

Q2 2020 Highlights

August 5, 2020

Forward Looking Statements

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Non-GAAP Financial Measures

This presentation contains certain “non-GAAP financial measures”. Please refer to the Appendix for definitions of the non-GAAP financial measures used herein and a reconciliation of those non-GAAP financial measures to their most comparable GAAP measures.

Q2 2020 Highlights

COVID-19 Update

Priorities

- Protecting health and safety of employees while supporting customers, suppliers and other stakeholders
- Preserving strong balance sheet and liquidity position
- Servicing our customers to maintain market position
- Continuing to invest prudently while closely scrutinizing expenses and capital spending plans

Implemented measures to maintain health and safety for business continuity

Well Positioned to Navigate Covid-19

Q1 2020

Q2 2020

~\$320M

~\$670M

~\$318M

~\$670M

Cash balance at end of Q1 2020

Total liquidity with \$350M revolving credit facility capacity

Cash balance at end of Q1 2020

Total liquidity with \$350M revolving credit facility capacity

No near-term debt maturities

~\$25M

No near-term debt maturities

~\$25M

Senior Notes mature in 2026

Reduced planned capital expenditures compared to plan to further support cash position

Senior Notes mature in 2026

Reduced planned capital expenditures compared to plan to further support cash position

~\$13M

Net cash provided by operating activities

~\$18M

Net cash provided by operating activities –a)

Maintained overall cash and liquidity position

(a- First six months 2020.

Quarterly Comparisons

- ✓ Q2 2020 net sales of \$195.4 million or 26% lower than Q2 2019 with broad based improvements in June in line with the lower end of anticipated sales
- ✓ Gross Profit of \$76.4 million, Gross Margin improvement of 130 basis points versus prior year
- ✓ SG&A of \$65.7 million in Q2 2020 and 8% improvement due to lower discretionary spending and employee costs
- ✓ Net cash provided by operating activities was \$17.6 million

Second Quarter 2020 GAAP Results

\$ in millions

	Q2 2020	Q2 2019
Net Sales	\$195.4	\$262.2
Net Sales (constant currency) ⁽¹⁾	200.0	262.2
Gross Profit	76.4	99.0
Gross Margin	39.1%	37.8%
Income (loss) from continuing operations attributable to GCP shareholders	(1.3)	3.1
EPS	\$(0.02)	\$0.04
Net cash provided by operating activities ⁽²⁾	\$17.6	\$(13.1)

- Net sales decreases 26% YoY
 - Declines due to lower sales volumes in all regions due to COVID-19
 - Unfavorable foreign currency translation contributed 1.7%
 - Pricing generally flat year over year
- Gross margin increases 130 bps
 - Improvement due to raw material deflation, operational and logistic productivity, and favorable regional mix
- Loss from continuing operations
 - Decline due to lower sales volumes partially offset by raw material deflation and lower discretionary spending and employee costs
- Operating cash flow improves by \$30.7 million
 - Working capital improvements

Positive first half cash generation and margin improvement despite volume declines due to COVID-19

(1) Refer to Appendix for reconciliations between GAAP and non-GAAP measures.

(2) Adjusted free cash flow for six months ending June 30, 2020

Second Quarter 2020 non-GAAP⁽¹⁾ Results

\$ in millions

	Q2 2020	Q2 2019
Net Sales	\$195.4	\$262.2
Adjusted Gross Profit ⁽¹⁾	76.9	99.6
Adjusted Gross Margin ⁽¹⁾	39.4%	38.0%
Adjusted EBIT ⁽¹⁾	13.3	25.1
Adjusted EBIT ⁽¹⁾ as % to Sales	6.8%	9.6%
Adjusted EBITDA ⁽¹⁾	25.0	36.1
Adjusted EBITDA ⁽¹⁾ as % to Sales	12.8%	13.8%
	\$0.09	\$0.19
Adjusted EPS ⁽¹⁾		
Adjusted Free Cash Flow ^(1,2)	\$18.0	\$(12.3)

- Net sales decreases 26% YoY
 - Decline due to lower sales volumes in all regions due to COVID-19
 - Unfavorable foreign currency translation contributed 1.7%
 - Pricing generally flat year over year
- Adjusted gross margin increases 140 bps
 - Improvement due to raw material deflation, operational and logistic productivity, and favorable regional mix
- Adjusted EBIT margin decreases 280 bps
 - Decline due to lower sales volumes impacting operating leverage partially offset by higher gross margin
- Adjusted Free Cash Flow improves by \$30.3 million
 - Working capital improvements

Continue strong cash flow despite lower sales volume due to COVID - 19

(1) Refer to Appendix for reconciliations between GAAP and non-GAAP measures.

(2) Adjusted free cash flow for six months ending June 30, 2020

GCP Regional Revenue Trend – Constant Currency

	Q1 YoY %	Apr/May YoY %	June YoY %	Q2 YoY %
North America	5%	-28%	2%	-17%
Latin America	-7%	-38%	-4%	-28%
Europe	-3%	-40%	-17%	-32%
Asia Pacific	-20%	-37%	-15%	-30%
GCP	-3%	-33%	-6%	-24%

- **COVID-19 impacted revenue early in Q2 as expected**
- **June highlights**
 - North America reopens for business
 - Latin America trending positive; Argentina and Colombia continue in lockdown
 - Continental Europe reopens early June
 - UK and Ireland recovery steady yet slower than continental Europe
 - China, ASEAN and Australia slowly reopen with some countries in lockdown
- **June revenue trends have continued through July**

Specialty Construction Chemicals

Markets, sells and manufactures concrete admixtures, concrete production management systems and cement additives

\$ in millions.

