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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning and welcome to the RPM International fiscal fourth-quarter and fiscal year 2025 earnings conference call.

(Operator Instructions)

Please note this event is being recorded.

I would now like to turn the conference over to Matt Schlarb, Vice President of Investor Relations & Sustainability. Please go ahead.

Matt Schlarb - *RPM International Inc - Vice President, Investor Relations & Sustainability*

Thank you, Gary, and welcome to RPM International's conference call for the fiscal 2025 fourth quarter and full year.

Today's call is being recorded.

Joining today's call are Frank Sullivan, RPM's Chair and CEO; Rusty Gordon, Vice President and Chief Financial Officer; and Michael Laroche, Vice President, Controller and Chief Accounting Officer.

This call is also being webcast and can be accessed live or replayed on the RPM website at www.rpminc.com. Comments made on this call may include forward-looking statements based on current expectations that involve risks and uncertainties, which could cause actual results to be materially different. For more information on these risks and uncertainties, please view RPM's reports filed with the SEC. During this conference call, references may be made to non-GAAP financial measures. To assist you in understanding these non-GAAP items or terms, RPM has posted reconciliations to the most directly comparable GAAP financial measures on the RPM website. Also please note that our comments will be on an as adjusted basis and all comparisons are to the fourth quarter of fiscal 2024 unless otherwise indicated. We provided a supplemental slide presentation to support our comments on this call. It can be accessed in the Presentations & Webcasts section of the RPM website at www.rpminc.com.

Now I would like to turn the call over to Frank.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Matt.

I'll begin today's call with a high-level review of our fourth quarter and full year results and some additional details on our newly announced 3-Segment operating structure. Then Mike Laroche will cover the financials in more detail, Matt Schlarb will provide an update on cash flow and the balance sheet, and finally, Rusty Gordon will then conclude our prepared remarks with our outlook for fiscal 2026 full year in the first quarter. As always, we'll be happy to answer your questions after our prepared remarks.

Highlights from our fourth quarter results can be found on slide 3. Thanks to the hard work of RPM associates, we demonstrated the power of RPM which we combined solid top line growth with improved operating efficiency that has been enabled by our MAP 2025 operating improvement initiatives.

This resulted in fourth quarter sales, adjusted EBIT, and adjusted EPS all at record levels. We generated positive volumes led by systems and turnkey solutions for high-performance buildings as well as our focus on maintenance and repair.

The volume growth resulted in improved fixed cost leverage and allowed us to better realize the financial benefits of our MAP 2025 operating improvements. All segments increased adjusted EBIT, with the largest growth coming from our Construction Products Group and Performance Coatings Group, which generated volume growth that leveraged MAP '25 benefits to the bottom line.

Additionally, three of four segments generated record Q4 adjusted EBIT.

Turning to slide 4, the record results we generated in the fourth quarter reflected a strong and consistent trend as we had delivered record adjusted EBIT in 13 of the last 14 quarters. In fact, we generate a record annual sales, adjusted EBIT and adjusted EPS in each year since we began the MAP 2025 program in what can be best described as a mixed economic environment.

Additionally, in fiscal 2025, we generated a record adjusted EBIT margin.

Moving to slide 5, in addition to the consistent progress we've achieved, the cumulative impact of these improvements during MAP '25 has been significant. Compared to our baseline fiscal year of 2022, we expanded gross margins close to our 42% goal, adjusted EBIT margin by 260 basis points, and improved working capital as a percent of sales by 320 basis points.

These improvements in margins and working capital efficiency strengthened our cash flow and allowed us to complete the largest year of acquisition in RPM's history in fiscal 2025. Importantly, our balance sheet remains strong with credit metrics still close to our best ever.

These results are a testament to the dedication and relentless persistence of our associates, and I want to thank them for their execution of our operating improvement initiatives and commitment to RPM during this challenging low growth, no growth environment.

As we look to the future, we are focused on realizing the full power of RPM, essentially building on the efficiencies we have ingrained into our businesses and accelerating growth to take full advantage of those efficiencies.

To accelerate growth, we are taking a more strategic approach to allocating capital to both organic and inorganic opportunities. This includes leveraging the progress we have made in data analytics through MAP '25 to capture true profitability so we can focus investments on the highest potential opportunities and then aggressively pursue growth in those areas.

We are starting to see this take hold as we begin fiscal 2026. As an example, we recently implemented $15 million in SG&A streamlining actions, and a portion of these savings are being reallocated into our highest growth opportunities and attractive end markets like turnkey engineered solutions, cleaners, and international markets in the developing world.

These investments are in areas such as technical sales force expansion, marketing, new products and new facility build up. One other key element of our growth plan that has been enabled by our MAP 2025 initiative is the cultural shift that has taken place to allow our businesses and associates to collaborate more closely, or what we call connections creating value.

This will drive additional organic growth opportunities and synergies in 2026 and beyond. To accelerate this shift towards realizing the full power of RPM, we've changed our operating structure to three segments: Construction Products Group, Performance Coatings Group, and the Consumer Group as you can see, this new structure on slide 6.

Businesses that have previously been part of our Specialty Products Group are now reorganized under the three groups mentioned above. This new structure will allow us to achieve additional operational and administrative efficiency and enable our businesses to work more closely to realize synergies in new business generation, product development, and insourcing.

For example, our Industrial Coatings Group of businesses has joined the Performance Coatings Group and will benefit from improved collaboration on high performance coatings development with our Carboline division, as well as a broad distribution network which will improve customer service levels.

The Color business has now joined the Consumer Group, which through insourcing has become DayGlo's largest customer. The new structure will allow cooperation more closely and efficiently in Color specifications, a critical component of our consumer products, in particular Rust-Oleum.

This change will also allow the Color Group to operate with a more streamlined overhead structure and leverage our consumer segment's strong marketing know-how to raise the profile of our well-known DayGlo fluorescent pigment brand.

Importantly, this will not change what has served RPM so well throughout our history, having an entrepreneurial culture that serves our customers with leading brands, products and services, and staying true to our core values of operating with transparency, trust and respect.

We are pleased with the fourth quarter results our associates achieved in a continuing low to no growth environment, which continues to be unsettled due to the ongoing tariff uncertainty. We are optimistic about our opportunities to continue this positive momentum into and throughout fiscal 2026.

