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RPM.N - Q3 2026 RPM International Inc Earnings Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day, and welcome to the RPM International fiscal third-quarter earnings conference call.

(Operator Instructions) Please note, today's event is being recorded.

I would now like to turn the conference over to Matt Schlarb, Vice President, Investor Relations and Sustainability. Please go ahead.

Matthew Schlarb - *RPM International Inc - Vice President - Investor Relations*

Thank you, Rocco, and welcome to RPM International's conference call for the fiscal 2026 Third Quarter. Today's call is being recorded. Joining on today's call are Frank Sullivan, RPM's Chair and CEO; Rusty Gordon, Vice President and Chief Financial Officer; and Michael Laroche, Vice President, Controller and Chief Accounting Officer. This call is also being webcast and can be accessed live or replayed on the RPM website at www.rpminc.com.

Comments made on this call may include forward-looking statements based on current expectations, that involve risks and uncertainties, which could cause actual results to be materially different. For more information on these risks and uncertainties, please review RPM's reports filed with the SEC. During this conference call, references may be made to non-GAAP financial measures.

To assist you in understanding these non-GAAP terms, RPM has posted reconciliations to the most directly comparable GAAP financial measures on the RPM website. Also, please note that our comments will be on an as-adjusted basis and all comparisons after the third quarter of fiscal 2025 unless otherwise indicated. We have provided a supplemental slide presentation to support our comments on this call.

It can be accessed in the Presentations and Webcasts section of the RPM website at www.rpminc.com. As a reminder, certain businesses that were previously part of the Specialty Products Group have been reallocated to other segments effective June 1, 2025.

As a result, all references today reflect the updated structure and prior year figures have been recast accordingly. This change has no impact on consolidated. (technical difficulty)

Now I will turn the call over to Frank.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Thank you, Matt. Thank you all for joining our investor call this morning. I'll begin with an overview of our third quarter results, provide an update on how current events in the Middle East are impacting our business followed by Michael Laroche, who will cover our financials in more detail. Matt Schlarb will then provide an update on cash flow, the balance sheet and how our focus on maintenance restoration and energy efficiencies has helped us during these volatile economic times. And then finally, Rusty Gordon will conclude our prepared remarks with our outlook, after which we'll be happy to answer your questions.

Beginning on slide 3. We generated record results in the third quarter with top line growth, including higher unit volumes translating into strong earnings growth and improved margins in all segments. The RPM associates are executing at a high level on the things that we can control.

The economic backdrop remains volatile during the third quarter with some of our geographies experiencing severe winter weather. We successfully navigated these challenges by focusing on our competitive strengths, including turnkey and system solutions for high-performance buildings, a focus on maintenance, restoration and repair and a nimble sales approach to targeted expanding end markets.

Aided by the operational improvement initiatives we put in place, we were able to leverage this growth to achieve a nearly 50% increase in adjusted EBIT. With this quarter, we have delivered record adjusted EBIT results in 15 of the last 17 quarters.

Turning to slide 4. We provide, we previously talked about the power of RPM, combining RPM's ability to outgrow our markets and improve operational efficiency. This was on full display in our third quarter. We saw positive results from the targeted growth investments we've previously shared and the profitability of this growth was amplified by the operational improvements we have and continue to put in place. These include actions like our Green Belt program, which is now trained over 600 RPM associates and has expanded to administrative functions.

Green Belts have generated more than \$50 million in savings with \$30 million in our current pipeline. We have also started realizing benefits from the SG&A-focused optimization actions we announced last quarter. These actions generated approximately \$5 million in savings during the third quarter.

The optimization actions underway Go Beyond expense reduction. They're designed to make our organization more agile better positioned to serve customers and to achieve accelerated growth. All segments have begun this transformation with some of the most meaningful changes occurring in our consumer segment.

As announced in our press release this morning, we promoted Don Harmeyer to President of the Consumer Group. Under his leadership, the consumer group is reallocating assets towards its highest growth opportunities while maintaining strong financial discipline.

Our center-led procurement team continues to do excellent work leveraging our company-wide buying power to achieve savings. They have played a critical role in navigating new supply chain challenges caused by current geopolitical activities.

Turning to slide 5. I'd like to address the conflict in the Middle East, its impact on our business and how we are responding. Recent geopolitical events have created supply chain disruptions and increased raw material costs, which, as a reminder, represent approximately 60% of RPM's cost of goods sold.

While the conflict is having a global impact on costs, the effects are being felt most acutely in the Middle East, Africa and the Asia Pacific regions, which together account for approximately 4% of RPM's year-to-date revenues. In Europe and South America, which represents about 20% of sales, inflation has picked up meaningfully.

North America at 70% of RPM sales has also experienced inflation but to a lesser extent, and remains the region most insulated from the direct effects of the current conflict. Having navigated significant supply chain disruption and inflation in recent years, our teams are prepared for the current environment.

We have contracts in place covering the vast majority of our raw material volume requirements. These contracts help ensure continuity of supply during periods of disruption and reduced volatility from underlying commodity price movements.

In addition, our use of FIFO accounting delays the P&L impact of cost changes, providing us additional time to respond. Previous actions such as qualifying multiple suppliers for key raw materials and developing strategic long-term supplier relationships have further positioned RPM to manage through the current challenges.

As a result of these efforts and the execution of our center-led procurement team, supply conditions generally remain good for us globally, with only limited disruptions, primarily in the Middle East. We currently expect raw material inflation of approximately 1% to 2% in the fourth quarter of fiscal '26, increasing to an estimated mid- to high single-digit range in the first quarter of fiscal '27.

While the situation remains dynamic, we are taking appropriate actions to mitigate cost pressures and consistent with prior inflationary cycles and begun implementing price increases offset inflation that we are unable to mitigate. These price increases vary by business and by region with those experiencing the most inflation also having the largest price increases.

Finally, I want to commend our procurement team for their strong execution, both in the current environment and through the vital tariff conditions we've experienced over the past year. I also want to thank our teams around the world who continue to focus on serving our customers during these challenging times and particularly our associates in the Middle East, where safety is our top priority. They have continued to operate despite the many challenges facing that region today.

