

MASCO CORP /DE/
Form 10-Q
October 29, 2013
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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, 2013
Commission file number: 1-5794

Masco Corporation
(Exact name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction

38-1794485
(IRS Employer

of Incorporation)

Identification No.)

21001 Van Born Road, Taylor, Michigan
(Address of Principal Executive Offices)

48180
(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 (§232.405 of this chapter) 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 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
Common stock, par value \$1.00 per share

Shares Outstanding at October 15, 2013
356,987,300

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MASCO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

September 30, 2013 and December 31, 2012

(In Millions, Except Share Data)

	September 30, 2013	December 31, 2012
<u>ASSETS</u>		
Current assets:		
Cash and cash investments	\$ 1,011	\$ 1,040
Short-term bank deposits	277	311
Receivables	1,211	933
Prepaid expenses and other	119	107
Assets held for sale	98	100
Inventories:		
Finished goods	427	368
Raw material	256	266
Work in process	94	92
	777	726
Total current assets	3,493	3,217
Property and equipment, net	1,257	1,326
Goodwill	1,900	1,894
Other intangible assets, net	149	151
Other assets	166	184
Assets held for sale	94	103
Total assets	\$ 7,059	\$ 6,875
<u>LIABILITIES</u>		
Current liabilities:		
Notes payable	\$ 5	\$ 206
Accounts payable	986	788
Accrued liabilities	847	823
Liabilities held for sale	49	45
Total current liabilities	1,887	1,862
Long-term debt	3,421	3,422

Deferred income taxes and other	1,065	1,053
Liabilities held for sale		4
Total liabilities	6,373	6,341
Commitments and contingencies		
<u>EQUITY</u>		
Masco Corporation's shareholders' equity:		
Common shares, par value \$1 per share Authorized shares: 1,400,000,000; issued and outstanding: 2013 349,400,000; 2012 349,000,000	349	349
Preferred shares authorized: 1,000,000; issued and outstanding: 2013 None; 2012 None		
Paid-in capital	8	16
Retained earnings (deficit)	36	(102)
Accumulated other comprehensive income	81	59
Total Masco Corporation's shareholders' equity	474	322
Noncontrolling interest	212	212
Total equity	686	534
Total liabilities and equity	\$ 7,059	\$ 6,875

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, 2013 and 2012

(In Millions, Except Per Common Share Data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net sales	\$ 2,150	\$ 1,913	\$ 6,175	\$ 5,664
Cost of sales	1,543	1,413	4,451	4,159
Gross profit	607	500	1,724	1,505
Selling, general and administrative expenses	395	391	1,192	1,160
Charge for litigation settlements, net		1		74
Operating profit	212	108	532	271
Other income (expense), net:				
Interest expense	(58)	(62)	(178)	(194)
Other, net		5	10	22
	(58)	(57)	(168)	(172)
Income from continuing operations before income taxes	154	51	364	99
Income taxes	38	16	91	54
Income from continuing operations	116	35	273	45
Loss from discontinued operations	(2)	(11)	(16)	(44)
Net income	114	24	257	1
Less: Net income attributable to noncontrolling interest	11	9	30	28
Net income (loss) attributable to Masco Corporation	\$ 103	\$ 15	\$ 227	\$ (27)
Income (loss) per common share attributable to Masco Corporation:				
Basic:				
Income from continuing operations	\$.29	\$.07	\$.68	\$.04
Loss from discontinued operations	(.01)	(.03)	(.04)	(.12)

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Net income (loss)	\$.29	\$.04	\$.64	\$ (.08)
Diluted:				
Income from continuing operations	\$.29	\$.07	\$.67	\$.04
Loss from discontinued operations	(.01)	(.03)	(.04)	(.12)
Net income (loss)	\$.29	\$.04	\$.63	\$ (.08)
Amounts attributable to Masco Corporation:				
Income from continuing operations	\$ 105	\$ 26	\$ 243	\$ 17
Loss from discontinued operations	(2)	(11)	(16)	(44)
Net income (loss)	\$ 103	\$ 15	\$ 227	\$ (27)

See notes to condensed consolidated financial statements.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 114	\$ 24	\$ 257	\$ 1
Less: Net income attributable to noncontrolling interest	11	9	30	28
Net income (loss) attributable to Masco Corporation	\$ 103	\$ 15	\$ 227	\$ (27)
Other comprehensive income, net of tax (see Note L):				
Cumulative translation adjustment	37	42	11	15
Interest rate swaps		1	1	1
Unrecognized pension prior service cost and net loss	5	3	14	11
Other comprehensive income	42	46	26	27
Less: Other comprehensive income attributable to noncontrolling interest	8	8	4	4
Other comprehensive income attributable to Masco Corporation	\$ 34	\$ 38	\$ 22	\$ 23
Total comprehensive income	\$ 156	\$ 70	\$ 283	\$ 28
Less: Total comprehensive income attributable to the noncontrolling interest	19	17	34	32
Total comprehensive income (loss) attributable to Masco Corporation	\$ 137	\$ 53	\$ 249	\$ (4)

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, 2013 and 2012

(In Millions)

	Nine Months Ended September 30,	
	2013	2012
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:		
Cash provided by operations	\$ 489	\$ 191
Increase in receivables	(302)	(245)
Increase in inventories	(40)	(58)
Increase in accounts payable and accrued liabilities, net	203	202
Net cash from operating activities	350	90
CASH FLOWS FROM (FOR) FINANCING ACTIVITIES:		
Cash dividends paid	(81)	(80)
Dividend payment to noncontrolling interest	(34)	(40)
Purchase of Company common stock	(35)	(8)
Credit Agreement costs	(4)	
Issuance of Notes, net of issuance costs		396
Retirement of Notes		