To Our Shareholders

We were very pleased with our performance during our fiscal 2018 second quarter, which ended November 30, 2017. We reported record sales, net income and diluted earnings per share during the period. Sales increased 10.5%, and net income of $95.5 million, or $0.70 per diluted share, compared to a year-ago net loss of $70.9 million, or loss of $0.54 per diluted share.

Positively impacting our results was RPM's strategically balanced business model, which performed as intended, with strength in our industrial and specialty businesses offsetting weakness in our consumer segment. Sales growth was strong across all three of our business segments, with a balance of organic and acquisition growth. We also saw the benefits of last year's product line acquisitions and cost reduction efforts on improved leverage, which more than offset higher raw material costs that have negatively impacted gross profit margins.

As a point of comparison, keep in mind that our fiscal 2017 second-quarter included a $188.3 million pre-tax ($129.2 million or $0.97 per diluted share, after-tax) impairment charge at our fingernail enamel business and a charge of $12.3 million, or $0.09 per share, which had no tax impact, related to the decision to exit an industrial segment business in the Middle East.

Record Second-Quarter Results

During the quarter, our net sales of $1.32 billion were up 10.5% over the $1.19 billion reported a year ago. Organic sales improved 4.2% and acquisition growth added 4.7%. Foreign currency translation increased sales by 1.6%.

Net income of $95.5 million compares to last year's adjusted net income of $70.5 million. Earnings per diluted share of $0.70 in the current quarter, which included a $0.09 per diluted share tax benefit relative to last year's tax rate, compare to an adjusted $0.52 per diluted share last year. Earnings per diluted share increased 34.6% from last year's adjusted earnings per diluted share of $0.52, and increased 17.3% excluding the $0.09 per diluted share tax benefit.

Income before income taxes (IBT) of $109.2 million compares to a loss before income taxes of $106.9 million reported in the fiscal 2017 second quarter.

Our consolidated earnings before interest and taxes (EBIT) of $131.8 million compare to a consolidated loss before interest and taxes of $86.4 million reported in the fiscal 2017 second quarter. Excluding the year-ago charges, our consolidated EBIT for the fiscal 2018 second quarter improved 15.4% over $114.2 million in the fiscal 2017 second quarter. The EBIT improvement of 15.4% included the cost savings benefit in "Corporate/Other" expenses of $11.1 million from lower pension, healthcare, acquisition-related expenses and professional fees.

Second-Quarter Segment Sales and Earnings

During the fiscal 2018 second quarter, our industrial segment sales increased 11.0%, to $702.9 million from $633.4 million in the fiscal 2017 second quarter. Organic sales improved 5.4%, while acquisition growth added 3.3%. Foreign currency translation increased sales by 2.3%. IBT for the industrial segment increased 34.6%, to $67.7 million from $50.3 million in the fiscal 2017 second quarter. Industrial segment EBIT increased 34.5%, to $70.2 million from $52.2 million in the fiscal 2017 second quarter. Industrial segment EBIT was up 8.9% over an adjusted $64.5 million in the fiscal 2017 second quarter, excluding last year's charge to exit a Middle Eastern flooring business.

Our strong organic sales growth of 5.4% in the industrial segment was driven by North American roofing and those businesses providing polymer flooring to commercial and industrial markets. We also saw a slight rebound in our companies serving the oil and gas industry, which reported positive organic year-over-year sales growth for the first time in three years. We continue to see mixed results from our industrial businesses in Europe, while Latin American industrial operations, particularly in Brazil, continue to struggle. EBIT margins were negatively impacted by higher raw material costs and unfavorable transactional foreign currency exchange.

Our fiscal 2018 second-quarter consumer segment sales increased 11.1%, to $415.4 million from $373.8 million a year ago. Organic sales increased 3.0%, while acquisition growth added 7.3%. Foreign currency translation increased sales by 0.8%. The consumer segment had IBT of $45.1 million, compared to a loss before income taxes of $140.6 million in the fiscal 2017 second quarter. The segment reported EBIT of $45.2 million, compared to a loss before interest and taxes of $140.6 million reported last year. EBIT was off 5.3% from an adjusted $47.7 million in the fiscal 2017 second quarter, which excludes the impairment charge related to our consumer nail enamel business.

