



Second Quarter Results Fiscal Year 2019



Consolidated Statements of Income

(As Reported)

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

| | Fiscal Year Ended May 31, | | | | % Change |
|----------------------------------------------------------------------|---------------------------|-------|--------------|-------|-------------|
| | 2018 | % | 2017 | % | |
| Net Sales | \$ 5,321,643 | | \$ 4,958,175 | | 7.3 |
| Cost of Sales | 3,140,431 | 59.0 | 2,792,487 | 56.3 | |
| Gross Profit | 2,181,212 | 41.0 | 2,165,688 | 43.7 | |
| SG&A | 1,663,143 | 31.3 | 1,643,520 | 33.1 | |
| Restructuring Expense | 17,514 | 0.3 | - | 0.0 | |
| Goodwill & Other Intangible Impairments | - | 0.0 | 193,198 | 3.9 | |
| Other Expense (Income), Net | (598) | 0.0 | 1,667 | 0.1 | |
| EBIT* | 501,153 | 9.4 | 327,303 | 6.6 | 53.1 |
| Interest Expense | 104,547 | 2.0 | 96,954 | 1.9 | |
| Investment (Income), Net | (20,442) | (0.4) | (13,984) | (0.3) | |
| Income Before Income Taxes | 417,048 | 7.8 | 244,333 | 5.0 | |
| Provision for Income Taxes | 77,791 | 1.5 | 59,662 | 1.2 | |
| Net Income | 339,257 | 6.3 | 184,671 | 3.8 | 83.7 |
| Less: Net Income Attributable to Noncontrolling Interests | 1,487 | 0.0 | 2,848 | 0.1 | |
| Net Income Attributable to RPM Stockholders | \$ 337,770 | 6.3 | \$ 181,823 | 3.7 | 85.8 |
| Diluted Earnings Per Share | \$ 2.50 | | \$ 1.36 | | 83.8 |

*Non-GAAP measure



Consolidated Statements of Income

(As Reported)

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

Unaudited

| | Three Months Ended November 30, | | | | |
|---------------------------------------------------------------------|---------------------------------|------|--------------|-------|----------|
| | 2018 | % | 2017 | % | % Change |
| Net Sales | \$ 1,362,531 | | \$ 1,315,416 | | 3.6 |
| Cost of Sales | 824,562 | 60.5 | 764,401 | 58.1 | |
| Gross Profit | 537,969 | 39.5 | 551,015 | 41.9 | |
| SG&A | 430,080 | 31.6 | 419,599 | 31.9 | |
| Restructuring Expense | 7,724 | 0.6 | - | 0.0 | |
| Other Expense (Income), Net | 3,412 | 0.2 | (422) | 0.0 | |
| EBIT* | 96,753 | 7.1 | 131,838 | 10.0 | (26.6) |
| Interest Expense | 23,127 | 1.7 | 26,396 | 2.0 | |
| Investment Loss (Income), Net | 7,033 | 0.5 | (3,739) | (0.3) | |
| Income Before Taxes | 66,593 | 4.9 | 109,181 | 8.3 | |
| Provision for Income Taxes | 17,420 | 1.3 | 13,323 | 1.0 | |
| Net Income | 49,173 | 3.6 | 95,858 | 7.3 | (48.7) |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | (51) | 0.0 | 395 | 0.0 | |
| Net Income Attributable to RPM Stockholders | \$ 49,224 | 3.6 | \$ 95,463 | 7.3 | (48.4) |
| Diluted EPS | \$ 0.37 | | \$ 0.70 | | (47.1) |

*Non-GAAP measure



Consolidated Statements of Income

(As Reported)

