# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended August 31, 2019,**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to .**

**Commission File No. 1-14187**

# RPM International Inc.

**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **DELAWARE**<br>**(State or other jurisdiction of incorporation or organization)** | **02-0642224**<br>**(IRS Employer Identification No.)** |
| **P.O. BOX 777;**<br>**2628 PEARL ROAD;**<br>**MEDINA, OHIO**<br>***(Address of principal executive offices)*** | **44258**<br>**(Zip Code)** |

**(330) 273-5090**
**(Registrant's telephone number including area code)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.01** | **RPM** | **New York Stock Exchange** |

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☒.

As of October 1, 2019, the registrant had 129,680,345 shares of common stock, $0.01 par value per share, outstanding.

**RPM INTERNATIONAL INC. AND SUBSIDIARIES***

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* As used herein, the terms "RPM" and the "Company" refer to RPM International Inc. and its subsidiaries, unless the context indicates otherwise.

## PART I. – FINANCIAL INFORMATION
## ITEM 1. *FINANCIAL STATEMENTS*
## RPM INTERNATIONAL INC. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
**(Unaudited)**
***(In thousands, except per share amounts)***

| | August 31, 2019 | May 31, 2019 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 212,091 | $ 223,168 |
| Trade accounts receivable (less allowances of $57,185 and $54,748, respectively) | 1,109,259 | 1,232,350 |
| Inventories | 860,518 | 841,873 |
| Prepaid expenses and other current assets | 234,401 | 220,701 |
| **Total current assets** | 2,416,269 | 2,518,092 |
| **Property, Plant and Equipment, at Cost** | 1,674,713 | 1,662,859 |
| Allowance for depreciation | (861,697) | (843,648) |
| **Property, plant and equipment, net** | 813,016 | 819,211 |
| **Other Assets** | | |
| Goodwill | 1,249,818 | 1,245,762 |
| Other intangible assets, net of amortization | 601,747 | 601,082 |
| Operating lease right-of-use assets | 257,628 | - |
| Deferred income taxes | 36,335 | 34,908 |
| Other | 221,612 | 222,300 |
| **Total other assets** | 2,367,140 | 2,104,052 |
| **Total Assets** | $ 5,596,425 | $ 5,441,355 |
| **Liabilities and Stockholders' Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 477,050 | $ 556,696 |
| Current portion of long-term debt | 582,611 | 552,446 |
| Accrued compensation and benefits | 119,349 | 193,345 |
| Accrued losses | 20,142 | 19,899 |
| Other accrued liabilities | 297,420 | 217,019 |
| **Total current liabilities** | 1,496,572 | 1,539,405 |
| **Long-Term Liabilities** | | |
| Long-term debt, less current maturities | 2,018,185 | 1,973,462 |
| Operating lease liabilities | 215,131 | - |
| Other long-term liabilities | 407,285 | 405,040 |
| Deferred income taxes | 113,227 | 114,843 |
| **Total long-term liabilities** | 2,753,828 | 2,493,345 |
| Commitments and contingencies (Note 16) | | |
| **Stockholders' Equity** | | |
| Preferred stock, par value $0.01; authorized 50,000 shares; none issued | - | - |
| Common stock, par value $0.01; authorized 300,000 shares; issued 142,865 and outstanding 129,670 as of August 31, 2019; issued 142,439 and outstanding 130,995 as of May 31, 2019 | 1,297 | 1,310 |
| Paid-in capital | 1,001,081 | 994,508 |
| Treasury stock, at cost | (543,650) | (437,290) |
| Accumulated other comprehensive (loss) | (601,253) | (577,628) |
| Retained earnings | 1,485,917 | 1,425,052 |
| **Total RPM International Inc. stockholders' equity** | 1,343,392 | 1,405,952 |
| Noncontrolling Interest | 2,633 | 2,653 |
| **Total equity** | 1,346,025 | 1,408,605 |
| **Total Liabilities and Stockholders' Equity** | $ 5,596,425 | $ 5,441,355 |

**The accompanying notes to consolidated financial statements are an integral part of these statements.**

**RPM INTERNATIONAL INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**(Unaudited)**
***(In thousands, except per share amounts)***

| | Three Months Ended | |
|---|---|---|
| | August 31, 2019 | August 31, 2018 |
| **Net Sales** | **$ 1,472,764** | **$ 1,459,989** |
| Cost of Sales | 898,010 | 910,636 |
| Gross Profit | 574,754 | 549,353 |
| Selling, General and Administrative Expenses | 400,566 | 415,053 |
| Restructuring Charges | 6,622 | 20,076 |
| Interest Expense | 28,317 | 24,406 |
| Investment (Income), Net | (5,385) | (2,433) |
| Other Expense, Net | 1,785 | 313 |
| Income Before Income Taxes | 142,849 | 91,938 |
| Provision for Income Taxes | 36,353 | 21,752 |
| Net Income | 106,496 | 70,186 |
| Less: Net Income Attributable to Noncontrolling Interests | 308 | 422 |
| **Net Income Attributable to RPM International Inc. Stockholders** | **$ 106,188** | **$ 69,764** |
| **Average Number of Shares of Common Stock Outstanding:** | | |
| **Basic** | **128,882** | **131,861** |
| **Diluted** | **129,504** | **136,430** |
| **Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders:** | | |
| **Basic** | **$ 0.82** | **$ 0.52** |
| **Diluted** | **$ 0.82** | **$ 0.52** |

**The accompanying notes to consolidated financial statements are an integral part of these statements.**

**RPM INTERNATIONAL INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**
***(In thousands)***

| | Three Months Ended | |
|---|---|---|
| | **August 31, 2019** | **August 31, 2018** |
| **Net Income** | $ 106,496 | $ 70,186 |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustments | (28,434) | (40,689) |
| Pension and other postretirement benefit liability adjustments (net of tax of $1,104 and $982, respectively) | 3,623 | 3,056 |
| Unrealized gain on securities and other (net of tax of $1 and $668, respectively) | 371 | 2,476 |
| Unrealized gain on derivatives (net of tax of $579 and $15, respectively) | 784 | 921 |
| Total other comprehensive (loss) | (23,656) | (34,236) |
| Total Comprehensive Income | 82,840 | 35,950 |
| Less: Comprehensive Income Attributable to Noncontrolling Interests | 277 | 164 |
| **Comprehensive Income Attributable to RPM International Inc. Stockholders** | **$ 82,563** | **$ 35,786** |

**The accompanying notes to consolidated financial statements are an integral part of these statements.**

**RPM INTERNATIONAL INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
***(In thousands)***

| | Three Months Ended | |
|---|---|---|
| | **August 31, 2019** | **August 31, 2018** |
| **Cash Flows From Operating Activities:** | | |
| **Net income** | **$ 106,496** | **$ 70,186** |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 35,839 | 35,540 |
| Restructuring charges, net of payments | 611 | 7,084 |
| Deferred income taxes | (4,580) | (561) |
| Stock-based compensation expense | 6,560 | 6,668 |
| Other non-cash interest expense | - | 775 |
| Realized/unrealized (gains) losses on marketable securities | (2,854) | 6 |
| Other | 250 | 992 |
| Changes in assets and liabilities, net of effect from purchases and sales of businesses: | | |
| Decrease in receivables | 116,349 | 32,389 |
| (Increase) in inventory | (22,640) | (27,207) |
| (Increase) in prepaid expenses and other current and long-term assets | (5,801) | (18,282) |
| (Decrease) in accounts payable | (63,831) | (88,271) |
| (Decrease) in accrued compensation and benefits | (73,180) | (56,747) |
| Increase in accrued losses | 404 | 8,415 |
| Increase in other accrued liabilities | 50,588 | 20,857 |
| Other | 928 | 1,027 |
| **Cash Provided By (Used For) Operating Activities** | **145,139** | **(7,129)** |
| **Cash Flows From Investing Activities:** | | |
| Capital expenditures | (36,602) | (28,295) |
| Acquisition of businesses, net of cash acquired | (30,598) | (26,366) |
| Purchase of marketable securities | (9,996) | (12,695) |
| Proceeds from sales of marketable securities | 2,837 | 9,758 |
| Other | (97) | (2,881) |
| **Cash (Used For) Investing Activities** | **(74,456)** | **(60,479)** |
| **Cash Flows From Financing Activities:** | | |
| Additions to long-term and short-term debt | 75,718 | 120,702 |
| Reductions of long-term and short-term debt | (874) | (21,952) |
| Cash dividends | (45,323) | (42,715) |
| Shares repurchased | (100,000) | (6,994) |
| Shares returned for taxes | (6,127) | (13,587) |
| Payments of acquisition-related contingent consideration | (131) | (3,456) |
| Other | (295) | (319) |
| **Cash (Used For) Provided By Financing Activities** | **(77,032)** | **31,679** |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | **(4,728)** | **(6,310)** |
| **Net Change in Cash and Cash Equivalents** | **(11,077)** | **(42,239)** |
| **Cash and Cash Equivalents at Beginning of Period** | **223,168** | **244,422** |
| **Cash and Cash Equivalents at End of Period** | **$ 212,091** | **$ 202,183** |
| **Supplemental Disclosures of Cash Flows Information:** | | |
| Cash paid during the period for: | | |
| Interest | **$ 18,485** | **$ 19,747** |
| Income Taxes, net of refunds | **$ 11,295** | **$ 13,525** |

**The accompanying notes to consolidated financial statements are an integral part of these statements.**

## RPM INTERNATIONAL INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
**(Unaudited)**
***(In thousands)***

| | Common Stock | | | | Accumulated | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Par/Stated Value | Paid-In Capital | Treasury Stock | Other Comprehensive Income (Loss) | Retained Earnings | Total RPM International Inc. Equity | Noncontrolling Interests | Total Equity |
| **Balance at June 1, 2019** | 130,995 | $ 1,310 | $ 994,508 | $ (437,290) | $ (577,628) | $ 1,425,052 | $ 1,405,952 | $ 2,653 | $ 1,408,605 |
| Net income | - | - | - | - | - | 106,188 | 106,188 | 308 | 106,496 |
| Other comprehensive (loss) | - | - | - | - | (23,625) | - | (23,625) | (31) | (23,656) |
| Dividends paid ($0.35 per share) | - | - | - | - | - | (45,323) | (45,323) | - | (45,323) |
| Other noncontrolling interest activity | - | - | - | - | - | - | - | (297) | (297) |
| Share repurchases under repurchase program | (1,656) | (16) | 16 | (100,000) | - | - | (100,000) | - | (100,000) |
| Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes | 330 | 3 | 6,557 | (6,360) | - | - | 200 | - | 200 |
| **Balance at August 31, 2019** | 129,669 | $ 1,297 | $ 1,001,081 | $ (543,650) | $ (601,253) | $ 1,485,917 | $ 1,343,392 | $ 2,633 | $ 1,346,025 |

| | Common Stock | | | | Accumulated | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Par/Stated Value | Paid-In Capital | Treasury Stock | Other Comprehensive Income (Loss) | Retained Earnings | Total RPM International Inc. Equity | Noncontrolling Interests | Total Equity |
| **Balance at June 1, 2018** | 133,647 | $ 1,336 | $ 982,067 | $ (236,318) | $ (459,048) | $ 1,342,736 | $ 1,630,773 | $ 2,765 | $ 1,633,538 |
| Cumulative-effect adjustment upon adoption of ASU 2014-09 | - | - | - | - | - | (2,833) | (2,833) | - | (2,833) |
| Net income | - | - | - | - | - | 69,764 | 69,764 | 422 | 70,186 |
| Other comprehensive (loss) | - | - | - | - | (33,978) | - | (33,978) | (258) | (34,236) |
| Dividends paid ($0.32 per share) | - | - | - | - | - | (42,715) | (42,715) | - | (42,715) |
| Other noncontrolling interest activity | - | - | - | - | - | - | - | 3 | 3 |
| Share repurchases under repurchase program | (103) | (1) | 1 | (6,994) | - | - | (6,994) | - | (6,994) |
| Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes | (136) | (1) | 10,018 | (13,587) | - | - | (3,570) | - | (3,570) |
| **Balance at August 31, 2018** | 133,408 | $ 1,334 | $ 992,086 | $ (256,899) | $ (493,026) | $ 1,366,952 | $ 1,610,447 | $ 2,932 | $ 1,613,379 |

**The accompanying notes to consolidated financial statements are an integral part of these statements.**

## NOTE 1 — CONSOLIDATION, NONCONTROLLING INTERESTS AND BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the U.S. ("GAAP") for interim financial information and the instructions to Form 10-Q. In our opinion, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation have been included for the three month periods ended August 31, 2019 and 2018. For further information, refer to the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended May 31, 2019.

Our financial statements include all of our majority-owned subsidiaries. We account for our investments in less-than-majority-owned joint ventures, for which we have the ability to exercise significant influence, under the equity method. Effects of transactions between related companies are eliminated in consolidation.

Noncontrolling interests are presented in our consolidated financial statements as if parent company investors (controlling interests) and other minority investors (noncontrolling interests) in partially-owned subsidiaries have similar economic interests in a single entity. As a result, investments in noncontrolling interests are reported as equity in our consolidated financial statements. Additionally, our consolidated financial statements include 100% of a controlled subsidiary's earnings, rather than only our share. Transactions between the parent company and noncontrolling interests are reported in equity as transactions between stockholders, provided that these transactions do not create a change in control.

Our business is dependent on external weather factors. Historically, we have experienced strong sales and net income in our first, second and fourth fiscal quarters comprising the three month periods ending August 31, November 30 and May 31, respectively, with weaker performance in our third fiscal quarter (December through February).

## NOTE 2 — NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which increases lease transparency and comparability among organizations. Under the new standard, lessees are required to recognize a right-of-use ("ROU") asset representing our right to use an underlying asset and a lease liability representing our obligation to make lease payments over the lease term, with the exception of leases with a term of 12 months or less, which permits a lessee to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. In March 2018, the FASB approved an alternative transition method to the modified retrospective approach, which eliminates the requirement to restate prior period financial statements and requires the cumulative effect of the retrospective allocation to be recorded as an adjustment to the opening balance of retained earnings at the date of adoption.

We have adopted the new leasing standard on the required effective date of June 1, 2019 using the alternative transition method as described above. Results for reporting periods beginning on June 1, 2019 are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with our historical accounting treatment under Accounting Standards Codification ("ASC") 840, "Leases (ASC 840)." We elected to apply the package of practical expedients permitted under the ASC 842 transition guidance. Accordingly, we did not reassess whether any expired or expiring contracts contain leases, lease classification between finance and operating leases, and the recognition of initial direct costs of leases commencing before the effective date. We also applied the practical expedient to not separate lease and non-lease components to existing leases, as well as new leases through transition. However, we did not elect the hindsight practical expedient to determine the lease term for existing leases. Adoption of the new lease standard resulted in additional operating lease right-of-use assets and operating lease liabilities of approximately $257.6 million and $265.8 million, respectively, as of August 31, 2019. The effects of our transition to ASC 842 resulted in no cumulative adjustment to retained earnings in the period of adoption. As a result of our adoption procedures, we have determined that the new guidance had a material impact on our Consolidated Balance Sheets and did not have a material effect on our Consolidated Statements of Income, Consolidated Statements of Cash Flows or our debt covenants. Refer to Note 14, "Leases," for additional information.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses," which requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Additionally, the standard amends the current available-for-sale security other-than-temporary impairment model for debt securities. The guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods therein. Early adoption is permitted beginning after December 15, 2018. We are currently reviewing the provisions of this new pronouncement, but do not expect our adoption of this guidance to have a material impact on our Consolidated Financial Statements.

In August 2018, the SEC issued Final Rule Release No. 33-10532, "Disclosure Update and Simplification," which makes a number of changes meant to simplify interim disclosures. The new rule requires a presentation of changes in stockholders' equity and noncontrolling interest in the form of a reconciliation, either as a separate financial statement or in the notes to the financial statements, for the current and comparative year-to-date interim periods. In July 2019, the FASB issued ASU 2019-07, "Codification Updates to SEC Sections – Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10532, Disclosure Update and Simplification, and Nos. 33-10231 and 33-10442, Investment Company Reporting Modernization and Miscellaneous Updates (SEC Update)." ASU 2019-07 codifies Final Rule Release No. 33-10532. The additional elements of this release did not have a material impact on our overall Consolidated Financial Statements. We adopted the new disclosure requirements in our Form 10-Q for the period ended February 28, 2019.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," to eliminate step two from the goodwill impairment test in order to simplify the subsequent measurement of goodwill. The guidance is effective for fiscal years beginning after December 15, 2019. Early application is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Adoption of this guidance is not expected to have a material impact on our Consolidated Financial Statements.

In February 2018, the FASB issued ASU 2018-02, "Income Statement (Topic 220), Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" which allows for an entity to reclassify the tax effects of the U.S. Tax Cuts and Jobs Act of 2017 ("Tax Act") that were previously recorded in accumulated comprehensive income to retained earnings. The adoption of this new guidance, effective June 1, 2019, did not have a material effect on our consolidated financial statements as we did not elect the option to reclassify to retained earnings the tax effects resulting from the Tax Act that were previously recorded in accumulated other comprehensive income.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820), – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement," which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of the update. We do not expect our adoption of this guidance to have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20), Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans," which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with employers that sponsor defined benefit or other postretirement plans. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted for all entities and the amendments in this update are required to be applied on a retrospective basis to all periods presented. We are currently reviewing the provisions of this new pronouncement, but do not expect our adoption of this guidance to have a material impact on our Consolidated Financial Statements.

**NOTE 3 — CHANGE IN ACCOUNTING PRINCIPLE**

During the first quarter of fiscal 2020, we changed our method of accounting for shipping and handling costs, which we have identified as costs paid to third-party shippers for transporting products to customers. Under the new method of accounting, we include shipping costs in cost of sales, whereas previously, they were included in SG&A expense.

We believe that including these expenses in cost of sales is preferable, as it better aligns these costs with the related revenue in the gross profit calculation and is consistent with the practices of other industry peers. This change in accounting principle has been applied retrospectively, and the consolidated statements of income reflect the effect of this accounting principle change for all periods presented. This reclassification had no impact on income before income taxes, net income attributable to RPM International Inc. Stockholders, net income or earnings per share. The consolidated balance sheets, statements of comprehensive income, statements of stockholders' equity, and statements of cash flows were not impacted by this accounting principle change.

The consolidated statements of income for the three months ended August 31, 2018 have been adjusted to reflect this change in accounting principle. The impact of the adjustment for the three months ended August 31, 2018 was an increase of $44.7 million to cost of sales and a corresponding decrease to SG&A expense.

**NOTE 4 — RESTRUCTURING**

We record restructuring charges associated with management-approved restructuring plans to either reorganize one or more of our business segments, or to remove duplicative headcount and infrastructure associated with our businesses. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, contract cancellation costs and other costs. Restructuring charges are recorded based upon planned employee termination dates and site closure and consolidation plans. The timing of associated cash payments is dependent upon the type of restructuring charge and can extend over a multi-year period. We record the short-term portion of our restructuring liability in Other Accrued Liabilities and the long-term portion, if any, in Other Long-Term Liabilities in our Consolidated Balance Sheets.

*2020 MAP to Growth*

Between May and August 2018, we approved and implemented the initial phases of a multi-year restructuring plan, the 2020 Margin Acceleration Plan ("2020 MAP to Growth"). The initial phases of our 2020 MAP to Growth affected all of our reportable segments, as well as our corporate/nonoperating segment, and focused on margin improvement by simplifying business processes; reducing inventory categories and rationalizing SKUs; eliminating underperforming businesses; reducing headcount and working capital; and improving operating efficiency. The majority of the activities included in the initial phases of the restructuring activities have been completed.

During the second quarter ended November 30, 2018, we formally announced the final phases of our 2020 MAP to Growth. This multi-year restructuring is expected to increase operational efficiency while maintaining our entrepreneurial growth culture and will include three additional phases between September 2018 and December 2020. Our execution of the 2020 MAP to Growth will continue to drive the de-layering and simplification of management and businesses associated with group realignment. We will implement four center-led functional areas including manufacturing and operations; procurement and supply chain; information technology; and accounting and finance.

