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 March 31, 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 1-35166

FORTUNE BRANDS HOME & SECURITY, INC.
(Exact name of Registrant as specified in its charter)

DELAWARE	**62-1411546**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

520 Lake Cook Road, Deerfield, Illinois 60015-5611
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (847) 484-4400

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 ☒

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	FBHS	New York Stock Exchange

The number of shares outstanding of the registrant's common stock, par value $0.01 per share, at April 19, 2019 was 139,880,718.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2019 and 2018
(In millions, except per share amounts)
(Unaudited)

	2019	2018
Net sales	$1,327.9	$1,254.6
Cost of products sold	869.1	815.0
Selling, general and administrative expenses	312.0	311.2
Amortization of intangible assets	10.0	8.2
Restructuring charges	1.2	0.8
Operating income	135.6	119.4
Interest expense	23.7	14.7
Other income, net	(1.2)	(2.8)
Income from continuing operations before income taxes	113.1	107.5
Income tax	28.6	32.4
Income from continuing operations, net of tax	84.5	75.1
Loss from discontinued operations, net of tax	—	(0.2)
Net income	84.5	74.9
Less: Noncontrolling interests	(0.2)	(0.1)
Net income attributable to Fortune Brands	$ 84.7	$ 75.0
Basic earnings per common share		
Continuing operations	$ 0.60	$ 0.50
Discontinued operations	—	—
Net income attributable to Fortune Brands common shareholders	$ 0.60	$ 0.50
Diluted earnings per common share		
Continuing operations	$ 0.60	$ 0.49
Discontinued operations	—	—
Net income attributable to Fortune Brands common shareholders	$ 0.60	$ 0.49
Comprehensive income	$ 92.8	$ 78.2

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 281.2	$ 262.9
Accounts receivable less allowances for discounts and doubtful accounts	650.1	571.7
Inventories	737.9	678.9
Other current assets	178.8	172.6
Total current assets	1,848.0	1,686.1
Property, plant and equipment, net of accumulated depreciation	806.3	813.4
Operating lease assets	174.8	—
Goodwill	2,084.0	2,080.3
Other intangible assets, net of accumulated amortization	1,239.7	1,246.8
Other assets	136.4	138.0
Total assets	$ 6,289.2	$ 5,964.6
Liabilities and equity		
Current liabilities		
Short-term debt	$ 350.0	$ 525.0
Accounts payable	442.0	459.0
Other current liabilities	446.8	508.1
Total current liabilities	1,238.8	1,492.1
Long-term debt	2,169.7	1,809.0
Deferred income taxes	161.7	162.6
Accrued defined benefit plans	162.9	163.3
Operating lease liabilities	149.0	—
Other non-current liabilities	160.0	157.6
Total liabilities	4,042.1	3,784.6
Commitments and contingencies (see Note 18)		
Equity		
Fortune Brands equity		
Common stock(a)	1.8	1.8
Paid-in capital	2,776.0	2,766.0
Accumulated other comprehensive loss	(67.3)	(67.0)
Retained earnings	1,541.4	1,448.1
Treasury stock	(2,006.4)	(1,970.7)
Total Fortune Brands equity	2,245.5	2,178.2
Noncontrolling interests	1.6	1.8
Total equity	2,247.1	2,180.0
Total liabilities and equity	$ 6,289.2	$ 5,964.6

(a) *Common stock, par value $0.01 per share; 181.2 million shares and 180.6 million shares issued at March 31, 2019 and December 31, 2018, respectively.*

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2019 and 2018
(In millions)
(Unaudited)

	2019	2018
Operating activities		
Net income	$ 84.5	$ 74.9
Non-cash pre-tax expense:		
Depreciation	27.8	25.3
Amortization of intangibles	10.0	8.2
Non-cash lease expense	8.7	—
Stock-based compensation	7.1	12.6
Deferred taxes	(2.0)	(9.2)
Asset impairment charges	1.7	—
Amortization of deferred financing fees	0.8	0.5
(Gain) loss on sale of property, plant and equipment	(0.9)	0.2
Changes in assets and liabilities:		
Increase in accounts receivable	(76.8)	(63.0)
Increase in inventories	(57.2)	(36.9)
Decrease in accounts payable	(12.2)	(3.2)
Increase in other assets	(15.6)	(4.8)
Decrease in accrued expenses and other liabilities	(87.2)	(73.3)
Increase in accrued taxes	21.6	16.8
Net cash used in operating activities	(89.7)	(51.9)
Investing activities		
Capital expenditures *(a)*	(27.2)	(37.6)
Proceeds from the disposition of assets	1.9	0.7
Cost of acquisition, net of cash acquired	—	(5.8)
Net cash used in investing activities	(25.3)	(42.7)
Financing activities		
(Decrease) increase in short-term debt	(175.0)	350.0
Issuance of long-term debt	520.0	545.0
Repayment of long-term debt	(160.0)	(515.0)
Proceeds from the exercise of stock options	2.9	3.2
Treasury stock purchases *(b)*	(18.0)	(325.2)
Employee withholding taxes related to stock-based compensation	(7.7)	(12.2)
Deferred acquisition payments	(1.8)	—
Dividends to stockholders	(31.0)	(29.6)
Net cash provided by financing activities	129.4	16.2
Effect of foreign exchange rate changes on cash	3.8	(0.2)
Net increase (decrease) in cash and cash equivalents	$ 18.2	$ (78.6)
Cash, cash equivalents and restricted cash*(c)* at beginning of period	$ 270.7	$ 323.0
Cash, cash equivalents and restricted cash*(c)*at end of period	$ 288.9	$ 244.4

(a) *Capital expenditures of $10.6 million and $7.6 million that have not been paid as of March 31, 2019 and 2018 respectively, were excluded from the Statement of Cash Flows.*

(b) *Treasury stock purchases excludes $10.0 million and $24.8 million of purchases made in March 2019 and 2018 that were not settled until April 2019 and 2018, respectively.*

(c) *Restricted cash of $0.8 million and $6.9 million is included in Other current assets and Other assets, respectively, as of March 31, 2019 and restricted cash of $0.9 million and $6.9 million is included in Other current assets and Other assets, respectively, as of December 31, 2018.*

See notes to condensed consolidated financial statements.

FORTUNE BRANDS HOME & SECURITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three Months Ended March 31, 2019 and 2018
(In millions)
(Unaudited)

	Common Stock	Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Treasury Stock	Non-controlling Interests	Total Equity
Balance at December 31, 2017	$ 1.7	$2,724.9	$ (39.2)	$1,174.2	$(1,262.1)	$ 1.6	$2,601.1
Comprehensive income:							
Net income	—	—	—	75.0	—	(0.1)	74.9
Other comprehensive income	—	—	3.2	—	—	—	3.2
Stock options exercised	0.1	3.1	—	—	—	—	3.2
Stock-based compensation	—	12.6	—	—	(12.2)	—	0.4
Treasury stock purchase	—	—	—	—	(325.2)	—	(325.2)
Dividends	—	—	—	0.7	—	—	0.7
Balance at March 31, 2018	$ 1.8	$2,740.6	$ (36.0)	$1,249.9	$(1,599.5)	$ 1.5	$2,358.3
Balance at December 31, 2018	$ 1.8	$2,766.0	($ 67.0)	$1,448.1	$(1,970.7)	$ 1.8	$2,180.0
Comprehensive income:							
Net income	—	—	—	84.7	—	(0.2)	84.5
Other comprehensive income	—	—	8.3	—	—	—	8.3
Stock options exercised	—	2.9	—	—	—	—	2.9
Stock-based compensation	—	7.1	—	—	(7.7)	—	(0.6)
Adoption of ASU 2018-02	—	—	(8.6)	8.6	—	—	—
Treasury stock purchase	—	—	—	—	(28.0)	—	(28.0)
Balance at March 31, 2019	$ 1.8	$2,776.0	$ (67.3)	$1,541.4	$(2,006.4)	$ 1.6	$2,247.1

See notes to condensed consolidated financial statements.

1. Basis of Presentation and Principles of Consolidation

References to “Fortune Brands,” “the Company,” “we,” “our” and “us” refer to Fortune Brands Home & Security, Inc. and its consolidated subsidiaries as a whole, unless the context otherwise requires.

The Company is a leading home and security products company with a portfolio of leading branded products used for residential home repair, remodeling, new construction and security applications.

The condensed consolidated balance sheet as of March 31, 2019, the related condensed consolidated statements of comprehensive income for the three-months ended March 31, 2019 and 2018 and the related condensed consolidated statements of cash flows and equity for the three-month periods ended March 31, 2019 and 2018 are unaudited. In the opinion of management, all adjustments necessary for a fair statement of the financial statements have been included. Interim results may not be indicative of results for a full year.

The condensed consolidated financial statements and notes are presented pursuant to the rules and regulations of the Securities and Exchange Commission and do not contain certain information included in our annual audited consolidated financial statements and notes. The December 31, 2018 condensed consolidated balance sheet was derived from our audited consolidated financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles (“GAAP”). This Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2018.

