

MASCO CORP /DE/

FORM 10-Q (Quarterly Report)

Filed 05/16/94 for the Period Ending 03/31/94

Address	21001 VAN BORN RD TAYLOR, MI 48180
Telephone	3132747400
CIK	0000062996
Symbol	MAS
SIC Code	2430 - Millwork, Veneer, Plywood, And Structural Wood
Industry	Constr. - Supplies & Fixtures
Sector	Capital Goods
Fiscal Year	12/31

MASCO CORP /DE/

FORM 10-Q (Quarterly Report)

Filed 5/16/1994 For Period Ending 3/31/1994

Address	21001 VAN BORN RD TAYLOR, Michigan 48180
Telephone	313-274-7400
CIK	0000062996
Industry	Furniture & Fixtures
Sector	Consumer Cyclical
Fiscal Year	12/31

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Quarterly Report Pursuant To Section 13 or 15(d) of
the Securities Exchange Act of 1934

For Quarter Ended March 31, 1994. Commission File Number 1-5794

MASCO CORPORATION

(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

38-1794485
(I.R.S. Employer
Identification No.)

21001 Van Born Road, Taylor, Michigan
(Address of principal executive offices)

48180
(Zip Code)

(313) 274-7400
(Telephone Number)

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 and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Class	Shares Outstanding at May 6, 1994
Common stock, par value \$1 per share	156,554,000

MASCO CORPORATION

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MASCO CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET

March 31, 1994 and December 31, 1993
(Dollars in thousands)

ASSETS	March 31, 1994	December 31, 1993
Current assets:		
Cash and cash investments	\$ 45,920	\$ 119,980
Marketable securities	4,860	4,890
Accounts and notes receivable, net	695,460	610,120
Prepaid expenses	76,240	84,700
Inventories:		
Finished goods	350,750	312,470
Raw material	280,200	280,450
Work in process	232,020	231,210
	862,970	824,130
Total current assets	1,685,450	1,643,820
Equity investments in MascoTech, Inc.	297,190	294,700
Equity investments in other affiliates	55,980	54,630
Property and equipment, net	1,121,910	1,095,170
Excess of cost over acquired net assets	605,510	605,170
Other noncurrent assets	361,830	327,570
Total assets	\$4,127,870	\$4,021,060
LIABILITIES		
Current liabilities:		
Notes payable	\$ 43,950	\$ 33,160
Accounts payable	160,010	161,220
Accrued liabilities	305,690	296,060
Total current liabilities	509,650	490,440
Long-term debt	1,417,800	1,418,290
Deferred income taxes and other	113,980	113,900
Total liabilities	2,041,430	2,022,630
SHAREHOLDERS' EQUITY		
Common stock, par value \$1 per share		
Authorized shares: 400,000,000	156,530	152,850
Preferred stock, par value \$1 per share		
Authorized shares: 1,000,000	---	---
Paid-in capital	118,180	69,880
Retained earnings	1,843,840	1,805,170
Cumulative translation adjustments	(32,110)	(29,470)
Total shareholders' equity	2,086,440	1,998,430
Total liabilities and shareholders' equity	\$4,127,870	\$4,021,060

See notes to condensed consolidated financial statements.

MASCO CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the Three Months Ended March 31, 1994 and 1993

(Amounts in thousands except per share data)

	Three Months Ended March 31 1994	March 31 1993
Net sales	\$1,050,000	\$946,000
Costs and expenses, net:		
Cost of sales	698,000	633,100
Selling, general and administrative expenses	230,100	210,100
Other (income) expense, net:		
Interest expense	26,500	29,000
Re: MascoTech, Inc.:		
Equity earnings	(7,400)	(6,800)
Interest and dividend income and gain from stock sale	(4,500)	(4,300)
Other, net	(2,100)	(3,000)
	12,500	14,900
	940,600	858,100
Income before income taxes	109,400	87,900
Income taxes	44,100	33,400
Net income	\$ 65,300	\$ 54,500
Per share data:		
Net income	\$.42	\$.36
Cash dividends declared and paid	\$.17	\$.16
Average shares outstanding	156,500	152,600

See notes to condensed consolidated financial statements.

