S&P Global
Market Intelligence

RPM International Inc. NYSE:RPM

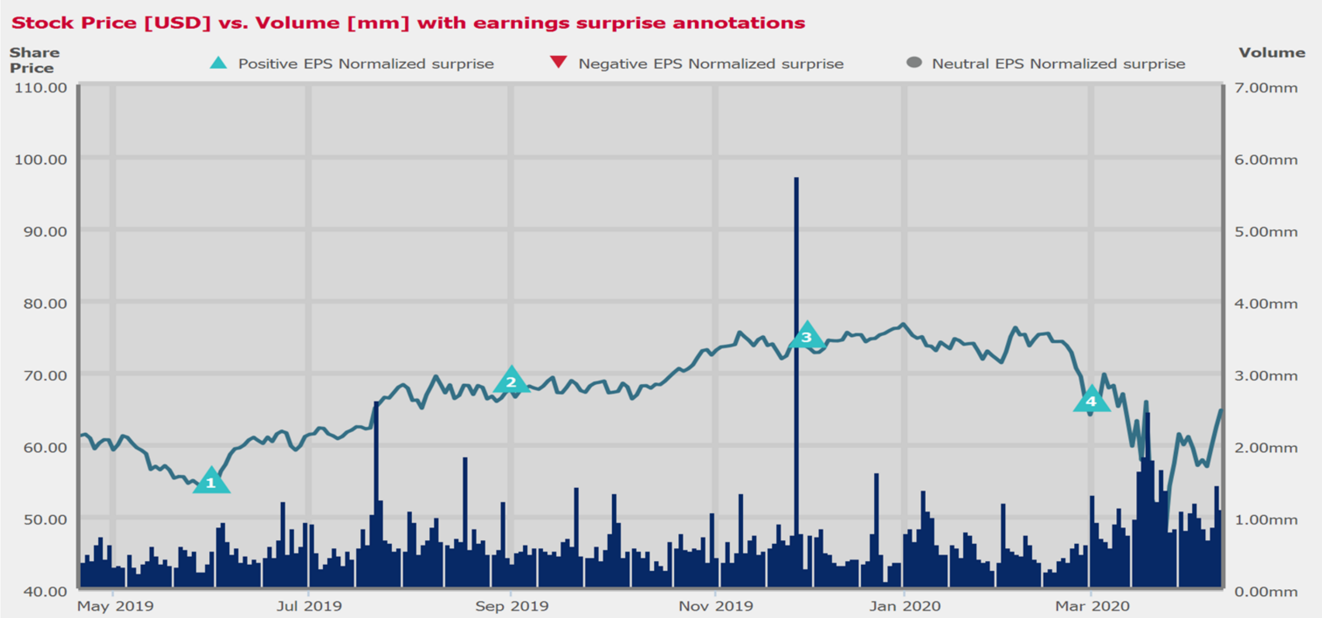
FQ3 2020 Earnings Call Transcripts

Wednesday, April 08, 2020 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2020-			-FQ4 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.21	0.23	▲9.52	1.31	3.25	3.84
Revenue (mm)	1173.34	1173.98	▲0.05	1544.44	5596.60	5676.36

Currency: USD
Consensus as of Apr-08-2020 2:32 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2019	1.14	1.24	▲1 8.77 %
FQ1 2020	0.91	0.95	▲2 4.40 %
FQ2 2020	0.73	0.76	▲3 4.11 %
FQ3 2020	0.21	0.23	▲4 9.52 %

Table of Contents

Call Participants

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Chairman, President & CEO

Matthew T. Ratajczak
VP of Global Tax & Treasurer

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Presentation

Operator

Welcome to the RPM International Conference Call for the Fiscal 2020 Third Quarter. Today's call is being recorded. 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. Following today's presentation, there will be a question-and-answer session. [Operator Instructions]

Please note that only financial analysts will be permitted to ask questions. At this time, I would like to turn the call over to RPM's Chairman and CEO, Mr. Frank Sullivan, for opening remarks.

Frank C. Sullivan
Chairman, President & CEO

Thank you, Vanessa. Good morning, and welcome to the RPM International Inc. investor call for our fiscal 2020 third quarter ended February 29, 2020. On the call with me today are Rusty Gordon, RPM's Vice President and Chief Financial Officer; and Matt Ratajczak, our Vice President of Global Tax and Treasury, who is also heading our Investor Relations function.

I'll start the call by discussing how we are managing our business through the COVID-19 pandemic. Then I'll provide an update on our 2020 MAP to Growth operating improvement program. After that, I'll turn the call over to Matt, who'll walk through our third quarter results in detail, and he'll be followed by Rusty, who will discuss the outlook for the fourth quarter and year-end.

First, we know that all of you are dealing with disruptions in your professional and personal lives resulting from the COVID-19 pandemic, especially our analysts and investors from the New York City area. I'd like to thank you for being on our call today and for your continuing interest in RPM and wish you and your families good health during this challenging time.

At RPM, our priorities have been to protect the health and well-being of our associates and their family members, to support our local communities to control the spread of the virus and to serve our customers by maintaining the continuity and success of our business operations.

Our 15,000 associates around the world have really embraced these priorities, and I'd like to commend them for the incredible work that they've done to continue each and every day. When it comes to protecting their own health and that of their families, we've established many protocols across our operations.

We are taking precautions in our facilities to keep our people safe by aggressively cleaning and disinfecting high-touch areas, practicing social distancing and good hygiene and have been screening for COVID-19 symptoms prior to entry in all of our facilities for more than 3 weeks. As of April 7, we have been informed by 14 of our 15,000 employees that they have had at various times confirmed cases of coronavirus. In these cases, we enacted our protocols to shut down the affected location, have them thoroughly cleaned and disinfected, quarantine all appropriate -- affected people and then reopened the facilities following an appropriate shutdown period.

In terms of our communities, we are working from home, monitoring the hygiene and health of our manufacturing and distribution associates and reporting any infection or disruptions. We're also donating time and materials to help stem the spread of the virus. In one case, our Woodfinishes Group supplied thousands of plastic bottles to a local distillery that has been converting product to hand sanitizer and is providing it to free in the community, especially to health care first responders.

In another case, our Rust-Oleum operations sourced its Concrobium fogger product and donated it to first responders so that their air ambulance helicopters could be disinfected and returned to service quickly. These are just a few examples of how our operations are responding to local needs.

As one of the world's largest suppliers of specialty coatings and building materials, RPM is in a strong position to weather the toll that the COVID-19 pandemic is having on the global economy. We are taking action to adjust our business activities during this period of uncertainty and are well positioned with strong cash flow, a solid capital structure and $1.1 billion in liquidity. Many of our products are used for construction, maintenance and repair projects, which are deemed essential in many cases and are relatively recession-resistant. RPM companies around the world with a few exceptions have been able to continue to operate their plants and distribution centers. In fact, today, nearly all of our North American plants are operational with a few exceptions, while a number of our international plants have been closed due to government mandates.

A large number of our North American customers such those in -- such as those in construction, infrastructure and DIY, home and hardware retail are also considered essential and currently remain open for business. With people spending more time in their homes, there is potential for increased DIY activity projects. Raw material cost inflation seems to be moderating in a number of our key product categories, our global supply chain remains strong and our distribution and operations associates continue to work diligently to meet customer demand.

