# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended November 30, 2021,**

**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to .**

**Commission File No. 1-14187**

# RPM International Inc.

**(Exact name of Registrant as specified in its charter)**

| | |
|---|---|
| **DELAWARE** | **02-0642224** |
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |
| **P.O. BOX 777; 2628 PEARL ROAD; MEDINA, OHIO** | **44258** |
| ***(*Address of principal executive offices)** | **(Zip Code)** |

**(330) 273-5090**

**(Registrant's telephone number including area code)**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.01** | **RPM** | **New York Stock Exchange** |

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☒.

As of December 31, 2021, the registrant had 129,675,739 shares of common stock, $0.01 par value per share, outstanding.

**RPM INTERNATIONAL INC. AND SUBSIDIARIES***

**INDEX**



* As used herein, the terms "RPM" and the "Company" refer to RPM International Inc. and its subsidiaries, unless the context indicates otherwise.

## PART I. – FINANCIAL INFORMATION
## ITEM 1. *FINANCIAL STATEMENTS*
## RPM INTERNATIONAL INC. AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
**(Unaudited)**
***(In thousands, except per share amounts)***

| | November 30, 2021 | May 31, 2021 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 192,851 | $ 246,704 |
| Trade accounts receivable (less allowances of $50,932 and $55,922, respectively) | 1,173,494 | 1,280,806 |
| Inventories | 1,040,923 | 938,095 |
| Prepaid expenses and other current assets | 352,153 | 316,399 |
| **Total current assets** | 2,759,421 | 2,782,004 |
| **Property, Plant and Equipment, at Cost** | 2,035,005 | 1,967,482 |
| Allowance for depreciation | (1,011,928) | (1,002,300) |
| **Property, plant and equipment, net** | 1,023,077 | 965,182 |
| **Other Assets** | | |
| Goodwill | 1,338,465 | 1,345,754 |
| Other intangible assets, net of amortization | 611,427 | 628,693 |
| Operating lease right-of-use assets | 302,701 | 300,827 |
| Deferred income taxes | 23,368 | 26,804 |
| Other | 196,440 | 203,705 |
| **Total other assets** | 2,472,401 | 2,505,783 |
| **Total Assets** | $ 6,254,899 | $ 6,252,969 |
| **Liabilities and Stockholders' Equity** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 655,502 | $ 717,176 |
| Current portion of long-term debt | 302,719 | 1,282 |
| Accrued compensation and benefits | 180,549 | 258,380 |
| Accrued losses | 25,283 | 29,054 |
| Other accrued liabilities | 319,536 | 325,522 |
| **Total current liabilities** | 1,483,589 | 1,331,414 |
| **Long-Term Liabilities** | | |
| Long-term debt, less current maturities | 2,163,274 | 2,378,544 |
| Operating lease liabilities | 259,962 | 257,415 |
| Other long-term liabilities | 404,548 | 436,176 |
| Deferred income taxes | 105,770 | 106,395 |
| **Total long-term liabilities** | 2,933,554 | 3,178,530 |
| Commitments and contingencies (Note 14) | | |
| **Stockholders' Equity** | | |
| Preferred stock, par value $0.01; authorized 50,000 shares; none issued | — | — |
| Common stock, par value $0.01; authorized 300,000 shares; issued 144,666 and outstanding 129,677 as of November 30, 2021; issued 144,199 and outstanding 129,573 as of May 31, 2021 | 1,297 | 1,295 |
| Paid-in capital | 1,073,039 | 1,055,400 |
| Treasury stock, at cost | (675,471) | (653,006) |
| Accumulated other comprehensive (loss) | (573,745) | (514,884) |
| Retained earnings | 2,010,991 | 1,852,259 |
| **Total RPM International Inc. stockholders' equity** | 1,836,111 | 1,741,064 |
| Noncontrolling Interest | 1,645 | 1,961 |
| **Total equity** | 1,837,756 | 1,743,025 |
| **Total Liabilities and Stockholders' Equity** | $ 6,254,899 | $ 6,252,969 |

**The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.**

**RPM INTERNATIONAL INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**(Unaudited)**
***(In thousands, except per share amounts)***

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **November 30, 2021** | **November 30, 2020** | **November 30, 2021** | **November 30, 2020** |
| **Net Sales** | **$ 1,639,538** | **$ 1,485,915** | **$ 3,289,959** | **$ 3,092,586** |
| Cost of Sales | 1,056,924 | 899,743 | 2,093,994 | 1,852,759 |
| Gross Profit | 582,614 | 586,172 | 1,195,965 | 1,239,827 |
| Selling, General and Administrative Expenses | 437,709 | 399,418 | 856,676 | 795,370 |
| Restructuring Expense | 2,977 | 4,918 | 3,988 | 9,151 |
| Interest Expense | 21,002 | 21,266 | 42,111 | 43,011 |
| Investment (Income) Expense, Net | 2,816 | (9,519) | (2,934) | (22,281) |
| (Gain) on Sales of Assets, Net | (42,124) | - | (42,242) | - |
| Other (Income) Expense, Net | (2,920) | 3,133 | (6,259) | 6,251 |
| Income Before Income Taxes | 163,154 | 166,956 | 344,625 | 408,325 |
| Provision for Income Taxes | 38,038 | 39,072 | 84,714 | 99,655 |
| Net Income | 125,116 | 127,884 | 259,911 | 308,670 |
| Less: Net Income Attributable to Noncontrolling Interests | 241 | 225 | 454 | 416 |
| **Net Income Attributable to RPM International Inc. Stockholders** | **$ 124,875** | **$ 127,659** | **$ 259,457** | **$ 308,254** |
| **Average Number of Shares of Common Stock Outstanding:** | | | | |
| **Basic** | **128,022** | **128,500** | **128,058** | **128,459** |
| **Diluted** | **128,494** | **129,090** | **128,537** | **129,078** |
| **Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders:** | | | | |
| **Basic** | **$ 0.97** | **$ 0.98** | **$ 2.01** | **$ 2.38** |
| **Diluted** | **$ 0.96** | **$ 0.98** | **$ 2.00** | **$ 2.37** |

**The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.**

**RPM INTERNATIONAL INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**
***(In thousands)***

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **November 30, 2021** | **November 30, 2020** | **November 30, 2021** | **November 30, 2020** |
| **Net Income** | $ 125,116 | $ 127,884 | $ 259,911 | $ 308,670 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments (net of tax of $1,521; $81; $3,858 and $2,944, respectively) | (46,866) | 12,495 | (85,846) | 77,162 |
| Pension and other postretirement benefit liability adjustments (net of tax of $1,213; $1,722; $2,679 and $2,508, respectively) | 3,587 | 5,644 | 8,029 | 8,904 |
| Unrealized gain (loss) on securities and other (net of tax of $90; $240; $235 and $322, respectively) | (177) | 80 | 97 | 170 |
| Unrealized gain (loss) on derivatives (net of tax of $3,142; $119, $5,713 and $5,662, respectively) | 10,190 | (376) | 18,800 | (18,489) |
| Total other comprehensive income (loss) | (33,266) | 17,843 | (58,920) | 67,747 |
| Total Comprehensive Income | 91,850 | 145,727 | 200,991 | 376,417 |
| Less: Comprehensive Income Attributable to Noncontrolling Interests | 212 | 225 | 395 | 484 |
| **Comprehensive Income Attributable to RPM International Inc. Stockholders** | **$ 91,638** | **$ 145,502** | **$ 200,596** | **$ 375,933** |

**The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.**

**RPM INTERNATIONAL INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
***(In thousands)***

| | Six Months Ended | |
|---|---|---|
| | **November 30, 2021** | **November 30, 2020** |
| **Cash Flows from Operating Activities:** | | |
| **Net income** | **$ 259,911** | **$ 308,670** |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 75,975 | 72,506 |
| Restructuring charges, net of payments | (2,107) | (2,291) |
| Fair value adjustments to contingent earnout obligations | 2,470 | 2,712 |
| Deferred income taxes | (6,130) | 1,786 |
| Stock-based compensation expense | 17,010 | 21,118 |
| Net loss (gain) on marketable securities | 1,817 | (20,172) |
| Net (gain) on sales of assets | (42,242) | - |
| Other | (7) | (194) |
| Changes in assets and liabilities, net of effect from purchases and sales of businesses: | | |
| Decrease in receivables | 80,510 | 91,027 |
| (Increase) decrease in inventory | (124,941) | 21,655 |
| (Increase) decrease in prepaid expenses and other current and long-term assets | (15,165) | 8,782 |
| (Decrease) increase in accounts payable | (29,291) | 8,331 |
| (Decrease) in accrued compensation and benefits | (73,449) | (28,919) |
| (Decrease) increase in accrued losses | (3,322) | 3,377 |
| Increase in other accrued liabilities | 18,316 | 89,020 |
| Other | - | 2,095 |
| **Cash Provided by Operating Activities** | **159,355** | **579,503** |
| **Cash Flows from Investing Activities:** | | |
| Capital expenditures | (101,416) | (70,943) |
| Acquisition of businesses, net of cash acquired | (114,231) | (113,618) |
| Purchase of marketable securities | (9,476) | (23,292) |
| Proceeds from sales of marketable securities | 6,179 | 21,189 |
| Proceeds from sales of assets | 50,599 | - |
| Other | (55) | 703 |
| **Cash (Used For) Investing Activities** | **(168,400)** | **(185,961)** |
| **Cash Flows from Financing Activities:** | | |
| Additions to long-term and short-term debt | 104,377 | 15 |
| Reductions of long-term and short-term debt | (733) | (256,096) |
| Cash dividends | (100,725) | (96,019) |
| Repurchases of common stock | (12,500) | - |
| Shares of common stock returned for taxes | (9,959) | (15,729) |
| Payments of acquisition-related contingent consideration | (5,714) | (2,218) |
| Other | (710) | - |
| **Cash (Used For) Financing Activities** | **(25,964)** | **(370,047)** |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | **(18,844)** | **16,034** |
| **Net Change in Cash and Cash Equivalents** | **(53,853)** | **39,529** |
| **Cash and Cash Equivalents at Beginning of Period** | **246,704** | **233,416** |
| **Cash and Cash Equivalents at End of Period** | **$ 192,851** | **$ 272,945** |
| **Supplemental Disclosures of Cash Flows Information:** | | |
| Cash paid during the period for: | | |
| Interest | **$ 41,095** | **$ 41,347** |
| Income Taxes, net of refunds | **$ 102,826** | **$ 95,069** |

**The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.**

## RPM INTERNATIONAL INC. AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
**(Unaudited)**
***(In thousands)***

| | Common Stock Number of Shares | Common Stock Par/Stated Value | Paid-In Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total RPM International Inc. Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at June 1, 2021** | 129,573 | $ 1,295 | $ 1,055,400 | $ (653,006) | $ (514,884) | $ 1,852,259 | $ 1,741,064 | $ 1,961 | $ 1,743,025 |
| Net income | - | - | - | - | - | 134,582 | 134,582 | 213 | 134,795 |
| Other comprehensive (loss) | - | - | - | - | (25,624) | - | (25,624) | (30) | (25,654) |
| Dividends declared and paid ($0.38 per share) | - | - | - | - | - | (48,901) | (48,901) | - | (48,901) |
| Share repurchases under repurchase program | (133) | (1) | 1 | (12,500) | - | - | (12,500) | - | (12,500) |
| Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes | 303 | 3 | 5,760 | (5,808) | - | - | (45) | - | (45) |
| **Balance at August 31, 2021** | 129,743 | $ 1,297 | $ 1,061,161 | $ (671,314) | $ (540,508) | $ 1,937,940 | $ 1,788,576 | $ 2,144 | $ 1,790,720 |
| Net income | - | - | - | - | - | 124,875 | 124,875 | 241 | 125,116 |
| Other comprehensive (loss) | - | - | - | - | (33,237) | - | (33,237) | (29) | (33,266) |
| Dividends declared and paid ($0.40 per share) | - | - | - | - | - | (51,824) | (51,824) | (711) | (52,535) |
| Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes | (66) | - | 11,878 | (4,157) | - | - | 7,721 | - | 7,721 |
| **Balance at November 30, 2021** | 129,677 | $ 1,297 | $ 1,073,039 | $ (675,471) | $ (573,745) | $ 2,010,991 | $ 1,836,111 | $ 1,645 | $ 1,837,756 |

| | Common Stock Number of Shares | Common Stock Par/Stated Value | Paid-In Capital | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Total RPM International Inc. Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at June 1, 2020** | 129,511 | $ 1,295 | $ 1,014,428 | $ (580,117) | $ (717,497) | $ 1,544,336 | $ 1,262,445 | $ 2,218 | $ 1,264,663 |
| Net income | - | - | - | - | - | 180,595 | 180,595 | 190 | 180,785 |
| Other comprehensive income | - | - | - | - | 49,835 | - | 49,835 | 69 | 49,904 |
| Dividends declared and paid ($0.36 per share) | - | - | - | - | - | (46,622) | (46,622) | - | (46,622) |
| Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes | 464 | 5 | 10,451 | (7,115) | - | - | 3,341 | - | 3,341 |
| **Balance at August 31, 2020** | 129,975 | $ 1,300 | $ 1,024,879 | $ (587,232) | $ (667,662) | $ 1,678,309 | $ 1,449,594 | $ 2,477 | $ 1,452,071 |
| Net income | - | - | - | - | - | 127,659 | 127,659 | 225 | 127,884 |
| Other comprehensive income | - | - | - | - | 17,843 | - | 17,843 | - | 17,843 |
| Dividends declared and paid ($0.38 per share) | - | - | - | - | - | (49,397) | (49,397) | - | (49,397) |
| Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes | 131 | 1 | 10,660 | (8,619) | - | - | 2,042 | - | 2,042 |
| **Balance at November 30, 2020** | 130,106 | $ 1,301 | $ 1,035,539 | $ (595,851) | $ (649,819) | $ 1,756,571 | $ 1,547,741 | $ 2,702 | $ 1,550,443 |

**The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.**

## NOTE 1 — CONSOLIDATION, NONCONTROLLING INTERESTS AND BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in the U.S. (“GAAP”) for interim financial information and the instructions to Form 10-Q. In our opinion, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation have been included for the three- and six-month periods ended November 30, 2021 and November 30, 2020. For further information, refer to the Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended May 31, 2021.

Our financial statements include all of our majority-owned subsidiaries. We account for our investments in less-than-majority-owned joint ventures, for which we have the ability to exercise significant influence, under the equity method. Effects of transactions between related companies are eliminated in consolidation.

Noncontrolling interests are presented in our Consolidated Financial Statements as if parent company investors (controlling interests) and other minority investors (noncontrolling interests) in partially-owned subsidiaries have similar economic interests in a single entity. As a result, investments in noncontrolling interests are reported as equity in our Consolidated Financial Statements. Additionally, our Consolidated Financial Statements include 100% of a controlled subsidiary’s earnings, rather than only our share. Transactions between the parent company and noncontrolling interests are reported in equity as transactions between stockholders, provided that these transactions do not create a change in control.

Our business is dependent on external weather factors. Historically, we have experienced strong sales and net income in our first, second and fourth fiscal quarters comprising the three-month periods ending August 31, November 30 and May 31, respectively, with weaker performance in our third fiscal quarter (December through February).

## NOTE 2 — NEW ACCOUNTING PRONOUNCEMENTS

***New Pronouncements Adopted***

In August 2018, the FASB issued ASU 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20), Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans,” which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with employers that sponsor defined benefit or other postretirement plans. This guidance is effective for fiscal years ending after December 15, 2020. Early adoption was permitted for all entities and the amendments in this update are required to be applied on a retrospective basis to all periods presented. The adoption of this new guidance, effective for the fiscal year ending May 31, 2021, did not have a material impact on our Consolidated Financial Statements or disclosures.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740),” which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption of the amendments is permitted, including adoption in any interim period for which financial statements have not yet been issued. Depending on the amendment, adoption may be applied on the retrospective, modified retrospective or prospective basis. The adoption of this new guidance, effective June 1, 2021 using the prospective method, did not have a material impact on our Consolidated Financial Statements.

***New Pronouncements Issued***

We are not aware of any recently issued accounting pronouncements that have not yet been adopted by us and which would have a material impact on our consolidated financial statements.

**NOTE 3 — RESTRUCTURING**

We record restructuring charges associated with management-approved restructuring plans to either reorganize one or more of our business segments, or to remove duplicative headcount and infrastructure associated with our businesses. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, contract cancellation costs and other costs. Restructuring charges are recorded based upon planned employee termination dates and site closure and consolidation plans. The timing of associated cash payments is dependent upon the type of restructuring charge and can extend over a multi-year period. We record the short-term portion of our restructuring liability in Other Accrued Liabilities and the long-term portion, if any, in Other Long-Term Liabilities in our Consolidated Balance Sheets.

*MAP to Growth*

Between May and August 2018, we approved and implemented the initial phases of a multi-year restructuring plan, which was originally referred to as the 2020 Margin Acceleration Plan ("2020 MAP to Growth"). The initial phases of our 2020 MAP to Growth affected all of our reportable segments, as well as our corporate/nonoperating segment, and focused on margin improvement by simplifying business processes; reducing inventory categories and rationalizing SKUs; eliminating underperforming businesses; reducing headcount and working capital; and improving operating efficiency.

The disruption caused by the outbreak of the Covid pandemic delayed the finalization of our 2020 MAP to Growth past the original target completion date of December 31, 2020. In recognition of the fact our restructuring plan extends past calendar year 2020, we began referring to it simply as our "MAP to Growth."

On May 31, 2021, we formally concluded our MAP to Growth. However, certain projects identified prior to May 31, 2021 are not yet completed. Accordingly, we expect to incur restructuring expense throughout fiscal year 2022. The total expected costs are subject to change as we complete these projects.

