

RPM International Inc

S&P Capital IQ Recommendation

SELL ★★☆☆

S&P Capital IQ Equity Analyst C. Muir

Price
\$47.88 (as of Oct 14, 2016 4:00 PM ET)

12-Mo. Target Price
\$49.00

Report Currency
USD

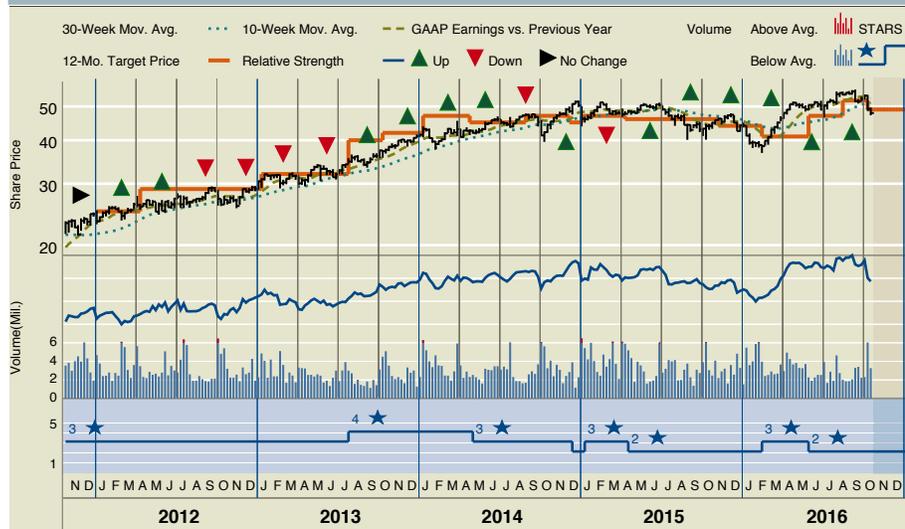
GICS Sector Materials
Sub-Industry Specialty Chemicals

Summary RPM makes specialty coatings and products for structural waterproofing and corrosion control, as well as products for the consumer, do-it-yourself and hobby markets.

Key Stock Statistics (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	\$55.92–36.78	S&P Oper. EPS 2017E	2.78	Market Capitalization(B)	\$6.370	Beta	1.32
Trailing 12-Month EPS	\$2.73	S&P Oper. EPS 2018E	3.10	Yield (%)	2.51	S&P 3-Yr. Proj. EPS CAGR(%)	9
Trailing 12-Month P/E	17.5	P/E on S&P Oper. EPS 2017E	17.2	Dividend Rate/Share	\$1.20	S&P Quality Ranking	A-
\$10K Invested 5 Yrs Ago	\$25,708	Common Shares Outstg. (M)	133.0	Institutional Ownership (%)	73		

Price Performance



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst **C. Muir** on Oct 05, 2016 04:40 PM, when the stock traded at **\$50.61**.

Highlights

- We see revenues growing 4.1% in FY 2017 (May) and 4.3% in FY 2018 versus a rise of 4.8% in FY 2016. We see the consumer and specialty segments up in the mid-single digit range and the industrial segment up in the low-single digit range. We expect industrial products for maintenance and repair to continue to grow while offerings for the commercial and residential construction markets are benefiting from a recovery in that sector. We look for acquisitions to also add to top-line growth.
- EBIT totaled \$566 in 2016, 522 million in FY 2015 and \$490 million in FY 2014, with corresponding EBIT margins of 11.8%, 11.4% and 11.2%. We see EBIT margins rising in FY 2017 and FY 2018, reaching about 12.5% by FY 2018. We see lower overhead in Europe and a restructured roof business, as well as improved product mix benefiting margins. We forecast relatively flat interest expense in both FY 2017 and FY 2018.
- Our FY 2017 EPS estimate of \$2.78 is up 5.7% from FY 2016's \$2.63. We estimate FY 2018 EPS of \$3.10, up another 12%.