We continue to be proactive in taking actions around the globe in our operations as the situation evolves. Now I'd like to discuss our MAP to Growth restructuring program. It has steadily been gaining momentum each quarter. This quarter is no different, as demonstrated by our excellent bottom line results, strong organic growth, strong earnings leverage and record levels of cash generation. Restructuring activities include enacting operational improvements at our production facilities, consolidating manufacturing plants, delayering management and rationalizing product lines.

During the third quarter and early in the fourth quarter, we announced the closure of 2 additional plants, which brings our total to 20 out of the 31 plants that were originally targeted for closure at the beginning of the MAP to Growth program. Versus last year, on a consolidated basis, we realized incremental MAP to Growth savings in the third quarter totaling $21 million, of which $5 million came from manufacturing, $12 million from procurement and $4 million from SG&A.

Looking ahead, as the COVID-19 pandemic slows economic and business activity, it is also impacting our MAP to Growth program. While there are some initiatives that can be carried out virtually, many, particularly those dealing with additional manufacturing improvements and the completion of our ERP implementations require a physical presence at some of our plants and offices. Limits on travel and access to facilities have required us to temporarily halt some of our operating improvement activities. As such, we will be extending out the time line from our original MAP to Growth goals in terms of their ultimate achievement.

At this point, there is too much uncertainty to set a new date for reaching our objectives. As our markets stabilize and we gain more clarity into the business conditions, we will communicate our new MAP to Growth time line. But as you can see, once again, in our third quarter results, our people are executing on our MAP to Growth initiatives very effectively.

I'll now turn the call over to Matt Ratajczak for a detailed review of our results for the third quarter.

Matthew T. Ratajczak
VP of Global Tax & Treasurer

Thanks, Frank, and good morning, everyone. Note that my comments will be on an as-adjusted basis. During the third quarter, we generated consolidated net sales of $1.17 billion, an increase of 2.9% compared to the $1.14 billion reported during the same quarter of fiscal 2019. Organic sales growth was 3% or $34 million. Acquisitions contributed 0.7% of sales or $9 million, while foreign exchange was a headwind that reduced sales by 0.8% or $9.6 million. This was solid top line growth during the third quarter, which typically generates our most modest results each year because it falls during the winter months when painting and construction activity is slow.

Adjusted diluted earnings per share were $0.23, an increase of 76.9% compared to the $0.13 in the year ago quarter. Our consolidated adjusted earnings before interest and taxes, EBIT, were up 30.4% to $60.5 million compared to $46.4 million reported in the fiscal 2019 third quarter. These excellent bottom line results were largely due to initiatives under our MAP to Growth restructuring program. Our earnings also benefited from pricing and moderating raw material costs.

Turning now to our segments. Sales in our Construction Products Group were strong and increased 4.7% to $372.1 million. Growth was primarily organic at 5.1% or $18.5 million. Acquisitions contributed 1% or $3.4 million. Foreign currency translation reduced sales by 1.4% or $5.1 million. Sales growth was driven by market share gains and the introduction of innovative new products with the fastest growth being generated in our roofing, below-grade waterproofing and concrete admixtures businesses.

Adjusted EBIT in the Construction Products segment increased $6 million from an adjusted EBIT loss of $0.3 million during last year's third quarter. This improvement was largely attributed to pricing, moderating raw material costs, MAP to Growth savings and a favorable leverage impact of higher sales volume.

Sales in our Performance Coatings Group were $255.7 million, up 1% from the $253.2 million we reported during last year's third quarter. Organic growth was 1.6% or $3.9 million. Sales growth in this segment was mixed as highway and bridge maintenance businesses were slowed by government budget constraints, particularly in the U.K. However, its protective in marine coatings business, unit increased market share and its Continental European operations grew sharply, driven by a new global management structure. Acquisitions added 0.2% to sales or $0.5 million, while foreign exchange was a headwind of 0.8% or $1.9 million. Segment adjusted EBIT increased 33.2% to $24.2 million from $18.2 million during last year's third quarter. A focus on higher-margin products and service offerings as well as MAP to Growth business rationalization initiatives drove a significant adjusted EBIT margin improvement of 230 basis points in the segment.

In the Consumer Group, sales were robust, increasing 5.4% to $398.7 million. Organic sales increased 6% or $22.6 million, driven by market share gains and unseasonably warm winter weather in North America that enabled consumers to complete more DIY home improvement projects. The fastest growth was achieved in our caulks, sealants, and patch and repair product lines. There was no impact from acquisitions during the quarter. Foreign currency translation reduced sales by 0.6% or $2.2 million. Adjusted EBIT in the Consumer Group was $32.1 million, an increase of 19.2% over the prior year. This bottom line performance was driven by savings from our MAP to Growth operating improvement plan and were partially offset by inflation in certain raw materials and channel mix.

On the top line, the Specialty Products Group's wood coatings business successfully outperformed its peers in a challenging market. However, sales of the segment's water damage restoration products faced a difficult comparison to the prior year when demand was exceptionally high due to significant weather events in North America. Sales were also down in our OEM fluorescent pigments, nail polish and edible coatings businesses. Segment sales were $147.5 million. Organic sales decreased 7.1% and foreign currency translation reduced sales by 0.3%.

The segment benefited 3.3% or $5.1 million from acquisitions. Adjusted EBIT was $17.5 million during the quarter, which was lower than the $20.2 million of adjusted EBIT reported in the same period last year. Savings from our operating improvement program helped to mitigate the impact declining sales volume had on earnings. In addition, we have new management in place and are implementing cost-cutting measures and new processes to reignite growth.

Now I'll provide some comments on our cash flow and liquidity. For the first 9 months of fiscal 2020, cash from operations grew by 162% to $381.2 million compared to $145.5 million a year ago. This increase of $235.7 million was due to improved working capital management and operating improvement initiatives. Free cash flow improved to a source of cash of $137 million during the first 9 months of fiscal 2020 as compared to a use of cash of $74.5 million during the first 9 months of fiscal 2019. This $211.5 million increase is a result of higher earnings, coupled with overall improved working capital metrics.

Next, a few comments on our liquidity profile. The maturities of our long-term debt portfolio are nicely staggered with the next scheduled maturity out in November 2022, and we have multiple options for access to short-term liquidity under both our revolving credit and accounts receivables facilities. Further, in the month of February, we improved our financial flexibility and increased our liquidity by $400 million by securing 2 3-year term loans. We borrowed $400 million immediately after closing and swaps to a euro fixed interest rate of approximately 0.6%. The proceeds were used to pay down the balance on our revolving credit facility. Finally, as Frank stated, at February 29, 2020, our total liquidity, including cash and committed revolving credit facilities was $1.1 billion.

I'll now turn the call over to Rusty for details on our share repurchase program and the outlook for the remainder of fiscal 2020.

Russell L. Gordon
VP & CFO

Thanks, Matt. As part of our MAP to Growth program, we established the goal of repurchasing $1 billion of our stock. In March, subsequent to the end of the third quarter, we exceeded the halfway point of that goal when we repurchased approximately $25 million of our common shares. This is in addition to the $300 million we repurchased during fiscal 2019 and the first 3 quarters of fiscal 2020, coupled with a $200 million cash redemption of our convertible notes in November 2018. While we were making good progress on this goal, given recent macroeconomic uncertainty resulting from the COVID-19 pandemic, we have suspended our share buyback program.

Looking ahead, the fourth quarter is seasonally our strongest and was off to a good start in March. Consolidated sales for the month increased 5% over the prior year led by the Specialty segment, which was up 9%, Consumer was up 7%, Construction Products Group sales increased 7%, and Performance Coatings Group declined 3%. However, like most companies, we expect our financial results to be impacted by the disruption and uncertainty COVID-19 is having on the global economy.

