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Masco Corp. (MAS)

Q3 2026 Earnings Call

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

Matthew Bouley

Analyst, Barclays Capital, Inc.

Ketan Mamtora

Analyst, BMO Capital Markets Corp.

Sam Reid

Analyst, Wells Fargo Securities LLC

Michael Rehaut

Analyst, Melius Research LLC

Anthony James Pettinari

Analyst, Citigroup Global Markets, Inc.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Trevor Allinson

Analyst, Wolfe Research LLC

John Lovallo

Analyst, UBS Securities LLC

Stephen Kim

Analyst, Evercore ISI

Margaret Grady

Analyst, Jefferies LLC

Keith Hughes

Analyst, Truist Securities, Inc.

Michael Dahl

Analyst, RBC Capital Markets LLC

Adam Baumgarten

Analyst, Vertical Research Partners LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. Welcome to Masco Corporation's Third Quarter 2026 Earnings Call. As a reminder, today's conference call is being recorded for replay purposes. After today's prepared remarks we will host a questions-and-answer session. [Operator Instructions]

I will now hand the conference over to Renee Benedict, Vice President, Investor Relations and Corporate FP&A. Renee, please go ahead.

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 third 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 third 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 risks 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 delivered strong third quarter results, reflecting the disciplined execution of our teams and the resilience of our business in the face of a challenging macroeconomic backdrop.

Our strategy is clear, drive above-market growth by investing in our industry-leading brands, expanding our commercial capabilities, and enhancing our operational excellence. This quarter we made tangible progress across each of these priorities.

If you turn to slide 5, I'll highlight a few examples of how we're advancing our strategy across the business. First, we rounded out our Executive Committee with the appointments of Brad Hiranaga as Masco's Chief Marketing Officer; and Yaron Ben David as Chief Technology and AI Officer. Together, they bring deep expertise which will

enhance our capabilities in two increasingly critical areas, advance our strategic priorities, and further position Masco for long-term growth and success.

Second, I was honored to attend The Home Depot's 2026 Supplier Partnership Meeting earlier this month, where Delta Faucet Company was named Interconnected Partner of the Year and Behr Paint Company was named Marketing Partner of the Year. These recognitions demonstrate the strength of our customer partnerships, and our teams continued focus on delivering innovative solutions.

Lastly, Delta further reinforced its leadership position with two important brand distinctions. Based on 2025 US dollar sales, Delta is the number one faucet brand in the US. In addition, a third-party survey ranked Delta the number one go-to-brand for professionals. This broad appeal among homeowners and trade professionals underscores the strength of the Delta brand.

Collectively, these accomplishments demonstrate how we are continuing to strengthen our capabilities, deepen our customer partnerships, and build on the leadership of our brands to drive long-term growth.

Now, turning to our third quarter financial results, please refer to slide 6. Our net sales in the quarter increased 3%. In local currency, and excluding the divested share of the Bristan business, which we announced in July, sales increased 4%.

Operating profit was \$351 million, an increase of 13% over the prior year. Operating profit margin was 17.9%, an increase of 160 basis points, and earnings per share grew 23% during the quarter to \$1.19 per share.

We are very pleased with these results, which demonstrate the resilience of our business and our ability to execute in a dynamic external environment.

Turning to our segments. Plumbing Products sales increased 4%, or 5% excluding the impacts of our divestiture of Bristan and unfavorable currency. North American sales increased 8% in local currency, led by our Delta business, which delivered strong growth in the third quarter.

Recent product launches at Delta are gaining traction, including the new Bonacci Bath Collection, which is performing well across both showroom and e-commerce channels. Our premium and luxury brands also continue to perform well, supported by resilient demand at the higher end of the market across our Brizo and Newport Brass brands, we have earned 12 product design awards this year alone. And we're seeing encouraging progress from our continued digital investments, which are making it easier for customers to find, choose, and install our products.

Overall, this performance builds on solid year-to-date North America plumbing results, with sales up 3%, reflecting the strength of our brands and innovative products and reinforcing our confidence in the long-term growth opportunity in this business.

Turning to International, plumbing sales decreased 5% in local currency, or 1% excluding the Bristan divestiture, reflecting lower sales against a difficult prior year comparison in some European markets as well as continued weakness in China. We remain confident in our core hansgrohe international plumbing business and the strength of the brand, innovative products, and geographic market opportunities. We feel good about the solid year-to-date performance, with sales up 1% in local currency and excluding the divestiture.

Operating profit for the Plumbing Products segment grew 25% to \$256 million, and operating margin expanded 320 basis points to 19.1%.

Turning to our Decorative Architectural segment, sales were flat compared to the prior year. PRO paint delivered another quarter of strong mid-single-digit growth, with more consumers turning to professionals for their painting projects. We believe Behr is well positioned to capture this opportunity through its combination of innovative, high-quality products, compelling value, and exceptional service.

Our investments alongside The Home Depot continue to gain traction, and we are retaining existing PRO customers while attracting new professional painters to the Behr brand. DIY paint sales decreased low-single-digits, largely in line with our expectations given the continued softness in the market.

Despite the near-term environment, we remain focused on strengthening the consumer experience and investing to make color selection easier and more engaging. This includes continuing to advance ChatHUE, our AI-powered color selection tool, along with recently launching a new marketing campaign highlighting Behr Paint as having the best quality at the best price. Together, these investments are further differentiating Behr and position the business to capitalize when market conditions improve.

Operating profit for the segment was roughly flat compared to the prior year at \$126 million, and operating margin was 20.1%.

Turning to capital allocation, our free cash flow and balance sheet remain strong, allowing us to return \$322 million to shareholders in the quarter through dividends and share repurchases.

