

Fiscal 2021 Fourth-Quarter & Full-Year Results



RPM

BUILDING A BETTER WORLD

July 26, 2021

Consolidated Statements of Income



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

	Three Months Ended May 31,				
	2021	%	2020	%	% Change
Net Sales	\$ 1,744,307		\$ 1,458,962		19.6
Cost of Sales	1,050,916	60.2	905,006	62.0	
Gross Profit	693,391	39.8	553,956	38.0	
SG&A	466,471	26.8	362,861	24.9	
Restructuring Expense	5,826	0.3	14,344	1.0	
Other Expense, Net	6,132	0.4	6,909	0.5	
EBIT* (non-GAAP measure)	214,962	12.3	169,842	11.6	26.6
Interest Expense	21,425	1.2	22,372	1.5	
Investment (Income) Expense, Net	(10,716)	(0.6)	615	0.0	
Income Before Taxes	204,253	11.7	146,855	10.1	
Provision for Income Taxes	47,889	2.7	37,680	2.6	
Net Income	156,364	9.0	109,175	7.5	43.2
Less: Net Income (Loss) Attributable to Noncontrolling Interests	217	0.0	(139)	(0.0)	
Net Income Attributable to RPM Stockholders	\$ 156,147	9.0	\$ 109,314	7.5	42.8
Diluted EPS	\$ 1.20		\$ 0.84		42.9

*EBIT is defined as earnings (loss) before interest and taxes. Management uses EBIT, as defined, as a measure of operating performance, since interest expense, net, essentially relates to corporate functions, as opposed to segment operations.

Consolidated Statements of Income



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

	Fiscal Year Ended May 31,				
	2021	%	2020	%	% Change
Net Sales	\$ 6,106,288		\$ 5,506,994		10.9
Cost of Sales	3,701,129	60.6	3,414,139	62.0	
Gross Profit	2,405,159	39.4	2,092,855	38.0	
SG&A	1,664,026	27.3	1,548,653	28.1	
Restructuring Expense	18,106	0.3	33,108	0.6	
Other Expense, Net	13,639	0.2	12,066	0.2	
EBIT* (non-GAAP measure)	709,388	11.6	499,028	9.1	42.2
Interest Expense	85,400	1.4	101,003	1.8	
Investment (Income), Net	(44,450)	(0.7)	(9,739)	(0.1)	
Income Before Taxes	668,438	10.9	407,764	7.4	
Provision for Income Taxes	164,938	2.7	102,682	1.9	
Net Income	503,500	8.2	305,082	5.5	65.0
Less: Net Income Attributable to Noncontrolling Interests	857	-	697	-	
Net Income Attributable to RPM Stockholders	\$ 502,643	8.2	\$ 304,385	5.5	65.1
Diluted EPS	\$ 3.87		\$ 2.34		65.4

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Reconciliations of Non-GAAP Measures to GAAP Measures



BUILDING A BETTER WORLD

- (a) Inventory related charges reflect the following in fiscal 2021: Charges recorded in Cost of Goods Sold that reflect product line and SKU rationalization at our Consumer Segment and the reversal of prior period product line and SKU rationalization inventory charges due to the sale of immaterial amounts of previously reserved inventory at our Consumer Segment; Inventory related charges reflect the following in fiscal 2020: Charges recorded in Cost of Goods Sold that reflect product line and SKU rationalization and closure of a business at our Consumer Segment, as well as inventory write-offs in connection with restructuring activities at our Construction Products, Performance Coatings and Specialty Products segments.
- (b) Reflects restructuring charges, including headcount reductions, closures of facilities and related costs, and accelerated vesting of equity awards, all in relation to our Margin Acceleration Plan (“MAP to Growth”).
- (c) Accelerated costs, including depreciation and amortization expense related to the shortened useful lives of facilities and equipment, ERP systems, and intangibles that are currently in use, but are in the process of being retired associated with various MAP to Growth initiatives including facility closures, exiting a business, and ERP consolidation.
- (d) Reflects the increase in our allowance for doubtful accounts deemed uncollectible as a result of a change in market and leadership strategy, offset by subsequent collections.
- (e) Includes implementation costs associated with our ERP consolidation plan and decision support tools.
- (f) Comprises professional fees incurred in connection with our MAP to Growth.
- (g) Acquisition costs reflect amounts included in gross profit for inventory step-ups.
- (h) Reflects unusual compensation costs recorded during fiscal 2021 and 2020 that resulted from executive departures related to our MAP to Growth, including stock and deferred compensation plan arrangements.
- (i) Reflects unusual compensation costs, net of insurance proceeds that resulted from executive departures unrelated to our MAP to Growth
- (j) Reflects gains or losses incurred upon divestiture of a business and/or assets.
- (k) Reflects charges related to the discontinuation of a product line targeting OEM markets and related prepaid asset and inventory write-off, offset by subsequent recoveries. This resulted from ongoing product line rationalization efforts in connection with our MAP to Growth.
- (l) Reflects costs associated with exiting an unprofitable licensing agreement.
- (m) Reflects the favorable adjustment as a result of the resolution of a contingent liability related to a FY18 charge to exit our Flowcrete business in China.
- (n) Reflects charges related to the Final Judgment entered by the Court, resolving our legacy “SEC Investigation & Enforcement Action.”
- (o) Investment returns include realized net gains and losses on sales of investments and unrealized net gains and losses on equity securities, which are adjusted due to their inherent volatility. Management does not consider these gains and losses, which cannot be predicted with any level of certainty, to be reflective of the company's core business operations.
- (p) Includes income tax charges for an increase to our deferred income tax liability for withholding taxes on additional unremitted foreign earnings not considered permanently reinvested and for income tax charges related to certain foreign legal entity restructurings.

