To Our Shareholders

For our fiscal 2019 first quarter, we generated a strong 8.5% increase in sales. Driving top-line results was organic growth of 7.8%, which was led by our consumer and industrial segments. As anticipated, our specialty segment faced a tough year-over-year comparison due to the storm-related sales boost our Legend Brands restoration equipment business received last summer, as well as the impact the NatureSeal edible coatings patent expiration had on our Mantrose-Hauser business.

Leveraging our strong sales results to the bottom line was difficult due to the fifth consecutive quarter of rising raw material costs. However, we believe that this first quarter is the peak of the mismatch between our raw material costs and the ability of our companies to secure offsetting price increases. We anticipate a steady improvement between our raw material costs and our pricing and product mix beginning in the second quarter and continuing for the balance of the fiscal year. In addition, bottom-line results reflected the impact of restructuring charges, higher legal and advertising costs in our consumer segment, and the adverse effect of transactional foreign exchange.

Our team remains focused on driving increased profitability, long-term growth and enhanced value for our shareholders. We are making good progress in executing on our operating improvement plan, which is specifically designed to increase margins, reduce working capital and improve overall operating efficiency. During the quarter, we continued our strategic restructuring initiatives, including the reduction of more than 150 positions and the announced closure of four manufacturing facilities. All of these actions are in line with our operating improvement initiative, which has been named the 2020 MAP to Growth (Margin Acceleration Plan).

November 28th Investor Day

On Wednesday, November 28, 2018, we will host an Investor Day in Baltimore, Maryland. At this event, we will provide details on our 2020 MAP to Growth initiative, including capital allocation guidelines, expectations for significant expense savings, long-term margin improvement and the specific timelines for their achievement. Management presentations will begin at approximately 12:30 pm. ET. They will be webcast live and as a replay via the RPM website at www.rpminc.com.

First-Quarter Results

Turning to our results for the fiscal 2019 first quarter, net sales were a record $1.46 billion, up 8.5% over the $1.35 billion reported a year ago. Including the impact of restructuring charges, first-quarter net income was $69.8 million versus $116.4 million in the year-ago period, and diluted earnings per share (EPS) were $0.52 compared to $0.86 in the year-ago quarter. Income before income taxes (IBT) was $91.9 million compared to $155.3 million reported in the fiscal 2018 first quarter. Our consolidated earnings before interest and taxes (EBIT) were $113.9 million compared to $177.6 million reported in the fiscal 2018 first quarter. The fiscal 2019 first quarter included asset write-offs and other restructuring-related expenses of $39.8 million. Excluding these charges, our adjusted EBIT was $153.7 million and diluted EPS was $0.76.

First-Quarter Segment Results

Our industrial segment net sales increased 7.2%, to $782.0 million from $729.8 million reported a year ago, reflecting organic growth of 6.7% and acquisitions contributing an additional 1.6%. Foreign currency translation reduced sales by 1.1%. Industrial segment IBT was $69.1 million compared with $88.9 million a year ago. EBIT was $71.5 million compared to $91.5 million in the fiscal 2018 first quarter. Adjusted EBIT, which excludes the charges mentioned earlier, increased 2.5% to $93.8 million from the year-ago period.

The industrial segment benefited from especially strong performance in North American waterproofing and a healthy recovery in our businesses serving the oil and gas sector. Bottom-line leverage was masked by unfavorable transactional foreign exchange expense resulting from the strengthening of the dollar versus certain international currencies. In the process of realigning our global brands, we adjusted our leadership structure, initiated the closure of two plants and discontinued certain international product lines.

The consumer segment generated a 13.6% increase in sales to $485.2 million from $427.1 million in the fiscal 2018 first quarter. Organic sales increased 12.4%, while acquisition growth contributed 1.7%. Foreign currency translation reduced sales by 0.5%. Consumer segment IBT was $51.3 million compared with $72.4 million in the prior-year period. EBIT was $51.5 million compared to $72.6 million in the fiscal 2018 first quarter. Excluding asset write-offs and other restructuring-related expenses, adjusted EBIT was $52.9 million versus the prior period.