I'll now turn the call over to Michael Laroche to cover our financials for the quarter in more detail.

Michael Laroche - RPM International Inc - Vice President, Controller, Chief Accounting Officer

Thank you, Frank. On slide 6, consolidated sales increased nearly 9% to a record driven by engineered solutions for high-performance buildings, M&A and FX, partially offset by continued DIY softness. Adjusted EBIT increased to a record as sales growth, including higher volumes resulted in improved fixed cost utilization.

SG&A-focused optimization actions also contributed to the profitability growth and were partially offset by higher health care costs. Adjusted EPS was a record driven by higher adjusted EBIT. Adjusted EBIT and adjusted EPS exclude MAP-related costs including \$22.1 million in pretax charges associated with SG&A-focused optimization actions implemented during the quarter.

Geographic results are on slide 7. All regions grew sales in most markets outside the US benefited from favorable FX rates. Europe grew over 20%, driven by M&A and FX. North America grew 6.3%, driven by an increase in high-performance building solutions and was also aided by M&A. In emerging markets, growth was led by Africa and Middle East as they continue to have success serving high-performance building and infrastructure projects.

Moving to our segments on slide 8. Construction Products Group sales grew to a record with broad-based strength in North American businesses, including roofing solutions, wall systems and concrete admixtures, currency translation and a rebound from the government shutdown also contributed to the sales growth. Improved sales mix, SG&A-focused optimization actions and fixed cost leverage drove adjusted EBIT growth. which more than offset temporary inefficiencies from plant consolidations.

Next, on slide 9, Performance Coatings Group achieved record sales with broad-based growth across its businesses. Protective Coatings and passive fire protection performed particularly well, as did infrastructure and high-performance building solutions in emerging markets. Adjusted EBIT was a record driven by higher sales, SG&A-focused optimization actions and improved fixed cost leverage.

Moving to Consumer Group, whose results are on slide 10, and M&A and pricing to recover inflation generated record sales, partially offset by continued soft DIY demand and product rationalization. Adjusted EBIT grew as MAP operational improvements, including SG&A-focused optimization more than offset reduced fixed cost leverage from lower volumes and temporary inefficiencies from facility closures and transitions. M&A integration also added to adjusted EBIT growth.

Now I'll turn the call over to Matt to cover the balance sheet, cash flow and our focus on restoration.

Matthew Schlarb - RPM International Inc - Vice President - Investor Relations

Thank you, Mike. Moving to slide 11. Cash flow from operations, which has been a focus of MAP, remained solid during the third quarter. Year-to-date, we have generated \$656.7 million, the second highest amount in the company's history. This has allowed us to continue returning cash to shareholders through dividend and share repurchases, which totaled \$255.3 million through the first nine months of the year, an increase of 5.2% from the prior year.

Liquidity remained strong at \$1.02 billion, which provides financial flexibility to take advantage of M&A opportunities where the pipeline remains good. On that topic, we closed on the previously announced agreement to purchase Kalzip on March 31.

This acquisition will expand CPG system offerings to include high-performance metal roofing and facade options that meet demanding specifications. Kalzip generated calendar 2024 sales of approximately EUR75 million. And once fully integrated, we expect this company to be accretive to margins. Proactively, we acted early and extended the maturity of our revolving credit facility to February 2031 and maintains its size at \$1.35 billion. This will help maintain our financial flexibility.

Turning to slide 12. We wanted to provide additional details on our maintenance repair and restoration focus, which generates approximately two-thirds of our sales. Whether it's a consumer preparing their grill for another season, a municipality restoring its critical infrastructure or a building owner improving the performance and aesthetics of their asset.

Our value proposition is the same. Our products and services allow end users to extend the life of their assets and improve their performance, often at a fraction of the cost of replacement with far fewer disruptions. Additionally, this focus is a core component of our Building a Better World sustainability program by reducing waste, improving efficiency and extending the life of assets.

During times of economic volatility, our ability to provide maintenance and restoration solutions to address our end users challenges has distinguished us and proven to be a key component of our ability to outgrow our underlying markets. Additionally, we offer solutions that make both new and existing structures more energy efficient and increasingly important and valuable capability in a period of rising utility costs.

The images on slide 13, highlighted school constructed using both our Nudura insulated concrete forms along with the Dryvit exterior insulation and finished system. These offerings enhance thermal and insulation and improve the building's resistance to extreme weather events. The result is an attractive high-performance facility that lowers operating costs for the owner while delivering meaningful environmental benefits.

Now I'd like to turn the call over to Rusty to cover the outlook.

Russell Gordon - *RPM International Inc - Vice President, Chief Financial Officer*

Thank you, Matthew. Our outlook for the fourth quarter can be found on slide 14. And Economic conditions are expected to remain volatile, driven by events in the Middle East. Additionally, prior year comparisons will be more challenging. Despite these headwinds, we are reaffirming our sales guidance and expect to generate mid-single-digit revenue growth aided by M&A.

Organic growth is expected to be strongest at our construction businesses as they focus on maintenance and restoration solutions for high-performance buildings. In consumer, M&A growth is expected to be partially offset by soft DIY markets. As Frank mentioned, we currently anticipate fourth quarter raw material inflation will be in the 1% to 2% range, with mid- to high single-digit inflation expected in the first quarter of 2027.

We expect to offset raw material inflation with pricing. In the fourth quarter, we will also see more benefit from the SG&A-focused optimization actions we announced in January. We anticipate that these actions will have a favorable P&L impact of around \$20 million in the fourth quarter, partially offset by inflation in areas we've discussed for the past several quarters like wage inflation and more recently, freight inflation.

Taking all of this into account, we are reaffirming our adjusted EBIT guidance of low to high single-digit percentage growth over record prior year results. The wider-than-normal adjusted EBIT range reflects the heightened uncertainty in our markets. This concludes our prepared remarks, and we are now happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We'll now begin the question-and-answer session.

(Operator Instructions)

John Roberts, Mizuho.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Morning, John.

Operator

Hello, John Roberts, your line is open.