Our execution of the MAP to Growth drove the de-layering and simplification of management and businesses associated with group realignment. We have implemented four center-led functional areas including manufacturing and operations; procurement and supply chain; information technology; and accounting and finance.

Our MAP to Growth optimized our manufacturing facilities and provided more efficient plant and distribution facilities. Through the balance sheet date, in association with our MAP to Growth, we have completed, or are in the process of completing, the planned closure of 29 plants and 28 warehouses. We also expect to incur additional severance and benefit costs as part of our planned closure of these facilities.

The current total expected costs associated with this plan are outlined in the table below and increased by approximately $1.9 million compared to our previous estimate, primarily attributable to increases in expected severance and benefit charges of $1.2 million and expected facility closure and other related costs of $0.7 million.

Following is a summary of the charges recorded in connection with restructuring by reportable segment:

| *(In thousands)* | Three Months Ended November 30, 2021 | Six Months Ended November 30, 2021 | Cumulative Costs to Date | Total Expected Costs |
|---|---|---|---|---|
| **Construction Products Group ("CPG") Segment:** | | | | |
| Severance and benefit costs (credits) (a) | $ 177 | $ (316) | $ 20,972 | $ 21,072 |
| Facility closure and other related costs | 503 | 1,043 | 7,623 | 7,785 |
| Other restructuring costs | - | 4 | 1,982 | 1,982 |
| **Total Charges** | $ 680 | $ 731 | $ 30,577 | $ 30,839 |
| | | | | |
| **Performance Coatings Group ("PCG") Segment:** | | | | |
| Severance and benefit costs (b) | $ - | $ 128 | $ 16,487 | $ 16,832 |
| Facility closure and other related costs | 250 | 658 | 7,287 | 8,372 |
| Other restructuring costs | - | - | 917 | 917 |
| **Total Charges** | $ 250 | $ 786 | $ 24,691 | $ 26,121 |
| | | | | |
| **Consumer Segment:** | | | | |
| Severance and benefit costs | $ - | $ - | $ 12,307 | $ 12,307 |
| Facility closure and other related costs | 271 | 511 | 12,592 | 13,088 |
| Other restructuring costs | - | - | 4,420 | 4,420 |
| **Total Charges** | $ 271 | $ 511 | $ 29,319 | $ 29,815 |
| | | | | |
| **Specialty Products Group ("SPG") Segment:** | | | | |
| Severance and benefit costs (c) | $ 115 | $ 203 | $ 8,330 | $ 8,898 |
| Facility closure and other related costs | 147 | 245 | 5,835 | 6,732 |
| Other restructuring costs (credits) | 1 | (1) | 1,220 | 1,220 |
| **Total Charges** | $ 263 | $ 447 | $ 15,385 | $ 16,850 |
| | | | | |
| **Corporate/Other Segment:** | | | | |
| Severance and benefit costs (d) | $ 1,513 | $ 1,513 | $ 15,051 | $ 15,051 |
| **Total Charges** | $ 1,513 | $ 1,513 | $ 15,051 | $ 15,051 |
| | | | | |
| **Consolidated:** | | | | |
| Severance and benefit costs | $ 1,805 | $ 1,528 | $ 73,147 | $ 74,160 |
| Facility closure and other related costs | 1,171 | 2,457 | 33,337 | 35,977 |
| Other restructuring costs | 1 | 3 | 8,539 | 8,539 |
| **Total Charges** | $ 2,977 | $ 3,988 | $ 115,023 | $ 118,676 |

(a) Severance and benefit costs are associated with the elimination of 11 positions during the three months ended November 30, 2021. Severance and benefit recoveries are associated with the adjustment of previously estimated severance accruals partially offset by the elimination of 16 positions during the six months ended November 30, 2021.

(b) Severance and benefit costs are associated with the elimination of three positions during the six months ended November 30, 2021.

(c) Severance and benefit costs are associated with the elimination of 16 positions during the six months ended November 30, 2021.

(d) Severance and benefit costs are associated with the elimination of one position during the three months ended November 30, 2021.

| (In thousands) | Three Months Ended November 30, 2020 | Six Months Ended November 30, 2020 |
|---|---|---|
| **CPG Segment:** | | |
| Severance and benefit costs (e) | $ 1,394 | $ 1,574 |
| Facility closure and other related costs | 440 | 808 |
| Other restructuring costs | 62 | 99 |
| **Total Charges** | $ 1,896 | $ 2,481 |
| **PCG Segment:** | | |
| Severance and benefit costs (f) | $ 802 | $ 1,841 |
| Facility closure and other related costs | 556 | 844 |
| Other restructuring costs | 184 | 213 |
| **Total Charges** | $ 1,542 | $ 2,898 |
| **Consumer Segment:** | | |
| Severance and benefit costs (g) | $ (4) | $ 786 |
| Facility closure and other related costs | 785 | 1,382 |
| Other restructuring costs | 204 | 302 |
| **Total Charges** | $ 985 | $ 2,470 |
| **SPG Segment:** | | |
| Severance and benefit costs (h) | $ (57) | $ 411 |
| Facility closure and other related costs | 507 | 775 |
| Other restructuring costs | 45 | 116 |
| **Total Charges** | $ 495 | $ 1,302 |
| **Corporate/Other Segment:** | | |
| Severance and benefit costs | $ - | $ - |
| **Total Charges** | $ - | $ - |
| **Consolidated:** | | |
| Severance and benefit costs | $ 2,135 | $ 4,612 |
| Facility closure and other related costs | 2,288 | 3,809 |
| Other restructuring costs | 495 | 730 |
| **Total Charges** | $ 4,918 | $ 9,151 |

(e) Severance and benefit costs are associated with the elimination of 12 positions and 21 positions during the three and six months ended November 30, 2020, respectively.

(f) Severance and benefit costs are associated with the elimination of 11 positions and 50 positions during the three and six months ended November 30, 2020, respectively.

(g) Severance and benefit recoveries are associated with the adjustment of estimated severance accruals for the three months ended November 30, 2020. Severance and benefit costs for the six months ended November 30, 2020 are associated with the elimination of three positions partially offset by the adjustment in severance accruals during the period.

(h) Severance and benefit recoveries for the three months ended November 30, 2020 are associated with the reversal of severance accruals made for five positions which will no longer be eliminated, partially offset by the charges incurred related to the elimination of one position. Severance and benefit charges for the six months ended November 30, 2020 are associated with the elimination of 24 positions.

A summary of the activity in the restructuring reserves related to our MAP to Growth is as follows:

| *(in thousands)* | Severance and Benefits Costs | Facility Closure and Other Related Costs | Other Restructuring Costs | Total |
|---|---|---|---|---|
| Balance at August 31, 2021 | $ 2,386 | $ 951 | $ - | $ 3,337 |
| Additions charged to expense | 1,805 | 1,171 | 1 | 2,977 |
| Cash payments charged against reserve | (2,044) | (1,039) | - | (3,083) |
| Non-cash charges and other adjustments | (576) | (187) | (1) | (764) |
| **Balance at November 30, 2021** | $ 1,571 | $ 896 | $ - | $ 2,467 |

| *(In thousands)* | Severance and Benefits Costs | Facility Closure and Other Related Costs | Other Restructuring Costs | Total |
|---|---|---|---|---|
| Balance at June 1, 2021 | $ 4,430 | $ 1,290 | $ - | 5,720 |
| Additions charged to expense | 1,528 | 2,457 | 3 | 3,988 |
| Cash payments charged against reserve | (3,808) | (2,287) | - | (6,095) |
| Non-cash charges and other adjustments | (579) | (564) | (3) | (1,146) |
| **Balance at November 30, 2021** | $ 1,571 | $ 896 | $ - | $ 2,467 |

| *(In thousands)* | Severance and Benefits Costs | Facility Closure and Other Related Costs | Other Restructuring Costs | Total |
|---|---|---|---|---|
| Balance at August 31, 2020 | $ 4,893 | $ 6,138 | $ - | $ 11,031 |
| Additions charged to expense | 2,135 | 2,288 | 495 | 4,918 |
| Cash payments charged against reserve | (2,373) | (2,530) | (335) | (5,238) |
| Non-cash charges and other adjustments | - | - | (160) | (160) |
| **Balance at November 30, 2020** | $ 4,655 | $ 5,896 | $ - | $ 10,551 |

| *(In thousands)* | Severance and Benefits Costs | Facility Closure and Other Related Costs | Other Restructuring Costs | Total |
|---|---|---|---|---|
| Balance at June 1, 2020 | $ 7,357 | $ 5,880 | $ - | $ 13,237 |
| Additions charged to expense | 4,612 | 3,809 | 730 | 9,151 |
| Cash payments charged against reserve | (7,314) | (3,793) | (335) | (11,442) |
| Non-cash charges and other adjustments | - | - | (395) | (395) |
| **Balance at November 30, 2020** | $ 4,655 | $ 5,896 | $ - | $ 10,551 |

**NOTE 4 — FAIR VALUE MEASUREMENTS**

Financial instruments recorded in the balance sheet include cash and cash equivalents, trade accounts receivable, derivative assets and liabilities, marketable securities, notes and accounts payable, and debt.

An allowance for credit losses is established for trade accounts receivable using assessments of current creditworthiness of customers, historical collection experience, the aging of receivables and other currently available evidence. Trade accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. All provisions for allowance for doubtful collection of accounts are included in selling, general, and administrative expense.

All derivative instruments are recognized in our Consolidated Balance Sheets and measured at fair value. Changes in the fair values of derivative instruments that do not qualify as hedges and/or any ineffective portion of hedges are recognized as a gain or (loss) in our Consolidated Statements of Income in the current period. Changes in the fair value of derivative instruments used effectively as cash flow hedges are recognized in other comprehensive income (loss), along with the change in the value of the hedged item. We do not hold or issue derivative instruments for speculative purposes.

The valuation techniques utilized for establishing the fair values of assets and liabilities are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect management's market assumptions. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value, as follows:

*Level 1 Inputs* — Quoted prices for identical instruments in active markets.

*Level 2 Inputs* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

*Level 3 Inputs* — Instruments with primarily unobservable value drivers.

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. In addition, with respect to our derivative assets and liabilities measured at fair value, refer to Note 5, "Derivatives and Hedging" for discussion of their classification within the fair value hierarchy.

| *(In thousands)* | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Fair Value at November 30, 2021** |
|---|---|---|---|---|
| **Available-for-sale debt securities:** | | | | |
| U.S. Treasury and other government | $ - | $ 26,718 | $ - | $ 26,718 |
| Corporate bonds | - | 186 | - | 186 |
| Total available-for-sale debt securities | - | 26,904 | - | 26,904 |
| **Marketable equity securities:** | | | | |
| Stocks - foreign | 986 | - | - | 986 |
| Stocks - domestic | 7,176 | - | - | 7,176 |
| Mutual funds - foreign | - | 45,142 | - | 45,142 |
| Mutual funds - domestic | - | 90,108 | - | 90,108 |
| Total marketable equity securities | 8,162 | 135,250 | - | 143,412 |
| **Contingent consideration** | - | - | (9,806) | (9,806) |
| Total | $ 8,162 | $ 162,154 | $ (9,806) | $ 160,510 |

| (In thousands) | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Fair Value at May 31, 2021 |
|---|---|---|---|---|
| **Available-for-sale debt securities:** | | | | |
| U.S. Treasury and other government | $ - | $ 26,563 | $ - | $ 26,563 |
| Corporate bonds | - | 182 | - | 182 |
| Total available-for-sale debt securities | - | 26,745 | - | 26,745 |
| **Marketable equity securities:** | | | | |
| Stocks - foreign | 768 | - | - | 768 |
| Stocks - domestic | 6,975 | - | - | 6,975 |
| Mutual funds - foreign | - | 47,916 | - | 47,916 |
| Mutual funds - domestic | - | 86,428 | - | 86,428 |
| Total marketable equity securities | 7,743 | 134,344 | - | 142,087 |
| **Contingent consideration** | - | - | (13,335) | (13,335) |
| Total | $ 7,743 | $ 161,089 | $ (13,335) | $ 155,497 |

Our investments in available-for-sale debt securities and marketable equity securities are valued using a market approach. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors, including the type of instrument, whether the instrument is actively traded and other characteristics particular to the transaction. For most of our financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment.

The contingent consideration represents the estimated fair value of the additional variable cash consideration payable in connection with recent acquisitions that is contingent upon the achievement of certain performance milestones. We estimated the fair value using expected future cash flows over the period in which the obligation is expected to be settled, and applied a discount rate that appropriately captures a market participant's view of the risk associated with the obligation, which are considered to be Level 3 inputs. During the first half of fiscal 2022, we recorded an increase in the accrual for approximately $2.5 million related to fair value adjustments and paid approximately $5.7 million to satisfy contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during the current year. During the first half of fiscal 2021, we paid approximately $2.8 million to satisfy contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during the first half of last year, and recorded an increase in the accrual for approximately $2.7 million related to fair value adjustments. In the Consolidated Statements of Cash Flows, payments of acquisition-related contingent consideration for the amount recognized at fair value as of the acquisition date are reported in cash flows from financing activities, while payments of contingent consideration in excess of fair value as of the acquisition date, are reported in cash flows from operating activities.

The carrying value of our current financial instruments, which include cash and cash equivalents, marketable securities, trade accounts receivable, accounts payable and short-term debt approximates fair value because of the short-term maturity of these financial instruments. At November 30, 2021 and May 31, 2021, the fair value of our long-term debt was estimated using active market quotes, based on our current incremental borrowing rates for similar types of borrowing arrangements, which are Level 2 inputs. Based on the analysis performed, the fair value and the carrying value of our financial instruments and long-term debt as of November 30, 2021 and May 31, 2021 are as follows:

| | At November 30, 2021 | |
|---|---|---|
| *(In thousands)* | **Carrying Value** | **Fair Value** |
| Cash and cash equivalents | $ 192,851 | $ 192,851 |
| Marketable equity securities | 143,412 | 143,412 |
| Available-for-sale debt securities | 26,904 | 26,904 |
| Long-term debt, including current portion | 2,465,993 | 2,713,027 |

| | At May 31, 2021 | |
|---|---|---|
| *(In thousands)* | **Carrying Value** | **Fair Value** |
| Cash and cash equivalents | $ 246,704 | $ 246,704 |
| Marketable equity securities | 142,087 | 142,087 |
| Available-for-sale debt securities | 26,745 | 26,745 |
| Long-term debt, including current portion | 2,379,826 | 2,570,206 |

## NOTE 5 — DERIVATIVES AND HEDGING

### Derivative Instruments and Hedging Activities

We are exposed to market risks, such as changes in foreign currency exchange rates and interest rates. To manage the volatility related to these exposures, from time to time, we enter into various derivative transactions. We use various types of derivative instruments including forward contracts and swaps. We formally assess, designate and document, as a hedge of an underlying exposure, each qualifying derivative instrument that will be accounted for as an accounting hedge at inception. Additionally, we assess, both at inception and at least quarterly thereafter, whether the financial instruments used in the hedging transaction are effective at offsetting changes in either the fair values or cash flows of the underlying exposures.

### Derivatives Designated as Hedges

In October 2017, as a means of mitigating the impact of currency fluctuations on our Euro investments in foreign entities, we executed a fair value hedge and two cross currency swaps, in which we paid variable rate interest in Euros and received fixed rate interest in U.S. Dollars with a combined notional amount of approximately €85.25 million ($100 million U.S. Dollar equivalent), and which had a maturity date of November 2022. This effectively converted a portion of our U.S. Dollar denominated fixed-rate debt to Euro denominated variable rate debt. The fair value hedge was recognized at fair value in our Consolidated Balance Sheets, while changes in the fair value of the hedge were recognized in interest expense in our Consolidated Statements of Income. We designated the swaps as net investment hedges of our net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. In February 2020, the fair value hedge and two cross-currency swaps agreements were terminated, and we received cash in the amount of $9.3 million, representing the fair value of the swap and interest accrued through the date of termination. Accordingly, hedge accounting was discontinued and a hedge accounting adjustment to our Senior Notes of $1.5 million was recorded and is being amortized to interest expense in the Consolidated Statements of Income through the termination of the 3.450% Notes in November 2022. Changes in the fair value of the cross-currency swaps due to spot foreign exchange rates are recorded as cumulative translation adjustment within accumulated other comprehensive income ("AOCI") and will remain in AOCI until either the sale or substantially complete liquidation of the hedged subsidiaries.

Separately, in February 2020, as a means of mitigating the impact of currency fluctuations on our Euro investments in foreign entities, we executed a cash flow hedge and two cross currency swaps, in which we will pay fixed rate interest in Euros and receive variable rate interest in U.S. Dollars with a combined notional amount of approximately €277.73 million ($300 million U.S. Dollar equivalent), and which have a maturity date of February 2023. This effectively converts our U.S. Dollar denominated variable rate debt to Euro denominated fixed rate debt. The cash flow hedge is recognized at fair value in our Consolidated Balance Sheets, while changes in the fair value of the hedge will be recognized in AOCI when the hedged items affect earnings. Amounts recognized in AOCI will be recognized in earnings in interest expense when the hedged interest payment is accrued. We designated the swaps as net investment hedges of our net investment in our European operations under ASU 2017-12 and applied the spot method to these hedges. The changes in fair value of the derivative instruments that are designated and qualify as hedges of net investments in foreign operations are recognized in AOCI to offset the changes in the values of the net investments being hedged. In addition, in February 2020, as a means of mitigating the variability of the functional-currency-equivalent cash flows associated with the U.S. Dollar denominated term loan facility (referred to as Foreign Borrower’s Term Loan), we executed a cash flow hedge, in which we will pay fixed rate interest in Euros and receive variable rate interest in U.S. Dollars with a notional amount of approximately €92.52 million ($100 million U.S. Dollar equivalent), and which have a maturity date of February 2023. This effectively converts our U.S. Dollar denominated variable rate debt to Euro denominated fixed rate debt. The cash flow hedge is recognized at fair value in our Consolidated Balance Sheets, while changes in the fair value of the hedge will be recognized in AOCI when the hedged items affect earnings. Amounts recorded in AOCI will be recognized in earnings in interest expense when the hedged interest payment is accrued. In addition, since this currency swap is a hedge of variability of the functional currency equivalent cash flows of a recognized liability to be remeasured at spot exchange rates under ASC 830, an amount that will offset the gain or loss arising from the remeasurement of the hedged liability will be reclassified each period from AOCI to earnings as foreign exchange gain/(loss), which is a component of SG&A expenses.

