

Cabinets and Related Products Segment

Joe Gross / President of Masco Cabinetry

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The Business Today

Transformation of the Segment

Going Forward







Cabinets and Related Products Segment Overview

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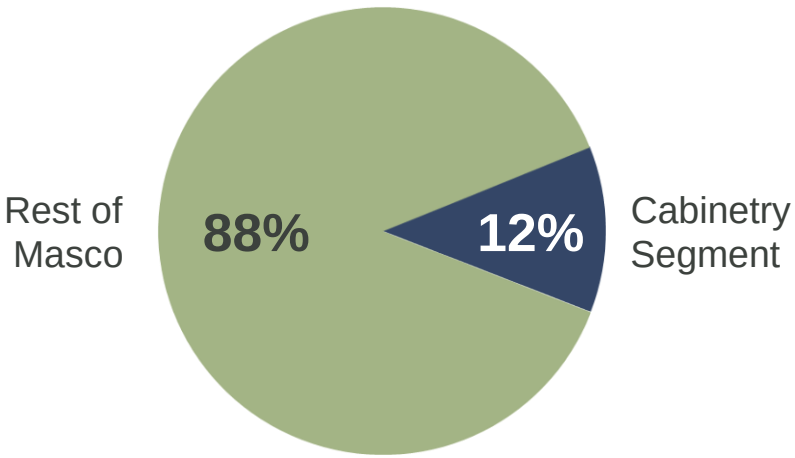
Masco Corp.
(Breakdown of 2014 Revenue)



	12/31/2014
Revenue	**~$1B**
Margin as Adjusted*	**(3.1%)**
% of Revenue outside North America	**9%**
% of Repair & Remodel Sales	**55%**
Currency Exposure	**USD / UK Pound**
Commodity Exposure	**Hardwoods/ Particle Board**

*Operating profit, as adjusted excludes $31M of rationalization charges.

Our Cabinet Brands are Among the Most Recognized in the Industry

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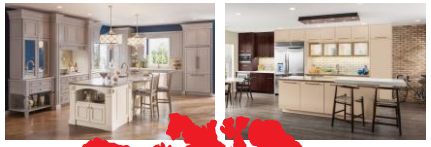
KraftMaid® Cabinetry

Merillat.

We are America's Cabinetmaker.™

QualityCabinets®

Common name. Uncommon values.





Masco Cabinetry – Diversified Sales by Brand and Channel

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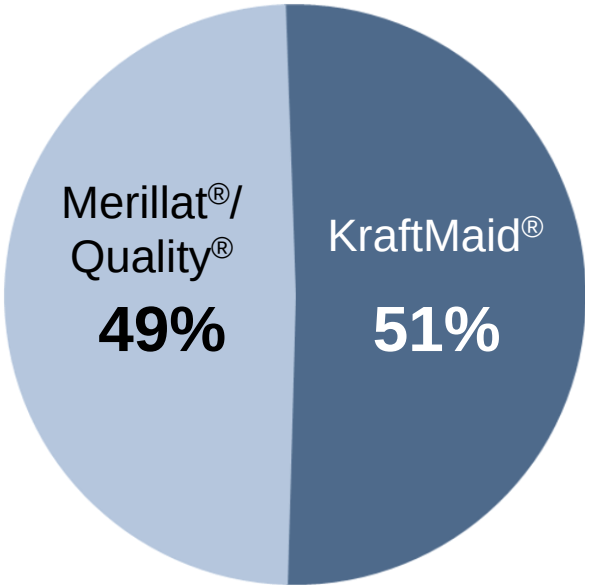
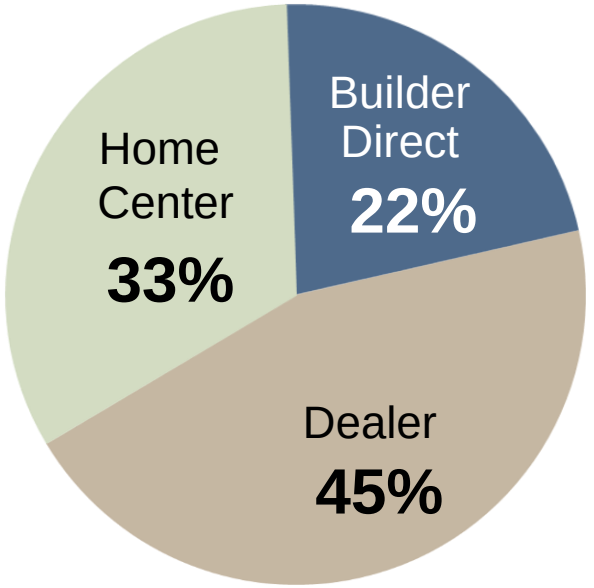
2014 Sales by Brand*



