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 June 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________

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 or Organization)	(I.R.S. Employer 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $1.00 par value	MAS	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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	☐
		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).
☐ 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 June 30, 2019
Common stock, par value $1.00 per share	289,456,006

MASCO CORPORATION

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MASCO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

June 30, 2019 and December 31, 2018
(In Millions, Except Share Data)

	June 30, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash and cash investments	$ 325	$ 559
Receivables	1,423	1,153
Prepaid expenses and other	120	108
Inventories:		
Finished goods	572	520
Raw material	298	325
Work in process	105	101
	975	946
Total current assets	2,843	2,766
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	$ 5,653	$ 5,393
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 1,023	$ 926
Notes payable	231	8
Accrued liabilities	699	750
Total current liabilities	1,953	1,684
Long-term debt	2,771	2,971
Other liabilities	858	669
Total liabilities	5,582	5,324
Commitments and contingencies (Note O)		
EQUITY		
Masco Corporation's shareholders' equity:		
Common shares, par value $1 per share Authorized shares: 1,400,000,000; Issued and outstanding: 2019 – 287,400,000; 2018 – 293,900,000	287	294
Preferred shares authorized: 1,000,000; Issued and outstanding: 2019 and 2018 – None	—	—
Paid-in capital	—	—
Retained deficit	(261)	(278)
Accumulated other comprehensive loss	(117)	(127)
Total Masco Corporation's shareholders' deficit	(91)	(111)
Noncontrolling interest	162	180
Total equity	71	69
Total liabilities and equity	$ 5,653	$ 5,393

See notes to condensed consolidated financial statements.

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)
	(45)	(46)	(88)	(90)
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:				
Basic:				
Net income	$ .82	$ .69	$ 1.22	$ 1.16
Diluted:				
Net income	$ .82	$ .68	$ 1.21	$ 1.15

See notes to condensed consolidated financial statements.

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

For the Three and Six Months Ended June 30, 2019 and 2018
(In Millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
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
Other comprehensive income (loss), net of tax (Note K):				
Cumulative translation adjustment	$ 5	$ (57)	$ 2	$ (15)
Interest rate swaps	1	1	1	1
Pension and other post-retirement benefits	4	3	8	8
Other comprehensive income (loss), net of tax	10	(53)	11	(6)
Less: Other comprehensive income (loss) attributable to noncontrolling interest	4	(19)	1	(12)
Other comprehensive income (loss) attributable to Masco Corporation	$ 6	$ (34)	$ 10	$ 6
Total comprehensive income	$ 262	$ 171	$ 390	$ 379
Less: Total comprehensive income (loss) attributable to noncontrolling interest	16	(6)	24	13
Total comprehensive income attributable to Masco Corporation	$ 246	$ 177	$ 366	$ 366

See notes to condensed consolidated financial statements.

MASCO CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

For the Six Months Ended June 30, 2019 and 2018
(In Millions)

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:		
Cash provided by operations	$ 510	$ 499
Increase in receivables	(285)	(322)
Increase in inventories	(28)	(72)
Increase in accounts payable and accrued liabilities, net	16	188
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)
Proceeds from disposition of:		
Short-term bank deposits	—	108
Other financial investments	1	3
Property and equipment	15	1
Other, net	(8)	(5)
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

See notes to condensed consolidated financial statements.

MASCO CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

For the Three and Six Months Ended June 30, 2019 and 2018
(In Millions, Except Per Common Share Data)

	Total	Common Shares ($1 par value)	Paid-In Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest
Balance, January 1, 2018	**$ 183**	**$ 310**	**$ —**	**$ (298)**	**$ (65)**	**$ 236**
Reclassification of disproportionate tax effects (Refer to Note K)	—			59	(59)	
Total comprehensive income	208			149	40	19
Shares issued	(13)	2	(7)	(8)		
Shares retired:						
Repurchased	(150)	(4)		(146)		
Surrendered (non-cash)	(19)			(19)		
Cash dividends declared	(33)			(33)		
Stock-based compensation	7		7			
Balance, March 31, 2018	**$ 183**	**$ 308**	**$ —**	**$ (296)**	**$ (84)**	**$ 255**
Total comprehensive income (loss)	171			211	(34)	(6)
Shares issued	(1)		(1)			
Shares retired:						
Repurchased	(115)	(3)	(8)	(104)		
Cash dividends declared	(32)			(32)		
Dividends paid to noncontrolling interest	(89)					(89)
Stock-based compensation	9		9			
Balance, June 30, 2018	**$ 126**	**$ 305**	**$ —**	**$ (221)**	**$ (118)**	**$ 160**

MASCO CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited) (Concluded)

For the Three and Six Months Ended June 30, 2019 and 2018
(In Millions, Except Per Common Share Data)

	Total	Common Shares ($1 par value)	Paid-In Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest
Balance, January 1, 2019	**$ 69**	**$ 294**	**$ —**	**$ (278)**	**$ (127)**	**$ 180**
Total comprehensive income	128			116	4	8
Shares issued	5	1	4			
Shares retired:						
Repurchased	(122)	(3)	(11)	(108)		
Surrendered (non-cash)	(10)	(1)		(9)		
Cash dividends declared	(35)			(35)		
Stock-based compensation	7		7			
Balance, March 31, 2019	**$ 42**	**$ 291**	**$ —**	**$ (314)**	**$ (123)**	**$ 188**
Total comprehensive income	262			240	6	16
Shares issued	2	1	1			
Shares retired:						
Repurchased	(167)	(5)	(10)	(152)		
Cash dividends declared	(35)			(35)		
Dividends paid to noncontrolling interest	(42)					(42)
Stock-based compensation	9		9			
Balance, June 30, 2019	**$ 71**	**$ 287**	**$ —**	**$ (261)**	**$ (117)**	**$ 162**

See notes to condensed consolidated financial statements.

A. ACCOUNTING POLICIES

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments, of a normal recurring nature, necessary to fairly state our financial position at June 30, 2019 , our results of operations and comprehensive income (loss) for the three-month and six-month periods ended June 30, 2019 and 2018 , cash flows for the six-month period ended June 30, 2019 and changes in shareholders' equity for the three-month and six-month periods ended June 30, 2019 and 2018 . The condensed consolidated balance sheet at December 31, 2018 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Leases. We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets (“ROU assets”), accrued liabilities and other liabilities on our condensed consolidated balance sheet. Finance lease ROU assets are included in property and equipment, net, notes payable, and long-term debt on our condensed consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the duration of the lease term while lease liabilities represent our obligation to make lease payments in exchange for the right to use an underlying asset. ROU assets and lease liabilities are measured based on the present value of fixed lease payments over the lease term at the commencement date. The ROU asset also includes any lease payments made prior to the commencement date and initial direct costs incurred, and is reduced by any lease incentives received. We review our ROU assets as events occur or circumstances change that would indicate the carrying amount of the ROU assets are not recoverable and exceed their fair values. If the carrying amount of the ROU asset is not recoverable from its undiscounted cash flows, then we would recognize an impairment loss for the difference between the carrying amount and the current fair value.

As most of our leases do not provide an implicit rate, we generally use our incremental borrowing rate on the commencement date of the lease as the discount rate in determining the present value of future lease payments. We determine the incremental borrowing rate for each lease by using the current yields of our uncollateralized, publicly traded debts with maturity periods similar to the respective lease term, adjusted to a collateralized basis based on third-party data. Our lease terms may include options to extend or terminate the lease when there are relevant economic incentives present that make it reasonably certain that we will exercise that option. We account for any non-lease components separately from lease components.

