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 August 31, 2023,

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.)**
2628 PEARL ROAD; MEDINA, OHIO	**44256**
***(*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 September 28, 2023, the registrant had 128,828,265 shares of common stock, $0.01 par value per share, outstanding.

RPM INTERNATIONAL INC. AND SUBSIDIARIES*

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* 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)

	August 31, 2023	May 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 240,586	$ 215,787
Trade accounts receivable (less allowances of $56,584 and $49,482, respectively)	1,418,886	1,503,040
Inventories	1,117,441	1,135,496
Prepaid expenses and other current assets	335,065	329,845
Total current assets	3,111,978	3,184,168
Property, Plant and Equipment, at Cost	2,372,532	2,332,916
Allowance for depreciation	(1,127,209)	(1,093,440)
Property, plant and equipment, net	1,245,323	1,239,476
Other Assets		
Goodwill	1,300,833	1,293,588
Other intangible assets, net of amortization	541,994	554,991
Operating lease right-of-use assets	324,655	329,582
Deferred income taxes	19,907	15,470
Other	170,587	164,729
Total other assets	2,357,976	2,358,360
Total Assets	$ 6,715,277	$ 6,782,004
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 684,075	$ 680,938
Current portion of long-term debt	6,885	178,588
Accrued compensation and benefits	170,333	257,328
Accrued losses	28,753	26,470
Other accrued liabilities	378,601	347,477
Total current liabilities	1,268,647	1,490,801
Long-Term Liabilities		
Long-term debt, less current maturities	2,498,426	2,505,221
Operating lease liabilities	279,632	285,524
Other long-term liabilities	287,087	267,111
Deferred income taxes	98,649	90,347
Total long-term liabilities	3,163,794	3,148,203
Contingencies and Accrued Losses (Note 13)		
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 145,605 and outstanding 128,962 as of August 31, 2023; issued 145,124 and outstanding 128,766 as of May 31, 2023	1,290	1,288
Paid-in capital	1,133,941	1,124,825
Treasury stock, at cost	(812,041)	(784,463)
Accumulated other comprehensive (loss)	(593,189)	(604,935)
Retained earnings	2,551,142	2,404,125
Total RPM International Inc. stockholders' equity	2,281,143	2,140,840
Noncontrolling Interest	1,693	2,160
Total equity	2,282,836	2,143,000
Total Liabilities and Stockholders' Equity	$ 6,715,277	$ 6,782,004

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	
	August 31, 2023	**August 31, 2022**
Net Sales	**$ 2,011,857**	**$ 1,932,320**
Cost of Sales	1,183,240	1,187,849
Gross Profit	828,617	744,471
Selling, General and Administrative Expenses	531,032	485,205
Restructuring Expense	6,498	1,354
Interest Expense	31,818	26,711
Investment (Income) Expense, Net	(12,439)	3,664
Other Expense, Net	2,554	2,416
Income Before Income Taxes	269,154	225,121
Provision for Income Taxes	67,841	55,842
Net Income	201,313	169,279
Less: Net Income Attributable to Noncontrolling Interests	231	266
Net Income Attributable to RPM International Inc. Stockholders	**$ 201,082**	**$ 169,013**
Average Number of Shares of Common Stock Outstanding:		
Basic	**127,633**	**127,617**
Diluted	**128,771**	**128,161**
Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders:		
Basic	**$ 1.57**	**$ 1.31**
Diluted	**$ 1.56**	**$ 1.31**

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	
	August 31, 2023	August 31, 2022
Net Income	$ 201,313	$ 169,279
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments, net of tax	8,853	(78,956)
Pension and other postretirement benefit liability adjustments, net of tax	3,164	4,272
Unrealized (loss) on securities, net of tax	(257)	(340)
Unrealized (loss) on derivatives, net of tax	-	(606)
Total other comprehensive income (loss)	11,760	(75,630)
Total Comprehensive Income	213,073	93,649
Less: Comprehensive Income Attributable to Noncontrolling Interests	245	204
Comprehensive Income Attributable to RPM International Inc. Stockholders	**$ 212,828**	**$ 93,445**

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)

	Three Months Ended	
	August 31, 2023	August 31, 2022
Cash Flows from Operating Activities:		
Net income	**$ 201,313**	**$ 169,279**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	43,539	38,416
Deferred income taxes	2,295	(1,919)
Stock-based compensation expense	9,118	9,062
Net (gain) loss on marketable securities	(6,451)	6,606
Net loss on sales of assets and businesses	3,263	-
Other	5,100	111
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease (increase) in receivables	87,712	(266)
Decrease (increase) in inventory	22,281	(148,188)
(Increase) in prepaid expenses and other current and long-term assets	(14,277)	(36,021)
Increase in accounts payable	18,840	15,113
(Decrease) in accrued compensation and benefits	(88,460)	(92,970)
Increase in accrued losses	2,211	1,873
Increase in other accrued liabilities	72,726	62,459
Cash Provided by Operating Activities	**359,210**	**23,555**
Cash Flows from Investing Activities:		
Capital expenditures	(52,201)	(57,818)
Acquisition of businesses, net of cash acquired	(4,026)	(36,373)
Purchase of marketable securities	(16,235)	(6,440)
Proceeds from sales of marketable securities	9,443	4,116
Other	1,502	80
Cash (Used for) Investing Activities	**(61,517)**	**(96,435)**
Cash Flows from Financing Activities:		
Additions to long-term and short-term debt	852	250,051
Reductions of long-term and short-term debt	(193,085)	(75,264)
Cash dividends	(54,065)	(51,420)
Repurchases of common stock	(12,500)	(25,000)
Shares of common stock returned for taxes	(14,833)	(12,430)
Payments of acquisition-related contingent consideration	-	(3,705)
Other	(712)	(2,487)
Cash (Used for) Provided by Financing Activities	**(274,343)**	**79,745**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**1,449**	**(10,963)**
Net Change in Cash and Cash Equivalents	**24,799**	**(4,098)**
Cash and Cash Equivalents at Beginning of Period	**215,787**	**201,672**
Cash and Cash Equivalents at End of Period	**$ 240,586**	**$ 197,574**
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the period for:		
Interest	**$ 32,819**	**$ 24,493**
Income Taxes, net of refunds	**$ 18,052**	**$ 15,813**
Supplemental Disclosures of Noncash Investing Activities:		
Capital expenditures accrued within accounts payable at quarter-end	**$ 15,176**	**$ 8,733**

