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USG Corporation Reports Third Quarter 2017 Results

Business Highlights

Third Quarter 2017 vs. Third Quarter 2016

- *Net sales increased to \$795 million from \$767 million*
- *Net income increased to \$66 million from \$62 million; adjusted net income decreased to \$68 million from \$69 million*
- *Earnings per diluted share increased to \$0.46 from \$0.42; adjusted earnings per diluted share increased to \$0.47 from \$0.46*
- *Repurchased \$56 million of common stock under \$250 million share repurchase program*

CHICAGO--(BUSINESS WIRE)--Oct. 26, 2017-- USG Corporation (NYSE:USG), an industry leading manufacturer of building products and innovative solutions, today reported results for the third quarter of 2017.

“We had positive momentum in the third quarter, with increased net sales and wallboard volume,” said Jennifer Scanlon, President and CEO of USG Corporation. “We are well positioned for growth as we continue to provide innovative solutions for our customers’ challenges.”

On a consolidated basis in the third quarter of 2017, net sales were \$795 million, compared to \$767 million in the third quarter of 2016. Operating profit decreased to \$93 million from \$97 million, while adjusted operating profit decreased to \$111 million from \$127 million in the third quarter of 2017 compared to the third quarter of 2016. Higher input costs in the Gypsum and Ceilings businesses were the primary driver of the decrease.

USG generated \$66 million in net income and \$0.46 per diluted share in the third quarter of 2017. On an adjusted basis, the corporation earned \$68 million in net income and \$0.47 per diluted share in the third quarter of 2017, compared to \$69 million and \$0.46 per diluted share, respectively, in the third quarter of 2016. A full reconciliation of GAAP to adjusted metrics is set forth on an attached schedule.

The corporation’s Gypsum segment generated \$85 million of operating profit in the third quarter of 2017. On an adjusted basis, operating profit of \$88 million in the Gypsum segment decreased by \$13 million from the third quarter of 2016. US wallboard volumes increased by 5% in the third quarter of 2017. The average realized selling price for US wallboard decreased by approximately 2% sequentially and was impacted by freight costs and changes in wallboard product mix due to hurricanes Harvey and Irma. US wallboard manufacturing costs increased by \$10 million due primarily to increased waste paper costs.

The Ceilings segment earned \$28 million of operating profit in the third quarter of 2017, a \$5 million decrease from the third quarter of 2016 primarily on higher input costs across both tile and grid products.

The USG Boral business generated \$15 million of equity income in the third quarter of 2017. On an adjusted basis, equity income of \$15 million decreased by \$3 million from the third quarter of 2016. The impact of increased plasterboard volumes was more than offset by unfavorable operational reserve adjustments in India and higher plasterboard manufacturing costs across the business.

Ms. Scanlon continued, “I am proud of everyone at USG for their efforts and commitment to putting our customers first in the wake of the challenges presented by recent storms. Our customer service, supply chain and plant teams worked around the clock to ensure we were ready and able to support our loyal customers in a time of need.”

A conference call is being held today at 9:00 a.m. Eastern time (8:00 a.m. Central time) during which USG senior management will discuss the corporation’s operating results. The conference call will be webcast on the USG investor relations website, investor.usg.com, where the accompanying presentation materials can be found. The dial-in number for the conference call is 1-888-771-4371 in the United States and Canada (1-847-585-4405 for other international callers), and the pass code is 45799104. After the live webcast, a replay of the webcast will be available on the USG website. In addition, a telephonic replay of the call will be available until Friday, November 24, 2017. The replay dial-in number is 1-888-843-7419 (1-630-652-3042 for international callers), and the pass code is 45799104.

About USG Corporation

USG Corporation is an industry-leading manufacturer of building products and innovative solutions. Headquartered in Chicago, USG serves construction markets around the world through its United States Gypsum Company and USG Interiors, LLC subsidiaries and its international subsidiaries, including its USG Boral Building Products joint venture. Its wall, ceiling, flooring, sheathing and roofing products provide the solutions that enable customers to build the outstanding spaces where people live, work and play. Its USG Boral Building Products joint venture is a leading plasterboard and ceilings producer across Asia, Australasia and the Middle East. For additional information, visit www.usg.com.

Non-GAAP Financial Measures

In this press release, the corporation’s financial results are provided both in accordance with accounting principles generally accepted in the United States of America (GAAP) and using certain non-GAAP financial measures. In particular, the corporation presents the non-GAAP financial measures adjusted operating profit, adjusted net income, adjusted selling and administrative expenses, adjusted equity income from USG Boral Building Products, and adjusted earnings per diluted share, which exclude certain items. The non-GAAP financial measures are included as a complement to results provided in accordance with GAAP because management believes these non-GAAP financial measures help investors’ ability to analyze underlying trends in the corporation’s business, evaluate its performance relative to other companies in its industry and provide useful information to both management and investors by excluding certain items that may not be indicative of the corporation’s core operating results. In addition, adjusted operating profit includes the income from the corporation’s equity method investments, including USG Boral Building Products, because management views the joint ventures as a business unit, even though the corporation’s share of the joint ventures are 50%. In addition, the corporation uses adjusted net income as a component in the measurement of incentive compensation. Prior year adjusted results also exclude results from Gypsum Transportation Limited (GTL), a shipping operation that the corporation has exited. Adjustments to net earnings are shown net of the tax effect computed at applicable statutory rates. The non-GAAP measures should not be considered a substitute for or superior to GAAP results and may vary from others in the industry. For further information related to the corporation’s use of non-GAAP financial measures, and reconciliations to the nearest GAAP measures, see the schedules attached hereto.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 related to management's expectations about future conditions, including, but not limited to, USG's growth. Actual business, market or other conditions may differ materially from management's expectations and, accordingly, may affect our sales and profitability or other results and liquidity. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date and we undertake no obligation to update any forward-looking statement. Actual results may differ materially due to various other factors, including: economic conditions, such as employment, household formation, home ownership rate, existing home price trends, availability of mortgage financing, interest rates, consumer confidence, job growth and discretionary business investment; our ability to maintain or achieve price increases; the loss of one or more major customers; the impact on our performance and financial results due to the disposition of L&W Supply, one of our largest customers; competitive conditions, such as price, quality and range of products; unexpected operational difficulties or catastrophic events at our facilities; an increasing number of our customers having significant buying power; increased costs, or decreased availability, of key raw materials or energy; our ability to successfully operate the joint venture with Boral Limited, including risks that our joint venture partner, Boral Limited, may not fulfill its obligations as an investor or may take actions that are inconsistent with our objectives; exposure to risks of operating internationally; our ability to innovate and protect our intellectual property and other proprietary rights; our ability to make capital expenditures and achieve the expected return on investment; a disruption in our information technology systems; significant changes in factors and assumptions used to measure our defined benefit plan obligations; changes in laws or regulations, including environmental and safety regulations; the outcome in legal and governmental proceedings; the ability of a small number of stockholders to influence our business and stock price; our ability to successfully pursue and complete acquisitions, joint ventures and other transactions to complement or expand our businesses; our ability to return capital to stockholders; the occurrence of an "ownership change" within the meaning of the Internal Revenue Code; ability to incur substantial additional indebtedness; the effects of acts of terrorism or war upon domestic and international economies and financial markets; and acts of God. We assume no obligation to update any forward-looking information contained in this press release. Additional information concerning these and other factors may be found in our filings with the Securities and Exchange Commission, including the "Risk Factors" in our most recent Annual Report on Form 10-K.