As we look ahead, we expect uncertainty in the macroeconomic and geopolitical environment to continue through the balance of the year and likely into 2027. Against this backdrop, we remain focused on executing our strategy and driving above-market growth. We'll also continue to implement the restructuring actions we previously discussed to better align our cost structure.

Based on our strong execution and operational performance year-to-date, we are raising our 2026 earnings per share guidance to \$4.65 to \$4.75 from our previous range of \$4.40 to \$4.60.

While we continue to expect sales to increase low-single-digits in 2026, our operating profit margin outlook has improved. We now expect operating profit margin to be in the range of 18% to 18.5%, compared to our prior guidance of approximately 18%.

While the near-term environment remains uncertain, we are encouraged by the strength and resilience of our business and our ability to continue to execute. Our confidence extends beyond this quarter. The long-term fundamentals supporting repair and remodel activity remain compelling, including strong home equity levels, an aging housing stock, and pent-up demand for home improvement projects.

And importantly, we're not waiting for the market to improve. We're investing in our industry-leading brands and innovative products, strengthening our customer partnerships, and driving greater efficiency across the organization. Combined with our strong cash generation, these actions give us confidence in our ability to outperform in our markets and to create long-term shareholder value.

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

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, excluding the impact of rationalization charges and other one-time items.

Turning to slide 8, sales increased 3%, or 4% excluding the impact of our divestiture of Bristan in July and unfavorable currency. In local currency, North American sales increased 5%, and International sales decreased 5%, or decreased 1% excluding the divestiture impact.

Gross margin in the quarter improved 250 basis points to 37.1%. SG&A was 19.2% of sales, primarily reflecting higher employee-related costs, inclusive of incentive compensation.

Operating profit grew 13% to \$351 million in the quarter, and our margin expanded 160 basis points to 17.9%. The increase in operating profit was driven by pricing actions, cost savings initiatives, and lower year-over-year tariff costs, partially offset by higher commodity and employee-related costs. Our EPS grew 23% to \$1.19 per share in the quarter.

Turning to slide 9, Plumbing sales in the third quarter increased 4%, or 5% excluding the impacts of our divestiture and unfavorable currency. This strong performance was driven by pricing, which increased sales by 5%, and higher North American volume, which contributed 2% to growth. This was partially offset by lower International volume and unfavorable mix.

In local currency, North American plumbing sales increased 8%. This performance was led by strong growth at Delta. While year-over-year performance benefited from an easier comparison due to a softer Q3 2025, Delta continued to execute exceptionally well, delivering growth across the wholesale, retail, and e-commerce channels.

In local currency, International plumbing sales in the quarter decreased 5%, or 1% excluding the divestiture impact. This primarily reflected lower sales at Hansgrohe due to a difficult prior year comparison in some European markets, as well as continued softness in China.

Segment operating profit in the third quarter increased 25% to \$256 million, and operating margin expanded 320 basis points to 19.1%. The strong profit growth reflected the benefits of pricing, cost savings initiatives, and lower year-over-year tariff costs, partially offset by higher commodity and employee-related costs.

Turning to slide 10, Decorative Architectural sales were flat compared to the prior year. Our strong PRO paint performance continued, with sales increasing mid-single-digits in the quarter. DIY paint sales decreased low-single-digits, largely in line with our expectations given the ongoing softness in the DIY paint market.

Overall, paint sales continue to track largely in line with our expectations. For the full year, we continue to anticipate PRO paint sales to increase mid-single-digits and for DIY paint sales to decrease mid-single-digits. Operating profit in the third quarter was \$126 million, and operating margin was 20.1%.

Profit was largely in line with the prior year as the impacts of higher commodity costs and lower volume were mostly offset by pricing and cost savings initiatives.

Turning to slide 11, our balance sheet remained strong, with gross debt-to-EBITDA at 2.1 times at quarter end. We ended the quarter with \$1.6 billion of liquidity, including cash and availability under our revolving credit facility.

Working capital was 18.8% of sales at quarter end. 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 \$322 million to shareholders through dividends and share repurchases in the third quarter. We also continue to expect to deploy approximately \$1 billion towards share repurchases, or acquisitions in 2026 and have executed over \$850 million in share repurchases year-to-date through the third quarter.

Now, let's turn to slide 12 and review our full year outlook. Our underlying performance year-to-date has been stronger than our initial expectations. In addition, we continue to estimate a net tariff refund benefit of approximately \$85 million for the year. Reflecting the stronger operating performance, we are updating our full year guidance as follows.

For Masco overall, we continue to expect 2026 sales to increase low-single-digits and now expect an operating margin between 18% to 18.5%, compared with our prior expectation of approximately 18%.

Turning to our segments, in Plumbing, we continue to expect full year sales to increase low-single-digits, but now expect sales growth towards the higher end of that range and operating margin to expand to approximately 20%. Margin expansion is being 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 now expect operating margin to be approximately 19.5%, up from our prior expectation of approximately 19%, supported by our continued focus on cost savings initiatives.

Finally, as Jon mentioned earlier, we are increasing our 2026 EPS guidance to be in the range of \$4.65 to \$4.75 per share, up from our previous range of \$4.40 to \$4.60 per share. Our updated EPS guidance assumes 198 million average diluted share count for the year, compared with our previous assumption of 200 million shares, and an effective tax rate of 24.5%.

Additional financial assumptions for 2026 can be found on slide 15 of our earnings deck.

With that, I'll turn the call back over to Jon for some closing comments before we open up the line for questions. Jon?

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thanks, Rick. Before we open up the line for questions, I'd like to recognize the recent passing of our Chairman Emeritus and son of Masco's founder, Richard Manoogian. Richard played an extraordinary role in shaping Masco for over five decades, helping build our company into a global leader while establishing values which remain deeply embedded in our culture today.

On behalf of our board of directors and all Masco employees, we extend our sincere condolences to Richard's family, friends, and all who were fortunate to know him, and we honor his lasting legacy and contributions to Masco.

