



NEWS RELEASE

Masco Corporation Reports First Quarter 2020 Results

2020-04-29

Key Results

- Sales increased 4 percent to \$1.6 billion; in local currency, sales increased 5 percent
- Operating profit for the quarter increased 14 percent to \$225 million; adjusted operating profit increased 11 percent to \$228 million
- Earnings per share from continuing operations increased 33 percent to \$0.48 per share; adjusted earnings per share from continuing operations increased 24 percent to \$0.46 per share
- Returned \$639 million to shareholders through share repurchases and dividends in the quarter
- Liquidity at the end of the quarter was \$1,767 million, including full availability on \$1.0 billion revolving credit facility

LIVONIA, Mich.--(BUSINESS WIRE)-- Masco Corporation (NYSE: MAS), one of the world's leading manufacturers of branded home improvement and building products, reported its first quarter results.

"We delivered strong top and bottom-line growth and expanded margins in the quarter while managing through the initial challenges we faced in addressing the COVID-19 pandemic," said Masco President and CEO, Keith Allman. "I am extremely proud of how our people have responded and adapted to this rapidly changing environment. The entire organization has united to protect the safety of our employees and support our customers and communities, while still successfully running the business. Our focus remains on the health and safety of our employees, maintaining business operations, and executing on our plans to ensure continued long-term success for Masco."

2020 First Quarter Commentary

- On a reported basis, compared to first quarter 2019:
 - Net sales increased 4 percent to \$1.6 billion; in local currency, net sales increased 5 percent
 - In local currency, North American sales increased 8 percent and international sales decreased 3 percent
 - Gross margins increased 10 basis points to 34.6 percent from 34.5 percent
 - Operating profit increased 14 percent to \$225 million
 - Operating margins increased 120 basis points to 14.2 percent from 13.0 percent
 - Income from continuing operations increased to \$0.48 per share, compared to \$0.36 per

share

- Compared to first quarter 2019, results for key financial measures, as adjusted for certain items (see Exhibit A) and with a normalized tax rate of 26 percent, were as follows:
 - Gross margins increased 30 basis points to 34.8 percent compared to 34.5 percent
 - Operating profit increased 11 percent to \$228 million from \$206 million
 - Operating margins increased 80 basis points to 14.4 percent compared to 13.6 percent
 - Income from continuing operations increased to \$0.46 per share, compared to \$0.37 per share
- Liquidity at the end of the first quarter was \$1,767 million, including full availability on \$1.0 billion revolving credit facility
- Repurchased 14.2 million shares in the quarter
- Plumbing Products' net sales increased 2 percent (3 percent excluding the impact of foreign currency) due to strong sales of North American plumbing products
- Decorative Architectural Products' net sales increased 9 percent, driven by strong sales of paint and other coatings products

"We are taking actions to reduce our expenses and preserve our strong liquidity by reducing our variable costs, implementing a hiring and wage freeze, delaying non-critical capital expenditures, and temporarily suspending our share repurchase activity," continued Allman. "While our near-term results will be impacted, with our portfolio of lower ticket, repair and remodel-oriented products, we expect demand for our products will be solid as we recover from the pandemic. We believe our work over the past few years to improve our portfolio and strengthen our balance sheet has positioned Masco very well to weather this storm and create long-term shareholder value."

About Masco

Headquartered in Livonia, 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; Kichler® decorative and outdoor lighting; and HotSpring® 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.

The 2020 first quarter supplemental material, including a presentation in PDF format, is available on Masco's website at www.masco.com.

Conference Call Details

A conference call regarding items contained in this release is scheduled for Wednesday, April 29, 2020 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 2137448. The conference call will be webcast simultaneously and in its entirety through Masco's website. Shareholders, media representatives and others interested in Masco may participate in the webcast by registering through the Investor Relations section on Masco'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 2137448. The telephone replay will be available approximately two hours after the end of the call and continue through May 29, 2020.