Q2 2020	2020 \$ / %	2019 \$/%	Delta YoY
Net sales	\$115.9	\$150.4	(22.9)%
Net Sales ⁽¹⁾ (Constant Currency)	\$119.6	\$150.4	(20.5)%
Gross margin	39.1%	35.6%	350 bps
Segment operating income	\$9.9	\$14.2	(30.3)%
Segment operating margin	8.5%	9.4%	(90) bps

- Net sales decreases 23% YoY
 - Decline due to lower sales volumes in all regions due to COVID-19
 - Unfavorable foreign currency translation of 2.4%
 - Increased pricing primarily in Latin America
- Gross margin increases 350 bps
 - Improvement due to raw materials deflation, improved operating performance and logistic expenses and favorable regional mix
- Segment operating margin decreases 90 bps
 - Declines due to lower sales volumes impacting operating leverage partially offset by lower discretionary spending and employee related costs associated with restructuring programs

Factors Impacting Sales (GAAP)



(1) Refer to Appendix for reconciliations between GAAP and non-GAAP measures.

Specialty Building Materials

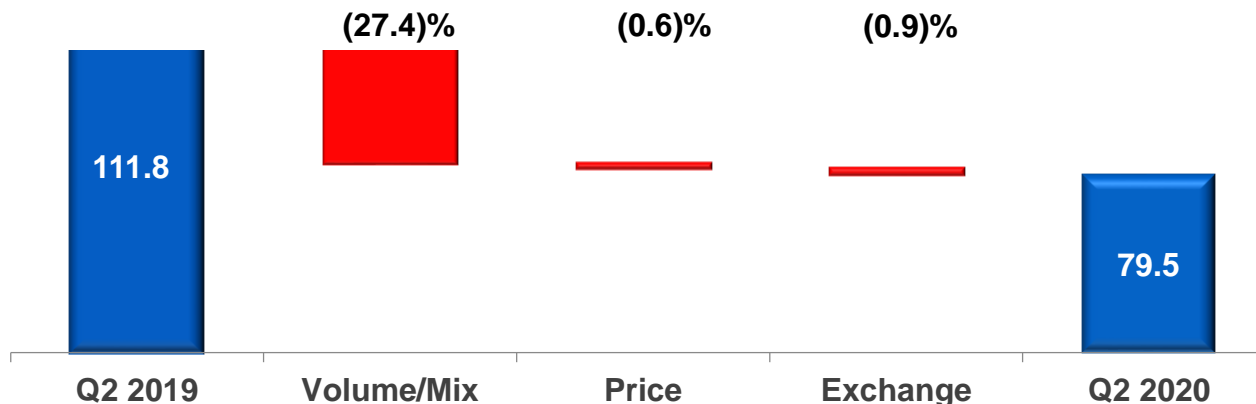
Markets, sells and manufactures building envelope, residential and specialty construction products

\$ in millions

Q2 2020	2020 \$ / %	2019 \$/%	Delta YoY
Net sales	\$79.5	\$111.8	(28.9)%
Net Sales ⁽¹⁾ (Constant Currency)	\$80.5	\$111.8	(28.0)%
Gross margin	39.7%	41.1%	(140) bps
Segment operating income	\$11.0	\$22.3	(50.7)%
Segment operating margin	13.8%	19.9%	(610) bps

- Net sales decrease 29% YoY
 - Decrease due to lower sales volumes in all regions due to COVID-19
 - Unfavorable foreign currency translation of 0.9%
 - Competitive pricing in North America and Asia due to deflationary environment with oil at historical low prices
- Gross margin down 140 bps
 - Decline primarily due to unfavorable impact of lower volumes resulting in reduced operating leverage
 - Raw material deflation partially offsets margin declines
- Segment operating income down 51%
 - Decline due to lower sales volumes impacting operating leverage gross partially offset by lower discretionary spending and employee related costs

Factors Impacting Sales (GAAP)



(1) Refer to Appendix for reconciliations between GAAP and non-GAAP measures.

First Half 2020 GAAP Results

\$ in millions

	1H 2020	1H 2019
Net Sales	\$412.1	\$488.3
Net Sales (constant currency) ⁽¹⁾	419.4	488.3
Gross Profit	158.3	181.2
Gross Margin	38.4%	37.1%
Income (loss) from continuing operations attributable to GCP shareholders	(0.2)	24.0
EPS	\$-0-	\$0.33
Net cash provided by operating activities	\$17.6	\$(13.1)

- Net sales decreases 16% YoY
 - Decline due to lower sales volumes in all regions due to COVID-19
 - Unfavorable foreign currency translation contributed 1.5%
 - Increased pricing in Latin America and Europe
- Gross margin increases 130 bps
 - Improvement due to raw material deflation, operational and logistic productivity, and favorable regional mix
- Income from continuing operations unfavorable
 - Decline due to lower sales volumes and lower gross profit partially offset by raw material deflation and lower discretionary spending and employee costs
- Net cash provided by operating activities improved by \$30.7 million
 - Improvements in working capital

Strong Q1 operating performance was offset by Q2 COVID-19 impact; Improved operating cash flow by ~\$31 million

(1) Refer to Appendix for reconciliations between GAAP and non-GAAP measures.

First Half 2020 non-GAAP⁽¹⁾ Results

\$ in millions

	1H 2020	1H 2019
Net Sales	\$412.1	\$488.3
Adjusted Gross Profit	159.2	182.1
Adjusted Gross Margin	38.6%	37.3%
Adjusted EBIT ⁽¹⁾	27.8	37.1
Adjusted EBIT ⁽¹⁾ as % to Sales	6.7%	7.6%
Adjusted EBITDA ⁽¹⁾	50.5	58.2
Adjusted EBITDA ⁽¹⁾ as % to Sales	12.3%	11.9%
Adjusted EPS ⁽¹⁾	\$0.19	\$0.26
Adjusted Free Cash Flow ⁽¹⁾	\$18.0	\$(12.3)

- Net sales decreases 16% YoY
 - Declines due to lower sales volumes in all regions due to COVID-19
 - Unfavorable foreign currency translation
 - Increased pricing in Latin America and Europe
- Adjusted gross margin increases 130 bps
 - Improvement due to raw material deflation, operational and logistic productivity, and favorable regional mix
- Adjusted EBIT margin decreases 90 bps
 - Decline due to lower volumes impacting operating leverage partially offset by higher gross margin
- Adjusted EBITDA margin increase 40 bps
 - Improved due to VERIFI investments
- Adjusted Free Cash Flow improved by \$30.3 million
 - Improvements in working capital

Strong Q1 operating performance was offset by Q2 COVID-19 impact; Improved adjusted free cash flow by ~\$30 million

(1) Refer to Appendix for reconciliations between GAAP and non-GAAP measures.

