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RPM.N - Q4 2020 RPM International Inc Earnings Call

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OVERVIEW:

Co. reported 4Q20 consolidated net sales of $1.46b and adjusted diluted EPS of $1.13. Expects 1Q21 sales to be up in low-single digits.

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PRESENTATION

Operator

Welcome to the RPM International's conference call for the fiscal 2020 fourth quarter and year-end. 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 report 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).

At this time, I would now like to turn the call over to RPM's Chairman and CEO, Mr. Frank Sullivan, for opening remarks. Please go ahead.

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Thank you, Sarah. Good morning, and welcome to the RPM International Inc. investor call for our fiscal 2020 fourth quarter and year ended May 31, 2020. On the call with me today are Rusty Gordon, RPM's Vice President and Chief Financial Officer; and Matt Ratajczak, our Vice President of Global Tax and Treasury, who has also taken on the responsibilities for our Investor Relations activities. On the call today, I'll provide an overview of our performance for the quarter and an update on our MAP to growth operating improvement program. Matt will follow me with a review of our fourth quarter financial results, and then Rusty will wrap up our formal remarks with our outlook for fiscal '21. After that, we'll be pleased to take your questions.

Leading up to the coronavirus pandemic, our business was trending towards a quarter and year of record sales and record adjusted earnings. However, as expected, our fourth quarter consolidated results were impacted by the economic fallout created by the pandemic, which to various degrees, interrupted our manufacturing and distribution operations as well as the maintenance, repair and construction activities of many of our customers around the world. At various times during the quarter, we had more than 10 manufacturing facilities closed, along with multiple other sales offices and distribution centers due to government-mandated closures, mostly outside of the United States, and for disinfecting and cleaning facilities related to health and safety protocols.

During the pandemic, we have taken decisive action to restrict travel, limit access to our facilities and establish safety protocols and allow those who could effectively perform their jobs remotely to do so. Through it all, we have remained focused on protecting the health and well-being of our associates and their families and are playing a role in inhibiting the spread of the coronavirus in the communities in which we operate. Thanks to our associates' efforts to follow our comprehensive health and safety protocols, nearly all of our manufacturing facilities and distribution centers have been open and operational since our fiscal year-end.

The COVID-19 generated challenges during the quarter, resulted in an 8.9% decline in our consolidated sales, which was better than the decline of 10% to 15% we anticipated and discussed on our April call. On a geographic basis, our sales were essentially flat in the U.S., where construction and hardware channels were generally deemed essential, but were down 25% in international markets, where many of our businesses were ordered close by government mandates. The primary driver of our better-than-expected top line results was the growing demand throughout the quarter in the U.S. for our consumer group's small-project paints, caulks, sealants, repair products, wood stains and specialty cleaners. Consumers had additional time for home improvement, maintenance and repair projects because of the stay-at-home orders across our country. They were able to purchase the products they needed through e-commerce portals, which grew dramatically during the quarter as well as our retail partners and our broad distribution base of DIY stores, which were among the businesses that were considered essential to the economy and were able to remain open and operational.

The performance of our consumer segment relative to our other segments highlights the long-highlighted value of RPM's diverse operating company portfolio, where weakness in one segment is often offset by strength in another. Our fourth quarter adjusted diluted earnings per share of $1.13, while below last year's all-time high results, still represent our second best fourth quarter on record. The decline in adjusted diluted EPS was equivalent to the drop in sales, illustrating our quick response to reduce costs during the economic downturn as well as the ongoing success of our MAP to Growth operating improvement program.

Coronavirus safety protocols such as limits on travel and facility access slowed some of the planned activities that were part of our Phase 3 of the MAP to Growth program, particularly manufacturing improvement initiatives which were nearing their end, particularly including plant closures and ERP consolidations. However, in response to the economic downturn created by the pandemic, we quickly took proactive measures to accelerate the MAP to Growth cost reduction initiatives with a focus on delayering management and other areas of administration. As a result, we remain on track to achieving or exceeding our original annual cost savings of $290 million. During the fourth quarter, we announced the closure of 3 plants, which brings our total to 22 out of the 31 plants that were originally targeted for closure and consolidation at the beginning of the MAP to Growth program.

As we mentioned last quarter, due to the pandemic-induced delays in executing some of our restructuring initiatives, we will be extending the time line to achieving our original MAP to Growth objectives. This includes our goal of repurchasing $1 billion of our stock, which was more than halfway completed, but suspended in mid-March as a response to the pandemic and its economic impact. There is still too much uncertainty at this point to set a new target date for completion. As the global economy stabilizes and we gain more visibility into business conditions, we will communicate our new MAP initiatives and growth time line in the coming quarters.

Expenses were dramatically down in our nonoperating segment, due to the coronavirus pandemic. Medical costs were lower due to lower volumes, management incentives and long-term programs were reversed, travel was banned and use of outside consultants was curtailed. We will continue to be aggressive in managing all costs, expenses in areas of the business within our control to drive performance and continue to navigate through this unprecedented environment.

As a result of the economic uncertainty created by the pandemic, we have focused on generating strong cash flow and maintaining liquidity. At year-end, we reported record operating cash flow of $550 million as a result of good working capital management and margin improvement initiatives from our MAP to Growth program. Our procurement team formed as part of the MAP program has recently done an incredible job of improving payables by negotiating better terms with our suppliers, which will continue to benefit cash flow in the coming quarters.

At May 31, 2020, our total liquidity, including cash and committed revolving credit facilities, stood at $1.280 billion.

I'll now turn the call over to Matt Ratajczak, who will review our financial results for fiscal 2020 fourth quarter on an adjusted basis.

Matthew T. Ratajczak - *RPM International Inc. - VP of Global Tax & Treasurer*

Thanks, Frank, and good morning, everyone. Please note that my comments will be on adjusted basis, as Frank noted. During the fourth quarter, we generated consolidated net sales of $1.46 billion, a decrease of 8.9% compared to the $1.6 billion reported during the same period of fiscal 2019. Organic sales declined 7.9% or $126.6 million. Acquisitions contributed 0.7% of sales or $10.7 million. Foreign exchange was a headwind that reduced sales by 1.7% or $26.5 million. Adjusted diluted earnings per share were $1.13, a decrease of 8.9% compared to the record $1.24 in last year's fourth quarter. Our consolidated adjusted earnings before interest and taxes, EBIT, decreased 11.5% to $213.6 million compared to $241.4 million reported in the fiscal 2019 fourth quarter.