2014 Sales by Channel*










*Excludes Moores and based on company estimates

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The Cabinet Industry was Severely Impacted by the Housing Downturn

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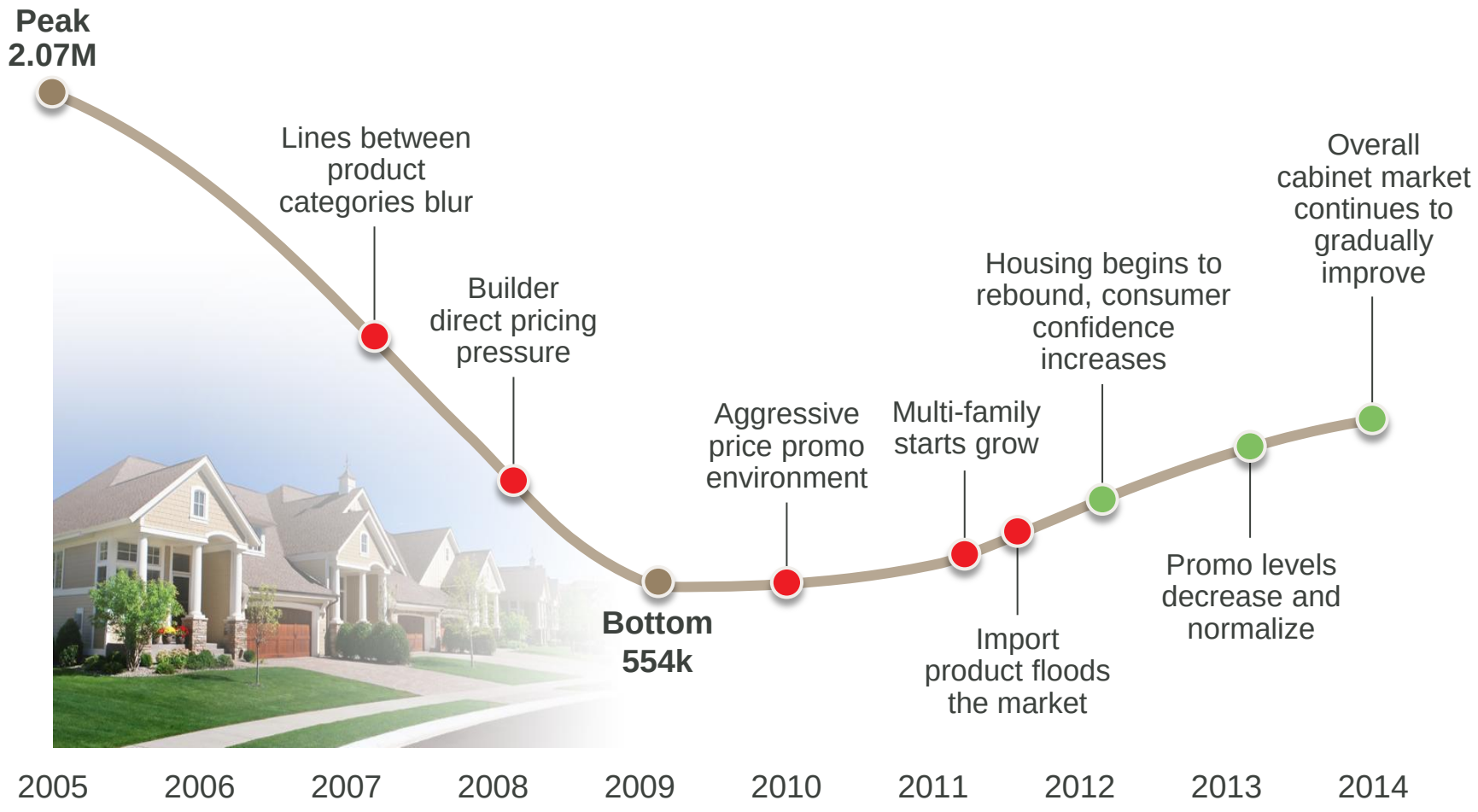
Housing Starts