During the quarter, we saw a sharp uptick in business from caulks and sealants products, as well as some international markets. The segment also benefited from last year's acquisitions of Touch 'N Foam in the U.S. and SPS in Europe. The decline in EBIT resulted from higher raw material costs and unfavorable manufacturing absorption and product mix.

Second-quarter sales for the specialty segment increased 7.4%, to $197.1 million from $183.6 million in the fiscal 2017 second quarter. Organic growth was 2.8%, while acquisitions added 3.8%. Foreign currency translation increased sales by 0.8%. IBT for the specialty segment increased 10.5%, to $34.4 million from $31.2 million in the fiscal 2017 second quarter. Specialty segment EBIT improved 10.8%, to $34.4 million from $31.0 million a year ago.

We experienced strong growth in many of our specialty segment product lines, particularly U.S.-based restoration service businesses, with higher than normal sales volumes into the hurricane impacted regions prior to and after the storms, as well as powder coatings and wood finishes, after overcoming lost sales from last year's closure of an unprofitable European business and recent patent expiration in our food coatings business.

Cash Flow and Financial Position Remain Strong

For the first half of fiscal 2018, cash from operations was $115.2 million, compared to $158.7 million a year ago. Capital expenditures of $45.3 million compared to $48.0 million during the first half of last year. Total debt at November 30, 2017 was $2.14 billion, compared to $1.64 billion at November 30, 2016 and $2.1 billion at May 31, 2017. The increase is largely attributable to cash used for acquisitions, payments to the 524(g) trust and a contribution to the pension plan. This year's total debt reflects the maturity of our 6.5% $250 million bond in February. RPM's net (of cash) debt-to-total capitalization ratio was 53.8%, compared to 52.8% at November 30, 2016. At November 30, 2017, liquidity stood at $971.7 million, including cash of $267.9 million and $703.8 million in long-term committed available credit.

In December 2017, we issued $300 million of 4.25%, 30-year notes due 2048. The net proceeds will be used to retire the $250 million of 6.50% bonds due in February 2018, thereby lowering our overall interest rate.

First-Half Sales and Earnings

Fiscal 2018 first-half net sales improved 8.9%, to $2.66 billion from $2.44 billion during the first six months of fiscal 2017. Organic growth was 2.5%, acquisitions added 5.5% and positive foreign currency translation added 0.9%. Net income improved

Continued on inside page

Quarterly Report 2

RPM International Inc.

Second-Quarter Report

For Period Ended November 30, 2017

- **Record second-quarter sales +10.5%**
- **Record net income of $95.5 million**
- **Record earnings per diluted share of $0.70**
- **Fiscal 2018 guidance increased**

The Value of **168**®

406.4%, to $211.9 million from $41.8 million in the fiscal 2017 first half. Diluted earnings per share were $1.56, up 387.5% from $0.32 a year ago. IBT of $264.5 million was up 535.5% over the $41.6 million reported in the fiscal 2017 first half. EBIT of $309.4 million was 281.8% above the $81.0 million reported last year. Excluding the impairment and Middle East business exit charge in fiscal 2017, fiscal 2018 first half EBIT was up 9.9% over an adjusted $281.6 million last year.

First-Half Segment Sales and Earnings

Our industrial segment fiscal 2018 first-half sales were up 9.4%, to $1.43 billion from $1.31 billion in the fiscal 2017 first half. Organic sales increased 3.8%, while acquisition growth added 4.2%. Foreign currency translation increased sales by 1.4%. IBT for the industrial segment increased 12.2%, to $156.6 million from $139.6 million in fiscal 2017. EBIT of $161.7 million was up 12.8% from $143.3 million in the first half last year. Excluding the Middle East business exit charge last year, industrial segment EBIT increased 3.9%, from $155.6 million a year ago.