Our 2020 MAP to Growth will optimize our manufacturing facilities and will ultimately provide more efficient plant and distribution facilities. In the first phase of the restructuring we are implementing the planned closure of twelve plants and seven warehouses. We also expect to incur additional severance and benefit costs as part of our planned closure of these facilities.

Throughout the additional phases of our 2020 MAP to Growth initiative, we will continue to assess and find areas of improvement and cost savings. As such, the final implementation of the aforementioned phases and total expected costs are subject to change. In addition to the announced plan, we have continued to broaden the scope of our 2020 MAP to Growth initiative, specifically in consolidation of the general and administrative areas, potential outsourcing, as well as additional future plant closures and consolidations; the estimated costs of which have not yet been finalized. The current total expected costs associated with this plan are outlined in the table below and increased by approximately $17.5 million compared to our previous estimate, primarily attributable to increases in expected severance and benefit charges of $13.0 million and facility closure and other related costs of $4.3 million. Most activities under our 2020 MAP to Growth are anticipated to be completed by the end of calendar year 2020.

Following is a summary of the charges recorded in connection with restructuring by reportable segment:

| *(in thousands)* | Three Months Ended August 31, 2019 | Three Months Ended August 31, 2018 | Cumulative Costs to Date | Total Expected Costs |
|---|---|---|---|---|
| **Construction Products Segment:** | | | | |
| Severance and benefit costs (a) | $ 160 | $ 2,419 | $ 11,389 | $ 20,182 |
| Facility closure and other related costs | 688 | 13 | 3,657 | 4,404 |
| Other asset write-offs | - | 365 | 1,590 | 1,929 |
| **Total Charges** | $ 848 | $ 2,797 | $ 16,636 | $ 26,515 |
| | | | | |
| **Performance Coatings Segment:** | | | | |
| Severance and benefit costs (b) | $ 2,500 | $ 4,405 | $ 8,913 | $ 14,617 |
| Facility closure and other related costs | 109 | 423 | 3,583 | 6,689 |
| Other asset write-offs | - | 213 | 351 | 1,207 |
| **Total Charges** | $ 2,609 | $ 5,041 | $ 12,847 | $ 22,513 |
| | | | | |
| **Consumer Products Segment:** | | | | |
| Severance and benefit costs (c) | $ 767 | $ 1,019 | $ 8,145 | $ 11,663 |
| Facility closure and other related costs | 516 | - | 7,208 | 9,308 |
| Other asset write-offs | - | - | 25 | 25 |
| **Total Charges** | $ 1,283 | $ 1,019 | $ 15,378 | $ 20,996 |
| | | | | |
| **Specialty Products Segment:** | | | | |
| Severance and benefit costs (d) | $ 366 | $ 2,220 | $ 5,702 | $ 8,979 |
| Facility closure and other related costs | 1,459 | - | 2,703 | 6,330 |
| Other asset write-offs | 64 | - | 1,067 | 1,425 |
| **Total Charges** | $ 1,889 | $ 2,220 | $ 9,472 | $ 16,734 |
| | | | | |
| **Corporate/Other Segment:** | | | | |
| Severance and benefit costs (e) | $ (7) | $ 8,999 | $ 12,113 | $ 12,113 |
| **Total Charges** | $ (7) | $ 8,999 | $ 12,113 | $ 12,113 |
| | | | | |
| **Consolidated:** | | | | |
| Severance and benefit costs | $ 3,786 | $ 19,062 | $ 46,262 | $ 67,554 |
| Facility closure and other related costs | 2,772 | 436 | 17,151 | 26,731 |
| Other asset write-offs | 64 | 578 | 3,033 | 4,586 |
| **Total Charges** | $ 6,622 | $ 20,076 | $ 66,446 | $ 98,871 |

(a) Severance and benefit costs are associated with the elimination of21 positions and 31 positions during the three months ended August 31, 2019 and 2018, respectively. Additionally, $ 0.2 million included in the charges incurred during the three months ended August 31, 2018 are associated with the prior elimination of one position within the legal function during fiscal 2018.

(b) Severance and benefit costs are associated with the elimination of51 positions and 85 positions during the three months ended August 31, 2019 and 2018, respectively.

(c) Severance and benefit costs are associated with the elimination of2 positions and 9 positions during the three months ended August 31, 2019 and 2018, respectively.

(d) Severance and benefit costs are associated with the elimination of10 positions and 25 positions during the three months ended August 31, 2019 and 2018, respectively.

(e) Charges for the three months ended August 31, 2018 reflect the severance oftwo corporate executives, as well as accelerated vesting of equity awards for two corporate executives, four specialty segment executives and two construction segment executives in connection with the aforementioned restructuring activities.

A summary of the activity in the restructuring reserves related to our 2020 MAP to Growth is as follows:

| *(in thousands)* | Severance and Benefits Costs | Facility Closure and Other Related Costs | Other Asset Write-Offs | Total |
|---|---|---|---|---|
| Balance at June 1, 2018 | $ 9,957 | $ 6,184 | $ 1,373 | $ 17,514 |
| Additions charged to expense | 19,062 | 436 | 578 | 20,076 |
| Cash payments charged against reserve | (12,575) | (418) | | (12,993) |
| Non-cash charges included above (e) | (5,484) | (838) | (1,951) | (8,273) |
| **Balance at August 31, 2018** | $ 10,960 | $ 5,364 | $ - | $ 16,324 |

| *(in thousands)* | Severance and Benefits Costs | Facility Closure and Other Related Costs | Other Asset Write-Offs | Total |
|---|---|---|---|---|
| Balance at June 1, 2019 | $ 4,837 | $ 7,857 | $ - | 12,694 |
| Additions charged to expense | 3,786 | 2,772 | 64 | 6,622 |
| Cash payments charged against reserve | (5,677) | (334) | - | (6,011) |
| Non-cash charges included above (e) | - | (865) | (64) | (929) |
| **Balance at August 31, 2019** | $ 2,946 | $ 9,430 | $ - | $ 12,376 |

(e) Non-cash charges primarily include accelerated vesting of equity awards and asset-write offs.

In connection with our 2020 MAP to Growth, during the first quarter of fiscal 2020, we incurred approximately $2.0 million, $0.9 million and $0.3 million of inventory-related charges at our performance coatings, consumer and construction segments, respectively. During the first quarter of fiscal 2019, we incurred approximately $4.3 million and $0.2 million of inventory-related charges at our performance coatings and construction products segments, respectively. The fiscal 2019 inventory-related charges were partially offset by a favorable adjustment of approximately $0.2 million to the fiscal 2018 inventory write-off at our consumer segment. All of the aforementioned inventory-related charges are recorded in cost of sales in our Consolidated Statements of Income. These inventory charges were the result of product line and SKU rationalization initiatives in connection with our overall plan of restructuring.

## NOTE 5 — MARKETABLE SECURITIES

The following tables summarize available-for-sale marketable securities held at August 31, 2019 and May 31, 2019 by asset type:

| | Available-For-Sale Securities | | | |
|---|---|---|---|---|
| *(In thousands)* | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value (Net Carrying Amount) |
| **August 31, 2019** | | | | |
| Fixed maturity: | | | | |
| U.S. treasury and other government | $ 24,832 | $ 546 | $ (124) | $ 25,254 |
| Corporate bonds | 422 | 57 | - | 479 |
| Total available-for-sale securities | $ 25,254 | $ 603 | $ (124) | $ 25,733 |

| | Available-For-Sale Securities | | | |
|---|---|---|---|---|
| *(In thousands)* | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value (Net Carrying Amount) |
| **May 31, 2019** | | | | |
| Fixed maturity: | | | | |
| U.S. treasury and other government | $ 24,483 | $ 372 | $ (308) | $ 24,547 |
| Corporate bonds | 422 | 43 | (3) | 462 |
| Total available-for-sale securities | $ 24,905 | $ 415 | $ (311) | $ 25,009 |

Marketable securities, included in other current and long-term assets totaling $9.3 million and $16.4 million at August 31, 2019, respectively, and included in other current and long-term assets totaling $8.6 million and $16.4 million at May 31, 2019, respectively, are composed of available-for-sale securities and are reported at fair value. We carry a portion of our marketable securities portfolio in long-term assets since they are generally held for the settlement of our general and product liability insurance claims processed through our wholly owned captive insurance subsidiaries.

Marketable securities include available-for-sale debt securities and are reported at fair value. Realized gains and losses on sales of investments are recognized in net income on the specific identification basis. Changes in the fair values of securities that are considered temporary are recorded as unrealized gains and losses, net of applicable taxes, in accumulated other comprehensive (loss) within stockholders' equity. Other-than-temporary declines in market value from original cost are reflected in investment income, net in the period in which the unrealized losses are deemed other than temporary. In order to determine whether other-than-temporary declines in market value have occurred, the duration of the decline in value and our ability to hold the investment are considered in conjunction with an evaluation of the strength of the underlying collateral and the extent to which the investment's amortized cost or cost, as appropriate, exceeds its related market value.

As of August 31, 2019, we held approximately $97.9 million in equity securities. Additionally, as of August 31, 2019 and May 31, 2019, we held approximately $12.8 million and $12.3 million, respectively, in trading securities in relation to our deferred compensation plan.

Summarized below are the available-for-sale securities we held at August 31, 2019 and May 31, 2019 that were in an unrealized loss position and that were included in accumulated other comprehensive (loss), aggregated by the length of time the investments had been in that position:

| | August 31, 2019 | | May 31, 2019 | |
|---|---|---|---|---|
| *(In thousands)* | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Total investments with unrealized losses | $ 6,802 | $ (124) | $ 11,508 | $ (311) |
| Unrealized losses with a loss position for less than 12 months | 283 | - | 806 | (2) |
| Unrealized losses with a loss position for more than 12 months | 6,519 | (124) | 10,702 | (309) |

We have reviewed all of the securities included in the table above and have concluded that we have the ability and intent to hold these investments until their cost can be recovered, based upon the severity and duration of the decline. Therefore, we did not recognize any other-than-temporary impairment losses on these investments. The unrealized losses generally relate to investments whose fair values at August 31, 2019 were less than 15% below their original cost. From time to time, we may experience significant volatility in general economic and market conditions. If we were to experience unrealized losses that were to continue for longer periods of time, or arise to more significant levels of unrealized losses within our portfolio of investments in marketable securities in the future, we may recognize additional other-than-temporary impairment losses. As such, we continue to closely evaluate the status of our investments and our ability and intent to hold these investments.

The net carrying values of debt securities at August 31, 2019, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

| *(In thousands)* | Amortized Cost | Fair Value |
|---|---|---|
| Due: | | |
| Less than one year | $ 9,370 | $ 9,338 |
| One year through five years | 10,161 | 10,242 |
| Six years through ten years | 4,548 | 4,816 |
| After ten years | 1,175 | 1,337 |
| | $ 25,254 | $ 25,733 |

**NOTE 6 — FAIR VALUE MEASUREMENTS**

Financial instruments recorded in the balance sheet include cash and cash equivalents, trade accounts receivable, marketable securities, notes and accounts payable, and debt.

An allowance for anticipated uncollectible trade receivable amounts is established using a combination of specifically identified accounts to be reserved, and a reserve covering trends in collectibility. These estimates are based on an analysis of trends in collectibility and past experience, but are primarily made up of individual account balances identified as doubtful based on specific facts and conditions. Receivable losses are charged against the allowance when we confirm uncollectibility.

All derivative instruments are recognized in our Consolidated Balance Sheets and measured at fair value. Changes in the fair values of derivative instruments that do not qualify as hedges and/or any ineffective portion of hedges are recognized as a gain or (loss) in our Consolidated Statements of Income in the current period. Changes in the fair value of derivative instruments used effectively as cash flow hedges are recognized in other comprehensive income (loss), along with the change in the value of the hedged item. We do not hold or issue derivative instruments for speculative purposes.

The valuation techniques utilized for establishing the fair values of assets and liabilities are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect management's market assumptions. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value, as follows:

*Level 1 Inputs* — Quoted prices for identical instruments in active markets.

*Level 2 Inputs* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

*Level 3 Inputs* — Instruments with primarily unobservable value drivers.

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

| *(In thousands)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at August 31, 2019 |
|---|---|---|---|---|
| **Available-for-sale debt securities:** | | | | |
| U.S. Treasury and other government | $ - | $ 25,254 | $ - | $ 25,254 |
| Corporate bonds | | 479 | | 479 |
| Total available-for-sale debt securities | - | 25,733 | - | 25,733 |
| **Trading and other equity securities:** | | | | |
| Mutual funds - foreign | | 33,595 | | 33,595 |
| Mutual funds - domestic | | 77,053 | | 77,053 |
| Total trading and other equity securities | - | 110,648 | - | 110,648 |
| **Contingent consideration** | | | (15,668) | (15,668) |
| Total | $ - | $ 136,381 | $ (15,668) | $ 120,713 |

| (In thousands) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at May 31, 2019 |
|---|---|---|---|---|
| **Available-for-sale debt securities:** | | | | |
| U.S. Treasury and other government | $ - | $ 24,547 | $ - | $ 24,547 |
| Corporate bonds | | 462 | | 462 |
| Total available-for-sale debt securities | - | 25,009 | - | 25,009 |
| **Trading and other equity securities:** | | | | |
| Mutual funds - foreign | | 32,082 | | 32,082 |
| Mutual funds - domestic | | 67,739 | | 67,739 |
| Total trading and other equity securities | - | 99,821 | - | 99,821 |
| **Contingent consideration** | | | (21,551) | (21,551) |
| Total | $ - | $ 124,830 | $ (21,551) | $ 103,279 |

Our investments in available-for-sale debt securities and trading and other equity securities are valued using a market approach. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors, including the type of instrument, whether the instrument is actively traded and other characteristics particular to the transaction. For most of our financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment.

The contingent consideration represents the estimated fair value of the additional variable cash consideration payable in connection with recent acquisitions that is contingent upon the achievement of certain performance milestones. We estimated the fair value using expected future cash flows over the period in which the obligation is expected to be settled, and applied a discount rate that appropriately captures a market participant's view of the risk associated with the obligation, which are considered to be Level 3 inputs. During the first three months of fiscal 2020, we paid approximately $5.9 million for settlements of contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during the current period. During the first three months of fiscal 2019, we paid approximately $4.6 million for settlements of contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during last year's first three months. In the Consolidated Statements of Cash Flows, payments of acquisition-related contingent consideration for the amount recognized at fair value as of the acquisition date are reported in cash flows from financing activities, while payments of contingent consideration in excess of fair value are reported in cash flows from operating activities.

The carrying value of our current financial instruments, which include cash and cash equivalents, marketable securities, trade accounts receivable, accounts payable and short-term debt approximates fair value because of the short-term maturity of these financial instruments. At August 31, 2019 and May 31, 2019, the fair value of our long-term debt was estimated using active market quotes, based on our current incremental borrowing rates for similar types of borrowing arrangements, which are Level 2 inputs. Based on the analysis performed, the fair value and the carrying value of our financial instruments and long-term debt as of August 31, 2019 and May 31, 2019 are as follows:

| | At August 31, 2019 | |
|---|---|---|
| *(In thousands)* | **Carrying Value** | **Fair Value** |
| Cash and cash equivalents | $ 212,091 | $ 212,091 |
| Marketable equity securities | 97,895 | 97,895 |
| Marketable debt securities | 25,733 | 25,733 |
| Long-term debt, including current portion | 2,600,796 | 2,709,219 |

| | At May 31, 2019 | |
|---|---|---|
| *(In thousands)* | **Carrying Value** | **Fair Value** |
| Cash and cash equivalents | $ 223,168 | $ 223,168 |
| Marketable equity securities | 87,525 | 87,525 |
| Marketable debt securities | 25,009 | 25,009 |
| Long-term debt, including current portion | 2,525,908 | 2,526,817 |

**NOTE 7 — DERIVATIVES AND HEDGING**

**Derivative Instruments and Hedging Activities**

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures, from time to time, we enter into various derivative transactions. We use various types of derivative instruments including forward contracts and swaps. We formally assess, designate and document, as a hedge of an underlying exposure, each qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, we assess, both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transaction are effective at offsetting changes in either the fair values or cash flows of the underlying exposures.

**Net Investment Hedge**

In October 2017, as a means of mitigating the impact of currency fluctuations on our Euro investments in foreign entities, we executed a fair value hedge and two cross currency swaps, in which we will pay variable rate interest in Euros and receive fixed rate interest in U.S. Dollars with a combined notional amount of approximately €85.25 million ($100 million U.S. Dollar equivalent), and which have a maturity date of November 2022. This effectively converts a portion of our U.S. Dollar denominated fixed-rate debt to Euro denominated variable rate debt. The fair value hedge is recognized at fair value in our Consolidated Balance Sheets, while changes in the fair value of the hedge are recognized in interest expense in our Consolidated Statements of Income. We designated the swaps as net investment hedges of our net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. The changes in fair value of the derivative instruments that are designated and qualify as hedges of net investments in foreign operations are recognized in accumulated other comprehensive income ("AOCI") to offset the changes in the values of the net investments being hedged. Amounts released from AOCI and reclassified into interest expense did not have a material impact on our Consolidated Financial Statements for any period presented.

**Derivatives Not Designated as Hedges**

At August 31, 2019, and May 31, 2019, we held one foreign currency forward contract designed to reduce our exposure to changes in the cash flows of intercompany foreign-currency-denominated loans related to changes in foreign currency exchange rates by fixing the functional currency cash flows. The contract has not been designated as a hedge; therefore, the changes in fair value of the derivative are recognized in earnings as a component of selling, general and administrative expenses ("SG&A"). Amounts recognized in earnings did not have a material impact on our Consolidated Financial Statements for any period presented. As of August 31, 2019 and May 31, 2019, the notional amounts of the forward contract held to purchase foreign currencies was $77.7 million and $38.7 million, respectively.

**Disclosure about Derivative Instruments**

All of our derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. We determine the fair value of our derivatives based on valuation methods, which project future cash flows and discount the future amounts to present value using market based observable inputs, including interest rate curves, foreign currency rates, as well as future and basis point spreads, as applicable.

The fair values of qualifying and non-qualifying instruments used in hedging transactions as of August 31, 2019 and May 31, 2019 are as follows:

| ***(in thousands)*** | | Fair Value | |
|---|---|---|---|
| **Derivatives Designated as Hedging Instruments** | **Balance Sheet Location** | **August 31, 2019** | **May 31, 2019** |
| **Assets:** | | | |
| Interest Rate Swap (Fair Value) | Other Current Assets | $ 77 | $ 513 |
| Cross Currency Swap (Net Investment) | Other Current Assets | 1,737 | 2,482 |
| Cross Currency Swap (Net Investment) | Other Assets (Long-Term) | 5,103 | 6,163 |
| Interest Rate Swap (Fair Value) | Other Assets (Long-Term) | 1,733 | - |
| **Liabilities:** | | | |
| Interest Rate Swap (Fair Value) | Other Accrued Liabilities | - | 230 |
| Cross Currency Swap (Net Investment) | Other Long-Term Liabilities | 1,108 | 4,276 |

| *(in thousands)* | | Fair Value | |
|---|---|---|---|
| **Derivatives Not Designated as Hedging Instruments** | **Balance Sheet Location** | **August 31, 2019** | **May 31, 2019** |
| **Assets:** | | | |
| Foreign Currency Exchange | Other Current Assets | $ - | $ 51 |
| **Liabilities:** | | | |
| Foreign Currency Exchange | Other Accrued Liabilities | 318 | - |

**NOTE 8 — INVESTMENT EXPENSE (INCOME), NET**

Investment (income), net, consists of the following components:

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | **August 31, 2019** | **August 31, 2018** |
| Interest (income) | $ (1,348) | $ (904) |
| Net (gain) on marketable securities | (3,540) | (386) |
| Dividend (income) | (497) | (1,143) |
| Investment (income), net | $ (5,385) | $ (2,433) |

***Net (Gain) on Marketable Securities***

During the first quarter of fiscal 2020, we recognized unrealized gains on trading securities of $0.6 million and unrealized gains of $2.9 million on marketable equity securities.

During the first quarter of fiscal 2019, we recognized gross realized gains and losses on sales of marketable securities of $0.6 million and $0.1 million, respectively, as well as other-than-temporary impairments of $0.1 million.

