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Masco Corp. (MAS)

Baird Global Industrial Conference

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CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Okay, great. Good morning, everybody. Thanks for joining us. I'm Tim Wojs. I cover building products here at Baird, and we're delighted to have Masco join us again this year at our Global Industrial Conference.

Masco is a global leader in branded home improvement and building products. They've got a portfolio that includes Behr paint, Delta, and hansgrohe faucets, and shower fixtures, and then HotSpring spas.

From the company on stage with me, we have President and CEO, Jon Nudi, and Renee is from IR is upfront here in the audience. So we're going to start with a few overview prepared remarks from Jon, and then we'll hop into Q&A.

So with that, I'll turn the floor to you.

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

Awesome. Thank you, Tim. It's great to be here. In terms of an overview of Masco's [indiscernible] (00:00:43) $8 billion in revenue. Really playing in three global categories [indiscernible] (00:00:49) global leader in plumbing.

[Technical Difficulty] (00:00:57-00:01:26)

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

All right. So, again, Jon Nudi, happy to be here. Talk a little bit about Masco. As Tim mentioned, we're a building products company. We're just short of $8 billion in revenue, high-teens margins, which we've been focused on growing over a long period of time.

Three core categories. We're a global leader in plumbing here in North America with the Delta, Brizo, and Newport Brass brands. And then globally with hansgrohe and AXOR, we are the largest manufacturer of hot tubs

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and saunas in North America. And then finally, we have a Decorative Architectural business, Behr paint, which is predominantly sold through The Home Depot.

From a strategy standpoint, we're really focused on accelerating our top line via a consumer-driven strategy. At the end of the day, we want to understand our consumers and their problems and solve them for them better than all of our competitors.

Really three core things we're focused on. One is our industry-leading brands. And brands really truly are important in our categories. At the end of the day, it's what drives our ability to innovate and to really have the margins that we do. Second, develop digital capabilities, increasingly digital capabilities which I'm sure we'll get into.

And then finally, Masco has been known for a long time for operational excellence. We want to make sure that we maintain that and even focus our teams a bit more to make sure that we can continue to take cost out, drive margins that we can then reinvest back in our business to grow it. So with that, happy to jump in.

QUESTION AND ANSWER SECTION

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Great. So, Jon, you've been CEO for a year-and-a-half now, plus or minus. So, as you've kind of assess the business, kind of what are some of the key strengths and weaknesses or opportunities that you kind of see and kind of where has your time kind of migrated as you've kind of – your tenure has kind of lengthened here at Masco?

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

A

Yeah. So it's been a great 18 months. Prior to coming in as CEO, I was actually on the board of Masco for a couple of years. So I had a pretty good perspective of where the company was. And as I entered the company as management, I went out and spent a lot of time with investors. The one thing that I heard consistently was love, focus on margins and operational discipline. Would love to see Masco grow a bit more quickly on the topline.

So, I would say, for me that's one of the things we're really trying to do is certainly not take away the focus from margins. They're incredibly important. We've got to continue to do that. But probably sharpen our focus in terms of our growth mindset. We've likely grown with our categories over time. We want to consistently outgrow our categories and continue to deliver strong margins.

And I think one of the trickiest thing is to do both. And as I go out, I talk to teams and it's been the case in my prior life as well, people want to choose: is it growth or is it margins? And it's really the, end. And that's what we've been focused on really building – making sure that we have the right leadership, the right teams.

And I can tell you Masco has really terrific people that really know our industries, which is fantastic, and then building out capabilities, particularly in the digital space, that are really required for us to be successful today. Spending a lot of time around those capabilities.

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Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay, okay. And what types of changes have you made to the organization? It used to be kind of just like two segments. Maybe just talk about some of those things that you've done?

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

A

Yeah, I would say, a couple of things from a leadership standpoint. We made several changes. One, we eliminated a Group President role that sat between the CEO and the individuals running our businesses. So our four large businesses of Delta Faucet, hansgrohe, Behr, and then Watkins Wellness make up 85% of the business. Those leaders, the Presidents of those businesses, report directly to me, and they sit on the leadership team.