In September 2018, we acquired 100% of the membership interests of Fiber Composites LLC (“Fiberon”), a leading U.S. manufacturer of outdoor performance materials used in decking, railing and fencing products, for a total purchase price of approximately $470 million, subject to certain post-closing adjustments. The acquisition of Fiberon provides category expansion and product extension opportunities into the outdoor living space for our Doors & Security segment. The financial results of Fiberon were included in the Company’s consolidated statements of income and statements of cash flow beginning in September 2018 and the consolidated balance sheet as of December 31, 2018. The results of operations are included in the Doors & Security segment from the date of acquisition.

2. Recently Issued Accounting Standards

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, which requires lessees to recognize almost all leases on their balance sheet as “right-of-use” assets and lease liabilities but recognize related expenses in a manner similar to previous accounting guidance. The guidance also eliminates previous real estate-specific provisions for all entities. In January 2018, the FASB issued ASU 2018-01, which clarifies the application of the new leases guidance to land easements. In July 2018, the FASB issued ASU 2018-10 and ASU 2018-11, which clarify certain guidance included in ASU 2016-02 and introduces a new optional transition method, which does not require revisions to comparative periods.

We adopted the standard as of January 1, 2019 using the transition method introduced by ASU 2018-11, which does not require revisions to comparative periods. We elected to implement the transition package of practical expedients permitted within the new standard, which among other things, allows us to carryforward the historical lease classification. In addition, we elected the hindsight practical expedient to determine the lease term for existing leases.

Adoption of the new standard resulted in the recording of lease assets and lease liabilities of approximately $177.2 million and $182.6 million, respectively, as of January 1, 2019. The difference between the lease assets and lease liabilities primarily relates to accrued rent and unamortized lease incentives recorded in accordance with the previous leasing guidance. The new standard did not materially impact our condensed consolidated statements of income or cash flows.

Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued ASU 2017-12 which amends the current hedge accounting model. The new standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item (which is consistent with our prior practice). The change in fair value for qualifying cash flow and net investment hedges is included in other comprehensive loss (until they are reclassified into the income statement). The standard also eased certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. We adopted the standard as of January 1, 2019. The adoption of this standard did not have a material effect on our financial statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, “Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This guidance permits companies to reclassify to retained earnings the tax effects stranded in accumulated other comprehensive income as a result of U.S. Tax Cuts and Jobs Act of 2017. We adopted this standard on January 1, 2019, which resulted in a reclassification of $8.6 million between accumulated other comprehensive loss and retained earnings in our condensed consolidated statement of equity.

Improvements to Nonemployee Share-Based Payment Accounting

In June 2018, the FASB issued ASU 2018-07 which simplifies the accounting for share-based arrangements with nonemployees. The new guidance generally aligns the accounting for share-based awards to nonemployees with the guidance for share-based awards to employees. The guidance was effective for the Company's fiscal year beginning January 1, 2019. The adoption of this standard did not have a material effect on our financial statements.

Codification Improvements

In July 2018, the FASB issued ASU 2018-09 which includes technical corrections, clarifications, and other minor improvements to various areas including business combinations, fair value measurements and hedging. The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments in this standard were effective immediately, while others were effective for the Company's fiscal year beginning January 1, 2019. The adoption of this standard did not have a material effect on our financial statements.

Changes to the Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14 which removes several disclosure requirements, including the amount in AOCI expected to be recognized in income over the next fiscal year and the effects of a 1% change in assumed health care cost trend rates and adds new disclosure requirements to explain reasons for significant gains and losses related to changes in the benefit obligation for the period, and to disclose weighted-average interest crediting rates for plans with promised interest crediting rates. We adopted this guidance on January 1, 2019. Adoption of the guidance did not have a material effect on our financial statements.

Financial Instruments—Credit Losses

In June 2016, the FASB issued ASU 2016-13, which changes the impairment model for most financial assets and certain other instruments that are not measured at fair value through net income. The new guidance applies to most financial assets measured at amortized cost, including trade and other receivables and loans as well as off-balance-sheet credit exposures (e.g., loan commitments and standby letters of credit). The standard will replace the "incurred loss" approach under the current guidance with an "expected loss" model that requires an entity to estimate its lifetime "expected credit loss." The standard is effective January 1, 2020 and early application is permitted beginning January 1, 2019. We are assessing the impact the adoption of this standard will have on our financial statements.

Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13 which removes the requirement to disclose: 1) amount of and reasons for transfers between Levels 1 and 2 of the fair value hierarchy, 2) policy for timing of transfers between levels, and 3) valuation processes for Level 3 investments. In addition, this guidance modifies and adds other disclosure requirements, which primarily relate to valuation of Level 3 assets and liabilities. The guidance is effective for the Company's fiscal year beginning January 1, 2020, with early adoption permitted. We do not expect the adoption of this guidance to have a material effect on our financial statements.

Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract

In August 2018, the FASB issued ASU 2018-15 which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Costs to obtain software, including configuration and integration with legacy IT systems, coding and testing, including parallel process phases are eligible for capitalization under the new standard. In addition, activities that would be expensed include costs related to vendor demonstrations, determining performance and technology requirements and training activities. The standard is effective for the Company's fiscal year beginning January 1, 2020, with early adoption permitted. We are assessing the impact the adoption of this standard will have on our financial statements.

3. Balance Sheet Information

Supplemental information on our balance sheets is as follows:

(In millions)	March 31, 2019	December 31, 2018
Inventories:		
Raw materials and supplies	$ 248.6	$ 227.4
Work in process	70.0	66.4
Finished products	419.3	385.1
Total inventories	$ 737.9	$ 678.9
Property, plant and equipment, gross	$1,925.2	$ 1,911.7
Less: accumulated depreciation	1,118.9	1,098.3
Property, plant and equipment, net	$ 806.3	$ 813.4

4. Acquisitions and Dispositions

In September 2018, we acquired 100% of the membership interests of Fiberon, a leading U.S. manufacturer of outdoor performance materials used in decking, railing and fencing products for a total purchase price of approximately $470 million, subject to certain post-closing adjustments. The acquisition of Fiberon provides category expansion and product extension opportunities into the outdoor living space for our Doors & Security segment. We financed the transaction using cash on hand and borrowings under our revolving credit and term loan facilities. The results of operations are included in the Doors & Security segment from the date of the acquisition. We expect goodwill related to this acquisition to be deductible for income tax purposes.

The following table summarizes the preliminary allocation of the purchase price to the fair value of assets acquired and liabilities assumed as of the date of the acquisition.

(In millions)	
Accounts receivable	$ 19.0
Inventories	49.9
Property, plant and equipment	48.5
Goodwill	173.7
Identifiable intangible assets	195.0
Other assets	4.8
Total assets	490.9
Accounts payable	16.6
Other liabilities and accruals	14.5
Net assets acquired	$459.8

The preceding purchase price allocation has been determined provisionally and is subject to revision as additional information about the fair value of individual assets and liabilities becomes available. We apply significant judgement in determining the estimates and assumptions used to determine the fair value of the identifiable intangible assets, including forecasted revenue growth rates, customer attrition rates, discount rates and assumed royalty rates. Any change in the acquisition date fair value of the acquired net assets will change the amount of the purchase price allocable to goodwill.

Goodwill includes expected sales and cost synergies. Identifiable intangible assets primarily consist of customer relationships and tradenames.

5. Goodwill and Identifiable Intangible Assets

We had goodwill of $2,084.0 million and $2,080.3 million as of March 31, 2019 and December 31, 2018, respectively. The change in the net carrying amount of goodwill by segment was as follows:

(In millions)	Cabinets	Plumbing	Doors & Security	Total Goodwill
Goodwill at December 31, 2018 (a)	$924.0	$ 743.7	$412.6	$2,080.3
Year-to-date translation adjustments	0.8	2.3	0.3	3.4
Acquisition-related adjustments	—	—	0.3	0.3
Goodwill at March 31, 2019 (a)	$924.8	$ 746.0	$413.2	$2,084.0

(a) *Net of accumulated impairment losses of $399.5 million in the Doors & Security segment.*

We also had net identifiable intangible assets, principally tradenames, of $1,239.7 million and $1,246.8 million as of March 31, 2019 and December 31, 2018, respectively. The $4.4 million increase in gross identifiable intangible assets was primarily due to foreign translation adjustments.