I'll now turn the call over to Mike Laroche to cover our financials for the quarter in more details.

Michael Laroche - *RPM International Inc - Vice President, Controller, Chief Accounting Officer*

Thanks, Frank.

On slide 7, consolidated sales increased 3.7% to a fourth quarter record, led by systems and turnkey solutions for high performance buildings, a focus on repair and maintenance solutions and acquisitions. Q4 adjusted EBIT increased 10.1% to a record as volume growth allowed us to better leverage MAP 2025 initiatives and overcome headwinds from temporary cost and efficiencies from plant consolidations and raw material inflation, which was driven by metal packaging.

Profitability headwinds included higher M&A expenses, higher variable compensation associated with the sale of technical products, and the SG&A from acquired businesses partially offset by SG&A streamlining actions.

Fourth quarter adjusted EPS was also a record driven by the improved adjusted EBIT.

Turning next to geographic results on slide 8. Growth was led by Europe, where growth in Performance Coatings and M&A benefited sales. In North America, sales growth was driven by system and turnkey solutions serving high performance buildings.

Emerging market sales were mixed, as Latin America grew, excluding FX. Africa and Middle East grew modestly in addition to solid prior year sales, and Asia declined as economic conditions in the region remained soft.

Next, moving to the segments on slide 9. Construction Products Group sales increased to a record, driven by systems and turnkey roofing solutions to serving high performance buildings. This was in addition to strong prior year results.

MAP 2025 and higher sales of engineered systems and services that expanded margins drove record adjusted EBIT. This was partially offset by temporary inefficiencies from plant consolidations.

On slide 10, Performance Coatings Group achieved record sales, led by turnkey flooring solutions serving high performance buildings, fiberglass reinforced plastic structure growth, and M&A. Adjusted EBIT was a record as higher volumes improved fixed cost leverage which was aided by MAP 2025 and as a result of sales mix improvement.

Moving to slide 11. Specialty Products Group sales improved as specialty OEM showed signs of stabilization after a cyclical downturn. Food coatings continued to perform well and was aided by a prior acquisition. Demand was soft in the fluorescent pigments and disaster restoration businesses.

Adjusted EBIT increased thanks to MAP 2025 benefits partially offset by a $2.5 million bad debt expense due to a customer bankruptcy and higher startup expenses at a Resin Center of Excellence.

On slide 12, the Consumer Group sales declined modestly as new product introductions and one month of The Pink Stuff acquisition were more than offset by continued DIY softness. We also continued rationalizing SKUs, which had a negative impact on sales, but helped improve the adjusted EBIT margin.

Adjusted EBIT increased to a record, driven by MAP 2025 benefits, which more than offset the sales decline and raw material inflation.

I'll now turn the call over to Matt who will cover the balance sheet and cash flow.

Matt Schlarb - *RPM International Inc - Vice President, Investor Relations & Sustainability*

Thank you, Mike.

Our strong cash flow in fiscal 2025 that was enabled by MAP 2025 profitability and working capital improvements allowed us to continue returning cash to shareholders in the form of dividends and share repurchases.

Overall, these increased $39 million or 13.5% over the prior year. Operating cash flow for fiscal 2025 was $768.2 million, the second highest amount in the company's history, surpassed only by the prior year when there was a large working capital release when supply chains normalized.

During fiscal 2025 fourth quarter, inventories increased as we made strategic purchases of raw materials to mitigate the impact of future tariffs. The strong cash flow also contributed to the funding of several acquisitions in fiscal 2025, which is the largest M&A year in RPM's history.

This momentum has continued in the new year with the acquisition of Ready Seal, a leader in high quality and easy to use exterior wood stains during the first month of fiscal 2026. Debt increased by $519.5 million year over year, primarily driven by the funding of TMPC and The Pink Stuff acquisitions.

Despite this debt increase, our leverage ratio is near all-time best levels and liquidity remains strong at $969.1 million. CapEx increased $15.9 million. Over the prior years, we invested in growth projects, including the Resin Center of Excellence and a distribution center, both of those facilities being in Belgium, and a new production or research facility in India.

The consolidation of eight plants through our MAP 2025 program also contributed to the higher CapEx.

Now I'd like to turn the call over to Rusty to cover the outlook.

Russell Gordon - *RPM International Inc - Vice President, Chief Financial Officer*

Thank you, Matt.

Moving to our full year outlook on slide 14. We expect another year of record sales and adjusted EBIT in 2026, including margin expansion as we benefit from MAP 2025 carryovers as well as from recent acquisitions.

We expect sales to increase low to mid single digits and adjusted EBIT to grow in the high single to low double digit range. We will leverage the things within our control, including implementing additional efficiency initiatives and focusing on turnkey and system solutions for high performance buildings.

Our new 3-segment organizational structure will contribute to improved collaboration and SG&A streamlining. Overall, SG&A streamlining actions completed throughout the first quarter will save around $15 million on an annualized basis, with most of the benefit coming in future quarters.

Approximately one-third of these savings will be reallocated into higher growth business platforms for technical sales force expansions and increased marketing activities. Additionally, we are in the process of consolidating eight less efficient plants while opening three plants in fast growing international markets that will be shared by multiple RPM businesses.

We expect higher pricing in response to inflation, particularly the tariff related inflation that we are unable to otherwise mitigate. We will also benefit from the businesses we have recently acquired. Interest rates are an important variable that we will be watching.

They have remained elevated, which has pressured existing home sales and DIY activities, and have also been a headwind to some new build non-residential construction. Higher debt balances from M&A will also contribute to increased net interest expense, which is expected to range between $105 million and $115 million for the year.

Our first quarter outlook can be found on slide 15. We expect sales growth and record adjusted EBIT in the quarter, led by systems and turnkey solutions serving high performance buildings, as well as a focus on repair and maintenance, which customers tend to gravitate toward during times of economic uncertainty.

Additionally, we will benefit from a full quarter of The Pink Stuff acquisition and the Ready Seal acquisition, which closed a couple of weeks into the first quarter. We also expect inflation to continue increasing in the quarter, particularly in metal packaging, which has been rising in response to tariffs.

This will temporarily cause price/cost to be negative during the quarter, as not all price increases were fully implemented at the beginning of the quarter. These profitability headwinds are expected to offset operational efficiency benefits during the quarter.