Consumer segment sales were strong due to new accounts and market share gains, particularly in wood stains and automotive finishes. We had anticipated that the fiscal 2019 first quarter would be the high-water mark for margin erosion in the consumer segment. We responded with price increases late in the first quarter to help address this. In addition, legal costs accounted for nearly half of the EBIT decline for the quarter, with much of the remainder resulting from stepped up advertising to support recent market share gains.

Our specialty segment reported sales growth of 2.3%, to $192.8 million from $188.5 million in the fiscal 2018 first quarter. Organic growth contributed 2.0%, while acquisition growth was 0.4%. Foreign currency translation reduced sales by 0.1%. Specialty segment IBT was $27.8 million compared with $33.2 million in the prior-year period. EBIT was $27.7 million compared to $33.0 million in the fiscal 2018 first quarter. Adjusted EBIT, which excludes restructuring-related expenses, was $30.5 million in the fiscal 2019 first quarter.

The specialty segment's first-quarter results for the prior year were elevated by our water damage restoration businesses' response to Hurricane Harvey, which created tougher year-over-year comparisons. Also, the first quarter of fiscal 2019 is the last quarter of negative comparisons related to last August's NatureSeal patent expiration.

Cash Flow and Financial Position

During the fiscal 2019 first quarter, cash used from operations was $7.1 million compared to $26.1 million a year ago. Capital expenditures were $28.3 million in the quarter, compared to $17.5 million in the year-ago period.

Total debt at August 31, 2018, of $2.27 billion compares to $2.17 billion at May 31, 2018, and $2.12 billion at the end of last year's first quarter. Net (of cash) debt-to-total capital was 56.2%, versus 54.7% at the end of last year's first quarter and 54.2% at the end of the prior fiscal year. Total liquidity, including cash and long-term available credit, was $868.9 million, compared to $1.0 billion a year ago and $1.0 billion at May 31, 2018.

Continued on inside page

Quarterly
Report 1

RPM International Inc.

First-Quarter Report

For Period Ended August 31, 2018

- Sales increase 8.5% to first-quarter record
- Raw material costs and restructuring expenses affect profitability
- Operating improvement plan streamlines costs
- Dividend increased for 45th consecutive year
- Plan update to be provided at Nov. 28 Investor Day

The Value of 168®

Redemption of 2.25% Convertible Senior Notes Due 2020

One indicator of how we feel about our long-term prospects is the action we announced on September 25, 2018, to redeem our 2.25%, $205 million convertible bond due in December of 2020. Our stock price performance had met the criteria to allow us to redeem these bonds early. We chose to do so in a manner that will provide bondholders face value for their bonds in cash with a premium related to the conversion ratio to be paid in shares of RPM stock as of the November 27, 2018, redemption date. The net effect of the terms of this redemption is roughly a three million share repurchase on a fully diluted basis without negatively impacting our balance sheet ratios or debt metrics. Additionally, we have repurchased approximately one million shares of RPM stock. Combined, these actions will result in the repurchase of about four million shares of RPM stock.

Recent Acquisitions to Boost Growth

On September 11, 2018, we reported the acquisition of Nudura Corporation, the leading manufacturer and distributor of insulated concrete forms (ICF) in North America. Nudura has annual net sales in excess of $40 million. Its product line will complement our Dryvit company's exterior insulation and finish systems (EIFS) product offering, allowing for enhanced cross-selling opportunities. At the same time, Nudura's manufacturing footprint will be leveraged for efficiencies in the manufacturing of Dryvit's NewBrick product, as well as products of other companies within our Specialty Products Group.

On August 1, 2018, we announced that our Rust-Oleum group acquired the Mean Green branded line of specialty cleaning products and the exclusive North American licensing for Roto-Rooter branded drain care products. These product lines have annual net sales of approximately $20 million. They will be integrated into Rust-Oleum's current portfolio of cleaning products.

