

FORTUNE BRANDS HOME & SECURITY, INC.
RECONCILIATION OF OPERATING INCOME BEFORE CHARGES/GAINS TO GAAP OPERATING INCOME
(In millions)
(Unaudited)

	Three Months Ended			
	March 31, 2020	March 31, 2019	\$ change	% change
CABINETS				
Operating income before charges/gains ^(a)	\$ 55.7	\$ 44.6	\$ 11.1	25
Restructuring charges ^(b)	(2.4)	(1.1)	(1.3)	(118)
Other charges ^(b)				
Cost of products sold	0.1	(0.1)	0.2	200
Selling, general and administrative expenses	(0.2)	(0.2)	-	-
Asset impairment charges ^(e)	(9.5)	-	(9.5)	(100)
Operating income (GAAP)	\$ 43.7	\$ 43.2	\$ 0.5	1
PLUMBING				
Operating income before charges/gains ^(a)	\$ 104.4	\$ 90.5	\$ 13.9	15
Restructuring charges ^(b)	(0.3)	(0.1)	(0.2)	(200)
Other charges ^(b)				
Cost of products sold	0.5	(1.2)	1.7	142
Selling, general and administrative expenses	(0.1)	-	(0.1)	(100)
Operating income (GAAP)	\$ 104.5	\$ 89.2	\$ 15.3	17
DOORS & SECURITY				
Operating income before charges/gains ^(a)	\$ 32.6	\$ 26.1	\$ 6.5	25
Restructuring charges ^(b)	(0.3)	-	(0.3)	(100)
Other charges ^(b)				
Cost of products sold	(0.8)	(3.7)	2.9	78
Selling, general and administrative expenses	-	-	-	-
Operating income (GAAP)	\$ 31.5	\$ 22.4	\$ 9.1	41
CORPORATE				
General and administrative expense before charges/gains	\$ (22.9)	\$ (19.2)	\$ (3.7)	(19)
Restructuring charges ^(b)	(1.5)	-	(1.5)	(100)
Other charges ^(b)				
Selling, general and administrative expenses	(0.3)	-	(0.3)	(100)
Total Corporate expense (GAAP)	\$ (24.7)	\$ (19.2)	\$ (5.5)	(29)
TOTAL COMPANY				
Operating income before charges/gains ^(a)	\$ 169.8	\$ 142.0	\$ 27.8	20
Restructuring charges ^(b)	(4.5)	(1.2)	(3.3)	(275)
Other charges ^(b)				
Cost of products sold	(0.2)	(5.0)	4.8	96
Selling, general and administrative expenses	(0.6)	(0.2)	(0.4)	(200)
Asset impairment charges ^(e)	(9.5)	-	(9.5)	(100)
Operating income (GAAP)	\$ 155.0	\$ 135.6	\$ 19.4	14

(a) (b) (e) For definitions of Non-GAAP measures, see Definitions of Terms page

FORTUNE BRANDS HOME & SECURITY, INC.
BEFORE CHARGES/GAINS OPERATING MARGIN TO OPERATING MARGIN
(Unaudited)

Three Months Ended March 31,		
2020	2019	Change

CABINETS

Before charges/gains operating margin

Restructuring & other charges

Asset impairment charges

Operating margin

9.0%	7.8%	120 bps
(0.4%)	(0.3%)	
(1.6%)	-	
7.0%	7.5%	(50) bps

PLUMBING

Before charges/gains operating margin

Restructuring & other charges

Operating margin

22.3%	19.7%	260 bps
-	(0.2%)	
22.3%	19.5%	280 bps

DOORS & SECURITY

Before charges/gains operating margin

Restructuring & other charges

Operating margin

10.4%	8.8%	160 bps
(0.4%)	(1.2%)	
10.0%	7.6%	240 bps

TOTAL COMPANY

Before charges/gains operating margin

Restructuring & other charges

Asset impairment charges

Operating margin

12.1%	10.7%	140 bps
(0.4%)	(0.5%)	
(0.7%)	-	
11.0%	10.2%	80 bps

Operating margin is calculated as operating income derived in accordance with GAAP divided by GAAP Net Sales. Before charges/gains operating margin is operating income derived in accordance with GAAP excluding restructuring and other charges and asset impairment charges, divided by GAAP net sales. Before charges/gains operating margin is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION

For the three months ended March 31, 2020, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$5.3 million (\$3.7 million after tax or \$0.03 per diluted share) of restructuring and other charges, an asset impairment charge of \$9.5 million (\$7.1 million after tax or \$0.05 per diluted share), a gain on equity investments of \$6.6 million (\$5.0 million after tax or \$0.04 per diluted share) and a net tax benefit of \$0.6 million.

For the three months ended March 31, 2019, diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding \$6.4 million (\$4.7 million after tax or \$0.03 per diluted share) of restructuring and other charges and the benefit from a tax item of \$0.5 million.