Overall, we expect consolidated sales and adjusted EBIT to both increase by low to mid single digits in the quarter. By segment, we anticipate similar sales growth among the three groups, with consumers slightly higher because of their acquisitions of The Pink Stuff and Ready Seal.

That concludes our prepared remarks, and we are now happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Mike Sison, Wells Fargo.

Michael Sison - *Wells Fargo Securities LLC - Senior Analyst*

Really nice quarter and outlook. Frank, I'm just curious in terms of what underlying demand or organic growth do you see this year. I know you have some acquisitions within your outlook for low single digit growth in sales, but just a little bit of color what you think the organic growth can be in this difficult environment.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. Broadly speaking, and you've heard this on some of our more recent investor calls, as we were approaching the end of our MAP '25 initiative, which formally ended at May 31, 2025, we've been talking within RPM about a pivot to growth and we're starting to see that take hold.

I think we anticipate the ability to consistently generate 2 to 3 points of organic growth on a consolidated basis for the year. I think the two biggest challenges that are kind of the dynamic factors as to whether things could be better are certainty and finality around the tariff issues or not.

And the worm turning for the consumer DIY business, which is, I see 24 months of no or negative growth on a pretty regular basis and something extraordinary in our history. But you're seeing really solid organic growth out of CPG and PCG and we're starting to see things move in the right direction after a challenging 18 months in the Industrial Coatings Group, so more OEM coatings. That was the largest piece of our Specialty Products Group.

I think those are the key factors that give us confidence that we're going to see modest organic growth quarter by quarter for the year.

Michael Sison - *Wells Fargo Securities LLC - Senior Analyst*

And a quick follow up. The new 3-segment structure, does that enable you to generate more productivity, cost savings down the road? And how do you think about that with the new segments?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Absolutely. So at the start of our MAP initiatives seven years ago, so in the fall of '18, our Specialty Products Group was about 11% of consolidated revenues, and somewhere in the 18% or 19% of consolidated EBIT. They, through economic challenges, and some underperformance in a few units, shrunk to this past year where they're slightly less than 10% in each case.

And so we saw that in conjunction with the retirement of the Group President, Ronnie Holman, who's been with us for more than three decades. To consolidate those Specialty Products Group businesses into the other parts of RPM, we'll benefit from upfront about $15 million of expense reduction or efficiency actions taken in Q1, we'll benefit from the synergies both operationally, internally and externally.

I mentioned in my prepared remarks the opportunities to coordinate better the activities of our Industrial Coatings Group with Carboline, which will now both be part of the Performance Coatings Group. We think that not only are things improving in our Color Group, but on a $100 million, business, their largest single customer is $8 million of sales to Rust-Oleum.

Rust-Oleum is in the Color business and so it's a combination that we think will move our Color business and our DayGlo business forward, better than had it continued to operate as an independent company. So those are just some examples of the synergies we see both on the cost side as well as on the revenue side.

Operator

John McNulty, BMO Capital Markets.

John Mcnulty - *Bank of Montreal - Analyst*

Congratulations. Great results.

I guess I have two questions. One is on the MAP '25 program, and I know it sounds like there may be a new one coming soon, but I guess, can you help us to understand how much in terms of incremental savings in 2026 you may be expecting just so we can kind of have a good baseline to work with?

And then the other question is just you made some pretty significant improvements on the working capital front in the MAP '25 program. I guess how much of that do you feel like you still have left to go because I think in the prior couple of quarters, you were at least implying that there's still some pretty heavy lifting going on there?

So can you help us to think about both of those?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. I'll give you a couple of data points which really highlight why we feel -- we'll have a choppy first quarter in terms of poor leverage because of the cost price mix dynamic that we're facing, but a combination of price increases and a number of our businesses and product lines that are rolling out at the end of July and into August and early September will help.

Specific to your question, the MAP 2025 benefits in fiscal '26 should be about $70 million across the full year. And then I think the last area will be the benefit of the one expense reduction actions associated with the consolidation from four segments to three, which will start benefiting from in the future quarters.

So those are the key elements in terms of how we think about it. Relative to working capital, there's still a 200 or 300 basis point improvement that we expect. You will see forward progress in fiscal '26. Whether or not we get all of that in '26 or it bleeds into '27, time will tell, but we will make forward progress this year, and our goals, which we intend to meet, are to gain another 200 basis points or 300 basis points of improvement.

John Mcnulty - *Bank of Montreal - Analyst*

And then just as a follow up, it seems like the dams kind of opened up a little bit with regard to M&A. I guess, can you help us to think about the M&A pipeline as you're looking out to 2026 at this point? I know you've completed a bunch, but you still -- admittedly, you still have a really strong balance sheet and more cash flow to come in.

So how should we be thinking about that?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. I'll tell you that both culturally, but also in terms of metrics, the benefits of the MAP initiatives that our people have executed over the last seven years, through a improved EBITDA margin which is a ratio that the rating agencies and banks look at and a sustainably improved cash flow, including Ready Seal and The Pink Stuff and TMPC in the last 12 months, we've completed over $600 million of debt funded acquisitions.

A decade ago, that would have challenged our balance sheet a little bit. Today, it modestly moves those ratios. And so we've got plenty of dry powder. We're also seeing in these transactions, and it happened later than you would have expected, but we went through a period of incremental debt cost of capital for big companies of almost zero to a period where the cost of capital, even on an incremental basis, is in the 5% or 6% range, and you would have expected that to bring down M&A valuations.

It has. It took longer than maybe you would have expected, but the transactions that we're being successful on today are at historically high multiples for us, but two or three multiple turns below where transactions were happening maybe two or three years ago.

And we're in a good position to take advantage of that and I would expect our traditional acquisition growth machine to deliver more revenue growth and more deals this year and in subsequent years.

John Mcnulty - *Bank of Montreal - Analyst*

Congratulations on the quarter.

Operator

Kevin McCarthy, Vertical Research Partners.

Kevin McCarthy - *Vertical Research Partners LLC - Analyst*

Congrats on the results and particularly nice to see the strength in construction products against the current macro backdrop. On slide 7 and 8, you talk a little bit or reference at least your success in systems and turnkey solutions.