2020 Strategic Points of Focus

GCP Strategic Points of Focus

Strategic Priority	Points of Focus
<i>Growth</i>	<ul style="list-style-type: none"> • Executing on growth strategy for SBM by increasing presence in underserved market geographies and segments and accelerating new product innovations through market-targeted product development strategy • Building on success of VERIFI®
<i>Cost Management</i>	<ul style="list-style-type: none"> • Maintaining focus on cost reduction initiatives that eliminate complexity in business processes and improve financial performance; including selling, general and administration expenses
<i>Capital Management</i>	<ul style="list-style-type: none"> • Focus on cash management initiatives to maximize cash performance during crisis and selectively deploy toward high return growth initiatives longer term
<i>Human Capital</i>	<ul style="list-style-type: none"> • Attracting and retaining talent through various programs promoting employee development, diversity and work conditions • Continuing to evolve organizational model to align with strategy
<i>ESG and Engagement</i>	<ul style="list-style-type: none"> • Leverage global product offerings, people and production processes to optimize sustainability footprint. Build upon first Sustainability Vision Report to enhance reporting metrics and focus • Communicate extensively with stockholders and incorporate feedback • Ensure health and safety of employees while managing company through COVID-19 pandemic

SCC Growth Strategy

Reinvigorate Core Admixtures Business

- Reinvigorate core admixtures business by leveraging and continuing to refresh best-in-class product portfolio and optimize service model
- Plans include next-generation strength enhancers and new specialty fibers for durability products
- Use digital tools to optimize supply chain management processes

Drive VERIFI® Adoption

- Leverage combined sales approach for VERIFI® and admixtures to drive contract signings and truck installs (integrated model generates additional admixture usage)
- Introduce new IoT-powered functionality to continue evolution from in-transit management to end-to-end solution provider

Expand Position in Adjacent Specialty Segments

- Expand cement additives market opportunity with products addressing industry challenges such as carbon dioxide emission reduction and shortage of supplementary cementitious materials
- Strengthen go-to-market approach with new product introductions in precast and engineered flooring systems segments

SBM Growth Strategy

Enhance Commercial and Residential Go-To-Market Strategies

- *For commercial products:* make targeted sales and marketing investments to complement specification-led strength in large projects; capture share in underserved geographies and segments with broader focus on contractors and applicators
- *For residential products:* make targeted sales and marketing investments in and out of traditional strength in Northeast; invest in marketing campaigns and incentive programs with distributors and lumberyards; optimize distribution footprint

Expand Product Awareness and Increase Customer Conversion

- Expand reach and product portfolio awareness to larger and adjacent market segments in commercial and residential markets
- Make targeted investments in loyalty and digital marketing programs, certified contractor and distributor training, warranty programs, and system offerings

Accelerate Product Launches

- Launch multiple new products to further strengthen waterproofing and air barrier portfolios as well as our offering for infrastructure market
- Direct investment into next generation technologies for core segments that will yield new offerings over next 12 to 24 months

Appendix

GCP Applied Technologies Inc.
Consolidated Statements of Operations (unaudited)

(In millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net sales	\$ 195.4	\$ 262.2	\$ 412.1	\$ 488.3
Cost of goods sold	119.0	163.2	253.8	307.1
Gross profit	76.4	99.0	158.3	181.2
Selling, general and administrative expenses	65.7	71.4	133.8	140.4
Research and development expenses	3.7	4.6	8.6	9.3
Interest expense and related financing costs	5.0	5.7	10.7	11.6
Repositioning expenses	1.0	5.8	3.7	11.2
Restructuring expenses and asset impairments	0.4	4.4	3.5	5.0
Other income, net	(2.7)	(1.7)	(4.9)	(3.5)
Total costs and expenses	73.1	90.2	155.4	174.0
Income from continuing operations before income taxes	3.3	8.8	2.9	7.2
(Provision for) benefit from income taxes	(4.5)	(5.7)	(2.6)	10.7
(Loss) income from continuing operations	(1.2)	3.1	0.3	17.9
(Loss) income from discontinued operations, net of income taxes	—	(0.5)	(0.3)	6.3
Net (loss) income	(1.2)	2.6	—	24.2
Less: Net income attributable to noncontrolling interests	(0.1)	—	(0.2)	(0.2)
Net (loss) income attributable to GCP shareholders	\$ (1.3)	\$ 2.6	\$ (0.2)	\$ 24.0
Amounts Attributable to GCP Shareholders:				
(Loss) income from continuing operations attributable to GCP shareholders	(1.3)	3.1	0.1	17.7
(Loss) income from discontinued operations, net of income taxes	—	(0.5)	(0.3)	6.3
Net (loss) income attributable to GCP shareholders	\$ (1.3)	\$ 2.6	\$ (0.2)	\$ 24.0
Earnings (Loss) Per Share Attributable to GCP Shareholders				
Basic earnings (loss) per share:⁽²⁾				
(Loss) income from continuing operations attributable to GCP shareholders	\$ (0.02)	\$ 0.04	\$ —	\$ 0.24
(Loss) income from discontinued operations, net of income taxes	\$ —	\$ (0.01)	\$ —	\$ 0.09
Net (loss) income attributable to GCP shareholders ⁽¹⁾	\$ (0.02)	\$ 0.04	\$ —	\$ 0.33
Weighted average number of basic shares	72.9	72.6	72.9	72.5
Diluted earnings (loss) per share:⁽²⁾				
(Loss) income from continuing operations attributable to GCP shareholders	\$ (0.02)	\$ 0.04	\$ —	\$ 0.24
(Loss) income from discontinued operations, net of income taxes	\$ —	\$ (0.01)	\$ —	\$ 0.09
Net (loss) income attributable to GCP shareholders ⁽¹⁾	\$ (0.02)	\$ 0.04	\$ —	\$ 0.33
Weighted average number of diluted shares	72.9	73.0	73.0	72.9

⁽¹⁾ Amounts may not sum due to rounding.

