RPM INTERNATIONAL INC/DE/
Form 10-Q
April 08, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended February 28, 2019,

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from   to   .

Commission File No. 1-14187

RPM International Inc.

(Exact name of Registrant as specified in its charter)

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

(Address of principal executive offices)

(330) 273-5090

(Registrant's telephone number including area code)

Not Applicable

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

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

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

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

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

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

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

As of April 5, 2019 131,075,271 Shares of RPM International Inc. Common Stock were outstanding.

RPM INTERNATIONAL INC. AND SUBSIDIARIES*

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

PART I. – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except per share amounts)

	February 28, 2019	May 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 195,169	$ 244,422
Trade accounts receivable (less allowances of $54,460 and $46,344, respectively)	961,628	1,113,818
Inventories	916,361	834,461
Prepaid expenses and other current assets	226,553	278,230
Total current assets	2,299,711	2,470,931
Property, Plant and Equipment, at Cost	1,652,071	1,575,875
Allowance for depreciation	(850,019)	(795,569)
Property, plant and equipment, net	802,052	780,306
Other Assets		
Goodwill	1,262,326	1,192,174
Other intangible assets, net of amortization	620,453	584,272
Deferred income taxes	21,098	21,897
Other	213,796	222,242
Total other assets	2,117,673	2,020,585
Total Assets	$ 5,219,436	$ 5,271,822
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 425,170	$ 592,281
Current portion of long-term debt	453,501	3,501
Accrued compensation and benefits	143,160	177,106
Accrued losses	23,424	22,132
Other accrued liabilities	224,956	211,706
Total current liabilities	1,270,211	1,006,726
Long-Term Liabilities		
Long-term debt, less current maturities	2,070,717	2,170,643
Other long-term liabilities	318,969	356,892
Deferred income taxes	117,272	104,023
Total long-term liabilities	2,506,958	2,631,558
Commitments and contingencies (Note 14)		
Stockholders' Equity		

Preferred stock, par value $0.01; authorized 50,000 shares; none issued	-	-
Common stock, par value $0.01; authorized 300,000 shares; issued 142,433 and outstanding 131,544 as of February 28, 2019; issued 141,716 and outstanding 133,647 as of May 31, 2018	1,315	1,336
Paid-in capital	984,358	982,067
Treasury stock, at cost	(406,367)	(236,318)
Accumulated other comprehensive (loss)	(477,657)	(459,048)
Retained earnings	1,337,545	1,342,736
Total RPM International Inc. stockholders' equity	1,439,194	1,630,773
Noncontrolling Interest	3,073	2,765
Total equity	1,442,267	1,633,538
Total Liabilities and Stockholders' Equity	$ 5,219,436	$ 5,271,822

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Net Sales	$ 1,140,630	$ 1,102,677	$ 3,963,150	$ 3,763,487
Cost of Sales	694,490	663,184	2,384,999	2,200,971
Gross Profit	446,140	439,493	1,578,151	1,562,516
Selling, General and Administrative Expenses	410,871	382,972	1,300,693	1,196,980
Restructuring Charges	8,679	-	36,479	-
Interest Expense	26,525	27,459	74,058	80,628
Investment (Income), Net	(4,726)	(5,471)	(126)	(13,663)
Other Expense (Income), Net	327	(165)	4,052	(592)
Income Before Income Taxes	4,464	34,698	162,995	299,163
(Benefit) Provision for Income Taxes	(10,032)	(5,890)	29,140	45,814
Net Income	14,496	40,588	133,855	253,349
Less: Net Income Attributable to Noncontrolling Interests	306	361	677	1,243
Net Income Attributable to RPM International Inc. Stockholders	$ 14,190	$ 40,227	$ 133,178	$ 252,106
Average Number of Shares of Common Stock Outstanding:				
Basic	130,105	131,178	131,019	131,195
Diluted	131,889	131,178	132,829	135,657
Earnings per Share of Common Stock Attributable to RPM International Inc. Stockholders:				
Basic	$ 0.11	$ 0.30	$ 1.01	$ 1.90
Diluted	$ 0.11	$ 0.30	$ 1.00	$ 1.87