And I would say having the businesses closer to our senior team has been a real advantage. We meet once a week in short hits to understand what's happening in the business, understanding what help our businesses need. That's been a real benefit.

We've also augmented our senior team with some real functional experts. We brought in a new Chief Procurement Officer from the outside, a new Chief Marketing Officer who came from more of the consumer side of the industry with a deep understanding of consumers and digital tools, which has been fantastic. And we just brought in a new digital leader as well, someone with a vast amount of digital transformation as well as AI experience.

So again, we've got great people that understand our categories, understand our customers and consumers. We want to augment all of that amazing talent with some capabilities that can allow us to differentiate ourselves on the top and the bottom line.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. I mean, you held an Analyst Day earlier this year, and you were talking about kind of 3% to 4% organic growth. Recognizing that's not quite 5% or 6%, but what are kind of the assumptions to that? Because I think the market is a lot less of a benefit, and there's maybe more outperformance in that kind of algo on a go-forward basis.

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

A

Yeah, for sure. We were setting some goals out to 2028, and then that 3% to 4% growth is what we were targeting, and that does assume some return to category growth.

Again, obviously it's been a bit more challenging. What I can tell you, though, is even in a year like 2026, which has been a bit more challenging in the categories we're going to grow low-single-digits and really have quality growth as well, bringing along nice profit margins with it.

So, I think we're on the right things with the right strategies, innovation, creating capabilities. And when the market comes back, again we believe that we can outgrow our categories, and our categories consistently over time grow in that 3% to 4% range. So again, hopefully we can do better than that.

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Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And I guess what is – I feel like it's the Groundhog Day. It's like the same thing every year. But I guess as you're looking into 2027, what are kind of the puts and takes as you see it to kind of the R&R market? I know it's a small bit, but just kind of what you're hearing in new construction as well?

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

A

Yeah. So, I've been involved in this industry for just about four years between the board and management. And every one of those four years, I hear, well, next year is the year the inflection is going to happen, right? And it's yet to happen.

As we look to 2027, we're not assuming a major inflection. We feel like we've got to make our own way, both from a top line and a bottom line standpoint. So again, this year certainly wasn't a robust year category-wise, yet we like the way we're performing.

So as we look to the coming year, we know that we're going to have to drive demand and really grow our top line by being close to our consumers, innovating. We've got a great innovation pipeline across each of our businesses. You win across all channels. I mean, particularly in plumbing, it's complicated. There's wholesale, there's retail, there's e-commerce, and you can't win in one or even two of them. You've got to win across all three. We feel like we've been doing that the last several years, and we have plans to continue to take our leadership position and grow in the coming year as well.

So that's important. And then, frankly, on the cost side, we've been more aggressive in the last year in terms of self-help. So we have not historically at Masco done a lot of reorganizations. At the end of Q4 last year, we announced a $50 million restructuring, and in some cases, it's the first time we've restructured some of our businesses in over 40 years. And I think businesses are great at adding capabilities and adding things over time, but without discipline, it's hard to go back and sunset things that maybe aren't fit for purpose today. So, we're going to remain aggressive in making sure that we have the right cost structure for the size of our categories and our business to move forward as well.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Maybe just talk about kind of the consumer journey. I mean, you hired a digital and kind of AI chief. Just how as you go from like a Google SEO kind of environment to like an AI environment, like what are the capabilities, because you guys have done a really good job in e-commerce, how do the capabilities change to make sure that like, you guys show up in the relevant spots through that journey?

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

A

It's a great question. I know we're at an industrials conference, and I'll tell you our business is really a consumer durable business where brand does matter. And I'll use plumbing as an example. If you think about an average consumer, you don't buy a faucet or shower every year. In fact, on average in the US, you buy one every seven or eight years. And you just don't typically run out and buy one. You tend to research it. So, how you show up in the digital world is really, really important.