The following table summarizes the location and effects of our derivatives instruments on the Consolidated Statements of Comprehensive Income and Consolidated Statements of Income for gains or losses initially recognized in AOCI in the Consolidated Balance Sheet:

| *(In thousands)* | Pretax gain/(loss) recognized in AOCI Three Months Ended | | | Pretax gain/(loss) reclassified from AOCI into income Three Months Ended | |
|---|---|---|---|---|---|
| **Derivatives in hedging relationships** | **November 30, 2021** | **November 30, 2020** | **Income statement location** | **November 30, 2021** | **November 30, 2020** |
| Interest rate swap (cash flow) | $ 868 | $ (149) | Interest (expense) income | $ (930) | $ (846) |
| Cross currency swap (cash flow) | 4,157 | 51 | Interest (expense) income | 138 | 160 |
| Cross currency swap (cash flow) | - | - | Foreign exchange gain (loss) | 4,013 | 75 |
| Cross currency swap (net investment) | 11,440 | (957) | Gain or (loss) on sale of subsidiary | - | - |
| Total | $ 16,465 | $ (1,055) | | $ 3,221 | $ (611) |

| *(In thousands)* | Pretax gain/(loss) recognized in AOCI Six Months Ended | | | Pretax gain/(loss) reclassified from AOCI into income Six Months Ended | |
|---|---|---|---|---|---|
| **Derivatives in hedging relationships** | **November 30, 2021** | **November 30, 2020** | **Income Statement Location** | **November 30, 2021** | **November 30, 2020** |
| Interest rate swap (cash flow) | $ 832 | $ (747) | Interest (expense) income | $ (1,860) | $ (1,613) |
| Cross currency swap (cash flow) | 7,604 | (7,304) | Interest (expense) income | 276 | 351 |
| Cross currency swap (cash flow) | - | - | Foreign exchange gain (loss) | 7,420 | (7,380) |
| Cross currency swap (net investment) | 21,743 | (24,090) | Gain or (loss) on sale of subsidiary | - | - |
| Total | $ 30,179 | $ (32,141) | | $ 5,836 | $ (8,642) |

**Derivatives Not Designated as Hedges**

At November 30, 2021, and May 31, 2021, we held one foreign currency forward contract at each period end designed to reduce our exposure to changes in the cash flows of intercompany foreign-currency-denominated loans related to changes in foreign currency exchange rates by fixing the functional currency cash flows. These contracts have not been designated as hedges; therefore, the changes in fair value of the contracts are recognized in earnings as a component of SG&A expenses. Amounts recognized in earnings did not have a material impact on our Consolidated Financial Statements for any period presented. As of November 30, 2021, and May 31, 2021, the notional amounts of the forward contract held to purchase foreign currencies was $230.7 million and $191.7 million, respectively.

**Disclosure about Derivative Instruments**

All of our derivative assets and liabilities measured at fair value are classified as Level 2 within the fair value hierarchy. We determine the fair value of our derivatives based on valuation methods, which project future cash flows and discount the future amounts to present value using market based observable inputs, including interest rate curves, foreign currency rates, as well as future and basis point spreads, as applicable.

The fair values of qualifying and non-qualifying instruments used in hedging transactions as of November 30, 2021 and May 31, 2021 are as follows:

| *(In thousands)* | | Fair Value | |
|---|---|---|---|
| **Derivatives Designated as Hedging Instruments** | **Balance Sheet Location** | **November 30, 2021** | **May 31, 2021** |
| **Assets:** | | | |
| Cross Currency Swap (Net Investment) | Other Current Assets | $ 5,916 | $ 6,233 |
| Cross Currency Swap (Cash Flow) | Other Current Assets | 767 | 516 |
| **Liabilities:** | | | |
| Interest Rate Swap (Cash Flow) | Other Accrued Liabilities | $ 2,913 | $ 3,547 |
| Cross Currency Swap (Net Investment) | Other Accrued Liabilities | 839 | 1,321 |
| Cross Currency Swap (Net Investment) | Other Long-Term Liabilities | 17,343 | 39,228 |
| Cross Currency Swap (Cash Flow) | Other Long-Term Liabilities | 5,889 | 13,786 |
| Interest Rate Swap (Cash Flow) | Other Long-Term Liabilities | 410 | 2,467 |

| *(In thousands)* | | Fair Value | |
|---|---|---|---|
| **Derivatives Not Designated as Hedging Instruments** | **Balance Sheet Location** | **November 30, 2021** | **May 31, 2021** |
| **Assets:** | | | |
| Foreign Currency Exchange | Other Current Assets | $ 94 | $ 212 |

## NOTE 6 — INVESTMENT (INCOME) EXPENSE, NET

Investment (income) expense, net, consists of the following components:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| *(In thousands)* | **November 30, 2021** | **November 30, 2020** | **November 30, 2021** | **November 30, 2020** |
| Interest (income) | $ (993) | $ (774) | $ (2,146) | $ (1,441) |
| Net loss (gain) on marketable securities | 5,293 | (8,388) | 1,817 | (20,172) |
| Dividend (income) | (1,484) | (357) | (2,605) | (668) |
| Investment (income) expense, net | $ 2,816 | $ (9,519) | $ (2,934) | $ (22,281) |

***Net Loss (Gain) on Marketable Securities***

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| *(In thousands)* | **November 30, 2021** | **November 30, 2020** | **November 30, 2021** | **November 30, 2020** |
| Unrealized losses (gains) on marketable equity securities | $ 5,542 | $ (7,863) | $ 2,324 | $ (21,819) |
| Realized (gains) losses on marketable equity securities | (255) | (548) | (524) | 1,624 |
| Realized losses on available-for-sale debt securities | 6 | 23 | 17 | 23 |
| Net loss (gain) on marketable securities | $ 5,293 | $ (8,388) | $ 1,817 | $ (20,172) |

## NOTE 7 — (GAIN) ON SALES OF ASSETS, NET

During the three and six months ended November 30, 2021, we recognized a net gain of $42.1 million and $42.2 million, respectively, on the sales of certain real property assets. Most significantly, certain real property assets for the Toronto, Ontario location, within our CPG segment, were sold on September 15, 2021 for $49.8 million. We received $48.0 million of net proceeds after adjustments and expenses and recognized a gain on sale of $41.9 million. The purpose of this transaction was to generate cash by monetizing a real estate market opportunity.

In conjunction with the sale, we executed a leaseback agreement commencing September 15, 2021 and expiring on September 14, 2024. The lease is classified as an operating lease with total future minimum payments during the initial term of the lease of approximately $3.4 million as of November 30, 2021. An incremental borrowing rate of 1.3% was used to determine the ROU asset. We recorded a $3.7 million ROU asset in *Operating lease right-of-use assets* and corresponding liabilities in the same amount in *Operating lease liabilities* in our Consolidated Balance Sheets as of November 30, 2021.

**NOTE 8 — OTHER (INCOME) EXPENSE, NET**

Other (income) expense, net, consists of the following components:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2021 | November 30, 2020 | November 30, 2021 | November 30, 2020 |
| Pension non-service (credits)/costs | $ (2,646) | $ 3,370 | (5,369) | 6,706 |
| Other | (274) | (237) | (890) | (455) |
| Other (income) expense, net | $ (2,920) | $ 3,133 | $ (6,259) | $ 6,251 |

**NOTE 9 — INCOME TAXES**

The effective income tax rate of 23.3% for the three months ended November 30, 2021 compares to the effective income tax rate of 23.4% for the three months ended November 30, 2020. The effective income tax rate of 24.6% for the six months ended November 30, 2021 compares to the effective income tax rate of 24.4% for the six months ended November 30, 2020. The effective income tax rates for the three- and six-month periods ended November 30, 2021 and 2020 reflect variances from the 21% statutory rate due primarily to the unfavorable impact of state and local income taxes, non-deductible business expenses and the net tax on foreign subsidiary income resulting from the global intangible low-taxed income provisions, partially offset by tax benefits related to equity compensation.

Our deferred tax liability for unremitted foreign earnings was $13.7 million as of November 30, 2021, which represents our estimate of the foreign tax cost associated with the remittance of $437.6 million of foreign earnings that are not considered to be permanently reinvested. We have not provided for foreign withholding or income taxes on the remaining foreign subsidiaries' undistributed earnings because such earnings have been retained and reinvested by the subsidiaries as of November 30, 2021. Accordingly, no provision has been made for foreign withholding or income taxes, which may become payable if the remaining undistributed earnings of foreign subsidiaries were remitted to us as dividends.

**NOTE 10 — INVENTORIES**

Inventories, net of reserves, were composed of the following major classes:

| *(In thousands)* | November 30, 2021 | May 31, 2021 |
|---|---|---|
| Raw material and supplies | $ 515,707 | $ 447,220 |
| Finished goods | 525,216 | 490,875 |
| **Total Inventory, Net of Reserves** | $ 1,040,923 | $ 938,095 |

**NOTE 11 — STOCK REPURCHASE PROGRAM**

On January 8, 2008, we announced our authorization of a stock repurchase program under which we may repurchase shares of RPM International Inc. common stock at management's discretion. As announced on November 28, 2018, our goal was to return $1.0 billion in capital to stockholders by May 31, 2021 through share repurchases and the retirement of our convertible note during fiscal 2019. On April 16, 2019, after taking into account share repurchases under our existing stock repurchase program to date, our Board of Directors authorized the repurchase of the remaining $600.0 million in value of RPM International Inc. common stock by May 31, 2021.

As previously announced, given macroeconomic uncertainty resulting from the Covid pandemic, we had suspended stock repurchases under the program, but in January 2021, our Board of Directors authorized the resumption of the stock repurchases. At the time of resuming the program, $469.7 million of shares of common stock remained available for repurchase. The Board of Directors also extended the stock repurchase program beyond its original May 31, 2021 expiration date until such time that the remaining $469.7 million of shares of capital has been returned to our stockholders.

As a result, we may repurchase shares from time to time in the open market or in private transactions at various times and in amounts and for prices that our management deems appropriate, subject to insider trading rules and other securities law restrictions. The timing of our purchases will depend upon prevailing market conditions, alternative uses of capital and other factors. We may limit or terminate the repurchase program at any time.

During the three months ended November 30, 2021, and for the three and six months ended November 30, 2020, we did not repurchase any shares of our common stock under this program. During the six months ended November 30, 2021, we repurchased 133,388 shares of our common stock at a cost of approximately $12.5 million, or an average of $93.71 per share. The maximum dollar amount that may yet be repurchased under our stock repurchase program was approximately $407.3 million at November 30, 2021.

## NOTE 12 — EARNINGS PER SHARE

The following table sets forth the reconciliation of the numerator and denominator of basic and diluted earnings per share for the three- and six-month periods ended November 30, 2021 and 2020.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| *(In thousands, except per share amounts)* | November 30, 2021 | November 30, 2020 | November 30, 2021 | November 30, 2020 |
| **Numerator for earnings per share:** | | | | |
| Net income attributable to RPM International Inc. stockholders | $ 124,875 | $ 127,659 | $ 259,457 | $ 308,254 |
| Less: Allocation of earnings and dividends to participating securities | (1,103) | (1,130) | (2,198) | (2,517) |
| Net income available to common shareholders - basic | 123,772 | 126,529 | 257,259 | 305,737 |
| Add: Undistributed earnings reallocated to unvested shareholders | 2 | 4 | 6 | 9 |
| Net income available to common shareholders - diluted | $ 123,774 | $ 126,533 | $ 257,265 | $ 305,746 |
| **Denominator for basic and diluted earnings per share:** | | | | |
| Basic weighted average common shares | 128,022 | 128,500 | 128,058 | 128,459 |
| Average diluted options and awards | 472 | 590 | 479 | 619 |
| Total shares for diluted earnings per share (1) | 128,494 | 129,090 | 128,537 | 129,078 |
| **Earnings Per Share of Common Stock Attributable to RPM International Inc. Stockholders:** | | | | |
| Basic Earnings Per Share of Common Stock | $ 0.97 | $ 0.98 | $ 2.01 | $ 2.38 |
| Method used to calculate basic earnings per share | Two-class | Two-class | Two-class | Two-class |
| Diluted Earnings Per Share of Common Stock | $ 0.96 | $ 0.98 | $ 2.00 | $ 2.37 |
| Method used to calculate diluted earnings per share | Two-class | Two-class | Two-class | Two-class |

(1) For the three and six months ended November 30, 2021, no restricted shares were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive. For the three and six months ended November 30, 2020, restricted shares totaling 225,500 and 339,550 were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive. In addition, stock appreciation rights ("SARs") totaling 660,000 for both the three and six months ended November 30, 2021, and 360,000 for both the three and six months ended November 30, 2020, were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive.

## NOTE 13 — PENSION PLANS

We offer defined benefit pension plans, defined contribution pension plans, and various postretirement benefit plans. The following tables provide the retirement-related benefit plans' impact on income before income taxes for the three and six months ended November 30, 2021 and 2020:

| | U.S. Plans Three Months Ended | | Non-U.S. Plans Three Months Ended | |
|---|---|---|---|---|
| *(In thousands)* | November 30, | November 30, | November 30, | November 30, |
| **Pension Benefits** | 2021 | 2020 | 2021 | 2020 |
| Service cost | $ 11,914 | $ 11,130 | $ 1,348 | $ 1,406 |
| Interest cost | 3,842 | 3,806 | 1,282 | 1,122 |
| Expected return on plan assets | (10,386) | (8,279) | (2,073) | (1,607) |
| Amortization of: | | | | |
| Prior service cost (credit) | 1 | 2 | (38) | (35) |
| Net actuarial losses recognized | 4,225 | 7,501 | 114 | 526 |
| **Net Periodic Benefit Cost** | $ 9,596 | $ 14,160 | $ 633 | $ 1,412 |

| (In thousands) | U.S. Plans Three Months Ended November 30, 2021 | U.S. Plans Three Months Ended November 30, 2020 | Non-U.S. Plans Three Months Ended November 30, 2021 | Non-U.S. Plans Three Months Ended November 30, 2020 |
|---|---|---|---|---|
| **Postretirement Benefits** | | | | |
| Service cost | $ - | $ - | $ 432 | $ 431 |
| Interest cost | 10 | 19 | 299 | 283 |
| Amortization of: | | | | |
| Prior service (credit) | (40) | (42) | - | - |
| Net actuarial losses recognized | 15 | 10 | 32 | 130 |
| **Net Periodic Benefit (Credit) Cost** | $ (15) | $ (13) | $ 763 | $ 844 |

| (In thousands) | U.S. Plans Six Months Ended November 30, 2021 | U.S. Plans Six Months Ended November 30, 2020 | Non-U.S. Plans Six Months Ended November 30, 2021 | Non-U.S. Plans Six Months Ended November 30, 2020 |
|---|---|---|---|---|
| **Pension Benefits** | | | | |
| Service cost | $ 23,828 | $ 22,260 | $ 2,696 | $ 2,812 |
| Interest cost | 7,684 | 7,612 | 2,564 | 2,244 |
| Expected return on plan assets | (20,772) | (16,558) | (4,146) | (3,214) |
| Amortization of: | | | | |
| Prior service cost (credit) | 2 | 4 | (76) | (70) |
| Net actuarial losses recognized | 8,450 | 15,002 | 228 | 1,052 |
| **Net Periodic Benefit Cost** | $ 19,192 | $ 28,320 | $ 1,266 | $ 2,824 |

| (In thousands) | U.S. Plans Six Months Ended November 30, 2021 | U.S. Plans Six Months Ended November 30, 2020 | Non-U.S. Plans Six Months Ended November 30, 2021 | Non-U.S. Plans Six Months Ended November 30, 2020 |
|---|---|---|---|---|
| **Postretirement Benefits** | | | | |
| Service cost | $ - | $ - | $ 864 | $ 862 |
| Interest cost | 20 | 38 | 598 | 566 |
| Amortization of: | | | | |
| Prior service (credit) | (80) | (84) | - | - |
| Net actuarial losses recognized | 30 | 20 | 64 | 260 |
| **Net Periodic Benefit (Credit) Cost** | $ (30) | $ (26) | $ 1,526 | $ 1,688 |

Due to strong asset returns for the year ending May 31, 2021, as well as contributions made during the year, net periodic pension and U.S. postretirement cost for fiscal 2022 is lower than our fiscal 2021 expense. We expect that pension expense will fluctuate on a year-to-year basis, depending upon the investment performance of plan assets and potential changes in interest rates, and these fluctuations may have a material impact on our consolidated financial results in the future. We previously disclosed in our financial statements for the fiscal year ended May 31, 2021 that we expected to contribute approximately $1.0 million to our retirement plans in the U.S. and approximately $5.0 million to plans outside the U.S. during the current fiscal year. Throughout fiscal 2022, we will evaluate whether to make additional contributions.

