Corrected Transcript

29-Jul-2026

Masco Corp. (MAS)

Q2 2026 Earnings Call

Copyright © 2001-2026 FactSet CallStreet, LLC

CORPORATE PARTICIPANTS

Renee Benedict
Vice President, Investor Relations and Corporate FP&A, Masco Corp.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

OTHER PARTICIPANTS

John Lovallo
Analyst, UBS Securities LLC

Sam Reid
Analyst, Wells Fargo Securities LLC

Matthew Bouley
Analyst, Barclays Capital, Inc.

Stephen Kim
Analyst, Evercore ISI

Trevor Allinson
Analyst, Wolfe Research LLC

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Margaret Grady
Analyst, Jefferies LLC

Keith Hughes
Analyst, Truist Securities, Inc.

Mike Dahl
Analyst, RBC Capital Markets LLC

Rafe Jadrosich
Analyst, BofA Securities, Inc.

Joseph Nolan
Analyst, Longbow Research LLC

Copyright © 2001-2026 FactSet CallStreet, LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to Masco Corporation's Second Quarter 2026 Conference Call. My name is Rob, and I will be your operator for today's call. As a reminder, today's conference call is being recorded for replay purposes. [Operator Instructions]

I will now turn the call over to Renee Benedict, Vice President, Investor Relations and Corporate FP&A. You may begin.

Renee Benedict

Vice President, Investor Relations and Corporate FP&A, Masco Corp.

Thank you, operator, and good morning, everyone. Welcome to Masco Corporation's 2026 second quarter conference call. With me today are Jon Nudi, President and CEO of Masco; and Rick Westenberg, Masco's Vice President and Chief Financial Officer.

Our second quarter earnings release and the presentation slides are available on our website under Investor Relations. Following our remarks, we will open the call for analyst questions. Please limit yourself to one question with one follow-up. If we cannot take your question now, please call me directly at 313-792-5500.

Our statements today will include our views about our future performance, which constitute forward-looking statements. These statements are subject to risk and uncertainties that could cause our actual results to differ materially from the forward-looking statements. We've described these risks and uncertainties in our risk factors and other disclosures in our Form 10-K and our Form 10-Q that we filed with the Securities and Exchange Commission.

Our statements will also include non-GAAP financial metrics. Our references to operating profit and earnings per share will be as adjusted, unless otherwise noted. We reconcile these adjusted metrics to GAAP in our earnings release and presentation slides, which are available on our website under Investor Relations.

With that, I will now turn the call over to Jon.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thank you, Renee. Good morning, everyone, and thank you for joining us. We have delivered strong results in the first half of the year, while navigating a macroeconomic and geopolitical environment that remains dynamic.

As I outlined at Investor Day in May, we are committed to driving above-market growth through a consumer-driven strategy by leveraging our industry-leading brands, expanding our commercial capabilities, and enhancing our operational excellence. Our teams have remained focused on execution, and I am pleased with the progress we are making. Please refer to side 5, where I will highlight a few recent examples that demonstrate how our teams are creating value through strong brands, innovative new products, and exceptional customer service.

First, Delta Faucet Company continues to execute on its new product roadmap, successfully launching five new kitchen and bath collections across its Delta, Brizo, and Newport Brass brands. These launches broaden our

Copyright © 2001-2026 FactSet CallStreet, LLC

portfolio with compelling new designs and finishes, enhancing consumer choice and supporting our focus on innovation, brand strength, and long-term growth.

Additionally, Delta received the J.D. Power Customer Service Certification for the fifth straight year, a testament to the team's unwavering focus on customer satisfaction and its longstanding commitment to delivering industry-leading service and support.

Then lastly, we celebrated hansgrohe's 125th anniversary. We are proud to recognize the brand's remarkable legacy of innovation, craftsmanship, and design excellence, which has helped make it a global leader in premium water experiences and a key contributor to Masco's success.

With that, let's turn to our second quarter financial results. Please refer to slide 6. Overall, our underlying second quarter and first half performance was in line with our expectations and reflects the resilience of our business and the strength of our execution.

In addition, during the second quarter, we began to receive IEEPA tariff refunds and recognize the benefit. The benefit of these refunds was partially offset by targeted strategic investments to support growth, as well as by employee-related incentive compensation costs associated with this favorable impact. Overall, we recorded a net tariff refund benefit of approximately $95 million during the quarter.

Our net sales in the second quarter decreased 3%, which were impacted by a challenging comparison to the prior year as well as the targeted strategic investments we recognized in the quarter. If you exclude the impact from the strategic investments, net sales in the second quarter would be roughly in line with the prior year, and our sales in the first half of the year would be up low-single digits, consistent with our expectations. Operating profit was $482 million, an increase of 17%. Operating profit margin was 24.2%, and earnings per share grew 26% during the quarter to $1.64 per share.

Turning to our segments, Plumbing Products' sales decreased 3% in local currency. However, excluding the impact of the targeted strategic investments, plumbing segment sales would have been in line with the prior year. North American sales decreased 6% in local currency, driven by the strategic investments, which accounted for more than half of this year's year-over-year impact. In addition, North American sales were also impacted by a challenging comparison to Q2 2025, when sales increased mid-single digits.

