



Year-End Results Fiscal Year 2016



Consolidated Statements of Income: Fiscal Year 2016

(As Reported)

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

| | Fiscal Year Ended May 31, | | | | % Change |
|---|---------------------------|-------|--------------|-------|-------------|
| | 2016 | % | 2015 | % | |
| Net Sales | \$ 4,813,649 | | \$ 4,594,550 | | 4.8 |
| Cost of Sales | 2,726,601 | 56.6 | 2,653,181 | 57.7 | |
| Gross Profit | 2,087,048 | 43.4 | 1,941,369 | 42.3 | |
| SG&A | 1,520,977 | 31.6 | 1,422,944 | 31.0 | |
| Other (Income), Net | 1,287 | 0.1 | (3,866) | (0.1) | |
| EBIT* | 564,784 | 11.7 | 522,291 | 11.4 | 8.1 |
| Interest Expense | 91,683 | 1.8 | 87,615 | 1.9 | |
| Investment (Income), Net | (10,365) | (0.2) | (18,577) | (0.4) | |
| Income Before Income Taxes | 483,466 | 10.1 | 453,253 | 9.9 | |
| Provision for Income Taxes | 126,008 | 2.6 | 224,925 | 4.9 | |
| Net Income | 357,458 | 7.5 | 228,328 | 5.0 | 56.6 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 2,733 | 0.1 | (11,156) | (0.2) | |
| Net Income Attributable to RPM Stockholders | \$ 354,725 | 7.4 | \$ 239,484 | 5.2 | 48.1 |
| Diluted Earnings Per Share | \$ 2.63 | | \$ 1.78 | | 47.8 |

*Non-GAAP measure



Consolidated Statements of Income: Fiscal Year 2016

(As Adjusted**)

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

Unaudited

| | Fiscal Year Ended May 31, | | | | | | | |
|--|---------------------------|-------|--------------|-------|-----------------------------|--------------|-------|----------|
| | 2016 | | 2015 | | Adjustments | 2015 | | % Change |
| | As Reported | % | As Reported | % | | As Adjusted | % | |
| Net Sales | \$ 4,813,649 | | \$ 4,594,550 | | - | \$ 4,594,550 | | 4.8 |
| Cost of Sales | 2,726,601 | 56.6 | 2,653,181 | 57.7 | - | 2,653,181 | 57.7 | |
| Gross Profit | 2,087,048 | 43.4 | 1,941,369 | 42.3 | - | 1,941,369 | 42.3 | |
| SG&A | 1,520,977 | 31.6 | 1,422,944 | 31.0 | - | 1,422,944 | 31.0 | |
| Other (Income), Net | 1,287 | 0.1 | (3,866) | (0.1) | - | (3,866) | (0.1) | |
| EBIT* | 564,784 | 11.7 | 522,291 | 11.4 | - | 522,291 | 11.4 | 8.1 |
| Interest Expense | 91,683 | 1.8 | 87,615 | 1.9 | - | 87,615 | 1.9 | |
| Investment (Income), Net | (10,365) | (0.2) | (18,577) | (0.4) | - | (18,577) | (0.4) | |
| Income Before Taxes | 483,466 | 10.1 | 453,253 | 9.9 | - | 453,253 | 9.9 | |
| Provision for Income Taxes | 126,008 | 2.6 | 224,925 | 4.9 | \$ (106,226) ⁽¹⁾ | 118,699 | 2.6 | |
| Net Income | 357,458 | 7.5 | 228,328 | 5.0 | 106,226 | 334,554 | 7.3 | 6.8 |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 2,733 | 0.1 | (11,156) | (0.2) | 22,722 ⁽¹⁾ | 11,566 | 0.3 | |
| Net Income Attributable to RPM Stockholders | \$ 354,725 | 7.4 | \$ 239,484 | 5.2 | \$ 83,504 | \$ 322,988 | 7.0 | 9.8 |
| Diluted EPS | \$ 2.63 | | \$ 1.78 | | \$ 0.60 | \$ 2.38 | | 10.5 |

*Non-GAAP measure

**As Adjusted Results reflect the following:

(1) Reflects adjustments related to the recognition of an ASC 740-30 tax liability for the potential repatriation of foreign earnings and related impact on NCI Net Income.