First-half sales for the consumer segment improved 8.9%, to $842.6 million from $773.7 million a year ago. Organic sales were flat, but acquisition growth added 8.5% and foreign currency translation increased sales by 0.4%. The consumer segment reported IBT of $117.5 million, compared to a loss before interest and taxes of $70.5 million in the year-ago first half. EBIT of $117.8 million compares to a loss before interest and taxes in the fiscal 2017 second quarter of $70.5 million. Consumer segment EBIT was essentially flat to an adjusted EBIT of $117.8 million last year, excluding the impairment charge.

Specialty segment sales grew 7.1%, to $385.6 million from $359.9 million in the 2017 first half. Organic growth was 2.9%, while acquisitions added 3.9%. Foreign currency translation increased sales by 0.3%. IBT for the specialty segment increased 9.6%, to $67.6 million from $61.7 million in fiscal 2017. For the first half of fiscal 2018, specialty segment EBIT increased 9.8%, to $67.4 million from $61.4 million a year ago.

Recent Acquisitions to Drive Growth

During the second quarter, our USL Group acquired Ekspan Holdings Limited, a provider of movement control products and services for bridges and major structures. Headquartered in Sheffield, United Kingdom, Ekspan has annual net sales in excess of $10 million. Among its high-profile projects is the iconic London Tower Bridge.

Early in the third quarter, our Rust-Oleum business group acquired Whink Products, a specialty cleaners manufacturer and marketer that is the market share leader in the rust stain removal segment. Based in Eldora, Iowa, Whink has annual net sales of approximately $6 million. Its leading brands include Rust Stain Remover and Rust Guard.

Dividend Declared

On January 3, 2018, our board of directors declared a regular quarterly cash dividend of $0.32 per share, payable on January 31, 2018 to stockholders of record as of January 17, 2018. We have increased our dividend for 44 consecutive years. During this timeframe, we have paid approximately $2.2 billion in cash dividends to our stockholders.

Business Outlook Positive

In the back half of this fiscal year, more of our industrial segment's growth will be organic, as most of the fiscal 2017 acquisitions have now annualized their original purchase date. We expect steady results in the second half from our construction related North American businesses, aided by higher sales into the hurricane impacted regions, as well as continued positive results for our businesses serving the oil and gas markets. We believe that our business in Brazil has bottomed out and is expected to be fairly neutral in the back half as year-over-year comparisons get easier. Given these factors, industrial segment sales growth for the balance of the fiscal year should be in the upper-single-digit range. In addition, we remain very focused on driving improved operating leverage throughout the entire industrial segment by continually pursuing cost savings and efficiencies.

For the back half of the fiscal year, we expect sales growth in the consumer segment to be in the low-to-mid-single-digit range. Most of this growth will be organic. Last year's consumer acquisitions will contribute to acquisition growth for a portion of the third quarter, but will not contribute to acquisition growth in the fourth quarter. We also plan to invest in our well-regarded consumer brands by stepping up advertising and promotional activity during the spring sell-in season. Therefore, we expect back-half earnings results to be fairly flat to last year in this segment.

In the second half of the fiscal year, we anticipate specialty segment sales growth to be in the low-single-digit range as acquisitions from last year phase out early in the third quarter.

In aggregate, our operations have performed in line with our expectations when we issued our fiscal 2018 guidance back in July, and we expect this trend to continue in the back half of this fiscal year. In regard to our taxes, our 19.6% effective tax rate for the first six months has been better than expected. We approved and completed certain foreign legal entity restructurings that resulted in the recognition of favorable discrete tax benefits that reduce our annual effective tax rate from the rate utilized for our current EPS guidance.

