THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

RPM - Q1 2017 RPM International Inc Earnings Call

EVENT DATE/TIME: OCTOBER 05, 2016 / 2:00PM GMT

OVERVIEW:

Co. reported 1Q17 consolidated net sales of $1.25b and net income of $112.8m or $0.83 per share. Expects FY17 EPS to be $2.68-2.78.

THOMSON REUTERS

CORPORATE PARTICIPANTS

Frank Sullivan *RPM International Inc. - Chairman & CEO*

Barry Slifstein *RPM International Inc - VP of IR*

Rusty Gordon *RPM International Inc. - VP & CFO*

CONFERENCE CALL PARTICIPANTS

Frank Mitsch *Wells Fargo Securities, LLC - Analyst*

Matt Krueger *Robert W. Baird & Company - Analyst*

Tom Narayan *RBC Capital Markets - Analyst*

Ivan Marcuse *KeyBanc Capital Markets - Analyst*

Matt Gingrich *Morgan Stanley - Analyst*

Kevin McCarthy *Vertical Research - Analyst*

Mike Harrison *Seaport Global Securities - Analyst*

Rosemarie Morbelli *Gabelli & Company - Analyst*

David Stratton *Great Lakes Review - Analyst*

Richard O'Reilly *Revere Associates - Analyst*

PRESENTATION

Operator

Welcome to RPM International's conference call for the FY17 first quarter. Today's call is being recorded. 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 review 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 terms, RPM has posted reconciliations to the most directly comparable GAAP financial measures on the RPM website.

Following today's presentation, there will be a question-and-answer session.

(Operator Instructions)

Please note that only financial analysts will be permitted to ask questions. At this time, I would like to turn the call over to RPM's Chairman and CEO, Mr. Frank Sullivan, for opening remarks. Please go ahead, sir.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Thank you, Bianca, good morning. Welcome to the RPM investor call for our fiscal 2017 first quarter ended August 31, 2016.

On the call with me today are Rusty Gordon, RPM's vice president and chief financial officer; and Barry Slifstein, our vice president, investor relations. Today we'll discuss our first-quarter results, including some detail by Barry and some comments on our outlook for our 2017 fiscal year and then take your questions.

During the first quarter, we continued to be hampered by unfavorable translational foreign currency headwinds due to the tune of 2.1%. The roughly 15% decline in the British pound versus the U.S. dollar this summer contributed significantly to that. Also, many of our European companies are facing more difficult year-over-year comparisons in a still very choppy economy, and our businesses serving oil and gas and heavy industry markets continue to face headwinds of approximately 10% year over year.

From an operating performance perspective, we were very pleased in this challenging revenue environment to leverage our revenue growth to strong EBIT line results in all three of our segments. Consumer segment sales increased 1.1%, with 1.8% organic growth, 1% from acquisitions, both of which were partially offset by a 1.7% negative impact of foreign currency translation.

Although we expect our nail enamel business to be positive for the year, sales in that product line were down in the quarter. Excluding the nail enamel business, our core consumer businesses showed sales growth of approximately 3%, net of unfavorable currency translation.

The bulk of our consumer segment sales in Europe are UK based, and were severely impacted by the rapid decline in the British pound versus the U.S. dollar resulting from the Brexit vote. Also an extremely strong spring sell-in season, which depleted inventory in the caulks and sealants category, in particular, left us in a less than ideal inventory position to meet continued high demand during the first quarter and limited the potential growth we could have achieved.

There are several capacity related capital projects under way that will alleviate this issue by the end of our fiscal second quarter, and significantly improve service levels to our customers. We continue to feel positive that all of the economics that drive consumer segment sales in the U.S. continue to track in a favorable direction.

Sales in the industrial segment remain choppy by geography and markets and in total were fairly flat for the quarter, despite continued currency headwinds. In Europe, most of our industrial businesses are facing more difficult prior-year comparisons, and our businesses serving the oil and gas and heavy industry markets continue to face headwinds -- a trend we expect to see continue for the balance of the fiscal year.

Our businesses serving the U.S. commercial construction markets have experienced steady positive sales growth in the mid- to upper-single-digit range. In Brazil, we continue to outperform, with sales at actual exchange rates up in the mid-single digits and in local currency up in the high-single-digit range.

In the specialty segment, sales were up 3.8% compared to the prior year, driven by several recent smaller acquisitions, strong sales growth in restoration services and steady year-over-year growth in several other U.S. based businesses. Our specialty businesses in Europe are generating positive sales growth in local currency, but translate negatively back to U.S. dollars.

All in all, we're pleased by the strong conversion to the bottom line in all of our segments and continue to fight in every market and every geography for revenue growth. I would now like to turn the call over to Barry Slifstein to provide more detail on our first-quarter results.

Barry Slifstein - *RPM International Inc - VP of IR*

Thanks, Frank, and good morning, everyone. I will review the results of operations for our fiscal '17 first quarter, then cover some August 31, 2016 balance sheet and cash flow items before turning the call over to Rusty who will discuss the outlook fiscal '17.

First-quarter consolidated net sales of $1.25 billion increased 0.8% from last year. Organic sales increased 1.6%. Acquisition growth added an additional 1.3%, and foreign currency translation reduced sales by 2.1%.

Industrial segment sales decreased 0.2% quarter over quarter to $675.8 million. Organic sales increased 1.2%. Acquisition growth added an additional 1%, and foreign currency translation reduced sales by 2.4%.

Consumer segment sales increased 1.1% to $399.9 million. Organic sales increased 1.8%. Acquisition growth added 1%, and foreign currency translation reduced sales by 1.7%.

Specialty segment sales increased 3.8% to $176.3 million from $169.9 million. Organic sales increased 2.6%. Acquisition growth added 2.9%, and foreign currency translation reduced sales by 1.7%.

Our consolidated gross profit increased 3.6% to $552 million from $533 million last year. As a percent of net sales, gross profit increased from 42.9% last year to 44.1% this year, representing a 120 basis point improvement. Contributing to the improvement were lower manufacturing costs and supply chain improvements, partially offset by unfavorable transactional foreign currency exchange and unfavorable business and product line mix.