When viewed over the first half of the year, excluding the impact of the strategic investments, our North American plumbing sales grew low-single digits, in line with our expectations, and we remain confident in the strength of our competitive position across our channels. We continue to gain share through our e-commerce leadership, innovative products, and exceptional customer service.

Turning to international plumbing, sales increased 4% in local currency, driven by growth across many European markets, particularly Germany, partially offset by the ongoing weak market in China. This strong performance, driven by volume growth and pricing actions, demonstrates the strength of the hansgrohe brand and the team's execution across our geographic markets. Operating profit for the Plumbing Products segment grew 26% to $361 million, and operating margin expanded to 27%.

Turning to our Decorative Architectural segment, sales decreased 4%. Our momentum in PRO paint continued in the second quarter, with sales growing mid-single digits as our offering continues to resonate with PRO customers. As we invest alongside our partner, the Home Depot, we are confident in our ability to drive further

Copyright © 2001-2026 FactSet CallStreet, LLC

share gains and capitalize on the significant growth opportunities ahead. DIY paint sales decreased high-single digits, given the ongoing challenging industry dynamics.

In addition, performance in the quarter was impacted by the customer transition of our primer and applicator business we discussed in our fourth quarter 2025 earnings call in February. We do not expect this transition to have a meaningful impact in the second half of the year. Despite these factors, our expectation for full year DIY paint sales to be down mid-single digits remains unchanged. We believe Behr is well-positioned as the number one DIY brand, with leading positions in color, quality, and value. Operating profit for the segment was in line with the prior year at $148 million, and operating margin was 22.6%.

Turning to capital allocation, our strong cash flow and previously announced accelerated share repurchase program allowed us to return $454 million to shareholders this quarter through dividends and share repurchases.

Additionally, as we continue to actively manage our portfolio and focus on our core, industry-leading brands, we recently divested Bristan Group, a UK plumbing business. We believe Bristan has a strong future with FM Mattsson Group, while allowing us to focus on hansgrohe as our core international plumbing business.

Combined with the actions we are taking to improve efficiency and strengthen execution across the business, we are encouraged by our first-half performance, which reflects our team's strong execution and focus on operational excellence. We are also continuing to implement the restructuring actions we previously shared in order to better align our cost structure and enhance our flexibility to invest in future growth opportunities.

As we look to the balance of the year, uncertainty in the macroeconomic and geopolitical environment remains. However, our first-half performance reinforces our confidence in the resilience of our business, the strength of our brands, and our ability to execute in a challenging environment.

With our strong first-half performance and the benefit of the net tariff refund impact, which represents an estimated $85 million for the full year, we are raising our 2026 earnings per share guidance to $4.40 to $4.60 from our prior range of $4.10 to $4.30. Consistent with our prior guidance, we continue to expect that our sales will be up low-single digits for 2026 and that commodities will remain elevated in the back half of the year. Rick will share additional details of our guidance in a few moments.

While uncertainty remains in the near term, we continue to focus on executing the actions within our control and positioning the business to capitalize on the opportunities ahead. The long-term drivers of repair and remodel activity, including strong home equity levels, an aging housing stock, and pent-up demand for home improvement projects remain firmly in place. As market conditions improve, we expect these fundamentals to provide meaningful support for growth.

At the same time, we are making investments in our business and taking actions to improve operational performance, ensuring we are well-positioned to capitalize when market conditions return to more historical growth rates.

Supported by a portfolio of market-leading brands, robust cash generation, and the investments and actions we are taking to strengthen our operating performance and enhance execution across the business, we believe Masco is well-positioned to deliver above-market growth and continue to create long-term shareholder value.

With that, I'll now turn the call over to Rick to go over our second quarter results and 2026 outlook in more detail. Rick?

Copyright © 2001-2026 FactSet CallStreet, LLC

Richard Westenberg

Vice President, Chief Financial Officer & Treasurer, Masco Corp.

Thank you, Jon, and good morning, everyone. Thank you for joining. As Renee mentioned, my comments today will focus on adjusted performance. Turning to slide 8, sales decreased 3%, with currency having a minimal impact on our second quarter results. In local currency, North American sales decreased 5%, while international sales increased 4%. North American sales were impacted by a challenging comparison to a strong Q2 last year as well as targeted strategic investments to support growth.

Gross margin in the second quarter was 43.8%. The overall performance versus prior year was primarily driven by the net benefit from the IEEPA tariff refunds, with underlying performance largely in line with the prior year. SG&A as a percent of sales was 19.6% and was impacted primarily by higher employee-related costs, including incentive compensation.

Operating profit grew 17% to $482 million in the quarter, and our margin expanded to 24.2%. Operating profit was driven by the approximately $95 million net tariff refund benefit, pricing actions, and cost savings initiatives. This was partially offset by lower volume and higher commodity, tariff, and employee-related costs. Our EPS grew 26% to $1.64 per share in the quarter.