Turning now to our segments. Sales in our Construction Products Group were down 15.6% to $472.4 million compared to $559.6 million a year ago. Organic sales declined 13.9% or $77.9 million. Acquisitions contributed 0.7% or $4.1 million to sales. Foreign currency translation reduced sales by 2.4% or $13.4 million. Adjusted EBIT in this segment was down 12.1% to $77.3 million compared to adjusted EBIT of $87.9 million during last year's fourth quarter. The segment's strength was its U.S. roofing business. It experienced limited interruption from the pandemic as most roofing projects, which are completed outdoors and do not require entry into customers' facilities, were able to proceed. The season for roofing applications was broadened when schools closed early, allowing us to meet demand from this customer base. The segment performed better in the U.S. However, in certain international markets, where construction was not considered essential, the segment experienced significant sales declines. International results were further challenged by currency headwinds. While the segment sales declined during the quarter, earnings declined at a lesser rate due largely to the success of the MAP to Growth program, which included the closure of 2 manufacturing plants and proactive measures taken to cut expenses.

Sales in our Performance Coatings Group were down 20.2% to $235.1 million compared to the $294.5 million we reported during last year's fourth quarter. Organic sales declined 18.3% or $54 million. Acquisitions added 0.2% of sales or $0.5 million, while foreign exchange was a headwind of 2% or $5.9 million. Segment adjusted EBIT was down 31.9% to $23.7 million compared to $34.7 million reported during last year's fourth quarter. The segment quickly responded to the economic downturn created by COVID-19 by delayering management and aggressively reducing fixed costs, particularly in areas of the business that serve the energy industry as well as other affected sectors.

Similar to our Construction Products segment, the Performance Coatings Group also performed better in the U.S. than internationally. Although segment sales declined, earnings did not decrease as much as would be expected on a decremental basis due to operating improvements from our MAP to Growth program.

In the Consumer Group, sales were strong, increasing 6.7% to $616.2 million from $577.5 million during last year's fourth quarter. Organic sales increased 7.7% or $44.6 million. Foreign currency translation reduced sales by 1% or $5.9 million. Adjusted EBIT in this segment was down 4% to $104.5 million compared to $108.8 million in the prior year period. While U.S. sales were up 12%, international markets struggled due to more stringent lockdown orders on manufacturing and retail. Overall, the consumer group sales results for the quarter were excellent, given they are in comparison to a very strong fourth quarter last year when we made large market share gains. Our associates went to extraordinary lengths to deliver products to our customers in spite of supply chain challenges. The bottom line was impacted by higher operating expenses for safety measures and equipment as well as distribution costs due to increased e-commerce orders, all that were required to function during the pandemic. These costs are expected to be temporary and were not passed along to our customers. As part of our MAP to Growth initiatives, we closed an Australian manufacturing facility, which will benefit our bottom line in the coming quarters.

Specialty Products Group sales were $135.2 million during the fiscal 2020 fourth quarter compared to sales of $169.7 million in the prior year period, which was a decline of 20.3%. Organic sales decreased 23.1% or $39.3 million. Acquisitions contributed 3.6% or $6.1 million to sales. Foreign currency translation reduced sales by 0.8% or $1.4 million. Adjusted EBIT in the segment was down 72% to $7.3 million in the fiscal 2020 fourth quarter, compared to $26.2 million in the fourth quarter of fiscal 2019. Overall, the segment accounted for 9% of the quarter's consolidated sales. A number of the segment's businesses served OEM markets that have struggled during the pandemic, such as furniture and marine distributors that were closed for an extended period of time in the U.S. because they were not classified as being essential industries.

I'll now turn the call over to Rusty, who will walk through our outlook for fiscal 2021.

Russell L. Gordon - *RPM International Inc. - VP & CFO*

Thanks, Matt. After lockdown restrictions caused our sales to decline in April and May, we expect to resume our growth in our fiscal 2021 first quarter since our sales have begun to trend better. As a result, our outlook for the first quarter is to resume the growth and earnings leverage more typical of the results seen in recent quarters, with sales to be up in the low single digits and adjusted EBIT growth of 20% or more compared to the prior year. For the full year of fiscal 2021, we anticipate our Construction Products Group and Performance Coatings Group could experience sales declines for the first 3 quarters and then turn positive in the fourth quarter. Our consumer group should continue its sales momentum into fiscal 2021.

The Specialty Products Group is expected to face negative sales comparison during the first 2 quarters, which should turn positive in the back half of the year. These projections assume that we do not experience a second round of lockdowns related to COVID-19. Due to the continued economic uncertainty around the length and severity of the pandemic, we are not providing earnings guidance for the full year of fiscal 2021 at this time. While the pandemic continues, we remain focused on our core, the well-being of our employees and their families and growing the business where we can. While RPM's growth was temporarily interrupted by COVID-19 lockdowns in the last quarter, we are keeping our foot on the gas and executing our MAP to Growth program. In a world of uncertainty and unknowns, we have focused on managing the areas of the business that we can control. Our operations and management teams have bought into this program, which has proven very beneficial in driving efficiency, increasing our cash flow and making us more competitive. We have just started to make progress on inventory reduction, and the benefits from ERP consolidations and associated administrative savings are in our final wave of our MAP to Growth program. So there is still a plentiful to-do list for future operational efficiencies, continuous improvement and cost savings.

With so much change going on at RPM, let me spend a moment on things that are not changing. We will maintain our entrepreneurial culture, which is one of our core strengths. Through it, we remain nimble to adjust to market conditions, which is especially important in this uncertain and volatile environment. We will continue to invest in innovation to maintain industry-leading organic growth. We will continue to deliver maintenance and repair solutions, which are relatively recession-resistant and have served us well during past economic downturns. We will be focused on cash flow and selective in acquisition activity while maintaining a preference for debt reduction in lieu of share repurchases. We look forward to continuing our track record of increasing our cash dividend for the 47th consecutive year.

This concludes our formal comments, we will now be pleased to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Mike Sison with Wells Fargo.

