



NEWS RELEASE

## Masco Corporation Reports 45 Percent Increase in 2016 Second Quarter Earnings Per Share

2016-07-26

### Key Highlights

- Sales for the second quarter increased 4 percent to \$2.0 billion
- Operating profit grew 20 percent to \$335 million; adjusted operating profit grew 22 percent to \$342 million
- Operating profit margin for the quarter increased to 16.7 percent, a 220 basis point expansion; adjusted operating profit margin for the quarter increased to 17.1 percent, a 260 basis point expansion
- Earnings per share for the quarter grew 45 percent to \$0.45 per common share; adjusted earnings per share for the quarter grew 21 percent to \$0.46 per common share
- Board announces intent to increase annual dividend by \$0.02 per share to \$0.40 per share, beginning in the fourth quarter

TAYLOR, Mich.--(BUSINESS WIRE)-- Masco Corporation (NYSE: MAS), one of the world's leading manufacturers of branded home improvement and building products, reported strong net sales and operating profit growth in the second quarter of 2016, recording its highest second quarter operating margin since 2002.

"We continued our great start to 2016 with solid execution in the second quarter," said Masco's President and CEO, Keith Allman. "Our Plumbing segment in particular had an exceptional second quarter, with strong top- and bottom-line performance both in North America and internationally, and our Cabinetry segment continued to exceed expectations as it executed against its strategic plan to optimize sales mix and increase profitability. Additionally, we continued our disciplined capital allocation by reducing debt by \$400 million, as planned, and returning nearly \$120 million to shareholders through dividends and share repurchases during the quarter."

### **2016 Second Quarter Commentary**

- On a reported basis, compared to second quarter 2015:
  - Net sales from continuing operations increased 4 percent to \$2.0 billion

- In local currency, North American sales increased 3 percent and international sales increased 9 percent
- Gross margins improved to 35.0 percent from 33.0 percent
- Operating margins improved to 16.7 percent from 14.5 percent
- Income from continuing operations was \$0.45 per common share, which included the \$40 million debt extinguishment cost incurred during the quarter, compared to \$0.31 per common share
- Compared to second quarter 2015, results for key financial measures, as adjusted for certain items (see Exhibit A) and with a normalized tax rate of 36 percent, were as follows:
  - Gross margins improved to 35.2 percent compared to 33.0 percent
  - Operating margins improved to 17.1 percent compared to 14.5 percent
  - Income from continuing operations was \$0.46 per common share compared to \$0.38 per common share
- Liquidity at the end of the second quarter was approximately \$1.1 billion
- 2.8 million shares were repurchased in the second quarter

### **2016 Second Quarter Operating Segment Highlights**

- Plumbing Products' net sales increased 9 percent (10 percent excluding the impact of foreign currency translation), driven by growth in the retail and wholesale channels
- Decorative Architectural Products' net sales matched last year, with growth from paints and other coating products and builders' hardware offset by the timing and amount of promotions
- Cabinetry Products' net sales decreased 3 percent due to the exit of lower margin business in the builder channel, which was partially offset by growth and improved mix in the retail channel
- Windows and Other Specialty Products' net sales increased 3 percent (4 percent excluding the impact of foreign currency translation), led by our North American windows business

### **Outlook**

"The fundamental demand drivers of our end markets remain robust," said Allman. "Combined with these underlying fundamentals, our strong performance this quarter is evidence that we continue to successfully execute against our long-term growth strategies by leveraging our brand portfolio, our industry-leading positions and our Masco Operating System. Reflecting confidence in Masco's future outlook, our Board of Directors intends to increase our annual dividend by \$0.02 per share to \$0.40 per share, beginning with the quarterly dividend to be paid in the fourth quarter of 2016."