## NOTE 14 — CONTINGENCIES AND ACCRUED LOSSES

### Product Liability Matters

We provide, through our wholly owned insurance subsidiaries, certain insurance coverage, primarily product liability coverage, to our other subsidiaries. Excess coverage is provided by third-party insurers. Our product liability accruals provide for these potential losses as well as other uninsured claims. Product liability accruals are established based upon actuarial calculations of potential liability using industry experience, actual historical experience and actuarial assumptions developed for similar types of product liability claims, including development factors and lag times. To the extent there is a reasonable possibility that potential losses could exceed the amounts already accrued, we believe that the amount of any such additional loss would be immaterial to our results of operations, liquidity and consolidated financial position.

### Warranty Matters

We also offer warranties on many of our products, as well as long-term warranty programs at certain of our businesses, and have established product warranty liabilities. We review these liabilities for adequacy on a quarterly basis and adjust them as necessary. The primary factors that could affect these liabilities may include changes in performance rates as well as costs of replacement. Provision for estimated warranty costs is recorded at the time of sale and periodically adjusted, as required, to reflect actual experience. It is probable that we will incur future losses related to warranty claims we have received but that have not been fully investigated and related to claims not yet received. While our warranty liabilities represent our best estimates at November 30, 2021, we can provide no assurances that we will not experience material claims in the future or that we will not incur significant costs to resolve such claims beyond the amounts accrued or beyond what we may recover from our suppliers. Based upon the nature of the expense, product warranty expense is recorded as a component of cost of sales or within SG&A.

Also, due to the nature of our businesses, the amount of claims paid can fluctuate from one period to the next. While our warranty liabilities represent our best estimates of our expected losses at any given time, from time-to-time we may revise our estimates based on our experience relating to factors such as weather conditions, specific circumstances surrounding product installations and other factors.

The following table includes the changes in our accrued warranty balances:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2021 | November 30, 2020 | November 30, 2021 | November 30, 2020 |
| Beginning Balance | $ 13,032 | $ 12,836 | $ 13,175 | $ 11,106 |
| Deductions (1) | (5,424) | (7,652) | (11,682) | (13,582) |
| Provision charged to expense | 5,278 | 6,866 | 11,393 | 14,526 |
| Ending Balance | $ 12,886 | $ 12,050 | $ 12,886 | $ 12,050 |

(1) Primarily claims paid during the year.

**Environmental Matters**

Like other companies participating in similar lines of business, some of our subsidiaries are involved in environmental remediation matters. It is our policy to accrue remediation costs when the liability is probable and the costs are reasonably estimable, which generally is not later than at completion of a feasibility study or when we have committed to an appropriate plan of action. We also take into consideration the estimated period of time over which payments may be required. The liabilities are reviewed periodically and, as investigation and remediation activities continue, adjustments are made as necessary. Liabilities for losses from environmental remediation obligations do not consider the effects of inflation and anticipated expenditures are not discounted to their present value. The liabilities are not offset by possible recoveries from insurance carriers or other third parties, but do reflect anticipated allocations among potentially responsible parties at federal superfund sites or similar state-managed sites, third party indemnity obligations, and an assessment of the likelihood that such parties will fulfill their obligations at such sites.

**Other Contingencies**

One of our subsidiaries has been the subject of a proceeding in which one of its former distributors brought suit against our subsidiary for breach of contract. Following a June 2017 trial, a jury determined that the distributor was not entitled to any damages on the distributor's claims against our subsidiary. On appeal, the Ninth Circuit Court of Appeals ordered a new trial with respect to certain issues. On December 10, 2021, a new jury awarded $6.0 million in damages to the distributor. Per the parties' contracts, the distributor may also be entitled to recover some portion of its attorneys' fees from our subsidiary. Our subsidiary is currently evaluating its options for an appeal, including contractual arguments limiting the distributor's recoverable damages. As a result of the jury's award and in consideration of our subsidiary's potential arguments on appeal, we have accrued $2.6 million for this matter in the second quarter of fiscal 2022, which we believe to be the low end of the range of loss. While an ultimate loss in excess of the accrued amount is reasonably possible, we believe that the high end of the range of loss would not be materially more than the $6.0 million noted above.

**NOTE 15 – REVENUE**

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings, roofing systems, sealants and adhesives. We disaggregate revenues from the sales of our products and services based upon geographical location by each of our reportable segments, which are aligned by similar economic factors, trends and customers, which best depict the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. See Note 16, "Segment Information," to the Consolidated Financial Statements for further details regarding our disaggregated revenues, as well as a description of each of the unique revenue streams related to each of our four reportable segments.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. The majority of our revenue is recognized at a point in time. However, we also record revenues generated under construction contracts, mainly in connection with the installation of specialized roofing and flooring systems and related services. For certain polymer flooring installation projects, we account for our revenue using the output method, as we consider square footage of completed flooring to be the best measure of progress toward the complete satisfaction of the performance obligation. In contrast, for certain of our roofing installation projects, we account for our revenue using the input method, as that method was the best measure of performance as it considers costs incurred in relation to total expected project costs, which essentially represents the transfer of control for roofing systems to the customer. In general, for our construction contracts, we record contract revenues and related costs as our contracts progress on an over-time model.

We have elected to apply the practical expedient to recognize revenue net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities. Payment terms and conditions vary by contract type, although our customers' payment terms generally include a requirement to pay within 30 to 60 days of fulfilling our performance obligations. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined that our contracts generally do not include a significant financing component. We have elected to apply the practical expedient to treat all shipping and handling costs as fulfillment costs, as a significant portion of these costs are incurred prior to control transfer.

*Significant Judgments*

Our contracts with customers may include promises to transfer multiple products and/or services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. For example, judgment is required to determine whether products sold in connection with the sale of installation services are considered distinct and accounted for separately, or not distinct and accounted for together with installation services and recognized over time.

We provide customer rebate programs and incentive offerings, including special pricing and co-operative advertising arrangements, promotions and other volume-based incentives. These customer programs and incentives are considered variable consideration and recognized as a reduction of net sales. Up-front consideration provided to customers is capitalized as a component of other assets and amortized over the estimated life of the contractual arrangement. We include in revenue variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the variable consideration is resolved. In general, this determination is made based upon known customer program and incentive offerings at the time of sale, and expected sales volume forecasts as it relates to our volume-based incentives. This determination is updated each reporting period. Certain of our contracts include contingent consideration that is receivable only upon the final inspection and acceptance of a project. We include estimates of such variable consideration in our transaction price. Based on historical experience, we consider the probability-based expected value method appropriate to estimate the amount of such variable consideration.

Our products are generally sold with a right of return and we may provide other credits or incentives, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. We record a right of return liability to accrue for expected customer returns. Historical actual returns are used to estimate future returns as a percentage of current sales. Obligations for returns and refunds were not material individually or in the aggregate.

We offer assurance type warranties on our products as well as separately sold warranty contracts. Revenue related to warranty contracts that are sold separately is recognized over the life of the warranty term. Warranty liabilities for our assurance type warranties are discussed further in Note 14, "Contingencies and Accrued Losses," to the Consolidated Financial Statements.

***Contract Balances***

Timing of revenue recognition may differ from the timing of invoicing customers. Our contract assets are recorded for products and services that have been provided to our customer but have not yet been billed, and are included in prepaid expenses and other current assets in our consolidated balance sheets. Our short-term contract liabilities consist of advance payments, or deferred revenue, and are included in other accrued liabilities in our consolidated balance sheets.

Trade accounts receivable, net of allowances, and net contract assets consisted of the following:

| *(In thousands, except percentages)* | November 30, 2021 | August 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Trade accounts receivable, less allowances | $ 1,173,494 | $ 1,171,914 | $ 1,580 | 0.1 % |
| | | | | |
| Contract assets | $ 47,615 | $ 45,310 | $ 2,305 | 5.1 % |
| Contract liabilities - short-term | (36,279 ) | (35,155 ) | (1,124 ) | 3.2 % |
| **Net Contract Assets** | $ 11,336 | $ 10,155 | $ 1,181 | 11.6 % |

| *(In thousands, except percentages)* | November 30, 2021 | May 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Trade accounts receivable, less allowances | $ 1,173,494 | $ 1,280,806 | $ (107,312 ) | -8.4 % |
| | | | | |
| Contract assets | $ 47,615 | $ 33,217 | $ 14,398 | 43.3 % |
| Contract liabilities - short-term | (36,279 ) | (33,112 ) | (3,167 ) | 9.6 % |
| **Net Contract Assets** | $ 11,336 | $ 105 | $ 11,231 | |

The $1.2 million increase in our net contract assets from August 31, 2021 to November 30, 2021 resulted primarily due to the timing and volume of construction jobs in progress at November 30, 2021 versus August 31, 2021. The change in performance is a function of relatively consistent weather during the first half of fiscal 2022. This enabled our teams to perform a consistent amount of work on existing jobs throughout the period, allowing our unbilled revenue to remain elevated. The $11.2 million increase in our net contract assets from May 31, 2021 to November 30, 2021 resulted primarily due to the timing and volume of construction jobs in progress at November 30, 2021 versus May 31, 2021.

We also record long-term deferred revenue, which amounted to $67.2 million, $67.4 million and $67.8 million as of November 30, 2021, August 31, 2021 and May 31, 2021, respectively. The long-term portion of deferred revenue is related to warranty contracts and is included in other long-term liabilities in our consolidated balance sheets.

We have elected to adopt the practical expedient to not disclose the aggregate amount of transaction price allocated to performance obligations that are unsatisfied as of the end of the reporting period for performance obligations that are part of a contract with an original expected duration of one year or less.

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. As our contract terms are primarily one year or less in duration, we have elected to apply a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less. These costs include our internal sales force compensation program and certain incentive programs as we have determined annual compensation is commensurate with annual sales activities.

***Allowance for Credit Losses***

Our primary allowance for credit losses is the allowance for doubtful accounts. The allowance for doubtful accounts reduces the trade accounts receivable balance to the estimated net realizable value equal to the amount that is expected to be collected. The allowance was based on assessments of current creditworthiness of customers, historical collection experience, the aging of receivables and other currently available evidence. Trade accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. All provisions for allowances for doubtful collection of accounts are included in selling, general and administrative expenses.

The following tables summarize the activity for the allowance for credit losses for the three and six months ended November 30, 2021 and 2020:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2021 | November 30, 2020 | November 30, 2021 | November 30, 2020 |
| Beginning Balance | $ 52,181 | $ 55,927 | $ 55,922 | $ 55,847 |
| Bad debt provision | 869 | (106 ) | 2,074 | 1,168 |
| Uncollectible accounts written off, net of recoveries | (812 ) | (2,493 ) | (4,899 ) | (5,347 ) |
| Translation adjustments | (1,306 ) | 214 | (2,165 ) | 1,874 |
| **Ending Balance** | $ 50,932 | $ 53,542 | $ 50,932 | $ 53,542 |

**NOTE 16 — SEGMENT INFORMATION**

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings and roofing systems, flooring solutions, sealants, cleaners and adhesives. We manage our portfolio by organizing our businesses and product lines into four reportable segments as outlined below, which also represent our operating segments. Within each operating segment, we manage product lines and businesses which generally address common markets, share similar economic characteristics, utilize similar technologies and can share manufacturing or distribution capabilities. Our four operating segments represent components of our business for which separate financial information is available that is utilized on a regular basis by our chief operating decision maker in determining how to allocate the assets of the company and evaluate performance. These four operating segments are each managed by an operating segment manager, who is responsible for the day-to-day operating decisions and performance evaluation of the operating segment's underlying businesses. We evaluate the profit performance of our segments primarily based on income before income taxes, but also look to earnings (loss) before interest and taxes ("EBIT"), as a performance evaluation measure because interest (income) expense, net (the combination of interest expense and investment income, net) is essentially related to corporate functions, as opposed to segment operations.

Our CPG reportable segment products are sold throughout North America and also account for the majority of our international sales. Our construction product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. Products and services within this reportable segment include construction sealants and adhesives, coatings and chemicals, roofing systems, concrete admixture and repair products, building envelope solutions, insulated cladding, flooring systems, and weatherproofing solutions.

Our PCG reportable segment products are sold throughout North America, as well as internationally, and are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. Products and services within this reportable segment include high-performance flooring solutions, corrosion control and fireproofing coatings, infrastructure repair systems, fiberglass reinforced plastic gratings and drainage systems.

Our Consumer reportable segment manufactures and markets professional use and do-it-yourself ("DIY") products for a variety of mainly consumer applications, including home improvement and personal leisure activities. Our Consumer reportable segment's major manufacturing and distribution operations are located primarily in North America, along with a few locations in Europe and other parts of the world. Our Consumer reportable segment products are primarily sold directly to mass merchandisers, home improvement centers, hardware stores, paint stores, craft shops and through distributors. The Consumer reportable segment offers products that include specialty, hobby and professional paints; caulks; adhesives; cleaners; sandpaper and other abrasives; silicone sealants and wood stains.

Our SPG reportable segment products are sold throughout North America and a few international locations, primarily in Europe. Our specialty product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. The SPG reportable segment offers products that include industrial cleaners, restoration services equipment, colorants, nail enamels, exterior finishes, edible coatings and specialty glazes for pharmaceutical and food industries, and other specialty original equipment manufacturer ("OEM") coatings.

In addition to our four reportable segments, there is a category of certain business activities and expenses, referred to as corporate/other, that does not constitute an operating segment. This category includes our corporate headquarters and related administrative expenses, results of our captive insurance companies, gains or losses on the sales of certain assets and other expenses not directly associated with any reportable segment. Assets related to the corporate/other category consist primarily of investments, prepaid expenses and headquarters' property and equipment. These corporate and other assets and expenses reconcile reportable segment data to total consolidated income before income taxes and identifiable assets.

We reflect income from our joint ventures on the equity method, and receive royalties from our licensees.

The following tables present a disaggregation of revenues by geography, and reflect the results of our reportable segments consistent with our management philosophy, by representing the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of businesses.

| Three Months Ended November 30, 2021 | CPG Segment | PCG Segment | Consumer Segment | SPG Segment | Consolidated |
|---|---|---|---|---|---|
| *(In thousands)* | | | | | |
| **Net Sales (based on shipping location)** | | | | | |
| United States | $ 342,282 | $ 187,838 | $ 431,450 | $ 153,188 | $ 1,114,758 |
| Foreign | | | | | |
| Canada | 68,901 | 18,684 | 30,340 | 2,091 | 120,016 |
| Europe | 132,575 | 60,958 | 55,070 | 25,991 | 274,594 |
| Latin America | 49,486 | 6,846 | 7,911 | 545 | 64,788 |
| Asia Pacific | 20,951 | 5,488 | 4,426 | 11,809 | 42,674 |
| Other Foreign | (5) | 22,713 | - | - | 22,708 |
| Total Foreign | 271,908 | 114,689 | 97,747 | 40,436 | 524,780 |
| **Total** | $ 614,190 | $ 302,527 | $ 529,197 | $ 193,624 | $ 1,639,538 |

| Three Months Ended November 30, 2020 | CPG Segment | PCG Segment | Consumer Segment | SPG Segment | Consolidated |
|---|---|---|---|---|---|
| *(In thousands)* | | | | | |
| **Net Sales (based on shipping location)** | | | | | |
| United States | $ 261,092 | $ 148,480 | $ 441,235 | $ 140,212 | $ 991,019 |
| Foreign | | | | | |
| Canada | 48,686 | 18,196 | 29,460 | 2,209 | 98,551 |
| Europe | 129,586 | 63,891 | 63,454 | 21,644 | 278,575 |
| Latin America | 40,137 | 7,139 | 8,769 | 415 | 56,460 |
| Asia Pacific | 20,948 | 5,797 | 4,590 | 11,574 | 42,909 |
| Other Foreign | 3,071 | 15,330 | - | - | 18,401 |
| Total Foreign | 242,428 | 110,353 | 106,273 | 35,842 | 494,896 |
| **Total** | $ 503,520 | $ 258,833 | $ 547,508 | $ 176,054 | $ 1,485,915 |

| Six Months Ended November 30, 2021 | CPG Segment | PCG Segment | Consumer Segment | SPG Segment | Consolidated |
|---|---|---|---|---|---|
| *(In thousands)* | | | | | |
| **Net Sales (based on shipping location)** | | | | | |
| United States | $ 714,595 | $ 364,032 | $ 863,849 | $ 302,599 | $ 2,245,075 |
| Foreign | | | | | |
| Canada | 145,461 | 37,135 | 64,282 | 4,231 | 251,109 |
| Europe | 262,993 | 118,793 | 115,337 | 50,326 | 547,449 |
| Latin America | 96,908 | 13,237 | 15,228 | 1,039 | 126,412 |
| Asia Pacific | 38,555 | 12,149 | 8,910 | 17,484 | 77,098 |
| Other Foreign | 40 | 42,776 | - | - | 42,816 |
| Total Foreign | 543,957 | 224,090 | 203,757 | 73,080 | 1,044,884 |
| **Total** | $ 1,258,552 | $ 588,122 | $ 1,067,606 | $ 375,679 | $ 3,289,959 |

| Six Months Ended November 30, 2020 | CPG Segment | PCG Segment | Consumer Segment | SPG Segment | Consolidated |
|---|---|---|---|---|---|
| *(In thousands)* | | | | | |
| **Net Sales (based on shipping location)** | | | | | |
| United States | $ 589,053 | $ 304,542 | $ 950,819 | $ 273,710 | $ 2,118,124 |
| Foreign | | | | | |
| Canada | 104,328 | 35,309 | 78,368 | 4,129 | 222,134 |
| Europe | 238,305 | 127,526 | 131,064 | 38,639 | 535,534 |
| Latin America | 74,990 | 12,733 | 16,161 | 880 | 104,764 |
| Asia Pacific | 38,588 | 10,682 | 12,264 | 16,720 | 78,254 |
| Other Foreign | 5,946 | 27,830 | - | - | 33,776 |
| Total Foreign | 462,157 | 214,080 | 237,857 | 60,368 | 974,462 |
| **Total** | $ 1,051,210 | $ 518,622 | $ 1,188,676 | $ 334,078 | $ 3,092,586 |

| (In thousands) | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **November 30,** | **November 30,** | **November 30,** | **November 30,** |
| **Income (Loss) Before Income Taxes** | **2021** | **2020** | **2021** | **2020** |
| CPG Segment | $ 130,368 | $ 71,832 | $ 244,725 | $ 170,182 |
| PCG Segment | 37,854 | 24,047 | 72,932 | 52,561 |
| Consumer Segment | 33,104 | 88,368 | 79,019 | 221,089 |
| SPG Segment | 20,591 | 28,406 | 45,147 | 48,855 |
| Corporate/Other | (58,763) | (45,697) | (97,198) | (84,362) |
| **Consolidated** | $ 163,154 | $ 166,956 | $ 344,625 | $ 408,325 |

| *(In thousands)* | **November 30,** | **May 31,** |
|---|---|---|
| **Identifiable Assets** | **2021** | **2021** |
| CPG Segment | $ 1,925,191 | $ 1,815,303 |
| PCG Segment | 1,070,680 | 1,051,334 |
| Consumer Segment | 2,322,257 | 2,386,703 |
| SPG Segment | 790,776 | 772,540 |
| Corporate/Other | 145,995 | 227,089 |
| **Consolidated** | $ 6,254,899 | $ 6,252,969 |

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements include all of our majority-owned and controlled subsidiaries. Investments in less-than-majority-owned joint ventures over which we have the ability to exercise significant influence are accounted for under the equity method. Preparation of our financial statements requires the use of estimates and assumptions that affect the reported amounts of our assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We continually evaluate these estimates, including those related to our allowances for doubtful accounts; reserves for excess and obsolete inventories; allowances for recoverable sales and/or value-added taxes; uncertain tax positions; useful lives of property, plant and equipment; goodwill and other intangible assets; environmental, warranties and other contingent liabilities; income tax valuation allowances; pension plans; and the fair value of financial instruments. We base our estimates on historical experience, our most recent facts, and other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of our assets and liabilities. Actual results, which are shaped by actual market conditions, may differ materially from our estimates.