Investment Rationale/Risk

- RPM has historically been able to generate steady operating earnings and free cash flow growth from a diverse product offering in varied end-markets. The company is likely to continue its acquisition activity, primarily of product lines or small businesses, and gradual improvement in the commercial construction and housing markets should help demand for its products. However, we see a slower-than-peers EPS growth rate given RPM's heavy reliance on its industrial segment.
- Risks to our recommendation and target price include changes in national or global economic conditions, raw material costs, competitive pressures and interest rates.
- RPM recently traded at 18.3X our FY 2017 EPS estimate, near its specialty chemical peers. Our 12-month target price of \$49 is 17.6X our estimate, or a 17% discount to our peer target. This valuation is appropriate given our view of RPM's below-peers three-year EPS growth rate.

Analyst's Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment reflects outstanding asbestos-related lawsuits and high customer concentration in the retail channel, offset by a diverse product offering of leading brand names and corporate governance practices that we generally view as favorable.

Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2017	1,252	--	--	--	--
2016	1,243	1,156	988.6	1,427	4,814
2015	1,204	1,071	946.4	1,373	4,595
2014	1,165	1,071	863.4	1,277	4,376
2013	1,047	1,017	843.7	1,171	4,079
2012	985.9	916.1	773.6	1,102	3,777

Earnings Per Share (\$)

2017	0.83	E0.64	E0.19	E1.12	E2.78
2016	0.74	0.62	0.14	1.13	2.63
2015	0.73	0.52	-0.44	0.95	1.78
2014	0.77	0.48	0.12	0.80	2.18
2013	0.26	0.31	-0.33	0.49	0.74
2012	0.59	0.38	0.05	0.63	1.65

Fiscal year ended May 31. Next earnings report expected: Early January. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.275	Jan 5	Jan 13	Jan 15	Jan 29 '16
0.275	Apr 8	Apr 14	Apr 18	Apr 29 '16
0.275	Jul 8	Jul 14	Jul 18	Jul 29 '16
0.300	Oct 6	Oct 13	Oct 17	Oct 31 '16

Dividends have been paid since 1969. Source: Company reports.

Past performance is not an indication of future performance and should not be relied upon as such.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

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RPM International Inc

Business Summary October 05, 2016

CORPORATE OVERVIEW. RPM International (formerly RPM, Inc.), founded in 1947 as Republic Powdered Metals, is an international producer of specialty paints, protective coatings, roofing systems, sealants and adhesives. The company focuses on the maintenance and improvement needs of both industrial and consumer markets. The company markets its products in 160 countries. In FY 2016 (May), sales to international markets, which include U.S. exports and direct sales by affiliates in foreign countries, accounted for approximately 34% of total sales. RPM's 10 large consumer segment accounts, such as DIY home centers, contributed 23% of FY 2016 total sales.

Industrial segment products (51% of FY 2016 sales and 52% of pretax profits with 10.6% EBIT margins) are sold throughout North America, and account for the majority of the company's international sales. RPM's industrial businesses sell directly to distributors and contractors as well as end users such as industrial manufacturing facilities, public institutions and commercial customers. Product lines include Tremco waterproofing and institutional roofing systems and sealants used in building protection, concrete and masonry additives; Stonhard high performance polymer flooring systems; Carboline heavy duty corrosion control and fireproofing coatings; Viapol building materials and construction products; Fibergrate fiberglass reinforced plastic gratings; Universal Sealants bridge construction products; and various other products for specialized applications.

The consumer segment (34%, 55%, 16.4%) manufactures professional use and do-it-yourself (DIY) products for home maintenance and improvement, automotive and boat repair and maintenance, and hobby and leisure applications. Major manufacturing and distribution operations are located in North America, along with a few locations in Europe, Australia, South Africa and South America. Products are sold to mass merchandisers, home improvement centers, hardware stores, paint stores, automotive supply stores, craft shops and to smaller customers through distributors. Products include Rust-Oleum rust preventative and decorative coatings; Zinsser primers and sealers; DAP caulks, sealants, and patch and repair products; Wolman deck and fence wood care products; Kirker nail care enamels and coatings components; and Testors hobby paints. RPM's 10 large consumer segment accounts, such as DIY home centers, contributed 68% of FY 2016 segment sales.