**NOTE 9 — OTHER EXPENSE, NET**

Other expense, net, consists of the following components:

| | Three Months Ended | |
|---|---|---|
| *(In thousands)* | **August 31, 2019** | **August 31, 2018** |
| Royalty expense, net | $ 266 | $ 3 |
| Loss (income) related to unconsolidated equity affiliates | 91 | (118) |
| Pension non-service costs | 1,428 | 428 |
| Other expense, net | $ 1,785 | $ 313 |

**NOTE 10 — INCOME TAXES**

The effective income tax rate of 25.5% for the three months ended August 31, 2019 compares to the effective income tax rate of 23.7% for the three months ended August 31, 2018. The effective income tax rates for the three months ended August 31, 2019 and 2018 reflect variances from the 21% statutory rate due primarily to the unfavorable impact of state and local income taxes and the net tax on foreign subsidiary income resulting from the global intangible low-taxed income provisions, partially offset by tax benefits related to equity compensation. The quarter over quarter increase in the effective income tax rate is primarily attributable to a decrease in the equity compensation income tax benefit.

Our deferred tax liability for unremitted foreign earnings was $18.8 million as of August 31, 2019, which represents our estimate of the foreign tax cost associated with the remittance of $413.9 million of foreign earnings that are not considered to be permanently reinvested. We have not provided for foreign withholding or income taxes on the remaining foreign subsidiaries' undistributed earnings because such earnings have been retained and reinvested by the subsidiaries as of August 31, 2019. Accordingly, no provision has been made for foreign withholding or income taxes, which may become payable if the remaining undistributed earnings of foreign subsidiaries were remitted to us as dividends.

**NOTE 11 — INVENTORIES**

Inventories, net of reserves, were composed of the following major classes:

| *(In thousands)* | August 31, 2019 | May 31, 2019 |
|---|---|---|
| Raw material and supplies | $ 302,410 | $ 296,493 |
| Finished goods | 558,108 | 545,380 |
| **Total Inventory, Net of Reserves** | $ 860,518 | $ 841,873 |

**NOTE 12 — STOCK REPURCHASE PROGRAM**

On January 8, 2008, we announced our authorization of a stock repurchase program under which we may repurchase shares of RPM International Inc. common stock at management's discretion for general corporate purposes. As announced on November 28, 2018, our goal is to return $ 1.0 billion in capital to stockholders by May 31, 2021 through share repurchases. On April 16, 2019, after taking into account share repurchases under our existing stock repurchase program to date, our Board of Directors authorized the repurchase of the remaining $600.0 million in value of RPM International Inc. common stock by May 31, 2021. As a result, we may repurchase shares from time to time in the open market or in private transactions at various times and in amounts and for prices that our management deems appropriate, subject to insider trading rules and other securities law restrictions. The timing of our purchases will depend upon prevailing market conditions, alternative uses of capital and other factors. We may limit or terminate the repurchase program at any time. During the three months ended August 31, 2019, we repurchased 1,655,616 shares of our common stock at a cost of approximately $100.0 million, or an average cost of $60.40 per share, under this program. During the three months ended August 31, 2018, we repurchased 103,446 shares of our common stock at a cost of approximately $7.0 million, or an average cost of $67.61 per share, under this program.

**NOTE 13 — EARNINGS PER SHARE**

The following table sets forth the reconciliation of the numerator and denominator of basic and diluted earnings per share, as calculated using the two class method, for the three-month periods ended August 31, 2019 and 2018.

| | Three Months Ended | |
|---|---|---|
| **(In thousands, except per share amounts)** | **August 31, 2019** | **August 31, 2018** |
| **Numerator for earnings per share:** | | |
| Net income attributable to RPM International Inc. stockholders | $ 106,188 | $ 69,764 |
| Less: Allocation of earnings and dividends to participating securities | (623) | (611) |
| Net income available to common shareholders - basic | 105,565 | 69,153 |
| Add: Undistributed earnings reallocated to unvested shareholders | 2 | 1 |
| Add: Allocation of earnings and dividends to participating securities | | |
| Add: Income effect of contingently issuable shares | | 1,480 |
| Net income available to common shareholders - diluted | $ 105,567 | $ 70,634 |
| **Denominator for basic and diluted earnings per share:** | | |
| Basic weighted average common shares | 128,882 | 131,861 |
| Average diluted options and awards | 622 | 636 |
| Additional shares issuable assuming conversion of convertible securities (1) | | 3,933 |
| Total shares for diluted earnings per share (2) | 129,504 | 136,430 |
| **Earnings Per Share of Common Stock Attributable to RPM International Inc. Stockholders:** | | |
| Basic Earnings Per Share of Common Stock | $ 0.82 | $ 0.52 |
| Diluted Earnings Per Share of Common Stock | $ 0.82 | $ 0.52 |

(1) Represents the number of shares that would have been issued if our contingently convertible notes had been converted. We included these shares in the calculation of diluted EPS as the conversion of the notes were eligible to be settled, at our election, in cash, shares of our common stock, or a combination of cash and shares of our common stock. On November 27, 2018, we redeemed all of our 2.25% convertible senior notes due 2020, primarily for cash, but also issued 598,601 shares of our common stock in the transaction.

(2) Restricted shares totaling 178,000 and 126,750 for the three months ended August 31, 2019 and 2018, respectively, were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive. In addition, stock appreciation rights (SARs) totaling 790,000 for the three months ended August 31, 2019 and 890,000 for the three months ended August 31, 2018, were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive.

**NOTE 14—LEASES**

We have leases for manufacturing facilities, warehouses, office facilities, equipment, and vehicles, which are primarily classified and accounted for as operating leases. We have a small portfolio of finance leases, which are not material to our consolidated financial statements. Some leases include one or more options to renew, generally at our sole discretion, with renewal terms that can extend the lease term from one to five years or more. In addition, certain leases contain termination options, where the rights to terminate are held by either us, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that we will exercise that option. We have made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less, with no purchase option that we are reasonably certain to exercise. ROU assets and lease liabilities are recognized based on the present value of the fixed and in-substance fixed lease payments over the lease term at the commencement date. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by lease incentives. We use our incremental borrowing rate as the discount rate to determine the present value of the lease payments for leases, as our leases do not have readily determinable implicit discount rates. Our incremental borrowing rate is the rate of interest that we would have to borrow on a collateralized basis over a similar term and amount in a similar economic environment. We determine the incremental borrowing rates for our leases by adjusting the local risk-free interest rate with a credit risk premium corresponding to our credit rating.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities using the discount rate discussed above. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Certain vendors have the right to declare that we are in default of our agreements if any such vendor, including the lessors under its vehicle leases, determines that a change in our financial condition poses a substantially increased credit risk. Our lease agreements do not contain any significant residual value guarantees or material restrictive covenants. Income from subleases was not significant for any period presented.

During the three months ended August 31, 2019, we incurred lease cost of $20.7 million, which is primarily comprised of operating lease cost of $18.1 million and other costs of $2.6 million which include costs for our finance leases, short-term leases, and variable lease payments.

For the three months ended August 31, 2019, we paid approximately $16.9 million for operating lease obligations. These payments are included in operating cash flows. In addition, we recognized ROU assets for $3.1 million in exchange for new operating lease obligations. At August 31, 2019, the weighted-average remaining lease term under our operating leases was 8.4 years, while the weighted-average discount rate for our operating leases was approximately 3.8%.

The following represents our future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities, as of August 31, 2019:

| Year ending May 31, | | **Operating Leases** |
|---|---|---|
| *(In thousands)* | | |
| 2020 (excluding the three months ended August 31) | $ | 46,387 |
| 2021 | | 51,794 |
| 2022 | | 40,792 |
| 2023 | | 31,889 |
| 2024 | | 26,759 |
| Thereafter | | 121,011 |
| Total lease payments | $ | 318,632 |
| Less imputed interest | | 52,787 |
| Total present value of lease liabilities | $ | 265,845 |

As of August 31, 2019, our current lease liability balance was $50.7 million and recorded within Other Accrued Liabilities on our Consolidated Balance Sheet.

Following is a summary of our future minimum lease commitments, as determined under ASC 840, for all non-cancelable lease agreements, for each of the next five years and in the aggregate, as of May 31, 2019:

| Year ending May 31, | | Operating Leases |
|---|---|---|
| *(In thousands)* | | |
| 2020 | $ | 59,163 |
| 2021 | | 49,731 |
| 2022 | | 40,339 |
| 2023 | | 32,798 |
| 2024 | | 27,716 |
| Thereafter | | 119,607 |
| Total lease payments | $ | 329,354 |

Related party leases and subleases were not significant during any period presented, and therefore are not disclosed. Further, we do not have leases that have not yet commenced, which would create significant rights and obligations for us, including any involvement with the construction or design of the underlying asset.

**NOTE 15 — PENSION PLANS**

We offer defined benefit pension plans, defined contribution pension plans, and various postretirement benefit plans. The following tables provide the retirement-related benefit plans' impact on income before income taxes for the three months ended August 31, 2019 and 2018:

| | U.S. Plans | | | | Non-U.S. Plans | | | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended | | | | Three Months Ended | | | |
| **Pension Benefits** | August 31, 2019 | | August 31, 2018 | | August 31, 2019 | | August 31, 2018 | |
| *(In thousands)* | | | | | | | | |
| Service cost | $ | 9,856 | $ | 9,382 | $ | 1,391 | $ | 1,219 |
| Interest cost | | 5,104 | | 5,497 | | 1,193 | | 1,399 |
| Expected return on plan assets | | (8,573) | | (8,467) | | (1,834) | | (2,051) |
| Amortization of: | | | | | | | | |
| Prior service cost (credit) | | 2 | | 29 | | (9) | | (8) |
| Net actuarial losses recognized | | 4,629 | | 3,272 | | 523 | | 319 |
| **Net Periodic Benefit Cost** | $ | 11,018 | $ | 9,713 | $ | 1,264 | $ | 878 |

| | U.S. Plans | | | | Non-U.S. Plans | | | |
|---|---|---|---|---|---|---|---|---|
| | Three Months Ended | | | | Three Months Ended | | | |
| **Postretirement Benefits** | August 31, 2019 | | August 31, 2018 | | August 31, 2019 | | August 31, 2018 | |
| *(In thousands)* | | | | | | | | |
| Service cost | $ | - | $ | - | $ | 429 | $ | 392 |
| Interest cost | | 37 | | 48 | | 282 | | 291 |
| Amortization of: | | | | | | | | |
| Prior service (credit) | | (55) | | (55) | | | | |
| Net actuarial (gains) losses recognized | | (16) | | (6) | | 158 | | 115 |
| **Net Periodic Benefit (Credit) Cost** | $ | (34) | $ | (13) | $ | 869 | $ | 798 |

Due to slightly lower discount rates, net periodic pension and postretirement cost for fiscal 2020 is higher than our fiscal 2019 expense. We expect that pension expense will fluctuate on a year-to-year basis, depending upon the investment performance of plan assets and potential changes in interest rates, but such changes are not expected to be material to our consolidated financial results. We previously disclosed in our financial statements for the fiscal year ended May 31, 2019 that we expected to contribute approximately $0.9 million to our retirement plans in the U.S. and approximately $6.4 million to plans outside the U.S. during the current fiscal year, and as of August 31, 2019, those amounts remain unchanged.

**NOTE 16 — CONTINGENCIES AND OTHER ACCRUED LOSSES**

We provide, through our wholly owned insurance subsidiaries, certain insurance coverage, primarily product liability coverage, to our other subsidiaries. Excess coverage is provided by third-party insurers. Our product liability accruals provide for these potential losses as well as other uninsured claims. Product liability accruals are established based upon actuarial calculations of potential liability using industry experience, actual historical experience and actuarial assumptions developed for similar types of product liability claims, including development factors and lag times. To the extent there is a reasonable possibility that potential losses could exceed the amounts already accrued, we believe that the amount of any such additional loss would be immaterial to our results of operations, liquidity and consolidated financial position.

We also offer warranties on many of our products, as well as long-term warranty programs at certain of our businesses, and have established product warranty liabilities. We review these liabilities for adequacy on a quarterly basis and adjust them as necessary. The primary factors that could affect these liabilities may include changes in performance rates as well as costs of replacement. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted, as required, to reflect actual experience. It is probable that we will incur future losses related to warranty claims we have received but that have not been fully investigated and related to claims not yet received. While our warranty liabilities represent our best estimates at August 31, 2019, we can provide no assurances that we will not experience material claims in the future or that we will not incur significant costs to resolve such claims beyond the amounts accrued or beyond what we may recover from our suppliers. Based upon the nature of the expense, product warranty expense is recorded as a reduction of sales, as a component of cost of sales, or within SG&A.

Also, due to the nature of our businesses, the amount of claims paid can fluctuate from one period to the next. While our warranty liabilities represent our best estimates of our expected losses at any given time, from time-to-time we may revise our estimates based on our experience relating to factors such as weather conditions, specific circumstances surrounding product installations and other factors.

The following table includes the changes in our accrued warranty balances:

| | Three Months Ended | |
|---|---|---|
| | **August 31, 2019** | **August 31, 2018** |
| | *(In thousands)* | |
| Beginning Balance | $ 10,414 | $ 11,721 |
| Deductions (1) | (5,513) | (6,614) |
| Provision charged to expense | 5,168 | 5,478 |
| Ending Balance | $ 10,069 | $ 10,585 |

(1) Primarily claims paid during the year.

In addition, like other companies participating in similar lines of business, some of our subsidiaries are involved in several proceedings relating to environmental matters. It is our policy to accrue remediation costs when it is probable that such efforts will be required and the related costs can be reasonably estimated. In general, our environmental accruals are undiscounted liabilities, which are exclusive of claims against third parties, and are not material to our financial statements during any of the periods presented.

We were notified by the SEC on June 24, 2014, that we are the subject of a formal investigation pertaining to the timing of our disclosure and accrual of loss reserves in fiscal 2013 with respect to the previously disclosed U.S. Department Of Justice (the "DOJ") and the U.S. General Services Administration (the "GSA") Office of Inspector General investigation into compliance issues relating to Tremco Roofing Division's GSA contracts. As previously disclosed, our Audit Committee completed an investigation into the facts and circumstances surrounding the timing of our disclosure and accrual of loss reserves with respect to the GSA and DOJ investigation, and determined that it was appropriate to restate our financial results for the first, second and third quarters of fiscal 2013. These restatements had no impact on our audited financial statements for the fiscal years ended May 31, 2013 or 2014. The Audit Committee's investigation concluded that there was no intentional misconduct on the part of any of our officers.

In connection with the foregoing, on September 9, 2016, the SEC filed an enforcement action against us and our General Counsel. We have cooperated with the SEC's investigation and believe the allegations in the complaint mischaracterize both our and our General Counsel's actions in connection with the matters related to our quarterly results in fiscal 2013 and are without merit. Both we and our General Counsel filed motions to dismiss the complaint on February 24, 2017. Those motions to dismiss the complaint were denied by the Court on September 29, 2017. We and our General Counsel filed answers to the complaint on October 16, 2017. Formal discovery commenced in January 2018 and closed as of June 3, 2019, other than one remaining discovery dispute. The parties engaged in written discovery, and several fact witnesses were deposed. The dispositive motion briefing schedule was vacated by the Court on July 2, 2019, due to the remaining discovery dispute, and will be reset once this dispute is fully resolved. We intend to continue to contest the allegations in the complaint vigorously.

Also in connection with the foregoing, a stockholder derivative action was filed in the United States District Court, Northern District of Ohio, Eastern Division, against certain of our directors and officers. The court has stayed this stockholder derivative action pending the completion of the SEC enforcement action.

The action by the SEC could result in sanctions against us and/or our General Counsel and could impose substantial additional costs and distractions, regardless of its outcome. We have determined that it is probable that we will incur a loss relating to this matter and have estimated a range of potential loss. We have accrued at the low end of the range of loss, as no amount within the range is more likely to occur, and no amount within the estimated range of loss would have a material impact on our consolidated financial condition, results of operations or cash flows.

**NOTE 17 – REVENUE**

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings and roofing systems, sealants and adhesives. We disaggregate revenues from the sales of our products and services based upon geographical location by each of our reportable segments, which are aligned by similar economic factors, trends and customers, which best depict the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. See Note 18, "Segment Information," for further details regarding our disaggregated revenues as well as a description of each of the unique revenue streams related to each of our four reportable segments.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. The majority of our revenue is recognized at a point in time. However, we also record revenues generated under construction contracts, mainly in connection with the installation of specialized roofing and flooring systems and related services. For certain polymer flooring installation projects, we account for our revenue using the output method, as we consider square footage of completed flooring to be the best measure of progress toward the complete satisfaction of the performance obligation. In contrast, for certain of our roofing installation projects, we account for our revenue using the input method, as that method was the best measure of performance as it considers costs incurred in relation to total expected project costs, which essentially represents the transfer of control for roofing systems to the customer. In general, for our construction contracts, we record contract revenues and related costs as our contracts progress on an over-time model.

We have elected to apply the practical expedient to recognize revenue net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities. Payment terms and conditions vary by contract type, although our customers' payment terms generally include a requirement to pay within 30 to 60 days of fulfilling our performance obligations. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that our contracts generally do not include a significant financing component. We have elected to apply the practical expedient to treat all shipping and handling costs as fulfillment costs as a significant portion of these costs are incurred prior to control transfer.

*Significant Judgments*

Our contracts with customers may include promises to transfer multiple products and/or services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. For example, judgment is required to determine whether products sold in connection with the sale of installation services are considered distinct and accounted for separately, or not distinct and accounted for together with installation services and recognized over time.

We provide customer rebate programs and incentive offerings, including special pricing and co-operative advertising arrangements, promotions and other volume-based incentives. These customer programs and incentives are considered variable consideration. We include in revenue variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the variable consideration is resolved. In general, this determination is made based upon known customer program and incentive offerings at the time of sale, and expected sales volume forecasts as it relates to our volume-based incentives. This determination is updated each reporting period. Certain of our contracts include contingent consideration that is receivable only upon the final inspection and acceptance of a project. We include estimates of such variable consideration in our transaction price. Based on historical experience, we consider the probability-based expected value method appropriate to estimate the amount of such variable consideration.

Our products are generally sold with a right of return and we may provide other credits or incentives, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. We record a right of return liability to accrue for expected customer returns. Historical actual returns are used to estimate future returns as a percentage of current sales. Obligations for returns and refunds were not material individually or in the aggregate.

We offer assurance type warranties on our products as well as separately sold warranty contracts. Revenue related to warranty contracts that are sold separately is recognized over the life of the warranty term. Warranty liabilities for our assurance type warranties are discussed further in Note 16.

***Contract Balances***

Timing of revenue recognition may differ from the timing of invoicing customers. Our contract assets are recorded for products and services that have been provided to our customer but have not yet been billed, and are included in prepaid expenses and other current assets in our consolidated balance sheets. Our short-term contract liabilities consist of advance payments, or deferred revenue, and are included in other accrued liabilities in our consolidated balance sheets.

Accounts receivable, net of allowances, and net contract assets (liabilities) consisted of the following:

| *(In thousands, except percents)* | **August 31, 2019** | **May 31, 2019** | **$ Change** | **% Change** |
|---|---|---|---|---|
| Accounts receivable, less allowance | $ 1,109,259 | $ 1,232,350 | $ (123,091) | -10.0% |
| | | | | |
| Contract assets | $ 26,464 | $ 21,628 | $ 4,836 | 22.4% |
| Contract liabilities - short-term | (27,402) | (25,896) | (1,506) | 5.8% |
| **Net Contract Liabilities** | $ (938) | $ (4,268) | $ 3,330 | -78.0% |

The allowance for doubtful accounts reflects our best estimate of probable losses inherent in the accounts receivable balance. We determine the allowance based on known troubled accounts, historical experience, and other currently available evidence. The $3.3 million change in our net contract liabilities from May 31, 2019 to August 31, 2019 resulted primarily from the timing of construction jobs in progress. During the first quarter of fiscal 2020, we performed a substantial amount of work on construction projects, and as such, our unbilled revenue is higher as of August 31, 2019 than it was at May 31, 2019. We also record long-term deferred revenue, which amounted to $65.6 million and $66.5 million as of August 31, 2019 and May 31, 2019, respectively. The long-term portion of deferred revenue is related to assurance type warranty contracts and is included in other long-term liabilities in our consolidated balance sheets.