⁽²⁾ Dilutive effect only applicable to the periods during which GCP generated net income from continuing operations.

GCP Applied Technologies Inc.
Consolidated Balance Sheets (unaudited)

(In millions, except par value and shares)	June 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 318.2	\$ 325.0
Trade accounts receivable, net of allowance for credit losses of \$7.3 million and \$7.5 million, respectively	148.9	183.7
Inventories, net	98.5	95.9
Other current assets	45.4	43.7
Total Current Assets	611.0	648.3
Properties and equipment, net	243.1	245.3
Operating lease right-of-use assets	33.8	29.3
Goodwill	200.3	208.9
Technology and other intangible assets, net	72.7	80.7
Deferred income taxes	17.5	26.1
Overfunded defined benefit pension plans	23.6	25.0
Other assets	38.3	38.0
Non-current assets held for sale	—	0.5
Total Assets	\$ 1,240.3	\$ 1,302.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	\$ 2.7	\$ 2.7
Operating lease obligations payable within one year	8.0	8.1
Accounts payable	73.1	88.4
Other current liabilities	92.1	113.6
Total Current Liabilities	175.9	212.8
Debt payable after one year	348.7	346.5
Income taxes payable	35.2	41.4
Deferred income taxes	11.9	13.1
Operating lease obligations	26.5	21.6
Unrecognized tax benefits	42.6	42.2
Underfunded and unfunded defined benefit pension plans	68.7	67.5
Other liabilities	15.6	15.9
Total Liabilities	725.1	761.0
Commitments and Contingencies		
Stockholders' Equity		
Series A Junior Participating Preferred Stock, par value \$0.01; 10,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock issued, par value \$0.01; 300,000,000 shares authorized; outstanding: 72,974,610 and 72,850,268, respectively	0.7	0.7
Paid-in capital	56.9	53.4
Accumulated earnings	610.0	610.2
Accumulated other comprehensive loss	(145.7)	(117.0)
Treasury stock	(8.9)	(8.6)
Total GCP's Shareholders' Equity	513.0	538.7
Noncontrolling interests	2.2	2.4
Total Stockholders' Equity	515.2	541.1
Total Liabilities and Stockholders' Equity	\$ 1,240.3	\$ 1,302.1

GCP Applied Technologies Inc.
Consolidated Statements of Cash Flows (unaudited)

(In millions)	Six Months Ended June 30,	
	2020	2019
OPERATING ACTIVITIES		
Net income	\$ —	\$ 24.2
Less: (Loss) income from discontinued operations	(0.3)	6.3
Income from continuing operations	0.3	17.9
Reconciliation to net cash provided by (used in) operating activities:		
Depreciation and amortization	22.7	21.1
Amortization of debt discount and financing costs	0.7	0.7
Stock-based compensation expense	2.3	5.0
Unrealized loss on foreign currency	1.6	—
Deferred income taxes	(5.8)	(15.5)
Loss (gain) on disposal of property and equipment	0.1	(0.2)
Changes in assets and liabilities, excluding effect of currency translation:		
Trade accounts receivable	30.3	9.5
Inventories	(5.1)	(6.8)
Accounts payable	(13.5)	(17.6)
Pension assets and liabilities, net	1.6	2.5
Other assets and liabilities, net	(15.3)	(17.3)
Net cash provided by (used in) operating activities from continuing operations	19.9	(0.7)
Net cash used in operating activities from discontinued operations	(2.3)	(12.4)
Net cash provided by (used in) operating activities	17.6	(13.1)
INVESTING ACTIVITIES		
Capital expenditures	(18.8)	(27.7)
Other investing activities	0.4	0.5
Net cash used in investing activities from continuing operations	(18.4)	(27.2)
Net cash used in investing activities from discontinued operations	—	(0.4)
Net cash used in investing activities	(18.4)	(27.6)
FINANCING ACTIVITIES		
Repayments under credit arrangements	—	(7.6)
Payments on finance lease obligations	(0.4)	(0.4)
Payments of tax withholding obligations related to employee equity awards	(0.3)	(3.2)
Proceeds from exercise of stock options	0.7	5.0
Payments of dividends to noncontrolling interests	(0.4)	—
Net cash used in financing activities from continuing operations	(0.4)	(6.2)
Effect of currency exchange rate changes on cash and cash equivalents	(5.6)	0.6
Decrease in cash and cash equivalents	(6.8)	(46.3)
Cash and cash equivalents, beginning of period	325.0	326.1
Cash and cash equivalents, end of period	\$ 318.2	\$ 279.8
Supplemental disclosure of non-cash investing activities:		
Property and equipment purchases unpaid and included in accounts payable	\$ 5.3	\$ 12.3

Analysis of Operations

Analysis of Operations

The Company has set forth in the tables below GCP's key operating statistics with percentage changes for the three months ended June 30, 2020 and 2019.

Segment operating margin is defined as segment operating income divided by segment net sales. It represents an operating performance measure related to ongoing earnings and trends in GCP operating segments that are engaged in revenue generation and other core business activities. The Company uses this metric to allocate resources between the segments and assess its strategic and operating decisions related to core operations of its business.