The specialty segment (15%, 23%, 15.2%) products are sold throughout North America and a few international locations, primarily in Europe. Specialty's product lines are sold directly to contractors, distributors and end-users, such as industrial manufacturing facilities, public institutions and other commercial customers. Products include fluorescent colorants and pigments (such as Day-Glo products), shellac-based-specialty coatings for industrial and pharmaceutical uses, edible glazes, food coatings and ingredients, highly insulated building cladding materials, fire and water damage restoration products, professional carpet cleaning and disinfecting and wood treatments and furniture finishes, among others.

Corporate & other, which represented -31% of pretax profits, includes RPM's corporate headquarters and related administrative expenses, and other expenses not directly associated with either reportable segment.

PRIMARY BUSINESS DYNAMICS. RPM has historically been able to deliver consistent earnings growth regardless of economic conditions due, in our view, to its diverse product portfolio of leading brand names serving both the industrial and consumer end markets. The company's brands typically hold the number one or number two market positions, and its balance between consumer and industrial end markets provides diversification in the event of a slowdown in an individual end market, in our view. Also, RPM's product mix is heavily tilted toward less cyclical maintenance and improvement uses as opposed to more cyclical OEM and construction. Because of this mix, demand for RPM's products is more closely correlated with housing turnover than residential construction.

LEGAL/REGULATORY ISSUES. On May 31, 2010, two non-operating subsidiaries (Bondex International, Inc. and Specialty Products Holding Corp.), which are defendants in asbestos-related bodily injury lawsuits, filed for Chapter 11 reorganization. Neither RPM nor any of its operating subsidiaries are part of the Chapter 11 filings. RPM expects that the filings will stay all litigation related to the asbestos lawsuits against the subsidiaries. As a result of the Chapter 11 filings, the asbestos liability reserves are no longer included on RPM's consolidation financial statements as of May 31, 2010. Specialty Products Holding and its industrial segment subsidiaries (including Day-Glo colorants, Dryvit exterior insulating finishing systems, and TCI powder coatings), had sales of \$320 million (9.6% of RPM's total revenues in FY 2010) and net income of \$11.1 million. A Bankruptcy Plan was confirmed on December 10, 2014 and, effective as of December 23, 2014, Bondex, SPHC, Republic and NMBFiL emerged from bankruptcy.

FINANCIAL TRENDS. The company achieved 61 consecutive years of sales growth until FY 2009. In October 2015, the company raised its dividend for the 43rd consecutive year. We believe that RPM's balance sheet is somewhat levered, but see healthy cash flows. The net debt to capital ratio was 60.1% at the end of May 2016, with total cash of \$221 million. Capital expenditures in FY 2016 were \$117 million, up from FY 2015's \$85 million. Depreciation and amortization totaled \$111 million in FY 2016. We believe that RPM will be able to increase EPS at about 10% per annum over the long term, on internal growth driven by the introduction of new products and services, geographic expansion, and entry into new markets via acquisitions.

Corporate Information

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Officers

Chrmn & CEO	CFO
F.C. Sullivan	R.L. Gordon

Pres & COO	Chief Accty Officer & Cntrl
R.A. Rice	K.R. Smiley

SVP, Secy & General Counsel
E.W. Moore

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J. S. Thornton	

Domicile
Delaware

Founded
1947

Employees
13,394

Stockholders
23,219

RPM International Inc

Quantitative Evaluations

S&P Capital IQ Fair Value Rank	3	1	2	3	4	5
		LOWEST				HIGHEST
		Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).				

Fair Value Calculation **\$48.40** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that RPM is fairly valued

Investability Quotient Percentile **98**
 LOWEST = 1 HIGHEST = 100
 RPM scored higher than 98% of all companies for which an S&P Capital IQ Report is available.

Volatility **LOW** **AVERAGE** **HIGH**

Technical Evaluation **BEARISH** Since October, 2016, the technical indicators for RPM have been BEARISH.