Reconciliation of "Reported" to "Adjusted" EPS



(Unaudited)

Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share (All amounts presented after-tax):

	Three Months Ended May 31,	
	2021	2020
Reported Earnings per Diluted Share	\$ 1.20	\$ 0.84
Inventory-related charges (a)	-	0.06
Restructuring expense (b)	0.04	0.10
Accelerated expense - other (c)	0.01	0.07
Receivable write-offs (d)	0.01	-
ERP consolidation plan (e)	0.01	0.01
Professional fees (f)	0.07	0.03
Unusual executive costs, net of issuance proceeds (i)	-	(0.01)
Divestitures (j)	(0.01)	-
Termination of license agreement (l)	-	0.03
Adjustment to exit Flowcrete China (m)	-	(0.01)
Investment returns (o)	(0.09)	0.01
Discrete tax adjustments (p)	0.04	-
Adjusted Earnings per Diluted Share*	\$ 1.28	\$ 1.13

*Adjusted EPS is provided for the purpose of adjusting diluted earnings per share for items impacting earnings that are not considered by management to be indicative of ongoing operations.

NOTE: Refer to slide #5 for all adjustment detail.

Reconciliation of "Reported" to "Adjusted" EPS



(Unaudited)

<u>Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share (All amounts presented after-tax):</u>	<u>Fiscal Year Ended May 31,</u>	
	<u>2021</u>	<u>2020</u>
Reported Earnings per Diluted Share	\$ 3.87	\$ 2.34
Inventory-related charges (a)	0.01	0.12
Restructuring expense (b)	0.15	0.21
Accelerated expense - other (c)	0.04	0.13
Receivable write-offs (d)	0.01	0.02
ERP consolidation plan (e)	0.03	0.06
Professional fees (f)	0.20	0.12
Acquisition-related costs (g)	0.01	0.01
Unusual costs triggered by executive departures (h)	0.02	0.01
Unusual executive costs, net of issuance proceeds (i)	(0.01)	(0.01)
Divestitures (j)	(0.01)	-
Discontinued product line (k)	-	0.05
Termination of license agreement (l)	-	0.03
Adjustment to exit Flowcrete China (m)	-	(0.01)
SEC settlement (n)	0.01	-
Investment returns (o)	(0.25)	(0.01)
Discrete tax adjustments (p)	0.08	-
Adjusted Earnings per Diluted Share*	\$ 4.16	\$ 3.07

*Adjusted EPS is provided for the purpose of adjusting diluted earnings per share for items impacting earnings that are not considered by management to be indicative of ongoing operations.

NOTE: Refer to slide #5 for all adjustment detail.

EBIT* (Non-GAAP Measure): RPM Consolidated



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

	Three Months Ended May 31,	
	2021	2020
Net Income	\$ 156,364	\$ 109,175
Provision for Income Taxes	47,889	37,680
Income Before Income Taxes	204,253	146,855
Interest Expense	21,425	22,372
Investment (Income) Expense, Net	(10,716)	615
EBIT* (non-GAAP measure)	214,962	169,842
Inventory-related charges (a)	577	9,180
Restructuring expense (b)	6,821	14,711
Accelerated expense - other (c)	1,151	11,422
Receivable write-offs (recoveries) (d)	1,945	(146)
ERP consolidation plan (e)	1,333	1,684
Professional fees (f)	11,105	4,107
Acquisition-related costs (g)	546	66
Unusual costs triggered by executive departures (h)	-	284
Unusual executive costs, net of insurance proceeds (i)	262	(1,696)
Divestitures (j)	(2,506)	(60)
Termination of license agreement (l)	-	5,254
Adjustment to exit Flowcrete China (m)	-	(1,039)
Adjusted EBIT** (non-GAAP measure)	\$ 236,196	\$ 213,609
Net Sales	\$ 1,744,307	\$ 1,458,962
Adj EBIT** as a % of Net Sales (non-GAAP measure)	13.5%	14.6%

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**Adjusted EBIT is provided for the purpose of adjusting for one-off items impacting revenue and/or expenses that are not considered by management to be indicative of ongoing operations.