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	Par/Stated Value	Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total RPM International Inc. Equity	Noncontrolling Interests	Total Equity
Balance at June 1, 2023	128,766	$ 1,288	$ 1,124,825	$ (784,463)	$ (604,935)	$ 2,404,125	$ 2,140,840	$ 2,160	$ 2,143,000
Net income	-	-	-	-	-	201,082	201,082	231	201,313
Other comprehensive income	-	-	-	-	11,746	-	11,746	14	11,760
Dividends declared and paid ($0.42 per share)	-	-	-	-	-	(54,065)	(54,065)	-	(54,065)
Other noncontrolling interest activity	-	-	-	-	-	-	-	(712)	(712)
Share repurchases under repurchase program	(122)	(1)	1	(12,500)	-	-	(12,500)	-	(12,500)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	318	3	9,115	(15,078)	-	-	(5,960)	-	(5,960)
Balance at August 31, 2023	128,962	$ 1,290	$ 1,133,941	$ (812,041)	$ (593,189)	$ 2,551,142	$ 2,281,143	$ 1,693	$ 2,282,836

	Common Stock								
	Number of Shares	Par/Stated Value	Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total RPM International Inc. Equity	Noncontrolling Interests	Total Equity
Balance at June 1, 2022	129,199	$ 1,292	$ 1,096,147	$ (717,019)	$ (537,337)	$ 2,139,346	$ 1,982,429	$ 1,399	$ 1,983,828
Net income	-	-	-	-	-	169,013	169,013	266	169,279
Other comprehensive (loss)	-	-	-	-	(75,568)	-	(75,568)	(62)	(75,630)
Dividends declared and paid ($0.40 per share)	-	-	-	-	-	(51,420)	(51,420)	-	(51,420)
Other noncontrolling interest activity	-	-	-	-	-	-	-	(60)	(60)
Share repurchases under repurchase program	(303)	(3)	3	(25,000)	-	-	(25,000)	-	(25,000)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	203	2	9,061	(12,458)	-	-	(3,395)	-	(3,395)
Balance at August 31, 2022	129,099	$ 1,291	$ 1,105,211	$ (754,477)	$ (612,905)	$ 2,256,939	$ 1,996,059	$ 1,543	$ 1,997,602

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-month periods ended August 31, 2023, and August 31, 2022. 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, 2023.

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 Accounting Pronouncements

We have not adopted any Accounting Standard Updates ("ASU") during fiscal 2024 that have a material impact on our Consolidated Financial Statements. Additionally, there are no current ASU's issued, but not adopted, that are expected to have a material impact on the Company.

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 associates, infrastructure charges to vacate facilities and consolidate operations, contract cancellation costs and other costs. 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.

During 2018, we approved and implemented the initial phases of a multi-year restructuring plan, which is referred to as the 2020 Margin Acceleration Plan ("MAP to Growth"). We incurred $1.4 million of restructuring costs associated with this plan for the three months ended August 31, 2022. We did not incur any restructuring costs for the three months ended August 31, 2023, and we do not expect to incur any further costs associated with this plan.

In August 2022, we approved and announced our Margin Achievement Plan 2025 ("MAP 2025"), which is a multi-year restructuring plan to build on the achievements of MAP to Growth and designed to improve margins by streamlining business processes, reducing working capital, implementing commercial initiatives to drive improved mix and salesforce effectiveness and improving operating efficiency. Most activities under MAP 2025 are anticipated to be completed by the end of fiscal 2025.

The current total expected costs associated with this plan are outlined below and increased approximately $12.1 million compared to our previous estimate, attributable to increases in expected severance and benefit charges of $7.4 million, expected facility closure and other related costs of $0.1 million and expected other restructuring costs of $4.6 million. Throughout our MAP 2025 initiative, we will continue to assess and find areas of improvement and cost savings. As such, the final implementation of the aforementioned phases and total expected costs are subject to change.

USL Restructuring

As previously disclosed during fiscal 2023, due to the challenged macroeconomic environment, we evaluated certain business restructuring actions, specifically our go to market strategy for operating in Europe. During the quarter ended February 28, 2023, due to declining profitability and regulatory headwinds, management decided to restructure the Universal Sealants ("USL") reporting unit within our PCG segment and explore strategic alternatives for our USL infrastructure services business within the United Kingdom.

During the quarter ended August 31, 2023, we recognized a loss on sale of $4.5 million in connection with the divestiture of USL's Bridgecare services division. The Bridgecare division is a contracting business focused on the installation of joints and waterproofing in the UK. The loss on this sale is included in selling, general and administrative ("SG&A") expenses in our Consolidated Statements of Income and net loss on sales of assets and businesses in our Consolidated Statements of Cash Flows.

Additionally, during the quarter ended August 31, 2023, in connection with MAP 2025, we realigned certain businesses and management structures within our segments. Within our PCG segment, certain businesses of our USL reporting unit were transferred to our Fibergrate, Carboline and Stonhard reporting units. As a result of this change in our market strategy, we performed an interim impairment assessment of the USL indefinite-lived tradename. Calculating the fair value of the USL's indefinite-lived tradename required the use of various estimates and assumptions. We estimated the fair value of USL's indefinite-lived tradename by applying a relief-from-royalty calculation, which included discounted future cash flows related to projected revenues impacted by this decision. In applying this methodology, we relied on a number of factors, including actual and forecasted revenues and market data. As the carrying amount of the tradename exceeded its fair value, an impairment loss of $3.3 million was recorded for the three months ended August 31, 2023. This impairment loss was classified as restructuring expense within our PCG segment.

