

MASCO CORPORATION
Condensed Consolidated Statements of Operations - Unaudited
For the Three and Six Months Ended June 30, 2019 and 2018

(in millions, except per common share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales	\$ 2,275	\$ 2,297	\$ 4,183	\$ 4,217
Cost of sales	1,493	1,547	2,802	2,848
Gross profit	782	750	1,381	1,369
Selling, general and administrative expenses	390	392	762	767
Impairment charges for goodwill and other intangible assets	—	—	16	—
Operating profit	392	358	603	602
Other income (expense), net:				
Interest expense	(41)	(38)	(80)	(79)
Other, net	(4)	(8)	(8)	(11)
Income before income taxes	347	312	515	512
Income tax expense	95	88	136	127
Net income	252	224	379	385
Less: Net income attributable to noncontrolling interest	12	13	23	25
Net income attributable to Masco Corporation	\$ 240	\$ 211	\$ 356	\$ 360
Income per common share attributable to Masco Corporation (diluted):				
Net income	\$ 0.82	\$ 0.68	\$ 1.21	\$ 1.15
Average diluted common shares outstanding	290	309	292	311

Historical information is available on our website.

MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three and Six Months Ended June 30, 2019 and 2018

(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<u>Gross Profit, Selling, General and Administrative Expenses, and Operating Profit Reconciliations</u>				
Net sales	\$ 2,275	\$ 2,297	\$ 4,183	\$ 4,217
Gross profit, as reported	\$ 782	\$ 750	\$ 1,381	\$ 1,369
Rationalization charges	2	2	2	3
Kichler inventory step up adjustment	—	20	—	25
Gross profit, as adjusted	\$ 784	\$ 772	\$ 1,383	\$ 1,397
Gross margin, as reported	34.4%	32.7%	33.0%	32.5%
Gross margin, as adjusted	34.5%	33.6%	33.1%	33.1%
Selling, general and administrative expenses, as reported	\$ 390	\$ 392	\$ 762	\$ 767
Professional fees related to potential divestitures	5	—	8	—
Selling, general and administrative expenses, as adjusted	\$ 385	\$ 392	\$ 754	\$ 767
Selling, general and administrative expenses as percent of net sales, as reported	17.1%	17.1%	18.2%	18.2%
Selling, general and administrative expenses as percent of net sales, as adjusted	16.9%	17.1%	18.0%	18.2%
Operating profit, as reported	\$ 392	\$ 358	\$ 603	\$ 602
Rationalization charges	2	2	2	3
Kichler inventory step up adjustment	—	20	—	25
Impairment charges for goodwill and other intangible assets	—	—	16	—
Professional fees related to potential divestitures	5	—	8	—
Operating profit, as adjusted	\$ 399	\$ 380	\$ 629	\$ 630
Operating margin, as reported	17.2%	15.6%	14.4%	14.3%
Operating margin, as adjusted	17.5%	16.5%	15.0%	14.9%

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MASCO CORPORATION
Exhibit A: Reconciliations - Unaudited
For the Three and Six Months Ended June 30, 2019 and 2018

(in millions, except per common share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Income Per Common Share Reconciliations				
Income before income taxes, as reported	\$ 347	\$ 312	\$ 515	\$ 512
Rationalization charges	2	2	2	3
Kichler inventory step up adjustment	—	20	—	25
Impairment charges for goodwill and other intangible assets	—	—	16	—
Professional fees related to potential divestitures	5	—	8	—
(Earnings) from equity investments, net	—	(2)	—	(2)
Income before income taxes, as adjusted	354	332	541	538
Tax at 25% rate	(88)	(83)	(135)	(135)
Less: Net income attributable to noncontrolling interest	12	13	23	25
Net income, as adjusted	\$ 254	\$ 236	\$ 383	\$ 378
Net income per common share, as adjusted	\$ 0.88	\$ 0.76	\$ 1.31	\$ 1.22
Average diluted common shares outstanding	290	309	292	311

Outlook for the Twelve Months Ended December 31, 2019

	Twelve Months Ended December 31, 2019	
	Low End	High End
Income Per Common Share Outlook		
Net income per common share	\$ 2.51	\$ 2.61
Rationalization charges	0.02	0.02
Impairment charges for goodwill and other intangible assets	0.04	0.04
Professional fees related to potential divestitures	0.03	0.03
Allocation to participating securities per share (1)	0.02	0.02
Net income per common share, as adjusted	\$ 2.62	\$ 2.72

(1) Represents the impact of distributed dividends and undistributed earnings to unvested restricted stock awards in accordance with the two-class method of calculating earnings per share.

