



RPM International Inc.

Third Quarter Results Fiscal Year 2020

Consolidated Statements of Income



(As Reported)

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

| | Fiscal Year Ended May 31, | | | | |
|--|---------------------------|-------------|---------------------|--------------|---------------|
| | 2019 | % | 2018 | % | % Change |
| Net Sales | \$ 5,564,551 | | \$ 5,321,643 | | 4.6 |
| Cost of Sales | 3,476,231 | 62.5 | 3,305,095 | 62.1 | |
| Gross Profit | 2,088,320 | 37.5 | 2,016,548 | 37.9 | |
| SG&A | 1,596,043 | 28.7 | 1,498,479 | 28.2 | |
| Restructuring Expense | 42,310 | 0.7 | 17,514 | 0.3 | |
| Other Intangible Asset Impairments | 4,190 | 0.1 | - | 0.0 | |
| Other Expense (Income), Net | 4,270 | 0.1 | (598) | 0.0 | |
| EBIT* | 441,507 | 7.9 | 501,153 | 9.4 | (11.9) |
| Interest Expense | 102,392 | 1.8 | 104,547 | 2.0 | |
| Investment (Income), Net | (730) | 0.0 | (20,442) | (0.4) | |
| Income Before Income Taxes | 339,845 | 6.1 | 417,048 | 7.8 | |
| Provision for Income Taxes | 72,158 | 1.3 | 77,791 | 1.5 | |
| Net Income | 267,687 | 4.8 | 339,257 | 6.3 | (21.1) |
| Less: Net Income Attributable to Noncontrolling Interests | 1,129 | 0.0 | 1,487 | 0.0 | |
| Net Income Attributable to RPM Stockholders | \$ 266,558 | 4.8 | \$ 337,770 | 6.3 | (21.1) |
| Diluted Earnings Per Share | \$ 2.01 | | \$ 2.50 | | (19.6) |

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

Consolidated Statements of Income



(As Reported)

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

Unaudited

| | Three months ended | | | | |
|--|--------------------|------|-------------------|-------|----------|
| | February 29, 2020 | % | February 28, 2019 | % | % Change |
| Net Sales | \$ 1,173,976 | | \$ 1,140,630 | | 2.9 |
| Cost of Sales | 739,229 | 63.0 | 731,208 | 64.1 | |
| Gross Profit | 434,747 | 37.0 | 409,422 | 35.9 | |
| SG&A | 381,866 | 32.5 | 374,153 | 32.8 | |
| Restructuring Expense | 7,343 | 0.6 | 8,679 | 0.8 | |
| Other Expense, Net | 1,422 | 0.1 | 327 | 0.0 | |
| EBIT* | 44,116 | 3.8 | 26,263 | 2.3 | 68.0 |
| Interest Expense | 23,972 | 2.1 | 26,525 | 2.3 | |
| Investment (Income) Expense, Net | 3,836 | 0.3 | (4,726) | (0.4) | |
| Income Before Taxes | 16,308 | 1.4 | 4,464 | 0.4 | |
| Provision (Benefit) for Income Taxes | 4,218 | 0.4 | (10,032) | (0.9) | |
| Net Income | 12,090 | 1.0 | 14,496 | 1.3 | (16.6) |
| Less: Net Income Attributable to Noncontrolling Interests | 237 | 0.0 | 306 | 0.0 | |
| Net Income Attributable to RPM Stockholders | \$ 11,853 | 1.0 | \$ 14,190 | 1.2 | (16.5) |
| Diluted EPS | \$ 0.09 | | \$ 0.11 | | (18.2) |

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

Consolidated Statements of Income



(As Reported)