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Most consumers – and including pros, so plumbers do research online. And to your point, I mean for the last decade, it was about Google Search and essentially, you could buy search terms and make sure that you show up the way that you want as Search came back. In the last year, it's changed dramatically. It's LLMs and Claude as well as ChatGPT continue to grow. The way you show up in those searches is very, very different. They scrape a lot of different sources. They go to Reddit. They look at long-form content. They really mine your own websites. So, we are doing a lot of work to make sure that we're showing up the way we want as consumers start doing the research. And it doesn't happen overnight as I mentioned, consumers will go online multiple times to research brands, research the reliability of different brands. We've got to build that. And as consumers use LLMs, we've got to make sure we show up the way we want. So, we're just putting a lot of time and focus there.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And then you mentioned with the kind of restructuring, I mean, you did kind of change some of the locations or the responsibilities of some of the businesses. So I think Liberty moved into Delta, and Newport Brass kind of moved I think into Delta. So, can you just kind of talk about those moves and kind of the genesis of that, and how they've kind of progressed?

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

A

Yeah. So as I mentioned before, we have four major businesses: Delta, hansgrohe, Behr, and Watkins. They make up 85% of our business. We have multiple other business units as well, much smaller businesses. And historically, Masco has been very, very decentralized. So, one of the businesses was Newport Brass, which is a high-end luxury faucet brand based out of Newport, California. Most of them sell over $1,000. Amazing product, super high quality. They were fully independent. They would show up to our key customers like Ferguson, The Home Depot, separately than our Delta team.

So, as we looked at things, we felt like we could be more effective by combining Newport Brass into Delta, where we are the industry leader in faucets. We have great relationships with our key customers. We have great capabilities when it comes to e-commerce that a smaller team just can't build on their own. So, we think we're much more effective by integrating some of these businesses.

Liberty Hardware was another business based in North Carolina selling branded, mostly Delta, hardware products for bathrooms. We integrated that into Delta, and again, leveraging our scale. So we're seeing greater top line on those businesses. At the same time, there's obviously some synergy benefits as well by putting it together from a cost standpoint.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay, okay. And then I guess on – we haven't had a lot of growth in the end markets for the last couple of years. Just how has the competitive environment kind of changed or stayed the same?

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

A

Yeah. So we as a strategy have been focused on repair and remodel, which has been more stable. A good chunk of our business is break-fix, meaning something breaks, someone has to replace it. That's obviously remained robust, and we've seen smaller ticket remodels hold up fairly well, too. It's just really the big remodels that have slowed.

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We historically have not made new home construction a focus. And I can tell you we think that's the right strategy. We have some contracts with smaller builders that we like the economics of those contracts, we like the builders, but we've not been impacted as much because we don't play as much in the new home construction.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And I guess like, as you kind of think about just kind of material cost inflation, there's a lot of moving pieces with tariffs and price and those types of things. As you kind of exit 2026 and kind of head into 2027, how do you balance higher input costs, pricing, tariff refunds, all of those types of things?

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

A

Yeah. So one of the things I think our team has done a nice job of over time is just manage whatever has come our way. So, obviously, as you mentioned, we've had COVID, we had supply chain disruptions, we've had tariffs, we've had quite a bit of inflation, and the team has been able to navigate all of that very, very well.

So, certainly not guiding towards 2027, we'll do that as we report earnings in February. But I'm very sure that we can navigate the current challenges. And again, as we head into the coming year, there will likely be some inflation. I can tell you, we take every effort we can to not take price. We really work with our suppliers around footprints. We take cost out of our own system. But when having to price, again, I think the team does it in a very targeted way and increasingly sophisticated way in terms of leveraging digital to understanding elasticity and understand where we have some headroom and where we don't. So again, certainly the last thing we want to do is take price, but over time, we've proven that we can do it pretty effectively.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

When you think about the plumbing business, could you just kind of spend a minute just kind of reviewing the individual pieces? Because you've got some retail in there, you've got wholesale. Brizo's done really well. You've got hansgrohe. Just kind of where – like the status of each of those kind of brands or channels, I think, would be helpful.