Directors Elected at Annual Meeting

On October 4, 2018, we welcomed approximately 700 shareholders to our annual meeting. At the meeting, five directors were elected to serve in Class II with three-year terms expiring at the annual meeting of stockholders in 2021. They included John P. Abizaid, senior partner at JPA Partners LLC; John M. Ballbach, former chairman and CEO of VWR International, LLC; Bruce A. Carbonari, retired chairman and CEO of Fortune Brands, Inc.; Jenniffer D. Deckard, president and CEO of Covia Holdings Corporation; and Salvatore D. Fazzolari, former chairman, president and CEO of Harsco Corporation. In addition, proposed amendments to our Certificate of Incorporation and By-Laws were not approved because they did not achieve the required affirmative vote of at least 80 percent of the voting power of outstanding shares of common stock as of the record date. These amendments would have required the annual election of directors and reduced the threshold for action taken by shareholders to a simple majority.

Dividend Increased for 45th Consecutive Year

During the meeting, we announced that our board of directors declared a regular quarterly cash dividend of $0.35 per share, payable on October 31, 2018, to stockholders of record as of October 16, 2018. This payment represents a 9.4 percent increase over the $0.32 quarterly cash dividend paid at this time last year. This action marks RPM's 45th consecutive year of increased cash dividends. Only 41 other companies, besides RPM, have consecutively paid an increasing annual dividend for this period of time or longer, according to the Mergent Handbook of Dividend Achievers. Annually increasing our cash dividend is one of the primary ways we deliver value to our shareholders. It is key to our ability to consistently drive long-term growth and outperform the cumulative total return of the broader market.

Three Promotions Support Realignment

As part of the organizational realignment that will support our operating improvement initiatives, we promoted Lonny DiRusso to vice president and chief information officer, Matthew Franklin to vice president – information technology, and Gordon Hyde to vice president – operations. These seasoned RPM veterans have been instrumental to our success over the years. We look forward to seeing their respective expertise put to work for RPM on a larger scale as they unlock value in our operations and IT, and drive greater collaboration between our companies worldwide.

Business Outlook Positive

During the remaining three quarters of fiscal 2019, our businesses will continue to aggressively pursue price increases to improve gross profit margins in response to continued raw material cost escalation.

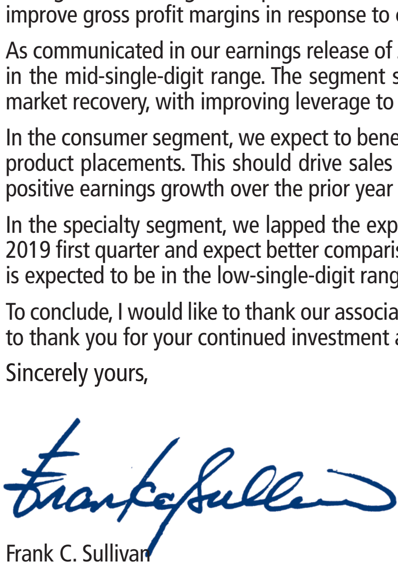
As communicated in our earnings release of July 19, 2018, we expect full-year fiscal 2019 industrial segment sales to grow in the mid-single-digit range. The segment should benefit from steady construction activity and the ongoing oil and gas market recovery, with improving leverage to the bottom line.

In the consumer segment, we expect to benefit from recent market share gains and stepped-up advertising to support new product placements. This should drive sales growth in the mid- to upper-single-digit range, which will begin to generate positive earnings growth over the prior year in the coming quarters.

In the specialty segment, we lapped the expiration date of our NatureSeal edible coating patent as of the end of its fiscal 2019 first quarter and expect better comparisons for this product line going forward. Sales growth in the specialty segment is expected to be in the low-single-digit range.

To conclude, I would like to thank our associates around the world for competing and winning in the markets they serve and to thank you for your continued investment and confidence in RPM.

Sincerely yours,



Frank C. Sullivan
Chairman and Chief Executive Officer

October 22, 2018

168®

The Value of 168 is a statement of the corporate philosophy of RPM. This figure, often cited by our founder Frank C. Sullivan, literally represents the number of hours in a week. On a deeper level, it serves to remind us of his belief that we are born with two great gifts: life and the time to do something with it.