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

Unaudited

| | Nine months ended | | | | |
|--|-------------------|-------|-------------------|------|----------|
| | February 29, 2020 | % | February 28, 2019 | % | % Change |
| Net Sales | \$ 4,048,033 | | \$ 3,963,150 | | 2.1 |
| Cost of Sales | 2,509,133 | 62.0 | 2,510,643 | 63.3 | |
| Gross Profit | 1,538,900 | 38.0 | 1,452,507 | 36.7 | |
| SG&A | 1,185,791 | 29.3 | 1,175,049 | 29.6 | |
| Restructuring Expense | 18,766 | 0.4 | 36,479 | 0.9 | |
| Other Expense, Net | 5,158 | 0.1 | 4,052 | 0.1 | |
| EBIT* | 329,185 | 8.1 | 236,927 | 6.0 | 38.9 |
| Interest Expense | 78,630 | 1.9 | 74,058 | 1.9 | |
| Investment (Income) Expense, Net | (10,354) | (0.3) | (126) | 0.0 | |
| Income Before Taxes | 260,909 | 6.4 | 162,995 | 4.1 | |
| Provision for Income Taxes | 65,002 | 1.6 | 29,140 | 0.7 | |
| Net Income | 195,907 | 4.8 | 133,855 | 3.3 | 46.4 |
| Less: Net Income Attributable to Noncontrolling Interests | 835 | 0.0 | 677 | 0.0 | |
| Net Income Attributable to RPM Stockholders | \$ 195,072 | 4.8 | \$ 133,178 | 3.4 | 46.5 |
| Diluted EPS | \$ 1.50 | | \$ 1.00 | | 50.0 |

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



RPM International Inc.

Reconciliations of Non-GAAP Measures To GAAP Measures

Free Cash Flow Generation (Non-GAAP Measure)



(\$ in thousands)

| | Fiscal Year Ended May 31, | | | | |
|--|---------------------------|---------------------|------------------|------------------|---------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| <u>Cash Flows from Operating Activities:</u> | | | | | |
| Net income | \$ 267,687 | \$ 339,257 | \$ 184,671 | \$ 357,458 | \$ 228,328 |
| Depreciation and amortization | 141,742 | 128,499 | 116,773 | 111,039 | 99,176 |
| Working capital and all other operating activities | (116,488) | (77,373) | 84,683 | 6,209 | 2,944 |
| Cash Flow from Operations (GAAP) | 292,941 | 390,383 | 386,127 | 474,706 | 330,448 |
| <u>Cash Flows from Investing Activities:</u> | | | | | |
| Capital expenditures | (136,757) | (114,619) | (126,109) | (117,183) | (85,363) |
| <u>Cash Flows from Financing Activities:</u> | | | | | |
| Dividends | (181,409) | (167,476) | (156,752) | (144,350) | (136,179) |
| Free Cash Flow (non-GAAP measure) | (25,225) | 108,288 | 103,266 | 213,173 | 108,906 |
| All other investing activities | (111,489) | (146,574) | (213,556) | (48,683) | (474,090) |
| All other financing activities | 127,567 | (71,900) | 192,723 | (61,755) | 246,372 |
| Effect of exchange rate changes on cash and short-term investments | (12,107) | 4,111 | 2,912 | (12,294) | (39,345) |
| Net increase (decrease) in cash and short-term investments (GAAP) | \$ (21,254) | \$ (106,075) | \$ 85,345 | \$ 90,441 | \$ (158,157) |

Management views Free Cash Flow, a non-GAAP measure, as an excellent reflection of RPM's remaining cash flow to be used to acquire complementary businesses, reduce debt levels, or a combination thereof, after supporting the organic growth needs of its businesses, including their working capital and capital expenditure needs, and after supporting RPM's dividend program.