For operating leases, lease expense for future fixed lease payments is recognized on a straight-line basis over the lease term. For finance leases, lease expense for future fixed lease payments is recognized using the effective interest rate method over the lease term. Variable lease payments are recognized as lease expense in the period incurred. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Recently Adopted Accounting Pronouncements. In February 2016, the Financial Accounting Standards Board ("FASB") issued a new standard for leases, ASC 842, which changes the accounting model for identifying and accounting for leases. We adopted ASC 842 on January 1, 2019 using the optional transition method, which allows for initial application of the new standard beginning at the adoption date. We elected the package of practical expedients that allows us to forgo reassessing a) whether any existing contracts are or contain leases, b) the lease classification for any existing leases, and c) whether initial direct costs for any existing leases are capitalized. We also elected the practical expedient to use hindsight with respect to lease renewals, terminations, and purchase options when determining the lease term and in assessing impairment of the assets related to leases existing at the time of adoption. As a result of the standard, we recorded $236 million of operating lease ROU assets, $45 million of short-term operating lease liabilities, and $214 million of long-term operating lease liabilities on the date of adoption. Our accounting for finance leases remained unchanged. The standard did not impact our condensed consolidated statements of operations or statements of cash flows.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," which improves and simplifies accounting rules around hedge accounting and better portrays the economic results of an entity's risk management activities in its financial statements. We adopted ASU 2017-12 on January 1, 2019. The adoption of the standard did not impact our financial position or results of operations.

A. ACCOUNTING POLICIES (Concluded)

In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," which modifies the accounting for share-based payment awards issued to nonemployees to largely align it with the accounting for share-based payment awards issued to employees.
We adopted ASU 2018-07 on January 1, 2019. The adoption of the standard did not impact our financial position or results of operations.

Recently Issued Accounting Pronouncements. In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which modifies the methodology for recognizing loss impairments on certain types of financial instruments, including receivables. The new methodology requires an entity to estimate the credit losses expected over the life of an exposure. Additionally, ASU 2016-13 amends the current available-for-sale security other-than-temporary impairment model for debt securities. ASU 2016-13 is effective for us for annual periods beginning January 1, 2020. We are currently evaluating the impact the adoption of this new standard will have on our financial position and results of operations.

In August 2018, the FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract," which allows for the capitalization of certain implementation costs incurred in a hosting arrangement that is a service contract. ASU 2018-15 allows for either retrospective adoption or prospective adoption to all implementation costs incurred after the date of adoption. ASU 2018-15 is effective for us for annual periods beginning January 1, 2020. We are currently evaluating the impact the adoption of this new standard will have on our financial position and results of operations.

B. ACQUISITIONS

On March 9, 2018, we acquired substantially all of the net assets of The L.D. Kichler Co. ("Kichler"), a leader in decorative residential and light commercial lighting products, ceiling fans and LED lighting systems. This business expands our product offerings to our customers. The results of this acquisition for the period from the acquisition date are included in the condensed consolidated financial statements and are reported in the Decorative Architectural Products segment. The purchase price, net of $2 million cash acquired, consisted of $549 million paid with cash on hand. Since the acquisition, we revised the allocation of the purchase price to identifiable assets and liabilities based on analysis of information as of the acquisition date that was made available in the year after acquisition. The initial and final allocations of the fair value of the acquisition of Kichler is summarized in the following table, in millions.

	Initial	Final
Receivables	$ 101	$ 100
Inventories	173	166
Other current assets	5	5
Property and equipment	33	33
Goodwill	46	64
Other intangible assets	243	240
Accounts payable	(24)	(24)
Accrued liabilities	(25)	(30)
Other liabilities	(4)	(5)
Total	$ 548	$ 549

The goodwill acquired, which is generally tax deductible, is related primarily to the operational and financial synergies we expect to derive from combining Kichler's operations into our business, as well as the assembled workforce. The other intangible assets acquired consist of $59 million of indefinite-lived intangible assets, which is related to trademarks, and $181 million of definite-lived intangible assets. The definite-lived intangible assets consist of $145 million related to customer relationships, which is being amortized on a straight-line basis over 20 years , and $36 million of other definite-lived intangible assets, which is being amortized over a weighted average amortization period of 3 years .

C. REVENUE

Our revenues are derived primarily from sales to customers in North America and Internationally, principally Europe. Net sales from these geographic markets, by segment, were as follows, in millions:

	Three Months Ended June 30, 2019				
	Plumbing Products	Decorative Architectural Products	Cabinetry Products	Windows and Other Specialty Products	Total
Primary geographic markets:					
North America	$ 661	$ 827	$ 251	$ 152	$ 1,891
International, principally Europe	351	—	—	33	384
Total	$ 1,012	$ 827	$ 251	$ 185	$ 2,275

	Six Months Ended June 30, 2019				
	Plumbing Products	Decorative Architectural Products	Cabinetry Products	Windows and Other Specialty Products	Total
Primary geographic markets:					
North America	$ 1,259	$ 1,400	$ 488	$ 279	$ 3,426
International, principally Europe	693	—	—	64	757
Total	$ 1,952	$ 1,400	$ 488	$ 343	$ 4,183

	Three Months Ended June 30, 2018				
	Plumbing Products	Decorative Architectural Products	Cabinetry Products	Windows and Other Specialty Products	Total
Primary geographic markets:					
North America	$ 647	$ 806	$ 268	$ 151	$ 1,872
International, principally Europe	385	—	—	40	425
Total	$ 1,032	$ 806	$ 268	$ 191	$ 2,297

	Six Months Ended June 30, 2018				
	Plumbing Products	Decorative Architectural Products	Cabinetry Products	Windows and Other Specialty Products	Total
Primary geographic markets:					
North America	$ 1,252	$ 1,351	$ 485	$ 300	$ 3,388
International, principally Europe	751	—	—	78	829
Total	$ 2,003	$ 1,351	$ 485	$ 378	$ 4,217

Our contract asset balance was $14 million at both June 30, 2019 and December 31, 2018 . Our contract liability balance was $14 million and $41 million at June 30, 2019 and December 31, 2018 , respectively.

We (reversed) recognized $(1) million and $3 million of revenue for the three-month periods ended June 30, 2019 and 2018, respectively, related to performance obligations settled in previous quarters of the same year. We recognized $1 million of revenue for both the three-month and six-month periods ended June 30, 2019 and $3 million of revenue for both the three-month and six-month periods ended June 30, 2018 related to performance obligations settled in previous years.

D. LEASES

We have operating and finance leases primarily for corporate offices, manufacturing facilities, warehouses, vehicles, and equipment. Our leases have remaining lease terms up to 14 years , some of which may include one or more renewal options with terms to extend the lease for up to an additional 20 years , and some of which may include options to terminate the leases prior to their expiration.

The components of lease cost were as follows, in millions:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	$ 15	$ 31
Short-term lease cost	2	4
Variable lease cost	1	2
Finance lease cost:		
Amortization of right-of-use assets	—	1
Interest on lease liabilities	1	1

Supplemental cash flow information related to leases was as follows, in millions:

	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	$ 29
Operating cash flows for finance leases	1
Financing cash flows for finance leases	1
ROU assets obtained in exchange for new lease obligations:	
Operating leases	$ 17
Finance leases	—

Certain other information related to leases was as follows:

	At June 30, 2019
Weighted-average remaining lease term:	
Operating leases	9 years
Finance leases	10 years
Weighted-average discount rate:	
Operating leases	4.5%
Finance leases	3.4%

Supplemental balance sheet information related to leases was as follows, in millions:

	At June 30, 2019	
	Operating Leases	Finance Leases
Property and equipment, net	$ —	$ 36
Notes payable	—	7
Accrued liabilities	46	—
Long-term debt	—	29
Other liabilities	206	—

Gross ROU assets under finance leases recorded within property and equipment, net were $47 million , and accumulated amortization associated with these leases was $11 million , at June 30, 2019 .