Following is a summary of the charges recorded in connection with MAP 2025 by reportable segment as well as the total expected costs related to projects identified to date:

(In thousands)		Three Months Ended August 31, 2023		Cumulative Costs to Date		Total Expected Costs
Construction Products Group ("CPG") Segment:						
Severance and benefit costs	$	415	$	6,507	$	16,564
Facility closure and other related costs		-		-		271
Total Charges	$	415	$	6,507	$	16,835
Performance Coatings Group ("PCG") Segment:						
Severance and benefit costs	$	831	$	1,979	$	2,296
Facility closure and other related costs		30		30		1,030
Other restructuring costs (a)		4,555		7,092		7,092
Total Charges	$	5,416	$	9,101	$	10,418
Consumer Segment:						
Severance and benefit costs	$	-	$	507	$	507
Facility closure and other related costs		14		635		635
Total Charges	$	14	$	1,142	$	1,142
Specialty Products Group ("SPG") Segment:						
Severance and benefit costs	$	653	$	1,458	$	1,956
Facility closure and other related costs		-		-		4,486
Total Charges	$	653	$	1,458	$	6,442
Corporate/Other Segment:						
Severance and benefit (credits)	$	-	$	(50)	$	(50)
Total Charges	$	-	$	(50)	$	(50)
Consolidated:						
Severance and benefit costs	$	1,899	$	10,401	$	21,273
Facility closure and other related costs		44		665		6,422
Other restructuring costs		4,555		7,092		7,092
Total Charges	$	6,498	$	18,158	$	34,787

(a) Of the $4.6 million of other restructuring costs, $3.3 million is associated with the impairment of an indefinite-lived tradename described above.

A summary of the activity in the restructuring reserves related to MAP 2025 is as follows:

(in thousands)	Severance and Benefits Costs	Facility Closure and Other Related Costs	Other Asset Write-Offs	Total
Balance at June 1, 2023	$ 2,717	$ -	$ -	$ 2,717
Additions charged to expense	1,899	44	4,555	6,498
Cash payments charged against reserve	(2,061)	(44)	-	(2,105)
Non-cash charges and other adjustments	(45)	-	(4,555)	(4,600)
Balance at August 31, 2023	$ 2,510	$ -	$ -	$ 2,510

NOTE 4 — FAIR VALUE MEASUREMENTS

Financial instruments recorded in the Consolidated Balance Sheets include cash and cash equivalents, trade accounts receivable, 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 SG&A expense.

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 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 August 31, 2023
Available-for-sale debt securities:				
U.S. Treasury and other government	$ -	$ 25,983	$ -	$ 25,983
Corporate bonds	-	137	-	137
Total available-for-sale debt securities	-	26,120	-	26,120
Marketable equity securities:				
Stocks – foreign	1,049	-	-	1,049
Stocks – domestic	9,742	-	-	9,742
Mutual funds – foreign	-	41,667	-	41,667
Mutual funds – domestic	-	81,644	-	81,644
Total marketable equity securities	10,791	123,311	-	134,102
Contingent consideration	-	-	(3,074)	(3,074)
Total	$ 10,791	$ 149,431	$ (3,074)	$ 157,148

(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, 2023
Available-for-sale debt securities:				
U.S. Treasury and other government	$ -	$ 27,021	$ -	$ 27,021
Corporate bonds	-	141	-	141
Total available-for-sale debt securities	-	27,162	-	27,162
Marketable equity securities:				
Stocks – foreign	786	-	-	786
Stocks – domestic	5,009	-	-	5,009
Mutual funds – foreign	-	40,074	-	40,074
Mutual funds – domestic	-	75,284	-	75,284
Total marketable equity securities	5,795	115,358	-	121,153
Contingent consideration	-	-	(2,686)	(2,686)
Total	$ 5,795	$ 142,520	$ (2,686)	$ 145,629

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 which is considered to be a Level 3 input. During the first three months of fiscal 2023, we recorded an increase in the accrual for approximately $3.0 million related to acquisitions and paid approximately $10.3 million to satisfy contingent consideration obligations relating to certain performance milestones that were established in prior periods and achieved during fiscal 2023. 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 within other accrued liabilities.

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 August 31, 2023 and May 31, 2023, 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 cash and cash equivalents and long-term debt as of August 31, 2023 and May 31, 2023 are as follows:

	At August 31, 2023	
(In thousands)	Carrying Value	Fair Value
Cash and cash equivalents	$ 240,586	$ 240,586
Long-term debt, including current portion	2,505,311	2,296,118

	At May 31, 2023	
(In thousands)	Carrying Value	Fair Value
Cash and cash equivalents	$ 215,787	$ 215,787
Long-term debt, including current portion	2,683,809	2,490,863

NOTE 5 — INVESTMENT (INCOME) EXPENSE, NET

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

(In thousands)	Three Months Ended August 31, 2023	Three Months Ended August 31, 2022
Interest (income)	$ (5,451)	$ (2,150)
Net (gain) loss on marketable securities	(6,451)	6,606
Dividend (income)	(537)	(792)
Investment (income) expense, net	$ (12,439)	$ 3,664

Net (Gain) Loss on Marketable Securities

(In thousands)	Three Months Ended August 31, 2023	Three Months Ended August 31, 2022
Unrealized (gains) losses on marketable equity securities	$ (6,527)	$ 6,513
Realized losses on marketable equity securities	45	129
Realized losses (gains) on available-for-sale debt securities	31	(36)
Net (gain) loss on marketable securities	$ (6,451)	$ 6,606

NOTE 6 — OTHER EXPENSE, NET

Other expense, net, consists of the following components:

(In thousands)	Three Months Ended August 31, 2023	Three Months Ended August 31, 2022
Pension non-service costs	$ 2,781	$ 2,516
Other	(227)	(100)
Other expense, net	$ 2,554	$ 2,416

NOTE 7 — INCOME TAXES

The effective income tax rate of 25.2% for the three months ended August 31, 2023 compares to the effective income tax rate of 24.8% for the three months ended August 31, 2022.

The effective income tax rates for the three-month periods ended August 31, 2023 and 2022 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. Additionally, the tax rate for the current period reflects incremental tax expense related to increases to our net deferred income tax liability for unremitted earnings and our liability for uncertain tax positions, partially offset by a favorable adjustment related to U.S. foreign tax credits.

Our deferred tax liability for unremitted foreign earnings was $5.9 million as of August 31, 2023, which represents our estimate of the net tax cost associated with the remittance of $284.0 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 August 31, 2023. 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 8 — INVENTORIES

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

(In thousands)	August 31, 2023	May 31, 2023
Raw material and supplies	$ 431,228	$ 451,504
Finished goods	686,213	683,992
Total Inventory, Net of Reserves	$ 1,117,441	$ 1,135,496

NOTE 9 — 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 our stock repurchase program. 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 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 August 31, 2023, we repurchased 122,425 shares of our common stock at a cost of approximately $12.5 million, or an average of $102.10 per share. During the three months ended August 31, 2022, we repurchased 303,079 shares of our common stock at a cost of approximately $25.0 million, or an average of $82.49 per share. The maximum dollar amount that may yet be repurchased under our stock repurchase program was approximately $304.8 million at August 31, 2023.