Turning to slide 9, plumbing sales decreased 3% in the second quarter. Currency had a minimal impact on our results. The year-over-year performance was primarily driven by lower volume and the recognition of targeted strategic investments in North American plumbing, partially offset by higher international volume and pricing actions across the segment. In local currency, North American plumbing sales decreased 6% in the quarter. This was primarily driven by a challenging comparison to a strong second quarter last year and the targeted strategic investments.

Looking at our North American plumbing performance in the first half of the year, sales increased low-single digits, excluding the impact of the strategic investments. This performance, which was driven by strong growth at our Delta Faucet and Watkins Wellness businesses, was in line with our expectations, giving us confidence to deliver low-single-digit growth for the year.

In local currency, international plumbing sales increased 4% in the quarter. hansgrohe grew in many of its European markets, including its key market of Germany. This growth was partially offset by continued softness in China.

Segment operating profit in the second quarter increased 26% to $361 million, and operating margin expanded to 27%. Operating profit was driven by the net tariff refund benefit, pricing actions, and cost savings initiatives. This was partially offset by lower volume and higher commodity, tariff, and employee-related costs.

Turning to slide 10, Decorative Architectural sales decreased 4% in the second quarter. Our strong PRO paint performance continued, with sales increasing mid-single digits in the quarter. DIY paint sales decreased high-single digits in the second quarter, reflecting ongoing weakness in the DIY paint market and the unfavorable impact from the customer transition of our primer and applicator business. We do not expect this transition to have a meaningful impact on our results in the back half of the year.

Overall, our paint sales remain largely in line with our expectations, and we continue to anticipate full-year PRO paint sales to increase mid-single digits and DIY paint sales to decrease mid-single digits. Operating profit in the second quarter was $148 million, and operating margin was 22.6%. Operating profit was in line with the prior year, with cost savings initiatives and increased pricing, offset by lower volume and higher commodity costs.

Copyright © 2001-2026 FactSet CallStreet, LLC

Turning to slide 11, our balance sheet remains strong, with gross debt to EBITDA at 2.1 times at quarter end. We finished the quarter with $1.5 billion of liquidity, including cash and availability under our revolving credit facility. Working capital was 19.8% of sales at quarter end. As expected, working capital balances in the first half of the year remain elevated due to the impact of tariffs. However, we continue to anticipate working capital as a percent of sales will be approximately 16.5% at the end of the year.

Our strong cash performance enabled us to return $454 million to shareholders through dividends and share repurchases, including the repurchase of $390 million of stock in the second quarter as we executed on our $300 million accelerated share repurchase program that we announced in May. With our ASR and the benefit from the tariff refunds, we now expect to deploy approximately $1 billion towards share repurchases or acquisitions in 2026, up from our previous expectation of at least $800 million.

Now, let's turn to slide 12 and review our outlook for 2026. Our underlying performance in the first half of the year was strong and largely in line with our expectations. As a result, we are maintaining our full-year outlook, while incorporating the estimated $85 million full-year net benefit from the IEEPA tariff refunds, essentially all in our plumbing segment. For Masco overall, we continue to expect 2026 sales to be up low-single digits and now expect our operating margin to expand to approximately 18%, up from our previous guidance of approximately 17%.

Turning to our segments, in our plumbing segment, we continue to expect 2026 full-year sales to be up low-single digits and now expect our operating margin to expand to approximately 20%, up from our previous guidance of 18%, driven by the net tariff refund benefit, pricing discipline, operational efficiencies, and continued cost savings initiatives.

In our Decorative Architectural segment, we continue to expect 2026 sales to be roughly flat with the prior year and our operating margin to be approximately 19%, with a continued focus on cost savings initiatives.

Finally, as Jon mentioned earlier, we are increasing our 2026 EPS estimate to be in the range of $4.40 to $4.60 per share, up from our previous guidance of $4.10 to $4.30 per share. This continues to assume a 200 million average diluted share count for the year and a 24.5% effective tax rate. Additional financial assumptions for 2026 can be found on slide 15 of our earnings deck.

With that, I would like to open up the call for questions. Operator?

Copyright © 2001-2026 FactSet CallStreet, LLC

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of John Lovallo from UBS. Your line is open.

John Lovallo
Analyst, UBS Securities LLC Q

Good morning, guys. Thank you for taking my questions. The first one is just on the thought process behind including the IEEPA tariff refund in the core numbers, and then also along those lines, why is the full-year benefit of $85 million, $10 million less than the $95 million that was incorporated in the first quarter?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp. A

Good morning, John. It's Rick. In terms of incorporating the IEEPA tariff refund, we thought it was appropriate to include in terms of providing financial forecast for the full year, and obviously provides explanation in terms of our guidance for the year. We did, obviously, as you saw throughout our prepared remarks, quantify the impact on a net basis for the quarter at $95 million and for the year at $85 million. So, we created that visibility.

In terms of the difference between the quarter impact and the calendar year impact, it's really an accounting convention. It's really related to employee-related incentive comp that is not able to be booked in the full amount in the quarter in Q2. It gets amortized over the remaining part of the year. So, that $10 million delta, you'd expect to see in the second half of the year.