So just wondering if you could frame that out a little bit in terms of maybe the size of what you're doing there, the growth rates, and my impression is you were a first mover in that regard, and I'm curious as to whether any of your competitors are adopting that sort of turnkey model or whether you have a lot of runway in terms of first mover advantage there.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. I can't only speak to competitors, but I can tell you that we have had in our Construction Products Group a very deliberate effort over the last, let's say five years, maybe even a little bit longer, but it's really starting to take hold in the last year or two of moving from selling components to selling systems.

And so with the advent, so Dryvit was its own business a decade ago selling exterior finishes and EIFS. Tremco Sealants sold their sealants into construction projects via distribution and through specifications. Today, they're really focused on six sides of the building.

Through acquisition and internal development, we've acquired things like Nudura, so ICF, panelization. And so when you think of a wall system a decade ago, we were providing all of the high margin sealants, gaskets, and the elements around window, door penetrations, roof connections to the walls.

Today, we have a much larger share of that wall. We have high performance building solutions in Europe. We have opportunities now to be more of an asset maintainer with some of our big customers instead of just doing re-roofing or owning roofing.

We now have Pure Air which allows us to address maintenance and rehabilitation of big HVAC units which we've been asked for decades by customers, hey, while you're on a roof, can you fix this? We didn't have a very good answer. We do now with Pure Air.

So we've really been thinking about both asset management and what that means, and system solutions and how we own a bigger piece of the wall, not just the ceiling or gasket or unique components. So that's been one critical area.

I think the other critical area in our stone hard flooring business in particular on Tremco Roofing is we've had, for decades, a unique supply and apply model and in a labor challenged environment, that gives us an advantage in some circumstances, and we're seeing those benefits as well.

The last comment in this area, and it highlights some of the outperformance of our Performance Coatings Group and our Construction Products Group, they have essentially teamed up in a what we call a platform approach to the developing world.

Five years ago, we did a full-blown analysis with our Board on acquisitions, and the one area that stood out as not being successful was what we deemed small and far away, a strategy of planting a flag, you name it, in Indonesia, in Dubai, in Poland, wherever, in different places.

And we really weren't following up. So we had these small operations, but there wasn't a lot of synergy and attention paid to them. We have reorganized developing world approach under one leadership team. They get the same attention as each of our groups in terms of monthly performance and outlook.

And so I think we have a strategy to grow in the developing world, particularly across our industrial and commercial product lines. That's starting to come to fruition that quite handily five years ago wasn't working. So you put all of those together and I think it explains the outperformance in our CPG and PCG businesses and why we think that that's going to continue.

Kevin McCarthy - *Vertical Research Partners LLC - Analyst*

My second question is for Rusty. Would you comment on what the passage of the One Beautiful Bill Act means for RPM? For example, do you anticipate lower cash taxes given the provisions related to accelerated depreciation and R&D expensing?

Russell Gordon - *RPM International Inc - Vice President, Chief Financial Officer*

Sure. Yeah. We are still sorting through that, Kevin. In general, it's good news that the corporate tax rate is not going to 28%, which was proposed in the last administration. Also you mentioned bonus depreciation. Yeah, that should spur investment and that would be great as you can imagine for RPM. Manufacturing, of course, is one of many sectors of construction that we service.

And in terms of what I understand is that, yes, from a tax perspective, it is looking like that the depreciation on our $220 million a year of capital spending can be -- basically, we can expense the purchase of tangible property at 100%, not 40%, which was the case prior to January.

So nothing but good news, but still a lot to sort through.

Operator

Patrick Cunningham, Citi.

Patrick Cunningham - *Citibank Cameroon SA - Analyst*

Can we maybe unpack the sort of price/cost, particularly in 1Q and then expectations for the balance of the year? And are the biggest pricing opportunities more in these turnkey systems where you're seeing strong demand and have the value proposition or is there anything more broad based there?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

I think broadly, we look at pricing and have better discipline through our MAP initiatives across all our businesses. Specific to Q1, our big challenge is in consumer. There's a couple commodity chemicals that are actually showing deflation.

One exception, which hurts our industrial businesses is epoxy resins, which we're a huge buyer of. Those are up low double digits, but specifically, the consumer -- metal packaging is a real challenge. Plastic packaging's up modestly. Pigments are up double digits. Propellants are up 13% or 14%.

And so when you look at our Rust-Oleum business in particular between metal packaging and propellants, it's a real challenge, and they're managing on the operating side to find efficiencies, but we're going to need some price there and have plans to get it at the end of the summer and early fall.

So that explains kind of the challenge in Q1, where I would expect us to demonstrate like we did in Q4 real solid growth, positive organic growth in our industrial and commercial businesses. But a lack of leverage, because of some of the segment consolidation activities that are driving some cost.

Some of the MAP initiatives that are driving some duplicate cost is, for instance, we're closing a major Tremco plant and in the process of moving all that production into two plants in the United States. We have some similar activities in Europe, which cannot be adjusted out.

And then I think those are the key elements of what will drive a lack of leverage in Q1. But as I said earlier, expense reduction actions in Q1 in relationship to the seven consolidation, price increases that are scheduled here for the end of July into August and early September.

And then broadly, the benefits of MAP '25 on the rest of fiscal '26 will show some nice leverage to the bottom line of the growth that we put forward in the quarters after Q1.

Patrick Cunningham - *Citibank Cameroon SA - Analyst*

And then in the prepared remarks, you talked about the potential headwinds to non-resi construction. Can you speak to the health of the project backlogs in construction and performance coatings? Are you starting to see any commitments slow or maybe delays impacting the conversion of the existing backlog?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

No. The backlogs for those businesses are really strong. The challenges that we'll face are just difficult comps. Both PCG and CPG had really strong years in fiscal '25, really strong years in fiscal '24. So it's -- we're rounding some more challenging comps.

But as you saw in Q4, we're generating some pretty solid low single digit, mid single digit organic growth, and a lot of it's around the systems, a lot of it's around the advantage of the supply and apply model, and we expect that to continue.

The other thing that they were working at is in our consumer DIY business, we have been introducing in our DAP business, in our Rust-Oleum business new products. There's a low odor product -- a water-based low odor product just introduced at Rust-Oleum.

There's some new single component foams that were introduced in the past six or nine months at DAP. The move into cleaners with The Pink Stuff really puts us on the MAP, where previously, we had somewhere in the $50 million to $70 million range of kind of niche cleaning products.