Significant Restructuring Actions Taken Since 2006 Peak

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$3.3B*
Revenue



2006

Key Actions

- Exited / divested product lines with sales of $1B
- Integrated Cabinetry businesses
- Took out $200M of fixed costs
- Closed 10 plants
- Eliminated 9,500 positions

$1B
Revenue



2014

*Includes discontinued operations

Cabinets and Related Products Segment's Turnaround Set to Resume in 2015

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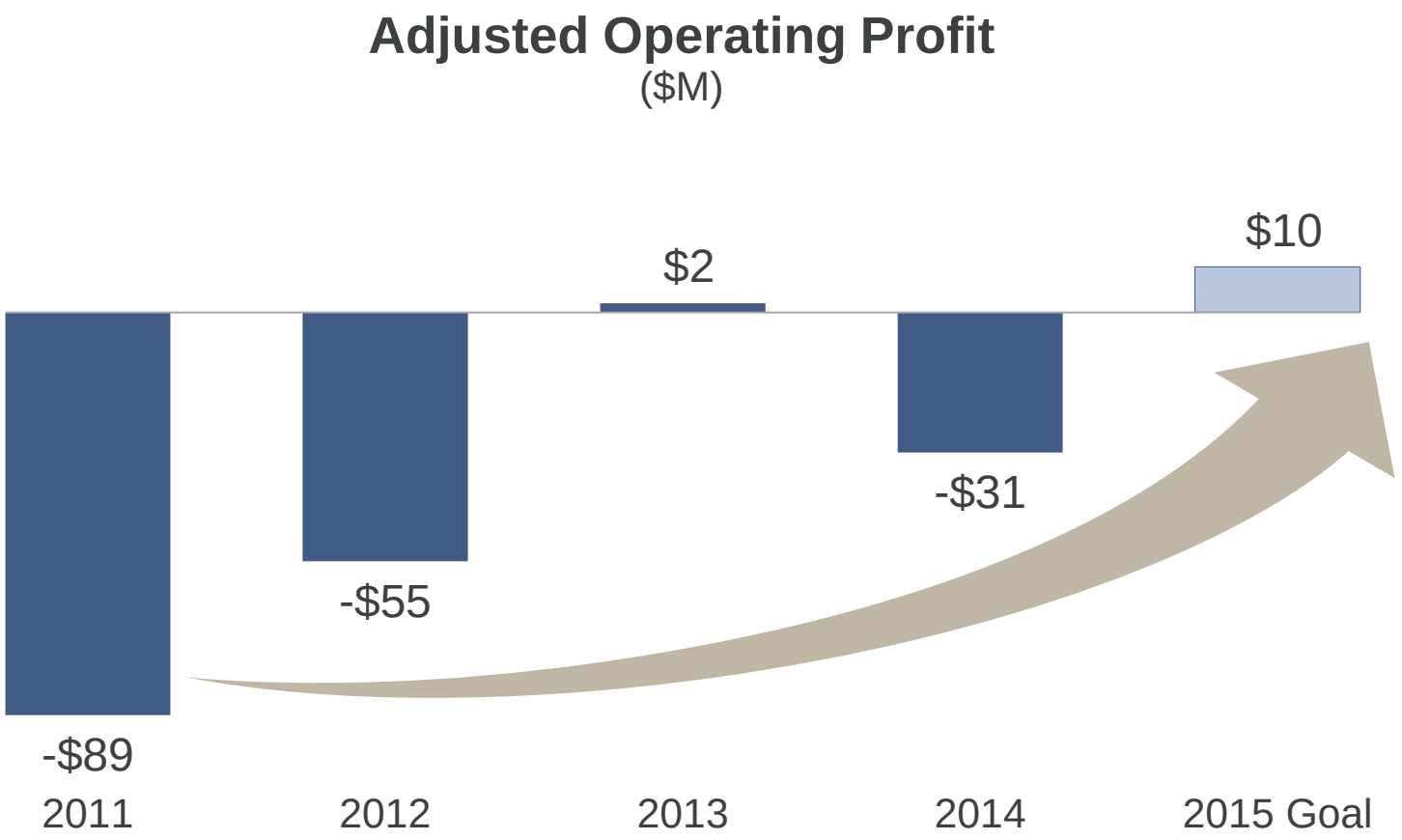