Consolidated Statements of Income: Fourth Quarter

(As Reported)

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

Unaudited

Fourth Quarter Ended May 31,

| | 2016 | % | 2015 | % | % Change |
|--|--------------|-------|--------------|-------|-------------|
| Net Sales | \$ 1,426,584 | | \$ 1,373,159 | | 3.9 |
| Cost of Sales | 779,390 | 54.6 | 773,864 | 56.4 | |
| Gross Profit | 647,194 | 45.4 | 599,295 | 43.6 | |
| SG&A | 424,616 | 29.8 | 395,359 | 28.8 | |
| Other (Income), Net | 2,163 | 0.1 | (342) | (0.1) | |
| EBIT* | 220,415 | 15.5 | 204,278 | 14.9 | 7.9 |
| Interest Expense | 23,605 | 1.7 | 27,303 | 2.0 | |
| Investment (Income), Net | (2,288) | (0.2) | (2,023) | (0.1) | |
| Income Before Taxes | 199,098 | 14.0 | 178,998 | 13.0 | |
| Provision for Income Taxes | 45,444 | 3.2 | 50,413 | 3.7 | |
| Net Income | 153,654 | 10.8 | 128,585 | 9.3 | 19.5 |
| Less: Net Income Attributable to Noncontrolling Interests | 759 | 0.1 | 598 | 0.0 | |
| Net Income Attributable to RPM Stockholders | \$ 152,895 | 10.7 | \$ 127,987 | 9.3 | 19.5 |
| Diluted EPS | \$ 1.13 | | \$ 0.94 | | 20.2 |

*Non-GAAP measure



Free Cash Flow Generation

(\$ in millions)

| | Fiscal Year Ended May 31, | | | |
|---|---------------------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2014 | 2013 |
| Net Income | \$ 357 | \$ 228 | \$ 306 | \$ 110 |
| Depreciation & Amortization | 111 | 99 | 90 | 86 |
| Working Capital & Other Operating Activities | 6 | 3 | (118) | 172 |
| Cash Flow From Operations | 475 | 330 | 278 | 368 |
| Less: Capital Expenditures | (117) | (85) | (94) | (91) |
| Less: Dividends Paid | (144) | (136) | (126) | (118) |
| Free Cash Flow** | \$ 214 | \$ 109 | \$ 58 | \$ 159 |

**Non-GAAP measure



Reconciliations of Non-GAAP Measures to GAAP Measures



Free Cash Flow (Non-GAAP Measure)

(\$ in thousands)

| | Fiscal Year Ended May 31, | | | | | |
|--|---------------------------|---------------------|--------------------|------------------|---------------------|-------------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| <u>Cash Flows From Operating Activities:</u> | | | | | | |
| Net income | \$ 357,458 | \$ 228,328 | \$ 305,984 | \$ 109,851 | \$ 233,763 | \$ 203,168 |
| Depreciation and amortization | 111,039 | 99,176 | 90,069 | 86,336 | 76,023 | 75,656 |
| Working capital and all other operating activities | 6,209 | 2,944 | (117,904) | 172,267 | (14,914) | (40,658) |
| Cash Flow from Operations (GAAP) | 474,706 | 330,448 | 278,149 | 368,454 | 294,872 | 238,166 |
| <u>Cash Flows From Investing Activities:</u> | | | | | | |
| Capital expenditures | (117,183) | (85,363) | (93,792) | (91,367) | (71,615) | (39,826) |
| <u>Cash Flows From Financing Activities:</u> | | | | | | |
| Dividends | (144,350) | (136,179) | (125,743) | (117,647) | (112,153) | (108,586) |
| Free Cash Flow (non-GAAP measure) | 213,173 | 108,906 | 58,614 | 159,440 | 111,104 | 89,754 |
| All other investing activities | (48,683) | (474,090) | (55,919) | (386,037) | (195,707) | (66,114) |
| All other financing activities | (61,755) | 246,372 | (11,500) | 255,797 | (5,288) | 166,303 |
| Effect of exchange rate changes on cash and short-term investments | (12,294) | (39,345) | (1,881) | (1,614) | (29,152) | 29,713 |
| Net increase (decrease) in cash and short-term investments (GAAP) | \$ 90,441 | \$ (158,157) | \$ (10,686) | \$ 27,586 | \$ (119,043) | \$ 219,656 |

