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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day and welcome to the RPM International fiscal third-quarter 2025 earnings call. (Operator Instructions) Please note that this event is being recorded. I would now like to turn the conference over to Matt Schlarb, Vice President of Investor Relations and Sustainability. Please go ahead.

Matt Schlarb - *RPM International Inc - Vice President - Investor Relations and Sustainability*

Thank you, Nick, and welcome to RPM International's conference call for the fiscal 2025 third-quarter. Today's call is being recorded. Joining today's call are Frank Sullivan, RPM's Chairman CEO; and Rusty Gordon, Vice President and Chief Financial Officer; and Michael Laroche, Vice President, Controller and Chief Accounting Officer.

This call is also being webcast and can be accessed live or replayed on the RPM website at www.rpminc.com. Comments made on this call may include forward-looking statements based on current expectations that involve risks and uncertainties, which could cause actual results to be materially different. For more information on these risks and uncertainties, please review RPM's reports filed with the SEC.

During this conference call, references may be made to non-GAAP financial measures. To assist you in understanding these non-GAAP terms, RPM has posted reconciliations to the most directly comparable GAAP financial measures on the RPM website.

Also please note that our comments will be on an as adjusted basis and all comparisons are to the third quarter of fiscal 2024 unless otherwise indicated. We have provided a supplemental slide presentation to support our comments on this call. It can be accessed in the Presentations and Webcasts section of the RPM website at www.rpminc.com.

Now I'd like to turn the call over to Frank.

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

Thanks, Matt. I'll begin today's call with a high level review of our third quarter results and what we're currently seeing in our markets. Then Mike Laroche will cover the financials in more detail for the quarter. Next, Matt will provide an update on our balance sheet and some of the activity in our European market. And finally, Rusty Gordon will conclude our prepared remarks with our outlook for the fourth quarter, after which we'll take your questions.

An overview of our third quarter results is on slide 3. During our most recent earnings call in January, I discussed how each of our segments generated solid organic growth in the second quarter, but how the US was experiencing a real winner for the first time in a couple of years, which will impact our third quarter.

As the third quarter progressed, weather conditions deteriorated further, including in the southern and western portions of the United States, two geographies that typically have outdoor construction and project activity during the winter months. The south experienced unseasonably cold temperatures right up through the end of March and the west was disrupted not only by weather but by wildfires.

The third quarter is also our seasonal slowest quarter, so the financial impact of business changes gets magnified both positively and negatively. This was certainly true this year as the weather related headwinds and softness in some specialty OEM markets more than offset our MAP 2025 and SG&A improvements in the quarter.

During the quarter, our businesses made good progress, improving working capital efficiency, a key component of our MAP 2025 program by continuing to demonstrate disciplined production levels to reduce inventories, which temporarily put pressure on margins, but resulted in our second best ever third quarter operating cash flow in our company's history.

All of this resulted in our '25 third quarter profitability being closer to that in fiscal 2023 rather than last year when we had much more favorable weather conditions and huge year-over-year gains in sales and earnings.

By taking a more granular look at the segments over the past three years on slide 4, you can see that third quarter adjusted EBIT has increased at three of our four segments compared to two years ago, when demand conditions were similar to today. This is evidence that our MAP 2025 initiatives and SG&A streamlining are making a positive impact on our financial performance even in a challenging demand environment with lower fixed cost utilization.

On slide 5, you can see some of the positive factors impacting our fourth quarter. Across RPM, we continue to implement our MAP 2025 initiatives, and this will continue into our fiscal 2026 New Year, which begins on June 1, as we identify new opportunities for improvement.

The financial impact of these improvements will become more evident as our volumes recover. Overall, we remain focused on the things within our control, implementing improvements across our businesses and outgrowing our markets.

We are also leveraging the fact that the primary function of many of our products and services is extending asset life. This value proposition becomes even more important to end users during times of economic uncertainty when budgets are tight. This repair and maintenance focus also helps us insulate our businesses from economic volatility and the impact it has on new construction.

The impact of tariffs, tariffs on inflation is dynamic, but we can tell you what we know. For the most part, RPM manufactures products in the countries or regions in which they are sold. RPM has limited cross-border procurement and sales, so tariffs will not play a large role in our cost structure as it might for some other companies.

Furthermore, while our sales, which do cross borders is limited, most of this activity takes place in North America between the United States, Canada and Mexico, which are still following the USMCA agreement, which currently is exempt from the most recent tariff impact.

We anticipate that raw material inflation, which was previously assumed to be in the low single digits, will now be increasing in the mid-single digits as a result of the impact of recently announced tariffs and duties. Areas include resins, shellac, solvents and in particular, packaging and metal packaging, which impacts our Consumer segment the most.

Looking at the segments in our construction focused businesses, the Construction Products and Performance Coatings Group are benefiting from our current key service model in roofing and flooring, from acquisitions, improved collaboration between operating segments and our passive fire protection businesses, and selling was systems and building envelope systems to high-performance buildings in areas like data centers.

In our Specialty Products Group, end markets remain challenged. However, our businesses continue to gain share in areas like custom wood coatings and specialty food coatings that help mitigate the impact of current market pressures. These will provide upside as demand recovers.

In our Consumer segment, we have launched multiple new products this spring to drive growth. This includes the main green refillable in the household cleaners category. This patent pending product contains two chambers, one with cleaning concentrate and the other with water, and the two mix when sprayed. The water is simply refilled when it runs out and the user gets the equivalent of four standard bottles of cleaner in one, which reduces waste and provides the user superior value.

We're proud to announce that this product was recently awarded the best concentrate in the cleaners category of the 2025 House Clean Awards from Better Homes and Gardens. The Consumer Group also launched a number of new products like Rust-Oleum low odor, a water based aerosol paint that has the durability to use both indoors and on outdoor projects.

Turning to slide 6. In addition to organic growth that we are generating in cleaners through innovations like the mean green recent introduction. We announced a definitive agreement to acquire The Pink Stuff to expand our offerings in the cleaning space. RPM has operated in this category for more than a decade with brands including Krud Cutter, Mean Green, Whink and Concrobium.

The addition of The Pink Stuff will broaden our product offerings and strengthen our position in several sales channels, including e-commerce, grocery and drug stores and importantly, opens RPM and principally our Rust-Oleum Group, to a market in North America in excess of $12 billion.