Insider Activity **UNFAVORABLE** **NEUTRAL** **FAVORABLE**

For further clarification on the terms used in this report, please visit www.spcapitaliq.com/stockreportguide

Expanded Ratio Analysis

	2016	2015	2014	2013
Price/Sales	1.36	1.29	1.53	1.32
Price/EBITDA	9.88	10.11	11.65	11.16
Price/Pretax Income	13.54	13.11	15.80	30.46
P/E Ratio	18.45	24.82	23.00	54.65
Avg. Diluted Shares Outstg (M)	136.7	134.9	132.3	129.8

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	4.77	5.61	7.17	4.25
Net Income	48.12	43.96	12.69	12.07

Ratio Analysis (Annual Avg.)

	2016	2015	2014	2013
Net Margin (%)	7.37	6.42	5.48	4.84
% LT Debt to Capitalization	55.93	54.23	51.77	48.11
Return on Equity (%)	26.20	21.94	18.31	15.54

Company Financials Fiscal Year Ended May 31

Per Share Data (\$)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Tangible Book Value	NM	NM	NM	NM	NM	0.91	0.06	NM	NM	NM
Cash Flow	3.41	2.51	2.89	1.40	2.25	2.15	2.07	1.59	1.00	2.25
Earnings	2.63	1.78	2.18	0.74	1.65	1.45	1.39	0.93	0.39	1.64
S&P Capital IQ Core Earnings	NA	NA	2.20	1.57	1.59	1.46	1.45	1.04	1.76	1.58
Dividends	1.09	1.02	0.95	0.89	0.86	0.84	0.82	0.75	0.69	0.63
Payout Ratio	41%	57%	44%	120%	116%	51%	59%	80%	176%	38%
Calendar Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Prices:High	51.42	51.97	41.63	29.60	26.00	22.90	20.97	25.19	25.74	21.12
Prices:Low	40.11	37.57	29.11	22.96	17.20	16.07	9.09	9.97	17.25	16.96
P/E Ratio:High	NM	29	19	40	16	16	15	27	66	13
P/E Ratio:Low	NM	21	13	31	10	12	6	11	44	10

Income Statement Analysis (Million \$)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue	4,814	4,595	4,376	4,079	3,777	3,382	3,413	3,368	3,644	3,339
Operating Income	663	588	576	483	460	418	414	341	456	421
Depreciation	111	99.2	90.1	83.7	73.7	72.8	84.3	84.9	82.8	81.6
Interest Expense	91.7	87.6	81.0	79.9	72.0	65.4	59.3	54.5	68.9	47.0
Pretax Income	483	453	424	177	328	295	268	181	39.1	308
Effective Tax Rate	26.1%	49.6%	27.9%	37.9%	28.8%	31.1%	32.5%	33.9%	NM	32.3%
Net Income	355	239	292	98.6	216	203	180	120	47.7	208
S&P Capital IQ Core Earnings	NA	NA	289	204	204	188	185	133	227	200

Balance Sheet & Other Financial Data (Million \$)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Cash	339	244	405	393	316	435	215	253	231	159
Current Assets	2,138	2,100	2,062	1,886	1,811	1,868	1,449	1,553	1,784	1,570
Total Assets	4,776	4,694	4,378	4,116	3,560	3,515	3,004	3,410	3,764	3,333
Current Liabilities	1,002	903	937	928	760	735	631	849	846	865
Long Term Debt	1,880	1,982	1,366	1,379	1,113	1,106	924	762	1,062	886
Common Equity	1,372	1,291	1,383	1,201	1,184	1,263	1,079	1,144	1,137	1,087
Total Capital	3,361	3,278	2,950	2,739	2,430	2,620	2,090	1,930	2,205	1,991
Capital Expenditures	117	85.4	93.8	91.4	71.6	39.8	23.2	55.0	71.8	70.4
Cash Flow	466	339	382	182	290	276	264	205	131	290
Current Ratio	2.1	2.3	2.2	2.0	2.4	2.5	2.3	1.8	2.1	1.8
% Long Term Debt of Capitalization	55.9	60.5	46.3	50.4	45.8	42.2	44.2	39.5	48.2	44.5
% Net Income of Revenue	7.4	5.2	6.7	2.4	5.7	6.0	5.3	3.6	1.3	6.2
% Return on Assets	7.5	5.3	6.9	2.6	6.1	6.2	5.6	3.3	1.3	6.6
% Return on Equity	26.2	17.5	22.1	8.1	17.7	17.4	16.2	10.5	4.3	20.7