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

Unaudited

| | Six Months Ended November 30, | | | | |
|-------------------------------------------------------------------------|-------------------------------|-------------|---------------------|--------------|---------------|
| | 2018 | % | 2017 | % | % Change |
| Net Sales | \$ 2,822,520 | | \$ 2,660,810 | | 6.1 |
| Cost of Sales | 1,690,509 | 59.9 | 1,537,787 | 57.8 | |
| Gross Profit | 1,132,011 | 40.1 | 1,123,023 | 42.2 | |
| SG&A | 889,822 | 31.5 | 814,008 | 30.6 | |
| Restructuring Expense | 27,800 | 1.0 | - | 0.0 | |
| Other Expense (Income), Net | 3,725 | 0.1 | (427) | 0.0 | |
| EBIT* | 210,664 | 7.5 | 309,442 | 11.6 | (31.9) |
| Interest Expense | 47,533 | 1.7 | 53,169 | 2.0 | |
| Investment Loss (Income), Net | 4,600 | 0.2 | (8,192) | (0.3) | |
| Income Before Taxes | 158,531 | 5.6 | 264,465 | 9.9 | |
| Provision for Income Taxes | 39,172 | 1.4 | 51,704 | 1.9 | |
| Net Income | 119,359 | 4.2 | 212,761 | 8.0 | (43.9) |
| Less: Net Income (Loss) Attributable to Noncontrolling Interests | 371 | 0.0 | 882 | 0.0 | |
| Net Income Attributable to RPM Stockholders | \$ 118,988 | 4.2 | \$ 211,879 | 8.0 | (43.8) |
| Diluted EPS | \$ 0.89 | | \$ 1.56 | | (42.9) |

*Non-GAAP measure



Free Cash Flow Generation

(\$ in millions)

| | Fiscal Year Ended May 31, | | | |
|---------------------------------------------------------|---------------------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2016 | 2015 |
| Net Income | \$ 339 | \$ 185 | \$ 357 | \$ 228 |
| Depreciation & Amortization | 128 | 117 | 111 | 99 |
| Working Capital & Other Operating Activities | (77) | 84 | 6 | 3 |
| Cash Flow From Operations | 390 | 386 | 474 | 330 |
| Less: Capital Expenditures | (115) | (126) | (117) | (85) |
| Less: Dividends Paid | (167) | (157) | (144) | (136) |
| Free Cash Flow* | \$ 108 | \$ 103 | \$ 213 | \$ 109 |

*Non-GAAP measure



Reconciliations of Non-GAAP Measures to GAAP Measures



Free Cash Flow Generation (Non-GAAP Measure)

(\$ in thousands)

| | Fiscal Year Ended May 31, | | | | |
|--------------------------------------------------------------------------|---------------------------|------------------|------------------|---------------------|--------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| <u>Cash Flows from Operating Activities:</u> | | | | | |
| Net income | \$ 339,257 | \$ 184,671 | \$ 357,458 | \$ 228,328 | \$ 305,984 |
| Depreciation and amortization | 128,499 | 116,773 | 111,039 | 99,176 | 90,069 |
| Working capital and all other operating activities | (77,373) | 84,683 | 6,209 | 2,944 | (117,904) |
| Cash Flow from Operations (GAAP) | 390,383 | 386,127 | 474,706 | 330,448 | 278,149 |
| <u>Cash Flows from Investing Activities:</u> | | | | | |
| Capital expenditures | (114,619) | (126,109) | (117,183) | (85,363) | (93,792) |
| <u>Cash Flows from Financing Activities:</u> | | | | | |
| Dividends | (167,476) | (156,752) | (144,350) | (136,179) | (125,743) |
| Free Cash Flow (non-GAAP measure) | 108,288 | 103,266 | 213,173 | 108,906 | 58,614 |
| All other investing activities | (146,574) | (213,556) | (48,683) | (474,090) | (55,919) |
| All other financing activities | (71,900) | 192,723 | (61,755) | 246,372 | (11,500) |
| Effect of exchange rate changes on cash and short-term investments | 4,111 | 2,912 | (12,294) | (39,345) | (1,881) |
| Net increase (decrease) in cash and short-term investments (GAAP) | \$ (106,075) | \$ 85,345 | \$ 90,441 | \$ (158,157) | \$ (10,686) |

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.