MASCO CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three Months Ended March 31, 1994 and 1993
(Dollars in thousands)

	Three Months Ended March 31	
	1994	1993
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:		
Cash provided by operations	\$ 85,880	\$ 79,010
(Increase) in receivables, net	(68,380)	(74,220)
(Increase) in inventories, net	(17,680)	(13,640)
Decrease in prepaid expenses	8,960	7,290
Increase (decrease) in current liabilities	(3,630)	15,670
Total cash from operating activities	5,150	14,110
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:		
Sale of affiliate investments to MascoTech	---	87,500
Proceeds from sale of MascoTech common stock	7,730	---
Capital expenditures	(47,680)	(27,060)
Other, net	(9,470)	9,650
Total cash from (for) investing activities	(49,420)	70,090
CASH FLOWS FROM (FOR) FINANCING ACTIVITIES:		
Increase in debt	27,020	311,910
Payment of debt	(30,530)	(367,400)
Cash dividends paid	(26,280)	(24,440)
Total cash (for) financing activities	(29,790)	(79,930)
CASH AND CASH INVESTMENTS:		
Increase (decrease) for the quarter	(74,060)	4,270
At January 1	119,980	45,350
At March 31	\$ 45,920	\$ 49,620
Supplemental Cash Flow Information:		
Net cash paid during the period for:		
Interest	\$ 25,770	\$ 28,040
Income taxes	\$ 22,010	\$ 11,260

See notes to condensed consolidated financial statements.

MASCO CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 March 31, 1994 and the results of operations and changes in cash flows for the three months ended March 31, 1994 and 1993. The condensed consolidated balance sheet at December 31, 1993 was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Earnings per share are calculated based on the weighted average common shares outstanding.

B. Other (income) expense, net consists of the following, in thousands:

	Three Months Ended	
	March 31	
	1994	1993
Interest expense	\$26,500	\$29,000
Re: MascoTech, Inc:		
Equity earnings	(7,400)	(6,800)
Interest and dividend income	(100)	(4,300)
Gain from stock sale	(4,400)	---
Equity earnings, other	(1,200)	(1,300)
Interest income and gains from		
marketable securities and		
cash investments	(3,600)	(3,400)
Other, net	2,700	1,700
	\$12,500	\$14,900

C. During the first quarter of 1994, the Company acquired Zenith Products Corporation ("Zenith") and Melard Manufacturing Corporation ("Melard"). Under the terms of the agreements, the Company issued approximately 3.5 million shares of its common stock and the transactions were accounted for on a pooling of interests basis. Zenith is a leading manufacturer of bath medicine cabinets, shower curtain rods and other bath storage products for the home. Melard is a leading manufacturer of bath hardware, accessories, plumbing specialty and other products for the home. For the fiscal year 1993, these companies had combined net sales of approximately \$100 million. Prior year periods are not restated due to immateriality.

MASCO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

D. The following presents the combined unaudited financial statements of the Company, MascoTech, Inc. and TriMas Corporation as one entity, with Masco Corporation as the parent company. Certain amounts for 1993 have been restated to reflect MascoTech's formal plan to divest its energy-related business segment. Intercompany transactions have been eliminated. Amounts, except per share data, are in thousands.

Combined Balance Sheet

	March 31, 1994	December 31, 1993
Assets		
Current assets:		
Cash and cash investments	\$ 151,850	\$ 272,950
Marketable securities	62,660	32,680
Accounts and notes receivable, net	1,039,570	906,500
Prepaid expenses	117,850	118,700
Deferred income taxes	41,580	41,780
Inventories:		
Finished goods	431,330	393,820
Raw material	371,790	365,370
Work in process	288,700	281,680
	1,091,820	1,040,870
Total current assets	2,505,330	2,413,480
Equity investments in affiliates	157,840	163,970
Property and equipment, net	1,812,390	1,747,590
Excess of cost over acquired net assets	1,119,020	1,114,740
Net assets of discontinued operations	42,470	67,510
Other noncurrent assets	480,400	428,390
Total assets	\$6,117,450	\$5,935,680
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$ 46,000	\$ 36,310
Accounts payable	287,940	277,070
Accrued liabilities	438,550	428,720
Total current liabilities	772,490	742,100
Long-term debt	2,478,950	2,445,540
Deferred income taxes and other	286,870	275,400
Other interests in combined affiliates	492,700	474,210
Equity of shareholders of Masco Corporation	2,086,440	1,998,430
Total liabilities and shareholders' equity	\$6,117,450	\$5,935,680

MASCO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note D - Continued:

Combined Statement of Income	Three Months Ended	
	1994	March 31 1993
Net sales	\$1,592,860	\$1,454,380
Costs and expenses, net:		
Cost of sales	1,119,310	1,023,960
Selling, general and administrative expenses	295,620	272,330
Other (income) expense, net:		
Interest expense	40,420	49,410
Other income, net	(20,910)	(8,650)
	19,510	40,760
	1,434,440	1,337,050
Income before income taxes and other interests	158,420	117,330
Income taxes	70,800	50,420
Income before other interests	87,620	66,910
Other interests in combined affiliates	22,320	12,410
Net income	\$ 65,300	\$ 54,500
Per share data:		
Net income	\$.42	\$.36
Cash dividends declared and paid	\$.17	\$.16
Average shares outstanding	156,500	152,600

MASCO CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (concluded)

Note D - Concluded:

	Three Months Ended March 31	
Combined Statement of Cash Flows	1994	1993
Cash Flows From (For) Operating Activities:		
Cash provided by operations	\$ 107,330	\$ 110,380
(Increase) in receivables	(114,370)	(116,910)
(Increase) in inventories	(27,930)	(19,040)
(Increase) in marketable securities, net	(30,010)	(15,650)
Decrease in prepaid expenses	1,930	9,890
Increase in current liabilities	1,580	21,740
Discontinued operations, net	---	1,530
Total cash (for) operating activities	(61,470)	(8,060)
Cash Flows From (For) Investing Activities:		
Capital expenditures	(78,940)	(44,340)
Other, net	39,390	6,710
Total cash (for) investing activities	(39,550)	(37,630)
Cash Flows From (For) Financing Activities:		
Issuance of convertible debt	337,240	---
Increase in other debt	27,020	583,910
Retirement of notes	(253,120)	---
Payment of other debt	(100,330)	(518,600)
Cash dividends paid	(30,890)	(24,440)
Total cash from (for) financing activities	(20,080)	40,870
Cash and Cash Investments:		
(Decrease) for the period	(121,100)	(4,820)
At January 1	272,950	186,120
At March 31	\$ 151,850	\$ 181,300

MASCO CORPORATION

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FIRST QUARTER 1994 VERSUS FIRST QUARTER 1993

Net sales for the three months ended March 31, 1994 increased 11 percent to \$1,050 million from \$946 million in the comparable period in 1993. Building and Home Improvement products sales, including companies acquired in 1994, increased 14 percent for the three months ended March 31, 1994 from the comparable period in 1993. (This group's sales, absent the companies acquired in 1994, increased 8 percent.) Home Furnishings Products sales for the three months ended March 31, 1994 increased 8 percent from the comparable period in 1993.

Cost of sales as a percentage of sales decreased modestly to 66.5 percent for the first quarter 1994 from 66.9 percent for the comparable period in 1993. Selling, general and administrative expenses as a percentage of sales for the three months ended March 31, 1994 decreased modestly to 21.9 percent from 22.2 percent for the comparable period in 1993.

The Company's operating profit margins continued to improve in the first quarter with major product lines benefitting primarily from increased sales and profit improvement programs.

Included in other (income) expense, net for the three months ended March 31, 1994 are equity earnings from MascoTech, Inc. of \$7.4 million as compared with equity earnings of \$6.8 million in the comparable period in 1993, and interest and dividend income and gain from the sale of common stock aggregating \$4.5 million as compared with \$4.3 million in the 1993 first quarter.

Net income for the first quarter of 1994 increased 20 percent to \$65.3 million from \$54.5 million in the comparable period in 1993, and earnings per share increased 17 percent to \$.42 from \$.36.

The Company is continuing to experience increased demand for most of its products. The Company believes that improved consumer confidence, a stronger economy and market share gains will more than offset any negative effect of recent higher interest rates on its businesses.

At March 31, 1994 current assets were 3.3 times current liabilities. First quarter 1994 cash from operations was affected by an expected and recurring first quarter increase in accounts receivable. As the annual increase in accounts receivable is historically experienced in the first quarter, cash from operations in the remaining three quarters of 1994 should not be affected by significant increases in accounts receivable. The Company believes that its cash from operations and, to the extent necessary, future financial market activities, are sufficient to fund its working capital and other investment needs.

The Company has on file with the Securities and Exchange Commission, shelf registration statements pursuant to which the Company is able to issue up to an additional \$200 million of debt securities as well as up to 9.6 million shares of its common stock.