With the enactment of new federal tax legislation two weeks ago, there is a corporate rate reduction from 35% to 21%. The corporate rate reduction is effective for us as of January 1, 2018, and will reduce our current fiscal year federal statutory rate to a blended rate of approximately 29.2%. This is expected to further reduce RPM's effective tax rate this year by two to three percentage points, adding approximately $0.10 per diluted share to our fiscal 2018 outlook. Additionally, in the third quarter we expect to record a discrete tax adjustment for the impact of the rate change on our deferred tax assets and liabilities, as well as the impact of the transition tax on deferred foreign earnings. Excluding this one-time discrete tax adjustment resulting from the new federal tax legislation, we increased our full-year fiscal 2018 EPS guidance to a range of $3.00 to $3.10 per share.

I would like to extend my gratitude to our 14,000 employees around the world for the continued efforts and dedication, and want to thank you for your ongoing interest and investment in RPM. Best wishes for a prosperous 2018.

Sincerely yours,

Frank C. Sullivan
Chairman & Chief Executive Officer

January 16, 2018

The Value of
168®

The Value of 168 is a statement of the corporate philosophy of RPM. This figure, often cited by our founder, Frank C. Sullivan, literally represents the number of hours in a week. On a deeper level, it serves to remind us of his belief that we are born with two great gifts: life and the time to do something with it.

The Value of 168 signifies RPM's enduring commitment to our fellow employees, customers and stockholders. This commitment springs from an ethos woven into our culture. It is evident in the stimulus of a work environment characterized by empowerment, accountability, opportunity and respect. The care that goes into building and sustaining long-term relationships with those we serve. The refusal to compromise on quality. The integrity that ensures results the right way.

The Value of 168 is the essence of RPM.

Consolidated Statements of Income

IN THOUSANDS, EXCEPT PER SHARE DATA (UNAUDITED)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2017	2016	2017	2016
Net Sales	$ 1,315,416	$ 1,190,770	$ 2,660,810	$ 2,442,833
Cost of sales	764,401	669,089	1,537,787	1,369,110
Gross profit	551,015	521,681	1,123,023	1,073,723
Selling, general & administrative expenses	419,599	419,494	814,008	803,579
Goodwill and other intangible asset impairments		188,298		188,298
Interest expense	26,396	22,905	53,169	45,683
Investment (income), net	(3,739)	(2,416)	(8,192)	(6,254)
Other expense (income), net	(422)	257	(427)	799
Income (loss) before income taxes	109,181	(106,857)	264,465	41,618
Provision (benefit) for income taxes	13,323	(36,601)	51,704	(1,520)
Net income (loss)	95,858	(70,256)	212,761	43,138
Less: Net income attributable to noncontrolling interests	395	670	882	1,295
Net income (loss) attributable to RPM International Inc. Stockholders	$ 95,463	$ (70,926)	$ 211,879	$ 41,843
Earnings (loss) per share of common stock attributable to RPM International Inc. Stockholders:				
Basic	$ 0.72	$ (0.54)	$ 1.59	$ 0.32
Diluted	$ 0.70	$ (0.54)	$ 1.56	$ 0.32
Average shares of common stock outstanding - basic	131,163	130,695	131,204	130,647
Average shares of common stock outstanding - diluted	135,592	130,695	135,663	130,647

Consolidated Balance Sheets

IN THOUSANDS (UNAUDITED)