- (a) Inventory-related charges reflect a true-up of prior inventory write-offs at our Consumer Segment and current period inventory write-offs and disposals at our Industrial Segment, all of which have been recorded in cost of goods sold during fiscal 2019 in connection with our restructuring activities.*
- (b) Reflects restructuring charges, including headcount reductions, closures of facilities and accelerated vesting of equity awards in connection with key executives, all in relation to our 2020 Margin Acceleration Plan initiatives.*
- (c) Includes accelerated depreciation expense related to the shortened useful lives of facilities currently operating, but are in the process of being prepared for closure.*
- (d) Reflects the first quarter increase in our allowance for doubtful accounts deemed uncollectible as a result of a change in market and leadership strategy, offset by subsequent reversals during the second quarter of fiscal 2019.*
- (e) Includes implementation costs associated with the current phase of our ERP consolidation plan.*
- (f) Comprises professional fees incurred in connection with the negotiation of a cooperation agreement and related fees incurred in connection with hosting an investor conference. Refer to Form 8-K as filed on June 28, 2018.*
- (g) Acquisition costs reflect amounts included in gross profit for inventory disposals and step-ups related to fiscal 2019 acquisitions, and amounts included in SG&A for acquisition-related professional fees.*
- (h) Reflects the net loss on redemption of our convertible notes incurred during the second quarter of fiscal 2019.*
- (i) Includes adjustments to the fair value of contingent earnout obligations recorded during the second quarter of fiscal 2019.*
- (j) Reflects other expense associated with a change in ownership of a joint venture in South Africa, as required by local legislation in order to qualify for doing business in South Africa.*



EBIT* (Non-GAAP Measure): RPM Consolidated

(As Reported)

Unaudited (\$ in thousands, except percent data)

| | Three Months Ended November 30, | |
|-----------------------------------------------------------------------|---------------------------------|----------------|
| | 2018 | 2017 |
| Income Before Income Taxes | \$ 66,593 | \$ 109,181 |
| Add: Interest Expense, Net | 30,160 | 22,657 |
| EBIT* (non-GAAP measure) | 96,753 | 131,838 |
| <i>Inventory-related charges (a)</i> | 3,609 | - |
| <i>Restructuring expense (b)</i> | 7,724 | - |
| <i>Facility closure expense - other (c)</i> | 3,706 | - |
| <i>Receivable write-offs (d)</i> | (1,121) | - |
| <i>ERP consolidation plan (e)</i> | 1,188 | - |
| <i>Professional fees for negotiation of cooperation agreement (f)</i> | 5,189 | - |
| <i>Acquisition-related costs (g)</i> | 2,931 | - |
| <i>Convertible debt extinguishment (h)</i> | 3,052 | - |
| <i>Fair value adjustments to acquisition earnout (i)</i> | 2,398 | - |
| <i>Loss on South Africa Business EE (j)</i> | 540 | - |
| Adjusted EBIT | 125,969 | 131,838 |
| Net Sales | 1,362,531 | 1,315,416 |
| EBIT* as % of Net Sales (non-GAAP measure) | 7.1% | 10.0% |
| Adjusted EBIT* as % of Net Sales (non-GAAP measure) | 9.2% | 10.0% |

* 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.

NOTE: Refer to slide 8 for all adjustment detail



EBIT* (Non-GAAP Measure): RPM Consolidated

(As Reported)

Unaudited (\$ in thousands, except percent data)

Six Months Ended November 30,

| | 2018 | 2017 |
|----------------------------------------------------------------|----------------|----------------|
| Income Before Income Taxes | \$ 158,531 | \$ 264,465 |
| Add: Interest Expense, Net | 52,133 | 44,977 |
| EBIT* (non-GAAP measure) | 210,664 | 309,442 |
| Inventory-related charges (a) | 7,933 | - |
| Restructuring expense (b) | 27,800 | - |
| Facility closure expense - other (c) | 6,161 | - |
| Receivable write-offs (d) | 6,899 | - |
| ERP consolidation plan (e) | 1,847 | - |
| Professional fees for negotiation of cooperation agreement (f) | 9,486 | - |
| Acquisition-related costs (g) | 2,931 | - |
| Convertible debt extinguishment (h) | 3,052 | - |
| Fair value adjustments to acquisition earnout (i) | 2,398 | - |
| Loss on South Africa Business EE (j) | 540 | - |
| Adjusted EBIT | 279,711 | 309,442 |
| Net Sales | 2,822,520 | 2,660,810 |
| EBIT* as % of Net Sales (non-GAAP measure) | 7.5% | 11.6% |
| Adjusted EBIT* as % of Net Sales (non-GAAP measure) | 9.9% | 11.6% |

* 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.