A comprehensive discussion of the accounting policies and estimates that are the most critical to our financial statements are set forth in our Annual Report on Form 10-K for the year ended May 31, 2021.

**BUSINESS SEGMENT INFORMATION**

The following tables reflect the results of our reportable segments consistent with our management philosophy, and represent the information we utilize, in conjunction with various strategic, operational and other financial performance criteria, in evaluating the performance of our portfolio of businesses.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| *(In thousands)* | November 30, 2021 | November 30, 2020 | November 30, 2021 | November 30, 2020 |
| **Net Sales** | | | | |
| CPG Segment | $ 614,190 | $ 503,520 | $ 1,258,552 | $ 1,051,210 |
| PCG Segment | 302,527 | 258,833 | 588,122 | 518,622 |
| Consumer Segment | 529,197 | 547,508 | 1,067,606 | 1,188,676 |
| SPG Segment | 193,624 | 176,054 | 375,679 | 334,078 |
| **Consolidated** | $ 1,639,538 | $ 1,485,915 | $ 3,289,959 | $ 3,092,586 |
| **Income Before Income Taxes (a)** | | | | |
| CPG Segment | | | | |
| Income Before Income Taxes (a) | $ 130,368 | $ 71,832 | $ 244,725 | $ 170,182 |
| Interest (Expense), Net (b) | (1,649) | (2,141) | (3,519) | (4,251) |
| EBIT (c) | $ 132,017 | $ 73,973 | $ 248,244 | $ 174,433 |
| PCG Segment | | | | |
| Income Before Income Taxes (a) | $ 37,854 | $ 24,047 | $ 72,932 | $ 52,561 |
| Interest Income (Expense), Net (b) | 247 | 9 | 331 | (22) |
| EBIT (c) | $ 37,607 | $ 24,038 | $ 72,601 | $ 52,583 |
| Consumer Segment | | | | |
| Income Before Income Taxes (a) | $ 33,104 | $ 88,368 | $ 79,019 | $ 221,089 |
| Interest Income (Expense), Net (b) | 73 | (64) | 149 | (127) |
| EBIT (c) | $ 33,031 | $ 88,432 | $ 78,870 | $ 221,216 |
| SPG Segment | | | | |
| Income Before Income Taxes (a) | $ 20,591 | $ 28,406 | $ 45,147 | $ 48,855 |
| Interest (Expense), Net (b) | (29) | (73) | (64) | (155) |
| EBIT (c) | $ 20,620 | $ 28,479 | $ 45,211 | $ 49,010 |
| Corporate/Other | | | | |
| (Loss) Before Income Taxes (a) | $ (58,763) | $ (45,697) | $ (97,198) | $ (84,362) |
| Interest (Expense), Net (b) | (22,460) | (9,478) | (36,074) | (16,175) |
| EBIT (c) | $ (36,303) | $ (36,219) | $ (61,124) | $ (68,187) |
| **Consolidated** | | | | |
| Net Income | $ 125,116 | $ 127,884 | $ 259,911 | $ 308,670 |
| Add: Provision for Income Taxes | 38,038 | 39,072 | 84,714 | 99,655 |
| Income Before Income Taxes (a) | 163,154 | 166,956 | 344,625 | 408,325 |
| Interest (Expense) | (21,002) | (21,266) | (42,111) | (43,011) |
| Investment Income (Expense), Net | (2,816) | 9,519 | 2,934 | 22,281 |
| EBIT (c) | $ 186,972 | $ 178,703 | $ 383,802 | $ 429,055 |

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by generally accepted accounting principles ("GAAP") in the U.S., to EBIT.
(b) Interest Income (Expense), Net includes the combination of Interest (Expense) and Investment Income, Net.
(c) EBIT is a non-GAAP measure, and is defined as Earnings (Loss) Before Interest and Taxes. We evaluate the profit performance of our segments based on income before income taxes, but also look to EBIT, as a performance evaluation measure because Interest (Income) Expense, Net is essentially related to corporate functions, as opposed to segment operations. We believe EBIT is useful to investors for this purpose as well, using EBIT as a metric in their investment decisions. EBIT should not be considered an alternative to, or more meaningful than, income before income taxes as determined in accordance with GAAP, since EBIT omits the impact of interest in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness. Nonetheless, EBIT is a key measure expected by and useful to our fixed income investors, rating agencies and the banking community all of whom believe, and we concur, that this measure is critical to the capital markets' analysis of our segments' core operating performance. We also evaluate EBIT because it is clear that movements in EBIT impact our ability to attract financing. Our underwriters and bankers consistently require inclusion of this measure in offering memoranda in conjunction with any debt underwriting or bank financing. EBIT may not be indicative of our historical operating results, nor is it meant to be predictive of potential future results.

## RESULTS OF OPERATIONS

***Three Months Ended November 30, 2021***

***Net Sales***

| (in millions, except percentages) | Three months ended November 30, 2021 | Three months ended November 30, 2020 | Total Growth | Organic Growth[(1)] | Acquisition Growth | Foreign Currency Exchange Impact |
|---|---|---|---|---|---|---|
| CPG Segment | $ 614.2 | $ 503.5 | 22.0 % | 19.9 % | 1.8 % | 0.3 % |
| PCG Segment | 302.5 | 258.8 | 16.9 % | 12.2 % | 3.9 % | 0.8 % |
| Consumer Segment | 529.2 | 547.5 | -3.3 % | -3.5 % | 0.0 % | 0.2 % |
| SPG Segment | 193.6 | 176.1 | 10.0 % | 9.0 % | 0.4 % | 0.6 % |
| **Consolidated** | $ 1,639.5 | $ 1,485.9 | 10.3 % | 8.6 % | 1.3 % | 0.4 % |

(1) Organic growth includes the impact of price and volume.

Our CPG segment experienced significant organic growth during the second quarter of fiscal 2022 in nearly all business units in the segment when compared to the same quarter in the prior year. The increase is primarily driven by strong demand in North America for its construction and maintenance products, including insulated concrete forms, roofing systems, concrete admixtures and repair products, and commercial sealants. Performance in international markets was mixed with Europe fairly flat, while emerging markets showed signs of recovery.

Our PCG segment experienced sales growth during the second quarter of fiscal 2022 in nearly all the major business units in the segment when compared to the same quarter in the prior year. This growth was partially aided by the prior year comparison, where there was a significant amount of deferrals of flooring and coating projects by our customers as a result of restrictions associated with Covid, which impacted the ability of contractors to gain access to the facilities of our end customers. Sales growth was also facilitated by price increases and improved product mix, driven by new decision support tools that helped improve salesforce efficiencies and product mix.

Our Consumer segment experienced organic declines in comparison to the prior year, which benefitted from unprecedented demand worldwide for its “do-it-yourself” home improvement and cleaning products, as a result of the Covid pandemic. Current quarter sales were also impacted by the lack of availability of raw materials, due to supply chain disruptions. Despite these disruptions, underlying demand for these products remains strong, which resulted in fiscal 2022 second quarter sales that were still above the pre-pandemic levels of the second quarter in fiscal 2020.

Our SPG segment experienced strong demand for our businesses serving the OEM, outdoor recreation and furniture markets. Additionally, the segment's fluorescent pigments business generated good top-line growth as compared to the prior year quarter. The sales growth in this segment was slightly offset by declines in the disaster restoration equipment business, which struggled to meet customer demand due to the global semiconductor chip shortage.

***Gross Profit Margin*** Our consolidated gross profit margin of 35.5% of net sales for the second quarter of fiscal 2022 compares to a consolidated gross profit margin of 39.4% for the comparable period a year ago. The current quarter gross profit margin decrease of approximately 3.9%, or 390 basis points (“bps”), resulted primarily from lower absorption, inflationary pressures on raw materials versus the same period a year ago, higher freight costs, and production inefficiencies as a result of supply chain disruption and lack of availability of raw materials. Partially offsetting these decreases were the impact of selling price increases and MAP to Growth savings.

Overall, we experienced inflation in raw materials, freight and wages during the second quarter of fiscal 2022. As indicated previously, several macroeconomic factors resulted in inflation, beginning in the fourth quarter of fiscal 2021. We expect that these increased costs will continue to be reflected in our results throughout fiscal 2022. We plan to continue working to offset these increased costs with commensurate increases in selling prices. Furthermore, “force majeures” remain in effect from many of our major material suppliers, which may impact our ability to timely meet customer demand in certain of our businesses and across certain product categories.

The macroeconomic factors identified above include, but are not limited to, the following: (i) strained supply chains as inventories have not fully recovered from Winter Storm Uri in February 2021; (ii) additional significant weather events causing further supply chain disruption, such as Hurricane Ida in August 2021; (iii) intermittent supplier plant shutdowns due to catastrophic failures or as a result of the Covid pandemic; (iv) significant worldwide demand during the Covid pandemic for key items such as packaging, solvents, and chemicals; (v) availability of transportation and elevated costs to transport products, which has been exacerbated as a result of increased Covid infections and associated restrictions; (vi) reduction of global supply of materials as a result of power curtailments in China; and (vii) high global demand as markets reopen and economic stimulus drives growth.

***SG&A*** Our consolidated SG&A expense during the period was $38.3 million higher versus the same period last year but decreased to 26.7% of net sales from 26.9% of net sales for the prior year quarter. Additional SG&A expense recognized by companies we recently acquired approximated $5.6 million during the second quarter of fiscal 2022. During the second quarter of fiscal 2022, our MAP to Growth generated incremental savings of approximately $3.1 million.

Our CPG segment SG&A was approximately $18.0 million higher for the second quarter of fiscal 2022 versus the comparable prior year period but decreased as a percentage of net sales. The increase in expense was mainly due to higher variable costs as a result of higher sales volumes, higher IT costs associated with ongoing ERP implementations, as well as increases in discretionary spending (i.e. meetings, travel, etc.) and restoring salaries which were reduced in the prior year in response to the impact of the Covid pandemic. Additionally, companies recently acquired generated approximately $2.4 million of additional SG&A expense.

Our PCG segment SG&A was approximately $8.5 million higher for the second quarter of fiscal 2022 versus the comparable prior year period but decreased as a percentage of net sales. The increase in expense as compared to the prior year period is mainly due to increased variable expenses as a result of higher sales volumes, an additional earn-out provision, as well as increases in discretionary spending. Additionally, companies recently acquired generated approximately $2.9 million of additional SG&A expense.

Our Consumer segment SG&A increased by approximately $1.4 million during the second quarter of fiscal 2022 versus the same period last year, and increased as a percentage of net sales. The quarter-over-quarter increase in SG&A was attributable to merit increases and slight increases in discretionary spending. These increases were partially offset by decreases in advertising and reduced incentives compared to the prior year quarter.

Our SPG segment SG&A was approximately $6.6 million higher during the second quarter of fiscal 2022 versus the comparable prior year period and increased as a percentage of net sales. The increase in SG&A expense is attributable to investments in growth initiatives, restoring discretionary spending curtailed in the prior year, and a charge recorded during the second quarter of fiscal 2022 related to the legal matter described above in Note 14, "Contingencies and Accrued Losses," to the Consolidated Financial Statements. Additionally, companies recently acquired generated approximately $0.3 million of additional SG&A expense.

SG&A expenses in our corporate/other category increased by $3.8 million during the second quarter of fiscal 2022 as compared to last year's second quarter mainly due to higher hospitalization, legal and consulting expenses.

The following table summarizes the retirement-related benefit plans' impact on income before income taxes for the three months ended November 30, 2021 and 2020, as this activity has a significant impact on our SG&A expense:

| | Three months ended | | |
|---|---|---|---|
| *(in millions)* | **November 30, 2021** | **November 30, 2020** | **Change** |
| Service cost | $ 13.7 | $ 13.0 | $ 0.7 |
| Interest cost | 5.4 | 5.2 | 0.2 |
| Expected return on plan assets | (12.4) | (9.9) | (2.5) |
| Amortization of: | | | |
| Prior service (credit) | (0.1) | (0.1) | - |
| Net actuarial losses recognized | 4.4 | 8.2 | (3.8) |
| **Total Net Periodic Pension & Postretirement Benefit Costs** | $ 11.0 | $ 16.4 | $ (5.4) |

We expect that pension expense will fluctuate on a year-to-year basis, depending upon the investment performance of plan assets and potential changes in interest rates, both of which are difficult to predict, but which may have a material impact on our consolidated financial results in the future.

***Restructuring Charges***

| | Three months ended | |
|---|---|---|
| *(in millions)* | **November 30, 2021** | **November 30, 2020** |
| Severance and benefit costs (credits) | $ 1.8 | $ 2.1 |
| Facility closure and other related costs | 1.2 | 2.3 |
| Other restructuring costs | - | 0.5 |
| **Total Restructuring Costs** | $ 3.0 | $ 4.9 |

These charges are associated with closures of certain facilities as well as the elimination of duplicative headcount and infrastructure associated with certain of our businesses and are the result of our MAP to Growth, which focuses upon strategic shifts in operations across our entire business.

Our current expectation of future additional restructuring costs is summarized in the table below.

| (in millions) | As of November 30, 2021 |
|---|---|
| Severance and benefit costs | $ 1.0 |
| Facility closure and other related costs | 2.7 |
| Other restructuring costs | - |
| **Future Expected Restructuring Costs** | $ 3.7 |

We previously expected these charges to be incurred by the end of calendar year 2020, upon which we expected to achieve an annualized pretax savings of approximately $290 million per year. However, the disruption caused by the outbreak of the Covid pandemic delayed the finalization of our MAP to Growth past the original target completion date of December 31, 2020. We utilized the remainder of fiscal 2021 to drive toward achieving the goals originally set forth in our MAP to Growth. On May 31, 2021, we formally concluded our MAP to Growth. However, certain projects identified prior to May 31, 2021 are not yet completed. Accordingly, we expect to incur restructuring expense throughout fiscal 2022, as projects related to our MAP to Growth are executed and completed.

See Note 3, "Restructuring," to the Consolidated Financial Statements, for further details surrounding our MAP to Growth.

***Interest Expense***

| | Three months ended | |
|---|---|---|
| (in millions, except percentages) | November 30, 2021 | November 30, 2020 |
| Interest expense | $ 21.0 | $ 21.3 |
| Average interest rate (a) | 3.07 % | 3.31 % |

(a) The interest rate decrease was a result of lower market rates on the variable cost borrowings.

| (in millions) | Change in interest expense |
|---|---|
| Acquisition-related borrowings | $ 0.5 |
| Non-acquisition-related average borrowings | 0.1 |
| Change in average interest rate | (0.9) |
| **Total Change in Interest Expense** | $ (0.3) |

***Investment (Income) Expense, Net***

See Note 6, "Investment (Income) Expense, Net," to the Consolidated Financial Statements for details.

***(Gain) on Sales of Assets, Net***

See Note 7, "(Gain) on Sales of Assets, Net," to the Consolidated Financial Statements for details.

***Other (Income) Expense, Net***

See Note 8, "Other (Income) Expense, Net," to the Consolidated Financial Statements for details.