John Roberts - *Mizuho Securities USA LLC - Analyst*

And what's been helping them a lot of you? Yeah, volume has picked up, but you still see more shifting going on.

Operator

Matthew DeYoe, Bank of America.

Matthew DeYoe - *Bank of America - Analyst*

Good morning, everyone. So the raw material inflation numbers, I think not surprising, I guess. I wanted to ask, just given the backdrop and how fluid it is. What kind of takes you to the low end versus the high end for Fiscal 1Q? How do the how do you get to the high end? What do you think you need to see market-wise to take you there? What are the assumptions that bring you there?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

So I'll answer that question, which is obviously key for our whole industry kind of at a high-level perspective first, and then give you a little specifics. But from a high-level perspective, we seem to have a whole of government that doesn't like stability, whether it's tariffs or government shutdowns and now war.

And so that volatility I think, frustrating a lot of folks were facing as is the whole industry, a meaningful raw material price increase potential. We're seeing significant increases across a lot of base chemicals as we speak. Their impact should be modest in Q4, but we'd anticipate them, as Rusty commented to be material in the first quarter.

Back to the volatility, the markets are reacting well today to geopolitical events. If there is some period of stability, I think we're highly confident in the RPM ability to deliver strong results based on growth. You can see that in our third quarter, both at the operating gross profit margin line and the SG&A expense reduction program, which is continuing are optimized to leverage our volume growth to the bottom line pretty well.

So specific to Q1, I think, as Rusty commented, it's going to be hugely variable. There's a scenario in which we would have modest mid-single-digit raw material word. There is a scenario in which we will have high single-digit inflation.

And so TBD, depending on volatility in the Middle East, the one thing that we're very confident in as we look out over the next six months is stability and supply. We've got really good relationships with key raw material suppliers, except for the Middle East, which we are seeing some disruptions in supply, we don't see supply challenges at this point.

If the situation in the Middle East spins out of control, obviously, all bets are off, both in terms of understanding where raw material costs are going and what raw material availability might look like in the fall.

Matthew DeYoe - *Bank of America - Analyst*

All right. I appreciate that. And then on the SG&A front, a lot of puts and takes on the quarter itself. And I know you have some deals coming in, you have some costs coming out. If we were to strip out some of the noise, what would you consider like an applicable go-forward SG&A number here? How many, how much net savings were harvested in this quarter, noting I think you said \$20 million next quarter?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

In the third quarter, it was about \$5 million. When you strip out the impact of FX and acquisitions, our SG&A was relatively flat year-over-year in dollar terms. So there's really good action going on there. We would expect the positive impact to be about \$20 million, as Rusty indicated, that might net out to something less in the mid- to upper teens, depending on the impact of inflation in non-raw material categories like freight and then \$75 million is lined up for fiscal '27 spread relatively evenly across our quarters.

Matthew DeYoe - *Bank of America - Analyst*

All right. Thank you. I appreciate it.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you.

Operator

John McNulty, BMO Capital Markets.

John McNulty - *Bank of Montreal - Analyst*

Yeah. Thanks for your question. Good morning, Frank. So with regard to your ability to put through price, I guess, around some of the raw material inflation. I guess can you give us an update as to whether that process has really started at this point?

And how long you think it takes to catch up to where the raw materials are going? Do you think given the FIFO benefit or cushion that you have that we don't see any lag in the price versus cost? I guess how would you articulate it?

Matthew Schlarb - *RPM International Inc - Vice President - Investor Relations*

Sure, John. This is Matt. I'll take that one. So it's ongoing now. Some, and it really varies by business. It varies by geography because the levels of inflation are different in all these areas, and it has begun. And maybe it's probably helpful to look at how this is progressing in our view on it. So in the third quarter, pricing was up a little over 1%. And price/cost was favorable because we were catching up with some prior inflation. In the fourth quarter, because we're implementing some price increases now pricing will be higher again, we still expect price/cost to be favorable.

And then as we look at the first quarter when we're starting to see that inflation, we are implementing those price increases. But as you can imagine, it's pretty dynamic. Things are changing on a week-to-week, if not day-to-day basis in some of these areas. So those incremental price increases are going on now. And so we should have better visibility on what that ultimately is in the next few months. But we are confident that pricing in the first quarter will be higher than the fourth quarter.

John McNulty - *Bank of Montreal - Analyst*

Got it. Okay. No, that's helpful. And then when you think about the construction and the performance segments, both did really solidly from a volume and top line perspective. I guess there was a lot of noise. You had some of the government shutdown issues from the prior quarter, and you were seeing some benefit of that early on. But it also sounds like you've had a lot in the backlog, and it looks like it's starting to make its way through. I guess, what were the bigger drivers of the 3Q volume growth? And I guess, how do you expect that to kind of play out as we're going forward in both 4Q and at least at the start of 2027.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Sure. So in our Performance Coatings Group, we have solid backlogs and they seem to be being maintained. We are seeing a shift from larger projects to more small, medium-sized projects. That's good for margins, but create some volatility in our Construction Products Group, our backlogs continue to grow, both in roofing, in the waterproofing and building envelope areas. As we've indicated in the last couple of quarters, the work in Pure Air for the HVAC restoration business is also growing very nicely and really gaining some traction now.

We're excited about the Caleb acquisition. They are a leader and a German-based leader in the US and in some cases globally for aluminum and metal roofing applications. Some are your core traditional industrial and commercial roofing, some are real high-profile architectural projects.

Most of their work is European based, and so we will be working in the next six to nine months to bring the [Calcite] products into the US, which is a real bang for us once we get it done effectively. So we're not only building good backlog in our core business, but particularly in our Construction Products Group, a lot of these product lines are very leverageable to drive future organic growth.

The flip side is in consumer, still really punky in terms of takeaway we've adjusted accordingly in terms of our expense base and really allocated growth investments to the areas that are both highest margin, and I think you have the best potential for growth as the DIY markets start to stabilize, which before all of the Middle East activity, we were starting to see after what's been more than two years of really punky consumer DIY takeaway.

John McNulty - Bank of Montreal - Analyst

Got it. Thanks very much for the call, Frank.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Thanks, John.