Now we'll have north of $250 million in the cleaning category. And importantly, The Pink Stuff gets us into channels that we didn't have much of a presence in, grocery, discount, drug and so these are thousands of outlets, where The Pink Stuff is a broad cleaning category versus the niches we had and the Krud Kutters and the Concrobiums.

And so a very deliberate strategy to diversify into new channels and into a new cleaning category with some of the disciplines our Consumer Group has. And hopefully, that will begin to pay off in fiscal '26 despite the lack of housing turnover and its impact on DIY markets, which is not really -- which has been bad for the last couple of years.

Operator

Mike Harrison, Seaport Research Partners.

Michael Harrison - *Seaport Global Securities LLC - Analyst*

Congrats on a nice quarter and pretty good looking guidance.

I was hoping that you could maybe help us take a step backwards and just help us understand in the fourth quarter, you guys were pretty meaningfully ahead of your expectations. I was hoping you could walk through what areas specifically were better than you anticipated.

Where do you feel like you were right to be more cautious and can you help us understand how demand trends in some of your key segments or product lines were playing out in April into May into June. I think your press release referred to some momentum on the outlook, and I'm just curious, what specific areas you guys are seeing this momentum.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. So a couple things. One is new products in consumer that I mentioned, a lot of which were introduced this spring, and so that's starting to take hold, and it's helping us fight an otherwise broad economic challenge in that area.

Another one is what we're doing in the developing markets. We're seeing double-digit growth and even margin improvement that's meaningful in local currencies. Currencies didn't help us last year. Looks like currencies might actually be a tailwind in fiscal '26, so that's good news.

And then I will tell you that if you see the detail in our press release on PCG and CPG, as I indicated earlier, I think we can generate a solid 2 or 3 points of real unit volume growth. We had better than that in Q4. Some of that was weather related delays from the Q3, which we had talked about in Q3 and thankfully, the great momentum that we built from Q1, Q2 and through Q4 that we continue to see.

Back to your question as we get into '26, Q3 was really an odd winter interruption. Our fiscal year end helps us in some ways and hurts us. In this case, the calendar didn't help. Our Q3 was December, January, February, and the weather was terrible.

Had our Q3 been a January, February, March, on a calendar quarter like most of our peers, our results would have been better. And so I think it's a combination of those things that explain the strong fourth quarter, but the continuing momentum, if you really think of Q3 as an aberration, we're showing momentum from Q1, Q2, Q4, and we see that continuing as we enter fiscal '26.

Michael Harrison - *Seaport Global Securities LLC - Analyst*

And then I'm just curious, in terms of the inflation that you're seeing, would you categorize that as being normal supply and demand fluctuations, or do you think it's driven more by tariff impacts? I think we're just trying to get a sense of whether we could still expect some further changes in what you're seeing around input costs depending on what happens with trade policy.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. Our best guess and we look at it pretty -- in great detail, of the unmitigated impact of tariffs, as they stand today and of course, this can all change next week or next month, but our best guess today is a negative 4% to 5% hit in fiscal '26.

We have some mitigation activities in terms of agreements with vendors. We have some opportunities to -- as we talked about, for instance, The Pink Stuff moving production for the pace that they sell in the US to adapt plants, so we're working on that.

That's just one example. And then the final area would be in price increases. From an inflation perspective, I would tell you that this is a rough guess, and this is Frank Sullivan, but I think half to two-thirds is truly tariffs and half to one-third is the response of domestic suppliers taking advantage of the tariff regimes to raise prices.

Steel's a great example. Tinplate does come a lot from overseas, not a lot of production in the US, but the aggressive pricing of steel companies because they can, it's a challenge for anybody to buy steel these days.

Michael Harrison - *Seaport Global Securities LLC - Analyst*

If I could sneak one more in. Just curious if you can give any guidance on depreciation and amortization for fiscal '26 as well as the CapEx outlook.

Matt Schlarb - *RPM International Inc - Vice President, Investor Relations & Sustainability*

Sure, Mike. Yeah, so for depreciation and amortization, it should be around $200 million for fiscal year '26. The increase is really driven by the M&A we've done and also some of the higher CapEx spending we've had.

And then when we look at CapEx for the full year, it should be about $220 million to $240 million. That would be the range. And just also we mentioned this on the call, but just to reiterate, interest expense will be higher this year because of the additional debt that's been used to fund these M&A.

So we expect net interest expense to be between $105 million and $115 million for the year.

Operator

Matthew DeYoe, Bank of America.

Matthew DeYoe - *Bank of America - Analyst*

I'm not sure if I've ever heard that last name pronunciation. I like that one. But congratulations. I guess it was a good quarter and obviously, some of this organic growth.

I wanted to touch a little bit on the flooring side of the equation. I mean some of this is reflective of the data center AI build out. Is that manifesting into critical mass here or is this still an opportunity to come as it relates to like Tremco?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. I think there's still more opportunities there. We are seeing some benefits in certain areas, in particular our fiber grade business and FRP grading and its nonconductive nature in data centers. We're seeing some in flooring and coatings.

I would say we're getting our share. I would not say yet we're getting more than our share, and we're working on that. And -- but in general, we're just seeing a nice uptick in small to medium size flooring projects along with some of the larger, more headline projects that are out there.

And some of it's a really focused sales force and I do believe some business of our supply and apply model, which in a challenging labor environment, is helping us.

Matthew DeYoe - *Bank of America - Analyst*

And I think by our estimate, we have something like $230 million in top line contribution to deals next year. Is that right? And what do you expect EBITDA contribution from that? And kind of related, SG&A was up because of some of this deal, some of the deal activity. Is that mostly just one time legal banker fees? With the streamlining, how should we expect SG&A to kind of flow through the year?

Russell Gordon - *RPM International Inc - Vice President, Chief Financial Officer*

Sure. Yeah, I can take that one. In terms of acquisitions, we've announced The Pink Stuff acquired at the beginning of May and annualized. That's GBP150 million, and then we just acquired Ready Seal in the middle of June.

We disclosed that at $40 million. So you can model those in. And you're right, Matthew, on acquisition deal costs, they were elevated in Q4 and they'll continue to be elevated in Q1. As Frank indicated on the last call, that's actually a favorable indicator for RPM when those costs are up, activity is robust and we would expect that to hopefully continue.

Operator

Josh Spector, UBS.

