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RPM.N - Q1 2022 RPM International Inc Earnings Call

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OVERVIEW:

RPM reported 1Q22 consolidated sales of $1.65b and adjusted diluted EPS of $1.08. Expects 2Q22 consolidated sales to increase in mid-single digits.

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PRESENTATION

Operator

Welcome to today's RPM International's conference call for the fiscal 2022 first 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 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.

Following today's presentation, there will be a question-and-answer session. (Operator Instructions) Please note that only financial analysts will be permitted to ask questions.

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, Tammy. Good morning, and welcome to the RPM International Inc. Investor Call for our fiscal 2022 first quarter. Joining me on today's call is Rusty Gordon, RPM's vice president and chief financial officer; and Mike Laroche, who will become our vice president, controller and chief accounting officer effective November 1. Mike was previously the CFO of our Specialty Products operating -- Specialty Products Group operating segment. He succeeds Keith Smiley who will be retiring at the end of the month after nearly 30 years of distinguished service to RPM.

I'll begin by sharing broad commentary on our performance for the quarter. Mike will then provide details on our financial results, and Rusty will conclude our formal remarks with comments on our outlook for the second quarter of fiscal 2022. Our comments will be on an as-adjusted basis, unless otherwise indicated. Please note that we've provided a supplemental slide presentation to support our comments on this call. It can be accessed in the Presentations & Webcasts section of the RPM website at www.rpminc.com. After our formal remarks, we'll be pleased to take your questions.

As you can see on the third slide of the presentation, our results this quarter demonstrate the benefits of our balanced business portfolio, where softness in one segment is typically offset by strength in others. For the first quarter of fiscal '22, three of our four operating segments, our Construction Products Group, Performance Coatings Group and Specialty Products Group, generated solid sales and adjusted EBIT growth. Combined sales in these three segments increased more than 15%, and their adjusted EBIT was up more than 14%. This performance was especially notable in light of the raw material shortages, supply chain disruptions and inflation all of our segments and businesses are facing.

Due to the supply disruption, we lost the equivalent of nearly 300 production days across RPM facilities around the globe during the 2022 first quarter, more days that were lost due to COVID-related shutdowns in last year's first quarter. We estimate the negative impact on consolidated sales during this first quarter was about $200 million due to these challenges and disruptions, over half of which occurred in our Consumer segment. This was about double the negative sales impact we experienced in the fourth quarter of fiscal '21.

Sales and earnings for our Consumer Group decreased during the quarter as a result of these factors, as well as a difficult comparison to the prior-year period when sales increased on an organic basis by 34% and adjusted EBIT was up 122%. These growth rates in the prior-year period were largely driven by extraordinary DIY demand during the pandemic. All indicators suggest that the underlying demand for our consumer products is still strong and that the supply and material disruptions the segment is currently experiencing are temporary.

During the first quarter and early in the second quarter, we made strategic growth investments in our businesses. And as you can see on slide 4, among these were the recent acquisitions of Dudick, Pure Air and a recent purchase of a large manufacturing facility in Corsicana, Texas. Acquired in June, Dudick will allow our Carboline business to strengthen its position in the secondary containment linings market with an established and trusted product line, while simultaneously opening the door to expanded sales and future growth opportunities around the globe.

Pure Air was acquired in August and provides indoor air quality service and is complementary to our Tremco Roofing and Tremco WTI business. We intend to swiftly scale Pure Air by leveraging Tremco's North American sales force, strategic partnerships and operational infrastructure.

Also on this slide, you'll see an image from the 178,000-square-foot plant we purchased on 120 acres in Texas. This will serve as a manufacturing center of excellence for multiple RPM businesses. The plant is fully operational, has an experienced operating team that will allow us to add long-term resilience in our supply chain, improve fill rates and more easily expand production of a number of our high-growth product lines in the coming quarters and years.

From a more long-term, macro viewpoint, there are a number of market opportunities and industry trends that we are well positioned to capitalize on for continued growth and success. Among the market opportunities on slide 5 are the following: The increasing need for investment in infrastructure, with spending estimated to be $2.8 trillion globally. Our Performance Coatings Group and Construction Products Group have a vast array of products and services to meet this need. The new DIYers born from the pandemic who continue to tackle home improvement projects with both our core product ranges and expanding sales in relatively new categories, like abrasives and architectural coatings; the continued growth in more holistic connected, building envelopes, such as those provided by our Construction Products Group, which make structures more air tight, weather tight and energy efficient; and the demand for wall systems, like those that could be constructed using insulated concrete forms made by our Nudura business. They make building stronger, more energy efficient and reduce construction cycle time and labor.

