Quarterly
Report **3**

RPM International Inc.

Third-Quarter Report

For Period Ended February 28, 2018

- **Sales +7.8% to a third-quarter record of $1.1 billion**
- **Record diluted EPS of $0.30 versus $0.09 a year ago**
- **Record third-quarter net income of $40.2 million**
- **Record third-quarter EBIT of $56.7 million**

The Value of
168®

To Our Shareholders

We had an outstanding third quarter with very solid top-line sales across all three of our segments, which we converted into even stronger earnings before interest and taxes (EBIT) gains on a consolidated basis, despite significant headwinds from higher raw material costs. This improvement in profitability reflects the benefit of cost savings initiatives we began implementing last year and rigorous selling, general and administrative (SG&A) spending discipline we have exercised throughout this year. As a result, for our fiscal 2018 third quarter ended February 28, 2018, we reported record sales, net income and diluted earnings per share.

Third-Quarter Results

Net sales grew 7.8% to $1.1 billion in the fiscal 2018 third quarter from $1.0 billion in the fiscal 2017 third quarter. Organic sales improved 1.8%, while acquisitions added 3.1%. Foreign currency translation positively affected sales by 2.9%. Net income was $40.2 million versus $11.9 million in the fiscal 2017 third quarter. Third-quarter earnings per diluted share were $0.30 compared to $0.09 reported last year. Third-quarter net income included an income tax benefit of $5.9 million, compared to year-ago income tax expense of $4.3 million.

Income before income taxes (IBT) was $34.7 million versus year-ago IBT of $17.0 million. Consolidated EBIT was $56.7 million, up 52.6% from year-ago EBIT of $37.1 million.

Impact of U.S. Tax Reform

During the quarter, we recognized a non-recurring $0.01 per share net tax benefit as a result of the enactment of the Tax Cuts and Jobs Act on December 22, 2017, and an additional $0.08 per share benefit from the resulting lower U.S. statutory tax rate. In January, the full-year guidance that we communicated included a $0.10 per share benefit from the lower corporate tax rate, of which $0.08 per share was recognized in the third quarter.

Third-Quarter Segment Sales and Earnings

Our industrial segment was a key driver of our overall success in the quarter, with higher sales that we leveraged to the bottom line. Sales in the segment increased 9.2% to $569.2 million from $521.4 million in the fiscal 2017 third quarter. Organic sales improved 2.2%, while acquisitions added 2.8%. Foreign currency translation positively affected sales by 4.2%. IBT increased 52.1% to $17.8 million, compared to year-ago IBT of $11.7 million. Industrial segment EBIT for the quarter of $20.3 million was up 38.8% from last year's EBIT of $14.6 million.

The industrial segment, which represents more than 50% of consolidated sales, increased EBIT by nearly 40% through greater SG&A cost leverage, despite higher raw materials costs. Our Tremco Roofing and international polymer flooring businesses performed extremely well. Their results were partially offset by continued weakness in Brazil and mixed results in Europe.

Sales in the consumer segment increased 6.4% to $363.4 million from $341.4 million in the fiscal 2017 third quarter. Organic sales improved 0.7%, while acquisitions added 4.2%. Foreign currency translation positively affected sales by 1.5%. IBT was $29.1 million, down 2.3% from year-ago IBT of $29.8 million. Consumer segment EBIT declined 2.1% to $29.3 million from $29.9 million in the fiscal 2017 third quarter. Last year's consumer EBIT included a $4.9 million intangible impairment charge on the Synta product line.

Prior-year consumer segment acquisitions of Touch 'N Foam in the U.S. and SPS in Europe continued to drive incremental sales and our organic growth outperformed that of our peers in the consumer space. However, the overall sluggishness in consumer point-of-sale takeaway over the last several quarters continued. We expect a robust advertising schedule in the fourth quarter to position the consumer segment for accelerated growth in fiscal 2019.

