



Masco Corporation
Second Quarter 2019 Earnings Presentation

July 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 “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, including the potential divestitures of our Cabinetry and Windows businesses, 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 Q2 2019 Results

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

Demonstrated Focus on Long-Term Shareholder Value

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Driving Shareholder Value

- Achieved adjusted operating profit growth and margin expansion across all segments
- Disciplined pricing actions and cost control more than offset lower volumes
- Delivered solid North American Plumbing and Decorative Architectural Products top line growth
- Repurchased 4.3 million shares for $167 million
- Board of Directors announced intention to increase annual dividend by $0.06, or 13%, beginning in the fourth quarter
- Updated anticipated full year adjusted EPS to $2.62 to $2.72 per share from $2.60 to $2.80 per share
- Anticipate completion of the divestitures of Cabinetry and Windows businesses by the end of the first quarter of 2020

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Strong Operating Margin Expansion and EPS Growth

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($ in Millions)	Second Quarter 2019
Revenue Y-O-Y Change	$2,275 (1%)
Operating Profit* Y-O-Y Change	$399 $19
Operating Margin* Y-O-Y Change	17.5% 100 bps
Adjusted EPS* Y-O-Y Change	$0.88 16%

**See Appendix for GAAP reconciliation.*

Quarter Highlights

- Total company sales matched prior year excluding the impact of FX
- In local currency, North American sales increased 1%
- In local currency, International sales decreased 4%
- FX unfavorably impacted sales by $26 million

Solid North American Performance

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($ in Millions)	Second Quarter 2019
Revenue Y-O-Y Change	$1,012 (2%)
Operating Profit* Y-O-Y Change	$200 $4
Operating Margin* Y-O-Y Change	19.8% 80 bps

**Excludes business rationalization charges for the second quarter 2019 and 2018 of $2 million each.*

Quarter Highlights

- Total segment sales matched prior year excluding the impact of FX
- In local currency, North American sales increased 3% and International sales decreased 3%
- North American performance driven by a record sales quarter at both Delta and Watkins
- FX unfavorably impacted sales by $24 million
- Operating profit impacted by pricing actions, partially offset by lower volume

Top Line Driven by Paint Growth

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($ in Millions)	Second Quarter 2019
Revenue Y-O-Y Change	$827 3%
Operating Profit* Y-O-Y Change	$173 $8
Operating Margin* Y-O-Y Change	20.9% 40 bps

**Excludes Kichler inventory step up adjustment for second quarter 2018 of $20 million.*

Quarter Highlights

- Pro paint sales grew high single digits
- DIY paint sales grew low single digits
- Lighting and builders hardware sales impacted by lower volumes
- Operating profit impacted by net selling price increases and productivity initiatives, partially offset by higher commodity costs

Pricing Actions and Cost Control Drove Margin Expansion

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($ in Millions)	Second Quarter 2019
Revenue Y-O-Y Change	$251 (6%)
Operating Profit* Y-O-Y Change	$34 $1
Operating Margin* Y-O-Y Change	13.5% 120 bps

** Excludes professional fees related to potential divestiture for second quarter 2019 of $1 million.*

Quarter Highlights

- Softer market in both repair and remodel and new home construction
- Operating profit increased due to pricing actions and cost control, partially offset by lower volume

North American Windows Drove Margin Expansion

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($ in Millions)	Second Quarter 2019
Revenue Y-O-Y Change	$185 (3%)
Operating Profit* Y-O-Y Change	$11 $3
Operating Margin* Y-O-Y Change	5.9% 170 bps

**Excludes professional fees related to potential divestitures for second quarter 2019 of $4 million.*

Quarter Highlights

- Milgard Windows' sales matched prior year
- Softness in the UK continued to impact segment results
- Operating profit increased due to pricing actions and cost control, partially offset by lower volume

Strong Balance Sheet

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Balance Sheet Metrics as of 6/30/2019	
Cash and cash investments	$325M
Revolver availability	$1,000M
Total liquidity	$1,325M
Net leverage	1.9x
Working capital as a % of sales	16.5%