In the table, the Company presents financial information in accordance with U.S. GAAP, as well as certain non-GAAP financial measures, which it describes below in further detail. GCP believes that the non-GAAP financial information supplements its discussions about the performance of its businesses, improves period-to-period comparability and provides insight to the information that management uses to evaluate the performance of its businesses. Management uses non-GAAP measures in financial and operational decision-making processes, for internal reporting, and as part of its forecasting and budgeting processes since these measures provide additional transparency to GCP's core operations.

In the table, the Company has provided reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP. These non-GAAP financial measures should not be considered substitutes for financial measures calculated in accordance with U.S. GAAP, and the financial results that the Company calculates and presents in the table in accordance with U.S. GAAP, as well as the corresponding reconciliations from those results, should be carefully evaluated.

The following are the non-GAAP financial measures presented in the table:

- *Net Sales Constant Currency (a non-GAAP financial measure)*- is defined as current period revenue in local currency translated using prior period exchange rates. GCP uses constant currency in assessing trends in sales excluding the impact of fluctuations in foreign currency exchange rates.
- *Net Sales Constant Currency Excluding Market Exits (a non-GAAP financial measure)*- is defined as Net Sales Constant Currency less the impact on net sales resulting from the exit of non-profitable geographic markets associated with the 2018 Restructuring Plan.

Analysis of Operations

- *Adjusted EBIT (a non-GAAP financial measure)*- is defined as net income (loss) from continuing operations attributable to GCP shareholders adjusted for: (i) gains and losses on sales of businesses, product lines and certain other investments; (ii) currency and other financial losses in Venezuela; (iii) costs related to legacy product, environmental and other claims; (iv) restructuring and repositioning expenses, and asset impairments; (v) defined benefit plan costs other than service and interest costs, expected returns on plan assets and amortization of prior service costs/credits; (vi) third-party and other acquisition-related costs; (vii) other financing costs associated with the modification or extinguishment of debt; (viii) amortization of acquired inventory fair value adjustments; (ix) tax indemnification adjustments; (x) interest income, interest expense and related financing costs; (xi) income taxes; (xii) shareholder activism and other related costs; and (xiii) certain other items that are not representative of underlying trends. Adjusted EBIT Margin is defined as Adjusted EBIT divided by net sales. GCP uses Adjusted EBIT to assess and measure its operating performance and determine performance-based employee compensation. The Company uses Adjusted EBIT as a performance measure because it provides improved quarter-to-quarter and year-over-year comparability for decision-making and compensation purposes and allows management to measure the ongoing earnings results of its strategic and operating decisions.
- *Adjusted EBITDA (a non-GAAP financial measure)*- is defined as Adjusted EBIT adjusted for depreciation and amortization. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by net sales. GCP uses Adjusted EBITDA as a performance measure in making significant business decisions.

Analysis of Operations

- *Adjusted Earnings Per Share (a non-GAAP financial measure)*- is defined as earnings per share ("EPS") from continuing operations on a diluted basis adjusted for: (i) gains and losses on sales of businesses, product lines and certain other investments; (ii) currency and other financial losses in Venezuela; (iii) costs related to legacy product, environmental and other claims; (iv) restructuring and repositioning expenses and asset impairments; (v) defined benefit plan costs other than service and interest costs, expected returns on plan assets and amortization of prior service costs/credits; (vi) third-party and other acquisition-related costs; (vii) other financing costs associated with the modification or extinguishment of debt; (viii) amortization of acquired inventory fair value adjustments; (ix) tax indemnification adjustments; (x) shareholder activism and other related costs; (xi) certain discrete tax items; and (xii) certain other items that are not representative of underlying trends. GCP uses Adjusted EPS as a performance measure to review its diluted earnings per share results on a consistent basis and in determining certain performance-based employee compensation.
- *Adjusted Gross Profit (a non-GAAP financial measure)*- is defined as gross profit adjusted for: (i) corporate and pension-related costs included in cost of goods sold; (ii) loss in Venezuela included in cost of goods sold; (iii) amortization of acquired inventory fair value adjustment; and (iv) certain other items that are not representative of underlying trends. Adjusted Gross Margin means Adjusted Gross Profit divided by net sales. GCP uses this performance measure to understand trends and changes and to make business decisions regarding core operations.
- *Adjusted Free Cash Flow (a non-GAAP financial measure)*- is defined as net cash provided by or used in operating activities minus capital expenditures plus: (i) cash paid for restructuring and repositioning, third party and other acquisition-related costs, costs related to legacy product, environmental and other claims, as well as certain other items that are not representative of underlying trends, net of related cash taxes; (ii) capital expenditures related to repositioning; and (iii) accelerated payments under defined benefit pension arrangements. GCP uses Adjusted Free Cash Flow as a liquidity measure to evaluate its ability to generate cash to support its ongoing business operations, to invest in its businesses, to provide a return of capital to shareholders and to determine payments of performance-based compensation.

Analysis of Operations

- *Adjusted EBIT Return On Invested Capital (a non-GAAP financial measure)*- is defined as Adjusted EBIT (on a trailing four quarters basis) divided by stockholders' equity adjusted for: (i) cash and cash equivalents, (ii) debt, (iii) income tax assets and liabilities, (iv) defined benefit pension plan assets and liabilities, and (iv) certain other assets and liabilities. GCP manages its operations with the objective of maximizing sales, earnings and cash flow over time which requires that the Company successfully balances its growth, profitability and working capital and other investments to support sustainable, long-term financial performance. During the second quarter and the prior periods, GCP used Adjusted EBIT Return On Invested Capital as a performance measure in evaluating operating results, making operating, investment and capital allocation decisions, and balancing the growth and profitability of its operations.