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended		Nine Months Ended	
	February 28, 2019	February 28, 2018	February 28, 2019	February 28, 2018
Net Income	$ 14,496	$ 40,588	$ 133,855	$ 253,349
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	20,823	31,133	(32,111)	67,453
Pension and other postretirement benefit liability adjustments (net of tax of $711; $1,319; $2,801 and $3,576, respectively)	2,479	2,279	8,962	5,974
Unrealized gain (loss) on securities and other (net of tax of $0; $(1,070); $543 and $43, respectively)	221	(2,380)	1,183	91
Unrealized (loss) gain on derivatives	(604)	(2,137)	2,667	(5,277)
Total other comprehensive income (loss)	22,919	28,895	(19,299)	68,241
Total Comprehensive Income	37,415	69,483	114,556	321,590
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	(219)	393	(14)	1,234
Comprehensive Income Attributable to RPM International Inc. Stockholders	$ 37,634	$ 69,090	$ 114,570	$ 320,356

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended	
	February 28, 2019	February 28, 2018
Cash Flows From Operating Activities:		
Net income	$ 133,855	$ 253,349
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	71,869	61,078
Amortization	35,677	35,123
Restructuring charges, net of payments	9,296	-
Fair value adjustments to contingent earnout obligations	1,558	-
Deferred income taxes	(8,747)	(42,885)
Stock-based compensation expense	20,892	17,698
Other non-cash interest expense	1,552	4,275
Realized/unrealized losses (gains) on marketable securities	5,906	(6,833)
Loss on extinguishment of debt	3,051	-
Other	179	(71)
Changes in assets and liabilities, net of effect from purchases and sales of businesses:		
Decrease in receivables	152,622	138,942
(Increase) in inventory	(80,686)	(121,095)
Decrease in prepaid expenses and other current and long-term assets	11,593	14,307
(Decrease) in accounts payable	(166,951)	(112,888)
(Decrease) in accrued compensation and benefits	(32,503)	(45,873)
Increase (decrease) in accrued losses	1,578	(11,001)
(Decrease) in other accrued liabilities	(20,952)	(42,895)
Other	5,716	(483)
Cash Provided By Operating Activities	145,505	140,748
Cash Flows From Investing Activities:		
Capital expenditures	(84,491)	(72,769)
Acquisition of businesses, net of cash acquired	(167,712)	(59,991)
Purchase of marketable securities	(16,644)	(139,641)
Proceeds from sales of marketable securities	67,550	97,624
Other	1,294	6,766
Cash (Used For) Investing Activities	(200,003)	(168,011)
Cash Flows From Financing Activities:		
Additions to long-term and short-term debt	596,222	340,106
Reductions of long-term and short-term debt	(253,343)	(264,051)
Cash dividends	(135,535)	(125,672)
Shares repurchased and shares returned for taxes	(191,056)	(15,065)
Payments of acquisition-related contingent consideration	(3,598)	(3,825)

Other	(640)	(1,911)
Cash Provided By (Used For) Financing Activities	12,050	(70,418)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(6,805)	11,570
Net Change in Cash and Cash Equivalents	(49,253)	(86,111)
Cash and Cash Equivalents at Beginning of Period	244,422	350,497
Cash and Cash Equivalents at End of Period	$ 195,169	$ 264,386
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the period for:		
Interest	$ 70,548	$ 69,239
Income Taxes, net of refunds	$ 33,859	$ 79,441
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Conversion of Debt to Equity	$ 38,239	$ -

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

RPM INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

	Common Stock Number of Shares	Par/Stated Value	Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total RPM International Inc. Equity	Noncontrolling Interests	Total Equity
Balance at June 1, 2018	133,647	$1,336	$982,067	$(236,318)	$(459,048)	$1,342,736	$1,630,773	$2,765	$1,633,538
Cumulative-effect adjustment upon adoption of ASU 2014-09	-	-	-	-	-	(2,834)	(2,834)	-	(2,834)
Net income	-	-	-	-	-	69,764	69,764	422	70,186
Other comprehensive (loss)	-	-	-	-	(33,978)	-	(33,978)	(258)	(34,236)
Dividends paid ($0.32 per share)	-	-	-	-	-	(42,714)	(42,714)	-	(42,714)
Other noncontrolling interest activity	-	-	-	-	-	-	-	3	3
Share repurchases under repurchase program	(103)	(1)	1	(6,994)	-	-	(6,994)	-	(6,994)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	(136)	(1)	10,018	(13,587)	-	-	(3,570)	-	(3,570)
Balance at August 31, 2018	133,408	1,334	992,086	(256,899)	(493,026)	1,366,952	1,610,447	2,932	1,613,379
Net income (loss)	-	-	-	-	-	49,224	49,224	(51)	49,173
Other comprehensive (loss) income	-	-	-	-	(8,074)	-	(8,074)	91	(7,983)
Dividends paid ($0.35 per share)	-	-	-	-	-	(46,481)	(46,481)	-	(46,481)