Consolidated SG&A increased 3% to $384.1 million from $372.9 million last year. The increase was driven by higher pension, acquisition, and bad debt expenses. Other income of approximately $0.5 million last year swung to an expense this year of $0.5 million, primarily due to the loss of JV income that resulted from last May's acquisition of the 51% of Carboline's Dalian China business that RPM did not previously own, and increased royalties paid on licensed consumer products.

Consolidated earnings before interest and taxes, EBIT, increased 4.2% to $167.4 million from $160.6 million last year. Industrial segment EBIT increased 5.9% to $91.1 million from $86 million last year. Consumer segment EBIT increased 6.1% to $70.1 million from $66.1 million last year. Specialty segment EBIT increased 15.5% to $30.4 million from $26.3 million last year.

Corporate/other expenses of $24.1 million increased 36.1% from last year due to higher pension expense, which was expected. As you may recall from our fiscal '17 outlook provided back in July, our pension costs were expected to unfavorably impact earnings by $0.05 per share this year due to the decline in discount rates. Since 2009, we have experienced close to a 200 basis point decline in the discount rate. As stated in our public filings, for every 1% decrease to the discount rate, RPM incurs approximately $7 million in pension expense. When interest rates begin to rise, RPM's pension expense will begin to decline. In addition, corporate/other was also impacted in this year's first quarter by increases in acquisition costs and compensation expense.

Interest expense of $22.8 million was fairly flat to last year. Investment income of $3.8 million for the quarter was also fairly flat to last year.

Income taxes. The effective income tax rate was 23.6% for the three months ended August 31, 2016, compared to an effective income tax rate of 29.4% for the three months ended August 31, 2015. The quarter-over-quarter decrease in the effective income tax rate is primarily due to the impact of the adoption of ASU 2016-09, "Improvements to employee share based payment accounting," in the first quarter of fiscal '17, which resulted in a tax benefit being recorded in this year's first quarter. While we experienced a lower tax rate in the quarter due to the adoption of the new accounting standard, we estimate that the full-year effective tax rate will remain in the 26% range as previously disclosed.

Net income of $112.8 million increased 13% from last year's $99.8 million. Current quarter EPS of $0.83 per share compares to EPS last year of $0.74 per share, an increase of 12.2%.

Now a quick look at the cash flows and capital structure. Cash provided by operating activities was fairly flat to last year at approximately $6.5 million. As of August 31, 2016, total debt was $1.66 billion, which was below last year's debt level of $1.72 billion.

With that, I'll turn the call over to Rusty.

Rusty Gordon - *RPM International Inc. - VP & CFO*

Thank you, Barry. I'd like to comment on our fiscal 2017 outlook, and I'll be discussing the same guidance that was given out in July, which we are maintaining today. Let me start with some overall comments on the first quarter.

Our repair and maintenance driven business model functioned very well. We had a nice balance of EBIT increases across all three of our reportable segments. All three of the segments increased EBIT in a tight range of $4 million to $5 million and this was accomplished in spite of some individual market and geographic challenges that are unique to each segment, and I'll address these one at a time.

First, on our industrial segment, as many of you know, half of our sales are international based and we continue to face foreign exchange headwinds, especially in the UK and Latin America. Europe has been soft in sales, and energy markets have been challenging, as Frank commented. This especially impacts our industrial coatings business, where negative comparisons have continued.

Now, these headwinds were anticipated in July when we gave our fiscal 2017 guidance for the first time. But some other things have been positive. First of all, the U.S. commercial construction market has been healthy. And our growth has been further accelerated by innovation, whether it's Tuf-Strand macro-fibers or AlphaGuard roof coatings, we have developed some good blockbuster new products.

Latin America has grown for RPM companies in local currencies. And another positive is that we've made a lot of progress on the international expansion as part of our five-year strategic plan that we call our 2020 vision. This growth internationally has been a combination of acquisitions, internal investments and our connections creating value strategy, which we've implemented successfully in Brazil with Viapol.

On the internal investment front, as you may have heard before, we formed a Euclid Group from two RPM companies that's creating a global construction chemicals group and we are investing in new facilities internationally as well as salespeople. And we've also had a string of recent acquisitions to expand our geographic reach, whether it's in Australia with the Durham acquisition, China with the buyout of the Dalian joint venture, Canada with SPC. And we've even expanded geographic reach for one of our UK businesses called USL that's a leader in the bridge waterproofing and expansion joint market, and they acquired a business in the U.S. called Applied Polymerics to expand their technology into another large market.

So all of these factors that I've mentioned are allowing us to compete and win around the globe. And in summary, we are maintaining our industrial sales growth guidance for fiscal '17 in the low-single-digit range.

I'll move now to the consumer segment, and I'll start with some challenges. As you've heard earlier, the growth that we've experienced in the segment has been accompanied by capacity challenges, and we are investing millions of dollars now in our plans to improve service levels. Another challenge has been nail polish sales in the first quarter were down, but that was anticipated in our FY 2017 plan, and our plan calls for growth to resume later in the year.

Another struggle, as Frank mentioned, has been the reduction in value of the UK pound, since a lot of our consumer business in Europe is in the UK. But on the positive side in Europe, we are growing our Rust-Oleum consumer sales. In continental Europe we're gaining new listings in major home centers there.

And back in the U.S., Rust-Oleum is doing well with new products such as Rock Solid and Wipe New, which are performing very well. Retail takeaway is good in the U.S., and the economic indicators are very favorable. So in summary, we are maintaining our consumer sales growth guidance for fiscal 2017 in the mid-single-digit range.

Now I'll move to the specialty segment. We've had a nice balance of acquisition and organic growth in this segment. We expect this to continue.

This portfolio of diversified niche businesses is really a broad platform for acquisitions for RPM. We have businesses in edible coatings, restoration, equipment and chemicals, specialty chemicals, specialty coatings, and we've actually completed acquisitions across all of these product areas recently. So in summary, we are maintaining our specialty segment sales growth guidance for fiscal 2017 in the mid-single-digit range.