Quarter Highlights

- Working capital as a percentage of sales improved 60 bps compared to prior year
- Repurchased approximately 4.3 million shares for $167 million

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Q&A

Appendix

Profit Reconciliations – Second Quarter

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($ in Millions)	Q2 2019	Q2 2018
Net sales	**$ 2,275**	**$ 2,297**
Gross profit, as reported	**$ 782**	**$ 750**
Rationalization charges	2	2
Kichler inventory step up adjustment	—	20
Gross profit, as adjusted	**$ 784**	**$ 772**
Gross margin, as reported	*34.4%*	*32.7%*
Gross margin, as adjusted	*34.5%*	*33.6%*
Selling, general and administrative expenses, as reported	**$ 390**	**$ 392**
Professional fees related to potential divestitures	5	—
Selling, general and administrative expenses, as adjusted	**$ 385**	**$ 392**
Selling, general and administrative expenses as percent of net sales, as reported	*17.1%*	*17.1%*
Selling, general and administrative expenses as percent of net sales, as adjusted	*16.9%*	*17.1%*
Operating profit, as reported	**$ 392**	**$ 358**
Rationalization charges	2	2
Kichler inventory step up adjustment	—	20
Professional fees related to potential divestitures	5	—
Operating profit, as adjusted	**$ 399**	**$ 380**
Operating margin, as reported	*17.2%*	*15.6%*
Operating margin, as adjusted	*17.5%*	*16.5%*

EPS Reconciliation – Second Quarter

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(in Millions, Except per Common Share Data)	Q2 2019	Q2 2018
Income before income taxes, as reported	**$ 347**	**$ 312**
Rationalization charges	2	2
Kichler inventory step up adjustment	—	20
Professional fees related to potential divestitures	5	—
(Earnings) from equity investments, net	—	(2)
Income before income taxes, as adjusted	**$ 354**	**$ 332**
Tax at 25% rate	(88)	(83)
Less: Net income attributable to noncontrolling interest	12	13
Net income, as adjusted	**$ 254**	**$ 236**
Net income per common share, as adjusted	**$ 0.88**	**$ 0.76**
Average diluted common shares outstanding	290	309

Net Leverage (Net Debt to EBITDA) Reconciliation

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($ in Millions)		June 30, 2019
Debt	**$**	**3,002**
Less: Cash and cash investments		(325)
Net debt	**$**	**2,677**

($ in Millions)		Trailing Twelve Months Ended June 30, 2019
Operating profit, as reported	**$**	**1,212**
Rationalization charges		12
Accelerated depreciation related to rationalization activity		1
Kichler inventory step up adjustment		15
Impairment charges for goodwill and other intangible assets		16
Professional fees related to potential divestitures		8
Operating profit, as adjusted	**$**	**1,264**
Depreciation and amortization		163
EBITDA, as adjusted	**$**	**1,427**
Net Leverage		**1.9x**

Working Capital as % of Sales and 2019 EPS Outlook Reconciliation

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	As of June 30, 2019	
Receivables	$	1,423
Inventories		975
Less: Accounts payable		1,023
Working capital	$	1,375
Working capital as a % of sales (last 12 months)		16.5%

	2019			
	Low End		High End	
Net income per common share	**$**	**2.51**	**$**	**2.61**
Rationalization charges		0.02		0.02
Impairment charges for goodwill and other intangible assets		0.04		0.04
Professional fees related to potential divestitures		0.03		0.03
Allocation to participating securities per share (1)		0.02		0.02
Net income per common share, as adjusted	**$**	**2.62**	**$**	**2.72**

