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RPM.N - Q3 2021 RPM International Inc Earnings Call

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OVERVIEW:

Co. reported 3Q21 consolidated net sales of $1.27b and adjusted diluted EPS of $0.38. Expects 4Q21 YoverY sales growth to increase double-digits.

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PRESENTATION

Operator

Welcome to RPM International's Conference Call for the Fiscal 2021 Third Quarter. 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 material -- be materially different. For more information on these risks and uncertainties, please review RPM's reports 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. (Operator Instructions)

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

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

Thank you, Michelle. Good morning, and welcome to the RPM International Inc. investor call for our fiscal 2021 third quarter ended February 28, 2021. Joining me on the call today are Rusty Gordon, RPM's Vice President and Chief Financial Officer; and Matt Ratajczak, our Vice President of Global Tax and Treasury, who is also supporting our Investor Relations activities.

Before we begin, I'd like to note that yesterday I received my second Covid-19 vaccine shot. I've encouraged our associates to get vaccinated, and I recommend the same to everyone listening to this call. It's the only way we can all do our part to end the pandemic and return to normalcy and reinvigorate the global economy.

I'll start today's call by summarizing the factors that drove our strong financial performance for the quarter and how we were able to overcome the disruption caused by the severe winter weather storm that hit the U.S. in February. I'll then discuss how we are utilizing our record cash from operations and provide an update on our MAP to Growth operating improvement program. After that, I'll turn the call over to Matt, who will review our third-quarter results in more detail. Rusty Gordon will conclude our formal remarks with the outlook for our fourth quarter.

As you'll recall, in mid-February, a severe winter storm blanketed nearly 75% of the U.S. in snow, which disrupted transportation, distribution and supply chains. In anticipation of severe transportation gridlock; the potential of losing multiple shipping days in North America, which makes up 70% of our revenue; and the desire to maintain transparent communications with our investors, we lowered our third-quarter guidance on February 18. The third quarter is our seasonally low quarter and historically generates only 5% to 10% of our annual earnings, so the magnitude of relatively small changes in earnings becomes magnified. However, in the end, through the extraordinary measures of our associates, as well as the fact that plants, distribution centers and transportation network resumed operations more quickly than we anticipated, we were able to catch up and execute delivery of most of our customer orders in the final week of February, which enabled us to exceed our original third-quarter sales and earnings guidance.

For the quarter, we generated record consolidated sales, earnings and cash from operations. Sales grew 8.1%, with 4.9% being due to organic initiatives, 2.1% resulting from acquisitions, and 1.1% as a result of favorable foreign exchange. Internationally, Europe and Canada showed good growth as well. Latin America showed growth in local currencies but was flat when its results were translated back into U.S. dollars. Much like last quarter, three of our four operating segments generated solid sales growth and significant leverage to the EBIT line due to our MAP to Growth operating improvement program benefits while being leveraged to the bottom line as we've done for the last eight quarters. This was particularly impressive given the supply chain challenges and difficult comparison to last year's third quarter when our adjusted EBIT increased 30.4%.

On a segment basis, our Specialty Products Group led the way with organic growth of 13.4% in the quarter and produced a second consecutive quarter of double-digit top-line and bottom-line growth. Our Consumer Group also generated double-digit organic growth as it continued to benefit from strong DIY demand. The Construction Products Group again generated solid sales and significant EBIT growth in challenging market conditions by focusing on infrastructure, which encompasses about 15% of RPM's consolidated sales, and its strong performance in repair and renovation. Results in our Performance Coatings Group declined due to difficult conditions in its primary end markets. Matt Ratajczak will cover the segment results in more detail in a minute.

We continue to prove why RPM is the best home for entrepreneurial businesses in our industry with two acquisitions in March. These include the Tuff Coat line of rubberized, non-stick coatings used for aquatic applications, which is a great strategic fit with our recreational marine products group, and Bison Innovative Products, a manufacturer of raised flooring systems that will operate as part of our Fibergrate business.

We have taken a more collaborative view of our manufacturing footprint as we add capacity. For example, to meet the Consumer Segment's explosive growth for its products, we are installing packaging and blending equipment at plants in our Performance Coatings and Specialty Products Groups. This is in addition to capital spending in our Consumer Segment facilities, which includes new filling capacity for Consumer Group plants with particular emphasis on meeting the increased demand for small project paints, caulks and sealants in our repair categories. Other investments in our operations include new presses and injection molding equipment to meet surging orders for our Nudura ICF products and wall systems and the construction of a new liquid-applied roof coatings plant.

I'd now like to discuss our MAP to Growth restructuring program, which continues to pay dividends. During the quarter and so far in the fourth quarter, we announced the closure of two plants, which brings our total to 27 of the 31 plants that we originally targeted for consolidation at the beginning of the MAP to Growth program. As discussed last quarter, we continue to be more efficient in utilizing our manufacturing assets to generate cost-saving opportunities. The benefits of our center-led procurement initiatives are becoming even more evident in the current inflationary raw material environment. Rusty Gordon will provide more color on this when he walks through our fourth-quarter outlook.

Lastly in the G&A area, we continue to consolidate IT systems and accounting and finance operations. At the end of our fiscal year, May 31, 2021, we expect to exceed the original MAP to Growth program's planned run rate of $290 million in annualized savings. The program's learnings of continuous improvement in efficiency have become ingrained in our culture, and we will continue to add to our robust pipeline of cost savings initiatives and operational improvements. As we sustain the efficiency gains achieved through MAP to Growth, we are now shifting more focus and resources towards top-line growth through internal investments and acquisitions. Our goal is to return to the exceptional revenue growth rates that have been one of the hallmarks of RPM's success since its founding in 1947.

I'll now turn the call over to Matt Ratajczak for a detailed review of our financial results for the third quarter of fiscal 2021.

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

Thanks, Frank, and good morning, everyone. Note that my comments will be on an as-adjusted basis. During the third quarter, we generated consolidated net sales of $1.27 billion, an increase of 8.1% compared to the $1.17 billion reported during the same quarter of fiscal 2020. As Frank mentioned, organic sales growth was 4.9%, or $58 million. Acquisitions contributed 2.1% of sales, or $24.5 million. Our foreign exchange was a tailwind that increased sales by 1.1%, or $12.9 million. This was strong top-line growth during the third quarter, which typically generates our most modest results each year because it falls during the winter months when painting and construction activity slow.