NOTE 10 — ACCUMULATED OTHER COMPREHENSIVE (LOSS)

Accumulated other comprehensive (loss) consists of the following components:

(In thousands)	Foreign Currency Translation Adjustments	Pension And Other Postretirement Benefit Liability Adjustments	Unrealized Gain (Loss) On Derivatives	Unrealized Gain (Loss) On Securities	Total
Balance at June 1, 2023	$ (465,375)	$ (148,764)	$ 11,405	$ (2,201)	$ (604,935)
Current period comprehensive income (loss)	9,790	-	-	(87)	9,703
Income taxes associated with current period comprehensive (loss) income	(951)	-	-	(45)	(996)
Amounts reclassified from accumulated other comprehensive income (loss)	-	4,122	-	(130)	3,992
Income taxes reclassified into earnings	-	(958)	-	5	(953)
Balance at August 31, 2023	$ (456,536)	$ (145,600)	$ 11,405	$ (2,458)	$ (593,189)

(In thousands)	Foreign Currency Translation Adjustments	Pension And Other Postretirement Benefit Liability Adjustments	Unrealized Gain (Loss) On Derivatives	Unrealized Gain (Loss) On Securities	Total
Balance at June 1, 2022	$ (395,473)	$ (153,383)	$ 13,171	$ (1,652)	$ (537,337)
Current period comprehensive (loss) income	(80,515)	-	-	(469)	(80,984)
Income taxes associated with current period comprehensive income (loss)	1,621	-	-	94	1,715
Amounts reclassified from accumulated other comprehensive income (loss)	-	5,703	(606)	40	5,137
Income taxes reclassified into earnings	-	(1,431)	-	(5)	(1,436)
Balance at August 31, 2022	$ (474,367)	$ (149,111)	$ 12,565	$ (1,992)	$ (612,905)

NOTE 11 — EARNINGS PER SHARE

The following table sets forth the reconciliation of the numerator and denominator of basic and diluted earnings per share ("EPS") for the three-month periods ended August 31, 2023 and 2022.

(In thousands, except per share amounts)	Three Months Ended August 31, 2023	Three Months Ended August 31, 2022
Numerator for earnings per share:		
Net income attributable to RPM International Inc. stockholders	$ 201,082	$ 169,013
Less: Allocation of earnings and dividends to participating securities	(872)	(1,312)
Net income available to common shareholders - basic	200,210	167,701
Reverse: Allocation of earnings and dividends to participating securities	872	-
Add: Undistributed earnings reallocated to unvested shareholders	-	4
Net income available to common shareholders - diluted	$ 201,082	$ 167,705
Denominator for basic and diluted earnings per share:		
Basic weighted average common shares	127,633	127,617
Average diluted options and awards	1,138	544
Total shares for diluted earnings per share (1)	128,771	128,161
Earnings Per Share of Common Stock Attributable to RPM International Inc. Stockholders:		
Basic Earnings Per Share of Common Stock	$ 1.57	$ 1.31
Method used to calculate basic earnings per share	Two-class	Two-class
Diluted Earnings Per Share of Common Stock	$ 1.56	$ 1.31
Method used to calculate diluted earnings per share	Treasury	Two-class

(1) For the three months ended August 31, 2023 and 2022, approximately 1,037,000 and 715,000 shares of stock, respectively, granted under stock-based compensation plans were excluded from the calculation of diluted EPS, as the effect would have been anti-dilutive.

NOTE 12 — 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-month periods ended August 31, 2023 and 2022:

(In thousands)	U.S. Plans		Non-U.S. Plans	
	Three Months Ended		Three Months Ended	
Pension Benefits	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Service cost	$ 10,913	$ 10,890	$ 887	$ 951
Interest cost	8,992	7,173	1,935	1,728
Expected return on plan assets	(10,518)	(9,536)	(2,400)	(1,727)
Amortization of:				
Prior service cost (credit)	1	-	(31)	(27)
Net actuarial losses recognized	4,205	4,487	209	125
Net Periodic Benefit Cost	$ 13,593	$ 13,014	$ 600	$ 1,050

(In thousands)	U.S. Plans		Non-U.S. Plans	
	Three Months Ended		Three Months Ended	
Postretirement Benefits	August 31, 2023	August 31, 2022	August 31, 2023	August 31, 2022
Service cost	$ -	$ -	$ 569	$ 287
Interest cost	22	21	390	368
Amortization of:				
Prior service (credit)	-	(30)	-	-
Net actuarial (gains) losses recognized	(4)	11	(12)	(14)
Net Periodic Benefit Cost	$ 18	$ 2	$ 947	$ 641

Net periodic pension cost for fiscal 2024 is similar to our fiscal 2023 cost due to higher interest costs, which are partially offset by an increase in expected return on plan assets. 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, 2023 that we are required and expect to contribute approximately $0.7 million to our retirement plans in the U.S. and approximately $5.7 million to plans outside the U.S. during the current fiscal year. Throughout fiscal 2024, we will evaluate whether to make additional contributions.

NOTE 13 — 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 August 31, 2023, 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	
(In thousands)	**August 31, 2023**	**August 31, 2022**
Beginning Balance	$ 11,776	$ 10,905
Deductions (1)	(7,407)	(6,344)
Provision charged to expense	7,633	7,939
Ending Balance	$ 12,002	$ 12,500

(1) Primarily claims paid during the period.

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 former subsidiaries in our SPG reportable segment has been the subject of a proceeding in which one of its former distributors brought suit against the 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. 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. On July 3, 2023, the Ninth Circuit Court of Appeals issued its decision rejecting the distributor's arguments and denying all appellate relief to the distributor, which also rendered our cross-appeal moot. As a result of this decision, we increased our accrual to $6.0 million for the year ended May 31, 2023, and have since further increased our accrual to $6.4 million, which we currently 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 $6.4 million noted above. This contingency remains a liability of the Company.