- (a) Inventory-related charges reflect the following in fiscal 2020: charges recorded in cost of goods sold that reflect product line and SKU rationalization at our Consumer segment, as well as inventory write-offs in connection with restructuring activities at our Construction Products, Performance Coatings, and Specialty Products segments. Following are the inventory-related charges in fiscal 2019: charges reflecting a true-up of fiscal 2018 inventory write-offs at our Consumer Segment during the first quarter of fiscal 2019 and inventory write-offs and disposals at our Construction Products and Performance Coatings segments.
- (b) Reflects restructuring charges, including headcount reductions, closures of facilities and related costs, and accelerated vesting of equity awards in connection with key executives, all in relation to our 2020 Margin Acceleration Plan (“2020 MAP to Growth”).
- (c) Includes accelerated depreciation and amortization expense related to the shortened useful lives of facilities and equipment, ERP systems, and intangible that are currently in use, but are in the process of being retired associated with various 2020 MAP to Growth initiatives including facility closures, exiting a business, and ERP consolidation.
- (d) Reflects the increase in our allowance for doubtful accounts deemed uncollectible as a result of a change in market and leadership strategy, offset by subsequent collections.
- (e) Includes implementation costs associated with the current phase of our ERP consolidation plan.
- (f) Comprises professional fees incurred in connection with our restructuring plan as well as the negotiation of a cooperation agreement and related fees incurred in connection with hosting an investor conference, all of which have been incurred in relation to our 2020 MAP to Growth.
- (g) Acquisition costs reflect amounts included in gross profit for inventory step-ups as well as an inventory write-off recorded during the second quarter of fiscal 2019.
- (h) Reflects the loss on redemption of our convertible notes incurred during the second quarter of fiscal 2019.
- (i) Includes adjustments to the fair value of contingent earnout obligations recorded during the second quarter of fiscal 2019.
- (j) Reflects other expense associated with a change in ownership of a business in South Africa, as required by local legislation in order to qualify for doing business in South Africa.
- (k) Reflects unusual compensation costs recorded during fiscal 2020 that resulted from executive departures related to our 2020 MAP to Growth, including stock and deferred compensation plan arrangements.
- (l) Reflects the gain or loss incurred upon divestiture of businesses and/or assets.
- (m) Reflects charges related to the discontinuation of a product line targeting OEM markets and related prepaid asset and inventory write-off. This resulted from ongoing product line rationalization efforts in connection with our 2020 MAP to Growth.
- (n) Investment returns include realized net gains and losses on sales of investments and unrealized net gains and losses on equity securities, which are adjusted due to their inherent volatility. Management does not consider these gains and losses, which cannot be predicted with any level of certainty, to be reflective of the company's core business operations.

EBIT* (Non-GAAP Measure): RPM Consolidated



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

| | Three months ended | |
|--|--------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Net Income | \$ 12,090 | \$ 14,496 |
| Provision (Benefit) for Income Taxes | 4,218 | (10,032) |
| Income Before Income Taxes | 16,308 | 4,464 |
| Interest Expense | 23,972 | 26,525 |
| Investment (Income) Loss, Net | 3,836 | (4,726) |
| EBIT* (non-GAAP measure) | 44,116 | 26,263 |
| Inventory-related charges (a) | 483 | 1,856 |
| Restructuring expense (b) | 7,662 | 8,679 |
| Accelerated expense - other (c) | 1,706 | (1,107) |
| Receivable write-offs (d) | (440) | 57 |
| ERP consolidation plan (e) | 2,445 | 1,558 |
| Professional fees (f) | 3,196 | 7,805 |
| Acquisition-related costs (g) | 271 | 60 |
| Unusual costs triggered by executive departures (k) | 87 | 1,680 |
| Divestitures (l) | 925 | (497) |
| Adjusted EBIT** | \$ 60,451 | \$ 46,354 |
| Net Sales | \$ 1,173,976 | \$ 1,140,630 |
| EBIT* as a % of Net Sales (non-GAAP measure) | 3.8% | 2.3% |
| Adj. EBIT** as a % of Net Sales (non-GAAP measure) | 5.1% | 4.1% |

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

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

NOTE: Refer to slide 7 for all adjustment detail.

EBIT* (Non-GAAP Measure): RPM Consolidated



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

| | Nine months ended | |
|--|-------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Net Income | \$ 195,907 | \$ 133,855 |
| Provision for Income Taxes | 65,002 | 29,140 |
| Income Before Income Taxes | 260,909 | 162,995 |
| Interest Expense | 78,630 | 74,058 |
| Investment (Income), Net | (10,354) | (126) |
| EBIT* (non-GAAP measure) | 329,185 | 236,927 |
| Inventory-related charges (a) | 9,290 | 9,787 |
| Restructuring expense (b) | 19,591 | 36,479 |
| Accelerated expense - other (c) | 10,170 | 5,225 |
| Receivable write-offs (d) | 2,787 | 6,784 |
| ERP consolidation plan (e) | 8,689 | 3,408 |
| Professional fees (f) | 16,122 | 17,293 |
| Acquisition-related costs (g) | 854 | 2,991 |
| Convertible debt extinguishment (h) | - | 3,052 |
| Fair value adjustments to acquisition earnout (i) | - | 2,395 |
| Loss on South Africa Business EE (j) | - | 540 |
| Unusual costs triggered by executive departures (k) | 726 | 1,680 |
| Divestitures (l) | 661 | (497) |
| Discontinued product line (m) | 8,618 | - |
| Adjusted EBIT** | \$ 406,693 | \$ 326,064 |
| Net Sales | \$ 4,048,033 | \$ 3,963,150 |
| EBIT* as a % of Net Sales (non-GAAP measure) | 8.1% | 6.0% |
| Adj. EBIT** as a % of Net Sales (non-GAAP measure) | 10.0% | 8.2% |

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

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

NOTE: Refer to slide 7 for all adjustment detail.