Third-quarter sales in the specialty segment increased 6.5% to $170.1 million from $159.7 million a year ago. Organic sales increased 2.7% and acquisitions added 2.2%. Foreign currency translation positively affected sales by 1.6%. IBT was $22.8 million, up 51.9% from year-ago IBT of $15.0 million. Specialty segment EBIT improved 52.6% to $22.7 million from $14.9 million a year ago. Last year's specialty EBIT included a European facility closure charge of $4.2 million.

Sales were brisk in our restoration, original equipment manufacturer (OEM) and pleasure marine coatings businesses, which were partially offset by expected declines in our edible coatings business as a result of a patent expiration. The specialty segment generated very strong improvement in EBIT, primarily resulting from SG&A cost savings actions we began implementing last year, including a plant closure in Europe, and tight spending controls this year.

Cash Flow and Financial Position

For the first nine months of fiscal 2018, our cash from operations was $140.7 million, compared to $173.5 million in the first nine months of fiscal 2017. Capital expenditures during the current nine-month period of $72.8 million compare to $80.1 million over the same time in fiscal 2017.

Total debt at the end of the first nine months of fiscal 2018 was $2.18 billion, compared to $1.98 billion a year ago and $2.09 billion at the end of fiscal 2017. RPM's net (of cash) debt-to-total capitalization ratio was 54.0%, compared to 58.0% at February 28, 2017 and 54.8% at May 31, 2017.

At February 28, 2018, RPM's total liquidity, including cash and long-term committed available credit, was $966.9 million. From this strong financial position, we will continue to aggressively pursue acquisitions and reinvest in our existing businesses.

Nine-Month Sales and Earnings

Nine-month net sales grew 8.6% to $3.76 billion from $3.47 billion a year ago. Net income was $252.1 million compared to $53.8 million in the year-ago period. Diluted earnings per share improved to $1.87 from $0.41 in the first nine months of fiscal 2017. IBT was $299.2 million versus year-ago IBT of $58.6 million. Consolidated EBIT was $366.1 million compared to year-ago EBIT of $118.2 million. Prior-year results included pre-tax impairment charges of $193.2 million, a pre-tax charge of $12.3 million for exiting a business in the Middle East, and a pre-tax charge of $4.2 million for a plant closure in Europe.

Continued on inside page

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.

Nine-Month Segment Sales and Earnings

Sales for our industrial segment increased 9.4% to $2.0 billion from $1.83 billion in the fiscal 2017 first nine months. Organic sales increased 3.7%, while acquisitions added 3.5%. Foreign currency translation positively affected sales by 2.2%. IBT was $174.4 million, up 15.3% from year-ago IBT of $151.3 million. Industrial segment EBIT of $182.0 million was up 15.2% from EBIT of $157.9 million in the first nine months of fiscal 2017, which included a charge for exiting a business in the Middle East.

In the consumer segment, nine-month sales were up 8.1% to $1.21 billion from $1.12 billion in the first nine months of fiscal 2017. Organic sales improved 0.2%, while acquisitions added 7.2%. Foreign currency positively affected sales by 0.7%. IBT was $146.6 million, compared to a year-ago loss before income taxes of $40.7 million. Consumer segment EBIT was $147.1 million compared to a loss of $40.6 million in the first nine months a year ago, as a result of impairment charges.

Our specialty segment sales increased 6.9% to $555.7 million from $519.6 million in the first nine months a year ago. Organic sales increased 2.8% and acquisitions added 3.4%. Foreign currency translation positively affected sales by 0.7%. IBT was $90.4 million, up 17.9% from year-ago IBT of $76.7 million. Specialty segment EBIT improved 18.2% to $90.1 million from $76.3 million in the same period a year ago, which included the charge for a plant closure in Europe.

Tile and Stone Sealer Leader Acquired

On March 19, 2018, our Rust-Oleum Group acquired Miracle Sealants Company, a manufacturer of sealers, cleaners, polishes and related products primarily for tile and natural stone. Based in Arcadia, California, Miracle Sealants has annual net sales of approximately $25 million. A leading brand with professional installers for over 30 years, Miracle Sealants has broad national distribution in tile shops across the U.S., as well as in big box retailers. Among its leading products is 511 Impregnator, the industry standard in hard surface floor sealers.