Industry trends benefiting RPM include nesting by consumers who are making more home improvements, school reopenings requiring more maintenance and repair, a need for building owners and facility managers to consolidate their construction management to a single source, and a greater desire for energy efficient, driven by both the cost benefits, as well as the desire to minimize environmental impacts. RPM is well positioned to meet and grow with all of these trends.

I'd now like to turn the call over to Mike Laroche to discuss our segment's financial performance during the quarter.

Michael Laroche

Thanks, Frank, and good morning, everyone. Turning to slide 6, on a consolidated basis, our sales increased to a record $1.65 billion, up 2.7% over a strong fiscal 2021 first quarter, which grew 9.1%, largely due to the unprecedented demand for our Consumer Group's home improvement products during the pandemic. The growth was 2.1% from recent acquisitions and 1.6% due to foreign currency translation tailwinds, more than offsetting an organic sales decline of 1%.

Adjusted diluted EPS of $1.08, decreasing 25% compared to the prior-year period's extraordinary adjusted diluted EPS growth of nearly 52%.

Our consolidated adjusted EBIT of $206.8 million decreased 23.2% due to supply chain challenges, inflation and the Consumer Group's tough comparison against the prior year.

If you look at our consolidated results on a double-stack basis that compares the first quarter of fiscal 2022 to the pre-pandemic first quarter of fiscal 2020, our sales, EBIT, net income, and diluted EPS all show strong growth. This indicates that last year's results were a bit of an anomaly created by the pandemic that we are now getting back to a more steady level of performance across the business.

Raw material shortages and inflation continue to be serious challenges. In order to protect our margins, we are continuing to implement price increases, where appropriate, across all our segments. We also continue to benefit from incremental cost savings resulting from our recently concluded MAP to Growth operating improvement program. It continues to pay dividends as we generate further operational efficiencies in our manufacturing, procurement and administrative business functions.

Moving on to slide 7. Our Construction Products Group was our fastest growing segment in the first quarter, generating record sales and record adjusted EBIT. Its organic growth of 15% was particularly impressive given that non-residential construction put-in-place, a relevant market indicator for the segment, is down 11.6% this calendar year. Nearly all of the CPG businesses experienced strong top-line performance, partially by focusing on growing markets such as technology and distribution. CPG businesses that performed particularly well were those that provide commercial roofing systems, concrete admixtures and repair products and insulated concrete forms. The segment's European operations generated double-digit top-line growth due, in part to the comparison to last year's first quarter when shelter-in-place requirements were most severe. Earnings increased due to market share gains, operational improvements, cost controls and selling price increases, which offset production inefficiencies due to supply chain disruptions and cost increases.

On slide 8, you'll see that sales recovered at our Performance Coatings Group as they increased at nearly all of its major business units, partially aided by comparisons to last year's first quarter once the pandemic restrictions did not allow contractors on worksites and poor energy market conditions led to deferrals and industrial maintenance spending. Sales were strong at the recently acquired Bison, which is a manufacturer of raised flooring systems. We also experienced strong growth in emerging markets and in industrial maintenance outside of the energy sector. It was encouraging to see EBIT growth outpacing sales in spite of inflation, because PCG has been the segment that has been most heavily impacted by the pandemic. Earnings were boosted by improved pricing, incremental savings from operating improvement initiatives and two recent acquisitions.

Turning to slide 9, our Specialty Products produced record top-line growth, largely driven by its businesses providing marine coatings, powder coatings, wood stains and sealers, and disaster restoration equipment. Earnings increased due to higher sales volumes and incremental operating improvement program savings, which were partially offset by high raw material inflation, inefficiencies associated with supply chain disruption and investment in SG&A for future growth initiatives. In response, SPG businesses are continuing to institute price increases.

