


Masco Corporation
Third Quarter 2018 Earnings Presentation

October 30, 2018

Safe Harbor Statement

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This presentation contains statements that reflect our views about our future performance and constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "outlook," "believe," "anticipate," "appear," "may," "will," "should," "intend," "plan," "estimate," "expect," "assume," "seek," "forecast," and similar references to future periods. Our views about future performance involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in our forward-looking statements. We caution you against relying on any of these forward-looking statements.

Our future performance may be affected by the levels of residential repair and remodel activity and new home construction, our ability to maintain our strong brands and reputation and to develop new products, our ability to maintain our competitive position in our industries, our reliance on key customers, the cost and availability of raw materials, our dependence on third-party suppliers, risks associated with international operations and global strategies, our ability to achieve the anticipated benefits of our strategic initiatives, our ability to successfully execute our acquisition strategy and integrate businesses that we have and may acquire, our ability to attract, develop and retain talented personnel, our ability to achieve the anticipated benefits from our investments in new technology, risks associated with our reliance on information systems and technology, and our ability to sustain the improved results of our U.S. window business. These and other factors are discussed in detail in Item 1A, "Risk Factors" in our most recent Annual Report on Form 10-K, as well as in our Quarterly Reports on Form 10-Q and in other filings we make with the Securities and Exchange Commission. Any forward-looking statement made by us speaks only as of the date on which it was made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Unless required by law, we undertake no obligation to update publicly any forward-looking statements as a result of new information, future events or otherwise.

Masco Q3 2018 Results

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Topic	
• Summary of Results	Keith Allman
• Financial/Operations Review	John Sznewajs
• Q&A	

Continued Focus on Creating Shareholder Value

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Driving Shareholder Value

- Solid top-line growth in Decorative Architectural, Plumbing and Cabinetry Segments
- Continued cost discipline with 40 bps of SG&A leverage
- Strong adjusted EPS growth of 25%
- Repurchased 2.3 million shares for $89 million
- Anticipated adjusted annual earnings per share range updated to $2.39 to $2.44 from $2.48 to $2.55 per share

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Solid Sales and Strong Earnings Per Share Growth

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($ in Millions)	Third Quarter 2018
Revenue Y-O-Y Change	$2,101 8%
Operating Profit* Y-O-Y Change	$320 $10
Operating Margin* Y-O-Y Change	15.2% (70) bps
Adjusted EPS* Y-O-Y Change	$0.65 25%

**See Appendix for GAAP reconciliation.*

Quarter Highlights

- Total company sales increased 4% excluding the impacts of FX, acquisitions and divestiture
- In local currency, North American sales increased 12% or 5% excluding acquisitions
- In local currency, International sales declined 6% or 2% excluding divestiture
- FX unfavorably impacted sales by $12 million
- Total company operating profit increased 3%

Strong North American Growth

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($ in Millions)	Third Quarter 2018
Revenue Y-O-Y Change	$992 4%
Operating Profit* Y-O-Y Change	$179 $3
Operating Margin* Y-O-Y Change	18.0% (50) bps

**Excludes business rationalization charges for the third quarter 2018 and 2017 of $2 million and $1 million, respectively.*

Quarter Highlights

- Total segment sales increased by 5% excluding the impact of FX
- In local currency, North American sales increased 9% and international sales declined 1%
- North American performance driven by a record sales quarter at Delta
- FX unfavorably impacted sales by $9 million
- Operating profit impacted by mix, lag in price/cost and ERP investment

Pro Paint and Builders' Hardware Drive Core Growth

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($ in Millions)	Third Quarter 2018
Revenue Y-O-Y Change	$673 20%
Operating Profit* Y-O-Y Change	$119 $7
Operating Margin* Y-O-Y Change	17.7% (220) bps

**Excludes Kichler inventory step up adjustment for the third quarter of 2018 of $15 million.*

Quarter Highlights

- Segment sales increased 1% excluding the acquisition of Kichler
- Behr's pro initiative grew high single digits, DIY paint declined low single digits
- Builders' Hardware continues to drive strong growth
- Operating margin impacted by Kichler acquisition

Repair and Remodel Business Continues to Grow

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($ in Millions)	Third Quarter 2018
Revenue Y-O-Y Change	$239 4%
Operating Profit Y-O-Y Change	$23 $3
Operating Margin Y-O-Y Change	9.6% 90 bps

Quarter Highlights

- Segment sales increased 11% excluding the divestiture of Moores
- Repair and remodel business grew double digits
- Operating margin expansion driven by volume, partially offset by increased logistics costs and mix

Solid North American Sales Against Difficult Comp

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($ in Millions)	Third Quarter 2018
Revenue Y-O-Y Change	$197 (3%)
Operating Profit* Y-O-Y Change	$19 ($5)
Operating Margin* Y-O-Y Change	9.6% (220) bps

**Excludes business rationalization charges for the third quarter 2018 of $3 million.*

Quarter Highlights

- Milgard Windows sales matched prior year against a difficult 12% comp
- Continued to experience softness in the UK
- Operating profit impacted by increased expenses at Milgard