The gross carrying value and accumulated amortization by class of identifiable intangible assets as of March 31, 2019 and December 31, 2018 were as follows:

	As of March 31, 2019			As of December 31, 2018		
(In millions)	Gross Carrying Amounts	Accumulated Amortization	Net Book Value	Gross Carrying Amounts	Accumulated Amortization	Net Book Value
Indefinite-lived tradenames	$ 675.8	$ —	$ 675.8	$ 673.9	$ —	$ 673.9
Amortizable intangible assets						
Tradenames	20.1	(12.2)	7.9	19.8	(11.9)	7.9
Customer and contractual relationships	802.5	(270.5)	532.0	800.3	(260.2)	540.1
Patents/proprietary technology	73.5	(49.5)	24.0	73.5	(48.6)	24.9
Total	896.1	(332.2)	563.9	893.6	(320.7)	572.9
Total identifiable intangibles	$1,571.9	$ (332.2)	$1,239.7	$1,567.5	$ (320.7)	$1,246.8

Amortizable identifiable intangible assets, principally tradenames and customer relationships, are subject to amortization over their estimated useful life, ranging from 2 to 30 years, based on the assessment of a number of factors that may impact useful life. These factors include historical and tradename performance with respect to consumer name recognition, geographic market presence, market share, plans for ongoing tradename support and promotion, customer attrition rates and other relevant factors.

5. Goodwill and Identifiable Intangible Assets (Continued)

In the first quarter of 2019, no events or circumstances occurred that would have required us to perform interim impairment tests of goodwill or indefinite-lived tradenames. During the third and fourth quarters of 2018, we recognized impairment charges related to two tradenames in the Cabinets segment. Accordingly, a further reduction in the estimated fair value of these tradenames could trigger an impairment. As of December 31, 2018, the total carrying value of these tradenames was approximately $152 million. Factors influencing our fair value estimates of the tradenames are described in the following paragraph.

The events and/or circumstances that could have a potential negative effect on the estimated fair value of our reporting units and indefinite-lived tradenames include: actual new construction and repair and remodel growth rates that fall below our assumptions, actions of key customers, increases in discount rates, continued economic uncertainty, higher levels of unemployment, weak consumer confidence, lower levels of discretionary consumer spending, a decrease in royalty rates and decline in the trading price of our common stock. We cannot predict the occurrence of certain events or changes in circumstances that might adversely affect the carrying value of goodwill and indefinite-lived intangible assets.

6. Leases

As discussed in Note 2, we adopted ASU 2016-02 as of January 1, 2019. We have operating and finance leases for buildings and certain machinery and equipment. Operating leases are included in operating lease assets, other current liabilities, and operating lease liabilities in our condensed consolidated balance sheets. Amortization of lease assets is included in non-cash lease expense in our condensed consolidated statement of cash flows. Amounts recognized for finance leases as of and for the three months ended March 31, 2019 were immaterial.

Operating lease assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at commencement date. As most of our lease contracts do not provide an explicit interest rate, we use our incremental borrowing rate in determining the present value of future lease payments. Our incremental borrowing rates include estimates related to the impact of collateralization and the economic environment where the leased asset is located. The operating lease assets also include any prepaid lease payments and initial direct costs incurred, but exclude lease incentives received at lease commencement. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Our leases have remaining lease terms of 1 to 36 years, some of which may include options to extend or terminate the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term in a manner similar to previous accounting guidance.

We do not recognize leases with an initial term of twelve months or less on the balance sheet and instead recognize the related lease payments as expense in the statement of comprehensive income on a straight-line basis over the lease term. We account for lease and non-lease components as a single lease component for all asset classes. Additionally, for certain equipment leases, we apply a portfolio approach and account for multiple lease components as a single lease component.

Certain of our lease agreements include variable rental payments, including rental payments adjusted periodically for inflation. Variable rental payments are expensed during the period they are incurred and therefore are excluded from our lease assets and liabilities. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense recognized in the condensed consolidated statement of comprehensive income during the three months ended March 31, 2019 was $13.0 million, including approximately $2.1 million of short-term and variable lease costs.

Other information related to leases was as follows:

(In millions, except lease term and discount rate)	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$10.0
Right-of-use assets obtained in exchange for operating lease obligations:	7.7
Weighted average remaining lease term - operating leases	7.7 years
Weighted average discount rate - operating leases	4.4%

Total lease payments under non-cancellable operating leases as of March 31, 2019 were as follows:

(In millions)	
Year Ending December 31,	
2019 (excluding the three months ended March 31, 2019)	$ 28.7
2020	34.5
2021	28.6
2022	23.6
2023	20.0
Thereafter	79.8
Total lease payments	215.2
Less imputed interest	(34.4)
Total	$180.8
Reported as of March 31, 2019	
Other current liabilities	$ 31.8
Operating lease liabilities	149.0
Total	$180.8

7. External Debt and Financing Arrangements

In September 2018, we issued $600 million of unsecured senior notes (“2018 Senior Notes”) in a registered public offering. The 2018 Senior Notes are due in 2023 with a coupon rate of 4%. We used the proceeds from the 2018 Senior Notes offering to pay down our revolving credit facility. On March 31, 2019 and December 31, 2018, the net carrying value of the 2018 Senior Notes, net of underwriting commissions, price discounts, and debt issuance costs, was $595.3 million and $595.0 million, respectively.

In June 2015, we issued $900 million of unsecured senior notes (“2015 Senior Notes”, and collectively with the 2018 Senior Notes, the “Senior Notes”) in a registered public offering. The 2015 Senior Notes consist of two tranches: $400 million of five-year notes due in 2020 with a coupon rate of 3% and $500 million of ten-year notes due in 2025 with a coupon rate of 4%. We used the proceeds from the 2015 Senior Notes offering to pay down our revolving credit facility and for general corporate purposes. On March 31, 2019 and December 31, 2018, the net carrying value of the 2015 Senior Notes, net of underwriting commissions, price discounts and debt issuance costs, was $894.4 million and $894.0 million, respectively.

In March 2018, the Company entered into a $350 million term loan for general corporate purposes to mature in March 2019. In August 2018, the Company amended its existing $350 million term loan to increase the borrowings under the term loan from $350 million to $525 million. In March 2019, the Company amended the $525 million term loan to decrease the borrowings from $525 million to $350 million and extend the maturity date to March 2020. All other terms and conditions on the amended term loan remain the same as the previous $525 million term loan. At March 31, 2019 and December 31, 2018, amounts due under the term loan were $350 million and $525 million, respectively, which are included within short term debt in our consolidated balance sheet. Interest rates under the term loan are variable based on LIBOR at the time of the borrowing and the Company’s long-term credit rating and can range from LIBOR + 0.625% to LIBOR + 1.25%. Covenants under the term loan are the same as the existing $1.25 billion revolving credit agreement. As of March 31, 2019, we were in compliance with all covenants under this facility.

In June 2016, the Company amended and restated its 2011 credit agreement to combine and rollover the prior revolving credit facility and term loan into a new standalone $1.25 billion revolving credit facility. This amendment and restatement of the credit agreement was a non-cash transaction for the Company. Terms and conditions of the credit agreement, including the total commitment amount, essentially remained the same as under the 2011 credit agreement. The revolving credit facility will mature in June 2021 and borrowings thereunder will be used for general corporate purposes. On March 31, 2019 and December 31, 2018, our outstanding borrowings under this facility were $680.0 million and $320.0 million, respectively. At March 31, 2019 and December 31, 2018, the current portion of long-term debt was zero. Interest rates under the facility are variable based on LIBOR at the time of the borrowing and the Company’s long-term credit rating and can range from LIBOR + 0.9% to LIBOR + 1.5%. As of March 31, 2019, we were in compliance with all covenants under this facility.

We currently have uncommitted bank lines of credit in China, which provide for unsecured borrowings for working capital of up to $23.5 million in aggregate, of which there were no outstanding balances as of March 31, 2019 and December 31, 2018.

8. Financial Instruments

We do not enter into financial instruments for trading or speculative purposes. We principally use financial instruments to reduce the impact of changes in foreign currency exchange rates and commodities used as raw materials in our products. The principal derivative financial instruments we enter into on a routine basis are foreign exchange contracts. Derivative financial instruments are recorded at fair value. The counterparties to derivative contracts are major financial institutions. We are subject to credit risk on these contracts equal to the fair value of these instruments. Management currently believes that the risk of incurring material losses is unlikely and that the losses, if any, would be immaterial to the Company.

Raw materials used by the Company are subject to price volatility caused by weather, supply conditions, geopolitical and economic variables, and other unpredictable external factors. As a result, from time to time, we enter into commodity swaps to manage the price risk associated with forecasted purchases of materials used in our operations.

Our primary foreign currency hedge contracts pertain to the Canadian dollar, the British pound, the Chinese yuan and the Mexican peso. The gross U.S. dollar equivalent notional amount of all foreign currency derivative hedges outstanding at March 31, 2019 was $373.6 million. Based on foreign exchange rates as of March 31, 2019, we estimate that $2.5 million of net foreign currency derivative gains included in other comprehensive income as of March 31, 2019 will be reclassified to earnings within the next twelve months.