NOTE: Refer to slide 8 for all adjustment detail



Reconciliation of "Reported" to "Adjusted" Net Income

| | Three Months Ended November 30, | |
|---------------------------------------------------------|---------------------------------|-----------|
| | 2018 | 2017 |
| Net Income, As Reported | \$ 49,173 | \$ 95,858 |
| Adjustments, pre-tax | 27,106 | |
| Tax impact of adjustments and prior year tax adjustment | (6,557) | (18,014) |
| Net Income, As Adjusted | \$ 69,722 | \$ 77,844 |

NOTE: Refer to slide 8 for all adjustment detail



Reconciliation of "Reported" to "Adjusted" Net Income

| | Six Months Ended November 30, | |
|---------------------------------------------------------|-------------------------------|------------|
| | 2018 | 2017 |
| Net Income, As Reported | \$ 119,359 | \$ 212,761 |
| Adjustments, pre-tax | 66,937 | |
| Tax impact of adjustments and prior year tax adjustment | (13,188) | (18,014) |
| Net Income, As Adjusted | \$ 173,108 | \$ 194,747 |

NOTE: Refer to slide 8 for all adjustment detail



Reconciliation of “Reported” to “Adjusted” SGA

| | Three Months Ended November 30, | |
|--------------------------------------------|---------------------------------|------------|
| | 2018 | 2017 |
| SGA, As Reported | \$ 430,080 | \$ 419,599 |
| 2020 MAP to Growth related initiatives (a) | (7,844) | - |
| Acquisition-related costs (b) | (66) | - |
| Loss on South Africa Business EE (c) | (540) | - |
| SGA, As Adjusted (d) | \$ 421,630 | \$ 419,599 |

- (a) Reflects restructuring charges, including: headcount reductions; closures of facilities; accelerated vesting of equity awards in connection with key executives, inventory-related charges to true-up prior inventory write-offs at our Consumer Segment during the fiscal 2019 first quarter and inventory write-offs and disposals at our Industrial Segment during the first half of fiscal 2019, all of which have been recorded in cost of goods sold; accelerated depreciation expense related to the shortened useful lives of facilities being prepared for closure; increases in our allowance for doubtful accounts deemed uncollectible as a result of a change in market and leadership strategy; implementation costs associated with our ERP consolidation plan; and professional fees incurred in connection with the negotiation of a cooperation agreement and related fees in connection with hosting an investor conference, all of which have been incurred in relation to our 2020 Margin Acceleration Plan initiatives.
- (b) Acquisition costs reflect amounts included in SG&A for acquisition-related professional fees incurred during the second quarter of fiscal 2019.
- (c) Reflects other expense associated with a change in ownership of a business in South Africa, as required by local legislation in order to qualify for doing business in South Africa.
- (d) Adjusted SG&A and adjusted EPS is provided for the purpose of adjusting SG&A and diluted earnings per share for impacting earnings that are not considered by management to be indicative of ongoing operations.



Reconciliation of “Reported” to “Adjusted” SGA

| | Six Months Ended November 30, | |
|--------------------------------------------|-------------------------------|------------|
| | 2018 | 2017 |
| SGA, As Reported | \$ 889,822 | \$ 814,008 |
| 2020 MAP to Growth related initiatives (a) | (20,831) | - |
| Acquisition-related costs (b) | (66) | - |
| Loss on South Africa Business EE (c) | (540) | - |
| SGA, As Adjusted (d) | \$ 868,385 | \$ 814,008 |

- (a) Reflects restructuring charges, including: headcount reductions; closures of facilities; accelerated vesting of equity awards in connection with key executives, inventory-related charges to true-up prior inventory write-offs at our Consumer Segment during the fiscal 2019 first quarter and inventory write-offs and disposals at our Industrial Segment during the first half of fiscal 2019, all of which have been recorded in cost of goods sold; accelerated depreciation expense related to the shortened useful lives of facilities being prepared for closure; increases in our allowance for doubtful accounts deemed uncollectible as a result of a change in market and leadership strategy; implementation costs associated with our ERP consolidation plan; and professional fees incurred in connection with the negotiation of a cooperation agreement and related fees in connection with hosting an investor conference, all of which have been incurred in relation to our 2020 Margin Acceleration Plan initiatives.
- (b) Acquisition costs reflect amounts included in SG&A for acquisition-related professional fees incurred during the second quarter of fiscal 2019.
- (c) Reflects other expense associated with a change in ownership of a business in South Africa, as required by local legislation in order to qualify for doing business in South Africa.
- (d) Adjusted SG&A and adjusted EPS is provided for the purpose of adjusting SG&A and diluted earnings per share for impacting earnings that are not considered by management to be indicative of ongoing operations.



