



# Fourth Quarter Results Fiscal Year 2017



# Consolidated Statements of Income: Fiscal Year 2017

**(As Reported)**

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

	Fiscal Year Ended May 31,				
	2017	%	2016	%	% Change
<b>Net Sales</b>	\$ 4,958,175		\$ 4,813,649		3.0
<b>Cost of Sales</b>	2,792,487	56.3	2,726,601	56.6	
<b>Gross Profit</b>	2,165,688	43.7	2,087,048	43.4	
<b>SG&amp;A</b>	1,643,520	33.1	1,520,977	31.6	
<b>Goodwill &amp; Other Intangible Impairments</b>	193,198	3.9			
<b>Other Expense, Net</b>	1,667	0.1	1,287	0.1	
<b>EBIT*</b>	327,303	6.6	564,784	11.7	(42.0)
<b>Interest Expense</b>	96,954	1.9	91,683	1.8	
<b>Investment (Income), Net</b>	(13,984)	(0.3)	(10,365)	(0.2)	
<b>Income Before Income Taxes</b>	244,333	5.0	483,466	10.1	
<b>Provision for Income Taxes</b>	59,662	1.2	126,008	2.6	
<b>Net Income</b>	184,671	3.8	357,458	7.5	(48.3)
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	2,848	0.1	2,733	0.1	
<b>Net Income Attributable to RPM Stockholders</b>	\$ 181,823	3.7	\$ 354,725	7.4	(48.7)
<b>Diluted Earnings Per Share</b>	\$ 1.36		\$ 2.63		(48.3)

\*Non-GAAP measure



# Consolidated Statements of Income: Fourth Quarter

**(As Reported)**

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

Unaudited

**Fourth Quarter Ended May 31,**

	2017	%	2016	%	% Change
<b>Net Sales</b>	\$ 1,492,846		\$ 1,426,584		4.6
<b>Cost of Sales</b>	829,454	55.6	779,390	54.6	
<b>Gross Profit</b>	663,392	44.4	647,194	45.4	
<b>SG&amp;A</b>	453,909	30.4	424,616	29.8	
<b>Other Expense, Net</b>	366	0.0	2,163	0.1	
<b>EBIT*</b>	209,117	14.0	220,415	15.5	(5.1)
<b>Interest Expense</b>	27,502	1.8	23,605	1.7	
<b>Investment (Income), Net</b>	(4,103)	(0.2)	(2,288)	(0.2)	
<b>Income Before Taxes</b>	185,718	12.4	199,098	14.0	
<b>Provision for Income Taxes</b>	56,869	3.8	45,444	3.2	
<b>Net Income</b>	128,849	8.6	153,654	10.8	(16.1)
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	797	0.0	759	0.1	
<b>Net Income Attributable to RPM Stockholders</b>	\$ 128,052	8.6	\$ 152,895	10.7	(16.2)
<b>Diluted EPS</b>	\$ 0.94		\$ 1.13		(16.8)

\*Non-GAAP measure



# Free Cash Flow Generation

(\$ in millions)

	Fiscal Year Ended May 31,			
	2017	2016	2015	2014
<b>Net Income</b>	<b>\$ 185</b>	<b>\$ 357</b>	<b>\$ 228</b>	<b>\$ 306</b>
<b>Depreciation &amp; Amortization</b>	<b>117</b>	<b>111</b>	<b>99</b>	<b>90</b>
<b>Working Capital &amp; Other Operating Activities</b>	<b>84</b>	<b>6</b>	<b>3</b>	<b>(118)</b>
<b>Cash Flow From Operations</b>	<b>386</b>	<b>474</b>	<b>330</b>	<b>278</b>
<b>Less: Capital Expenditures</b>	<b>(126)</b>	<b>(117)</b>	<b>(85)</b>	<b>(94)</b>
<b>Less: Dividends Paid</b>	<b>(157)</b>	<b>(144)</b>	<b>(136)</b>	<b>(126)</b>
<b>Free Cash Flow**</b>	<b>\$ 103</b>	<b>\$ 213</b>	<b>\$ 109</b>	<b>\$ 58</b>

\*\*Non-GAAP measure



# Reconciliations of Non-GAAP Measures to GAAP Measures



# Free Cash Flow (Non-GAAP Measure)

(\$ in thousands)