Beginning with the second quarter of 2020, GCP no longer excludes the impact of COVID-19-related costs from its computation of Adjusted EBIT, Adjusted EBIT Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, Adjusted Gross Profit and Adjusted Gross Margin. In the first quarter of 2020, these costs consisted of fixed manufacturing costs and discretionary direct labor costs incurred during temporary closure of the Company's manufacturing facilities, primarily in China, as a direct result of the outbreak. The pandemic's ongoing impact on GCP's global operations paired with the potential longevity of its duration and resurgence, as well as the uncertainty related to the timing of development of an antiviral vaccine or a medical treatment to prevent further spread of the virus and facilitate recovery, suggests it may no longer be infrequent or unusual in nature. As a result, the Company will no longer exclude the impact of COVID-19-related costs from its computation of the aforementioned non-GAAP financial measures starting with the second quarter of 2020 and going forward.

Beginning with the third quarter of 2020 and going forward, GCP will no longer be presenting Adjusted EBIT Return on Invested Capital since management will no longer be relying on this measure when evaluating the Company's financial performance and operating results. GCP does not believe the presentation of Adjusted EBIT Return on Invested Capital enhances the investors' understanding of its financial performance and results of operations.

Analysis of Operations

Adjusted EBIT, Adjusted EBIT Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EPS, Adjusted EBIT Return On Invested Capital, Adjusted Gross Profit and Adjusted Gross Margin do not purport to represent income measures as defined in accordance with U.S. GAAP. These measures are provided to investors and others to improve the quarter-to-quarter, year-to-year, and peer-to-peer comparability of the Company's financial results and to ensure that investors understand the information it uses to evaluate the performance of its businesses.

Adjusted EBIT has material limitations as an operating performance measure because it excludes costs related to income and expenses from restructuring and repositioning activities which historically have been a material component of the Company's net income (loss) from continuing operations attributable to GCP shareholders. Adjusted EBITDA also has material limitations as an operating performance measure because it excludes the impact of depreciation and amortization expense. The Company's business is substantially dependent on the successful deployment of capital, and depreciation and amortization expense is a necessary element of the Company costs. GCP compensates for the limitations of these measurements by using these indicators together with net income (loss) measured in accordance with GAAP to present a complete analysis of its results of operations. Adjusted EBIT and Adjusted EBITDA should be evaluated together with net income (loss) from continuing operations attributable to GCP shareholders measured in accordance with GAAP for a complete understanding of its results of operations.

The Company does not provide GAAP financial information on a forward-looking basis because the Company is unable to estimate with reasonable certainty unusual or unanticipated charges, expenses or gains without unreasonable effort. These items are uncertain, depend on various factors, and could be material to the Company's results computed in accordance with GAAP.

GCP Applied Technologies Inc.

Analysis of Operations (unaudited)

Analysis of Operations (In millions, except per share amounts)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Net sales:						
Specialty Construction Chemicals	\$115.9	\$150.4	(22.9)%	\$241.3	\$282.1	(14.5)%
Specialty Building Materials	79.5	111.8	(28.9)%	170.8	206.2	(17.2)%
Total GCP net sales	\$195.4	\$262.2	(25.5)%	\$412.1	\$488.3	(15.6)%
Net sales by region:						
North America	\$112.3	\$135.8	(17.3)%	\$231.5	\$249.3	(7.1)%
Europe Middle East Africa (EMEA)	34.6	52.3	(33.8)%	78.9	98.7	(20.1)%
Asia Pacific	39.7	58.9	(32.6)%	80.0	109.6	(27.0)%
Latin America	8.8	15.2	(42.1)%	21.7	30.7	(29.3)%
Total net sales by region	\$195.4	\$262.2	(25.5)%	\$412.1	\$488.3	(15.6)%
Net Sales Constant Currency:						
Specialty Construction Chemicals	119.5	\$150.4	(20.5)%	\$247.0	\$282.1	(12.4)%
Specialty Building Materials	80.5	111.8	(28.0)%	172.4	206.2	(16.4)%
Total GCP Net Sales Constant Currency (non-GAAP)	\$200.0	\$262.2	(23.7)%	\$419.4	\$488.3	(14.1)%
Impact of Market Exits:						
Specialty Construction Chemicals	\$—	\$3.9	(100.0)%	\$—	\$5.6	(100.0)%
Specialty Building Materials	—	—	NM	—	—	NM
Total Impact of Market Exits	\$—	\$3.9	(100.0)%	\$—	\$5.6	(100.0)%
Net Sales Constant Currency Excluding Market Exits:						
Specialty Construction Chemicals	\$119.5	\$146.5	(18.4)%	\$247.0	\$276.5	(10.7)%
Specialty Building Materials	80.5	111.8	(28.0)%	172.4	206.2	(16.4)%
Total GCP Net Sales Constant Currency Excluding Market Exits (non-GAAP)	\$200.0	\$258.3	(22.6)%	\$419.4	\$482.7	(13.1)%
Profitability performance measures:						
Adjusted EBIT (A):						
Specialty Construction Chemicals segment operating income	\$9.9	\$14.2	(30.3)%	\$17.8	\$22.1	(19.5)%
Specialty Building Materials segment operating income	11.0	22.3	(50.7)%	24.7	38.2	(35.3)%
Corporate costs (B)	(6.3)	(9.4)	(33.0)%	(12.1)	(19.3)	(37.3)%
Certain pension costs (C)	(1.3)	(2.0)	(35.0)%	(2.6)	(3.9)	(33.3)%
Adjusted EBIT (non-GAAP)	\$13.3	\$25.1	(47.0)%	27.8	37.1	(25.1)%
Repositioning expenses	(1.0)	(5.8)	(82.8)%	(3.7)	(11.2)	(67.0)%
Restructuring expenses and asset impairments	(0.4)	(4.4)	(90.9)%	(3.5)	(5.0)	(30.0)%
Shareholder activism and other related costs (D)	(3.8)	(1.1)	NM	(7.4)	(3.6)	NM
Third-party and other acquisition-related costs	(0.2)	—	(100.0)%	(0.7)	(0.1)	NM
Interest expense, net	(4.7)	(4.9)	(4.1)%	(9.8)	(10.1)	(3.0)%
Legacy product, environmental and other claims	—	(0.1)	100.0%	—	(0.1)	100.0%
Income tax (provision) benefit	(4.5)	(5.7)	(21.1)%	(2.6)	10.7	NM
(Loss) income from continuing operations attributable to GCP shareholders	\$(1.3)	\$3.1	NM	\$0.1	\$17.7	(99.4)%
(Loss) income from continuing operations attributable to GCP shareholders a percentage of net sales	(0.7)%	1.2%	(1.9) pts	—%	3.6%	(3.6) pts
Diluted EPS from continuing operations (GAAP)	\$(0.02)	\$0.04	NM	\$—	\$0.24	(100.0)%
Adjusted EPS (non-GAAP)	\$0.09	\$0.19	(52.6)%	\$0.19	\$0.26	(26.9)%