Adjusted diluted earnings per share were $0.38, an increase of 65.2% compared to $0.23 in the year-ago quarter. Our consolidated adjusted EBIT was up 32.2% to $79.9 million compared to $60.5 million reported in the fiscal 2020 third quarter. These excellent results were largely due to initiatives under our MAP to Growth restructuring program and our ability to leverage higher sales to the bottom line.

Turning now to our segments, sales in our Construction Products Group were strong and increased 6.4% to $396 million. Growth was primarily organic, at 5.4% or $20.3 million. Foreign currency translation increased sales by 1% or $3.6 million. With softness in commercial and institutional construction markets, our Construction Products Group remained focused on renovation and restoration projects, leading to solid sales growth during the quarter. Our roofing business performed well, as did our Nudura insulated concrete forms, or ICFs, which are experiencing accelerated long-term adoption as a wall system as the lumber supply has tightened and prices have skyrocketed. The ICFs also provide the benefits of improved energy efficiency and structural integrity.

Adjusted EBIT in the Construction Products Group increased 206.4% to $18.5 million from $6 million during last year's third quarter. The group generated 310 basis points of adjusted EBIT margin growth due to MAP to Growth savings and the favorable leverage of sales volume increases. The segment's European businesses continue to improve as a result of ongoing restructuring and better product mix.

During the quarter, challenging market trends persisted for our Performance Coatings Group, including weak energy demand that impacted industrial coatings and Covid-19 protocols that continue to restrict access to facilities for flooring system installations. Sales in the segment were $226.5 million, an 11.4% decrease from the $255.7 million reported during last year's third quarter. Organic sales decreased 12.7% or $32.4 million. Foreign exchange provided a tailwind of 1.3%, or $3.2 million.

Segment adjusted EBIT decreased 41.6% to $14.1 million from $24.2 million during last year's third quarter. Lower sales volumes and pricing pressures resulted in earnings deleveraging, which was offset, in part, by discretionary cost cuts and MAP to Growth savings. As vaccines are administered and the impact of pandemic diminishes, we expect this segment to rebound as its industrial customers catch up on maintenance and energy markets recover, in part due to increased travel.

In the Consumer Group, sales were robust, increasing 19.8% to $477.7 million. Organic sales increased 12.7% or $50.4 million, and acquisitions increased sales by 6.1% or $24.5 million. Foreign currency translation increased sales by 1% or $4.1 million. The Consumer Group continued to capitalize on the positive DIY home improvement market trend by leveraging its broad distribution and market leadership in caulks, sealants, cleaners, abrasives and small project paints. Similar to the U.S., the segment's international results were equally robust in Europe and Canada. Adjusted EBIT in the Consumer Group was $47.8 million, an increase of 48.6% over the prior year. Adjusted EBIT margin improved as a result of MAP to Growth savings and the leveraging of higher sales volumes, which offset rising distribution expenses.

Results in our Specialty Products Group were a record and improved dramatically for the second consecutive quarter. Fiscal 2021 third-quarter net sales increased 14.7% to $169.2 million from $147.5 million in the fiscal 2020 third quarter. Organic sales growth was 13.4%, driven by more aggressive business development efforts and growth investments initiated by new management, as well as improving market conditions for many of its businesses. In particular, our restoration equipment business, driven by extreme weather events in North America, experienced excellent top-line growth, as did our businesses serving the furniture, outdoor recreational equipment, food, cleaning, disinfecting and OEM markets. Favorable foreign currency translation added 1.3% to sales. Adjusted EBIT was $25.3 million during the quarter, an increase of 44.2% compared to adjusted EBIT of $17.5 million in last year's quarter. The Specialty Products Group was able to drive MAP to Growth savings and operating leverage from higher sales volumes to the bottom line.

Next, a few comments on our liquidity. Our year-to-date cash flow from operations improved by $270.7 million, or 71% over last fiscal year to a record of $651.9 million as a result of continued better working capital management, where all components of working capital improved as compared to the prior year, and margin improvement from our MAP to Growth program. At the quarter's end, our total liquidity was $1.4 billion. Our net leverage ratio, as calculated under our bank agreements, was 2.13 on February 28, 2021, which was a significant improvement as compared to 2.90 a year ago. Our balance sheet remains strong, and we've strategically deployed our record cash flow to reduce debt. Simultaneously, we are completing acquisitions and making investments to improve the efficiency of our operations. Additionally, we repurchased approximately $24.6 million of stock during the quarter.

I'll now turn the call over to Rusty for our outlook for the remainder of fiscal 2021.

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

Thanks, Matt. The fourth quarter is seasonally our strongest and started off well in March. However, several macroeconomic factors are creating inflationary and supply pressures on some of our product categories. These factors include supplier refineries operating at lower levels due to low fuel demand; the disruption winter storm Uri caused on supply chains; intermittent supplier plant shutdowns in response to the pandemic; and significant worldwide demand for packaging, solvents and chemicals used in cleaning products. We expect that these increased costs will be reflected in our results for the fourth quarter of fiscal 2021 and more significantly during fiscal 2022. We are moving aggressively to offset these increased costs with commensurate selling price increases.

Fortunately, due to our MAP to Growth program, we are in a much better positioned to weather these challenges than we were three years ago when the last inflationary cycle occurred. With a stronger partnership with our supplier base and longer-term contracts, we are working with our supplier partners to secure necessary raw materials and control costs to whatever extent possible. In addition, our improved center-led processes and systems are providing more timely and actionable information to address these challenges. We are also working in collaboration with customers through the supply chain difficulty.

On a segment-by-segment basis, we are encouraged by the following: number one, resumption of discussions on federal action on an infrastructure program, as well as municipal funding in the recent federal Covid/stimulus bill that should support building maintenance in major end markets of our Construction Products Group; number two, the resumption of travel and the recent rebound in energy markets give us optimism that our industrial protective coatings business in our Performance Coatings Group may have bottomed out as they start to lap into easier comparisons; number three, the increasing re-entry of home improvement professionals into the market as more consumers become vaccinated and welcome outside contractors back into their homes, which will benefit our Consumer Group; and number four, high demand in our Specialty Products Group for its Legend Brands' restoration equipment and solutions, which resulted from the property damage caused by winter storm Uri. While it disrupted many of our other businesses, the storm provided revenues for Legend Brands in February and a backlog of more orders in the fourth quarter as we help our customers respond to this natural disaster.