Lastly, I want to thank our nearly 18,000 employees around the world. Our results this quarter reflect their hard work, focus, commitment to our customers and consumers. I'm incredibly proud of what our teams accomplished

and how they continue to deliver. We have strong brands, great people, and a clear strategy. We are making progress, and we have momentum. I am confident in our ability to build on that momentum, deliver above-market growth, and create long-term value for our shareholders.

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

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Matthew Bouley with Barclays. Your line is open. Please go ahead.

Matthew Bouley

Analyst, Barclays Capital, Inc.

Q

Good morning, everyone. Thank you for taking the questions. So, I wanted to ask around the targeted strategic investments from last quarter and if you've made any decisions around how you're planning to spend that. And if you've seen actually any early benefits from some of those investments here in Q3, or if that's still something we should kind of look forward to, any kind of timing around that? Thank you.

Richard Westenberg

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

A

Yeah, good morning, Matt. It's Rick. As we discussed in our Q2 earnings call and, like many of our peers, as you indicated, we plan to invest a portion of our tariff refunds in terms of investments really to accelerate and enhance our growth initiatives.

Importantly, these investments are consistent with the existing investments that we're making, and they're really aligned around our strategy that we outlined in our recent Investor Day, really focused on investing in our brands, developing capabilities like digital marketing and revenue growth management, and partnering with our customers to drive long-term growth.

We're not going to get into specific details in terms of the investments themselves. It's really, as a general matter, but suffice it to say, we've got a very disciplined process in terms of how we evaluate the investments, and we look at financial and strategic objectives and monitor those.

In terms of our investments, they'll play out over time. So, to answer your question, still early days. We are deploying, but it's going to be over the course of a number of quarters and really aligned with our overall intent as the overall approach to invest in the long-term growth of Masco.

Matthew Bouley

Analyst, Barclays Capital, Inc.

Q

Got it. Okay. No, thank you for that, Rick. Secondly, thinking about kind of the fourth quarter revenue outlook, I think you're guiding to a little bit of deceleration. I know you don't quantify monthly trends, but obviously as interest rates moved higher and consumer confidence is not helping, have you kind of seen any changes in demand, perhaps by channel, maybe your new construction business in plumbing? Anything kind of changing on the leading edge, and sort of how is that informing your fourth quarter revenue outlook? Thank you.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Hey, Matt. This is Jon. I guess, I would tell you we haven't seen a significant change in momentum across our businesses. As we look to Q4, we still expect to grow sales low-single-digits. As we look out – as you know, we play primarily in repair and remodel, and we believe that repair and remodel is less cyclical, less impacted by short-term interest rate moves. So, we feel good about where we're playing, we haven't seen a significant change in our momentum. And as you know, we underindex when it comes to new home construction, and that's a strategy. And again, we like where we play today in our current categories and in repair and remodel.

Matthew Bouley

Analyst, Barclays Capital, Inc.

Q

Got it. Well, thanks, guys. Good luck.

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, Matt.

Operator: Your next question comes from the line of Ketan Mamtora with BMO Capital Markets. Your line is open. Please go ahead.

Ketan Mamtora

Analyst, BMO Capital Markets Corp.

Q

Good morning, and thanks for taking my question. Maybe just following up on Matt's question, if I – when I think about sort of the sequential drop in EPS from Q3 to Q4, obviously there is the seasonal component, but it seems like the drop is kind of higher than what we've seen historically. Can you just talk about the puts and takes as we think about going from Q3 to Q4?

Richard Westenberg

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

A

Yeah, Ketan, good morning. It's Rick. So, Q3, we feel really good about our performance and our execution in Q3 and year-to-date, and that's what gave us confidence to raise our guidance on the call this morning.

In terms of sequentially, as you articulated, Q4 is generally our weaker quarter during the course of the year. It's really due to seasonality. So, it's not surprising for us to have a reduction on a sequential basis. What I would say is in Q4, we do still expect to see revenue growth. So, consistent with our guidance of low-single-digits, we would expect to see that in Q4.

So, on a year-over-year basis, primarily in Plumbing, our expectations for Decorative are consistent with roughly our year-to-date performance, which is roughly flat on a year-over-year basis from a top line perspective. What I would say is what we're seeing in Q4 is continued benefits of our growth and our cost savings initiatives, but we're also seeing elevated inflation from input costs, and as we've all seen in the industry accelerating in terms of copper prices as well as oil-based products, et cetera and freight.

We've got a bit higher cost as it pertains to employee-related costs, incentive comp and medical, which hit us a little bit more significantly in Q4, but overall, we're pretty constructive on Q4 as well as the year overall.

Ketan Mamtora

Analyst, BMO Capital Markets Corp.

Got it. That's helpful. And then, Rick, can you just remind us in terms of what are you expecting in terms of input cost inflation as we are sort of exiting Q4 here, because I know there is some lag here as we think about copper and other input costs?

Richard Westenberg

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

Yeah. So, in terms of our inflationary expectations, in Q3 we experienced mid-single-digit inflation from input costs in both of our segments, and we expect that for the year in its totality. So, mid-single-digit inflation in Plumbing and similarly with regards to Decorative Architectural products.

Ketan Mamtora

Analyst, BMO Capital Markets Corp.

Got it. That's very helpful. I'll jump back in the queue. Good luck.

Richard Westenberg

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

Great.

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

Sam Reid

Analyst, Wells Fargo Securities LLC

Thanks so much, everyone. Wanted to drill down on the third quarter Plumbing EBIT. I realize you gave a fairly helpful bridge there. It sounds like pricing, cost saves, and lower year-over-year tariffs were big drivers. Just making sure though there wasn't anything else kind of one-off in there, there weren't any potential, let's say, lingering tariff benefits that might have driven that. And maybe just give us a sense as to how that EBIT margin in plumbing contrasted with your internal expectations heading into the quarter.