	Three Months Ended March 31,		
	2020	2019	% Change
Earnings Per Common Share - Diluted			
Diluted EPS Before Charges/Gains ^(c)	\$ 0.81	\$ 0.63	29
Restructuring and other charges	(0.03)	(0.03)	-
Asset impairment charges ^(e)	(0.05)	-	-
Gain on equity investments ^(f)	0.04	-	-
Diluted EPS (GAAP)	\$ 0.77	\$ 0.60	28

(c) (e) (f) For definitions of Non-GAAP measures, see Definitions of Terms page

FORTUNE BRANDS HOME & SECURITY, INC.
(In millions)
(Unaudited)

RECONCILIATION OF EBITDA BEFORE CHARGES/GAINS TO NET INCOME

	Three Months Ended March 31,		
	2020	2019	% Change
EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 207.1	\$ 179.7	15
Depreciation*	\$ (27.5)	\$ (26.5)	(4)
Amortization of intangible assets	(10.3)	(10.0)	(3)
Restructuring and other charges	(5.3)	(6.4)	17
Interest expense	(22.1)	(23.7)	7
Asset impairment charges ^(e)	(9.5)	-	(100)
Equity in losses of affiliate	(0.3)	-	(100)
Gain on equity investments ^(f)	6.6	-	100
Income taxes	(29.9)	(28.6)	(5)
Net Income (GAAP)	\$ 108.8	\$ 84.5	29

* Depreciation excludes a benefit relating to the reversal of previously recorded accelerated depreciation expense of \$0.3 million for the three months ended March 31, 2020 and it also excludes accelerated depreciation expense of (\$1.3) million for the three months ended March 31, 2019. Accelerated depreciation is included in restructuring and other charges.

CALCULATION OF NET DEBT-TO-EBITDA BEFORE CHARGES/GAINS RATIO

As of March 31, 2020

Short-term debt **	399.9
Long-term debt **	2,035.2
Total debt	2,435.1
Less:	
Cash and cash equivalents **	359.7
Net debt (1)	2,075.4
For the twelve months ended March 31, 2020	
EBITDA before charges/gains (2) ^(c)	947.3
Net debt-to-EBITDA before charges/gains ratio (1/2)	2.2

** Amounts are per the unaudited Condensed Consolidated Balance Sheet as of March 31, 2020.

	Nine Months Ended December 31, 2019	Three Months Ended March 31, 2020	Twelve Months Ended March 31, 2020
	EBITDA BEFORE CHARGES/GAINS ^(d)	\$ 740.2	\$ 207.1
Depreciation***	\$ (82.9)	\$ (27.5)	\$ (110.4)
Amortization of intangible assets	(31.4)	(10.3)	(41.7)
Restructuring and other charges	(17.6)	(5.3)	(22.9)
Interest expense	(70.5)	(22.1)	(92.6)
Asset impairment charges ^(e)	(41.5)	(9.5)	(51.0)
Equity in losses of affiliate	-	(0.3)	(0.3)
Gain on equity investments ^(f)	-	6.6	6.6
Defined benefit plan actuarial losses	(34.1)	-	(34.1)
Income taxes	(115.4)	(29.9)	(145.3)
Net Income (GAAP)	\$ 346.8	\$ 108.8	\$ 455.6

*** Depreciation excludes a benefit relating to the reversal of previously recorded accelerated depreciation expense of \$0.3 million for the three months ended March 31, 2020 and it also excludes accelerated depreciation expense of (\$0.6) million for the nine months ended December 31, 2019. Accelerated depreciation is included in restructuring and other charges.

(d) (e) (f) For definitions of Non-GAAP measures, see Definitions of Terms page

FORTUNE BRANDS HOME & SECURITY, INC.

RECONCILIATION OF PERCENTAGE CHANGE IN PLUMBING NET SALES EXCLUDING COVID-19 & FX IMPACTS TO PERCENTAGE CHANGE IN NET SALES (GAAP)

(Unaudited)

Three Months Ended March 31, 2020
% change

PLUMBING

Percentage change in Net Sales excluding COVID-19 & FX Impacts

COVID-19 & FX Impacts

Percentage change in Net Sales (GAAP)

9%
(7%)
2%

Plumbing net sales excluding COVID-19 and FX impacts is consolidated Plumbing net sales derived in accordance with GAAP excluding the impacts of COVID-19 and FX on net sales. Management uses this measure to evaluate the overall performance of the Plumbing segment and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the segment from period to period. This measure may be inconsistent with similar measures presented by other companies.

Definitions of Terms: Non-GAAP Measures

(a) Operating income before charges/gains is operating income derived in accordance with GAAP excluding restructuring and other charges and asset impairment charges. Operating income before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by the Company and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(b) Restructuring charges are costs incurred to implement significant cost reduction initiatives and include workforce reduction costs. "Other charges" represent charges or gains directly related to restructuring initiatives that cannot be reported as restructuring under GAAP. Such costs may include losses on disposal of inventories, trade receivables allowances from exiting product lines, impairments related to previously closed facilities and losses on the sale of closed facilities. In total, we recognized a charge of \$0.8 million in the three months ended March 31, 2020 and \$3.4 million for the three months ended March 31, 2019.

In our Doors & Security segment, other charges also includes an acquisition-related inventory step-up expense (Fiberon) classified in cost of products sold of \$1.8 million for the three months ended March 31, 2019.

(c) Diluted EPS before charges/gains is net income less noncontrolling interests calculated on a diluted per-share basis excluding restructuring and other charges, asset impairment charges and a gain on equity investments. Diluted EPS before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(d) EBITDA before charges/gains is net income, derived in accordance with GAAP excluding depreciation, amortization of intangible assets, restructuring and other charges, interest expense, asset impairment charges, equity in loss of affiliate, a gain on equity investments, defined benefit plan actuarial losses and income taxes. EBITDA before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to assess returns generated by the Company. Management believes this measure provides investors with helpful supplemental information about the Company's ability to fund internal growth, make acquisitions and repay debt and related interest. This measure may be inconsistent with similar measures presented by other companies.

(e) Asset impairment charges for the three months ended March 31, 2020 represent a pre-tax impairment charge of \$9.5 million related to indefinite-lived tradenames in our Cabinets segment.

(f) Gain on equity investments for the three months ended March 31, 2020 represents a gain on the remeasurement of our previously existing investment in Flo Technologies.