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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RPM International Inc

Sub-Industry Outlook

We have a positive fundamental outlook for the specialty chemicals sub-industry for the next 12 months, although business conditions vary for individual companies. Major categories of specialty chemicals include water treatment and manufacturing processing chemicals, additives, coatings, pesticides, electronic materials, catalysts, flavors, fragrances, adhesives and sealants. Specialty producers are generally smaller in terms of revenue than traditional commodity producers; some focus on only one product line, while others boast a diverse product mix. Many companies generate a significant share of total sales from outside the U.S. We think consolidation within product lines will continue as companies try to boost sales and earnings growth. According to data from the American Chemistry Council, the overall specialty chemicals volume index was off 0.9% year-over-year on a three-month moving average basis in July driven by weakness in the energy sector and some other subindustries.

Based on Standard & Poor's Economics' US GDP growth estimates of 2.0% in 2016, 2.4% in 2017 and 2.3% in 2018, versus 2.4% in 2015, we expect many specialty chemical companies to report organic sales growth in coming quarters, depending on the performance of their non-U.S. operations, which have been subject to pressure from a strong dollar and a slowing of economic growth. We estimate that sales and net income for the industry will improve further in 2016 after some growth in 2015, and we see profit margins being helped by lower energy and feedstock costs, but partly offset by pass-through of such lower costs to customers.

Although long-term prospects vary widely for different types of specialty chemical producers, depending on market conditions, we think industry sales growth over the longer term will moderately

exceed real economic growth. Purchase decisions for specialty chemical products, which are specialized products for specific uses, are made more on the basis of performance specifications than price. Although specialties generally require higher R&D spending and incur greater marketing and customer service costs, their production is typically less capital intensive than that of commodities. Specialty chemical producers are generally less affected by cyclical changes in the economy and supply/demand balances than commodity producers. Therefore, we expect specialty companies to have more stable profit margins over a business cycle than commodity manufacturers.

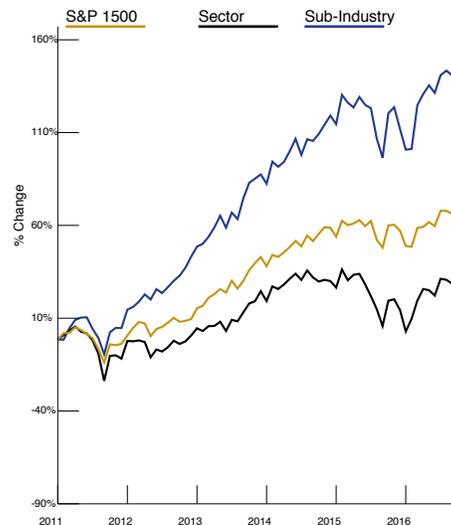
Year-to-date through September 9, 2016, the S&P 1500 Specialty Chemicals Sub-industry Index rose 11.0%, versus a 4.7% rise in the S&P 1500 and an 11.3% increase in the S&P Materials Index. In 2015, the sub-industry index fell 3.4%, versus a 1.0% decrease in the S&P 1500 and an 11.9% drop in the S&P 1500 Materials Index.

--Christopher Muir

Industry Performance

GICS Sector: Materials
Sub-Industry: Specialty Chemicals

Based on S&P 1500 Indexes
Five-Year market price performance through Oct 15, 2016