The Pink Stuff is a global leader in household cleaning products, led by their high-performance cleaning paste. Calendar 2024 sales were approximately GBP150 million. Pink Stuff operates globally and in the US with Europe being their largest market. Over the past several years, this disruptive brand has been one of the fastest-growing cleaning products categories in the US household cleaning space.

We are well positioned to support future growth as The Pink Stuff in the US and elsewhere by leveraging our Consumer segment's expertise in category management, innovation, as well as our global operational footprint, which has been strengthened by our MAP initiatives over the last couple of years. We expect the transaction to close late in the fourth quarter of fiscal '25 or early in the first quarter of fiscal 2026.

During this time of heightened economic uncertainty, we are focused on the things within our control, such as completing our MAP 2025 program and leveraging our competitive strengths, including the ability of our products and services to extend asset life to deliver value to customers and outgrow our markets.

I'll now turn the call over to Michael Laroche to provide details on our third quarter financials.

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

Thanks, Frank. On slide 7, consolidated sales declined 3.0% versus the prior year record with unfavorable weather conditions and foreign currency translation, the biggest drivers. Adjusted EBIT declined by $31.9 million, driven by lower production volumes, including working capital efficiency initiatives that resulted in lower fixed cost absorption. FX and temporary inefficiencies from plant consolidation and startups contributed to the profitability decline.

We also faced challenging comparisons as adjusted EBIT increased 31.3% in the prior year period, which was a third quarter record. Non-operating expenses increased driven by higher M&A expenses as well as increased employee compensation. These pressures more than offset MAP 2025 benefits and SG&A streamlining.

Turning next to geographic results on slide 8. Sales declines in North America were primarily driven by weather, while in Europe, growth generated from sales and marketing initiatives, such as improved digital marketing and collaboration, were offset by FX. Africa Middle East sales were down slightly after growing 22.9% in the prior year. FX was the primary driver for sales decline in Latin America and Asia Pacific and they also faced challenging prior year comparisons.

Next, moving to the segments on slide 9. Construction Products Group sales declined versus a record prior year level as it was impacted by unfavorable weather, particularly in the Southern and Western US. FX also pressured sales.

Lower volumes and the impact of temporary inefficiencies from plant consolidations, reduced fixed cost absorption during the quarter. This was partially offset by SG&A streamlining actions. CPG also faced challenging comparisons to the prior year when adjusted EBIT increased 69.8%.

On slide 10, Performance Coatings Group sales declined slightly against challenging prior year comparisons when organic sales increased 9.2% to a record level. Growth was led by the fiberglass reinforced plastics businesses, which saw strong sales in the data center construction market.

Adjusted EBIT declined versus a record prior year as lower production volumes resulted in reduced fixed cost utilization. FX and plant startup costs also reduced profitability. The Performance Coatings Group faced challenging comparisons as adjusted EBIT grew 45.1% in the prior year.

Moving to slide 11. Specialty Products Group sales declined as specialty OEM markets were weak and lower remediation activity reduced demand for the disaster restoration business. Partially offsetting these declines, our Food Coatings and Additive business continued its strong performance aided by a prior acquisition. Lower volumes resulted in reduced fixed cost absorption and adjusted EBIT.

Additionally, several growth investments, including the Resin and Innovation Centers of Excellence impacted SBG's financial results but benefited all RPM segments. MAP 2025 improvements in SG&A streamlining actions helped offset the profitability decline.

On slide 12, the Consumer Group generated slightly positive organic growth, aided by new product introductions and market share gains in areas like cleaners. The Consumer Group also faced challenging comparisons versus the prior year when adjusted EBIT increased 34.6%.

Consumer demonstrated good discipline in working capital efficiency by limiting production to reduce inventory levels. Lower production levels had a temporary negative P&L impact, but served to structurally improve cash flow. The Consumer Group also experienced material inflation in areas including packaging and solvents, which put pressure on profitability.

Now I'll turn the call over to Matt, who will cover the balance sheet and cash flow and provide more details on recent activities in Europe.

Matt Schlarb - *RPM International Inc - Vice President - Investor Relations and Sustainability*

Thank you, Mike. On slide 13, our steady improvement in working capital efficiency continued in the third quarter, driven by inventory reductions, particularly at our Consumer segment, as Mike just mentioned. Working capital as a percentage of sales improved by 70 basis points and approached our goal of 20%.

As you see when our 10-Q is filed, our average days of inventory, or DIO, declined by eight days year-to-date. This improvement in working capital led to the second strongest third quarter operating cash flow generation in the company's history at $91.5 million.

During the quarter, we returned $83.1 million in cash to shareholders through dividend and share repurchases. We also have increased our year-to-date CapEx by nearly $21 million, driven by several growth projects, including the Resin Center of Excellence in Belgium, a new distribution center also in Belgium and a new production facility in India. The consolidation of eight plants through our MAP 2025 program also contributed to the higher CapEx. Liquidity remained strong at $1.21 billion.

Turning next to slide 14. I wanted to highlight the progress we have made over the past several years in Europe. Across the continent, we focused on implementing MAP initiatives to increase collaboration, improve efficiency and outgrow our markets.

In our Construction Products Group, our teams have taken a system selling approach, focusing on higher value-add products and services. Multiple small acquisitions in Europe have aided this strategy. In line with our building a better world program, we're also selling more products that advance sustainability like Nudura insulated concrete forms that improve energy efficiency and weather resiliency.

In our Performance Coatings Group, we are seeing momentum from improved collaboration among segments in our passive fighter protection businesses and the implementation of CS168 Commercial Excellence programs that are starting to show benefits. The acquisition of GMPC that we discussed last quarter, serving as a platform to accelerate sales of fiberglass reinforced products on the continent.

In Specialty Products Group, we recently celebrated the opening of the Resin Center of Excellence, and they have begun production of materials for other RPM companies and third parties. We have also consolidated facilities to help improve efficiencies.

Finally, the Consumer Group has had success in implementing targeted marketing campaigns to DIYers and contractors alike and those businesses continue to grow. As we've gotten better data to analyze SKU profitability, you've rationalized lower margin SKUs, which has enabled us to consolidate production. We are also making investments in efficiency like the new centralized distribution center in Belgium.