Richard Westenberg

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

Sure, Sam. It's Rick. As it pertains to Q3, obviously very pleased with the performance. As you indicated, we articulated really the key components of that year-over-year performance, really driven by pricing. Volume and mix was largely a wash. And I would say that the other benefits that we articulated are the lower tariff costs year-over-year. So, as you may recall, in Q3 of last year was really the peak of our tariff costs. And that was accentuated by the fact that we were at the peak China tariffs at 145%, which added \$15 million of cost in Q3 of 2025. So, we're lapping a favorable comp in that regard.

I think the other thing to note, and we alluded to it particularly on our Q2 call, that there was a modest pull forward of volume from Q3 2025 to Q2 2025, which created the challenging comp that we faced in Q2, but slightly easier

comp in Q3. All that said, I would say in terms of Q3 this year, relatively clean quarter in terms of our performance. No real one-offs in this particular quarter, just underlying strength in our plumbing, both our domestic and international business. So, we feel really good with the performance and the performance year-over-year.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Hey, Sam. This is Jon. The only thing I might add is that our increase in guidance that we communicated this morning is entirely driven by operational performance. So, again, it's not impacted by tariffs or anything like that. So, your question about expectations, we are performing stronger, particularly from an EPS and operating margin standpoint, stronger than what we expected as we came into the year.

Sam Reid

Analyst, Wells Fargo Securities LLC

Q

That's really helpful, guys. And maybe just to piggyback on the prior question, which was, there's also these Q4 seasonal impacts you talked to, input cost inflation and higher employee incentive costs. Realize we're not talking 2027 quite yet, but would there be an expectation that those impacts, the input costs and the higher employee costs, would those potentially spill over into Q1, perhaps sequentially worse, Q1 versus Q4? Just trying to get a rough sense as to early 2027 modeling. Thanks.

Richard Westenberg

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

A

Sure, Sam. It's Rick. So, as you indicated, we're not going to really delve into 2027 at this point. We'll do so in our Q4 earnings call next year. But what I would say is that we continue to see inflationary dynamics as it pertains to input costs. And as I articulated on an earlier part of the Q&A, we're expecting mid-single-digits for the year. So, that is something that we would certainly expect to see continue. From an employee-related incentive comp, we have higher costs this year just due to the strong performance – underlying performance as well as the tariff refunds. And so we would expect some normalization of that next year. But we do continue to kind of invest in our people resources as well.

Sam Reid

Analyst, Wells Fargo Securities LLC

Q

Absolutely, guys. 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 Michael Rehaut with Melius. Your line is now open. Please go ahead.

Michael Rehaut

Analyst, Melius Research LLC

Q

Thanks. Good morning, everyone. Thanks for taking my questions. Wanted to start off with the increase in sales growth outlook, or maybe the slight increase for plumbing for the year, high end of the low-single-digit range versus low-single-digits before. And maybe just speak to what's driving that? If you feel that maybe the market

itself is more resilient or if you have any specific company initiatives that are maybe driving some gains in certain channels, would love to dial that in a little bit more.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Yeah. Hi, Mike. This is Jon. We feel really good about the momentum in plumbing. As we mentioned in our prepared remarks, for North America, we're up 3% year-to-date. International, we're up 1%. So, good momentum in tough markets. And I would take you back to our strategy, which is really growing above market by focusing on a consumer-driven strategy. We're building our brands. We've got leading brands really across the world. When you look at the US, Delta, as we mentioned, is the number one faucet brand in the US, which is fantastic.

In addition to Delta, we've got upper premium luxury with Brizo and Newport Brass that are performing very, very strongly. And then globally, a core part of our global business is hansgrohe and AXOR. We like how we're performing there. So, obviously it's a challenging market. As we mentioned, we are very focused on R&R as opposed to new home construction. We think that works for us now. I can tell you that we're growing share both from a dollar standpoint and a unit share standpoint across all three channels in the US, whether that be trade, whether that be e-commerce and retail. So, we feel like we have really good momentum by focusing on our brand innovating and really playing our game. And we recognize it's tough out there, but we really like how we're performing.

Michael Rehaut

Analyst, Melius Research LLC

Q

Great. No, thank you for that. And secondly, I'd love to dial in a little bit as well into the hire of Yaron Ben David, the CTO and AI Officer, and trying to get a sense for where you expect him to contribute, if it's going to be more internal efficiencies and processes or external initiatives in terms of perhaps e-commerce, and how you see that contributing to the overall enterprise, either through perhaps savings, let's say, on the general corporate side or maybe an acceleration in some external growth initiatives, or both.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Yeah. Yeah. So, Mike, this is Jon. Clearly, digital touches every part of our business today. And I can tell you, I think we're starting at a good place when it comes to e-commerce. We believe that we're leading in our categories. We have strong share positions. But we recognize the world's changing, and particularly with AI, the digital space is advancing at a rapid rate. So, we did go to the outside and brought Yaron, who has deep expertise when it comes to digital and AI. And he'll be working with our teams, creating a center of excellence that will certainly be focused on the consumer.

But the reality is, the way consumers interact with brands is changing dramatically, moving from traditional search SEO to GEO, which is really leveraging LLMs to learn more about products and ultimately purchasing through LLMs as well. So, we need to make sure that we keep advancing, so we're bringing Yaron in to help focus on the consumer side. At the same time, he's got a lot of experience optimizing manufacturing and planning efficiency, thinking about procurement and logistics, really across our entire business he'll be focused. Obviously, you can't do it all at once, so he's relatively early days. He's assessing where we are and working to put plans in place to make sure that we keep advancing. So, very, very excited to have Yaron join us. And also excited about the starting point, which we feel is really industry-leading at this point.