Michael Joseph Sison - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Nice quarter there. And you guys all sound healthy, so that's great. In terms of your first quarter outlook, I'm having a little bit of a hard time visualizing low single digit growth. Can you maybe walk through how much improvement you see in some of the segments? And is it really just another strong quarter for consumer products to really get there?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

So that's a great question, particularly in light of all the volatility that everybody is seeing. So we'll make some comments like we did in April by providing some insight into our months. I look forward to getting back to not doing that just talking about quarters and years. But because of the volatility, I think it's appropriate. So our June results grew double digit, and that was across most of our businesses. And it's a combination of continuing good consumer takeaway in our consumer segment and businesses. I think solid performance in our industrial, particularly construction-related businesses, some of which clearly was a pent-up work from April and May that was interrupted. Our July results seemed to be flat year-over-year, and that's a mix between our segments and our geographies, as Rusty indicated earlier -- or Matt indicated, we've had either flat or solid results in the U.S. and different results in different parts of the world. I think what's obvious in our results in the fourth quarter and in our forecast for Q1 is the MAP to Growth program is working. We are still building momentum. We have more work to do. And in an environment where we're able to put up solid low to mid-single-digit revenue growth, you'll see really solid EBIT leverage to our bottom line. So I think the biggest concern we have is volatility around -- like everybody around what might happen in coming months relative to reactions to the coronavirus health pandemic. But other than that, we're in pretty good shape and the MAP to Growth program is delivering when we have solid revenue growth.

Michael Joseph Sison - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

Got it. Great. And a quick follow-up, how much MAP to Growth that contributed in the fourth quarter? And I mean, I think if you look at the growth for the first quarter and really think about how -- that strong EBIT growth, is that really the primary driver there? Or are there other maybe factors coming in, lower raw materials, pricing and such to get that impressive growth in the first quarter?

Russell L. Gordon - *RPM International Inc. - VP & CFO*

Sure. Yes, the MAP program continues to build momentum, Mike, this is Rusty here. In the third quarter, we said we had MAP savings year-over-year incremental in the low $20 million range, and we were probably closer in the mid-$20 million range in the fourth quarter of fiscal '20.

Operator

Our next question comes from the line of John McNulty with BMO Capital Markets.

John Patrick McNulty - *BMO Capital Markets Equity Research - Analyst*

Maybe a little bit deeper on the MAP to Growth side, it sounds like you got more progress done maybe this past quarter than maybe you had originally hoped for. I guess how should we be thinking about the savings rate as we run into 2021? How much incrementally do you think you can pull out, given there still are some COVID-related restrictions, but it does look like you've maybe pulled some levers in other areas?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

So the -- in November of 2018, we laid out a 3 pronged wave, and roughly each wave on an ongoing sustained basis was generating about $100 million, and we have that as a goal for our third wave, which starts on June 1 -- which started on June 1. And I think when we're completed with this we will exceed the original $290 million forecast by a few tens of millions of dollars. But some of the progress in the third wave will be delayed because of getting into plants has been a challenge, particularly with outside consultants, some of the ERP stuff has been delayed. The third wave, especially the back end of it really will impact fiscal '22, and really solid performance in fiscal '20 should provide us with a pretty strong leverage to the bottom line in fiscal '21, as we highlighted. Obviously, it is revenue dependent because a big slug of our savings that's working really well and better than originally anticipated is in the manufacturing and continuous improvement efforts as well as broadly our procurement activities. And they're working really well. But from an accounting perspective, we have this conversation with a different analyst on a prior call. Those savings get capitalized into inventory, and they flow through our P&L when we sell that inventory. So any amount of sales will bode well for our bottom line. Obviously, if we bump into some future reduced revenues because of this pandemic, then the impact of our savings, particularly in the gross margin, will be delayed.

John Patrick McNulty - *BMO Capital Markets Equity Research - Analyst*

Got it. That's hugely helpful. And then I guess the second thing would be, it sounds like Europe or certainly, the international markets really took a tough time in your fiscal fourth quarter. Now that it looks like some of the European economies have kind of reopened, and actually, it seems like maybe they're making up for lost time, I guess, can you give us some color as to how those markets are playing out for you and kind of what your expectations are there?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Sure. The European market is slowly recovering. It was very difficult in Q4, as you mentioned, because we had government-mandated shutdowns in the U.K. in different parts of Europe and throughout Latin America, also in the couple of plants we have in India. With reopenings in the U.K., we're seeing the same type of strong DIY demand that we are in the U.S. that is true to a lesser extent, but still positive in Continental Europe and the consumer side. We're seeing sequential improvement in our industrial businesses, our Construction Products Group and Performance Coatings Group, Specialty Products, so we're seeing sequential improvement, certainly from April and May into June in the summer, not necessarily year-over-year strength because of the strong performance we had last year. Our year, while we're not providing guidance, will really be a good one or a great one based upon our performance in these coming quarters, as the fourth quarter for us and everybody, but particularly given our May 31 year-end, we'll have some pretty extraordinary year-over-year growth given the impact of the coronavirus and global shutdowns in the fourth quarter we just reported.

John Patrick McNulty - *BMO Capital Markets Equity Research - Analyst*

Got it. That's helpful. And maybe if I can ask one, just a quick last question. I know in the last 12 to 18 months-or-so, you've gained a lot of share, you've won a bunch of new accounts. I guess, can you speak to kind of the progression of that? And if you're still continuing to see wins? Or if the COVID issues have maybe kind of put some of that on hold and that may be more of a future dynamic to be thinking about?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

I think we're holding our own. The supply chain issues are challenging for everybody. Our fill rates into our customers are at lower levels than they've ever been. I think we're equal to or similar to our peer competitors, but there have been some disruptions in packaging and can supplies that are going to continue and some rising costs there. There've been some distribution disruptions, and so that's a challenge. But what is happening at RPM is continuing, and it's very exciting and it's nascent in a couple of areas. So for instance, the partnership from a market-facing perspective between our Construction Products Group and our Consumer Group is having some exciting wins. You can find the Tremco, Vulkem, Urethane sealants in Menards. You can find Tremco branded 5-gallon pails of unique Tremco Roof coating materials in Home Depot in Texas. And these are fledgling opportunities for us to take some of our industrial construction chemical brands and construction sealants and products and coatings and waterproofing products into some of our stronger home center channels. And so the opportunity for market share gains and growth there is pretty exciting for us. We're in the early stages there. But it's exciting.