Reconciliation of "Reported" to "Adjusted" EPS

(Unaudited)

| | Three months ended | |
|---|--------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| <u>Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share (All amounts presented after-tax):</u> | | |
| Reported Earnings per Diluted Share | \$ 0.09 | \$ 0.11 |
| Inventory-related charges (a) | - | 0.01 |
| Restructuring expense (b) | 0.05 | 0.05 |
| Accelerated expense - other (c) | 0.01 | (0.01) |
| ERP consolidation plan (e) | 0.01 | 0.01 |
| Professional fees (f) | 0.02 | 0.04 |
| Unusual costs triggered by executive departures (k) | - | 0.01 |
| Divestitures (l) | 0.01 | - |
| Investment returns (n) | 0.04 | (0.01) |
| Discrete tax adjustment (o) | - | (0.08) |
| Adjusted Earnings per Diluted Share (p) | \$ 0.23 | \$ 0.13 |

(o) Represents discrete tax adjustments due to U.S. income tax reform.

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

NOTE: Refer to slide 7 for all adjustment detail

Reconciliation of "Reported" to "Adjusted" EPS

(Unaudited)

| | Nine months ended | |
|---|-------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| <u>Reconciliation of Reported Earnings per Diluted Share to Adjusted Earnings per Diluted Share (All amounts presented after-tax):</u> | | |
| Reported Earnings per Diluted Share | \$ 1.50 | \$ 1.00 |
| Inventory-related charges (a) | 0.06 | 0.07 |
| Restructuring expense (b) | 0.12 | 0.21 |
| Accelerated expense - other (c) | 0.06 | 0.03 |
| Receivable write-offs (d) | 0.02 | 0.05 |
| ERP consolidation plan (e) | 0.05 | 0.02 |
| Professional fees (f) | 0.09 | 0.10 |
| Acquisition-related costs (g) | 0.01 | 0.02 |
| Fair value adjustments to acquisition earnout (i) | - | 0.01 |
| Unusual costs triggered by executive departures (k) | - | 0.01 |
| Discontinued product line (m) | 0.05 | - |
| Investment returns (n) | (0.02) | 0.05 |
| Discrete tax adjustment (o) | - | (0.08) |
| Adjusted Earnings per Diluted Share (p) | <u>\$ 1.94</u> | <u>\$ 1.49</u> |

(o) Represents discrete tax adjustments due to U.S. income tax reform.

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

NOTE: Refer to slide 7 for all adjustment detail

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



(As Reported)
(\$ in thousands and percent data)
(Unaudited)

| | Three months ended | |
|--|--------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| (Loss) Before Income Taxes | \$ (478) | \$ (4,025) |
| Add: Interest Expense, Net* | 2,130 | 2,489 |
| EBIT** (non-GAAP measure) | 1,652 | (1,536) |
| Inventory-related charges (a) | 76 | 158 |
| Restructuring expense (b) | 3,053 | 2,056 |
| Accelerated expense - other (c) | 942 | (1,890) |
| Receivable write-offs (d) | (33) | - |
| ERP consolidation plan (e) | 267 | 702 |
| Professional fees (f) | 78 | 118 |
| Acquisition-related costs (g) | - | 60 |
| Adjusted EBIT*** | \$ 6,035 | \$ (332) |
| Net Sales | \$ 372,082 | \$ 355,332 |
| EBIT** as a % of Net Sales (non-GAAP measure) | 0.4% | (0.4%) |
| Adj. EBIT*** as a % of Net Sales (non-GAAP measure) | 1.6% | (0.1%) |

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

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

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

NOTE: Refer to slide 7 for all adjustment detail.