So to wrap it up, RPM is operating, as Frank said, in a very challenging revenue environment, and we are competing and winning around the world. As I discuss our consolidated outlook, I'd like to give you a couple of reminders.

First of all, last year, you might remember in our second quarter we reversed out the remaining Kirker earn-out accrual, which provided an $0.08 per share benefit. This will not repeat again this year. So it is important that you take this into account when you compare performance from the second quarter of fiscal '16 to the second-quarter earnings that we will be reporting on our next earnings conference call in January. So at that point in time in January, you should subtract out $0.08 per share from the second quarter in fiscal '16 to compare performance to the second quarter of fiscal '17,.

Also last year we called out in the fourth quarter a couple of items, which nearly offset each other. We had a $0.06 gain on the Dalian joint venture buyout in China, and this was largely offset by a $0.05 per share legal settlement charge.

So as a result of all of these items, the $2.63 of EPS that we reported last year is reduced to $2.54 on an apples-to-apples starting point when you look forward to fiscal '17. So off the $2.54 base that I just mentioned, we are expecting our core to grow this year in earnings by 10% to 12%, and then it will be impacted by $0.06 of unfavorable currency translation and $0.05 per share of higher pension costs. So in total, we are maintaining our full-year EPS guidance of $2.68 per share to $2.78 per share, and this includes a 26% effective tax rate, which is similar to the prior-year's level.

With that, we'll be happy now to answer your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session.

(Operator Instructions)

From Wells Fargo Securities, we have Frank Mitsch on the line. Please go ahead.

Frank Mitsch - *Wells Fargo Securities, LLC - Analyst*

Good morning, gentlemen; nice start to the year. Very positive comments regarding the U.S. commercial construction markets. I anticipate that you expect that to continue. How would you compare and contrast that to the residential market that you're seeing here?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

So the U.S. construction market is continuing to be relatively good. Commercial construction is up. There's a number of U.S. industrial-based expansions that we're participating in. You can see that across Tremco caulks and sealants lines, Tremco roofing business, Euclid Chemical, Stonhard flooring. So across most of those markets in the U.S., and we see that continuing throughout the year.

I think, we're not a big player in residential construction. To the extent that we participate, it's a little bit in our Euclid Chemical admixtures and the concrete, and also DAP.

And as we indicated, we had, quite candidly, an extraordinary year last year at DAP. We've got a new management team there that is building upon what's an awesome culture, and a very highly efficient operating business that was put in place by the former leader of DAP. And we now have a team that's bringing DAP to a whole new level of sales and marketing, and product introductions.

We've picked up market share. I think we're helping move the category, and we bumped in some capacity issues that should be corrected by the end of November, which is important relative to continuing to be able to show the gains that we're picking up. And so I think we're bullish on that, but we're a little muted in what we otherwise would show, particularly in those categories, because of the capacity issue which we discussed.

Frank Mitsch - *Wells Fargo Securities, LLC - Analyst*

All right, fair enough. It looks like your pace of share buybacks was about half of what it was in the year-ago quarter. Care to comment on use of cash, share buybacks, M&A?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Sure. At this stage, we're committed to repurchases that would sop up dilution from equity programs. And in the past, we've been a -- I would call us a strategic share re-purchaser. So the last time that we were a strong purchaser of our stock was a little more than a year ago when our stock was in the high $30s and low $40s. And so we've been pretty deliberate about being aggressive when we perceive weakness in the stock that's unnecessary or unjustified, if you will.

And I would think going forward, we're looking to continue, particularly in this environment, to grow. We've got a decent pipeline of small- to medium-sized acquisitions. We are expanding internationally with a more aggressive capital spend than RPM has seen in the last couple of years. But we certainly have the resources to support the stock more aggressively with buybacks if we see weakness.

Frank Mitsch - *Wells Fargo Securities, LLC - Analyst*

All right. Great. Thank you, Frank.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Thank you.

Operator

Our next question comes from Ghansham Panjabi from Robert W. Baird. Please go ahead.

Matt Krueger - *Robert W. Baird & Company - Analyst*

This is actually Matt Krueger sitting in for Ghansham. How are you guys doing today?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Good, Matt.

Matt Krueger - *Robert W. Baird & Company - Analyst*

Good. My first question is: What impact did the inability to meet strong demand for caulks and sealants have on the consumer business during the quarter? Can you quantify this in terms of sales or EBIT?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Probably hard to quantify, but I would guess, and this is off the top of my head, a couple points.

Matt Krueger - *Robert W. Baird & Company - Analyst*

Okay. That's useful. And that's in terms of sales, correct?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Correct.

Matt Krueger - *Robert W. Baird & Company - Analyst*

Okay. And then sticking with the consumer segment, recent reports have suggested that the big box retailers are scaling down inventories across their respective footprints. Have you seen any impact from this dynamic on your consumer business or any of your product lines specifically?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

We've seen a little of that, hit and miss. Some of it was over the summer in certain small project paint categories, and that's a recurring theme with major retailers from one year to the next. But it does not mitigate our thinking about the underlying dynamics for the balance of the year.

Matt Krueger - *Robert W. Baird & Company - Analyst*

Okay, that's helpful. One more quick question from me. Have you guys seen any meaningful demand patterns change across any of your end markets or segments during September? Just a quick update on post-quarter trends I guess.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

No. The bad news, unfortunately, those businesses and product lines in our industrial segment that serve oil and gas, and more global heavy industry, as we indicated last year, in 2016, they were off about 10%. That year-over-year decline is continuing at about that rate. So, those are still troubled markets.

Europe has been a little bit odd in terms of patterns. If you go back and look at how we've reported geographic results, we seem to have a solid year in Europe, and then a slow year, and then a solid year in Europe, and then a slow year. So I think there's some -- a number of geopolitical and economic issues in Europe that have not gotten the European economies generally moving in a solid direction. So, all of the revenue growth we're gaining there is good old fist fights.

And that's about it. I think we've commented on the trends where we're bullish, modestly bullish on U.S. consumer and on continuing U.S. commercial construction.