Operator

Mike Harrison, Seaport Research Partners.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Morning, Mike.

Michael Harrison - Seaport Global Securities - Analyst

Hi, good morning. Congrats on the nice quarter. I was hoping that you could talk a little bit about the temporary inefficiencies that you've seen related to the plant consolidations. How much of a headwind, if you can quantify it, did you see in the third quarter? And have those inefficiencies largely run their course? Or are there still some more to come? And I guess, which segments should we expect to still see some impact in Q4 and into next year?

Russell Gordon - *RPM International Inc - Vice President, Chief Financial Officer*

Yeah, Mike, it's Rusty here. In terms of the third quarter, there is a little more than \$6 million that cost us in some of these facility consolidations, about two-third is in consumer. They have a lot going on in Europe between opening a new shared RPM distribution facility and also consolidating two plants into one and rationalizing some lower-margin products there. Probably the remaining one-third mostly at our construction products group, they are consolidating their plant network in North America.

And they're also repurposing a facility in Europe to sell Nudura, which is exciting. So I would expect that both of those will be completed by this fall. And so you will not see that negative impact at the end of the second quarter and fiscal '27 or beyond.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

So I would expect that both of those will be completed by this fall. And so you will not see that negative impact at the end of the second quarter in fiscal '27 or beyond.

Michael Harrison - *Seaport Global Securities - Analyst*

All right. And then just investors are starting to turn their attention to next fiscal year. I know there's a lot of moving pieces right now, but maybe could you walk through some of the puts and takes as we start to think about what earnings growth could look like next year?

I'm just curious if you have any current expectations for volume growth, what price versus cost could look like in terms of being a headwind or a tailwind? And then I believe you mentioned the MAP savings contribution something on the order of \$75 million. But any initial thoughts on next year's earnings growth?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. I'll start at a high level. Our MAP 3 (inaudible) development is pretty far along. We would expect to have that completed this summer and presented to our board in July and then be in a position sometime this fall to provide some of the details of what we are currently calling (inaudible) publicly. It will be a new long-term strategic plan out to 2030. I think you're seeing the beginnings of what that might look like in Q3. Our operating improvement initiatives are continuing, and you'll see some more detail on that in the fall.

The SG&A actions that we took in January are a down payment on that and so while we've committed to \$75 million for fiscal '27. We'll provide more detail on what SG&A allocation looks like, both in '27 and beyond. And I think there'll be significant margin improvement opportunities there as well.

Lastly, we still have opportunities of a couple more percentage points we feel in improving working capital and therefore, enhancing our cash flow. With that backdrop, we're going to use fiscal '26, the May 31 year-end is kind of the base year out to 2030 forecast. And it really goes back to whether or not the hostilities in the Middle East and the are ran is drawn to a close here in the coming weeks or months. or whether we are in a more protracted global problem.

And I say that, I think there is reason to believe that this inflation spike could be temporary, and that would be very helpful. And then you'll see a continuation of what we just generated in the third quarter in terms of positive volume growth and good leverage to the bottom line.

If it is not, then I think the world could be facing another bid and administration like spike inflation that's sustained as it spreads across energy, freight, and materials on a higher-level basis, that's certainly not what anybody hopes for. And I think we'll be in a far better position to understand where the world is heading when we release fourth quarter results in July versus all the volatility from day to day and week to week that we're facing today.

Michael Harrison - *Seaport Global Securities - Analyst*

Understood. Thanks very much.

Operator

Ghansham Panjabi, Baird.

Ghansham Panjabi - *Robert W. Baird & Co Inc - Senior Research Analyst*

Good morning, everybody Frank, Frank, just on following up on the previous questions. How do you think this inflation cycle will be different from the previous ones? I mean, each of them seems to have different dynamics that are unique to them. And I'm just asking because this one is very supply shock related versus being demand-led.

And so do you think that the reversal will be just as pronounced if, in fact, oil has peaked and has started to come down. And then related to that, do you expect inflation to sort of sequentially flatten out after what you see in fiscal year 1Q? Or do you anticipate sequential increases beyond that due to lags just based on what we've seen so far.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. So again, the third quarter and our expectations before this massive disruption in the Middle East after rounding two very difficult years in the consumer DIY market, and generally, consumer products in general, as you've seen from a lot of CP companies and folks in the DIY and building materials space. We were anticipating stability and some modest growth there.

I'm not sure we're going to see that now with some of these disruptions and the impact on price increases, which consumers have been sensitive to across consumer products. So we're very aware that. This is not, as you commented on, Ghansham, this is not demand related. I think our Performance Coatings and Construction Products groups are outperforming their broader markets and so we're picking up share new products and new categories for maintenance to repair are starting to grow for us.

But broadly speaking, commercial construction is still not recovering outside of data centers, you're seeing some moderation in industrial capital spending. So I think that if the hospitalities in the Middle East are drawn to a close in a more stable basis, you could see a reversion to oil prices and the related impact on raw materials pretty quickly. As we noted in the third quarter, inflation is almost nonexistent.

Price cost inflation for us on a material basis in the quarter was slightly less than 1%. And our price across all of our PM businesses was slightly more than 1%. We did not anticipate much in the way of further price increases, raw material cost increases in Q4 until obviously the last couple of weeks.

So I think we could get back there very quickly. I also think lastly, the cessation and this is Frank Sullivan on geopolitics, so take it for what it's worth. But I think a stabilization in the Middle East that people believe is lasting could actually be a catalyst for a pickup in economic demand, which would be great for everybody, and obviously, great for RPM given the structural improvements we're making.

Ghansham Panjabi - *Robert W. Baird & Co Inc - Senior Research Analyst*

Okay, perfect. Thank you for that, Frank. And then just for my second question, as it relates to the leadership changes in the consumer segment, can you just give us some high-level thoughts on what we should expect in terms of changes as it relates to the commercial side for that segment?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. So again, I'll start with a very high-level perspective. We've had a frustrating couple of years, not unique to us. I think in some aspects, we've outperformed the broader paint category, which has been under pressure because of interest rates and housing turnover and other factors.