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



(As Reported)
(\$ in thousands and percent data)
(Unaudited)

| | Nine months ended | |
|--|-------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Income Before Income Taxes | \$ 139,324 | \$ 96,375 |
| Add: Interest Expense, Net* | 6,231 | 6,968 |
| EBIT** (non-GAAP measure) | 145,555 | 103,343 |
| Inventory-related charges (a) | 346 | 707 |
| Restructuring expense (b) | 6,005 | 8,813 |
| Accelerated expense - other (c) | 1,582 | (1,823) |
| Receivable write-offs (d) | - | - |
| ERP consolidation plan (e) | 621 | 1,094 |
| Professional fees (f) | 157 | 118 |
| Acquisition-related costs (g) | 548 | 1,168 |
| Adjusted EBIT*** | \$ 154,814 | \$ 113,420 |
| Net Sales | \$ 1,407,697 | \$ 1,340,122 |
| EBIT** as a % of Net Sales (non-GAAP measure) | 10.3% | 7.7% |
| Adj. EBIT*** as a % of Net Sales (non-GAAP measure) | 11.0% | 8.5% |

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

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

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

NOTE: Refer to slide 7 for all adjustment detail.

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



(As Reported)
(\$ in thousands and percent data)
(Unaudited)

| | Three months ended | |
|--|--------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Income Before Income Taxes | \$ 22,240 | \$ 14,365 |
| Add: Interest Expense (Income), Net* | (123) | 62 |
| EBIT** (non-GAAP measure) | 22,117 | 14,427 |
| Inventory-related charges (a) | 123 | 911 |
| Restructuring expense (b) | 1,362 | 2,805 |
| Accelerated expense - other (c) | 476 | 18 |
| Receivable write-offs (d) | (407) | (6) |
| ERP consolidation plan (e) | 151 | - |
| Professional fees (f) | 275 | - |
| Acquisition-related costs (g) | 83 | - |
| Adjusted EBIT*** | \$ 24,180 | \$ 18,155 |
| Net Sales | \$ 255,686 | \$ 253,225 |
| EBIT** as a % of Net Sales (non-GAAP measure) | 8.7% | 5.7% |
| Adj. EBIT*** as a % of Net Sales (non-GAAP measure) | 9.5% | 7.2% |

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

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

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

NOTE: Refer to slide 7 for all adjustment detail.

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



(As Reported)
(\$ in thousands and percent data)
(Unaudited)

| | Nine months ended | |
|---|-------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Income Before Income Taxes | \$ 83,617 | \$ 44,990 |
| Add: Interest Expense (Income), Net* | (20) | 401 |
| EBIT** (non-GAAP measure) | 83,597 | 45,391 |
| Inventory-related charges (a) | 3,190 | 7,472 |
| Restructuring expense (b) | 5,210 | 8,840 |
| Accelerated expense - other (c) | 2,296 | 5,684 |
| Receivable write-offs (d) | 2,732 | 6,721 |
| ERP consolidation plan (e) | 648 | 348 |
| Professional fees (f) | 582 | - |
| Acquisition-related costs (g) | 118 | 1,823 |
| Fair value adjustments to acquisition earnout (i) | - | 2,395 |
| Loss on South Africa Business EE (j) | - | 540 |
| Divestitures (l) | (264) | - |
| Adjusted EBIT*** | \$ 98,109 | \$ 79,214 |
| Net Sales | \$ 845,639 | \$ 841,605 |
| EBIT** as a % of Net Sales (non-GAAP measure) | 9.9% | 5.4% |
| Adj. EBIT*** as a % of Net Sales (non-GAAP measure) | 11.6% | 9.4% |

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

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

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

NOTE: Refer to slide 7 for all adjustment detail.

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



(As Reported)
(\$ in thousands and percent data)
(Unaudited)

| | Three months ended | |
|--|--------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Income Before Income Taxes | \$ 29,798 | \$ 25,272 |
| Add: Interest Expense, Net* | 57 | 119 |
| EBIT** (non-GAAP measure) | 29,855 | 25,391 |
| Inventory-related charges (a) | 198 | 787 |
| Restructuring expense (b) | 1,016 | 1,229 |
| Accelerated expense - other (c) | - | - |
| Receivable write-offs (d) | - | 63 |
| ERP consolidation plan (e) | 72 | - |
| Professional fees (f) | 80 | - |
| Divestitures (l) | 925 | (497) |
| Discontinued product line (m) | \$ - | \$ - |
| Adjusted EBIT*** | \$ 32,146 | \$ 26,973 |
| Net Sales | \$ 398,743 | \$ 378,313 |
| EBIT** as a % of Net Sales (non-GAAP measure) | 7.5% | 6.7% |
| Adj. EBIT*** as a % of Net Sales (non-GAAP measure) | 8.1% | 7.1% |

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

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

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

NOTE: Refer to slide 7 for all adjustment detail.

