

RPM INTERNATIONAL INC/DE/
Form 10-Q
April 05, 2018

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 February 28, 2018,

or

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

For the transition period from to .

Commission File No. 1-14187

RPM International Inc.

(Exact name of Registrant as specified in its charter)

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

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(Address of principal executive offices)

(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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company.) Smaller reporting company

Emerging growth company

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

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

As of April 2, 2018 133,729,592 Shares of RPM International Inc. Common Stock were outstanding.

RPM INTERNATIONAL INC. AND SUBSIDIARIES*

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

PART I. – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	February 28, 2018	May 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 264,386	\$ 350,497
Trade accounts receivable (less allowances of \$42,244 and \$44,138, respectively)	884,295	995,330
Inventories	930,594	788,197
Prepaid expenses and other current assets	278,069	263,412
Total current assets	2,357,344	2,397,436
Property, Plant and Equipment, at Cost	1,570,597	1,484,579
Allowance for depreciation	(797,610)	(741,893)
Property, plant and equipment, net	772,987	742,686
Other Assets		
Goodwill	1,185,890	1,143,913
Other intangible assets, net of amortization	577,861	573,092
Deferred income taxes	21,042	19,793
Other	220,801	213,529
Total other assets	2,005,594	1,950,327
Total Assets	\$ 5,135,925	\$ 5,090,449
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 433,372	\$ 534,718
Current portion of long-term debt	3,767	253,645
Accrued compensation and benefits	139,243	181,084
Accrued losses	21,107	31,735
Other accrued liabilities	324,624	234,212
Total current liabilities	922,113	1,235,394
Long-Term Liabilities		
Long-term debt, less current maturities	2,179,658	1,836,437
Other long-term liabilities	334,913	482,491
Deferred income taxes	63,219	97,427
Total long-term liabilities	2,577,790	2,416,355
Commitments and contingencies (Note 14)		
Stockholders' Equity		

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Preferred stock, par value \$0.01; authorized 50,000 shares; none issued	-	-
Common stock, par value \$0.01; authorized 300,000 shares; issued 141,712 and outstanding 133,730 as of February 28, 2018; issued 141,242 and outstanding 133,563 as of May 31, 2017	1,337	1,336
Paid-in capital	972,187	954,491
Treasury stock, at cost	(233,288)	(218,222)
Accumulated other comprehensive (loss)	(405,734)	(473,986)
Retained earnings	1,298,876	1,172,442
Total RPM International Inc. stockholders' equity	1,633,378	1,436,061
Noncontrolling Interest	2,644	2,639
Total equity	1,636,022	1,438,700
Total Liabilities and Stockholders' Equity	\$ 5,135,925	\$ 5,090,449

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		Nine Months Ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
Net Sales	\$1,102,677	\$1,022,496	\$3,763,487	\$3,465,329
Cost of Sales	663,184	593,923	2,200,971	1,963,033
Gross Profit	439,493	428,573	1,562,516	1,502,296
Selling, General and Administrative Expenses	382,972	386,032	1,196,980	1,189,611
Goodwill and Other Intangible Asset Impairments	-	4,900	-	193,198
Interest Expense	27,459	23,769	80,628	69,452
Investment (Income), Net	(5,471)	(3,627)	(13,663)	(9,881)
Other (Income) Expense, Net	(165)	502	(592)	1,301
Income Before Income Taxes	34,698	16,997	299,163	58,615
(Benefit) Provision for Income Taxes	(5,890)	4,313	45,814	2,793
Net Income	40,588	12,684	253,349	55,822
Less: Net Income Attributable to Noncontrolling Interests	361	756	1,243	2,051
Net Income Attributable to RPM International Inc.				
Stockholders	\$40,227	\$11,928	\$252,106	\$53,771
Average Number of Shares of Common Stock Outstanding:				
Basic	131,178	130,677	131,195	130,657
Diluted	131,178	130,677	135,657	130,657
Earnings per Share of Common Stock Attributable to				
RPM International Inc. Stockholders:				
Basic	\$0.30	\$0.09	\$1.90	\$0.41
Diluted	\$0.30	\$0.09	\$1.87	\$0.41
Cash Dividends Declared per Share of Common Stock	\$0.320	\$0.300	\$0.940	\$0.875

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended		Nine Months Ended	
	February 28,	February 28,	February 28,	February 28,
	2018	2017	2018	2017
Net Income	\$ 40,588	\$ 12,684	\$ 253,349	\$ 55,822
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	31,133	16,576	67,453	(46,919)
Pension and other postretirement benefit liability adjustments				
(net of tax of \$1,319; \$1,863; \$3,576; \$6,626, respectively)	2,279	3,222	5,974	12,516
Unrealized (loss) gain on securities (net of tax of \$(1,070); \$1,192; \$43; \$1,968, respectively)	(2,380)	2,577	91	3,286
Unrealized (loss) on derivatives	(2,137)	-	(5,277)	-
Total other comprehensive income (loss)	28,895	22,375	68,241	(31,117)
Total Comprehensive Income	69,483	35,059	321,590	24,705
Less: Comprehensive Income Attributable to Noncontrolling				
Interests	393	756	1,234	2,051
Comprehensive Income Attributable to				
RPM International Inc. Stockholders	\$ 69,090	\$ 34,303	\$ 320,356	\$ 22,654

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended	
	February 28,	February 28,
	2018	2017
Cash Flows From Operating Activities:		
Net income	\$253,349	\$ 55,822
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	61,078	53,343
Amortization	35,123	33,497
Goodwill and other intangible asset impairments	-	193,198
Deferred income taxes	(42,885)	(26,996)
Stock-based compensation expense	17,698	25,005
Other non-cash interest expense	4,275	7,149
Realized (gains) on sales of marketable securities	(6,833)	(5,338)
Other	(71)	136
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease in receivables	138,942	190,423
(Increase) in inventory	(121,095)	(143,409)
Decrease (increase) in prepaid expenses and other current and long-term assets	14,307	(26,698)
(Decrease) in accounts payable	(112,888)	(95,727)
(Decrease) in accrued compensation and benefits	(45,873)	(50,425)
(Decrease) increase in accrued losses	(11,001)	2,247