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

Sub-Industry : Specialty Chemicals Peer Group*: Coatings & Paints

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
RPM Intl	RPM	6,370	47.88	55.92/36.78	1.32	2.5	18	48.40	A-	98	7.4	55.9
Albemarle Corp	ALB	9,069	80.86	87.29/45.78	1.71	1.5	59	77.00	B+	83	9.2	43.8
Ashland Global Holdings	ASH	7,623	114.11	125.00/88.30	1.20	1.4	38	99.70	B	74	3.6	52.0
Axalta Coating Systems	AXTA	6,268	26.21	30.45/20.67	NA	Nil	42	NA	NR	18	2.4	72.9
Balchem Corp	BCPC	2,306	75.81	79.88/53.11	0.92	0.4	43	NA	A	95	10.8	34.5
Celanese Corp A'	CE	9,717	63.37	74.55/55.07	1.89	2.3	28	86.20	B+	86	5.4	43.9
Chemtura Corp	CHMT	2,072	32.78	32.99/23.50	2.41	Nil	62	42.50	NR	30	7.8	32.0
Fuller (H.B.)	FUL	2,212	43.99	48.83/32.49	1.44	1.3	20	48.60	B	96	4.2	42.7
Grace (W.R.) & Co	GRA	5,217	69.01	101.99/63.84	1.73	1.0	20	NA	B	91	4.7	87.9
Intl Flavors/Fragr	IFF	10,308	129.31	143.64/97.24	0.83	2.0	25	117.20	A-	98	13.9	35.2
Minerals Technologies	MTX	2,332	67.58	72.54/35.89	1.35	0.3	23	NA	B+	75	6.0	57.2
NewMarket Corp	NEU	5,432	405.25	447.97/322.54	1.09	1.6	20	332.90	B+	98	11.2	57.0
PolyOne Corp	POL	2,696	31.24	38.41/22.35	1.65	1.7	20	NA	B	92	4.3	60.9
Sensient Technologies	SXT	3,620	72.29	76.15/52.69	1.08	1.5	31	62.40	B+	92	7.8	42.1
Valspar Corp	VAL	8,340	105.10	108.97/72.98	0.91	1.3	24	91.30	A-	99	9.1	66.5

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

RPM International Inc

S&P Capital IQ Analyst Research Notes and other Company News

October 5, 2016

02:39 pm ET ... S&P GLOBAL MAINTAINS SELL OPINION ON SHARES OF RPM INTERNATIONAL (RPM 51.11**): We trim our 12-month target price by \$3 to \$49 on a revised peer P/E analysis. Our target is a peer-discount 17.6X our FY 17 (May) EPS estimate that we think is warranted by our projection of a below-peers three-year EPS growth rate. We lift our FY 17 EPS estimate by \$0.01 to \$2.78 and FY 18's by \$0.04 to \$3.10. Despite slower sales growth, we expect cost control efforts to contribute to EPS growth in the next few years. Aug-Q EPS of \$0.83, vs. \$0.74, beats our estimate and the Capital IQ consensus, both at \$0.80. EPS was helped by higher earnings in all segments. /C. Muir

August 11, 2016

12:49 pm ET ... S&P GLOBAL MAINTAINS SELL OPINION ON SHARES OF RPM INTERNATIONAL (RPM 54.37**): We lift our 12-month target price by \$5 to \$52 due to higher peer valuations. Our target is a peer-discount 18.8X our FY17 (May) EPS estimate that we think is warranted by our projection of a below-peers three-year EPS growth rate. We lower our FY17 EPS estimate by \$0.06 to \$2.77 and start FY18's at \$3.06. We see currency pressure in FY17 moderating in FY18, and improved commercial construction and housing sectors. May-Q EPS of \$1.13, vs. \$0.94, beats the \$1.01 Capital IQ consensus. Stronger Specialty and Consumer segment sales were partly offset by weaker Industrial sales. /C. Muir

May 20, 2016

01:56 pm ET ... S&P GLOBAL LOWERS OPINION ON SHARES OF RPM INTERNATIONAL TO SELL FROM HOLD (RPM 49.17**): We lift our 12-month target by \$6 to \$47 due to higher peer valuations. Our target is a peer-discount 16.6X our FY17 (May) EPS estimate that we think is warranted by our projection of a below-peers three-year EPS growth rate. We lift our FY16 EPS estimate by \$0.03 to \$2.52 and FY17's by \$0.07 to \$2.83. We see strong growth in Asia and acquisitions helping drive revenue growth. RPM posts Feb-Q EPS of \$0.14, vs. \$0.20, over our \$0.11 EPS estimate, but below the \$0.15 Capital IQ consensus. Q1 results reflect higher industrial product warranty expenses and weaker energy end markets. /C. Muir

