

MASCO CORP /DE/  
Form 10-Q  
October 24, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

Commission file number: 1-5794

Masco Corporation  
(Exact name of Registrant as Specified in its Charter)  
Delaware 38-1794485  
(State of (IRS Employer  
Incorporation) Identification No.)  
17450 College Parkway, Livonia, Michigan 48152  
(Address of Principal Executive Offices) (Zip Code)

(313) 274-7400  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding at September 30, 2017
Common stock, par value \$1.00 per share	314,565,292

MASCO CORPORATION

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MASCO CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

September 30, 2017 and December 31, 2016  
(In Millions, Except Share Data)

	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash investments	\$ 1,141	\$ 990
Short-term bank deposits	77	201
Receivables	1,128	917
Prepaid expenses and other	96	114
Inventories:		
Finished goods	478	366
Raw material	280	254
Work in process	108	92
	866	712
Total current assets	3,308	2,934
Property and equipment, net	1,097	1,060
Goodwill	801	832
Other intangible assets, net	156	154
Other assets	121	157
Total assets	\$ 5,483	\$ 5,137
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 916	\$ 800
Notes payable	117	2
Accrued liabilities	675	658
Total current liabilities	1,708	1,460
Long-term debt	2,969	2,995
Other liabilities	746	785
Total liabilities	5,423	5,240
Commitments and contingencies (Note N)		
<b>EQUITY</b>		
Masco Corporation's shareholders' equity:		
Common shares, par value \$1 per share		
Authorized shares: 1,400,000,000;	311	318
Issued and outstanding: 2017 – 311,500,000; 2016 – 318,000,000		
Preferred shares authorized: 1,000,000;		
Issued and outstanding: 2017 and 2016 – None	—	—
Paid-in capital	—	—
Retained deficit	(343	) (381 )
Accumulated other comprehensive loss	(127	) (235 )
Total Masco Corporation's shareholders' deficit	(159	) (298 )

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Noncontrolling interest	219	195
Total equity	60	(103 )
Total liabilities and equity	\$ 5,483	\$ 5,137

See notes to condensed consolidated financial statements.

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MASCO CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

For the Three and Nine Months Ended September 30, 2017 and 2016  
 (In Millions, Except Per Common Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales	\$1,936	\$1,877	\$5,770	\$5,598
Cost of sales	1,286	1,263	3,775	3,715
Gross profit	650	614	1,995	1,883
Selling, general and administrative expenses	355	345	1,090	1,045
Operating profit	295	269	905	838
Other income (expense), net:				
Interest expense	(43 )	(43 )	(239 )	(186 )
Other, net	4	1	58	5
	(39 )	(42 )	(181 )	(181 )
Income before income taxes	256	227	724	657
Income tax expense	96	81	243	229
Net income	160	146	481	428
Less: Net income attributable to noncontrolling interest	12	12	35	35
Net income attributable to Masco Corporation	\$148	\$134	\$446	\$393
Income per common share attributable to Masco Corporation:				
Basic:				
Net income	\$.47	\$.41	\$1.40	\$1.18
Diluted:				
Net income	\$.46	\$.40	\$1.38	\$1.17

See notes to condensed consolidated financial statements.

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MASCO CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

For the Three and Nine Months Ended September 30, 2017 and 2016  
 (In Millions)

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
Net income	\$160	\$146	\$481	\$428
Less: Net income attributable to noncontrolling interest	12	12	35	35
Net income attributable to Masco Corporation	\$148	\$134	\$446	\$393
Other comprehensive income (loss), net of tax (Note J):				
Cumulative translation adjustment	\$33	\$(1 )	\$119	\$(10 )
Interest rate swaps	—	—	2	1
Pension and other post-retirement benefits	4	3	11	9
Realized gain on available-for-sale securities	—	—	—	(1 )
Other comprehensive income (loss)	37	2	132	(1 )
Less: Other comprehensive income attributable to noncontrolling interest	6	2	24	4
Other comprehensive income (loss) attributable to Masco Corporation	\$31	\$—	\$108	\$(5 )
Total comprehensive income	\$197	\$148	\$613	\$427
Less: Total comprehensive income attributable to the noncontrolling interest	18	14	59	39
Total comprehensive income attributable to Masco Corporation	\$179	\$134	\$554	\$388

See notes to condensed consolidated financial statements.

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MASCO CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the Nine Months Ended September 30, 2017 and 2016  
(In Millions)

	Nine Months Ended September 30, 2017 2016	
<b>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:</b>		
Cash provided by operations	\$745	\$670
Increase in receivables	(227 )	(245 )
Increase in inventories	(143 )	(73 )
Increase in accounts payable and accrued liabilities, net	92	131
Net cash from operating activities	467	483
<b>CASH FLOWS FROM (FOR) FINANCING ACTIVITIES:</b>		
Retirement of notes	(535 )	(1,300)
Purchase of Company common stock	(312 )	(242 )
Cash dividends paid	(96 )	(95 )
Dividends paid to noncontrolling interest	(35 )	(31 )
Issuance of notes, net of issuance costs	593	889
Debt extinguishment costs	(104 )	(40 )
Issuance of Company common stock	—	1
Employee withholding taxes paid on stock-based compensation	(29 )	(40 )
Decrease in debt, net	—	(2 )
Net cash for financing activities	(518 )	(860 )
<b>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:</b>		
Capital expenditures	(113 )	(117 )
Proceeds from disposition of:		
Business, net of cash disposed	128	—
Short-term bank deposits	206	223
Other financial investments	6	14
Property and equipment	6	—
Purchases of:		
Short-term bank deposits	(65 )	