We just got into Walmart with a grab-and-go house paint program, which is a first for us, through Rust-Oleum and so that is nascent but also exciting. So the opportunities for us to continue to grow in those areas continue to receive our focus, and we're working hard to make them successful.

Operator

Our next question comes from the line of Frank Mitsch with Fermium Research.

Frank Joseph Mitsch - *Fermium Research, LLC - Senior MD*

Listen, if you talk about the fiscal first quarter, which is off to a terrific start, you're guiding sales up low single digits; June, up double digits; July, flat. That implies August will be down upper single digits. You alluded to strong performance last year but what else are you seeing that at this point you're calling for August to be down upper single digits in terms of sales?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes. I I'm not sure that that's exactly accurate, but it's just volatile, Frank. It's -- we've never seen volatility like this from one geography to another. And I think there's some nervousness, not only by us, but by others, about some of these rising COVID cases and what government responses might be. So it's hard to predict. This was the most difficult planning year we've ever experienced. And so it behooved us to plan conservatively and focus on the things, as Rusty said, that we can control, in terms of executing our MAP initiatives, controlling costs and focusing on cash flow. And so I -- that's my reference to the difference between a good year and a great year is, in light of the things that we can control, and we're doing well. If revenues are better than we anticipate, we'll have a really solid year. If revenues are where we are concerned about, we'll still do relatively well because of the things. Part of it is just luck. I think we're fortunate to be in the midst of an operating improvement program that's delivering good results, while the whole world is dealing with the consequences of the health pandemic.

Frank Joseph Mitsch - *Fermium Research, LLC - Senior MD*

If I understand your answer correctly, you're taking a bit of a swag at August. It is not a fait accompli at this point that it's going to be down upper single digits, you're just -- you've obviously got a lot of uncertainty? Or as you look at your order book, you pretty much can dial it in that that's what it's going to turn out to be? Because obviously, June was very solid. July slowed down. And so you're just projecting that trend? Or I mean, I'm just trying to get your level of certainty around August being as difficult as your guidance suggests?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

We don't have a level of certainty about future months. And not to be negative. I think our trends right now are good. But like everybody, I think our visibility -- our trust in our ability to forecast forward, which for us is usually 2 quarters, so you're looking at anywhere from 4 to 6 months, is as low as it's ever been. And so that's the best answer I can give you.

Frank Joseph Mitsch - *Fermium Research, LLC - Senior MD*

That's fair. That's very fair. And then just one last question. You obviously mentioned how e-commerce played a much bigger role in the fiscal fourth quarter. Given that the future may be quite a bit different than past practices, is that impacting your thinking longer-term on how you distribute your materials and shift resources around? Are there any kind of guiding lessons that post-pandemic will change the way RPM operates?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

I don't think it changes the way we operate. It will continue to allow us to partner with our big customers in ways that will continue to expand e-commerce. Many of our products aren't the most naturally purchased online because of shipping issues or flammability issues or weight-to-value issues. But our volume with homedepot.com doubled. Our volume on Amazon doubled. Now that the U.K. is picking back up, we have an MRO business over there called Watco that was a catalog kind of business that went to online and consumers are finding that. And that business is increasing dramatically. And so I think the big takeaway for us here that we're excited about, but time will tell, and this isn't unique to RPM, the state of home orders in the United States and it seems true in the U.K. as well has created a greater number of continent DIY-ers. This isn't just about paint, but wood stains and finishes that tend to be more craft work and require more skill. Those volumes are up pretty dramatically. And so across a number of DIY categories, I think one of the interesting outcomes is understanding is there a larger, more confident DIY base than there would have been otherwise. And we hope that's true and we'll find out.

Operator

Our next question comes from the line of Rosemarie Morbelli with G. research.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

Following up on the e-commerce part, Frank, if I understand probably, it is mostly on the retail side, on the consumer side. And could you share with us the size of that e-commerce?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

I wouldn't do it specifically, but it's, collectively across RPM, tens of millions of dollars. And so the percent -- year-over-year growth is very impressive. The percent of our consolidated sales is not a lot.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

And is that particular business, does it have a similar margin to your other businesses? Or does it have a higher level -- higher margin level?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

It's hard to know. In the fourth quarter, it had lower margins because distribution costs were greater, and we had some ramp-up costs there. And so long term, the pricing model and the gross margins aren't a lot different. But the distribution costs are higher. And so there's a lot to learn there in terms of efficiency. It also is higher because, again, the volume on a relative basis is relatively low.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

Okay. That is helpful. So you are focusing on innovations. Could you talk about new products are still coming out this year or maybe coming out next year? And you mentioned the Walmart (inaudible) program, does that mean that you are getting into architectural program? Or is it something else?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

It means that we have a nascent program of wall paint at Walmart and are certainly learning.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

Okay. And what are the type of innovations or new products are coming through the pipeline?

Russell L. Gordon - *RPM International Inc. - VP & CFO*

Sure. This is Rusty. One product, which we're excited about is Rust-Oleum Home. This is a flooring transformation product. It's a 2-step coating process, where you could put this coating over old, laminate floors or wood floors, and create a brand-new look, and we're very excited about that. Another one on our construction product side is our PM -- or PUMA range of products for Tremco, Houston both roofing and deck coatings. We have AlphaGuard PUMA and Vulkem EWS for protection of concrete. This is a waterproof coating that can be applied as low as negative 20 degrees fahrenheit. It uses polyurethane methacrylate technology. It has great adhesion characteristics, elongation characteristics and is very durable. So those are a couple of examples.

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

And I'll add one thing for fiscal '21. We actually manufacture some of those resins in a factory in Germany, and we export those to the U.S. for some of the more unique Tremco roofing coating products. And in fiscal '21, we have cut back where appropriate on our CapEx. But one of the major capital spends that will go forward is a $20 million to $30 million spend on a new roof coatings factory relative to the growth there, and also bringing our capability to produce those unique resins to the U.S.

Rosemarie Jeanne Morbelli - *G. Research, LLC - Research Analyst*

And if I may sneak in one more. You are expecting a difficult quarter for the first 9 months for Construction and Performance Coatings. I can see Performance Coatings, I can see the seasonality for Construction in Q2 and Q3, but could you give us more details on the first quarter because based on how you phrased it, it sounds as though Q1 will also be a difficult quarter for Construction, and yet, we are still in the midst of things?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Sure. I'll just repeat the comments I made and hope to get to a point where we're not providing monthly comments. But our June month was double-digit in consolidated sales, and not every business was up, but most all of our businesses were up year-over-year, including in our Construction Products Group. We think some of the strong growth is literally the carryover of April and May projects that were delayed or halted and July revenues on a consolidated basis are generally flat. And so there'll be some variability, we think, for month-to-month in the coming months and quarters, and that's the best we have right now. Obviously, we'll provide good detail on our first quarter when we report those results in October.