We have not completed implementing MAP in Europe, but the work we have done positions us to better leverage the growth investments we have made and will make in the region. Now I'd like to turn the call over to Rusty to cover the outlook.

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

Thank you, Matt. Our fourth quarter outlook can be found on slide 15. Frank already provided some of the reasons why we expect consolidated sales to be flat and return to modest earnings growth and margin expansion in the fourth quarter in what is a challenging macro environment.

This growth is expected to be led by our Performance Coatings Group which is benefiting from spending on high performance buildings, growth in passive fire protection as well as its acquisition of TMPC which is a seasonal business that generates most of its sales and profits in the fourth and first quarters. PCG also faces easier comparisons to the prior year.

In Construction Products Group, our teams have done a good job focusing on selling systems for high performance buildings and on repair and maintenance solutions in a challenging macro environment. However, they are facing challenging comparisons to the prior year when organic sales increased 6.6%. So sales are expected to be flat for the quarter.

In Consumer, the benefit of new product introductions is expected to be offset by a more cautious consumer spending, resulting in a low single digit sales decline. While consumer confidence has weakened recently, over time, our products serving DIY customers have historically outperformed during times of economic stress and as consumers look to extend the life of what they own rather than buying new. Also, our guidance assumes no impact from the acquisition of The Pink Stuff.

Specialty Products Group is expected to have a low single digit sales decline as market share gains in certain businesses are offset by more than -- are being more than offset by sluggish demand in specialty OEM markets, which includes the impact of weak new home construction.

Adjusted EBIT is expected to be up low single digits as many of the MAP 2025 improvements are masked by under-absorption, including temporary inefficiencies as we consolidate plants. Foreign currency is also expected to be a headwind in the quarter, but less so than it was in the third quarter. This concludes our prepared comments. We are now pleased to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Kevin McCarthy, Vertical Research Partners.

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

Good morning Kevin.

Kevin McCarthy - *Vertical Research Partners - Analyst*

Thank you and good morning. Good morning, Frank. Obviously, a lot of uncertainty increasing over the last week or so. So I was wondering if you could speak to what you have assumed in terms of macro growth and other key assumptions in formulating your guidance here for the fourth quarter. Do you anticipate positive or negative GDP growth, for example? And any noticeable impact thus far in the early days on your order books?

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

Sure. First of all, from a manufacturing perspective, I would tell you, we've been a low growth, no growth environment for 18 months. It's not unique to RPM. And we do not see that changing either in this quarter or the foreseeable future. I think relative to our MAP initiatives, we're pretty well positioned to outperform in that environment.

As you heard from Rusty, we are pleased to be returning to profitable growth in Q4. So I think with the nasty weather behind us, particularly in comparison to a mild winter last year, our Q4 is going to look more like our Q2. Most of that is self-help, some market share gains, some new product introductions.

We're benefiting, as you can see throughout the year, again, with the exception of the seasonal third quarter in our Construction Products Group and Performance Coatings Group by project selling and also those product categories where we're providing the labor, which has become more of a competitive advantage in a labor constrained market. So I think we feel good about the dynamics underlying RPM and what's otherwise a GDP no growth environment, and we don't see that changing.

Kevin McCarthy - *Vertical Research Partners - Analyst*

Very good. And as a follow-up, if I may, how much lower were your operating rates in the February quarter? And is there a way to quantify the impact that, that would have had on your operating margin?

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

Sure. I can provide a high level comment on that, and Rusty can provide some more detail. But as we've talked about in the past, and you can see in most of our quarters, Q1 of this year is a good one. We had lower sales, but nice leverage to our bottom line.

We need unit volume to take advantage of the MAP initiatives that have been principally operating efficiency driven and with the declines in Q3 year-over-year, we've had negative impacts. We've also had some higher transition costs as we move production from plants that are being consolidated into new plants. Rusty, you want to add some details to that?

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

Sure, yeah. We -- as you heard, our organic growth was down 1.8% and there was a slightly positive pricing. So most of that was volume decline. And then you couple that with our initiative to reduce inventory, which inventory days were down about eight days on a year-to-date basis, that leads to reduced production and the under absorption of fixed cost.

Kevin McCarthy - *Vertical Research Partners - Analyst*

I see. Thank you very much.

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

Thank you.

Operator

Mike Sison, Wells Fargo.

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

Morning Michael.

Mike Sison - *Wells Fargo Securities, LLC - Analyst*

Hey guys. If you think about the portfolio you have now, you have the MAP, and I understand the industrial downturn that we've seen forever it seems. How do you think the portfolio holds up if the US does go into a recession, a GDP type recession?

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

Sure. I think we're, again, in pretty good shape to outperform. Our Tremco Roofing business is predominantly in reroofing and repair and maintenance. Our Pure Air business is part of that, it's a couple of years old.

We've taken the last 18 months to get certified, that is an air handling HVAC refurbishment business that we've been asked about for years because we're up on roofs. We've spent the last 18 months getting certified throughout all 50 states. We have good momentum there.

Interestingly enough, OE. So we're really competing against a replacement of the major commercial HVAC providers. Most of that equipment is Chinese made. And so we think we'll have some pickup there. And the other piece of that is we're pretty focused on some of the areas where we see continued strength.

Data centers is a good example where stone hard flooring, Carboline coatings and in particular, fiber grade FRP grading are being specified. So I think we're in a pretty good position to continue the decent performance that you've seen of our Performance Coatings Group and Construction Products Group over the last year, putting aside the seasonal impact and weather impact of Q3.

Mike Sison - *Wells Fargo Securities, LLC - Analyst*

Got it. And as a quick follow-up, just wanted your thoughts on the tariffs again. Do you think sort of this raw material inflation, is this going to be sort of a pure price increase? Or do you kind of see it as a tariff surcharge, meaning if they go away, they come back down. And then -- so how do you think about that and what you plan to do in terms of pricing to offset it?

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

Sure. It's a great question. And our companies have done a really good job on a pretty short notice basis. I assume all companies are doing this of identifying the impact of tariffs across RPM. I can tell you, we did this in February with the China 10%. We updated in March with the impacts on China. And then we've updated it most recently for the April 2 tariff announcements.