Matt Krueger - *Robert W. Baird & Company - Analyst*

Great, that's really helpful. That's it from me. Thanks.

Operator

From RBC, we have Arun Viswanathan. Please go ahead.

Tom Narayan - *RBC Capital Markets - Analyst*

Hello, guys. It's actually Tom for Arun. Another question on consumer, on that caulks and sealant issue, you mentioned that not being able to meet demand in the quarter due to depleted safety stocks. Based on the guidance you guys issued last quarter, which you guys maintain now, the mid-single-digit growth, if you're anticipating that, why wouldn't there be adequate supply there? Was it maybe because 4Q was so strong for the segment, and maybe there was a pull forward there in terms of supply? Just trying to understand that.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

We had a couple issues. Again, and I'd be very deliberate. We've got a highly efficient business and a really solid culture there that hadn't shown a lot of growth in recent years. And last year the growth across all their categories was in the mid-teens.

We also had an unanticipated production disruption for a couple of weeks in a major DAP plant in June that impacted both first quarter, and also this whole issue of capacity and supply. That's been resolved. And we are looking to add capacity because as I indicated, and I think the good news here, we have a new team that is taking DAP to new levels of product innovation, new product placements, and market share gains. And we had a combination of real strong performance last year, real strong performance in the spring. And this production issue that put us behind the eight ball. We are working hard to improve on that so that the really rock solid, terrific results, and I think a whole different level of sales and marketing, and product development opportunities for the DAP business don't get interrupted in the future.

Tom Narayan - *RBC Capital Markets - Analyst*

That's really helpful. And then on margins, it was a pretty strong performance year over year. Can you maybe get into a little more detail on what specifically led to the improved margins? I know you referenced improved manufacturing productivity, but maybe some specifics, like what you guys did and how we can think about the rest of the year?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Sure. I think from a margin perspective, we have been focusing on manufacturing and operating efficiencies. We've also, as our whole industry had in the prior couple of years, benefited from some raw material improvements. A lot of that was mitigated by transactional FX. And so I would tell you that on that point, there's a pretty good supply chain fight going on, such that any of the reduction in raw material costs that we've experienced in some areas in the last couple of years is over.

The flip side is, particularly in relationship to Canada where we sell a lot of products into the Canadian market, the vast majority of which is produced in the U.S., and we've been killed for two years on transactional FX. And with a stability now of certainly a lower Canadian dollar, but not much change from a year ago, the transactional FX in places like that are not hurting us like they were the last couple of years.

And so in that environment, it really is a focus on revenues. And if you can generate revenues, even modestly, it can leverage to your bottom line. Just as an example, and I know Rusty talked about this, but we are competing and winning in the markets in which we serve. On an actual basis, Latin and South America for us in the quarter in revenues was down 1%. In local currencies in Latin America and South America, we were up 12%.

Canada is a good example, and translated back to U.S. dollars we were up 3% year over year. In Canadian dollars, standard local currencies, we were up 8%. And so I could take you around the world that way.

We are working hard to keep our revenues growing in the right place. And if you can do that, you can leverage those earnings to your bottom line pretty well. But it is tough almost everywhere in terms of what's going on revenue-wise.

Tom Narayan - *RBC Capital Markets - Analyst*

Thanks. That's really helpful. Lastly, could you talk a little about the M&A environment, how your pipeline looks, just in general?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Sure. We have a pretty healthy pipeline of small- to medium-sized transactions. I think we've completed two or three since the beginning of the fiscal year, all very modest.

The beauty of our acquisition program today, versus let's say 10 years ago, is most of the activity is generated by our businesses. And if we can buy a small business and expand its revenue base pretty quickly by leveraging their products across our distribution or our salesforce, it's pretty exciting for the operating company that gets that done. And so we're continuing to focus on those types of transactions, and I would guess that we would be able to complete a couple more before the end of the fiscal year.

Tom Narayan - *RBC Capital Markets - Analyst*

Great. Appreciate it. Thanks.

Operator

From KeyBanc Capital Markets, we have Ivan Marcuse on the line. Please go ahead.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Morning, Ivan.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

Hello, morning. Thanks for taking my questions. Real quick on the caulk business, I understand it was a negative in the quarter. Does that put you at risk of losing some of that market share that you've gained over the past couple of quarters looking forward? Like basically the question is: Where do they go get the supply or does that business not work that way?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Sure, we don't think so. And we are working hard to add significant capacity in that category. And I think the flip side is we're bringing in some new products and bringing in some new programs that our customers are very excited about.

And the other idea that I mentioned or concept that I mentioned before that caused us a problem was this production outage in June, and that's behind us. But it put us behind the eight ball for a couple of months.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

Okay. And then in terms of the Kirker, I understand that continues to be a drag. I believe this is probably, I don't know, the sixth or seventh quarter where it's been a negative here. And I think last quarter you indicated you thought it was going to get better on a year-over-year basis starting in the first quarter. I guess that didn't happen.

So is there another issue there? And why will this business, I guess, start getting better going forward? I'm not in tune with the nail polish business.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

When we acquired Kirker, that whole industry was on a huge uptick. You had a lot of retailers, and a lot of fashion houses, that weren't in fingernail enamel getting into it. You had boutique little shops opening up all over the place, and it was like a rocket ship for the whole industry.

There was some expectations of that. That's why we had the earn-out as part of the acquisition negotiation. And that business performed extraordinarily well for the first couple years, and then relatively flat.

I think we've really had disappointing performance; disappointing is relative. We've had declining performance there over the last four or five quarters, not more than that. And it's a cyclical business.

And so the bloom has come off the rose in terms of that whole industry, and there's some shakeout there. The boom in all of the little nail polish boutique shops has ended. Some of that's been regulatory; a lot of states began to impose licensing fees and different types of requirements for people to be registered to open up a nail polish boutique.