	Fiscal Year Ended May 31,				
	2017	2016	2015	2014	2013
<u>Cash Flows From Operating Activities:</u>					
Net income	\$ 184,671	\$ 357,458	\$ 228,328	\$ 305,984	\$ 109,851
Depreciation and amortization	116,773	111,039	99,176	90,069	86,336
Working capital and all other operating activities	84,683	6,209	2,944	(117,904)	172,267
<b>Cash Flow from Operations (GAAP)</b>	<b>386,127</b>	<b>474,706</b>	<b>330,448</b>	<b>278,149</b>	<b>368,454</b>
<u>Cash Flows From Investing Activities:</u>					
Capital expenditures	(126,109)	(117,183)	(85,363)	(93,792)	(91,367)
<u>Cash Flows From Financing Activities:</u>					
Dividends	(156,752)	(144,350)	(136,179)	(125,743)	(117,647)
<b>Free Cash Flow (non-GAAP measure)</b>	<b>103,266</b>	<b>213,173</b>	<b>108,906</b>	<b>58,614</b>	<b>159,440</b>
All other investing activities	(213,556)	(48,683)	(474,090)	(55,919)	(386,037)
All other financing activities	192,723	(61,755)	246,372	(11,500)	255,797
Effect of exchange rate changes on cash and short-term investments	2,912	(12,294)	(39,345)	(1,881)	(1,614)
<b>Net increase (decrease) in cash and short-term investments (GAAP)</b>	<b>\$ 85,345</b>	<b>\$ 90,441</b>	<b>\$ (158,157)</b>	<b>\$ (10,686)</b>	<b>\$ 27,586</b>

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 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,	
	2017	2016
Income Before Income Taxes	\$ 185,718	\$ 199,098
Add: Interest Expense, Net	23,399	21,317
<b>EBIT* (non-GAAP measure)</b>	<b>\$ 209,117</b>	<b>\$ 220,415</b>
Severance Expense (a)	\$ 15,001	-
<b>Adjusted EBIT</b>	<b>\$ 224,118</b>	<b>\$ 220,415</b>
Net Sales	\$ 1,492,846	\$ 1,426,584
<b>EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>14.0%</b>	<b>15.5%</b>
<b>Adjusted EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>15.0%</b>	<b>15.5%</b>

\* 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 severance expense incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense.



# EBIT\* (Non-GAAP Measure): RPM Consolidated

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Year Ended May 31,	
	2017	2016
Income Before Income Taxes	\$ 244,333	\$ 483,466
Add: Interest Expense, Net	82,970	81,318
<b>EBIT* (non-GAAP measure)</b>	<b>\$ 327,303</b>	<b>\$ 564,784</b>
Charge to exit Flowcrete Middle East (a)	\$ 12,275	
Severance expense (b)	\$ 15,001	
Kirker impairment (c)	\$ 188,298	
Reversal of Kirker earnout (d)	-	\$ (14,500)
<b>Adjusted EBIT</b>	<b>\$ 542,877</b>	<b>\$ 550,284</b>
Net Sales	\$ 4,958,175	\$ 4,813,649
<b>EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>6.6%</b>	<b>11.7%</b>
<b>Adjusted EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>11.0%</b>	<b>11.4%</b>

\* 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 severance expense incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expenses.

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

(d) 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)

	Fourth Quarter Ended May 31,	
	2017	2016
Income Before Income Taxes**	\$ 92,073	\$ 108,218
Add: Interest Expense, Net	1,313	1,522
<b>EBIT* (non-GAAP measure)</b>	<b>\$ 93,386</b>	<b>\$ 109,740</b>
Severance expense (a)	\$ 7,721	-
<b>Adjusted EBIT</b>	<b>\$ 101,107</b>	<b>\$ 109,740</b>
Net Sales	\$ 733,530	\$ 698,572
<b>EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>12.7%</b>	<b>15.7%</b>
<b>Adjusted EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>13.8%</b>	<b>15.7%</b>

\* 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) Reflects severance expense incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense.



# EBIT\* (Non-GAAP Measure): Industrial Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Year Ended May 31,	
	2017	2016
Income Before Income Taxes**	\$ 243,335	\$ 257,180
Add: Interest Expense, Net	7,985	6,071
<b>EBIT* (non-GAAP measure)</b>	<b>\$ 251,320</b>	<b>\$ 263,251</b>
Charge to exit Flowcrete Middle East (a)	\$ 12,275	-
Severance expense (b)	\$ 7,721	-
<b>Adjusted EBIT</b>	<b>\$ 271,316</b>	<b>\$ 263,251</b>
Net Sales	\$ 2,564,202	\$ 2,491,647
<b>EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>9.8%</b>	<b>10.6%</b>
<b>Adjusted EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>10.6%</b>	<b>10.6%</b>

\* 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.

(b) Reflects severance expense incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense.



# EBIT\* (Non-GAAP Measure): Specialty Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Fourth Quarter Ended May 31,	
	2017	2016
Income Before Income Taxes**	\$ 31,240	\$ 31,050
Add: Interest Expense, Net	(120)	(164)
<b>EBIT* (non-GAAP measure)</b>	<b>\$ 31,120</b>	<b>\$ 30,886</b>
Severance expense (a)	\$ 2,926	-
<b>Adjusted EBIT</b>	<b>\$ 34,046</b>	<b>\$ 30,886</b>
Net Sales	\$ 194,027	\$ 184,169
<b>EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>16.0%</b>	<b>16.7%</b>
<b>Adjusted EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>17.5%</b>	<b>16.7%</b>

\* 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) Reflects severance expense incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense.