Michael Rehaut

Analyst, Melius Research LLC

Appreciate it. Thanks so much.

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thank you.

A

Operator: Your next question comes from the line of Anthony Pettinari with Citi. Your line is now open. Please go ahead.

Anthony James Pettinari

Analyst, Citigroup Global Markets, Inc.

Good morning. I was wondering if you could give any further color on Watkins and I guess what you're seeing with spas and saunas and just maybe higher-income consumers. I think you pointed to strength in 2Q. Just wondering how that was trending in the back half.

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Anthony, this is Jon. We feel really good about the underlying business in our wellness business, both with spas and saunas, very much part of a secular wellness trend that we believe is really in the early innings. And we've got share leadership when it comes to spas across North America. We continue to see good momentum there. Saunas is one that we're very excited about. It's relatively small household penetration, about 1% of the US, growing very quickly. It's I think in pop culture, you're hearing more and more about saunas and all the health benefits associated with them. So, we feel good about that business. And when you look at the economy, it's certainly a K-shaped economy. So, the consumers at the top end continue to spend and continue to spend in wellness, which is benefiting our Watkins business.

A

Anthony James Pettinari

Analyst, Citigroup Global Markets, Inc.

Okay, that's helpful. And then, I guess following up on plumbing, international slowed, with seems like China was tougher. You were asked earlier about sort of exit rate and Q4 assumptions. Can you just talk about sort of how we should think about international in Q4 and maybe what the comp looks like?

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Yeah. So, this is Jon. So, as I mentioned, year-to-date, we're up 1%. Obviously, you've got some fluctuations quarter-to-quarter. We had a strong quarter in international plumbing last quarter. We feel good about our underlying business. I'll tell you, we're share leaders across many big markets in Europe, and we continue to like how we're performing there.

A

China is a headwind. Obviously, the market is more challenged, particularly for global brands, so that will remain a headwind as we move forward. So, I would expect to see consistent performance to what we've seen year-to-date as we move through Q4. And obviously, as we move into the coming year, our goal is to accelerate that business. We're incredibly excited about the opportunities for hansgrohe and AXOR. While we have scale in several big markets, we've got many parts of the world that we've got big opportunity in. And if you look at digital

and how that can really help us interact with consumers and build brands around the globe, we think there's a lot more we can do with both hansgrohe and AXOR and excited about the opportunity.

Anthony James Pettinari

Analyst, Citigroup Global Markets, Inc.

Okay, that's helpful. I'll turn it over.

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thank you.

A

Operator: Your next question comes from the line of Susan Maklari with Goldman Sachs. Your line is now open. Please go ahead.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Thank you. Good morning, everyone.

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Morning, Sue.

A

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

My first question is thinking about just the price/cost. You had guided last quarter to being price/cost positive in both of the segments, just given the path for price relative to inflation. Is that something that we should still expect this year? And any thoughts on pricing and price elasticity as you look out to 2027?

Q

Richard Westenberg

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

Sure, Sue. It's Rick. So, with regards to our price/cost relationship, we do anticipate price/cost to be modestly positive in our plumbing segment. It is from a standpoint of Decorative Architectural more flat. So, as you know, we've got an arrangement with our large customer, Home Depot, from a price/cost neutrality standpoint, and so that's something that we are adhering to. So, from an overall standpoint, the price/cost positivity is more on the plumbing side of the business, and it's something that we're focused on going forward.

A

As we said earlier, we're not going to get into 2027 at this point. We do see continued inflation in the environment, particularly on the commodity cost, where copper and where oil is trading, including freight costs. And so it's something that we continue to take a look at. And certainly something that we've been able to demonstrate over time that we were able to manage. And it's not just about pricing, of course, it's also about driving efficiencies, productivity, cost reduction, sourcing footprint changes as well to manage our tariff and commodity exposure as well. And so, we're pulling all levers to try to moderate, and we'll continue to do that going forward.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Yeah, Sue, this is Jon. Building on what Rick just mentioned, pricing is really the last lever we pull. What I would say is, we believe that we have a capability at Masco that is allowing us to win in market by having precision pricing, really understanding elasticity, really understanding our different products and how they interact in the categories. So, increasingly, we'll [ph] continue that (00:37:03), we're building out the capability. It's becoming much more digital, much more automated, and certainly we will pull that lever only if we have to. But when we do, we have very good confidence that we can do it in a way that will limit elasticity across our business.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Q

Okay. That's encouraging. And then turning to the cash flow side of the business, you're making progress on the working capital. You reiterated the guide to get that to 16.5% of sales by year end. Can you just talk a bit about your priorities for capital allocation? Have you seen any change in the M&A pipeline given the macro this quarter? And just any thoughts there on how we should think about the cash and where that may go?

Richard Westenberg

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

A

Yeah, Sue, it's Rick. So, we're pleased with the cash generation of the business. It continues to be a hallmark of Masco in terms of our cash flow conversion at 90% to 100% of our net income. And so, we're continuing to see that. From a working capital perspective, really consistent with prior year in terms of where we're at from a seasonality standpoint this year. And as you indicated, we're guiding towards the 16.5% of net sales at year end.

As it pertains to our capital allocation framework, there's absolutely no change in that framework in terms of: number one, investing in the business; number two, investment-grade credit rating, and we continue to manage our leverage accordingly; third is, a relevant dividend at 30% payout ratio; and then all available cash beyond that is available for share buybacks or M&A.

In terms of our M&A pipeline, we continue to cultivate that pipeline. At the end of the day, our strategy is unchanged in that context as well. We're looking at primarily bolt-on acquisition opportunities, really in our fashion plumbing, coatings, and wellness areas. And so, really no change in terms of our prospects, and we're pleased with how our capital allocation framework has served us. And we've been able to leverage that to return capital to shareholders in a pretty assertive way.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Q

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

Richard Westenberg

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

A

Thanks Sue.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Thanks Sue.