February 10, 2016

10:53 am ET ... S&P CAPITAL IQ LIFTS OPINION ON SHARES OF RPM INTERNATIONAL TO HOLD FROM SELL (RPM 38.12***): We lower our 12-month target price by \$3 to \$41, reflecting lower peer valuations. We keep our FY 16 (May) EPS estimate of \$2.49, but trim FY 17's by \$0.04 to \$2.76. Our target price is 16.5X our FY 16 EPS estimate, or a 4% premium to our peer target that we think is warranted by our projection of a near peers three-year EPS growth rate and an above peers dividend yield. We see currency and tax rate headwinds in FY 16, but we see sales growth continuing, helped by all segments. RPM posts Dec-Q EPS of \$0.57, vs. \$0.53, over our view and the Capital IQ consensus, both at \$0.57. /C. Muir

October 30, 2015

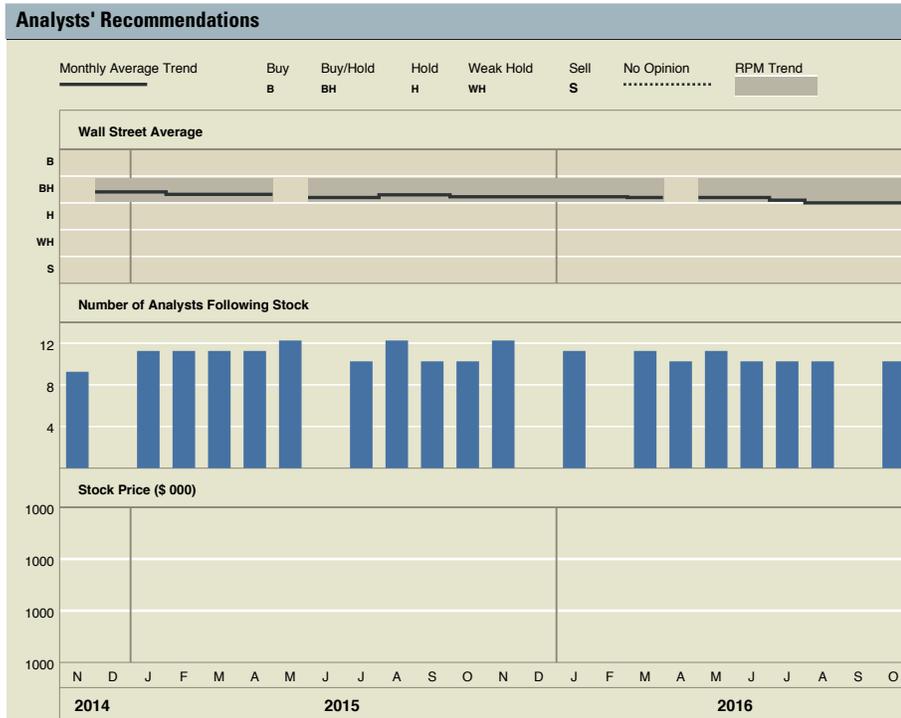
04:10 pm ET ... S&P CAPITAL IQ MAINTAINS SELL OPINION ON SHARES OF RPM INTERNATIONAL (RPM 45.69**): We lower our 12-month target by \$2 to \$44, due to lower EPS and peer valuations. We cut our FY 16 (May) EPS estimate by \$0.25 to \$2.49 and start FY 17's at \$2.80. Our target price is 17.7X our FY 16 EPS estimate, or a 16% premium to our peer target that we think is warranted by our projection of an above-peers three-year EPS growth rate from a 2015 base. We see the improvement in residential housing helping to drive RPM's EPS growth, partly offset by a heavy reliance on industrial sales. Aug-Q EPS of \$0.74, vs. \$0.75, misses our \$0.90 estimate and the \$0.81 Capital IQ consensus. /C. Muir

July 24, 2015

RPM International Inc. announced that it has promoted Kenneth Armstrong to vice president of environmental, health and safety, Tracy Crandall to vice president, associate general counsel and assistant secretary and Melissa Schoger to vice president of planning and financial analysis. As vice president of environmental, health and safety, Armstrong is responsible for protection of RPM's assets including property, plants and equipment, and the safety of employees. He previously served as senior director of environmental, health and safety and, before joining RPM in 2006, as an independent consultant for RPM. As vice president, associate general counsel and assistant secretary, Crandall is responsible for overseeing legal reviews of all SEC filings, corporate governance matters, contract reviews, corporate central recordkeeping and various other legal matters. Previously, Crandall was a partner at Calfee, Halter & Griswold LLP

and before that, served as commercial counsel for G.E. Lighting. As vice president of planning and financial analysis, Schoger is responsible for developing annual budgets and long-term planning. Previously, she has served as a staff auditor, senior corporate financial analyst and relocated to Europe for two years as part of RPM's growing European business.