Across RPM, the impact -- the unmitigated impact as we sit here today, and that's important because obviously things can change is about 3.2%, it will be larger in -- larger in the United States at about 4.3%. And obviously, that's subject to change based on the increase or reduction of tariffs. And so we have done that work unit by unit. I'll give you an example of that in a minute.

The mitigating activities that we are looking at is a couple of things. One, Annex 2 that was announced as part of the April 2 tariff announcements. It's essentially specific raw material categories exempted from those tariffs, some alternative sources. So in some cases, we're able to move production from a foreign country to the US or from China to India.

Vendor partnerships, at this point, we have certain solvent vendors that we would get imported who have eaten the tariffs for the time being, product substitutions. And then lastly, price increases. We are in the process of addressing and, or instituting price increases where necessary.

So I think for the most part, we will offset all of that impact. And in the grand scheme of things, at this point, it's about $74 million, $75 million of raw material impact on a $2.5 billion spend. So not material to RPM, but we have a unit by unit way to address it.

And then I'll provide one more example, which gives you a sense of the detail we get down to. We announced The Pink Stuff acquisition, and we have done the analysis of their business. They export mostly intercompany about $35 million from the UK to the US. For example, about $13 million or $14 million of that is their iconic paste cleaner.

And we have a plan where we can spend about $400,000 or $500,000 in an existing US consumer production facility in the next couple of months that will allow us to move production of US sold Pink Stuff Paste in the US to being produced in the US. There are six different categories and Pink Stuff where that applies. So that's just one example.

And I appreciate the question, Michael, because that is exactly the type of analysis we have done across every one of RPM's 20 SBUs. So I think we have a pretty good handle on the impact of this, mitigating factors.

We're on the lookout for changes and, or reciprocal tariff increases. And then the last comment I'll make is where we started, which is for the most part, we produce products in the countries or regions in which we sell them. So we don't see this as being a significant impact on RPM.

Mike Sison - *Wells Fargo Securities, LLC - Analyst*

Great, thanks. Let's hope it warms up for the Guardians today.

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

Yeah, thank you.

Operator

Mike Harrison, Seaport Research Partners.

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

Good morning Mike.

Mike Harrison - *Seaport Research Partners - Analyst*

Hi, good morning. I was hoping, Frank, you can maybe give us some thoughts on the near shoring trend that's been a nice contributor to some of the strength that you've been seeing in the CPG and PCG segments over the last few years.

I'm just curious, have you seen that trend starting to slow a little bit? And I guess, would your expectation be that this newest round of tariffs could potentially reinvigorate some of that nearshoring trend and drive some additional investment in US manufacturing facilities?

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

Sure. So in general, I think the answer is yes, both the Biden administration and now the Trump administration with tariffs have indicated their focus on and the importance of reshoring. And so we've been a beneficiary of that, particularly in the technology area, and that's continuing. We serve broadly manufacturing.

I'll tell you the one area where we see and anticipate things slowing down is auto and so that's the one area of spend where I think over time, you might see some reshoring. But in the current moment, there seems to be some paralysis to try and understand what all this means for the auto industry.

Aside from that, we don't see any change in the reshoring in technology and the announcements that you're hearing from the intels or the apples, the continuing build-out of data centers, things like that, which we're in a pretty good position to be part of.

Mike Harrison - *Seaport Research Partners - Analyst*

All right, thank you. And then I wanted to ask specifically in the Construction business. You referenced the unfavorable weather. And I just wanted to understand a little bit better, a lot of this activity just get pushed out of Q3 and into Q4?

Or are you seeing cases where there are longer delays or even some cancellations of projects. I think I'm just curious to understand why we wouldn't see some better demand or better numbers out of construction in the fourth quarter? Thank you.

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

Sure. So it starts with a seasonal comparison, we are weather impacted. People don't get up on roofs when there's snow on them. And we saw snow this year in Florida and in Texas and the Carolinas and disruptions throughout the country.

And a challenging comparison when last year, we had a very mild winter. So you'll recall last year, in the third quarter, Construction Products Group sales were up 4.3%, and EBIT was up 70%. So that's a big mountain decline. We had to reverse this year weather wise.

Most of those projects have been pushed off. And so we are starting to see some of that come back. But again, that winter weather were its way right through March. We are sitting here in Cleveland, Ohio. It is 26 degrees and their snow on the ground. It must be opening days for the Cleveland Guardians, which it is. And so certainly, that impacts us.

Really a good backlog in our roofing business that continues. And as we move from selling components to selling systems in the areas of construction that we've talked about, I think we're in a pretty good shape. So our backlog has not shrunk and our people are anxious to get back up on roofs and get back to work and start selling stuff.

Mike Harrison - *Seaport Research Partners - Analyst*

All right, very helpful. Thank you.

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

Thank you.

Operator

Ghansham Panjabi, Baird.

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

Hey guys, good morning.

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

Good morning. How are you?

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

Good morning Frank. Maybe you could just give us a bit of an update on the MAP progress plan specific to Europe. What's been done so far? What's left to do? And maybe in terms of the outlook for 2026 in terms of flow through savings specific to that region?

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

Sure. In general, we're moving later than we would have anticipated, mostly because of COVID disruptions in Europe. And so in the past year, we have initiated and completed I want to say eight manufacturing facility closures and consolidations, principally in Europe. And so that's moving very well. We are pulling together administrative areas around accounting and IT. That's moving very well.

Dave Dennsteadt, who is the President of our Performance Coatings Group, you may recall, moved his family 1.5 years ago to Europe to really provide some senior leader oversight there. So that's helped kind of drive better coordination to get at these MAP savings that we got first in North America, and now we're getting in Europe.

MAP savings in Q3 in general were about $28 million across all of RPM. Obviously, that was offset by an equivalent amount of under absorption and some of the other challenges we faced in the quarter. But we're making good progress there.

I think we communicated in the last call that we anticipate, obviously, running through the finish line at May 31, 2025, of the MAP initiatives, we'll have some bleed over in '26, the impact on the MAP initiatives through MAP 2025 on fiscal '26 should be about $100 million.

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

Okay, very helpful. And then just to clarify the previous comments on CPG and the backlogs, the backlogs you're referring to are just specific to the fact that 3Q came in below forecast just based on weather. Is it -- did I hear that correctly?

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

The backlogs are a pretty good, strong quote activity in Tremco Roofing and reroofing projects in our WTI business, which is the contracting arm of Tremco. So historically, mostly roofing maintenance repair and, or general GC activity on major reroofing projects.