We have elected to adopt the practical expedient to not disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied as of the end of the reporting period for performance obligations that are part of a contract with an original expected duration of one year or less.

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. As our contract terms are primarily one year or less in duration, we have elected to apply a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include our internal sales force compensation program and certain incentive programs as we have determined annual compensation is commensurate with annual sales activities.

**NOTE 18 — SEGMENT INFORMATION**

Effective June 1, 2019, we realigned certain businesses and management structure to recognize how we allocate resources and analyze the operating performance of our businesses. Among other things, the realignment of certain businesses occurred as a result of the

2020 MAP to Growth plan that was approved and initiated between May and August 2018. As we began to execute on our operating improvement initiatives, we identified ways to realign certain businesses, and concluded that moving to an expanded reporting structure could help us to better manage our assets and improve synergies across the enterprise.

This realignment changed our reportable segments beginning with our first quarter of fiscal 2020. As such, we will begin reporting underfour reportable segments instead of our three previous reportable segments. Our four reporting segments will now be: the Construction Products Group ("CPG"), Performance Coatings Group ("PCG"), Consumer Group ("Consumer") and Specialty Products Group ("Specialty"). In connection with the realignment, we shifted our Kirker business out of Consumer into Specialty, and also shifted our Dryvit and Nudura businesses out of Specialty into CPG. The newly formed CPG will also include our Tremco, Tremco illbruck, Euclid Chemical, Viapol, Vandex and Flowcrete businesses. PCG will include Stonhard, Carboline, USL and Fibergrate businesses, while Consumer will comprise the Rust-Oleum and DAP businesses.

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings and roofing systems, sealants and adhesives. We manage our portfolio by organizing our businesses and product lines into four reportable segments as outlined above, which also represent our operating segments. Within each operating segment, we manage product lines and businesses which generally address common markets, share similar economic characteristics, utilize similar technologies and can share manufacturing or distribution capabilities. Our four operating segments represent components of our business for which separate financial information is available that is utilized on a regular basis by our chief operating decision maker in determining how to allocate the assets of the company and evaluate performance. These four operating segments are each managed by an operating segment manager, who is responsible for the day-to-day operating decisions and performance evaluation of the operating segment's underlying businesses. We evaluate the profit performance of our segments primarily based on income before income taxes, but also look to earnings (loss) before interest and taxes ("EBIT"), and/or adjusted EBIT, as a performance evaluation measure because interest expense is essentially related to acquisitions, as opposed to segment operations.

Our CPG reportable segment products are sold throughout North America and also account for the majority of our international sales. Our construction product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. Products and services within this reportable segment include construction sealants and adhesives, coatings and chemicals, roofing systems, concrete admixture and repair products, building envelope solutions, insulated cladding, flooring systems, and weatherproofing solutions.

Our PCG reportable segment products are sold throughout North America, as well as internationally, and are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. Products and services within this reportable segment include high-performance flooring solutions, corrosion control and fireproofing coatings, infrastructure repair systems, fiberglass reinforced plastic gratings and drainage systems.

Our Consumer reportable segment manufactures and markets professional use and do-it-yourself ("DIY") products for a variety of mainly consumer applications, including home improvement and personal leisure activities. Our consumer segment's major manufacturing and distribution operations are located primarily in North America, along with a few locations in Europe and other parts of the world. Our consumer reportable segment products are primarily sold directly to mass merchandisers, home improvement centers, hardware stores, paint stores, craft shops and through distributors. The Consumer reportable segment offers products that include specialty, hobby and professional paints; caulks; adhesives; silicone sealants and wood stains.

Our Specialty reportable segment products are sold throughout North America and a few international locations, primarily in Europe. Our specialty product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. The Specialty reportable segment offers products that include industrial cleaners, restoration services equipment, colorants, nail enamels, exterior finishes, edible coatings and specialty glazes for pharmaceutical and food industries, and other specialty original equipment manufacturer ("OEM") coatings.

In addition to our four reportable segments, there is a category of certain business activities and expenses, referred to as corporate/other, that does not constitute an operating segment. This category includes our corporate headquarters and related administrative expenses, results of our captive insurance companies, gains or losses on the sales of certain assets and other expenses not directly associated with any reportable segment. Assets related to the corporate/other category consist primarily of investments, prepaid expenses and headquarters' property and equipment. These corporate and other assets and expenses reconcile reportable segment data to total consolidated income before income taxes and identifiable assets.

We reflect income from our joint ventures on the equity method, and receive royalties from our licensees.

The following tables present a disaggregation of revenues by geography, and reflect the results of our reportable segments consistent with our management philosophy, by representing the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of businesses. Information for all periods presented has been recast to reflect the current quarter change in reportable segments.

| **Three Months Ended August 31, 2019** | **CPG Segment** | **PCG Segment** | **Consumer Segment** | **Specialty Segment** | **Consolidated** |
|---|---|---|---|---|---|
| *(In thousands)* | | | | | |
| **Net Sales (based on shipping location)** | | | | | |
| United States | $ 307,659 | $ 181,906 | $ 381,229 | $ 131,731 | $ 1,002,525 |
| Foreign | | | | | |
| Canada | 50,443 | 20,973 | 32,505 | 2,228 | 106,149 |
| Europe | 114,302 | 64,459 | 51,009 | 20,839 | 250,609 |
| Latin America | 42,847 | 8,441 | 6,315 | 432 | 58,035 |
| Asia Pacific | 20,396 | 7,424 | 6,181 | 4,858 | 38,859 |
| Other Foreign | 458 | 14,038 | 2,091 | - | 16,587 |
| Total Foreign | 228,446 | 115,335 | 98,101 | 28,357 | 470,239 |
| **Total** | $ 536,105 | $ 297,241 | $ 479,330 | $ 160,088 | $ 1,472,764 |

| **Three Months Ended August 31, 2018** | **CPG Segment** | **PCG Segment** | **Consumer Segment** | **Specialty Segment** | **Consolidated** |
|---|---|---|---|---|---|
| *(In thousands)* | | | | | |
| **Net Sales (based on shipping location)** | | | | | |
| United States | $ 289,799 | $ 177,457 | $ 375,536 | $ 137,881 | $ 980,673 |
| Foreign | | | | | |
| Canada | 43,338 | 22,188 | 29,005 | 2,246 | 96,777 |
| Europe | 125,287 | 60,614 | 57,876 | 22,800 | 266,577 |
| Latin America | 37,985 | 9,642 | 6,122 | 307 | 54,056 |
| Asia Pacific | 20,290 | 10,212 | 6,912 | 5,481 | 42,895 |
| Other Foreign | 793 | 16,306 | 1,912 | - | 19,011 |
| Total Foreign | 227,693 | 118,962 | 101,827 | 30,834 | 479,316 |
| **Total** | $ 517,492 | $ 296,419 | $ 477,363 | $ 168,715 | $ 1,459,989 |

| | **Three Months Ended** | |
|---|---|---|
| | **August 31, 2019** | **August 31, 2018** |
| | *(In thousands)* | |
| **Income (Loss) Before Income Taxes** | | |
| CPG Segment | $ 82,680 | $ 65,044 |
| PCG Segment | 28,057 | 8,325 |
| Consumer Segment | 59,158 | 50,969 |
| Specialty Segment | 23,327 | 23,816 |
| Corporate/Other | (50,373) | (56,216) |
| **Consolidated** | $ 142,849 | $ 91,938 |

| | **August 31, 2019** | **May 31, 2019** |
|---|---|---|
| | *(In thousands)* | |
| **Identifiable Assets** | | |
| CPG Segment | $ 1,594,453 | $ 1,573,329 |
| PCG Segment | 992,995 | 951,644 |
| Consumer Segment | 1,987,280 | 1,953,279 |
| Specialty Segment | 711,348 | 689,133 |
| Corporate/Other | 310,349 | 273,970 |
| **Consolidated** | $ 5,596,425 | $ 5,441,355 |

**NOTE 19 — GOODWILL**

We account for goodwill and other intangible assets in accordance with the provisions of ASC 350 and account for business combinations using the acquisition method of accounting and, accordingly, the assets and liabilities of the entities acquired are recorded at their estimated fair values at the acquisition date. Goodwill represents the excess of the purchase price paid over the fair value of net assets acquired, including the amount assigned to identifiable intangible assets.

We assess goodwill for impairment annually during the fourth quarter, or more frequently, if events and circumstances indicate impairment may have occurred. We test goodwill for impairment at the reporting unit level. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination as of the acquisition date. Once goodwill has been allocated to the reporting units, it no longer retains its identification with a particular acquisition and becomes identified with the reporting unit in its entirety. Accordingly, the fair value of the reporting unit as a whole is available to support the recoverability of its goodwill. We evaluate our reporting units when changes in our operating structure occur, and if necessary, reassign goodwill using a relative fair value allocation approach.

Subsequent to our prior annual impairment test as of the first day of our fourth fiscal quarter, the composition of our reportable segments was revised, as further discussed in Note 18, "Segment Information." Prior to implementing the revised segment reporting structure during our current quarter of fiscal 2020, our previously disclosed Industrial Segment comprised two operating segments, the CPG operating segment and the PCG operating segment. Each of these operating segments comprised several reporting units, all of which were tested during our last annual goodwill impairment test during the fourth quarter of fiscal 2019.

Also, in connection with our 2020 Map to Growth initiative, we realigned certain businesses and management structure within our Specialty segment. As such, our former Wood Finishes Group reporting unit was split into two separate reporting units: Guardian and Wood Finishes Group. Additionally, our former Kop-Coat Group reporting unit was split into two reporting units: Kop-Coat Industrial Protection Products and Kop-Coat Group. We performed a goodwill impairment test for each of the new reporting units upon the change in reportable segments, business realignment and management structure using a quantitative assessment. We concluded that the estimated fair values exceeded the carrying values for these new reporting units, and accordingly, no indications of impairment were identified as a result of these changes during the first quarter of fiscal 2020.

The following table summarizes the changes in the carrying amount of goodwill, by reportable segment, for the periods presented:

| *(In thousands)* | CPG Segment | PCG Segment | Industrial Segment | Consumer Segment | Specialty Segment | Total |
|---|---|---|---|---|---|---|
| Balance as of May 31, 2019 | $ - | $ - | $ 526,419 | $ 499,387 | $ 219,956 | $ 1,245,762 |
| Allocation to new segments | 407,429 | 185,259 | (526,419) | | (66,269) | - |
| Acquisitions | 14,689 | | | | | 14,689 |
| Translation adjustments | (3,578) | (2,577) | | (3,568) | (910) | (10,633) |
| **Balance as of August 31, 2019** | $ 418,540 | $ 182,682 | $ - | $ 495,819 | $ 152,777 | $ 1,249,818 |

## ITEM 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements include all of our majority-owned subsidiaries. Investments in less-than-majority-owned joint ventures for which we have the ability to exercise significant influence over are accounted for under the equity method. Preparation of our financial statements requires the use of estimates and assumptions that affect the reported amounts of our assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We continually evaluate these estimates, including those related to our allowances for doubtful accounts; inventories; allowances for recoverable taxes; uncertain tax positions; useful lives of property, plant and equipment; goodwill and other intangible assets; environmental, warranties and other contingent liabilities; income tax valuation allowances; pension plans; and the fair value of financial instruments. We base our estimates on historical experience, our most recent facts, and other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of our assets and liabilities. Actual results, which are shaped by actual market conditions, may differ materially from our estimates.

A comprehensive discussion of the accounting policies and estimates that are the most critical to our financial statements are set forth in our Annual Report on Form 10-K for the year ended May 31, 2019.

### BUSINESS SEGMENT INFORMATION

Effective June 1, 2019, we realigned certain businesses and management structure to recognize how we allocate resources and analyze the operating performance of our businesses. Among other things, the realignment of certain businesses occurred as a result of the 2020 MAP to Growth plan that was approved and initiated between May and August 2018. As we began to execute on our operating improvement initiatives, we identified ways to realign certain businesses, and concluded that moving to an expanded reporting structure could help us to better manage our assets and improve synergies across the enterprise.

This realignment changed our reportable segments beginning with our first quarter of fiscal 2020. As such, we will begin reporting under four reportable segments instead of our three previous reportable segments. See Note 18, "Segment Information," to the consolidated financial statements for further detail.

The following tables reflect the results of our reportable segments consistent with our management philosophy, and represent the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of businesses. Information for all periods presented has been recast to reflect the current quarter change in reportable segments.

| | Three Months Ended | |
|---|---|---|
| | August 31, 2019 | August 31, 2018 |
| | (In thousands) | |
| **Net Sales** | | |
| CPG Segment | $ 536,105 | $ 517,492 |
| PCG Segment | 297,241 | 296,419 |
| Consumer Segment | 479,330 | 477,363 |
| Specialty Segment | 160,088 | 168,715 |
| **Consolidated** | $ 1,472,764 | $ 1,459,989 |
| **Income Before Income Taxes (a)** | | |
| CPG Segment | | |
| Income Before Income Taxes (a) | $ 82,680 | $ 65,044 |
| Interest (Expense), Net (b) | (2,027) | (2,290) |
| EBIT (c) | $ 84,707 | $ 67,334 |
| PCG Segment | | |
| Income Before Income Taxes (a) | $ 28,057 | $ 8,325 |
| Interest (Expense), Net (b) | (129) | (118) |
| EBIT (c) | $ 28,186 | $ 8,443 |
| Consumer Segment | | |
| Income Before Income Taxes (a) | $ 59,158 | $ 50,969 |
| Interest (Expense), Net (b) | (105) | (174) |
| EBIT (c) | $ 59,263 | $ 51,143 |
| Specialty Segment | | |
| Income Before Income Taxes (a) | $ 23,327 | $ 23,816 |
| Interest Income, Net (b) | 26 | 93 |
| EBIT (c) | $ 23,301 | $ 23,723 |
| Corporate/Other | | |
| (Expense) Before Income Taxes (a) | $ (50,373) | $ (56,216) |
| Interest (Expense), Net (b) | (20,697) | (19,484) |
| EBIT (c) | $ (29,676) | $ (36,732) |
| **Consolidated** | | |
| Net Income | $ 106,496 | $ 70,186 |
| Add: (Provision) for Income Taxes | (36,353) | (21,752) |
| Income Before Income Taxes (a) | 142,849 | 91,938 |
| Interest (Expense) | (28,317) | (24,406) |
| Investment Income, Net | 5,385 | 2,433 |
| EBIT (c) | $ 165,781 | $ 113,911 |

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by generally accepted accounting principles ("GAAP") in the U.S., to EBIT.

(b) Interest (expense), net includes the combination of interest (expense) and investment income/(expense), net.

(c) EBIT is a non-GAAP measure, and is defined as earnings (loss) before interest and taxes. We evaluate the profit performance of our segments based on income before income taxes, but also look to EBIT as a performance evaluation measure because interest expense is essentially related to acquisitions, as opposed to segment operations. We believe EBIT is useful to investors for this purpose as well, using EBIT as a metric in their investment decisions. EBIT should not be considered an alternative to, or more meaningful than, income before income taxes as determined in accordance with GAAP, since EBIT omits the impact of interest in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness. Nonetheless, EBIT is a key measure expected by and useful to our fixed income investors, rating agencies and the banking community all of whom believe, and we concur, that this measure is critical to the capital markets' analysis of our segments' core operating performance. We also evaluate EBIT because it is clear that movements in EBIT impact our ability to attract financing. Our underwriters and bankers consistently require inclusion of this measure in offering memoranda in conjunction with any debt underwriting or bank financing. EBIT may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results.

## RESULTS OF OPERATIONS

***Three Months Ended August 31, 2019***

***Net Sales*** Consolidated net sales of $1,472.8 million for the first quarter of fiscal 2020 grew by approximately 0.9% from net sales of $1,460.0 million for last year's first quarter. Acquisitions added 2.3%, while organic sales, which include the impact of price and volume, reduced consolidated net sales by 0.1%. Consolidated net sales for the quarter also reflect an unfavorable foreign exchange impact of 1.3%.

CPG segment net sales for the current quarter grew by 3.6% to $536.1 million, from net sales of $517.5 million during the same period a year ago. The improvement resulted from recent acquisitions, which contributed 4.4% to net sales during the current quarter, and organic growth, which contributed 0.7% during the quarter, driven mainly by increases in selling prices. Unfavorable foreign exchange impacted construction segment net sales by 1.5% during the current quarter. Sales growth was highest in our basement waterproofing business and our Brazilian operation, but was offset by unfavorable weather, in the first month of the quarter, and labor shortages.

PCG segment net sales for the current quarter grew by 0.3% to $297.2 million, from net sales of $296.4 million during the same period a year ago. The improvement resulted from recent acquisitions, which contributed 1.8% to net sales during the current quarter, and organic growth, which contributed 0.4% during the quarter, driven mainly by the increases of selling prices over the comparable period last year. Unfavorable foreign exchange impacted performance coatings segment net sales by 1.9% during the current quarter. Sales growth was dampened by strategic decisions to exit low-margin businesses.

Consumer segment net sales for the quarter grew by 0.4% to $479.3 million, from $477.4 million during last year's first quarter. Recent acquisitions provided 1.3% of the growth in net sales, while organic growth provided 0.1%, during the current quarter, driven primarily by price increases. Unfavorable foreign currency impacted net sales in the consumer segment by 1.0% during the current quarter versus the same period a year ago. Sales growth was dampened due to soft economy in the U.K. related to Brexit, unfavorable weather in the first month of the quarter, deferred promotional activity by big box retailers, and a difficult comparison to the prior year, when there were load-ins for new business.

Specialty segment net sales for the quarter decreased by 5.1% to $160.1 million, from $168.7 million during last year's first quarter. Organic declines of 4.3%, during the current quarter, resulted from decreases in fluorescent pigments, specialty coatings and OEM businesses. Additionally, foreign currency had an unfavorable impact on specialty segment net sales for the quarter of 0.8%.

***Gross Profit Margin*** Our consolidated gross profit margin of 39.0% of net sales for the first quarter of fiscal 2020 compares to a consolidated gross profit margin of 37.6% for the comparable period a year ago, after giving effect to the change in classification of shipping and handling costs. Last year's reported gross profit margin of 40.7% has been recast to 37.6% in order to reflect the current year change in accounting principle related to shipping and handling costs, which were previously recognized in SG&A expenses and are now recognized in cost of sales. The current quarter gross profit increase of approximately 1.4% of net sales reflects an improvement of approximately 380 basis points ("bps") resulting from a combination of increases in selling prices and 2020 MAP to Growth savings, partially offset by the impact of lower volume and unfavorable mix of product sold versus last year for approximately 160 bps, in addition to higher raw material costs for approximately 30 bps and supply chain challenges throughout the period for approximately 50 bps. Recent changes in international trade duties and policies could materially impact the cost of our raw materials. Specifically, recently imposed tariffs, including tariffs on steel imports into the U.S., will likely have an unfavorable impact on the cost of our cans and packaging.

***SG&A*** Our consolidated SG&A expense during the current period was $14.5 million lower versus the same period last year, and decreased to 27.2% of net sales from 28.4% of net sales for the prior year quarter. Last year's reported SG&A percentage of net sales of 31.5% has been recast to 28.4% in order to reflect the current year change in accounting principle related to shipping and handling costs, which were previously recognized in SG&A expenses and are now recognized in cost of sales. During the first quarter of fiscal 2020, we continued our 2020 MAP to Growth and have generated $6.3 million of incremental savings. In connection with this plan, we incurred ERP implementation and consolidation expenses and professional fees in connection with implementing our 2020 MAP to Growth initiative totaling approximately $11.7 million. Additionally, in the prior year comparable period, there was approximately $10 million in unfavorable legal settlements and associated legal fees and unfavorable transactional foreign exchange of approximately $5.7 million, both of which did not reoccur in the current year. Additional SG&A expense incurred from companies acquired during the previous 12 months approximated $5.4 million during the first quarter of fiscal 2020.