NOTE: Refer to slide #5 for all adjustment detail.

EBIT* (Non-GAAP Measure): RPM Consolidated



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

	Fiscal Year Ended May 31,	
	2021	2020
Net Income	\$ 503,500	\$ 305,082
Provision for Income Taxes	164,938	102,682
Income Before Income Taxes	668,438	407,764
Interest Expense	85,400	101,003
Investment (Income), Net	(44,450)	(9,739)
EBIT* (non-GAAP measure)	709,388	499,028
Inventory-related charges (a)	1,967	18,469
Restructuring expense (b)	23,954	34,302
Accelerated expense - other (c)	5,966	21,593
Receivable write-offs (d)	1,553	2,641
ERP consolidation plan (e)	4,711	10,373
Professional fees (f)	33,888	20,228
Acquisition-related costs (g)	1,724	919
Unusual costs triggered by executive departures (h)	2,832	1,010
Unusual executive costs, net of insurance proceeds (i)	(1,006)	(1,696)
Divestitures (j)	(1,715)	601
Discontinued product line (k)	(384)	8,618
Termination of license agreement (l)	-	5,254
Adjustment to exit Flowcrete China (m)	(305)	(1,039)
SEC settlement (n)	2,000	-
Adjusted EBIT** (non-GAAP measure)	\$ 784,573	\$ 620,301
Net Sales	\$ 6,106,288	\$ 5,506,994
Adj EBIT** as a % of Net Sales (non-GAAP measure)	12.8%	11.3%

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EBIT** (Non-GAAP Measure): Construction Products Segment



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(Unaudited)

	Three Months Ended May 31,	
	2021	2020
Income Before Income Taxes	\$ 107,160	\$ 70,339
Add: Interest Expense, Net*	1,705	2,033
EBIT** (non-GAAP measure)	108,865	72,372
Inventory-related charges (a)	114	328
Restructuring expense (b)	2,510	3,914
Accelerated expense - other (c)	403	1,433
Receivable write-offs (d)	-	248
ERP consolidation plan (e)	731	129
Professional fees (f)	77	-
Divestitures (j)	(2,323)	(60)
Adjustment to exit Flowcrete China (m)	-	(1,039)
Adjusted EBIT*** (non-GAAP measure)	\$ 110,377	\$ 77,325
Net Sales	\$ 629,386	\$ 472,408
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	17.5%	16.4%

*Interest expense, net includes the combination of interest (income) expense and investment (income) expense, net.

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EBIT** (Non-GAAP Measure): Construction Products Segment



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	Fiscal Year Ended May 31,	
	2021	2020
Income Before Income Taxes	\$ 291,773	\$ 209,663
Add: Interest Expense, Net*	8,030	8,265
EBIT** (non-GAAP measure)	299,803	217,928
Inventory-related charges (a)	63	674
Restructuring expense (b)	7,717	9,918
Accelerated expense - other (c)	2,876	3,015
ERP consolidation plan (e)	1,243	869
Professional fees (f)	433	286
Acquisition-related costs (g)	-	548
Divestitures (j)	(2,174)	(60)
Adjustment to exit Flowcrete China (m)	(305)	(1,039)
Adjusted EBIT*** (non-GAAP measure)	\$ 309,656	\$ 232,139
Net Sales	\$ 2,076,565	\$ 1,880,105
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	14.9%	12.3%

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EBIT** (Non-GAAP Measure): Performance Coatings Segment



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	Three Months Ended May 31,	
	2021	2020
Income Before Income Taxes	\$ 25,968	\$ 18,728
Add: Interest (Income) Expense, Net*	(76)	2
EBIT** (non-GAAP measure)	25,892	18,730
Restructuring expense (b)	1,417	3,885
Accelerated expense - other (c)	168	617
Receivable write-offs (recoveries) (d)	1,945	(146)
ERP consolidation plan (e)	283	140
Professional fees (f)	956	358
Acquisition-related costs (g)	546	66
Divestitures (j)	(183)	-
Adjusted EBIT*** (non-GAAP measure)	\$ 31,024	\$ 23,650
Net Sales	\$ 283,311	\$ 235,063
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	11.0%	10.1%

*Interest (income) expense, net includes the combination of interest (income) expense and investment (income) expense, net.