Operator

Our next question comes from the line of Steve Byrne with Bank of America.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

Frank, what fraction of your revenue would you say is coming from DIY-ers now? And the strength that you saw in June, do you think that's pulling demand from forward? Or do you think it's just an expansion of this DIY-er base that you're referring to is a more confident DIY-ers? Do you think that those DIY-ers remain customers down the road? Or that business flips back to the way it used to get done?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Sure. And so our Consumer business is, call it, roughly $2 billion, our Consumer segment. And probably 25% of that is caulks, sealants, patch repair products. Those product lines are probably 50% to 60% consumer and 40% to 50% pro. Our specialty coatings, our small project paints, the cleaning products, those tend to be more 75%, 80% consumer and, let's say, 20%, 25% pro. So hopefully, that gives you a breakout there. The hardware store channel, home center store channel, major retailers were not interrupted by the shutdown orders in the United States. All of them, to various degrees, continue to operate. And so the strength that we're seeing in the summer is a continuation of what we saw in the fourth quarter. And it is higher demand for DIY products and we believe a growing base of confident DIY-ers certainly will help us and help, I think, the whole DIY segment in the future. To what degree, we'll find out.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

And I wanted to ask you a little bit about just operating in this pandemic environment, were there learnings that you took away from this over the last few months that are now impacting your outlook for MAP to Growth? Are there new opportunities that you're seeing to drive cost cuts? And what provoked the question was the comment about delayered management and Performance Coatings, it sounds like some headcount reductions. And can you quantify that?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Sure. I'll make a few comments. Number one, everybody has learned a lot of lessons. We have a significant chunk of our employees working from home, and I would bet we're learning that maybe 25% to 30% of our functions and our individuals are capable of working remotely on a more permanent basis. And so that has a lot of consequences for, in some cases, cost; in other cases, travel. And so our T&E costs were down dramatically in Q4, that wasn't unique to RPM. So there's a lot of learning there about going forward, what level of travel and entertainment expense do you return to. And I don't know the answer to that question, but I'm pretty certain it's not 100% of what it used to be. So those are just some broad comments.

On the MAP to Growth program, we're continuing to gain momentum. My guess is when we're done, the 31 consolidated plants will be a few more. How much of that was -- would have happened in MAP to Growth versus how much of that is a combination of MAP to Growth and what we've learned in that process and a reaction to the COVID-19 impact on the economies, it's hard to tell. Same thing in SG&A, our SG&A costs will continue to come down and we're learning some lessons there. But it will be, as we go quarter-by-quarter, a combination of MAP to Growth savings and just outright responses to the economic circumstances we're operating in.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

And the headcount reduction in Performance Coatings?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

So yes, there's -- there -- across RPM, there are levels of temporary expense reductions. So T&E is a good example. We had various levels of salary reductions, the highest of which was mine at 30%, that started in -- on May 1. Those salary reductions as the year goes on and we meet or exceed our goals will be rescinded. So those expenses will come back to the P&L. We've had some furloughs in plants, but we have also had a larger than MAP to Growth anticipated permanent headcount reduction in a number of businesses. In our Performance Coatings Group, they're the most economically sensitive. Out of $1 billion roughly in revenues, $250 million roughly is tied directly or indirectly to oil and gas. And so they will continue to be -- of all of our groups, they will continue to be the most challenged on the top line for fiscal '21.

Operator

Our next question comes from the line of Arun Viswanathan with RBC Capital Markets.

Arun Shankar Viswanathan - *RBC Capital Markets, Research Division - Senior Equity Analyst*

Congrats on the great results here. So I guess, yes, just first on that point in Consumer, you've described a pretty robust environment on the DIY side. I guess, maybe could you just reiterate, I guess, how long you think this will last and why? And if so, if you still see continued growth there, is there any investments you're going to have to make in the supply chain? I'm just kind of recalling the troubles you had a couple of years ago on the DAP side, do you foresee anything like that happening? Is there any kind of increased capacity you'd have to consider putting in, in any of the product lines?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Sure. So it's been very challenging, again, not just unique to us, but across DIY product lines. Demand is up. I think that's new DIY-ers, demand's up year-over-year because people will recall last year, it was somewhat of a wet start to the first quarter, and we've had pretty spectacular weather across United States. So that's driving demand, supply chain challenges from some of our own distribution issues, freight problems. Some of our customers pick up freight, and that's been -- so we've had challenges there. Some of our suppliers, most recently in metal cans, have had their own COVID-related shutdowns that have impacted supply. So when your supply chain spend a decade or more and RPM got on board maybe later than we should have, but we've been pursuing it very aggressively for 2 years efficiency, and you get hit with big spikes in demand and then also temporary shutdowns in distribution centers and/or manufacturing facilities of some of your suppliers, it poses a problem. So everybody is managing through all those things. We are 90% done with a capacity expansion, for instance, in spray paint. And the European company that has been the principal supplier of that equipment is refusing to send any of their technicians to the United States.

So we've got some really good big investments in some capacity increases that are on the verge of hitting the marketplace, and we're excited about that. But it's just one more example of how the COVID pandemic has disrupted plans.

Arun Shankar Viswanathan - *RBC Capital Markets, Research Division - Senior Equity Analyst*

Okay. And I guess, is there any kind of raw material outlook that we should be aware of? Have you seen any kind of deflation that would be beneficial to your margins?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

We've seen some deflation in oil-based solvents and different raw materials there. We've seen, particularly starting in the fourth quarter, some inflation, a little pickup in TiO_2 costs, pickup in packaging costs. We are -- have heightened alert to some of the packaging, particularly metal can, situations relative to some shutdowns and some announced capacity constraints there. So even that continues to be volatile. It's one of the reasons that we had a -- there were 2 issues in our consumer group in the fourth quarter: one was some higher raw material costs; and the other was higher distribution costs related to the e-commerce growth as well as disruptions in the supply chain around distribution and freight. All of those things should settle down over time, unless we end up with another round of shutdowns or government-directed actions related to coronavirus.