GCP Applied Technologies Inc.
Analysis of Operations (unaudited) (continued)

Analysis of Operations (In millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Adjusted profitability performance						
Gross Profit:						
Specialty Construction Chemicals	\$ 45.3	\$ 53.6	(15.5)%	\$ 92.4	\$ 97.9	(5.6)%
Specialty Building Materials	31.6	46.0	(31.3)%	66.8	84.2	(20.7)%
Adjusted Gross Profit (non-GAAP)	\$ 76.9	\$ 99.6	(22.8)%	159.2	182.1	(12.6)%
Corporate costs and pension costs in cost of goods sold (C)	(0.5)	(0.6)	(16.7)%	(0.9)	(0.9)	— %
Total GCP Gross Profit (GAAP)	\$ 76.4	\$ 99.0	(22.8)%	\$ 158.3	\$ 181.2	(12.6)%
Gross Margin:						
Specialty Construction Chemicals	39.1 %	35.6 %	3.5 pts	38.3 %	34.7 %	3.6 pts
Specialty Building Materials	39.7 %	41.1 %	(1.4) pts	39.1 %	40.8 %	(1.7) pts
Adjusted Gross Margin (non-GAAP)	39.4 %	38.0 %	1.4 pts	38.6 %	37.3 %	1.3 pts
Corporate costs and pension costs in cost of goods sold	(0.3)%	(0.2)%	(0.1) pts	(0.2)%	(0.2)%	— pts
Total GCP Gross Margin (GAAP)	39.1 %	37.8 %	1.3 pts	38.4 %	37.1 %	1.3 pts
Adjusted EBIT (A)(B)(C):						
Specialty Construction Chemicals segment operating income	\$ 9.9	\$ 14.2	(30.3)%	\$ 17.8	\$ 22.1	(19.5)%
Specialty Building Materials segment operating income	11.0	22.3	(50.7)%	24.7	38.2	(35.3)%
Corporate and certain pension costs	(7.6)	(11.4)	(33.3)%	(14.7)	(23.2)	(36.6)%
Total GCP Adjusted EBIT (non-GAAP)	\$ 13.3	\$ 25.1	(47.0)%	\$ 27.8	\$ 37.1	(25.1)%
Depreciation and amortization:						
Specialty Construction Chemicals	\$ 6.8	\$ 6.1	11.5 %	\$ 13.2	\$ 11.6	13.8 %
Specialty Building Materials	3.6	3.8	(5.3)%	7.2	7.6	(5.3)%
Corporate	1.3	1.1	18.2 %	2.3	1.9	21.1 %
Total GCP depreciation and amortization	\$ 11.7	\$ 11.0	6.4 %	\$ 22.7	\$ 21.1	7.6 %
Adjusted EBITDA:						
Specialty Construction Chemicals	\$ 16.7	\$ 20.3	(17.7)%	\$ 31.0	\$ 33.7	(8.0)%
Specialty Building Materials	14.6	26.1	(44.1)%	31.9	45.8	(30.3)%
Corporate and certain pension costs	(6.3)	(10.3)	(38.8)%	(12.4)	(21.3)	(41.8)%
Total GCP Adjusted EBITDA (non-GAAP)	\$ 25.0	\$ 36.1	(30.7)%	\$ 50.5	\$ 58.2	(13.2)%
Adjusted EBIT Margin:						
Specialty Construction Chemicals	8.5 %	9.4 %	(0.9) pts	7.4 %	7.8 %	(0.4) pts
Specialty Building Materials	13.8 %	19.9 %	(6.1) pts	14.5 %	18.5 %	(4.0) pts
Total GCP Adjusted EBIT Margin (non-	6.8 %	9.6 %	(2.8) pts	6.7 %	7.6 %	(0.9) pts
Adjusted EBITDA Margin:						
Specialty Construction Chemicals	14.4 %	13.5 %	0.9 pts	12.8 %	11.9 %	0.9 pts
Specialty Building Materials	18.4 %	23.3 %	(4.9) pts	18.7 %	22.2 %	(3.5) pts
Total GCP Adjusted EBITDA Margin (non-GAAP)	12.8 %	13.8 %	(1.0) pts	12.3 %	11.9 %	0.4 pts

GCP Applied Technologies Inc.
Analysis of Operations (unaudited) (continued)