The Value of 168 signifies RPM's enduring commitment to our fellow employees, customers and stockholders. This commitment springs from an ethos woven into our culture. It is evident in the stimulus of a work environment characterized by empowerment, accountability, opportunity and respect. The care that goes into building and sustaining long-term relationships with those we serve. The refusal to compromise on quality. The integrity that ensures results the right way.

The Value of 168 is the essence of RPM.

Consolidated Statements of Income

IN THOUSANDS, EXCEPT PER SHARE DATA (UNAUDITED)

	Three Months Ended August 31, 2018	Three Months Ended August 31, 2017
Net Sales	$ 1,459,989	$ 1,345,394
Cost of sales	865,947	773,386
Gross profit	594,042	572,008
Selling, general & administrative expenses	459,742	394,409
Restructuring charges	20,076	
Interest expense	24,406	26,773
Investment (income), net	(2,433)	(4,453)
Other expense (income), net	313	(5)
Income before income taxes	91,938	155,284
Provision for income taxes	21,752	38,381
Net income	70,186	116,903
Less: Net income attributable to noncontrolling interests	422	487
Net income attributable to RPM International Inc. Stockholders	$ 69,764	$ 116,416
Earnings per share of common stock attributable to RPM International Inc. Stockholders:		
Basic	$ 0.52	$ 0.87
Diluted	$ 0.52	$ 0.86
Average shares of common stock outstanding - basic	131,861	131,236
Average shares of common stock outstanding - diluted	136,430	135,720

Supplemental Information

RECONCILIATION OF "REPORTED" TO "ADJUSTED" AMOUNTS *(Unaudited)*

<u>Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share *(All amounts presented after-tax)*:</u>	Three Months Ended August 31, 2018	Three Months Ended August 31, 2017
Reported Earnings per Diluted Share	$ 0.52	$ 0.86
Inventory-related charges (d)	0.03	
Restructuring charges (e)	0.11	
Facility closure expense - other (f)	0.01	
Receivable reserves (g)	0.06	
ERP consolidation plan (h)	0.01	
Professional fees for negotiation of cooperation agreement (i)	0.02	
Adjusted Earnings per Diluted Share (j)	$ 0.76	$ 0.86

(d) 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 the first quarter of fiscal 2019 in connection with our restructuring activities.
(e) 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.
(f) Includes accelerated depreciation expense related to the shortened useful lives of facilities currently operating, but are in the process of being prepared for closure.
(g) Reflects the increase in our allowance for doubtful accounts deemed uncollectible as a result of a change in market and leadership strategy.
(h) Includes implementation costs associated with the current phase of our ERP consolidation plan.
(i) Comprises professional fees incurred in connection with the negotiation of a cooperation agreement. Refer to Form 8-K as filed on June 28, 2018.
(j) 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.

Consolidated Balance Sheets

IN THOUSANDS (UNAUDITED)

	August 31, 2018		August 31, 2017		May 31, 2018	
Assets						
Current Assets						
Cash and cash equivalents	$	202,183	$	236,191	$	244,422
Trade accounts receivable	1,126,184		1,060,147		1,160,162	
Allowance for doubtful accounts	(55,558)		(45,063)		(46,344)	
Net trade accounts receivable		1,070,626		1,015,084		1,113,818
Inventories		853,573		851,312		834,461
Prepaid expenses and other current assets		306,333		260,361		278,230
Total current assets		2,432,715		2,362,948		2,470,931
Property, Plant and Equipment, at Cost		1,589,312		1,526,565		1,575,875
Allowance for depreciation		(812,253)		(770,692)		(795,569)
Property, plant and equipment, net		777,059		755,873		780,306
Other Assets						
Goodwill		1,187,705		1,169,083		1,192,174
Other intangible assets, net of amortization		585,056		587,274		584,272
Deferred income taxes, non-current		21,953		22,126		21,897
Other		218,904		211,612		222,242
Total other assets		2,013,618		1,990,095		2,020,585
Total Assets	$	5,223,392	$	5,108,916	$	5,271,822
Liabilities and Stockholders' Equity						
Current Liabilities						
Accounts payable	$	500,913	$	469,954	$	592,281
Current portion of long-term debt		3,376		254,061		3,501
Accrued compensation and benefits		119,037		115,124		177,106
Accrued losses		30,295		26,406		22,132
Other accrued liabilities		224,515		229,602		211,706
Total current liabilities		878,136		1,095,147		1,006,726
Long-Term Liabilities						
Long-term debt, less current maturities		2,267,159		1,868,229		2,170,643
Other long-term liabilities		360,074		491,677		356,892
Deferred income taxes		104,644		91,660		104,023
Total long-term liabilities		2,731,877		2,451,566		2,631,558
Total liabilities		3,610,013		3,546,713		3,638,284
Commitments and contingencies						
Stockholders' Equity						
Preferred stock; none issued						
Common stock (outstanding 133,408; 133,537; 133,647)		1,334		1,335		1,336
Paid-in capital		992,086		961,956		982,067
Treasury stock, at cost		(256,899)		(223,567)		(236,318)
Accumulated other comprehensive (loss)		(493,026)		(429,382)		(459,048)
Retained earnings		1,366,952		1,248,769		1,342,736
Total RPM International Inc. stockholders' equity		1,610,447		1,559,111		1,630,773
Noncontrolling interest		2,932		3,092		2,765
Total equity		1,613,379		1,562,203		1,633,538
Total Liabilities and Stockholders' Equity	$	5,223,392	$	5,108,916	$	5,271,822