The fair values of derivative instruments on the consolidated balance sheets as of March 31, 2019 and December 31, 2018 were as follows:

(In millions)			Fair Value	
Type of hedge	Type of contract	Location	March 31, 2019	December 31, 2018
Cash flow	Foreign exchange contracts	Other current assets	$ 2.6	$ 3.9
Fair value	Foreign exchange contracts	Other current assets	2.3	1.4
Net investment hedges	Net investment hedges	Other current assets	0.2	0.7
		Total assets	$ 5.1	$ 6.0
Cash flow	Foreign exchange contracts	Other current liabilities	$ 0.1	$ 0.3
Fair value	Foreign exchange contracts	Other current liabilities	0.5	1.6
		Total liabilities	$ 0.6	$ 1.9

8. Financial Instruments (Continued)

The effects of derivative financial instruments on the statements of comprehensive income for the three months ended March 31, 2019 and 2018 were as follows:

	Classification and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships		
	Three-Month Period Ended March 31, 2019		
(In millions)	Cost of products sold	Interest expense	Other income, net
Total amounts per Consolidated Statements of Earnings	$ 869.1	$ 23.7	($ 1.2)
The effects of fair value and cash flow hedging:			
Gain (loss) on fair value hedging relationships			
Foreign exchange contracts:			
Hedged items			0.2
Derivative designated as hedging instruments			(0.2)
Gain (loss) on cash flow hedging relationships			
Foreign exchange contracts:			
Amount of gain or (loss) reclassified from accumulated other comprehensive (loss) income into income	1.2		
Commodity contracts:			
Amount of gain or (loss) reclassified from accumulated other comprehensive (loss) income into income	0.1		
Interest rate contracts:			
Amount of gain or (loss) reclassified from accumulated other comprehensive (loss) income into income		0.1	

	Classification and Amount of Gain (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships		
	Three-Month Period Ended March 31, 2018		
(In millions)	Cost of products sold	Interest expense	Other income, net
Total amounts per Consolidated Statements of Earnings	$ 815.0	$ 14.7	($ 2.8)
The effects of fair value and cash flow hedging:			
Gain (loss) on fair value hedging relationships			
Foreign exchange contracts:			
Hedged items			0.1
Derivative designated as hedging instruments			(0.2)
Gain (loss) on cash flow hedging relationships			
Foreign exchange contracts:			
Amount of gain or (loss) reclassified from accumulated other comprehensive (loss) income into income	(0.6)		
Commodity contracts:			
Amount of gain or (loss) reclassified from accumulated other comprehensive (loss) income into income	0.1		
Interest rate contracts:			
Amount of gain or (loss) reclassified from accumulated other comprehensive (loss) income into income		0.0	

The cash flow hedges recognized in other comprehensive income were net gains of $0.5 million and $4.3 million at March 31, 2019 and 2018, respectively.

9. Fair Value Measurements

FASB Accounting Standards Codification ("ASC") requirements for Fair Value Measurements and Disclosures establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs, the highest priority, are quoted prices in active markets for identical assets or liabilities. Level 2 inputs reflect other than quoted prices included in Level 1 that are either observable directly or through corroboration with observable market data. Level 3 inputs are unobservable inputs, due to little or no market activity for the asset or liability, such as internally-developed valuation models. We do not have any assets or liabilities measured at fair value on a recurring basis that are Level 3.

The carrying value, net of underwriting commissions, price discounts, and debt issuance costs and fair value of debt as of March 31, 2019 and December 31, 2018 were as follows:

	March 31, 2019		December 31, 2018	
(In millions)	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit facility	$ 680.0	$ 680.0	$ 320.0	$ 320.0
Term Loan	350.0	350.0	525.0	525.0
Senior Notes	1,489.7	1,524.4	1,489.0	1,490.4

The estimated fair value of our term loan and revolving credit facility is determined primarily using broker quotes, which are Level 2 inputs. The estimated fair value of our Senior Notes is determined by using quoted market prices of our debt securities, which are Level 1 inputs.

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018 were as follows:

	Fair Value	
(In millions)	March 31, 2019	December 31, 2018
Assets		
Derivative financial instruments (Level 2)	$ 5.1	$ 6.0
Deferred compensation program assets (Level 2)	9.9	9.3
Total assets	$ 15.0	$ 15.3
Liabilities		
Derivative financial instruments (Level 2)	$ 0.6	$ 1.9

10. Accumulated Other Comprehensive (Loss) Income

Total accumulated other comprehensive (loss) income consists of net income and other changes in business equity from transactions and other events from sources other than shareholders. It includes currency translation gains and losses, unrealized gains and losses from derivative instruments designated as cash flow hedges, and defined benefit plan adjustments. The after-tax components of and changes in accumulated other comprehensive (loss) income were as follows:

(In millions)	Foreign Currency Adjustments	Derivative Hedging Gain (Loss)	Defined Benefit Plan Adjustments(a)	Accumulated Other Comprehensive Loss
Balance at December 31, 2017	$ 5.8	$ (2.4)	$ (42.6)	$ (39.2)
Amounts classified into accumulated other comprehensive (loss) income	(0.8)	3.5	0.2	2.9
Amounts reclassified from accumulated other comprehensive (loss) income	—	0.3	—	0.3
Net current-period other comprehensive (loss) income	(0.8)	3.8	0.2	3.2
Balance at March 31, 2018	$ 5.0	$ 1.4	$ (42.4)	$ (36.0)
Balance at December 31, 2018	$ (25.3)	$ 4.2	$ (45.9)	$ (67.0)
Amounts classified into accumulated other comprehensive (loss) income	8.8	0.6	—	9.4
Adoption of ASU 2018-02(b)	—	—	(8.6)	(8.6)
Amounts reclassified from accumulated other comprehensive (loss) income	—	(1.1)	—	(1.1)
Net current-period other comprehensive (loss) income	8.8	(0.5)	(8.6)	(0.3)
Balance at March 31, 2019	$ (16.5)	$ 3.7	$ (54.5)	$ (67.3)

(a) See Note 12, "Defined Benefit Plans," for further information on the adjustments related to defined benefit plans.
(b) See Note 2 for further information on the impact of adopting ASU 2018-02.

10. Accumulated Other Comprehensive Loss (Continued)

The reclassifications out of accumulated other comprehensive loss for the three months ended March 31, 2019 and 2018 were as follows:

(In millions) Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss Three Months Ended March 31, 2019	2018	Affected Line Item in the Statement of Comprehensive Income
Gains (losses) on cash flow hedges			
Foreign exchange contracts	$ 1.2	$ (0.5)	Cost of products sold
Commodity contracts	0.1	—	Cost of products sold
Interest rate contracts	0.1	—	Other income, net
	1.4	(0.5)	Total before tax
	(0.3)	0.2	Tax expense
Total reclassifications for the period	$ 1.1	$ (0.3)	Net of tax

11. Revenue

The following table disaggregates our consolidated revenue by major sales distribution channels for the three months ended March 31, 2019 and 2018:

(In millions)	Three Months Ended March 31, 2019	2018
Wholesalers (1)	$ 611.8	$ 585.6
Home Center retailers(2)	390.9	349.7
Other retailers (3)	67.6	76.1
Builder direct	55.0	51.5
U.S. net sales	1,125.3	1,062.9
International (4)	202.6	191.7
Net sales	$ 1,327.9	$ 1,254.6

(1) Represents sales to customers whose business is oriented towards builders, professional trades and home remodelers, inclusive of sales through our customers' respective internet website portals.

(2) Represents sales to the three largest "Do-It-Yourself" retailers; The Home Depot, Inc., Lowes Companies, Inc. and Menards, Inc., inclusive of sales through their respective internet website portals.

(3) Represents sales principally to our mass merchant and standalone independent e-commerce customers.

(4) Represents sales in markets outside the United States, principally in Canada, China, Europe and Mexico.

12. Defined Benefit Plans

The components of net periodic benefit cost for pension and postretirement benefits for the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,			
	Pension Benefits		Postretirement Benefits	
(In millions)	2019	2018	2019	2018
Service cost	$ 0.1	$ 0.2	$ —	$ —
Interest cost	8.2	7.6	—	—
Expected return on plan assets	(8.8)	(10.3)	—	—
Net periodic benefit income	$(0.5)	$ (2.5)	$ —	$ —

Service cost relates to benefit accruals in an hourly Union defined benefit plan in our Doors & Security segment. All other defined benefit pension plans were frozen as of December 31, 2016.

13. Income Taxes

The effective income tax rates for the three months ended March 31, 2019 and 2018 were 25.3% and 30.1%, respectively.

The effective income tax rates in 2019 and 2018 were favorably impacted by a benefit associated with the U.S. research and development credit and unfavorably impacted by state and local taxes, unfavorable tax rates in foreign jurisdictions, and increases to uncertain tax positions. Additionally, the 2018 effective income tax rate was unfavorably impacted by an adjustment in 2018 to the deemed repatriation tax liability recorded in 2017 under the Tax Cuts and Jobs Act of 2017.

It is reasonably possible that, within the next 12 months, total unrecognized tax benefits may decrease in the range of $1.4 to 3.6 million, primarily as a result of the conclusion of pending U.S. federal, state and foreign income tax proceedings.

14. Product Warranties

We generally record warranty expense related to contractual warranty terms at the time of sale. We may also provide customer concessions for claims made outside of the contractual warranty terms and those expenses are recorded in the period in which the concession is made. We offer our customers various warranty terms based on the type of product that is sold. Warranty expense is determined based on historic claim experience and the nature of the product category. The following table summarizes activity related to our product warranty liability for the three months ended March 31, 2019 and 2018, respectively.