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

A

Yeah, for sure. So again, we break our business apart in plumbing with North America and then really the rest of the world. In North America, Delta is our flagship brand. So, about one-third of all faucets in the US are Delta. Really strong business that's really respected by both consumers and pros. Pros value some different things. So if a plumber wants reliability, particularly if you're putting something behind a wall, you don't want to have come back and rip out tile to fix something. And again, Delta over many, many decades has built a really strong reputation with pros.

In that portfolio, we also have Newport Brass, which I mentioned. We have Brizo, which is an upper premium product really focused on design aesthetic that is tied to specific designers and really unique product. Brizo and Newport Brass are sold exclusively in the wholesale channel, really in showrooms. And that's something that's a real strength for us. And as we look at our business over the last few years, the upper-income consumer in the K-shaped economy continues to do well. So again, we've seen a lot of momentum on those brands. They're some of our higher margin businesses as well. So that's North America.

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Outside of the US, hansgrohe is our brand that we really lead with. It's a really strong brand over – it just turned 125 years old out of Germany. We have strong share positions across Europe. We have a leading position in China. And we compete in over 100 different countries as well. So hansgrohe is a great brand. I would say it's upper premium part of the category. And then AXOR is also a brand that we have globally. It's a very high-end, German-made, all-metal products that are terrific. We see a lot of growth in both hospitality as well as high-end residential units as well in that space.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. On the retail side, you guys have really kind of done a very good job in retail. What are some of the key success points in that market? Because there's a velocity of inventory, there is shelf space, there is people on the street. Just kind of how have you built that retail business?

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

A

As I mentioned earlier, you really have to win across all three channels. So, historically, go back 15 years ago, wholesale was really where most of the plumbing business was. Retail and e-commerce have grown very, very quickly, and wholesale remains – a good chunk of our business today still remains incredibly important. But we can't win if we're not winning across all three channels.

So, retail specifically is more about a consumer-driven strategy. So you've got to really understand consumers, you've got to innovate. Bringing new products to market is really critical because it helps drive your share of shelf. And that's something we stay focused on, and then ultimately driving velocity. So we've got to make sure that we have increasingly grow our share of shelf and then increase our velocity, and we've had a really nice track record.

So, if you look at our business in retail over the last few years, we've got exclusive lines that we've introduced at some of our key partners. This year in particular, we're gaining share of shelf at most big-box retailers, which is fantastic. So, we love that space.

And then e-commerce is one that we've historically led in. And I can tell you that's one of our fastest-growing businesses. And it does require unique capabilities. And I think Delta in particular has really been on the forefront of building some of those capabilities. We've got a lead. We don't take that for granted. We've got to continue to evolve as consumers evolve and technology evolves. And that's a big focus area for us as well.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

And in e-commerce, I mean, is a lot of that – that's not really your – it's not like they go to delta.com for – I mean, you're really supporting your retailers and your wholesalers through those channels, right?

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

A

Yeah. We sell almost nothing direct-to-consumer. So again, it's through Ferguson Home, it's through [ph] HomeDepot.com (00:18:25), Amazon, those types of channels.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

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Okay. You spent a lot of time at the Analyst Day on the wellness business. I guess, what's your kind of vision for that business? Because you've always had spas and it's always kind of been a part of the plumbing segment, but it seems like that's going to be an incremental focus for you over the next three to five years. So, how does that kind of evolve?

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

Yeah, we really haven't talked much about our wellness business. And there are several things. First of all, the business has grown nicely over time. As I mentioned, we're the leading manufacturer of hot tubs in North America with Caldera and HotSprings, very high-end profitable businesses. And that continues to grow, which is fantastic.

I'll tell you the area that probably excites me the most is saunas. And it's kind of all the rage right now. And if you look at the US market, pretty – very small, 1% household penetration today, growing very quickly. I can tell you again, our challenge right now is really keeping up with demand as opposed to other things.

And if you look at other parts of the world, if you look at Scandinavia, household penetration is greater than 100%. Most people have multiple saunas in their homes, one indoor, one outdoor. We're never going to get there in North America, but we think there's a lot more room to run.

