Investor Day Audio Recording

SPEAKERS
John Roberts, Frank Sullivan, Tracy Crandall, Matt Schlarb, Mike Sison, Paul Hoogenboom, Josh Spector, Kevin McCarthy, Tim Kinser, Steve Byrne, Russell Gordon, John McNulty

Matt Schlarb 00:01
Good morning, everybody, and welcome. Thanks for joining us today. We're RPM and this is our Investor Day. I'm Matt Schlarb, Senior Director of Investor Relations at RPM. We really appreciate everyone making the trip to Cleveland and for those joining us online. I'll start off with some of the legal language.

So today's presentation is being recorded and a replay will be available on our website. Today's presentation 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 report filed with the SEC.

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And now, I'll give you a brief overview of today's agenda. So, we'll kick things off with our Chairman and CEO, Frank Sullivan who will give an overview of RPM. Then Tim Kinser, our Vice President of Operations will provide more details on MAP 2025. And then Rusty Gordon, our Vice President and Chief Financial Officer will give us an update on our capital. Next, we'll have Tracy Crandall, who's our Vice President of Compliance and Sustainability, Associate General Counsel, she'll give you more details on Building a Better World, RPM's sustainability program. Then, we'll have Paul Hoogenboom who is our CPG group president, he will give you a deep dive into his segment that he oversees. And then, finally, Frank will wrap things up, and then we'll open the floor for questions. So again, we appreciate having everyone here today. And I'll turn the floor over to Frank.

Frank Sullivan 01:55
Thank you, Matt. Just a brief introduction of Matt, Senior Director of investor relations with 15-year experience with other public companies. And so, we are really pleased to have him here. And he's already making our investor outreach more effective. So, you'll be hearing more and seeing more of Matt. So Matt, thank you.

I also want to introduce a number of RPM people that are here today as well. Starting with Rusty Gordon, our chief financial officer and Rusty and his team been doing a great job as we've evolved RPM from a holding company with a small, tight financial and accounting team to be more center-led in a number of areas. Tina Sherman is in the back. She is at least 50% of

Rusty Gordon's effectiveness. So, Tina, thank you very much. Tracy Crandall is here. She's our Associate General Counsel. Tracy is going to be talking to you today about our sustainability activities, our Building a Better World initiative, which she leads across RPM. She's been doing a great job. And we made a lot of progress in our sustainability efforts, and with our Building a Better World initiative. So, I'm looking forward to that.

Edward Moore is here as well. He's our General Counsel. Ed. Thank you. Tammy Zollner, our Senior Director of Communications.

And then, I think last but not least, we have Tim Kinzer. Tim is VP of Operations for RPM. You'll be hearing from Tim shortly after me. He had a credible career in the power energy business. And thankfully for us, his wife didn't appreciate him traveling around the world, building up or setting up power plants. So, we got him to adapt as our VP of Operations. As part of the original MAP to Growth program, Tim took on the procurement activities and really did an extraordinary job in consolidating procurement. He led to about $150 million in savings, a critical element of our successful 2020 MAP to Growth program. And now as VP of Operations, is leading the entire effort across manufacturing operations and procurement. You'll be hearing from Tim shortly.

And then lastly, Paul Hoogenboom, Paul is the group president of our Tremco Construction Products Group. Paul came to RPM in an IT capacity many years ago, was our SVP of Manufacturing and Operations reporting directly to me and has been at Tremco for seven or eight years now. Paul has pulled together our construction products businesses, which were very distributed, and today is our largest and highest performing operating entity. And I'm very excited about the tour that Paul is going to be providing for those of you who are staying for our Tremco sealant plan. You'll get to see our test wall system, it's pretty unique in the industry.

And so again, I'm grateful and it's awesome to see in person, a lot of folks that we've known for a long time and have followed RPM, and analysts are investors and also meet some new people. So, thanks for being here.

For 75 years RPM has been building upon my grandfather's founding, operating philosophy - hire the best people you can find, create an atmosphere to keep them and let them do their jobs. Over that-75-year period, we've been able to transform RPM at the appropriate times from a single manufacturing facility producing a single product Alumanation 301. From my father's efforts, beginning in the early 1970s, through his retirement in 2002 and effectively doing an industry roll up in the coatings of construction chemical space before anybody coined that phrase, to the six group structure that we began to organize our 40 or 50 independent operating companies into in 2002, really siloing those businesses but then getting a tremendous bang, from reorganizing from a true holding company into the group structure.

You all have seen these slides before. But from 2002 till 2016, we had a tremendous performance outperforming the market and our peers. And our performance was better than that because underlying that was the ultimate resolution over about a 15-year period of a billion for asbestos liability challenge. And so, I mentioned that the organization really powered organic growth. It really allowed us to start to get synergies within our six groups in ways that RPM

hadn't before. And that worked for about 15 years. The next transformation and probably the most profound one was driven by our 2020 MAP the growth operating Improvement Program.

We sought to take that entrepreneurial culture close to market decision making, allowing for RPM to drive organic growth for most of our industry, which has been in excess of our industry averages and marry it up with operating efficiency. And it was executed exceedingly well by Tim Kinzer, Gordy Hyde, Steve Knoop at the time, and then our operating leadership and our people in the plants.

And there were two elements to it. Number one, it was past time for us to address some of the operating deficiencies that were out there. As I remarked to our board, with the incredible effectiveness of our MS-168 focus on bringing lean manufacturing disciplines into our operations on a consistent basis and introducing continuous improvement into our businesses effectively.

While lean manufacturing disciplines aren't new, they've been around for 40 years, they were new to RPM. And our people executed on this exceedingly well. I think the big aha, between the operating efficiencies that we knew were out there and concerned about that entrepreneurial spirit, was that we can do both. And I think through the MAP to Growth program, we were able to prove that.

This is our structure today. And what I think is most profound about it is RPM is solidly in the middle and not at the top as a holding company structure. We went from six groups reporting and three segments to a much cleaner, four group structure led by industry veterans who are proven to be exceptional leaders. And also reporting in four segments. So, our investors, I think you have more visibility into our businesses and also really what we and our employees see in terms of how we're organized and how we think about attacking the market. Construction Products Group through creating and driving the market for high energy performance in the built environment as well as new construction.

Our Performance Coatings group, we're the leaders globally and high performance coatings for concrete and steel serving industry and infrastructure.

Our Consumer group, principally North America, but also in the UK and Europe, really the drivers of unique niche platforms, serving consumers that revolutionized small project paint in North America and really had an incredible run. But what happened there, and now their efforts are part of this new MAP 2025 and what you'll see is that we went from in North America in small project paint patch repair in most of the categories were in 25 years ago, market shares to the mid-teens to 20%. And through being innovative, new product introduction, delivering more opportunities to consumers to market shares exceeding 50%. Today, we are changing our approach in many ways to really create and drive the market and be more consumer and user focused. And we're really excited about what's happening there.

And then lastly, our Specialty Products Group. Still that traditional RPM model, being a great home for entrepreneurial companies for a very different collection of independent companies. But this will also serve as an incubator for potential future platforms. I'll just give you one

example. Our Mantrose-Haeuser business was the innovator of Nature Seal. It was a patented coating for apples to have a water wash for apples and inhibited, browning of apples, really revolutionized sliced apples. We are why you can get sliced apples in a bag in the store. We are why McDonald's can serve Apple fries.

That product went off patent, we saw the resulting impact over the last four or five years. We've acquired some other businesses, we've brought in new leadership, and we are integrating that business and it is the fastest growing part of RPM today. Organic growth, 20% or higher, getting price where appropriate, driving incredible margin profitability. So, the opportunity for us to create our specialty products, potentially platforms of the future is very exciting for us.

Lastly, is the power of RPM. It's an entrepreneurial approach to customers with leading brands and innovation driving growth. It's today being center-led manufacturing and operations and administration in ways that really address that we can do both in terms of internal approach to the market and operating efficiency. And lastly, and most importantly, it's what we call the Value of 168. Operating with transparency, trust and respect in all that we do, and the connections across all of our businesses.

We have a proud track record of delivering for shareholders. An important part of that is our dividend. We've grown our dividend with a dividend increase of 5% approved by our board yesterday and announced that their annual meeting 5%. It's a quarterly increase from 40 cents per share to 42 cents per share. And for anybody paying attention, on an annualized basis for at least one year, we will deliver to our shareholders $1.68 per share of cash dividends. That's an auspicious number for RPM.