It's starting to incorporate Pure Air and as another category of kind of self-supplied. And so those activities are continuing. We are not seeing a slowdown in the backlog. And I would anticipate, as I said, a return to profitable growth in Q4 and into the summer.

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

And then just finally, Frank, on The Pink Stuff acquisitions, just remind us, how big is cleaning products for you at this point? And what will it be as a percentage of sales following The Pink Stuff acquisition close?

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

Sure relatively modest and all at Rust-Oleum, about $50 million, and Pink Stuff is, call it, $180 million, $190 million, about GBP150 million and growing very nicely. So we'll be looking at a $225 million category. Huge opportunities there, $12 billion, $15 billion market both in North America and Europe.

Pink Stuff has really strong brand recognition and good trajectory in the UK. It's got nice growth through Continental Europe, and it's been introduced in the last few years and growing in the US. So it's got a nice growth profile. It has a margin profile at the gross margin and EBIT line that is higher than the RPM average.

And we're pretty excited about both that and the fact that they have a very sophisticated social media online marketing initiative that we think will enhance not only our cleaner categories, but other parts of RPM's Consumer Group. So they have a great management team. We're excited about their addition to RPM, and it really makes us a bigger player and what's a huge new market for us.

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

Thanks Frank.

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

Thank you.

Operator

John Roberts, Mizuho Group.

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

Morning, John. Good morning.

Fabian Jimenez - *Mizuho Securities USA, LLC - Analyst*

Hey, good morning. This is actually Fabian Jimenez on for John.

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

Good morning.

Fabian Jimenez - *Mizuho Securities USA, LLC - Analyst*

So, just -- good morning. So taking back on your raw material comments, you're not guiding for a mid-single digit percentage versus low single percentage. Are you thinking that tariffs will more than offset the decline in oil prices? And then again, could you share on which raw materials you're expecting to see the biggest tariff impacts? Thank you.

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

Sure. First of all, the oil price decline is a function of the last couple of days and really in response to tariffs and concerns about economic activity. But the tariff situation will have little or no impact there. The largest categories that will be impacting tariffs for us are things like resins, pigments, solvents, specific additives, certain components of raw materials for our Food Group.

The largest one, which is hundreds of millions of dollars is metal packaging. And so the dynamics we're facing are both managing what I indicated at this point is about $74 million we perceive impact on a $2.5 billion spend from tariffs. And so we talked about the mitigating factors there and then dealing with the pricing. And some of the pricing is a function of the tariffs themselves.

Quite candidly, some of it is predatory. We're seeing significant pricing increases in metal packaging as US steel producers are taking advantage of the tariff situation to prematurely raise their prices and they're doing it. And so those are the dynamic factors that we see as we sit here today, in the US, for instance, which will drive an additional 4% or so of raw material inflation. That is an unmitigated 4%.

And as I indicated earlier, pricing, shifting sourcing to the US or to lower tariff country are all things that we are actually doing now on a business unit by business unit basis. So we would expect to offset most of that 4% as we get into the quarter and into the summer.

Fabian Jimenez - *Mizuho Securities USA, LLC - Analyst*

Got it. Thank you.

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

Thank you.

Operator

David Huang, Deutsche Bank.

David Huang - *Deutsche Bank - Analyst*

Hi, good morning. Just on PCG, I think so far, it's been a lumpy year. Can you talk about the mix of the backlog here. And I think there has been some pullback in data center spending recently when people talk about it. So I guess, what are you seeing in your backlog in terms of those trends?

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

Sure. So our PCG business has the same strong backlog that we see in CPG. So I would anticipate, again, a return to profitable growth in Q4. Our outlook in our PCG business is a little shorter than CPG. So would be hard pressed to tell you where we're going to be in the summer or the fall. It's also a more global business.

And so it's hard to predict what our fiscal '26, which starts June 1 is going to look like depending on where we sit with tariffs the possibility of reciprocal or competitive tariffs from other countries. And so it is very uncertain in terms of longer term outlook. In terms of the next 90 days, we got a really solid backlog, and we're going to generate some pretty good business.

David Huang - *Deutsche Bank - Analyst*

Okay, thanks. And then on The Pink Stuff acquisition, can you give more details on the margin profile of the business relative to the Consumer segment? And what types of multiples you have paid pre-synergy? And do you expect any meaningful synergy from that business?

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

Sure. So a couple of things. We'll provide more details in July after the transaction is closed. It's expected to close at the end of May or first part of June. I will tell you, in general, I think we feel pretty good about the M&A market. We see multiples coming down.

In the case of The Pink Stuff, we were able to do the transaction at a multiple or two lower than kind of the headline transactions out there. We were also able to structure it such that 80% of the purchase price is paid upfront and 20% is on an earnout based on meeting sales and profitability targets.

And so we -- that is Pink Stuff, in particular, but we're seeing multiples coming down. We're seeing a pretty good collection of opportunities M&A wise. I think people are willing to look at structured transactions, given all the uncertainty here. So that's an area that feels like we're going to see some more activity than we have in the last couple of years.

Pink Stuff is a great opportunity for us because it is a global brand, whereas most of our Consumer brands are very strong, typically number one in North America, but not much presence outside of that. It also, both in its UK and Europe markets, but as importantly for us in the US is in grocery, drugstore and so some major distribution channels that we typically don't participate in. And so we're excited about that.

And it's across a broad collection of cleaning categories. Its iconic paste, which is its strongest brand and our strongest product, but also a trigger spray, multipurpose cleaner, that's very effective and then cleaning products in a number of other areas.

So a really nice addition. And I think after getting our feet wet over the last 10 years in the cleaning category, really helps us become a more significant player with better opportunities for growth.

David Huang - *Deutsche Bank - Analyst*

Yes, thank you.

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

Thank you.

Operator

Vincent Andrews, Morgan Stanley.

Vincent Andrews - *Morgan Stanley Co. LLC - Analyst*

Thank you. Good morning, everyone. Just wanted to follow up, Frank. You talked about March, it doesn't sound like you saw much sequential improvement from the bad weather months of Jan and Feb, and maybe there still were some weather challenges in March.

But March is typically a much bigger quarter than Jan -- sorry, much bigger month than Jan and Feb are. So could you just clarify that? Do you not see much of an improvement sequentially out of February?