Joshua Spector - *UBS AG - Equity Analyst*

Just a couple of quick follow-ups. First, on raw materials, apologize if I missed this, but previously, you said mid single digit inflation is where you thought we'd get to. What's your latest view there?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. In general, I think as we start the year, we're seeing broadly on a consolidated basis, inflation in the 1% to 2% range, but it's kind of heavily weighted towards what's happening in our consumer business around packaging, propellants and some pigments.

And I'm hopeful that as this tariff issue gets some certainty and settle down that we'll see that simplify. As I indicated earlier, unmitigated, we see a 4% to 5% impact of the tariff regimes, and our ability to offset some of that through moving manufacturing and/or agreements with some of our suppliers will help and it would be nice to get through half of this year and have some of that VUCA, uncertain, volatile, changing every week, provide some certainty in which people can plan around.

And as Rusty mentioned, that and some of the positive impacts of the One Big Bill, on manufacturing investment, I think will get people off the sidelines in terms of making decisions on additional projects which will help us.

Joshua Spector - *UBS AG - Equity Analyst*

I guess what I was trying to figure out is, so does that 1% to 2% inflation peak earlier in the year? Is that the mitigated impact or do you expect that to increase as we go through the year?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

The 1% to 2% inflation is what we're seeing in Q1, and it's disproportionately weighed towards consumer.

Operator

David Begleiter, Deutsche Bank.

David Begleiter - *Deutsche Bank AG - Analyst*

Frank, just on, in consumer, the organic is down 3.8% in the quarter. How much is due to the SKU rationalization? With the remainder, are you seeing greater pressure on the consumer as we speak, or is it pretty much the same?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

It's pretty much the same. We just finished our second year or eight quarters in a row of no or negative DIY takeaway and we've never seen anything like that. It's unprecedented. And it seems to be flatlining, if you will, but there's no real dynamic here.

We're at a 40-year low in housing turnover and certainly, others supplemented that, and that's a challenge in this area. It's predominantly in our Rust-Oleum business, and Small-Project Paints in part because of their size and their market share.

DAP continues to build momentum and show some positive momentum throughout '25 and as we get into '26. They have more of a contractor customer base than our Rust-Oleum business does. We're actually performing pretty well in the European marketplace.

However, in Europe, we are in the process of discontinuing a lower margin product line and closing a factory there. And so that was part of the negative impact. On an annualized basis, the SPS business was $50 million and most of that will go away.

And we're in the process of transitioning that into other plants and then we are looking to sell the facility.

David Begleiter - *Deutsche Bank AG - Analyst*

And just back on raws, on Tuesday, one of your Cleveland-based peers lowered their back half raw material guidance. They're seeing reductions in solvents and resins. Why the disconnect with what you're seeing or is it just more packaging related costs or maybe you can help us there?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. So to the last question which I -- it was really trying to get at the same thing in terms of where we see inflation going. I don't know. All I can tell you is that in Q1, our inflation on a consolidated basis, it's going to be 1% to 2% and it's mostly in consumer.

And it is -- so metal packaging as we sit here today is up 11% or 12%. Propellant's up 13% or 14%. Plastic packaging is up 1% or 2%. Pigments are up 10%. Those are -- there are some solvent areas that are going down.

The one exception, which is a meaningful raw material for RPM across the board is epoxy. So we're big producers of epoxy floor coatings, epoxy coatings, epoxy sealants, and so that's up about 11%. Certain solvents and other things are moving in the right direction.

If oil prices move in the right direction, that'll be good. But given the impact that tariffs have and the uncertainty from one week to the next, other than being able to forecast a 1% to 2% inflation and give you the details we just did, we don't really have a clue as to where things are going post this fall and in the next year.

Operator

John Roberts, Mizuho.

John Roberts - *Mizuho Securities USA LLC - Analyst*

And I'll add my congrats. Is there a home for all of SPG in the other three segments?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. So if you look at the Color Group, roughly, $100 million. $0.8 million of that is intercompany sales from our Color Group to Rust-Oleum. And the Color Group is about color, and Rust-Oleum is about color. It's a great fit, and there's opportunities with our best consumer marketers to do things with the DayGlo brand that up until now, we have not.

Our Legend Brands business is really asset management and as we get into businesses like Pure Air, which is the refurbishment and rehabilitation of major rooftop HVAC units, it really fits into that same thing. That's about $100 million and then the balance of the $700 million SPG prior segment is the Industrial Coatings business and the food business.

The food business -- the food coatings business, not a lot of synergies. It's just a great business, higher than RPM margin profile. At the gross margin and EBIT margin level, good solid growth. It had to go somewhere, so it's going to the Performance Coatings Group, but the other three elements all have really good strategic fits.

John Roberts - *Mizuho Securities USA LLC - Analyst*

And then you had a customer bankruptcy in SBG last quarter and prior, you had a bankruptcy in the Consumer segment. I know you said the backlog is relatively strong, but are you seeing signs of stress across other areas of your customers?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Not that we're aware of today. The dynamics and the air handling, air moving, rehabilitation Legend Brands business are changing and it's moving a little bit from distribution to direct sales. And so there's a lot of dynamics along the lines of both what you're asking.

That's about $100 million business for us. Other than that, we don't see any signs of stress from our customer base or any expectations of further bankruptcies.

Operator

Frank Mitsch, Fermium Research.

Frank Mitsch - *Fermium Research LLC - Analyst*

I'd love to get invited to one of the local Cleveland business meetings where you get together with some of the steel guys. I'm sure it's a very light environment. I wanted to follow up on the MAP savings for fiscal 2026 and confirm the $70 million that you referenced that from MAP would go into '26, that's an incremental number, correct?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

That's correct. So we formally concluded the MAP '25 program at May 31, but there were activities throughout fiscal '25 and during some plant closures and some other activities on, operating efficiencies within our plants, that will benefit and including some plant closures that are in process but not completed in fiscal '26, that will positively impact this new fiscal year, and that $70 million is incremental. That's correct.

Frank Mitsch - *Fermium Research LLC - Analyst*

So if I basically add that to fiscal '25, assuming that's incremental, then you're basically at the low end of the guide for the full year. So hopefully, we have a better economic environment to get to the high end and beyond.