As we look ahead to our fourth quarter and beyond, there is currently a great deal of volatility around input costs and uncertainty regarding material availability. While our third-quarter earnings did not reflect recent material cost spikes due to our FIFO inventory methodology, inflation will likely be significant in our fourth quarter and into the first quarter of fiscal 2022. We have been and are in the process of implementing appropriate price increases and changes in terms, which we anticipate will offset the inflationary impact by the end of the first quarter of fiscal 2022.

There is also much uncertainty related to the breadth and speed at which global economies reopen as people become vaccinated. Based on the information available to us today, we expect our fiscal 2021 fourth-quarter sales to increase by double digits compared to the fiscal 2020 fourth quarter. Last year's fourth quarter should prove to be an easier revenue comparison because it was heavily impacted by the onset of the pandemic.

Our earnings comparison versus last year, on the other hand, will be more challenging because of raw material inflation as well as an extraordinary situation last year when our non-operating segment reported a profit due to lower travel and medical expenses, incentive reversals and other factors. As a result, our fourth quarter adjusted EBIT is expected to increase double digits, but below the rate of sales growth. Excluding our non-operating segment, adjusted EBIT for our four operating segments, in total, is expected to increase by more than 20%.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Frank Mitsch from Fermium Research.

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

Yes. And congrats on your second shot, and I hope there's -- the other folks in the room are making progress on that front as well. And I appreciate the commentary, especially the interplay between raw materials and pricing. You're going to have it fully offset by the end of the fiscal first quarter of '22. I'm just curious if you could offer kind of qualitative comments or quantitative comments in terms of what percent raw material inflation you think you're facing here in the fiscal fourth quarter and in the fiscal first quarter. How significant are these headwinds?

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

So, I think a couple of things are happening. Number one, we were seeing inflationary increases at the end of calendar '20 and the beginning of calendar '21 that were structural. Those were impacted, as I think everyone on this phone knows, or call knows, by the winter storm and its impact. We are seeing temporarily certain raw materials like epoxies that are more than double in cost what they were a year ago. That's true across a number of categories. And so, that aside, we think that you're going to see inflation in our markets that's going to be high single digits.

And I think an important thing for people to understand is the inflationary impact on us and in our market and our industry exists throughout the P&L. It's not just raw material cost. It's transportation cost of all types, rail, over-the-road, truck, ocean freight, not a big issue for us, but ocean freight, and it's also labor costs. You're seeing higher labor costs in factories and distribution centers, and to a certain extent, across the organization. Labor costs are particularly interesting over the last year. To a certain extent, we're competing with the government. Some of our distribution centers, we would have seasonal part-time workers decided that if they could get paid more by staying at home, they would. We've had to replace many of those with full-time workforce that has a higher benefit expense. So, inflation, in total, is going to be mid- to high-single digits throughout the year. That's structural. That does not include some of the extraordinary spikes that resulted from the storm, and they're throughout the P&L.

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

That's very helpful. So, you're going to be placing that throughout the year. But by the time you come within six months -- or less than six months, actually, your price increases will have more than -- will have fully offset that. That's how we think about it, correct?

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

That's correct. We will see some gross margin deterioration in our fourth quarter, particularly in our Consumer business. We'll see gross margin deterioration in Q1, again, in the Consumer business, particularly, which will be a combination of two things: one, cost-price mix; and two, the fact that in Consumer in Q1, we'll be rounding a first-quarter performance last year where organic growth was up 34%, and we do not expect to exceed that.

But those are the big challenges that we see, and I think you'll see a return to gross margin improvement after Q1. With strong sales leverage and the continued benefits of MAP to Growth, we should see EBIT margin improvement modestly in Q4 at the operating level, as Rusty said, and then continuing in fiscal '21 -- I'm sorry, fiscal '22.

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

'22. Yes. Got you. That's very helpful.

Operator

Your next question will come from Rosemarie Morbelli from G. Research.

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

And I got my second shot as well, just [before] ringing the bell.

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

Congratulations.

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

So Frank, can you talk about the trends you are seeing at the big box and other retailer outlets as far as your Consumer business is concerned? I mean you mentioned the anticipated benefit from the increasing vaccination for performance products. But people, on the other hand, are going back to work, so there will be less do-it-yourself. And is the professional painters and others enough to affect a potential decline on the DIY in 2022?

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

So in general, we're seeing still solid consumer takeaway across all of our Consumer Group customer base, but it's certainly down from what it was in the summer and the fall. In the summer and the fall, we were looking at 30% organic growth rates. Consumer takeaway in the third quarter was more in the low single-digit range, low teens, and we expect to start rounding much more difficult comparisons in April and May and the first and second quarter of fiscal '22. So, I would expect, as we indicated a minute ago, that we'll see some gross margin challenges, and quite candidly, some very difficult comparisons in our Consumer Segment.

Our results will be above what at the time were records in fiscal '19. But in the first half of next year, and really starting in April and May, I would expect this to be flat to slightly down relative to the comparisons that we'll be facing.

The flip side is, as we sit here, we are starting to see positive sales and earnings contribution from our Performance Coatings Group, really the first positive results in the top and bottom line from those more industrial-focused businesses and industries that we've seen in more than a year. And as you can see in our results, the Specialty Products Group is roaring, and the Construction Products Group is roaring. And the dynamics of their underlying markets suggest that, that will continue for some time in both segments.

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

And Frank, you talked about going back to RPM historical revenue growth. Can you remind us of what the -- you have had a lot of acquisitions during that particular time frame. So, can you remind us what the organic growth was historically?

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

Well, historically, Rosemarie, and this goes back to the beginning of our MAP to Growth program, we had a 15- or 20-year compounded annual growth rate of about 6%. I'd say about half of that was from acquisitions. But when you look at where we were after our last restructuring in the '99, 2000 range, from 2003 for about a decade, our organic growth averaged about 5% or 6%, so very impressive numbers. And we think we're going to get back to that. In fact, we are back to that as we speak. And I will tell you, our fourth quarter, our current view is we expect revenue growth somewhere in the 15% to 20% range.