Other noncontrolling interest activity	-	-	-	-	-	-	-	567	567
Share repurchases under repurchase program	(1,145)	(11)	11	(74,998)	-	-	(74,998)	-	(74,998)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	274	2	7,277	(2,082)	-	-	5,197	-	5,197
Convertible bond redemption	599	6	(23,029)	20,215	-	-	(2,808)	-	(2,808)
Balance at November 30, 2018	133,136	1,331	976,345	(313,764)	(501,100)	1,369,695	1,532,507	3,539	1,536,046
Net income	-	-	-	-	-	14,190	14,190	306	14,496
Other comprehensive income (loss)	-	-	-	-	23,443	-	23,443	(524)	22,919
Dividends paid ($0.35 per share)	-	-	-	-	-	(46,340)	(46,340)	-	(46,340)
Other noncontrolling interest activity	-	-	-	-	-	-	-	(248)	(248)
Share repurchases under repurchase program	(1,571)	(16)	16	(91,230)	-	-	(91,230)	-	(91,230)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	(21)	-	7,997	(1,373)	-	-	6,624	-	6,624
Balance at February 28, 2019	131,544	$1,315	$984,358	$(406,367)	$(477,657)	$1,337,545	$1,439,194	$3,073	$1,442,267

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

	Common Stock Number of Shares	Par/Stated Value	Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total RPM International Inc. Equity	Noncontrolling Interests	Total Equity
Balance at June 1, 2017	133,563	$1,336	$954,491	$(218,222)	$(473,986)	$1,172,442	$1,436,061	$2,639	$1,438,700
Net income	-	-	-	-	-	116,416	116,416	487	116,903
Other comprehensive income	-	-	-	-	44,604	-	44,604	31	44,635
Dividends paid ($0.30 per share)	-	-	-	-	-	(40,089)	(40,089)	-	(40,089)
Other noncontrolling interest activity	-	-	-	-	-	-	-	(65)	(65)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	(26)	(1)	7,465	(5,345)	-	-	2,119	-	2,119
Balance at August 31, 2017	133,537	1,335	961,956	(223,567)	(429,382)	1,248,769	1,559,111	3,092	1,562,203
Net income	-	-	-	-	-	95,463	95,463	395	95,858
Other comprehensive (loss)	-	-	-	-	(5,216)	-	(5,216)	(72)	(5,288)
Dividends paid ($0.32 per share)	-	-	-	-	-	(42,790)	(42,790)	-	(42,790)
Other noncontrolling interest activity	-	-	-	-	-	-	-	(647)	(647)
Stock compensation	129	2	6,963	(6,780)	-	-	185	-	185

expense and other deferred compensation, shares granted less shares returned for taxes									
Balance at November 30, 2017	133,666	1,337	968,919	(230,347)	(434,598)	1,301,442	1,606,753	2,768	1,609,521
Net income	-	-	-	-	-	40,227	40,227	361	40,588
Other comprehensive income	-	-	-	-	28,864	-	28,864	31	28,895
Dividends paid ($0.32 per share)	-	-	-	-	-	(42,793)	(42,793)	-	(42,793)
Other noncontrolling interest activity	-	-	-	-	-	-	-	(516)	(516)
Stock compensation expense and other deferred compensation, shares granted less shares returned for taxes	64	-	3,268	(2,941)	-	-	327	-	327
Balance at February 28, 2018	133,730	$1,337	$972,187	$(233,288)	$(405,734)	$1,298,876	$1,633,378	$2,644	$1,636,022

RPM INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — CONSOLIDATION, NONCONTROLLING INTERESTS AND BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the U.S. (“GAAP”) for interim financial information and the instructions to Form 10-Q. In our opinion, all adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation have been included for the three and nine month periods ended February 28, 2019 and 2018. For further information, refer to the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended May 31, 2018.

