



Masco Corporation
Fourth Quarter and Full Year 2018 Earnings Presentation

February 7, 2019

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 and increasing tariffs, 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, risks associated with our reliance on information systems and technology, and our ability to achieve the anticipated benefits from our investments in new technology. 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 Q4 and Full Year 2018 Results

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

Delivered Solid Finish to 2018

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Driving Shareholder Value

- Strong top-line growth in North American plumbing and paint
- Margin expansion resulting from volume, cost control and price realization
- Adjusted EPS growth of 56%
- Repurchased 9.6 million shares for $300 million

Executed Strategy to Create Long-Term Shareholder Value

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Driving Shareholder Value

- Drove top- and bottom-line growth
- Gained share with our industry-leading brands
- Invested in new products and programs
- Completed acquisition of Kichler Lighting
- Generated free cash flow of $803 million (102% FCF conversion)
- Returned $788 million to shareholders
- Strengthened balance sheet

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Achieves Strong Fourth Quarter Growth

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($ in Millions)	Fourth Quarter 2018	Full Year 2018
Revenue Y-O-Y Change	$2,041 10%	$8,359 9%
Operating Profit* Y-O-Y Change	$315 $58	$1,265 $67
Operating Margin* Y-O-Y Change	15.4% 150 bps	15.1% (60) bps
Adjusted EPS* Y-O-Y Change	$0.64 56%	$2.50 29%

**See Appendix for GAAP reconciliation.*

Quarter Highlights

- Total company sales increased 5% excluding the impacts of FX, acquisitions and divestiture
- In local currency, North American sales increased 14% or 6% excluding acquisitions
- In local currency, International sales matched prior year or increased 2% excluding divestiture
- FX unfavorably impacted sales by $19 million
- Adjusted EPS benefited from $0.03 sales pull forward, $0.01 lower tax rate and $0.01 gain on sale of building

North American Plumbing Continues to Drive Growth

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($ in Millions)	Fourth Quarter 2018	Full Year 2018
Revenue Y-O-Y Change	$1,003 4%	$3,998 7%
Operating Profit* Y-O-Y Change	$185 $19	$724 $20
Operating Margin* Y-O-Y Change	18.4% 110 bps	18.1% (80) bps

**Excludes business rationalization charges for the fourth quarter and the full year 2018 of $4 million and $9 million, respectively, and for the fourth quarter and the full year 2017 of $1 million and $2 million, respectively.*

Quarter Highlights

- Total segment sales increased by 6% excluding the impact of FX
- In local currency, North American sales increased 8% and International sales increased 3%
- FX unfavorably impacted sales by $16 million
- Operating profit growth due to higher volume, lower spending and neutral price/cost

Strong Paint Growth Aided by Sales Pull Forward

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($ in Millions)	Fourth Quarter 2018	Full Year 2018
Revenue Y-O-Y Change	$632 30%	$2,656 20%
Operating Profit* Y-O-Y Change	$118 $35	$496 $58
Operating Margin* Y-O-Y Change	18.7% 170 bps	18.7% (120) bps

**Excludes Kichler inventory step up adjustment for the full year 2018 of $40 million.*

Quarter Highlights

- Segment sales increased 8% excluding the acquisition of Kichler
- Behr's pro paint initiative grew high single digits, DIY paint increased low double digits
- Behr's DIY business benefited from approximately $20 million of sales pulled forward from Q1 2019
- Operating profit growth due to Kichler, increased volume, an improvement in the price/cost relationship, lower spending and a $4 million gain on the sale of a building

Delivers Top-Line Growth

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($ in Millions)	Fourth Quarter 2018	Full Year 2018
Revenue Y-O-Y Change	$226 1%	$950 2%
Operating Profit* Y-O-Y Change	$24 ($1)	$86 ($8)
Operating Margin* Y-O-Y Change	10.6% (60) bps	9.1% (100) bps