Reconciliation of "Reported" to "Adjusted" EPS

| | Three Months Ended November 30, | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------------|
| | 2018 | 2017 |
| <u>Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share (All amounts presented after-tax):</u> | | |
| Reported Earnings per Diluted Share | \$ 0.37 | \$ 0.70 |
| <i>Inventory-related charges (a)</i> | 0.02 | - |
| <i>Restructuring expense (b)</i> | 0.04 | - |
| <i>Facility closure expense - other (c)</i> | 0.02 | - |
| <i>Receivable write-offs (d)</i> | (0.01) | - |
| <i>ERP consolidation plan (e)</i> | 0.01 | - |
| <i>Professional fees for negotiation of cooperation agreement (f)</i> | 0.03 | - |
| <i>Acquisition-related costs (g)</i> | 0.02 | - |
| <i>Convertible debt extinguishment (h)</i> | 0.01 | - |
| <i>Fair value adjustments to acquisition earnout (i)</i> | 0.01 | - |
| <i>Discrete tax adjustment (k)</i> | - | (0.13) |
| Adjusted Earnings per Diluted Share (l) | \$ 0.52 | \$ 0.57 |

(k) Represents a prior year second quarter favorable discrete tax adjustment related to a foreign legal entity realignment and corresponding tax strategy.

(l) Adjusted EPS is provided for the purpose of adjusting diluted earnings per share for one-off items impacting revenues and/or expenses that are not considered by management to be indicative of ongoing operations.

NOTE: Refer to slide 8 for all adjustment detail



Reconciliation of "Reported" to "Adjusted" EPS

| | Six Months Ended November 30, | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------|
| | 2018 | 2017 |
| <u>Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share (All amounts presented after-tax):</u> | | |
| Reported Earnings per Diluted Share | \$ 0.89 | \$ 1.56 |
| <i>Inventory-related charges (a)</i> | 0.05 | - |
| <i>Restructuring expense (b)</i> | 0.15 | - |
| <i>Facility closure expense - other (c)</i> | 0.04 | - |
| <i>Receivable reserves (d)</i> | 0.05 | - |
| <i>ERP consolidation plan (e)</i> | 0.01 | - |
| <i>Professional fees for negotiation of cooperation agreement (f)</i> | 0.05 | - |
| <i>Acquisition-related costs (g)</i> | 0.02 | - |
| <i>Convertible debt extinguishment (h)</i> | 0.01 | - |
| <i>Fair value adjustments to acquisition earnout (i)</i> | 0.01 | - |
| <i>Discrete tax adjustment (k)</i> | - | (0.13) |
| Adjusted Earnings per Diluted Share (l) | \$ 1.28 | \$ 1.43 |

(k) Represents a prior year second quarter favorable discrete tax adjustment related to a foreign legal entity realignment and corresponding tax strategy.

(l) Adjusted EPS is provided for the purpose of adjusting diluted earnings per share for one-off items impacting revenues and/or expenses that are not considered by management to be indicative of ongoing operations.

NOTE: Refer to slide 8 for all adjustment detail



EBIT* (Non-GAAP Measure): Industrial Segment

(As Reported)

Unaudited (\$ in thousands, except percent data)

| | Three Months Ended November 30, | |
|------------------------------------------------------------|---------------------------------|---------------|
| | 2018 | 2017 |
| Income Before Income Taxes | \$ 54,393 | \$ 67,696 |
| Add: Interest Expense, Net | 2,417 | 2,513 |
| EBIT* (non-GAAP measure) | 56,810 | 70,209 |
| <i>Inventory-related charges (a)</i> | 2,633 | - |
| <i>Restructuring expense (b)</i> | 4,424 | - |
| <i>Facility closure expense - other (c)</i> | 3,052 | - |
| <i>Receivable reserves (d)</i> | (1,121) | - |
| <i>ERP consolidation plan (e)</i> | 348 | - |
| <i>Acquisition-related costs (g)</i> | 1,823 | - |
| <i>Fair value adjustments to acquisition earnout (i)</i> | 2,398 | - |
| <i>Loss on South Africa Business EE (j)</i> | 540 | - |
| Adjusted EBIT | 70,907 | 70,209 |
| Net Sales | 717,968 | 702,905 |
| EBIT* as % of Net Sales (non-GAAP measure) | 7.9% | 10.0% |
| Adjusted EBIT* as % of Net Sales (non-GAAP measure) | 9.9% | 10.0% |

* 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.