Strong Balance Sheet

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Liquidity as of 9/30/2018	
Cash and cash investments	$0.6B
Short-term bank deposits	$0.0B
Total	**$0.6B**

Disciplined Capital Allocation

- Repurchased approximately 2.3 million shares in Q3 for $89 million
- Anticipate deploying approximately $300 million in Q4 2018 in share repurchases

Exposure to Tariffs on Chinese Imports

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Segment	Imports from China Subject to Tariffs *(Approximate $ in Millions)*
Plumbing Products	$325
Decorative Architectural Products	$200
Cabinetry Products	$75
Windows and Other Specialty Products	$0
Total Imports from China Subject to Tariffs	**$600**

- Expect to mitigate tariffs through combination of price increases, supplier negotiations, supply chain repositioning and other internal productivity measures.

Masco Q3 2018 Results

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Q&A

Appendix

Appendix – Profit Reconciliations – Third Quarter

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($ in Millions)	Q3 2018	Q3 2017
Net sales	**$ 2,101**	**$ 1,945**
Gross profit, as reported	**$667**	**$657**
Rationalization charges	5	1
Kichler inventory step up adjustment	15	—
Gross profit, as adjusted	**$ 687**	**$ 658**
Gross margin, as reported	*31.7%*	*33.8%*
Gross margin, as adjusted	*32.7%*	*33.8%*
Selling, general and administrative expenses, as reported	**$ 367**	**$ 348**
Selling, general and administrative expenses as percent of net sales, as reported	*17.5%*	*17.9%*
Operating profit, as reported	**$ 300**	**$ 309**
Rationalization charges	5	1
Kichler inventory step up adjustment	15	—
Operating profit, as adjusted	**$ 320**	**$ 310**
Operating margin, as reported	*14.3%*	*15.9%*
Operating margin, as adjusted	*15.2%*	*15.9%*

Appendix – EPS Reconciliation – Third Quarter

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(in Millions, Except per Common Share Data)	Q3 2018	Q3 2017
Income before income taxes, as reported	**$ 262**	**$ 264**
Rationalization charges	5	1
Kichler inventory step up adjustment	15	—
Impairment of private equity funds	—	2
(Gain) on sale of business	—	(2)
Income before income taxes, as adjusted	**$ 282**	**$ 265**
Tax at 26% rate (34% for 2017)	(73)	(90)
Less: Net income attributable to noncontrolling interest	11	12
Net income, as adjusted	**$ 198**	**$ 163**
Net income per common share, as adjusted	**$ 0.65**	**$ 0.52**
Average diluted common shares outstanding	306	316

Appendix – EPS Reconciliation – Remaining 2017 Periods

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(in Millions, Except per Common Share Data)	Q4 2017	Full Year 2017
Income before income taxes, as recasted	**$ 148**	**$ 884**
Rationalization charges	1	4
(Gains) from private equity funds, net	(1)	(3)
(Earnings) from equity investments, net	-	(1)
Impairment of private equity funds	-	2
Loss on extinguishment of debt	-	107
Loss on sales of businesses, net	64	13
Income before income taxes, as adjusted	**$ 212**	**$ 1,006**
Tax at 34% rate	(72)	(342)
Less: Net income attributable to noncontrolling interest	12	47
Net income, as adjusted	**$ 128**	**$ 617**
Net income per common share, as recasted and adjusted	**$ 0.41**	**$ 1.94**
Average diluted common shares outstanding	314	318

Appendix – 2018 EPS Outlook Reconciliation

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	Twelve Months Ended December 31, 2018 Low End	High End
Net income per common share	**$ 2.25**	**$ 2.30**
Rationalization charges	0.02	0.02
Kichler inventory step up adjustment	0.10	0.10
Allocation to participating securities per share (1)	0.02	0.02
Net income per common share, as adjusted	**$ 2.39**	**$ 2.44**

(1) Represents the impact of distributed dividends and undistributed earnings to unvested restricted stock awards in accordance with the two-class method of calculating earnings per share.

Appendix – Net Debt to EBITDA Reconciliation

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($ in Millions)	September 30, 2018	
Debt	**$**	**2,973**
Less: Cash and cash investments		(569)
Less: Short-term bank deposits		-
Net debt	**$**	**2,404**

($ in Millions)	Last Twelve Months Ended September 30, 2018	
Operating profit, as reported	**$**	**1,158**
Rationalization charges		8
Accelerated depreciation related to rationalization activity		1
Kichler inventory step up adjustment		40
Operating profit, as adjusted	**$**	**1,207**
Depreciation and amortization		146
EBITDA, as adjusted	**$**	**1,353**

Net Debt to EBITDA **1.8x**

2017 RESTATEMENTS
Reflecting impact of revenue recognition and pension accounting changes

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($ in Millions, except EPS)

2017 NET SALES, as recasted	Q1	Q2	Q3	Q4	Full Year
Plumbing Products	$872	$949	$950	$961	$3,732
Decorative Architectural Products	496	661	562	487	2,206
Cabinetry Products	231	251	229	223	934
Windows & Other Specialty Products	179	205	204	182	770
Total Net Sales	$1,778	$2,066	$1,945	$1,853	$7,642