Today, nearly all of our plants are open in North America, where we generate 74% of our sales. Some of our international plants have been shut down due to government mandates around the world. These facilities generate approximately 6% of RPM sales. While these shutdowns are of various durations, ranging from days to weeks, they are likely to impact our fourth quarter sales in April and May.

In our Construction Products Group, demand for our innovative products and solutions has been robust, and the segment has very strong momentum behind it. Construction is on the U.S. Department of Homeland Security's Essential Critical Infrastructure Workforce advisory list. The segment has a large number of hospital and health care system clients that will continue to require its offerings.

During a good sales month in March, Tremco was able to support schools during this unexpected shutdown by moving up planned roofing and other facility restoration work.

At our Performance Coatings Group, results will be mixed. We anticipate seeing a boost in sales for our hygienic seamless flooring systems. However, the portion of our corrosion control and fireproofing coatings that are tied directly or indirectly to oil and gas markets, a little more than $200 million in sales annually, may be at risk should there be a prolonged drop in pricing in those markets. So we are closely monitoring investment in this area.

POS takeaway at our Consumer Group has been strong with unit growth in the mid- to high single digits, particularly for our professional and consumer cleaning and disinfectant brands, some of which are effective against the coronavirus. The majority of the segment sales are in North America where DIY home and hardware retailers remain open for business. As consumers shelter in place, they are spending more time in their homes and have more time and interest in home repair, maintenance, improving and cleaning projects, which should continue to benefit the segment.

In our Specialty Products Group, the outlook is mixed. Some of our companies, such as our marine coatings business will be slowed by the closures of their distributor and retail networks. On the other hand, Legend Brands, which manufactures cleaning products and equipment is seeing spiking demand as its restoration contractor base is shifting to disinfecting services and this trend should continue over the coming month.

According to current government projections, it appears that the COVID-19 crisis may reach its peak in April or May. This is obviously a fluid situation, and the information available to us is rapidly changing. As we sit here today, we anticipate that our consolidated fourth quarter revenue will be down 10% to 15% year-over-year. This assumes our strong March results are counterbalanced by sales drops in April and May of 15% to 20%.

With that being said, given the uncertainties around this crisis, we are withdrawing our prior earnings guidance for the fourth quarter and full year of fiscal 2020.

We will continue to assess the situation and the short and long-term impacts of COVID-19. We are taking aggressive actions to manage cash flow by reducing working capital, capital expenditures and discretionary spending. The MAP to Growth program timing has been fortunate for us in this regard since we have improved margins and are starting to see the benefits of our working capital reduction program, resulting in improved cash flow this year.

Additionally, as Frank and Matt mentioned, we have significant liquidity and a strong balance sheet, which we anticipate will keep us in a solid financial position.
This concludes our formal comments. We will now be pleased to take your questions.

Question and Answer

Operator

[Operator Instructions] And we have our first question from John McNulty with BMO Capital.

John Patrick McNulty
BMO Capital Markets Equity Research

So I guess the first one would just be on the revenue outlook. So the commentary around April and May, looking down 15% to 20%. Look, it's a tough market to try to forecast now. But like looking at some of Rusty's commentary on each of the divisions, it doesn't sound like it's kind of trending quite as bad as maybe that guidance would necessarily indicate. So I guess, where are the puts and takes there? And I guess when you think about the 4 segments, where you see kind of the biggest pressures when you're looking at that 15% to 20% down versus maybe where there may be some bright spots? How should we be thinking about that?

Frank C. Sullivan
Chairman, President & CEO

Sure. So first of all, it doesn't behoove anybody to do forecasting with an optimistic outlook. And so I think our assumptions of April and May being down 15% to 20% had been done appropriately with a negative conservative cast. But it's literally hard to tell from day-to-day. We will have spikes in some of our Construction Products businesses over a couple day period because of order flow that looks really good, and then you'll see some slowdowns. The things that are pretty certain will be the negative impact of multi-week shutdowns. Most of this is outside of the United States, probably a little less than half of our manufacturing facilities in Europe are closed.

And I won't get into all the details, but it's an interesting mix. We had a plant in Norway closed that's now reopened. Interestingly, our primary plant in Italy is now reopened. But we have plants in the U.K. and various parts of the continent that are closed by government mandate for a period of weeks. We are also closed in our 2 major plants in India and almost every manufacturing facility in Latin and South America and in South Africa. There's a few other locations, but they're so small as to be inconsequential.

As Rusty said, when you add that all up on an annualized basis, it's about 6% of our revenue. So it's not big. And the impact of reopening will determine whether we're at the bottom end of that range and the top end of that range. I think the good news for us is we're not yet seeing the underlying demand disruption that exists in some industries. Obviously, the hospitality industry has challenges. But even the auto assembly industry has got some challenges now that -- around the demand side that will be challenging. We're not seeing that yet. We are very aware of the possibility for that in 1 primary market, which is oil and gas and across our Performance Coatings Group, that's a little more than $200 million of annualized revenue. And so our expectation is in the coming quarters and year, that's an area that will be under pressure. Hopefully, that's responsive to your question.

John Patrick McNulty
BMO Capital Markets Equity Research

Yes. No, that's definitely helpful. And then I guess maybe shifting gears a little bit to the MAP to Growth cost-cutting programs. I guess, can you give us some clarity? Look, you had Wave 1 that was -- you were going to get the full year benefit this year kind of coming in. Wave 2, you were going to get a decent chunk, and then there was going to be Wave 3 for next year as it would roll. And I guess can you give us an update as to where you are in those buckets? And what things are kind of already in the bag? And what percent may be actually kind of pushed off at this point? Is there a way to think about that?

Frank C. Sullivan
Chairman, President & CEO

Sure. And so I can tell you, from my perspective, and I don't mean this to be tried. Obviously, this coronavirus pandemic is horribly impactful to everybody. But as it relates to MAP to Growth, there's a plus and a minus. The minus is, as you can see in this quarter and subsequent quarters before this, the things that we have planned, the things that we are executing are working. We had talked about working capital improvements and then quickly realized that they would come later in the cycle. You're seeing those now. And so it's a little bit disappointing that a MAP to Growth program that in its execution and positive impact is being disrupted.

On the other hand, there are a number of instances where I think the timing of certain things were lucky, and this is one of those. Our cash conversion cycle is stronger than it's ever been. And we have effected close to 2/3 of what we wanted to do in MAP to Growth across every -- certainly across manufacturing and the procurement process by centralizing our purchasing globally. Probably less than 2/3 in the G&A area because the last bigger piece of that will come once the ERP implementations are completed. So the areas that are most disrupted is getting the continuous improvement disciplines into our medium and smaller plants. And also completing the ERP implementations that we had set to complete over the next 12 to 15 months. And those will be put off because they require, in some instances, a physical presence. But the gains that we have made have been solidified and will continue to benefit us. And it's been a really good program that was accelerating.

Rusty provided details of March. March is a repeat of what we've been showing quarter after quarter. But obviously, that will be -- it's our anticipation that that will be meaningfully disrupted in April and May.

The last comment that I will make is, if you believe what you read and you believe what you see on the ground, it does appear as if April and May will be the most negatively impacted period, 60-day period, as it relates to government-mandated shutdown and business disruptions. And it will be interesting to see as we get into the summer months, both globally and then in the United States, state by state, how the reopening of the economy happens, both in terms of sectors and speed.

Operator

We have our next question from Frank Mitsch with Fermium Research.