Next, on slide 10, our Consumer Group faced a tough comparison to prior year for the reasons Frank mentioned earlier. During the first quarter of fiscal 2022, this segment experienced a negative sales impact of roughly $100 million from production outages due to supply constraints and disruptions. However, the Consumer Group's fiscal 2022 first-quarter sales were 12.3% above pre-pandemic levels of the first quarter of fiscal 2020, in spite of the negative sales impact from supply chain challenges during the current year. There is pent-up demand for our products, and inventory in many of our channels are low. We expect to recover the lost sales when conditions normalize.

Earnings declined during the first quarter of fiscal '22 as a result of inflation in materials, freight and labor, as well as the unfavorable impact of supply shortages on productivity. These factors were partially offset by price increases and savings from our operating improvement program. We are proactively building resiliency in our supply chain to secure raw materials required today and in the future. In addition, we are adding manufacturing capacity to serve new DIY demand. While this additional capacity is being established, in the near term we are using contract manufacturing at higher cost to meet customer demand.

Now I'll turn the call over to Rusty to discuss our outlook.

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

Thanks, Mike. I'll now move on to slide 11. As we look ahead to our fiscal 2022 second quarter, we anticipate that raw material, freight and wage inflation will persist, as well the raw material shortages and supply chain challenges we have been experiencing. In addition, we faced another difficult comparison to the prior year when sales on a consolidated basis increased 6% and adjusted EBIT increased nearly 30%, driven by a 66% increase in the Consumer segment's adjusted EBIT. We anticipate these factors to be partially offset by price increases, operational improvements and new manufacturing capacity.

We expect our fiscal 2022 second-quarter consolidated sales to increase in the mid-single digits. Our Construction Products Group, Performance Coatings Group and Specialty Products Group are anticipating double-digit sales growth. Our Consumer Group is anticipated to experience a double-digit decrease in sales due to continued raw material shortages and a difficult comparison to the prior-year period when pandemic fuel demand rapidly drove organic growth up 15%. However, in a similar manner to the first quarter, we expect the Consumer segment's second-quarter sales to be above its pre-pandemic level, which is a fairer comparison.

While underlying demand remained strong for our products and services, we still face material shortages and inflationary pressures, so adjusted EBIT is expected to be down 15% to 25%. The Q2 results will be directionally similar to Q1, with significant year-over-year declines again in our Consumer Group, which is still lapping tough comparisons, and double-digit sales and earnings increases for our other three segments in aggregate.

Turning to slide 12, moving forward, we intend to maintain the positive momentum created by our operating improvement program as we complete its remaining projects, such as the one plant closure completed during Q1 of F '22, leverage resources across RPM to manage supply chain issues and meet customer demand, identify new opportunities for efficiencies through our continuous improvement culture, and make investments in growth opportunities, including capacity expansions.

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 the line of Ghansham Panjabi with Baird.

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

Yes. In the comments on the Construction segment, you noticed that -- you noted that sales were very strong despite the indicator in terms of construction put-in-place being down significantly so far this year. Is that dynamic an issue as we look out over the next six months or so in terms of maybe an air pocket in demand? Or do you not see that at this point?

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

No. I think you're going to continue to see strong performance there, and it's really a combination of how our leadership team has positioned our Construction Products Group. And I'll just give you a couple of examples.

As you know, our Tremco business has been the leader in roof restoration coatings. And these are allowing for the expansion or continuation of the useful life of an old roof by another 10, 15, 20 years at a third of the cost. And to the extent that we can get resins for these roof restoration coatings and we're shifting between typical petroleum-based resins, which, in some instances, are in short supply, and more organic resins and bio-based resins, they're allowing us both an advantage in a growing area and also in an advantage where in today's market, tearing off a roof and waiting for all the components, and in some cases, particularly foam-based insulation, is a problem. So, I think our position in roof restoration coatings is providing us somewhat of an advantage in this material-constrained environment.

The other area is in the Tremco waterproofing and sealants business. They've been the leader in façade restoration in a manner that allows systems to be used to renovate and repair façades without pulling out windows and other construction components. And again, because of the component and supply challenges that we're facing across construction materials, we're seeing some advantage there as well. So those are just two examples.

I would expect in the second quarter, and beyond, not only will we see double-digit sales growth, but you'll start to see modest margin expansion with EBIT growth at or slightly better than the sales growth in our Construction Products Group.