### **About Masco**

Headquartered in Taylor, Michigan, Masco Corporation is a global leader in the design, manufacture and distribution of branded home improvement and building products. Our portfolio of industry-leading brands includes Behr® paint; Delta® and Hansgrohe® faucets, bath and shower fixtures; KraftMaid® and Merillat® cabinets; Milgard® windows and doors; and Hot Spring® spas. We leverage our powerful brands across product categories, sales channels and geographies to create value for our customers and shareholders. For more information about Masco Corporation, visit [www.masco.com](http://www.masco.com).

The 2016 second quarter supplemental material, including a presentation in PDF format, is available on

the Company's website at [www.masco.com](http://www.masco.com).

### **Conference Call Details**

A conference call regarding items contained in this release is scheduled for Tuesday, July 26, 2016 at 8:00 a.m. ET. Participants in the call are asked to register five to ten minutes prior to the scheduled start time by dialing (855) 226-2726 (855-22MASCO) and from outside the U.S. at (706) 679-3614. Please use the conference identification number 34096856. The conference call will be webcast simultaneously and in its entirety through the Company's website. Shareholders, media representatives and others interested in Masco may participate in the webcast by registering through the Investor Relations section on the Company's website.

A replay of the call will be available on Masco's website or by phone by dialing (855) 859-2056 and from outside the U.S. at (404) 537-3406. Please use the conference identification number 34096856. The telephone replay will be available approximately two hours after the end of the call and continue through August 26, 2016.

### **Safe Harbor Statement**

This press release contains statements that reflect our views about our future performance and constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "believe," "anticipate," "appear," "may," "will," "should," "intend," "plan," "estimate," "expect," "assume," "seek," "forecast," and similar references to future periods. Our views about future performance involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in our forward-looking statements. We caution you against relying on any of these forward-looking statements.

Our future performance may be affected by the levels of home improvement activity and new home construction, our ability to maintain our strong brands and to develop and introduce new and improved products, our ability to maintain our competitive position in our industries, our reliance on key customers, our ability to achieve the anticipated benefits of our strategic initiatives, our ability to sustain the performance of our cabinetry businesses, the cost and availability of raw materials, our dependence on third party suppliers, and risks associated with international operations and global strategies. These and other factors are discussed in detail in Item 1A, "Risk Factors" in our most recent Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and in other filings we make with the Securities and Exchange Commission. The forward-looking statements in this press release speak only as of the date of this press release. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Unless required by law, we undertake no obligation to update publicly any forward-looking statements as a result of new information, future events or otherwise.

### **MASCO CORPORATION Condensed Consolidated Statements of Operations - Unaudited For the Three Months and Six Months Ended June 30, 2016 and 2015**

(in millions, except per common share data)

<u>Three Months Ended</u> <u>June 30,</u>	<u>Six Months Ended</u> <u>June 30,</u>
--	--

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net sales	\$ 2,001	\$ 1,929	\$ 3,721	\$ 3,588
Cost of sales	1,301	1,292	2,452	2,456
Gross profit	<u>700</u>	<u>637</u>	<u>1,269</u>	<u>1,132</u>
Selling, general and administrative expenses	365	358	700	688
Operating profit	<u>335</u>	<u>279</u>	<u>569</u>	<u>444</u>
Other income (expense), net:				
Interest expense	(87)	(61)	(143)	(117)
Other, net	5	3	4	4
	<u>(82)</u>	<u>(58)</u>	<u>(139)</u>	<u>(113)</u>
Income from continuing operations before income taxes	253	221	430	331
Income tax expense	(90)	(102)	(148)	(142)
Income from continuing operations	<u>163</u>	<u>119</u>	<u>282</u>	<u>189</u>
Loss from discontinued operations, net	—	(4)	—	(1)
Net income	<u>163</u>	<u>115</u>	<u>282</u>	<u>188</u>
Less: Net income attributable to noncontrolling interest	13	10	23	19
Net income attributable to Masco Corporation	<u>\$ 150</u>	<u>\$ 105</u>	<u>\$ 259</u>	<u>\$ 169</u>
Income per common share attributable to Masco Corporation (diluted):				
Income from continuing operations	\$ 0.45	\$ 0.31	\$ 0.77	\$ 0.48
Loss from discontinued operations, net	—	(0.01)	—	—
Net income	<u>\$ 0.45</u>	<u>\$ 0.30</u>	<u>\$ 0.77</u>	<u>\$ 0.48</u>
Average diluted common shares outstanding	<u>331</u>	<u>344</u>	<u>333</u>	<u>346</u>
Amounts attributable to Masco Corporation:				
Income from continuing operations	\$ 150	\$ 109	\$ 259	\$ 170
Loss from discontinued operations, net	—	(4)	—	(1)
Net income attributable to Masco Corporation	<u>\$ 150</u>	<u>\$ 105</u>	<u>\$ 259</u>	<u>\$ 169</u>