I want to conclude before I turn it over to Tim Kinser. Just a thank you to our associates, I think all of us have experienced the same thing in your businesses, the last two or three years have been extraordinary. And to put your head down to work through the COVID disruptions in our factories, in our plants within our supply chain, the effort of our R&D people and our tech service people over the last two years literally in the face of supply chain challenges, reformulate and recertify 1,000s of products so that we can deliver products to the marketplace.

The extra efforts and extra hours of coming in, in off normal time to production because during the normal time in any particular week, we had critical raw materials which just didn't show up. It's been an extraordinary period of time. And the 16,800 Associates of RPM around the globe, are the ones that create our success. So I had the privilege of leading and as I said, before I turn it over to Tim Kinzer, Paul Hoogenboom was talking in the front of his 400 plus roofing sales people a few years ago, and one of them says what does a CEO do for a public company that makes it worth all the money he's paid? And my answer was I get to do the yabba dabba and you guys get to do all the do and so with that, let me turn it over to Tim Kinser, our VP of Operations who has literally led a lot of the do and our successful 2020 MAP the Growth program and will be the principal leader in our new MAP 2025 program. Thank you.

Tim Kinser 14:17
Thank you for having me. And good morning. I am Tim Kinser. I have been with RPM for 15 years, as Frank said the first 11 were with DAP. And in 2018 at the start of our MAP To Growth

initiative, I came to the corporate office. I led the procurement workstream throughout MAP 2020 And this morning, I have the privilege of being able to talk a little bit about our MAP 2025 plan.

So, I'm going to begin with a recap of our MAP to Growth journey because it's very important as it ties into our MAP 2025 plan. So this is a slide from our investor day in November of 2018. And the part that I'm focusing on here is the vision, where we set out to transform RPM into a more connected and efficient company, focused on operational excellence and continuous improvement, while maintaining the strengths of the entrepreneurial culture.

The structural changes that we made included adoption of the center-led model for manufacturing, procurement and administration. At the end of our fiscal 21, we exceeded our targets on efficiency improvements that were within our control by delivering savings of $320 million versus our communicated target of $290.

As we move forward, it's important to understand, and I'll spend a few minutes on this, the activities that happened starting in March of 2020, with the first being the COVID lockdowns. This was a very significant event beyond just the lockdowns in that the oil and gas refineries ran at reduced rates for nine months during this timeframe due to less demand for gasoline and jet fuel.

What this did was pull down feedstocks and lead to very low inventories during this time. In mid-February of 2021, winter storm Uri hit the Gulf Coast, and it caused many critical petrochemical facilities to go off the line for months This had a tremendous impact on the supply of feedstocks materials and their inventories, which were already very low due the refineries being down from the lockdowns.

We also began to experience logistics challenges as ports became congested, and the trucking industry became strained.

In April of 2021, a major US producer of alkyd resins, and a key supplier of RPM, suffered a catastrophic event that left alkyd resins significantly constrained in the US. And these events set the stage for extreme supply chain disruptions and unprecedented material inflation.

And in February of this year, the Russian Ukraine conflict began that has caused further uncertainty. The point of going through these is that through our mount to growth initiatives, RPM was well positioned to take these challenges on. We work closely with our suppliers, utilize our value engineering to find alternative materials, in source more materials than ever, and collaborated across the companies to ensure that materials that were short, were utilized in the most effective manner to minimize impact to our customers and our shareholders.

The macro-economic and industry challenges I just covered had a material impact on our ability to meet our MAP 2020 financial goals in FY 21. These headwinds continued through fiscal year 22 and margins were further challenged by worsening supply chain disruptions and inflation. Our Consumer Group was especially challenged. As the full effect of the alkyd resin shortages began to have serious impacts throughout the industry. It is worth pointing out that these

financial results would have been significantly worse, if not for the contributions from the operating efficiency improvements that I've covered early earlier from MAP to Growth.

Beyond the operating efficiencies of MAP to Growth, we've laid a foundation for continued success. A critical activity to support our continued success has been the work to consolidate our ERPs to four common platforms from the 75 instances we had in fiscal year 2018. This has allowed development and implementation of RPM wide systems and better data analytics that will be key to our MAP 2025 initiatives.

We've been working on optimizing our footprint and consolidating our accounting locations to drive further efficiencies. We have repurchased $633 million of stock and adopted an improved goal setting methodology that allows for better long-term planning. And as previously mentioned, we have greatly increased our insourcing to address supply issues and better utilization of our assets.

Perhaps the most important benefit of our MAP to Growth effort has been enhanced collaboration and coordination across the RPM companies. The picture shown here is our four group presidents Paul Hoogenboom from our Construction Products Group who you will hear from shortly, Dave Dennsteadt, from our Performance Coatings group, Bill Spaulding from our Consumer Group, and Ronnie Holman from our Specialty Products Group. These four are the leaders that champion the intercompany interactions that we call Connections Creating Value. We have instilled a culture that allows for the successful implementation of global shared service centers, RPM-wide systems and incentives that encourage collaboration.

An excellent example of RPMs collaborative mindset is the purchase last year of the Corsicana, Texas chemical facility. This facility is managed by the Construction Products Group, but all four RPM segments utilize materials produced at Corsicana. In fact, the primary beneficiary of that Construction Products Group plant is the Consumer Group as the facility has developed the ability to produce alkyd resins to help us offset the loss of the industry supplier I spoke of earlier. This level of cooperation and collaboration positions RPM well as we move forward, into MAP of 2025.

Just as we start, as I stated in our MAP to Growth vision statement, RPM has transformed into a more connected and efficient company. We exceeded our operating efficiency targets and the enhanced collaboration and coordination throughout RPM, not only helped us navigate the macroeconomic headlines of the last several years, it has positioned as well for future success.

Our view of MAP 2020 is that its completion is a milestone, and not the finish line. We have not stopped our continuous improvement activities and we have the resources, systems and very importantly, the culture, to position RPM for sustained profitable growth.

I'll now shift to where we are going. In 2018, when we launched MAP to Growth, MAP was an acronym for margin acceleration plan. Through the growth, we have successfully built a structure to accelerate our margins.

As we launch MAP 2025, MAP is now an acronym for margin achievement plan. And the margin we are most focused on achieving is a 16% EBIT margin.

This slide summarizes our MAP 2025 goals. We plan to grow our revenue to $8.5 billion. And as I mentioned on the previous slide, our focus is on achieving a 16% EBIT margin.

We believe that most of the improvements driving the achievement of our EBIT goal, will be reflected in cost of goods sold, thus achieving a gross margin of 42% will be critical to our success. Similar to our MAP 2020, these goals are on the run rate basis to be fully realized the fiscal year 26.

Our revenue growth was developed using bottoms up forecasts from our operating companies and totals up to a 5% CAGR for core growth revenue. We also expect revenue growth through strategic investments that the operating companies are pursuing, as well as a new work stream for MAP 2025 called CS-168, where we'll be implementing systems to drive commercial excellence.

A few examples of the many strategic investments we are planning, including Carboline diversifying their end markets, CPG driving the market through solutions to building efficiency, and investment that our Specialty Products Group is making in Greensboro, North Carolina, to create a RPM coatings center of excellence that all of our operating groups will participate in. In addition, we expect to add $250 million of revenue from mergers and acquisitions. And lastly, our MAP 2025 plan assumes modest GDP growth.

On this slide, we show the workstreams that will be the significant drivers of growth the gross margin improvement for MAP 2025 planning. We plan to continue expansion of improvements in both manufacturing and procurement. And the newly added commercial work stream is also on this page. For the manufacturing work stream, we'll be expanding a very successful management system, or MS-168, into additional facilities. We will continue to look for opportunities to optimize a footprint and use new approaches to plan efficiencies such as AI and the interment of things that we have started activities on. In procurement, we will continue to expand our strategic supplier relationships, which has proven advantageous for both our suppliers and RPM.

We have also made investments in the procurement team to support expansion into additional categories. With our baseline of fiscal year 22 being near a cycle high, we do expect costs to return to a more historic normal during MAP 2025. So, our planning does include a benefit from commodity cycle recovery.

As I previously mentioned, the plan for our newest workstream CS-168 is to implement systems to drive commercial excellence through use of data analytics to receive appropriate value for the differentiated value our products deliver and increase the overall effectiveness of the Salesforce.