John Lovallo
Analyst, UBS Securities LLC Q

Okay. Understood. That's helpful. And then, what's the strength in the Dec Arc margin of 22.6%? It seems to imply a deceleration in the back half, and what would be driving that?

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp. A

Hey, John. It's Jon Nudi. We feel overall good about our momentum on Behr, particularly in the PRO paint side of things, and very much remain on track with our business up mid-single digits. DIY was more pressured, obviously, in the quarter. Part of that was the primer conversion at one of our key customers last year. I'd say our underlying performance was very much in line with what we expected.

From a margin standpoint, we recognize that the market is challenging, and the Behr team has been taking actions to really reduce costs and really try to mitigate as much inflation as possible. So, I would say, the margin impact is really due to the efforts of the team to focus on driving costs out, while recognizing the markets likely to remain soft, particularly in the DIY side of the business moving forward.

John Lovallo
Analyst, UBS Securities LLC Q

Understood. Thank you, guys.

Copyright © 2001-2026 FactSet CallStreet, LLC

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Thank you.

Operator: Your next question comes from the line of Sam Reid from Wells Fargo. Your line is open.

Sam Reid
Analyst, Wells Fargo Securities LLC

Q

Thanks so much, everyone. Wanted to drill down a little bit on the plumbing top line in greater detail. You talk to strategic investments in plumbing as being a key driver behind the year-over-year change in revenues. Could you just elaborate on what those strategic investments were? And did that involve stepping up promos in any way?

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Hey, Sam. It's Jon. I guess, maybe taking a step back and laddering back to our strategy that we unveiled at our Investor Day in May, really, we're trying to accelerate growth through a consumer-driven strategy and three key focus areas: one, really industry-leading brands; second, expanding commercial capabilities; and finally, enhancing our operational excellence.

We had the opportunity in the quarter to make some investments to really jumpstart our strategy and really set us up for accelerating growth as we move into the future. And for competitive reasons, we're not going to detail each of those investments, but rest assured that they align squarely into those three areas in our strategy that I talked about.

Feel like there's going to be strong ROI. And particularly when it comes to promo, I can tell you that's not necessarily the focus. And certainly, we're trying to invest for the longer term to make sure that we can deliver on our strategy.

Sam Reid
Analyst, Wells Fargo Securities LLC

Q

That's helpful. Maybe just following up here, you obviously sell a lot of plumbing product into the home centers, and the home centers are very notorious for being quite price-sensitive with their customers. How has the dialogue gone with the home center channel? And are they looking for any reinvestment back in price as you receive tariff refunds? Thanks.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Yeah, I would say, that channel, like all of our channels, obviously remain competitive. And I think that the conversation is really about how do we drive the category. And our plumbing business, particularly in North America, has been strong for quite some time, really growing faster than our competition. And that's what we continue to focus on. So, I would say our conversation is more about the category, how do we grow it, how do we innovate, how do we continue to build our brands, and really leverage our portfolio.

We talked at the Investor Day about our luxury portfolio and how strong our momentum has been. And we continue to make sure that we grow really across all of our different parts of the business. So, specifically, again, we're focused on the long term, our partners are as well. And that's where most of our conversations have been.

Copyright © 2001-2026 FactSet CallStreet, LLC

Sam Reid
Analyst, Wells Fargo Securities LLC

Q

Thanks so much. I'll pass it on.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Thank you.

Operator: Your next question comes from the line of Matthew Bouley from Barclays. Your line is open.

Matthew Bouley
Analyst, Barclays Capital, Inc.

Q

Morning, everyone. Thanks for taking the questions. Just another one on the strategic investments in plumbing. I guess, the question, is this kind of one time, or should we assume that this is kind of all gone by Q3? Is there sort of a customer transition situation here like we're seeing in Decorative Architectural right now?

And then, you mentioned the improvement in ROI over time, but just how should we think about what the eventual benefits of these investments might look like and when that would arrive? Thank you.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Yeah. Hey, Matt. What I would say is we try to contain the impact of the IEEPA tariff refunds in one quarter. So, I would say they were one-time in nature. And again, for competitive reasons, we're not going to give a lot of detail. But the ROI is strong for the longer term, and I think it'll play out in future quarters. And again, importantly, it very much ladders back to our strategy of accelerating top line growth. So, we feel good about these investments. I wouldn't expect to hear about these ongoing, really isolated to Q2 of 2026.

Matthew Bouley
Analyst, Barclays Capital, Inc.

Q

Okay, got it. Thank you for that. And then, secondly, just wanted to kind of drill down into the raw material environment, and looks like some of the metals, copper especially, may still be drifting higher relative to your prior quarter. So, just curious what you're assuming from a raw material perspective going forward and sort of timing of all that. Thank you.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Sure, Matt. It's Rick. So, what we've seen in terms of the commodity inflationary landscape is, for the first half of the year, a low single-digit inflationary dynamic, both in terms of our plumbing and our decorative segment. But as you articulated, we've seen upward pressure both from a copper and metals input standpoint, as well as from an oil as we've all seen across the sector. And that's putting pressure in the second half of the year.

