



NEWS RELEASE

## Masco Reports Strong Fourth Quarter and Full-Year Results as Transformation Enhances Profitability

2015-02-09

### 2014 Fourth Quarter Key Highlights

- Sales for the fourth quarter increased 3 percent to \$2.1 billion; sales increased 5 percent excluding the impact of foreign currency translation
- Adjusted operating profit grew 32 percent to \$202 million
- Adjusted operating profit margin for the quarter increased to 9.8 percent
- Adjusted EPS for the quarter grew 60 percent to \$.24 per common share

TAYLOR, Mich.--(BUSINESS WIRE)-- Masco Corporation (NYSE: MAS) reported net sales and adjusted operating profit growth in the fourth quarter of 2014 driven primarily by the Plumbing Products, Decorative Architectural Products and Installation and Other Services segments. Adjusted operating profit margin rose to 9.8 percent, reflecting the Company's execution on cost management and strong operating leverage.

### **2014 Fourth Quarter Commentary**

- Net sales from continuing operations increased 3 percent to \$2.1 billion. North American sales increased 4 percent and international sales decreased 2 percent in U.S. dollars, but increased 6 percent in local currency
- Compared to fourth quarter 2013, 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 27.7 percent compared to 27.1 percent
  - Operating margins improved to 9.8 percent compared to 7.7 percent
  - Income from continuing operations was \$.24 per common share compared to \$.15 per common share
- Income from continuing operations, **as reported**, was \$.29 per common share
- Liquidity at the end of the fourth quarter was approximately \$1.7 billion

- Five million shares were repurchased in the fourth quarter

### **2014 Fourth Quarter Operating Segment Highlights**

- Plumbing Products' net sales increased 1 percent (5 percent excluding the impact of currency translation) fueled by growth across the segment and continued strength in the wholesale channel
- Decorative Architectural Products' net sales increased 7 percent, driven by new products and program wins across the businesses
- Cabinets and Related Products' net sales decreased 3 percent due to challenges in retail and dealer channels
- Installation and Other Services' net sales increased 7 percent with continued growth in custom homes and the commercial channel
- Other Specialty Products' net sales increased 8 percent, fueled by growth in repair and remodeling

"We capped off 2014 with another solid quarter as sales increased 3 percent for the total company and, importantly, adjusted operating income increased 32 percent," said Masco's President and CEO, Keith Allman. "Our portfolio of industry-leading plumbing businesses continues to perform, delivering increased revenue and profit growth, which resulted in a record sales year for both Delta Faucet and Hansgrohe. New products and program wins at Behr Process and Liberty Hardware drove the performance of our Decorative Architectural segment, and our Installation and Other Services segment capitalized on the housing recovery and ongoing growth of its commercial business. Our window businesses also benefitted from improving macro trends in their respective markets and continued success from recently introduced products. While our Cabinet and Related Products segment faced lingering demand challenges from an ERP implementation, we believe we are taking the necessary actions to position it for profitability in 2015."

### **2014 Full-Year Commentary**

- Net sales increased 4 percent to \$8.5 billion, compared to 2013
- Compared to full-year 2013, 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 profit margins were 28.4 percent compared to 28.0 percent
  - Operating profit margins were 10.0 percent compared to 8.8 percent
  - Income from continuing operations was \$1.02 per common share compared to \$0.77 per common share
- Income from continuing operations, **as reported**, was \$2.39 per common share compared to \$0.83 per common share in 2013
- Free cash flow exceeded \$440 million

"2014 was a notable year for Masco," said Keith Allman. "Our customer-focused innovation as well as our productivity improvements and cost control yielded steady sales growth and substantially improved margins. Our balance sheet continues to improve as we ended the year with \$1.7 billion of liquidity. Throughout the year we also took a number of actions to drive shareholder value. In September, we announced the spin-off of our Services Business and remain on-track for it to be complete by mid-year 2015. Additionally, the restructuring of our corporate office has resulted in a leaner operating model, yielding annual savings of approximately \$35-40 million. Furthermore, our

commitment to returning capital to shareholders was enhanced through an increase in our dividend and a new share repurchase authorization. During the fourth quarter of 2014 we repurchased 1.4 percent of our outstanding shares or 5 million shares."

## **2015 Outlook**

"Our strong execution in 2014 gives us momentum as we enter 2015," continued Mr. Allman. "We remain committed to serving the customer by accelerating our innovation pipeline and continuing our strong operating performance. We expect to gain share and drive consumer demand as we leverage our industry-leading brands and new products. We are confident in our ability to execute in this improving environment and believe the strategic initiatives we announced in 2014 will drive shareholder value as we move into 2015."

## **About Masco**

Headquartered in Taylor, Michigan, Masco Corporation is one of the world's leading manufacturers of branded building products, as well as a leading provider of services that include the installation of insulation and other building products.

The 2014 fourth 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 Monday, February 9, 2015 at 8:30 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 63540876. 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 63540876. The telephone replay will be available approximately two hours after the end of the call and continue through March 2, 2015.

## **Financial Supplement**

The 2014 fourth quarter and full-year supplemental material, including a presentation in PDF format, is available on the Company's website at [www.masco.com](http://www.masco.com).

## **Safe Harbor Statement**

Statements contained in this press release that reflect our views about our future performance 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. These views 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 our reliance on new home construction and home improvement, our reliance on key customers, the cost and availability of raw materials, uncertainty in the international economy, shifts in consumer preferences and purchasing practices, our ability to improve our underperforming businesses, our ability to maintain our competitive position in our industries, risks associated with the proposed spin-off of our Services Business, our ability to realize the expected benefits of the spin-off, the timing and terms of our share repurchase program, and our ability to reduce corporate expense and simplify our organizational structure. We discuss many of the risks we face 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. Our 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.

The Company believes that the non-GAAP performance measures and ratios that are contained herein, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures and ratios should be viewed in addition to, and not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States. Additional information about the Company is contained in the Company's filings with the Securities and Exchange Commission and is available on Masco's website at [www.masco.com](http://www.masco.com).

Source: Masco Corporation

Masco Corporation

Irene Tasi, 313-792-5500

Director – Investor Relations

[irene\\_tasi@mascohq.com](mailto:irene_tasi@mascohq.com)