



RPM International Inc.

Third Quarter Results Fiscal Year 2021

Consolidated Statements of Income



(\$ in thousands, except per share and percent data)
(Unaudited)

	Three Months Ended				
	February 28, 2021	%	February 29, 2020	%	% Change
Net Sales	\$ 1,269,395		\$ 1,173,976		8.1
Cost of Sales	797,454	62.8	739,229	63.0	
Gross Profit	471,941	37.2	434,747	37.0	
SG&A	402,186	31.7	381,866	32.5	
Restructuring Expense	3,129	0.3	7,343	0.6	
Other Expense, Net	1,256	0.1	1,422	0.1	
EBIT* (non-GAAP measure)	65,370	5.1	44,116	3.8	48.2
Interest Expense	20,964	1.6	23,972	2.1	
Investment (Income) Expense, Net	(11,454)	(0.9)	3,836	0.3	
Income Before Taxes	55,860	4.4	16,308	1.4	
Provision for Income Taxes	17,394	1.4	4,218	0.4	
Net Income	38,466	3.0	12,090	1.0	218.2
Less: Net Income Attributable to Noncontrolling Interests	224	0.0	237	0.0	
Net Income Attributable to RPM Stockholders	\$ 38,242	3.0	\$ 11,853	1.0	222.6
Diluted EPS	\$ 0.29		\$ 0.09		222.2

*EBIT is defined as earnings (loss) before interest and taxes. Management uses EBIT, as defined, as a measure of operating performance, since interest expense, net, essentially relates to corporate functions, as opposed to segment operations.

Consolidated Statements of Income



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	Nine Months Ended				
	February 28, 2021	%	February 29, 2020	%	% Change
Net Sales	\$ 4,361,981		\$ 4,048,033		7.8
Cost of Sales	2,650,213	60.8	2,509,133	62.0	
Gross Profit	1,711,768	39.2	1,538,900	38.0	
SG&A	1,197,556	27.4	1,185,791	29.3	
Restructuring Expense	12,280	0.3	18,766	0.5	
Other Expense, Net	7,507	0.2	5,158	0.1	
EBIT* (non-GAAP measure)	494,425	11.3	329,185	8.1	50.2
Interest Expense	63,975	1.5	78,630	1.9	
Investment (Income), Net	(33,735)	(0.8)	(10,354)	(0.2)	
Income Before Taxes	464,185	10.6	260,909	6.4	
Provision for Income Taxes	117,049	2.6	65,002	1.6	
Net Income	347,136	8.0	195,907	4.8	77.2
Less: Net Income Attributable to Noncontrolling Interests	640	0.1	835	0.0	
Net Income Attributable to RPM Stockholders	\$ 346,496	7.9	\$ 195,072	4.8	77.6
Diluted EPS	\$ 2.66		\$ 1.50		77.3

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RPM International Inc.

Reconciliations of Non-GAAP Measures To GAAP Measures

- (a) **Inventory related charges reflect the following in fiscal 2021:** Charges recorded in Cost of Goods Sold that reflect product line and SKU rationalization at our Consumer Segment and the reversal of prior period product line and SKU rationalization inventory charges due to the sale of immaterial amounts of previously reserved inventory at our Consumer Segment; **Inventory related charges reflect the following in fiscal 2020:** Charges recorded in Cost of Goods Sold that reflect product line and SKU rationalization and closure of a business at our Consumer Segment, as well as inventory write-offs in connection with restructuring activities at our Construction Products, Performance Coatings, and Specialty Products segments.
- (b) Reflects restructuring charges, including headcount reductions, closures of facilities and related costs, and accelerated vesting of equity awards in connection with key executives, all in relation to our Margin Acceleration Plan (“MAP to Growth”).
- (c) Includes accelerated depreciation and amortization expense related to the shortened useful lives of facilities and equipment, ERP systems, and intangibles that are currently in use, but are in the process of being retired associated with various MAP to Growth initiatives including facility closures, exiting a business, and ERP consolidation.
- (d) Reflects the increase in our allowance for doubtful accounts deemed uncollectible as a result of a change in market and leadership strategy, offset by subsequent collections.
- (e) Includes implementation costs associated with the our ERP consolidation plan and decision support tools.
- (f) Comprises professional fees incurred in connection with our MAP to Growth.
- (g) Acquisition costs reflect amounts included in gross profit for inventory step-ups.
- (h) Reflects unusual compensation costs recorded during fiscal 2021 and 2020 that resulted from executive departures related to our MAP to Growth, including stock and deferred compensation plan arrangements.
- (i) Reflects unusual compensation costs, net of insurance proceeds that resulted from executive departures unrelated to our MAP to Growth
- (j) Reflects gains or losses incurred upon divestiture of a business and/or assets.
- (k) Reflects charges related to the discontinuation of a product line targeting OEM markets and related prepaid asset and inventory write-off, offset by subsequent recoveries. This resulted from ongoing product line rationalization efforts in connection with our MAP to Growth.
- (l) Reflects the favorable adjustment as a result of the resolution of a contingent liability related to a FY18 charge to exit our Flowcrete business in China.
- (m) Reflects charges related to the Final Judgment entered by the Court, resolving our legacy “SEC Investigation & Enforcement Action.”
- (n) Investment returns include realized net gains and losses on sales of investments and unrealized net gains and losses on equity securities, which are adjusted due to their inherent volatility. Management does not consider these gains and losses, which cannot be predicted with any level of certainty, to be reflective of the company's core business operations.
- (o) Income tax charge for an increase to our deferred income tax liability for withholding taxes on additional unremitted foreign earnings not considered permanently reinvested.