Our commodity inflation expectations in H2 and for the calendar year overall are mid-single digits, both for the Plumbing and Decorative Architectural segment. It's something that we're monitoring very closely, that's factored into our guidance for the year. It's something that we are managing. And as we've articulated in the past and have a track record of doing is work to offset and mitigate those headwinds. And that's what we've contemplated in our expectations for the rest of this year.

Copyright © 2001-2026 FactSet CallStreet, LLC

Matthew Bouley
Analyst, Barclays Capital, Inc.

Q

Got it. Thanks, Rick. Thanks, Jon. Good luck, guys.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Thank you.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Thanks.

Operator: Your next question comes from the line of Stephen Kim from Evercore. Your line is open.

Stephen Kim
Analyst, Evercore ISI

Q

Yeah. Thanks very much, guys. On your strategic investments, I guess the one thing I was curious about is, are you implying that you would not have made these investments had the IEEPA refund not occurred? Or would you have spread that out over a longer period of time, [ph] if you can give some color on that (00:25:33)?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Hey, Stephen, it's difficult. There's some interference. Would you mind repeating your question?

Stephen Kim
Analyst, Evercore ISI

Q

Oh. I'm sorry. Yeah. I was asking whether the strategic investments you made, would you have made them had you not received the IEEPA refund?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Yeah, Stephen, it's Rick. So, I think if I understood your question correctly, effectively, what we have done is overall we're investing in growth. You can see that as a continuous theme in terms of investing in our brands, our products, our services. And so, that's a continued effort from our standpoint to double down on our growth narrative.

I think as it pertains to the IEEPA tariff refund, we saw an opportunity to be selective in terms of redeploying some of that to enhance our investments in growth. So, it is opportunistic and is building upon our other growth initiatives overall.

Stephen Kim
Analyst, Evercore ISI

Q

Okay. Got it. And then, I guess second question relates to sort of following up on your comment that you had – you drove some costs out. I guess I was curious if you could elaborate a little bit more on that. And again, if this is

Copyright © 2001-2026 FactSet CallStreet, LLC

something that you see as sort of a one-time in nature sort of event, or was the timing accelerated this quarter for a particular reason, if [ph] you could just (00:27:05) give us some color on that.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Yeah, Stephen, it's Jon. So as we exited 2025, we were clear that the category likely was to remain challenged, particularly in DIY. So, we announced some restructuring actions coming out of 2025, which we're playing out in market today. And we're going to continue to stay aggressive, obviously, in driving our top line and continue to try to get back to the growth that we expect to see, but at the same time, making sure we have the appropriate cost structure with where the market is today. So, this isn't something new. It's something that, again, we have talked about in the past. You're starting to see the benefits of those restructuring actions start to hit the P&L.

Stephen Kim
Analyst, Evercore ISI

Q

Okay, great. Well, thanks very much, guys.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Thank you.

Operator: Your next question comes from the line of Trevor Allinson from Wolfe Research. Your line is open.

Trevor Allinson
Analyst, Wolfe Research LLC

Q

Hi. Good morning. Thank you for taking my questions. A follow-up question on your inflation expectations. I think a peer of yours yesterday was talking about paint inflation maybe exiting the year closer to high-single digits. So, across both your businesses, maybe can you talk about where you're expecting input cost inflation to be kind of exiting 2026, or if you think the year-over-year inflation impact should be pretty similar between 3Q and 4Q?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Sure, Trevor, it's Rick. What I would say is it's obviously a volatile situation out there. We monitor it closely, but as you've seen, as we've all seen, oil prices jump around just given the conflict in the Middle East. So, it's a tough one to call, per se. But I would say our expectations for the balance of the year, as we articulated, is mid-single digit inflation, and that's a reasonable run rate as we think about as we exit the year. But again, that's something that we're tracking very closely and we'll respond accordingly.

Trevor Allinson
Analyst, Wolfe Research LLC

Q

Okay. Makes sense. Thanks for that, Rick. And then, second question on Dec Arc margin guidance. It seems to imply that margins could be down more than 100 basis points the second half of the year. Appreciating there's some volume headwinds there. DIY is still pretty weak. But is there also a price/cost headwind that is more timing-related with your largest customer, just given the nature of the relationship you have there? And if that's the case, then would you expect some price/cost recovery as you get into early next year? Thanks.

Copyright © 2001-2026 FactSet CallStreet, LLC

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.
A

Sure, Trevor. It's Rick. In terms of the back half of the year for Dec Arc, there's a couple of factors at play. One is employee-related costs in terms of incentive compensation, which we referenced a little bit earlier. Also two, there's a bit of timing in terms of our investments for growth. And we talk about strategic investments in the plumbing space, but as I referenced earlier, we're making investments across the board, and there's just some timing elements to that in the back half of 2026. And then finally, the commodity headwinds that we've referenced before.

