



Masco Corporation
First Quarter 2019 Earnings Presentation

April 25, 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.

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

Continued Focus on Long Term Shareholder Value

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Driving Shareholder Value

- Pace of sales accelerated in March
- Implemented price across all segments
- Delivered strong Cabinetry growth
- Repurchased 3.5 million shares for $122 million
- Anticipate completion of strategic review of Cabinetry and Windows businesses by end of June
- Reaffirm full year adjusted EPS guidance of $2.60-$2.80 per share
- Investor Day September 17, 2019 in New York City

Masco Q1 2019 Results

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Topic	
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Sales Accelerated After Slow Start to 2019

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($ in Millions)	First Quarter 2019
Revenue Y-O-Y Change	$1,908 (1%)
Operating Profit* Y-O-Y Change	$230 ($20)
Operating Margin* Y-O-Y Change	12.1% (90) bps
Adjusted EPS* Y-O-Y Change	$0.44 (2%)

**See Appendix for GAAP reconciliation.*

Quarter Highlights

- Total company sales decreased 2% excluding the impacts of FX and acquisition
- In local currency, North American sales increased 2%; sales decreased 3% excluding acquisition
- In local currency, International sales decreased 1%
- FX unfavorably impacted sales by $33 million

Results Impacted by Sales Pull Forward

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($ in Millions)	First Quarter 2019
Revenue Y-O-Y Change	$940 (3%)
Operating Profit* Y-O-Y Change	$153 ($11)
Operating Margin* Y-O-Y Change	16.3% (60) bps

**Excludes business rationalization charges for the first quarter 2018 of $1 million.*

Quarter Highlights

- Total segment sales matched prior year excluding the impact of FX
- In local currency, North American sales decreased 1% and International sales increased 1%
- FX unfavorably impacted sales by $29 million
- Sales comparison unfavorably impacted by a combined pull forward of approximately $20 million and softness in rough plumbing
- Operating profit decline due to lower volume, unfavorable mix and trade show expense, partially offset by pricing actions

Paint Growth Impacted by Sales Pull Forward into Q4 2018

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($ in Millions)	First Quarter 2019
Revenue Y-O-Y Change	$573 5%
Operating Profit* Y-O-Y Change	$82 ($12)
Operating Margin* Y-O-Y Change	14.3% (290) bps

**Excludes impairment charge for first quarter 2019 of $9 million and Kichler inventory step up adjustment for first quarter 2018 of $5 million.*

Quarter Highlights

- Segment sales decreased 7% excluding the acquisition of Kichler
- Sales impacted by approximately $20 million of sales pull forward into Q4 2018, soft end markets and inventory rebalancing by a customer
- Behr's pro paint initiative grew low single digits
- DIY paint decreased low double digits, driven by sales pull forward into Q4 2018
- Operating profit decline due to lower volume, impact of Kichler acquisition and pro investment

Retail Program Win Drove Strong Growth

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($ in Millions)	First Quarter 2019
Revenue Y-O-Y Change	$237 9%
Operating Profit* Y-O-Y Change	$22 $16
Operating Margin* Y-O-Y Change	9.3% 650 bps

** Excludes professional fees related to analysis on strategic alternatives for first quarter 2019 of $2 million.*

Quarter Highlights

- Repair and remodel business grew high single digits
- New home construction business grew low double digits
- Operating profit increased due to volume, pricing actions and lower display spending, partially offset by unfavorable mix

Milgard Successfully Executed Significant ERP Implementation

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($ in Millions)	First Quarter 2019
Revenue Y-O-Y Change	$158 (16%)
Operating Loss* Y-O-Y Change	($3) ($7)
Operating Margin* Y-O-Y Change	(1.9%) (400) bps

**Excludes impairment charge of $7 million and professional fees of $1 million related to analysis on strategic alternatives for first quarter 2019.*

Quarter Highlights

- Milgard Windows' sales declined as anticipated due to an ERP implementation
- Softness in the UK continued to impact segment results
- Operating profit impacted by lower volume and related inefficiencies, partially offset by pricing actions

Strong Balance Sheet

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Balance Sheet Metrics as of 3/31/2019	
Cash and cash investments	$316M
Revolver availability	$913M
Total Liquidity	$1,229M
Leverage	2.0x
Working capital as a % of sales	16.5%

Quarter Highlights

- Revolving credit facility renewed for five years and increased from $750 million to $1.0 billion
- Repurchased approximately 3.5 million shares for $122 million

Masco Q1 2019 Results

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Q&A

Appendix

Profit Reconciliations – First Quarter

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($ in Millions)	Q1 2019		Q1 2018	
Net sales	**$**	**1,908**	**$**	**1,920**
Gross profit, as reported	**$**	**599**	**$**	**619**
Rationalization charges		—		1
Kichler inventory step up adjustment		—		5
Gross profit, as adjusted	**$**	**599**	**$**	**625**
Gross margin, as reported		*31.4%*		*32.2%*
Gross margin, as adjusted		*31.4%*		*32.6%*
Selling, general and administrative expenses, as reported	**$**	**372**	**$**	**375**
Professional fees related to strategic alternatives		3		—
Selling, general and administrative expenses, as adjusted	**$**	**369**	**$**	**375**
Selling, general and administrative expenses as percent of net sales, as reported		*19.5%*		*19.5%*
Selling, general and administrative expenses as percent of net sales, as adjusted		*19.3%*		*19.5%*
Operating profit, as reported	**$**	**211**	**$**	**244**
Rationalization charges		—		1
Kichler inventory step up adjustment		—		5
Impairment charges for goodwill and other intangible assets		16		—
Professional fees related to strategic alternatives		3		—
Operating profit, as adjusted	**$**	**230**	**$**	**250**
Operating margin, as reported		*11.1%*		*12.7%*
Operating margin, as adjusted		*12.1%*		*13.0%*