Arun Shankar Viswanathan - *RBC Capital Markets, Research Division - Senior Equity Analyst*

Great. And then just lastly, I just want to go back to your comments around uses of cash. Again, you have made some improvement there, I guess, as part of MAP to Growth, reducing working capital and harvesting a little bit more cash. And I understand the environment is very uncertain right now, and that's likely led to your decision to kind of put some of the buybacks on hold. But when do you see kind of getting back to that program? And I guess, if it's not too soon, what would you be doing, I guess, with the cash that you're going to generate this year?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Sure. We -- as you saw, we had a record cash from operations generation for fiscal '20. And while some of that was a result of declines in revenues in Q4, a huge chunk of it was just the benefits of our MAP to Growth program and focus on that, there is more to come. We're making improvements in working capital, but we're still a laggard versus our peers, and there's a lot of attention on that.

Preference for capital allocation, we'll be funding our operations. For instance, I mentioned the capacity expansion that we're close to completing in our Consumer group and the new capacity expansion that we're just starting in our Construction Products Group. We will continue to look at acquisitions on a selective basis. I think where we can find the right fits that are at a good value, we will continue to execute on those, and there are opportunities there. That could pick up towards the end of the calendar year, depending on private owner perceptions of political outlook and what that might mean for capital gains, taxes or estate planning issues. So that's something we're paying attention to. But again, we intend to be very selective there. And then we'll have a preference for the time being over debt reduction for the share repurchase program until there's, I think, a little more stability in our outlook, and a little more confidence that the disruptions of the coronavirus pandemic are mostly behind us. And so I suspect we'll look at that very closely with our Board throughout fiscal '21.

Operator

Our next question comes from the line of Kevin McCarthy with Vertical Research.

Kevin William McCarthy - *Vertical Research Partners, LLC - Partner*

I'm curious to hear your thoughts regarding the margin outlook in consumer, and in particular, we've obviously seen a lot of DIY strength, but you noted some elevated costs related to safety measures and supply chain expenses. What is the magnitude of those costs? And how do you see that flowing through in the fiscal first quarter and beyond?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

So I think across all of RPM, and this is hard to gauge, the added costs of the response to coronavirus would be mid- to high-single-digit millions, so somewhere in the $5 million to $10 million range. But the bigger impact was on revenues, obviously, and that won't be forever. There was just such disruptions, particularly in April and May, and particularly in the international markets. We are focused on improving the margins of all of our businesses, in. Particular, our consumer business, our margins haven't fully recovered from where they were back in 2016. And there has been a lot of focus on operating efficiency at the plant level. We've closed a number of plants across RPM but I believe 3 of those have been in our consumer segment.

And so our efforts to really focus on being more efficient at the operating level on introducing lean manufacturing disciplines on different items, SIOP disciplines in our plants, these are things that were lost on me 5 years ago, but are not lost on me or on organization today. And they're having a benefit, and we're continuing to focus there.

We've also reduced our supplier base, and it's helped us both improve terms and negotiate better pricing in a lot of places and become better strategic suppliers. So we're having discussions with a number of major suppliers at the RPM level that we hadn't had in the past, and so that's helping us as well.

So we're keenly focused on all of those issues, and we'll continue to benefit from that in fiscal '21 as we continue to execute the rest of the MAP to Growth program.

Kevin William McCarthy - *Vertical Research Partners, LLC - Partner*

Appreciate the color there. Secondly, how would you characterize your capital expenditure budget in fiscal 2021 relative to the $148 million in 2020?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes. Our current spend budget is about $130 million, which is down. But again, that was in a forecasting process that was pretty conservative. We do have one major capital spend that for expansion in our Construction Products Group. Obviously, the consumer capital spend I referenced, most of that's behind us. We just got to get it through the finish line. That could change as we get into the second half of the year. And if our performance and the underlying economic dynamics are better than we anticipate, so -- because we cut back pretty aggressively. So $130 million is what our current budget is. I hope we end up spending $150 million, because the world ends up being better than everybody anticipates.

Operator

Our next question comes from the line of Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews - *Morgan Stanley, Research Division - MD*

Just a couple of follow-ups on the consumer group. Frank, I just want to clarify, first, you said July, I heard you say consolidated sales for the total company were flat in July. Can you clarify what consumer was in July?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes, we'll provide the details on the quarter in October. So I don't want to -- as I said, we were hesitant in April to get into monthly details, but given the volatility, I felt the investor community deserved that. That's why we're providing some details now in our quarter, but it's not over. And we'll report our results there. Other than I would refer you to the comments that Rusty made and the direction we provided in our earnings release this morning. We anticipate solid kind of low to mid-single-digit growth in our consumer segment across the year.

Vincent Stephen Andrews - *Morgan Stanley, Research Division - MD*

Okay. All right. That's helpful. And then if I could just ask on -- I'm just trying to bridge the sales and consumer down to the EBIT line, and you subsequently called out that you had $5 million to $10 million of COVID costs across the company. It sounds like a lot of those were probably in consumer just because of the e-commerce issue. You also referenced higher raw material costs. So I'm just trying to think about sequentially from F 4Q into F 1Q, whether we should see a material improvement, assuming there's some sales growth, whether EBIT should actually -- I assume EBIT should be growing in the fiscal first quarter in consumer rather than in the fourth quarter, a decline despite 7.7% organic sales growth. Is that -- anything you can do to help us there?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes. Probably not what you're looking for, but just to repeat that, as we sit here today, it looks like the first quarter will drive, on a consolidated basis, low single-digit revenue growth and an EBIT growth of 20% or better year-over-year.

Vincent Stephen Andrews - *Morgan Stanley, Research Division - MD*

And then maybe just lastly, I appreciate your comments on sort of the new confident DIY-ers. And I'd also just like to get your perspective on -- because it seems to me, this isn't just a shift of pro to DIY. Obviously, that's happening to a certain extent. But it also seems like the home improvement, the size of that pie is probably increasing in COVID despite the fact that overall consumer discretionary spending is going to decline. So would you agree with that idea that we're kind of in a new home improvement renovation cycle? And yes, maybe DIY is going to have more share of that than it would have in the past for any number of reasons, but just the idea that the overall pie might be expanding?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Absolutely. I mean I think there are new gardeners that weren't gardeners before this spring. I think there are new users of our wood stains and finishes product, and I referenced that one in particular, because it tends to be more craft or more project. It's not a simple paint this or -- and -- again, our small-project change are more project driven and more craft and more unique. But all the things that we see suggest, whether it's gardening or the use of small project paints or confidence in being able to do repairs themselves, that the base of home improvement and DIY has expanded in the spring. And that's continuing nicely throughout the summer months.

