A. W. STEUDEL, *President*
S. B. COOLIDGE, *Vice President*
C. M. LEMPERLY, *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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