And then on Europe --

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Let me just address that, Frank. Not just on the flow of the bottom line, the inflation that we haven't talked about is on the non-material side. Wages are up, and salaries are up about 3.5%, 4%. We're seeing huge increases in insurance costs and in medical cost.

So there's a lot of moving parts in any business and certainly, a lot of moving parts at RPM, but you got to offset a portion of that $70 million with a wage salary increase in the 3.5% to 4% healthcare costs and insurance costs that I mentioned.

So there are tens of millions of dollars of rising costs across our business that are not associated with raw materials that we're also managing.

Frank Mitsch - *Fermium Research LLC - Analyst*

That's a good qualifier.

And then lastly, Europe obviously, very impressive performance, part of that M&A related. Can you talk about the sustained -- how much of that 15% was coming from M&A and how sustainable is that improvement in Europe?

Have you seen the bottom there and how's the outlook, please?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. Most of the growth was M&A. We're seeing a nice improvement in profitability through bringing the MAP initiatives maybe later than where we started in North America to Europe. Dave Dennsteadt, who was President of our Performance Coatings Group, moved his family to Europe a couple of years ago to oversee and drive a lot of these operating improvement initiatives.

So on a core basis, our revenues have been relatively flat. Most of that fourth quarter pick up was M&A. A big chunk of that is The Pink Stuff, which is a disproportionate chunk of its business in Europe -- UK and Europe.

But the margin profile there is improving and the cash flow there is improving and there's more to come on that.

Operator

Vincent Andrews, Morgan Stanley.

Vincent Andrews - *Morgan Stanley - Analyst*

Most of my questions have been answered. So I'm just going to look for some clarification on something that I'm hearing different points of view on in the investment community, which is there going to be a formal MAP 3.0 program, and if so, when do you think you'll introduce it to us?

And I think from your your prior comments, it seems like if so, it'll be much more of a revenue oriented or growth oriented program from a revenue perspective rather than a lot more on the cost side of the equation. So any thoughts on that would be helpful.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. The answer is yes. There will be a new program. What we call it is still up for debate. I think given the uncertainty around tariffs and the stop starts change next week, and the decision that we came to over the last six months or so, to think about, all right, what's the right structure going forward in this move from four segments to three segments, I think all those are dynamics that we want to get settled.

And so I would expect a new MAP program probably to be unveiled in the spring or summer of next year, but we are absolutely working on A, continuing the operating efficiencies that we've gained through MAP. We've got 200 basis points or 300 basis points, as I mentioned earlier, of additional improvement in the pipeline on working capital which will enhance cash flow, and we fully intend to implement a new three year plan and then at some point in the next call it six to nine months, figure out, what the appropriate communication on that is externally.

Operator

Ghansham Panjabi, Baird.

Ghansham Panjabi - *Robert W. Baird & Co Inc - Senior Research Analyst*

I'm sorry if I missed this if you already said this already, but what are you embedding for consumer volumes for fiscal year '26 and how should we think about the sequencing of that in context of it doesn't sound like there's much improvement, but you have some -- from an underlying market standpoint where you have some new products, et cetera?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

I think that's right and Rusty can comment on some of the outlook we provided by segment, but we're introducing new products. We're focusing on cleaning as an entirely new category along with our small project, paints and spray paints, caulks and sealants, abrasives.

So we've got a -- we're broadening the breadth of the product categories that we're involved in very deliberately, introducing new products. And I think when you look at our performance versus our -- performance by itself has been flat to down for eight quarters in a row in terms of volume, not a happy thing, but to their credit, we have performed at or better than many of our peers in terms of what's been a very difficult environment.

Russell Gordon - *RPM International Inc - Vice President, Chief Financial Officer*

Yeah. That's right. I would say that if you look at the outlook for Depot and Lowe's and the performance of our biggest competitors at those two accounts, I think our results hold up pretty well. We are not expecting a lot of growth, but like Frank says, we try to outrun it with innovation and bringing new products and new platforms to the retailers.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

And so one last comment I'd make there is that Pink Stuff is a real dynamic brand. It gets us into new channels, but there's things in cooperation with Rust-Oleum that we can do to accelerate the US growth of that brand.

Ready Seal, great business, great franchise in partnership with Rust-Oleum, things that we can do to accelerate organic growth of that acquired business beyond what they could do on their own. And so acquisitions will also play into improved results for our consumer segment.

Ghansham Panjabi - *Robert W. Baird & Co Inc - Senior Research Analyst*

And just one final one. Obviously, your guidance for fiscal year '26 scales low to mid single digits, and then significant operating leverage on EBIT, almost 2x that. Is that a function of your confidence that the volume outlook is better for the company, perhaps versus your thoughts coming into fiscal year '25, or is it on the cost side that you have a lot of confidence on or both? How would you ever think about that?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. It's mostly a function of our efforts throughout fiscal '25, mostly internally, although I referenced this on a couple of our calls to pivot to growth. We've spent seven years not only executing the MAP initiatives, consolidating production, bringing lean manufacturing disciplines on an effective and sustainable basis, into our operations, working on what was an obvious opportunity to improve cash flow with better working capital performance, but the cultural shift that we've made to greater collaboration and to a leadership level that thinks as much about RPM as they do their individual businesses, and then really a pivot to growth to really focus on how can we allocate more dollars to what's working and be a little more deliberate that way leads us to believe that we'll be able to generate a year of organic growth in the 2% to 3% range complemented by acquisition activity, complemented in at least in the first part of the year by some additional price and as we start the year, some favorable FXs.

So there's a lot of things that are lining up as we sit here today. I would just caveat that with the two dynamics I mentioned earlier. Certainty, finality around this tariff issue seems to be in sight. Who knows? And so if that gets worse instead of better, that could temper all of this. And at some point, the worm's going to turn for the consumer DIY because while we're looking at M&A and while we're introducing new products, the negative performance in the DIY markets broadly has existed for almost eight quarters, and we've never seen that before.

And eventually, the broader economic dynamics there, I think will improve. Couldn't tell you when, but when it does happen, we'll be ready.

Operator

Jeff Zekauskas, JPMorgan.

Jeffrey Zekauskas - *JPMorgan Chase & Co - Analyst*

You expect your EBIT to grow roughly 10% next year. Do you think of that as about half from acquisition benefits and half from organic and other factors?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

I'm not sure I would cut it. I can tell you from a revenue perspective, it'll be about half acquisition and half organic growth. And so I suppose that you could think of EBIT growing that way. As we get into quarter by quarter, it'll really be a balance of how those acquisitions grow, what we can do with them, but also how organic growth leverages to our bottom line.