Analysis of Operations (In millions)	Four Quarters Ended	
	June 30, 2020	June 30, 2019
Calculation of Return on Stockholders' Equity and Adjusted EBIT Return On Invested Capital (trailing four quarters):		
Income from continuing operations attributable to GCP shareholders (trailing four quarters):	\$ 23.0	\$ 44.6
Stockholders' Equity (end of period)	515.2	512.3
Assets:		
Cash and cash equivalents	(318.2)	(279.8)
Pension plans	(23.6)	(22.3)
Income taxes	(17.5)	(26.5)
Other current assets (E)	(15.2)	(11.8)
Other assets (F)	(2.6)	(3.6)
Assets held for sale	—	(0.5)
Subtotal	(377.1)	(344.5)
Liabilities:		
Debt*	351.4	349.1
Income taxes	89.7	96.9
Pension plans	68.7	50.5
Other current liabilities (G)	15.9	26.1
Other liabilities (H)	2.1	1.8
Subtotal	527.8	524.4
Total invested capital (end of period)	\$ 665.9	\$ 692.2
Return on Stockholders' Equity	4.5 %	8.7 %
Adjusted EBIT (trailing four quarters)	\$ 92.5	\$ 108.9
Adjusted EBIT Return On Invested Capital (non-GAAP)	13.9 %	15.7 %

Footnotes for Analysis of Operations

- (A) GCP segment operating income includes only its share of income of consolidated joint ventures.
- (B) Management allocates certain corporate costs to each operating segment to the extent such costs are directly attributable to the segments.
- (C) Certain pension costs include only ongoing costs, recognized quarterly, which include service and interest costs, expected returns on plan assets and amortization of prior service costs/credits. "Corporate costs and pension costs in cost of goods sold" represent service costs related to GCP manufacturing employees. Corporate costs do not include any amounts for pension expense. Other pension-related costs, including annual mark-to-market adjustments, gains or losses from curtailments and terminations, as well as other related costs, are excluded from Adjusted EBIT. These amounts are not used by management to evaluate the performance of GCP businesses and significantly affect the peer-to-peer and period-to-period comparability of its financial results. Mark-to-market adjustments and other related costs are primarily attributable to changes in financial market values and actuarial assumptions and are not directly related to the operation of GCP businesses.
- (D) Shareholder activism and other related costs consist primarily of professional fees incurred in connection with the actions by certain of GCP shareholders seeking changes in the composition of our Board of Directors and nomination of candidates to stand for election at the 2019 and 2020 Annual Shareholders' Meetings, as well as other related matters.
- (E) Other current assets consist of income taxes receivable.
- (F) Other assets consist of capitalized financing fees.
- (G) Other current liabilities consist of income taxes, restructuring, repositioning, accrued interest and liabilities incurred in association with the Darex divestiture.
- (H) Other liabilities consist of other postretirement benefits liabilities.
- * Consists of current and non-current components.
- NM• Not meaningful.

GCP Applied Technologies Inc.
Analysis of Operations (unaudited) (continued)

(In millions)	Six Months Ended June 30,	
	2020	2019
Cash flow measure:		
Net cash provided by (used in) operating activities from continuing operations	\$ 19.9	\$ (0.7)
Capital expenditures	(18.8)	(27.7)
Cash paid for repositioning	8.5	11.3
Cash paid for restructuring	2.0	6.3
Cash paid for third-party and other acquisition-related costs	0.5	0.4
Capital expenditures related to repositioning	2.6	1.3
Cash paid for shareholder activism and other related costs ⁽¹⁾	8.0	1.7
Cash taxes related to repositioning, restructuring, third-party and other acquisition-related costs, shareholder activism and other related costs	(4.7)	(4.9)
Adjusted Free Cash Flow (non-GAAP)	\$ 18.0	\$ (12.3)

⁽¹⁾ Shareholder activism and other related costs consist primarily of professional fees incurred in connection with the actions by certain of GCP shareholders seeking changes in the composition of its Board of Directors and nomination of candidates to stand for election at the 2019 and 2020 Annual Shareholders' Meetings, as well as other related matters.

GCP Applied Technologies Inc.
Adjusted Earnings Per Share (unaudited)
Three Months Ended June 30,

(In millions, except per share amounts)	2020				2019			
	Pre-Tax	Tax Effect	After-Tax	Per Share	Pre-Tax	Tax Effect	After-Tax	Per Share
Diluted EPS from continuing operations (GAAP)				\$ (0.02)				\$ 0.04
Repositioning expenses	\$ 1.0	\$ 0.2	\$ 0.8	0.01	\$ 5.8	\$ 1.5	\$ 4.3	0.06
Restructuring expenses and asset impairments	0.4	0.1	0.3	—	4.4	0.1	4.3	0.06
Third-party and other acquisition-related costs	0.2	—	0.2	—	—	—	—	—
Legacy product, environmental and other claims	—	—	—	—	0.1	—	0.1	—
Shareholder activism and other related costs	3.8	1.0	2.8	0.04	1.1	0.3	0.8	0.01
Discrete tax items, including adjustments to uncertain tax positions	—	(4.0)	4.0	0.06	—	(1.4)	1.4	0.02
Adjusted EPS (non-GAAP)				\$ 0.09				\$ 0.19

GCP Applied Technologies Inc.
Analysis of Operations (unaudited) (continued)

(In millions, except per share amounts)	Six Months Ended June 30,							
	2020				2019			
	Pre-Tax	Tax Effect	After-Tax	Per Share	Pre-Tax	Tax Effect	After-Tax	Per Share
Diluted EPS from continuing operations (GAAP)				\$ —				\$ 0.24
Repositioning expenses	\$ 3.7	\$ 0.9	\$ 2.8	0.04	\$ 11.2	\$ 2.8	\$ 8.4	0.12
Restructuring expenses and asset impairments	3.5	0.9	2.6	0.04	5.0	0.2	4.8	0.07
Third-party and other acquisition-related costs	0.7	0.2	0.5	0.01	0.1	—	0.1	—
Legacy product, environmental and other claims	—	—	—	—	0.1	—	0.1	—
Shareholder activism and other related costs	7.4	1.9	5.5	0.08	3.6	0.9	2.7	0.04
Discrete tax items, including adjustments to uncertain tax	—	(1.5)	1.5	0.02	—	15.0	(15.0)	(0.21)
Adjusted EPS (non-GAAP)				<u>\$ 0.19</u>				<u>\$ 0.26</u>