And the underpinnings of that category and what we're seeing there is really about wellness and health benefits, and there's all kinds of health benefits being attributed to saunas. So, we like the space. We have a leading position. We think we can do a lot better job of really letting Americans know about brands, which brands matter, which brands stand for quality. That's something for us to do. But we really like that business. We think it's a great growth driver, and we like the margins of the business as well.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

And when you think about organic or inorganic growth, I mean, is that an area where you can do – can you do one or the other or are they really opportunities for you to expand your presence in organic growth?

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

We'll continue to look. In terms of an organic opportunities, we like our position today as being the leader. We just acquired Sauna360 2.5, 3 years ago. That's really brought us the sauna business. So, bolt-on acquisitions that are very much close to where we sit today are areas we'll continue to look at.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.
Q

Okay. And then I guess with hansgrohe in Europe, obviously there's a lot of moving parts with energy prices and things like that. I mean, that business has held in, do you feel like you're holding share, gaining share? How do you think about Europe?

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

Obviously when you compete against – across 100 different markets, it's challenging to have a great handle on exactly where you are from a share standpoint. I can tell you we have seven or eight core focus markets for us that make up the bulk of the business, and we do track share very closely in places like Germany and the UK, and

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China. And I can tell you we feel good about how we're performing. We look at competitors like GROHE that are very much similar products, and we feel like we're performing well versus all those key competitors.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And as you think about margins in the Plumbing business, I mean you're at kind of 20% or so right now. Is the idea that you really want to focus on growth and maybe just kind of modest margin expansion? Are there any – is there still any kind of low-hanging fruit that you'd kind of call out?

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

A

Yeah, I certainly wouldn't say low-hanging, but going back to what I mentioned at the beginning, I think it's the job of us to drive not only the top line, but the bottom line. So, I think you'll see a continued focus on doing both of those things.

And if you think about our margin structure on Plumbing, certainly we don't break it out, but it's probably not a surprise it would be higher in North America just because it's one market. We've got a lot of scale. I think globally, there continues to be an opportunity for us to focus our margins on hansgrohe business. So that's something that we certainly work with that team on, and I think it'll be – continue to be an opportunity over time.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

And is there an opportunity for – I know you don't – you own a majority stake in hansgrohe, but like it's not a full stake. I mean how close can the Delta and hansgrohe teams get as they work together, or can they work together?

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

A

We do work together. And again, I think that's been something that our team has been working on for the last five or six years, and it's great to see us share. For all intents and purposes, we really don't compete with our JV outside of the US. So they've got a little bit of business in the US, but not much. So we're increasingly sharing more. I think some of the strategies we've taken in the US to drive margins can work globally as well. It is a bit more complicated across 100 markets versus 1 or 2, but I think there's more for us to do together as we move forward.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And then – I mean we've spent a lot of time on the consumer. How do you think about commercial opportunity in Plumbing? That was another thing you talked about at the Analyst Day in terms of larger jobs, hospitality. It seems to be like you have a portfolio that you can bring in with wellness and faucets and things. So, how do you think about that commercial big job opportunity?

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

A

Yeah. So, this is really looking at things like high-end residential buildings as well as hotels, high-end hotels. And our team, particularly our hansgrohe team, have done a terrific job here. It's a very different sales process. It's

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usually multiple years, three to five years before you go from specing to getting an order. So, we have reps across some of the key design cities around the world, whether that be New York or Paris or London where a lot of the designers, architects spec these products out.

And again, if you were to travel globally, you would find AXOR in a lot of high-end hotels around the world. And that's the result of hard work over multiple years and decades to build that business. I think there's more of that we can do in the US. So, one of the things we're learning from our hansgrohe partners is how do you do that. And it's about building teams in key design markets.

We're getting ready to unveil a new Brizo and Newport Brass showroom in New York City, which will open up in the first quarter of next year, and that's really getting not after end consumers, but really designers and architects that spec these products. So we think it's a good opportunity for us, certainly around the world, but we think in North America as well.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Maybe just flipping over to Decorative. Obviously you have a very strong relationship with Home Depot. Can you just maybe talk about the key attributes of that relationship in terms of like what you're trying to do and what they're trying to do?