But we operate here with a few simple principles, one of which is if you want a different outcome, you got to do something differently. And we had not been approaching that market differently over the last couple of years.

And like everybody, we're experiencing some frustrating results so we made a change at the leadership level. We made a significant readjustment of both our expense levels and where we allocate our SG&A dollars towards growth. Of the \$100 million in total SG&A program that we communicated in January actually about \$15 million of that is in cost of goods sold, about \$80 million to \$85 million is in SG&A. Just about half of that, including a lot of the cost of goods sold elements are in our consumer group.

Ghansham Panjabi - *Robert W. Baird & Co Inc - Senior Research Analyst*

Thank you so much.

Operator

Patrick Cunningham, Citi.

Patrick Cunningham - *Citi Infrastructure Investments LLC - Analyst*

Hi, good morning. Could you maybe help unpack the relative strength within the Performance Coatings Group. It seems like pretty positive on protective and fire protection. But curious how other markets are performing, particularly the recently added Industrial Coatings group.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

We're taking share. We're picking up some pieces and parts of some larger OEM accounts that we've traditionally not targeted in the Industrial Coatings group. So that's positive. We are reorganizing some of their activities in Europe, while modest, they've not been as profitable as our US business.

So that's improving the bottom line for the Industrial Coatings piece. And I think there's a nice fit there long term as our Carboline business is certainly a broad project and daily maintenance repair between the Powder Coatings activities and product production of the Industrial Coatings group and the capabilities to leverage that across the Carboline distribution and sales force.

So there's some synergies there as well. We're seeing strength for us in maintenance coatings, industrial coatings and in particular, fireproofing, which is a broad area globally of strength for our Carboline business. And our Stonhard business continues to generate really good results, both for Stonhard and our Tremco Roofing business, we feel that our supply and apply model, which is pretty unique in both categories is giving us an advantage in what's been a challenging labor construction labor market environment.

Our fiber grade business, they're based in Texas, doing quite well in terms of both component of construction, but in data centers and energy and other areas where they're FRP grading and FRP structures and actually ability to design different platforms and structures for industrial markets is actually growing quite nicely.

Patrick Cunningham - *Citi Infrastructure Investments LLC - Analyst*

Great. And I think emerging markets, while it's relatively small, has been a pretty substantial portion of growth the past couple of years. I guess, first, have you seen anything in terms of order cancellation, project pauses or general demand disruption in the Middle East or perhaps Asia? And how should we think about potential risk to top line if the conflict persists?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. I appreciate the question. We took a different approach to the developing world a couple of years ago, what we call the RPM platform approach. We have a great leadership team in our South African-based and they have oversight of Middle East, Africa, India, Southeast Asia.

And you can see that in the last year or so in most recent quarters, including the third quarter, solid organic growth improving profitability, really a well-run group, and it gives us confidence as RPM that we now have a more strategic approach to developing and the developing world to growing in the developing world. So we're very excited about that, and you can see it in our results.

To your specific question, we've seen an immediate impact in the Middle East. Our March was quite good in the Middle East, but we don't feel that, that's going to continue in Q4 because we've led through a lot of inventory. And so it's the one area where raw material supply is impacted and we will feel that certainly Q4 and beyond.

You're starting to see a little bit of an impact both in higher inflation and concerns about availability in parts of Asia. And all of those regions, particularly Asia, Middle East, our platform approach is more impacted by the shutdown of the straits and raw material production in the Middle East, which has been impacted. Beyond that, other than inflationary pressures, we don't anticipate any raw material supply issues.

Patrick Cunningham - *Citi Infrastructure Investments LLC - Analyst*

Great. Thank you.

Operator

Kevin McCarthy, Vertical Research Partners.

Kevin McCarthy - *Vertical Research Partners LLC - Analyst*

Thank you, and good morning, Frank. A broad question for you. How would you compare and contrast your efforts to optimize the price cost relationship in today's inflationary environment relative to what you experienced four years ago in the wake of Russia, Ukraine. Maybe you can remind us what worked well back then that you're continuing and maybe any learnings and things you're doing differently moving forward?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. We, like most companies are far better positioned today to manage through a crisis because of all that. In part because of a very successful centralized procurement activity that started in 2018 because of our ability to really engage our teams be strategic with major suppliers in ways that we weren't seven or eight years ago.

So we've developed some longer-term relationships, more contract driven. And so I think we're in a much better position today than we were at the beginning of the bid administration inflation period. We're more sophisticated. We get weekly reports on the impact of tariffs

on a by region, by country, by category reports. We have, as Matt indicated, pretty sophisticated understanding of how inflation is hitting us by country, by region and by category.

And so we're a lot more data driven on a real-time basis than we were, the last thing I'll say is we're also more sensitive to consumer price elasticity. You're seeing that again in various consumer product areas. And so we're sensitive to that relative to our consumer DIY products.

All of that will result in a mix of price increases where appropriate and where necessary by product line or by region perhaps some adjustments in supply or manufacturing, greater efficiencies, some product engineering in terms of taking costs out and all of that are ways and/or expertise at RPM that didn't exist seven years ago.

Kevin McCarthy - Vertical Research Partners LLC - Analyst

Very helpful. And then secondly for Rusty perhaps, could you provide your updated thoughts on maybe two cash flow items, working capital outlook given what we've talked about inflation wise? And then any early thoughts on capital expenditure trajectory in 2027?

Russell Gordon - RPM International Inc - Vice President, Chief Financial Officer

Sure. Yes. In terms of capital expenditures, we've had a lot of plant consolidations and ERP go live. In terms of CapEx, this year, we're probably trending Kevin, towards \$225million, \$235 million in that range. So not quite as high as you've seen in past years.

In terms of working capital year-to-date, we've made a little progress. Our cash conversion cycle is down by a day, and that's in spite of a lot of challenges with inventory between managing with tariffs and recent other turmoil managing inventory has been a challenge. We have backslid just a little bit, but we've more than offset that with continued progress and managing our terms with our suppliers, with our strength and procurement team.

Kevin McCarthy - Vertical Research Partners LLC - Analyst

Thanks very much.

Russell Gordon - RPM International Inc - Vice President, Chief Financial Officer

Sure, you're welcome.