*Historical information is available on our website.*

**MASCO CORPORATION**  
**Exhibit A: Reconciliations - Unaudited**  
**For the Three Months and Six Months Ended June 30, 2016 and 2015**

(in millions, except per common share data)

	<b>Three Months</b>		<b>Six Months</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b><u>Gross Profit, Selling, General and Administrative Expenses, and Operating Profit Reconciliations</u></b>				
<b>Net sales</b>	<b><u>\$2,001</u></b>	<b><u>\$1,929</u></b>	<b><u>\$3,721</u></b>	<b><u>\$3,588</u></b>

<b>Gross profit, as reported</b>	<b>\$ 700</b>	<b>\$ 637</b>	<b>\$1,269</b>	<b>\$1,132</b>
Rationalization charges	5	—	6	1
<b>Gross profit, as adjusted</b>	<b>\$ 705</b>	<b>\$ 637</b>	<b>\$1,275</b>	<b>\$1,133</b>
Gross margin, as reported	35.0%	33.0%	34.1%	31.5%
Gross margin, as adjusted	35.2%	33.0%	34.3%	31.6%
<b>Selling, general and administrative expenses, as reported</b>	<b>\$ 365</b>	<b>\$ 358</b>	<b>\$ 700</b>	<b>\$ 688</b>
Rationalization charges	2	1	4	6
<b>Selling, general and administrative expenses, as adjusted</b>	<b>\$ 363</b>	<b>\$ 357</b>	<b>\$ 696</b>	<b>\$ 682</b>
Selling, general and administrative expenses as percent of net sales, as reported	18.2%	18.6%	18.8%	19.2%
Selling, general and administrative expenses as percent of net sales, as adjusted	18.1%	18.5%	18.7%	19.0%
<b>Operating profit, as reported</b>	<b>\$ 335</b>	<b>\$ 279</b>	<b>\$ 569</b>	<b>\$ 444</b>
Rationalization charges	7	1	10	7
<b>Operating profit, as adjusted</b>	<b>\$ 342</b>	<b>\$ 280</b>	<b>\$ 579</b>	<b>\$ 451</b>
Operating margin, as reported	16.7%	14.5%	15.3%	12.4%
Operating margin, as adjusted	17.1%	14.5%	15.6%	12.6%
<b><u>Earnings Per Common Share Reconciliation</u></b>				
<b>Income from continuing operations before income taxes, as reported</b>	<b>\$ 253</b>	<b>\$ 221</b>	<b>\$ 430</b>	<b>\$ 331</b>
Rationalization charges	7	1	10	7
Gain from auction rate securities	(1)	—	(1)	—
Gains from private equity funds, net	(1)	(2)	(1)	(4)
Earnings from equity investments, net	—	(2)	(1)	(2)
<b>Income from continuing operations before income taxes, as adjusted</b>	<b>258</b>	<b>218</b>	<b>437</b>	<b>332</b>
Tax at 36% rate	(93)	(78)	(157)	(120)
Less: Net income attributable to noncontrolling interest	13	10	23	19
<b>Income from continuing operations, as adjusted</b>	<b>\$ 152</b>	<b>\$ 130</b>	<b>\$ 257</b>	<b>\$ 193</b>
<b>Income per common share, as adjusted</b>	<b>\$ 0.46</b>	<b>\$ 0.38</b>	<b>\$ 0.77</b>	<b>\$ 0.56</b>
Average diluted common shares outstanding	331	344	333	346

Historical information is available on our website.