Our CPG segment SG&A was approximately $1.5 million lower for the first quarter of fiscal 2020 versus the comparable prior year period and decreased as a percentage of net sales, mainly due to 2020 MAP to Growth savings in the current quarter and unfavorable transactional foreign exchange that occurred in the prior comparable quarter. Partially offsetting these decreases in SG&A was approximately $3.7 million of additional SG&A expense generated from companies acquired during the past 12 months.

Our PCG segment SG&A was approximately $8.3 million lower for the first quarter of fiscal 2020 versus the comparable prior year period anddecreased as a percentage of net sales, mainly due to 2020 MAP to Growth savings in the current quarter, decreased allowance for doubtful accounts associated with accounts deemed uncollectible as a result of changes in our market and leadership strategy and unfavorable transactional foreign exchange that occurred in the prior comparable quarter. These decreases were slightly offset by approximately $0.4 million of additional SG&A expense generated from companies acquired during the past 12 months.

Our Consumer segment SG&A decreased by approximately $5.8 million during the first quarter of fiscal 2020 versus the same period last year and decreased as a percentage of net sales. This was primarily attributable to 2020 MAP to Growth savings as well as unfavorable legal settlements and associated legal fees, which occurred during the prior comparable quarter. This was slightly offset by approximately $1.2 million of additional SG&A expense generated from companies acquired during the past 12 months.

Our Specialty segment SG&A was approximately $0.1 million lower during the first quarter of fiscal 2020 versus the comparable prior year period, but increased as a percentage of net sales. The decrease in SG&A expense is mainly attributable to cost control measures, which were offset by additional costs associated with the ERP consolidation plan associated with our 2020 MAP to Growth.

SG&A expenses in our corporate/other category of $28.5 million during the first quarter of fiscal 2020 increased by $1.1 million from $27.4 million recorded during last year's first quarter, resulting primarily from professional fees in connection with our 2020 MAP to Growth initiative, which approximated $8.0 million, compared to $4.3 million in the prior comparable quarter.

We recorded total net periodic pension and postretirement benefit costs of $13.1 million and $11.4 million for the first quarter of fiscal 2020 and 2019, respectively. The $1.7 million increase in pension expense resulted from the combination of higher net actuarial losses recognized during the current quarter versus last year's first quarter for approximately $1.6 million and a higher service costs of approximately $0.7 million during the current quarter versus the same period a year ago. These increases were partially offset by a decrease of approximately $0.6 million in interest costs during the current quarter, when compared to the same period a year ago. We expect that pension expense will fluctuate on a year-to-year basis, depending upon the investment performance of plan assets and potential changes in interest rates, but such changes are not expected to be material to our consolidated financial results.

***Restructuring Charges*** We recorded restructuring charges of $6.6 million during the first quarter of fiscal 2020, which compares with $20.1 million during the first quarter of fiscal 2019. These charges were the result of our continued implementation of our 2020 MAP to Growth, which focuses upon strategic shifts in operations across our entire business. On a consolidated basis, we incurred $3.8 million of severance and benefit costs during the first quarter of fiscal 2020 compared with $19.1 million during the same period a year ago. Facility closure and other related costs totaled $2.8 million during the first quarter of fiscal 2020 versus $0.4 million during the first quarter of fiscal 2019. Finally, $0.1 million of other asset write-offs during the period compared with $0.6 million during the same period a year ago. These charges were associated with closures of certain facilities as well as the elimination of duplicative headcount and infrastructure associated with certain of our businesses.

We expect to incur approximately $32.4 million of future additional charges in relation to this initiative. These additional charges include approximately $21.3 million of severance and benefit costs, $9.6 million of facility closure and other related charges, as well as $1.5 million of other asset write-offs. We expect these charges to be incurred by the end of calendar year 2020, upon which we expect to achieve an annualized pretax savings of approximately $290 million per year. Additionally, upon the completion of this initiative, we have targeted $230.0 million of improvement of working capital, and believe that, assuming 3% organic growth and approximately $150 million to $200 million annually in acquisitions of businesses, our fiscal year 2021 cash flow from operations will improve to approximately $872.0 million. In addition, we have continued to assess and find areas of improvement and cost savings as part of our 2020 MAP to Growth. As such, the final implementation and expected costs of our plan are subject to change. Most notably, we have broadened the scope of our announced plan to include the consolidation of the general and administrative areas, potential outsourcing, as well as additional future plant closures and consolidations; the estimated future costs of which have not yet been established. See Note 4, "Restructuring," to the consolidated financial statements, for further detail surrounding our 2020 MAP to Growth.

***Interest Expense*** Interest expense was $28.3 million for the first quarter of fiscal 2020 versus $24.4 million for the same period a year ago. Excluding acquisition-related borrowings, higher average borrowings quarter over quarter increased interest expense by approximately $1.7 million during the first quarter of fiscal 2020 when compared to the prior year quarter. Higher average borrowings, related to recent acquisitions, increased interest expense during this year's first quarter by approximately $1.3 million versus the same period a year ago. Higher interest rates, which averaged 4.13% overall for the first quarter of fiscal 2020 compared with 4.06% for the same period of fiscal 2019, increased interest expense by approximately $0.9 million during the current quarter versus the same period last year.

***Investment (Income), Net*** Net investment income of approximately $5.4 million for the first quarter of fiscal 2020 compares to net investment income of $2.4 million during the same period last year. Dividend and interest income totaled $1.8 million and $2.0 million for the first quarter of fiscal 2020 and 2019, respectively. Net gains on marketable securities totaled $3.5 million during the first quarter of fiscal 2020, while there were net realized gains of $0.4 million during the same period a year ago.

***Income Before Income Taxes ("IBT")*** Our consolidated pretax income for the first quarter of fiscal 2020 of $142.8 million compares with pretax income of $91.9 million for the same period a year ago. Our CPG segment had IBT of $82.7 million, or 15.4% of net sales, for the quarter ended August 31, 2019, versus IBT of $65.0 million, or 12.6% of net sales, for the same period a year ago. Our CPG segment results reflect 2020 MAP to Growth savings, prior year selling price increases and increased earnings from recent acquisitions. Our PCG segment had IBT of $28.1 million, or 9.4% of net sales, for the quarter ended August 31, 2019, versus IBT of $8.3 million, or 2.8% of net sales, for the same period a year ago. Our PCG segment results reflect 2020 MAP to Growth savings and non-recurring one-time items that occurred in the prior comparable quarter. Our Consumer segment IBT approximated $59.2 million, or 12.3% of net sales, for the first quarter of fiscal 2020, versus the prior year first quarter pretax income of $51.0 million, or 10.7% of net sales. The prior quarter results reflect the unfavorable legal settlements and related legal fees of approximately $10.0 million. Our Specialty segment had pretax income of $23.3 million, or 14.6% of net sales for the quarter ended August 31, 2019, versus pretax income of $23.8 million, or 14.1% of net sales, for the same period a year ago, reflecting declines in sales volume in our fluorescent pigment, specialty coatings and OEM businesses.

***Income Tax Rate*** The effective income tax rate of 25.5% for the three-months ended August 31, 2019 compares to an effective income tax rate of 23.7% for the three-months ended August 31, 2018. The effective income tax rates for the three-month periods ended August 31, 2019 and 2018 reflect variances from the 21% federal statutory rate due primarily to the unfavorable impact of state and local income taxes and the net tax on foreign subsidiary income resulting from the global intangible low-taxed income provisions, partially offset by tax benefits related to equity compensation. The quarter over quarter increase in the effective income tax rate is primarily attributable to a decrease in the equity compensation income tax benefit.

***Net Income*** Net income of $106.5 million for the quarter ended August 31, 2019 compares to net income of $70.2 million for the comparable prior year period. Net income attributable to RPM International Inc. stockholders for the first quarter of fiscal 2020 was $106.2 million, or 7.2% of consolidated net sales, which compared to net income of $69.8 million, or 4.8% of consolidated net sales for the comparable prior year period.

Diluted earnings per share of common stock for the quarter ended August 31, 2019 of $0.82 compares with diluted earnings per share of common stock of $0.52 for the quarter ended August 31, 2018.

## LIQUIDITY AND CAPITAL RESOURCES

### Operating Activities

***Fiscal 2020 Compared with Fiscal 2019***

Approximately $145.1 million of cash was provided by operating activities during the first three months of fiscal 2020, compared with $7.1 million of cash used by operating activities during the same period last year. The net change in cash from operations includes the change in net income, which increased by $36.3 million during the first three months of fiscal 2020 versus the same period during fiscal 2019. During the first three months of fiscal 2020, we recorded $6.6 million in restructuring charges and made cash payments of $6.0 million related to our 2020 MAP to Growth, as further described in Note 4, "Restructuring." Changes in working capital accounts and all other accruals provided approximately $130.6 million more cash flow during the first three months of fiscal 2020 versus the same period last year.

The change in accounts receivable during the first three months of fiscal 2020 provided approximately $84.0 million more cash than during the same period a year ago. This resulted from improved earnings and initiatives that shifted approximately $100.0 million in receipts from the fourth quarter of fiscal 2019 to the first quarter of fiscal 2020. Days sales outstanding ("DSO") at August 31, 2019 increased to 63.7 days from 62.3 days at August 31, 2018. While many of our businesses achieved decreases in DSO during the current quarter versus last year, those improvements were more than offset by increased DSO at our consumer segment resulting from a reduction of the volume of cash collections subject to early payment discounts.

During the first three months of fiscal 2020, we spent approximately $4.6 million less cash for inventory compared to our spending during the same period a year ago, which resulted primarily from the timing of purchases by retail customers. Days of inventory outstanding ("DIO") at August 31, 2019 increased to 86.2 days from 84.4 days at August 31, 2018. While many of our businesses improved their DIO by several days during the current quarter versus last year, those improvements were more than offset by inventory increases at certain of our other businesses in order to accommodate and maintain customer service levels.

The change in accounts payable during the first three months of fiscal 2020 used approximately $24.4 million less cash than during the first three months of fiscal 2019, resulting principally from the timing of certain payments as we continue to move toward a center-led procurement process that includes negotiating modified payment terms. Cash provided from operations, along with the use of available credit lines, as required, remain our primary sources of liquidity.

### Investing Activities

Capital expenditures, other than for ordinary repairs and replacements, are made to accommodate our continued growth to achieve production and distribution efficiencies, expand capacity, introduce new technology, improve environmental health and safety capabilities, improve information systems, and enhance our administration capabilities. During the first three months of fiscal 2020, we paid $30.6 million for acquisitions, net of cash acquired, versus $26.4 million during the comparable prior year period. Capital expenditures of $36.6 million during the first three months of fiscal 2020 compare with depreciation of $23.6 million. In the comparable prior year period, capital expenditures were $28.3 million, which compared with depreciation of $24.1 million. We have been increasing, and will continue to increase, our capital spending in fiscal 2020, in an effort to consolidate ERP systems and our plant footprint, as part of 2020 MAP to Growth. We anticipate that additional shifts at our production facilities, coupled with the capacity added through acquisition activity and our planned increase in future capital spending levels, will enable us to meet increased demand throughout fiscal 2020 and beyond.

Our captive insurance companies invest their excess cash in marketable securities in the ordinary course of conducting their operations, and this activity will continue. Differences in the amounts related to these activities on a year-over-year basis are primarily attributable to differences in the timing and performance of their investments balanced against amounts required to satisfy claims. At August 31, 2019 and May 31, 2019, the fair value of our investments in marketable securities totaled $123.6 million and $112.5 million, respectively. The fair value of our portfolio of marketable securities is based on quoted market prices for identical, or similar, instruments in active or non-active markets or model-derived-valuations with observable inputs. We have no marketable securities whose fair value is subject to unobservable inputs.

As of August 31, 2019, approximately $197.1 million of our consolidated cash and cash equivalents were held at various foreign subsidiaries, compared with $205.8 million at May 31, 2019. Undistributed earnings held at our foreign subsidiaries that are considered permanently reinvested will be used, for instance, to expand operations organically or for acquisitions in foreign jurisdictions. Further, our operations in the U.S. generate sufficient cash flow to satisfy U.S. operating requirements. Refer to Note 10, “Income Taxes,” to the Consolidated Financial Statements for additional information regarding unremitted foreign earnings.

### Financing Activities

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at $1.20 billion at August 31, 2019, compared with $1.28 billion at May 31, 2019.

#### *4.550% Notes due 2029*

On February 27, 2019, we closed an offering for $350.0 million aggregate principal amount of 4.550% Notes due 2029 (the “2029 Notes”). The proceeds from the 2029 Notes were used to repay a portion of the outstanding borrowings under our revolving credit facility and for general corporate purposes. Interest on the 2029 Notes accrues from February 27, 2019 and is payable semiannually in arrears on March 1st and September 1st of each year, beginning September 1, 2019, at a rate of 4.550% per year. The 2029 Notes mature on March 1, 2029. The indenture governing this indebtedness includes cross-acceleration provisions. Under certain circumstances, where an event of default under our other instruments results in acceleration of the indebtedness under such instruments, holders of the indebtedness under the indenture are entitled to declare amounts outstanding immediately due and payable.

#### *4.250% Notes due 2048*

On December 20, 2017, we closed an offering for $300.0 million aggregate principal amount of 4.250% Notes due 2048 (the “2048 Notes”). The proceeds from the 2048 Notes were used to repay $250.0 million in principal amount of unsecured 6.50% senior notes due February 15, 2018, and for general corporate purposes. Interest on the 2048 Notes accrues from December 20, 2017 and is payable semiannually in arrears on January 15th and July 15th of each year, beginning July 15, 2018, at a rate of 4.250% per year. The 2048 Notes mature on January 15, 2048. The indenture governing this indebtedness includes cross-acceleration provisions. Under certain circumstances, where an event of default under our other instruments results in acceleration of the indebtedness under such instruments, holders of the indebtedness under the indenture are entitled to declare amounts outstanding immediately due and payable.

#### *5.250% Notes due 2045 and 3.750% Notes due 2027*

On March 2, 2017, we issued $50.0 million aggregate principal amount of 5.250% Notes due 2045 (the “2045 Notes”) and $400.0 million aggregate principal amount of 3.750% Notes due 2027 (the “2027 Notes”). The 2045 Notes are a further issuance of the $250 million aggregate principal amount of 5.250% Notes due 2045 initially issued by us on May 29, 2015. Interest on the 2045 Notes is payable semiannually in arrears on June 1st and December 1st of each year at a rate of 5.250% per year. The 2045 Notes mature on June 1, 2045. Interest on the 2027 Notes is payable semiannually in arrears on March 15th and September 15th of each year, at a rate of 3.750% per year. The 2027 Notes mature on March 15, 2027. The indenture governing this indebtedness includes cross-acceleration provisions. Under certain circumstances, where an event of default under our other instruments results in acceleration of the indebtedness under such instruments, holders of the indebtedness under the indenture are entitled to declare amounts outstanding immediately due and payable.

***Revolving Credit Agreement***

During the quarter ended November 30, 2018, we replaced our previous $800.0 million revolving credit agreement, which was set to expire on December 5, 2019, with a $1.3 billion unsecured syndicated revolving credit facility (the “Revolving Credit Facility”), which expires on October 31, 2023. The Revolving Credit Facility includes sublimits for the issuance of swingline loans, which are comparatively short-term loans used for working capital purposes and letters of credit. The aggregate maximum principal amount of the commitments under the Revolving Credit Facility may be expanded upon our request, subject to certain conditions, up to $1.5 billion. The Revolving Credit Facility is available to refinance existing indebtedness, to finance working capital and capital expenditures, and for general corporate purposes. Accordingly, during October 2019, it is likely we will utilize available funds from our Revolving Credit Facility to repay our unsecured 6.125% senior notes, which mature on October 15, 2019. At May 31, 2019, the outstanding balance on our 6.125% senior notes approximated $450.5 million, which is included in the current portion of long-term debt on our consolidated balance sheets.

The Revolving Credit Facility requires us to comply with various customary affirmative and negative covenants, including a leverage covenant and interest coverage ratio, which are calculated in accordance with the terms as defined by the credit agreement. Under the terms of the leverage covenant, we may not permit our leverage ratio for total indebtedness to consolidated EBITDA for the four most recent fiscal quarters to exceed 3.75 to 1.0. During certain periods and per the terms of the Revolving Credit Facility, this ratio may be increased to 4.25 to 1.0 in the event of an acquisition for which the aggregate consideration is $100.0 million or greater. The minimum required consolidated interest coverage ratio for EBITDA to interest expense is 3.50 to 1. The interest coverage ratio is calculated at the end of each fiscal quarter for the four fiscal quarters then ended. For purposes of these computations, EBITDA is defined in the Revolving Credit Facility.

As of August 31, 2019, we were in compliance with all financial covenants contained in our Revolving Credit Facility, including the leverage and interest coverage ratio covenants. At that date, our leverage ratio was 3.12 to 1, while our interest coverage ratio was 7.47 to 1. Our available liquidity under our Revolving Credit Facility stood at $916.7 million at August 31, 2019.

Our access to funds under our Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the Revolving Credit Facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

***Accounts Receivable Securitization Program***

On May 9, 2014, we entered into a $200.0 million accounts receivable securitization facility (the “AR Program”). The AR Program, which expires on May 8, 2020, was entered into pursuant to (1) a second amended and restated receivables sales agreement, dated as of May 9, 2014, and subsequently amended on August 29, 2014; November 3, 2015; December 31, 2016; and March 31, 2017 (the “Sale Agreement”), among certain of our subsidiaries (the “Originators”), and RPM Funding Corporation, a special purpose entity (the “SPE”) whose voting interests are wholly owned by us, and (2) an amended and restated receivables purchase agreement, dated as of May 9, 2014 and subsequently amended on February 25, 2015 and May 2, 2017 (the “Purchase Agreement”), among the SPE, certain purchasers from time to time party thereto (the “Purchasers”), and PNC Bank, National Association as administrative agent.

Under the Sale Agreement, the Originators may, during the term thereof, sell specified accounts receivable to the SPE, which may in turn, pursuant to the Purchase Agreement, transfer an undivided interest in such accounts receivable to the Purchasers. Once transferred to the SPE, such receivables are owned in their entirety by the SPE and are not available to satisfy claims of our creditors or creditors of the originating subsidiaries until the obligations owing to the participating banks have been paid in full. We indirectly hold a 100% economic interest in the SPE and will, along with our subsidiaries, receive the economic benefit of the AR Program. The transactions contemplated by the AR Program do not constitute a form of off-balance sheet financing, and will be fully reflected in our financial statements.

The maximum availability under the AR Program is $200.0 million. Availability is further subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the accounts receivable being transferred and, therefore, at certain times, we may not be able to fully access the $200.0 million of funding available under the AR Program. As of August 31, 2019, the outstanding balance under the AR Program was $130.0 million, which compares with the maximum availability on that date of $200.0 million.

The interest rate under the Purchase Agreement is based on the Alternate Base Rate, LIBOR Market Index Rate, one-month LIBOR or LIBOR for a specified tranche period, as selected by us, plus in each case a margin of 0.80%. In addition, as set forth in an Amended and Restated Fee Letter, dated May 2, 2017 (the "Fee Letter"), the SPE is obligated to pay a monthly unused commitment fee to the Purchasers based on the daily amount of unused commitments under the Agreement, which ranges from 0.30% to 0.50% based on usage. The AR Program contains various customary affirmative and negative covenants, as well as customary default and termination provisions.

Our failure to comply with the covenants described above and other covenants contained in the Revolving Credit Facility could result in an event of default under that agreement, entitling the lenders to, among other things, declare the entire amount outstanding under the Revolving Credit Facility to be due and payable immediately. The instruments governing our other outstanding indebtedness generally include cross-default provisions that provide that, under certain circumstances, an event of default that results in acceleration of our indebtedness under the Revolving Credit Facility will entitle the holders of such other indebtedness to declare amounts outstanding immediately due and payable.

***2.25% Convertible Senior Notes due 2020***

On December 9, 2013, we issued $205 million of 2.25% Convertible Senior Notes due 2020 (the "Convertible Notes"). We paid interest on the Convertible Notes semi-annually on June 15th and December 15th of each year.

We completed the redemption of all $205.0 million aggregate principal amount of our outstanding Convertible Notes on November 27, 2018.