Frank Joseph Mitsch
Fermium Research, LLC

Frank, I appreciate the color on expected declines in April and May, and obviously, your year was off to a really good start. What is underpinning -- what are your assumptions in terms of housing starts and commercial construction activity in April and May that is underpinning that 15% to 20% sales decline?

Frank C. Sullivan
Chairman, President & CEO

So I can't answer that question. We haven't gone from a macro perspective into that. What we have done is talk to each of our businesses. We've looked at the affected plants globally. We have had some affected plants in the United States, not surprisingly they've principally been manufacturing facilities in the New Jersey, North Jersey area of kind of Metro New York, and we've had shutdowns, we've quarantined people, we've closed the plant, we've disinfected it, cleaned it and brought people back. So we've been through that cycle. And it's not a good cycle to go through. But when you've done it once or twice, you begin to develop a rhythm of understanding the quarantine time, the cleaning process and getting people back to work. But we really have done it bottom-up, company-by-company and an assessment of their sales force. And so in the consumer DIY areas, there's not only been more people at home, but at least temporarily, there seems to be a shift from contractor, do it for me to DIY and that will benefit our consumer DIY businesses, for instance.

The only element of our consumer DIY business that's impacted by residential new construction would be the caulks and sealants segment of our DAP business. We haven't done an analysis of what that means, but that's the area in Consumer that would be impacted.

The Construction Products Group continues to see spotty cycles of big order flow in roofing projects and then stops. In our Performance Coatings Group, we're building a solid with good customer bases in tech, in food and beverage and in areas that will, I think, perform well through this, but some of that's being put off. And so I'm not answering your question specifically other than to say that we have done this bottom-up business unit by business unit and trying to understand the order flow and the impact. And as I said earlier, I think the only big market that we're very concerned about as a real challenge coming is oil and gas.

Frank Joseph Mitsch
Fermium Research, LLC

Understood. I understand the difficulties there. Let me shift in, you did mention that you are seeing a market share gain in the Consumer business. I was wondering if you could expand upon that. And then speaking of Consumers, I'm wondering if you're getting any kind of instantaneous data or what have you in terms of the social distancing impact on the home centers and hardware stores? And is that having -- even though DIY should be a very positive trend. I mean I know that the time to get what you want at a Home Depot has gone exponentially higher. Are you seeing any negative impact there in terms of your business?

Frank C. Sullivan
Chairman, President & CEO

I'm sure the answer to that is yes. We wouldn't talk about individual customers, but some customers have instituted more rigorous regimens of how many people they'll let into their stores. Interestingly enough, our online orders are through the roof. And so in certain product categories where we might get 40 or 50 online orders a week. It could be hundreds or 1,000. And so we're fulfilling that, and that is through our major retailers to a lesser extent. We actually do more online business through a number of our major retail customers than we do through Amazon, but our Amazon business is growing.

And then in Europe, as part of our consumer DIY business, which has been more negatively impacted, particularly in the U.K. than in the U.S. because of some temporary business shutdowns, we have a business called VerdeCoat, which is kind of an MRO. It was a catalog, now it's an MRO online catalog business. And their business, literally over the last month, is up almost 100%. It's a smaller piece of that, but you're seeing a shift to online as well. All in all, through March, we had a high single digit, low double-digit POS across the entirety of our Consumer segment customer base.

Operator

And we have our next question from Rosemarie Morbelli with G.Research.

Rosemarie Jeanne Morbelli
Morgan Group Holding Co.

I was just wondering, Frank, whether you could touch on the lower CapEx, which -- what do you think the amount will be by year-end? And which are the projects that you are eliminating?

Frank C. Sullivan
Chairman, President & CEO

So our goal this year was to spend about $180 million in CapEx. I think when we finished the year, we'll be closer to $150 million. Notably, with a really strong cash flow through 9 months, that included a year-over-year higher level of CapEx of about $20 million. So that gives you a sense of the strong cash flow that we're generating.

For next year, our preliminary budgeting was about $150 million in CapEx. And at this point in time, I think we can pare that back by $25 million or $30 million without negatively interrupting our MAP to Growth program or the areas that we're growing. And if need be, depending on circumstances, we could pare that back further. But that's our current plan.

Rosemarie Jeanne Morbelli

Morgan Group Holding Co.

Okay. And when you are talking about most of your facilities operating in the U.S. or in North America altogether, what is the capacity utilization? Yes, they are open, but how much business is coming out of there?

Frank C. Sullivan
Chairman, President & CEO

It's very hard to say, Rosemarie, as I think we highlighted either in Rusty's comments or in our press release, it's circumstantial to each business. So if you're in the small project paint, patch and repair, particularly our cleaner categories, there's -- and I don't have them exactly. One of them is Krud Kutter Industrial, another is a mean, green antibacterial product. We have 3 cleaning products through Rust-Oleum that are certified as approved for cleaning surfaces relative to COVID-19. Those are through the roof. And the constraints there is raw materials, but we're continuing to do that.

The flip side is our marine coatings business, which is a smaller business as part of our Specialty Products Group. In total, that's maybe a $25 million in revenue business. And we normally wouldn't talk about SPU sizes, but to put that in perspective. And many of their large marine product retailers and/or shipyards that do repair, maintenance and recoating for yachts and boats are closed. And so that's a business where revenues might at this point be impacted as much as 50%. But that's a temporary period and whether that lasts for another few weeks or another few months, time will tell.

Rosemarie Jeanne Morbelli
Morgan Group Holding Co.

And if I may sneak another one in. With Q4 revenues down 15%, what could be the impact on your bottom line? And that is linked to the marine business being down 50%. And I think, if I am not wrong, that it has a very high margin.

Frank C. Sullivan
Chairman, President & CEO

Sure. We don't -- as Rusty said, we're suspending guidance. And at this point, we're looking at expense reductions, expense deferrals, cutbacks in capital spending, taking advantage of a few of the things that are in the CARES Act that apply to larger businesses. One example is a deferral of FICA taxes. We're looking at things like that to really drive cash flow generation. And that's very much our focus.

I think the MAP to Growth program will allow us to generate better bottom line income than we otherwise would have in the face of revenue declines. But beyond that, we're not in a position really to talk about earnings or earnings per share or any projections around that for the quarter.

Operator

And we have our next question from Steve Byrne with Bank of America.

Steve Byrne
BofA Merrill Lynch, Research Division

Frank, what's the time lag and frequency by which you receive sales data from the big box home centers on your Consumer products? And let me just see how you answer that one first.

Frank C. Sullivan
Chairman, President & CEO

Sure. I'm pretty certain that in most categories, our Consumer businesses get that information on a weekly basis.

Steve Byrne
BofA Merrill Lynch, Research Division

And can you tell whether or not the home centers are placing orders for inventory restocking that's commensurate with that? Or do you sense any change in stock levels as they look forward into these next couple of months?

Frank C. Sullivan
Chairman, President & CEO

It literally is week by week. So your question is spot on in terms of the things that we're paying to -- paying attention to. There'll be some interesting new dynamics for all of us relative to learning how to work from home. And I say that because we have a senior leader meeting every other day at the end of the day. And we talk about code infections, if there are any, fortunately, as our statistics show, they're not many and they've been sporadic. And they've actually mostly been in the New Jersey area for us. And we talk about impacting our operations, but we also talk about every other day what's going on, order flow impact. So we have some good insight into that. It's very circumstantial.