D. LEASES (Concluded)

At June 30, 2019 , future maturities of lease liabilities (under ASC 842) were as follows, in millions:

	Operating Leases	Finance Leases
Year ending December 31,		
2019 (excluding the six months ended June 30, 2019)	$ 28	$ 7
2020	53	3
2021	45	3
2022	36	3
2023	25	4
Thereafter	127	23
Total lease payments	314	43
Less: imputed interest	(62)	(7)
Total	$ 252	$ 36

At December 31, 2018 , future minimum operating lease payments (under ASC 840) were as follows, in millions: 2019 – $55 million ; 2020 – $47 million ; 2021 – $40 million ; 2022 – $30 million ; 2023 – $20 million ; 2024 and beyond – $99 million .

E. DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense was $82 million and $74 million for the six-month periods ended June 30, 2019 and 2018 , respectively.

F. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the six-month period ended June 30, 2019 , by segment, were as follows, in millions:

	Gross Goodwill At June 30, 2019	Accumulated Impairment Losses	Net Goodwill At June 30, 2019
Plumbing Products	$ 568	$ (340)	$ 228
Decorative Architectural Products	358	(75)	283
Cabinetry Products	181	—	181
Windows and Other Specialty Products	717	(518)	199
Total	$ 1,824	$ (933)	$ 891

	Gross Goodwill At December 31, 2018	Accumulated Impairment Losses	Net Goodwill At December 31, 2018	Pre-Tax Impairment Charges	Net Goodwill At June 30, 2019
Plumbing Products	$ 568	$ (340)	$ 228	$ —	$ 228
Decorative Architectural Products	358	(75)	283	—	283
Cabinetry Products	181	—	181	—	181
Windows and Other Specialty Products	717	(511)	206	(7)	199
Total	$ 1,824	$ (926)	$ 898	$ (7)	$ 891

F. GOODWILL AND OTHER INTANGIBLE ASSETS (Concluded)

In the first quarter of 2019 we recognized a $7 million non-cash goodwill impairment charge in our Windows and Other Specialty Products segment, related to a decline in the long-term outlook of our windows and doors business in the United Kingdom. We did not recognize a tax benefit as a result of this impairment.

The carrying value of our other indefinite-lived intangible assets was $190 million and $199 million at June 30, 2019 and December 31, 2018 , respectively, and principally included registered trademarks. During the first quarter of 2019, we recognized a $9 million impairment charge related to a registered trademark in our Decorative Architectural Products segment due to a change in the long-term net sales projections of lighting products. The carrying value of our definite-lived intangible assets was $197 million (net of accumulated amortization of $41 million) and $207 million (net of accumulated amortization of $29 million) at June 30, 2019 and December 31, 2018 , respectively, and principally included customer relationships.

G. WARRANTY LIABILITY

Changes in our warranty liability were as follows, in millions:

	Six Months Ended June 30, 2019	Twelve Months Ended December 31, 2018
Balance at January 1	$ 217	$ 205
Accruals for warranties issued during the period	38	78
Accruals related to pre-existing warranties	(2)	(1)
Settlements made (in cash or kind) during the period	(34)	(65)
Other, net (including currency translation)	(1)	—
Balance at end of period	$ 218	$ 217

H. DEBT

On April 16, 2018, we repaid and retired all of our $114 million , 6.625% Notes on the scheduled repayment date.

On March 13, 2019, we entered into a credit agreement (the “Credit Agreement”) with a bank group, with an aggregate commitment of $1.0 billion and a maturity date of March 13, 2024. Under the Credit Agreement, at our request and subject to certain conditions, we can increase the aggregate commitment up to an additional $500 million with the current bank group or new lenders. Upon entry into the Credit Agreement, our credit agreement dated March 28, 2013, as amended, with an aggregate commitment of $750 million , was terminated.

The Credit Agreement provides for an unsecured revolving credit facility available to us and one of our foreign subsidiaries, in U.S. dollars, European euros, British Pounds Sterling, Canadian dollars and certain other currencies for revolving credit loans, swingline loans and letters of credit. Borrowings under the revolving credit loans denominated in any agreed upon currency other than U.S. dollars are limited to $500 million , equivalent. We can also borrow swingline loans up to $100 million and obtain letters of credit of up to $25 million ; outstanding letters of credit under the Credit Agreement reduce our borrowing capacity. At June 30, 2019 , we had no outstanding standby letters of credit under the Credit Agreement.

Revolving credit loans bear interest under the Credit Agreement, at our option, at (A) a rate per annum equal to the greater of (i) the JPMorgan Chase Bank, N.A. prime rate, (ii) the Federal Reserve Bank of New York effective rate plus 0.50% and (iii) adjusted LIBO Rate plus 1.0% (the "Alternative Base Rate"); plus an applicable margin based upon our then-applicable corporate credit ratings; or (B) adjusted LIBO Rate plus an applicable margin based upon our then-applicable corporate credit ratings. The foreign currency revolving credit loans bear interest at a rate equal to adjusted LIBO Rate plus an applicable margin based upon our then-applicable corporate credit ratings.

The Credit Agreement contains financial covenants requiring us to maintain (A) a maximum net leverage ratio, as adjusted for certain items, of 4.0 to 1.0, and (B) a minimum interest coverage ratio, as adjusted for certain items, equal to or greater than 2.5 to 1.0.

H. DEBT (Concluded)

In order for us to borrow under the Credit Agreement, there must not be any default in our covenants in the Credit Agreement (i.e., in addition to the two financial covenants, principally limitations on subsidiary debt, negative pledge restrictions, legal compliance requirements and maintenance of properties and insurance) and our representations and warranties in the Credit Agreement must be true in all material respects on the date of borrowing (i.e., principally no material adverse change or litigation likely to result in a material adverse change, since December 31, 2018, no material ERISA or environmental non-compliance, and no material tax deficiency). We were in compliance with all covenants and no borrowings were outstanding at June 30, 2019 .

Fair Value of Debt. The fair value of our short-term and long-term fixed-rate debt instruments is based principally upon modeled market prices for the same or similar issues, which are Level 1 inputs. The aggregate estimated market value of our short-term and long-term debt at June 30, 2019 was approximately $3.2 billion , compared with the aggregate carrying value of $3.0 billion . The aggregate estimated market value was approximately $3.0 billion at December 31, 2018 , which equaled the aggregate carrying value of short-term and long-term debt at that date.

I. STOCK-BASED COMPENSATION

Our 2014 Long Term Stock Incentive Plan provides for the issuance of stock-based incentives in various forms to our employees and non-employee Directors. At June 30, 2019 , outstanding stock-based incentives were in the form of long-term stock awards, stock options, restricted stock units, phantom stock awards and stock appreciation rights.

Pre-tax compensation expense for these stock-based incentives was as follows, in millions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Long-term stock awards	$ 7	$ 7	$ 12	$ 12
Stock options	1	1	2	2
Restricted stock units	1	1	2	2
Phantom stock awards and stock appreciation rights	1	(1)	2	(1)
Total	$ 10	$ 8	$ 18	$ 15

Long-Term Stock Awards. Long-term stock awards are granted to our key employees and non-employee Directors and do not cause net share dilution inasmuch as we continue the practice of repurchasing and retiring an equal number of shares in the open market. We granted 632,280 shares of long-term stock awards in the six-month period ended June 30, 2019 .

I. STOCK-BASED COMPENSATION (Continued)

Our long-term stock award activity was as follows, shares in millions:

	Six Months Ended June 30,	
	2019	2018
Unvested stock award shares at January 1	2	3
Weighted average grant date fair value	$ 30	$ 24
Stock award shares granted	1	1
Weighted average grant date fair value	$ 36	$ 42
Stock award shares vested	1	1
Weighted average grant date fair value	$ 25	$ 21
Stock award shares forfeited	—	—
Weighted average grant date fair value	$ 31	$ 30
Unvested stock award shares at June 30	2	3
Weighted average grant date fair value	$ 34	$ 30

At June 30, 2019 and 2018 , there was $55 million and $56 million , respectively, of total unrecognized compensation expense related to unvested stock awards; such awards had a weighted average remaining vesting period of three years at both June 30, 2019 and 2018 .