If we get to the high end of our range, it's because we will be generating better unit volume growth than we anticipate and if that happens, you'll see a nice leverage from our core operations.

Jeffrey Zekauskas - *JPMorgan Chase & Co - Analyst*

And then in the quarter, your cost of goods sold went up a little bit less than 2%, and your revenues went up, I don't know, 3.7%. So cost of goods sold rose less than revenues and really a lot of your revenue growth was acquisitions and organic volume.

And you talked about raw materials being higher, cost inflation for employees being higher, how did you achieve the lower rate of cost of goods sales growth and did you say how much the MAP initiative helped for this year?

Russell Gordon - *RPM International Inc - Vice President, Chief Financial Officer*

Sure. Yeah. We -- in terms of the MAP initiatives, we've been running roughly throughout the program at about $100 million a year run rate for incremental MAP initiatives. And Jeff, what was your question on --

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Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

While Rusty's looking at that, in the MAP initiatives, you're looking at meaningfully improved conversion costs both from consolidating production and closing plants as well as introducing lean manufacturing disciplines that are driving a higher level of throughput.

And so all those have been meaningful in terms of our gross margin improvement. Some of it, Jeff is driven, dramatically by mix. And across RPM -- we could spend hours on this, but I'll just give you one good example in terms of where mix improves gross margin in ways that has nothing to do with raw material costs.

In our roofing business, we have a straight material component and then our WTI contracting component and while their EBIT contributions are roughly equal, the gross margin in our material sales is dramatically higher than the gross margin in our WTI contracting business, which is lower than RPM's average.

So construction products, roofing, the mix between WTI contracting and material can drive a meaningful difference in gross profitability at the segment level and then marginally for RPM. So a lot of moving factors in that question.

Operator

Aleksey Yefremov, KeyBanc Capital Markets.

Aleksey Yefremov - *KeyBanc Capital Markets Inc - Analyst*

Fiberglass grew 20% this quarter. Do you keep growing in this range in fiscal '26, and could you size this business for us, please?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. I don't know the specific detail on that. I don't know that we've disclosed a specific fiber grade growth rate, but I can tell you that our fiber grade business has been growing. It's part of our Performance Coatings Group.

It's been growing at a level higher than RPM, most certainly, in the double digits. A lot of it is the benefits of some acquisitions and in the past, we put Bison with our fiber grade business. That's the rooftop, decking, commercial decking.

We acquired a business in the middle of the year in Europe, which is the bison of Europe called TMP Convert, and they do a lot of DIY stuff, but also commercial. But organically, we're also seeing really strong growth.

That business has benefited most from data centers of any of the businesses that RPM because of the non-conductive nature versus steel of their products and our team's ability to meet the specifications and the speed requirements once these things start in terms of construction.

So it's been a real bright star for us both in terms of acquisition and growing that business from what was predominantly a US business to something more global, entering into DIY, actually through a partnership with our DAP business, and then also broadly, not only organic growth, but their benefit in the data center activity.

Operator

(Operator Instructions)

Arun Viswanathan, RBC Capital Markets.

Arun Viswanathan - *RBC Capital Markets Inc - Analyst*

Congrats on those strong results. Maybe I'll just ask one question on the MAP savings. So for a little while there, Frank, I think you were alluding to the fact that you guys had taken out a lot of cost, but unfortunately, the volume environment was such that you couldn't really see the benefits dropped to the bottom line.

You are starting to see that now. Margins are obviously rising in the right direction, but maybe you can just comment on how much more margin growth do you expect to see if you do kind of hit that mid single digit organic growth that you just spoke about and if there's any leverage that would come from the acquisitions as well.

And how much -- i.e., how much more improvement in margins we could expect over the next little while?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. I appreciate that question. So as most on this call knows, we've been talking about a 16% EBIT margin since the fall of 2018 and our efforts to attain that had been interrupted by COVID, supply chain challenges, inflation, you name it.

But that is still a target that is very deeply embedded within RPM. I think if you try and average out all the crazy volatility that the whole world and certainly business has been through in the last seven or eight years, we've been able to sustain about a 40 or 50 basis point improvement in margin year by year.

And I fully expect over the next two or three years that we're going to get to that 16% margin target. It didn't come as quickly as we wanted, but it's still front of mind. It still has some incentive compensation tied to it, and it's still a goal that we expect to achieve.

We will not get to a 16% EBIT margin in fiscal '26, but we'll make progress.

Arun Viswanathan - *RBC Capital Markets Inc - Analyst*

And then just one more quick one if I could, you guys have often noted M&A as maybe a principal area for capital allocation, but that's been a focus mostly on bolt-ons. Is that still the expectation that we should expect you guys to kind of head in that direction, or would you consider larger deals and maybe some adjacencies into, say, more gallon oriented paint?

Maybe you can just offer your thoughts on where you're headed M&A wise.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. I think The Pink Stuff is a good example of opportunities that we see that are in adjacencies or new product categories that fit with some of our strengths. And so we're very excited to become a bigger player in the cleaner space in our Consumer Group.

So we will continue to look for acquisitions like that that are a little more sizable than what we've done in the past. But the pipeline for bolt-ons is pretty good. And particularly, in places like our Construction Products Group where they're out looking for components that they can add to these system sales, we'll continue to go look for $10 million and $50 million product lines that not only help us complete that more complete wall system sale or additions to asset management, but where we think that our sales force can double or triple the revenues in a relatively short period of time.

And so hopefully, that answers your question. We don't see paying huge multiples for $1 billion deals, but where there are $400 million and $500 million nice sized businesses, like The Pink Stuff acquisition, we're going to go after them and in the meantime, the bolt-on pipeline's pretty good.

Operator

This concludes our question-and-answer session.

I would like to turn the conference back over to Frank Sullivan for any closing remarks.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you to everybody for your participation on our investor call today. With our fiscal calendar, we have the opportunity to celebrate the New Year twice at RPM. And so I would like to wish everybody a happy RPM New Year and we look forward to talking to you about our '26 results in October when we report our first quarter results and have our annual meeting of stockholders.

Thank you and have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.