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 “outlook,” “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 residential repair and remodel activity and new home construction, our ability to maintain our strong brands and reputation and to develop innovative products, our ability to maintain our competitive position in our industries, our reliance on key customers, the length and severity of the ongoing COVID-19 pandemic, including its impact on domestic and international economic activity, consumer demand for our products, our production capabilities, our employees and our supply chain; the cost and availability of materials and the imposition of tariffs, our dependence on third-party suppliers, risks associated with our international operations and global strategies, our ability to achieve the anticipated benefits of our strategic initiatives, our ability to successfully execute our acquisition strategy and integrate businesses that we have and may acquire, our ability to attract, develop and retain talented personnel, risks associated with our reliance on information systems and technology, and our ability to achieve the anticipated benefits from our investments in new technology. These and other factors are discussed in detail in Item 1A “Risk Factors” of this Report. Any forward-looking statement made by us speaks only as of the date on which it was made. 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 Ended March 31, 2020 and 2019

(in millions, except per common share data)

| | Three Months Ended March 31, | |
|---|-------------------------------------|-------------|
| | 2020 | 2019 |
| Net sales | \$ 1,581 | \$ 1,513 |
| Cost of sales | 1,034 | 991 |
| Gross profit | 547 | 522 |
| Selling, general and administrative expenses | 322 | 316 |
| Impairment charge for other intangible assets | — | 9 |
| Operating profit | 225 | 197 |
| Other income (expense), net: | | |
| Interest expense | (35) | (39) |
| Other, net | (16) | (5) |
| | (51) | (44) |
| Income from continuing operations before income taxes | 174 | 153 |
| Income tax expense | 33 | 35 |
| Income from continuing operations | 141 | 118 |
| Income from discontinued operations, net | 397 | 9 |

| | | |
|--|----------------|----------------|
| Net income | 538 | 127 |
| Less: Net income attributable to noncontrolling interest | 8 | 11 |
| Net income attributable to Masco Corporation | <u>\$ 530</u> | <u>\$ 116</u> |
| Income per common share attributable to Masco Corporation (diluted): | | |
| Income from continuing operations | \$ 0.48 | \$ 0.36 |
| Income from discontinued operations, net | 1.44 | 0.03 |
| Net income | <u>\$ 1.92</u> | <u>\$ 0.39</u> |
| Average diluted common shares outstanding | <u>274</u> | <u>294</u> |
| Amounts attributable to Masco Corporation: | | |
| Income from continuing operations | \$ 133 | \$ 107 |
| Income from discontinued operations, net | 397 | 9 |
| Net income attributable to Masco Corporation | <u>\$ 530</u> | <u>\$ 116</u> |

Historical information is available on our website.

MASCO CORPORATION

Exhibit A: Reconciliations - Unaudited

For the Three Months Ended March 31, 2020 and 2019

(in millions, except per common share data)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-----------------|
| | 2020 | 2019 |
| <u>Gross Profit, Selling, General and Administrative Expenses, and Operating Profit Reconciliations</u> | | |
| Net sales | \$ 1,581 | \$ 1,513 |
| Gross profit, as reported | \$ 547 | \$ 522 |
| Rationalization charges | 3 | — |
| Gross profit, as adjusted | \$ 550 | \$ 522 |
| Gross margin, as reported | 34.6% | 34.5% |
| Gross margin, as adjusted | 34.8% | 34.5% |
| Selling, general and administrative expenses, as reported | \$ 322 | \$ 316 |
| Selling, general and administrative expenses as percent of net sales, as reported | 20.4% | 20.9% |
| Operating profit, as reported | \$ 225 | \$ 197 |
| Rationalization charges | 3 | — |
| Impairment charge for other intangible assets | — | 9 |
| Operating profit, as adjusted | \$ 228 | \$ 206 |
| Operating margin, as reported | 14.2% | 13.0% |
| Operating margin, as adjusted | 14.4% | 13.6% |

Three Months Ended March 31,
2020 **2019**

Income Per Common Share Reconciliations

| | | |
|---|----------------|----------------|
| Income from continuing operations before income taxes, as reported | \$ 174 | \$ 153 |
| Rationalization charges | 3 | — |
| Impairment charge for other intangible assets | — | 9 |
| Pension costs associated with expected terminated plans | 6 | — |
| Income from continuing operations before income taxes, as adjusted | 183 | 162 |
| Tax at 26% rate | (48) | (42) |
| Less: Net income attributable to noncontrolling interest | 8 | 11 |
| Income from continuing operations, as adjusted | \$ 127 | \$ 109 |
| Income from continuing operations per common share, as adjusted | \$ 0.46 | \$ 0.37 |
| Average diluted common shares outstanding | 274 | 294 |

Historical information is available on our website.