*Excludes business rationalization charges for 2014, 2013, 2012, and 2011 of $31 million, $12 million, $34 million and $37 million, respectively.

Specific Challenges Faced in 2014 Are Being Addressed

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Pricing Issue

- Finding right pricing / promotion mix

KraftMaid® Cabinetry

ERP Issue

- Resolving ERP system issues

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Our Turnaround Plan – Back On Track in 2015 after Challenges in 2014

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- Manufacturing footprint reduced to 7 facilities
- Consolidated IT operating systems from 5 to 2
- Balanced promotional spending in the retail channel
- Replaced the senior leadership team





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Strategic Priorities

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1. Profitably recover KraftMaid and Merillat share



2. Execute Builder Direct turnaround



3. Achieve margin improvement targets



KraftMaid Cabinetry

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PRIORITY #1

Grow KraftMaid and Merillat Share

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KraftMaid Cabinetry

Priorities

- Ensure channel differentiation
- Shorten lead times
- Consistent, market-driven product launches
- Right price / promotion mix



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Priorities

- Optimize sales mix
- Increase share of sales from existing dealers
- Target new dealers
- Improve order flow and on time deliveries



Grow KraftMaid – Key Initiatives

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Repositioning for Growth

Dealer Channel Initiatives

- Introduced KraftMaid® Vantage™
  - exclusive to channel
  - product flexibility
  - upgraded standard construction
- Introduced KraftMaidONE™
  - value offering
- Targeted programs/promotions

Home Center Channel Initiatives

- Introducing KraftMaid® Value Offering
- Launched a Vanity Program
  - in-aisle special order
  - in-stock
  - online
- Optimizing promotions









Grow Merillat / Quality – Key Initiatives

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Repositioning for Growth

Dealer Channel Initiatives

- Enhancing Merillat® brand and value proposition
  - largest launch in Merillat brand history
  - new R&R market opportunities
  - improving the designer experience
  - backorder and lead time disruptions corrected
- Targeted programs and promotions



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Execute Builder Direct Turnaround

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Builder Direct Initiatives

- Manage for profitability
- Ongoing market / customer evaluation
- Beginning to recover profitability lost during downturn
- Restructuring to leaner / variable model



PRIORITY #3

Achieve Margin Improvement Targets

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- SG&A improvement
- Pricing optimization
- Total cost productivity acceleration
  - manufacturing efficiency
  - supply chain productivity
  - material utilization
  - logistics optimization



Targeting 2015 EBIT of $10M

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1. Recapture KraftMaid and Merillat market share
2. Increase profitability of Builder Direct channel
3. Achieve margin improvement targets

2015 EBIT target $10M

KraftMaid Cabinetry

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Masco's Cabinetry Segment – On Track for Profitable Growth

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New management team
- clear mandate to drive a turnaround of the business

2015 financial targets
- identified key strategic priorities

Strategic options for future value creation
- influenced by progress against goals in 2015




