



Quarter 3 Results

Fiscal 2015

Consolidated Statements of Income: Fiscal Year 2014

(As Reported)

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

	Fiscal Year Ended May 31,				% Change
	2014	%	2013	%	
Net Sales	\$4,376,353		\$4,078,655		7.3
Cost of Sales	2,500,585	57.1	2,375,936	58.3	
Gross Profit	1,875,768	42.9	1,702,719	41.7	
SG&A	1,390,128	31.8	1,309,235	32.1	
Loss Contingency			65,134	1.6	
Restructuring Expense			20,072	0.5	
Other Expense (Income), Net	(4,083)	(0.1)	57,719	1.4	
EBIT*	489,723	11.2	250,559	6.1	95.5
Interest Expense	80,951	1.8	79,846	2.0	
Investment (Income), Net	(15,715)	(0.3)	(6,178)	(0.2)	
Income Before Income Taxes	424,487	9.7	176,891	4.3	
Provision for Income Taxes	118,503	2.7	67,040	1.6	
Net Income	305,984	7.0	109,851	2.7	178.5
Less: Net Income Attributable to Noncontrolling Interests	14,324	0.3	11,248	0.3	
Net Income Attributable to RPM Stockholders	\$291,660	6.7	\$98,603	2.4	195.8
Diluted Earnings Per Share	\$2.18		\$0.74		194.6

*Non-GAAP measure

Consolidated Statements of Income: Fiscal Year 2014

(As Adjusted**)

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

Unaudited

	Fiscal Year Ended May 31,							
	2014		2013		2013		% Change	
	As Reported	%	As Reported	%	Adjustments	As Adjusted	%	
Net Sales	\$4,376,353		\$4,078,655		\$2,878	\$4,081,533		7.2
Cost of Sales	2,500,585	57.1	2,375,936	58.3	(6,408)	2,369,528	58.1	
Gross Profit	1,875,768	42.9	1,702,719	41.7	9,286 ⁽¹⁾	1,712,005	41.9	
SG&A	1,390,128	31.8	1,309,235	32.1	(14,631) ⁽²⁾	1,294,604	31.7	
Loss Contingency	0	0.0	65,134	1.6	(65,134) ⁽³⁾	0	0.0	
Restructuring Expense	0	0.0	20,072	0.5	(20,072) ⁽⁴⁾	0	0.0	
Other Expense (Income), Net	(4,083)	(0.1)	57,719	1.4	(61,979) ⁽⁵⁾	(4,260)	(0.2)	
EBIT*	489,723	11.2	250,559	6.1	171,102	421,661	10.4	16.1
Interest Expense	80,951	1.8	79,846	2.0	0	79,846	2.0	
Investment (Income), Net	(15,715)	(0.3)	(6,178)	(0.2)	(13,670) ⁽⁶⁾	(19,848)	(0.5)	
Income Before Taxes	424,487	9.7	176,891	4.3	184,772	361,663	8.9	
Provision for Income Taxes	118,503	2.7	67,040	1.6	38,575	105,615	2.6	
Net Income	305,984	7.0	109,851	2.7	146,197	256,048	6.3	19.5
Less: Net Income Attributable to Noncontrolling Interests	14,324	0.3	11,248	0.3	3,460	14,708	0.4	
Net Income Attributable to RPM Stockholders	\$291,660	6.7	\$98,603	2.4	\$142,737	\$241,340	5.9	20.9
Diluted EPS	\$2.18		\$0.74		\$1.08	\$1.82		19.8