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

We basically saw a year-over-year, part of it was the comparison again the last year. I know you've heard this, but with sales up 4%, and EBIT up 70% in CPG, and sales up 7%, EBIT up 45% last year in PCG. Sales down last year in Consumer and EBIT up 35%. We faced a really tough comparison.

In March, sales were flat and EBIT was up marginally. And so that was a big improvement over December and January. Flat sales and modestly up EBIT, it's not anything to write home about, but it was an improvement versus the first two months of the year. And again, it's been really weather related. And we saw that as we got into the further into the quarter after our January call.

Vincent Andrews - *Morgan Stanley Co. LLC - Analyst*

Okay. And then if I could ask you on The Pink Stuff, and you just kind of referenced this, but it does offer RPM entree into some other distribution channels, retail and also sounds like maybe e-commerce that you're maybe not as active in. What parts of the portfolio do you think you have some low hanging fruit in terms of leveraging The Pink Stuff distribution relationships with?

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

I think that Pink Stuff introduces our North American Consumer Group and businesses in the cleaning category in general into grocery and drug store, which is not a channel that we plan, literally thousands of new outlets. And so that's something we're going to be focused on. And then building on their social media expertise is something we're excited about as well.

And then lastly, they are a global brand. They're not in China or India, but they are throughout the European continent, the UK and the US. And so maybe it can help us to launch some of our other cleaning products and other Consumer products more broadly into the UK and European market.

We've got a nice presence in our small project paint categories in the UK and Europe, but literally nothing until now in the cleaning category. And we've got some really good products with the Mean Green, Krud Cutter.

We're excited about Mean Green, that just -- that was an internal growth investment. It has a patented spray nozzle that actually pulls the exact amount of water and concentrate you need and people end up getting the equivalent of four containers in one and it's gotten a lot of awards.

And so it's not just The Pink Stuff, but we have been building on our strength in cleaners and doing some internal investment, including this new innovative product that we're excited about. And we expect to see some significant growth from this Mean Green dual chamber product that was literally just introduced and started shipping at the end of March.

Vincent Andrews - *Morgan Stanley Co. LLC - Analyst*

Okay sounds great. I'll pass it along. Thank you.

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

Thank you.

Operator

Josh Spector, UBS.

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

Morning.

Josh Spector - *UBS Securities LLC - Analyst*

Hey, good morning, Frank. Just a question on the Consumer segment. I understand the year-over-year comp becomes a little bit less easy, but you're forecasting low single-digit declines versus slight growth. And I think on a two year comp, it actually does look a little bit easier.

So I'd just be curious if you could talk about what you're seeing in that market, kind of what your big customers are maybe doing from a buying perspective. Is that impacting you, or what else you comment on there? Thanks.

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

Sure. Thank you. In terms of comparable products, not new product introductions that we've been talking about. We have been through 18 months of really flat or declining consumer takeaway and consumer sentiment is not terribly hot right now. And so we don't see the catalyst other than market share gains or new product introductions for meaningful growth in that category.

I think our Consumer leadership teams and our associates have done a good job on a comparative basis. We've outperformed our peers in a difficult environment. In some quarters, that means that our revenue dropped less than theirs. That's not anything we're excited about. But from a performance perspective, I think we're doing pretty well.

But unlike our comments on the Construction Products Group or Performance Coatings Group, there's no big, huge catalysts that suggest that consumers are running back into the stores, and we're going to get back to the 3% to 4% or better product takeaway from the economy. And so most of our performance will be self-help. It will be market share gains and, or new product introductions.

Josh Spector - *UBS Securities LLC - Analyst*

All right, thanks Frank. Just one quick one. In your comments, you talked about Specialty Products Group managing innovation centers and that being a cost. Is that a headwind we should bake in on an ongoing basis? Like is that $1 million, $2 million a quarter that impacts Specialty on a forward basis? Or is that not the right way to think about it?

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

No, it is the right way to think about it, but that's been fully loaded into the Industrial Coatings Group. So our Industrial Coatings Group of the Specialty Products Group is about half of their $750 million in sales and that's where that cost is varied. And we have absorbed that cost for the most part as a new expense throughout fiscal '25.

So as we get into fiscal '26, it will be comparable. And we'll talk about our outlook and guidance for fiscal '26 and any adjustments that we want to make for the new year when we provide results for our fourth quarter in July.

Josh Spector - *UBS Securities LLC - Analyst*

Very clear. Thanks, Frank.

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

Thank you.

Operator

Frank Mitsch, Fermium Research.

Frank Mitsch - *Fermium Research LLC - Analyst*

Hey, good morning, Frank. I want to come back to the fiscal -- I want to come back to the fiscal fourth quarter outlook. So three months ago, the implied guide was for double digit EBIT growth and we're talking low single digits today.

And as I look at the some of the mitigating or some of the factors that are on the negative side, one thing is tariffs and raw material inflation. I think you've done an excellent job of explaining on this call how that -- those issues are going to be offset.

So they're not going to be a very big factor. So can you just kind of give us a rank order or the areas as to where the degradation in outlook for the fourth quarter has come from over the last three months?

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

Sure. Part of it is just as we roll out of a weather impacted Q3. And we generally don't provide any guidance on months, but I just talked about an improved -- modestly improved March. And so aside from the underlying dynamics, that's where we were in the month of March. I'm sitting here on April 8 staring at snow on the ground. And so that's not helpful.

But I think the dynamics are what they are in terms of the things that we've already explained, Frank, on this call, good backlog at CPG. Same thing for PCG. And pretty much more of the same for Consumer. I would expect that our Specialty Products Group just because of an easier comp will have positive results in Q4. A lot of that's MAP driven and expense driven, not necessarily top line growth.

You mix in the uncertainty that all of this tariff craziness is creating and I think there's a little bit of a hedge for us in terms of nervousness about people being indecisive or not making decisions. It's just an interesting time. And the place where we've seen that is we do -- as I said, we do work across all manufacturing, particularly in our Construction Products Group. We do some good work in the automotive sector.

We're seeing indecision and, or little paralysis and decision-making there in terms of capital spending and projects. We're not seeing it in specific other areas that we serve in terms of markets industry wise. Canada is the same way.