Similar to MAP 2020, we have broken out the work stream savings into waves, with wave one being our fiscal year 23 and targeting a savings of $120 million of improvements. Wave two is

our fiscal year 24. And we'll be adding an additional $160 million of improvements and wave three by fiscal year 25 with targeted improvements of $185 million.

As we reported on our earnings call earlier this week, we are off to a very good start with $30 million of savings realized in our first quarter of fiscal year 23.

On the EBIT bridge, we break out the contributions from organic sales, mergers and acquisitions, and the MAP workstreams, which as you can see, is the most significant contributor to our improvement. We have also included offsets for SG&A inflation we expect to incur throughout 2025. This is something we did not include in our MAP to Growth plan from MAP 2020.

This shows our goals versus our baseline of fiscal year 22. Our targets include growing our revenue to 8.5 billion as I covered, an increase in our gross margin of 42% largely through the benefits of the MAP workstreams. The SG&A increase is to support our strategic growth, revenue and SG&A inflation. The EBIT is being driven by the improvements to gross margin, as well as contributions from our revenue growth.

And lastly, I just want to comment a little bit. We have been, and continue to experience an extremely volatile, uncertain, complex and ambiguous time. As a result of this, there are factors outside of our control, that could lead to us achieving our plan faster or slower.

Some factors that could negatively impact the timing of achieving our plan include a global energy crisis, a prolonged recession or a strong U.S. dollar.

On the upside, accelerated mergers and acquisitions, a larger commodity cycle recovery, or strong GDP growth could all lead to achieving our plans sooner. Thank you for your time, and I will now turn it over to Rusty Gordon to do the capital webinar.

Russell Gordon 31:04
Thanks, Tim, I'm Rusty Gordon. I've worked at RPM 28 years and the last 10 years as CFO, and I will be brief today.

So, the first slide I have talks about capital allocation at RPM. And our number one priority, as I put it, is to protect the house to make sure we maintain investment grade ratings, so RPM can access capital markets in all economic cycles to do acquisitions, year in and year out.

You know, when we talk about capital allocation today, as you're aware, the price for acquisitions has been very inflated, very high multiples. And for those of you who read the financial press, you probably know that for public companies, the batting average is not so great on acquisitions. And a lot of the problem is overpaying for acquisitions.

And at RPM a low batting average is not our experience, we have a very high batting average, because we have a lot of discipline. And we tend to avoid some of those crazy multiples, you might read about. And we're going to be really emphasizing internal growth and favoring that versus acquisitions.

We have a lot of great opportunities, you'll see something today related to high performance buildings, that's something Tremco specializes in. We talked about building a center of excellence for coatings. We see a big opportunity to diversify our Carboline business outside of their oil and gas niche specialty. And the same with OEM coatings in our Consumer division. We have consistently grown Rust-Oleum to cover more surfaces year in year out, we're going to be as we've resolved supply chain issues, getting back to finding more growth opportunities for that business as well as the cleaning business we've expanded there. And that's a nice platform. So, plenty of ideas for internal growth. And when it comes to capital allocation, you'll see more funding for those initiatives.

Also on the slide, we talked about our dividend increases, we have a growing dividend, and that's been valued by our shareholders. And that dividend is a great way for RPM to return capital. Because it's a nice match for the steady cash flows we generate being a maintenance driven business. So that's worked well for us. And share repurchases is something we've picked up a bit since we entered demand program in 2018. We're going to continue to do it at a minimum to offset dilution, and we'll do more share repurchase when the opportunity exists.

The last slide I have today is to talk about our debt structure. And this shows our debt maturities for the bonds and credit facilities that RPM uses to fund our growth.

One comment I'll make is, as we got to the end of the last calendar year 2021, we saw some signs that credit markets were probably not going to get much better and more likely to get worse. So we did two things. First thing we did was early in January, we pre-funded a bond maturity that matures next month, you can see on this chart, that 2022 300 million bond, we pre-funded that with an issuance back in early January of 2.95% because we did see that interest rates were more likely to go up, not down at that point.

Second thing we did was that we had a term loan and revolving credit facility that was set to mature in 2023. And there was a lot of talk about recession in 2023. So, we thought we should get ahead of that, and we amended those facilities this past summer to push those maturities out. And as you can see on this slide, to 2025, and 2027. So, the end result of this, as you can see, most of our maturities are long out, we have a duration of 13 years, average interest rate on our fixed debt of little over 4%, which actually isn't too far from where the 10-year treasury was at least a week or so ago.

So, we're in good shape there. We do have some floating rate debt, but as our cash flow improves and as we get through this supply chain mess, our hope is that we will be able to have some cash available to pay off some of those floating rate instruments. So, with that, I will turn it over to Tracy Crandall, Tracy.

Tracy Crandall 36:47
Hi, I'm Tracy Crandall, I'm the RPM Vice President of Compliance and Sustainability. And I'm also the Associate General Counsel. I've been with RPM for 13 years and I have been leading our sustainability program for the last year. At RPM, we call our sustainability program Building a Better World and based on our materiality assessment, we focus on people products,

processes, and of course governance. For 75 years RPM has valued and respected our place in the world as a steward of the environment. Our Building a Better World program represents our ongoing commitment to create a sustainable future founded on our values of transparency, trust, and respect.

In recent years, we have doubled down on our commitment by implementing new data driven systems and processes across our decentralized operations to bring good practices together with this more center-led strategic approach to sustainability topics Our initiatives prioritize areas where we can make the biggest impact. For example, this includes efforts to recruit diverse candidates, reduce water usage, and to design communications programs to engage and excite our employees about our sustainability efforts by showcasing the great work that they have been and continue to do to make our business and products more sustainable.

As you will have likely seen, we released our 2021 sustainability report in August. In the report, we track our I'm sorry. In it, we report on our track record of sustainable product development achievements, operations advancements, contributing to increased energy efficiency and reduced greenhouse gas emissions as well as our diversity and inclusion programming.

We also explain our Building a Better World program and strategic approach, highlight our sustainability strategies and detail our 2025 calendar goals. We are proud of the work achieved by our companies and Associates today, but recognize there is more work to do, and are focused on using the Building a Better World program to take us to the next level in our sustainability journey.

As I said, Building a Better World is our commitment to building a sustainable future. And we have organized our program into three pillars. Our products focus on the energy efficiency advantages of the products that we make, as well as the impact, the ingredients our products have on people in the environment. For example, we're looking at green chemistry and sustainable packaging alternatives.

Our people addressing diversity and inclusion, health and safety and training and development, and our processes, focusing on the impacts our operations have on the environment and climate change. These sit on our long-standing foundation of good governance and ethical practices, through which we emphasize our core values of transparency, trust and respect.

I'll walk through each pillar in more detail, but first let me highlight our 2025 calendar sustainability goals that we released in our report. Using 2021 as a baseline year, our calendar 2025 sustainability goals are to reduce scope one and scope two greenhouse gas emissions from our facilities by 20% per ton of production and any energy consumed in our facilities by 10% per ton of production.

To reduce waste to landfill by 10% and increase recycling by 20% both for ton of production from our facilities, and finally to identify and implement additional opportunities for water reuse and conservation and collaborate with our suppliers to do the same. Products and people focused goals will follow as we continue to develop initiatives as we gather analyze data in the coming year to improve product profiles and associated experiences.

Back to our pillars, as part of our products pillar, we work to proactively improve sustainability in our product formulations and in our packaging. With our product lines, customers can promote energy efficiency, reduce landfill waste, extend the useful life of renew and reuse products, and support the use of bio based and recycled materials. Our sustainability report showcases many of our sustainably advantaged products, including those on the slide.

To highlight, Tremco CPG creates full root coating products such as the AlphaGuard line. Some products of which are bio based and carry a USDA BioPreferred label. These products reduce the heat island effect and enhance the ability of buildings to regulate temperature, leading to greater energy efficiency and reduce greenhouse gas emissions from the building. These products also restore roofs thus avoiding tons of landfill waste because the old roof remains in place and it's simply over COVID.

Our daily success as a company depends on having a diverse and rich and engaged team of cathedral builders, people who find purpose in their work. This is a long-standing mindset and an essential component of the RPM entrepreneurial spirit. As part of our people pillar, we embrace the ways our associates are different and strive to create a work environment where our associates feel included, invested in and supported in their work and their community contributions. Frankly, we could not take on the challenge of building a better world without the committed RPM associates around the globe, who we involve in our sustainability efforts in a variety of different ways.