*Non-GAAP measure

****As Adjusted Results reflect the following:**

- (1) Represents an adjustment for revised cost estimates in the Roofing Division of RPM's Building Solutions Group (industrial segment) in conjunction with unprofitable contracts outside of North America of \$5,419 during the first quarter of fiscal 2013 as well as inventory write downs in conjunction with restructuring at the Rustoleum Group (consumer segment) of \$3,867.
- (2) Adjustment includes \$5,588 in Roofing exit costs and \$5,000 of bad debt charges relating to a Kemrock receivable at RPM's Performance Coatings Group (industrial segment) during the first quarter of fiscal 2013 as well as the remaining bad debt write-off for this receivable from Kemrock of \$4,043 in the fourth quarter of fiscal 2013 (industrial segment).
- (3) Adjustment to the fiscal 2013 estimated accrual of \$68,846 at the Roofing division for an agreement in principle with the General Services Administration (GSA). The final expenses of \$65,134 is comprised of settlement costs and related legal fees (industrial segment).
- (4) Restructuring charges related to rationalizing production at the Rust-Oleum Group, both for Testors and Roosendaal, for \$15,586 (consumer segment), and restructuring charges at the BSG Roofing division for \$4,486 (industrial segment).
- (5) Adjustments include the write-downs of Kemrock investments, including \$35,538 at Corporate and \$4,735 at RPM's Performance Coatings Group (industrial segment) during the first quarter of fiscal 2013 and an additional \$10,819 write-down at Corporate in the second quarter of fiscal 2013. Adjustment also removes the \$6,087 impact of the loss on repositioning of certain industrial segment subsidiaries located in Brazil. Included in the loss was the impact of an adjustment for accumulated foreign currency translation losses that were previously recorded as an unrealized foreign exchange loss in the currency translation account as a component of other comprehensive income. In addition, the fourth quarter \$4,800 write-off of remaining investment in Kemrock relating to foreign exchange rates (non-operating segment).
- (6) Write-off of Kemrock FCCB convertible bonds issued by Kemrock of \$13,670 (non-operating segment).

Consolidated Statements of Income: Third Quarter

(As Reported)

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

Unaudited

Third Quarter Ended February 28,

	2015	%	2014	%	Change
Net Sales	\$946,367		\$863,410		9.6
Cost of Sales	566,629	59.9	505,384	58.5	
Gross Profit	379,738	40.1	358,026	41.5	
SG&A	346,171	36.6	322,205	37.3	
Other (Income), Net	(660)	(0.1)	(1,353)	(0.1)	
EBIT*	34,227	3.6	37,174	4.3	(7.9)
Interest Expense	21,493	2.3	19,740	2.3	
Investment (Income), Net	(7,693)	(0.8)	(7,751)	(0.9)	
Income Before Taxes	20,427	2.1	25,185	2.9	
Provision for Income Taxes	99,379	10.5	8,274	0.9	
Net Income (Loss)	(78,952)	(8.4)	16,911	2.0	(566.9)
Less: Net Income (Loss) Attributable to Noncontrolling Interests	(21,604)	(2.3)	690	0.1	
Net Income (Loss) Attributable to RPM Stockholders	(\$57,348)	(6.1)	\$16,221	1.9	(453.5)
Diluted EPS	(\$0.44)		\$0.12		(466.7)

*Non-GAAP measure

Consolidated Statements of Income: Third Quarter

(As Adjusted)

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

Unaudited

Third Quarter Ended February 28,

	2015	%	2014	%	Change
Net Sales	\$946,367		\$863,410		9.6
Cost of Sales	566,629	59.9	505,384	58.5	
Gross Profit	379,738	40.1	358,026	41.5	
SG&A	346,171	36.6	322,205	37.3	
Other (Income), Net	(660)	(0.1)	(1,353)	(0.1)	
EBIT*	34,227	3.6	37,174	4.3	(7.9)
Interest Expense	21,493	2.3	19,740	2.3	
Investment (Income), Net	(7,693)	(0.8)	(7,751)	(0.9)	
Income Before Taxes	20,427	2.1	25,185	2.9	
Provision (Benefit) for Income Taxes	(6,847)	(0.8)	8,274	0.9	
Net Income	27,274	2.9	16,911	2.0	61.3
Less: Net Income Attributable to Noncontrolling Interests	1,118	0.1	690	0.1	
Net Income Attributable to RPM Stockholders	\$26,156	2.8	\$16,221	1.9	61.2
Diluted EPS	\$0.20		\$0.12		66.7