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EBIT** (Non-GAAP Measure): Performance Coatings Segment



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	Fiscal Year Ended May 31,	
	2021	2020
Income Before Income Taxes	\$ 90,687	\$ 102,345
Add: Interest (Income), Net*	(128)	(18)
EBIT** (non-GAAP measure)	90,559	102,327
Inventory-related charges (a)	37	3,190
Restructuring expense (b)	5,089	9,094
Accelerated expense - other (c)	1,885	2,912
Receivable write-offs (d)	1,553	2,586
ERP consolidation plan (e)	1,448	788
Professional fees (f)	3,120	941
Acquisition-related costs (g)	546	184
Divestitures (j)	(183)	(264)
Adjusted EBIT*** (non-GAAP measure)	\$ 104,054	\$ 121,758
Net Sales	\$ 1,028,456	\$ 1,080,701
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	10.1%	11.3%

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



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	Three Months Ended May 31,	
	2021	2020
Income Before Income Taxes	\$ 90,976	\$ 74,612
Add: Interest Expense, Net*	56	54
EBIT** (non-GAAP measure)	91,032	74,666
Inventory-related charges (a)	463	8,852
Restructuring expense (b)	1,759	6,006
Accelerated expense - other (c)	283	9,346
ERP consolidation plan (e)	-	76
Professional fees (f)	46	265
Discontinued product line (k)	-	5,254
Adjusted EBIT*** (non-GAAP measure)	\$ 93,583	\$ 104,465
Net Sales	\$ 628,859	\$ 616,246
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	14.9%	17.0%

*Interest expense, net includes the combination of interest (income) expense and investment (income) expense, net.

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



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	Fiscal Year Ended May 31,	
	2021	2020
Income Before Income Taxes	\$ 354,789	\$ 198,024
Add: Interest Expense, Net*	242	272
EBIT** (non-GAAP measure)	355,031	198,296
Inventory-related charges (a)	1,867	14,520
Restructuring expense (b)	8,134	9,428
Accelerated expense - other (c)	504	14,972
Receivable write-offs (d)	-	55
ERP consolidation plan (e)	84	273
Professional fees (f)	322	650
Acquisition-related costs (g)	1,178	-
Unusual costs triggered by executive departures (h)	2,000	-
Divestitures (j)	-	925
Discontinued product line (k)	(384)	8,618
Termination of license agreement (l)	-	5,254
Adjusted EBIT*** (non-GAAP measure)	\$ 368,736	\$ 252,991
Net Sales	\$ 2,295,277	\$ 1,945,220
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	16.1%	13.0%

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



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	Three Months Ended May 31,	
	2021	2020
Income Before Income Taxes	\$ 34,827	\$ 2,901
Add: Interest Expense, Net*	65	57
EBIT** (non-GAAP measure)	34,892	2,958
Restructuring expense (b)	1,087	926
Accelerated expense - other (c)	297	27
ERP consolidation plan (e)	7	1,219
Professional fees (f)	9	1,915
Unusual costs triggered by executive departures (h)	-	284
Unusual executive costs, net of insurance proceeds (i)	(10)	-
Adjusted EBIT*** (non-GAAP measure)	\$ 36,282	\$ 7,329
Net Sales	\$ 202,751	\$ 135,245
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	17.9%	5.4%

*Interest expense, net includes the combination of interest (income) expense and investment (income) expense, net.

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



(\$ in thousands, except per share and percent data)
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	Fiscal Year Ended May 31,	
	2021	2020
Income Before Income Taxes	\$ 108,242	\$ 57,933
Add: Interest Expense, Net*	284	62
EBIT** (non-GAAP measure)	108,526	57,995
Inventory-related charges (a)	-	86
Restructuring expense (b)	2,823	4,633
Accelerated expense - other (c)	701	502
ERP consolidation plan (e)	1,241	8,443
Professional fees (f)	1,921	4,064
Acquisition-related charges (g)	-	187
Unusual costs triggered by executive departures (h)	46	757
Unusual executive costs, net of insurance proceeds (i)	(10)	-
Adjusted EBIT*** (non-GAAP measure)	\$ 115,248	\$ 76,667
Net Sales	\$ 705,990	\$ 600,968
Adj EBIT*** as a % of Net Sales (non-GAAP measure)	16.3%	12.8%

*Interest expense, net includes the combination of interest (income) expense and investment (income) expense, net.

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