***Stock Repurchase Program***

On January 9, 2008, we announced our authorization of a stock repurchase program under which we may repurchase shares of RPM International Inc. common stock at management's discretion. As announced on November 28, 2018, our goal is to return $1.0 billion in capital to stockholders by May 31, 2021 through share repurchases. On April 16, 2019, after taking into account share repurchases under our existing stock repurchase program to date, our Board of Directors authorized the repurchase of the remaining $600.0 million in value of RPM International Inc. common stock by May 31, 2021. As a result, we may repurchase shares from time to time in the open market or in private transactions at various times and in amounts and for prices that our management deems appropriate, subject to insider trading rules and other securities law restrictions. The timing of our purchases will depend upon prevailing market conditions, alternative uses of capital and other factors. We may limit or terminate the repurchase program at any time. During the quarter ended August 31, 2019, we repurchased 1,655,616 shares of our common stock at a cost of approximately $100.0 million, or an average cost of $60.40 per share, under this program. During the quarter ended August 31, 2018, we repurchased 103,446 shares of our common stock at a cost of approximately $7.0 million, or an average cost of $67.61 per share, under this program.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet financings for the year ended May 31, 2019, other than the minimum operating lease commitments as previously disclosed in our Form 10-K for the year ended May 31, 2019. As of June 1, 2019, upon adoption of ASC 842, the minimum operating lease commitments are no longer off-balance sheet. We have no subsidiaries that are not included in our financial statements, nor do we have any interests in, or relationships with, any special purpose entities that are not reflected in our financial statements.

**OTHER MATTERS**

***Environmental Matters***

Environmental obligations continue to be appropriately addressed and, based upon the latest available information, it is not anticipated that the outcome of such matters will materially affect our results of operations or financial condition. Our critical accounting policies and estimates set forth above describe our method of establishing and adjusting environmental-related accruals and should be read in conjunction with this disclosure. For additional information, refer to "Part II, Item 1. Legal Proceedings."

**FORWARD-LOOKING STATEMENTS**

The foregoing discussion includes forward-looking statements relating to our business. These forward-looking statements, or other statements made by us, are made based on our expectations and beliefs concerning future events impacting us and are subject to uncertainties and factors (including those specified below), which are difficult to predict and, in many instances, are beyond our control. As a result, our actual results could differ materially from those expressed in or implied by any such forward-looking statements. These uncertainties and factors include (a) global markets and general economic conditions, including uncertainties surrounding the volatility in financial markets, the availability of capital and the effect of changes in interest rates, and the viability of banks and other financial institutions; (b) the prices, supply and capacity of raw materials, including assorted pigments, resins, solvents, and other natural gas- and oil-based materials; packaging, including plastic containers; and transportation services, including fuel surcharges; (c) continued growth in demand for our products; (d) legal, environmental and litigation risks inherent in our construction and chemicals businesses and risks related to the adequacy of our insurance coverage for such matters; (e) the effect of changes in interest rates; (f) the effect of fluctuations in currency exchange rates upon our foreign operations; (g) the effect of non-currency risks of investing in and conducting operations in foreign countries, including those relating to domestic and international political, social, economic and regulatory factors; (h) risks and uncertainties associated with our ongoing acquisition and divestiture activities; (i) the timing of and the realization of anticipated cost savings from restructuring initiatives and the ability to identify additional cost savings opportunities; (j) risks related to the adequacy of our contingent liability reserves; and (k) other risks detailed in our filings with the Securities and Exchange Commission, including the risk factors set forth in our Annual Report on Form 10-K for the year ended May 31, 2019, as the same may be updated from time to time. We do not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the filing date of this document.

## ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We are exposed to market risk from changes in raw materials costs, interest rates and foreign exchange rates since we fund our operations through long- and short-term borrowings and conduct our business in a variety of foreign currencies. There were no material potential changes in our exposure to these market risks since May 31, 2019.

## ITEM 4. *CONTROLS AND PROCEDURES*

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of August 31, 2019 (the “Evaluation Date”), have concluded that as of the Evaluation Date, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act (1) is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms, and (2) is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) CHANGES IN INTERNAL CONTROL.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended August 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. *LEGAL PROCEEDINGS*

***SEC Investigation and Enforcement Action***

As previously disclosed, we were notified by the SEC on June 24, 2014, that we are the subject of a formal investigation pertaining to the timing of our disclosure and accrual of loss reserves in fiscal 2013 with respect to the previously disclosed DOJ and GSA Office of Inspector General investigation into compliance issues relating to Tremco Roofing Division's GSA contracts. As previously disclosed, our audit committee completed an investigation into the facts and circumstances surrounding the timing of our disclosure and accrual of loss reserves with respect to the GSA and DOJ investigations, and determined that it was appropriate to restate our financial results for the first, second and third quarters of fiscal 2013. These restatements had no impact on our audited financial statements for the fiscal years ended May 31, 2013 or 2014. The audit committee's investigation concluded that there was no intentional misconduct on the part of any of our officers.

In connection with the foregoing, on September 9, 2016, the SEC filed an enforcement action in the U.S. District Court for the District of Columbia against us and our General Counsel. We have cooperated with the SEC's investigation and believe the allegations in the complaint mischaracterize both our and our General Counsel's actions in connection with the matters related to our quarterly results in fiscal 2013 and are without merit. The complaint seeks disgorgement of gains that may have resulted from the conduct alleged in the complaint, and payment of unspecified monetary penalties from us and our General Counsel pursuant to Section 20(d) of the Securities Act and Section 21(d)(3) of the Exchange Act. Further, the complaint seeks to permanently enjoin us from violations of Sections 17(a)(2) and (a)(3) of the Securities Act, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13, and to permanently enjoin our General Counsel from violations of Sections 17(a)(2) and (a)(3) of the Securities Act and Exchange Act Rules 13b2-1 and 13b2-2(a). Both we and our General Counsel filed motions to dismiss the complaint on February 24, 2017. Those motions to dismiss the complaint were denied by the Court on September 29, 2017. We and our General Counsel filed answers to the complaint on October 16, 2017. Formal discovery commenced in January 2018 and closed as of June 3, 2019, other than one remaining discovery dispute. The parties engaged in written discovery, and several fact witnesses were deposed. The dispositive motion briefing schedule was vacated by the Court on July 2, 2019, due to the remaining discovery dispute, and will be rest once this dispute is fully resolved. We intend to continue to contest the allegations in the complaint vigorously.

***Environmental Proceedings***

As previously reported, several of our subsidiaries are, from time to time, identified as a "potentially responsible party" under the federal Comprehensive Environmental Response, Compensation and Liability Act and similar local environmental statutes. In some cases, our subsidiaries are participating in the cost of certain clean-up efforts or other remedial actions. Our share of such costs to date, however, has not been material and management believes that these environmental proceedings will not have a material adverse effect on our consolidated financial condition or results of operations. See "Item 1 — Business — Environmental Matters," in this Annual Report on Form 10-K.

On June 7, 2019, Rust-Oleum received a show cause letter from the United States Environmental Protection Agency ("U.S. EPA") formally notifying it of an alleged violation of 2017 TRI Form R reporting requirements for its Hagerstown, MD plant. Rust-Oleum is negotiating a settlement agreement with U.S. EPA associated therewith that includes a proposed penalty of approximately $134,000.

On August 13, 2019, Kirker Enterprises Inc. received an Administrative Order and Civil Administrative Penalty Assessment letter from the State of New Jersey Department of Environmental Protection Division of Air Enforcement formally notifying it of alleged failures to fulfill all conditions of an air permit applicable to its Patterson, New Jersey facility. The letter includes a proposed penalty of approximately $192,000.

### ITEM 1A. *RISK FACTORS*

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2019.

**ITEM 2.** ***UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS***

(c) The following table presents information about repurchases of common stock we made during the first quarter of fiscal 2020:

| Period | Total Number of Shares Purchased(1) | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Dollar Amount that May Yet be Purchased Under the Plans or Programs(2) |
|---|---|---|---|---|
| June 1, 2019 through June 30, 2019 | 966,327 | $ 59.56 | 956,000 | |
| July 1, 2019 through July 31, 2019 | 762,235 | $ 61.98 | 699,616 | |
| August 1, 2019 through August 31, 2019 | 19,229 | $ 69.14 | | |
| Total - First Quarter | 1,747,791 | $ 60.72 | 1,655,616 | |

(1) Includes 92,175 shares of common stock that were disposed of back to us in satisfaction of tax obligations related to the vesting of restricted stock which was granted under RPM International Inc.'s Amended and Restated 2014 Omnibus Equity and Incentive Plan and 2007 Restricted Stock Plan.

(2) The maximum dollar amount that may yet be repurchased under our program was approximately $494.7 million at August 31, 2019. Refer to Note 12 to the consolidated financial statements for further information regarding our stock repurchase program.

**ITEM 6.** ***EXHIBITS***

| Exhibit Number | Description |
|---|---|
| 10.1 | Amended and Restated Employment Agreement, effective December 31, 2008, by and between the Company and Keith R. Smiley, Vice President – Finance and Controller. (x) |
| 18.1 | Preferability letter of Deloitte & Touche LLP, independent registered public accounting firm. (x) |
| 31.1 | Rule 13a-14(a) Certification of the Company's Chief Executive Officer.(x) |
| 31.2 | Rule 13a-14(a) Certification of the Company's Chief Financial Officer.(x) |
| 32.1 | Section 1350 Certification of the Company's Chief Executive Officer.(x) |
| 32.2 | Section 1350 Certification of the Company's Chief Financial Officer.(x) |
| 101.INS | Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2019, has been formatted in Inline XBRL |

(x) Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**RPM International Inc.**

By: /s/ Frank C. Sullivan
Frank C. Sullivan
Chairman and Chief Executive Officer

By: /s/ Russell L. Gordon
Russell L. Gordon
Vice President and
Chief Financial Officer

Dated: October 3, 2019

**Exhibit 10.1**

**K. Smiley**
**Execution Copy**

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") dated effective as of the 31st day of December, 2008, between RPM International Inc., a Delaware corporation (the "Company"), and Keith R. Smiley ("Executive").

WHEREAS, Executive is currently Vice President—Treasurer and Assistant Secretary of the Company; and

WHEREAS, Executive and the Company entered into the Amended and Restated Employment Agreement, dated as of June 1, 2006 (the "Existing Agreement"), to ensure Executive's continued employment with the Company; and

WHEREAS, the Board of Directors of the Company recognizes the importance of Executive's continuing contribution to the future growth and success of the Company and desires to assure the Company and its stockholders of Executive's continued employment in an executive capacity and to compensate him therefor; and

WHEREAS, Executive is desirous of committing himself to continue to serve the Company on the terms herein provided.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the parties hereto agree as follows:

1. Term of Employment. The Company hereby agrees to continue to employ Executive, and Executive hereby agrees to continue to serve the Company, on the terms and conditions set forth herein for the period commencing as of the date hereof and expiring on May 31, 2009 (the "Employment Period"). The Employment Period shall automatically be extended on May 31 of each year for a period of one year from such date unless, not later than March 31 of such year, the Company or Executive has given notice to the other party that it or he, as the case may be, does not wish to have the Employment Period extended. In addition, in the event of a Change in Control, the Employment Period shall automatically be extended for a period of three years beginning on the date of the Change in Control and ending on the third anniversary of the date of such Change in Control (unless further extended under the immediately preceding sentence). In any case, the Employment Period may be Terminated earlier under the terms and conditions set forth herein.

2. Position and Duties. Executive shall serve as Vice President—Treasurer and Assistant Secretary reporting to the Chief Financial Officerof the Company ("Direct Report") (or his designee) and shall have responsibility for all treasury matters of the Company and shall have such other powers and duties as may from time to time be assigned by Executive's Direct Report (or his designee) or the Board of Directors of the Company; provided, however, that such duties are consistent with his present duties and his position with the Company. Executive shall devote substantially all his working time and efforts to the continued success of the business and affairs of the Company.

3. Place of Employment. In connection with his employment by the Company, Executive shall not be required to relocate or move from his existing principal residence in Broadview Heights, Ohio, and shall not be required to perform services which would make the continuance of his principal residence in Broadview Heights, Ohio, unreasonably difficult or inconvenient for him. The Company shall give Executive at least six months' advance notice of any proposed relocation of its Medina, Ohio offices to a location more than 50 miles from Medina, Ohio and, if Executive in his sole discretion chooses to relocate his principal residence, the Company shall promptly pay (or reimburse him for) all reasonable relocation expenses (consistent with the Company's past practice for similarly situated senior executive officers) incurred by him relating to a change of his principal residence in connection with any such relocation of the Company's offices from Medina, Ohio.

4. Compensation.

(a) Base Salary. During the Employment Period, Executive shall receive a base salary at the rate of not less than Two Hundred Forty Thousand Dollars ($240,000) per annum ("Base Salary"), payable in substantially equal monthly installments at the end of each month during the Employment Period hereunder. It is contemplated that annually in the first quarter of each fiscal year of the Company the Chief Executive Officer will review Executive's Base Salary and other compensation during the Employment Period and, at the discretion of the Chief Executive Officer, the Chief Executive Officer may increase Executive's Base Salary and other compensation, effective as of June 1 of such fiscal year, based upon Executive's performance, then generally prevailing industry salary scales, the Company's results of operations, and other relevant factors. Any increase in Base Salary or other compensation shall in no way limit or reduce any other obligation of the Company hereunder and, once established at an increased specified rate, Executive's Base Salary hereunder shall not be reduced without his written consent.

(b) Incentive Compensation. In addition to his Base Salary, Executive shall be entitled to receive such annual cash incentive compensation ("Incentive Compensation") for each fiscal year of the Company during the Employment Period as the Chief Executive Officer may determine in his sole discretion based upon the Company's results of operation and other relevant factors. Such annual Incentive Compensation shall be received by Executive as soon as possible, but no later than 90 days after the close of the Company's fiscal year for which such Incentive Compensation is granted, provided however, that to the extent the Company's senior executive for Human Resources determines it to be consistent with Section 409A of the Code, Executive shall have such right, if any, as may be provided under the Deferred Compensation Plan to elect to defer annual Incentive Compensation. Any such election shall be made in accordance with the terms of the Deferred Compensation Plan (including provisions regarding the time and form of such deferral election) and such procedures as may be established thereunder.

(c) Expenses. During the Employment Period, Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by him (in accordance with Company practice) in performing services hereunder, provided that Executive properly accounts therefor in accordance with either Company policies or guidelines established by the Internal Revenue Service if such are less burdensome.

(d) Participation in Benefit Plans. During the Employment Period, Executive shall be entitled to continue to participate in or receive benefits under the Benefit Plans, subject to and on a basis consistent with the terms, conditions and overall administration of the Benefit Plans. Except with respect to any benefits related to salary reductions authorized by Executive, nothing paid or awarded to Executive under any Benefit Plan presently in effect or made available in the future shall reduce or be deemed to be in lieu of compensation to Executive pursuant to any other provision of this Section 4. Executive's right to participate in any Benefit Plan shall be subject to the applicable eligibility criteria for participation and Executive shall not be entitled to any benefits under, or based on, any Benefit Plan for any purposes of this Agreement if Executive does not during the Employment Period satisfy the eligibility criteria for participation in such plan.

(e) Vacations. During the Employment Period, Executive shall be entitled to the same number of paid vacation days in each fiscal year determined by the Company from time to time for its other senior executive officers, but not less than four weeks in any fiscal year, to be taken at such time or times as is desired by Executive after consultation with Executive's Direct Report (or the designated vacation coordinator) to avoid scheduling conflicts (prorated in any fiscal year during which Executive is employed hereunder for less than the entire such year in accordance with the number of days in such fiscal year during which he is so employed). Executive also shall be entitled to all paid holidays given by the Company to its other salaried employees.

(f) Other Benefits. During the Employment Period, Executive shall be entitled to continue to receive the fringe benefits appertaining to his position with the Company in accordance with present practice, including the use of the most recent model of a full-sized automobile. During the Employment Period, Executive shall be entitled to the full-time use of an office and furniture at the Company's offices in Medina, Ohio, and shall be entitled to the full-time use of a secretary paid by the Company.

5. Termination Outside of Protected Period.

(a) Events of Termination. At any time other than during the Protected Period, the Employment Period shall Terminate immediately upon the occurrence of any of the following events: (i) expiration of the Employment Period; (ii) the death of Executive; (iii) the expiration of 30 days after the Company gives Executive written notice of its election to Terminate the Employment Period upon the Disability of Executive, if before the expiration of such 30-day period Executive has not returned to the performance of his duties hereunder on a full-time basis; (iv) the resignation of Executive; (v) the Company's Termination of the Employment Period for Cause; or (vi) the Company's Termination of the Employment Period at any time, without Cause, for any reason or no reason. For purposes of Subsections 5(b) and 5(c), expiration of the Employment Period upon a notice of the Company under Section 1 that it does not wish to have the Employment Period extended shall be deemed a Termination of Employment without Cause pursuant to Subsection 5(a)(vi) and expiration of the Employment Period upon a notice of Executive under Section 1 that he does not wish to have the Employment Period extended shall be deemed a resignation of Executive pursuant to Subsection 5(a)(iv).

(b) Compensation Upon Termination. This Subsection 5(b) sets forth the payments and benefits to which Executive is entitled under any Termination of Employment pursuant to Subsection 5(a).

(i) Death; Disability. During any period in which Executive fails to perform his duties hereunder as a result of Disability, Executive shall continue to receive his full Base Salary until his employment is Terminated pursuant to Subsection 5(a)(ii) or (iii); provided that his employment shall not be continued beyond the 29th month after such period of Disability began. Upon Termination of the Employment Period under Subsection 5(a)(ii) or (iii), Executive shall no longer be entitled to participate in the Benefit Plans, except as required by applicable law or as governed by the Benefit Plans including the Group Long Term Disability Insurance in which Executive participates immediately prior to such Termination of Employment, but Executive shall be entitled to receive his Earned Incentive Compensation, if any, within 30 days after the Termination Date.

(ii) Resignation or Cause. If Executive's employment is Terminated pursuant to Subsection 5(a)(iv) or (v), the Company shall pay Executive his full Base Salary through the Termination Date at the rate in effect at such time. The Company shall then have no further obligations to Executive under this Agreement and Executive shall no longer be entitled to participate in the Benefit Plans, except as required by applicable law.

(iii) Termination of Employment Without Cause. If Executive's employment is Terminated without Cause pursuant to Subsection 5(a)(vi), then in lieu of any further salary payments to Executive for periods subsequent to the Termination Date, the Company shall pay to Executive no later than 30 calendar days following such date, a lump sum amount equal to the sum of (A) 200% of Executive's Base Salary in effect as of such date and (B) the amount of Executive's Earned Incentive Compensation. Executive also shall be entitled to certain continuing benefits under the terms of Subsection 5(c). Notwithstanding any other provision of this Subsection 5(b)(iii), Subsection 5(c) or this Agreement, the Company shall have no obligation to make the lump-sum payment referred to in this Subsection 5(b)(iii) or provide any continuing benefits or payment referred to in Subsection 5(c) unless (X) Executive executes and delivers to the Company a Release and Waiver of Claims and (Y) Executive refrains from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims for all applicable periods during which Executive may revoke it.

(c) Additional Benefits Following Termination under Subsection 5(a)(vi). This Subsection 5(c) sets forth the benefits to which Executive shall be entitled, in addition to those set forth in Subsection 5(b)(iii), following a Termination of the Employment Period under Subsection 5(a)(vi). Executive shall not be entitled to the benefit of any provision of this Subsection 5(c) following a Termination of the Employment Period under any other provision hereof.