MASCO CORPORATION Condensed Consolidated Balance Sheets and Other Financial Data - Unaudited March 31, 2020 and December 31, 2019

(dollars in millions)

| | March 31, 2020 | December 31, 2019 |
|--|----------------|-------------------|
| Balance Sheet | | |
| Assets | | |
| Current Assets: | | |
| Cash and cash investments | \$ 767 | \$ 697 |
| Receivables | 1,142 | 997 |
| Prepaid expenses and other | 80 | 90 |
| Inventories | 756 | 754 |
| Assets held for sale | — | 173 |
| Total Current Assets | 2,745 | 2,711 |
| Property and equipment, net | 861 | 878 |
| Operating lease right-of-use assets | 171 | 176 |
| Goodwill | 518 | 509 |
| Other intangible assets, net | 264 | 259 |
| Other assets | 281 | 139 |
| Assets held for sale | — | 355 |
| Total Assets | \$ 4,840 | \$ 5,027 |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable | \$ 743 | \$ 697 |
| Notes payable | 5 | 2 |
| Accrued liabilities | 756 | 700 |
| Liabilities held for sale | — | 149 |
| Total Current Liabilities | 1,504 | 1,548 |
| Long-term debt | 2,771 | 2,771 |
| Noncurrent operating lease liabilities | 157 | 162 |
| Other liabilities | 573 | 589 |
| Liabilities held for sale | — | 13 |
| Total Liabilities | 5,005 | 5,083 |

| | | |
|------------------------------|----------|----------|
| Equity | (165) | (56) |
| Total Liabilities and Equity | \$ 4,840 | \$ 5,027 |

| | As of March 31, | |
|---------------------------------------|------------------------|-------------|
| | 2020 | 2019 |
| Other Financial Data | | |
| Working Capital Days | | |
| Receivable days | 58 | 60 |
| Inventory days | 66 | 76 |
| Payable days | 71 | 70 |
| Working capital | \$ 1,155 | \$ 1,219 |
| Working capital as a % of sales (LTM) | 17.0% | 18.3% |

Historical information is available on our website.

MASCO CORPORATION
Condensed Consolidated Statements of Cash Flows and Other Financial Data - Unaudited
For the Three Months Ended March 31, 2020 and 2019

(dollars in millions)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2020 | 2019 |
| Cash Flows From (For) Operating Activities: | | |
| Cash provided by operating activities | \$ 7 | \$ 183 |
| Working capital changes | (99) | (314) |
| Net cash for operating activities | (92) | (131) |
| Cash Flows From (For) Financing Activities: | | |
| Purchase of Company common stock | (602) | (116) |
| Proceeds from revolving credit borrowings, net | — | 87 |
| Cash dividends paid | (37) | (35) |
| Proceeds from the exercise of stock options | 20 | 9 |
| Employee withholding taxes paid on stock-based compensation | (22) | (14) |
| Increase (decrease) in debt, net | 2 | (1) |
| Credit Agreement and other financing costs | — | (2) |
| Net cash for financing activities | (639) | (72) |
| Cash Flows From (For) Investing Activities: | | |
| Capital expenditures | (24) | (38) |
| Acquisition of business, net of cash acquired | (24) | — |
| Proceeds from disposition of business, net of cash disposed | 853 | — |
| Other, net | 2 | — |
| Net cash from (for) investing activities | 807 | (38) |
| Effect of exchange rate changes on cash and cash investments | (6) | (2) |
| Cash and Cash Investments: | | |
| Increase (decrease) for the period | 70 | (243) |
| At January 1 | 697 | 559 |
| At March 31 | \$ 767 | \$ 316 |

| | As of March 31, | |
|------------------|------------------------|-------------|
| | 2020 | 2019 |
| Liquidity | | |

| | | | | |
|---------------------------|-----------|--------------|-----------|--------------|
| Cash and cash investments | \$ | 767 | \$ | 316 |
| Revolver availability | | 1,000 | | 913 |
| Total Liquidity | \$ | 1,767 | \$ | 1,229 |

Historical information is available on our website.