**Excludes business rationalization charges for the full year 2017 of $2 million.*

Quarter Highlights

- Segment sales increased 4% excluding the divestiture of Moores
- Repair and remodel and new home construction businesses each grew mid single digits
- Operating profit impacted by logistics costs and mix

North American Windows Drives Operating Margin Expansion

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($ in Millions)	Fourth Quarter 2018	Full Year 2018
Revenue Y-O-Y Change	$180 (1%)	$755 (2%)
Operating Profit* Y-O-Y Change	$8 $4	$39 ($15)
Operating Margin* Y-O-Y Change	4.4% 220 bps	5.2% (180) bps

** Excludes business rationalization charges for the fourth quarter and the full year 2018 of $2 million and $5 million, respectively.*

Quarter Highlights

- Milgard Windows' sales grew low single digits
- Softness in the UK continued to impact segment results
- Operating profit growth due to favorable price/cost and mix

Strong Balance Sheet

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Liquidity as of 12/31/2018	
Cash and cash investments	$559M
Short-term bank deposits	$0M
Total	**$559M**

Disciplined Capital Allocation

- Repurchased approximately 18.6 million shares in 2018 for $654 million
- Reduced debt by $106 million
- Increased quarterly dividend 14%
- Achieved investment grade rating from Moody's
- Delivered free cash flow of $803 million

Masco Q4 and Full Year 2018 Results

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Q&A

Appendix

Appendix – Profit Reconciliations – Fourth Quarter

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($ in Millions)	Q4 2018	Q4 2017
Net sales	**$ 2,041**	**$ 1,853**
Gross profit, as reported	**$ 653**	**$ 604**
Rationalization charges	6	1
Gross profit, as adjusted	**$ 659**	**$ 605**
Gross margin, as reported	*32.0%*	*32.6%*
Gross margin, as adjusted	*32.3%*	*32.6%*
Selling, general and administrative expenses, as reported	**$ 344**	**$ 348**
Selling, general and administrative expenses as percent of net sales, as reported	*16.9%*	*18.8%*
Operating profit, as reported	**$ 309**	**$ 256**
Rationalization charges	6	1
Operating profit, as adjusted	**$ 315**	**$ 257**
Operating margin, as reported	*15.1%*	*13.8%*
Operating margin, as adjusted	*15.4%*	*13.9%*

Appendix – Profit Reconciliations – Full Year

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($ in Millions)	2018	2017
Net sales	**$ 8,359**	**$ 7,642**
Gross profit, as reported	**$ 2,689**	**$ 2,612**
Rationalization charges	14	4
Kichler inventory step up adjustment	40	-
Gross profit, as adjusted	**$ 2,743**	**$ 2,616**
Gross margin, as reported	*32.2%*	*34.2%*
Gross margin, as adjusted	*32.8%*	*34.2%*
Selling, general and administrative expenses, as reported	**$ 1,478**	**$ 1,418**
Selling, general and administrative expenses as percent of net sales, as reported	*17.7%*	*18.6%*
Operating profit, as reported	**$ 1,211**	**$ 1,194**
Rationalization charges	14	4
Kichler inventory step up adjustment	40	-
Operating profit, as adjusted	**$ 1,265**	**$ 1,198**
Operating margin, as reported	*14.5%*	*15.6%*
Operating margin, as adjusted	*15.1%*	*15.7%*

Appendix – EPS Reconciliation – Fourth Quarter

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(in Millions, Except per Common Share Data)	Q4 2018	Q4 2017
Income before income taxes, as reported	**$ 268**	**$ 148**
Rationalization charges	6	1
(Gains) from private equity funds, net	(1)	(1)
(Earnings) from equity investments, net	(1)	—
Loss on sale of business	—	64
Income before income taxes, as adjusted	**$ 272**	**$ 212**
Tax at 25% rate (34% for 2017)	(68)	(72)
Less: Net income attributable to noncontrolling interest	14	12
Net income, as adjusted	**$ 190**	**$ 128**
Net income per common share, as adjusted	**$ 0.64**	**$ 0.41**
Average diluted common shares outstanding	299	314