*Non-GAAP measure

Consolidated Statements of Income: Nine Months

(As Reported)

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

Unaudited

	Nine Months Ended February 28,				
	2015	%	2014	%	Change
Net Sales	\$3,221,391		\$3,099,571		3.9
Cost of Sales	1,879,317	58.3	1,784,528	57.6	
Gross Profit	1,342,074	41.7	1,315,043	42.4	
SG&A	1,027,585	31.9	1,000,712	32.3	
Other (Income), Net	(3,524)	(0.1)	(3,278)	(0.1)	
EBIT*	318,013	9.9	317,609	10.2	0.1
Interest Expense	60,312	1.9	61,274	2.0	
Investment (Income), Net	(16,554)	(0.5)	(13,650)	(0.5)	
Income Before Taxes	274,255	8.5	269,985	8.7	
Provision for Income Taxes	174,512	5.4	77,771	2.5	
Net Income	99,743	3.1	192,214	6.2	(48.1)
Less: Net Income (Loss) Attributable to Noncontrolling Interests	(11,754)	(0.4)	9,333	0.3	
Net Income Attributable to RPM Stockholders	\$111,497	3.5	\$182,881	5.9	(39.0)
Diluted EPS	\$0.84		\$1.37		(38.7)

*Non-GAAP measure

Consolidated Statements of Income: Nine Months

(As Adjusted)

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

Unaudited

	Nine Months Ended February 28,				
	2015	%	2014	%	Change
Net Sales	\$3,221,391		\$3,099,571		3.9
Cost of Sales	1,879,317	58.3	1,784,528	57.6	
Gross Profit	1,342,074	41.7	1,315,043	42.4	
SG&A	1,027,585	31.9	1,000,712	32.3	
Other (Income), Net	(3,524)	(0.1)	(3,278)	(0.1)	
EBIT*	318,013	9.9	317,609	10.2	0.1
Interest Expense	60,312	1.9	61,274	2.0	
Investment (Income), Net	(16,554)	(0.5)	(13,650)	(0.5)	
Income Before Taxes	274,255	8.5	269,985	8.7	
Provision for Income Taxes	68,286	2.1	77,771	2.5	
Net Income	205,969	6.4	192,214	6.2	7.2
Less: Net Income Attributable to Noncontrolling Interests	10,968	0.3	9,333	0.3	
Net Income Attributable to RPM Stockholders	\$195,001	6.1	\$182,881	5.9	6.6
Diluted EPS	\$1.44		\$1.37		5.1

*Non-GAAP measure

Free Cash Flow Generation

(\$ in millions)

	Fiscal Year Ended May 31,			
	2014	2013	2012	2011
Net Income	\$306	\$110	\$234	\$203
Depreciation & Amortization	90	86	76	76
Working Capital & Other Operating Activities	(118)	172	(15)	(41)
Cash Flow From Operations	278	368	295	238
Less: Capital Expenditures	(94)	(91)	(72)	(40)
Less: Dividends Paid	(126)	(118)	(112)	(109)
Free Cash Flow**	\$58	\$159	\$111	\$89

**Non-GAAP measure

168



Reconciliations of Non-GAAP Measures to GAAP Measures

Free Cash Flow (Non-GAAP Measure)

(\$ in thousands)