Our financial statements include all of our majority-owned subsidiaries. We account for our investments in less-than-majority-owned joint ventures, for which we have the ability to exercise significant influence, under the equity method. Effects of transactions between related companies are eliminated in consolidation.

Noncontrolling interests are presented in our consolidated financial statements as if parent company investors (controlling interests) and other minority investors (noncontrolling interests) in partially-owned subsidiaries have similar economic interests in a single entity. As a result, investments in noncontrolling interests are reported as equity in our consolidated financial statements. Additionally, our consolidated financial statements include 100% of a controlled subsidiary’s earnings, rather than only our share. Transactions between the parent company and noncontrolling interests are reported in equity as transactions between stockholders, provided that these transactions do not create a change in control.

Our business is dependent on external weather factors. Historically, we have experienced strong sales and net income in our first, second and fourth fiscal quarters comprising the three month periods ending August 31, November 30 and May 31, respectively, with weaker performance in our third fiscal quarter (December through February).

NOTE 2 — NEW ACCOUNTING PRONOUNCEMENTS

Effective June 1, 2018, we adopted Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” and all the related amendments included within Accounting Standards Codification 606 (“ASC 606”), using the modified retrospective method of adoption. Under the modified retrospective method, comparative periods are not restated. The new standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of contract(s), which includes (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. As a result of our adoption procedures, we determined that revenue recognition for our broad portfolio of products and services will remain largely unchanged. Accordingly, our adoption of the new standard did not have a material impact on our overall Consolidated Financial Statements. Refer to Note 15, “Revenue,” and Note 16, “Segment Information,” for additional information.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," which provides amended guidance for certain aspects of recognition, measurement and disclosure of financial instruments. The main provisions of the standard impact how we account for changes in the fair value of our marketable securities currently classified as available-for-sale. Unrealized gains and losses on available-for-sale equity securities are required to be recognized in earnings rather than in other comprehensive income. Our adoption of the new standard during fiscal 2019 did not have a material effect on our overall Consolidated Financial Statements. See Note 4, "Marketable Securities," and Note 7, "Investment Expense (Income), Net," for additional information.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which increases lease transparency and comparability among organizations. Under the new standard, lessees will be required to recognize all assets and liabilities arising from leases on the balance sheet, with the exception of leases with a term of 12 months or less, which permits a lessee to make an accounting policy election by class of underlying asset not to recognize lease assets and liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and early adoption is permitted. In March 2018, the FASB approved an alternative transition method to the modified retrospective approach, which eliminates the requirement to restate prior period financial statements and requires the cumulative effect of the retrospective allocation to be recorded as an adjustment to the opening balance of retained earnings at the date of adoption. We have selected the alternative transition method for adoption, which we will adopt on June 1, 2019 and are still evaluating the impact this guidance will have on our Consolidated Financial Statements. At a minimum, total assets and total liabilities will increase in the period the ASU is adopted.

RPM INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In August 2018, the SEC issued Final Rule Release No. 33-10532, "Disclosure Update and Simplification," which makes a number of changes meant to simplify interim disclosures. The new rule requires a presentation of changes in stockholders' equity and noncontrolling interest in the form of a reconciliation, either as a separate financial statement or in the notes to the financial statements, for the current and comparative year-to-date interim periods. The additional elements of this release did not have a material impact on our overall Consolidated Financial Statements. We adopted the new disclosure requirements in our Form 10-Q for the period ended February 28, 2019.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which makes a number of changes meant to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. Our June 1, 2018 adoption of the new guidance, which we applied retrospectively to all periods presented, did not have a material impact on our Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations: Clarifying the Definition of a Business," with the objective of adding guidance to assist entities in evaluating whether transactions should be accounted for as acquisitions (disposals) of assets or of businesses. We adopted the new guidance as of June 1, 2018 and do not expect this revised guidance to have a material impact on our Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," to eliminate step two from the goodwill impairment test in order to simplify the subsequent measurement of goodwill. The guidance is effective for fiscal years beginning after December 15, 2019. Early application is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Adoption of this guidance is not expected to have a material impact on our Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Our June 1, 2018 adoption of the new guidance did not have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820), – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement," which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with the movement amongst or hierarchy associated with Level 1, Level 2 and Level 3 fair value measurements. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of the update. We do not expect our adoption of this guidance to have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20), Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans," which makes a number of changes meant to add, modify or remove certain disclosure requirements associated with employers that sponsor defined benefit or other postretirement plans. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted for all entities and the amendments in this update are required to be applied on a retrospective basis to all periods presented. We are currently reviewing, but adoption of this guidance is not expected to have a material impact on our

Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, “Intangible—Goodwill and Other- Internal-Use Software (Subtopic 350-40), Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” The update makes a number of changes meant to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement), by providing guidance in determining when the arrangement includes a software license. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Our early adoption of this revised guidance as of June 1, 2018 did not have a material impact on our Consolidated Financial Statements.