We're not going to talk about pricing with our customers. It's something that we track. And as we've articulated before, we have an agreement with our biggest channel partner to be price/cost neutral, and so it's something that we aim to do. And as we've articulated a couple of times, and as I know a dialogue more broadly in terms of the commodity inflation, that is a factor that we're seeing in the second half of the year.

Trevor Allinson
Analyst, Wolfe Research LLC
Q

Thank you for all the color, and good luck moving forward.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.
A

Thanks, Trevor.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.
A

Thank you.

Operator: Your next question comes from the line of Susan Maklari from Goldman Sachs. Your line is open.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC
Q

Thank you. Good morning, everyone.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.
A

Good morning.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.
A

Good morning.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC
Q

My first question is maybe referring a bit more to the wellness part of the business, which is something that you talked a lot about at your Investor Day. Can you give us an update on how Watkins performed in the quarter and

Copyright © 2001-2026 FactSet CallStreet, LLC

how that aligns with the overall strategy that you talked to? And then maybe within that, just an update on the health of the consumer, and especially at the higher end, what you're seeing there.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Yeah. Hi, Sue. It's Jon. We continue to remain excited about our wellness business, as we talked about at Investor Day, it's really driven off a secular, long-term trend with a lot of tailwinds. And we continue to see good growth. We saw a good quarter overall in wellness with spas holding up nicely and saunas continue to grow at a very rapid rate. And the reality is, it is a K-shaped economy, and I think the upper-income consumer continues to hang in there pretty strongly. So, we've seen good momentum on that business and we expect to see good momentum as we move throughout the year as well.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

Okay. All right. That's helpful. And then, one of the initiatives that you've also talked about is improving your working capital this year and focusing on some of the cash generation of the business. I guess, just given all the puts and takes that we're seeing coming through, can you talk about the ability to generate that cash? Any thoughts on working capital and what that implies in terms of your priorities for capital allocation?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Sure, Sue, it's Rick. So, in terms of our working capital expectations, we articulated at least in my opening comments, kind of where we're trending year-to-date, which is a bit higher just given the tariff impact on working capital. And what I mean by that is with a higher tariff, and commodity cost for that matter, you have higher input costs that flow into inventory and receivables. And then, in terms of payment terms, the tariff payment terms are shorter than our regular payment terms. And so, that has implication on our working capital.

That said, we continue to be very disciplined on working capital, make sure we've got enough inventory and safety stock, but otherwise, really focused on being lean and focused on managing that for cash flow purposes. And as I articulated earlier, our expectations for the ending working capital balance is at about 16.5% of sales, which is consistent with historical levels.

And I would say, overall, taking a step back, our cash flows are strong. It's one of the strong attributes of our business model as we convert much, if not all, of our earnings into cash, and that really enables us to reinvest in the business, make sure we have a very strong balance sheet and return cash to shareholders through dividends and share buybacks.

And as you heard earlier, we've increased our expectations of cash available for share buybacks or M&A to $1 billion for the year. And that's a reflection not only of the ASR and the funding through a term loan, but also the cash flows from the business. So, we feel really strong about the cash health and the cash performance of the business.

Susan Maklari
Analyst, Goldman Sachs & Co. LLC

Q

Okay. Thank you both for all the color. Good luck with the quarter.

Copyright © 2001-2026 FactSet CallStreet, LLC

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

All right. Thanks, Sue.

Operator: Your next question comes from the line of Phil Ng from Jefferies. Your line is open.

Margaret Grady
Analyst, Jefferies LLC

Q

Hey, guys. It's Maggie on for Phil. I just wanted to go into the pricing impact in the quarter. Maybe if you could break out any color by segment. And then just more overall, how you would characterize the current pricing environment. Are you seeing any change in price elasticity or pricing fatigue, following several years of kind of outsized pricing?

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Yeah. Hey, Maggie. It's Jon. I would tell you that we saw, on an underlying basis, pricing consistent with what we would have expected. So, taking out the one-time impact of the IEEPA tariff refund through that benefit and some of the investments we made, pricing for plumbing was up mid-single digits, and pricing for paint was up low-single digits. That's very consistent with what we would have expected. We continue to work hard to limit the amount of price we have to take. It starts with really optimizing our footprint, and the team has moved quickly over the past year to really do that after IEEPA tariffs were put into place a year ago April.

In addition to that, we are working on restructuring and taking cost out of our own company so that we can be as efficient as possible. And finally, where necessary, we will price. And really pleased with how the team has approached pricing. It's taken a strategic lens to it. We're leveraging some of our strategic revenue management tools, and overall, feel like we've priced in an appropriate way. We continue to see good momentum in our market, whether it be on plumbing or other businesses as well, where we believe that we continue to gain share across almost every channel.

So, feel good about our initiatives and the way that we're pricing, and we'll continue to assess the market and commodities as we move through the back half of the year.