# EBIT\* (Non-GAAP Measure): Specialty Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Year Ended May 31,	
	2017	2016
Income Before Income Taxes**	\$ 107,904	\$ 107,546
Add: Interest Expense, Net	(526)	(814)
<b>EBIT* (non-GAAP measure)</b>	<b>\$ 107,378</b>	<b>\$ 106,732</b>
Severance expense (a)	2,926	-
<b>Adjusted EBIT</b>	<b>\$ 110,304</b>	<b>\$ 106,732</b>
Net Sales	\$ 713,589	\$ 684,564
<b>EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>15.1%</b>	<b>15.6%</b>
<b>Adjusted EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>15.5%</b>	<b>15.6%</b>

\* 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) Reflects severance expense incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense.



# EBIT\* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Fourth Quarter Ended May 31,	
	2017	2016
Income Before Income Taxes	\$ 99,411	\$ 97,881
Add: Interest Expense, Net	209	76
<b>EBIT* (non-GAAP measure)</b>	<b>\$ 99,620</b>	<b>\$ 97,957</b>
Severance expense (a)	\$ 4,277	-
<b>Adjusted EBIT</b>	<b>\$ 103,897</b>	<b>\$ 97,957</b>
Net Sales	\$ 565,289	\$ 543,843
<b>EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>17.6%</b>	<b>18.0%</b>
<b>Adjusted EBIT* as % of Net Sales (non-GAAP measure)</b>	<b>18.4%</b>	<b>18.0%</b>

\* 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 severance expense incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense.



# EBIT\* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited

(\$ In thousands, except percent data)

	Year Ended May 31,	
	2017	2016
Income Before Income Taxes	\$ 58,726	\$ 268,218
Add: Interest Expense, Net	323	(40)
<b>EBIT* (non-GAAP measure)</b>	<b>\$ 59,049</b>	<b>\$ 268,178</b>
Kirker impairment (a)	\$ 188,298	-
Severance expense (b)	\$ 4,277	-
Reversal of Kirker earnout (c)	-	\$ (14,500)
Adjusted EBIT	\$ 251,624	\$ 253,678
Net Sales	\$ 1,680,384	\$ 1,637,438
EBIT* as % of Net Sales (non-GAAP measure)	3.5%	16.4%
Adjusted EBIT* as % of Net Sales (non-GAAP measure)	15.0%	15.5%

\* 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 severance expense incurred during the fourth quarter of fiscal 2017 pursuant to a plan to reduce future SG&A expense.

(c) Reflects the reversal of contingent liabilities 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,				
	2013 <sup>(1)</sup>	2014	2015 <sup>(2)</sup>	2016	2017
<b>Net income</b>	\$ 109,851	\$ 305,984	\$ 228,328	\$ 357,458	\$ 184,671
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	67,040	118,503	224,925	126,008	59,662
Add: Interest expense	79,846	80,951	87,615	91,683	96,954
Add: Investment expense (income), net	(6,178)	(15,715)	(18,577)	(10,365)	(13,984)
	(13,670)				
<b>EBIT* (non-GAAP measure)</b>	421,661	489,723	522,291	564,784	327,303
Add: Amortization	30,621	31,526	36,988	44,307	44,903
<b>EBITA* (non-GAAP measure)</b>	452,282	521,249	559,279	609,091	372,206
Add: Depreciation	55,715	58,543	62,188	66,732	71,870
<b>EBITDA* (non-GAAP measure)</b>	507,997	579,792	621,467	675,823	444,076
Deduct: Interest expense	(79,846)	(80,951)	(87,615)	(91,683)	(96,954)
Deduct: Investment expense (income), net	6,178	15,715	18,577	10,365	13,984
Deduct: Provision (benefit) for income taxes	(67,040)	(118,503)	(224,925)	126,008	(59,662)
Add: Changes in operating assets, liabilities and other	3,757	(117,904)	2,944	6,209	84,683
Cash from operating activities	\$ 368,454	\$ 278,149	\$ 330,448	\$ 474,706	\$ 386,127
<b>Net sales</b>	\$ 4,081,533	\$ 4,376,353	\$ 4,594,550	\$ 4,813,649	\$ 4,958,175
<b>EBITA* as % of net sales (non-GAAP measure)</b>	11.1%	11.9%	12.2%	12.7%	7.5%
<b>EBITDA* as % of net sales (non-GAAP measure)</b>	12.4%	13.2%	13.5%	14.0%	9.0%

\*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, income before income taxes 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, excluding one time charges detailed in noted additions above.
2. 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.