The total market value (at the vesting date) of stock award shares which vested during the six-month periods ended June 30, 2019 and 2018 was $30 million and $54 million , respectively.

Stock Options. Stock options are granted to certain key employees. The exercise price equals the market price of our common stock at the grant date. These options generally become exercisable (vest ratably) over five years beginning on the first anniversary from the date of grant and expire no later than 10 years after the grant date.

We granted 561,280 shares of stock options in the six-month period ended June 30, 2019 with a grant date weighted average exercise price of approximately $36 per share. In the six-month period ended June 30, 2019 , 42,570 stock options were forfeited (including options that expired unexercised).

I. STOCK-BASED COMPENSATION (Continued)

Our stock option activity was as follows, shares in millions:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Option shares outstanding, January 1	4	5
Weighted average exercise price	$ 21	$ 16
Option shares granted	1	—
Weighted average exercise price	$ 36	$ 42
Option shares exercised	1	1
Aggregate intrinsic value on date of exercise **(A)**	$ 17 million	$ 36 million
Weighted average exercise price	$ 11	$ 12
Option shares forfeited	—	—
Weighted average exercise price	$ 36	$ 31
Option shares outstanding, June 30	4	4
Weighted average exercise price	$ 25	$ 19
Weighted average remaining option term (in years)	6	5
Option shares vested and expected to vest, June 30	4	4
Weighted average exercise price	$ 25	$ 19
Aggregate intrinsic value **(A)**	$ 52 million	$ 82 million
Weighted average remaining option term (in years)	6	5
Option shares exercisable (vested), June 30	2	3
Weighted average exercise price	$ 20	$ 15
Aggregate intrinsic value **(A)**	$ 45 million	$ 74 million
Weighted average remaining option term (in years)	4	4

(A) Aggregate intrinsic value is calculated using our stock price at each respective date, less the exercise price (grant date price), multiplied by the number of shares.

At June 30, 2019 and 2018 , there was $11 million and $10 million , respectively, of unrecognized compensation expense (using the Black-Scholes option pricing model at the grant date) related to unvested stock options; such options had a weighted average remaining vesting period of three years at both June 30, 2019 and 2018 .

I. STOCK-BASED COMPENSATION (Concluded)

The weighted average grant date fair value of option shares granted and the assumptions used to estimate those values using a Black-Scholes option pricing model were as follows:

	Six Months Ended June 30,	
	2019	2018
Weighted average grant date fair value	$ 8.81	$ 12.52
Risk-free interest rate	2.57%	2.71%
Dividend yield	1.35%	1.00%
Volatility factor	25.00%	29.00%
Expected option life	6 years	6 years

Restricted Stock Units. Under our Long Term Incentive Program, we grant restricted stock units to certain senior executives. These restricted stock units will vest and share awards will be issued at no cost to the employees, subject to our achievement of specified return on invested capital performance goals over a three-year period that have been established by our Organization and Compensation Committee of the Board of Directors for the performance period and the recipient's continued employment through the share award date. We granted 126,680 restricted stock units in the six-month period ended June 30, 2019 , with a grant date fair value of approximately $39 per share, and 113,260 restricted stock units in the six-month period ended June 30, 2018 , with a grant date fair value of approximately $42 per share. During the six-month period ended June 30, 2018 , 11,600 restricted stock units were forfeited.

J. EMPLOYEE RETIREMENT PLANS

Net periodic pension cost for our defined-benefit pension plans, with the exception of service cost, is recorded in other income (expense), net, in our condensed consolidated statement of operations. Net periodic pension cost for our defined-benefit pension plans was as follows, in millions:

	Three Months Ended June 30,			
	2019		2018	
	Qualified	Non-Qualified	Qualified	Non-Qualified
Interest cost	$ 9	$ 2	$ 10	$ 2
Expected return on plan assets	(11)	—	(12)	—
Amortization of net loss	6	—	5	—
Net periodic pension cost	$ 4	$ 2	$ 3	$ 2

	Six Months Ended June 30,			
	2019		2018	
	Qualified	Non-Qualified	Qualified	Non-Qualified
Service cost	$ 1	$ —	$ 1	$ —
Interest cost	19	3	20	3
Expected return on plan assets	(22)	—	(24)	—
Amortization of net loss	10	1	9	1
Net periodic pension cost	$ 8	$ 4	$ 6	$ 4

As of January 1, 2010, substantially all of our domestic and foreign qualified and domestic non-qualified defined-benefit pension plans were frozen to future benefit accruals.

K. RECLASSIFICATIONS FROM ACCUMULATED OTHER COMPREHENSIVE LOSS

The reclassifications from accumulated other comprehensive loss to the condensed consolidated statements of operations were as follows, in millions:

	Amounts Reclassified				
	Three Months Ended June 30,		Six Months Ended June 30,		
Accumulated Other Comprehensive Loss	2019	2018	2019	2018	Statement of Operations Line Item
Amortization of defined-benefit pension and other post-retirement benefits:					
Actuarial losses, net	$ 6	$ 5	$ 11	$ 10	Other income (expense), net
Tax (benefit)	(2)	(2)	(3)	(2)	
Net of tax	$ 4	$ 3	$ 8	$ 8	
Interest rate swaps	$ 1	$ 1	$ 1	$ 1	Interest expense
Tax (benefit)	—	—	—	—	
Net of tax	$ 1	$ 1	$ 1	$ 1	

In addition to the above amounts, as of March 31, 2018, we adopted ASU 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." As a result of the adoption, we reclassified $59 million of the disproportionate tax benefit relating to various defined-benefit plans from accumulated other comprehensive loss to retained deficit in 2018.

L. SEGMENT INFORMATION

Information by segment and geographic area was as follows, in millions:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	2019	2018	2019	2018	2019	2018
	Net Sales (A)		Operating Profit (Loss)		Net Sales(A)		Operating Profit (Loss)	
Operations by segment:								
Plumbing Products	$ 1,012	$ 1,032	$ 198	$ 194	$ 1,952	$ 2,003	$ 351	$ 357
Decorative Architectural Products	827	806	173	145	1,400	1,351	246	234
Cabinetry Products	251	268	33	33	488	485	53	39
Windows and Other Specialty Products	185	191	7	8	343	378	(4)	12
Total	$ 2,275	$ 2,297	$ 411	$ 380	$ 4,183	$ 4,217	$ 646	$ 642
Operations by geographic area:								
North America	$ 1,891	$ 1,872	$ 364	$ 323	$ 3,426	$ 3,388	$ 566	$ 541
International, principally Europe	384	425	47	57	757	829	80	101
Total	$ 2,275	$ 2,297	411	380	$ 4,183	$ 4,217	646	642
General corporate expense, net			(19)	(22)			(43)	(40)
Operating profit			392	358			603	602
Other income (expense), net			(45)	(46)			(88)	(90)
Income before income taxes			$ 347	$ 312			$ 515	$ 512

(A) Inter-segment sales were not material.

M. OTHER INCOME (EXPENSE), NET

Other, net, which is included in other income (expense), net, was as follows, in millions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Income from cash and cash investments and short-term bank deposits	$ —	$ —	$ 1	$ 2
Equity investment income, net	—	2	—	2
Foreign currency transaction gains (losses)	2	(5)	2	(6)
Net periodic pension and post-retirement benefit cost	(6)	(5)	(11)	(9)
Total other, net	$ (4)	$ (8)	$ (8)	$ (11)

N. INCOME PER COMMON SHARE

Reconciliations of the numerators and denominators used in the computations of basic and diluted income per common share were as follows, in millions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator (basic and diluted):				
Net income	$ 240	$ 211	$ 356	$ 360
Less: Allocation to unvested restricted stock awards	2	1	2	3
Net income available to common shareholders	$ 238	$ 210	$ 354	$ 357
Denominator:				
Basic common shares (based upon weighted average)	289	306	291	308
Add: Stock option dilution	1	3	1	3
Diluted common shares	290	309	292	311

For the three-month and six-month periods ended June 30, 2019 and 2018 , we allocated dividends and undistributed earnings to the unvested restricted stock awards.