(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*

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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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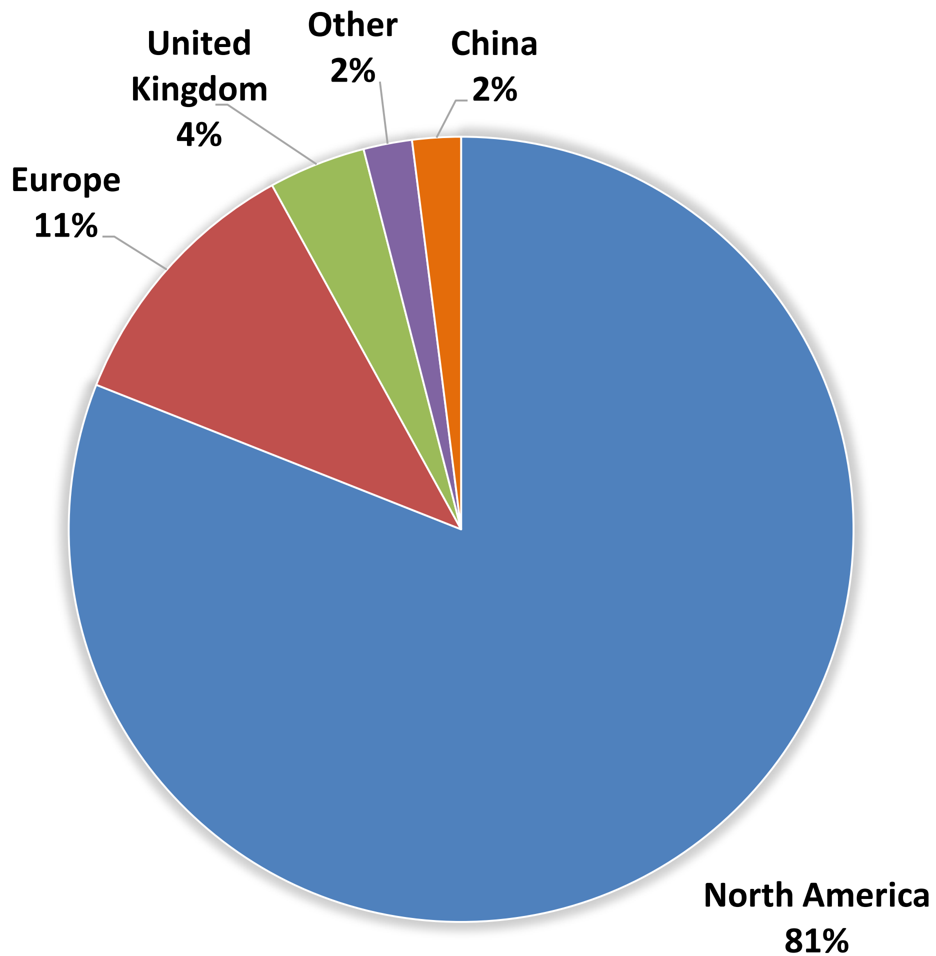

International Sales Accounted for ~19% of Total 2018 Masco Sales

*Based on Company estimates

2019 Estimates

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($ in Millions)	2019 Estimate
Rationalization Charges	~ $6
Tax Rate	~ 25%
General Corporate Expense	~ $90
Interest Expense	~ $157
Pension Expense Included in ‘Other expense’	~ $20
Capital Expenditures	~ $180
Depreciation & Amortization	~ $175
Unfavorable Foreign Currency Translation Impact to Sales[1]	~ $65
Share Repurchases	~$600

1. Based on rates as of June 30, 2019.

2019 Outlook

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Business Segment	2019 Sales Growth	2019 Adjusted Operating Profit Margin	Other
Plumbing Products	1 – 3% *(ex currency)*	Similar to 2018 margin of 18.1%	• ~$60m unfavorable FX impact on 2019 sales • D&A ~$20m per quarter
Decorative Architectural Products	1 – 3%	17.0% - 18.0%	• D&A ~$11m per quarter
Cabinetry Products	0% – 3%	Modest expansion 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	**1 – 3%** ***(ex currency)***	**Similar to 2018 margin of 15.1%**	• **Adjusted EPS $2.62 – $2.72** • **Includes ~$0.01 unfavorable FX impact in both Q1 & Q2**

Note: FX impact based on rates as of June 30, 2019.