And so it's a cyclical business. We knew when we acquired it that it was a cyclical business. And this year, we expect by the end of the year that we will be posting positive year-over-year results, both because of some new programs that they're working on and because of the weaker comps versus last year.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

Okay, great. And then a couple of quickies, for the corporate expense line, this level of expense going forward, does it remain pretty equal over the next couple of quarters, or was there something that might go away going forward and get back in that $20 million, $21 million range?

Rusty Gordon - *RPM International Inc. - VP & CFO*

Ivan, I think what you saw in the first quarter will repeat. In fact, we might even have some increases in healthcare costs and legal costs. So I would expect that it would go up more likely than down.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

Okay. And then the tax rate, I guess the benefit you received, we're not going to -- this is just a one-time thing in the quarter? We're not going to see any benefits of this accounting change going forward?

Rusty Gordon - *RPM International Inc. - VP & CFO*

Yes, we did have a large benefit in the first quarter, and there will be -- we would anticipate some minor benefit possible. But overall for the year, we're still sticking to the same 26% rate that we had last year.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

That change will affect us and all public companies going forward. And so it will have some modest positive impact on tax rates for all companies on a go-forward basis.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

Okay. Real quick, sorry, last question, Euclid Chemical, it continues to put up really nice results. Did you see any weather impact during the quarter? I know some companies, aggregate companies, et cetera, have been pointing out wet weather in Texas, et cetera. Did you see any noticeable impact from that, that maybe deaccelerated sales a little bit, or is that a non-factor for that business?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

No, it's not been a real factor there. As Rusty pointed out in his prepared remarks, we really have a very strategic, aggressive growth profile internationally, particularly in some of the developing world where acquisitions haven't been a driver of growth for us and it typically has been in the U.S. and Europe and now in Latin America.

So, I think he commented on our partnering Euclid Chemical with Flowcrete, and we are investing in existing Flowcrete manufacturing facilities. Flowcrete, which is UK based, has done a great job of opening light manufacturing facilities in Malaysia, India, Vietnam. And we are piggybacking on that by putting in Euclid capacity in Brazil, in Malaysia, in India. And so there's a lot of excitement in those two businesses in terms of the combination and what we hope it will do in driving both revenue growth more globally, and creating a bigger global construction chemical competitor.

Ivan Marcuse - *KeyBanc Capital Markets - Analyst*

Great. Thank you.

Operator

From Morgan Stanley, we have Vincent Andrews on the line. Please go ahead.

Matt Gingrich - *Morgan Stanley - Analyst*

Good morning, this is Matt Gingrich on for Vincent. With the supply shortage in caulk and sealants, and the new capacity not coming online until November, should we expect similar softness in the fiscal second quarter as was the case in the fiscal first quarter?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Yes, I would think for a lot of reasons that our second quarter won't look a whole lot different than our first quarter in terms of the results we put up. I would mirror that with Rusty's comments about what we're seeing going forward.

The second quarter is seasonally a little bit slower than the seasonality in our consumer business in particular in Q4 and Q1. But I think that's a fair assumption. I think the thing that you have to do in the second quarter on a consolidated basis, and this is very much true in consumer, is adjust for the Kirker earnout last year, which will not be repeated.

Matt Gingrich - *Morgan Stanley - Analyst*

Understood. Thanks for the detail. And then I noticed that you reallocated a portion of specialty into industrial, and I was curious why this decision was made? And then how the growth of the recast portion of specialty in industrial compares to the legacy industrial growth year over year?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

So the recast was a very modest change with an operating unit. So as you know, RPM is essentially a holding company with probably 50 independent operating businesses. And we had a business in Europe, our RPM Belgium and Vandex business that are essentially in flooring products and mortars and concrete waterproofing products that had been, for reporting purposes and the way we manage our business, part of our specialty segment.

Rusty had commented on, as did I, about joining the Euclid Chemical and Flowcrete businesses, both of which have always been part of our industrial segment. And we reorganized the RPM Belgium/Vandex business to be part of that Euclid Group, which now is Euclid, Viapol, Flowcrete, and this RPM Belgium and Vandex business.

The combined annual revenues of the transition business are slightly less than 1% of consolidated sales. So it's not material, but it was a change in taking some product lines and business units from specialty to industrial, so we footnoted it.

Matt Gingrich - *Morgan Stanley - Analyst*

Great. Thank you.

Operator

From Vertical Research, we have Kevin McCarthy on the line. Please go ahead.

Kevin McCarthy - *Vertical Research - Analyst*

Good morning, gentlemen. Good to be back with you. Frank, I was wondering if you could compare and contrast the multiples that you're seeing in the private market, let's say for the half dozen deals you've done since February relative to years past? Obviously at the sector level, we're at a multi-decade high. I'm guessing if you're as active as you have been, you're seeing much more moderate or attractive terms as you look across the world.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

I think that we have been a consistent acquirer for at least the last 30 years, and our valuation thinking hasn't much changed over that 30-year period. There have been periods of times where we are one of the higher payers or price valuers in the marketplace, and periods of time, for instance before the financial crisis, quite candidly, as private equity was moving into small- to medium-sized deals, I couldn't have made that statement. It's back to being true today.

So from a valuation perspective, we're out there aggressively pursuing deals and being very successful. Obviously, we wouldn't provide and haven't provided specific metrics on how we value transactions, other than to say, whether it's the private negotiated deals or auctions, we continue to be successful. And the valuation challenges that we saw in the mid-2000s going right through 2008, driven primarily by private equity into smaller deals, is gone.

Kevin McCarthy - *Vertical Research - Analyst*

Okay, that's good to hear. Switching gears, I was wondering if you could comment in some more detail about your margin prospects in the specialty segment in particular? Margins overall, if I exclude corporate, looked like they expanded quite nicely, but specialty more than the other segments. So maybe you could educate us a little bit on the sources and sustainability, and is there more room from here to continue to expand in specialty?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

So that's a great question. And I think one of the hallmarks of RPM's success is really the fact that, from a market and customer perspective, we have real strong operating leaders. If we had time, I could tick through the names of the folks that run Rust-Oleum or DAP or Stonhard or Carboline and also the folks that run our groups.