Consolidated Statements of Cash Flows

IN THOUSANDS (UNAUDITED)

	Three Months Ended August 31,	
	2018	2017
Cash Flows From Operating Activities:		
Net income	$ 70,186	$ 116,903
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	24,068	19,893
Amortization	11,472	11,483
Restructuring charges, net of payments	7,084	
Deferred income taxes	(561)	9,815
Stock-based compensation expense	6,668	7,465
Other non-cash interest expense	775	1,422
Realized loss (gain) on sales of marketable securities	6	(2,861)
Other	992	(140)
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease in receivables	32,389	1,646
(Increase) in inventory	(27,207)	(46,771)
(Increase) in prepaid expenses and other current and long-term assets	(18,282)	(10,865)
(Decrease) in accounts payable	(88,271)	(72,688)
(Decrease) in accrued compensation and benefits	(56,747)	(69,008)
Increase (decrease) in accrued losses	8,415	(5,765)
Increase in other accrued liabilities	20,857	20,147
Other	1,027	(6,765)
Cash (Used For) Operating Activities	(7,129)	(26,089)
Cash Flows From Investing Activities:		
Capital expenditures	(28,295)	(17,533)
Acquisition of businesses, net of cash acquired	(26,366)	(36,169)
Purchase of marketable securities	(12,695)	(56,275)
Proceeds from sales of marketable securities	9,758	40,792
Other	(2,881)	702
Cash (Used For) Investing Activities	(60,479)	(68,483)
Cash Flows From Financing Activities:		
Additions to long-term and short-term debt	120,702	19,125
Reductions of long-term and short-term debt	(21,952)	(760)
Cash dividends	(42,714)	(40,089)
Shares of common stock repurchased and shares returned for taxes	(20,581)	(5,346)
Payments of acquisition-related contingent consideration	(3,456)	(3,258)
Other	(320)	(747)
Cash Provided By (Used For) Financing Activities	31,679	(31,075)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(6,310)	11,341
Net Change in Cash and Cash Equivalents	(42,239)	(114,306)
Cash and Cash Equivalents at Beginning of Period	244,422	350,497
Cash and Cash Equivalents at End of Period	$ 202,183	$ 236,191

Supplemental Segment Information

IN THOUSANDS (UNAUDITED)