Reconciliation of "Reported" to "Adjusted" EPS

(Unaudited)

<u>Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share (All amounts presented after-tax):</u>	<u>Three Months Ended</u>	
	<u>February 28, 2021</u>	<u>February 29, 2020</u>
Reported Earnings per Diluted Share	\$ 0.29	\$ 0.09
Restructuring expense (b)	0.05	0.05
Accelerated expense - other (c)	-	0.01
ERP consolidation plan (e)	0.01	0.01
Professional fees (f)	0.04	0.02
Unusual executive costs, net of insurance proceeds (i)	(0.01)	-
Divestitures (j)	-	0.01
Investment returns (n)	(0.04)	0.04
Discrete tax adjustment (o)	0.04	-
Adjusted Earnings per Diluted Share*	\$ 0.38	\$ 0.23

*Adjusted EPS is provided for the purpose of adjusting diluted earnings per share for items impacting earnings that are not considered by management to be indicative of ongoing operations.

NOTE: Refer to slide 5 for all adjustment detail

Reconciliation of "Reported" to "Adjusted" EPS

(Unaudited)

<u>Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share (All amounts presented after-tax):</u>	<u>Nine Months Ended</u>	
	<u>February 28, 2021</u>	<u>February 29, 2020</u>
Reported Earnings per Diluted Share	\$ 2.66	\$ 1.50
Inventory-related charges (a)	0.01	0.06
Restructuring expense (b)	0.11	0.12
Accelerated expense - other (c)	0.03	0.06
Receivable write-offs (d)	-	0.02
ERP consolidation plan (e)	0.02	0.05
Professional fees (f)	0.14	0.09
Acquisition-related costs (g)	0.01	0.01
Unusual costs triggered by executive departures (h)	0.01	-
Unusual executive costs, net of insurance proceeds (i)	(0.01)	-
Discontinued product line (k)	-	0.05
SEC settlement (m)	0.01	-
Investment returns (n)	(0.15)	(0.02)
Discrete tax adjustment (o)	0.04	-
Adjusted Earnings per Diluted Share*	\$ 2.88	\$ 1.94

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NOTE: Refer to slide 5 for all adjustment detail

EBIT* (Non-GAAP Measure): RPM Consolidated



(\$ in thousands, except per share and percent data)
(Unaudited)

	Three Months Ended	
	February 28, 2021	February 29, 2020
Net Income	\$ 38,466	\$ 12,090
Provision for Income Taxes	17,394	4,218
Income Before Income Taxes	55,860	16,308
Interest Expense	20,964	23,972
Investment (Income) Expense, Net	(11,454)	3,836
EBIT* (non-GAAP measure)	65,370	44,116
Inventory-related charges (a)	912	483
Restructuring expense (b)	6,968	7,662
Accelerated expense - other (c)	801	1,706
Receivable write-offs (recoveries) (d)	(56)	(440)
ERP consolidation plan (e)	1,109	2,445
Professional fees (f)	6,012	3,196
Acquisition-related costs (g)	-	271
Unusual costs triggered by executive departures (h)	-	87
Unusual executive costs, net of insurance proceeds (i)	(1,324)	-
Divestitures (j)	123	925
Adjusted EBIT** (non-GAAP measure)	\$ 79,915	\$ 60,451
Net Sales	\$ 1,269,395	\$ 1,173,976
Adj EBIT** as a % of Net Sales (non-GAAP measure)	6.3%	5.1%

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**Adjusted EBIT is provided for the purpose of adjusting for one-off items impacting revenue and/or expenses that are not considered by management to be indicative of ongoing operations.