Additionally, 1.3 million and 1.2 million common shares for the three-month and six-month periods ended June 30, 2019 , respectively, and 675,000 and 606,000 common shares for the three-month and six-month periods ended June 30, 2018 , respectively, related to stock options and 20,000 common shares related to restricted stock units for the three-month and six-month periods ended June 30, 2019 were excluded from the computation of diluted income per common share due to their antidilutive effect.

In May 2017, our Board of Directors authorized the repurchase, for retirement, of up to $1.5 billion of shares of our common stock in open-market transactions or otherwise. In the first six months of 2019 , we repurchased and retired 7.7 million shares of our common stock (including 0.6 million shares to offset the dilutive impact of long-term stock awards granted in the first half of the year), for approximately $289 million . At June 30, 2019 , we had $347 million remaining under the 2017 authorization.

On the basis of amounts paid (declared), cash dividends per common share were $0.120 ($0.120) and $0.240 ($0.240) for the three-month and six-month periods ended June 30, 2019 , respectively, and $0.105 ($0.105) and $0.210 ($0.210) for the three-month and six-month periods ended June 30, 2018 , respectively.

O. OTHER COMMITMENTS AND CONTINGENCIES

We are involved in claims and litigation, including class actions and regulatory proceedings, which arise in the ordinary course of our business. The types of matters may include, among others: competition, product liability, employment, warranty, advertising, contract, personal injury, environmental, intellectual property, and insurance coverage. We believe we have adequate defenses in these matters and that the likelihood that the outcome of these matters would have a material adverse effect on us is remote. However, there is no assurance that we will prevail in these matters, and we could, in the future, incur judgments, enter into settlements of claims or revise our expectations regarding the outcome of these matters, which could materially impact our results of operations.

P. INCOME TAXES

Our effective tax rate was 27 percent and 28 percent for the three-month periods ended June 30, 2019 and 2018, respectively. The decrease in the rate was primarily due to a $3 million income tax expense resulting from enacted state and local tax law changes recognized in the three-month period ended June 30, 2018.

Our effective tax rate was 26 percent and 25 percent for the six-month periods ended June 30, 2019 and 2018, respectively. The increase in the rate was primarily due to an additional $10 million income tax benefit on stock-based compensation recognized in the six-month period ended June 30, 2018.

MASCO CORPORATION

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SECOND QUARTER 2019 AND THE FIRST SIX MONTHS 2019 VERSUS SECOND QUARTER 2018 AND THE FIRST SIX MONTHS 2018

SALES AND OPERATIONS

The following table sets forth our net sales and operating profit (loss) by business segment and geographic area, dollars in millions:

	Three Months Ended June 30,		Percent Change
	2019	2018	2019 vs. 2018
Net Sales:			
Plumbing Products	$ 1,012	$ 1,032	(2)%
Decorative Architectural Products	827	806	3%
Cabinetry Products	251	268	(6)%
Windows and Other Specialty Products	185	191	(3)%
Total	$ 2,275	$ 2,297	(1)%
North America	$ 1,891	$ 1,872	1%
International, principally Europe	384	425	(10)%
Total	$ 2,275	$ 2,297	(1)%

	Six Months Ended June 30,		Percent Change
	2019	2018	2019 vs. 2018
Net Sales:			
Plumbing Products	$ 1,952	$ 2,003	(3)%
Decorative Architectural Products	1,400	1,351	4%
Cabinetry Products	488	485	1%
Windows and Other Specialty Products	343	378	(9)%
Total	$ 4,183	$ 4,217	(1)%
North America	$ 3,426	$ 3,388	1%
International, principally Europe	757	829	(9)%
Total	$ 4,183	$ 4,217	(1)%

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Operating Profit (Loss): (A)				
Plumbing Products	$ 198	$ 194	$ 351	$ 357
Decorative Architectural Products	173	145	246	234
Cabinetry Products	33	33	53	39
Windows and Other Specialty Products	7	8	(4)	12
Total	$ 411	$ 380	$ 646	$ 642
North America	$ 364	$ 323	$ 566	$ 541
International, principally Europe	47	57	80	101
Total	411	380	646	642
General corporate expense, net	(19)	(22)	(43)	(40)
Operating profit	$ 392	$ 358	$ 603	$ 602

(A) Before general corporate expense, net; see Note L to the condensed consolidated financial statements.

We report our financial results in accordance with generally accepted accounting principles ("GAAP") in the United States. However, we believe that certain non-GAAP performance measures and ratios 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, our reported results under GAAP.

The following discussion of consolidated results of operations and segment and geographic results refers to the three-month and six-month periods ended June 30, 2019 compared to the same periods of 2018.

NET SALES

Net sales decreased one percent for both the three-month and six-month periods ended June 30, 2019 . Excluding acquisitions and the effect of currency translation, net sales were flat for the three-month period ended June 30, 2019 and decreased one percent for the six-month period ended June 30, 2019. The following table reconciles reported net sales to net sales, excluding acquisitions and the effect of currency translation, in millions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net sales, as reported	$ 2,275	$ 2,297	$ 4,183	$ 4,217
Acquisitions	—	—	(65)	—
Net sales, excluding acquisitions	2,275	2,297	4,118	4,217
Currency translation	26	—	59	—
Net sales, excluding acquisitions and the effect of currency translation	$ 2,301	$ 2,297	$ 4,177	$ 4,217

North American net sales increased one percent for both the three-month and six-month periods ended June 30, 2019 . Net selling price increases of paints and other coating products and plumbing products, in aggregate, increased sales by two percent for both periods, and favorable sales mix of lighting products and windows, in aggregate, increased sales by one percent for the three-month period. The acquisition of Kichler in March 2018 increased sales by two percent for the six-month period. Such increases were partially offset by lower sales volume of cabinets and lighting products which, in aggregate, decreased sales by two percent for the three-month period, and lower sales volume of paints and other coating products, windows, and plumbing products, which, in aggregate, decreased sales by three percent for the six-month period.

International net sales decreased 10 percent and nine percent for the three-month and six-month periods ended June 30, 2019 , respectively. In local currencies (including sales in currencies outside their respective functional currencies), net sales decreased four percent and two percent for the three-month and six-month periods, respectively. Lower sales volume of plumbing products and windows, in aggregate, decreased sales by five percent and four percent for the three-month and six-month periods, respectively. Unfavorable sales mix of plumbing products decreased sales by one percent for the six-month period. Such decreases were partially offset by net selling price increases of plumbing products, which increased sales by one percent for both the three-month and six-month periods ended June 30, 2019 .

Net sales in the Plumbing Products segment decreased two percent and three percent for the three-month and six-month periods ended June 30, 2019 , respectively. Foreign currency translation decreased sales by two percent and three percent for the three-month and six-month periods, respectively. Lower sales volume of International and North American operations, in aggregate, decreased sales by two percent for both periods. Such decreases were partially offset by net selling price increases of North American operations, which increased sales by two percent for both periods.

Net sales in the Decorative Architectural Products segment increased three percent and four percent for the three-month and six-month periods ended June 30, 2019 , respectively. The acquisition of Kichler increased sales by five percent for the six-month period. Net sales also increased in both periods due to net selling price increases of paints and other coating products and lighting products and favorable sales mix of lighting products. Such increases were partially offset by lower sales volume of lighting products and, for the six-month period only, paints and other coating products.