	Three Months Ended March 31,	
(In millions)	2019	2018
Reserve balance at January 1,	$ 24.9	$ 17.2
Provision for warranties issued	6.2	6.2
Settlements made (in cash or in kind)	(5.8)	(6.2)
Reserve balance at March 31, *(a)*	$ 25.3	$ 17.2

(a) Balance at January 1, 2019 includes the impact of acquiring Fiberon. See Note 4 for additional information.

15. Information on Business Segments

Beginning in the third quarter of 2018, we combined our Doors and Security segments and historical financial segment information has been restated to conform to the new segment presentation. Net sales and operating income for the three months ended March 31, 2019 and 2018 by segment were as follows:

	Three Months Ended March 31,		
(In millions)	2019	2018	% Change vs. Prior Year
Net Sales			
Cabinets	$ 573.0	$ 557.2	2.8%
Plumbing	458.6	449.7	2.0
Doors & Security	296.3	247.7	19.6
Net sales	$1,327.9	$1,254.6	5.8%
Operating Income (Loss)			
Cabinets	$ 43.2	$ 24.1	79.3%
Plumbing	89.2	88.4	0.9
Doors & Security	22.4	28.2	(20.6)
Less: Corporate expenses	(19.2)	(21.3)	9.9
Operating income	$ 135.6	$ 119.4	13.6%

16. Restructuring and Other Charges

Pre-tax restructuring and other charges for the three months ended March 31, 2019 and 2018 are shown below.

	Three Months Ended March 31, 2019		
(In millions)	Restructuring Charges	Other Charges (a)	Total Charges
Cabinets	$ 1.1	$ 0.3	$ 1.4
Plumbing	0.1	1.2	1.3
Doors & Security	—	1.9	1.9
Total	$ 1.2	$ 3.4	$ 4.6

Restructuring and other charges in the first quarter of 2019 largely related to severance costs within our Cabinets segment and costs associated with closing facilities within our Plumbing and Doors & Security segments.

	Three Months Ended March 31, 2018		
(In millions)	Restructuring Charges	Other Charges (a)	Total Charges
Cabinets	$ 0.3	$ (0.2)	$ 0.1
Plumbing	(0.2)	—	(0.2)
Doors & Security	0.7	0.1	0.8
Total	$ 0.8	$ (0.1)	$ 0.7

(a) *"Other Charges" represent charges 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, accelerated depreciation resulting from the closure of facilities and gains or losses on the sale of previously closed facilities.*

Restructuring and other charges in the first quarter of 2018 largely related to severance costs within our Doors & Security and Cabinets segments.

Reconciliation of Restructuring Liability

(In millions)	Balance at 12/31/18	2019 Provision	Cash Expenditures (a)	Non-Cash Write-offs (b)	Balance at 3/31/19
Workforce reduction costs	$ 9.9	$ 0.7	$ (4.3)	$ (0.1)	$ 6.2
Other	0.6	0.5	(0.6)	—	0.5
	$ 10.5	$ 1.2	$ (4.9)	$ (0.1)	$ 6.7

(a) *Cash expenditures primarily related to severance charges.*
(b) *Non-cash write-offs include long-lived asset impairment charges attributable to restructuring actions.*

16. Restructuring and Other Charges (Continued)

(In millions)	Balance at 12/31/17	2018 Provision	Cash Expenditures (a)	Non-Cash Write-offs (b)	Balance at 3/31/18
Workforce reduction costs	$ 5.0	$ 0.8	$ (2.0)	$ —	$ 3.8
Other	0.8	—	—	(0.3)	0.5
	$ 5.8	$ 0.8	$ (2.0)	$ (0.3)	$ 4.3

(a) *Cash expenditures primarily related to severance charges.*
(b) *Non-cash write-offs include long-lived asset impairment charges attributable to restructuring actions.*

17. Earnings Per Share

The computations of earnings per common share for the three months ended March 31, 2019 and 2018 were as follows:

(In millions, except per share data)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Income from continuing operations, net of tax	$ 84.5	$ 75.1
Less: Noncontrolling interest	(0.2)	(0.1)
Income from continuing operations for EPS	84.7	75.2
Loss from discontinued operations	—	(0.2)
Net income attributable to Fortune Brands	$ 84.7	$ 75.0
Earnings per common share		
Basic		
Continuing operations	$ 0.60	$ 0.50
Discontinued operations	—	—
Net income attributable to Fortune Brands common stockholders	$ 0.60	$ 0.50
Diluted		
Continuing operations	$ 0.60	$ 0.49
Discontinued operations	—	—
Net income attributable to Fortune Brands common stockholders	$ 0.60	$ 0.49
Basic average shares outstanding	140.7	149.9
Stock-based awards	1.2	2.2
Diluted average shares outstanding	141.9	152.1
Antidilutive stock-based awards excluded from weighted-average number of shares outstanding for diluted earnings per share	2.8	0.5

18. Commitments and Contingencies

Litigation

We are defendants in lawsuits associated with the normal conduct of our businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that these actions could be decided unfavorably to the Company. The Company believes that there are meritorious defenses to these actions and that these actions will not have a material adverse effect upon our results of operations, cash flows or financial condition, and where appropriate, these actions are being vigorously contested. Accordingly, the Company believes the likelihood of material loss is remote.

Environmental

Compliance with federal, state and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, did not have a material effect on capital expenditures, earnings or the competitive position of Fortune Brands during the three months ended March 31, 2019 and 2018. We are involved in remediation activities to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs of each site are based on our best estimate of undiscounted future costs. We believe, compliance with current environmental protection laws (before taking into account estimated recoveries from third parties) will not have a material adverse effect upon our results of operations, cash flows or financial condition. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop estimates of environmental remediation exposures.

Lease Commitments

Future minimum rental payments under non-cancelable operating leases as of December 31, 2018 were as follows:

(In millions)	
2019	$ 37.8
2020	29.6
2021	23.4
2022	18.9
2023	13.8
Remainder	58.8
Total minimum rental payments	$182.3

These minimum rental payments were determined in accordance with the previous leasing guidance (ASC 840). Accordingly, the minimum payments exclude optional lease payments that we can avoid. The minimum lease payments as of March 31, 2019, disclosed in Note 6, are determined in accordance with the new leasing guidance (ASC 842), which include optional lease payments if we are reasonably certain to incur them.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the notes thereto, which are included in this report, as well as our audited consolidated financial statements for the year ended December 31, 2018, which are included in our Annual Report on Form 10-K for the year ended December 31, 2018.

This discussion contains forward-looking statements that are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding expected capital spending, expected pension contributions, the anticipated impact of recently issued accounting standards on our financial statements, planned business strategies, anticipated market potential, future financial performance, pension contributions, impact of acquisitions and other matters. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on current expectations, estimates, assumptions and projections about our industry, business and future financial results, available at the time this report is filed with the Securities and Exchange Commission. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including but not limited to: (i) by our reliance on the North American home improvement, repair and new home construction activity levels, and the North American and global economies generally, (ii) the competitive nature of consumer and trade brand businesses, (iii) our ability to develop new products or processes and improve existing products and processes, (iv) risks associated with our ability to improve organizational productivity and global supply chain efficiency and flexibility, (v) risks associated with global commodity and energy availability and price volatility, as well as the possibility of sustained inflation, (vi) risks associated with doing business internationally, (vii) changes in government and industry standards, (viii) risk associated with entering into potential strategic acquisitions and integrating acquired property, (ix) our ability to secure and protect our intellectual property rights, (x) our reliance on key customers and suppliers, including wholesale distributors and dealers, (xi) risk of increases in our defined benefit-related costs and funding requirements, (xii) risks associated with the disruption of operations, (xiii) our inability to obtain raw materials and finished goods in a timely and cost-effective manner, (xiv) our ability to attract and retain qualified personnel and other labor constraints, (xv) future tax law changes or the interpretation of existing tax laws, (xvi) potential liabilities and costs from claims and litigation, (xvii) impairments in the carrying value of goodwill or other acquired intangible assets, (xviii) delays or outages in our information technology system or computer networks and (xix) our ability to access the capital markets on terms acceptable to us. These and other factors are discussed in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2018. We undertake no obligation to, and expressly disclaim any such obligation to, update or clarify any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or changes to future results over time or otherwise, except as required by law.

OVERVIEW

References to "Fortune Brands," "the Company," "we," "our" and "us" refer to Fortune Brands Home & Security, Inc. and its consolidated subsidiaries as a whole, unless the context otherwise requires. The Company is a leading home and security products company with a portfolio of leading branded products used for residential home repair, remodeling, new construction and security applications.