Operator: Your next question comes from the line of Trevor Allinson with Wolfe Research. Your line is now open. Please go ahead.

Trevor Allinson

Analyst, Wolfe Research LLC

Q

Hi, good morning. Thank you for taking my questions. Your Dec Arc guidance implies that you're going to return to growth there in the fourth quarter, I think, the first time since 2022. Given the outperformance that you've seen with your PRO, your DIY and your PRO businesses are much more similar in size to what they've been historically. So, with that in mind and an expectation that you continue to outperform PRO, is this something – a business, Dec Arc, that is that you think can get back to growth in 2027 as you think about PRO continuing to take share?

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Yeah. Hi, Trevor. It's Jon. As you mentioned, flat is in a way a win for Dec Arc, as it's been a more challenged category over the last few years. I can tell you we're not satisfied with flat, though, as we move forward. And we continue to feel really good about our PRO paint business, where we've grown mid-single-digits over a consistent period of time, working very closely with our retail partner at The Home Depot to really remove friction from the experience for PROs.

We believe that we have the best quality at the best price. We want to continue to communicate that. We've got a new marketing campaign really centered on just that. We're really working to make the experience easier with order online, pick up at store, order online, have it delivered to the job site. So, again, we believe there's a lot more room to run. PRO paint is the largest single segment we compete in at Masco, and we have a relatively small share, so we think that continues to be an opportunity.

DIY has certainly been challenged and is highly correlated with existing home turnover, which is bouncing along at trough levels. That being said, we're taking action. We've invested in ChatHUE, which is an industry-leading AI-powered color tool, and we know that choosing the color is the number one barrier for a consumer to do a paint job. So, we're really excited about that. We're also working with The Home Depot to make sure the in-store experience is the best it can be and really focusing again communicating that we have the best quality at the best value in the category. So, certainly not taking victory laps in Decorative Architectural, but the team is doing a really nice job and really stabilizing the business overall with good wins in PRO and again really doing everything we can to really stabilize the DIY business.

Trevor Allinson

Analyst, Wolfe Research LLC

Q

Okay. Thanks for all that color, Jon. And then second question is on Europe. Seems to be holding up pretty well, excluding the divestiture. You guys talked about taking share in North America. Curious if you believe that that commentary extends to Europe, how you're performing in Europe relative to the market. Is some outperformance in Europe as well helping to support your performance versus overall trends in Europe? Thanks.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Trevor, absolutely. So, as I mentioned, we're up 1% in our international plumbing business year-to-date. As we look at the markets, particularly in Europe, we think they're a little bit worse off than what the US is. We think they're down low-single-digits. So, again, we believe that we are outperforming the markets, and many of the same capabilities and strategy that we're deploying in North America, we're just deploying on our hansgrohe and AXOR businesses as well. So, believe that we are getting share. It's a little bit harder to track share across many, many markets across Europe and Asia, but feel really good about the trajectory of the business.

Trevor Allinson

Analyst, Wolfe Research LLC

Thanks for all the color, and good luck moving forward.

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thank you.

A

Operator: Your next question comes from the line of John Lovallo with UBS. Your line is now open. Please go ahead.

John Lovallo

Analyst, UBS Securities LLC

Good morning, guys. Thank you for taking my questions as well. Maybe sort of dovetailing off that last question, I mean, you guys have gained share in plumbing this year, I mean due in part to some competitive factors that could change. Can you just speak to your confidence in what you're doing to drive continued share gains into 2027, including on the e-commerce side?

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Yeah, John, this is Jon. So, I can tell you we do have fierce competitors. We have many competitors in plumbing really across North America and the world. We are very, very focused on playing our game, and we think it's a winning game. So, as I mentioned, it starts with our industry-leading brands. We continue to build them, increasingly in a modern way which is very much digital, and being very clear for what our brands stand for and how they deliver for consumers.

A

I would say innovation's been a big part of our success as well. If you look at the vitality rate in our plumbing business, it's close to 30%. So, again, percentage of products introduced over the last three years. We've had some real winners in terms of new products as well. I would tell you capabilities, as we build out capabilities particularly in the digital space, they're going to benefit us from an e-commerce standpoint. And how we show up again with consumers as they really go through their journey when they're starting to look for buying a new faucet or buying a new shower.

And then finally, one of the things that hasn't changed is really our operational effectiveness and efficiency. The Masco operating system has served us well for a long period of time. And I can tell you I'm really pleased with how we're operating in a challenging environment around the world. So, look, competitors will ebb and flow. What we can focus on is our business and our game, and we feel like we're on it at this point.

John Lovallo

Analyst, UBS Securities LLC

Okay. Understood. And then on the M&A front specifically, I know you guys talked about sticking close to the core. Curious, though, if you would have interest in a factory-applied wood coatings business, whether that's cabinets, doors, et cetera. I mean, it seems like it could expand the Dec Arc TAM, perhaps not conflict with the HD relationship, and maybe provide a little bit of inroads into the new construction market.

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Yeah, John, this is Jon. I guess, we've been pretty consistent that we like the categories that we play in today. They're amongst the fastest-growing and highest-margin categories. We like the strategy of being tied more to R&R as opposed to new home construction. New home construction is important for us. It's a business that we take seriously, but at the same time, R&R is the bulk of our business.

So, we would have a very high bar adding an additional leg or really going outside of our core categories. I think bolt-ons is what we're focused on, but again, we tend to look at a lot of things that come across our desk just to make sure that we're looking at everything in the universe. But I think we'll stay clear to what we've been guiding, which is bolt-on acquisitions being the focus moving forward.