Operator

Our next question comes from the line of Mike Harrison with Seaport Global Securities.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

Just looking at the margin performance that you had in the construction segment, I was wondering -- you mentioned the strength that you were seeing in the roofing business, I was wondering if that was maybe driving some mix benefits as well? Just trying to get a sense of whether we can expect that margin strength to continue as we get into '21, even if there are still some challenges from a demand standpoint in construction?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes. That's a great question, and I'll tell you, if you look at our Construction Products Group through 9 months, they have really benefited from good execution on MAP to Growth. They've really benefited from being very strategic in where they're investing for growth in terms of new products. They're leading the roof restoration coating market significantly, and that whole thing is growing, and they've got competitors that are coming on, but they're still the leader there. And even in the fourth quarter, again, great question, when you look at a revenue base that was down 14% or 15% and an EBIT that was down concurrently 12, it tells you that there was good mix, but it also tells you the benefits of the MAP to Growth program in our Construction Products Group. That group has been really leading in a lot of areas for us. And I referenced earlier, we're excited about the future cooperation or synergy, if you will, between our Construction Products Group technology and some of the brands, and our consumer group strengthened some of the home centers. So there hopefully will be more to come there. We've got some good introductory products and a couple of tests. And if they prove out to be successful, that's a whole new area of growth for us in the home center channel with Construction Products Group technology.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right. I don't think we've talked at all about the specialty business. You mentioned that they were impacted by their exposure to some of the OEMs that had been closed during the quarter, areas like wood coatings for furniture or powder coatings. Have those OEMs gotten back up and running at this point? Maybe just a little more color on what you're seeing there?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes, they have. And so if you're in marine coatings, like our pet marine business, if you're in the treatment for furniture as well as the furniture protection insurance business, with our -- which our Guardian business is in, furniture stores were closed for a period of time. Most of our outlets for our marine coatings were closed. And while it wasn't true of a month, from 1 week to the next, we had revenues that were down 70% or 80%

because their customers were closed. So it was pretty shocking. And it gives you a sense of what's happening to a lot of small businesses. Because their product lines or businesses that are part of RPM or other big companies that have survived this because they're part of a bigger group. And so those horror shows of bad weeks are behind us. All of our customers are up and running, and we're starting to pick back up. And so that was a particularly hard hit portion of RPM's business, but it was the business that got particularly most impacted by shutdown orders of their customer base.

Operator

Our next question comes from the line of Silke Kueck with JPMorgan.

Silke Kueck-Valdes - *JPMorgan Chase & Co, Research Division - VP*

I was wondering if you could tell me what your MAP savings have cumulated since you started the program? And whether you can just like roughly stick it in 3 buckets that you measure? On manufacturing, procurement, general administrative?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes. I don't have that off the top of my head. I know that we laid out pretty good detail of 3 waves. First wave was $101 million, I think, and we exceeded that by about $10 million; second wave, which we just finished, was about the same, and we're slightly ahead of that; the third wave, we think, will be delayed a little bit. You'll recall that our -- the area that I think is doing the best is manufacturing. I think we had $70 million or $75 million of total benefits split roughly between plant consolidation and continuous improvement. And when we finish fiscal '21, we will have come close to $100 million of benefits in the manufacturing area between the benefit of plant closures.

But the continuous improvement aspect has really been a home run for us, and there's more to come there. Incrementally, obviously, less. But that's a process. It becomes a permanent part of RPM, we call it MS 168. And so there's some elements of the MAP to Growth program that will be permanently part of our culture, and that's one of them.

Our procurement activities have gone particularly well. We were able to work with a major financial institution on some vendor financing, which has helped us with terms. And we've had some pretty good success in some areas we didn't anticipate, like distribution of all kinds of small stuff. And so that's going pretty well. And we're continuing to look for some new alternatives or new opportunities to continue to expand the benefits of the MAP to Growth program beyond the original communicated goals back in November of '18.

Silke Kueck-Valdes - *JPMorgan Chase & Co, Research Division - VP*

Okay. In your slide, you sort of like lay out all of the nonrecurring items. And I think your restructuring expenses like last year were like $42 million and like this year, $34 million. Just the restructuring part of it. Is that $75 million, has that been spent already? Or are there still costs that you -- are there still cash related items or cash outflows that you expect from those charges you took?

Russell L. Gordon - *RPM International Inc. - VP & CFO*

Sure, Silke. You'll see that in Note B of our 10-K when we release it at the end of the day, and it will give you the outlook for future costs and restructuring.

Silke Kueck-Valdes - *JPMorgan Chase & Co, Research Division - VP*

I just was wondering whether the -- like those are like reserves that you take. I was wondering whether you've already paid those out?

Russell L. Gordon - *RPM International Inc. - VP & CFO*

Well, yes, there's a lot of severance in our restructuring costs, as you'll see in Note B. And we have paid out a lot, but we continue to have severance costs as we continue to close facilities.

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Silke, Yes, I don't believe on the severance piece or the expense piece, there's anything that is a reserve that hasn't been paid out in cash. There are, to a much lesser extent than we had, particularly in year 1, some consulting contracts that we're tied into in terms of completing different work. But there, I don't think there are any big -- to your question, there are no big slugs of cash that are not already spent. To the extent we have reactions to an economic challenge continuing with COVID-19, then we would highlight those and incur the expense at the time.

Silke Kueck-Valdes - *JPMorgan Chase & Co, Research Division - VP*

Your corporate costs, like you used to run like something like $80 million a year. And I think this year was like $63 million and maybe you spent like nothing in the fourth quarter because of the curtailments that you took. What do you target for fiscal '21?