Margaret Grady
Analyst, Jefferies LLC

Q

Okay, great. And then, obviously, a dynamic cost environment. But any update on how potential changes in Section 232 or the Section 301 tariffs are impacting you? And then, does the back half guide assume any incremental pricing coming through, or is it all already in place?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Sure, Maggie, it's Rick. As you articulated, it is a dynamic environment out there in many respects, but certainly with regards to the tariff environment. And what I would say is our guidance and our expectations for the rest of the year do contemplate the tariffs that are in place, as we stand today. So, inclusive of the Section 232 tariffs on copper, steel, and aluminum, as well as the Section 301 tariffs that were just implemented a few days ago, that amount to about 10% to 12.5% that effectively replaced the Section 232 tariffs that expired on July 24. So, that's all contemplated in our guidance.

Copyright © 2001-2026 FactSet CallStreet, LLC

Obviously, it's a dynamic environment. There's discussion and investigation for further Section 301 tariffs. While I would say those aren't contemplated in our guide, as we get closer to the end of the year and the timing of when tariffs flow into our P&L, just as a reminder, effectively, it's about a one-quarter lag between when tariffs are announced or implemented and when they ultimately flow through our inventory into our P&L. And so, as we get closer to the end of the year, any changes in tariffs would likely have [ph] – to (00:37:07) have an insignificant impact for this year.

It'd be something that we'd be looking at as we roll into next year, et cetera. But what I would say is we're pretty confident that the current tariff environment is fully contemplated in our guidance for the year.

Margaret Grady
Analyst, Jefferies LLC
Q

Okay, great. Thanks, guys.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.
A

Thank you.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.
A

Sure. Thanks, Maggie.

Operator: Your next question comes from the line of Keith Hughes from Truist. Your line is open.

Keith Hughes
Analyst, Truist Securities, Inc.
Q

Thank you. Back to the strategic investments in plumbing, is that going to one specific [ph] or (00:37:41) end-user market, big-box versus wholesale versus builder? How's that playing out?

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.
A

Yeah. So, Keith, as I mentioned before, we're not going to get into a whole lot of details just for competitive reasons. What I would say is it's very much focused on our entire business. It's not certainly one channel. And I would tell you it's likely longer term in nature as well. So, again, we're really focused – took the opportunity to make some investments, a down payment on really getting after a strategy of accelerating growth. And again, as they play out over the course of the quarters ahead, we're going to be pleased with the results and the ROI. But to answer your question, it's broad spread across all of our customers and businesses, and not focused on one particular area.

Keith Hughes
Analyst, Truist Securities, Inc.
Q

Okay. Thank you.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.
A

Copyright © 2001-2026 FactSet CallStreet, LLC

Thank you.

Operator: Your next question comes from the line of Mike Dahl from RBC Capital Markets. Your line is open.

Mike Dahl
Analyst, RBC Capital Markets LLC

Q

Hi. Thanks for taking my questions. Can you help us understand, you have a lot of the nets against the tariff refunds. What were your gross refunds just so we can contextualize what some of those offsets represented?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Mike, it's Rick. So, we're not going to break down the composition of the net tariff refund impact. We wanted to be transparent and provide visibility in terms of the net impact, as we believe that's most meaningful in terms of understanding the impact to our financial performance. And so, at the end of the day, we are disclosing the fact that, on a net basis, we had a favorable impact of $95 million in the quarter.

What I would say is – Jon alluded to this before, is we endeavor to capture as much of the impact in Q2 as possible. And that includes all of the refunds. So, we received much of the refunds in cash, but that which we haven't – we booked as a receivable so that the full benefit and, as much as possible, the full impact in terms of our investments and employee-related costs are captured here in Q2, with a bit of a spillover, as per an earlier question, of incentive comp that translates into an $85 million impact for the year. But at this point, Mike, that's where we're planning to disclose in terms of the implications on our financials.

Mike Dahl
Analyst, RBC Capital Markets LLC

Q

Got it. Okay. Understood. And sorry to harp on this, but the investments, I think, Jon mentioned in response to an earlier question that it's not promos – it's not leaning on promos, but at the same time, some of the other commentary was talking about underlying pricing, ex some of these investments, and then also you don't expect to be talking about the impacts going forward. It sounds like there is something maybe pricing related to this.

And so, then the question would be why wouldn't that be an ongoing impact to the balance of the year? Is it because the offset on volume comes through fairly immediately or something else? I mean, it's still a little – in our view, like a little – too vague in terms of the description and impacts, understanding that there are some sensitivities around competitive dynamics.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Yeah, Mike, it's Rick. Understand the question. As it pertains, it's really a function of our intent to capture as much of the impact in Q2 as possible as previously articulated, as well as the accounting around it. Much of our – our investments will impact our various parts of the P&L. Effectively, many of our investments in our programs run through net sales. So, that's where we've captured the impact in the quarter. And as Jon articulated, we captured what is our best estimate of the investments we plan to make. They're still being deployed. And so, from a timing perspective, we'll see that impact future quarters, hopefully, to the benefit in terms of incremental sales.

But our expectation and our estimate is that we captured it here within the quarter in terms of the accounting P&L side of things. And we'll obviously track it going forward, but the intent is to capture our best estimate here within the quarter.