Some of our retail customers are showing a solid POS in the early part of April or what we would forecast for the early part of April here. Some of them are showing levels that are below where we were in March, and we think that has more to do with deliberate decisions to limit the traffic flow into their stores than it does with actually demand. And then lastly, as I indicated earlier, it's very spotty. We are selling all the cleaning and disinfecting products that we can make. That's true at our Legend Brands business as well. And so that's an area that maybe by July, we'll have a better sense of what we can say in some detail about the different DIY product categories and what's really moving the needle.

Steve Byrne
BofA Merrill Lynch, Research Division

And on that 6% organic growth that you posted in the fiscal third quarter in the Consumer segment, is that mostly volume? And can you comment on the outlook for price given moderating raws?

Frank C. Sullivan
Chairman, President & CEO

Sure. It's mostly volume. As you saw, given the strong volume there and in our Consumer -- I'm sorry, in our Construction Products Group and Performance Coatings Group, the leverage to the bottom line has been a little less in our Consumer business in part because we've been facing some unique raw material challenges there. Some of which are now abating. The biggest one was packaging in certain areas. And so it's -- in all 3 of those segments, Construction products and Consumer products, the unit volume growth has been really solid.

In the Performance Coatings Group, the actual unit volume growth through 9 months has been better than the numbers show because they've been very deliberate in pairing back lower-margin product categories and in closing some lower-margin or breakeven international businesses.

So as we indicated, we've shed close to $60 million or $70 million on an annualized basis deliberately in this reorganization. And that's been disproportionately in our Performance Coatings Group and our Construction Products Group, not in Consumer. Although, there is some coming in Consumer with some overseas businesses that don't meet our margin criteria. And so it's been very solid organic growth.

Operator

We have our next question from Ghansham Panjabi with Baird.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Frank, you made some comments about, obviously, employee mobility impacting some of your MAP to Growth initiatives. Clearly, your customer is going to be impacted by the same dynamic and presumably will be even as the economy starts to gradually open up. I'm just curious from a segment standpoint, how should we think about this dynamic as it relates to customer qualification of your products for future capital projects, et cetera? How are you sort of adapting towards this new normal, if you want to call it that?

Frank C. Sullivan
Chairman, President & CEO

Sure. And so in our Construction Products business, I think we're fortunate both in every segment of RPM because of the benefits of MAP to Growth. But if you think about where we've been strong, so while our -- in general, and to your question, I do think that there will be a reduction for a period of time in industrial capital spending. And certainly, outside of oil and gas, which is part of that, a little more than $200 million, but there's probably $0.5 billion of our revenues that are driven by industrial capital spending or major projects. But again, it's circumstantial. Our Stonhard business has been a leading provider globally, including the application portion of it of polymer flooring with a real strong presence in food, beverage, hospitals, fab plants, and so areas of the economy that we think are going to do pretty well.

The interesting anecdote was our Stonhard business that was cast by a major contractor to put together the hygienic flooring in the hospital -- temporary hospital facilities that were going to be set up in Central Park in New York. And we got that order. It was under strict requirements relative to timing. We've got the material and the applicators there. And then good news relatively quickly that order got cut in half because it seems as if the anticipated need of the number of bed spaces for this temporary hospital spot in New York City is not going to be needed. I hope that's true. But that gives you a sense of why we think over time that segment will do well.

Our Tremco Roofing business has been the leader in North America in these long-term, high-performing restoration roofing projects. And what they've been very good at is being able to dry out an old roof as opposed to tear it off and then apply a roof restoration coating and extend the life of a 30- or 40-year-old roof for another 10 to 20 years. That's at 1/3 of the cost of ripping off and replacing with new materials a old roof. Surely, we will be seeing enhanced competition there, but we're the leader there. And I say that because I think that the negative impact in that sector for us will be more on the rip off and OEM replacement.

We don't play in that space. 95% of our Tremco Roofing business has been reroofing. And so without filibustering the call here, we've looked at oil and gas, that will be a problem. We've looked at $0.5 billion driven by industrial capital spending because clearly, we're going to be cutting ours and others will do the same. And it's circumstantial. But in a lot of cases, I think we're in a pretty good position.

Ghansham Panjabi
Robert W. Baird & Co. Incorporated, Research Division

Okay. That's super helpful. And Frank, I know you don't want to give guidance, completely understandable. But as you kind of think back to the financial crisis, what was the initial decremental margin that the business saw before it started to be dampened to some extent by lower raw material costs. Obviously, you're in a position of strength with MAP to Growth and the momentum there. So just curious as to what transpired back then?

And then second, as you kind of think about disruption risk yourselves, given the fluid operating environment, how should we think about working capital? Will that be -- will you build up a little bit more inventory as part of your safety stock for supplying your customers? Or do you still expect working capital to be a benefit this year to the extent that it has been?

Frank C. Sullivan
Chairman, President & CEO

Sure. So when you go back to '08 and '09, our fiscal year could not have modeled the Great Recession any better. We start our '09 fiscal year in June of '08, and we finish our '09 fiscal year on May 31 of '09. So we pretty much modeled the beginning of the financial crisis and then when people started to feel okay. In that period of time, our sales were down 7%, and our adjusted net income was off a little more than 35%. We had our best cash flow year ever.

In fiscal 2010, sales on a consolidated basis recovered by about 1% and earnings -- net income and EPS was up 25% on adjusted basis. And so we had a strong recovery and that was not inconsistent with kind of the the recovery that many people had.

I think our cash conversion cycle is better now, thanks to the timing of MAP to Growth. I do think while we will build up some safety stock in a few areas, I do think through a combination of MAP to Growth and in some cases, reduce volume, you will see working capital as a contributor to cash generation in the coming quarters.

As I've commented, our -- we look bottom-up the entrepreneurial nature of RPM in terms of how we serve our customers is still alive and well and will suit us well in terms of flexibility. And this is a big picture perspective. But contrary to what some people expect, I do not see a V for global economies here. I see a U and I think that U will be shorter for some and longer for others depending on -- and all of you know this better than we do on the impact of this pandemic, which has been devastating to certain industries and hospitality, for instance, and have been helpful to some unique businesses relative to cleaning products. But for us, I see a improved performance as we get into our new fiscal year relative to our conservatively negative expectations for Q4.

But I think for everybody, we're looking at a U recovery, not a V.

Operator

And we have our next question from Silke Kueck with JPMorgan.

Silke Kueck-Valdes
JP Morgan Chase & Co, Research Division

I was wondering if I could do like a similar exercise like look at -- like what happened in '09. And what sort of like happen is that in the February and May quarters, the organic growth was sort of like down 10% or 15%, which is why your guidance make -- really makes sense. And if you look at it by the vision though, like one of the things that happened is that both of the industrial business, which is now your construction, your Performance Coatings business, they were down maybe in terms of volumes, like 12% in the February quarter and then 19% in the May quarter. But the consumer business had similar results. The consumer business in February was down 14% in volumes and maybe 19% in the May quarter. And in part, it had to do that, there was a financial crisis and people couldn't spend money. And like somehow it feels like something similar is going on now, where a lot of people will be unemployed and like a 1/3 of the people didn't pay a rent for April. And so one of the questions is that when we model down this like 10% to 15%, should that really be stuck into all the segments rather than saying, well, consumer is down 5% and everything else is down 20%.