Steve Knoop runs our specialty segment, was one of the architects of helping us resolve the asbestos challenge that worked in a manner for all. And also was able, along with Mike Teller, who is now retired, but was at Carboline and at Rust-Oleum, and then came back in and helped with the specialty businesses and the SPHC businesses during the bankruptcy process, all those businesses continued to perform well during that period.

They are all enthusiastic about being back as part of RPM. They have access to more aggressive growth capital, both in terms of internal investment and acquisitions. And so it's been a great story, and it's a group that's well managed at the operating level and at the group level.

And I think we're at a point where any margin expansion going forward is going to come from revenue growth. I think you're seeing where the margin profiles of that specialty segment can be, and hopefully if we manage them well, will continue to be. But further expansion in that segment is not likely without some pretty good revenue growth. But as you can see, in the first quarter, and we expect it to continue, that's the place where we're getting our best revenue growth in this environment.

Kevin McCarthy - *Vertical Research - Analyst*

Great. And then finally, if I may, just a few words on new products: I know it's early in the fiscal year, but maybe you could give us a little bit of a preview on how you see AlphaGuard and Tuf-Strand shaking out as the year progresses?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Sure. On the Tuf-Strand fiber products, one of the reasons that Euclid is continuing to perform well, we are selling everything we can make. We're in the process of actually adding our first international capacity with Tuf-Strand down in Brazil. And I think you'll hear more about our expansion internationally as we marry the Euclid business and the Flowcrete business, which can get Euclid a presence and a manufacturing presence outside of the Americas.

RapidFuse is a brand new DAP product. Again, we talked about DAP. We're doing more advertising and spending more dollars in SG&A there than we ever have. It's an outstanding adhesive product. It doesn't expand like some of its competitors, like a Gorilla Glue, performs better than Super Glue.

And oh, by the way, it's not a one-use item like too many of the Super Glue products that you pull them out and use them once, and you go back to use them 30 days later and you've got a piece of concrete. Really great product, and it was all developed at DAP.

Rust-Oleum has got this ReColor product. Rust-Oleum is very aggressively looking to continue to be the leader in innovation and new products in their space. And so whether it is licensing products in technology like NeverWet or ReColor, whether it's developing products like 2X or going out and acquiring products, it's doing really well.

AlphaGuard at Tremco is performing well. We're continuing to see strong double-digit growth in that product category. If you go on YouTube, you can see a short video on the AlphaGuard project at Ford Field, looks spectacular. And so that product category really opens up Tremco Roofing to some larger reroofing and renovation projects than they might have been involved in, in the past.

So there's pretty solid, new product introductions across most of our businesses. We have been focusing on that with what we call growth and strategy, which started 12 or 13 years ago, and it's really been paying dividends for the last few years.

Kevin McCarthy - *Vertical Research - Analyst*

Very helpful. Thanks a lot.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Thank you.

Operator

From Seaport Global Securities, we have Mike Harrison on the line. Please go ahead.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Good morning.

Mike Harrison - *Seaport Global Securities - Analyst*

Hello, good morning. Frank, I had a few questions about the recent SPC acquisition you did on the pipeline coatings front. It sounds like that's mostly no VOC coatings. Can you talk a little bit about how that complements your existing offering, and are you seeing applications for that technology outside of pipelines in other industrial markets?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

So it's a high solids, a low VOC product. Its market has principally been in Canada, although they have had some export revenues in different parts of the globe that have been more project driven as opposed to a strong presence. And we took a hard look at it.

It's a perfect fit with our Carboline business. It principally serves oil and gas markets, which in general haven't been really good.

But these are specialty products that essentially go on the joint areas for oil and gas pipelines, both at refineries, whether it's buried oil and gas pipelines or above-ground oil and gas pipelines. And it's a particularly tricky area that requires high-performing and proven products, and it's a high-maintenance area as opposed to driven by new construction.

So their performance has been pretty solid right through this oil and gas downturn, and so we're excited about that. And we're also excited about the ability to take those products through the Carboline salesforce and the Carboline network globally. And so hopefully that's another acquisition.

Typically we wouldn't provide any details on acquisitions other than the revenues. My recollection, and I may get this wrong, that's about a $40 million business, $30 million, somewhere in that range. But I would expect us in the coming years to be able to drive the revenues of that business, as we hoped to do in most of these small- to medium-size product lines, much more aggressively than they could have done on their own on the back of the Carboline salesforce and global network.

Mike Harrison - *Seaport Global Securities - Analyst*

I believe your press release said it was a $26 million revenue.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Thank you. I knew we put it out there. I couldn't remember. So whatever the revenues were, again, the excitement about those types of acquisitions, and that is typical is, A, it's a strategic technology or a new product range or maybe an adjacent product that fits with one of our companies. And then, what's the plan to be able to expand revenues in a way that a business like that might not have been able to do as it continued as a free-standing company.

Mike Harrison - *Seaport Global Securities - Analyst*

Kind of a related question, as far as M&A opportunities, should we expect to see you look at more oil- and gas-related businesses, given that sector is seeing some challenges? Are there companies out there that you've had your eye on, and now with the challenging market they're looking to sell?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Our M&A efforts are I think opportunistic within the product categories and markets that we know and serve. And so it's hard to guess where things would be.

Typically for larger, more sophisticated companies that don't have some type of succession planning or estate planning or other issue that would drive a sale today, their preference would be to wait for the markets to turn around a little bit before they would consider a sale. But this downturn notwithstanding, if there are good opportunities in that sector and we can buy them based on their valuation today, we will continue to do so.

Mike Harrison - *Seaport Global Securities - Analyst*

Last question I had was on the European construction business. You commented that the European consumer side and broadly industrial was a little bit mixed. What are you seeing specifically within construction there?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

So on a year-over-year basis in the quarter, Europe, translated back to U.S dollars, actual results was down 7%. In local currencies, it was down 2%. So it's a real mixed bag.

Our consumer product lines in Europe, as Rusty commented on, are predominantly UK, although we've got a growing presence in the continent. And so in local currencies we've had real solid results, picking up market share, some at a U.S. competitor's expense who is over in the UK. But translated back into dollars versus pounds, that's not helping.