RPM International Inc



Wall Street Consensus Opinion

BUY/HOLD

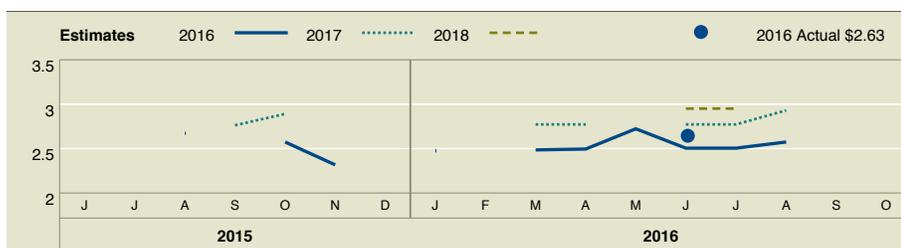
Companies Offering Coverage

- Gabelli & Company, Inc.
- Great Lakes Review
- JP Morgan
- KeyBanc Capital Markets Inc.
- Morgan Stanley
- Northcoast Research
- RBC Capital Markets
- Robert W. Baird & Co.
- Seaport Global Securities, LLC
- Wells Fargo Securities, LLC

Of the total 10 companies following RPM, 10 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	2	20	2	2
Buy/Hold	1	10	1	2
Hold	7	70	7	6
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	10	100	10	10

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2018	3.03	3.20	2.75	10	15.8
2017	2.74	2.80	2.63	10	17.5
2018 vs. 2017	▲ 11%	▲ 14%	▲ 5%	0%	▼ -10%
Q2'18	0.72	0.74	0.69	2	66.5
Q2'17	0.62	0.65	0.59	8	77.2
Q2'18 vs. Q2'17	▲ 16%	▲ 14%	▲ 17%	▼ -75%	▼ -14%

Wall Street Consensus vs. Performance

For fiscal year 2017, analysts estimate that RPM will earn US\$ 2.74. For the 1st quarter of fiscal year 2017, RPM announced earnings per share of US\$ 0.83, representing 30% of the total annual estimate. For fiscal year 2018, analysts estimate that RPM's earnings per share will grow by 11% to US\$ 3.03.

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

RPM International Inc

Glossary

S&P Capital IQ STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

S&P Capital IQ Equity Research

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Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
 CAPEX - Capital Expenditures
 CY - Calendar Year
 DCF - Discounted Cash Flow
 DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes
 EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
 EPS - Earnings Per Share
 EV - Enterprise Value
 FCF - Free Cash Flow
 FFO - Funds From Operations
 FY - Fiscal Year
 P/E - Price/Earnings
 P/NAV - Price to Net Asset Value
 PEG Ratio - P/E-to-Growth Ratio
 PV - Present Value
 R&D - Research & Development
 ROCE - Return on Capital Employed
 ROE - Return on Equity
 ROI - Return on Investment
 ROIC - Return on Invested Capital
 ROA - Return on Assets
 SG&A - Selling, General & Administrative Expenses
 SOTP - Sum-of-The-Parts
 WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

S&P Global Equity Research - Global STARS Distribution as of June 30, 2016

Ranking	North America	Europe	Asia	Global
Buy	24.6%	17.8%	30.0%	23.7%
Hold	48.0%	57.8%	45.0%	49.6%
Sell	27.4%	24.4%	25.0%	26.7%
Total	100%	100%	100%	100%

Quantitative Stock Reports:

The rankings for Quantitative reports have a fixed distribution based on relative weightings as described in the Glossary section of the report.

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RPM International Inc

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