Net sales in the Cabinetry Products segment decreased six percent for the three-month period ended June 30, 2019 due primarily to lower sales volume, which decreased sales by 10 percent. Such decreases were partially offset by net selling price increases, which increased sales by three percent. Net sales increased one percent for the six-month period ended June 30, 2019 due primarily to net selling price increases, which increased sales by three percent. Such increases were partially offset by unfavorable sales mix, which decreased sales by two percent.

Net sales in the Windows and Other Specialty Products segment decreased three percent and nine percent for the three-month and six-month periods ended June 30, 2019 , respectively, due primarily to lower sales volume of both North American and International windows which, in aggregate, decreased sales by eight percent and 12 percent, respectively. Foreign currency translation also decreased sales by one percent for both periods. Such decreases were partially offset by favorable sales mix of North American windows, which increased sales by three percent and two percent, respectively, and net selling price increases of North American and International windows which, in aggregate, increased sales by two percent for both periods.

OPERATING PROFIT

Our gross profit margins were 34.4 percent and 33.0 percent for the three-month and six-month periods ended June 30, 2019 , respectively, compared with 32.7 percent and 32.5 percent for the comparable periods of 2018. Gross profit margins were positively impacted by increased net selling prices and the benefits associated with cost savings initiatives, partially offset by decreased sales volume, and an increase in commodity costs (including tariffs).

Selling, general and administrative expenses, as a percentage of sales, were 17.1 percent and 18.2 percent for both the three-month and six-month periods ended June 30, 2019 and 2018, respectively.

Operating profit in the Plumbing Products segment for the three-month period ended June 30, 2019 was positively impacted by increased net selling prices and the benefits associated with cost savings initiatives. These positive impacts were partially offset by lower sales volume and an increase in other expenses (such as marketing related expenses). Operating profit in the Plumbing Products segment for the six-month period ended June 30, 2019 was negatively impacted by an increase in other expenses (such as trade show costs and marketing related expenses), lower sales volume and an increase in commodity costs. These negative impacts were partially offset by increased net selling prices and the benefits associated with cost savings initiatives.

Operating profit in the Decorative Architectural Products segment for the three-month and six-month periods ended June 30, 2019 was positively impacted by increased net selling prices of paints and other coating products and lighting products, the absence of the partial recognition of the inventory step up adjustment established as part of the acquisition of Kichler in 2018, and the benefits associated with cost savings initiatives. These positive impacts were partially offset by an increase in commodity costs (mostly in paints and other coating products) for the three-month and six-month periods, and, for the six-month period only, lower sales volume of paints and other coating products and a non-cash impairment charge related to an other indefinite-lived intangible asset for a trademark associated with lighting products.

Operating profit in the Cabinetry Products segment for the three-month and six-month periods ended June 30, 2019 was positively impacted by increased net selling prices, the benefits associated with cost savings initiatives and, for the six-month period only, a decrease in program launch and display expenses. These positive impacts were primarily offset by lower sales volume and higher variable expenses for the three-month period.

Operating profit in the Windows and Other Specialty Products segment for the three-month period ended June 30, 2019 was negatively impacted by lower sales volume, partially offset by increased net selling prices. Operating loss for the six-month period ended June 30, 2019 was negatively impacted by lower sales volume, a non-cash impairment charge related to goodwill and increased commodity costs. These negative impacts were partially offset by increased net selling prices.

OTHER INCOME (EXPENSE), NET

Interest expense for the three-month and six-month periods ended June 30, 2019 was $41 million and $80 million , respectively, compared to $38 million and $79 million for the three-month and six-month periods ended June 30, 2018 . Interest expense for the three-month period ended June 30, 2019 increased primarily due to temporary borrowings on our Credit Agreement.

Other, net, for the three-month and six-month periods ended June 30, 2019 included $6 million and $11 million , respectively, of net periodic pension and post-retirement benefit cost and $2 million of foreign currency transaction gains in both periods. Other, net, for the three-month and six-month periods ended June 30, 2018 included $5 million and $9 million , respectively, of net periodic pension and post-retirement benefit cost, $5 million and $6 million , respectively, of foreign currency transaction losses, and $2 million of earnings related to equity method investments in both periods.

NET INCOME AND INCOME PER COMMON SHARE — ATTRIBUTABLE TO MASCO CORPORATION

Net income for the three-month and six-month periods ended June 30, 2019 was $240 million and $356 million , respectively, compared to $211 million and $360 million , respectively, for the comparable periods of 2018 . Diluted income per common share for the three-month and six-month periods ended June 30, 2019 was $.82 and $1.21 , respectively, per common share, compared with $.68 and $1.15 , respectively, per common share for the comparable periods of 2018 .

Our effective tax rate of 27 percent and 26 percent for the three-month and six-month periods ended June 30, 2019 , respectively, were higher than our normalized tax rate of 25 percent due primarily to losses in certain foreign jurisdictions providing no income tax benefit.

Our effective tax rate was 28 percent and 25 percent for the three-month and six-month periods ended June 30, 2018, respectively. Our effective tax rate for the three-month period was higher than our normalized tax rate of 25 percent , primarily due to a $3 million income tax expense resulting from enacted state and local tax law changes and an additional $3 million U.S. income tax expense on undistributed foreign earnings.

OTHER FINANCIAL INFORMATION

Our current ratio was 1.5 to 1 and 1.6 to 1 at June 30, 2019 and December 31, 2018 , respectively. The decrease in our current ratio is due primarily to the reclassification of our $201 million, 7.125% Notes due March 15, 2020 to short-term notes payable, as well as the adoption of ASC 842, which added $45 million of short-term operating lease liabilities to our balance sheet.

For the six-month period ended June 30, 2019 , net cash provided by operating activities was $213 million .

For the six-month period ended June 30, 2019 , net cash used for financing activities was $386 million , primarily due to $289 million for the repurchase and retirement of our common stock (including 0.6 million shares repurchased to offset the dilutive impact of long-term stock awards granted in 2019), $70 million for the payment of cash dividends, $42 million for dividends paid to noncontrolling interests, and $16 million for employee withholding taxes paid on stock-based compensation. These uses of cash were partially offset by $20 million of additional short-term debt obligations, net, and $13 million of proceeds from the exercise of stock options.

For the six-month period ended June 30, 2019 , net cash used for investing activities was $63 million , primarily for capital expenditures.

Our cash and cash investments were $325 million and $559 million at June 30, 2019 and December 31, 2018, respectively. Our cash and cash investments consist of overnight interest bearing money market demand accounts, time deposit accounts, and money market mutual funds containing government securities and treasury obligations.

Of the $325 million and $559 million of cash and cash investments held at June 30, 2019 and December 31, 2018, $225 million and $270 million , respectively, was held in our foreign subsidiaries. If these funds were needed for our operations in the U.S., their repatriation into the U.S. would not result in significant additional U.S. income tax or foreign withholding tax, as we have recorded such taxes on substantially all undistributed foreign earnings, except for those that are legally restricted.

On March 13, 2019, we entered into a credit agreement (the "Credit Agreement") with a bank group, with an aggregate commitment of $1.0 billion and a maturity date of March 13, 2024. Under the Credit Agreement, at our request and subject to certain conditions, we can increase the aggregate commitment up to an additional $500 million with the current bank group or new lenders. Upon entry into the Credit Agreement, our credit agreement dated March 28, 2013, as amended, with an aggregate commitment of $750 million, was terminated. See Note H to the condensed consolidated financial statements.

The Credit Agreement contains financial covenants requiring us to maintain (A) a maximum net leverage ratio, as adjusted for certain items, of 4.0 to 1.0, and (B) a minimum interest coverage ratio, as adjusted for certain items, equal to or greater than 2.5 to 1.0. We were in compliance with all covenants and no borrowings were outstanding under our Credit Agreement at June 30, 2019 .