And we -- I think we're well poised for good growth in fiscal '22, and the underlying fiscal dynamics will support perhaps even stronger growth, although I think it remains to be seen what actually comes out of Washington in terms of a big infrastructure bill and also when and how quickly Europe recovers. We're continuing to see some modest challenges in Europe with these Covid lockdowns across some of the major countries that we operate in, while the United States seems to be picking up, and that pickup is gaining momentum.

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

And if I may, that Q4 -- just following up on one of your comments. That Q4 revenue growth of 15% to 20%, how much is from FX and acquisition? How much organic do you anticipate?

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

I don't have that specific number. I would tell you, in general, less than a quarter of it is from price, and the balance will be mostly from organic growth, I would guess. We looked in this quarter and acquisition activity...

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

2%.

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

Yes, 2%. So, you would expect another 2% of impact from acquisitions. I think in Q4, the balance will be organic growth.

Operator

And your next question will come from Ghansham Panjabi from Baird.

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

So Frank, in your press release, in your comments, you talked about, just given the journey you've been on in MAP to Growth, being better equipped to handle the current raw material environment, can you just give us some more detail in terms of what exactly that means? And then also, how is your pricing strategy just broadly changed since the last inflation cycle, which was three years ago?

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

Sure. So I'll hit you -- you're going to steal my concluding comments, Ghansham, with that question, which is a good one. Our MAP to Growth program has fundamentally changed RPM, and it's not just about saving -- or achieving the $290 million in savings. In fact, at May 31, '21, we'll be roughly at $300 million run rate, and we expect $50 million of MAP savings to benefit incrementally fiscal '22.

But it really has, and in a relatively short period of time, begun to ingrain continuous improvement, some lean manufacturing disciplines into our manufacturing and operations and really into our DNA there. The work that our teams have done in procurement has been extraordinary. We went from a loose collaboration to a centralized procurement activity. Mike Sullivan, who took over as Chief Restructuring Officer from Steve Knoop, and Tim Kinser and Gordy Hyde and their teams have done extraordinary work.

Then the other thing that has fundamentally transformed RPM is the work of Rusty Gordon, Scott Copeland, Lonny DiRusso, who's our IT Director, and his team. We have developed systems for tracking savings and efficiency programs out of the MAP to Growth initiative. We have -- and so that is something we call MPST. We have adopted that. We started a year ago. We got disrupted by Covid but have adopted an internal ad corporate system to MAP to Growth initiatives called the MPGT. We have a consolidated effort to look much more aggressively and much more proactively at cost-price mix. So, what we've been able to do in terms of utilizing information across RPM on a centralized basis to communicate better, share best practices and really have more real-time data in which to make decisions is dramatically different from where RPM was three years ago. And we expect to continue to build on that.

The last comment I'll make is that we have -- the procurement effort has really established us as a good partner to some of our major raw material suppliers in ways that we were not before, and we have substantially more and different raw materials under global contracts than we did three years ago. And that has been very fortuitous in how that has helped us in this challenging raw material cost increase environment, but at least as we speak now, also a raw material availability environment.

So, it's pretty exciting because there'll be more to come around kind of the cultural change that we've affected in MAP to Growth, which is, I think, in the long run, probably more important than the execution of achieving a particular efficiency number. And that concludes my prepared remarks.

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

So -- and also for my second question, going back to 3Q and your original guidance before you had that released on Feb. 18. Construction came in well above what you -- I think what you'd originally seen. I know it's a small quarter, but can you just give us a sense as to where exactly the upside came from and what drove that specific to 3Q?

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

So I have commented before on this. Paul Hoogenboom, who leads our Construction Products Group, and his team are doing extraordinary work. And it's a combination of two things that kind of -- that came together at the right time. One is an effort to bring together, and this started before MAP to Growth, our collection of Construction Products businesses, so Dryvit, Nudura, different parts of Tremco, some of which operated relatively independently in our Euclid Chemical business into a much more integrated kind of holistic approach to the market. So, while we call it the RPM Construction Products Group, they're going to market globally as the Tremco Construction Products Group. And so that integration onto common IT platforms, we are getting some common specification efforts is really paying big dividends.

You overlay that with the benefits of MAP to Growth and you're seeing a really good combination of market beating top-line performance and the leverage to the bottom line. And that's continuing. We'll see it continue in the fourth quarter. And boy, I would expect it to continue for the next couple of years. We have some more work to do, but the enthusiasm amongst our people in the Tremco Construction Products Group and the extraordinary work they're doing is just fantastic. And you can see it in the marketplace.

And the last comment I'll make, as I ramble on here, is there's been a decided shift there towards more renovation as opposed to new construction. New construction is still probably 30% of the Construction Products Group, if not more. But we've become more renovation focused, which has really served us well. Infrastructure spending, a big boom in construction activity will only serve to help accelerate the performance that we're seeing.

Operator

And your next question will come from Steve Byrne from Bank of America.

Steve Byrne - *BofA Securities, Research Division - Director of Equity Research*

So you made a comment about as MAP to Growth is winding down, you're going to start shifting your investment internally. And I'm curious to hear your outlook for the key revenue growth drivers over these next couple of years. How would you rank these buckets, the potential share gains from cross-selling and integrating the commercial efforts as one bucket, another one being growing more outside of the U.S. and the third one being M&A?

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

Sure. And a great question in terms of where we're going and how we're thinking about growth. First of all, in our investor presentation, we outlined kind of what we think is the addressable markets globally for our four segments, and it comes up to about $134 billion. Half of that relates to our Construction Products Group. So given the comments I just made and the opportunities we see there, I would expect that to be probably our fastest-growing group, particularly in light of the extraordinary year in which Consumer has had.

We are also in the early stages of cross-selling, if you will, between our Construction Products Group and our Consumer Group, particularly where there's an interest with some of our big-box customers in some of the Construction Products Group's waterproofing, roofing, coatings and sealant products as well as concrete patch and repair products, so there's opportunities there.

We have, as part of MAP to Growth, this was not part of the original plan, but we had added to it, brought in McKinsey to really help kickstart growth in our Specialty Products Group. We had underinvested in our Specialty Products Group for a long time, in part, because most of those businesses were part of the SPHC asbestos bankruptcy solution challenge, and so we're being managed for cash.