***Income (Loss) Before Income Taxes ("IBT")***

| | Three months ended | | | |
|---|---|---|---|---|
| (in millions, except percentages) | November 30, 2021 | % of net sales | November 30, 2020 | % of net sales |
| CPG Segment | $ 130.4 | 21.2 % | $ 71.8 | 14.3 % |
| PCG Segment | 37.9 | 12.5 % | 24.0 | 9.3 % |
| Consumer Segment | 33.1 | 6.3 % | 88.4 | 16.1 % |
| SPG Segment | 20.6 | 10.6 % | 28.4 | 16.1 % |
| Non-Op Segment | (58.8) | — | (45.6) | — |
| **Consolidated** | $ 163.2 | | $ 167.0 | |

Our CPG segment results reflect market share gains, operational improvements, proactive cost controls, selling price increases and the $41.9 million gain on the sale of certain real property assets for the Toronto, Ontario location, which more than offset production inefficiencies due to supply chain disruptions and material cost inflation. Our PCG segment results reflect improved pricing, incremental savings from operating improvement initiatives and recent acquisitions. Our Consumer segment results reflect the decrease in sales, inflation in materials, freight and labor, as well as the unfavorable impact of supply shortages on productivity. Our SPG segment results reflect raw material inflation, inefficiencies due to supply chain disruption, investments in future growth initiatives, and the charge related to the legal matter described above in Note 14, "Contingencies and Accrued Losses," to the Consolidated Financial Statements, partially offset by operational improvements.

***Income Tax Rate*** The effective income tax rate of 23.3% for the three months ended November 30, 2021, compares to the effective income tax rate of 23.4% for the three months ended November 30, 2020. The effective income tax rates for the three months ended November 30, 2021, and 2020 reflect variances from the 21% statutory rate due primarily to the unfavorable impact of state and local income taxes, non-deductible business expenses and the net tax on foreign subsidiary income resulting from the global intangible low-taxed income provisions, partially offset by tax benefits related to equity compensation.

***Net Income***

| | Three months ended | | | |
|---|---|---|---|---|
| *(in millions, except percentages and per share amounts)* | November 30, 2021 | % of net sales | November 30, 2020 | % of net sales |
| Net income | $ 125.1 | 7.6 % | $ 127.9 | 8.6 % |
| Net income attributable to RPM International Inc. stockholders | 124.9 | 7.6 % | 127.7 | 8.6 % |
| Diluted earnings per share | 0.96 | | 0.98 | |

***Six Months Ended November 30, 2021***

***Net Sales***

| | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| *(in millions, except percentages)* | November 30, 2021 | November 30, 2020 | Total Growth | Organic Growth(1) | Acquisition Growth | Foreign Currency Exchange Impact |
| CPG Segment | $ 1,258.6 | $ 1,051.2 | 19.7 % | 17.4 % | 1.0 % | 1.3 % |
| PCG Segment | 588.1 | 518.6 | 13.4 % | 8.0 % | 3.8 % | 1.6 % |
| Consumer Segment | 1,067.6 | 1,188.7 | -10.2 % | -12.5 % | 1.8 % | 0.5 % |
| SPG Segment | 375.7 | 334.1 | 12.5 % | 11.2 % | 0.4 % | 0.9 % |
| **Consolidated** | $ 3,290.0 | $ 3,092.6 | 6.4 % | 3.7 % | 1.7 % | 1.0 % |

(1) Organic growth includes the impact of price and volume.

Our CPG segment experienced significant organic growth during the first half of fiscal 2022 in nearly all business units in the segment when compared to the same period in the prior year. Business units performing particularly well during the period were providers of commercial roofing systems, concrete admixtures and repair products, and our insulated concrete forms business. Additionally, European operations generated strong sales growth, due in part to an easier comparison to the prior year first half, when shelter-in-place requirements were most severe.

Our PCG segment experienced sales growth during the first half of fiscal 2022 in nearly all the major business units in the segment when compared to the same period in the prior year. This growth was partially aided by the prior year comparison, where there was a significant amount of deferrals of flooring and coating projects as a result of restrictions associated with Covid, which impacted the ability of contractors to gain access to the facilities of our end customers. Sales growth was also facilitated by price increases and improved product mix, driven by new decision support tools that helped improve salesforce efficiencies and product mix.

Our Consumer segment experienced significant organic declines in comparison to the prior year, which benefitted from unprecedented demand worldwide for its “do-it-yourself” home improvement and cleaning products, as a result of the Covid pandemic. Current period sales were also impacted by the lack of availability of raw materials, due to supply chain disruptions. Despite these disruptions, underlying demand for these products remains strong, which resulted in fiscal 2022 first half sales that were still above the pre-pandemic levels of the first half of fiscal 2020.

Our SPG segment experienced strong demand for our businesses serving the marine, powder coatings and wood stains & sealers. Additionally, our new business development efforts have accelerated as a result of a number of recent management changes. The sales growth in this segment was slightly offset by declines in the disaster restoration equipment business, which struggled to meet customer demand due to the global semiconductor chip shortage.

***Gross Profit Margin*** Our consolidated gross profit margin of 36.4% of net sales for the first half of fiscal 2022 compares to a consolidated gross profit margin of 40.1% for the comparable period a year ago. The current period gross profit margin decrease of approximately 3.7%, or 370 basis points ("bps"), resulted primarily from lower sales volume, inflationary pressures on raw materials versus the same period a year ago, higher freight costs, and production inefficiencies as a result of supply chain disruption and availability of raw materials. Partially offsetting these decreases were the impact of selling price increases and MAP to Growth savings.

Overall, raw material costs were inflationary during the first half of fiscal 2022. As indicated previously, several macroeconomic factors resulted in inflation, beginning in the fourth quarter of fiscal 2021. We expect that these increased costs will continue to be reflected in our results throughout fiscal 2022. We plan to continue working to offset these increased costs with commensurate increases in selling prices. Furthermore, "force majeures" remain in effect from many of our major material suppliers, which may impact our ability to timely meet customer demand in certain of our businesses and across certain product categories.

***SG&A*** Our consolidated SG&A expense during the period was $61.3 million higher versus the same period last year and increased to 26.0% of net sales from 25.7% of net sales for the prior year period. Additional SG&A expense recognized by companies we recently acquired approximated $13.0 million during the first half of fiscal 2022. During the first half of fiscal 2022, our MAP to Growth generated incremental savings of approximately $6.0 million.

Our CPG segment SG&A was approximately $39.7 million higher for the first half of fiscal 2022 versus the comparable prior year period but decreased as a percentage of net sales. The increase was mainly due to higher variable expense as a result of higher sales volumes, higher IT costs associated with ongoing ERP implementations, as well as increases in discretionary spending (i.e. meetings, travel, etc.) and restoring salaries which were reduced in the prior year in response to the impact of the Covid pandemic. Additionally, companies recently acquired generated approximately $3.0 million of additional SG&A expense.

Our PCG segment SG&A was approximately $15.1 million higher for the first half of fiscal 2022 versus the comparable prior year period but decreased as a percentage of net sales. The period over period increase is mainly due to increased variable expenses as a result of higher sales volumes, higher distribution costs, as well as increases in commissions and discretionary spending. Additionally, companies recently acquired generated approximately $5.3 million of additional SG&A expense.

Our Consumer segment SG&A decreased by approximately $5.4 million during the first half of fiscal 2022 versus the same period last year, but increased as a percentage of net sales. The period over period decrease in SG&A was attributable to lower advertising and promotional costs and reduced incentives. Partially offsetting these decreases was approximately $4.3 million of additional SG&A expense generated from the company recently acquired.

Our SPG segment SG&A was approximately $10.0 million higher during the first half of fiscal 2022 versus the comparable prior year period but decreased slightly as a percentage of net sales. The increase in SG&A expense is attributable to investments in growth initiatives, merit increases, as well as a charge recorded during the second quarter of fiscal 2022 related to the legal matter described above in Note 14, "Contingencies and Accrued Losses," to the Consolidated Financial Statements. Additionally, companies recently acquired generated approximately $0.4 million of additional SG&A expense.

SG&A expenses in our corporate/other category increased by $1.9 million during the first half of fiscal 2022 as compared to last year's first half mainly due to higher hospitalization, legal and consulting expenses.

The following table summarizes the retirement-related benefit plans' impact on income before income taxes for the six months ended November 30, 2021 and 2020, as this activity has a significant impact on our SG&A expense:

| | Six Months Ended | | |
|---|---|---|---|
| *(in millions)* | **November 30, 2021** | **November 30, 2020** | **Change** |
| Service cost | $ 27.4 | $ 25.9 | $ 1.5 |
| Interest cost | 10.9 | 10.5 | 0.4 |
| Expected return on plan assets | (24.9) | (19.8) | (5.1) |
| Amortization of: | | | |
| Prior service (credit) | (0.2) | (0.1) | (0.1) |
| Net actuarial losses recognized | 8.8 | 16.3 | (7.5) |
| **Total Net Periodic Pension & Postretirement Benefit Costs** | $ 22.0 | $ 32.8 | $ (10.8) |

We expect that pension expense will fluctuate on a year-to-year basis, depending upon the investment performance of plan assets and potential changes in interest rates, both of which are difficult to predict, but which may have a material impact on our consolidated financial results in the future.

***Restructuring Charges***

| | Six Months Ended | |
|---|---|---|
| *(in millions)* | **November 30, 2021** | **November 30, 2020** |
| Severance and benefit costs | $ 1.5 | $ 4.6 |
| Facility closure and other related costs | 2.5 | 3.8 |
| Other restructuring costs | - | 0.8 |
| **Total Restructuring Costs** | $ 4.0 | $ 9.2 |

For further information and detail about our MAP to Growth, see "Restructuring Charges" in Results of Operations - Three Months Ended November 30, 2021, and Note 3, "Restructuring" to the Consolidated Financial Statements.

***Interest Expense***

| | Six Months Ended | |
|---|---|---|
| *(in millions, except percentages)* | **November 30, 2021** | **November 30, 2020** |
| Interest expense | $ 42.1 | $ 43.0 |
| Average interest rate (a) | 3.11 % | 3.38 % |

(a) The interest rate decrease was a result of lower market rates on the variable cost borrowings.

| *(in millions)* | **Change in interest expense** |
|---|---|
| Acquisition-related borrowings | $ 1.2 |
| Non-acquisition-related average borrowings | (0.3 ) |
| Change in average interest rate | (1.8 ) |
| **Total Change in Interest Expense** | $ (0.9 ) |

***Investment (Income) Expense, Net***

See Note 6, "Investment (Income) Expense, Net," to the Consolidated Financial Statements for details.

***(Gain) on Sales of Assets, Net***

See Note 7, "(Gain) on Sales of Assets, Net," to the Consolidated Financial Statements for details.

***Other (Income) Expense, Net***

See Note 8, "Other (Income) Expense, Net," to the Consolidated Financial Statements for details.

***Income (Loss) Before Income Taxes ("IBT")***

| | Six Months Ended | | | |
|---|---|---|---|---|
| *(in millions, except percentages)* | **November 30, 2021** | **% of net sales** | **November 30, 2020** | **% of net sales** |
| CPG Segment | $ 244.7 | 19.4 % | $ 170.2 | 16.2 % |
| PCG Segment | 72.9 | 12.4 % | 52.6 | 10.1 % |
| Consumer Segment | 79.0 | 7.4 % | 221.1 | 18.6 % |
| SPG Segment | 45.2 | 12.0 % | 48.9 | 14.6 % |
| Non-Op Segment | (97.2 ) | — | (84.5 ) | — |
| **Consolidated** | $ 344.6 | | $ 408.3 | |

Our CPG segment results reflect market share gains, operational improvements, proactive cost controls, selling price increases and the $41.9 million gain on the sale of certain real property assets for the Toronto, Ontario location, which more than offset production inefficiencies due to supply chain disruptions and material cost inflation. Our PCG segment results reflect improved pricing, incremental savings from operating improvement initiatives and recent acquisitions. Our Consumer segment results reflect the decrease in sales, inflation in materials, freight and labor, as well as the unfavorable impact of supply shortages on productivity. Our SPG segment results reflect raw material inflation, inefficiencies due to supply chain disruption and investments in future growth initiatives, somewhat offset by higher sales volume and incremental operating improvement program savings.

***Income Tax Rate*** The effective income tax rate of 24.6% for the six months ended November 30, 2021, compares to the effective income tax rate of 24.4% for the six months ended November 30, 2020. The effective income tax rates for the three months ended November 30, 2021, and 2020 reflect variances from the 21% statutory rate due primarily to the unfavorable impact of state and local income taxes, non-deductible business expenses and the net tax on foreign subsidiary income resulting from the global intangible low-taxed income provisions, partially offset by tax benefits related to equity compensation.

***Net Income***

| | Six Months Ended | | | |
|---|---|---|---|---|
| *(in millions, except percentages and per share amounts)* | **November 30, 2021** | **% of net sales** | **November 30, 2020** | **% of net sales** |
| Net income | $ 259.9 | 7.9% | $ 308.7 | 10.0% |
| Net income attributable to RPM International Inc. stockholders | 259.5 | 7.9% | 308.3 | 10.0% |
| Diluted earnings per share | 2.00 | | 2.37 | |

**LIQUIDITY AND CAPITAL RESOURCES**

***Fiscal 2022 Compared with Fiscal 2021***

**Operating Activities**

Approximately $159.4 million of cash was provided by operating activities during the first six months of fiscal 2022, compared with $579.5 million of cash provided by operating activities during the same period last year. The net change in cash from operations includes the change in net income, which decreased by $48.8 million during the first six months of fiscal 2022 versus the same period during fiscal 2021. Cash provided from operations, along with the use of available credit lines, as required, remain our primary sources of liquidity.

The change in accounts receivable during the first six months of fiscal 2022 provided approximately $10.5 million less cash than during the same period a year ago. This resulted primarily from the year-over-year change in the timing and volume of sales, particularly in our Consumer segment. Days sales outstanding (“DSO”) at November 30, 2021 decreased to 59.6 days from 60.6 days at November 30, 2020.

During the first six months of fiscal 2022, the change in inventory used approximately $146.6 million more cash compared to our spending during the same period a year ago, which resulted primarily from the response to the supply chain issues and timing of purchases by retail customers. Days of inventory outstanding (“DIO”) was approximately 88.6 and 83.0 days at November 30, 2021 and 2020, respectively. The increase in DIO was driven mainly by the Consumer segment, which resulted from material price inflation and build-up of raw material inventory in order to mitigate supply chain disruptions.

The change in accounts payable during the first six months of fiscal 2022 used approximately $37.6 million more cash than during the first six months of fiscal 2021 due principally to the timing of purchases, which were restrained at the beginning of fiscal 2021 due to the sharp business downturn caused by pandemic lockdown restrictions. However, days payables outstanding (“DPO”) increased by approximately 0.9 days to 82.3 days at November 30, 2021 from 81.4 days at November 30, 2020. The longer DPO is a direct result of moving toward a center-led procurement process that includes negotiating modified payment terms.

The change in accrued compensation and benefits during the first six months of fiscal 2022 used approximately $44.5 million more cash than during the first six months of fiscal 2021 due to higher incentive compensation earned during fiscal 2021 (which was paid out in the first quarter of fiscal 2022) as compared to fiscal 2020 (which was paid out in the first quarter of fiscal 2021). The change in other accrued liabilities during the first six months of fiscal 2022 provided approximately $70.7 million less cash than during the first six months of fiscal 2021 due principally to the timing of income taxes payable and the increase in customer rebate accruals in the prior year. Additionally, certain government entities located where we have operations have enacted various pieces of legislation designed to help businesses weather the economic impact of Covid and ultimately preserve jobs. Some of this legislation, such as the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the United States, enables employers to defer the payment of various types of taxes over varying time horizons. As of May 31, 2021, we had a remaining deferral of $27.1 million of such government payments that would have normally been paid during fiscal 2020 and fiscal 2021, but which will be paid in future periods. During the first half of fiscal 2022, we did not defer any additional government payments that would have normally been paid during our first half of fiscal 2022. During the prior year first half ended November 30, 2020, we deferred $10.7 million of such government payments that would have normally been paid during our first half of fiscal 2021. Of the remaining $27.1 million at November 31, 2021, we expect to pay approximately half of the balance during our third quarter of fiscal 2022 and approximately half of the balance during our third quarter of fiscal 2023.

**Investing Activities**

For the first six months of fiscal 2022, cash used for investing activities decreased by $17.6 million to $168.4 million as compared to $186.0 million in the prior year period. This year-over-year decrease in cash used for investing activities was mainly driven by the sales of assets, whose proceeds provided $50.6 million in the current year.

Capital expenditures, other than for ordinary repairs and replacements, are made to accommodate our continued growth to achieve production and distribution efficiencies, expand capacity, introduce new technology, improve environmental health and safety capabilities, improve information systems, and enhance our administration capabilities. We paid for capital expenditures of $101.4 million and $70.9 million during the first six months of fiscal 2022 and fiscal 2021, respectively. We have increased capital spending in fiscal 2022, to respond to brisk demand and to finalize our MAP to Growth by consolidating ERP systems and our plant footprint.

Our captive insurance companies invest their excess cash in marketable securities in the ordinary course of conducting their operations, and this activity will continue. Differences in the amounts related to these activities on a year-over-year basis are primarily attributable to differences in the timing and performance of their investments balanced against amounts required to satisfy claims. At November 30, 2021 and May 31, 2021, the fair value of our investments in available-for-sale debt securities and marketable equity securities, which includes captive insurance-related assets, totaled $170.3 million and $168.8 million, respectively. The fair value of our portfolio of marketable securities is based on quoted market prices for identical, or similar, instruments in active or non-active markets or model-derived-valuations with observable inputs. We have no marketable securities whose fair value is subject to unobservable inputs.

As of November 30, 2021, approximately $175.4 million of our consolidated cash and cash equivalents were held at various foreign subsidiaries, compared with $221.1 million at May 31, 2021. Undistributed earnings held at our foreign subsidiaries that are considered permanently reinvested will be used, for instance, to expand operations organically or for acquisitions in foreign jurisdictions. Further, our operations in the U.S. generate sufficient cash flow to satisfy U.S. operating requirements. Refer to Note 9, “Income Taxes,” to the Consolidated Financial Statements for additional information regarding unremitted foreign earnings.