**MASCO CORPORATION**  
**Condensed Consolidated Balance Sheets and**  
**Other Financial Data - Unaudited**

(dollars in millions)

	<u>June 30, 2016</u>	<u>December 31,</u> <u>2015</u>
<b>Balance Sheet</b>		
<b>Assets</b>		
Current Assets:		

Cash and cash investments	\$	956	\$	1,468
Short-term bank deposits		135		248
Receivables		1,113		853
Inventories		765		687
Prepaid expenses and other		88		72
Total Current Assets		<u>3,057</u>		<u>3,328</u>
Property and equipment, net		1,039		1,027
Goodwill		840		839
Other intangible assets, net		156		160
Other assets		232		310
Total Assets	\$	<u>5,324</u>	\$	<u>5,664</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	\$	913	\$	749
Notes payable		3		1,004
Accrued liabilities		716		752
Total Current Liabilities		<u>1,632</u>		<u>2,505</u>
Long-term debt		2,993		2,403
Other liabilities		629		698
Total Liabilities		<u>5,254</u>		<u>5,606</u>
<b>Equity</b>		<u>70</u>		<u>58</u>
Total Liabilities and Equity	\$	<u>5,324</u>	\$	<u>5,664</u>

	<b>As of</b>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Other Financial Data</b>		
<b>Working Capital Days</b>		
Receivable days	50	51
Inventory days	57	58
Payable days	71	68
Working capital	\$ 965	\$ 995
Working capital as a % of sales (LTM)	13.3%	14.0%

Historical information is available on our website.

**MASCO CORPORATION**  
**Condensed Consolidated Statements of Cash Flows**  
**and Other Financial Data - Unaudited**

(dollars in millions)

<b>Six Months Ended</b>	
<b>June 30,</b>	
<u>2016</u>	<u>2015</u>
\$ 357	\$ 355
<u>(243)</u>	<u>(216)</u>
<u>114</u>	<u>139</u>

**Cash Flows From (For) Operating Activities:**

Cash provided by operating activities  
Working capital changes  
Net cash from operating activities

**Cash Flows From (For) Financing Activities:**

Retirement of notes	(1,300)	(500)
Purchase of Company common stock	(168)	(207)
Cash dividends paid	(63)	(62)
Dividend paid to noncontrolling interest	(31)	(36)
Cash distributed to TopBuild Corp.	—	(63)
Issuance of TopBuild Corp. debt	—	200
Issuance of notes, net of issuance costs	889	497
Issuance of Company common stock	1	—
Excess tax benefit from stock-based compensation	12	15
Credit Agreement and other financing costs	—	(3)
Decrease in debt, net	(2)	—
Net cash for financing activities	<u>(662)</u>	<u>(159)</u>
<b>Cash Flows From (For) Investing Activities:</b>		
Capital expenditures	(79)	(70)
Other, net	124	10
Net cash from (for) investing activities	<u>45</u>	<u>(60)</u>
Effect of exchange rate changes on cash and cash investments	(9)	(6)
<b>Cash and Cash Investments:</b>		
Decrease for the period	(512)	(86)
At January 1	1,468	1,383
At June 30	<u>\$ 956</u>	<u>\$ 1,297</u>

	<b>As of June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Liquidity</b>		
Cash and cash investments	\$ 956	\$ 1,297
Short-term bank deposits	135	210
<b>Total Liquidity</b>	<u>\$ 1,091</u>	<u>\$ 1,507</u>

Historical information is available on our website.