Copyright © 2001-2026 FactSet CallStreet, LLC

Mike Dahl
Analyst, RBC Capital Markets LLC

Q

Okay. Appreciate that. Thanks.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Sure, Mike.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

[ph] Thanks (00:42:01), Mike.

Operator: Your next question comes from the line of Rafe Jadrosich from Bank of America. Your line is open.

Rafe Jadrosich
Analyst, BofA Securities, Inc.

Q

Hi. Good morning. Thanks for taking my questions.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Morning.

Rafe Jadrosich
Analyst, BofA Securities, Inc.

Q

On this strategic investments, were they contemplated in the previous guidance? And are they associated with any specific opportunities to gain shelf space or share?

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Yeah, I would say, they weren't contemplated in the previous guidance. And again, we were opportunistic given the tariff refund situation in Q2 and took the opportunity to make a down payment on our strategy moving forward to accelerate growth. So, again, opportunistic and, again, not really focused on a particular channel or customer. There'll be broad-based investments that, again, will help accelerate growth as we move forward.

Rafe Jadrosich
Analyst, BofA Securities, Inc.

Q

Okay. That's helpful. And then just following up on that, if the investments were not in the guidance at the beginning of the year, what's sort of the offset that's letting you hold the full year plumbing revenue guide? Is it that you'll start to get the better volume by the end of the year? Obviously, it's like incremental to the – an incremental price headwind to the second quarter. What's the offset that's letting you hold the full year guide?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Yeah, Rafe, maybe I'll tackle it from a couple of ways here. In terms of the impact, and I'll get to the revenue side in a moment, but from a P&L standpoint, as we've articulated, we've captured the net impact of the $95 million for

Copyright © 2001-2026 FactSet CallStreet, LLC

the full net tariff refund net impact in the quarter. And so, that is on an overall operating profit and P&L standpoint incremental to our guidance on a net basis.

From a revenue standpoint, we are still very confident in terms of delivering low-single digit top line growth for plumbing. And that is inclusive of these investments that we've referred to. So, we believe that we've got enough momentum in terms of the underlying performance, which has been strong, in the first half of the year, our plumbing business is up low-single digits, even net of the strategic investments. So, our expectation is that we'll be able to deliver low-single digit performance in the back half of the year and for the year overall.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Yeah, I would just reinforce, while there's certainly some noise in the quarter, given the tariff refunds, our underlying plumbing business remains quite strong. We have seen no shift downwards in terms of trajectory. In fact, if anything, we feel very confident as we move throughout the back half of the year. So, I just want to make sure that's not lost in some of the noise of this tariff refund in the quarter.

Rafe Jadrosich
Analyst, BofA Securities, Inc.

Q

Thank you. It's really helpful.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Thank you.

Operator: And your final question comes from the line of David MacGregor from Longbow Research. Your line is open.

Joseph Nolan
Analyst, Longbow Research LLC

Q

Hey. Good morning. This is Joe Nolan on for David. First, I just wanted to ask about international sales. With those up 4% in plumbing, could you just talk about what you're seeing in some of your international markets?

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Yeah. Absolutely. Our international business is primarily hansgrohe and Axor, and we're seeing good momentum across that business, particularly in Europe. And our key home market of Germany was quite strong, offset by some softness in China. We're bullish about our global business. And we mentioned in our prepared remarks the divestiture of Bristan, which is a really nice UK brand, but we're very committed to making sure that we focus on our core, which is really hansgrohe and Axor. And that's going to be our focus moving forward.

As I mentioned, Bristan, we had a good buyer for that business that's going to be very focused, a Swedish company, FM Mattsson. Want to thank the Bristan team for all they've done over their many years at Masco and know that they're set up for success moving forward. But we feel very good about our plumbing business globally and had good momentum in the quarter.

Copyright © 2001-2026 FactSet CallStreet, LLC

Joseph Nolan
Analyst, Longbow Research LLC

Q

Got it. Okay. And then there's been a few questions and discussion on pricing and costs. Just wondering, is there enough pricing put through right now to maintain price/cost neutrality into the second half of the year?

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Yeah. Maybe just to clarify the point or the question, in terms of our segment price/cost, and on our plumbing side of the – our plumbing segment, we do expect price/cost positive for the year and for our Decorative Architectural price/cost neutral for the year. And that's consistent with our prior guidance.

Joseph Nolan
Analyst, Longbow Research LLC

Q

Got it. That's helpful. Thanks.

Jonathon J. Nudi
President, Chief Executive Officer & Director, Masco Corp.

A

Thank you.

Richard Westenberg
Vice President, Chief Financial Officer & Treasurer, Masco Corp.

A

Thank you.

Operator: And I'll now turn the call back over to Renee Benedict for some final closing remarks.

Renee Benedict
Vice President, Investor Relations and Corporate FP&A, Masco Corp.

We'd like to thank all of you for joining us on the call this morning and for your interest in Masco. That concludes today's call. Have a great day.

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

Copyright © 2001-2026 FactSet CallStreet, LLC

Disclaimer
The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.