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

And then in terms of guidance, I mean, last quarter, you gave us guidance for both the first quarter and the second quarter, and the first quarter certainly came in line. And obviously, the second quarter has been rebased, just based on what's occurred in cost and raw material scarcity, et cetera. Can you help us think about the outlook for the back half of the year in terms of the cost inflation trend line, the sales loss progression from a dearth of raw materials? Just give us a high-level view in terms of what you know at this point and how we should kind of see the full year unfold.

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

Sure. So, for inflation today, we anticipate for the full '22 fiscal year overall inflation to be somewhere in the high teens, call it, 17%, 18%, 19%. Today, as we sit here year-over-year, inflation includes labor and freight, but mostly material-driven is 30% higher, and a lot of that's driven by materials. A couple of examples that you would be familiar with, epoxy resins are double what they were a year ago. Acetone is up 90%. MDI is up 80%. Alkyd resins are up 50%, and that's to the extent that we can get them. As you know, there's been shortages particularly related to a plant explosion of a primary North American alkyd resin producer. So that's the environment that we see today.

There's a broad range on our outlook for Q2, and I think all of these things are foreseeable. The impact is not as foreseeable. So, the thing that we're focused on now the most is what's happening in China and some combination of its trade fight with Australia around coal, and I think efforts to maybe clean up air pollution in front of the winter Olympics are resulting in currently an estimated more shutdowns of industrial production and power. And so that's certainly going to have a negative impact on the downstream chemical supply as well.

Operator

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

Caleb Boehnlein - *BMO Capital Markets Equity Research - Associate*

This is Caleb on for John. Hope that's all right.

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

Sure. Hey, Caleb.

Caleb Boehnlein - *BMO Capital Markets Equity Research - Associate*

So clearly, there are some supply chain issues. I know you had previously mentioned the $100 million impact to vol by Consumer and I believe a total impact of $200 million. And I was just wondering if you could quantify the impact of that in Q2. And I know you had said that once there's plug in issues, there would be a snapback, but I was just wondering how quickly you're expecting that snapback in demand to occur as a one- or two-year time frame or if it's a little bit longer than that.

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

Yes. In terms of Q2, the way it looks now, Caleb, is it's going to be pretty similar to Q1. We would expect, again, roughly $200 million of sales loss. And they're not lost sales, I should clarify. Those are most all deferred sales on the Consumer side. If people have a paint project, they're eventually going to have to paint it, even if we're out of stock on a particular color in a given moment. And on our industrial-type businesses, most of these products are spec, and these are projects that are moving forward. So, if we have supply availability issues, most likely our competitors do, and these projects will continue.

Caleb Boehnlein - *BMO Capital Markets Equity Research - Associate*

Okay. And then can you speak to any thoughts on MAP 2.0 is the types of opportunities you're seeing in that and how you could look to scale those in the future?

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

Sure. I think the most obvious ones there are in the manufacturing area. We instituted the MS-168 lean manufacturing and continuous improvement measurements and disciplines, and there are still 60 small- to medium-sized manufacturing facilities that we have not gotten to because of the interruptions of COVID. It's pretty intensive, hands-on on the factory floor process, and so I would expect that there'll be tens of millions of dollars of benefits there as we can get to it. There is some more in procurement but not nearly the extent of what we experienced in the first round of MAP to Growth.

And then there'll be some elements. I will tell you that providing details on this and really quantifying this has been interrupted by this global supply chain issue. We're getting into our plants, but the literally week-to-week and month-to-month fight on supply chain is occupying our focus. We will see some easing up in some of our primary resins, we think, going into November and certainly into the spring. Some of that is finding alternative supply or tollers. Some of that will be from the Corsicana, Texas facility that we acquired where we're standing up some critical resin production, and so we're moving in the right direction there. And so, we'll have more to say on a MAP to Growth 2.0, but our detailed communications on that are going to be delayed until we really feel like we've got the supply chain challenges I wouldn't say behind us but a little better managed than they are today.

I mentioned earlier in the call, the challenges in China that we're seeing. That's likely to impact silicones in a more meaningful way than silicones have already been impacted today as well as some other critical raws. So there continue to be circumstantial elements, whether it's hurricanes or winter storms or now what's coming in China that exacerbate an already global supply chain challenge that's not unique to our industry.