(i) Continuing Benefit Plans. For a period of two years following such a Termination Date, Executive shall also be entitled to continue to participate, on the same terms and conditions as active employees, in the Continuing Benefit Plans in which Executive participated immediately prior to the Termination Date, except that (A) Executive shall be entitled to Estate/Financial Planning Benefits for a period of six months following the Termination Date and (B) if Executive's continued participation is not possible and Executive does not continue to participate under the terms of any such Continuing Benefit Plan, the Company shall instead pay to Executive, promptly upon presentation to the Company of invoices or receipts for payment, the amount Executive spends to receive comparable coverage under such a comparable plan during such two-year period. Notwithstanding the foregoing, in no event shall any such additional amount or comparable benefit be provided to Executive prior to or materially after the time the original payment or benefit would have been provided, or in a tax year other than the year in which payment would otherwise be made. Payment under Subsection 5(c)(i)(B) shall be made within 30 days of the time Executive presents an invoice or receipt for payment for such comparable coverage, provided Executive presents such invoice(s) or receipt(s) no later than 30 days before the end of the taxable year following the year in which the expenses were incurred. With respect to any coverage under a Continuing Benefit Plan with respect to which, but for this Agreement, Executive would otherwise be entitled to continuation coverage under Code Section 4980B ("COBRA"), any benefits provided for expenses that are incurred after the end of what would be the COBRA continuation coverage period if Executive had elected and paid for such coverage shall be made no later than the end of the taxable year following the taxable year in which such expense was incurred. Notwithstanding the foregoing sentence, the Company's obligations to Executive with respect to continued benefits under the Continuing Benefit Plans shall end at the time Executive becomes covered by another employer providing comparable benefits. During such continuation period, Executive shall be responsible for paying the normal employee share of the applicable premiums for coverage under the Continuing Benefit Plans. The Company shall have the right to modify, amend or terminate the Continuing Benefit Plans (other than the Estate/Financial Planning Benefits) following the Termination Date and Executive's continued participation therein shall be subject to such modification, amendment or termination if such modification, amendment or termination applies generally to the then-current participants in such plan. Upon completion of the two-year period following such a Termination Date, the Company shall afford Executive the opportunity to continue Executive's coverage under the Continuing Benefit Plans (other than the Estate/Financial Planning Benefits), at Executive's expense, for an additional period under COBRA Continuation Coverage, so long as Executive timely elects to receive COBRA Continuation Coverage under the terms thereof and otherwise complies with the conditions of continuation of benefits under COBRA Continuation Coverage.

(ii) Limited Benefit Plans. After such a Termination Date, Executive shall no longer be entitled to participate as an active employee in, or receive any additional or new benefits under, the Limited Benefit Plans, except as set forth in this Subsection 5(c)(ii) and except for such benefits, if any, available under such plans to former employees. After such a Termination Date, Executive shall be entitled to the following additional benefits:

(A) A lump sum payment equal to two times the annual premium most recently paid with respect to Executive for such executive life insurance program as may be maintained by the Company at the Termination Date, except that if such premium is less than the next scheduled premium as shown on the then current illustration of coverage, the lump sum payment shall be two times such next scheduled premium;

(B) A lump-sum payment equal to the cash value of the benefits Executive would have received had he continued to participate in and receive annual awards under the Restricted Stock Plan on a basis consistent with his past practice for a period of two years after the Termination Date, with such payment to be paid no later than 2 ½ months following the later of the end of Executive's taxable year or the end of the Company's taxable year in which the Termination Date occurs; and

(C) The lapse of all restrictions on transfer and forfeiture provisions to which Executive's awards under the Restricted Stock Plan are subject, so that any restricted shares previously awarded to Executive under such plan shall be nonforfeitable and freely transferable thereafter, all on the terms of the Restricted Stock Plan or the agreements thereunder.

(d) Notice of Termination. Any Termination of Employment by the Company pursuant to Subsection 5(a)(iii), (v) or (vi) or by Executive pursuant to Subsection 5(a)(iv) shall be communicated to the other party hereto by written notice of Termination of Employment, which shall state in reasonable detail the facts upon which the Termination of Employment has occurred.

(e) Set-Off. There shall be no right of set-off or counterclaim against, or delay in, any payment by the Company to Executive of any lump sum payment made under Subsection 5(b)(iii) or 5(c)(ii)(B) or any Gross-Up Payment in respect of any claim against or debt or obligation of Executive, whether arising hereunder or otherwise.

6. Termination During Protected Period.

(a) Events of Termination. During the Protected Period, the Employment Period shall Terminate immediately upon the occurrence of any of the following events: (i) the death of Executive; (ii) the expiration of 30 days after the Company gives Executive written notice of its election to Terminate the Employment Period upon the Disability of Executive, if before the expiration of such 30-day period Executive has not returned to the performance of his duties hereunder on a full-time basis; (iii) the resignation of Executive without delivering Notice of Termination for Good Reason; (iv) the Company's Termination of the Employment Period for Cause; (v) the Company's Termination of the Employment Period at any time, without Cause, for any reason or no reason; or (vi) Executive's Termination of the Employment Period for Good Reason by delivery of Notice of Termination for Good Reason to the Company during the Protected Period indicating that an event constituting Good Reason has occurred, provided that Executive's failure to object in writing to an event alleged to constitute Good Reason within six months of the date of occurrence of such event shall be deemed a waiver of such event by Executive and Executive thereafter may not Terminate the Employment Period under this Subsection 6(a)(vi) based on such event.

(b) Compensation Upon Termination. This Subsection 6(b) sets forth the payments and benefits to which Executive is entitled under any Termination of Employment pursuant to Subsection 6(a).

(i) Death; Disability. During any period in which Executive fails to perform his duties hereunder as a result of Disability, Executive shall continue to receive his full Base Salary until his employment is Terminated pursuant to Subsection 6(a)(i) or (ii); provided that his employment shall not be continued beyond the 29th month after such period of Disability began. Upon Termination of the Employment Period under Subsection 6(a)(i) or (ii), Executive shall no longer be entitled to participate in the Benefit Plans, except as required by applicable law or as governed by the Benefit Plans including the Group Long Term Disability Insurance in which Executive participates immediately prior to such Termination of Employment, but Executive shall be entitled to receive his Earned Incentive Compensation, if any, within 30 days after the Termination Date.

(ii) Resignation or Cause. If Executive's employment is Terminated pursuant to Subsection 6(a)(iii) or (iv), the Company shall pay Executive his full Base Salary through the Termination Date at the rate in effect at such time. The Company shall then have no further obligations to Executive under this Agreement and Executive shall no longer be entitled to participate in the Benefit Plans, except as required by applicable law.

(iii) Termination of Employment Without Cause or for Good Reason. If Executive's employment is Terminated by the Company without Cause pursuant to Subsection 6(a)(v) or by Executive for Good Reason pursuant to Subsection 6(a)(vi), then in lieu of any further salary payments to Executive for periods subsequent to the Termination Date, the Company shall pay to Executive a lump sum amount equal to the sum of (A) 300% of Executive's Base Salary in effect as of such date and (B) the amount of Executive's Earned Incentive Compensation. In the case of Termination of Employment without Cause, payment shall be made no later than 30 calendar days following the Termination Date, and in the case of Termination of Employment for Good Reason, payment shall be made on the first day of the seventh month following the Termination Date. Executive also shall be entitled to certain continuing benefits under the terms of Subsection 6(c). Notwithstanding any other provision of this Subsection 6(b)(iii), Subsection 6(c), Section 7 or this Agreement, the Company shall have no obligation to make the lump-sum payment referred to in this Subsection 6(b)(iii), to provide any continuing benefits or payment referred to in Subsection 6(c), or to make any Gross-Up Payment unless (X) Executive executes and delivers to the Company a Release and Waiver of Claims and (Y) Executive refrains from revoking, rescinding or otherwise repudiating such Release and Waiver of Claims for all applicable periods during which Executive may revoke it.

(c) Additional Benefits Following Termination under Subsections 6(a)(v) or (vi). This Subsection 6(c) sets forth the benefits to which Executive shall be entitled, in addition to those set forth in Subsection 6(b)(iii), following a Termination of the Employment Period under Subsection 6(a)(v) or (vi). Executive shall not be entitled to the benefit of any provision of this Subsection 6(c) following a Termination of the Employment Period under any other provision hereof.

(i) Continuing Benefit Plans. For a period of three years following such a Termination Date, Executive shall also be entitled to continue to participate, on the same terms and conditions as active employees, in the Continuing Benefit Plans in which Executive participated immediately prior to the Termination Date, except that (A) Executive shall be entitled to Estate/Financial Planning Benefits for a period of one year following the Termination Date and (B) if Executive's continued participation is not possible and Executive does not continue to participate under the terms of any such Continuing Benefit Plan, the Company shall instead pay to Executive, promptly upon presentation to the Company of invoices or receipts for payment, the amount Executive spends to receive comparable coverage under such a comparable plan during such three-year period. Notwithstanding the foregoing, in no event shall any such additional amount or comparable benefit be provided to Executive prior to or materially after the time the original payment or benefit would have been provided, or in a tax year other than the year in which payment would otherwise be made. Payment under Subsection 6(c)(i)(B) shall be made within 30 days of the time Executive presents an invoice or receipt for payment for such comparable coverage, provided Executive presents such invoice(s) or receipt(s) no later than 30 days before the end of Executive's taxable year following the year in which the expense was incurred; provided, however, that in the event of Termination of Employment for Good Reason, no payment or reimbursement shall be made hereunder before the first day of the seventh month following such Termination of Employment. With respect to any coverage under a Continuing Benefit Plan with respect to which, but for this Agreement, Executive would otherwise be entitled to continuation coverage under Code Section 4980B ("COBRA"), any benefits provided for expenses incurred after the end of what would be the COBRA continuation coverage period if Executive had elected and paid for such coverage shall be made no later than the end of the taxable year following the taxable year in which such expense was incurred. Notwithstanding the foregoing sentence, the Company's obligations to Executive with respect to continued benefits under the Continuing Benefit Plans shall end at the time Executive shall become covered by a plan of another employer providing comparable benefits**.** During such continuation period, Executive shall be responsible for paying the normal employee share of the applicable premiums for coverage under the Continuing Benefit Plans. The Company shall have the right to modify, amend or terminate the Continuing Benefit Plans (other than the Estate/Financial Planning Benefits) following the Termination Date and Executive's continued participation therein shall be subject to such modification, amendment or termination if such modification, amendment or termination applies generally to the then-current participants in such plan. Upon completion of the three-year period following such a Termination Date, the Company shall afford Executive the opportunity to continue Executive's coverage under the Continuing Benefit Plans (other than the Estate/Financial Planning Benefits), at Executive's expense, for an additional period under COBRA Continuation Coverage, so long as Executive timely elects to receive COBRA Continuation Coverage under the terms thereof and otherwise complies with the conditions of continuation of benefits under COBRA Continuation Coverage.

(ii) <u>Limited Benefit Plans</u>. After such a Termination Date, Executive shall no longer be entitled to participate as an active employee in, or receive any additional or new benefits under, the Limited Benefit Plans, except as set forth in this Subsection 6(c)(ii) and except for such benefits, if any, available under such plans to former employees. After such a Termination Date, Executive shall be entitled to the following additional benefits:

(A) A lump sum payment equal to three times the annual premium most recently paid with respect to Executive for such executive life insurance program as may be maintained by the Company at the Termination Date, except that if such premium is less than the next scheduled premium as shown on the then current illustration of coverage, the lump sum payment shall be three times such next scheduled premium. Such lump sum payment shall be grossed up to compensate for the tax impact of such payment and shall occur no later than 2 ½ months following the later of the end of the Executive's taxable year or the end of the Company's taxable year in which the Termination Date occurs, provided that in the case of Termination of Employment with Good Reason, in no event shall payment occur prior to the first day of the seventh month following the Termination Date;

(B) A lump-sum payment to be paid under the Restricted Stock Plan equal to the cash value of the benefits Executive would have received had he continued to participate in and receive annual awards under the Restricted Stock Plan on a basis consistent with his past practice for a period of three years after the Termination Date, determined and payable in accordance with the terms of the Restricted Stock Plan and the Company's past practice. In the case of Termination of Employment without Cause, payment shall be made no later than 30 calendar days following the Termination Date, and in the case of Termination of Employment for Good Reason, payment shall be made on the first day of the seventh month following the Termination Date; and

(C) The lapse of all restrictions on transfer and forfeiture provisions to which Executive's awards under the Restricted Stock Plan are subject, so that any restricted shares previously awarded to Executive under such plan shall be nonforfeitable and freely transferable thereafter, all on the terms of the Restricted Stock Plan or the agreements thereunder.

(d) Notice of Termination. Any Termination of Employment by the Company pursuant to Subsection 6(a)(ii), (iv) or (v) or by Executive pursuant to Subsection 6(a)(iii) shall be communicated to the other party hereto by written notice of Termination, which shall state in reasonable detail the facts upon which the Termination of Employment has occurred. A Termination of Employment pursuant to Subsection 6(a)(vi) shall be communicated by Notice of Termination for Good Reason.

(e) Notice of Change in Control. The Company shall give Executive written notice of the occurrence of any event constituting a Change in Control as promptly as practical, and in no case later than 10 calendar days, after the occurrence of such event.

(f) Deemed Termination After Change in Control. In the event of a Termination of Employment of Executive by the Company without Cause following the commencement of any discussion with or communication from a third party that ultimately results in a Change in Control that is also a "change in control" within the meaning of Section 409A, but prior to the date of such a Change in Control, and Executive can reasonably demonstrate that such Termination of Employment was made in connection with or in anticipation of such Change in Control, then Executive shall be entitled to the benefits provided under Subsections 6(b)(iii) and 6(c) and Section 7, provided that (i) no such payments or benefits shall be provided prior to such Change in Control; (ii) any payments shall be payable within the various timeframes specified in Subsections 6(b)(iii) and 6(c) and Section 7, but with such timeframes beginning as of the date of such Change in Control instead of as of the date of Termination of Employment; and (iii) any reimbursements or in-kind benefits shall be made or provided within the timeframes specified within the applicable provisions of regulations under Section 409A in order to be exempt from or, if necessary, compliant with Section 409A.

(g) Set-Off. There shall be no right of set-off or counterclaim against, or delay in, any payment by the Company to Executive of the Lump-Sum Payment or any Gross-Up Payment in respect of any claim against or debt or obligation of Executive, whether arising hereunder or otherwise.

(h) Interest on Overdue Payments. Without limiting the rights of Executive at law or in equity, if the Company fails to make the Lump-Sum Payment or any Gross-Up Payment on a timely basis, the Company shall pay interest on the amount thereof at an annualized rate equal to the rate in effect, at the time such payment should have been made, under the 401(k) Plan for loans to participants in such plan**.**

(i) Outplacement Assistance. Promptly after a request in writing from Executive following a Termination of the Employment Period under Subsection 6(a)(v) or (vi), the Company shall retain a professional outplacement assistance service firm reasonably acceptable to Executive, at the Company's expense, to provide outplacement assistance to Executive during the Protected Period. In the event Executive pays for such services, the Company shall reimburse Executive within 30 days from the time Executive presents an invoice or receipt for such expenses, provided Executive presents such receipt(s) no later than 30 days before the end of Executive's second taxable year following the year in which such expenses were incurred**.** Any outplacement services shall be appropriate to Executive's position with the Company, as determined by the outplacement assistance service firm. Executive shall not be entitled to such services, however, following a Termination of the Employment Period under Subsection 6(a)(i), (ii), (iii) or (iv).

(j) Omnibus Plan. If Executive receives Awards (as defined therein) under the Omnibus Plan and a Change in Control occurs as determined under the Omnibus Plan, then Executive shall be entitled to the lapse of transfer restrictions imposed on any Award granted to Executive under the Omnibus Plan, all as determined under and subject to the terms of the Omnibus Plan.

(k) Payments upon Termination of Employment for Good Reason. Notwithstanding anything herein to the contrary, in the event Executive's employment Terminates for Good Reason, no payments or reimbursements to which Executive would otherwise be entitled shall be paid prior to the first day of the seventh month following his Termination Date.

7. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment or distribution by the Company or any of its Affiliates to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, performance share, performance unit, restricted stock, stock appreciation right or similar right, or the lapse or termination of any restriction on, or the vesting or exercisability of, any of the foregoing (individually and collectively, a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered “contingent on a change in ownership or control” of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto), or to any similar tax imposed by state or local law, or to any interest or penalties with respect to such taxes (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the “Excise Tax”), then Executive shall be entitled to receive an additional payment or payments (individually and collectively, a “Gross-Up Payment”). The Gross-Up Payment shall be in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Subsection 7(f), all determinations required to be made under this Section 7, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to Executive and the amount of such Gross-Up Payment, if any, shall be made (i) by PricewaterhouseCoopers (or its successor) (the “Accounting Firm”), regardless of any services that PricewaterhouseCoopers (or its successor) has performed or may be performing for the Company, or (ii) if PricewaterhouseCoopers (or its successor) is serving as accountant or auditor for the individual, entity or group effecting a Change in Control, or cannot (because of limitations under applicable law or otherwise) make the determinations required to be made under this Section 7, then by another nationally recognized accounting firm selected by Executive and reasonably acceptable to the Company (which accounting firm shall then be the “Accounting Firm” hereunder). The Company, or Executive if he selects the Accounting Firm, shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and Executive within 30 calendar days after the Termination Date, if applicable, and any such other time or times as may be requested by the Company or Executive. If the Accounting Firm determines that any Excise Tax is payable by Executive, the Company shall pay the required Gross-Up Payment to Executive within five business days after the Company’s receipt of such determination and calculations with respect to any Payment to Executive. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall, at the same time as it makes such determination, furnish the Company and Executive an opinion that Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an “Underpayment”), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Subsection 7(f) and Executive thereafter is required to make a payment of any Excise Tax, Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, Executive as a Gross-Up Payment within five business days after the Company’s receipt of such determination and calculations. Notwithstanding any of the foregoing, if the Executive’s Termination of Employment was for Good Reason, in no event shall any such payments be made before the first day of the seventh month following such Termination of Employment.

(c) The Company and Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Subsection 7(b). Any determination by the Accounting Firm as to the amount of any Gross-Up Payment or Underpayment shall be binding upon the Company and Executive.

(d) The federal, state and local income or other tax returns filed by Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by Executive. Executive shall make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Subsection 7(b) shall be borne by the Company.

(f) Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after Executive actually receives notice of such claim and Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of an amount with respect to such claim is due. If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Subsection 7(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Subsection 7(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that Executive may participate therein at his own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and file for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay the tax claimed and file for a refund, the Company shall pay to Executive a Gross-up Payment as defined in (a) above with respect to the tax claimed and otherwise shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such payment, and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by Executive of an amount paid by the Company pursuant to Subsection 7(f), Executive receives any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Subsection 7(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto).

8. Binding Agreement; Successors. This Agreement shall inure to the benefit of and be binding upon Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee or, if there be no such designee, to Executive's estate. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, including, without limitation, any person acquiring directly or indirectly all or

substantially all of the assets of the Company, whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed the "Company" for the purposes of this Agreement). The Company shall require any such successor to assume and agree to perform this Agreement. Failure by the Company to obtain such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive were to Terminate the Executive's employment for Good Reason during the Protected Period, except that, for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Termination Date.

9. Restrictive Covenants.

(a) Non-Competition. During the Employment Period and for a period of two years following the Termination Date, Executive shall not, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected as an officer, employee, partner or director with, or have any financial interest in, any business which is in substantial competition with any business conducted by the Company or by any group, division or Subsidiary of the Company, in any area where such business is being conducted at the time of such Termination of Employment. Ownership of 5% or less of the voting stock of any corporation which is required to file periodic reports with the Securities and Exchange Commission under the Exchange Act shall not constitute a violation hereof.

(b) Non-Solicitation. Executive shall not directly or indirectly, at any time during the Employment Period and for two years thereafter, solicit or induce or attempt to solicit or induce any employee, sales representative or other representative, agent or consultant of the Company or any group, division or Subsidiary of the Company (collectively, the "RPM Group") to terminate his, her or its employment, representation or other relationship with the RPM Group or in any way directly or indirectly interfere with such a relationship.

(c) Confidentiality.

(i) Executive shall keep in strict confidence, and shall not, directly or indirectly, at any time during or after the Employment Period, disclose, furnish, publish, disseminate, make available or, except in the course of performing his duties of employment hereunder, use any Confidential Information. Executive specifically acknowledges that all Confidential Information, whether reduced to writing, maintained on any form of electronic media, or maintained in the mind or memory of Executive and whether compiled by the RPM Group, and/or Executive, derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from its disclosure or use, that reasonable efforts have been made by the RPM Group to maintain the secrecy of such information, that such information is the sole property of the RPM Group and that any disclosure or use of such information by Executive during the Employment Period (except in the course of performing his duties and obligations hereunder) or after the Termination of the Employment Period shall constitute a misappropriation of the RPM Group's trade secrets.