**MASCO CORPORATION**  
**Segment Data - Unaudited**  
**For the Three Months and Six Months Ended June 30, 2016 and 2015**

(dollars in millions)

	<b>Three Months Ended</b>			<b>Six Months Ended</b>		
	<b>June 30,</b>			<b>June 30,</b>		
	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Plumbing Products</b>						
Net sales	<u>\$ 923</u>	<u>\$ 846</u>	9%	<u>\$ 1,736</u>	<u>\$ 1,642</u>	6%
Operating profit, as reported	\$ 188	\$ 138		\$ 317	\$ 249	
Operating margin, as reported	20.4%	16.3%		18.3%	15.2%	
Rationalization charges	4	—		6	1	
Operating profit, as adjusted	<u>192</u>	<u>138</u>		<u>323</u>	<u>250</u>	
Operating margin, as adjusted	20.8%	16.3%		18.6%	15.2%	
Depreciation and amortization	<u>14</u>	<u>14</u>		<u>28</u>	<u>28</u>	

EBITDA, as adjusted	<u>\$ 206</u>	<u>\$ 152</u>		<u>\$ 351</u>	<u>\$ 278</u>	
<b>Decorative Architectural Products</b>						
Net sales	<u>\$ 620</u>	<u>\$ 622</u>	—%	<u>\$ 1,113</u>	<u>\$ 1,073</u>	4%
Operating profit, as reported	\$ 139	\$ 133		\$ 244	\$ 216	
<i>Operating margin, as reported</i>	22.4%	21.4%		21.9%	20.1%	
Depreciation and amortization	<u>4</u>	<u>4</u>		<u>8</u>	<u>8</u>	
EBITDA	<u>\$ 143</u>	<u>\$ 137</u>		<u>\$ 252</u>	<u>\$ 224</u>	
<b>Cabinetry Products</b>						
Net sales	<u>\$ 261</u>	<u>\$ 269</u>	(3)%	<u>\$ 497</u>	<u>\$ 518</u>	(4)%
Operating profit, as reported	\$ 34	\$ 15		\$ 58	\$ 11	
<i>Operating margin, as reported</i>	13.0%	5.6%		11.7%	2.1%	
Rationalization charges	<u>3</u>	<u>—</u>		<u>4</u>	<u>2</u>	
Operating profit, as adjusted	37	15		62	13	
<i>Operating margin, as adjusted</i>	14.2%	5.6%		12.5%	2.5%	
Depreciation and amortization	<u>5</u>	<u>6</u>		<u>10</u>	<u>13</u>	
EBITDA, as adjusted	<u>\$ 42</u>	<u>\$ 21</u>		<u>\$ 72</u>	<u>\$ 26</u>	

Historical information is available on our website.

**MASCO CORPORATION**  
**Segment Data - Unaudited**  
**For the Three Months and Six Months Ended June 30, 2016 and 2015**

(dollars in millions)

	Three Months Ended		Change	Six Months Ended		Change
	June 30,	June 30,		2016	2015	
	2016	2015		2016	2015	
<b>Windows and Other Specialty Products</b>						
Net sales	<u>\$ 197</u>	<u>\$ 192</u>	3%	<u>\$ 375</u>	<u>\$ 355</u>	6%
Operating (loss) profit, as reported	\$ (2)	\$ 21		\$ 1	\$ 27	
<i>Operating margin, as reported</i>	(1.0)%	10.9%		0.3%	7.6%	
Depreciation and amortization	<u>5</u>	<u>4</u>		<u>10</u>	<u>8</u>	
EBITDA	<u>\$ 3</u>	<u>\$ 25</u>		<u>\$ 11</u>	<u>\$ 35</u>	
<b>Total</b>						
Net sales	<u>\$2,001</u>	<u>\$ 1,929</u>	4%	<u>\$ 3,721</u>	<u>\$ 3,588</u>	4%
Operating profit, as reported - segment	\$ 359	\$ 307		\$ 620	\$ 503	