If I look at regionally, Europe is what it is, the performance and I don't say that cavalierly, it's been impacted by the Russian war in Ukraine, but we're making significant improvements in EBIT margin. So we're generating some decent results and no growth.

In North America, Canada has decidedly slowed down in the last couple of weeks. So I would put that in the same category as maybe auto. I think there's some paralysis or some halting and decision making until both they have an election and they figure out what all these tariff means.

So there are consequences economically outside of a pretty good analysis that our people have done of what the impact on our raw materials or our businesses would be and how we mitigate those. I think those are the two biggest areas that I can point to as we sit here and stare at the fourth quarter.

Frank Mitsch - *Fermium Research LLC - Analyst*

Very helpful. And I'm cautiously optimistic that in a month's time or so, we'll have a much better visibility and some of this paralysis may fade. We'll have a better understanding of the new world order because we clearly don't today.

And just lastly, corporate expenses were on the high side in the quarter, you referenced M&A and compensation. How should we think about corporate expenses for RPM in the fourth quarter and beyond?

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

Yeah, Frank, this is Rusty here. In terms of the corporate non-op segment, we're running at about an average of $35 million a quarter. It was up and elevated as you noticed in Q3 because of higher acquisition costs. We will have higher acquisition cost to in the fourth quarter. So probably a bit elevated, but hopefully not quite as high as you saw in Q3, but probably over $35 million in non-op in Q4.

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

Frank, don't usually contradict my CEO -- our CFO on conference calls. But I for one, hope we have higher acquisition costs in Q1, Q2 and Q3.

Frank Mitsch - *Fermium Research LLC - Analyst*

Noted, thank you.

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

Great.

Operator

Steve Byrne, Bank of America.

Steve Byrne - *BofA Global Research - Analyst*

Thank you. For your Construction and Performance segments, is it reasonable to say that the volumes that you can have visibility on in those two segments is pretty firm for the remaining eight weeks of fiscal fourth quarter.

But if we look out over the next year, how would you assess the level of volumes that are contracted? How far out would you say you have visibility on volumes in those two segments of whether it's new commercial products or the repair and maintenance products that you have, what's the visibility you have on those volumes?

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

Sure. Depending on the level, we track quotes, we track bids and then we track awarded projects. And so your quote activity could go out six to nine months, your bidding activities a little shorter. And then obviously, the contracts that you win, but you haven't shipped is even a smaller, tighter group.

In each case, we're seeing pretty good activity there. Things that you're quoting, things that you're specifically bidding on can start to dry up. And so as we sit here today, we're not seeing that. But given the economic circumstances that we're in, again, I mentioned auto and Canada is the two areas that are noticeably slowing down in terms of putting a pause on projects and, or just seeing -- in Canada, we're seeing a negative impact in almost every one of our segments.

And so listen, these tariffs will have consequences. With this administration, it's hard to know if the game will change in a few weeks or we're going to end up with negotiating settlements and pull a rabbit out of a hat that makes us all feel good. But if we're in an extended tariff trade war, obviously that will have a negative impact on the economy and on business results.

Steve Byrne - *BofA Global Research - Analyst*

And then one question for you on the Consumer segment, Frank. What specifically, are you targeting your marketing to pick up share in residential maintenance products?

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

So in the Consumer area, it's mostly around new product introductions. We introduced a low odor. Companies have been -- our competitors here in Europe have been trying to introduce high performing water-based aerosols. We've been part of that. We have one. We're very excited about it. and that just got introduced this spring, and it works.

We introduced a Rust-O product that's targeted at urban art, it's pretty exciting and not anything that we would have thought to do from a marketing or a social media perspective a decade ago. Aside from the Pink acquisition, you heard me talk about the Mean Green refillables.

So we're really looking at innovation in terms of packaging. We introduced the five in one 1.5 years ago. So there's a lot of innovation coming out of our Consumer Group some new be able to take a two component foam insulation product DAP and turn it into a one component product for kind of light commercial.

So a lot of innovation going on that's going to be introduced as new products. And we feel that's what's going to drive growth in our businesses until we see a return to kind of the steady 3%, 4% base DIY takeaway that existed pretty consistently for quite a while, and then really has been ripsawed by COVID when it went way up and then came way down. And now we've been in about an 18 month period of slightly negative to flat Consumer takeaway. And it feels like we're in that same environment.

Steve Byrne - *BofA Global Research - Analyst*

Okay. Thank you.

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

Thank you.

Operator

Aleksey Yefremov, KeyBanc.

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

Morning, Aleksey.

Operator

Aleksey, your line is unmuted.

Jeff Zekauskas, JPMorgan.

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

Hi Jeff.

Jeff Zekauskas - *J.P. Morgan Securities LLC - Analyst*

Hi, good morning. Thanks very much. At the outset of the call, what you did is you said, 2023 really should be the right comparison. And what you did is you said that you could see progress and MAP. So is the analytical force of that, that weather conditions were normal in 2025 in the February quarter, only they were adverse versus very favorable conditions in 2024.

So when we think about next year, we should think about this as more of a base case? Or were weather conditions actually adverse versus the history? And will there be a weather penalty in the fourth quarter versus year-over-year?

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

Sure. It's a great question. We are seeing globally and certainly US and more severe weather events to the extent that that's happening RPM has products, whether it's Nudura, our Legend Brands business, they can help solve problems in those environments.

And particularly in our Construction Products Group, we are developing versus our peers, particularly Nudura and around it, high-performing 250 mile wind rating, high energy efficiency in terms of sustainability products that lend themselves to that environment.

Last year was a particularly mild winter. And when it's 60 degrees in February, people go into Home Depot and buy a can of spray paint and work outside. When it's 26 degrees in Cleveland, Ohio on April 8, people aren't tending to go by a can of spray paint and do anything outside. People don't get on roofs when it's snowing. And it literally snowed in Texas and the Carolinas.

So I can't answer your question with specificity other than if we have the same kind of winter next year that we had this year, it should be a comp. And so you shouldn't hear from us crying about a bad winter because it will be a bad winter at normal winter versus this one.

If we have a very mild winter next year, we should have a big tailwind in terms of literally how people use our products and the impact of weather on usability when a lot of your products, whether it's in Construction products or Consumer are used or consumed outside.