	Three Months Ended August 31,	
	2018	2017
Net Sales:		
Industrial Segment	$ 781,973	$ 729,768
Consumer Segment	485,196	427,144
Specialty Segment	192,820	188,482
Total	$ 1,459,989	$ 1,345,394
Income Before Income Taxes:		
Industrial Segment		
Income Before Income Taxes (a)	$ 69,057	$ 88,902
Interest (Expense), Net (b)	(2,393)	(2,554)
EBIT (c)	71,450	91,456
Inventory-related charges (d)	4,477	
Restructuring charges (e)	7,379	
Facility closure expense - other (f)	2,440	
Receivable reserves (g)	8,020	
Adjusted EBIT	$ 93,766	$ 91,456
Consumer Segment		
Income Before Income Taxes (a)	$ 51,296	$ 72,368
Interest (Expense), Net (b)	(165)	(196)
EBIT (c)	51,461	72,564
Inventory-related charges (d)	(153)	
Restructuring charges (e)	1,551	
Facility closure expense - other (f)	11	
Adjusted EBIT	$ 52,870	$ 72,564
Specialty Segment		
Income Before Income Taxes (a)	$ 27,801	$ 33,167
Interest Income, Net (b)	69	120
EBIT (c)	27,732	33,047
Restructuring charges (e)	2,147	
Facility closure expense - other (f)	4	
ERP consolidation plan (h)	659	
Adjusted EBIT	$ 30,542	$ 33,047
Corporate/Other		
(Expense) Before Income Taxes (a)	$ (56,216)	$ (39,153)
Interest (Expense), Net (b)	(19,484)	(19,690)
EBIT (c)	(36,732)	(19,463)
Restructuring charges (e)	8,999	
Professional fees for negotiation of cooperation agreement (i)	4,297	
Adjusted EBIT	$ (23,436)	$ (19,463)
Consolidated		
Income Before Income Taxes (a)	$ 91,938	$ 155,284
Interest (Expense), Net (b)	(21,973)	(22,320)
EBIT (c)	113,911	177,604
Inventory-related charges (d)	4,324	
Restructuring charges (e)	20,076	
Facility closure expense - other (f)	2,455	
Receivable reserves (g)	8,020	
ERP consolidation plan (h)	659	
Professional fees for negotiation of cooperation agreement (i)	4,297	
Adjusted EBIT	$ 153,742	$ 177,604

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by Generally Accepted Accounting Principles in the United States (GAAP), to EBIT and Adjusted EBIT.
(b) Interest income (expense), net includes the combination of interest income (expense) and investment income (expense), net.
(c) EBIT is defined as earnings (loss) before interest and taxes, with Adjusted EBIT provided for the purpose of adjusting for one-off items impacting revenues and/or expenses that are not considered by management to be indicative of ongoing operations. 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. For that reason, we believe EBIT is also useful to investors 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 EBIT omits the impact of interest in determining operating performance, which represents items necessary to our continued operations, given our level of indebtedness. Nonetheless, EBIT is a key measure expected by and useful to our fixed income investors, rating agencies and the banking community, all of whom believe, and we concur, that this measure is critical to the capital markets' analysis of our segments' core operating performance. We also evaluate EBIT because it is clear that movements in EBIT impact our ability to attract financing. Our underwriters and bankers consistently require inclusion of this measure in offering memoranda in conjunction with any debt underwriting or bank financing. EBIT may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results.
(d) 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 the first quarter of fiscal 2019 in connection with our restructuring activities.
(e) 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.
(f) Includes accelerated depreciation expense related to the shortened useful lives of facilities currently operating, but are in the process of being prepared for closure.
(g) Reflects the increase in our allowance for doubtful accounts deemed uncollectible as a result of a change in market and leadership strategy.
(h) Includes implementation costs associated with the current phase of our ERP consolidation plan.
(i) Comprises professional fees incurred in connection with the negotiation of a cooperation agreement. Refer to Form 8-K as filed on June 28, 2018.

RPM International Inc. (NYSE) owns subsidiaries that are world leaders in coatings, sealants and building materials. It is comprised of three business segments: industrial, specialty and consumer. Among its many products are small project paints, primer-sealers, wood stains, corrosion control coatings, flooring coatings, caulks, sealants, adhesives, fluorescent pigments, roofing systems, concrete admixtures and other construction chemicals. RPM's leading brands include Rust-Oleum, DAP, Varathane, Zinsser, Tremco, Stonhard, Carboline, Day-Glo, Dryvit and Pettit.

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RPM App

For up-to-date investment information on RPM, download the RPM app for Apple and Android devices. Scan this QR code or visit your app market.

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