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MASCO CORPORATION
Condensed Consolidated Balance Sheets and Other Financial Data - Unaudited
June 30, 2019 and December 31, 2018

(dollars in millions)

	June 30, 2019	December 31, 2018
Balance Sheet		
Assets		
Current Assets:		
Cash and cash investments	\$ 325	\$ 559
Receivables	1,423	1,153
Inventories	975	946
Prepaid expenses and other	120	108
Total Current Assets	<u>2,843</u>	<u>2,766</u>
Property and equipment, net	1,212	1,223
Operating lease right-of-use assets	228	—
Goodwill	891	898
Other intangible assets, net	387	406
Other assets	92	100
Total Assets	<u>\$ 5,653</u>	<u>\$ 5,393</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 1,023	\$ 926
Notes payable	231	8
Accrued liabilities	699	750
Total Current Liabilities	<u>1,953</u>	<u>1,684</u>
Long-term debt	2,771	2,971
Other liabilities	858	669
Total Liabilities	<u>5,582</u>	<u>5,324</u>
Equity	71	69
Total Liabilities and Equity	<u>\$ 5,653</u>	<u>\$ 5,393</u>

	As of June 30,	
	2019	2018
Other Financial Data		
Working Capital Days		
Receivable days	54	56
Inventory days	67	70
Payable days	72	72
Working capital	\$ 1,375	\$ 1,368
Working capital as a % of sales (LTM)	16.5%	17.1%

Historical information is available on our website.

MASCO CORPORATION
Condensed Consolidated Statements of Cash Flows and Other Financial Data - Unaudited
For the Six Months Ended June 30, 2019 and 2018

(dollars in millions)

	Six Months Ended June 30,	
	2019	2018
Cash Flows From (For) Operating Activities:		
Cash provided by operating activities	\$ 510	\$ 499
Working capital changes	(297)	(206)
Net cash from operating activities	213	293
Cash Flows From (For) Financing Activities:		
Retirement of notes	—	(114)
Purchase of Company common stock	(289)	(265)
Cash dividends paid	(70)	(65)
Dividends paid to noncontrolling interest	(42)	(89)
Proceeds from the exercise of stock options	13	—
Employee withholding taxes paid on stock-based compensation	(16)	(33)
Increase (decrease) in debt, net	20	(1)
Credit Agreement and other financing costs	(2)	—
Net cash for financing activities	(386)	(567)
Cash Flows From (For) Investing Activities:		
Capital expenditures	(71)	(103)
Acquisition of business, net of cash acquired	—	(548)
Other, net	8	107
Net cash for investing activities	(63)	(544)
Effect of exchange rate changes on cash and cash investments	2	8
Cash and Cash Investments:		
Decrease for the period	(234)	(810)
At January 1	559	1,194
At June 30	\$ 325	\$ 384

	As of June 30,	
	2019	2018
Liquidity		
Cash and cash investments	\$ 325	\$ 384

Historical information is available on our website.

MASCO CORPORATION
Segment Data - Unaudited
For the Three and Six Months Ended June 30, 2019 and 2018

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Plumbing Products						
Net sales	\$ 1,012	\$ 1,032	(2)%	\$ 1,952	\$ 2,003	(3)%
Operating profit, as reported	\$ 198	\$ 194		\$ 351	\$ 357	
<i>Operating margin, as reported</i>	19.6%	18.8%		18.0%	17.8%	
Rationalization charges	2	1		2	2	
Accelerated depreciation related to rationalization activity	—	1		—	1	
Operating profit, as adjusted	200	196		353	360	
<i>Operating margin, as adjusted</i>	19.8%	19.0%		18.1%	18.0%	
Depreciation and amortization	20	18		39	36	
EBITDA, as adjusted	\$ 220	\$ 214		\$ 392	\$ 396	
Decorative Architectural Products						
Net sales	\$ 827	\$ 806	3 %	\$ 1,400	\$ 1,351	4 %
Operating profit, as reported	\$ 173	\$ 145		\$ 246	\$ 234	
<i>Operating margin, as reported</i>	20.9%	18.0%		17.6%	17.3%	
Kichler inventory step up adjustment	—	20		—	25	
Impairment charge for other intangible assets	—	—		9	—	
Operating profit, as adjusted	173	165		255	259	
<i>Operating margin, as adjusted</i>	20.9%	20.5%		18.2%	19.2%	
Depreciation and amortization	10	10		20	15	
EBITDA, as adjusted	\$ 183	\$ 175		\$ 275	\$ 274	
Cabinetry Products						
Net sales	\$ 251	\$ 268	(6)%	\$ 488	\$ 485	1 %
Operating profit, as reported	\$ 33	\$ 33		\$ 53	\$ 39	
<i>Operating margin, as reported</i>	13.1%	12.3%		10.9%	8.0%	
Professional fees related to potential divestitures	1	—		3	—	
Operating profit, as adjusted	34	33		56	39	
<i>Operating margin, as adjusted</i>	13.5%	12.3%		11.5%	8.0%	
Depreciation and amortization	4	4		7	7	
EBITDA, as adjusted	\$ 38	\$ 37		\$ 63	\$ 46	