NOTE: Refer to slide 8 for all adjustment detail



EBIT* (Non-GAAP Measure): Industrial Segment

(As Reported)

Unaudited (\$ in thousands, except percent data)

| | Six Months Ended November 30, | |
|------------------------------------------------------------|-------------------------------|----------------|
| | 2018 | 2017 |
| Income Before Income Taxes | \$ 123,450 | \$ 156,598 |
| Add: Interest Expense, Net | 4,810 | 5,067 |
| EBIT* (non-GAAP measure) | 128,260 | 161,665 |
| <i>Inventory-related charges (a)</i> | 7,110 | - |
| <i>Restructuring expense (b)</i> | 11,803 | - |
| <i>Facility closure expense - other (c)</i> | 5,492 | - |
| <i>Receivable reserves (d)</i> | 6,899 | - |
| <i>ERP consolidation plan (e)</i> | 348 | - |
| <i>Acquisition-related costs (g)</i> | 1,823 | - |
| <i>Fair value adjustments to acquisition earnout (i)</i> | 2,398 | - |
| <i>Loss on South Africa Business EE (j)</i> | 540 | - |
| Adjusted EBIT | 164,673 | 161,665 |
| Net Sales | 1,499,941 | 1,432,673 |
| EBIT* as % of Net Sales (non-GAAP measure) | 8.6% | 11.3% |
| Adjusted EBIT* as % of Net Sales (non-GAAP measure) | 11.0% | 11.3% |

* 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.

NOTE: Refer to slide 8 for all adjustment detail



EBIT* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited (\$ in thousands, except percent data)

| | Three Months Ended November 30, | |
|------------------------------------------------------------|---------------------------------|---------------|
| | 2018 | 2017 |
| Income Before Income Taxes | \$ 41,239 | \$ 45,085 |
| Add: Interest Expense, Net | 107 | 143 |
| EBIT* (non-GAAP measure) | 41,346 | 45,228 |
| <i>Inventory-related charges (a)</i> | 976 | - |
| <i>Restructuring expense (b)</i> | 451 | - |
| <i>Facility closure expense - other (c)</i> | 143 | - |
| Adjusted EBIT | 42,916 | 45,228 |
| Net Sales | 432,576 | 415,431 |
| EBIT* as % of Net Sales (non-GAAP measure) | 9.6% | 10.9% |
| Adjusted EBIT* as % of Net Sales (non-GAAP measure) | 9.9% | 10.9% |

* 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.

NOTE: Refer to slide 8 for all adjustment detail



EBIT* (Non-GAAP Measure): Consumer Segment

(As Reported)

Unaudited (\$ in thousands, except percent data)

| | Six Months Ended November 30, | |
|-----------------------------------------------------|-------------------------------|----------------|
| | 2018 | 2017 |
| Income Before Income Taxes | \$ 92,535 | \$ 117,453 |
| Add: Interest Expense, Net | 272 | 339 |
| EBIT* (non-GAAP measure) | 92,807 | 117,792 |
| <i>Inventory-related charges (a)</i> | 823 | - |
| <i>Restructuring expense (b)</i> | 2,002 | - |
| <i>Facility closure expense - other (c)</i> | 154 | - |
| Adjusted EBIT | 95,786 | 117,792 |
| Net Sales | 917,772 | 842,575 |
| EBIT* as % of Net Sales (non-GAAP measure) | 10.1% | 14.0% |
| Adjusted EBIT* as % of Net Sales (non-GAAP measure) | 10.4% | 14.0% |

* 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.

NOTE: Refer to slide 8 for all adjustment detail



EBIT* (Non-GAAP Measure): Specialty Segment

(As Reported)

Unaudited (\$ in thousands, except percent data)

| | Three Months Ended November 30, | |
|------------------------------------------------------------|---------------------------------|----------------|
| | 2018 | 2017 |
| Income Before Income Taxes | \$ 29,979 | \$ 34,439 |
| Add: Interest (Income), Net | (94) | (78) |
| EBIT* (non-GAAP measure) | 29,885 | 34,361 |
| <i>Restructuring expense (b)</i> | 1,788 | - |
| <i>Facility closure expense - other (c)</i> | 511 | - |
| <i>ERP consolidation plan (e)</i> | 840 | - |
| <i>Acquisition-related costs (g)</i> | 1,108 | - |
| Adjusted EBIT | 34,132 | 34,361 |
| Net Sales | 211,987 | 197,080 |
| EBIT* as % of Net Sales (non-GAAP measure) | 14.1% | 17.4% |
| Adjusted EBIT* as % of Net Sales (non-GAAP measure) | 16.1% | 17.4% |

* 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.