John Lovallo

Analyst, UBS Securities LLC

Makes sense. Thank you, guys.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thank you.

Operator: Your next question comes from the line of Stephen Kim with Evercore ISI. Your line is now open. Please go ahead.

Stephen Kim

Analyst, Evercore ISI

Yeah, thanks a lot, guys. First question in Dec Arc. I think last quarter you had indicated that you thought that the back half of the year would, among other things like employee costs and commodity headwinds and stuff, I think you also mentioned you expected to have some additional investments that might weigh on the margins in the back half. And obviously you beat our expectations, and I'm curious, was there any benefit this quarter from maybe a reduced level of planned investments relative to what you had previously expected?

Richard Westenberg

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

Good morning, Stephen, it's Rick. So, your recollection is correct. We did and we do expect increased investments in the back half of this year in Decorative Architectural. We've got the employee-related costs as cited [ph] as well as (00:46:31) investments in terms of in-store displays, et cetera. Those are unchanged. What I would say is what we've realized in terms of our margin expectation is improvement in cost reduction efforts, so restructuring and other cost reduction efforts that are benefiting our P&L to an increased impact than we had initially anticipated, and that's why we brought up our margin guidance from 19% to 19.5%, but our investments are intact.

Stephen Kim

Analyst, Evercore ISI

Great. That's the best answer that we could have had. So that's good. Broader question that I have you, talked about specifically with DIY paint. You brought up the historic correlation with EHS, existing home sales, and I was wondering if we could touch on that, maybe particularly in paint, but also could apply to the Plumbing business as

well. I'm curious if you could talk about, what that historic correlation is with existing home turnover versus people doing a discretionary remodeling job in the home that they are going to continue to live in. I was wondering if you could sort of talk about, like, how much of the business or the demand is related to people actually moving?

And then obviously EHS is very depressed. So to the degree that it is impacted by that, obviously that's a negative that's weighing on you. And yet I would think that dilapidation happens regardless of turnover, right. So you have a housing stock that's sitting out there and there is dilapidation that also drives the need for a remodeling, particularly paint. And so I'm curious in this period where you've had very diminished EHS, are you actually seeing evidence that let's say paint usage per home – per existing home sale is rising or not?

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Yes, Stephen, this is Jon, I will take a crack at this. Maybe more broadly, as you look at other categories beyond paint, we see some different dynamics. When you look at our Plumbing business, break-fix is a fairly significant part of our business. So again, something breaks a faucet or a shower and it's replaced, paint isn't quite that way. Although again, what you describe does happen where over time people recognize they need to put a fresh coat of paint on. As we look at what impacts DIY paint, by far the item that correlates the highest is existing home turnover. And it makes a lot of sense. And it's pretty simple if you think about it. If you're selling your house, you typically paint it.

And then if you buy a house, in many cases you paint it again because you don't like the colors and you want to make it your own. So, we definitely see when we get back to more historical existing home turnover, we should see the reflection in the market. Even then, we need to make sure that we keep, again, making it easy for consumers to shop the category. We need to make sure that we continue to understand that, consumers to understand that [ph] bears (00:49:31) the best quality and the best value in the market. So there's a lot of things within our control, I would say. I think DIY is going to remain a bit more challenged until we see existing home sales pick up here.

Stephen Kim

Analyst, Evercore ISI

Q

Great. Okay. Appreciate your thoughts there. Thanks.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Thank you.

Operator: Your next question comes from the line of Phil Ng with Jefferies. Your line is now open. Please go ahead.

Margaret Grady

Analyst, Jefferies LLC

Q

Hey, everyone. This is Maggie on for Phil. I wanted to ask first about the lag on raws flowing through to your P&L. I understand you're not giving 2027 guidance at this point, but just given that lag and where commodities and inputs are trending now, we're starting to get a better idea of how that inflation equation is going to look, at least in early 2027. So, wanted to get your thoughts on how that's informing your approach to pricing next year and any of the other mitigating factors that you talk about like cost savings and those actions.

Richard Westenberg

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

A

Sure, Maggie. It's Rick. So, as we've described before, really our lag as you articulated for Plumbing is really a two-quarter lag, roughly speaking. So, commodity prices that you're seeing in the market this quarter, we would expect to see in a couple quarters' time. On Decorative, it's a little bit more accelerated. It's more of a one-quarter lag. So, the commodity cost that you're seeing in this quarter would be more of a next-quarter type of dynamic. And so, that's generally the rule of thumb that we leverage.

And so, it does provide a bit of a time window for us to be able to visibly see commodity costs in the market and allow us to react accordingly. And as mentioned earlier, there's a number of levers that we look at. We look at our sourcing footprint in terms of optimizing that cost reduction, and as required, pricing, and so that's something that will factor into our equation, not just next year, but as on an ongoing basis in terms of mitigating what continues to be an inflationary environment.

Margaret Grady

Analyst, Jefferies LLC

Q

Okay, great. And that was all for me. Thanks.

Richard Westenberg

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

A

Thanks, Maggie.

Operator: Your next question comes from the line of Keith Hughes with Truist. Your line is now open. Please go ahead.

Keith Hughes

Analyst, Truist Securities, Inc.

Q

Thank you. Questions on Plumbing. If you could talk about how much price and volume contributed particularly to the pretty strong domestic number here.

Richard Westenberg

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

A

Sure, Keith. I think as it pertains to Q3, we indicated in our prepared remarks that pricing for Plumbing was a 5% contributor on a year-over-year basis, and then volume was up in North America, down in international, but basically volume/mix was a wash, and that's all ex the divestiture.

Keith Hughes

Analyst, Truist Securities, Inc.

Q

Okay. That's from a total Plumbing, so if we look domestically, was price any different domestically I guess really is my question.