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)

| | Fourth Quarter Ended May 31, | | Twelve Months Ended May 31, | |
|---|------------------------------|-------------------|-----------------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Income Before Income Taxes | \$ 199,098 | \$ 178,998 | \$ 483,466 | \$ 453,253 |
| Add: Interest Expense, Net | 21,317 | 25,280 | 81,318 | 69,038 |
| EBIT* (non-GAAP measure) | \$ 220,415 | \$ 204,278 | \$ 564,784 | \$ 522,291 |
| Net Sales | \$ 1,426,584 | \$ 1,373,159 | \$ 4,813,649 | \$ 4,594,550 |
| EBIT* as % of Net Sales (non-GAAP measure) | 15.5% | 14.9% | 11.7% | 11.4% |

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

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



EBIT* (Non-GAAP Measure): Industrial Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

| | Fourth Quarter Ended May 31, | | Twelve Months Ended May 31, | |
|---|------------------------------|------------------|-----------------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Income Before Income Taxes | \$ 106,440 | \$ 91,862 | \$ 252,781 | \$ 246,997 |
| Add: Interest Expense, Net | 1,505 | 1,671 | 5,987 | 8,190 |
| EBIT* (non-GAAP measure) | \$ 107,945 | \$ 93,533 | \$ 258,768 | \$ 255,187 |
| Net Sales | \$ 686,578 | \$ 691,762 | \$ 2,444,120 | \$ 2,533,476 |
| EBIT* as % of Net Sales (non-GAAP measure) | 15.7% | 13.5% | 10.6% | 10.1% |

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

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



EBIT* (Non-GAAP Measure): Specialty Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

| | Fourth Quarter Ended May 31, | | Twelve Months Ended May 31, | |
|---|------------------------------|------------------|-----------------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Income Before Income Taxes | \$ 32,828 | \$ 27,442 | \$ 111,945 | \$ 68,340 |
| Add: Interest Expense, Net | (147) | (230) | (730) | (534) |
| EBIT* (non-GAAP measure) | \$ 32,681 | \$ 27,212 | \$ 111,215 | \$ 67,806 |
| Net Sales | \$ 196,163 | \$ 186,729 | \$ 732,091 | \$ 457,245 |
| EBIT* as % of Net Sales (non-GAAP measure) | 16.7% | 14.5% | 15.2% | 14.8% |

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

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



EBIT* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

| | Fourth Quarter Ended May 31, | | Twelve Months Ended May 31, | |
|---|------------------------------|-------------------|-----------------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Income Before Income Taxes | \$ 97,881 | \$ 100,623 | \$ 268,218 | \$ 274,001 |
| Add: Interest Expense, Net | 76 | (40) | (40) | (34) |
| EBIT* (non-GAAP measure) | \$ 97,957 | \$ 100,583 | \$ 268,178 | \$ 273,967 |
| Net Sales | \$ 543,843 | \$ 494,668 | \$ 1,637,438 | \$ 1,603,829 |
| EBIT* as % of Net Sales (non-GAAP measure) | 18.0% | 20.3% | 16.4% | 17.1% |

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

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



EBIT* & EBITDA (Non-GAAP Measures)

(In thousands)