NOTE: Refer to slide 8 for all adjustment detail



EBIT* (Non-GAAP Measure): Specialty Segment

(As Reported)

Unaudited (\$ in thousands, except percent data)

| | Six Months Ended November 30, | |
|------------------------------------------------------------|-------------------------------|----------------|
| | 2018 | 2017 |
| Income Before Income Taxes | \$ 57,780 | \$ 67,606 |
| Add: Interest (Income), Net | (163) | (198) |
| EBIT* (non-GAAP measure) | 57,617 | 67,408 |
| <i>Restructuring expense (b)</i> | 3,935 | - |
| <i>Facility closure expense - other (c)</i> | 515 | - |
| <i>ERP consolidation plan (e)</i> | 1,499 | - |
| <i>Acquisition-related costs (g)</i> | 1,108 | - |
| Adjusted EBIT | 64,674 | 67,408 |
| Net Sales | 404,807 | 385,562 |
| EBIT* as % of Net Sales (non-GAAP measure) | 14.2% | 17.5% |
| Adjusted EBIT* as % of Net Sales (non-GAAP measure) | 16.0% | 17.5% |

* 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.

NOTE: Refer to slide 8 for all adjustment detail



EBIT* & EBITDA (Non-GAAP Measures)

(In thousands)

| | 2014 | 2015 ⁽²⁾ | 2016 | 2017 | 2018 |
|---------------------------------------------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
| Net income | \$ 305,984 | \$ 228,328 | \$ 357,458 | \$ 184,671 | \$ 339,257 |
| Add: Restructuring charges | | | | | 17,514 |
| Add: Provision (benefit) for income taxes | 118,503 | 224,925 | 126,008 | 59,662 | 77,791 |
| Add: Interest expense | 80,951 | 87,615 | 91,683 | 96,954 | 104,547 |
| Add: Investment expense (income), net | (15,715) | (18,577) | (10,365) | (13,984) | (20,442) |
| Add: Inventory-related charges | | | | | 37,683 |
| Add: ERP consolidation plan | | | | | 1,416 |
| Add: Corporate Governance professional fees | | | | | 1,467 |
| Add: Charge to exit Flowcrete China | | | | | 4,164 |
| Add: Charge to exit Flowcrete Middle East | | | | 12,275 | |
| Add: Goodwill and other intangible asset impairments | | | | 188,298 | |
| Add: Severance expense | | | | 15,001 | |
| EBIT * (non-GAAP measure) | 489,723 | 522,291 | 564,784 | 542,877 | 563,397 |
| Add: Amortization | 31,526 | 36,988 | 44,307 | 44,903 | 46,527 |
| EBITA * (non-GAAP measure) | 521,249 | 559,279 | 609,091 | 587,780 | 609,924 |
| Add: Depreciation | 58,543 | 62,188 | 66,732 | 71,870 | 81,976 |
| EBITDA * (non-GAAP measure) | 579,792 | 621,467 | 675,823 | 659,650 | 691,900 |
| Deduct: Interest expense | (80,951) | (87,615) | (91,683) | (96,954) | (104,547) |
| Deduct: Investment expense (income), net | 15,715 | 18,577 | 10,365 | 13,984 | 20,442 |
| Deduct: Provision (benefit) for income taxes | (118,503) | (224,925) | 126,008 | (59,662) | (77,791) |
| Add: Changes in operating assets, liabilities and other | (117,904) | 2,944 | 6,209 | (130,891) | (139,621) |
| Cash from operating activities | \$ 278,149 | \$ 330,448 | \$ 474,706 | \$ 386,127 | \$ 390,383 |
| Net sales | \$4,376,353 | \$4,594,550 | \$4,813,649 | \$4,958,175 | \$5,321,643 |
| EBITA * as % of net sales (non-GAAP measure) | 11.9% | 12.2% | 12.7% | 11.9% | 11.5% |
| EBITDA * as % of net sales (non-GAAP measure) | 13.2% | 13.5% | 14.0% | 13.3% | 13.0% |

*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 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 ASC 740-30 tax liability for the potential repatriation of foreign earnings and related impact on NCI Net Income.