Operator

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

Steven Haynes - *Morgan Stanley, Research Division - Research Associate*

This is Steve Haynes on for Vincent. I just want to ask a quick question on pricing and if you could provide an update there as to what realization was in the quarter and kind of what you're expecting for the back half as well.

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

Sure. So, for obvious competitive reasons, we're not going to get into pricing by segment or business. But I can tell you the numbers that we would provide here on a consolidated basis are generally accurate, plus or minus 50 basis points for most of our different businesses. And this relates to pricing that we were able to effect in the spring and then a second round of pricing across most of our businesses at the end of the summer or early fall.

So, on a consolidated basis, in Q1, price had an impact of about 4.5%. The effect -- and this is the effect of the pricing that we have already instituted again in the spring or in the fall, some of which is coming online. This does not anticipate the need for additional price increases, which time will tell relative to the supply issues. So Q1, 4.5% on a consolidated basis. Q2 should be about 7.5%. And all things being equal, which is a very loose statement relative to the supply chain issues, you'll see the impact in the second half of the year somewhere in the 8% to 10% range.

Steven Haynes - *Morgan Stanley, Research Division - Research Associate*

And then just to follow up on cash flow. I think 1Q kind of took a sizable hit year-on-year. And obviously, last year, probably it was maybe a little bit stronger than usual. So, you called out inventory specifically, but there are some other working capital headwinds as well. Can you just provide some color there and how you're thinking about working capital and capex uses in the back half?

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

Yes. Sure. In terms of last year, we had strong demand in our consumer DIY business. And we were able to meet that demand really by pulling sales out of inventory and converting inventory to cash. So, we had an excellent first quarter. And if you turn to this year, it's the opposite, of course, for Consumer. We're declining in sales. And the inventory had been drawn down. Right now, we're actually trying to build inventory to try to improve fill rates and service levels. So, from a working capital perspective, that's really the main driver.

And that theme does apply as well across our other three segments. They, as well, are trying to build resiliency and build inventory where possible because we seem to have supply shocks happening pretty regularly if you look at our track record of late.

Operator

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

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

Just on the Consumer product side, I mean, you guys continue to maintain the stance about demand being and strong, and you guys, obviously, aren't the only ones saying that in that channel. Just curious what data you're seeing. And maybe specifically, what percent of your SKUs would you say are out of stock versus low stock? So, if it's in stock, maybe somebody will be buying. Or if that's not the data you're looking at, what are you seeing that gives you confidence there?

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

So we're, in part, seeing comparisons to the pre-pandemic levels in terms of units, which is still strong, up high-single digits or low-double digits. And I won't get into specific fill rates by customers. But historically, we've been at 98%, 99% fill rates, and neither we or any of our competitors are close to that. And if we were close to that in terms of consumer takeaway and what we're unable to supply because of these global supply chain disruptions, we have high confidence would move off the shelves. And that's an issue. It's a problem for us. It's a problem for our customers. We're addressing it in ways that we think are competitively in a good position. And we're also confident that as we resolve some of these resin issues and can get fill rates back to closer levels, you'll see a nice pickup in revenue growth.

But that's the principal reason behind the $200 million of estimated loss sales in the quarter, half of which was Consumer. It's literally not being able to meet demand and not being close to the historically excellent and expected fill rates.

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

Okay. That's helpful. And just in terms of the new Texas facility, I mean, you guys have continued to talk about the Consumer need to outsource production. Curious what that cost was in this quarter and if you could just remind us maybe on the prior quarters. And does that facility address that entirely? Or is that a separate issue from what you're doing with that facility?

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

No. I don't have a specific answer for the costs, other than we're outsourcing a significant filling in some areas. The other issue is, and we've talked about this before, one of our principal suppliers had a plant explosion, and they were a provider of about 30% of alkyd resins to North America and a significant supplier to us. And alkyd resins is a more meaningful resin to Rust-Oleum than it might be to some of our architectural paint competitors. So, we are working with them on outside tollers. We are standing up day by day more capacity. We're not where we need to be yet, but we're confident we'll get there in the next month or two, but it's at a substantially higher cost.

So, as we can get back to a normal supply base and as we can address a portion of that, but not the majority of it in our new plant, first and foremost, we'll get back to being able to meet demand and get back to fill rates that we all desire. And then you'll see the profitability issue addressed as well.