**UNAUDITED INFORMATION REGARDING EQUITY AFFILIATES
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993**

Equity investments in affiliates consist primarily of the following approximate common stock and partnership interests at March 31:

	1994	1993
MascoTech, Inc.	41%	35%
Hans Grohe, a German partnership	27%	27%
TriMas Corporation	5%	7%

The following presents the condensed financial data of MascoTech, Inc. Certain amounts for 1993 have been restated to reflect MascoTech's formal plan to divest its energy-related business segment. Amounts are in thousands.

Three Months Ended March 31 1994 1993

Sales - Net \$412,410 \$404,070		
Gross Profit	\$ 80,290	\$ 84,750
Net Income (Before Preferred Stock Dividends)	\$ 26,300	\$ 17,520

PART II. OTHER INFORMATION

MASCO CORPORATION

Items 1 through 5 are not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

11 - Computation of Earnings Per Share

12 - Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K:

A Current Report on Form 8-K, dated March 2, 1994, was filed by Masco Corporation in the calendar quarter ended March 31, 1994, reporting under Item 5, "Other Events," the Company's recent operating results. The financial statements of Masco Corporation and Subsidiaries as of December 31, 1993 and 1992 and for the three years ended December 31, 1993, together with the report thereon of Coopers & Lybrand, were filed with such reports.

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

(Registrant)

Date: May 12, 1994

*By: /s/Richard G. Mosteller
Richard G. Mosteller
Senior Vice-President - Finance
(Chief Financial officer
and authorized signatory)*

MASCO CORPORATION

EXHIBIT INDEX

Exhibit	
Exhibit 11	Computation of Earnings Per Share - Primary and Fully Diluted Earnings Per Share
Exhibit 12	Computation of Ratio of Earnings to Fixed Charges

Exhibit 11

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

COMPUTATION OF EARNINGS PER SHARE

Primary and Fully Diluted Earnings Per Share For the Three Months Ended March 31, 1994 and 1993

(Amounts in thousands except per share amounts)

	Three Months Ended March 31	
	1994	1993
Shares for computation of primary and fully diluted earnings per share:		
Average number of shares outstanding	156,500	152,600
Common stock equivalents:		
Shares issuable assuming conversion of debentures	4,200	4,200
Stock options	1,400	1,400
	162,100	158,200
Net income, adjusted to basis of earnings per share:		
Net income	\$65,300	\$54,500
Add interest on convertible debentures, net of tax	1,500	1,500
	\$66,800	\$56,000
Primary and fully diluted earnings per share	\$.42	\$.36
Earnings per share as reported	\$.42	\$.36

This calculation is submitted in accordance with Regulation S-K Item 601(b)(11), although not required by APB Opinion No. 15, inasmuch as dilution for either period was less than 3 percent.

Exhibit 12

MASCO CORPORATION AND CONSOLIDATED SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges

	(Thousands of Dollars)					
	Three Months Ended March 31, 1994	1993	Year Ended December 31,			1989
	1992	1991	1990			
Earnings Before Income Taxes And Fixed Charges:						
Income before income taxes	\$109,400	\$362,600	\$304,800	\$ 97,600	\$235,900	\$327,100
Deduct/add equity in undistributed (earnings) losses of fifty-percent- or-less-owned companies	(8,600)	(18,740)	(17,290)	12,640	8,760	(29,060)
Add dividends received from fifty-percent-or-less- owned companies	500	4,940	4,100	25,450	1,780	1,990
Add interest on indebtedness, net	26,360	104,080	100,490	124,950	125,770	112,830
Add amortization of debt expense	560	2,650	2,710	1,630	1,420	1,460
Add one-third of rentals	2,860	10,970	10,800	12,530	9,610	8,830
Earnings before income taxes and fixed charges	\$131,080	\$466,500	\$405,610	\$274,800	\$383,240	\$423,150
Fixed charges:						
Interest on indebtedness	\$ 26,950	\$105,420	\$113,670	\$128,450	\$125,770	\$112,830
Amortization of debt expense	560	2,650	2,710	1,630	1,420	1,460
One-third of rentals	2,860	10,970	10,800	12,530	9,610	8,830
	\$ 30,370	\$119,040	\$127,180	\$142,610	\$136,800	\$123,120
Ratio of earnings to fixed charges	4.3	3.9	3.2	1.9	2.8	3.4

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