And I think you're seeing the early results of both -- our focus on growth in those businesses in the Specialty Products Group and some leadership changes that were affected by Ronnie Holman, who's the leader of that group. And so, there's some exciting opportunities there that we'll be in a position to talk about more in July and in October. As they come to fruition, we get comfortable about what we want to disclose publicly.

But -- and then lastly, we're better able to integrate bolt-on acquisitions than we ever have. Having said that, all of our bolt-on acquisition activity is really done with a focus on growth. How can we take a unique product line or a unique technology and double or triple its sales in a short period of time by leveraging it over our distribution or our sales forces? So, the combination is pretty exciting for us. And it's a -- there's a pretty good M&A pipeline, albeit at pretty good historic valuation levels in terms of highs relative to interest rates and stock market value.

Steve Byrne - *BofA Securities, Research Division - Director of Equity Research*

And maybe just to drill in on one of those, Frank, the intermediary on your Construction Products, as those contractors that do the renovation work and you obviously have good relationships with them, how do you develop those in new regions and grow ex U.S.? Or do you need acquisitions to give you kind of a footprint in a new region that you can then grow relationships?

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

Sure. I think the best example in the near term that should start to pay off is in Europe. So, if we had a disparate collection of construction chemical businesses in the U.S., when you look at Europe, between Flowcrete and Dryvit, which is headquartered in Poland, our illbruck business and our Tremco business, they all operated independently and under the leadership of Melissa Schoger, who's doing a great job over there. She's been with us for quite a while and leads the construction -- Tremco Construction Products Group efforts in Europe. We have integrated those businesses. We're going to market more as Tremco Construction Products Group, and it's been a real fixer-up job. And I think we're getting towards the end stages of the fixer-up part in terms of plant consolidation, really getting people to see themselves as part of one Construction Products Group team. And then they'll quickly be able to shift to a focus on growth.

Hopefully, we'll be lucky on the timing because Europe is certainly behind the United States relative to opening up and activity, principally related to these recurring national shutdowns in some of our major markets like Germany and France and Italy. We were actually doing pretty well in the U.K. And then outside of that, we've got really exciting growth in places like Europe and Asia, but it's on very small bases. And so, acquisitions will certainly help us accelerate growth and establish a bigger presence in international markets.

Operator

And your next question will come from Jeff Zekauskas from JPMorgan.

Jeffrey Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

By my calculation, to offset your raw material inflation, you'd need about a 3% increase. And 3% is normally tough to get in the middle of a calendar year, in that things really readjust themselves at the beginning of the year. Is 3% roughly the right number? And is the reason that you're confident that you can achieve that is that customers really need product, and so they're willing to be more flexible in pricing terms?

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

So I think that, just to reflect the comments we made earlier, we anticipate structural changes in inflation in our markets throughout our P&L that's going to be high single digits. And we have gone out with price increases that are in the 6% to 8% range. We went out -- some of our businesses went out early in anticipation. These are industrial businesses and looking at the changes at the end of the calendar year and the beginning of this new calendar year with 3% to 5% price increases. And as we sit here today, those aren't enough, and they're going out again.

And in certain categories, I mentioned epoxies, we've increased prices on certain of our product lines by 14%. That's in light of epoxy prices, which we think are temporary, which have more than doubled. They'll certainly come down from their current highs, but they will be substantially higher than they were a year ago. And that, from our perspective, is a structural change in most all of our raw materials from acrylic resins to epoxy resins, to all types of polymers and polyols. It's just been an extraordinary period of time in terms of spikes but really in terms of inflation. Corrugate, packaging, transportation cost is all going up, and so we'll have maybe better information in July in terms of where we are.

And the last comment I'll make to your question is we've been, I think, both good and fortunate in our ability not to have to short and/or not be able to supply. We have continued work to do on working capital. We've been a heavy working capital company. We've generated in excess of $200 million of cash flow -- positive cash flow from improvements in working capital. But whether it was raw material or inventory, whether it was new contracts, so far, we've been able to manage through these circumstances, I think, pretty well.

Jeffrey Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

Okay. And then for my follow-up, do you think volumes in Consumer products are going to grow in fiscal '22? Or do you think they're going to shrink or be flat? Or roughly how do you see it?

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

Sure. As I commented earlier on the call, starting in April and May and certainly through the first and second quarter, we anticipate Consumer volume flat or slightly down. We think it will be picking up in the second half of next year. And that's in light of, for instance, a first quarter of fiscal '20 organic growth of 34%, which is a mountain we don't expect to beat in the first quarter of this year. We do have some market share gains. We do have some new product introductions. To the extent that there is acquisition activity that could end up resulting in year-over-year higher performance but on an organic basis, starting in April, I think we anticipate flat to slightly down results in our Consumer Segment on the top line and the bottom line.

Jeffrey Zekauskas - *JPMorgan Chase & Co, Research Division - Senior Analyst*

That seems a little more pessimistic than you were three months ago. Is that true? Or you've...

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

No. It's not true. I think, yes, three months ago, any time -- first of all, we didn't talk too much about fiscal '22. But I can tell you, we have made numerous references to the fact that we were not going to top a 34% organic growth in the first quarter. And I believed it six months ago, and I believed it three months ago, and I believe it today. And I wouldn't say we're pessimistic. We will be meaningfully above the record results of where we were in our Consumer business in fiscal '19. And so there has been an expansion broadly of the market of more confident DIY-ers, and we're excited about that. But circumstantially, starting in April, and certainly, through our first quarter, we'd expect to be flat or slightly down in our Consumer business versus these extraordinary comparisons to last year.

Operator

Your next question comes from John McNulty from BMO Capital Markets.

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

Yes. So, a question first on Nudura. It sounds like that business is kind of really turning the corner, and some of it may have been on high lumber prices. I guess, from your perspective, is it a function of, okay, you're cheaper now or more cost competitive against lumber, but if and when lumber eventually comes back down to earth, it -- you'd give some of that back? Or is it more, hey, look, you've gotten a lot of contractors a lot more comfortable with it and maybe this high lumber price has kind of facilitated that. But because of that, it's resulted in a little bit more of a secular shift. And now with that greater comfort level, you can kind of see the growth continue to emerge from that. How should we be thinking about that?