In the industrial segment, it's been tough. And last year, we had some solid low-single-digit growth that we could leverage to the bottom line. This year, we're off to a slightly down year-over-year performance, mostly in the industrial segment.

And less impact -- and that's mostly euro -- less impact on the euro/dollar a little bit this year, but not as much as it was last year. It's just funky. For the last few years, Europe is trying in different currencies, Europe is a relative term, but it feels like they're trying to get traction and then things slow down and trying to get traction and things slow down. Whether it's the geopolitical issues on immigration or whether it's the Brexit vote, there just seem to be things that hit that stall efforts to get economic growth going consistently in that region of the world.

Mike Harrison - *Seaport Global Securities - Analyst*

Thank you very much.

Operator

From Gabelli & Company, we have Rosemarie Morbelli. Please go ahead.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Thank you. Good morning, everyone. You gave us a very good rundown, Frank, of the new products, and I was wondering if you could share with us what type of revenues you expect this year for the group as a whole, and where can we see that going let's say by 2020?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

It's really hard to say, Rosemarie. I don't have that data in front of me. I could tell you comments that we've made before publicly, just to give folks some direction.

The AlphaGuard product range three or four years ago was $5 million and then it was $15 million. I would expect us to do more than $50 million this year. We talked about fibers in past years being in the single millions to the teens millions, and expect that to be higher.

So those are all comments that we've made in the past on those product categories. Beyond that, it's really hard to say, and in general we don't provide results or revenue results by product line. On a consolidated basis, I bet over the last few years that new products have driven about 15% to 20% of our organic growth.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Okay, thank you. And looking at fibers for concrete applications, are they still mostly used for horizontal applications as opposed to vertical? Are you seeing some kind of a trend? Are they strong enough to actually deal on vertical concrete?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

I think the answer to your second question is in a lot of applications it's yes. But their still largest growth area is in horizontal applications.

The one area that it's starting to get some traction in terms of horizontal is in residential construction with poured basement walls and poured concrete walls. We've got that teed up with a couple homebuilders, one major homebuilder in particular. If that proves out and it becomes a new bigger market for us, we'll be very excited about that.

But there is tons of horizontal concrete applications that -- whether it's industrial flooring, for example, or now in poured walls in residential on the vertical side, that gives us tons of room to grow and replace rebar. And/or in the poured walls, add some structural stability where none existed before. I suspect it's going to be a long time before fibers of any type replace structural rebar in 40-story high-rise concrete buildings.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

I tend to agree with that. I was wondering, on the oil and gas or the energy overall, it has been now two years more or less of a declining. After two years, don't you think or do you see that the need for maintenance can no longer be postponed, and maybe by the middle of this year we start seeing the benefit from all of those rusting facilities, whether it is a rig or something else?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

No, I think -- and we've communicated this before in oil and gas. So the oil price drop hit pretty significantly, in my recollection, again, it might be faulty, but in 2015, and certainly throughout all of 2016, and really even back to the latter part of calendar 2014.

And our Carboline business, for instance, which is the operating company that is most impacted by this, and has the biggest exposure to oil and gas, but there's certainly a couple of other RPM companies there as well, continued to do fairly well on a revenue basis for a couple of quarters after oil prices had dropped dramatically. And you were reading about the cutbacks in exploration and in capital spending and in maintenance spending and people were cutting back. It's the nature of that business, when there are major capital spends that are completed over 12, 18, 24 months, those projects continue to completion.

The cycle that we're in now is a period of time that started 18 months ago of no new projects. And so while oil prices have bottomed out and we're seeing some of the bouncing on the bottom I think in terms of oil and gas prices, it will take some quarters of new projects to get going in terms of expansion. And the first thing that will pick up, obviously, will be a spending in backed-up maintenance and repair; we'll be a beneficiary of that. But certainly expansion also benefits us, and we're at least a year away.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Okay. So in other words, you are more sensitive to the new constructions than you are to the maintenance for that particular business?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

That's not correct. We are still more focused on maintenance, but it's big maintenance and repair projects at refineries and pipelines and offshore oil platforms, and a lot of that's been cut back. That will come back relatively quickly when the spending comes. But we have also benefited from, not more, not majority, but certainly a significant chunk of expansion and capital spending in that space, which right now is almost zero.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Okay, thanks. And two quick ones if I may. Rusty, could you talk about the bad debt level, whether it seems to have increased and what you see going forward?

And then the other question regards the second-quarter results, and we understand you have $0.08 less than last year. If we look at last year's reported EPS of $0.62, even with the impact from Kirker not being in place this particular year, can you still be up year over year in the second quarter? And again, versus $0.62, not $0.62 minus $0.08.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Before Rusty answers that question, I'll remind you that we don't -- have not since 2002 and don't provide quarterly guidance.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

No, I was not asking for a number, just generally speaking can you be above the previous year?

Rusty Gordon - *RPM International Inc. - VP & CFO*

Rosemarie, on the first question about the bad debt reserve, yes, it is up over year end by about $3 million. Some of that is related to the Middle East, where we've faced challenges as oil prices have been slammed with some customers. But we do see a path for hopefully recovery of those receivables, and recovery of the business there as oil prices get back to more normalized levels.

Now, on the second quarter last year, I mentioned we had an $0.08 from the Kirker earn-out reversal, and you're correct, we did report $0.62 last year. So if you deduct $0.08, that would give you an apples-to-apples base of $0.54. What was your further question on that?

Rosemarie Morbelli - *Gabelli & Company - Analyst*

I was just wondering if, compared to the reported number last year, you could beat it, taking into consideration that there was an extra $0.08. In other words, can you make up more than that $0.08 in this year?

Rusty Gordon - *RPM International Inc. - VP & CFO*

We, like Frank says, do not provide quarterly guidance. So I can't help you with that one.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Okay. Thank you.

Rusty Gordon - *RPM International Inc. - VP & CFO*

Sure.

Operator

From Great Lakes Review, we have David Stratton on the line. Please go ahead.