Frank C. Sullivan
Chairman, President & CEO

Sure. I am. I think this is different from the financial crisis. And so I don't have in front of me the details by segment. We had 3 segments back then. And so I can't be specific to that. But I can tell you in the third quarter, our Consumer segment tanked, and we literally anecdotally were talking about shooting canons down the aisle of our big customers, including home centers like Walmart and not hitting anybody. And so for a very short period of time during the financial crisis, consumers stopped buying everything. And I think the fear there was that at some point, they're going to go to their ATM and nothing is going to come out. That eased up very quickly. I think what we're seeing now is very different. We're seeing pretty steady on a segment basis, but spiky based on different product categories, business activity. But it does speak, Silke to the comment I made earlier, we do not anticipate a V recovery for us and for anybody. I do think that there will be -- even as economies recover, even as these mandated government restrictions are eased, I do think that there will be a period of time in which economic activity from where we were a year ago will be somewhat subdued.

Silke Kueck-Valdes
JP Morgan Chase & Co, Research Division

Okay. So you are more of a believer that if you looked at the -- and then I don't mean to criticize, just trying to understand. So like your view is that there's probably a lot more -- from your point of view, there would be like a lot more headwind on the Construction Performance group businesses in terms of negative volumes in the May quarter and a lot less on the Consumer side?

Frank C. Sullivan
Chairman, President & CEO

No, I think in the May quarter, it is our expectation that there will be less negative impacts in our Consumer segment than in our other segments. That is correct. The one that's the spikiest for us right now is Construction Products Group because we're seeing days of year-over-year record order flow and then days of crickets.

And so it's very spiky. So it's hard to know.

Silke Kueck-Valdes
JP Morgan Chase & Co, Research Division

Okay. That's helpful. And then just a question of clarification on the MAP to Growth product -- program. If you realize $21 million in savings year-over-year in the third quarter, does one annualize and say the run rate savings are like $85 million or $84 million for the year. Is that the way to look at it?

Russell L. Gordon
VP & CFO

Yes. The savings we're talking to are the incremental year-over-year savings of $21 million. And those change each quarter. Our cumulative savings we used to report in the past, but we found it would be more helpful for analysts to discuss the quarter and the increment.

Frank C. Sullivan
Chairman, President & CEO

Yes. And so back to our original goal of $290 million in savings. In terms of the manufacturing piece, the procurement piece and the G&A piece, we are on track for the G&A piece. But that slowed down. We are ahead of both of the manufacturing and procurement piece relative to our original $200 million -- $290 million goals. There have been some offsets to that. FX has hurt us in ways we didn't anticipate, slower growth has hurt us. But we're through 20 plant closures out of a planned 31. We're through $60 million to $70 million of either business or product line rationalizations, the continuous improvement activity in our plants by the time we're done this -- with this will exceed our original goals meaningfully. So if you'll recall, we had $75 million of targeted MAP to Growth goals in the manufacturing area, split roughly between the impact of footprint consolidation and continuous improvement. We'll achieve the half from footprint consolidation.

And we will have tens of millions of dollars of more out of the continuous improvement efforts by the time we're done, and that will be incrementally continuing. So all of those had been going quite well for us, and they're pretty well embedded. The momentum, if -- as you guys had pointed out, year 1 in a 3-year restructuring program was the easiest with the lowest hanging fruit. Well, year 2 has gone exceedingly well, and our momentum was continuing to build, my biggest disappointment, and again, it's a trite statement in light of what's happening in the world, is that momentum now has been a little bit disrupted.

Operator

And we have our next question from Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews
Morgan Stanley, Research Division

I just want to ask in the fourth quarter sales guidance, what's the impact you have in there for foreign exchange and for M&A, just so that we can kind of get to the true organic range that you're looking for?

Frank C. Sullivan

Chairman, President & CEO

Yes, that's a great question. And we are trying to take into account FX. And again, I mentioned that we talk to the senior leadership team every other day. And the FX swings in developing country currencies are nuts. So in Latin America, you're seeing 30%, 40%-plus negative impacts. I would remind folks that that's about $300 million of revenues in total?

Russell L. Gordon
VP & CFO

Yes.

Frank C. Sullivan
Chairman, President & CEO

Yes. And so it's not huge but -- and then you can see the strength of the dollar versus the euro and the Canadian dollar and the pound, which are other bigger currencies. So we are anticipating that in this guidance for the fourth quarter. The acquisition activity will be very modest, as you saw in the third quarter. So -- but we don't anticipate. In some prior quarters, acquisition activity at 1% or 2%, has been offset by FX. We think FX will be decidedly more negative and certainly will not be offset by a 1% acquisition positive impact.

Vincent Stephen Andrews
Morgan Stanley, Research Division

So if we think like 3% to 5% for FX, is that in the ballpark, keeping in mind that it's a moving target?

Frank C. Sullivan
Chairman, President & CEO

Yes. That would be our best guess right now. I think that's good math, but who knows.

Vincent Stephen Andrews
Morgan Stanley, Research Division

Okay. And then I just want to clarify one other thing. You called out the $200 million of oil and gas exposed revenue and the $500 million tied to industrial customer CapEx that you're obviously quite concerned about for easy-to-understand reasons. Is there another subset of revenue at all that you'd have the same concerns about or slightly less concerns about? Or I'm just trying to -- clearly, consumer, we can tell there's a good DIY opportunity there and the sustainability of it, we can all debate or is it pull forward or whatever. But I'm just trying to -- as they think through the broader buckets, just want to make sure that there aren't some other areas of revenue where you're as concerned as industrial CapEx spend in oil and gas.

Frank C. Sullivan
Chairman, President & CEO

Yes. Those are the 2 biggest ones that I think is appropriate to point out to our investors to say, look, these are the 2 big pots that we're paying attention to. And we've provided some color as to why we think we'll ride through, for instance, an industrial capital spending or big maintenance spending better than most. Then it's anecdotal. I mentioned the Marine Coatings business that mostly pleasure marines and yachts. And it's a smaller business, but because of the shutdown of their customer base and boatyards, we anticipate their revenues could be half in the fourth quarter of what they were a year ago. It's anybody's guess as to when those retailers and those boatyards open up as to whether we have a modest recovery.

Or depending on the health circumstances, if everybody is happy to put their boats back in the water, and there's a little bit of a spike in order flow from what's been a very economic impact of coronavirus-related shutdowns on that business. So we just -- we're monitoring business unit by business unit to try and assess those same questions. But we've highlighted in the call today, the big areas that we're paying attention to, and we think investors should as well.

Operator

We have our next question from Mike Harrison with Seaport Global Securities.

Michael Joseph Harrison
Seaport Global Securities LLC, Research Division

You mentioned, I think, primarily in performance, the $60 million to $70 million worth of product lines where you've been shedding some lower-margin business.

Can we just give a little bit of a sense on kind of where you are in those actions and when you start to lap those actions? And then I think you referenced some similar actions in other segments, including consumer. Have you started on those already? Or are those actions yet to come in other segments?

Frank C. Sullivan
Chairman, President & CEO

So yes, the answer to that is we started on those, but their impact will be in the future. And I would anticipate by the time we're done with our MAP to Growth program that on the $60 million to $70 million of product lines or businesses that we have, either closed or eliminated, there's probably another $30 million to come and maybe a little bit more. And that would come mostly outside of our Performance Coatings Group and our Construction Products Group. So it would be a little bit in specialty and some -- principally some far away overseas operations in our Consumer segment.

Michael Joseph Harrison
Seaport Global Securities LLC, Research Division

All right. And then just in terms of the MAP to Growth, the areas that are being disrupted or delayed. What are some of the things that you can still move forward on? And what are you stuck waiting until people can travel more freely? And then I guess the second issue behind that is, should we think of that delay as just once the stay-at-home orders are lifted, you'll get back to work? Or will it take time to ramp those activities back up? And so it could be longer after the stay-at-home order is lifted?