Two Senior Executives Appointed

We announced on April 5, 2018, that Timothy R. Kinser has been appointed vice president of operations, effective June 1. He will be responsible for managing supply chain strategies, identifying opportunities to improve manufacturing efficiencies and reducing operating costs across all RPM business segments.

Also during the quarter, we announced that our Rust-Oleum Group will have new leadership. Edward J. Voorhees III, president of Rust-Oleum North America, took over as CEO of Rust-Oleum Group effective March 1, 2018. He replaced Thomas E. Reed, who will assume the position of chairman as he approaches his retirement.

Dividend Declared

On April 4, 2018, our board of directors declared a regular quarterly cash dividend of $0.32 per share, payable on April 30, 2018 to stockholders of record as of April 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

In our industrial segment, we expect solid fourth-quarter performance from our businesses serving the North American construction market, especially our Tremco Roofing division where we continue to see strong growth in liquid applied products. We anticipate sales in the industrial segment will grow in the mid- to upper-single digits, including favorable foreign currency translation.

Turning to our consumer segment, we estimate sales growth in the mid-single-digit range in the fourth quarter and continued headwinds in converting top-line sales to EBIT due to ongoing raw material cost issues. We also believe that recent changes that prompted our largest consumer segment competitor to abandon its relationship with the number one retail home center in North America will present some opportunities for market share gains in fiscal 2019.

In our specialty segment, we expect sales growth in the low-single-digit range with continued strength in OEM powder coatings and pleasure marine coatings businesses. This will partially be offset by expected reduced sales in our edible coatings business due to a patent expiration last August.

We currently expect our income tax rate to be in the 26% to 27% range in the fourth quarter of fiscal 2018, which includes the lower U.S. statutory income tax rate. Our tax rate could change as the IRS continues to issue guidance on the new tax law.

On a consolidated basis, we expect to generate mid-to-upper-single-digit sales growth that will drive double-digit EBIT growth, reflecting continued tight SG&A spending controls, despite the challenging higher raw material environment.

Given this backdrop, we are narrowing our fiscal 2018 earnings guidance upwards to a range of $3.05 to $3.10 per diluted share from our previous guidance of $3.00 to $3.10 per diluted share.

In closing, I would like to express my appreciation to our 14,000 employees around the world for their ongoing efforts and dedication. Thank you for your continued interest and investment in RPM. We look forward to reporting our fourth-quarter and year-end results at the end of July and providing you with our 2019 fiscal year outlook.

Sincerely yours,

Frank C. Sullivan
Chairman & Chief Executive Officer

April 20, 2018

Consolidated Statements of Income

IN THOUSANDS, EXCEPT PER SHARE DATA (UNAUDITED)

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2018	2017	2018	2017
Net Sales	$ 1,102,677	$ 1,022,496	$ 3,763,487	$ 3,465,329
Cost of sales	663,184	593,923	2,200,971	1,963,033
Gross profit	439,493	428,573	1,562,516	1,502,296
Selling, general & administrative expenses	382,972	386,032	1,196,980	1,189,611
Goodwill and other intangible asset impairments		4,900		193,198
Interest expense	27,459	23,769	80,628	69,452
Investment (income), net	(5,471)	(3,627)	(13,663)	(9,881)
Other (income) expense, net	(165)	502	(592)	1,301
Income before income taxes	34,698	16,997	299,163	58,615
(Benefit) provision for income taxes	(5,890)	4,313	45,814	2,793
Net income	40,588	12,684	253,349	55,822
Less: Net income attributable to noncontrolling interests	361	756	1,243	2,051
Net income attributable to RPM International Inc. Stockholders	$ 40,227	$ 11,928	$ 252,106	$ 53,771
Earnings per share of common stock attributable to RPM International Inc. Stockholders:				
Basic	$ 0.30	$ 0.09	$ 1.90	$ 0.41
Diluted	$ 0.30	$ 0.09	$ 1.87	$ 0.41
Average shares of common stock outstanding - basic	131,178	130,677	131,195	130,657
Average shares of common stock outstanding - diluted	131,178	130,677	135,657	130,657