Operator

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

Cory Murphy - *Vertical Research Partners, LLC - Analyst*

This is Cory on for Kevin. Going back to the $200 million impact of supply chain and raws, it sounds like the $100 million in Consumer was mostly shortage related. I was wondering if you could break out the other $100 million by segment or by what type of pressure it was, whether it was supply chain issues or shortages or just raw material availability.

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

In every case, it's shortages. It is -- for instance, in our Construction Products Group, as strong as their revenues were in the quarter, we certainly missed tens of millions of dollars of volume there. And it's -- you really have to trace it back to the supply chain. So, there were a number of instances where a critical intermediate chemical to one of our suppliers inhibited those suppliers from providing us resins.

In our roof coatings business, and we're overcoming this now, but in the first quarter, we literally had week-long plant shutdowns while we were waiting for raw materials. And so, in that case, we are making that up because we've solved that issue, but you're seeing rising costs and some availabilities in silicones. You've seen it in acrylic resins. You're seeing it in alkyd resins. And in some cases, it is a shortage, like in alkyd resins, of a direct raw material which we purchase. In many other cases, it is a critical element of our suppliers' production that's inhibiting their ability to deliver their products timely to us. And so, it impacted Construction Products in the first quarter. I think we've overcome most of that. We anticipate, unfortunately, disruptions in silicones because of the issues on China. I mentioned that will negatively impact our Consumer and Construction Products Group, but it's incorporated in our outlook.

Cory Murphy - *Vertical Research Partners, LLC - Analyst*

Okay. And then you had mentioned that you've done some contract in tolling manufacturing. Can you talk through that on a dollar or margin basis and any detail you can provide?

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

No. We haven't provided the detail on that, other than to say if you look at our gross margins in Consumer or gross margin to RPM in general, the biggest decline of the RPM gross margins in the quarter are driven by our Consumer Group. And you can see it in the EBIT, which is down dramatically, and a huge chunk of that is gross margins because of material. And it's not only higher material costs, but it's substantially higher conversion costs because of outside tolling and because of the disruptions in the supply chain.

So, the other issue that's increased substantially, particularly in Consumer, is freight. And so historically where we would be shipping only truckloads of stuff, sometimes we're shipping less than truckload. There's disruptions to incoming supply on those chemicals or elements that we get from China. I think it's no secret to folks that you've got a huge backlog in the Long Beach port. So, there are a multitude of reasons why the disruptions have happened that resulted in the shortfall of sales that we're talking about.

Operator

(Operator Instructions) Your next question comes from the line of Steve Byrne with Bank of America.

Luke Washer - *BofA Securities, Research Division - Research Analyst*

This is Luke Washer on for Steve. I wanted to touch just quickly again on raw materials. It sounds like a lot of the headwind is due to raw material availability. But as you think of just rising costs generally, and I appreciate some of the detail around MDI and proxy resins, but it's interesting because I would assume that a lot of those higher-priced commodities are going into more of your Construction Products and Performance Coatings segments where I think margins have been much more resilient. So, I guess when you think about the higher cost in those segments offsetting maybe by some of your MAP to Growth initiatives and perhaps acquisitions or mix shifts, do you think that it's largely just due to that mix shift and MAP to Growth offsetting raw materials? Or are raw materials still a big headwind in those segments?

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

So raw materials are still a big headwind in those businesses. But we hear, talking about MAP to Growth savings, they're real. And I think we had talked in the spring about $50 million, Rusty, for the fiscal year?

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

Yes. Absolutely, yes.

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

The follow-on MAP to Growth savings, and they're real. It's hard to see them for exactly the reason that you're talking about. So, we have follow-on MAP to Growth savings. We don't have the conversion cost disruptions in our other segments that we have in Consumer, and so we're not facing that. And we have been effective in getting price increases.

And so those are the principal reasons why we don't have the same deterioration, particularly in our Construction Products Group or Performance Coatings Group and the EBIT margin that you're seeing in Consumer.

Luke Washer - *BofA Securities, Research Division - Research Analyst*

Very helpful. And then on the supply chain, are you thinking about your supply chain a little bit more differently given the disruption that you're seeing today and also just from the pandemic? And does that impact your decisions going forward on MAP 2.0 and your Texas manufacturing plant, which it sounds like it's going to create more resilience in your supply chain? So, are you thinking about your supply chain differently? And what do you expect to kind of do with that going forward?