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

Very much the latter, John. I think the lumber -- it was growing double digits before lumber price issue. We are working on greater specification. ICF with contractors is initially a challenging cell because for better or for worse and sometimes it helps us. Contractors, architects, engineers are hesitant to change from systems that work. And when we get people that convert to ICF, they love it. It is less labor-intensive in many instances. It provides the most durable sidewall in the market today, bar none. And it's highly energy-efficient. And so, we have been focusing efforts through our Tremco Construction Products Group again on an integrated basis, utilizing the sales force of 200-plus people in the Tremco waterproofing sealant business to really drive sales in Nudura. The lumber price situation was some added gravy to help accelerate that.

But we're very excited about that, and we're also excited about the ability to deliver a more integrated wall. Nudura independently was bought in part of Dryvit. Today, they're all part of our Tremco Construction Products Group, so our specifications around Nudura are not just for an ICF wall system, therefore, the Tremco sealants and all the joints, therefore, Dryvit or NewBrick or other siding that we're involved in. And so, the opportunity there is very, very exciting. It's mostly residential, and the opportunity to Dryvit in light commercial, institutional markets like schools is huge.

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

Got it. No makes -- that definitely makes sense. And then -- and could you give us a little bit of color in terms of the M&A pipeline? It sounds like you've made a couple of opportunistic acquisitions just this past quarter. How should we be thinking about that going forward? Because it does look like, admittedly some of the pricing starts to -- is starting to creep up at this point. I guess how are you looking at the opportunities and the value of those opportunities as you're looking forward?

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

Sure. The M&A pipeline is really strong. We commented that we completed two acquisitions just this past month. Bison, which is a great addition to our Fibergrate business, and I think also has some applicability to other parts of RPM. That's a patented level -- floor leveling system that we can use with grating or other systems. And then Tuff Coat, again, a non-skid marine product that is already getting some interest from other parts of RPM and industrial settings. So, we're very excited about both of those. You've got management teams that are going to stay and run those, even though we'll be pulling them in to our MS-168 manufacturing process and our centralized procurement activities.

So, there's more of that out there, in general, in our space. There are a lot of bigger transactions out there, and I'll just repeat what I've said in the past. I don't see us paying 15 or 16x EBITDA for anything. And so, to the extent that there's large transactions and people are willing to pay those relatively peak multiples in a period of time where they're peak earnings, that will not likely be RPM. But if there are some larger transactions that we can get done and what we believe to be a reasonable multiple with a reasonable IRR, we certainly wouldn't preclude looking at them.

Operator

Your next question comes from Vincent Andrews from Morgan Stanley.

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

I just wanted to ask a couple of things. One, you mentioned Covid restrictions are still holding things back in Performance Coatings. Just wondering if now that Texas is pretty much opened up and Florida is pretty much opened up, like when you -- in those big geographies, when you look at your results in those states, are you seeing that with those restrictions lifted, that the performance of those underlying businesses is really snapping back? Or -- and how is that comparing to what you're seeing in places that are kind of halfway open? Any thoughts there would be helpful.

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

Sure. I commented earlier on the call that as we sit here today in the spring, we're seeing positive results for the first time in the year on the top line and bottom line of those businesses. I think we'll have better color in July because the biggest reason is that we're starting to annualize really difficult -- I'm sorry really poor results. We've had in our Carboline business, in particular, given their exposure to oil and gas and heavy industry, 10%, 12% sales declines pretty consistently. Stonhard business and our flooring -- polymer flooring business has been flat to slightly down. Their backlog is bigger than ever, and so we're very hopeful that you're going to see some nice robust growth there. But we'll have better color for you in July to really look back over three or four months and determine how much of this is a pickup in demand and good robust organic growth versus how much of this is, hey, we look great because last year was terrible.

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

Okay. Fair enough. I'll look forward to that. And just as a follow-up, in Specialty Products, you mentioned that you did benefit from the weather disruption. It created some demand for you. Is that continuing given that, that Uri was in the middle of the last month of the quarter? Is that continuing into the fiscal fourth quarter? And from an order of magnitude perspective, is that something that we really need to be thinking about when we model these quarters for next fiscal year in terms of just having tough comps?

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

Well, I think it is continuing to the fourth quarter, and I think that's true of our Legend Brands business. But we have new leadership in a number of places over the last two years. We've been really looking to drive growth. If you look at our margin profile and how it's improving in Specialty Products, in the last two quarters, I think you'll see comparable improvement in Q4. That's in our Day-Glo florescent color and colorant business. It's in our MRT business, which is our marine coatings and some of the Specialty products there. It's pretty exciting in terms of what the work we're doing there and some of the leadership changes that we've affected is doing for that segment. So, we'll have much tougher comps next year in Q3 and Q4 in Legend Brands, but I think the Specialty Segment is poised for some pretty solid growth in the top and bottom line for the coming year.

Operator

Your next question will come from Kevin McCarthy from Radical Research (sic) [Vertical Research].

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

Frank, in Washington, D.C., I imagine there'll be a lot of conversations and perhaps some forces traded before we know what an infrastructure bill could really look like. But that said, I'm tempted to ask two things: a, what were your preliminary thoughts on the bill as it was unveiled? And then b, to the extent we might have a little bit better visibility at this juncture, is there anything you feel that you will be doing differently in terms of capital allocation or operating strategy ahead of such substantial fiscal stimulus?

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

Sure. I -- without being too much of a politician, I think we're going to have an infrastructure bill. I'm hopeful that it'll be more bipartisan than the most recent Covid bill. And I say that because if it's more bipartisan, whether it's larger or smaller, it will be more focused on bridges and highways and airports and poor facilities and the things that will drive our business. And so, I do think we'll be a beneficiary of that, and I think whatever benefit comes out of that will be in addition to the growth that we're experiencing at our Construction Products Group now.

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

Okay. And then second, maybe a bit more of a housekeeping question. But as it relates to winter storm Uri, you talked about catching up in the final week of February. You also talked about some benefits flowing through into your Legend Brands business. I mean if we kind of roll up all the puts and takes, was Uri a material positive or negative in February? And what do you think the answer to that question would be for March as well?