Jeff Zekauskas - *J.P. Morgan Securities LLC - Analyst*

Okay. That's clear. And then in terms of the prospective Chinese tariffs, like all kinds of metal fittings and building products come from China, both for you and for other factors in the building products area. Is this an issue? Or could this lead to various product shortages or longer lead times and building things in the coming quarters or not really?

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

Yeah, it's a great question. A lot of fasteners come out of China. And so at that point, at this point, things are a function of price and, or impact of tariffs on costs or negotiations over who's going to eat the cost of tariffs. We're seeing that. We're not a buyer of those products, Jeff. But we're seeing that in some solvents. And in some cases, you have bulk solvent importers who for now have decided to absorb the cost of those tariffs.

In other cases, we'll negotiate a split, in which case we got to go out and negotiate price. We're already negotiating some prices in some categories. I won't provide more specifics, but in some cases, those buyers or customers are sophisticated enough to say, yeah, they're going to we'll give you your price increase 30 days or 45 days after the impact of this tariff because of your existing inventory, in which case, we get to negotiate all right.

We won't have a discussion about relieving those tariff related prices for 30 or 45 days after they're ended. Those are the kind of negotiations that you're involved in. The last comment I'll make is just reinforcing what I said when it comes to steel items specifically, US steel manufacturers have been pretty predatory in terms of raising prices in front of threatened tariffs and now real tariffs. And so that's a different element of the impact of tariffs, but nonetheless causes inflation in those categories.

Jeff Zekauskas - *J.P. Morgan Securities LLC - Analyst*

Thank you very much, Frank.

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

Thank you.

Operator

(Operator Instructions) Arun Viswanathan, RBC Capital Markets.

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

Morning, Arun.

Unidentified Participant

Good morning. This is Adam on for Arun. If we could back up to the M&A. Good morning. If we get back up maybe to some of the M&A stuff, I was wondering if you'd be able to provide any additional commentary there. I mean, I think your leverage is still pretty low. Would you guys potentially have any appetite for any larger transactions? And if so what kind of categories might you be focused on?

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

We have an appetite for anything in our space, and so we've looked at stuff. But we have had pretty good discipline on valuation and what we're willing to pay. I think that's been evidenced by, quite honestly, a disappointing level of M&A activity over the last six years. It's lower than what we would have hoped for and anticipated.

But I think we weren't willing to pay some of the multiples that people were paying out there when you're in your mid-teen multiples and 3 or 4 times sales for Construction Products and Building Materials, those values didn't make sense to us.

We are seeing a meaningful reduction in multiples and even a willingness to structure transactions and a pretty good pipeline of M&A activity. So I would expect our next three years to be much more impacted by smart well-valued M&A transactions than the last five or six years event.

So we're excited about that and as I said, Pink Stuff is a good example of that. A couple of multiple turns lower than what some of the headline deals had a few years ago, still a huge return for those owners and structured transaction, which I hope we pay out. Because if we do, they'll be happy, we'll be happy and the return improves modestly and the accretion gets significantly better.

Unidentified Participant

Great, thanks. That's really helpful. I'll be looking for more detail on Pink Stuff once that transaction closes. If I could possibly sneak one more in, of the inventory actions you're taking this quarter, is that mostly going to be contained into this quarter? Do you expect any of that to be lingering into late Feb, early March?

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

No, we are continuing with our MAP initiatives. And I will tell you the work that our operating people have done through six years of MAP initiatives have been tremendous. And we've had some outside help. But Tim Kinser leads that effort.

Andrew Polanco, our VP of Manufacturing, hundreds of people across our operations. We're much more efficient. We brought our conversion costs down, and we're much more flexible. And so this quarter was actually put aside the disappointment in terms of top line to generate $92 million of cash from ops in a third quarter, which not too many years ago, between our dividend and other things might have been a flat or negative cash-generating quarter because of the seasonality, and also not have the inventory build, which historically was quite candidly a function of not so much not having enough capacity, but not being as efficient with the capacity that we do have.

And so it's a much improved RPM in terms of not having to have that huge January, February, March inventory build going into a spring selling season, whether that's in Consumer or Roofing. And that's how we end up with a $92 million cash from operations in our third quarter when historically, it would be flat or negative, because we're paying a dividend evenly across the year, and we're eating -- historically eating working capital in Q3 building for Q4.

So hats off to the people that have done this. We tried in the past, not sustainably, and the work that's been done in the last five or six years is real. It's been significant and it's sustainable.

Unidentified Participant

Great, thanks for the detail.

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

Thank you.

Operator

Aleksey Yefremov, KeyBanc.

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

Morning Aleksey.

Unidentified Participant

Thanks. Good morning. This is actually Ryan on for Aleksey. I apologize for the technological difficulties. Just one quick one for me. Just in the slide deck, you guys mentioned temporary inefficiencies from plant consolidation here in Q4. How large is this headwind anticipated to be? And is this something that might leak into kind of fiscal '26? Thanks.

Matt Schlarb - *RPM International Inc - Vice President - Investor Relations and Sustainability*

Yeah, so as we've talked about, like Frank mentioned, we've done eight plant consolidations. Some of these are really large plants. And so what's happening here is we need to maintain a high level of service for our customers.

So we have some temporary redundancies at these plants so we can make sure that we can get the products out to the customers. And those are temporary. And so once those go away, they will actually result in a more efficient operating footprint for our organization.

But we do have these temporary headwinds that will continue into the fourth quarter. The thing is, as we've talked about also, the third quarter is a seasonally slow quarter. So the impact on our financials is magnified a bit to our fourth quarter where we'll have higher volumes.

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

The actual closure cost and, or severance costs are adjusted out of our results as part of our MAP initiative, and you can see that build in our footnotes. But the transition cost or the prep work to the plant that production is going to is temporary, but at a higher level of expense than once we've completed the closure and have a smooth ongoing operation. And in every much more volume -- yeah and in every instance, more volume will show up in the bottom line.

Operator

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

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

Thanks, Nick. We look forward to delivering our fourth quarter results as well as providing commentary and guidance for our fiscal 2026 when we have our next investor call in July. We will look forward to delivering the details of a return to some level of profitable growth in Q4.

From a balance sheet perspective, cash flow and operating leverage perspective, we're really well positioned to outperform in this challenging environment. And we greatly appreciate your interest and investment in RPM. Have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.