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

On the margin -- that's a great question. And on the margin, we are thinking about it differently. And so, this Corsicana, Texas plant is allowing us to extend what we've been doing with Arnette Polymers, which has been a great asset for RPM in this mix. They're a producer of specialty polymers for our businesses. And Corsicana gives us the same type of capacity but times five, if you will. And so that is a part of the answer.

Our core customers -- I'm sorry, our core suppliers and our supply chain isn't changing, although we are sourcing some raw materials offshore that previously we had not been. So, we're learning more about global supply. And we're working hand in hand with a lot of our largest suppliers on how to manage our way through this. So, I think the -- and this is true across the supply chains. The level of cooperation and efforts to try and solve these issues is pretty remarkable given what's happening. And so that's kind of the best answer I have for you today. And hopefully, it will be better a quarter from now, but it's pretty dynamic still.

Operator

Your next question comes from the line of David Paige with RBC.

David Paige - *RBC Capital Markets, Research Division - Senior Associate*

This is David Paige on for Arun Viswanathan at RBC. Sorry if this was asked already, but can you guys just remind us what your top use of cash is for the next six to 12 months and if you have any plans to return capital to shareholders?

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

Sure. Yes. We have been buying back shares since we got out of the depth of COVID. We have repurchased $62 million of stock since the wintertime. In terms of capital expenditures, we do have a lot of projects. Our revenues and volumes are growing in a number of our businesses, so we have a lot of capacity expansion going on. And we have increased the acquisition flow. We have had a number of small deals close, and that has picked up as well since the pandemic. So those are probably the principal areas for capital allocation.

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

The two areas that will impact cash most this year we've talked about, one is capex, which I think year-over-year will be up, what, Rusty...

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

Yes.

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

$50 million higher than last year, and all of that's for capacity expansion. And that's in addition to the Corsicana, Texas plant acquisition, which is, while it was an acquisition of manufacturing assets, it's really an extension of capital expansion.

And then the other area will be working capital, both in comparison to a very strong cash flow impact, positive impact from working capital last year and building inventories where we can in key areas as one key element of addressing this global supply chain issue.

Operator

And there are no further questions at this time. I will turn the call back to Frank Sullivan for closing remarks.

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

Thank you. Tomorrow, at 2 p.m. Eastern Time, we will hold our annual meeting of shareholders. The meeting will again be held virtually this year in order to protect the health and well-being of our shareholders and employees. It can be accessed via the RPM website at www.rpminc.com or at www.virtualshareholdermeeting.com/rpm2021. We are optimistic that we'll be able to return to an in-person meeting next year, so we can resume our tradition of engaging with nearly 1,000 of our shareholders and providing them samples of RPM's latest products and answering their questions in person.

I'd like to thank our shareholders for their ongoing investment in RPM. We remain focused on generating long-term value for you. I'd also like to thank our associates worldwide for their continued work and dedication, particularly during these extenuating, challenging circumstances around a global pandemic and now global supply chain challenges.

Speaking of dedication, I'd like to take a moment to recognize two retirements at RPM. Keith Smiley, RPM's vice president of finance and controller, will retire this month after nearly 30 years of service. When Keith started at RPM in 1992, he was our internal audit department. He subsequently became corporate controller in '93 and treasurer in 1997. He was elected vice president, treasurer and assistant secretary in 1999 and vice president controller in 2012.

Kathie Rogers, RPM's manager of investor relations, will officially retire this Friday after nearly 40 years of service to RPM. Kathie has been the voice and face to our nearly 200,000 individual shareholders throughout most of that time.

When Kathie joined RPM, revenues were $154 million. When Keith joined RPM, seven years later, revenues had grown to $550 million. Both Kathie and Keith have been integral parts of the team responsible for generating a lot of growth and a lot of value creation for our shareholders represented by the $6 billion in revenues today and the nearly $11 billion in market cap. On behalf of RPM, I wish Keith and Kathie all the best in their well-earned retirement.

To all on the call, I wish you and your families good health, and we look forward to updating you on our fiscal 2022 second-quarter results in January. Thank you for joining our call today, and have a great day.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.