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



(As Reported)
(\$ in thousands and percent data)
(Unaudited)

| | Nine months ended | |
|--|-------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Income Before Income Taxes | \$ 123,413 | \$ 118,078 |
| Add: Interest Expense, Net* | 219 | 417 |
| EBIT** (non-GAAP measure) | 123,632 | 118,495 |
| Inventory-related charges (a) | 5,668 | 1,608 |
| Restructuring expense (b) | 3,422 | 2,429 |
| Accelerated expense - other (c) | 5,624 | - |
| Receivable write-offs (d) | 55 | 63 |
| ERP consolidation plan (e) | 197 | - |
| Professional fees (f) | 385 | - |
| Divestitures (l) | 925 | (497) |
| Discontinued product line (m) | \$ 8,618 | \$ - |
| Adjusted EBIT*** | \$ 148,526 | \$ 122,098 |
| Net Sales | \$ 1,328,974 | \$ 1,280,931 |
| EBIT** as a % of Net Sales (non-GAAP measure) | 9.3% | 9.3% |
| Adj. EBIT*** as a % of Net Sales (non-GAAP measure) | 11.2% | 9.5% |

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

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

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

NOTE: Refer to slide 7 for all adjustment detail.

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



(As Reported)
(\$ in thousands and percent data)
(Unaudited)

| | Three months ended | |
|--|--------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Income Before Income Taxes | \$ 12,942 | \$ 16,115 |
| Add: Interest Expense (Income), Net* | 24 | (135) |
| EBIT** (non-GAAP measure) | 12,966 | 15,980 |
| Inventory-related charges (a) | 86 | - |
| Restructuring expense (b) | 999 | 2,564 |
| Accelerated expense - other (c) | 160 | 765 |
| ERP consolidation plan (e) | 1,955 | 856 |
| Professional fees (f) | 1,169 | - |
| Acquisition-related costs (g) | 188 | - |
| Adjusted EBIT*** | \$ 17,523 | \$ 20,165 |
| Net Sales | \$ 147,465 | \$ 153,760 |
| EBIT** as a % of Net Sales (non-GAAP measure) | 8.8% | 10.4% |
| Adj. EBIT*** as a % of Net Sales (non-GAAP measure) | 11.9% | 13.1% |

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

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

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

NOTE: Refer to slide 7 for all adjustment detail.

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



(As Reported)
(\$ in thousands and percent data)
(Unaudited)

| | Nine months ended | |
|--|-------------------|-------------------|
| | February 29, 2020 | February 28, 2019 |
| Income Before Income Taxes | \$ 55,031 | \$ 66,049 |
| Add: Interest Expense (Income), Net* | 6 | (332) |
| EBIT** (non-GAAP measure) | 55,037 | 65,717 |
| Inventory-related charges (a) | 86 | - |
| Restructuring expense (b) | 3,707 | 6,312 |
| Accelerated expense - other (c) | 476 | 1,364 |
| ERP consolidation plan (e) | 7,223 | 1,966 |
| Professional fees (f) | 2,148 | - |
| Acquisition-related costs (g) | 188 | - |
| Unusual costs triggered by executive departures (k) | 473 | - |
| Adjusted EBIT*** | \$ 69,338 | \$ 75,359 |
| Net Sales | \$ 465,723 | \$ 500,492 |
| EBIT** as a % of Net Sales (non-GAAP measure) | 11.8% | 13.1% |
| Adj. EBIT*** as a % of Net Sales (non-GAAP measure) | 14.9% | 15.1% |

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

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

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

NOTE: Refer to slide 7 for all adjustment detail.

EBIT* & EBITDA (Non-GAAP Measures)