RPM INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

NOTE 3 — RESTRUCTURING

We record restructuring charges associated with management-approved restructuring plans to either reorganize one or more of our business segments, or to remove duplicative headcount and infrastructure associated with our businesses. Restructuring charges can include severance costs to eliminate a specified number of employees, infrastructure charges to vacate facilities and consolidate operations, contract cancellation costs and other costs. Restructuring charges are recorded based upon planned employee termination dates and site closure and consolidation plans. The timing of associated cash payments is dependent upon the type of restructuring charge and can extend over a multi-year period. We record the short-term portion of our restructuring liability in Other Accrued Liabilities and the long-term portion, if any, in Other Long-Term Liabilities in our Consolidated Balance Sheets.

2020 MAP to Growth

Between May and August 2018, we approved and implemented the initial phases of a multi-year restructuring plan, the 2020 Margin Acceleration Plan ("2020 MAP to Growth"). The initial phases of our 2020 MAP to Growth affected all of our reportable segments, as well as our corporate/nonoperating segment, and focused on margin improvement by simplifying business processes; reducing inventory categories and rationalizing SKUs; eliminating underperforming businesses; reducing headcount and working capital; and improving operating efficiency. The majority of the activities included in the initial phases of the restructuring activities have been completed.

During the second quarter ended November 30, 2018, we formally announced the final phases of our 2020 MAP to Growth. This multi-year restructuring is expected to increase operational efficiency while maintaining our entrepreneurial growth culture and will include three additional phases between September 2018 and December 2020. Our execution of the 2020 MAP to Growth will continue to drive the de-layering and simplification of management and businesses associated with group realignment. We will implement four center-led functional areas including manufacturing and operations; procurement and supply chain; information technology; and accounting and finance.

Our 2020 MAP to Growth will optimize our manufacturing facilities and will ultimately provide more efficient plant and distribution facilities. In the first phase of the restructuring we are implementing the planned closure of twelve plants and seven warehouses. We also expect to incur additional severance and benefit costs as part of our planned closure of these facilities.

Throughout the additional phases of our 2020 MAP to Growth initiative, we will continue to assess and find areas of improvement and cost savings. As such, the final implementation of the aforementioned phases and total expected costs are subject to change. In addition to the announced plan, we have continued to broaden the scope of our 2020 MAP to Growth initiative, specifically in consolidation of the general and administrative areas, potential outsourcing, as well as additional future plant closures and consolidations; the estimated costs of which have not yet been finalized. The current total expected costs associated with this plan are outlined in the table below and decreased by approximately $10.9 million compared to our previous estimate, primarily attributable to a reduction in expected facility closure and other related costs within our industrial, consumer, and specialty segments. These decreases were partially offset by increases in the expected severance charges within our industrial and specialty segments. Most activities under our 2020 MAP to Growth are anticipated to be completed by the end of calendar year 2020.

RPM INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

A summary of the charges recorded in connection with restructuring by reportable segment during fiscal 2019 is as follows:

(in thousands)	Three Months Ended February 28, 2019	Nine Months Ended February 28, 2019	Cumulative Costs to Date	Total Expected Costs
Industrial Segment:				
Severance and benefit costs (a)	$ 1,263	$ 11,035	$ 13,204	$ 15,783
Facility closure and other related costs	3,228	4,531	5,576	9,815
Other asset write-offs	(79)	648	2,021	3,012
Total Charges	$ 4,412	$ 16,214	$ 20,801	$ 28,610
Consumer Segment:				
Severance and benefit costs (b)	$ 620	$ 2,450	$ 8,102	$ 8,102
Facility closure and other related costs	1,078	1,248	6,387	8,817
Other asset write-offs	996	998	998	1,279
Total Charges	$ 2,694	$ 4,696	$ 15,487	$ 18,198
Specialty Segment:				
Severance and benefit costs (c)	$ 1,512	$ 5,445	$ 5,445	$ 6,351
Facility closure and other related costs	31	31	31	2,280
Other asset write-offs	5	8	8	256
Total Charges	$ 1,548	$ 5,484	$ 5,484	$ 8,887
Corporate/Other Segment:				
Severance and benefit costs (d)	$ 25	$ 10,085	$ 12,221	$ 12,657
Total Charges	$ 25	$ 10,085	$ 12,221	$ 12,657
Consolidated:				
Severance and benefit costs	$ 3,420	$ 29,015	$ 38,972	$ 42,893
Facility closure and other related costs	4,337	5,810	11,994	20,912
Other asset write-offs	922	1,654	3,027	4,547
Total Charges	$ 8,679	$ 36,479	$ 53,993	$ 68,352