As part of our ongoing efforts to improve our cash flow and related liquidity, we work with suppliers to optimize our terms and conditions, including extending payment terms. We also facilitate a voluntary supply chain finance program (the "program") to provide certain of our suppliers with the opportunity to sell receivables due from us to participating financial institutions at the sole discretion of both the suppliers and the financial institutions. A third party administers the program; our responsibility is limited to making payment on the terms originally negotiated with our supplier, regardless of whether the supplier sells its receivable to a financial institution. We do not enter into agreements with any of the participating financial institutions in connection with the program. The range of payment terms we negotiate with our suppliers is consistent, irrespective of whether a supplier participates in the program.

All outstanding payments owed under the program are recorded within accounts payable in our condensed consolidated balance sheets. The amounts owed to participating financial institutions under the program and included in accounts payable were $76 million and $87 million at June 30, 2019 and December 31, 2018 , respectively. We account for all payments made under the program as a reduction to our cash flows from operations and reported within our increase in accounts payable and accrued liabilities, net, line within our condensed consolidated statements of cash flows. The amounts settled through the program and paid to participating financial institutions were $154 million and $158 million during the six-month periods ended June 30, 2019 and 2018 , respectively. A downgrade in our credit rating or changes in the financial markets could limit the financial institutions' willingness to commit funds to, and participate in, the program. We do not believe such risk would have a material impact on our working capital or cash flows, as substantially all of our payments are made outside of the program.

We believe that our present cash balance, cash flows from operations, and the ability to utilize our Credit Agreement are sufficient to fund our near-term working capital and other investment needs. We believe that our longer-term working capital and other general corporate requirements will be satisfied through cash flows from operations and, to the extent necessary, from bank borrowings and future financial market activities.

OUTLOOK FOR THE COMPANY

We continue to successfully execute our long-term growth strategies by leveraging our strong brand portfolio, industry-leading positions and Masco Operating System, our methodology to drive growth and productivity. We remain confident in the fundamentals of our business and will continue to execute on our strategies to create shareholder value. We believe that our strong financial position and cash flow generation, together with our current strategy of investing in our industry-leading branded building products, our continued focus on innovation and our commitment to operational excellence, the active management of our portfolio and disciplined capital allocation, will allow us to drive long-term growth and create value for our shareholders. Additionally, we are pursuing the sale of our Cabinetry and Windows businesses, and expect these sales to conclude in the next six to nine months, assuming they can be completed on acceptable terms and conditions.

FORWARD-LOOKING STATEMENTS

This report contains statements that reflect our views about our future performance and constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "outlook," "believe," "anticipate," "appear," "may," "will," "should," "intend," "plan," "estimate," "expect," "assume," "seek," "forecast," and similar references to future periods. Our views about future performance 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 the levels of residential repair and remodel activity and new home construction, our ability to maintain our strong brands and reputation and to develop new products, our ability to maintain our competitive position in our industries, our reliance on key customers, the cost and availability of raw materials and increasing tariffs, our dependence on third-party suppliers, risks associated with international operations and global strategies, our ability to achieve the anticipated benefits of our strategic initiatives, including the potential divestitures of our Cabinetry and Windows businesses, our ability to successfully execute our acquisition strategy and integrate businesses that we have and may acquire, our ability to attract, develop and retain talented personnel, risks associated with our reliance on information systems and technology, and our ability to achieve the anticipated benefits from our investments in new technology. These and other factors are discussed in detail in Item 1A, "Risk Factors" in our most recent Annual Report on Form 10-K, as well as in other filings we make with the Securities and Exchange Commission. The forward-looking statements in this report speak only as of the date of this report. 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.

Item 4.

CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures.

The Company’s principal executive officer and principal financial officer have concluded, based on an evaluation of the Company’s disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15 that, as of June 30, 2019 , the Company's disclosure controls and procedures were effective.

b. Changes in Internal Control over Financial Reporting.

In connection with the evaluation of the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2019 , which is required under the Securities Exchange Act of 1934 by paragraph (d) of Exchange Rules 13a-15 or 15d-15 (as defined in paragraph (f) of Rule 13a-15), management determined that there was no change that materially affected or is reasonably likely to materially affect internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1 . Legal Proceedings

Information regarding legal proceedings involving us is set forth in Note O to our condensed consolidated financial statements included in Part I, Item 1 of this Report and is incorporated herein by reference.

Item 1A . Risk Factors

There have been no material changes to the risk factors of the Company set forth in Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018 .

Item 2 . Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information regarding the repurchase of our common stock for the three-month period ended June 30, 2019 under the 2017 share repurchase authorization:

Period	Total Number Of Shares Purchased	Average Price Paid Per Common Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans or Programs	Maximum Value Of Shares That May Yet Be Purchased Under The Plans Or Programs
4/1/19-4/30/19	1,856,977	$ 39.49	1,856,977	$ 439,790,212
5/1/19-5/31/19	2,427,100	$ 38.31	2,427,100	$ 346,797,837
6/1/19-6/30/19	—		—	$ 346,797,837
Total for the period	4,284,077	$ 38.82	4,284,077	$ 346,797,837

Item 6 . Exhibits

10	–	Agreement dated June 18, 2019 between Joe Gross and Masco Corporation
31a	–	Certification by Chief Executive Officer Required by Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
31b	–	Certification by Chief Financial Officer Required by Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
32	–	Certification Required by Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code
101	–	Interactive Data File

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MASCO CORPORATION

By: /s/ John G. Sznewajs

Name: John G. Sznewajs

Title: Vice President, Chief Financial Officer

July 25, 2019

MASCO

Masco Corporation
17450 College Parkway
Livonia, MI 48152
www.masco.com

Via Hand Delivery

June 18, 2019

Dear Joe:

I am pleased that you have agreed to lead Masco Cabinetry LLC ("Masco Cabinetry") and Milgard Manufacturing Inc. ("Milgard") (collectively, the "Businesses") through the divestiture process. In connection with accepting this responsibility, I also am pleased to offer on behalf of Masco Corporation ("Masco") the retention and severance payments and awards set forth below. These payments and awards are subject to the terms and conditions set forth in this letter agreement ("Agreement").

We expect that you will treat all prospective purchasers of the Businesses fairly and equally. You may not solicit potential buyers and may not have interaction with potential buyers outside of those requested and approved by Masco. Violations of these requirements and restrictions may result in the loss of the Retention Incentives (defined herein). For the purposes of this letter, "Sale Date" means the later of the date that both the sale of Masco Cabinetry and Milgard are closed. The "Effective Date" of this Agreement is the date identified above.

A. <u>**Retention Incentives**</u> **.** Conditioned upon your compliance with a severance agreement and release of all liability ("Release Agreement") and all other requirements of this Agreement, you will be entitled to the following Retention Incentives:

i. A lump sum payment of $1,750,000.00;

ii. Payment of up to $250,000.00 (200% of target) based on Masco Cabinetry's operating profit and working capital achievement as against the targets established in the Masco Cabinetry Cons 2019 Incentive Compensation Targets dated March 21, 2019, as determined by Masco and calculated in accordance with its accounting practices, as of the closing date of the sale of Masco Cabinetry;

iii. Payment of up to $250,000.00 (200% of target) based on Milgard's operating profit and working capital achievement as against targets established in the Milgard Manufacturing Inc 2019 Incentive Compensation Targets dated March 21, 2019, as determined by Masco and calculated in accordance with its accounting practices, as of the closing date of the sale of Milgard;

iv. Payment of a bonus that you would have received had your employment not ended for the fiscal year in which the Sale Date occurs based on your individual bonus target and Masco's performance goals, prorated through your last day of employment with Masco (the "Separation Date");

v. Payment of the cash equivalent of any Masco restricted stock award that would have been awarded to you had your employment not ended for the fiscal year in which the Sale Date occurs based on your individual target and Masco's performance, prorated through the Separation Date;