OVERVIEW (Continued)

We believe the Company has certain competitive advantages including market-leading brands, a diversified mix of channels, lean and flexible supply chains, a decentralized business model and a strong capital structure as well as a tradition of strong innovation and customer service. We are focused on outperforming our markets in growth, profitability and returns in order to drive increased shareholder value. We believe the Company's track record reflects the long-term attractiveness and potential of our categories and our leading brands. We expect the benefits of operating leverage and strategic spending to support increased manufacturing capacity and long-term growth initiatives will help us continue to achieve profitable organic growth.

We believe our most attractive opportunities are to invest in profitable organic growth initiatives. We also believe that we have the potential to generate additional growth from leveraging our cash flow and balance sheet strength by pursuing accretive strategic acquisitions and joint ventures, and by returning cash to shareholders through a combination of dividends and common stock repurchases under our share repurchase programs as explained in further detail under “Liquidity and Capital Resources” below.

The U.S. market for our products primarily consists of spending on both new home construction and repair and remodel activities within existing homes, with a majority of the markets we serve consisting of repair and remodel spending. Growth in the U.S. market for our products will largely depend on consumer confidence, employment, home prices, stable mortgage rates and credit availability.

We may be impacted by fluctuations in raw material and transportation costs, changes in foreign exchange and promotional activity among our competitors. We strive to offset the potential unfavorable impact of these items with productivity improvement initiatives and price increases.

In September 2018, we acquired 100% of the membership interests of Fiber Composites LLC (“Fiberon”), a leading U.S. manufacturer of outdoor performance materials used in decking, railing and fencing products for a total purchase price of approximately $470 million, subject to certain post-closing adjustments. The acquisition of Fiberon provides category expansion and product extension opportunities into the outdoor living space for our Doors & Security segment. We financed the transaction using cash on hand and borrowings under our revolving credit and term loan facilities. Fiberon's results of operations are included in the Doors & Security segment from the date of acquisition.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2019 Compared To Three Months Ended March 31, 2018

	Net Sales		
(In millions)	2019	2018	% Change vs. Prior Year
Cabinets	$ 573.0	$ 557.2	2.8%
Plumbing	458.6	449.7	2.0
Doors & Security	296.3	247.7	19.6
Net sales	$1,327.9	$1,254.6	5.8%

	Operating Income (Loss)		
	2019	2018	% Change vs. Prior Year
Cabinets	$ 43.2	$ 24.1	79.3%
Plumbing	89.2	88.4	0.9
Doors & Security	22.4	28.2	(20.6)
Less: Corporate expenses	(19.2)	(21.3)	9.9
Operating income	$ 135.6	$ 119.4	13.6%

The following discussion of consolidated results of operations and segment results refers to the three months ended March 31, 2019 compared to the three months ended March 31, 2018. Consolidated results of operations should be read in conjunction with segment results of operations.

Net sales

Net sales increased $73.3 million, or 5.8%. The increase was due to price increases to help mitigate cumulative raw material cost increases, the benefit from the 2018 Fiberon acquisition in our Doors & Security segment (represents a $37.0 million increase), and higher sales volume, including growth in China. These benefits were partially offset by unfavorable foreign exchange impact of approximately $10 million and unfavorable product mix.

Cost of products sold

Cost of products sold increased $54.1 million, or 6.6%, due to higher net sales, including the impact of the Fiberon acquisition in our Doors & Security segment, and increased commodity costs partially offset by the benefit of productivity improvements.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $0.8 million, or 0.3%, due to higher employee-related costs and advertising and marketing costs as well as the impact of the Fiberon acquisition in our Doors & Security segment partially offset by lower non-cash stock-based compensation expense.

RESULTS OF OPERATIONS (Continued)

Amortization of intangible assets

Amortization of intangible assets increased $1.8 million primarily due to the 2018 Fiberon acquisition in our Doors & Security segment.

Restructuring charges

Restructuring charges of $1.2 million in the three months ended March 31, 2019 primarily related to severance costs within our Cabinets segment. Restructuring charges of $0.8 million in the three months ended March 31, 2018 primarily related to severance costs within our Doors & Security and Cabinets segments.

Operating income

Operating income increased $16.2 million, or 13.6%, primarily due to higher net sales and productivity improvements. These benefits were partially offset by unfavorable commodity costs.

Interest expense

Interest expense increased $9.0 million to $23.7 million due to higher average borrowings and higher average interest rates.

Other income, net

Other income, net, was $1.6 million in the three months ended March 31, 2019, compared to $2.8 million in the three months ended March 31, 2018. The decrease in other income, net is primarily due to lower defined benefit plan income in 2019 ($2.0 million decrease).

Income taxes

The effective income tax rates for the three months ended March 31, 2019 and 2018 were 25.3% and 30.1%, respectively.

The effective income tax rates in 2019 and 2018 were favorably impacted by a benefit associated with the U.S. research and development credit and unfavorably impacted by state and local taxes, unfavorable tax rates in foreign jurisdictions, and increases to uncertain tax positions. Additionally, the 2018 effective income tax rate was unfavorably impacted by an adjustment in 2018 to the deemed repatriation tax liability recorded in 2017 under the Tax Cuts and Jobs Act of 2017.

Net income from continuing operations

Net income from continuing operations was $84.5 million in the three months ended March 31, 2019 compared to $75.1 million in the three months ended March 31, 2018. The increase of $9.4 million was due to higher operating income and lower income tax expenses partly offset by higher interest expense and lower other income.

RESULTS OF OPERATIONS (Continued)

Results By Segment

Cabinets

Net sales increased $15.8 million, or 2.8%, predominantly due to price increases to help mitigate cumulative raw material cost increases, lower rebate and promotional costs and higher sales volume. These factors were partly offset by an unfavorable sales mix shift to lower priced products. Foreign exchange was unfavorable by approximately $2 million.

Operating income increased $19.1 million, or 79.3%, due to the benefit from productivity improvements, higher net sales and cost savings from the consolidation of our manufacturing footprint in 2018.

Plumbing

Net sales increased $8.9 million, or 2.0% due to price increases to help mitigate cumulative raw material cost increases and higher sales volume primarily from growth in China. Foreign exchange was unfavorable by approximately $7 million.

Operating income increased $0.8 million, or 0.9%, due to higher net sales, the benefit from productivity improvements and the absence in 2019 of the amortization of the acquisition-related inventory fair value adjustment ($1.7 million of expense in 2018) related to our Victoria + Albert acquisition. These benefits were partially offset by commodity cost inflation and unfavorable channel mix.

Doors & Security

Net sales increased $48.6 million, or 19.6%, due to the Fiberon acquisition (represents a $37.0 million increase), price increases to help mitigate cumulative raw material cost increases and higher sales volume. These benefits were partially offset by higher sales rebate costs and unfavorable mix. Foreign exchange was unfavorable by approximately $2 million.

Operating income decreased $5.8 million, or 20.6%, due to the impact of investments in 2018 to increase manufacturing capacity to support growth, amortization expense related to Fiberon’s inventory fair value adjustments ($1.8 million in 2019) and an expense due to a fair value adjustment associated with an idle manufacturing facility ($1.7 million in 2019). These factors were partially offset by the benefit of the higher sales.

Corporate

Corporate expenses decreased by $2.1 million due to lower employee-related costs.

LIQUIDITY AND CAPITAL RESOURCES

Our primary liquidity needs are to support working capital requirements, fund capital expenditures and service indebtedness, as well as to finance acquisitions, repurchase shares of our common stock and pay dividends to stockholders, as deemed appropriate. Our principal sources of liquidity are cash on hand, cash flows from operating activities, availability under our credit facility and debt issuances in the capital markets. Our operating income is generated by our subsidiaries. There are no restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Fortune Brands. Our Board of Directors will continue to evaluate dividend payment opportunities on a quarterly basis. There can be no assurance as to when and if future dividends will be paid, and at what level, because the payment of dividends is dependent on our financial condition, results of operations, cash flows, capital requirements and other factors deemed relevant by our Board of Directors.

In September 2018, we issued $600 million of unsecured senior notes (“2018 Senior Notes”) in a registered public offering. The 2018 Senior Notes are due in 2023 with a coupon rate of 4%. We used the proceeds from the 2018 Senior Notes offering to pay down our revolving credit facility. On March 31, 2019 and December 31, 2018, the outstanding amount of the 2018 Senior Notes, net of underwriting commissions, price discounts, and debt issuance costs, was $595.3 million and $595.0 million, respectively.

In March 2018, the Company entered into a $350 million term loan for general corporate purposes to mature in March 2019. In August 2018, the Company amended its existing $350 million term loan to increase the borrowings under the term loan from $350 million to $525 million. In March 2019, the Company amended the $525 million term loan to decrease the borrowings from $525 million to $350 million and extend the maturity date to March 2020. All other terms and conditions on the amended term loan remain the same as the previous $525 million term loan. At March 31, 2019 and December 31, 2018, amounts due under the term loan were $350 million and $525 million, respectively, which are included within short term debt in our consolidated balance sheet. Interest rates under the term loan are variable based on LIBOR at the time of the borrowing and the Company’s long-term credit rating and can range from LIBOR + 0.625% to LIBOR + 1.25%. Covenants under the term loan are the same as the existing $1.25 billion revolving credit agreement. As of March 31, 2019, we were in compliance with all covenants under this facility.