David Stratton - *Great Lakes Review - Analyst*

Hello, thanks for taking the question. When we look at the consumer growth guidance up in the mid-single digits, and then reconcile that with low single-digit growth this quarter and expect it to continue into the second quarter, how does the balance of the year in the third and fourth quarter make up for that?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

I think that's what we're looking at in terms of how we budgeted and planned it for the year. To the extent that we make up the difference or not that we've lost in the first quarter, time will tell.

But mid-single digits encompasses a range of plus or minus around 5%. And so I think beyond that, by the time the year end is done, we expect to be somewhere in that range in terms of what we see for our consumer segment for the year.

David Stratton *- Great Lakes Review - Analyst*

All right. Thank you. And then one follow-up, the restoration equipment usually doesn't get much air time on these talks. I was wondering if you could give a little bit of detail about that, and specifically was that event driven or is that market share gains?

Frank Sullivan *- RPM International Inc. - Chairman & CEO*

It's a little bit of both. And so that's principally in our specialty segment, and it's equipment that's used for fire and water damage restoration, air moving equipment, industrial and commercial dehumidification equipment. And the management team there has done a great job of building a strong base. They've expanded the channels that they serve in terms of both commercial restoration markets, and now some products that have been produced and are being produced and introduced into home centers. They've done a great job of continuing to build the base business.

But that business is also event driven. Their products are a -- when they're used on a timely basis, help people very quickly dry out carpeting or drywall or structures, whether it's residential or commercial. And if they're used on a timely basis, it's literally the difference between renovation work in terms of wallpaper or paint and some modest repair, versus if products like that are not used, literally people are tearing down structures or tearing out walls and having to totally replace them. So, the recent flooding, sometimes particularly difficult winters where there's a lot of pipe bursts, those are the types of event-driven things that are seasonal, either around particularly cold weather or particularly difficult times in flooding or hurricanes that might drive spiky sales in that Legend Brand's product category.

David Stratton *- Great Lakes Review - Analyst*

Thank you.

Operator

Our next question comes from Richard O'Reilly from Revere Associates. Please go ahead.

Richard O'Reilly *- Revere Associates - Analyst*

Okay, thank you.

Frank Sullivan *- RPM International Inc. - Chairman & CEO*

Morning.

Richard O'Reilly *- Revere Associates - Analyst*

Good morning, gentlemen. Just a couple of quick questions. The first on the adoption of the new accounting standard, did that involve restatement of prior years or just a one-time adjustment or catch-up?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

No, it's a prospective adoption, which essentially incorporates an expense, which is reflected in a reduction in tax for any and all public companies related to the exercise of stock options or restricted shares.

Richard O'Reilly - *Revere Associates - Analyst*

Okay. So you didn't restate; it didn't involve any restatement of prior years?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

No, it did not.

Richard O'Reilly - *Revere Associates - Analyst*

I don't mean restatement. Adjusting prior for the --?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

There's no adjustment. It's a prospective change.

Richard O'Reilly - *Revere Associates - Analyst*

Right, okay. Second question, you've cited as a negative in the industrial segment the heavy equipment industries. And I think this might be the first time you've cited specifically that. I think I know what's going on. But can you elaborate on where you're seeing it, what product lines are seeing the impact from the heavy equipment?

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Sure. We have commented on that, along with oil and gas, for quite some time now. So to the extent that we're in industrial maintenance repair and also expansion markets, whether it's Stonhard flooring where we would do work with companies like Intel or Nestle or automobile companies, whether it's Carboline in the two-thirds of their business that is not related to oil and gas -- mining, cement, agricultural, you look at any of that and it is globally in a deep recession.

And so my big-picture hope is, and I think people haven't appreciated this as much, the heavy industry, including oil and gas and mining, agriculture, they have all been in what's now at least 2, 2.5 years of a pretty heavy recession. And it would be nice to see them come out before they drag other segments of the global economy into it with them. Those are the areas that we have served, whether it's industrial flooring, specialty coatings that go into steel or concrete, and we've been negatively impacted by that, the mining sector in particular in places like South Africa, Australia, and Latin America.

Richard O'Reilly - *Revere Associates - Analyst*

Okay. Fine. Because when I hear heavy equipment, I'm thinking about the Deere and Caterpillars of the world.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Absolutely. We're not a big player in OEM there, but we're a big player in some of the heavy industry, again, like mining. So geographically, I commented where that would hit us, and has.

Richard O'Reilly - *Revere Associates - Analyst*

Good. Thank you. Thank you now.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

Thank you.

Operator

We have no further questions at this time. I would like to turn the call back over to Frank Sullivan for closing remarks.

Frank Sullivan - *RPM International Inc. - Chairman & CEO*

I'd like to thank our more than 13,000 employees around the world for their continued efforts and dedication to RPM, and for continuing to drive positive revenue growth in a very challenging market.

Tomorrow we will hold our annual meeting of shareholders at the Holiday Inn in Strongsville, Ohio, where we expect about 1,000 shareholders where we will talk about our Board's decision on our dividend tomorrow. And also where we will be recognizing and honoring my father, Tom Sullivan, who will be retiring and stepping down from our Board effective at tomorrow's annual meeting after 55 years of service to RPM. Tom joined RPM in 1961 after two years on a ship in the Pacific with the U.S. Navy, and joined his father's $2 million privately held roof coatings business.

He retired as Chairman and CEO in 2002 when RPM was $2 billion, and is stepping off our Board as chairman emeritus as RPM will reach $5 billion this year. As we highlighted in our annual report, for the 45 years from 1972, the fiscal year in which my father took over an $11 million business, to this year, $1,000 invested in the S&P 500 over that 45 years today would be worth $81,000, and $1,000 invested in RPM at that time today would be worth over $510,000, or a 6-fold improvement over the broader market. And we will be honoring Tom's legacy and much of our recent success, and much of our future success will be based on continuing to follow the principles and growth strategies that he embedded in RPM.

Thank you for joining us on today's call, and we look forward to updating you on the progress of our 2017 fiscal year throughout the year. Thank you and have a great day.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.