Consolidated Balance Sheets

IN THOUSANDS (UNAUDITED)

	February 28, 2018		February 28, 2017		May 31, 2017	
Assets						
Current Assets						
Cash and cash equivalents		$ 264,386		$ 210,796		$ 350,497
Trade accounts receivable	926,539		829,632		1,039,468	
Allowance for doubtful accounts	(42,244)		(41,357)		(44,138)	
Net trade accounts receivable		884,295		788,275		995,330
Inventories		930,594		856,461		788,197
Prepaid expenses and other current assets		278,069		224,347		263,412
Total current assets		2,357,344		2,079,879		2,397,436
Property, Plant and Equipment, at Cost		1,570,597		1,433,413		1,484,579
Allowance for depreciation		(797,610)		(731,279)		(741,893)
Property, plant and equipment, net		772,987		702,134		742,686
Other Assets						
Goodwill		1,185,890		1,133,013		1,143,913
Other intangible assets, net of amortization		577,861		579,237		573,092
Deferred income taxes, non-current		21,042		25,872		19,793
Other		220,801		212,084		213,529
Total other assets		2,005,594		1,950,206		1,950,327
Total Assets		$ 5,135,925		$ 4,732,219		$ 5,090,449
Liabilities and Stockholders' Equity						
Current Liabilities						
Accounts payable		$ 433,372		$ 417,730		$ 534,718
Current portion of long-term debt		3,767		383,980		253,645
Accrued compensation and benefits		139,243		133,588		181,084
Accrued losses		21,107		37,123		31,735
Other accrued liabilities		324,624		258,102		234,212
Total current liabilities		922,113		1,230,523		1,235,394
Long-Term Liabilities						
Long-term debt, less current maturities		2,179,658		1,597,553		1,836,437
Other long-term liabilities		334,913		569,859		482,491
Deferred income taxes		63,219		48,557		97,427
Total long-term liabilities		2,577,790		2,215,969		2,416,355
Total liabilities		3,499,903		3,446,492		3,651,749
Commitments and contingencies						
Stockholders' Equity						
Preferred stock; none issued						
Common stock (outstanding 133,730; 133,583; 133,563)		1,337		1,336		1,336
Paid-in capital		972,187		946,955		954,491
Treasury stock, at cost		(233,288)		(216,366)		(218,222)
Accumulated other comprehensive (loss)		(405,734)		(533,165)		(473,986)
Retained earnings		1,298,876		1,084,462		1,172,442
Total RPM International Inc. stockholders' equity		1,633,378		1,283,222		1,436,061
Noncontrolling interest		2,644		2,505		2,639
Total equity		1,636,022		1,285,727		1,438,700
Total Liabilities and Stockholders' Equity		$ 5,135,925		$ 4,732,219		$ 5,090,449

Consolidated Statements of Cash Flows

IN THOUSANDS (UNAUDITED)