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MASCO CORPORATION
Segment Data - Unaudited
For the Three and Six Months Ended June 30, 2019 and 2018

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
Windows and Other Specialty Products						
Net sales	\$ 185	\$ 191	(3)%	\$ 343	\$ 378	(9)%
Operating profit (loss), as reported	\$ 7	\$ 8		\$ (4)	\$ 12	
<i>Operating margin, as reported</i>	3.8%	4.2%		(1.2)%	3.2%	
Impairment charge for goodwill	—	—		7	—	
Professional fees related to potential divestitures	4	—		5	—	
Operating profit, as adjusted	11	8		8	12	
<i>Operating margin, as adjusted</i>	5.9%	4.2%		2.3 %	3.2%	
Depreciation and amortization	5	5		11	11	
EBITDA, as adjusted	\$ 16	\$ 13		\$ 19	\$ 23	
Total						
Net sales	\$ 2,275	\$ 2,297	(1)%	\$ 4,183	\$ 4,217	(1)%
Operating profit, as reported - segment	\$ 411	\$ 380		\$ 646	\$ 642	
General corporate expense, net	(19)	(22)		(43)	(40)	
Operating profit, as reported	392	358		603	602	
<i>Operating margin, as reported</i>	17.2%	15.6%		14.4 %	14.3%	
Rationalization charges - segment	2	1		2	2	
Accelerated depreciation related to rationalization activity - segment	—	1		—	1	
Kichler inventory step up adjustment	—	20		—	25	
Impairment charges for goodwill and other intangible assets	—	—		16	—	
Professional fees related to potential divestitures	5	—		8	—	
Operating profit, as adjusted	399	380		629	630	
<i>Operating margin, as adjusted</i>	17.5%	16.5%		15.0 %	14.9%	
Depreciation and amortization - segment	39	37		77	69	
Depreciation and amortization - non-operating	3	2		5	4	
EBITDA, as adjusted	\$ 441	\$ 419		\$ 711	\$ 703	

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MASCO CORPORATION
North American and International Data - Unaudited
For the Three and Six Months Ended June 30, 2019 and 2018

(dollars in millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Change	2019	2018	Change
North American						
Net sales	\$ 1,891	\$ 1,872	1 %	\$ 3,426	\$ 3,388	1 %
Operating profit, as reported	\$ 364	\$ 323		\$ 566	\$ 541	
Operating margin, as reported	19.2%	17.3%		16.5%	16.0%	
Rationalization charges	2	1		2	2	
Accelerated depreciation related to rationalization activity	—	1		—	1	
Kichler inventory step up adjustment	—	20		—	25	
Impairment charge for other intangible assets	—	—		9	—	
Professional fees related to potential divestitures	3	—		6	—	
Operating profit, as adjusted	369	345		583	569	
Operating margin, as adjusted	19.5%	18.4%		17.0%	16.8%	
Depreciation and amortization	29	27		56	48	
EBITDA, as adjusted	\$ 398	\$ 372		\$ 639	\$ 617	
International						
Net sales	\$ 384	\$ 425	(10)%	\$ 757	\$ 829	(9)%
Operating profit, as reported	\$ 47	\$ 57		\$ 80	\$ 101	
Operating margin, as reported	12.2%	13.4%		10.6%	12.2%	
Impairment charge for goodwill	—	—		7	—	
Professional fees related to potential divestitures	2	—		2	—	
Operating profit, as adjusted	49	57		89	101	
Operating margin, as adjusted	12.8%	13.4%		11.8%	12.2%	
Depreciation and amortization	10	10		21	21	
EBITDA, as adjusted	\$ 59	\$ 67		\$ 110	\$ 122	

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Total						
Net sales	\$ 2,275	\$ 2,297	(1)%	\$ 4,183	\$ 4,217	(1)%
Operating profit, as reported - segment	\$ 411	\$ 380		\$ 646	\$ 642	
General corporate expense, net	(19)	(22)		(43)	(40)	
Operating profit, as reported	392	358		603	602	
Operating margin, as reported	17.2%	15.6%		14.4%	14.3%	
Rationalization charges - segment	2	1		2	2	
Accelerated depreciation related to rationalization activity	—	1		—	1	
Kichler inventory step up adjustment	—	20		—	25	
Impairment charges for goodwill and other intangible assets	—	—		16	—	
Professional fees related to potential divestitures	5	—		8	—	
Operating profit, as adjusted	399	380		629	630	
Operating margin, as adjusted	17.5%	16.5%		15.0%	14.9%	
Depreciation and amortization - segment	39	37		77	69	
Depreciation and amortization - non-operating	3	2		5	4	
EBITDA, as adjusted	\$ 441	\$ 419		\$ 711	\$ 703	

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