vi. Payment for any accrued but unused vacation time as of the Separation Date;

vii. Effective upon you executing this Agreement (the "Stock Effective Date"), the 42,570 stock options granted to you on February 7, 2019 will be cancelled and in exchange Masco will issue you 10,560 shares of common stock of Masco (which represents the number of shares that would have had the same grant date fair market value on February 7, 2019 as the stock options granted to you on such date) as restricted stock pursuant to, and subject to, the terms of the 2014 Masco Corporation Long-Term Stock Incentive Plan (the "Plan"). These shares of restricted stock will vest in five equal annual installments commencing on January 14, 2020;

viii. If, as of the Separation Date, you remain eligible under the 2017-2019 Long-Term Incentive Program, 2018-2020 Long-Term Incentive Program and/or the 2019-2021 Long-Term Incentive Program, the agreements governing the awards previously made to you under these programs shall be amended to permit you to participate in awards relating to such performance periods, based on pro-rated awards of a percentage of the amounts earned in each performance period, such pro-rata amounts to be determined based on your Separation Date, and with such awards to be made at the same time as awards are made to other eligible participants for each such performance period, recognizing in each case your contribution to the performance achieved by Masco in each of the performance periods; and

ix. If, as of the Separation Date, you hold stock options and/or restricted stock awards under the Plan that are outstanding and unvested (together, your "Outstanding Awards"), to the extent the following is inconsistent with the award agreements evidencing the Outstanding Awards, you and Masco agree (a) that the vested portion of each option award will be exercisable for 90 days thereafter, and the unvested portion of all option awards shall be forfeited to Masco; and (b) the award agreements for all unvested restricted stock awards shall be amended to reflect that as of the Separation Date, all vesting-related restrictions on unvested shares will continue to lapse as if your termination had not occurred. This Agreement does not modify the Plan, nor (other than described herein) any other provision of any Outstanding Awards, including the restrictions on certain activities as provided for in such Outstanding Awards.

B. **Conditions to Retention Incentives.** Masco's obligation to provide any of the Retention Incentives specified in this Agreement is conditioned on you:

i. Remaining employed by Masco through the Sale Date. If you resign, give notice to terminate employment or your employment is terminated by Masco for cause (as determined by Masco) prior to the Sale Date, you will not be eligible for any Retention Incentives and no monies will be paid hereunder; provided, however, if one of the Businesses is sold and Masco terminates your employment without cause (as determined by Masco), in Masco's sole discretion it may waive the condition of remaining employed by Masco through the Sale Date and provide you the Retention Incentives provided herein;

ii. Continuing to perform in a satisfactory manner your job duties and responsibilities and such other duties and responsibilities as may be assigned to you by Masco. Such duties and responsibilities include but are not limited to leading Masco Cabinetry and Milgard and assisting with, cooperating in and facilitating the sale process;

iii. Complying with the Masco Corporation Proprietary Confidential Information and Invention Assignment Agreement, all Masco policies, rules and procedures and the terms set forth herein; and

iv. Executing, complying with and not revoking the Release Agreement in favor of Masco, in a form substantially similar to that attached hereto.

C. **Timing of Payments .** Any monies earned hereunder, except as otherwise described herein, will be paid in lump sums within 30 days of the later of: (i) the Sale Date and (ii) the effective date of the Release Agreement, but no later than March 15 following the fiscal year in which the Sale Date occurs; provided, however, payment for the Retention Incentives identified in Section A(iv) and (v) will be paid in or about February following the fiscal year in which the Sale Date occurs.

D. **Tax Matters .** Masco will withhold required federal, state and local taxes from any and all Retention Incentives. Other than Masco's obligation and right to withhold federal, state and local taxes, you will be responsible for any and all taxes, interest, and penalties that may be imposed with respect to the Retention Incentives, including but not limited to, those imposed under Internal Revenue Code Section 409A ("Section 409A"). To the extent that this Agreement is subject to Section 409A, you and Masco agree that the terms and conditions of this Agreement will be construed and interpreted to the maximum extent reasonably possible to comply with and avoid the imputation of any tax, penalty or interest under Section 409A.

Notwithstanding any provision of this Agreement to the contrary, if you are a "specified employee" as defined in Section 409A, and if any payments hereunder are considered deferred compensation subject to Section 409A, you will not be entitled to any such payments in connection with the termination of your employment until the date which is six months and one day after you Separation Date (or, if earlier, the date of your death) and any payment otherwise due in such period will be made within the 30 day period following the six month anniversary of your Separation Date (or, if earlier, the date of your death). The provisions of this paragraph will only apply if, and to the extent, required to comply with Section 409A. For purposes of Section 409A, each payment made under this letter is designated as a "separate payment" within the meaning of Section 409A. Payments made with respect to reimbursements of expenses shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that the reimbursement be made on or before the last day of the calendar year following the calendar year in which the relevant expense is incurred. The amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year.

E. **Entire Agreement .** This Agreement constitutes the entire agreement between you and Masco with respect to the subject matter hereof and supersedes any and all prior or contemporaneous oral or written representations, understandings, agreements or communications between you and Masco concerning such subject matter.

F. **Sufficient Consideration .** You acknowledge and agree that the Retention Incentives are in addition to any compensation otherwise owed to you and are sufficient consideration for the promises set forth herein and in the Release Agreement.

G. **Amendment .** This Agreement may be amended only by a written agreement signed by both you and by an authorized officer of Masco.

H. **At-Will Employment and Applicable Law .** Nothing in this Agreement alters the at-will nature of your employment relationship with Masco or creates a contract for employment for a specified period of time. Either you or Masco may terminate the employment relationship at any time, with or without cause and with or without notice. This Agreement shall be governed and interpreted under the laws of the State of Michigan, and the Dispute Resolution Policy further governs any potential disputes hereunder.

I. **Expiration .** The terms of this letter shall expire 18 months from the date hereof. Upon expiration, no Retention Incentives will be payable or awarded; provided, however, that if Masco enters into a definitive agreement with a prospective purchaser prior to the expiration of this letter, and a sale transaction occurs under the terms of such definitive agreement after such expiration, the Retention Incentives will be paid if all other conditions set forth in this Agreement have been satisfied.

Please confirm your acceptance to the terms and conditions of this Agreement by signing it below.

Sincerely,

Masco Corporation

By: /s/ RENEE STRABER
Renee Straber

Its: Vice President, Chief Human Resources Officer

Agreed:

/s/ JOE GROSS
Joe Gross

Exhibit 31a

MASCO CORPORATION
Certification Required by Rule 13a-14(a) or 15d-14(a)
of the Securities Exchange Act of 1934

I, Keith J. Allman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Masco Corporation ("the registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2019

By: /s/ Keith J. Allman
Keith J. Allman
President and Chief Executive Officer

MASCO CORPORATION
Certification Required by Rule 13a-14(a) or 15d-14(a)
of the Securities Exchange Act of 1934

I, John G. Sznewajs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Masco Corporation ("the registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2019

By: /s/ John G. Sznewajs
John G. Sznewajs
Vice President, Chief Financial Officer

Exhibit 32

MASCO CORPORATION
Certification Required by Rule 13a-14(b) or 15d-14(b)
of the Securities Exchange Act of 1934 and
Section 1350 of Chapter 63 of Title 18 of the
United States Code

The certification set forth below is being submitted in connection with the Masco Corporation Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Keith J. Allman, the President and Chief Executive Officer, and John G. Sznewajs, the Vice President, Chief Financial Officer, of Masco Corporation, each certifies that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of Masco Corporation.

Date:	July 25, 2019	/s/ Keith J. Allman
		Keith J. Allman
		President and Chief Executive Officer
Date:	July 25, 2019	/s/ John G. Sznewajs
		John G. Sznewajs
		Vice President, Chief Financial Officer