We are also focused on adapting to matters affecting the things valued by our rapidly changing workforce. And we've developed benefits offerings designed to support associates mental, emotional and physical well-being. For example, we recently redesigned our infertility benefits to better serve women without partners, same sex couples, and women who are later in childbearing years. And we look for ways to offer learning opportunities to our associates to meet continuing training needs, stimulate personal growth and development and advance in their roles. In fact, in response to our first employee engagement survey earlier this year, we are investing in an exciting new online training and development service offering.

Our MS-168 manufacturing system is the foundation for many process improvement efforts associated with MAP to Growth. And it is critical to the achievement over 2025 Building a Better World sustainability goals. This program has been implemented at 40 plants and is being rolled out more facilities each year. It empowers our associates to maximize efficiency to minimize waste in our facilities. Reducing waste ultimately improves the quality of our products and increases the overall operational efficiency in our facilities thus reducing greenhouse gas emissions and the use of natural resources. We take climate risks seriously as we decide how to spend capital, where to expand our operations.

In 2021 we conducted a review of our manufacturing and distribution centers to assess total water withdrawn, water consumed, and facilities located in regions with high or extremely high-water stress to guide capital expenditure and operational decision making. Through our center-led Environmental Health and Safety Program, we conduct audits and deliver training, develop

safety policies, and create goals to address areas for improvement for the safety and health of our employee base.

Since 2015, we have closed 31 outdated and energy intensive plants as part of our MAP to Growth program. As we consolidated locations and became more operationally efficient, we significantly reduced greenhouse gas emissions energy and water use. We have limited data from 2015, but based on our estimates, we believe that compared to 2021, and our per ton of production basis, we reduced greenhouse gas emissions by a fabulous 40% approximately, and water by approximately an astounding 60%. A testament to the value of the MS-168 program, to our sustainability success, and to facilitating the achievement of our Building a Better World 2025 goals.

Our foundation of good governance is built off of a board of directors that is engaged in environmental, social and governance issues and provides guidance to our cross functional Building a Better World oversight committee which I do. We have had women leaders on our board for over 30 years and recently added sustainability experience from two new directors, Julie Lagacy, Chief Sustainability and Strategy Officer of Caterpillar Inc. and Elizabeth Whited, Executive Vice President, Sustainability and Strategy, at Union Pacific Corporation. General Ellen Pawlikowski, our most recently appointed director, brings a wealth of executive leadership experience as a result of her role as a four-star general in the US Air Force.

Governance and our culture of transparency, trust, and respect is reinforced throughout our organization, through our code of conduct and through our ethics and compliance training program that focuses on all employees including management.

As I stated earlier, we are proud of the accomplishments to date associated with our Building a Better World program and look forward to continuing to build a better world as we develop new initiatives and targets and meet our 2025 sustainability goals. As we look to the future, we are excited about our prospects to stimulate engagement, and drive change throughout our organization. Given this centralized sustainability approach, our energy around our belief and our world program and our board support, we are committed to being good corporate stewards with our products, our people and through our processes for the benefit of the environment.

We are prioritizing a number of different areas for future progress, some of which are highlighted on this slide. Like the development of a renewable energy strategy and additional goals, as I said earlier. I'm excited and honored to lead RPM in its Building a Better World program. And on behalf of RPM and our committed associates, I thank you for supporting our commitment to Build a Better World.

I will now turn the presentation over to Paul Hoogenboom, President of our Construction Products Group.

Paul Hoogenboom 48:08
Thanks Tracy. As Frank mentioned I've spent 10 years with the Construction Products Group, and I'll tell you about that journey. 2016 Frank approached me and what had to date, at that

point, been a highly fragmented, all over the world approach to building construction materials and said, "Do we want to form this global group and pursue that as a strategy?"

And then I said, “yes.” And then Frank and I took about three years to put all that together, we unveiled that in July of 2019. So strategic realignment to drive both in efficiencies, was sort of the tagline back then. And the group is really structured around two fundamental areas – the as-built and new building construction environment, air moisture and thermal management, as well as all the flooring in the building to be seamless, fire protection, both active and passive for anything in the building, and any of the concrete. And then on the other side, anything to do with infrastructure that is either about concrete or concrete protection.

So, since the group was put together as a reportable segment, you can see that the performance has been solid. And as Frank noted, we've been in a very, very challenging environment. But we've done a nice job of being able to leverage and grow sales, get that to the bottom line on the EBIT side as well as improve our EBIT percent. So very, very good start for us there.

A key part of the changes historically, what had been independent, really company based, generally based upon when they were acquired and then within the geographies they were acquired. We went through a global brand strategy we have nine of those. You'll see a number of those as my examples and later on when we hosted the test wall.

And then two brands which remain regional, one, Viapol which is a very strong brand in Brazil, very exciting market for us and the others Key Resins, which is a very good flooring brand, just here in North America.

And then again, the key markets we serve, as I mentioned, it's really any of the buildings and both as built already existing and new construction, and then any of the key infrastructure assets, and you can see the sort of list of the usual suspects there, up on the right.

So, before I talk about our group’s theory of competition, I want to talk about RPM’s theory of competition, and 1947 is the founding of RPM. And you see the lone wolf there. Very much a strategy of a highly decentralized entrepreneurial structure. Frank always shares great, great stories of his grandfather with his field sales team out there who had that decision making authority close to the customer.

And, Frank, I always remember that you educated us that for your grandfather, the customer wasn't served by salespeople, that it not the actual end customer, they were served by a skilled sales organization. So, I get up every day maniacally focused on maintaining this decision-making as close to the customer as possible as a key tenant. That's really helped us outgrow the market by a turn or two over our entire history.

But when the MAP program got unveiled in Baltimore, in November 2018, it really was saying, okay, there's an inherent amount of operating inefficiency, when you're that decentralized, could we work together as one monolithic team and gain all that operating efficiency of a highly integrated company? And of course, Tim presented on that.

Now, MAP 2025, our second iteration. And that's really, for me the concept of the wolf pack, right? Where if you're familiar with the social dynamics of the wolf pack, that's where the strong look out for those who are less strong. And I think that's very much a key theme for what we do as RPM from a theory of competition. And that's certainly what we tried to do within our group as part of as part of that strategy.

So now I'm going to shift to our group's theory of competition. So, when we got together in 2016, to say, "Okay, what is going to make us unique and different in the marketplace?" We realized that we were very, very successful and we created and drove the market. Now I think that's a pretty audacious or bold statement, it's not serving the market but will create and drive. And I will share some examples with you today, both in this presentation and later on at our test wall. That gives you a sense of how we do that.

There are really three key tenants to that is platforms, good platforms make it easy to do good art things. IPP is an organization that was founded by Peter Diamandis of XPrize fame out there, a private, private flight to space, if you do a little bit of research on him, an incredibly dynamic individual.

So, whenever we're struggling, I always go back to saying whether we're not connected properly to a platform, or there's a platform issue or something outside of that, and I'll share with you on the next slide, what that platform strategy looks like.

Solving unique problems. CPG wins when we solve unique problems. PGH, that's me. So those are my initials. But I have stolen that from another number of other people. So that's my own paraphrasing of that. We get up every day and looking to solve unique problems that nobody else has been able to solve. And for me, the more difficult the problem is, probably the bigger the prize, and off we go. And so that's sort of a key tenant in terms of what we what we what we focus on.

And of course, if you can solve a unique problem, as if that is the core foundation of how you create a new market, then based on that solution, and the last the new scientific truth, I'll read this. A new scientific truth does not triumph by convincing its opponents making them see the light, but rather because its opponents eventually die. And a new generation grows up that is familiar with it. It's been commented to me that's Max Planck, famous physicist that that's a rather dark quote. But it's appropriate for building construction materials, which are very, very slow to change.

So, if you're going to create drive the market, it's a generational experience. It's a 20-year journey, and many of the things that we've done, you know, Frank referenced Alumanation 301, that's a roof restoration coating 1947, right. The roof restoration market, which were a primary driver of really didn't gain momentum until we focused on it in 2013.

If you do the math, that's not one generation Frank, that's three or four, right? So, if you have to have the persistence to see that through and if you think because the market as a hockey stick you live on the blade, a torturously long time before you get the benefits of getting up on the

stick. So again, that's a key theme when we go and create and drive the market as a 20-year view, and we'll share some things again at the test fall with you, that many of those go back 20, 30, or 40 years, and we're just now gaining momentum in the marketplace.