NOTE: Refer to slide 5 for all adjustment detail.

EBIT* (Non-GAAP Measure): RPM Consolidated



(\$ in thousands, except per share and percent data)
(Unaudited)

	Nine Months Ended	
	February 28, 2021	February 29, 2020
Net Income	\$ 347,136	\$ 195,907
Provision for Income Taxes	117,049	65,002
Income Before Income Taxes	464,185	260,909
Interest Expense	63,975	78,630
Investment (Income), Net	(33,735)	(10,354)
EBIT* (non-GAAP measure)	494,425	329,185
Inventory-related charges (a)	1,390	9,290
Restructuring expense (b)	17,131	19,591
Accelerated expense - other (c)	4,815	10,170
Receivable write-offs (recoveries) (d)	(392)	2,787
ERP consolidation plan (e)	3,378	8,689
Professional fees (f)	22,783	16,122
Acquisition-related costs (g)	1,178	854
Unusual costs triggered by executive departures (h)	2,831	726
Unusual executive costs, net of insurance proceeds (i)	(1,267)	-
Divestitures (j)	791	661
Discontinued product line (k)	(384)	8,618
Adjustment to exit Flowcrete China (l)	(305)	-
SEC Settlement (m)	2,000	-
Adjusted EBIT** (non-GAAP measure)	\$ 548,374	\$ 406,693
Net Sales	\$ 4,361,981	\$ 4,048,033
Adj EBIT** as a % of Net Sales (non-GAAP measure)	12.6%	10.0%

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EBIT** (Non-GAAP Measure): Construction Products Segment



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(Unaudited)

	Three Months Ended	
	February 28, 2021	February 29, 2020
Income Before Income Taxes	\$ 14,431	\$ (478)
Add: Interest Expense, Net*	2,074	2,130
EBIT** (non-GAAP measure)	16,505	1,652
Inventory-related charges (a)	-	76
Restructuring expense (b)	1,714	3,053
Accelerated expense - other (c)	377	942
Receivable write-offs (recoveries) (d)	-	(33)
ERP consolidation plan (e)	327	267
Professional fees (f)	88	78
Divestitures (j)	(519)	-
Adjusted EBIT*** (non-GAAP measure)	\$ 18,492	\$ 6,035
Net Sales	\$ 395,969	\$ 372,082
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	4.7%	1.6%

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

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EBIT** (Non-GAAP Measure): Construction Products Segment



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	Nine Months Ended	
	February 28, 2021	February 29, 2020
Income Before Income Taxes	\$ 184,613	\$ 139,324
Add: Interest Expense, Net*	6,325	6,231
EBIT** (non-GAAP measure)	190,938	145,555
Inventory-related charges (a)	(51)	346
Restructuring expense (b)	5,207	6,005
Accelerated expense - other (c)	2,473	1,582
ERP consolidation plan (e)	512	621
Professional fees (f)	356	157
Acquisition-related costs (g)	-	548
Divestitures (j)	149	-
Adjustment to exit Flowcrete China (l)	(305)	-
Adjusted EBIT*** (non-GAAP measure)	\$ 199,279	\$ 154,814
Net Sales	\$ 1,447,179	\$ 1,407,697
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	13.8%	11.0%

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EBIT** (Non-GAAP Measure): Performance Coatings Segment



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	Three Months Ended	
	February 28, 2021	February 29, 2020
Income Before Income Taxes	\$ 12,158	\$ 22,240
Add: Interest (Income), Net*	(75)	(123)
EBIT** (non-GAAP measure)	12,083	22,117
Inventory-related charges (a)	-	123
Restructuring expense (b)	774	1,362
Accelerated expense - other (c)	212	476
Receivable write-offs (recoveries) (d)	(56)	(407)
ERP consolidation plan (e)	400	151
Professional fees (f)	709	275
Acquisition-related costs (g)	-	83
Adjusted EBIT*** (non-GAAP measure)	\$ 14,122	\$ 24,180
Net Sales	\$ 226,523	\$ 255,686
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	6.2%	9.5%