	November 30, 2017		November 30, 2016		May 31, 2017	
Assets						
Current Assets						
Cash and cash equivalents	$	267,857	$	205,907	$	350,497
Trade accounts receivable	1,023,748		881,723		1,039,468	
Allowance for doubtful accounts	(43,508)		(40,909)		(44,138)	
Net trade accounts receivable		980,240		840,814		995,330
Inventories		864,019		762,167		788,197
Prepaid expenses and other current assets		282,940		232,217		263,412
Total current assets		2,395,056		2,041,105		2,397,436
Property, Plant and Equipment, at Cost		1,547,126		1,353,282		1,484,579
Allowance for depreciation		(786,701)		(714,353)		(741,893)
Property, plant and equipment, net		760,425		638,929		742,686
Other Assets						
Goodwill		1,167,963		1,085,763		1,143,913
Other intangible assets, net of amortization		579,929		521,198		573,092
Deferred income taxes, non-current		20,621		59,619		19,793
Other		220,677		200,847		213,529
Total other assets		1,989,190		1,867,427		1,950,327
Total Assets	$	5,144,671	$	4,547,461	$	5,090,449
Liabilities and Stockholders' Equity						
Current Liabilities						
Accounts payable	$	447,071	$	429,941	$	534,718
Current portion of long-term debt		253,688		3,880		253,645
Accrued compensation and benefits		138,375		126,097		181,084
Accrued losses		23,566		33,846		31,735
Other accrued liabilities		212,293		292,849		234,212
Total current liabilities		1,074,993		886,613		1,235,394
Long-Term Liabilities						
Long-term debt, less current maturities		1,883,272		1,634,967		1,836,437
Other long-term liabilities		506,606		701,091		482,491
Deferred income taxes		70,279		41,456		97,427
Total long-term liabilities		2,460,157		2,377,514		2,416,355
Total liabilities		3,535,150		3,264,127		3,651,749
Commitments and contingencies						
Stockholders' Equity						
Preferred stock; none issued						
Common stock (outstanding 133,666; 133,576; 133,563)		1,337		1,336		1,336
Paid-in capital		968,919		938,963		954,491
Treasury stock, at cost		(230,347)		(215,936)		(218,222)
Accumulated other comprehensive (loss)		(434,598)		(555,541)		(473,986)
Retained earnings		1,301,442		1,112,610		1,172,442
Total RPM International Inc. stockholders' equity		1,606,753		1,281,432		1,436,061
Noncontrolling interest		2,768		1,902		2,639
Total equity		1,609,521		1,283,334		1,438,700
Total Liabilities and Stockholders' Equity	$	5,144,671	$	4,547,461	$	5,090,449

Consolidated Statements of Cash Flows

IN THOUSANDS (UNAUDITED)

	Six Months Ended November 30, 2017	Six Months Ended November 30, 2016
Cash Flows From Operating Activities:		
Net income	$ 212,761	$ 43,138
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	40,386	35,568
Amortization	23,245	22,111
Goodwill and other intangible asset impairments		188,298
Deferred income taxes	(32,276)	(59,363)
Stock-based compensation expense	14,429	17,013
Other non-cash interest expense	2,843	4,964
Realized (gain) on sales of marketable securities	(4,897)	(3,698)
Other	9	(47)
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease in receivables	34,136	110,871
(Increase) in inventory	(62,923)	(81,586)
Decrease (increase) in prepaid expenses and other current and long-term assets	3,919	(20,876)
(Decrease) in accounts payable	(95,302)	(69,518)
(Decrease) in accrued compensation and benefits	(45,464)	(55,662)
(Decrease) in accrued losses	(8,490)	(899)
Increase in other accrued liabilities	33,304	28,057
Other	(494)	361
Cash Provided By Operating Activities	115,186	158,732
Cash Flows From Investing Activities:		
Capital expenditures	(45,295)	(48,049)
Acquisition of businesses, net of cash acquired	(54,647)	(65,201)
Purchase of marketable securities	(96,039)	(25,142)
Proceeds from sales of marketable securities	58,867	24,588
Other	469	956
Cash (Used For) Investing Activities	(136,645)	(112,848)
Cash Flows From Financing Activities:		
Additions to long-term and short-term debt	35,036	76,369
Reductions of long-term and short-term debt	(1,535)	(73,588)
Cash dividends	(82,878)	(76,604)
Shares of common stock repurchased and returned for taxes	(12,125)	(19,663)
Payments of acquisition-related contingent consideration	(3,359)	(4,130)
Other	(1,464)	(1,365)
Cash (Used For) Financing Activities	(66,325)	(98,981)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5,144	(6,148)
Net Change in Cash and Cash Equivalents	(82,640)	(59,245)
Cash and Cash Equivalents at Beginning of Period	350,497	265,152
Cash and Cash Equivalents at End of Period	$ 267,857	$ 205,907