	Nine Months Ended February 28, 2018	Nine Months Ended February 28, 2017
Cash Flows From Operating Activities:		
Net income	$ 253,349	$ 55,822
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	61,078	53,343
Amortization	35,123	33,497
Goodwill and other intangible asset impairments		193,198
Deferred income taxes	(42,885)	(26,996)
Stock-based compensation expense	17,698	25,005
Other non-cash interest expense	4,275	7,149
Realized (gain) on sales of marketable securities	(6,833)	(5,338)
Other	(71)	136
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease in receivables	138,942	190,423
(Increase) in inventory	(121,095)	(143,409)
Decrease (increase) in prepaid expenses and other current and long-term assets	14,307	(26,698)
(Decrease) in accounts payable	(112,888)	(95,727)
(Decrease) in accrued compensation and benefits	(45,873)	(50,425)
(Decrease) increase in accrued losses	(11,001)	2,247
(Decrease) in other accrued liabilities	(42,895)	(35,135)
Other	(483)	(3,613)
Cash Provided By Operating Activities	140,748	173,479
Cash Flows From Investing Activities:		
Capital expenditures	(72,769)	(80,110)
Acquisition of businesses, net of cash acquired	(59,991)	(246,874)
Purchase of marketable securities	(139,641)	(36,418)
Proceeds from sales of marketable securities	97,624	36,696
Other	6,766	1,493
Cash (Used For) Investing Activities	(168,011)	(325,213)
Cash Flows From Financing Activities:		
Additions to long-term and short-term debt	340,106	422,521
Reductions of long-term and short-term debt	(264,051)	(78,654)
Cash dividends	(125,672)	(116,680)
Shares of common stock repurchased and returned for taxes	(15,065)	(20,092)
Payments of acquisition-related contingent consideration	(3,825)	(4,206)
Payments for 524(g) trust		(102,500)
Other	(1,911)	(2,009)
Cash (Used For) Provided By Financing Activities	(70,418)	98,380
Effect of Exchange Rate Changes on Cash and Cash Equivalents	11,570	(1,002)
Net Change in Cash and Cash Equivalents	(86,111)	(54,356)
Cash and Cash Equivalents at Beginning of Period	350,497	265,152
Cash and Cash Equivalents at End of Period	$ 264,386	$ 210,796

Supplemental Segment Information

IN THOUSANDS (UNAUDITED)

	Three Months Ended February 28, 2018	Three Months Ended February 28, 2017	Nine Months Ended February 28, 2018	Nine Months Ended February 28, 2017
Net Sales:				
Industrial Segment	$ 569,210	$ 521,403	$ 2,001,883	$ 1,830,672
Consumer Segment	363,370	341,434	1,205,945	1,115,095
Specialty Segment	170,097	159,659	555,659	519,562
Total	$ 1,102,677	$ 1,022,496	$ 3,763,487	$ 3,465,329
Income Before Income Taxes:				
Industrial Segment				
Income Before Income Taxes (a)	$ 17,804	$ 11,705	$ 174,402	$ 151,262
Interest (Expense), Net (b)	(2,505)	(2,929)	(7,572)	(6,672)
EBIT (c)	20,309	14,634	181,974	157,934
Charge to exit Flowcrete Middle East (d)				12,275
Adjusted EBIT	$ 20,309	$ 14,634	$ 181,974	$ 170,209
Consumer Segment				
Income (Loss) Before Income Taxes (a)	$ 29,123	$ 29,802	$ 146,576	$ (40,685)
Interest (Expense), Net (b)	(154)	(92)	(493)	(114)
EBIT (c)	29,277	29,894	147,069	(40,571)
Goodwill and other intangible asset impairments (e)				188,298
Adjusted EBIT	$ 29,277	$ 29,894	$ 147,069	$ 147,727
Specialty Segment				
Income Before Income Taxes (a)	$ 22,792	$ 15,000	$ 90,398	$ 76,664
Interest Income, Net (b)	86	116	284	406
EBIT (c)	$ 22,706	$ 14,884	$ 90,114	$ 76,258
Corporate/Other				
(Expense) Before Income Taxes (a)	$ (35,021)	$ (39,510)	$ (112,213)	$ (128,626)
Interest (Expense), Net (b)	(19,415)	(17,237)	(59,184)	(53,191)
EBIT (c)	$ (15,606)	$ (22,273)	$ (53,029)	$ (75,435)
Consolidated				
Income Before Income Taxes (a)	$ 34,698	$ 16,997	$ 299,163	$ 58,615
Interest (Expense), Net (b)	(21,988)	(20,142)	(66,965)	(59,571)
EBIT (c)	56,686	37,139	366,128	118,186
Charge to exit Flowcrete Middle East (d)				12,275
Goodwill and other intangible asset impairments (e)				188,298
Adjusted EBIT	$ 56,686	$ 37,139	$ 366,128	$ 318,759

(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) Reflects the charges related to Flowcrete decision to exit the Middle East.
(e) Reflects the impact of goodwill and other intangible asset impairment charges 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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