

MASCO CORP /DE/  
Form 10-Q  
October 28, 2011

**Table of Contents**

**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, 2011**

**Commission file number: 1-5794**

**Masco Corporation**

(Exact name of Registrant as Specified in its Charter)

**Delaware**

**38-1794485**

(State or Other  
Jurisdiction  
of Incorporation)

(IRS Employer  
Identification No.)

**21001 Van Born Road, Taylor, Michigan**

**48180**

(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 (§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  Smaller reporting company

(Do not check if a 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

Shares Outstanding at October 25, 2011

Common stock, par value \$1.00 per share

357,800,000

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**MASCO CORPORATION  
INDEX**

	<b>Page No.</b>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. Financial Statements:	
<u>Condensed Consolidated Balance Sheets September 30, 2011 and December 31, 2010</u>	1
<u>Condensed Consolidated Statements of Income for the Three Months and Nine Months Ended September 30, 2011 and 2010</u>	2
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010</u>	3
<u>Consolidated Statements of Shareholders' Equity September 30, 2011 and 2010</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5-19
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20-26
<u>Item 4. Controls and Procedures</u>	27
<b><u>PART II. OTHER INFORMATION</u></b>	<b>28-30</b>
<u>Item 1. Legal Proceedings</u>	
<u>Item 1A. Risk Factors</u>	
<u>Item 6. Exhibits</u>	
<u>Signature</u>	
<u>EX-12</u>	
<u>EX-31.A</u>	
<u>EX-31.B</u>	
<u>EX-32</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

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**Table of Contents**

**MASCO CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**  
**September 30, 2011 and December 31, 2010**  
(In Millions, Except Share Data)

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash investments	\$ 1,610	\$ 1,715
Receivables	1,133	888
Prepaid expenses and other	118	129
Inventories:		
Finished goods	457	393
Raw material	297	246
Work in process	96	93
	850	732
Total current assets	3,711	3,464
Property and equipment, net	1,656	1,737
Goodwill	2,387	2,383
Other intangible assets, net	256	269
Other assets	202	287
Total assets	\$ 8,212	\$ 8,140
<b>LIABILITIES</b>		
Current liabilities:		
Notes payable	\$ 806	\$ 66
Accounts payable	866	602
Accrued liabilities	813	819
Total current liabilities	2,485	1,487
Long-term debt	3,224	4,032
Deferred income taxes and other	1,016	1,039
Total liabilities	6,725	6,558

Commitments and contingencies

**EQUITY**

Masco Corporation's shareholders' equity:

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Common shares, par value \$1 per share Authorized shares: 1,400,000,000; issued and outstanding: 2011 347,800,000; 2010 348,600,000	348	349
Preferred shares authorized: 1,000,000; issued and outstanding: 2011 None; 2010 None		
Paid-in capital	50	42
Retained earnings	638	720
Accumulated other comprehensive income	231	273
Total Masco Corporation s shareholders equity	1,267	1,384
Noncontrolling interest	220	198
Total equity	1,487	1,582
Total liabilities and equity	\$ 8,212	\$ 8,140

See notes to condensed consolidated financial statements.

**Table of Contents**

**MASCO CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**  
**For the Three Months and Nine Months Ended September 30, 2011 and 2010**  
**(In Millions Except Per Common Share Data)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net sales	\$ 2,006	\$ 1,957	\$ 5,800	\$ 5,857
Cost of sales	1,511	1,463	4,348	4,325
Gross profit	495	494	1,452	1,532
Selling, general and administrative expenses	393	392	1,238	1,233
Operating profit	102	102	214	299
Other income (expense), net:				
Interest expense	(63)	(63)	(190)	(188)
Impairment charge for financial investments				(33)
Other, net	22	(1)	74	(2)
	(41)	(64)	(116)	(223)
Income before income taxes	61	38	98	76
Income tax expense	12	31	63	53
Net income	49	7	35	23
Less: Net income attributable to noncontrolling interest	13	12	37	32
Net income (loss) attributable to Masco Corporation	\$ 36	\$ (5)	\$ (2)	\$ (9)
<b>Earnings (loss) per common share attributable to Masco Corporation:</b>				
Basic:				
Net income (loss)	\$ .10	\$ (.02)	\$ (.01)	\$ (.03)
Diluted:				
Net income (loss)	\$ .10	\$ (.02)	\$ (.01)	\$ (.03)
<b>Amounts attributable to Masco Corporation:</b>				
Net income (loss)	\$ 36	\$ (5)	\$ (2)	\$ (9)

See notes to condensed consolidated financial statements.





**Table of Contents**

**MASCO CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
**For the Nine Months Ended September 30, 2011 and 2010**  
(In Millions)

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:</b>		
Cash provided by operations	\$ 210	\$ 333
Increase in receivables	(245)	(136)
Increase in inventories	(118)	(64)
Increase in accounts payable and accrued liabilities, net	248	103
Net cash from operating activities	95	236
<b>CASH FLOWS FROM (FOR) FINANCING ACTIVITIES:</b>		
Increase in debt		2
Payment of debt	(3)	(3)
Issuance of Notes, net of issuance costs		494
Retirement of Notes	(58)	(359)
Purchase of Company common stock	(30)	(45)
Cash dividends paid	(80)	(81)
Dividend payment to noncontrolling interest	(18)	(15)
Credit Agreement costs	(1)	(9)
Net cash for financing activities	(190)	(16)
<b>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:</b>		
Capital expenditures	(106)	(88)
Proceeds from disposition of:		
Marketable securities	49	5
Other financial investments, net	43	6
Property and equipment	19	16
Purchases of other financial investments	(7)	
Other, net	(7)	(26)
Net cash for investing activities	(9)	(87)
Effect of exchange rate changes on cash and cash investments	(1)	(9)

**CASH AND CASH INVESTMENTS:**

(Decrease) increase for the period	(105)	124
At January 1	1,715	1,413
At September 30	\$ 1,610	\$ 1,537

See notes to condensed consolidated financial statements.