(a) Current quarter and year charges of $1.3 million and $11.0 million, respectively, are associated with the elimination of 150 positions, of which 2 occurred in the current quarter. Additionally, $0.2 million included in the current year charges are associated with the prior elimination of one position within the legal function during fiscal 2018.

(b)

Current quarter and year charges of $0.6 million and $2.5 million, respectively, are associated with the elimination of 63 positions, of which 19 occurred in the current quarter.

(c) Current quarter and year charges of $1.5 million and $5.4 million, respectively, are associated with the elimination of 109 positions, of which 2 occurred in the current quarter.

(d) Reflects charges related to the severance of two corporate executives, as well as accelerated vesting of equity awards for two corporate executives, four specialty segment executives and three industrial segment executives in connection with the aforementioned restructuring activities.

RPM INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

A summary of the activity in the restructuring reserves related to our 2020 MAP to Growth is as follows:

(in thousands)	Severance and Benefits Costs	Facility Closure and Other Related Costs	Other Asset Write-Offs	Total
Balance at November 30, 2018	$ 10,427	$ 2,535	$ -	12,962
Additions charged to expense	3,420	4,337	922	8,679
Cash payments charged against reserve	(4,975)	(1,872)	-	(6,847)
Non-cash charges included above (e)	-	(6)	(922)	(928)
Balance at February 28, 2019	$ 8,872	$ 4,994	$ -	$ 13,866

(in thousands)	Severance and Benefits Costs	Facility Closure and Other Related Costs	Other Asset Write-Offs	Total
Balance at June 1, 2018	$ 9,957	$ 6,184	$ 1,373	$ 17,514
Additions charged to expense	29,015	5,810	1,654	36,479
Cash payments charged against reserve	(23,563)	(3,620)		(27,183)
Non-cash charges included above (e)	(6,537)	(3,380)	(3,027)	(12,944)
Balance at February 28, 2019	$ 8,872	$ 4,994	$ -	$ 13,866

(e) Non-cash charges primarily include accelerated vesting of equity awards and asset-write offs.

In connection with our 2020 MAP to Growth, during the third quarter of fiscal 2019, we incurred approximately $1.1 million and $0.8 million of inventory-related charges at our industrial and consumer segments, respectively. During the first nine months of fiscal 2019, we incurred approximately $8.2 million and $2.1 million of inventory-related charges at our industrial and consumer segments, respectively. The inventory-related charges are partially offset by a favorable adjustment of approximately $0.2 million to the previous write-off at our consumer segment. All of the aforementioned inventory-related charges are recorded in cost of sales in our Consolidated Statements of Income. These inventory charges were the result of product line and SKU rationalization initiatives in connection with our overall plan of restructuring.

NOTE 4 — MARKETABLE SECURITIES

The following tables summarize available-for-sale marketable securities held at February 28, 2019 and May 31, 2018 by asset type:

	Available-For-Sale Securities			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Net Carrying Amount)
February 28, 2019				
Fixed maturity:				
U.S. treasury and other government	$23,642	$ 68	$ (375)	$ 23,335
Corporate bonds	422	35	(8)	449
Total available-for-sale securities	$24,064	$ 103	$ (383)	$ 23,784

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RPM INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

	Available-For-Sale Securities			
		Gross	Gross	Fair Value
	Amortized	Unrealized	Unrealized	(Net Carrying
(In thousands)	Cost	Gains	Losses	Amount)
May 31, 2018				
Equity securities:				
Mutual funds - foreign	$46,123	$ 1,839	$ (1,197)	$ 46,765
Mutual funds - domestic	99,833	727		