| (In thousands) | 2015 ⁽²⁾ | 2016 | 2017 | 2018 | 2019 |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|
| Net income | \$ 228,328 | \$ 357,458 | \$ 184,671 | \$ 339,257 | \$ 267,687 |
| Add: Provision (benefit) for income taxes | 224,925 | 126,008 | 59,662 | 77,791 | 72,158 |
| Add: Interest expense | 87,615 | 91,683 | 96,954 | 104,547 | 102,392 |
| Add: Investment expense (income), net | (18,577) | (10,365) | (13,984) | (20,442) | (730) |
| Add: 2020 MAP to Growth related initiatives | | | | 58,080 | 106,475 |
| Add: Acquisition-related charges | | | | | 5,385 |
| Add: Convertible debt extinguishment | | | | | 3,052 |
| Add: Loss on South Africa Business | | | | | 540 |
| Add: Unusual costs triggered by executive departures | | | | | 10,520 |
| Add: Charge to exit Flowcrete China | | | | 4,164 | |
| Add: Charge to exit Flowcrete Middle East | | | 12,275 | | |
| Add: Goodwill and other intangible asset impairments | | | 188,298 | | |
| Add: Severance expense | | | 15,001 | | |
| Adjusted EBIT* (non-GAAP measure) | 522,291 | 564,784 | 542,877 | 563,397 | 567,479 |
| Add: Amortization | 36,988 | 44,307 | 44,903 | 46,523 | 47,699 |
| Adjusted EBITA* (non-GAAP measure) | 559,279 | 609,091 | 587,780 | 609,920 | 615,178 |
| Add: Depreciation | 62,188 | 66,732 | 71,870 | 81,976 | 94,043 |
| Adjusted EBITDA* (non-GAAP measure) | 621,467 | 675,823 | 659,650 | 691,896 | 709,221 |
| Deduct: Interest expense | (87,615) | (91,683) | (96,954) | (104,547) | (102,392) |
| Deduct: Investment expense (income), net | 18,577 | 10,365 | 13,984 | 20,442 | 730 |
| Deduct: Provision (benefit) for income taxes | (224,925) | 126,008 | (59,662) | (77,791) | (72,158) |
| Add: Changes in operating assets, liabilities and other | 2,944 | 6,209 | (130,891) | (139,617) | (242,460) |
| Cash from operating activities | \$ 330,448 | \$ 474,706 | \$ 386,127 | \$ 390,383 | \$ 292,941 |
| Net sales | \$4,594,550 | \$4,813,649 | \$4,958,175 | \$5,321,643 | \$5,564,551 |
| Adjusted EBITA* as % of net sales (non-GAAP measure) | 12.2% | 12.7% | 11.9% | 11.5% | 11.1% |
| Adjusted EBITDA* as % of net sales (non-GAAP measure) | 13.5% | 14.0% | 13.3% | 13.0% | 12.7% |

*EBIT is defined as earnings before interest and taxes, while EBITDA is defined as earnings before interest, taxes, depreciation and amortization. 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 expense is essentially related to acquisitions, 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 it omits the impact of interest and taxes in determining operating performance, which represent items necessary to our continued operations, given our level of indebtedness and ongoing tax obligations. We evaluate our liquidity based on cash flows from operating, investing and financing activities, as defined by GAAP, but also look to EBITDA as a supplemental liquidity measure, because we find it useful to understand and evaluate our capacity, excluding the impact of interest, taxes, and non-cash depreciation and amortization charges, for servicing our debt and otherwise meeting our cash needs, prior to our consideration of the impacts of other potential sources and uses of cash such as working capital items. We believe that EBITDA is useful to investors for these purposes as well. EBITDA should not be considered an alternative to, or more meaningful than, cash flows from operating activities, as determined in accordance with GAAP, since it omits the impact of interest, taxes and changes in working capital that use/provide cash (such as receivables, payables, and inventories) as well as the sources/uses of cash associated with changes in other balance sheet items (such as long-term loss accruals and deferred items). Since EBITDA excludes depreciation and amortization, EBITDA does not reflect any cash requirements for the replacement of the assets being depreciated and amortized, which assets will often have to be replaced in the future. Further, EBITDA, since it also does not reflect the impact of debt service, cash dividends or capital expenditures, does not represent how much discretionary cash we have available for other purposes. Nonetheless, EBIT and EBITDA are key measures expected by and useful to our fixed income investors, rating agencies and the banking community of all of whom believe, and we concur that these measures are critical to the capital markets' analysis of (i) our segments core operating performance, and (ii) our ability to service debt, fund capital expenditures and otherwise meet cash needs, respectively. We also evaluate EBIT and EBITDA because it is clear that movements in these non-GAAP measures impact our ability to attract financing. Our underwriters and bankers consistently require inclusion of these two measures in offering memoranda in conjunction with any debt underwriting or bank financing.

1. Proforma, excluding one time charges detailed in noted additions above.
2. Reflects adjustments related to the recognition of ASC 740-30 tax liability for the potential repatriation of foreign earnings and related impact on NCI Net Income.