Supplemental Segment Information

IN THOUSANDS (UNAUDITED)

	Three Months Ended November 30, 2017	Three Months Ended November 30, 2016	Six Months Ended November 30, 2017	Six Months Ended November 30, 2016
Net Sales:				
Industrial Segment	$ 702,905	$ 633,429	$ 1,432,673	$ 1,309,269
Consumer Segment	415,431	373,774	842,575	773,661
Specialty Segment	197,080	183,567	385,562	359,903
Total	$ 1,315,416	$ 1,190,770	$ 2,660,810	$ 2,442,833
Income Before Income Taxes:				
Industrial Segment				
Income Before Income Taxes (a)	$ 67,696	$ 50,291	$ 156,598	$ 139,557
Interest (Expense), Net (b)	(2,513)	(1,906)	(5,067)	(3,743)
EBIT (c)	70,209	52,197	161,665	143,300
Charge to exit Flowcrete Middle East (d)		12,275		12,275
Adjusted EBIT	$ 70,209	$ 64,472	$ 161,665	$ 155,575
Consumer Segment				
Income (Loss) Before Income Taxes (a)	$ 45,085	$ (140,575)	$ 117,453	$ (70,487)
Interest (Expense) Income, Net (b)	(143)	(19)	(339)	(22)
EBIT (c)	45,228	(140,556)	117,792	(70,465)
Kirker impairment (e)		188,298		188,298
Adjusted EBIT	$ 45,228	$ 47,742	$ 117,792	$ 117,833
Specialty Segment				
Income Before Income Taxes (a)	$ 34,439	$ 31,160	$ 67,606	$ 61,664
Interest Income, Net (b)	78	137	198	290
EBIT (c)	$ 34,361	$ 31,023	$ 67,408	$ 61,374
Corporate/Other				
(Expense) Before Income Taxes (a)	$ (38,039)	$ (47,733)	$ (77,192)	$ (89,116)
Interest (Expense), Net (b)	(20,079)	(18,701)	(39,769)	(35,954)
EBIT (c)	$ (17,960)	$ (29,032)	$ (37,423)	$ (53,162)
Consolidated				
Income (Loss) Before Income Taxes (a)	$ 109,181	$ (106,857)	$ 264,465	$ 41,618
Interest (Expense), Net (b)	(22,657)	(20,489)	(44,977)	(39,429)
EBIT (c)	131,838	(86,368)	309,442	81,047
Charge to exit Flowcrete Middle East (d)		12,275		12,275
Kirker impairment (e)		188,298		188,298
Adjusted EBIT	$ 131,838	$ 114,205	$ 309,442	$ 281,620

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by Generally Accepted Accounting Principles in the United States (GAAP), to EBIT.
(b) Interest income (expense), net includes the combination of interest income (expense) and investment income (expense), net.
(c) EBIT 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. For that reason, we believe EBIT is also useful to investors 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.
(d) Charges related to Flowcrete decision to exit the Middle East.
(e) Reflects the impact of goodwill and other intangible asset impairment charge of $188.3 million related to our Kirker reporting unit.

RPM International Inc. (NYSE) owns subsidiaries that are world leaders in coatings, sealants and building materials. It is comprised of three business segments: industrial, specialty and consumer. Among its many products are small project paints, primer-sealers, wood stains, corrosion control coatings, flooring coatings, caulks, sealants, adhesives, fluorescent pigments, roofing systems, concrete admixtures and other construction chemicals. RPM's leading brands include Rust-Oleum, DAP, Varathane, Zinsser, Tremco, Stonhard, Carboline, Day-Glo, Dryvit and Pettit.

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RPM App

For up-to-date investment information on RPM, download the RPM app for Apple and Android devices. Scan this QR code or visit your app market.

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