Operator

Arun Viswanathan, RBC.

Brian Dong - RBC Capital Markets - Analyst

Hey, This is Brian Don on for Arun. Thanks for taking the question. Can you talk a little bit more about the rising health care expenses. Specifically, could you quantify what was the Q3 impact and you expect it to continue on to Q4 and fiscal year 2027. Thanks.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

So in Q3, health care costs were up another \$4 million. As we've commented before, the rising health care costs are not unique to us. It's been a huge cry across the United States, relative to what's happening in health care costs and insurance costs. We did make a decision

more than a year ago to add some of these weight loss drugs to our health care program. That's been part of the significant rise this year that will annualize this summer.

We believe long term and will actually have a positive effect on our health care costs. But over the last year, it's certainly been part of the increase. So we would anticipate that our health care costs stabilize somewhat in fiscal '27. But I don't see anything reversing.

Brian Dong - *RBC Capital Markets - Analyst*

Great. Thank you.

Operator

David Begleiter, Deutsche Bank.

David Begleiter - *Deutsche Bank AG - Analyst*

Good morning, Frank. Construction Products exceeded Street expectations. Anything you can point to that drove that large beat there in that segment?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. We have a really good team that's executing at a really high level. And they are very focused on providing solutions, our turnkey solutions. And so we have very, made a very deliberate shift from 10 years ago selling components for distribution, particularly in the CS&W the Trunk Sealant business, which is indicated in past calls.

10 years ago, we were about 60% distribution and 40% direct on major projects that has reversed about 60% direct. When we get a building envelope sale, we're getting perhaps in one project to Nudura walls, the Dryvit finished systems and all of the Tremco gaskets and sealants and waterproofing coatings that go with that.

And so we're able to sell complete systems. We're able to warrant complete systems and we're doing a better job of understanding what segments of the market value that and focusing our time and effort there. And then we're adding new categories. So we've done a lot of small acquisitions and from time to time, analysts scratched their head and asked us whether these small acquisitions are worth their time given our size.

I can tell you on our Construction Products Group, the answer is definitive yes. We've added some high-performing kind of unique expansion joint products from metal expansion joints to different polymer expansion joints to add to what we have.

Most recently, we bought two relatively small expansion joint businesses in Europe. We're transferring their technology and distribution to the US. And then most recently is the Kalzip acquisition, again, \$75 million, mostly Europe-based with some real high-profile projects like to sphere like some of the big airports but not really present in the United States. And we're already selling purchased for resale of \$40 million worth of metal roofing in the US. And so we're excited about what that can do.

So a combination of being in the right place, system selling and then having a real strategic approach to acquisitions or product lines that we can expand across our distribution is what's building a really solid momentum in our construction products group, and we see that continuing.

David Begleiter - *Deutsche Bank AG - Analyst*

Very helpful. And Frank, given that large be led by construction products, why can you at least raise the low end of the [FQ4] guidance range for EBIT?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

It's really about geopolitical circumstances. I can sit here and say confidently that we're not going to see any supply disruptions. Given what we know today and what we believe going forward, I in the world are hoping and praying for good outcomes.

There's a possibility that, that doesn't happen. And if things get worse in the Middle East, that could clearly impact our results in the next couple of months. Secondly, we're already seeing the impacts of that. We're anticipating the impacts of that in April and May, almost like in the fall, we had a really strong Q3. We had a very solid March, but there are a lot of cautionary flags as a result to what could happen in April and May. So I think we're being appropriately cautionary in a wider than normal guidance.

David Begleiter - *Deutsche Bank AG - Analyst*

Thank you.

Operator

Mike Sison, Wells Fargo.

Michael Sison - *Wells Fargo Securities LLC - Analyst*

So, Frank, just curious when you think about '26, if you were able to hit the range for the fourth quarter, your adjusted EBIT will be up low to mid-single digits, similar to fiscal '25. So given you've done a great job with cost savings and the MAP program and rolling out another. Do you think your EBIT growth should get better?

I mean I understand that DIY has been tough and everything. But do you think, should RPM be doing stronger EBIT growth for the rest of the decade? And how do you think you sort of get to that higher ramp going forward?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. If we could find a period of stability where tariffs, government shutdowns and kinetic actions in Europe and the Middle East don't get in the way, and that's not unique to us. I think the things that we are doing at RPM, the decisions we're making and the execution of our associates is such that in the coming years, you'll see improvement in the gross margin line, you'll see a shrinking of SG&A as a percent of sales, and that will have a positive impact on a steady, stable improvement in our margin profile.

It's in the cards in terms of what we are doing, and you can see it in Q3, and it's going to get better. All that, notwithstanding. We will be disrupted like everyone else by major raw material inflation or availability if things get worse instead of better both in the Middle East and for that matter and with the Russian war in Ukraine. Both have a disproportionately negative impact on Europe versus North America, Europe being our second largest region.

Michael Sison - Wells Fargo Securities LLC - Analyst

Got it. And then one quick follow-up on Consumer Group. Acquisitions have been a positive this year. I expect DIY is going to remain sluggish for another year. So when you think about developing growth algorithm for consumer group, do you have to shift a little bit more to acquisitions given the DIY is probably going to stay weak? Or maybe you have any thoughts on DIY for next year?

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Sure. We were starting to see some stability, as I indicated, and then concerns about interest rates and raw material costs and pricing, I think, will not help improve the DIY market. You're seeing that from not only us but our peers. We need to focus on two things.

We need to focus on categories that are growing, and there are a number of those, including cleaners, which we're pulling together a pretty good cleaner portfolio. And we need to do a better job of driving consumers to our products, whether it's in stores or online.

And so as we become more consumer-centric in our data and our marketing. With all of our retail partners, we need to be driving consumer purchase much more than focused on the retail takeaway. We got to be better at it. We're doing things. We've reallocated our spending in ways that should drive more consumer activity versus focusing on customer traffic and things like that.

We've got to get better at that, and we're spending money towards that. And just to finish that to your point, I think we've come to the conclusion we need to do some things differently because I don't think waiting for a big recovery in that market. It's a good strategy.