(ii) Executive agrees that upon Termination of the Employment Period, for any reason, Executive shall return to the Company, in good condition, all property of the RPM Group, including, without limitation, the originals and all copies of any materials, whether in paper, electronic or other media, that contain, reflect, summarize, describe, analyze or refer or relate to any items of Confidential Information.

10. Notice. All notices, requests and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) when hand delivered, (b) when dispatched by electronic facsimile transmission (with receipt electronically confirmed), (c) one business day after being sent by recognized overnight delivery service, or (d) three business days after being sent by registered or certified mail, return receipt requested, postage prepaid, and in each case addressed as follows (or addressed as otherwise specified by notice under this Section):

If to the Company:

RPM International Inc.
2628 Pearl Road
P.O. Box 777
Medina, Ohio 44258
Facsimile: 330-225-6574

Attn: Secretary

11. Withholding. The Company may withhold from any amounts payable under or in connection with this Agreement all federal, state, local and other taxes as may be required to be withheld by the Company under applicable law or governmental regulation or ruling.

12. Amendments; Waivers. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing, and is signed by Executive and by another executive officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

13. Jurisdiction. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio, without giving effect to the conflict of law principles of such State. Executive and the Company each agree that the state and federal courts located in the State of Ohio shall have jurisdiction in any action, suit or proceeding against Executive or the Company based on or arising out of this Agreement and each of Executive and the Company hereby (a) submits to the personal jurisdiction of such courts, (b) consents to service of process in connection with any such action, suit or proceeding and (c) waives any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction, venue or service of process.

14. Equitable Relief. Executive and the Company acknowledge and agree that the covenants contained in Section 9 are of a special nature and that any breach, violation or evasion by Executive of the terms of Section 9 will result in immediate and irreparable injury and harm to the Company, for which there is no adequate remedy at law, and will cause damage to the Company in amounts difficult to ascertain. Accordingly, the Company shall be entitled to the remedy of injunction, as well as to all other legal or equitable remedies to which the Company may be entitled (including, without limitation, the right to seek monetary damages), for any breach, violation or evasion by Executive of the terms of Section 9.

15. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect. In the event that any provision of Section 9 is found by a court of competent jurisdiction to be invalid or unenforceable as against public policy, such court shall exercise its discretion in reforming such provision to the end that Executive shall be subject to such restrictions and obligations as are reasonable under the circumstances and enforceable by the Company.

16. Code Section 409A. The benefits under this Agreement generally are intended to meet the requirements for exemption from Code Section 409A (including without limitation the exemptions for restricted property, short-term deferrals, separation payments and reimbursements, and welfare benefits) and shall be so construed and administered; however, to the extent any benefit hereunder is not exempt from the application of Code Section 409A, it shall be administered in compliance with Code Section 409A. Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be amended as the Company may determine, with the consent of the Executive (which shall not be unreasonably withheld), to better secure exemption of each benefit hereunder from, or if exemption is not reasonably available for such a benefit, to better comply with, the requirements of Code Section 409A.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

18. Headings; Definitions. The headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. Certain capitalized terms used in this Agreement are defined on Schedule A attached hereto.

19. No Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party, except as provided in Section 8.

20. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the employment of Executive and supersedes any and all other agreements (including the Existing Agreement), either oral or in writing, with respect to the employment of Executive.

21. Enforcement Costs. The Company is aware that upon the occurrence of a Change in Control the Board of Directors or a stockholder of the Company may then cause or attempt to cause the Company to refuse to comply with its obligations under this Agreement, or may cause or attempt to cause the Company to institute, or may institute, litigation seeking to have this Agreement declared unenforceable, or may take, or attempt to take, other action to deny Executive the benefits intended under this Agreement. In these circumstances, the purpose of this Agreement could be frustrated. It is the intent of the Company that Executive not be required to incur the expenses associated with the enforcement of his rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to Executive hereunder, nor be bound to negotiate any settlement of his rights hereunder under threat of incurring such expenses. Accordingly, if at any time in the two calendar years following a Termination of Employment during the Protected Period, it should appear to Executive that the Company has failed to comply with any of its obligations under this Agreement or the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any litigation or other legal action designed to deny, diminish or recover from Executive the benefits intended to be provided to Executive hereunder, and Executive has complied with all of his obligations under Section 9, then the Company irrevocably authorizes Executive from time to time to retain counsel of his choice at the expense of the Company as provided in this Section 21 to represent Executive in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company or any Director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. The Company's obligations under this Section 21 shall not be conditioned on Executive's success in the prosecution or defense of any such litigation or other legal action. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to Executive entering into an attorney-client relationship with such counsel, and in that connection the Company and Executive agree that a confidential relationship shall exist between Executive and such counsel. The reasonable fees and expenses of counsel selected from time to time by Executive as hereinabove provided shall be paid or reimbursed to Executive by the Company on a regular, periodic basis no later than 30 days after presentation by Executive of a statement or statements prepared by such counsel in accordance with its customary practices, up to a maximum annual amount of $250,000 in each of the two calendar years following the year in which occurs such Termination of Employment within the Protected Period; provided, that Executive presents such statement(s) no later than 30 days prior to the end of each such year, and provided further, that if Executive's Termination of Employment was for Good Reason, no such payment shall be made before the first day of the seventh month following such Termination of Employment. Notwithstanding the foregoing, this Section 21 shall not apply at any time unless a Change in Control has occurred.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date and year first above written.

RPM INTERNATIONAL INC.

By: /s/ Janeen B. Kastner

Janeen B. Kastner, Vice President -
Corporate Benefits and Risk Management

The "Company"

/s/ Keith R. Smiley

Keith R. Smiley

"Executive"

Schedule A

Certain Definitions

As used in this Agreement, the following capitalized terms shall have the following meanings:

"*401(k) Plan*" means the RPM International Inc. 401(k) Trust and Plan and any successor plan or arrangement.

"*Affiliate*" of a specified entity means any entity during any period during which it would be treated, together with the Company, as a single employer for purposes of Section 414(b) and (c) of the Code.

"*Average Incentive Compensation*" means an amount equal to the average amount of the annual Incentive Compensation payable to Executive (without regard to any reduction thereof elected by Executive pursuant to any qualified or non-qualified compensation reduction arrangement maintained by the Company, including, without limitation, the Deferred Compensation Plan) for the three most recent completed fiscal years (or for such shorter period during which Executive has been employed by the Company) preceding the Termination Date in which the Company paid Incentive Compensation to executive officers of the Company or in which the Company considered and declined to pay Incentive Compensation to executive officers of the Company.

"*Benefit Plans*" means the Continuing Benefit Plans and the Limited Benefit Plans.

"*Cause*" means a determination of the Board of Directors (without the participation of Executive) of the Company pursuant to the exercise of its business judgment, that either of the following events has occurred: (a) Executive has engaged in willful and intentional acts of dishonesty or gross neglect of duty or (b) Executive has breached Section 9.

"*Change in Control*" shall mean the occurrence at any time of any of the following events:

(a) The Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity, and as a result of such merger, consolidation or reorganization less than a majority of the combined voting power of the then-outstanding securities of such corporation, person or entity immediately after such transaction are held in the aggregate by the holders of Voting Stock immediately prior to such transaction;

(b) The Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity, and less than a majority of the combined voting power of the then-outstanding securities of such corporation, person or entity immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock immediately prior to such sale or transfer;

(c) There is a report filed on Schedule 13D or Schedule TO (or any successor schedule, form or report), each as promulgated pursuant to the Exchange Act, disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 15% or more of the Voting Power;

(d) The Company files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then-existing contract or transaction;

(e) If during any period of two consecutive years, individuals, who at the beginning of any such period, constitute the Directors cease for any reason to constitute at least a majority thereof, unless the nomination for election by the Company's stockholders of each new Director was approved by a vote of at least two-thirds of the Directors then in office who were Directors at the beginning of any such period; or

(f) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

Notwithstanding the foregoing provisions of paragraphs (c) and (d) of this definition, a "*Change in Control*" shall not be deemed to have occurred for purposes of this Agreement (i) solely because (A) the Company, (B) a Subsidiary, or (C) any Company-sponsored employee stock ownership plan or other employee benefit plan of the Company or any Subsidiary, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or proxy statement under or in response to Schedule 13D, Schedule TO, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership, (ii) solely because any other person or entity either files or becomes obligated to file a report on Schedule 13D or Schedule TO (or any successor schedule, form or report) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock, but only if both (A) the transaction giving rise to such filing or obligation is approved in advance of consummation thereof by the Company's Board of Directors and (B) at least a majority of the Voting Power immediately after such transaction is held in the aggregate by the holders of Voting Stock immediately prior to such transaction, or (iii) solely because of a change in control of any Subsidiary.

"*COBRA Continuation Coverage*" means the health care continuation requirements under the federal Consolidated Omnibus Budget Reconciliation Act, as amended, Part VI of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended, and Code Section 4980B(f), or any successor provisions thereto.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

"*Confidential Information*" means trade secrets and confidential business and technical information of the RPM Group and its customers and vendors, without limitation as to when or how Executive may have acquired such information. Such Confidential Information shall include, without limitation, the RPM Group's manufacturing, selling and servicing methods and business techniques, training, service and business manuals, promotional materials, vendor and product information, product development plans, internal financial statements, sales and distribution information, business plans, marketing strategies, pricing policies, corporate alliances, business opportunities, the lists of actual and potential customers as well as other customer information, technology, know-how, processes, data, ideas, techniques, inventions (whether patentable or not), formulas, terms of compensation and performance levels of RPM Group employees, and other information concerning the RPM Group's actual or anticipated business, research or development, or which is received in confidence by or for the RPM Group from any other person and all other confidential information to the extent that such information is not intended by the RPM Group for public dissemination.

"*Continuing Benefit Plans*" means only the following employee benefit plans and arrangements of the Company in effect on the date hereof, or any successor plan or arrangement in which Executive is eligible to participate immediately before the Termination Date:

(a) The RPM International Inc. Health and Welfare Plan (including medical, dental and prescription drug benefits) as in existence on the date of this Agreement, or any successor plan that provides medical, dental and prescription drug benefits, but only to the extent of such benefits; and

(b) Estate/Financial Planning Benefits.

"*Deferred Compensation Plan*" means the RPM International Inc. Deferred Compensation Plan, as amended from time to time, in which executive officers of the Company are eligible to participate and any such successor plan or arrangement.

"*Director*" means a member of the Board of Directors of the Company.

"*Disability*" means any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, and that makes Executive eligible for benefits under any long-term disability program of the Company or an Affiliate. The Company and Executive acknowledge and agree that the essential functions of Executive's position are unique and critical to the Company and that a disability condition that causes Executive to be unable to perform the essential functions of his position under the circumstances described above will constitute an undue hardship on the Company.

"*Earned Incentive Compensation*" means the sum of:

(a) The amount of any Incentive Compensation payable but not yet paid for the fiscal year preceding the fiscal year in which the Termination Date occurs. If the Chief Executive Officer has determined such amount prior to the Termination Date, then such amount shall be the amount so determined by the Chief Executive Officer. If the Chief Executive Officer has not determined such amount prior to the Termination Date, then such amount shall equal the amount of the Average Incentive Compensation. For purposes of this paragraph (a), any Incentive Compensation deferred by Executive pursuant to any qualified or non-qualified compensation reduction arrangement maintained by the Company, including, without limitation, the Deferred Compensation Plan, shall be deemed to have been paid on the date of deferral; and

(b) An amount equal to the Average Incentive Compensation multiplied by a fraction, the numerator of which is the number of days in the current fiscal year of the Company that have expired before the Termination Date and the denominator of which is 365.

"*Estate/Financial Planning Benefits*" means those estate and financial planning services (a) in effect on the date hereof in which Executive is eligible to participate or (b) that the Company makes available at any time before the Termination Date to the executives and key management employees of the Company and in which Executive is then eligible to participate.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.

"*Executive Life Insurance*" means the RPM International Inc. Split Dollar Executive Life Insurance Plan in effect on the date hereof or any successor arrangement that the Company makes available at any time before the Termination Date to the executives and key management employees of the Company and in which Executive is then eligible to participate.

"*Good Reason*" means a determination by Executive made in good faith that, upon or after the occurrence of a Change in Control, any of the following events has occurred without Executive's express written consent: (a) a significant reduction in the nature or scope of the title, authority or responsibilities of Executive from those held by Executive immediately prior to the Change in Control; (b) a reduction in Executive's Base Salary from the amount in effect on the date of the Change in Control; (c) a reduction in Executive's Incentive Compensation from the amount of Executive's Average Incentive Compensation, unless such reduction results solely from the Company's results of operations; (d) the failure by the Company to offer to Executive an economic value of benefits reasonably comparable to the economic value of benefits under the Benefit Plans in which Executive participates at the time of the Change in Control; (e) the purported Termination of the Executive's Employment which is not effected pursuant to Sections 6(d) and 10 of this Agreement, which purported Termination of Employment shall not be effective for purposes of this Agreement; (f) the failure by the Company to comply with and satisfy Section 8 of this Agreement, relating to the assumption of the Agreement by any successor entity; or (g) a material breach by the Company of the terms of Section 3.

"*Gross-Up Payment*" shall have the meaning given such term in Section 7.

"*Group Long Term Disability Insurance*" means the Group Long Term Disability Insurance sponsored by the Company, as currently in effect and as the same may be amended from time to time, and any successor long-term disability insurance sponsored by the Company in which the executives and key management employees of the Company are eligible to participate.

"*Incentive Compensation*" shall have the meaning given such term in Section 4(b).

"*Life and Disability Welfare Plan*" means the RPM International Inc. Life and Disability Welfare Plan, which includes Group Life Insurance, Group Long Term Disability Insurance and Group Accidental Death and Dismemberment Insurance.

"*Limited Benefit Plans*" means all the Company's employee benefit plans and arrangements in effect at any time and in which the executives and key management employees of the Company are eligible to participate, excluding the Continuing Benefit Plans, but including, without limitation, the following employee benefit plans and arrangements as in effect on the date of this Agreement or any successor or new plan or arrangement made available in the future to the executives and key management employees of the Company and in which Executive is eligible to participate before the Termination Date:

(a) The 401(k) Plan;

(b) The RPM International Inc. Retirement Plan;

(c) Stock option plans and other equity-based incentive plans, including the RPM International Inc. 2007 Stock Option Plan, the Restricted Stock Plan and the Omnibus Plan;

(d) Any Executive Life Insurance;

(e) The RPM International Inc. Incentive Compensation Plan;

(f) The Deferred Compensation Plan;

(g) The RPM International Inc. Employee Stock Purchase Plan;

(h) The Life and Disability Welfare Plan;

(i) The RPM International Inc. Group Variable Universal Life Plan (also known as GRIP or GVUL);

(j) The RPM International Inc. Business Travel Accident Plan;

(k) The fringe benefits appertaining to Executive's position with the Company referred to in Subsection 4(f), including the use of an automobile; and

(l) RPM International Inc. Flexible Benefits Plan.

"*Lump-Sum Payment*" means, collectively, the lump-sum payments that may be payable to Executive pursuant to the first sentence of Subsection 6(b)(iii) and pursuant to Subsection 6(c)(ii)(B).

"*Notice of Termination for Good Reason*" means a written notice delivered by Executive in good faith to the Company under Subsection 6(a)(vi) setting forth in reasonable detail the facts and circumstances that have occurred and that Executive claims in good faith to be an event constituting Good Reason.

"*Omnibus Plan*" means the RPM International Inc. 2004 Omnibus Equity and Incentive Plan.

"*Protected Period*" means that period of time commencing on the date of a Change in Control and ending two years after such date.

"*Release and Waiver of Claims*" means a written release and waiver by Executive, to the fullest extent allowable under applicable law and in form reasonably acceptable to the Company, of all claims, demands, suits, actions, causes of action, damages and rights against the Company and its Affiliates whatsoever which he may have had on account of his Termination of Employment, including, without limitation, claims of discrimination, including on the basis of sex, race, age, national origin, religion, or handicapped status, and any and all claims, demands and causes of action for severance or other termination pay. Such Release and Waiver of Claims shall not, however, apply to the obligations of the Company arising under this Agreement, any indemnification agreement between Executive and the Company, any retirement plans, any stock option agreements, COBRA Continuation Coverage or rights of indemnification Executive may have under the Company's Certificate of Incorporation or By-laws (or comparable charter document) or by statute.

"*Restricted Stock Plan*" means either the RPM International Inc. 1997 Restricted Stock Plan or the RPM International Inc. 2007 Restricted Stock Plan and any successor plan or arrangement to either of such plans, but shall not be deemed to mean or include the Omnibus Plan.

"*Subsidiary*" means a corporation, company or other entity (a) more than 50 percent of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (b) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but more than 50 percent of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company.

"*Termination of Employment*" means the separation from service within the meaning of Section 409A of the Code, of Executive with the Company and all of its Affiliates, for any reason, including without limitation, quit, discharge, or retirement, or a leave of absence (including military leave, sick leave, or other bona fide leave of absence such as temporary employment by the government if the period of such leave exceeds the greater of six months, or the period for which Executive's right to reemployment is provided either by statute or by contract) or permanent decrease in service to a level that is no more than Twenty Percent (20%) of its prior level. For this purpose, whether a Termination of Employment has occurred is determined based on whether it is reasonably anticipated that no further services will be performed by Executive after a certain date or that the level of bona fide services Executive will perform after such date (whether as an employee or as an independent contractor) would permanently decrease to no more than Twenty Percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if Executive has been providing services less than 36 months). The terms "Terminate" or "Terminated," when used in reference to Executive's employment or the Employment Period, shall refer to a Termination of Employment as set forth in this paragraph.

"*Termination Date*" means the effective date of Executive's Termination of Employment.

"*Voting Power*" means, at any time, the total votes relating to thethen-outstanding securities entitled to vote generally in the election of Directors.

"*Voting Stock*" means, at any time, the then-outstanding securities entitled to vote generally in the election of Directors.

**Exhibit 18.1**

October 3, 2019

Board of Directors
RPM International, Inc.
P.O. Box 777, 2628.
Pearl Road, Medina, Ohio

Dear Board of Directors:

At your request, we have read the description in your Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended August 31, 2019, of the facts related to the change in classification of shipping costs from selling, general and administrate expenses to cost of sales. We believe, on the basis of the facts so set forth and other information furnished to us by appropriate officials of RPM International Inc., that the accounting change described in your Form 10-Q is to an alternative accounting principle that is preferable under the circumstances.

We have not audited any consolidated financial statements of RPM International Inc. and its subsidiaries as of any date or for any period subsequent to May 31, 2019. Therefore, we are unable to express, and we do not express, an opinion on the facts set forth in the above-mentioned Form 10-Q, on the related information furnished to us by officials of RPM International Inc., or on the financial position, results of operations, or cash flows of RPM International Inc. and its subsidiaries as of any date or for any period subsequent to May 31, 2019.

Yours truly,

/s/ DELOITTE & TOUCHE LLP
Cleveland, Ohio

**Exhibit No. 31.1**

**RULE 13a-14(a) CERTIFICATION**

I, Frank C. Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RPM International Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Frank C. Sullivan
Frank C. Sullivan
Chairman and Chief Executive Officer

Dated: October 3, 2019

**Exhibit No. 31.2**

**RULE 13a-14(a) CERTIFICATION**

I, Russell L. Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RPM International Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Russell L. Gordon
Russell L. Gordon
Vice President and Chief Financial Officer

Dated: October 3, 2019

**Exhibit No. 32.1**

**CERTIFICATION**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of RPM International Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended August 31, 2019 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

/s/ Frank C. Sullivan
Frank C. Sullivan
Chairman and Chief Executive Officer

Dated: October 3, 2019

The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.

**Exhibit No. 32.2**

**CERTIFICATION**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of RPM International Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended August 31, 2019 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

/s/ Russell L. Gordon
Russell L. Gordon
Vice President and Chief Financial Officer

Dated: October 3, 2019

The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.