Frank C. Sullivan
Chairman, President & CEO

Sure. And so I'll highlight that from a cash flow perspective first. At -- in the first year of our MAP to Growth program, we were probably spending upwards of $30 million in outside consulting fees and related MAP to Growth fees. That's down or was down to about $4 million or $5 million on an annualized basis. And very quickly, about 3 or 4 weeks ago, we hardened all our manufacturing facilities in all our locations. And so if you are a nonessential employee, that includes me, you don't belong in our plants, and that includes outside contractors. And so the idea of having smaller consultants that were helping us with continuous improvement who go from our plant to plant to plant and who come from other plants wasn't a good idea.

So the people that have been working with our team, and we're now getting down to the kind of mid to smaller-sized manufacturing facilities to institute what we call fit events and these continuous improvement disciplines have been halted. I can assure you they're all eager to get back going. I have no idea when the world will be ready, and we will be ready to turn the green light on that. But I can assure you the second we are, those consultants are going to be eager to get back to work because when we halted their activity, we halted their payments.

The same thing is true on some accounting consolidation and ERP consolidation activities to the extent that we have fees that would be generated with paybacks that are, let's say, over a 3-year period, all that activity is halted. And so if we don't see a payback on some of the activity, even that we can do remotely that is inside of a year, those programs have been stopped both practically because we can't put people into our facilities personally and financially because some of the activities that we're going to have a payout which is a good IRR, but still a payout longer than 2 or 3 years has been halted. And I would tell you the things that all good companies are thinking about is capital structure, cash flow and liquidity and cash generation. So in things large like reducing planned CapEx by $25 million or $30 million with the belief that we could do more and things small like every $50,000 or $500,000 contract with an outside consultant, they're all being canceled or delayed.

Operator

We have our next question from Josh Spector with UBS.

Joshua David Spector
UBS Investment Bank, Research Division

Just on the raw material front. You guys talked about more moderating raw material inflation, not necessarily declines. I was wondering if you could provide some more color on where you're seeing increases? And related to that, if oil kind of stays where it is, which I know is a big if, what point would you start to expect to see some of those savings flow through the P&L?

Frank C. Sullivan
Chairman, President & CEO

Great question. And so initially, we were seeing some tightening in certain raw material categories and some -- because of that, some pricing pressure. One category was silicones. That pricing pressure and availability has seemed to ease off. The flip side is, over the last year or so one of the categories that was defined raw material deflation was metal packaging. And I would anticipate with what's happening globally in certain categories that maybe we'll finally see some relief in that category. So it's been circumstantial around different categories. There's no doubt that with oil prices being where they are if they settle into a sustained area that there will be some solvent and resin categories that will see some decreases in costs versus where we sit today.

Joshua David Spector
UBS Investment Bank, Research Division

That's helpful. And I guess related to that, as we look across the different segments if raw materials were to decline meaningfully, how quickly would you expect prices to react in the industrial and construction segments? And maybe converse to that, how slow would pricing react in Consumer segment?

Frank C. Sullivan
Chairman, President & CEO

It's really hard to say at this point in time. We are holding on to the pricing that we've been able to affect over the last 1.5 years.

We needed that because of a 2.5-year cyclical raw material increase. We're not back to where we were in terms of that mix 2.5 years ago. But at this point, most of our customers are focused on supply, fill rates, availability and really working with them to make sure that we have product when they need it and where they need it. And it's been a -- supply chains across industries have had to be more nimble because of the spikiness of order flows. And so that's where we are today. We don't have a good -- I don't have a good answer to that question. And I don't think that that will really unfold for another quarter or 2.

Operator

Our next question is from Arun Viswanathan with RBC Capital Markets.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

I just wanted to understand, I guess, when you look at your commentary that some of your international locations are closed, so should we expect, I guess, the greatest decline in your Q4 sales in both construction products and industrial. Is that the right way to think about it?

Frank C. Sullivan
Chairman, President & CEO

Yes. So our Performance Coatings Group and our Construction Products Group, what was formerly our industrial segment, has our greatest exposure to markets outside of North America. And Europe is seeing -- has been seeing weak demand as we've been communicating for a year. We've had some spots of brightness there in the last couple of quarters. But not quite half of our European operations were -- have been closed at one time or another. So there's been more aggressive government-mandated closures in various countries in Europe than we've seen in North America.

And so as I commented earlier, it's true throughout Latin America and India, and those are predominantly Performance Coatings and Construction Product Group businesses.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Okay. And so I guess just trying to understand how this works. I mean when you guys do take a plant down, I think you noted that was about 6% of your sales potentially that are affected by closed plants. Is it effectively that whole 6% is lost? Or is it -- are you kind of thinking that maybe 50% of that amount is lost? And how does that relate to the inventory, I guess, do you guys already have inventory on hand to potentially service some customers? Or is it just kind of stops for the time the plant is down?

Frank C. Sullivan
Chairman, President & CEO

No, no, that's correct. I mean we have inventory on hand. And depending on the nature of the different business, we can cover close-downs without much disruption for as long as 20 or 30 days. After that, your inventory depletion based on certain product categories can be problematic in one particular formula or color versus others. But it's very circumstantial to plants. As I said, we had a plant in Norway that was closed as part of our Performance Coatings Group, that's been reopened. We split a single -- a marine coating single shift plant into 2 shifts. We had an infection on a shift. We closed the plant for 2 days, aggressively disinfected it and quarantined the shift of the people that were working with the individual that was infected and brought back the other shift that was not.

And so I could give you a plant-by-plant circumstance. I think all companies who are operating are becoming much more nimble as to how to segregate shifts, how to do cleaning between shifts, how to under -- we had a plant where a contractor who was into repair equipment was diagnosed with coronavirus, and he had been in that plant 10 days prior. And we didn't know it for 10 days. We closed the plant. It's actually a plant currently closed, and we're closing it for 6 days. We're cleaning that plant, and that's 6 days plus the 10 days when the last time the contractor was in there, it's a 16-day period.

Interestingly, the plants that have been affected in the United States are all metropolitan New York, New Jersey area. And from what we can tell, they've been all at-home infections because we haven't not had any hotspots and our efforts to close a plant, clean it and then bring people back in the appropriate time has been affected or effective. So that's probably more than you need to know, but it's very circumstantial. Inventory plays a big part having a protocol by which you understand how quickly you can get back in business. And then understanding what the government mandates our, so for instance, we're closed in our 2 major plants in India. And they're set to reopen in another couple of weeks, that closure could be extended. And we don't know yet. There's been closures in other countries that have occurred, and then we've had reopenings.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Okay. So I guess it all depends on how long the plants are down for. So I guess just a follow-up.

So typically, I guess, the inventory levels that you do keep at various plants that also varies. But -- or should we assume it's kind of maybe at least maybe 30 days or so? So if there's a 30-day shutdown, maybe you can manage through that? Or is that the right way to think about it?

Frank C. Sullivan
Chairman, President & CEO

It varies business by business, but I do think that in almost all of our businesses, we could get by for a period of 20 to 30 days. But after that, you begin to negatively impact your ability to supply customers, particularly in more uniquer product categories.

Yes. We have not seen at this point, nor do we anticipate any closures anywhere of 30 days or more, but circumstances could be different in different parts of the world.

