

RPM INTERNATIONAL INC/DE/
Form 10-Q
January 06, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended November 30, 2015,

or

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

For the transition period from to .

Commission File No. 1-14187

RPM International Inc.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

02-0642224
(IRS. Employer
Identification No)

Edgar Filing: RPM INTERNATIONAL INC/DE/ - Form 10-Q

P.O. BOX 777;

2628 PEARL ROAD;

MEDINA, OHIO 44258
(Address of principal executive offices) (Zip Code)

(330) 273-5090

(Registrant's telephone number including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of December 31, 2015

132,832,418 Shares of RPM International Inc. Common Stock were outstanding.

RPM INTERNATIONAL INC. AND SUBSIDIARIES*

INDEX

	Page No.
 <u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements:</u>	
<u>Consolidated Balance Sheets</u>	3
<u>Consolidated Statements of Income</u>	4
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	25
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 4. <u>Controls and Procedures</u>	40
 <u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	42
Item 1A. <u>Risk Factors</u>	42
Item 2. <u>Unregistered Sale of Equity Securities and Use of Proceeds</u>	42
Item 6. <u>Exhibits</u>	43
<u>Signatures</u>	44

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

PART I. — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	November 30, 2015	May 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 190,609	\$ 174,711
Trade accounts receivable (less allowances of \$25,110 and \$24,526, respectively)	816,814	956,211
Inventories	710,282	674,205
Deferred income taxes	28,620	29,892
Prepaid expenses and other current assets	265,090	264,827
Total current assets	2,011,415	2,099,846
Property, Plant and Equipment, at Cost	1,262,062	1,258,304
Allowance for depreciation	(687,426)	(668,658)
Property, plant and equipment, net	574,636	589,646
Other Assets		
Goodwill	1,187,204	1,215,688
Other intangible assets, net of amortization	577,324	604,130
Deferred income taxes, non-current	2,902	5,685
Other	164,751	179,245
Total other assets	1,932,181	2,004,748
Total Assets	\$4,518,232	\$4,694,240
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 396,896	\$ 512,165
Current portion of long-term debt	2,593	2,038
Accrued compensation and benefits	119,482	169,370
Accrued losses	22,468	22,016
Other accrued liabilities	197,229	197,647
Total current liabilities	738,668	903,236
Long-Term Liabilities		
Long-term debt, less current maturities	1,673,471	1,654,037
Other long-term liabilities	732,467	752,821
Deferred income taxes	81,402	90,681
Total long-term liabilities	2,487,340	2,497,539
Commitments and contingencies (Note 13)		

Stockholders' Equity		
Preferred stock, par value \$0.01; authorized 50,000 shares; none issued	-	-
Common stock, par value \$0.01; authorized 300,000 shares; issued 139,979 and outstanding 133,318 as of November 30, 2015; issued 138,828 and outstanding 133,203 as of May 31, 2015	1,333	1,332
Paid-in capital	887,650	872,127
Treasury stock, at cost	(170,220)	(124,928)
Accumulated other comprehensive (loss)	(477,470)	(394,135)
Retained earnings	1,048,968	936,996
Total RPM International Inc. stockholders' equity	1,290,261	1,291,392
Noncontrolling Interest	1,963	2,073
Total equity	1,292,224	1,293,465
Total Liabilities and Stockholders' Equity	\$4,518,232	\$4,694,240

The accompanying notes to consolidated financial statements are an integral part of these statements.

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	November 30, 2015	2014	November 30, 2015	2014
Net Sales	\$1,155,984	\$1,071,128	\$2,398,510	\$2,275,024
Cost of Sales	662,050	617,185	1,371,618	1,312,688
Gross Profit	493,934	453,943	1,026,892	962,336
Selling, General and Administrative Expenses	352,594	334,889	725,448	681,414
Interest Expense	22,478	19,404	44,938	38,819
Investment (Income), Net	(1,100)	(5,058)	(5,168)	(8,861)
Other (Income), Net	(299)	(1,042)	(788)	(2,864)
Income Before Income Taxes	120,261	105,750	262,462	253,828
Provision for Income Taxes	36,112	31,894	77,951	75,133
Net Income	84,149	73,856	184,511	178,695
Less: Net Income Attributable to Noncontrolling Interests	716	4,090	1,263	9,850
Net Income Attributable to RPM International Inc.				
Stockholders	\$83,433	\$69,766	\$183,248	\$168,845
Average Number of Shares of Common Stock Outstanding:				
Basic	129,398	130,028	129,723	130,061
Diluted	136,734	134,966	137,072	135,000
Earnings per Share of Common Stock Attributable to				
RPM International Inc. Stockholders:				
Basic	\$0.63	\$0.52	\$1.39	\$1.27
Diluted	\$0.62	\$0.52	\$1.36	\$1.24
Cash Dividends Declared per Share of Common Stock	\$0.275	\$0.260	\$0.535	\$0.500

The accompanying notes to consolidated financial statements are an integral part of these statements.

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(In thousands)

	Three Months Ended November 30,		Six Months Ended November 30,	
	2015	2014	2015	2014
Net Income	\$84,149	\$73,856	\$184,511	\$178,695
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(53,814)	(91,222)	(84,420)	(112,488)
Pension and other postretirement benefit liability adjustments (net of tax of \$1,803; \$2,573; \$3,817; \$4,165, respectively)		3,640		