In the first quarter of 2019, we repurchased 0.6 million shares of our outstanding common stock under the Company’s share repurchase programs for $28.0 million. We presented $18 million of share repurchases in our net cash used by financing activities subtotal of our condensed consolidated statement of cash flows as $10 million of shares repurchased on March 28 and 29, 2019 were not settled and paid until April 1 and 2, 2019. As of March 31, 2019, the Company’s total remaining share repurchase authorization under the remaining programs was approximately $386 million. The share repurchase programs do not obligate the Company to repurchase any specific dollar amount or number of shares and may be suspended or discontinued at any time.

We periodically review our portfolio of brands and evaluate potential strategic transactions and other capital initiatives to increase shareholder value. However, we cannot predict whether or when we may enter into acquisitions, joint ventures or dispositions, make any purchases of shares of our common stock under our share repurchase programs, or pay dividends, or what impact any such transactions could have on our results of operations, cash flows or financial condition, whether as a result of the issuance of debt or equity securities, or otherwise. Our cash flows from operations, borrowing availability and overall liquidity are subject to certain risks and uncertainties, including those described in the section of our Annual Report on Form 10-K for the year-ended December 31, 2018 entitled “Item 1A. Risk Factors.”

In September 2018, we acquired 100% of the membership interests of Fiberon, a leading U.S. manufacturer of outdoor performance materials used in decking, railing and fencing products for a total purchase price of approximately $470 million, subject to certain post-closing adjustments. The acquisition of Fiberon provides category expansion and product extension opportunities for our Doors & Security segment into the outdoor living space. The results of operations, subsequent to the closing of the acquisition, are included in the Doors & Security segment.

On March 31, 2019, we had cash and cash equivalents of $281.2 million, of which $265.1 million was held at non-U.S. subsidiaries. We manage our global cash requirements considering (i) available funds among the subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. The repatriation of non-U.S. cash balances from certain subsidiaries could have adverse tax consequences as we may be required to pay and record tax expense on those funds that are repatriated.

In June 2016, we amended and restated our 2011 credit agreement to combine and rollover the existing revolving credit facility and term loan into a new standalone $1.25 billion revolving credit facility. This amendment and restatement of the credit agreement was a non-cash transaction for the Company. Terms and conditions of the credit agreement, including the total commitment amount, essentially remained the same as under the 2011 credit agreement. The revolving credit facility will mature in June 2021 and borrowings thereunder will be used for general corporate purposes. Interest rates under the facility are variable based on LIBOR at the time of the borrowing and the Company's long-term credit rating and can range from LIBOR + 0.9% to LIBOR + 1.5%. At March 31, 2019, we were in compliance with all covenants under this facility.

Our operating cash flows are significantly impacted by the seasonality of our business. We typically generate most of our operating cash flow in the third and fourth quarters of each year. We use operating cash in the first half of the year, particularly in the first quarter.

Cash Flows

Below is a summary of cash flows for the three months ended March 31, 2019 and 2018.

	Three Months Ended March 31,	
(In millions)	2019	2018
Net cash used in operating activities	$ (89.7)	$ (51.9)
Net cash used in investing activities	(25.3)	(42.7)
Net cash provided by financing activities	129.4	16.2
Effect of foreign exchange rate changes on cash	3.8	(0.2)
Net increase (decrease) in cash and cash equivalents	$ 18.2	$ (78.6)

Net cash used in operating activities was $89.7 million in the three months ended March 31, 2019, compared to $51.9 million in the three months ended March 31, 2018. The increase in cash used of $37.8 million was primarily due to decreases in other current liabilities and a build in working capital primarily driven by inventory investments to support new product initiatives and pre-buy's ahead of expected tariff increases.

Net cash used in investing activities was $25.3 million in the three months ended March 31, 2019, compared to $42.7 million in the three months ended March 31, 2018. The decrease in cash used of $17.4 million was primarily due to $10.4 million of lower capital spending and lower cost of acquisitions of $5.8 million.

Net cash provided by financing activities was $129.4 million in the three months ended March 31, 2019, compared to $16.2 million in the three months ended March 31, 2018. The increase in cash provided of $113.2 million was primarily due to lower share repurchases in 2019 compared to 2018 ($307.2 million decrease) partly offset by lower net borrowings in 2019 compared to 2018 ($195.0 million decrease).

Pension Plans

Subsidiaries of Fortune Brands sponsor their respective defined benefit pension plans that are funded by a portfolio of investments maintained within our benefit plan trust. As of December 31, 2018, the fair value of our total pension plan assets was $599.6 million, representing 79% of the accumulated benefit obligation liability. In 2019, we expect to make pension contributions of approximately $8 million. For the foreseeable future, we believe that we have sufficient liquidity to meet the minimum funding that may be required by the Pension Protection Act of 2006.

Foreign Exchange

We have operations in various foreign countries, principally Canada, China, Mexico, the United Kingdom, France, Australia, Japan and South Africa. Therefore, changes in the value of the related currencies affect our financial statements when translated into U.S. dollars.

RECENTLY ISSUED ACCOUNTING STANDARDS

The adoption of recent accounting standards, as discussed in Note 2, "Recently Issued Accounting Standards," to our Consolidated Financial Statements, has not had and is not expected to have a significant impact on our revenue, earnings or liquidity.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes in the information provided in the section entitled "Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

The Company's management has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control Over Financial Reporting.

The Company implemented internal controls related to the new lease accounting standard to facilitate its adoption on January 1, 2019. There have not been any other changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company is in the process of reviewing the internal control structure of acquired businesses and, if necessary, will make appropriate changes as we incorporate our controls and procedures into those recently acquired businesses.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

(a) Litigation.

We are defendants in lawsuits associated with the normal conduct of our businesses and operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that these actions could be decided unfavorably to the Company. The Company believes that there are meritorious defenses to these actions and that these actions will not have a material adverse effect upon our results of operations, cash flows or financial condition, and where appropriate, these actions are being vigorously contested. Accordingly, the Company believes the likelihood of material loss is remote.

(b) Environmental Matters.

Compliance with federal, state and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, did not have a material effect on capital expenditures, earnings or the competitive position of Fortune Brands during the three months ended March 31, 2019 and 2018. We are involved in remediation activities to clean up hazardous wastes as required by federal and state laws. Liabilities for remediation costs of each site are based on our best estimate of undiscounted future costs. We believe compliance with current environmental protection laws (before taking into account estimated recoveries from third parties) will not have a material adverse effect upon our results of operations, cash flows or financial condition. Uncertainties about the status of laws, regulations, technology and information related to individual sites make it difficult to develop estimates of environmental remediation exposures.

Item 1A. RISK FACTORS.

There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018 in the section entitled "Risk Factors."

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Below are the repurchases of common stock by the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) for the three months ended March 31, 2019:

Issuer Purchases of Equity Securities

Three Months Ended March 31, 2019	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (a)	Maximum dollar amount that may yet be purchased under the plans or programs (a)
January 1 – January 31	—	$ —	—	$ 413,734,259
February 1 – February 28	—	—	—	413,734,259
March 1 – March 31	607,400	46.10	607,400	385,735,647
Total	607,400	$ 46.10	607,400	

(a) Information on the Company's share repurchase programs follows:

Authorization date	*Announcement date*	*Authorization amount of shares of outstanding common stock*	*Expiration date*
April 30, 2018	*April 30, 2018*	*$150 million*	*April 30, 2020*
July 13, 2018	*July 16, 2018*	*$400 million*	*July 13, 2020*

Item 6. EXHIBITS

3(i).	Restated Certificate of Incorporation of Fortune Brands Home & Security, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 5, 2012, Commission file number 1-35166).
3(ii).	Amended and Restated By-laws of Fortune Brands Home & Security, Inc., as adopted September 27, 2011 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2011, Commission file number 1-35166).
10.1*	Second Amendment, dated as of March 29, 2019 to the Credit Agreement dated March 29, 2018 by and among Fortune Brands Home & Security, Inc., the lenders party thereto and JP Morgan Chase Bank, N.A., as Administrative Agent.
31.1.*	Certificate of Chief Executive Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2.*	Certificate of Chief Financial Officer Required Under Section 302 of the Sarbanes-Oxley Act of 2002.
32.*	Joint CEO/CFO Certificate Required Under Section 906 of the Sarbanes-Oxley Act of 2002.
101.*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 formatted in eXtensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Comprehensive Income, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Equity, and (v) the Notes to the Condensed Consolidated Financial Statements.

* Filed herewith.

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.