I think we and others have communicated that this spring of '24 and then this spring of '25, and then this spring of '26 is when the consumer is going to come back strong. And everybody that's waited for this spring to get better has been incorrect. So we're not waiting anymore.

Michael Sison - Wells Fargo Securities LLC - Analyst

Great. Thank you.

Operator

Vincent Andrews, Morgan Stanley.

Vincent Andrews - Morgan Stanley - Analyst

Thank you. Good morning, everyone. If I could just ask, Frank, I think you said on the \$100 million program. I think you indicated half of that would go to consumer. Is it fair to allocate the balance to the other segments equally? Or would it be a different mix?

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

I would think it would be fair to allocate the balance roughly along revenue lines. So it will be a little bit heavier at the Construction Products Group and Performance Coatings in part just because they're a larger organization.

Vincent Andrews - Morgan Stanley - Analyst

Okay. And then just a follow-up on your comments a couple of questions ago in consumer, I believe, about some concerns about demand as a function of raw material costs going up. And I just wanted to better understand whether you were indicating that maybe the large retailers are sort of saying, well, I don't know what things cost right now because every day the price is going up or the price is going down.

So the being even more cautious about their inventory levels as we head into the big selling season or if that was also meant to imply that you actually think this will be an incremental headwind to consumer takeaway or maybe you meant both. So any clarity there would be helpful.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Part of it is related to the big macro there that will help everybody is a pickup in housing turnover, which we've talked about as have others, it's been at 30- or 40-year lows from last year or so. And the anticipation of improving housing turnover and improving new home construction, obviously, a fascination of the Trump administration as well in terms of some of the things they're trying to do anticipated interest rates declining.

And I think with the current inflationary environment expectations to the extent that people think interest rates are not only not declining, but not go on that doesn't help that big macro. I think the other thing, quite candidly, is we and other consumer product companies have learned some lessons about consumer price elasticity.

And so the ability to raise prices when necessary, we have, we had one super premium spray paint that got over \$10 a share and people started trading, I'm sorry, \$10 a can and people started trading down. And so that's just candid.

So whether it's value engineering, whether it is understanding the price points that will move products off the shelf that have nothing to do with raw material costs and/or getting price increases through customers and everything we do with understanding consumer price elasticity. Those are the reasons that we're cautionary about the current geopolitical activities and their impact on our consumer group.

Vincent Andrews - *Morgan Stanley - Analyst*

Thank you very much.

Operator

Joshua Spector, UBS.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Good morning, Josh.

Lucas Beaumont - *UBS AG - Analyst*

This is Lucas Beaumont on for Josh. So I just wanted to go back to raw materials. So I mean, with oil and [petchems] up kind of 30% to 40%, I mean, that would seem to sort of imply that we're added towards more of like a 20% kind of annualized increase in raws over the next kind of 12 to 18 months. So I just sort of wanted to clarify your comments there around moving towards high single digits in the first quarter.

I mean that sort of would be on the pathway to those higher rates, but I just wanted to sort of clarify whether you're thinking you guys are going to see it peak kind of in the first quarter now and expecting things to come back down or if you see that more on a pathway to higher costs, which for PM in particular, is sort of all going to hit your Fiscal '27 year lining up that way. So you just kind of walk through your assumptions there that would be great.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Sure. So the simple answer is we don't know. We have some insight and I think some foresight into where raw material costs are going. And so I think we're pretty confident in a couple of percent impact in Q4. And I also think we're pretty a range, but pretty confident in the mid- to high single-digit impact in Q1.

Beyond that, we don't know. And your estimation, I think, is not incorrect. If oil prices stay at these high levels and raw material costs stay at these high levels on a sustained basis for all of our fiscal '27 and into '27. Again, as my comments earlier. I think there's a possibility that this is temporary.

And certainly, the whole world hopes for that for a lot of reasons. If not, there's a possibility that we, at least in the manufacturing sector, broadly are facing another by demonstration like inflation spike that's going to last for more than a couple of quarters, and we'll have to adjust accordingly.

Matthew Schlarb - RPM International Inc - Vice President - Investor Relations

And Lucas, I'll just add too, if you look at our raw material basket, a little over half of our raw materials are derived from oil or natural gas. So we actually have several things that aren't derived from those which aren't subject to some of the volatility in the oil prices.

And the other thing is our procurement team has done a really nice job, like Frank talked about with our strategic partnerships and having contracts, so we aren't a subject to the volatility related to the spot market and maybe as some others are.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

But I would add to that, again, I think we are pretty confident in what we see between now and the end of our first quarter, and our confidence level of where things are going after that diminishes very quickly. We don't know.

Lucas Beaumont - UBS AG - Analyst

Okay. I mean that's helpful. So I guess kind of where I was going with this sort of is the flow on is, I mean if we're all kind of up 20, then you guys are going to kind of need high single digits or 10% kind of pricing to recover that over the next two years. Because I mean, if see (inaudible) you don't need it nearly as much. So that's probably going to drive you guys are thinking about your pricing outlook for next year? And I guess how proactive you're sort of being on that front. So I guess linking it back to pricing.

I mean you've talked about sort of going to get more as needed. So I'm just trying to sort of understand, I guess, how, I guess, proactive or aggressive you kind of feel like you need to be there on the pricing front to kind of get that in place next year and kind of keep that lag on the price cost kind of impact, I guess, to a minimum.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Sure. Well, we are in the middle of discovering that as we speak. Certainly, we're aware of, for instance, pain competitors have already come out with price increase announcements in the 5% to 7% range and could be doing more.

So there are a lot of dynamics there. But again, we feel pretty good about our outlook for the next three or four months, five months and beyond that. As I mentioned earlier, we're better positioned to adjust appropriately and more quickly than we've ever been. It just feel volatile right now. I don't know where oil prices are today, \$10, \$15 below where they were yesterday, who knows where they're going to be tomorrow.

Lucas Beaumont - *UBS AG - Analyst*

Alright. Thanks very much.

Operator

Eric Boyce, Evercore.