| | For the Years Ended May 31, | | | | |
|---|-----------------------------|--------------|--------------|--------------|--------------|
| | 2012 (1) | 2013 (2) | 2014 | 2015 (3) | 2016 |
| Net income | \$ 233,763 | \$ 109,851 | \$ 305,984 | \$ 228,328 | \$ 357,458 |
| 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 | 94,526 | 67,040 | 118,503 | 224,925 | 126,008 |
| Add: Interest expense | 72,045 | 79,846 | 80,951 | 87,615 | 91,683 |
| Add: Investment expense (income), net | (4,186) | (6,178) | (15,715) | (18,577) | (10,365) |
| Add: Investment expense related to Kemrock FCCB write-off | | (13,670) | | | |
| EBIT * (non-GAAP measure) | 390,938 | 421,661 | 489,723 | 522,291 | 564,784 |
| Add: Amortization*** | 24,084 | 30,621 | 31,526 | 36,988 | 44,307 |
| EBITA * (non-GAAP measure) | 415,022 | 452,282 | 521,249 | 559,279 | 609,091 |
| Add: Depreciation | 51,939 | 55,715 | 58,543 | 62,188 | 66,732 |
| EBITDA * (non-GAAP measure) | 466,961 | 507,997 | 579,792 | 621,467 | 675,823 |
| Deduct: Interest expense | (72,045) | (79,846) | (80,951) | (87,615) | (91,683) |
| Deduct: Investment expense (income), net | 4,186 | 6,178 | 15,715 | 18,577 | 10,365 |
| Deduct: Provision (benefit) for income taxes | (94,526) | (67,040) | (118,503) | (224,925) | (126,008) |
| Add: Changes in operating assets, liabilities and other | (7,379) | 3,757 | (117,904) | 2,944 | 6,209 |
| Cash from operating activities | \$ 294,872 | \$ 368,454 | \$ 278,149 | \$ 330,448 | \$ 474,706 |
| Net sales | \$ 3,777,416 | \$ 4,081,533 | \$ 4,376,353 | \$ 4,594,550 | \$ 4,813,649 |
| EBITA * as % of net sales (non-GAAP measure) | 11.0% | 11.1% | 11.9% | 12.2% | 12.7% |
| EBITDA * as % of net sales (non-GAAP measure) | 12.4% | 12.4% | 13.2% | 13.5% | 14.0% |

*EBIT is defined as earnings before interest and taxes, while EBITDA is defined as earnings before interest, taxes, depreciation and amortization. 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 corporate acquisitions, as opposed to segment operations. We believe EBIT is useful to investors for this purpose as well, using EBIT as a metric in their investment decisions. EBIT should not be considered an alternative to, or more meaningful than, operating income as determined in accordance with GAAP, since it omits the impact of interest and taxes in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness and ongoing tax obligations. We evaluate our liquidity based on cash flows from operating, investing and financing activities, as defined by GAAP, but also look to EBITDA as a supplemental liquidity measure, because we find it useful to understand and evaluate our capacity, excluding the impact of interest, taxes, and non-cash depreciation and amortization charges, for servicing our debt and otherwise meeting our cash needs, prior to our consideration of the impacts of other potential sources and uses of cash such as working capital items. We believe that EBITDA is useful to investors for these purposes as well. EBITDA should not be considered an alternative to, or more meaningful than, cash flows from operating activities, as determined in accordance with GAAP, since it omits the impact of interest, taxes and changes in working capital that use/provide cash (such as receivables, payables, and inventories) as well as the sources/uses of cash associated with changes in other balance sheet items (such as long-term loss accruals and deferred items). Since EBITDA excludes depreciation and amortization, EBITDA does not reflect any cash requirements for the replacement of the assets being depreciated and amortized, which assets will often have to be replaced in the future. Further, EBITDA, since it also does not reflect the impact of debt service, cash dividends or capital expenditures, does not represent how much discretionary cash we have available for other purposes. Nonetheless, EBIT and EBITDA are key measures expected by and useful to our fixed income investors, rating agencies and the banking community of all of whom believe, and we concur that these measures are critical to the capital markets' analysis of (i) our segments core operating performance, and (ii) our ability to service debt, fund capital expenditures and otherwise meet cash needs, respectively. We also evaluate EBIT and EBITDA because it is clear that movements in these non-GAAP measures impact our ability to attract financing. Our underwriters and bankers consistently require inclusion of these two measures in offering memoranda in conjunction with any debt underwriting or bank financing.

1. Proforma, excludes the income recognized by the industrial segment related to RPM's equity method investment in Kemrock recognized during the second quarter of fiscal 2012 of \$5,210, which included a \$4,631 cumulative catch-up. Adjustment excludes approximately \$0.4 million of net earnings recognized by the Industrial segment for its share of Kemrock's earnings during the third quarter of fiscal 2012.
2. Proforma, excluding on time charges detailed in noted additions above.
3. Reflects adjustments related to the recognition of an ASC 740-30 tax liability for the potential repatriation of foreign earnings and related impact on NCI Net Income.