So, this is what the what that platform approach looks like we got together in 2016, this pyramid was inverted. And really all the power was at a regional business platform level in order to serve the customer. Now all the power and how we're structured sits within our 12 platforms.

I'll share a few of these platforms with you today. And then everything else is subordinate to that. Operationally our field sales organization, our channels to market and then again, our regions, so I think we're very uniquely structured in the marketplace that the goal is that these technology platforms are really the dominant driver, and the key organizing strategic principal group.

So, this is the first example that that I'll touch on the right to see macro trends. So, these trends will appear on in subsequent slides. So, I'll just cover these real quick. And then I'll get to the specifics of the slide.

So, labor shortage that's not new to anybody. We had a chronic labor shortage long before COVID. And COVID really did just absolutely amplify that for us. And that's really on all aspects of building construction materials were less feet in the street, our competition is continuing to cut SG&A we're going in the opposite direction, we're getting more and more and more SG&A efficient. So, I would say for every dollar of efficiency, we have 50 cents goes to the house and 50 cents goes into putting more feet in the street. So that's a dominant trend out there.

We very often hear they only ever see us in the market. They don't see anybody else

Unmaintainable buildings, the building you're in probably doesn't have a manual that says what do you do you know, on your car, when the windshield wiper wears out, you don't replace the car, you replace the wiper. Your buildings aren't typically built that way. So we're in this massive as built environment, none of it was built to be maintained. Such a huge opportunity for us.

Zero landfill. Of course, that's very prevalent today. And everybody's aware of reasons we don't want to put things in landfill, certainly a primary area of methane. And I think just burying our waste is not it's not a very great solution

Energy efficiencies becoming a heightened awareness of that, of course all the time.

Indoor air quality, we're very aware of that because of COVID. But in their quality is a lot more than that its occupant comfort, and occupant comfort really enhances whether it's a school, your learning ability, or your ability to work or just your ability to be comfortable with your family. So, there's a lot out there about occupant comfort, and lead with safety. There are two sides to that we have they want to save for workforce, our own workforce, or our customers workforce. But there also is a whole trend in the industry to where people don't want to work in dangerous activities. So, you're seeing a great difficulty in especially today's labor for labor shortage, getting people to go to the more difficult trades. So, a big competitive advantage for us as if our

processes and systems and so on are inherently more safe. That's going to make it more competitively compelling.

Internet of Things, monitoring diagnostics, that's, of course, well known to all of you there. But the diagnostics we're probably the leader in all of the different aspects of the building and infrastructure and our own ability to do diagnostics. If the core strategy you have is restoration, you better be able to diagnose what you're restoring, because you're essentially taking ownership of that structure once you restore it.

The chief procurement officer I, there's a rule of thumb I use right now that probably a third of all buying decisions are made by people like Tim. And they're cheap. They're procurement professionals, the old days of selling to the engineer your features and benefits, I think are getting more and more difficult. So how do we bring value to achieve procurement officer and that's a very different conversation than my product or systems are better or solve this problem. Method to buy, you see there so again, the chief procurement officers went off and dictate to us I want to buy this way. And so, we need to be able to sell to them that way.

Climate change volatility, there's a few key things here. First, it's a lot of construction practices require what I call good weather or a series of days of good weather that's getting harder and harder to do. So, if you have construction methods that don't require good weather that you can do in any sort of inclement or cold weather to gain advantage or if you can operate in a very short windows, if the restoration process takes an hour or two versus three to five days. Then you can work in situations traditionally where you go. And then of course, we're also getting more severe weather events. In particular, because of this entire as-built environment, both infrastructure and buildings are more and more dense, right? So, the level of destruction gets higher and higher.

So, our ability to have very, very durable structures is becoming more and more compelling. Of course, Hurricane Ian brought the mind again this past week.

And thermal stability and harmony are two things that fundamentally attack structure, both infrastructure and building is UV from the sun, and its thermal movement and expansion. So the ability to control that the best building or structure is completely thermally stable. And certainly, if you're going to restore something whenever you restore what has to be in harmony with the movement of that structure, right,

So, I'll get to this specific example. I think this is the most famous roof in all of Cleveland, this is our Quicken Loans Arena downtown. And you see on the left, this says cost of neglect. So that roof, if it's run to failure, that's a $6.8 million cost for the Cavalier organization.

So, our primary competitive approach in this market is asset management, eliminate running to failure, you can kind of see if you get earlier in the process, and you're much more cost effective. We use an expression in roofing, the existing roof you have as is the last roof you'll ever need. So, there's a there's a the prevailing thinking in the roofing industry is tear off and we'll replace and we're about educating the owner about asset management. And then in that asset management approach, then bringing our products and systems to bear.

The fluid applied roofing market in North America is approximately $800 million. That's 14% of roughly $5.5 to $6 billion of the low/no slope market. Notice it says 14%. Every year that percent goes up one or two percent. We're the primary driver of that percentage going up and up. And we're certainly the primary player in that $796 million. So, we're the ones creating and driving in the market.

If the market exists, how do we create it? We're constantly bringing restoration solutions to the market for what was inherently not restorable. So, this year, something we've been developing for eight years is called AlphaGuard, the single largest installed base of roofs out there is gravel surface, built up roofs that are inherently been unrestorable until our AlphaGuard system out there. And that's a big reason we have primary standing with many of the large enterprise customers out there. So that is what in essence creates a whole new restoration market for that roof type that didn't exist.

On the other side, we see services is roughly 2x, the size of the material market. We're the third largest roofing contractor in North America. So back to the CPO, often somebody like Tim says I want one throat to choke, I don't want to buy from a manufacturer have a contract or no point fingers at each other. Who do I go to. So, there's an increasing momentum in the marketplace of wanting to hold one party accountable. We're fairly unique in our ability to be held accountable on a national basis, and even on a global basis. So, we're big players on the right side of that equation.

Okay, so we talked about one side of the building, let's talk about the next four sides. You see a before and after picture here you see on the right side, the building that this before and after picture came from. So, this is a good example of a building that probably got built in the 1970s not built to be restored.

And so, on the left is something is something you see where they're trying to solve. In that one interface. You see, there's probably seven or eight different areas where you can get air or water intrusion. And they're trying to solve them with a sealant. You'll later on hear from Marcy Tyler, Director of Building Science, we love our ceilings, but sealants can solve a lot of problems. So in this case, the only way to solve something like that is with a gasket system. And you see that we have our range of solutions down below, right? There's a cliche that if all you have is a hammer, everything's a nail.

So, one of the things that's unique about us is we have all the different methods of restoration. So we don't have any one particular system, there's a range of choices. And you see here, there's some scaffolding on that building. And I'll quickly kind of go through the macro trends, your labor shortage, if you were to typically walk into a building like this, they've already been presented what I call re skinning, right, so you basically have to scaffold and basically take off that facade, one floor at a time. And so the labor the amount of labor to do that compared to a couple of people on a swing stage for a summer to redo this building dramatic difference. Feet in the street again we have a very strong presence and being able to support this type of restoration out in the field unmaintainable buildings this is this is we If we seek out the unsolved problem that says this building cannot be restored, it cannot be maintained. How do we bring a

system to the market to allow you to maintain that right, so we seek that out zero landfill, nothing's going to go in the landfill once we restore this. Energy efficiency will dramatically improve because all that air moisture and thermal leakage going on, that interface will be eliminated. Indoor air quality will be dramatically improved. You cannot control indoor air quality unless you can stop all the leakage going on. And keep all of the moisture out of the building.

Lead with safety. This is a much safer. People want to do this work because you're just on a nice swing stage typically used to clean the windows, as opposed to the scaffolding, much more dangerous work compared to reskin. That building the chief procurement officer again method to buy, they'll dictate to us how do you want to buy all of the different methods to buy we're very, very prevalent in and that's a big differentiator for us.

Climate change volatility. You can do this work in the rainiest day, on the windiest day, on the coldest day, you could do this work and minus 20. I wouldn't want to right, I think that's a little cruel, but you can work in very cold or very hot temperatures or very wet doesn't matter.

And then again, the thermal stability, right that this solution needs to move with this building. If you've ever been up pretty high in the building, you can feel sometimes movement is two or three feet. So, our systems and solutions need to build to move with that. That's one of the key reasons a sealant won't work.