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EBIT** (Non-GAAP Measure): Performance Coatings Segment



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	Nine Months Ended	
	February 28, 2021	February 29, 2020
Income Before Income Taxes	\$ 64,719	\$ 83,617
Add: Interest (Income), Net*	(53)	(20)
EBIT** (non-GAAP measure)	64,666	83,597
Inventory-related charges (a)	37	3,190
Restructuring expense (b)	3,672	5,210
Accelerated expense - other (c)	1,717	2,296
Receivable write-offs (recoveries) (d)	(392)	2,732
ERP consolidation plan (e)	1,165	648
Professional fees (f)	2,165	582
Acquisition-related costs (g)	-	118
Divestitures (j)	-	(264)
Adjusted EBIT*** (non-GAAP measure)	\$ 73,030	\$ 98,109
Net Sales	\$ 745,145	\$ 845,639
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	9.8%	11.6%

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EBIT** (Non-GAAP Measure): Consumer Segment



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	Three Months Ended	
	February 28, 2021	February 29, 2020
Income Before Income Taxes	\$ 42,724	\$ 29,798
Add: Interest Expense, Net*	60	57
EBIT** (non-GAAP measure)	42,784	29,855
Inventory-related charges (a)	912	198
Restructuring expense (b)	3,905	1,016
Accelerated expense - other (c)	32	-
ERP consolidation plan (e)	70	72
Professional fees (f)	58	80
Divestitures (j)	-	925
Adjusted EBIT*** (non-GAAP measure)	\$ 47,761	\$ 32,146
Net Sales	\$ 477,742	\$ 398,743
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	10.0%	8.1%

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EBIT** (Non-GAAP Measure): Consumer Segment



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	Nine Months Ended	
	February 28, 2021	February 29, 2020
Income Before Income Taxes	\$ 263,813	\$ 123,413
Add: Interest Expense, Net*	187	219
EBIT** (non-GAAP measure)	<u>264,000</u>	<u>123,632</u>
Inventory-related charges (a)	1,404	5,668
Restructuring expense (b)	6,375	3,422
Accelerated expense - other (c)	221	5,624
Receivable write-offs (d)	-	55
ERP consolidation plan (e)	84	197
Professional fees (f)	276	385
Acquisition-related costs (g)	1,178	
Unusual costs triggered by executive departures (h)	2,000	
Divestitures (j)	-	925
Discontinued product line (k)	(384)	8,618
Adjusted EBIT*** (non-GAAP measure)	<u>\$ 275,154</u>	<u>\$ 148,526</u>
Net Sales	<u>\$ 1,666,418</u>	<u>\$ 1,328,974</u>
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	<u>16.5%</u>	<u>11.2%</u>

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EBIT** (Non-GAAP Measure): Specialty Segment



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	Three Months Ended	
	February 28, 2021	February 29, 2020
Income Before Income Taxes	\$ 24,560	\$ 12,942
Add: Interest Expense, Net*	64	24
EBIT** (non-GAAP measure)	24,624	12,966
Inventory-related charges (a)	-	86
Restructuring expense (b)	434	999
Accelerated expense - other (c)	180	160
ERP consolidation plan (e)	9	1,955
Professional fees (f)	26	1,169
Acquisition-related charges (g)	-	188
Adjusted EBIT*** (non-GAAP measure)	\$ 25,273	\$ 17,523
Net Sales	\$ 169,161	\$ 147,465
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	14.9%	11.9%

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EBIT** (Non-GAAP Measure): Specialty Segment



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	Nine Months Ended	
	February 28, 2021	February 29, 2020
Income Before Income Taxes	\$ 73,415	\$ 55,031
Add: Interest Expense, Net*	219	6
EBIT** (non-GAAP measure)	73,634	55,037
Inventory-related charges (a)	-	86
Restructuring expense (b)	1,736	3,707
Accelerated expense - other (c)	404	476
ERP consolidation plan (e)	1,234	7,223
Professional fees (f)	1,913	2,148
Acquisition-related charges (g)	-	188
Unusual costs triggered by executive departures (h)	45	473
Adjusted EBIT*** (non-GAAP measure)	\$ 78,966	\$ 69,338
Net Sales	\$ 503,239	\$ 465,723
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	15.7%	14.9%

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