Gain on Business Interruption Insurance

In April 2021, there was a significant plant explosion at a key alkyd resin supplier which caused severe supply chain disruptions. As a result of this disruption, the Consumer segment incurred incremental costs and lost sales during fiscal 2021 and 2022. A claim for these losses was submitted under our business interruption insurance policy. During the first quarter of fiscal 2024 the Consumer segment recovered $10.3 million from insurance. These proceeds were recorded as a gain in the three-month period ended August 31, 2023. The insurance gain is recorded as a reduction to SG&A expenses in our Consolidated Statements of Income, and the proceeds are included within cash flows from operating activities in our Consolidated Statement of Cash Flows.

NOTE 14 — REVENUE

We operate a portfolio of businesses that manufacture and sell a variety of product lines that include specialty paints, protective coatings, roofing systems, sealants and adhesives, among other things. 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 15, "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 is 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 13, "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)	August 31, 2023	May 31, 2023	$ Change	% Change
Trade accounts receivable, less allowances	$ 1,418,886	$ 1,503,040	$ (84,154)	(5.6%)
Contract assets	$ 71,939	$ 49,188	$ 22,751	46.3%
Contract liabilities - short-term	(41,477)	(42,396)	919	(2.2%)
Net Contract Assets	$ 30,462	$ 6,792	$ 23,670	

The $23.7 million increase in our net contract assets from May 31, 2023 to August 31, 2023, resulted primarily due to the timing of construction jobs in progress at August 31, 2023 versus May 31, 2023. During the three-month periods ending August 31, 2023 and 2022 we recognized $21.3 million and $12.8 million of revenue, which is included in contract liabilities as of May 31, 2023 and 2022, respectively.

We also record long-term deferred revenue, which amounted to $77.3 million and $76.6 million as of August 31, 2023 and May 31, 2023, 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 SG&A expenses.

The following tables summarize the activity for the allowance for credit losses for the three months ended August 31, 2023 and 2022:

	Three Months Ended	
(In thousands)	August 31, 2023	August 31, 2022
Beginning Balance	$ 49,482	$ 46,669
Bad debt provision	7,696	2,407
Uncollectible accounts written off, net of recoveries	(782)	(667)
Translation adjustments	188	(1,634)
Ending Balance	$ 56,584	$ 46,775

NOTE 15 — SEGMENT INFORMATION

We operate a portfolio of businesses and product lines that manufacture and sell a variety of specialty paints, protective coatings, 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 is essentially related to corporate functions, as opposed to segment operations.

Effective June 1, 2023, certain Asia Pacific businesses and management structure, formerly of our CPG segment, were transferred to our PCG segment to create operating efficiencies and a more unified go-to-market strategy in Asia Pacific. As a result of this business realignment, $11.4 million of goodwill was transferred from the CPG segment to the PCG segment. Additionally, this realignment is reflected in our reportable segments beginning with our first quarter of fiscal 2024. As such, historical segment results have been recast to reflect the impact of this change.

Our CPG reportable segment products are sold throughout North America and also account for a significant portion 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 and fiberglass reinforced plastic gratings.

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, Australia and South America. 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 internationally, 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 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 August 31, 2023	CPG Segment	PCG Segment	Consumer Segment	SPG Segment	Consolidated
(In thousands)					
Net Sales (based on shipping location)					
United States	$ 509,331	$ 226,327	$ 550,753	$ 153,764	$ 1,440,175
Foreign					
Canada	79,161	24,246	46,340	1,129	150,876
Europe	127,957	63,671	60,866	20,476	272,970
Latin America	66,340	9,141	7,015	614	83,110
Asia Pacific	-	29,333	4,630	4,968	38,931
Other Foreign	-	25,795	-	-	25,795
Total Foreign	273,458	152,186	118,851	27,187	571,682
Total	$ 782,789	$ 378,513	$ 669,604	$ 180,951	$ 2,011,857

Three Months Ended August 31, 2022	CPG Segment	PCG Segment	Consumer Segment	SPG Segment	Consolidated
(In thousands)					
Net Sales (based on shipping location)					
United States	$ 463,408	$ 223,669	$ 550,619	$ 172,863	$ 1,410,559
Foreign					
Canada	70,138	22,663	44,250	986	138,037
Europe	117,195	56,708	53,618	22,125	249,646
Latin America	55,672	9,482	6,186	406	71,746
Asia Pacific	-	29,053	4,819	6,317	40,189
Other Foreign	-	22,143	-	-	22,143
Total Foreign	243,005	140,049	108,873	29,834	521,761
Total	$ 706,413	$ 363,718	$ 659,492	$ 202,697	$ 1,932,320

	Three Months Ended	
(In thousands)	**August 31, 2023**	**August 31, 2022**
Income (Loss) Before Income Taxes		
CPG Segment	$ 140,452	$ 106,755
PCG Segment	44,821	49,401
Consumer Segment	131,829	116,689
SPG Segment	16,397	27,885
Corporate/Other	(64,345)	(75,609)
Consolidated	$ 269,154	$ 225,121

(In thousands)	**August 31, 2023**	**May 31, 2023**
Identifiable Assets		
CPG Segment	$ 2,155,506	$ 2,206,403
PCG Segment	1,212,640	1,209,819
Consumer Segment	2,332,040	2,384,782
SPG Segment	784,722	804,762
Corporate/Other	230,369	176,238
Consolidated	$ 6,715,277	$ 6,782,004

NOTE 16 — SUBSEQUENT EVENT

Subsequent to August 31, 2023, we repurchased 131,858 shares of RPM common stock at a cost of approximately $12.5 million, or an average of $94.80 per share, under the stock repurchase program described further in Note 9, "Stock Repurchase Program," to the Consolidated Financial Statements.

ITEM 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

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.

Goodwill

In connection with our MAP 2025 operating improvement program, we realigned certain businesses and management structures within our CPG, PCG and SPG segments. As outlined in Note 15, "Segment Information," our CPG APAC and CPG India businesses, formerly of our Sealants reporting unit within our CPG segment, were transferred to our Platform component within our PCG segment. As a result of this change, we designated the Platform component as a separate reporting unit within our PCG segment. Additionally, within our PCG segment, certain businesses of our USL reporting unit were transferred to our Fibergrate, Carboline and Stonhard reporting units. As a result of this change, USL was no longer designated as a separate reporting unit. Within our SPG segment, two new reporting units were formed as our former DayGlo and Kirker reporting units were combined into one reporting unit: The Color Group, and our former Wood Finishes, Kop-Coat Protection Products, TCI and Modern Recreational Technologies reporting units were combined into one reporting unit: The Industrial Coatings Group.