	Fiscal Year Ended May 31,					
	2014	2013	2012	2011	2010	2009
<u>Cash Flows From Operating Activities:</u>						
Net income	\$305,984	\$109,851	\$233,763	\$203,168	\$181,127	\$119,616
Depreciation and amortization	90,069	86,336	76,023	72,753	84,253	85,144
Working capital and all other operating activities	(117,904)	172,267	(14,914)	(37,755)	(61,444)	62,235
Cash Flow from Operations (GAAP)	278,149	368,454	294,872	238,166	203,936	266,995
<u>Cash Flows From Investing Activities:</u>						
Capital expenditures	(93,792)	(91,367)	(71,615)	(39,826)	(23,241)	(54,986)
<u>Cash Flows From Financing Activities:</u>						
Dividends	(125,743)	(117,647)	(112,153)	(108,586)	(105,430)	(101,836)
Free Cash Flow (non-GAAP measure)	58,614	159,440	111,104	89,754	75,265	110,173
All other investing activities	(55,919)	(386,037)	(195,707)	(66,114)	(103,712)	(26,561)
All other financing activities	(11,500)	255,797	(5,288)	166,303	6,801	(36,768)
Effect of exchange rate changes on cash and short-term investments	(1,881)	(1,614)	(29,152)	29,713	(16,386)	(24,708)
Net increase (decrease) in cash and short-term investments (GAAP)	(\$10,686)	\$27,586	(\$119,043)	\$219,656	(\$38,032)	\$22,136

Management views Free Cash Flow, a non-GAAP measure, as an excellent reflection of RPM's remaining cash flow to be used to acquire complementary businesses, reduce debt levels, or a combination thereof, **after** supporting the organic growth needs of its businesses, including their working capital and capital expenditure needs, and after supporting RPM's dividend program.

EBIT* (Non-GAAP Measure): RPM Consolidated

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Third Quarter Ended February 28,	
	2015	2014
Income Before Income Taxes	\$20,427	\$25,185
Add: Interest Expense, Net	13,800	11,989
EBIT* (non-GAAP measure)	\$34,227	\$37,174
Net Sales	\$946,367	\$863,410
EBIT* as % of Net Sales (non-GAAP measure)	3.6%	4.3%

* EBIT is defined as earnings (loss) before interest and taxes.

Management uses EBIT, as defined, as a measure of operating performance, since interest expense, essentially relates to corporate acquisitions, as opposed to segment operations.

EBIT* (Non-GAAP Measure): RPM Consolidated

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Nine Months Ended February 28,	
	2015	2014
Income Before Income Taxes	\$274,255	\$269,985
Add: Interest Expense, Net	43,758	47,624
EBIT* (non-GAAP measure)	\$318,013	\$317,609
Net Sales	\$3,221,391	\$3,099,571
EBIT* as % of Net Sales (non-GAAP measure)	9.9%	10.2%

* EBIT is defined as earnings (loss) before interest and taxes.

Management uses EBIT, as defined, as a measure of operating performance, since interest expense, essentially relates to corporate acquisitions, as opposed to segment operations.

EBIT* (Non-GAAP Measure): Industrial Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Third Quarter Ended February 28,	
	2015	2014
Income Before Income Taxes	\$16,558	\$20,284
Add: Interest Expense, Net	1,684	2,413
EBIT* (non-GAAP measure)	\$18,242	\$22,697
Net Sales	\$619,997	\$560,537
EBIT* as % of Net Sales (non-GAAP measure)	2.9%	4.0%

* EBIT is defined as earnings (loss) before interest and taxes.

Management uses EBIT, as defined, as a measure of operating performance, since interest expense, essentially relates to corporate acquisitions, as opposed to segment operations.

EBIT* (Non-GAAP Measure): Industrial Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Nine Months Ended February 28,	
	2015	2014
Income Before Income Taxes	\$196,131	\$199,259
Add: Interest Expense, Net	6,215	7,475
EBIT* (non-GAAP measure)	\$202,346	\$206,734
Net Sales	\$2,112,230	\$2,000,476
EBIT* as % of Net Sales (non-GAAP measure)	9.6%	10.3%

* EBIT is defined as earnings (loss) before interest and taxes.

Management uses EBIT, as defined, as a measure of operating performance, since interest expense, essentially relates to corporate acquisitions, as opposed to segment operations.