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

Sure. Certainly, for our Legend Brands business, it was a positive in terms of driving their air-handling equipment and dehumidification equipment and stuff that they work with all their major customers and helping homeowners and light commercial recover from storms like this. For our team as a whole, I would call it net neutral. I think we panicked a little bit with literally two days of trucks not coming in and trucks not going out. And at least one of our more significant Consumer plants closed and not knowing when all that would change. I think we've recovered most of it. So, I would say in the quarter, it's net neutral as you think about what RPM's comparison might be for next year with the exception of the Legend Brands business.

Operator

Your next question comes from Arun Viswanathan from RBC Capital Markets.

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

I guess, first off, just on the pricing outlook, could you just elaborate on maybe by business segment, if possible, what you feel the pricing outlook is? I'm just curious, the volumes, obviously, in Consumer are still relatively robust. On the other hand, maybe industrial, i.e., performance, is a little bit weaker? And does that kind of portend for weaker pricing prospects over the next couple of months? How should we think about kind of pricing by segment?

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

I don't know that we would provide pricing by segment. I do think it's driven certainly by the underlying raw materials in specific areas and then by my commentary on inflation throughout our P&L in general. And so, I would anticipate -- again, we're not going to recover the spike from Uri. It's crazy, and you'll see that in our fourth quarter. And again, with epoxy resin, some acrylic resins, some different solvents literally doubling price temporarily, in some cases, it's more than doubling in price. But we think there's an underlying inflation that's high single digits across our P&L. And in some cases, we've had modest price increases. In other cases, like epoxy resins, as I commented earlier, in certain product categories, we've gone out with a 14% price increase, and it's sticking.

The other aspect of this, I think, that's important to understand is you're trying to manage your supply chain. And so, if you want to get products to meet customer demands and serve your customers, then you're going to have to work with your suppliers on product availability and what their costs are doing and what they're doing with their prices in order to get raw materials to serve our customers. And so that's certainly part of what's driving some of our price increases as well.

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

Okay. That's helpful. And then just as a quick follow-up. So then when you think about subsequent quarters, ultimately, it sounds like you will be able to get the price here, but it may take some time. But in the future, I guess, maybe beyond the August quarter, would you expect that if raws moderate, that you should see some margin expansion, i.e., hold on to that price in subsequent periods as well?

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

Sure. I think there's -- as I mentioned, there's $50 million of expected kind of final incremental benefits of our MAP to Growth program in fiscal '22. Most of that is in the manufacturing and procurement areas. And so, I would hope that after -- as I commented earlier, after our first quarter, you'll start to see that gross margin improvement. We're keenly focused on that in terms of our conversion costs as well as that centralized procurement activity that we're talking about.

To an earlier question, I'll repeat. We're seeing inflation throughout our P&L. And from a political perspective, United States spent $3 trillion on Covid relief and stimulus in calendar '20. We're going to spend already $2 trillion more in calendar '21. And if there's a big infrastructure bill, that's true. You start to marry that with the inflation that our industry and manufacturing, in general, is seeing across packaging and freight costs and metals and everything else. I think the bigger concern we ought to have broadly is are we in for a return of some level of inflation? And what does that do to interest rates? I'm not an economist, but we don't see anything that suggests that we're going to go backwards in raw materials structurally. We're certainly going to come down from some of the crazy spikes that we've seen in certain raw materials.

Again, I don't anticipate that epoxy resins will be 100% or 150% higher for the rest of the year, but they are as we sit here today. Same is true on some acrylics. So quite -- to the contrary of your question, our price increase activity is anticipating some significant reductions of the real crazy spikes that we're experiencing as we sit here today.

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

Okay. That's helpful. And sorry, one more quick one. So just on the M&A side, I know that you said that the valuations may be a little bit high now, especially for the larger deals. But given the changes in your strategy through MAP and potentially integrating prior acquisitions, do you foresee greater synergy opportunities, I guess, with future acquisitions? Or is there any color you could shed on what you expect to drive out of Bison or other acquisitions that you've completed recently?

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

Sure. I think that if we look at bigger deals, for the most part, they would have -- and particularly if they're at higher valuations than we've paid in the past, they would have to come with meaningful synergies. And versus 20 years ago, my father would go out and acquire, at a reasonable, fair price, family-owned businesses that would operate independently as part of RPM. The vast majority of our acquisitions today are driven by the strategic growth imperatives of our groups as opposed to buying totally freestanding businesses that don't have a connection necessarily for -- in some level of integration within an RPM -- within one of our four segments.

Operator

And your next question will come from Mike Harrison from Seaport Global Securities.

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

I was wondering if -- just to follow up on some of the acquisition discussion. When you acquired the Ali business, looks like it had annual sales of around $75 million. And this quarter, it sounds like around $24 million, $25 million in what would -- what I would think is a seasonally weaker quarter. So, can you talk about how you've been able to leverage Ali and the Gator brand relative to your expectations? And where we should think about that revenue run rate as we get into the spring and summer heavier season here?

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

Sure. The Ali family has built a great business with a great brand, a great adjacent product line for our Consumer Segment, and so we're excited to have it. Our first challenge there was kind of into the Covid period with a shutdown of Ali for a few weeks and a lot of catching up and really some supply issues. And we have worked very aggressively, both in terms of investment and outsourcing in a few categories, to correct that disruption, and we have caught up. And so now there's good demand there. And it's just a great business.

And to the extent, particularly in conjunction with the sales and marketing teams at Rust-Oleum to go into some of our big accounts on a joint basis, is something that we're excited about. So, we would expect to see that business grow at a high single-digit or low double-digit growth organically. We're thrilled to have them as part of RPM, but we did have a two- or three-month unanticipated supply disruption relative to how Covid impacted that business after we acquired it.

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

All right. And then also in the Consumer business, you had noted that Europe and Canada were pretty robust. I believe that the DIY demand trajectory was a little bit different in those international markets than what you saw with the strength in the U.S. in April and May. So how should we think about the comps of that international Consumer business and maybe the pace of DIY demand over the next couple of quarters there?

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

Sure. We do a couple of hundred million dollars of DIY business in Europe, disproportionately in the U.K. And so there has been more business activity in the U.K. For instance, this recent shutdown wasn't applied as previously to business activity as earlier U.K. activities were. And we've had a -- surprising to me, but really great execution by our leadership team there of a significant increase in e-commerce business, literally paint products and accessories direct to consumers, and that's growing. I think it's one of the areas broadly in the DIY markets. And to me, again, surprisingly somewhat in the paint markets.