We performed a goodwill impairment test for the reporting units affected by the business realignment and change in management structure using either a qualitative or a quantitative assessment. We concluded that the estimated fair values exceeded the carrying values for these reporting units, and accordingly, no indications of impairment were identified as a result of these changes during the first quarter of fiscal 2024.

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, 2023.

BUSINESS SEGMENT INFORMATION

Effective June 1, 2023, certain Asia Pacific businesses and management structure, formerly of our CPG segment, were transferred to our PCG segment to create operating efficiencies and a more unified go-to-market strategy in Asia Pacific. This realignment is reflected in our reportable segments beginning with our first quarter of fiscal 2024. As such, historical segment results have been recast to reflect the impact of this realignment.

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	
(In thousands)	August 31, 2023	August 31, 2022
Net Sales		
CPG Segment	$ 782,789	$ 706,413
PCG Segment	378,513	363,718
Consumer Segment	669,604	659,492
SPG Segment	180,951	202,697
Consolidated	$ 2,011,857	$ 1,932,320
Income Before Income Taxes (a)		
CPG Segment		
Income Before Income Taxes (a)	$ 140,452	$ 106,755
Interest (Expense), Net (b)	(3,396)	(780)
EBIT (c)	$ 143,848	$ 107,535
PCG Segment		
Income Before Income Taxes (a)	$ 44,821	$ 49,401
Interest Income, Net (b)	1,124	194
EBIT (c)	$ 43,697	$ 49,207
Consumer Segment		
Income Before Income Taxes (a)	$ 131,829	$ 116,689
Interest Income, Net (b)	750	26
EBIT (c)	$ 131,079	$ 116,663
SPG Segment		
Income Before Income Taxes (a)	$ 16,397	$ 27,885
Interest Income, Net (b)	99	2
EBIT (c)	$ 16,298	$ 27,883
Corporate/Other		
(Loss) Before Income Taxes (a)	$ (64,345)	$ (75,609)
Interest (Expense), Net (b)	(17,956)	(29,817)
EBIT (c)	$ (46,389)	$ (45,792)
Consolidated		
Net Income	$ 201,313	$ 169,279
Add: Provision for Income Taxes	67,841	55,842
Income Before Income Taxes (a)	269,154	225,121
Interest (Expense)	(31,818)	(26,711)
Investment Income (Expense), Net	12,439	(3,664)
EBIT (c)	$ 288,533	$ 255,496

(a) The presentation includes a reconciliation of Income (Loss) Before Income Taxes, a measure defined by GAAP, to EBIT.

(b) Interest Income (Expense), Net includes the combination of Interest Income (Expense) and Investment Income (Expense), 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 August 31, 2023

Net Sales

(in millions, except percentages)	Three months ended August 31, 2023	Three months ended August 31, 2022	Total Growth (Decline)	Organic Growth (Decline)(1)	Acquisition & Divestiture Impact	Foreign Currency Exchange Impact
CPG Segment	$ 782.8	$ 706.4	10.8 %	9.5 %	0.6 %	0.7 %
PCG Segment	378.5	363.7	4.1 %	4.0 %	0.8 %	(0.7 %)
Consumer Segment	669.6	659.5	1.5 %	1.7 %	0.0 %	(0.2 %)
SPG Segment	181.0	202.7	(10.7 %)	(9.0 %)	(2.2 %)	0.5 %
Consolidated	$ 2,011.9	$ 1,932.3	4.1 %	3.9 %	0.1 %	0.1 %

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

Our CPG segment generated significant organic sales growth during the first quarter of fiscal 2024 in nearly all the major business units in the segment when compared to the same quarter in the prior year. Performing particularly well were providers of restoration systems for roofing, facades, and parking structures, which benefited from a strategic focus on repair and maintenance and its differentiated service model. Concrete admixtures and repair businesses also generated growth from increased demand for engineered solutions serving infrastructure and reshoring-related projects. This increase was also facilitated by growth in Europe.

Our PCG segment generated organic sales growth during the first quarter of fiscal 2024 in nearly all the major business units in the segment when compared to the same quarter in the prior year. Performing particularly well were businesses that provide flooring systems, which benefited from increased demand for infrastructure and reshoring-related projects. This increase was also facilitated by improved pricing and strong demand internationally.

Our Consumer segment generated organic sales growth in comparison to the prior year due to improved pricing to catch up with continued cost inflation. This growth was in addition to a strong prior year comparison, when sales grew significantly as the segment began restocking retailers after raw material supply improved. Despite market share gains, this growth was partially offset by volume declines as consumer takeaway at retail slowed and customers held inventory below historical levels.

Our SPG segment experienced organic sales declines during the first quarter of fiscal 2024, driven by lower volumes at businesses supplying OEM markets which have been negatively impacted by a slowdown in the broader housing market. Additionally, customers holding inventories below historical levels and the divestiture of the non-core furniture warranty business in the third quarter of fiscal year 2023 reduced sales versus the prior period. Improved pricing partially offset these volume declines.

Gross Profit Margin Our consolidated gross profit margin of 41.2% of net sales for the first quarter of fiscal 2024 compares to a consolidated gross profit margin of 38.5% for the comparable period a year ago. The current quarter gross profit margin increase of approximately 2.7%, or 270 basis points ("bps"), resulted primarily from selling price increases and our MAP 2025 initiatives, which resulted in incremental savings in procurement and manufacturing that favorably impacted our gross margin, in conjunction with benefits generated from the commodity cycle.

We expect gross margins to continue improving in the second quarter of fiscal 2024 due to MAP 2025 initiatives, including benefits generated from the commodity cycle.

SG&A Our consolidated SG&A expense during the period was $45.8 million higher versus the same period last year and increased to 26.4% of net sales from 25.1% of net sales for the prior year quarter. Variable costs associated with improved results, such as commission expense and bonuses, were primary drivers, along with merit increases, investments in growth initiatives, insurance costs and a $5.3 million increase in bad debt expense, which were partially offset by the $10.3 million gain on business interruption insurance proceeds received during the quarter as described above in Note 13, "Contingencies and Other Accrued Losses," to the Consolidated Financial Statements.

Our CPG segment SG&A was approximately $30.4 million higher for the first quarter of fiscal 2024 versus the comparable prior year period and increased as a percentage of net sales. The increase in expense was mainly due to variable costs associated with improved results such as commissions and bonuses, along with merit increases.