EBIT* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Third Quarter Ended February 28,	
	2015	2014
Income Before Income Taxes	\$35,049	\$30,794
Add: Interest Expense, Net (Loss)	(6)	(25)
EBIT* (non-GAAP measure)	\$35,043	\$30,769
Net Sales	\$326,370	\$302,873
EBIT* as % of Net Sales (non-GAAP measure)	10.7%	10.2%

* EBIT is defined as earnings (loss) before interest and taxes.

Management uses EBIT, as defined, as a measure of operating performance, since interest expense, essentially relates to corporate acquisitions, as opposed to segment operations.

EBIT* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Nine Months Ended February 28,	
	2015	2014
Income Before Income Taxes	\$173,280	\$165,231
Add: Interest Expense, Net	6	(90)
EBIT* (non-GAAP measure)	\$173,286	\$165,141
Net Sales	\$1,109,161	\$1,099,095
EBIT* as % of Net Sales (non-GAAP measure)	15.6%	15.0%

* EBIT is defined as earnings (loss) before interest and taxes.

Management uses EBIT, as defined, as a measure of operating performance, since interest expense, essentially relates to corporate acquisitions, as opposed to segment operations.

EBIT* & EBITDA (Non-GAAP Measures)

(In thousands)

	For the Years Ended May 31,				
	2010	2011	2012 ⁽¹⁾	2013 ⁽¹⁾	2014
Net income	\$181,127	\$203,168	\$233,763	\$109,851	\$305,984
Add: Equity method adjustment for Kemrock investment			(5,210)		
Add: Roofing division revised cost estimate for unprofitable contracts outside the US				5,419	
Add: Roofing exit costs				5,588	
Add: Write-downs of Kemrock Investments and respective CTA				69,562	
Add: U.S. General Services Administration (GSA) settlement costs and legal fees				65,134	
Add: CTA impact of loss on repositioning of Industrial segment subsidiaries in Brazil				6,087	
Add: Inventory write-downs in conjunction with restructuring				3,867	
Add: Restructuring charges				20,072	
Add: Bad debt write-off for past due receivable from Kemrock				9,043	
Add: Provision (benefit) for income taxes	87,327	91,885	94,526	67,040	118,503
Add: Interest expense	59,273	65,427	72,045	79,846	80,951
Add: Investment expense (income), net	(7,576)	(15,682)	(4,186)	(6,178)	(15,715)
Add: Investment expense related to Kemrock FCCB write-off				(13,670)	
EBIT * (non-GAAP measure)	320,151	344,798	390,938	421,661	489,723
Add: Amortization***	22,430	20,368	24,084	30,621	31,526
EBITA * (non-GAAP measure)	342,581	365,166	415,022	452,282	521,249
Add: Depreciation	61,823	52,385	51,939	55,715	58,543
EBITDA * (non-GAAP measure)	404,404	417,551	466,961	507,997	579,792
Deduct: Interest expense	(59,273)	(65,427)	(72,045)	(79,846)	(80,951)
Deduct: Investment expense (income), net	7,576	15,682	4,186	6,178	15,715
Deduct: Provision (benefit) for income taxes	(87,327)	(91,885)	(94,526)	(67,040)	(118,503)
Add: Changes in operating assets, liabilities and other	(61,444)	(37,755)	(9,704)	1,165	(117,904)
Cash from operating activities	\$203,936	\$238,166	\$294,872	\$368,454	\$278,149
Net sales	\$3,412,716	\$3,381,841	\$3,777,416	\$4,081,533	\$4,376,353
EBITA * as % of net sales (non-GAAP measure)	10.0%	10.8%	11.0%	11.1%	11.9%
EBITDA * as % of net sales (non-GAAP measure)	11.8%	12.3%	12.4%	12.4%	13.2%

(1) Proforma, excluding one time charges detailed in noted additions above and also explained in more detail on preceding "as adjusted" reconciliation slides