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

A

Yeah, it's a really unique relationship, and one that I appreciated when I was on the Board of Masco, and I appreciate even more today. So, it dates back 40-plus years. Our companies were formed just about the same time. Behr became exclusive at The Home Depot, and The Home Depot had a single-digit number of stores. And really these businesses have grown together over time.

And it's a very constructive relationship. I spend a lot of time with senior leaders at The Home Depot. It's an important category for them, a profitable category for them. And we're very squarely focused on the same things. We're a leader in DIY paint with over a 30% share. A relatively small player in PRO paint, although again our collective teams have really grown a lot there. So we are just short of 10% share of that PRO market.

It's no surprise that The Home Depot is very focused on the PRO, and that PRO paint is a great opportunity for us. And we're spending a lot of time and effort taking friction out of the system for the PRO. And over the last few years, we've done things like make it possible for the PRO to order online and pick up at the store, order online and have it delivered to the job site. Talk about the benefits of our paint. We think we've got the best quality, the best value in the category. So, we think there's a lot more room to run, particularly on the PRO side of the business.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

On the PRO business, has the focus – has the contractor focus changed at all? Because I know there is different types of PROs. So as you kind of think about attacking the PRO business, is there a different type of PRO that you're now starting to trying to court? I mean just maybe talk about how that's...

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

A

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Yeah. What's exciting about PRO, it's the largest single segment Masco competes in, so it's over $10 billion in sales. We historically have focused on the PRO who paints, which is more of like an apartment manager that also paints once someone moves out. And it's a big chunk of the business, something we do very well in. Residential repainters are the largest segment of PRO painters, and it's an area that we don't have a big share in today. It takes differential focus. It requires building relationships at a local level. And that's something that we're focused on. It's going to be a long-term initiative, but we think there's opportunity there.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And then I guess on the DIY business, I mean, obviously there was a lot of – I think I painted two rooms in my house. I mean, everybody kind of painted during DIY, but as you kind of think, the business has kind of suffered from that lag effect over the last couple of years. I mean, where do you think you are in evening out that cumulative gallon pull-forward, if you will?

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

A

Yeah, I mean certainly during COVID, we saw a huge spike. It's been more challenging, when you break down DIY paint it has an extremely high correlation to existing home turnover. It's not surprising if you think about it. When you sell a house, you tend to paint it. When you buy a house, you tend to paint it again to put your own colors on the walls.

With existing home sales kind of bouncing along at trough levels, it's been really challenging for the last few years. So, we expect that to improve at some point. Again, we're not going to predict when the inflection happens, but when it does, we think that there will be a lot of demand out there for DIY paint. We're a leader in the space. We've got great value, great quality. We need to do a better job of really making sure our consumers understand that. We're focused on that as well.

Timothy Wojs
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And then I guess maybe last question just on the capital allocation. How would you characterize the M&A pipeline today in terms of maybe actionability? And if there isn't that kind of M&A acquisition, I mean does everything just kind of flow back to buybacks? Is that the capital allocation opportunity?

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

A

Yeah. So, historically, Masco's been very disciplined when it comes to M&A. We'll continue to be very disciplined. So, bolt-on acquisitions remains our focus. We want to make sure we have the right to play, the right to win with whatever we do from an acquisition standpoint.

And I can tell you our board plays a very active role in making sure that we have a high bar for acquisitions, and we'll do them when we find the right one and it's the right value equation for our shareholders. In the absence of that, we've been aggressive in redeploying free cash flow to shareholders in the form of share buybacks. We had an accelerated buyback program even this year as we felt like our share prices were undervalued, and we'll continue to do that to make sure that we share cash back with our shareholders if we don't have a good M&A opportunity.

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Timothy Wojs

Analyst, Robert W. Baird & Co., Inc.

Great. Well, I think we're out of time, so please join me in thanking the Masco team for being here today.

Jonathon J. Nudi

President, Chief Executive Officer & Director, Masco Corp.

Thank you.

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