



Third Quarter Results Fiscal Year 2017



Consolidated Statements of Income: Fiscal Year 2016

(As Reported)

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

	Fiscal Year Ended May 31,				
	2016	%	2015	%	% Change
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



Non-GAAP Adjustments

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

Non-GAAP Adjustments Fiscal Year End May 31, 2015

Provision for Income Taxes (as reported)	\$ 224,925.00
Adjustment for ASC 740-30 tax liability	\$ (106,226.00)
Provision for Income Taxes (as adjusted)	\$ 118,699.00
Net Income (as reported)	\$ 228,328.00
Adjustment for ASC 740-30 tax liability	\$ 106,226.00
Net Income (as adjusted)	\$ 334,554.00
Net Income (Loss) Attributable to Noncontrolling Interests (as reported)	\$ (11,156.00)
Adjustment for ASC 740-30 tax liability	\$ 22,722.00
Net Income (Loss) Attributable to Noncontrolling Interests (as adjusted)	\$ 11,566.00
Net Income Attributable to RPM Stockholders (as reported)	\$ 239,484.00
Adjustment for ASC 740-30 tax liability	\$ 83,504.00
Net Income Attributable to RPM Stockholders (as adjusted)	\$ 322,988.00
Diluted EPS (as reported)	\$ 1.78
Adjustment for ASC 740-30 tax liability	\$ 0.60
Diluted EPS (as adjusted)	\$ 2.38

****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: Third Quarter

(As Reported)

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

Third Quarter Ended February 28/29,

	2017	%	2016	%	% Change
Net Sales	1,022,496		988,555		3.4
Cost of Sales	593,923	58.1	575,593	58.2	
Gross Profit	428,573	41.9	412,962	41.8	
SG&A	386,032	37.8	370,913	37.5	
Goodwill and Other Intangible Asset Impairments	4,900	0.5		0.0	
Other (Income), Net	502	0.0	(88)	0.0	
EBIT*	37,139	3.6	42,137	4.3	(11.9)
Interest Expense	23,769	2.3	23,140	2.3	
Investment (Income), Net	(3,627)	(0.4)	(2,909)	(0.3)	
Income Before Taxes	16,997	1.7	21,906	2.3	
Provision for Income Taxes	4,313	0.5	2,613	0.3	
Net Income	12,684	1.2	19,293	2.0	(34.3)
Less: Net Income Attributable to Noncontrolling Interests	756	0.0	711	0.1	
Net Income Attributable to RPM Stockholders	\$ 11,928	1.2	\$ 18,582	1.9	(35.8)
Diluted EPS	\$ 0.09		\$ 0.14		(35.7)

*Non-GAAP measure



Consolidated Statements of Income: Nine Months

(As Reported)

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

Nine Months Ended February 28/29,

	2017	%	2016	%	% Change
Net Sales	\$ 3,465,329		\$ 3,387,065		2.3
Cost of Sales	1,963,033	56.6	1,947,211	57.5	
Gross Profit	1,502,296	43.4	1,439,854	42.5	
SG&A	1,189,611	34.3	1,096,361	32.4	
Goodwill and Other Intangible Asset Impairments	193,198	5.7		0.0	
Other (Income), Net	1,301	0.0	(876)	(0.1)	
EBIT*	118,186	3.4	344,369	10.2	(65.7)
Interest Expense	69,452	2.0	68,078	2.0	
Investment (Income), Net	(9,881)	(0.3)	(8,077)	(0.2)	
Income Before Taxes	58,615	1.7	284,368	8.4	
Provision for Income Taxes	2,793	0.1	80,564	2.4	
Net Income	55,822	1.6	203,804	6.0	(72.6)
Less: Net Income (Loss) Attributable to Noncontrolling Interests	2,051	0.0	1,974	0.0	
Net Income Attributable to RPM Stockholders	\$ 53,771	1.6	\$ 201,830	6.0	(73.4)
Diluted EPS	\$ 0.41		\$ 1.50		(72.7)

*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)

	Third Quarter Ended February 28/29,	
	2017	2016
Income Before Income Taxes	\$ 16,997	\$ 21,906
Add: Interest Expense, Net	20,142	20,231
EBIT* (non-GAAP measure)	\$ 37,139	\$ 42,137
Net Sales	\$ 1,022,496	\$ 988,555
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, net, essentially relates to corporate functions, as opposed to segment operations.



EBIT* (Non-GAAP Measure): RPM Consolidated

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Nine Months Ended February 28/29,	
	2017	2016
Income Before Income Taxes	\$ 58,615	\$ 284,368
Add: Interest Expense, Net	59,571	60,001
EBIT* (non-GAAP measure)	\$ 118,186	\$ 344,369
Charge to exit Flowcrete Middle East (a)	\$ 12,275	
Kirker impairment (b)	\$ 188,298	
Reversal of Kirker earnout (c)	\$ -	\$ (14,500)
Adjusted EBIT	\$ 318,759	\$ 329,869
Net Sales	\$ 3,465,329	\$ 3,387,065
EBIT* as % of Net Sales (non-GAAP measure)	3.4%	10.2%
Adjusted EBIT* as % of Net Sales (non-GAAP measure)	9.2%	9.7%

* 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, essentially relates to corporate functions, as opposed to segment operations.