3

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**Table of Contents**

**MASCO CORPORATION and Consolidated Subsidiaries (Unaudited)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the Periods Ended September 30, 2011 and September 30, 2010**

(In Millions, Except Per Share Data)

		<b>Common Shares (\$1 par value)</b>	<b>Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Noncontrolling Interest</b>
<b>Balance, January 1, 2010</b>	\$ 2,817	\$ 350	\$ 42	\$ 1,871	\$ 366	\$ 188
Net (loss) income	23			(9)		32
Cumulative translation adjustments	(37)				(28)	(9)
Unrealized (loss) on marketable securities, net of income tax (benefit) of \$(1)	(4)				(4)	
Unrecognized prior service cost and net loss, net of income tax of \$3	5				5	
Total comprehensive loss	(13)					
Shares issued	(1)	1	(2)			
Shares retired:						
Repurchased	(45)	(3)	(42)			
Surrendered (non-cash)	(6)		(6)			
Cash dividends declared	(81)			(81)		
Dividend payment to noncontrolling interest	(15)					(15)
Stock-based compensation	44		44			
<b>Balance, September 30, 2010</b>	\$ 2,700	\$ 348	\$ 36	\$ 1,781	\$ 339	\$ 196
<b>Balance, January 1, 2011</b>	<b>1,582</b>	<b>349</b>	<b>42</b>	<b>720</b>	<b>273</b>	<b>198</b>
Net (loss) income	35			(2)		37
Cumulative translation adjustments	8				5	3
Unrealized (loss) on marketable securities, net of income tax of \$	(38)				(38)	
Unrealized (loss) on interest rate swaps, net of income tax of \$	(17)				(17)	
Unrecognized prior service cost and net loss,	8				8	

net of income tax of \$

Total comprehensive income	(4)						
Shares issued		2		(2)			
Shares retired:							
Repurchased	(30)	(2)		(28)			
Surrendered (non-cash)	(8)	(1)		(7)			
Cash dividends declared	(80)				(80)		
Dividend payment to noncontrolling interest	(18)						(18)
Stock-based compensation	45			45			
<b>Balance, September 30, 2011</b>	\$ 1,487	\$ 348	\$ 50	\$ 638	\$ 231	\$ 220	

See notes to consolidated financial statements.

**Table of Contents**

**MASCO CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

A. Accounting Policies

- A. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, of a normal recurring nature, necessary to present fairly its financial position as at September 30, 2011 and the results of operations for the three months and nine months ended September 30, 2011 and 2010 and cash flows and shareholders' equity for the nine months ended September 30, 2011 and 2010. The condensed consolidated balance sheet at December 31, 2010 was derived from audited financial statements.

*Recently Issued Accounting Pronouncements*

Effective January 1, 2011, the Company adopted new accounting guidance which addresses how to determine whether a sales arrangement involves multiple deliverables or contains more than one unit of accounting, and how the sales arrangement consideration should be allocated among the separate units of accounting. The Company evaluated this new guidance and the adoption did not have an impact on the Company's financial position or its results of operations.

In June 2011, new accounting guidance was issued regarding the presentation and disclosure of comprehensive income. The new guidance will require presentation of other comprehensive income items in the Company's consolidated statement of income; such items will no longer be included in the statement of shareholders' equity. The new guidance will also require additional disclosure for reclassification of items from other comprehensive income to the Company's statement of income. The new guidance will be effective for the Company January 1, 2012. The Company does not expect this guidance to have a material impact on the Company's financial condition or its results of operations.

In September 2011, new accounting guidance was issued regarding impairment testing of goodwill. The new guidance would allow the Company to make a qualitative determination regarding potential goodwill impairment before performing the quantitative impairment test. The new guidance will be effective for the Company January 1, 2012. The Company does not anticipate utilizing the qualitative provisions of the new guidance.

**Table of Contents****MASCO CORPORATION****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (continued)**

## B. Goodwill and Other Intangible Assets

B. The changes in the carrying amount of goodwill for the nine months ended September 30, 2011, by segment, were as follows, in millions:

	<b>Gross Goodwill At Sep. 30, 2011</b>	<b>Accumulated Impairment Losses</b>	<b>Net Goodwill At Sep. 30, 2011</b>
Cabinets and Related Products	\$ 588	\$ (364)	\$ 224
Plumbing Products	539	(340)	199
Installation and Other Services	1,819	(762)	1,057
Decorative Architectural Products	294		294
Other Specialty Products	980	(367)	613
Total	\$ 4,220	\$ (1,833)	\$ 2,387

	<b>Gross Goodwill At Dec. 31, 2010</b>	<b>Accumulated Impairment Losses</b>	<b>Net Goodwill At Dec. 31, 2010</b>	<b>Other(A)</b>	<b>At Sep. 30, 2011</b>
Cabinets and Related Products	\$ 587	\$ (364)	\$ 223	\$ 1	\$ 224
Plumbing Products	536	(340)	196	3	199
Installation and Other Services	1,819	(762)	1,057		1,057
Decorative Architectural Products	294		294		294
Other Specialty Products	980	(367)	613		613
Total	\$ 4,216	\$ (1,833)	\$ 2,383	\$ 4	\$ 2,387

(A) Other principally includes the effect of foreign currency translation.