**Financing Activities**

For the first six months of fiscal 2022, cash used for financing activities decreased by $344.1 million to $26.0 million as compared to $370.0 million in the prior year period. The overall decrease in cash used for financing activities was driven principally by debt-related activities, as we used approximately $255.4 million less cash to paydown existing debt and provided approximately $104.4 million more cash from additions to short and long-term debt during the first six months of fiscal 2022 as compared to the prior year. See below for further details on the significant components of our debt.

The decrease in cash used for debt-related activities was partially offset by a $12.5 million increase in cash used for the repurchase of common stock during the first six months of fiscal 2022, as compared to the prior year. This increase was a result of the macroeconomic uncertainty in the prior year caused by the Covid pandemic, which led to the temporary suspension of our stock repurchase program during the fourth quarter of fiscal 2020, which lasted through the second quarter of fiscal 2021.

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at $1.32 billion at November 30, 2021, compared with $1.46 billion at May 31, 2021. Refer to Note G, "Borrowings," to the Consolidated Financial Statements, in our Annual Report on Form 10-K for the fiscal year ended May 31, 2021 for more comprehensive details on the significant components of our debt, which includes:

***Revolving Credit Agreement***

During the quarter ended November 30, 2018, we replaced our previous $800.0 million revolving credit agreement, which was set to expire on December 5, 2019, with a $1.3 billion unsecured syndicated revolving credit facility (the “Revolving Credit Facility”), which expires on October 31, 2023. The Revolving Credit Facility includes sublimits for the issuance of swingline loans, which are comparatively short-term loans used for working capital purposes and letters of credit. The aggregate maximum principal amount of the commitments under the Revolving Credit Facility may be expanded upon our request, subject to certain conditions, up to $1.5 billion. The Revolving Credit Facility is available to refinance existing indebtedness, to finance working capital and capital expenditures, and for general corporate purposes.

The Revolving Credit Facility requires us to comply with various customary affirmative and negative covenants, including a leverage covenant (i.e., Net Leverage Ratio) and interest coverage ratio, which are calculated in accordance with the terms as defined by the Revolving Credit Facility. Under the terms of the leverage covenant, we may not permit our leverage ratio for total indebtedness to consolidated EBITDA for the four most recent fiscal quarters to exceed 3.75 to 1.00. During certain periods and per the terms of the Revolving Credit Facility, this ratio may be increased to 4.25 to 1.00 in connection with certain “material acquisitions.” The acquisition of Ali Industries, LLC occurred on September 1, 2020 and qualifies as a “material acquisition,” which enabled us to request an increase in the maximum permitted Net Leverage Ratio covenant. We provided such notice to our Administrative Agent to trigger this provision of the agreement during our second quarter of fiscal 2021, and therefore, our Net Leverage Ratio covenant was increased to 4.25 to 1.00 through August 31, 2021. Subsequent to August 31, 2021, the leverage covenant has been reset, and as of November 30, 2021 may not exceed to 3.75 to 1.00. The minimum required consolidated interest coverage ratio for EBITDA to interest expense is 3.50 to 1.00. The interest coverage ratio is calculated at the end of each fiscal quarter for the four fiscal quarters then ended using EBITDA as defined in the Revolving Credit Facility.

As of November 30, 2021, we were in compliance with all financial covenants contained in our Revolving Credit Facility, including the Net Leverage Ratio and Interest Coverage Ratio covenants. At that date, our Net Leverage Ratio was 2.61 to 1.00, while our Interest Coverage Ratio was 10.92 to 1.00. As of November 30, 2021, we had $877.8 million of borrowing availability on our Revolving Credit Facility.

Our access to funds under our Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the Revolving Credit Facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

***Accounts Receivable Securitization Program***

As of November 30, 2021, we did not have an outstanding balance under our AR Program, which compares with the maximum availability of $250.0 million on that date. The maximum availability under the AR Program is $250.0 million, but availability is further subject to changes in the credit ratings of our customers, customer concentration levels or certain characteristics of the accounts receivable being transferred and, therefore, at certain times, we may not be able to fully access the $250.0 million of funding available under the AR Program.

The AR Program contains various customary affirmative and negative covenants, as well as customary default and termination provisions. Our failure to comply with the covenants described above and other covenants contained in the Revolving Credit Facility could result in an event of default under that agreement, entitling the lenders to, among other things, declare the entire amount outstanding under the Revolving Credit Facility to be due and payable immediately. The instruments governing our other outstanding indebtedness generally include cross-default provisions that provide that, under certain circumstances, an event of default that results in acceleration of our indebtedness under the Revolving Credit Facility will entitle the holders of such other indebtedness to declare amounts outstanding immediately due and payable.

***Term Loan Facility Credit Agreement***

On February 21, 2020, we and our subsidiary, RPM Europe Holdco B.V. (formerly "RPM New Horizons Netherlands, B.V.") (the “Foreign Borrower”), entered into an unsecured syndicated term loan facility credit agreement (the “New Credit Facility”) with the lenders party thereto and PNC Bank, National Association, as administrative agent for the lenders. The New Credit Facility provides for a $300 million term loan to us and a $100 million term loan to the Foreign Borrower (together, the “Term Loans”), each of which was fully advanced on the closing date. The Term Loans mature on February 21, 2023, with no scheduled amortization before that date, and the Term Loans may be prepaid at any time without penalty or premium. We agreed to guarantee all obligations of the Foreign Borrower under the New Credit Facility. The proceeds of the Term Loans were used to repay a portion of the outstanding borrowings under our Revolving Credit Facility. See “Revolving Credit Agreement” above for further details.

The Term Loans will bear interest at either the base rate or the Eurodollar Rate, at our option, plus a spread determined by our debt rating. We, and the Foreign Borrower, have entered into multicurrency floating to fixed interest rate swap agreements that effectively fix interest payment obligations on the entire principal amount of the Term Loans through their maturity at (a) 0.612% per annum on our Term Loan, and (b) 0.558% per annum on the Foreign Borrower’s Term Loan.

The New Credit Facility contains customary covenants, including but not limited to, limitations on our ability, and in certain instances, our subsidiaries’ ability, to incur liens, make certain investments, or sell or transfer assets. Additionally, we may not permit (i) our consolidated interest coverage ratio to be less than 3.50 to 1.00, or (ii) our leverage ratio (defined as the ratio of total indebtedness, less unencumbered cash and cash equivalents in excess of $50 million, to consolidated EBITDA for the four most recent fiscal quarters) to exceed 3.75 to 1.00. Upon notification to the lenders, however, the maximum permitted leverage ratio can be relaxed to 4.25 to 1.00 for a one-year period in connection with certain material acquisitions. In addition, the agreement was amended on April 30, 2020 to allow the maximum permitted Net Leverage Ratio to be increased to 4.25 to 1.00 during certain periods (refer to the “Revolving Credit Agreement” section above). As noted in the “Revolving Credit Agreement” section above, we provided such notice to our Administrative Agent during our second quarter of fiscal 2021, and therefore, our Net Leverage Ratio covenant was increased to 4.25 to 1.00 through August 31, 2021. Subsequent to August 31, 2021, the leverage covenant has been reset, and as of November 30, 2021 may not exceed to 3.75 to 1.00. The covenants contained in the New Credit Facility are substantially similar to those contained in our Revolving Credit Facility. See “Revolving Credit Agreement” above for details on our compliance with all significant financial covenants at November 30, 2021.

***Stock Repurchase Program***

See Note 11, “Stock Repurchase Program” to the Consolidated Financial Statements, for further detail surrounding our stock repurchase program.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet financings. We have no subsidiaries that are not included in our financial statements, nor do we have any interests in, or relationships with, any special purpose entities that are not reflected in our financial statements.

## OTHER MATTERS

***Environmental Matters***

Environmental obligations continue to be appropriately addressed and, based upon the latest available information, it is not anticipated that the outcome of such matters will materially affect our results of operations or financial condition. Our critical accounting policies and estimates set forth above describe our method of establishing and adjusting environmental-related accruals and should be read in conjunction with this disclosure. For additional information, refer to “Part II, Item 1. Legal Proceedings.”

## FORWARD-LOOKING STATEMENTS

The foregoing discussion includes forward-looking statements relating to our business. These forward-looking statements, or other statements made by us, are made based on our expectations and beliefs concerning future events impacting us and are subject to uncertainties and factors (including those specified below), which are difficult to predict and, in many instances, are beyond our control. As a result, our actual results could differ materially from those expressed in or implied by any such forward-looking statements. These uncertainties and factors include (a) global markets and general economic conditions, including uncertainties surrounding the volatility in financial markets, the availability of capital and the effect of changes in interest rates, and the viability of banks and other financial institutions; (b) the prices, supply and capacity of raw materials, including assorted pigments, resins, solvents, and other natural gas- and oil-based materials; packaging, including plastic and metal containers; and transportation services, including fuel surcharges; (c) continued growth in demand for our products; (d) legal, environmental and litigation risks inherent in our construction and chemicals businesses and risks related to the adequacy of our insurance coverage for such matters; (e) the effect of changes in interest rates; (f) the effect of fluctuations in currency exchange rates upon our foreign operations; (g) the effect of non-currency risks of investing in and conducting operations in foreign countries, including those relating to domestic and international political, social, economic and regulatory factors; (h) risks and uncertainties associated with our ongoing acquisition and divestiture activities; (i) the timing of and the realization of anticipated cost savings from restructuring initiatives and the ability to identify additional cost savings opportunities; (j) risks related to the adequacy of our contingent liability reserves; (k) risks relating to the Covid pandemic; (l) risks related to adverse weather conditions or the impacts of climate change and natural disasters; and (m) other risks detailed in our filings with the Securities and Exchange Commission, including the risk factors set forth in our Annual Report on Form 10-K for the year ended May 31, 2021, as the same may be updated from time to time. We do not undertake any obligation to publicly update or revise any forward-looking statements to reflect future events, information or circumstances that arise after the filing date of this document.

## TEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

We are exposed to market risk from changes in raw materials costs, interest rates and foreign exchange rates since we fund our operations through long- and short-term borrowings and conduct our business in a variety of foreign currencies. There were no material potential changes in our exposure to these market risks since May 31, 2021. However, refer to the "Gross Profit Margin" paragraphs in the "RESULTS OF OPERATIONS" for the "Three Months Ended November 30, 2021" and "Six Months Ended November 30, 2021" sections above, for additional details on recent inflationary cost pressure and supply chain disruption at some of our businesses across certain product categories.

**ITEM 4. *CONTROLS AND PROCEDURES***

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of November 30, 2021 (the "Evaluation Date"), have concluded that as of the Evaluation Date, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports we file or submit under the Exchange Act (1) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and (2) is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

(b) CHANGES IN INTERNAL CONTROL.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended November 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

### ITEM 1. *LEGAL PROCEEDINGS*

***Environmental Proceedings***

Like other companies participating in similar lines of business, some of our subsidiaries are identified as a "potentially responsible party" under the federal Comprehensive Environmental Response, Compensation and Liability Act and similar local environmental statutes or are participating in the cost of certain clean-up efforts or other remedial actions relating to environmental matters. Our share of such costs to date, however, has not been material and management believes that these environmental proceedings will not have a material adverse effect on our consolidated financial condition or results of operations. See "Item 1 — Business — Environmental Matters," in our Annual Report on Form 10-K for the year ended May 31, 2021.

As permitted by SEC rules, and given the size of our operations, we have elected to adopt a quantitative threshold for environmental proceedings of $1 million. As of the date of this filing, we are not aware of any matters that exceed this threshold and meet the definition for disclosure.

### ITEM 1A. *RISK FACTORS*

In addition to the other information set forth in this report, you should carefully consider the other risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2021.

### ITEM 2. *UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS*

The following table presents information about repurchases of RPM International Inc. common stock made by us during the second quarter of fiscal 2022:

| **Period** | **Total Number of Shares Purchased(1)** | **Average Price Paid Per Share** | **Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs** | **Maximum Dollar Amount that May Yet be Purchased Under the Plans or Programs(2)** |
|---|---|---|---|---|
| September 1, 2021 through September 30, 2021 | 719 | $ 82.35 | - | |
| October 1, 2021 through October 31, 2021 | 41,116 | $ 81.80 | - | |
| November 1, 2021 through November 30, 2021 | 7,320 | $ 91.51 | - | |
| Total - Second Quarter | 49,155 | $ 83.25 | - | |

(1) All of the shares of common stock that were disposed of back to us during the three month period ended November 30, 2021 were in satisfaction of tax obligations related to the vesting of restricted stock, which was granted under RPM International Inc.'s equity and incentive plans.

(2) The maximum dollar amount that may yet be repurchased under our program was approximately $407.3 million at November 30, 2021. Refer to Note 11 "Stock Repurchase Program" to the Consolidated Financial Statements for further information regarding our stock repurchase program.

**ITEM 6. *EXHIBITS***

| Exhibit Number | Description |
|---|---|
| 10.1 | Separation Agreement and Release and Waiver of Claims, effective as of October 15, 2021, by and between RPM International Inc. and Michael H. Sullivan. (x) |
| 31.1 | Rule 13a-14(a) Certification of the Company's Chief Executive Officer.(x) |
| 31.2 | Rule 13a-14(a) Certification of the Company's Chief Financial Officer.(x) |
| 32.1 | Section 1350 Certification of the Company's Chief Executive Officer.(x) |
| 32.2 | Section 1350 Certification of the Company's Chief Financial Officer.(x) |
| 101.INS | Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2021, has been formatted in Inline XBRL |

(x) Filed herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**RPM International Inc.**

By: /s/ Frank C. Sullivan
Frank C. Sullivan
Chairman and Chief Executive Officer

By: /s/ Russell L. Gordon
Russell L. Gordon
Vice President and
Chief Financial Officer

Dated: January 5, 2022

## SEPARATION AGREEMENT AND RELEASE AND WAIVER OF CLAIMS

**THIS SEPARATION AGREEMENT AND RELEASE AND WAIVER OF CLAIMS** (“Agreement”) is made and entered into by and between RPM International Inc. (“RPM”), a Delaware corporation (the "Company") and Michael H. Sullivan ("Executive"), with an Effective Date as defined herein.

**W I T N E S S E T H**:

**WHEREAS**, pursuant to an Employment Agreement between the Company and Executive dated October 3, 2019, Executive has been serving as Vice President – Operations and Chief Restructuring Officer; and

**WHEREAS**, the Company has decided to terminate Executive’s employment, in the manner provided by and consistent with the Employment Agreement, effective October 15, 2021, on the terms set forth herein; and

**WHEREAS**, the Company and Executive wish to resolve all matters and issues between them arising from or relating to Executive's employment by the Company.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants contained herein, Executive and the Company hereby agree as follows:

### ARTICLE I -- **CONSIDERATION**

Section 1.1. Termination of Employment. The Company hereby terminates Executive’s employment effective as of October 15, 2021 (the “Termination Date”). The parties acknowledge and agree that Executive’s Termination of Employment is a termination without Cause pursuant to §5(a)(vi) of the Employment Agreement. Executive, by his signature below, hereby waives any written notice of Termination of Employment under the Employment Agreement.

Section 1.2. Lump-Sum Payment. Following the Effective Date of this Agreement as defined in Section 4.12 hereof, Executive will be entitled to receive a lump-sum payment (the “Payment”) in an amount equal to $702,322.00, calculated in the manner provided by §5(b)(iii)(B) of the Employment Agreement, and representing the sum of 150% times $370,000 (Executive’s Base Salary) plus Earned Incentive Compensation equal to $147,322.00, less any applicable payroll taxes and withholdings.

Section 1.3. Continuing Benefit Plans. Following the Effective Date of this Agreement, and for the time periods described below, Executive will be entitled to continue to participate in the Continuing Benefit Plans, as described in, and defined by, §5(c)(i) and Exhibit A of the Employment Agreement:

1. The RPM International Inc. Welfare Plan. Executive shall be entitled to continuation of coverage under the RPM International Inc. Welfare Plan at his own expense pursuant to any rights he may have under the federal Consolidated Omnibus Budget Reconciliation Act, as amended

("COBRA"), part VI of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended; Internal Revenue Code §4980(B)(f). Such continuation shall be afforded up to the maximum period provided by law so long as Executive submits payments for elected coverage and otherwise complies with conditions of continuation on a timely basis. To that end, and as described in §5(c)(i) of the Employment Agreement, Executive will be entitled to receive a lump sum payment in an amount equal to eighteen (18) months' of COBRA premium payments, plus an additional two percent (2%) to cover applicable COBRA administrative fees, in a gross amount of $13,500.00; and

2. Estate/Financial Planning Benefits. Executive will be entitled to the Estate/Financial Planning Benefits described in §5(c)(i) of the Employment Agreement for a period of 6 months following the Termination Date, with Executive to forward bills received for such services to Janeen B. Kastner, Vice President – Corporate Benefits and Risk Management, RPM International Inc., 2628 Pearl Road, P. O Box 777, Medina, Ohio 44258.