Arun Shankar Viswanathan
RBC Capital Markets, Research Division

Great. And just lastly, similarly, on the supply chain. So I know a couple of years back, you had some issues with sourcing MMA, maybe out of Asia and some other raws. Has any of that transpired? Do you expect any of that? Is that kind of factored into your statement about maybe not expecting as much of a tailwind from the raws side? Or how are you thinking about the supply chain for your input costs?

Frank C. Sullivan
Chairman, President & CEO

Yes, we try and pay attention to that every day. I commented earlier on silicone, which was an issue a few weeks back. Seems to be okay today. Cleaning product and this one should not be a surprise. Cleaning product, raw materials are an issue. And we get what we need relative to past allocations. In some cases, we cannot get what we need to meet an explosive demand. And so that is a product category that we pay attention to a lot. That impacts some of our consumer businesses. So those categories are significantly ahead of prior years. But in certain circumstances, it may not be meeting demand because of raw material supply. The same is true in our Legend Brands business that makes HEPA filter equipment and filters and industrial disinfecting and cleaning products, including products that are sold into hospitals. That was before all this happened, and we could sell more of those products if we could get more raw materials.

Operator

We have our next question from Kevin McCarthy with Vertical Research.

Kevin William McCarthy
Vertical Research Partners, LLC

I just wanted to probe a little bit more on the subject of decremental margins. As you look across the portfolio, are there businesses that would stand out to you as having unusual ratios of fixed versus variable costs on either end of the spectrum? Trying to get a handle on how we might take some of these larger-than-normal sales variances and then take that down to the bottom line during this period of dislocation.

Frank C. Sullivan
Chairman, President & CEO

Sure. I don't know that that's particularly true, in general, across RPM. Obviously, every business has its own breakeven point. If it's truer in certain segments than others, it would be in our specialty segment.

And so you have businesses like our DayGio fluorescent color business or other specialty segment businesses that have lower-than-average gross margins, but higher-than-average EBIT margins. And so they do have a fixed point there. You're already seeing that in the revenue challenges that we've been having in the last couple of quarters in our Specialty Products Group. Those numbers would have been somewhat worse were it not for the MAP to Growth programs. But in general, when you look across our Construction Products Group, you look across our Performance Coatings Group, there's a high level of variability between raw material costs, which obviously are variable to sales and probably represent 40% of our P&L and selling costs which, depending on the business, are split maybe 50-50 between fixed and variable or 2/3 fixed and 1/3 variable, but a pretty high level of variability in a lot of our businesses.

Kevin William McCarthy
Vertical Research Partners, LLC

Okay. That's helpful. And then Frank, I wanted to ask, having suspended the share repurchases, which I expect a lot of companies will do. What is your current view on M&A? Have you hit the pause button there as well? Or do you see some opportunities with lower multiples, for example?

Frank C. Sullivan
Chairman, President & CEO

Sure. Well, we have hit the pause button on that. We are looking at a couple of smaller-sized transactions that were all but done, and I think we're working with those businesses on what to do in terms of timing and other items. But in terms of new transactions, I think our cash flow that had been devoted to looking at acquisitions and/or repurchasing our stock. And as you can see, our cash flow generation is better than it's ever been will be devoted to continuing our operations, maintaining our dividend and everything else to repaying debt.

Operator

We have our last question from Kevin Hocevar with Northcoast Research.

Kevin William Hocevar
Northcoast Research Partners, LLC

As you -- obviously, the coronavirus has impacted the U.S. in different places at different times in different degrees, and the states have responded differently in terms of how they're prohibiting construction activity. So as we look at -- do you have any visibility in terms of the states that are most prohibitive in terms of construction, like New York, Michigan, places like that? How your construction end markets are doing versus other parts of the country, where there's less prohibitive restrictions in place? Just curious if you have any visibility and can separate between the different regions there?

Frank C. Sullivan
Chairman, President & CEO

Sure. For the most part, construction activity, in general, and particularly as it relates to infrastructure is up and running throughout North America. The -- most states are following the Department of Homeland Security guidelines, which qualify construction activity as essential. The state that I'm aware of and this could be different in other places. The state that I'm aware of that had the harshest focus on construction was Pennsylvania, and the construction industry worked with the Governor's office to talk about PPE protocols and social distancing and what was happening in other states. And within a week or 10 days, the original halting of construction activity in Pennsylvania was eased. And I believe now Pennsylvania is following the Department of Homeland Security guidelines on construction.

We saw a similar order in Québec, province of Canada, and that has also been eased somewhat. The rest of North America, as far as I know, sitting here today, is allowing construction activity as long as there is a maintenance of certain PPE and social distancing protocols. In a number of our areas, it's truer than most. When you're doing roofing activity or you're in the USL business and your activity is outside or outdoors, I think there's less concern, if you're doing flooring work and you can maintain all those protocols.

Again, I mentioned spiky business. One of the reasons we're seeing spiky business in that business activity is it requires the shutdown of a manufacturing operation to get in and do rehab and/or replacement of floors, whether it's manufacturing facilities, institutional facilities, and in particular, for roofing schools and universities. Those all have closure areas that are allowing for some of the construction activity that we do. And so we'll see whether that's been beneficial for us or perhaps is pulling some summer work into the fourth quarter. But it's very spiky, and we'll report the results in July when we have our fourth quarter results final.

Kevin William Hocevar
Northcoast Research Partners, LLC

Okay. Great. And then on the DIY side, the strength that you're seeing there, what's your sense? I mean is this something you believe is more of a near-term phenomenon as people are -- have stay-at-home orders in place that they're looking for things to do, going to Home Depot and doing a small project themselves?

Or -- and when those orders are lifted that maybe we get back to normal? Or is this a trend that you think could last for a while as maybe people don't want contractors coming into home and look to do things themselves. Just curious your thoughts there.

Frank C. Sullivan
Chairman, President & CEO

Sure. It really depends. I think that this will be somewhat spiky now because people are at home, and they -- when they're tired of watching Netflix, they can get at the small project paint or home decorating and repair activity that they want. There is a decided shift to people doing it themselves as opposed to having outside contractors come in and do it for them.

It would be nice to think that things would revert back to normal. So a slower level of POS, perhaps when the world gets back to more normal. This goes without saying. I think some of it depends on how quickly medical advances save the day, if you will. And if that doesn't happen, and for instance, in the United States, we're seeing a meaningful and sustained unemployment rate that's 10%, 12%, which some people believe for a period of time. That will negatively impact our DIY business over time. But all of that circumstantial to what's coming this summer and this fall related to the impact of the coronavirus and how quickly people can get back to work and what the medical outcomes relative to vaccines or treatments are.

Operator

Thank you. I will now turn the call back over to Frank Sullivan for closing remarks.

Frank C. Sullivan
Chairman, President & CEO

Thank you very much, Vanessa. I'd like to thank our associates around the world for their efforts. They have continued to grow the business while carrying out our MAP to Growth restructuring program very effectively. Now they're demonstrating incredible resilience by also finding ways to protect their health, support their communities and maintain our business operations. In particular, I'd like to thank the men and women who courageously show up to work every day in our manufacturing facilities and distribution centers. These frontline associates are keeping RPM running to the benefit of all of our associates, our customers and our shareholders.

We look forward to updating you on our fiscal 2020 fourth quarter and year-end results in July. In the meantime, we'd like to thank you very much for being on today's call. And we wish you and your families happiness and good health as we all manage through this extraordinary time. Thank you for participating in our call today, and have a great day.

Operator
And thank you, ladies and gentlemen. This concludes our conference. We thank you for your participation. You may now disconnect.