Alright, so we did two things on restoration. What about if we built new and didn't need to restore at all. So, we're going to talk about insulating concrete forms here, that's our Nudura, you'll again see that at the test wall. It's a method of construction that we think is the strongest that's out there and incredibly energy efficient. I'll share with you in this example, what those numbers look like.

Tremendous amount of comfort. That comfort is the combination of your comfort with the air that's around you, but also the noise, the quietest way to build and then more environmentally friendly from a life's from a cradle-to-cradle lifecycle. As you heard Tracy talk about how we're trying to improve our own operations. We think this is the most environmental, most environmentally friendly way to build.

What you see as a school, Richard Hill Elementary School in Kentucky was the first school in North America to be net zero. Not only was a net zero after the first year, they got a check from the utility for $37,000. It was net positive, right? And that really created a real stir out there that said, hey, not only is this possible, we should expect that and this is really the prevailing method of school construction throughout all Kentucky.

The cost is comparable to a conventional school. Again, I mentioned all that recognition to follow. The photovoltaics and went up on that roof a school of that size usually has about three football fields before photovoltaics, but because of using ICF this was only 40,000 square feet. So, you reduce that asset capital asset cost by 75%.

It is the facility in the town you go to when there's a tornado warning. It can withstand a wind of over 250 miles an hour. So incredibly durable. In a learning environment, we all know the

importance of natural daylight. So, you'll see in this structure dozens of really large windows, it doesn't really inhibit that, you know we could build a completely impervious concrete structure but that wouldn't be very people friendly.

The design flexibility of this is unparalleled compared to conventional construction. So, they have a highly suspended radius wall it's a pretty unique design element. And this school is actually very close to the road. So, the original school that was there very noisy for the students. When you're in that building, it's absolutely whisper quiet.

So back to the macro trends on the right across we have covered the labor shortage. A very small crew can build this entire wall system compared to the large crew. There's also a speedy construction here, often one to four or one to five meaning what would take four or five six months to do a small crew can do in one month so great speeding construction.

Of course, I mentioned zero landfill because this building will last as long as you want it to it's not going to degrade tremendous energy efficiency. I showed you the check they receive indoor air quality because of its ability to inherently control the air moisture thermal far better conventional construction.

Lead with safety, a much safer way to construct than traditional methods. Climate change and volatility of course being very, very durable that's a good thing but you can build this way. No matter what the weather is so bad. There are no inherent weather delays. And then the thermal stability or harmony This is 100% thermally stable building doesn't contract and expand on a lot of things.

Okay, I'm going to shift gears here on my original branding slide, you've seen Tremco power of one. And this is an example of one of our hospital customers. And it's an example of bringing things together across our entire group and all of RPM.

So on this parking, garage restoration, there'll be Tremco Willseal where there are only two companies in the world that do these wide joints. We'll cover with you that later when we do the host you what's unique and special about us. Euclid, which is on the concrete side. Rust-Oleum for protecting metal. WTI, our own self performed capability in this case, that's what the customer wanted in Fibergate, which is a sister company for FRP composites. On that parking garage, we also did the facade that's TREMCO and Dryvit for the finishes, Willseal again for the joints. WTI that is self-perform. And then roofing and HVAC restoration.

So, you've heard plenty about roofing. So we did that on a self-performed basis. Pure Air was a recent acquisition. So, everything I told you about roof restoration, we are now pursuing on HVAC and air handling, right? That's the market three times larger than roofing all built on run to failure already on the roof.

We've already persuaded the customer about the benefit of asset management, why not apply that to your equipment. And so in this case, we did that for that hospital. And certainly again, the benefit of no tenant disruption key for us for right needs to run 7/24.

Legend brands that's an RPM sister company. You'll see later on about the importance of Legend Brand and doing roofing, right. And Fibergrate again on the composite side. So, this is the ability to bring all these different things together.

Frank's question from 2016 brought to life with one project with one customer one hospital. So, we talked about platforms within my group, I think it's often not well understood that RPM itself is terrific platform.

So, I'll give you three quick examples of my about my group working with the others. The first one is on the CPO side is Tremco working with Rust-Oleum. And Rust-Oleum has a terrific relationship with Granger. There's nobody better than the Granger working with chief procurement officers to optimize your MRO spent. So, we went to be with Granger to say will partner with you so you can bring value to the chief procurement officer for building restoration and building maintenance. So we have a big partnership with Granger to do that today.

Once we learned how to do that, then we went to Dave Dennsteadt that runs the Performance Coatings group and says well, your Carboline, Stonhard and Fibergrate companies all have the same phenomena we do but how to work with these chief procurement officers. Why don't you come with us we'll introduce you to Granger we'll partner with you about how to get that up and running.

The second example I have is Tremco primarily serves with what I call the tier one marketplace in terms of tier one contractors and specify work with there's tier two and three and DIY. So, we've really partnered with Rust-Oleum who excels at DIY and two step distribution for how we serve the tier two, tier three and DIY marketplace. So, a lot of exciting initiatives underway there.

The third one, you see the word technology appear over and over. Legend Brands. we'll again show you later on when we host. Mantrose-Haeuser is in biomaterials. So, we're doing a lot of work ourselves on biomaterials and Mantrose-Haeuser's really educated us on that. DayGlo is a very, very sophisticated resin manufacturer. So, a lot of our next generation resins to solve problems that couldn't be solved come from DayGlo. You see that down there FinishWorks works which has a very interesting business model, which we are piggybacking on in terms of how we go to market and partnering with them. And then last but not least in Wood Finishes Group, which is a high-end player in wood finishes. And you see a lot of that when those Wood Finishes coatings are starting to show up in our own products. Who knew that Wood Finishes would translate to roofing, but some key breakthroughs there working with them as a partner.

So, in closing, you know, I talked so far if you listen to me you think I about selling products and systems. But earlier I mentioned asset management, right? We really want to persuade people on asset management. If you buy into asset management, then you're going to be receptive to my restoration strategy. So in this case, what we're talking about here is fundamentally trying to raise up the industry right to better and better building and construction practices built once built right, maintained forever as opposed to run for fit run to failure. And this is really a summary of us saying our whole emphasis about putting more and more feet in the street so we can really

help everybody be present in the industry. We're very, very unique in being able to do that and invest in that on an ongoing basis. I'm going to turn it over to Frank for concluding comments.

Frank Sullivan 1:15:08
So, I'm going to wrap up our prepared remarks just to kind of summarize the things that we've been talking about. We through the MAP program have developed a culture of collaboration that is serving RPM, our customers and our shareholders exceedingly well. And we have been able to marry that entrepreneurial spirit. That's the hallmark of kind of our foundational success with operating efficiency, but there's a lot more work to do.

We've got a strong balance sheet and a very disciplined capital allocation program. And that will continue throughout the MAP program and in the next few challenging years.

Sustainability is an integral part of what we do and who we are. And RPM companies have been driving a building and Building a Better World for decades, but we have to get together and tell the RPM story. It's what society demands better, and take all of that success of our businesses and coalesce it into an RPM approach to ESG. And Tracy Crandall is really leading that effort, both across our businesses to drive those sustainability improvements, but also to better communicate the sustainability story that's been part of RPM for decades.

And then lastly, I appreciate you all being here, because you're going to get to touch and see more concretely with a tour in our Tremco sealants facility and see some of the things probably talked about. I want to thank Tracy and Tim and Paul for their presentations this morning. And we have about 25 minutes for any questions that you might ask.

Mike Sison 1:17:02
Hi Frank, Mike Sison, Wells Fargo, thanks for all the information, just two questions. When you think about the 5% organic growth, it's been hard for anybody to grow 5% in the last couple of years, can you maybe talk about how much of that is sort of the economy and what you can do on your own in terms of volume growth. Then just a follow up, what type of free cashflow you'd be able to generate over this timeframe?

Frank Sullivan 1:17:30
Sure. So, on the growth, when you look over the last 20 year period, our organic growth has been in the neighborhood, on an average basis by 5.5% to 6%. So, I don't think these numbers are certainly out of reach. It is organic growth. So, it will be a mix of price and unit volume.

Certainly, we're benefiting significantly from price this year, I think in Q1 of 17%, or 15%. And so, but we're anticipating that slowing down in the coming years. So, we think 5% organic growth numbers can be achieved.

On the cash flow, I'll allow us to address some of the cash flow dynamics. We have not put together for public disclosure, the cash flow pieces of this yet. There are critical working capital goals internally and related to compensation, about our MAP to Growth programs. Tim do you want to add to that list?