(a) Charges related to Flowcrete decision to exit the Middle East.

(b) Reflects the impact of goodwill and other intangible asset charge of \$188.3 million related to our Kirker reporting unit.

(c) Reflects the reversal of contingent obligations for earnout targets that were not met at our Kirker reporting unit.



EBIT* (Non-GAAP Measure): Industrial Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Third Quarter Ended February 28/29,	
	2017	2016
Income Before Income Taxes**	\$ 11,705	\$ 486
Add: Interest Expense, Net	2,929	1,468
EBIT* (non-GAAP measure)	\$ 14,634	\$ 1,954
Net Sales	\$ 521,403	\$ 492,662
EBIT* as % of Net Sales (non-GAAP measure)	2.8%	0.4%

* 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, essentially relates to corporate functions, as opposed to segment operations.

** Prior Period information has been recast to reflect the current period change in reportable segment



EBIT* (Non-GAAP Measure): Industrial Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Nine Months Ended February 28/29,	
	2017	2016
Income Before Income Taxes**	\$ 151,262	\$ 148,962
Add: Interest Expense, Net	6,672	4,549
EBIT* (non-GAAP measure)	\$ 157,934	\$ 153,511
Charge to exit Flowcrete Middle East (a)	\$ 12,275	\$ -
Adjusted EBIT	\$ 170,209	\$ 153,511
Net Sales	\$ 1,830,672	\$ 1,793,075
EBIT* as % of Net Sales (non-GAAP measure)	8.7%	8.6%
Adjusted EBIT* as % of Net Sales (non-GAAP measure)	9.3%	8.6%

* 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, essentially relates to corporate functions, as opposed to segment operations.

** Prior Period information has been recast to reflect the current period change in reportable segment

(a) Charges related to Flowcrete decision to exit the Middle East.



EBIT* (Non-GAAP Measure): Specialty Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Third Quarter Ended February 28/29,	
	2017	2016
Income Before Income Taxes**	\$ 15,000	\$ 21,729
Add: Interest Expense, Net	(116)	(208)
EBIT* (non-GAAP measure)	\$ 14,884	\$ 21,521
Net Sales	\$ 159,659	\$ 156,909
EBIT* as % of Net Sales (non-GAAP measure)	9.3%	13.7%

* 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, essentially relates to corporate functions, as opposed to segment operations.

** Prior Period information has been recast to reflect the current period change in reportable segment



EBIT* (Non-GAAP Measure): Specialty Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Nine Months Ended February 28/29,	
	2017	2016
Income Before Income Taxes**	\$ 76,664	\$ 76,496
Add: Interest Expense, Net	(406)	(650)
EBIT* (non-GAAP measure)	\$ 76,258	\$ 75,846
Net Sales	\$ 519,562	\$ 500,395
EBIT* as % of Net Sales (non-GAAP measure)	14.7%	15.2%

* EBIT is defined as earnings (loss) before interest and taxes. Management uses EBIT, as defined, as a measure of operating performance, since interest expense, net, essentially relates to corporate functions, as opposed to segment operations.

** Prior Period information has been recast to reflect the current period change in reportable segment



EBIT* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Third Quarter Ended February 28/29,	
	2017	2016
Income Before Income Taxes	\$ 29,802	\$ 38,785
Add: Interest Expense, Net	92	(16)
EBIT* (non-GAAP measure)	\$ 29,894	\$ 38,769
Net Sales	\$ 341,434	\$ 338,984
EBIT* as % of Net Sales (non-GAAP measure)	8.8%	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, essentially relates to corporate functions, as opposed to segment operations.



EBIT* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Nine Months Ended February 28/29,	
	2017	2016
Income Before Income Taxes	\$ (40,685)	\$ 170,337
Add: Interest Expense, Net	114	(116)
EBIT* (non-GAAP measure)	\$ (40,571)	\$ 170,221
Kirker impairment (a)	\$ 188,298	
Reversal of Kirker earnout (b)		\$ (14,500)
Adjusted EBIT	\$ 147,727	\$ 155,721
Net Sales	\$ 1,115,095	\$ 1,093,595
EBIT* as % of Net Sales (non-GAAP measure)	(3.6%)	15.6%
Adjusted EBIT* as % of Net Sales (non-GAAP measure)	13.2%	14.2%

* EBIT is defined as earnings (loss) before interest and taxes. Management uses EBIT, as defined, as a measure of operating performance, since interest expense, net, essentially relates to corporate functions, as opposed to segment operations.

(a) Reflects the impact of goodwill and other intangible asset charge of \$188.3 million related to our Kirker reporting unit.

(b) Reflects the reversal of contingent obligations for earnout targets that were not met at our Kirker reporting unit.



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.