General corporate expense, net (GCE)	<u>(24)</u>	<u>(28)</u>	<u>(51)</u>	<u>(59)</u>
Operating profit, as reported	335	279	569	444
<i>Operating margin, as reported</i>	16.7%	14.5%	15.3%	12.4%
Rationalization charges - segment	7	—	10	3
Rationalization charges - GCE	<u>—</u>	<u>1</u>	<u>—</u>	<u>4</u>
Operating profit, as adjusted	342	280	579	451
<i>Operating margin, as adjusted</i>	17.1%	14.5%	15.6%	12.6%
Depreciation and amortization - segment	28	28	56	57
Depreciation and amortization - non-operating	<u>6</u>	<u>3</u>	<u>10</u>	<u>5</u>
EBITDA, as adjusted	<u>\$ 376</u>	<u>\$ 311</u>	<u>\$ 645</u>	<u>\$ 513</u>

Historical information is available on our website.

**MASCO CORPORATION**  
**North American and International Data - Unaudited**  
**For the Three Months and Six Months Ended June 30, 2016 and 2015**

(dollars in millions)

	<b>Three Months Ended June 30,</b>		<b>Change</b>	<b>Six Months Ended June 30,</b>		<b>Change</b>
	<b>2016</b>	<b>2015</b>		<b>2016</b>	<b>2015</b>	
<b>North American</b>						
Net sales	<u>\$ 1,598</u>	<u>\$ 1,554</u>	3%	<u>\$ 2,948</u>	<u>\$ 2,836</u>	4%
Operating profit, as reported	\$ 299	\$ 260		\$ 514	\$ 411	
<i>Operating margin, as reported</i>	18.7%	16.7%		17.4%	14.5%	
Rationalization charges	5	—		7	2	
Operating profit, as adjusted	304	260		521	413	
<i>Operating margin, as adjusted</i>	19.0%	16.7%		17.7%	14.6%	
Depreciation and amortization	19	19		38	39	
EBITDA, as adjusted	<u>\$ 323</u>	<u>\$ 279</u>		<u>\$ 559</u>	<u>\$ 452</u>	
<b>International</b>						
Net sales	<u>\$ 403</u>	<u>\$ 375</u>	7%	<u>\$ 773</u>	<u>\$ 752</u>	3%
Operating profit, as reported	\$ 60	\$ 47		\$ 106	\$ 92	
<i>Operating margin, as reported</i>	14.9%	12.5%		13.7%	12.2%	
Rationalization charges	2	—		3	1	
Operating profit, as adjusted	62	47		109	93	
<i>Operating margin, as adjusted</i>	15.4%	12.5%		14.1%	12.4%	
Depreciation and amortization	9	9		18	18	
EBITDA, as adjusted	<u>\$ 71</u>	<u>\$ 56</u>		<u>\$ 127</u>	<u>\$ 111</u>	

<b>Total</b>						
Net sales	\$ 2,001	\$ 1,929	4%	\$ 3,721	\$ 3,588	4%
Operating profit, as reported - segment	\$ 359	\$ 307		\$ 620	\$ 503	
General corporate expense, net (GCE)	(24)	(28)		(51)	(59)	
Operating profit, as reported	335	279		569	444	
<i>Operating margin, as reported</i>	16.7%	14.5%		15.3%	12.4%	
Rationalization charges - segment	7	—		10	3	
Rationalization charges - GCE	—	1		—	4	
Operating profit, as adjusted	342	280		579	451	
<i>Operating margin, as adjusted</i>	17.1%	14.5%		15.6%	12.6%	
Depreciation and amortization - segment	28	28		56	57	
Depreciation and amortization - non-operating	6	3		10	5	
EBITDA, as adjusted	\$ 376	\$ 311		\$ 645	\$ 513	

*Historical information is available on our website.*

View source version on businesswire.com:

<http://www.businesswire.com/news/home/20160726005313/en/>

Source: Masco Corporation

Masco Corporation

### **Investor Contact**

David Chaika

Vice President, Treasurer and Investor Relations

313.792.5500

[david\\_chaika@mascohq.com](mailto:david_chaika@mascohq.com)