Rusty Gordon1:18:34
Yes, when it comes to cash flow, our cash flow results have been poor because of the supply chain challenges. We've had to actually stock up when we can over the last year and a half just to be able to supply and granted not supply at the fill rates we prefer to supply. So that's been a challenge for cash flow. But Tim, I know you've looked at the MAP goals in regard to working capital and cash flow. So, I'll let you comment on that.

Tim Kinser 1:19:08
Yes, we have some work at some new targets around improving our working capital. We do expect to improve our working capital as a percent of net sales around 400 basis points and it's going to be largely focused on better processes around our inventory. As we right size, our inventory coming out of all these supply chain challenges that we found needs to be a key focus.

Kevin McCarthy 1:19:50
Thank you, Kevin McCarthy, Vertical Research partners have a three-part question on your MAP program. First, as I look the sources of savings, it seems as though the majority or perhaps a vast majority would hit the COGS line. Is there a portion that hits SG&A as well? And if so, how much, much cost savings right there be there? The second part would be what is the cost to implement? And then third, obviously price, and raw material costs can wreak havoc or be a tremendous benefit on the gross margin line as the case may be, as we've seen in recent years. So, what are you assuming in the plan or price contributions and then raw material costs?

Tim Kinser 1:20:41
Okay, so, Kevin, the first question again?

Kevin McCarthy 1:20:52
Any SG&A savings.

Tim Kinser 1:20:53
Okay, so our plan is, we do expect to have some small amounts of administration savings, but it will not be material, or we're making strategic investments into our growth revenue. And we also have the normal SG&A seen inflation. So, I did not call that out as a workstream. There still are some opportunities or consolidation around some of the accounting locations, but it will not be material in the overall MAP savings. Sorry, next question.

Kevin McCarthy 1:21:32
Cost to implement?

Tim Kinser 1:21:32
So in our cost to implement, we are currently looking at it being less than $200 million, with about half of that for capex.

Frank Sullivan 1:21:44
I would just add to that the original MAP program cost to implement was probably about $300 million and the differences we were able to consolidate, and close but 31 manufacturing facilities in the 2020 MAP to Growth. While there will be some modest footprint reduction in MAP 2025, we won't have the same level. And so that's the significant difference between $150 million $200 million cost to achieve in this program versus the $300 million in the original MAP program.

Tim Kinser 1:22:22
Then please, your third question?

Kevin McCarthy 1:22:25
What are you baking in terms of assumptions for pricing increases versus raw material costs trends as relates to 42% gross margin?

Tim Kinser 1:22:36
So, what we would expect, as I mentioned is that we were near a cycle high in fiscal year 22, we have obviously been going out with price increases as reported 15% of our in Q1 was price. We are still behind on catching up, we actually had sequential inflation, as was discussed on the call this first quarter. So right now, we haven't seen the peak of that. I do expect that sometime during this this period of MAP 2025, that we would get back to a more historic normal. And we're just going to have to, as we go through this, that continued inflation, we're going to have to continue to keep an eye on increased prices.

Frank Sullivan 1:23:32
I would add to that, that the current savings we identified in the wages plan are roughly 50% process improvements and consolidations that we believe we can affect and the remainder 50% is a plug number for commodity cycle benefit. And that one I'm certain will be wrong. We'll either get more or less depending on the timing and magnitude of the commodity cycle recovery and the related ability to maintain our prices.

Steve Byrne 1:24:14
Steve Byrne, of B of A maybe just a follow up on Kevin's question. If I understood your right, Frank, half of the $215 is raw material cost deflation?

Frank Sullivan 1:24:27
I would split that element of our expected savings roughly in half between process that we can affect ourselves regardless of economic circumstances and supplying the commodity cycle benefits. Having said that, the critical element of our success and we saw this and that is driving those revenue gains, because you can be very efficient in your cost price mix, but the benefits accrete with each additional dollar of sales.

Steve Byrne 1:25:01

If you look at your cost of goods in fiscal 2022 versus 2021, and it went up by around $600 million, how much of that was raws? Versus it sounds like, Frank, you're looking at a little over $100 million in savings. So, what much was raws up in fiscal 2022?

Tim Kinser 1:25:24
The raw material inflation that we had in fiscal year 22, was north of $500 million.

Steve Burn 1:25:29
Okay, and Paul, maybe one for you. Perhaps we'll get into this in more detail on the tour. But you got to, you got a couple of different brands that are involved in, you know, epoxy flooring, and so forth, you got a couple of different brands that are involved in concrete mixtures, do they compete with each other?

Paul Hoogenboom 1:25:57
They did when I got there. So, I would say in general no, I mean, there's far better cooperation in terms of how we deal with so called the whitespace of the market. And I think, in many cases, that they go to market differently, so they rarely if ever, collide. And, and the one or two times they do a year, I have a sort of a standing rule, please call me first. And then somebody has to make a decision.

And even between us and the other RPM groups that can exist. There's just a high level of cooperation between the other three presidents. So, I think philosophically, there's a lot of whitespace in our markets, and we have a lot of different ways to get there ends up being a smidge of friction between the circles in that whitespace. And I think what we do, what we've done well within RPM now is at the at our group president level, we all talk to each other once or twice a year, it gets a little exciting. And we just figure out who takes the lead.

Josh Spector 1:27:13
Hi, Josh Spector with UBS. Just a question about some of the cross-selling or the different opportunities to sell one product in Construction, Consumer or Performance. You talked a lot about the President heads discussing that. But really at what level of the organization are some of those decisions made where there might be the right product, or a different avenue to sell or there might be an opportunity, and are employees incentivized in some way to do that financially to encourage more of that?

Frank Sullivan 1:27:39
So let me address that from the big picture perspective and then have Paul and Tim address that. So as Paul referenced and Tim in his prepared remarks probably the most fundamental change in our 2020 MAP program was the cultural change of RPM. So, a level of cooperation, communication, collaboration is extraordinary. And for those that have followed RPM 10 years ago, we had six units, and they all stayed in their own space. And they all bumped heads, you'll hear a little bit from Paul. We've been talking about connections creating value for 15 years through the MAP period, our intra company connections in terms of insourcing, not just including Corsicana, have grown from $20 million to $60 million. Sorry, $60 million to $180 million. And so that gives you a sense of what's happening there within our own businesses. And I will let Paul and Tim address you know, how does that get addressed at the level below the group level

Paul Hoogenboom 1:28:51
Yeah, I think in the beginning, as I referenced, it was very much top down. There was a strong message for me and the other group presidents that were going to work together and in harmony. And now I think we're four or five years down the road on that there's a lot of relationships now at a much lower level. And you know, you're doing something right when they figure out there next strategic how we work together.

One other word we use in our group a lot, we call it strategic alignment. So, in all the sales compensation structure is strategic. We call it strategic alignment, how does your selling activity line up to the strategy of the company and right in strategic alignment system specific initiatives with sister companies, very discrete metrics to where we both reward and punish that behavior. So that's quite the journey we've made from not even being able to discuss it to where it's an expectation that is in everybody's sales complement.

Tim Kinser 1:29:53
Yeah, and I would just add on the materials side from insourcing standpoint. We have four facilities that are capable of producing materials that other RPM companies can use for standards,. And we've developed a cost plus model that takes all negotiation out of it. And through the use of the center-led team and the leaders of those organizations, they're able to see how they can help out companies cost company. So, it's been very effective, especially during the supply chain shortages, some of these facilities, were really able to step up and bail out some of the other companies when they understood what the need was.

Frank Sullivan 1:30:42
Lastly, just one more thing there. Through the MAP to Growth program is reorganization for our four group presidents and group CFOs and some of their senior leaders. We have changed our comp program to be more RPM equity, it is performance based, but RPM equity and awarding and more based on RPM consolidated goals. Pre MAP to Growth, if you were one of our six group presidents, most of your compensation, even when it was equity related, was generated by your performance to your group's operating plan, regardless of what else happened in RPM. We fundamentally changed that at a more senior leader level, and it's got everybody's attention on the big ball. There's only one stock that trades no matter what RPM company you operate, and it is called RPM. So that's a meaningful benefit as well in terms of collaboration and cooperation, to the benefit of the entire organization.

John Roberts 1:31:44
John Roberts from Credit Suisse. It would seem to look like a lot of the products at the Performance Group could be in the Construction Group. I realized that you know, the different customers and more into the upstream part of the business than the downstream part of the business. But it's all construction related. Is keeping it separate as PCG because it has one more growth opportunity that way you expect to bolt on a lot more things, because you could probably take out another layer if you were to actually move it over within construction.