Richard Westenberg

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

A

Yeah, domestically, we're not going to get into details. I mean, what we did indicate is that our North American plumbing sales were up 8%, so you can imagine our performance is a bit stronger in that context, but we don't provide a specific bridge on a country-by-country basis.

Keith Hughes

Analyst, Truist Securities, Inc.

Okay. Well, so one other question on that. Particularly domestically, if you could talk about the channels, was there any one channel that was particularly better than that 8% number?

Richard Westenberg

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

Yeah. So, what we'll say, Keith, to that is we were up really across all three channels, so trade, retail, and e-commerce. We continue to perform really well in terms of our e-commerce and we continue to be a leader in that context, but it was encouraging to see that we performed up on a net sales perspective really across all three channels. So, it was a very balanced performance for the quarter, and quite frankly, year-to-date.

Keith Hughes

Analyst, Truist Securities, Inc.

Okay, great. Thank you.

Richard Westenberg

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

Sure, Keith.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thanks, Keith.

Operator: Your next question comes from the line of Mike Dahl with RBC Capital Markets. Your line is now open. Please go ahead.

Michael Dahl

Analyst, RBC Capital Markets LLC

Hi, thanks for taking my questions. Just a couple quick ones. Follow-up on the fourth quarter guide. I think you mentioned you still expect price/cost positive in Plumbing, neutral in Dec Arc. In total, I know there's a range in there, but the midpoint of the implied guide would suggest margins down year-on-year, and so I'm just trying to get a better sense of, your performance to date has clearly been much better than that, so is that really have the price/cost differential narrowing? Is it the employee cost? Just help us maybe get into a little more detail on why you'd see that inflection in margins to the negative.

Richard Westenberg

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

Yeah, sure, Mike. Yeah, we don't – I know you're implying a lot in terms of our Q4, so we don't get into specific quarterly guidance, but that said, you're directionally right. I would say that in terms of our – as I mentioned on the earlier question – in response to an earlier question, in terms of top line performance, we do expect continued

low-single-digit sales improvement in Plumbing and roughly flat in Decorative Architectural, kind of consistent with what we've seen year-to-date.

In terms of the margin question, we're basically expecting operating profit and margin to be roughly in line on a year-over-year basis. And as articulated earlier, that's a trade-off between slightly increased sales on a year-over-year basis and cost reduction efforts, that's being offset by higher commodity costs that are mid-single digits and growing as we finish out the year, as well as higher employee-related costs. So incentive compensation and medical costs, which are notably higher as we finish out the year. So, ultimately roughly flat, but we feel really good, quite frankly, in terms of the resilience of the business given the macroeconomic backdrop and our performance in terms of where we're going to end up for the year and our momentum in the business going forward.

Michael Dahl

Analyst, RBC Capital Markets LLC

Q

Okay. Yeah, that's helpful. Thanks. And then just sorry for another follow-on on the kind of price/cost dynamic, but this year you obviously had a lot of things that you executed well against, both on the pricing side and your internal initiatives while still taking share. I think another analyst alluded to kind of competitive dynamics, but when you survey kind of the landscape for next year, there has been a lot of price that's been put into the market. I think you guys kind of led the pricing this year, and so I'm just wondering if you had to rank order in the near term what the most likely levers would be to offset inflation.

Is it still going to be the same where you are kind of – where next year you might be a little less aggressive on price and try to focus on the operational and costs – some of the other cost-down efforts, or how would you think about all things considered, when you're balancing what you're seeing competitively, what you're seeing in terms of channel response or customer discussions and how you approach that dynamic next year?

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

A

Yeah, Mike, this is Jon. So, we clearly won't get into a whole lot of detail about 2027, and we're not announcing anything today obviously related to pricing. As I mentioned earlier, pricing is really the last lever that we pull. It really starts with making sure that we optimize our footprint to make sure that we're procuring and producing as efficiently and effectively as possible. We've talked a little bit about self-help. We've taken some initiatives from a restructuring standpoint that have been more aggressive than what we've done historically at Masco that has a benefit this year, will continue to have a benefit in the coming year as well, and really leveraging the Masco operating system to drive cost out.

And then finally, I think we've proven over time that we can pull the price lever if needed, and do it in a way that allows us to realize the price that we need without impacting the market to a large degree from an elasticity standpoint. And I can tell you our capabilities in that space continue to grow. It's a really important area for us to continue to invest in to make sure that we can do it with as much precision as possible. So, maybe I'll stop there, and obviously as we get into 2027, we can talk more about 2027 and our thoughts around price.

Michael Dahl

Analyst, RBC Capital Markets LLC

Q

Got it. Okay. Thanks a lot.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thank you.

A

Operator: Your last question comes from the line of Adam Baumgarten with Vertical Research Partners. Your line is open. Please go ahead.

Adam Baumgarten

Analyst, Vertical Research Partners LLC

Hey, good morning, everyone. Just on the topic of freight, maybe if you could run through what you're seeing upside there and perhaps how much that represents as a percentage of total COGS.

Q

Richard Westenberg

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

Yeah, Adam, good morning. It's Rick. So, yeah, freight, like we're seeing across the industry and the market, freight costs are elevated, both inbound and outbound, and driven by fuel costs. We haven't articulated the proportion of COGS that represents for Masco. It's not a huge driver, but it is something that we're keeping a close eye on and something that we factor-in in terms of mitigation activity. So, what I mean by that is when we refer to mid-single-digit input cost inflation, that's inclusive of both the raw materials as well as freight costs and transportation cost. And so we look at that holistically and look to pull the levers that Jon articulated in terms of mitigation.

A

Adam Baumgarten

Analyst, Vertical Research Partners LLC

Okay. Great. Thanks a lot.

Q

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thanks Adam.

A

Operator: That concludes today's question-and-answer session. I'll now turn the call back to Renee Benedict for 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: Thank you for attending. You may now disconnect.

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