Section 1.4. Limited Benefit Plans. Following the Effective Date of this Agreement, Executive will be entitled only to the following Limited Benefit Plans as described in §5(c)(ii) of the Employment Agreement:

1. Executive Life Insurance. A lump sum payment in the amount of $55,086.00 representing 1.5 times the annual premium payment most recently paid with respect to Executive for the executive life insurance program maintained by the Company as of the Termination Date;

2. SERP Restricted Stock Plan. A lump sum payment in an amount equal to 1.5 times 797 shares of the Company's common stock at the closing stock price of such shares on the Termination Date, representing the cash value of the benefits Executive would have received had he continued to participate in and receive annual awards under the Restricted Stock Plan on a basis consistent with his past practice for a period of 18 months following the Termination Date; and

3. Lapse of Restrictions. The lapse of all restrictions on transfer and forfeiture provisions to which Executive's 1,754 shares of the Company's common stock awarded to him under the SERP Restricted Stock Plan are subject, so that any restricted shares previously awarded to Executive under such plan shall be nonforfeitable and freely transferable thereafter, all on the terms of the SERP Restricted Stock Plan or the agreements thereunder.

4. Vesting. The parties acknowledge and agree that upon the Effective Date of this Agreement, Executive will be fully vested in the 9,900 shares of Performance Earned Restricted Stock and 40,000 Stock Appreciation Rights grants made to Executive under the Company's 2004 and 2014 Omnibus Equity and Incentive Plans, and that for purposes of any

Performance Earned Restricted Stock and Stock Appreciation Rights grants only, Executive will be deemed to have retired as of the Effective Date of this Agreement. Executive's Performance Earned Restricted Stock and Stock Appreciation Rights will be governed by the terms of the applicable grant documents. Effective upon the Termination Date, any outstanding Performance Stock Units will be forfeited pursuant to Section 4 of the applicable grant document.

Section 1.5. Adequacy of Consideration. Executive hereby agrees and acknowledges that the payments and benefits described in Article I of this Agreement are over and above any entitlements, severance or otherwise, that he may have by reason of his termination from employment with the Company, and that such payments and amounts constitute adequate consideration for all of Executive's covenants and obligations set forth herein, including, but not limited to, the General Release of Claims set forth in Article II of this Agreement and the other obligations of Executive set forth in Article III of this Agreement.

## ARTICLE II -- GENERAL RELEASE OF CLAIMS

Section 2.1. Executive's Release. For consideration in the form of the payments and benefits set forth herein, Executive does hereby for himself and for his heirs, executors, successors and assigns, release and forever discharge the Company, its subsidiaries, divisions, Affiliates, and affiliated businesses, direct or indirect, if any, together with its and their respective officers, directors, shareholders, management, representatives, agents, employees, successors, assigns, and attorneys, both known and unknown, in both their personal and agency capacities (collectively, "the Company Entities") of and from any and all claims, demands, damages, actions or causes of action, suits, claims, charges, complaints, contracts, whether oral or written, express or implied and promises, at law or in equity, of whatsoever kind or nature, including but not limited to any alleged violation of any state or federal anti-discrimination or anti-retaliation statutes or regulations, including but not limited to Title VII of the Civil Rights Act of 1964 as amended, ERISA, the Americans With Disabilities Act, the Age Discrimination in Employment Act, the Family and Medical Leave Act ("FMLA"), Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, Title VIII of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the False Claims Act, breach of any express or implied contract or promise, wrongful discharge, violation of public policy, or tort, all demands for attorney's fees, back pay, holiday pay, vacation pay, bonus, group insurance, any claims for reinstatement, all employee benefits and claims for money, out of pocket expenses, any claims for emotional distress, degradation or humiliation, that Executive might now have or may subsequently have, whether known or unknown, suspected or unsuspected, by reason of any matter or thing, arising out of or in any way connected with, directly or indirectly, any acts or omissions of the Company Entities or any of their directors, officers, shareholders, employees and/or agents arising out of Executive's employment and separation from employment which have occurred prior to the Effective Date of this Agreement as defined in Section 4.12 hereof, **except** those matters specifically set forth herein, and **except** for any health, welfare, pension or retirement benefits, if any, which may have vested on Executive's behalf prior to his termination under the generally applicable terms of such programs, and **except** for any claims arising solely out of Executive's status as a shareholder of the Company, and **except** for any rights Executive has under any applicable policies of Directors and Officers liability insurance, and **except** for any rights Executive has under the Indemnity Agreement.

Employee may file a charge with, testify, assist, or participate in an investigation, hearing or proceeding conducted by the Equal Employment Opportunity Commission or state fair employment practices agency as to the employment laws enforced by such agencies; provided, however, that Employee understands and agrees that he is waiving and releasing his rights to monetary damages under such laws by reason of his agreement to the general release language stated above.

Section 2.2. Older Workers Benefit Protection Act ("OWBPA"). Executive recognizes and understands that, by executing this Agreement, he shall be releasing the Company Entities from any claims that he now has, may have, or subsequently may have under the Age Discrimination in Employment Act of 1967, 29 U.S.C. §§621, et seq., as amended, by reason of any matter or thing arising out of, or in any way connected with, directly or indirectly, any acts or omissions which have occurred prior to and including the Effective Date of this Agreement. In other words, Executive will have none of the legal rights against the aforementioned that he would otherwise have under the Age Discrimination in Employment Act of 1967, 29 U.S.C. §§621, et seq., as amended, by his signing this Agreement.

Section 2.3. Consideration Period. The Company hereby notifies Executive of his right to consult with his chosen legal counsel before signing this Agreement. Through his signature below, Executive represents that he has consulted with, and been represented by, competent legal counsel in the negotiation of this Agreement. The Company shall afford, and Executive acknowledges receiving, not less than twenty-one (21) calendar days in which to consider this Agreement to ensure that Executive's execution of it is knowing and voluntary. In signing below, Executive expressly acknowledges that he has been afforded the opportunity to take at least twenty-one (21) days to consider this Agreement and that his execution of same is with full knowledge of the consequences thereof and is of his own free will.

Notwithstanding the fact that the Company has allowed Executive twenty-one (21) days to consider this Agreement, Executive may elect to execute this Agreement prior to the end of such 21-day period. If Executive elects to execute this Agreement prior to the end of such 21-day period, then by his signature below, Executive represents that he has consulted with, and been represented by, his chosen legal counsel, and his decision to accept this shortening of the time was knowing and voluntary, and was not induced by fraud, misrepresentation, or any threat to withdraw or alter the benefits provided by the Company herein, or by the Company providing different terms to any similarly-situated Executive executing this Agreement prior to end of such 21-day consideration period. The parties agree that changes, whether material or immaterial, to this Agreement shall not restart the running of the twenty-one (21) day time period.

Section 2.4. Revocation Period. Both the Company and Executive agree and recognize that, for a period of seven (7) calendar days following Executive's execution of this Agreement, Executive may revoke this Agreement by providing written notice revoking the same, within this seven (7) day period, delivered by hand or by certified mail, addressed to Janeen B. Kastner, Vice President – Corporate Benefits and Risk Management, RPM International Inc., 2628 Pearl Road, P. O Box 777, Medina, Ohio 44258, delivered or postmarked within such seven (7) day period. In the event Executive so revokes this Agreement, each party will receive only those entitlements and/or benefits that he/it would have received regardless of this Agreement.

Section 2.5. Release by Company Entities. The Company Entities do hereby release and forever discharge Executive, his heirs, executors, successors, and assigns, from any and all claims, demands, actions or causes of action, damages or suits at law or equity, of whatsoever kind or nature, both known or unknown, that the Company Entities have or may have by reason of any matter or thing arising out of, or in any way connected with, directly or indirectly, any act or omission that has occurred prior to the Effective Date of this Agreement. This Release does not apply to the Company's rights and entitlements under this Agreement.

## ARTICLE III OTHER OBLIGATIONS OF EXECUTIVE

Section 3.1. Restrictive Covenants. Executive hereby acknowledges and reaffirms all of Executive's obligations and the Company's rights under the Restrictive Covenants of Non-Competition, Non-Solicitation, and Confidentiality set forth in §9 of the Employment Agreement, all of which obligations shall survive the termination of Executive's employment and are incorporated in this Agreement by reference.

Section 3.2. Return of Company Property. Executive agrees that prior to receiving any benefits under this Agreement, he will return to the Company any and all Company property, equipment or information (including but not limited to keys, security or access cards, computers, Company issued credit cards, files, computer stored data, catalogs, samples, documents or other such Company property) which came into Executive's possession, or which Executive prepared or helped prepare, in connection with or during Executive's employment with the Company. Executive agrees not to retain any copies of such property or information and will not use any such property or information to the detriment of the Company.

Section 3.3. Assistance to Company. Executive agrees to make himself available to answer questions concerning business concerns, operations, pending legal concerns and/or litigation, and other special assistance as reasonably may be requested by the Company during the two calendar years following the Termination Date; provided that Executive shall be entitled to reimbursement of expenses reasonably incurred by him in his performance of his obligations under this §3.3.

Section 3.4. Nondisparagement. Executive agrees not to make any disparaging or generally negative comments regarding the Company Entities or otherwise to communicate with any person in a manner tending to damage the reputation of the Company Entities. Neither the Company, nor any of those employees of the Company who constitute its "named executive officers" (under SEC regulations) for purposes of the Company's 2018 proxy statement, will make or issue any public release or other public statement containing disparaging or generally negative comments regarding Executive. Nothing contained in this Agreement will preclude any party or other person from (a) providing truthful information in any court, regulatory, or governmental proceeding, investigation, or inquiry, or (b) reporting possible violations of federal law or regulation to any governmental agency or entity, or (c) making other disclosures that are protected under the whistleblower provisions of federal or state regulation.

Section 3.5. Permitted Disclosure. Notwithstanding the provisions of §9(c) of the Employment Agreement, as affirmed and acknowledged in §3.1 of this Agreement, Executive may disclose to such persons, without limitation of any kind, who have a need to know, the tax treatment and any facts that may be relevant to the tax structure of his termination from employment or other transactions contemplated by this Agreement, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable federal or state securities laws, and except that, with respect to any document or other information that in either case contains information concerning the tax treatment or tax structure of such transactions as well as other information, this §3.5 shall apply only to such portions of the document or similar item that is relevant to an understanding of such tax treatment or tax structure. The Company will be permitted to disclose a summary of, and copy of, this Agreement in a Form 8-K and other public disclosures to be filed with the U.S. Securities Exchange Commission.

Section 3.6. Remedy for Breach of Article III. Executive agrees that each of his obligations set forth in Article III of this Agreement are material provisions of this Agreement, without which the Company would not enter into this Agreement, the violation of which by Executive will cause substantial harm to the Company, and that the actual damages resulting from a violation of any section of this Article III by Executive will be difficult or impossible to ascertain. Accordingly, in the event of any violation by Executive of any section of this Article III, and in addition to all legal or equitable remedies available to the Company to remedy such violation, Executive agrees that (i) the Company may terminate all payments and benefits owed to Executive under this Agreement and retain any remaining payments and benefits not as of then paid to Executive as liquidated damages; and (ii) Executive will repay to the Company, upon demand, all amounts paid to him pursuant to Article I of this Agreement prior to the date the Company learns of such violation by Executive, along with any other relief the Court deems to be appropriate and just; provided, however, it is agreed that the payments and benefits made or owed to Executive under any of the plans, programs or agreements referred to Section 1.3.1 are not subject to termination or repayment by reason of clauses (i) or (ii) of this sentence.

## ARTICLE IV -- MISCELLANEOUS PROVISIONS

Section 4.1. Entire Agreement. Except as provided in §3.1 and 4.2 of this Agreement, and except for Executive's continuing rights under the plans, programs and agreements as specified in Article I, this Agreement contains the entire agreement between the parties hereto and replaces any prior agreements, contracts and/or promises, whether written or oral, with respect to the subject matters included herein, including any offer or other letter agreements, any proxy statement description, or any other such agreement or document. This Agreement may not be changed orally, but only in writing, signed by each of the parties hereto.

Section 4.2. Survival of Agreements. Notwithstanding anything to the contrary in this Agreement, the parties agree that (i) §§ 5(b), 5(c), 7, 9, 14, 15, and Exhibit A of the Employment Agreement, and (ii) the Indemnification Agreement between the Company and Executive dated January 13, 2003 (the "Indemnification Agreement"), shall survive Executive's termination and his execution of this Agreement. The parties further agree that nothing in this Agreement is intended to modify their respective rights and obligations under the Employment Agreement.

Section 4.3. Acknowledgments. Executive acknowledges that Executive has carefully read and fully understands all of the provisions of this Agreement, that Executive has not relied on any representations of the Company or any of its representatives, directors, officers, executives and/or agents to induce Executive to enter into this Agreement, other than as specifically set forth herein, and that Executive is fully competent to enter into this Agreement and has not been pressured, coerced or otherwise unduly influenced to enter into this Agreement and that Executive has voluntarily entered into this Agreement of Executive's own free will. Executive further acknowledges that he has consulted with, and been represented by, competent legal counsel in the negotiation of this Agreement. The parties agree that any capitalized terms not otherwise defined herein shall have the meaning given to them in the Employment Agreement.

Section 4.4. Warranty/Representation. Executive and the Company each warrant and represent that, prior to and including the Effective Date of this Agreement as defined in Section 4.12, no claim, demand, cause of action, or obligation which is subject to this Agreement has been assigned or transferred to any other person or entity, and no other person or entity has or has had any interest in any such claims, demands, causes of action or obligations, and that each has the sole right to execute this Agreement.

Section 4.5. Invalidity. The parties to this Agreement agree that the invalidity or unenforceability of any one (1) provision or part of this Agreement shall not render any other provision(s) or part(s) hereof invalid or unenforceable and that such other provision(s) or part(s) shall remain in full force and effect.

Section 4.6. No Assignment. This Agreement is personal in nature and shall not be assigned by Executive. All payments and benefits provided Executive herein shall be made to his estate in the event of his death prior to his receipt thereof.

Section 4.7. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement.

Section 4.8. Governing Law; Jurisdiction; Venue. This Agreement shall be governed under the laws of the State of Ohio. The Company and Executive each consent to venue and personal jurisdiction over them in any state or federal court with jurisdiction over the State of Ohio, for the purpose of construction and enforcement of this Agreement.

Section 4.9. Withholding. The Company shall have the right to withhold from any payments and benefits under this Agreement any and all amounts necessary for payroll taxes and other withholdings.

Section 4.10. Further Assurances. In case at any time after the Effective Date of this Agreement as defined in Section 4.12, any further actions are necessary or desirable to carry out the purposes of any of the provisions of this Agreement, each party shall, as promptly as reasonably practicable, execute and deliver all such documents, and take all such other actions, in order to give full effect to the provisions of this Agreement.

Section 4.11. Compliance with Section 409A; Taxes. It is the intention and purpose of the Company that this Agreement and all benefits provided hereunder or in connection herewith shall be, at all relevant times, in compliance with (or exempt from) Section 409A of the Internal Revenue Code of 1986, as amended and related regulations (the "***Code***"), and this Agreement and such benefits shall be so interpreted and administered. Notwithstanding anything herein to the contrary, (i) if at the Termination Date Executive is a "specified employee" as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of Executive's termination of employment is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to Executive) until the date that is six months following the Termination Date (or the earliest date as is permitted under Section 409A of the Code), (ii) any reimbursements provided under this Agreement shall be made no later than the end of Executive's taxable year following Executive's taxable year in which such expense was incurred; in addition, the amounts eligible for reimbursement during any one taxable year under this Agreement may not affect the expenses eligible for reimbursement in any other taxable year under this Agreement, (iii) if any other payments of money or other benefits due to Executive hereunder could cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by the Company, that does not cause such an accelerated or additional tax or result in an additional cost to the Company, and (iv) each payment hereunder (including without limitation each monthly payment or payment made on a payroll period basis, even if it might otherwise be part of a series of installment payments) shall constitute a separate payment hereunder for purposes of Section 409A of the Code. The Company shall consult with Executive in good faith regarding the implementation of the provisions of this §4.11; provided that notwithstanding any other provision in this Agreement or otherwise, neither the Company nor any of its employees or representatives shall have any liability to Executive or any beneficiary or dependent with respect thereto or with respect to the tax consequences or effects to them of any of the provisions of, or benefits or payments provided under, pursuant to or in connection with, this Agreement (including under the plans and programs referred to herein).

Section 4.12. Effective Date of this Agreement. This Agreement shall become effective only upon (a) execution of this Agreement by Executive after the expiration of the twenty-one (21) day consideration period described in §2.3 of this Agreement, unless such consideration period is voluntarily shortened as provided by law; and (b) the expiration of the seven (7) day period for revocation of this Agreement by Employee described in §2.4 of this Agreement.

IN WITNESS WHEREOF, Executive and the Company agree as set forth above:

DATE OF EXECUTION BY EXECUTIVE: AGREED TO AND ACCEPTED BY:

10/8/21 /s/ Michael H. Sullivan
MICHAEL H. SULLIVAN

DATE OF EXECUTION BY COMPANY: AGREED TO AND ACCEPTED BY
RPM INTERNATIONAL INC.

10/7/21 BY: /s/ Janeen Kastner

TITLE: VP – Corporate Benefits
& Risk Management

**Exhibit No. 31.1**

**RULE 13a-14(a) CERTIFICATION**

I, Frank C. Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RPM International Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Frank C. Sullivan
Frank C. Sullivan
Chairman and Chief Executive Officer

Dated: January 5, 2022

**Exhibit No. 31.2**

**RULE 13a-14(a) CERTIFICATION**

I, Russell L. Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RPM International Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Russell L. Gordon
Russell L. Gordon
Vice President and Chief Financial Officer

Dated: January 5, 2022

**Exhibit No. 32.1**

**CERTIFICATION**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of RPM International Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2021 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

/s/ Frank C. Sullivan
Frank C. Sullivan
Chairman and Chief Executive Officer

Dated: January 5, 2022

The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.

**Exhibit No. 32.2**

**CERTIFICATION**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of RPM International Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarter ended November 30, 2021 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

/s/ Russell L. Gordon
Russell L. Gordon
Vice President and Chief Financial Officer

Dated: January 5, 2022

The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Form 10-Q or as a separate disclosure document.