Our PCG segment SG&A was approximately $20.0 million higher for the first quarter of fiscal 2024 versus the comparable prior year period and increased as a percentage of net sales. The increase in expense as compared to the prior year period is mainly due to increased commissions as a result of improved results as well as merit increases, increased bad debt expense and the $4.5 million loss on the sale of USL's Bridgecare services division during the quarter as described above in Note 3, "Restructuring," to the Consolidated Financial Statements.

Our Consumer segment SG&A decreased by approximately $4.3 million during the first quarter of fiscal 2024 versus the same period last year and decreased as a percentage of net sales. The quarter-over-quarter decrease in SG&A was primarily attributable to the $10.3 million gain on business interruption insurance and a reduction in variable distribution costs, partially offset by merit increases.

Our SPG segment SG&A decreased approximately $0.3 million during the first quarter of fiscal 2024 versus the comparable prior year period but increased as a percentage of net sales. The decrease in SG&A expense is attributable to the divestiture of the non-core furniture warranty business in the third quarter of fiscal 2023, along with a reduction in bonuses, partially offset by investments in strategic initiatives.

SG&A expenses in our corporate/other category during the first quarter of fiscal 2024 were consistent with last year's first quarter. This was mainly due to reduced professional fees related to our MAP 2025 operational improvement initiatives, offset by increased insurance costs and IT expenses.

The following table summarizes the retirement-related benefit plans' impact on income before income taxes for the three months ended August 31, 2023 and 2022, as the service cost component has a significant impact on our SG&A expense:

	Three months ended		
(in millions)	**August 31, 2023**	**August 31, 2022**	**Change**
Service cost	$ 12.4	$ 12.2	$ 0.2
Interest cost	11.3	9.3	2.0
Expected return on plan assets	(12.9)	(11.3)	(1.6)
Amortization of:			
Prior service (credit)	-	(0.1)	0.1
Net actuarial losses recognized	4.4	4.6	(0.2)
Total Net Periodic Pension & Postretirement Benefit Costs	$ 15.2	$ 14.7	$ 0.5

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

We recorded $6.5 million of restructuring charges during the three months ended August 31, 2023 related to our MAP 2025 initiative, which is a multi-year restructuring plan to build on the achievements of MAP to Growth and designed to improve margins by streamlining business processes, reducing working capital, implementing commercial initiatives to drive improved mix and salesforce effectiveness and improving operating efficiency. For the three months ended August 31, 2023, we incurred $1.9 million related to severance and benefit costs and $4.6 related to other restructuring costs associated with MAP 2025. Most activities under MAP 2025 are anticipated to be completed by the end of fiscal 2025. For the three months ended August 31, 2022, we incurred $1.4 million of restructuring costs associated with MAP to Growth. We did not incur any restructuring costs associated with MAP to Growth for the three months ended August 31, 2023, and we do not expect to incur any further costs associated with this restructuring plan.

We currently expect to incur approximately $16.6 million of future additional charges related to the implementation of MAP 2025.

For further information and details about MAP 2025, see Note 3, "Restructuring," to the Consolidated Financial Statements.

Interest Expense

	Three months ended	
(in millions, except percentages)	**August 31, 2023**	**August 31, 2022**
Interest expense	$ 31.8	$ 26.7
Average interest rate (a)	4.71 %	3.50 %

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

(in millions)	**Change in interest expense**
Acquisition-related borrowings	$ 0.4
Non-acquisition-related average borrowings	(3.3)
Change in average interest rate	8.0
Total Change in Interest Expense	$ 5.1

Investment (Income) Expense, Net

See Note 5, "Investment (Income) Expense, Net," to the Consolidated Financial Statements for details.

Other Expense, Net

See Note 6, "Other Expense, Net," to the Consolidated Financial Statements for details.

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

(in millions, except percentages)	Three months ended					
	August 31, 2023		% of net sales	August 31, 2022		% of net sales
CPG Segment	$	140.5	17.9 %	$	106.8	15.1 %
PCG Segment		44.8	11.8 %		49.3	13.6 %
Consumer Segment		131.8	19.7 %		116.7	17.7 %
SPG Segment		16.4	9.1 %		27.9	13.8 %
Non-Op Segment		(64.3)	—		(75.6)	—
Consolidated	$	269.2		$	225.1	

Our CPG segment results reflect volume growth, which resulted in improved fixed-cost utilization, and MAP 2025 benefits, including benefits generated from the commodity cycle. Our PCG segment results reflect the $4.5 million loss on the sale of USL's Bridgecare services division during the quarter, the impairment of an indefinite-lived intangible asset, and increased bad debt expense, partially offset by MAP 2025 benefits, particularly, commercial excellence programs in Europe, improved pricing and benefits generated from the commodity cycle. Our Consumer segment results reflect improved pricing, improved operating efficiencies related to MAP 2025 and the $10.3 million gain on business interruption insurance proceeds received during the quarter, partially offset by raw material inflation. Our SPG segment results reflect the divestiture of the non-core furniture warranty business in the third quarter of fiscal 2023, unfavorable sales mix, incremental costs from investments in growth initiatives, and reduced fixed cost leverage at plants as a result of reduced volumes. Our Non-Op segment results reflect the favorable swing in investment returns and decreased professional fees, partially offset by increased interest expense.

Income Tax Rate The effective income tax rate of 25.2% for the three months ended August 31, 2023 compares to the effective income tax rate of 24.8% for the three months ended August 31, 2022. The effective income tax rates for the presented periods reflect variances from the 21% statutory rate due primarily to the 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. Additionally, the tax rate for the current period reflects incremental tax expense related to increases to our net deferred tax liability for unremitted foreign earnings and our liability for uncertain tax positions, partially offset by a favorable adjustment related to U.S. foreign tax credits.

Net Income

(in millions, except percentages and per share amounts)	Three months ended					
	August 31, 2023		% of net sales	August 31, 2022		% of net sales
Net income	$	201.3	10.0 %	$	169.3	8.8 %
Net income attributable to RPM International Inc. stockholders		201.1	10.0 %		169.0	8.8 %
Diluted earnings per share		1.56			1.31	

LIQUIDITY AND CAPITAL RESOURCES

Fiscal 2024 Compared with Fiscal 2023

Operating Activities

Approximately $359.2 million of cash was provided by operating activities during the first three months of fiscal 2024, compared with $23.6 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 increased by $32.0 million during the first three months of fiscal 2024 versus the same period during fiscal 2023.