One of the positive outcomes of all this is it's really accelerated consumer and customer interest in buying some of our products via e-commerce and direct ship and our ability to learn how to do that more efficiently, and that was particularly pronounced in Europe and really good execution by our leadership team and their associates there.

Operator

And your next question will come from Josh Spector from UBS.

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

Just a quick one on price again. When you talked about how you're going to capture the higher raw materials, you talked about changes in terms as something you could work with. Can you just give us an example of how that would work and how that would close the price raw gap?

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

Sure. I -- without getting into specifics, really, the terms are part of price increase adjustments, and so it's really an account-by-account situation. It's a function of when the price increase goes effective. It's a function of a customer saying, "Can we change terms here or there?" I don't know that, that means a lot for the biggest slug of our receivables because we have a program with MUFG on the payables side that's been favorable for us and favorable for both suppliers. And that's on the purchase side there, so that's an area where terms have benefited from us. You can see that in our payables. So, it's really throughout the supply chain. And any time you're talking price increases, you're talking level of price increases initiation dates and as how it might affect terms as part of the negotiation. But I wouldn't provide any specifics for obvious reasons.

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

Okay. That's helpful. And just quickly, you talked about M&A for cash deployment. How about buybacks? And now that you've initiated buybacks again or started doing them, initially, you had targets to do a certain amount over a period of time. I think there's maybe $0.5 billion left in that target. Do you have any plans for the time frame you plan to execute that over?

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

I don't know that we've announced a specific time frame. We have an open-ended repurchase program that's active again. Like everybody, our reaction in the spring of last year was to run the cash and plan for the worst. And I think our people managed through that pretty well. And our performance actually turned out to be better than we first feared in the March, April and May period a year ago. And so, with our board's approval, we reinitiated our repurchase program in January. And so quite quickly, with a board meeting at the end of January, we repurchased about $25 million of stock in the quarter. So that was over essentially a two-month period. And certainly, subject to various levels of where our stock price is, we intend to continue at different levels purchasing our stock on a go-forward basis. But I don't -- we certainly will not purchase the next $0.5 billion of stock as quickly as we affected the first, which I think was about 18 months. I would expect it to take us multiple years.

Operator

And your next question comes from Kevin Hocevar from Northcoast Research.

Kevin Hocevar - *Northcoast Research Partners, LLC - VP & Equity Research Analyst*

On the raw material supply side, you talked a lot about the inflation that you're seeing. But curious if the supply issues here have impacted your ability to produce at all. Have you had to take any plant downtime or reduce ships or anything like that? Just curious if it's impacted your production capabilities at all.

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

The answer is yes. Thankfully, not kind of a sustained or meaningful basis, but we've had situations where we would have to stop production and/or wait for raw materials. And we have pursued certain raw materials and certain chemicals direct through distribution, under contracts. In our industry, they're starting -- the good news is they're starting to roll off. But at the end of February and into early March, we in our industry were met with about 30-plus force majeure triggers by primary raw material suppliers, some of the biggest chemical suppliers in the world. And most of those are starting to be -- to roll off, which is a really good sign. But we have not had any sustained outages due to raw material disruptions, but we have had some spot outages here and there that have been temporary.

Kevin Hocevar - *Northcoast Research Partners, LLC - VP & Equity Research Analyst*

Okay. And then on the roofing side of the business, I know you've got a nice presence in liquid-applied roofing with AlphaGuard. And I believe that this is -- it sounds like you're even expanding capacity on this. And I know it's -- tends to be a lower cost alternative to fully tearing off and replacing the roof, which I'd have to imagine this environment is pretty appealing. So curious how that product line, in particular, is how building owners are adjusting to the environment. Are you seeing a lot more adoption of folks that might have previously done a full tear and replace with roofing membranes using liquid-applied instead? So just kind of curious how that's holding up in this environment.

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

Yes. Absolutely. We're in the process of a $20 million capital expansion in terms of our roof restoration coatings. And I think we've made a -- we've been the leader, I say, headway, but we've been the leader in driving roof restoration coatings as a way to extend the life of a typical end of useful life, 30- or 40-year-old roof of all types, EPM rubber roofing and other things, the ability to extend that for anywhere from 10 years in the short end to 20 years in the long end at a fraction of the cost of ripping something off and replacing it. And so, the benefits of not filling up landfills, the benefits to building owners at lower costs and actually a reroofing or roof restoration process, it also is shorter, timewise, in duration are all positives that are now starting to be picked up in the marketplace. Of course, we have competitors that are chasing that market as well, but that's continuing to grow for us at double digits. And we're continuing to invest in expanding our capacity there.

Operator

I have no further questions in queue. I turn the call back over to Mr. Sullivan for closing remarks.

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

Yes. Thanks, Michelle. And Ghansham grabbed most of my concluding comments, but I did want to just reemphasize that our people have executed our 2020 MAP to Growth operating improvement program extraordinarily well. But the real benefits of the MAP to Growth program have been to transition and really transform RPM in a lot of ways that will serve us well into the future. It's a program that will formally end at May 31, 2021, five months longer than we anticipated because of Covid. We are working on kind of what's next and look forward to communicating some of the details of that to our investors in July or perhaps October.

I mentioned a lot of people that are driving that success. Two people that have been paramount to the success of that program are Steve Knoop and Paul Hoogenboom. Steve, as many of you know, passed away a couple of years ago, but he was the primary architect of this and was a big, big, passionate believer in MAP to Growth and our ability to execute. And we've done it. And Paul Hoogenboom was a leader in also developing that program, but as you have all heard, driving our performance in our Construction Products Group, and there's a lot of exciting things to come there.

So, with that, I'd like to thank you all for your participation in our investor call today. I want to thank our associates for their tremendous efforts and dedication in what's been the most volatile environment that any of us have ever operated in, and then volatility continues. And thank our investors for their investment in RPM, and we very much look forward to talking about the details of the conclusion of our fourth quarter and our fiscal '21 full year when we talk to investors and release earnings in July and also provide you more detail, both about our fiscal '22 outlook and some of the longer-term MAP to Growth 2.0 ideas we have, both on the growth side and efficiency side.

Thanks for participating in our call today, and have a great day.

Operator

Thank you, everyone. This will conclude today's conference call. You may now disconnect.