EPS Reconciliation – First Quarter

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(in Millions, Except per Common Share Data)	Q1 2019	Q1 2018
Income before income taxes, as reported	**$ 168**	**$ 200**
Rationalization charges	—	1
Kichler inventory step up adjustment	—	5
Impairment charges for goodwill and other intangible assets	16	—
Professional fees related to strategic alternatives	3	—
Income before income taxes, as adjusted	**$ 187**	**$ 206**
Tax at 25% rate	(47)	(52)
Less: Net income attributable to noncontrolling interest	11	12
Net income, as adjusted	**$ 129**	**$ 142**
Net income per common share, as adjusted	**$ 0.44**	**$ 0.45**
Average diluted common shares outstanding	294	313

Leverage (Net Debt to EBITDA) Reconciliation

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($ in Millions)		March 31, 2019
Debt	**$**	**3,066**
Less: Cash and cash investments		(316)
Net debt	**$**	**2,750**

($ in Millions)		Trailing Twelve Months Ended March 31, 2019
Operating profit, as reported	**$**	**1,178**
Rationalization charges		11
Accelerated depreciation related to rationalization activity		2
Kichler inventory step up adjustment		35
Impairment charges for goodwill and other intangible assets		16
Professional fees related to strategic alternatives		3
Operating profit, as adjusted	**$**	**1,245**
Depreciation and amortization		160
EBITDA, as adjusted	**$**	**1,405**
Leverage		**2.0x**

Working Capital as % of Sales and 2019 EPS Outlook Reconciliation

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		As of March 31, 2019
Receivables	$	1,321
Inventories		1,011
Less: Accounts payable		954
Working capital	$	1,378
Working capital as a % of sales (last 12 months)		16.5%

	2019			
	Low End		High End	
Net income per common share	**$**	**2.52**	**$**	**2.72**
Rationalization charges		0.01		0.01
Impairment charges for goodwill and other intangible assets		0.04		0.04
Professional fees related to strategic alternatives		0.01		0.01
Allocation to participating securities per share (1)		0.02		0.02
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.

2018 Segment Mix*

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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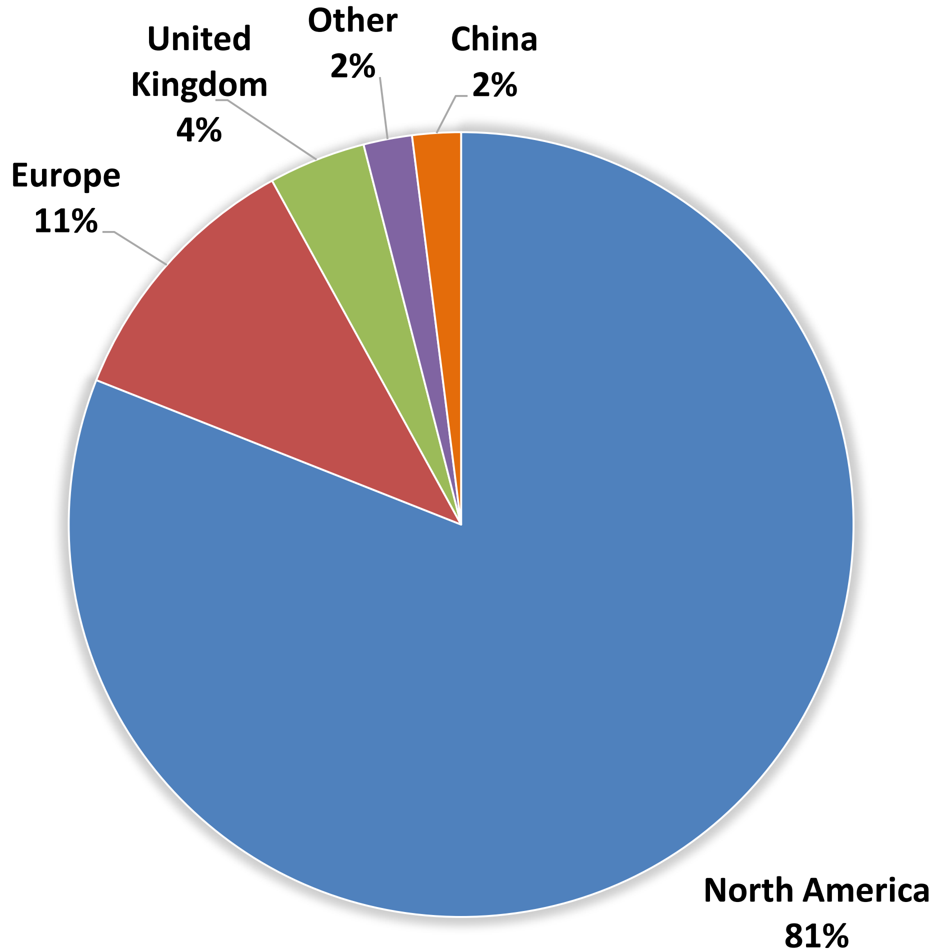

International Sales Accounted for ~19% of Total 2018 Masco Sales

*Based on Company estimates

2019 Estimates

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($ in Millions)	2019 Estimate
Rationalization Charges	~ $3
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 March 31, 2019.

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%	• ~$70m unfavorable FX impact on 2019 sales • D&A ~$20m per quarter
Decorative Architectural Products	4 – 6%	17.0% - 18.0%	• Sales growth anticipated to be at lower end of range • D&A ~$11m 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%	• ~$5m 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 March 31, 2019.