Appendix – EPS Reconciliation – Full Year

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(in Millions, Except per Common Share Data)	2018	2017
Income before income taxes, as reported	**$ 1,042**	**$ 884**
Rationalization charges	14	4
Kichler inventory step up adjustment	40	—
(Gains) from private equity funds, net	(1)	(3)
(Earnings) from equity investments, net	(3)	(1)
Impairment of private equity funds	—	2
Loss on extinguishment of debt	—	107
Loss on sales of businesses, net	—	13
Income before income taxes, as adjusted	**$ 1,092**	**$ 1,006**
Tax at 25% rate (34% for 2017)	(273)	(342)
Less: Net income attributable to noncontrolling interest	50	47
Net income, as adjusted	**$ 769**	**$ 617**
Net income per common share, as adjusted	**$ 2.50**	**$ 1.94**
Average diluted common shares outstanding	307	318

Appendix – Free Cash Flow and 2019 EPS Outlook Reconciliation

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($ in Millions)		2018
Net cash from operating activities	**$**	**1,032**
Capital expenditures		(219)
Displays		(10)
Free Cash Flow	**$**	**803**
Net income	**$**	**784**
Free cash flow conversion rate		**102%**

	2019			
	Low End		High End	
Net income per common share	**$**	**2.56**	**$**	**2.76**
Rationalization charges		0.01		0.01
Allocation to participating securities per share (1)		0.03		0.03
Net income per common share, as adjusted	**$**	**2.60**	**$**	**2.80**

(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)	December 31, 2018	
Debt	**$**	**2,979**
Less: Cash and cash investments		(559)
Less: Short-term bank deposits		-
Net debt	**$**	**2,420**

($ in Millions)	Year Ended December 31, 2018	
Operating profit, as reported	**$**	**1,211**
Rationalization charges		12
Accelerated depreciation related to rationalization activity		2
Kichler inventory step up adjustment		40
Operating profit, as adjusted	**$**	**1,265**
Depreciation and amortization		**154**
EBITDA, as adjusted	**$**	**1,419**

Net Debt to EBITDA	**1.7x**

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.

2018 Adjusted EPS Restatements

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2018 Adjusted EPS	26% Normalized Tax Rate	25% Normalized Tax Rate
Q1 2018	$0.45	$0.45
Q2 2018	$0.75	$0.76
Q3 2018	$0.65	$0.66
Q4 2018	$0.63	$0.64
Full Year	$2.47	$2.50

- Normalized tax rate has been revised to 25% versus previously guided 26%.
- This change in assumption was driven by the issuance of recent IRS regulatory guidance regarding certain provisions of the new tax code.

2017 RESTATEMENTS

Reflecting impact of revenue recognition and pension accounting changes

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($ in Millions, except EPS)

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

2018 Segment Mix*

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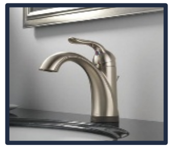
	Business Segment	Revenue 2018	% of Total	R&R% vs. NC	NA% vs. Int’l
	Plumbing Products	$4.0B	48%	84%	64%
	Decorative Architectural Products	$2.7B	32%	96%	100%
	Cabinetry Products	$0.9B	11%	69%	100%
	Windows and Other Specialty Products	$0.8B	9%	69%	80%
	Total Company	$ 8.4B	100%	85%	81%