MASCO CORPORATION
Segment Data - Unaudited
For the Three Months Ended March 31, 2020 and 2019

(dollars in millions)

| | Three Months Ended March 31, | | |
|---|-------------------------------------|-------------|---------------|
| | 2020 | 2019 | Change |
| Plumbing Products | | | |
| Net sales | \$ 955 | \$ 940 | 2% |
| Operating profit, as reported | \$ 157 | \$ 153 | |
| Operating margin, as reported | 16.4% | 16.3% | |
| Rationalization charges | 2 | — | |
| Operating profit, as adjusted | 159 | 153 | |
| Operating margin, as adjusted | 16.6% | 16.3% | |
| Depreciation and amortization | 20 | 19 | |
| EBITDA, as adjusted | \$ 179 | \$ 172 | |
| Decorative Architectural Products | | | |
| Net sales | \$ 626 | \$ 573 | 9% |
| Operating profit, as reported | \$ 95 | \$ 73 | |
| Operating margin, as reported | 15.2% | 12.7% | |
| Rationalization charges | 1 | — | |
| Impairment charge for other intangible assets | — | 9 | |
| Operating profit, as adjusted | 96 | 82 | |
| Operating margin, as adjusted | 15.3% | 14.3% | |
| Depreciation and amortization | 11 | 10 | |
| EBITDA, as adjusted | \$ 107 | \$ 92 | |
| Total | | | |
| Net sales | \$ 1,581 | \$ 1,513 | 4% |
| Operating profit, as reported - segment | \$ 252 | \$ 226 | |
| General corporate expense, net | (27) | (29) | |
| Operating profit, as reported | 225 | 197 | |
| Operating margin, as reported | 14.2% | 13.0% | |
| Rationalization charges - segment | 3 | — | |
| Impairment charge for other intangible assets | — | 9 | |
| Operating profit, as adjusted | 228 | 206 | |
| Operating margin, as adjusted | 14.4% | 13.6% | |
| Depreciation and amortization - segment | 31 | 29 | |
| Depreciation and amortization - non-operating | 2 | 2 | |
| EBITDA, as adjusted | \$ 261 | \$ 237 | |

Historical information is available on our website.

MASCO CORPORATION
North American and International Data - Unaudited
For the Three Months Ended March 31, 2020 and 2019

(dollars in millions)

| | Three Months Ended March 31, | | |
|---|-------------------------------------|-------------|---------------|
| | 2020 | 2019 | Change |
| North American | | | |
| Net sales | \$ 1,258 | \$ 1,171 | 7 % |
| Operating profit, as reported | \$ 210 | \$ 181 | |
| Operating margin, as reported | 16.7% | 15.5% | |
| Rationalization charges | 3 | — | |
| Impairment charge for other intangible assets | — | 9 | |
| Operating profit, as adjusted | 213 | 190 | |
| Operating margin, as adjusted | 16.9% | 16.2% | |
| Depreciation and amortization | 20 | 20 | |
| EBITDA, as adjusted | \$ 233 | \$ 210 | |
| International | | | |
| Net sales | \$ 323 | \$ 342 | (6)% |
| Operating profit, as reported | \$ 42 | \$ 45 | |
| Operating margin, as reported | 13.0% | 13.2% | |
| Depreciation and amortization | 11 | 9 | |
| EBITDA | \$ 53 | \$ 54 | |
| Total | | | |
| Net sales | \$ 1,581 | \$ 1,513 | 4 % |
| Operating profit, as reported - segment | \$ 252 | \$ 226 | |
| General corporate expense, net | (27) | (29) | |
| Operating profit, as reported | 225 | 197 | |
| Operating margin, as reported | 14.2% | 13.0% | |
| Rationalization charges - segment | 3 | — | |
| Impairment charge for other intangible assets | — | 9 | |
| Operating profit, as adjusted | 228 | 206 | |
| Operating margin, as adjusted | 14.4% | 13.6% | |
| Depreciation and amortization - segment | 31 | 29 | |
| Depreciation and amortization - non-operating | 2 | 2 | |
| EBITDA, as adjusted | \$ 261 | \$ 237 | |

Historical information is available on our website.

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