Frank Sullivan 1:32:14

Sure I am. We have consolidated from six groups to four. And it's had some pretty meaningful benefits. But the Performance Coatings group, in particular a Carboline or a Stonhard. They serve more heavy industry, capital spend and infrastructure. So, we do all the floors for Intel. We're big in microelectronics, we're big and pharmaceuticals, power, oil and gas, green water, wastewater, so more heavy infrastructure, whereas the construction products group serves more of a commercial maintenance and or new construction element.

And so, they do serve different markets and go to market differently. You could bring a lot of this together and get some additional efficiencies, but the real question that we constantly balance is, what do you lose in the close to market driving revenue growth perspective if you did that.

And so, we think we've got our businesses optimized. Paul can maybe explain because we have these discussions, the decision to swap some of some business units revenues with the Performance Coatings group, where I think a candid discussion between Dave, Dave Dennsteadt and Paul Hoogenboom, resulted in, hey, these product lines are in your group, but we can serve the market better with them and vice versa. And again, in the old RPM, that would never happen.

Paul Hoogenboom 1:33:47
So, to build on that there are parts of the world where we're completely consolidated. And either my team leads it or Dave's teams leads it. And so, David and I constantly talk about very openly and very cooperatively about where we really can get that leverage, especially and we call it a rest of the world where they're either smaller markets, more difficult markets, or high degree of partnership between us.

In the more developed markets like most of America, the flooring partner for roofing is Stonhard. And you're like, yeah, but you're a big flooring company in your own group. But the business model at Stonhard is compatible with roofing. Right? So, Dave and I constantly compare notes as if we're one company and say what's the best approach to this.

So, you saw a lot of examples of how we work with Carboline or Fibergrate or Stonhard. We actually have within the CPG comp programs, the direct incentives and alignment with where we think we align in the market to where you will work with your sister company. So at a local level, the roofing rep and the Stonhard rep are constantly working together on their comment, customer lists, etc. So a high degree of cooperation at the field level as well, a lot of that's changed. But as I referenced earlier, a lot has changed over the last five, six years.

John Roberts 1:35:09
It doesn't sound like you'd give up a lot to get together?

Frank Sullivan 1:35:12
Well, I think what we want to maintain, is the distinct approach to the market, our biggest asset is not on our balance sheet. We probably have 2,000 or 3,000 salespeople. And they are highly experienced, tons of relationships. And so, the thing that we're focused on that is that is really helping accelerate growth, and as part of that CS-168, is taking old line sales reps that have deep, deep relationships and know tons about the oil and gas market or tons about water or

wastewater. And we are empowering those people think of it as empowering people with salesforce.com, which is one thing that we're using, but we're using data in ways that we never, never had in the past.

And it's real to the tune of a couple million bucks a month, and some of our businesses with an outside consulting firm. If we build databases, and then develop the tools to use that. So that's what we're focusing energy over the last year, some of the benefits that we saw in Q1, and that is what will drive this CS-168 piece. So, our focus more is using our data. And this is a little bit like lean manufacturing disciplines, not new to the world,, but they were new to RPM. We embrace them, you can see the power in our lower conversion costs.

Big data, data analytics and the ability to use data effective with really interesting tools. They aren't quite as old as lean manufacturing disciplines. But it ain't new to the world, but it is new to RPM and our salesforces. So that is where we are spending our time. One last point on that, those efforts John tend to be driven on a consolidated spend basis, so there is no duplication.

We have shared service center in India. Three years ago, we had 25 people there. This year we have 280. And it's IT, it's accounting, and it touches every RPM business, including our corporate headquarters. So there's already a level of growing consolidation, around the things I think you're asking about that we are doing. But we have no intention of consolidating sales forces or tech service reps.

As you heard from Paul, and if my grandfather was here, he would tell you the same thing for feet on the street development. And he believed that if you had a business that was consolidating distribution or consolidating the salesforce, ultimately, you'd have a business whose revenue base is going to go the wrong way. Now the key is can we use more modern tools to improve and or enhance the effectiveness of the salesforce so we have more.

John McNulty 1:38:21
John McNulty from BMO, so I guess, a couple of things. First of all, I know, on your numbers that you just put up the other day, it seems like a lot of the MAP tailwinds were in the Consumer business. Is that how we should be thinking about it through the whole program where it's the bulk of MAP, it's going to be there and the rest are kind of evenly divided? Or is that even out and we see some clunky bits throughout the rest of the group?

And the other question on the data analytics side, we started to allude to this before, but data analytics helps on the cost side a lot, but it does sometimes open up revenue opportunities. Can you help us to understand what may be things that you are seeing and that you've learned and that you can use going forward to drive your revenue.

Frank Sullivan 1:39:07
Let me address that big picture and then have Tim and Paul comment on that. So big picture, we have spent a significant amount up front in the beginning of MAP 2025 on our Consumer group. And it's because of the significant challenges they face the revenue in 2022. And, you know, they operated at profitability, margin levels that were lower than in their history with RPM.

And it was a function of the COVID spikes, and the challenges and inefficiencies in a lot of our operations. And it was exacerbated by the COVID spikes in terms of just scrambling to do whatever we could to meet demand. And then as demand fell, and as supply chain challenges surface all of that hit our Consumer Group.

In general, and with our Rust-Oleum group in particular. So, we spent a tremendous amount of time. And I will tell you that by group, as you saw in the first quarter, a significant portion of our fiscal 23 benefit. Not only, but a significant portion of our 23 benefits will be coming disproportionally from the recovery in our Consumer Group, which had a great first quarter and it's going to have a great second quarter, but are still not back to their historic high EBIT margins.

And I will tell you that in fiscal 24, and 25, you will see a much more even distribution of the benefits of MAP 2025 across all our businesses. So, if Tim or Paul wanted to add to that. And I think, Paul, in particular, questions around new CS-168. Is this just an efficiency thing? Or is it going to open up avenues forever.

Paul Hoogenboom 1:40:55
The big change that really took place over the last 10 years is we're inherently structured and field selling bottom up. So local individual would determine their activity and what their focus was. A big change has been from an analytics standpoint, what both were now also top down. So, from the top in our group, from a top-down management perspective, we do the analytics on the market in terms of what I call, where to hunt, whether it's by market segment, by account, base, a accounts, etc., etc.

And we have a top-down bottoms up approach, which is tied to be called strategic alignment, where we now say, Okay, from a sales activity standpoint, where to direct the activity, how to track the activity. Frank referenced Salesforce, none of that existed when I got there that's now universally ubiquitous everywhere, and all the groups have done the same thing.

And then that also facilitates working between the groups, like I referenced an initiative with a Consumer Group for tier two, three and the DIY, they excel a tracking that. So, they're the ones doing all their analytics on where to hunt, and how to hunt. And then our field sales organization, if that executes against it. So Frank, as you referenced, these are not new.

Frank Sullivan 1:42:14
And I would add to that challenge, in your last part of your question, there will be some opportunity to come up because some of our coming efforts will be to pool our data on a consolidated basis. And it's hard to know today, what would come out of that, that the selling tools will necessarily be specific to the largest SBUs with the ability to look at massive amounts of data, not only within groups within SBUs, but across RPM, I think it's going to reveal some interesting things for us. But we're not there yet. But we're getting there quick. Tim, anything to add to that?

Tim Kinser 1:42:55

No, I think you said very well.

Frank Sullivan 1:42:58
So, I think we have to get on the bus here to head over to our Tremco Sealant plant and just want to conclude for the people that are listening on the line. Thank you for your participation today and for your interest in RPM. We certainly are living in an unprecedented , at least in economic history, just volatile and uncertain period of time. And so, I'll conclude with you know, we've laid out the details here. Certainly it will be revenue specific as to how much of that hits our bottom line. But out of $465 million and expected improvements in over efficiencies in MAP 2025 I believe there's 300 million plus, there are elements that are within our control. And so, we're really excited about executing on this plan. And we will communicate our performance to the plan that we laid out today as we communicate our quarterly results starting in January. And so, I want to thank everybody for your participation. For those that are going to the TREMCO plant. We're grateful for your presence and I think your investment of time and some expense to get here will be well rewarded. And thank you, Tracy Rusty, and Tim and Paul for presenting today. And we're grateful for your time.