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

2018 Geographic Revenue Split*

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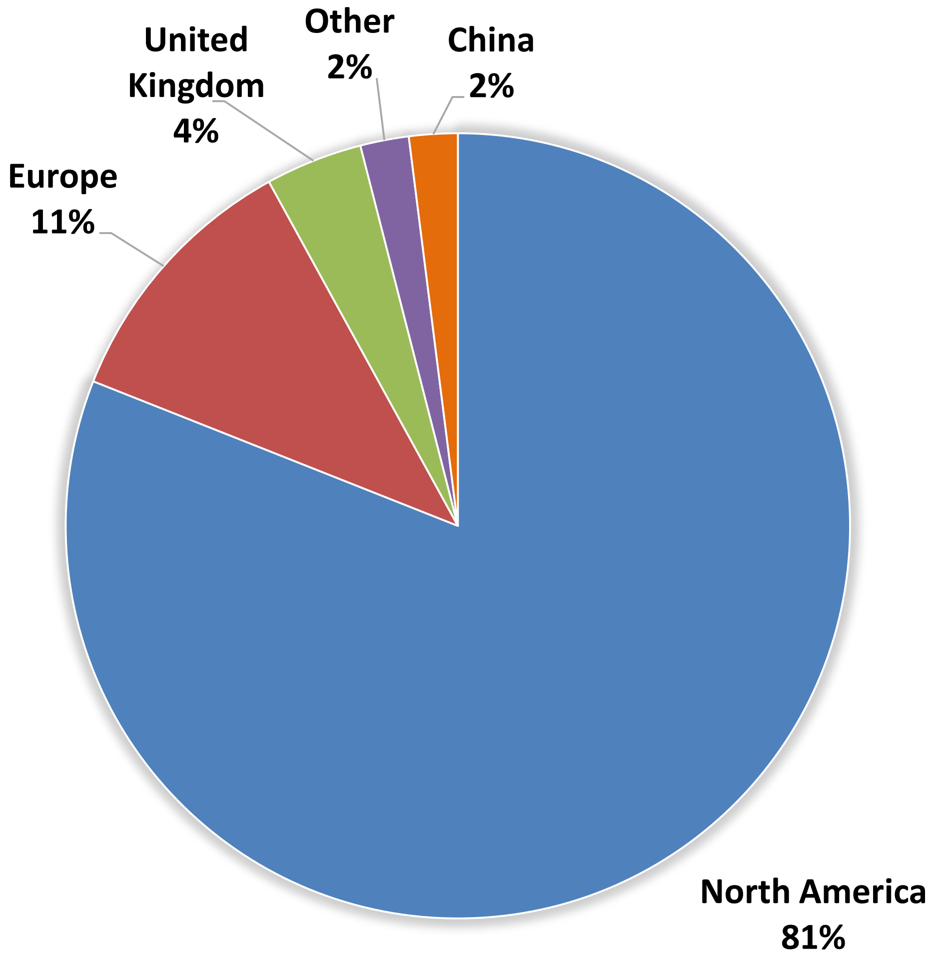

International Sales Accounted for ~19% of Total 2018 Masco Sales

*Based on Company estimates

2019 Estimates

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($ in Millions)	2019 Estimate
Rationalization Charges	~ $4
Tax Rate	~ 25%
General Corporate Expense	~ $90
Interest Expense	~ $157
Pension Expense Included in 'Other expense'	~ $20
Capital Expenditures	~ $200
Depreciation & Amortization	~ $175
Unfavorable Foreign Currency Translation Impact to Sales[1]	~ $75
Share Repurchases	~$600

1. Based on rates as of December 31, 2018.

2019 Outlook

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Business Segment	2019 Sales Growth	2019 Adjusted Operating Profit Margin	Other
Plumbing Products	3 – 5% *(ex currency)*	Similar to 2018 margin of 18.1%	• ~$65m unfavorable FX impact on 2019 sales • D&A ~$20m per quarter
Decorative Architectural Products	4 – 6%	17.0% - 18.0%	• D&A ~$12m per quarter
Cabinetry Products	0% – 3%	Similar to 2018 margin of 9.1%	
Windows and Other Specialty Products	1 – 3% *(ex currency)*	Modest expansion to 2018 margin of 5.2%	• ~$10m unfavorable FX impact on 2019 sales
Total Masco	**3 – 5%** ***(ex currency)***	**Similar to 2018 margin of 15.1%**	• **Adjusted EPS $2.60 – $2.80** • **Includes ~$0.01 unfavorable FX impact in both Q1 & Q2**

Note: FX impact based on rates as of December 31, 2018.