Russell L. Gordon - *RPM International Inc. - VP & CFO*

Sure. Yes, Silke, in a typical quarter, our nonoperating segment costs are a little over $20 million usually. And they are way down in the fourth quarter, as you saw. The year-over-year variance, about half of it was related to medical. And those costs, we basically allocate those at the beginning of the year on a per employee basis to our operating companies. And as you probably know, 99% of our employees do not work at corporate. But as the year unfolds and we get actual experience for the good or bad in medical, that experience hits our nonoperating segment. And then the fourth quarter, as medical claims went down as people avoided doctor visits, we had a favorable variance in medical. So we would expect some of that to continue in the first quarter, and we'll see beyond that. So our first quarter probably should be a little better than the usual low-20s of millions of expense in the non-op segment.

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes. So in general, you're correct. I would assume about $20 million or $20 million -- $20 million or $22 million of non-op expense. Obviously, we didn't have that in Q4. We'll do better than that in Q1, and how the year unfolds. We'll certainly let people know. That Q4 experience, by the way, wasn't unique to us. The reduction in medical expense and medical visits was pretty universal across all businesses, at least in the United States.

Silke Kueck-Valdes - *JPMorgan Chase & Co, Research Division - VP*

Yes. I was just curious like what the trends were. And the last, I was wondering if I can just touch upon the -- like again, the sort of expenses you incurred in the consumer business. Was that order -- can you quantify that in some way? Was that like a $10 million headwind in the quarter? Or was it like bigger? Or was it lower? Just sort of have some feel for what happened?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes. We haven't provided a lot of detail there. We had some raw material inflation in consumer, again, mostly around packaging that we expect to continue. You've all seen some of the announcements of some of the, in particular, can and metal packaging suppliers. We had higher expense for DIY, and I think somebody rightly assumed, if we had $5 million to $10 million of COVID expense in terms of safety issues and other issues across the whole corporation, it was disproportionately in consumer. But I think that's all the detail that we provided on that.

Operator

Our next question comes from the line of Josh Spector with UBS.

Joshua David Spector - *UBS Investment Bank, Research Division - Equity Research Associate - Chemicals*

Just a question on the strength in U.S. roofing activities, I was wondering if you could comment on any risk of pull forward in some of those projects either from later this year or maybe even from next year? I don't know if you could share anything that you're hearing from any customers or contractors on that front?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Sure. I think our consumer -- I'm sorry, our roofing business in our Construction Products Group, they're continuing to perform very well. There's no doubt that the June results that we had sales wise, when you follow pretty negative months in April and May and your June is up double-digit revenues that some of that June business was the result of projects that were delayed or halted in April and May. So there's certainly some of that. But beyond that, I think somebody earlier had asked about mix, and we expect to continue to see good mix in our Construction Products Group. The roofing business generally is less economically impacted than the construction sealants business, which has an element of DIY, but -- not DIY or an element of maintenance and repair, but also an element of new construction. So that's more impacting the construction sealants business than the roofing and waterproofing business.

Joshua David Spector - *UBS Investment Bank, Research Division - Equity Research Associate - Chemicals*

Okay. That's helpful. And I guess, similarly, in performance, you talked about some negative impact from contractors not being able to get into customer sites to perhaps supply the flooring materials. Are you seeing any change in that behavior currently?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes, slowly. And so there is more opportunity, again, in the early part of the first quarter, for instance, in our Stonhard roofing business for our crews and/or independent contractors to get into facilities and do the work. Certainly, sequentially, it's much better than April and May. Although it's still an issue in certain industries and certain facilities. And we anticipate that continuing to improve unless, of course, we're hit with another negative response from a business perspective on the COVID Health pandemic.

Operator

Our last question comes from the line of Ghansham Panjabi with Baird.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

So on consumer, I'm sorry if I missed this, but can you break out for us how the segment performed by the various geographies during the fourth quarter? And then, Frank, on your comment on the spike in costs related to e-commerce, is that just because of the abruptness of the change during the quarter? I'm just trying to get a better sense as to what you're referring to, just because, obviously, there's going to be some consumer behavioral shifts going forward. E-commerce is a massive winner, and I would assume that it's only going to grow from here for you?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Sure. So in response to the e-commerce question, we mostly ship truckloads to distribution, whether it's major home centers sending their own trucks to pick up our goods or us sending truckloads, either direct or through 2-step distribution. And in e-commerce, in some cases, we are shipping to a customer. And in other cases, we are shipping direct to the consumer in small quantities. And so that brings with it a higher cost. Does that answer your question?

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

It does. And on the international piece?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Yes. In the international piece, our growth organically in the U.S. and our consumer segment in Q4 was 12%, and we were negative everywhere else.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Got it. And just one final question on the guidance for the first quarter of 20%-plus increase in adjusted EBIT, that's just rounding up a little bit, about $40 million on an absolute basis year-over-year. How much of this -- of this increase is from MAP to Growth? And then how should we think about the raw material cost dynamics as well?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

We will give you the details on that when we report the first quarter in October.

Ghansham Panjabi - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Got it. But you ended the fourth quarter in the mid-20s, right? In terms of MAP to Growth, is that correct?

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Correct. That's correct.

Operator

This concludes today's question-and-answer session. I would now like to turn the call back to Mr. Frank Sullivan for closing remarks.

Frank C. Sullivan - *RPM International Inc. - Chairman, President & CEO*

Thanks, Sarah. In the coming weeks, we'll release our first formal environmental, social and governance report. While this will be our first official report, ESG considerations have always been an important part of how we operate at RPM.

In my opening letter, I'll discuss the fundamental values that have driven RPM sustained growth over the decades. We have long believed that responsibly serving the needs of our associates, customers and communities result in long-term generation of stockholder value. While society is asking more of companies than ever before, in ensuring safe, ethical and sustainable business practices and creating environments that promote inclusion and social justice, our ESG report will demonstrate how these values have always been a priority at RPM. At the same time, we recognize that there is more work to do. We look forward to further advancing this work and continuing to play an integral role in the communities we serve. And once you've had a chance to review this document, we would welcome your feedback and your input.

I'd like to close by expressing my gratitude to our associates around the world for their hard work and resilience during these uncertain times. They have adopted challenging conditions created by the health pandemic and are finding unique and innovative ways to safely continue operating our businesses and serving our customers, while maintaining health protocols to their benefit, their families and the communities in which we operate.

Many thanks to our shareholders for your continued investment in RPM. We remain focused on completing our MAP to Growth program and also generating long-term value for your investment. And everyone on the call, I wish you and your families good health. Thank you for joining us on our call today, and we look forward to reporting to you our first quarter results in early October. Thanks, and have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.