2017 OPERATING PROFIT, as recasted	Q1	Q2	Q3	Q4	Full Year
Plumbing Products	$162	$200	$175	$165	$702
Decorative Architectural Products	94	149	112	83	438
Cabinetry Products	16	31	20	25	92
Windows & Other Specialty Products	8	18	24	4	54
General Corporate Expense, Net	(23)	(26)	(22)	(21)	(92)
Total Operating Profit	$257	$372	$309	$256	$1,194

2017 EPS, as recasted and adjusted	Q1	Q2	Q3	Q4	Full Year
Net income per common share	$0.40	$0.62	$0.52	$0.41	$1.94

2018 Guidance Estimates

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($ in Millions)	2018 Estimate
Rationalization Charges	~ $9
Tax Rate	~ 26%
General Corporate Expense	~ $85
Interest Expense	~ $157
Increased 'Other expense' Due to Change in Pension Expense Accounting	~ $17
Capital Expenditures	~ $220
Depreciation & Amortization[1]	~ $160
Favorable Foreign Currency Translation Impact to Sales[2]	~ $60
Shares Repurchased	$600-650

1. Includes the impact of Kichler acquisition.
2. Based on rates as of September 30, 2018.

2017 Segment Mix*

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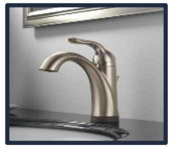
	Business Segment	Revenue 2017	% of Total	R&R% vs. NC	NA% vs. Int'l
	Plumbing Products	$3.7B	49%	83%	63%
	Decorative Architectural Products	$2.2B	29%	99%	100%
	Cabinetry Products	$0.9B	12%	65%	95%
	Windows and Other Specialty Products	$0.8B	10%	71%	79%
	Total Company	$ 7.6B	100%	84%	79%

R&R = % of sales to repair and remodel channels
NC = % of sales to new construction channels
NA = % of sales within North America
Int'l = % of sales outside North America

* Based on Company estimates

2017 Geographic Revenue Split*

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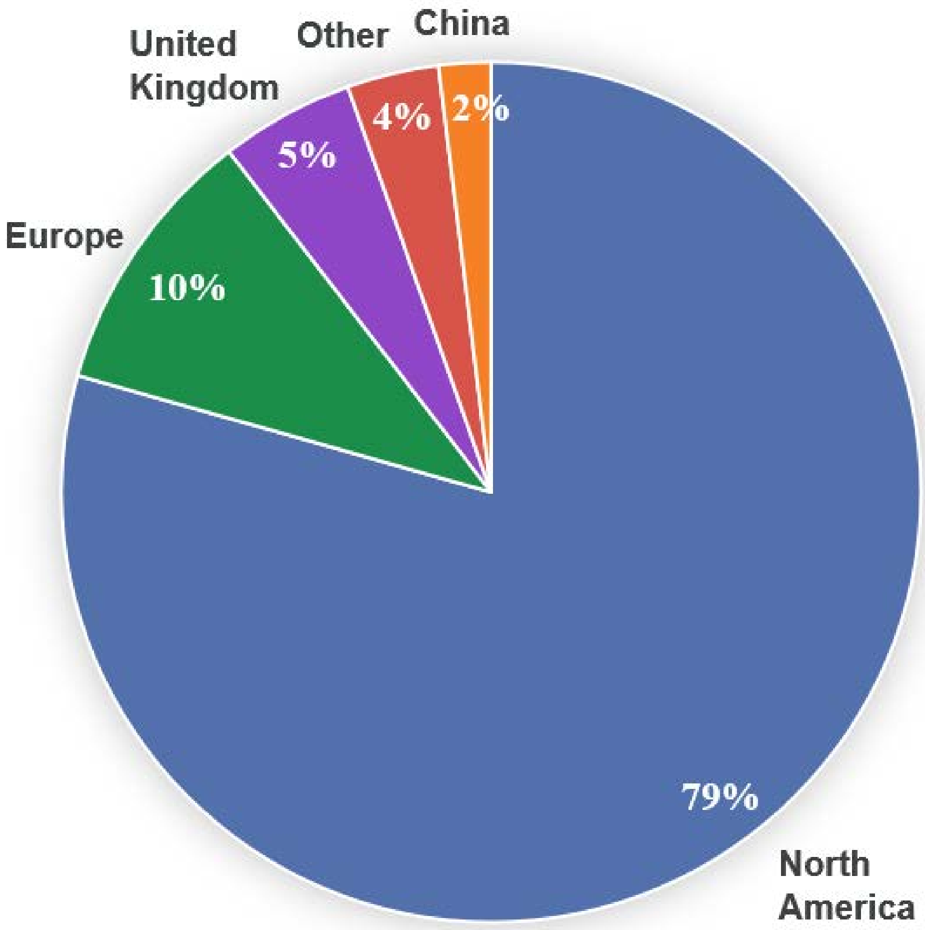

International Sales Accounted for ~21% of Total 2017 Masco Sales

*Based on Company estimates