During the first three months of fiscal 2024, the change in accounts receivable provided approximately $88.0 million more cash than the first three months of fiscal 2023. This was primarily due to the timing of sales in our Consumer segment, which generated stronger sales in the fourth quarter of fiscal 2023, compared to the first quarter of fiscal 2024, resulting in strong collections in the current period. Average days sales outstanding ("DSO") at August 31, 2023, increased slightly to 64.3 days from 64.0 days at August 31, 2022.

During the first three months of fiscal 2024, the change in inventory used approximately $170.5 million less cash compared to spending during the same period a year ago as a result of our operating segments continuing to reduce inventory purchases and use safety stock built up in prior periods in response to supply chain outages and raw material inflation. Average days of inventory outstanding ("DIO") at August 31, 2023 decreased to 85.1 days from 96.5 days at August 31, 2022.

The change in accounts payable during the first three months of fiscal 2024 used approximately $3.7 million less cash than during the first three months of fiscal 2023. Average days payables outstanding ("DPO") decreased by approximately 6.6 days to 79.7 days at August 31, 2023 from 86.3 days at August 31, 2022.

Investing Activities

For the first three months of fiscal 2024, cash used for investing activities decreased by $34.9 million to $61.5 million as compared to $96.4 million in the prior year period. This year-over-year decrease in cash used for investing activities was mainly driven by a $32.3 million decrease in cash used for business acquisitions.

We paid for capital expenditures of $52.2 million and $57.8 million during the first three months of fiscal 2024 and fiscal 2023, respectively. Our capital expenditures facilitate our continued growth, allow us 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 continue to invest capital spending in growth initiatives in fiscal 2024 to expand capacity and improve operational efficiencies.

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 August 31, 2023 and May 31, 2023, the fair value of our investments in available-for-sale debt securities and marketable equity securities, which includes captive insurance-related assets, totaled $160.2 million and $148.3 million, respectively.

As of August 31, 2023, approximately $222.8 million of our consolidated cash and cash equivalents were held at various foreign subsidiaries, compared with $196.8 million at May 31, 2023. 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 7, "Income Taxes," to the Consolidated Financial Statements for additional information regarding unremitted foreign earnings.

Financing Activities

For the first three months of fiscal 2024, financing activities used $274.3 million of cash, which compares to cash provided by financing activities of $79.7 million during the first three months of fiscal 2023. The overall increase in cash used for financing activities was driven principally by debt-related activities. During the first three months of fiscal 2024, we repaid the $175.0 million outstanding on our accounts receivable securitization program ("AR Program"), compared to borrowings of $250.0 million in the prior year period. See below for further details on the significant components of our debt.

Our available liquidity, including our cash and cash equivalents and amounts available under our committed credit facilities, stood at $1.23 billion and $1.03 billion as of August 31, 2023 and May 31, 2023, respectively.

Revolving Credit Agreement

During the quarter ended August 31, 2022, we amended our $1.3 billion unsecured syndicated revolving credit facility (the "Revolving Credit Facility"), which was set to expire on October 31, 2023. The amendment extended the expiration date to August 1, 2027 and increased the borrowing capacity to $1.35 billion. The Revolving Credit Facility bears interest at either the base rate or benchmark interest rate (i.e. the adjusted Secured Overnight Financing Rate (SOFR) for USD denominated debt), as defined, at our option, plus a spread determined by our debt rating. 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 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 upon delivery of a notice to our lender requesting an increase to our maximum leverage or in connection with certain "material acquisitions." 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 August 31, 2023, 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 2.05 to 1.00, while our Interest Coverage Ratio was 9.09 to 1.00. As of August 31, 2023, we had $743.8 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 August 31, 2023, we did not have an outstanding balance under our AR Program, compared to the maximum availability of $250.0 million. 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. See “Revolving Credit Agreement” above for details on our compliance with all significant financial covenants at August 31, 2023.

Term Loan Facility Credit Agreement

On August 1, 2022, we amended the term loan credit facility, which was set to expire on February 21, 2023, to extend the maturity date to August 1, 2025, and paid down the borrowings outstanding on the term loan to $250 million. The term loan bears interest at either the base rate or the adjusted SOFR, as defined, at our option, plus a spread determined by our debt rating. The term loan 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 to consolidated EBITDA for the four most recent fiscal quarters) to exceed 3.75 to 1.00. During certain periods this ratio may be increased to 4.25 to 1.0 upon delivery of a notice to our lender requesting an increase to our maximum leverage or in connection with certain “material acquisitions.” See “Revolving Credit Agreement” above for details on our compliance with all significant financial covenants at August 31, 2023.

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, 2023 for more comprehensive details on the significant components of our debt.

Stock Repurchase Program

See Note 9, “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 viability of banks and other financial institutions; (b) the prices, supply and availability 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 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 a public health crisis similar to the Covid pandemic; (l) risks related to acts of war similar to the Russian invasion of Ukraine; (m) risks related to the transition or physical impacts of climate change and other natural disasters or meeting sustainability-related voluntary goals or regulatory requirements; (n) risks related to our use of technology, artificial intelligence, data breaches and data privacy violations; and (o) 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, 2023, 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.

ITEM 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, 2023.

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 August 31, 2023 (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 August 31, 2023 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, 2023.

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, 2023.

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 first quarter of fiscal 2024:

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)
June 1, 2023 through June 30, 2023	3,301	$ 80.05	-	
July 1, 2023 through July 31, 2023	103,224	$ 93.38	-	
August 1, 2023 through August 31, 2023	170,322	$ 102.33	122,425	
Total - First Quarter	276,847	$ 98.73	122,425	

(1) All of the 154,422 shares of common stock that were disposed of back to us during the three-month period ended August 31, 2023 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 $304.8 million at August 31, 2023. Refer to Note 9, "Stock Repurchase Program," to the Consolidated Financial Statements for further information regarding our stock repurchase program.

ITEM 6. ***EXHIBITS***

Exhibit Number	Description
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 August 31, 2023, 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: October 4, 2023

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: October 4, 2023

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: October 4, 2023

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 August 31, 2023 (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: October 4, 2023

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 August 31, 2023 (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: October 4, 2023

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.