FORTUNE BRANDS HOME & SECURITY, INC.
(Registrant)

Date: May 7, 2019

/s/ Patrick D. Hallinan
Patrick D. Hallinan
Senior Vice President and Chief Financial Officer
(Duly authorized officer and principal financial officer of the Registrant)

Exhibit 10.1

EXECUTION VERSION

SECOND AMENDMENT

SECOND AMENDMENT dated as of March 22, 2019 (this "**Amendment**"), to the Credit Agreement dated as of March 29, 2018 (as amended, supplemented or otherwise modified from time to time prior to the date hereof, the "**Existing Credit Agreement**" and, as amended by this Amendment, the "**Credit Agreement**"), among FORTUNE BRANDS HOME & SECURITY, INC., a Delaware corporation (the "**Borrower**"), the Lenders party hereto (the "**Lenders**"), and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "**Administrative Agent**").

A. Pursuant to the Existing Credit Agreement, the Lenders have extended credit to the Borrower.

B. The Borrower, the Lenders and the Administrative Agent wish to amend the Existing Credit Agreement on the terms and conditions set forth below.

Accordingly, in consideration of the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Terms Generally. The rules of construction set forth in Section 1.03 of the Credit Agreement shall apply *mutatis mutandis* to this Amendment. Capitalized terms used herein but not defined herein have the meanings assigned to them in the Credit Agreement (after giving effect to this Amendment (unless otherwise specified herein)).

SECTION 2. Amendments to the Existing Credit Agreement. The Existing Credit Agreement is hereby amended as follows:

(a) Section 1.01 of the Existing Credit Agreement is hereby amended by amending the definition of "Maturity Date" in its entirety as follows:

"Maturity Date" means March 23, 2020.

(b) Section 1.01 of the Existing Credit Agreement is hereby amended by amending the definition of "Term Loans" in its entirety as follows:

"Term Loans" means the term loans made on the Closing Date.

(c) Section 1.01 of the Existing Credit Agreement is hereby amended by deleting the definitions of "First Amendment", "First Amendment Effective Date" and "Incremental Loan" in their entirety.

SECTION 3. Representations and Warranties. To induce the other parties hereto to enter into this Amendment, the Borrower represents and warrants to the Lenders that, as of the Second Amendment Effective Date (as defined below):

(a) This Amendment has been duly executed and delivered by the Borrower. Each of this Amendment and the Credit Agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) The representations and warranties of the Borrower set forth in the Credit Documents are true and correct in all material respects (but in all respects if such representation and warranty is qualified by "material" or "Material Adverse Effect") on and as of the date hereof except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct on and as of such earlier date; provided, however, that for purposes of the foregoing the reference in the definition of "Disclosed Matters" to the "Closing Date" shall be deemed a reference to the "Second Amendment Effective Date".

(c) No Default has occurred and is continuing.

SECTION 4. Effectiveness. This Amendment shall become effective as of the date (the "**Second Amendment Effective Date")** on which each of the following conditions precedent shall have been satisfied:

(a) Amendment Execution. The Administrative Agent shall have received counterparts of this Amendment that, when taken together, bear the signatures of (A) the Borrower, (B) the Lenders and (C) the Administrative Agent.

(b) Exiting Lender. The Administrative Agent shall have received (i) an exiting lender consent in the form attached hereto as Exhibit A executed by Barclays Bank PLC (the "**Exiting Lender Consent"),** (ii) repayment in full of the outstanding principal amount of the Term Loan (as defined in the Existing Credit Agreement) held by Barclays Bank PLC and all other amounts owing to Barclays Bank PLC or accrued for its account under the Existing Credit Agreement (which shall be in the amount specified in the Exiting Lender Consent) and (iii) payment in full of all accrued interest owed to the Lenders on the Term Loans as of the Second Amendment Effective Date.

(c) Expenses. The Administrative Agent shall have received reimbursement or payment of all reasonable and documented out-of-pocket expenses (including reasonable fees, charges and disbursements of a single counsel), to the extent invoiced reasonably prior to the Second Amendment Effective Date, required to be reimbursed or paid by any Credit Party under the Credit Agreement or any other Credit Document.

SECTION 5. Consent. Notwithstanding any other provision in the Credit Agreement to the contrary, each of the Lenders party hereto hereby consents to the prepayment in full of all amounts described in Section 4(b)(ii) above to Barclays Bank PLC.

SECTION 6. Effect of Amendment. (a) Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the Lenders or the Administrative Agent under the Credit Agreement or any other Credit Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Credit Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Credit Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Credit Document in similar or different circumstances.

(b) On and after the Second Amendment Effective Date, each reference in the Credit Agreement to "this Amendment", "hereunder", "hereof", "herein", or words of like import, and each reference to the Credit Agreement in any other Credit Document, shall be deemed to be a reference to the Credit Agreement as amended hereby. This Amendment shall constitute a "Credit Document" for all purposes of the Credit Agreement and the other Credit Documents.

SECTION 7. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Amendment and the other Credit Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging (including in ..pdf format) means shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 8. Governing Law, Etc. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK. Paragraphs (b) through (d) of Section 9.09 and Section 9.10 of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis.*

SECTION 9. Headings. Section headings herein and in the other Credit Documents are included for convenience of reference only and shall not affect the interpretation of this Amendment or any other Credit Document.

[The remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

FORTUNE BRANDS HOME & SECURITY, INC., as Borrower

By	/s/ Matthew C. Lenz
Name:	Matthew C. Lenz
Title:	Vice President and Treasurer

[Signature Page to Second Amendment]

JPMORGAN CHASE BANK, N.A., individually
as a Lender and as Administrative Agent

By /s/ James Shender
Name: James Shender
Title: Vice President

[Signature Page to Second Amendment]

BANK OF AMERICA, N.A.,
as a Lender

By /s/ Jason Yakabu
Name: Jason Yakabu
Title: Vice President

[Signature Page to Second Amendment]

Exhibit A

Form of Exiting Lender Consent

March 22, 2019

1. Reference is made to that certain Credit Agreement dated as of March 29, 2018 (as amended, supplemented or otherwise modified from time to time prior to the date hereof, the "**Existing Agreement**"), among FORTUNE BRANDS HOME & SECURITY, INC., a Delaware corporation (the "**Borrower**"), the Lenders party thereto, and JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "**Administrative Agent**"). Terms used but not otherwise defined herein have the meaning set forth in the Existing Agreement.

2. Barclays Bank PLC (the "**Exiting Lender**") is a "Lender" under the Existing Agreement.

3. Effective as of the date hereof, the Borrower, the Administrative Agent and certain of the other Lenders are entering into an amendment of the Existing Agreement (the "**Amended Credit Agreement**") which, pursuant to Section 9.02 of the Existing Agreement, requires the consent of each Lender under the Existing Agreement.

4. The Exiting Lender hereby (a) for the sole purpose of facilitating satisfaction of the consent requirement set forth in Section 9.02 the Existing Agreement relative to the Amended Credit Agreement, consents to the amendments of the Existing Agreement embodied in the Amended Credit Agreement and (b) agrees that, upon the effectiveness of the Amended Credit Agreement and the payment to the Exiting Lender of $175,111,866.32 in immediately available funds in accordance with instructions provided by the Exiting Lender, the outstanding Term Loans of the Exiting Lender and accrued interest thereon and all other amounts owing to it or accrued for its account under the Existing Agreement shall be reduced to zero and the Exiting Lender shall cease to have any rights or duties as a Lender under either the Existing Agreement or the Amended Credit Agreement except for rights or duties in respect of indemnification obligations (including pursuant to Section 9.03 of the Existing Credit Agreement) and rights pursuant to Sections 2.15, 2.16 and 2.17 of the Existing Credit Agreement which by their terms survive repayment of the Term Loans. For further certainty, and notwithstanding the foregoing, the Exiting Lender is not hereby consenting to an extension of the Term Loans pursuant to the Amended Credit Agreement nor incurring any obligations to any Person with respect to the Amended Credit Agreement.

5. Delivery of an executed signature page of this Exiting Lender Consent by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

6. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

[Signature Page Follows]

IN WITNESS WHEREOF, the Exiting Lender has executed this Exiting Lender Consent as of the date above first written.

BARCLAYS BANK PLC

By: ____________________

Name: ____________________

Title: ____________________

Signature Page to Exiting Lender Consent

EXHIBIT 31.1

CERTIFICATION

I, Christopher J. Klein, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2019 of Fortune Brands Home & Security, Inc.;

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(s) 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; and

5. The registrant's other certifying officer(s) 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: May 7, 2019

/s/ Christopher J. Klein

Christopher J. Klein
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Patrick D. Hallinan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2019 of Fortune Brands Home & Security, Inc.;

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(s) 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; and

5. The registrant's other certifying officer(s) 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: May 7, 2019

/s/ Patrick D. Hallinan

Patrick D. Hallinan
Senior Vice President and
Chief Financial Officer

EXHIBIT 32

JOINT CEO/CFO CERTIFICATE REQUIRED PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned, the Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Fortune Brands Home & Security, Inc. (the "Company"), hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Company.

Dated: May 7, 2019

/s/ Christopher J. Klein
Christopher J. Klein
Chief Executive Officer

/s/ Patrick D. Hallinan
Patrick D. Hallinan
Senior Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Fortune Brands Home & Security, Inc. and will be retained by Fortune Brands Home & Security, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.