Eric Boyce - *Evercore Inc - Analyst*

Good morning. Another one on consumer. I think organic sales have contracted now for four consecutive quarters. Curious on kind of the volume versus price split for fiscal 3Q if you're able to share that? And then shouldn't we be lapping easier comps in consumer, in particular, starting in fiscal 4Q? And have you seen any kind of organic green shoots in any particular product lines? Thanks.

Russell Gordon - *RPM International Inc - Vice President, Chief Financial Officer*

Sure. Yes. In consumer, as we discussed, we had negative organic growth in the consumer group. We did have some pricing that came into effect from increases last fall. So that gave us some tailwind. But yes, you're right, the last four quarters, we have seen negative volume growth in consumer.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. And as I indicated earlier, it felt like consumer takeaway in the DIY markets were stabilizing. And I will tell you, we're not annualizing easier comps. We're annualizing 18 or 24 months of easier comps and so the whole industry has been anticipating some stability. It was coming. And now I think the current events are putting into question whether or not a seemingly stabilizing or improving consumer DIY takeaway is going to continue to be challenged.

So that's everybody's expectations for the balance of fiscal '26 and so it's also why we took the actions we took, particularly to the extent that we're focused on our consumer group because we've been waiting for easier comps for 18 months, and they're not coming.

Eric Boyce - *Evercore Inc - Analyst*

Okay. I appreciate that. And then maybe for the second, can you speak to the structure of the pricing actions? Are those that are being done in response to this Iran situation? Are they being couched customers potentially is like temporary in nature? I guess I'm trying to understand if all of it will be structural, if or when I ran the escalates. Thank you.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. First of all, I think when anybody, any of our competitors, peers come out with a broad comment about price increase, they're typically talking on average, particularly through our RPM we have three groups. We have 20 dependent on operating businesses. They operate in different geographies. And then, of course, we have a broad mix of product lines.

And so, while we can tell you, for instance, that price was up in the quarter about 1%, doesn't tell you really anything about where price is up on a particular product line. It could be down competitively in some industrial coatings businesses. It could be up in the high single digits or more in some of our specialty products areas.

And so we are doing that as we speak. For the most part, what we will affect between now and the first quarter, I would guess it will be about 70% price and probably about 30% of temporary adjustments. Those particularly an area that we're particularly looking at surcharges as adjustments that would be temporary on freight.

Mostly, we've talked on this call about raw material costs but the impact on what's happening in the Middle East is impacting freight broadly, whether it's ocean freight, whether it's a truck cost, gas cost for car fleets, you name it. And so that's likely to be dealt with in the near term through surcharges. And then if we are in a sustained inflation in environment, we'll have to figure out if and how and when to make that permanent.

Matthew Schlarb - RPM International Inc - Vice President - Investor Relations

Thank you.

Operator

(Operator Instructions)

Jeff Zekauskas, JPMorgan.

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Morning, Jeff.

Jeff Zekauskas - JPMorgan - Analysts

Hi, good morning. On slide 7, you said that Europe grew 20%, but driven by M&A and (technical difficulty) do Europe contract exclusive of M&A and FX in the quarter?

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

Yes, it did.

Jeff Zekauskas - JPMorgan - Analysts

By how much?

Frank Sullivan - RPM International Inc - Chairman of the Board, President, Chief Executive Officer

I don't know that we disclosed that by region, but it wasn't down meaningfully. We are improving our bottom line. This is consistent with our comments on the last call, we are consolidating production. We're consolidating some distribution.

We're focused on a margin improvement. So the bottom line is performing better than the top line. But the (inaudible) on Ukraine has not helped economic activity in Europe. The war in the Middle East and Iran is not helping energy costs in our economic activity in Europe. And so that continues to be a challenge.

As you noted, most of the growth has come from acquisitions. The (inaudible) stuff, a couple of other product line acquisitions that I referenced earlier in our Construction Products Group. So broadly speaking, we're flat down in consumer. We are on an organic basis without acquisitions. We're down slightly in construction products, which really touched on the strength of our Construction Products Group everywhere else, and we're up in our Performance Coatings Group modestly.

Jeff Zekauskas - *JPMorgan - Analysts*

Okay. And in answer to one of the previous questions, you talked about experiencing a robust March. And you said April is different. Can you give some kind of quantification to what March was like and what April is like for your overall business?

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

I don't want to provide much in the way of guidance for Q4, a, because we're in the middle of it other than to say that March was a solid month. And I think a continuation of what we just published on Q3. But given all the activity in the Middle East, we are seeing some projects delayed. We're anticipating some slowdowns that may happen or may not happen. We just went through this in the fall related to the government shutdown.

And so the full impact of raw material costs and the full impact of any disruptions. For instance, we had a really solid Middle East performance in March. But we burned through inventory on what's been really good a really good team there that's taking share and been growing organically in the double-digit range. That's going to come to a halt in April and May because that's the one area where supply is challenged in terms of getting raw materials back into our plants.

It's a modest portion of RPM's business, but it's just one reason why we're hesitant on how we'll finish the quarter because as we experienced in the fall, we had a good first quarter. We had a bank up in September and then the world fell apart for us in November and December.

We came roaring back. And the dynamics of RPM have changed. And if the disruptions of a lot of these geopolitical events we get out of the way. And again, that's almost a silly statement because it applies to everybody. The work that our people have been doing is really improving our business, and you can see it in Q3.

Operator

And that concludes our question-and-answer session. I would like to turn the conference back over to Frank Sullivan, Chairman and CEO, for any closing remarks.

Frank Sullivan - *RPM International Inc - Chairman of the Board, President, Chief Executive Officer*

Good. Thank you to everybody for your participation in our call today. We greatly appreciate your questions and your investment in RPM. While the economic conditions and the geopolitical conditions remain volatile, we are executing very well on the things that we can control. I particularly want to thank the RPM associates globally and those in the Middle East.

We wish for your safety and appreciate everybody's dedicated execution and commitment. Hopefully, we'll be seeing a return to great weather, which will help RPM's performance in Q4 and we look forward to communicating the results of Q4 and our 2016 fiscal year in July. Thank you, and have a great day.

Operator

Thank you, sir. That concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.

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