


MASCO CORPORATION
First Quarter 2020 Earnings Presentation

April 29, 2020

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 innovative products, our ability to maintain our competitive position in our industries, our reliance on key customers, the length and severity of the ongoing COVID-19 pandemic, including its impact on domestic and international economic activity, consumer demand for our products, our production capabilities, our employees and our supply chain, the cost and availability of materials and the imposition of tariffs, our dependence on third-party suppliers, risks associated with our 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 Report. 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.

Agenda

COVID-19 Impact Summary of Results Outlook	Keith Allman
Financial / Operations Review	John Sznewajs
Q&A	Keith Allman John Sznewajs

Taking Action to Mitigate Impacts

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- **Health and safety of employees**
  - Formed cross-functional COVID-19 task force
  - Following best practices from WHO and CDC
  - Implemented alternative work arrangements and modified work areas
- **Community outreach**
  - Purchasing and donating protective equipment
  - Committed $1 million
  - Business units finding other ways to help
- **Business operations**
  - Vast majority of facilities operational
  - Multi channel distributions largely intact
  - Meeting needs of our customers and end consumers

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Long-Term Shareholder Value Creation

Driving Shareholder Value

- Delivered strong top and bottom-line growth in both Plumbing Products and Decorative Architectural segments
- Expanded adjusted operating profit margin by 80 bps
- Achieved adjusted EPS growth of 24%
- Completed sale of Masco Cabinetry
- Repurchased 14.2 million shares for ~$600 million

Managing the Business for the Long-Term

- **Maintaining strong liquidity**
  - Cutting discretionary spending
  - Implementing hiring and wage freeze
  - Delaying discretionary capital expenditures
  - Suspending our share buyback activity indefinitely

- **Positioning to win in the recovery**
  - Focusing on short-term cost control <u>and</u> long-term growth
  - Investing to maintain leadership position in brand, innovation, and service
  - Portfolio transformation positions Masco to outperform

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COVID-19 Impact
Summary of Results
Outlook

Keith Allman

Financial / Operations Review

John Sznewajs

Q&A

Keith Allman
John Sznewajs

Delivered Strong Sales, Profit and EPS Growth

($ in Millions)	First Quarter 2020
Revenue Y-O-Y Change	$1,581 4%
Operating Profit* Y-O-Y Change	$228 $22
Operating Margin* Y-O-Y Change	14.4% 80 bps
Adjusted EPS* Y-O-Y Change	$0.46 24%

**See Appendix for GAAP reconciliation.*

Quarter Highlights

- Total company sales increased 5% excluding the impact of FX
- In local currency, North American sales increased 8%
- In local currency, international sales decreased 3%
- FX unfavorably impacted sales by $9 million
- Operating profit increased due to volume, partially offset by the impact of tariffs

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Record Sales Quarter at Delta Faucet Drove Growth

($ in Millions)	First Quarter 2020
Revenue Y-O-Y Change	$955 2%
Operating Profit* Y-O-Y Change	$159 $6
Operating Margin* Y-O-Y Change	16.6% 30 bps

**Excludes business rationalization charges for the first quarter 2020 of $2 million.*

Quarter Highlights

- Total segment sales increased 3% excluding the impact of FX
- In local currency, North American sales increased 6% and international sales decreased 3%
- FX unfavorably impacted sales by $9 million
- Operating profit increased due to incremental volume, partially offset by the impact of tariffs

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Strong Results Driven by DIY Paint

($ in Millions)	First Quarter 2020
Revenue Y-O-Y Change	$626 9%
Operating Profit* Y-O-Y Change	$96 $14
Operating Margin* Y-O-Y Change	15.3% 100 bps

** Excludes business rationalization charges for the first quarter 2020 of $1 million and an impairment charge for the first quarter of 2019 of $9 million.*

Quarter Highlights

- Sales of paint and other coatings products grew high teens
- DIY paint sales grew strong double digits
- PRO paint sales grew mid single digits
- Operating profit increased due to favorable coatings volumes, partially offset by lower volumes in lighting and builders' hardware and the impact of tariffs

Strong Balance Sheet

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Balance Sheet Metrics as of 3/31/2020	
Cash and cash investments	$767M
Revolver availability	$1,000M
Total liquidity	$1,767M
Covenants on credit agreement:	
Net Debt/TTM Adjusted EBITDA < 4.0	1.6x
TTM Adjusted EBITDA / TTM Interest > 2.5x	8.5x
Net leverage	1.6x
Working capital as a % of sales	17.0%

Highlights

- Working capital as a percentage of sales improved 130 bps compared to prior year
- Repurchased approximately 14.2 million shares for ~$600 million

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Q&A

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Appendix

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Profit Reconciliations – First Quarter

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($ in Millions)	Q1 2020	Q1 2019
Net sales	**$1,581**	**$1,513**
Gross profit, as reported	**$547**	**$522**
Rationalization charges	3	—
Gross profit, as adjusted	**$550**	**$522**
Gross margin, as reported	*34.6%*	*34.5%*
Gross margin, as adjusted	*34.8%*	*34.5%*
Selling, general and administrative expenses, as reported	**$322**	**$316**
Selling, general and administrative expenses as percent of net sales, as reported	*20.4%*	*20.9%*
Operating profit, as reported	**$225**	**$197**
Rationalization charges	3	—
Impairment charge for other intangible assets	—	9
Operating profit, as adjusted	**$228**	**$206**
Operating margin, as reported	*14.2%*	*13.0%*
Operating margin, as adjusted	*14.4%*	*13.6%*

EPS Reconciliation – First Quarter

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(in Millions, Except per Common Share Data)	Q1 2020	Q1 2019
Income from continuing operations before income taxes, as reported	**$174**	**$153**
Rationalization charges	3	—
Impairment charge for other intangible assets	—	9
Pension costs associated with expected terminated plans	6	—
Income from continuing operations before income taxes, as adjusted	**$183**	**$162**
Tax at 26% rate	(48)	(42)
Less: Net income attributable to noncontrolling interest	8	11
Income from continuing operations, as adjusted	**$127**	**$109**
Income from continuing operations per common share,as adjusted	**$0.46**	**$0.37**
Average diluted common shares outstanding	274	294

Working Capital as a % of Sales

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(in Millions)	**As of March 31, 2020**
Receivables	$1,142
Inventories	756
Less: Accounts payable	(743)
Working Capital	$1,155
Working capital as a % of sales (last 12 months)	17.0%

Net Leverage Reconciliation

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($ in Millions)	March 31, 2020
Debt	**$2,776**
Less: Cash and cash investments	(767)
Net Debt	**$2,009**

($ in Millions)	TTM as of 3/31/2020
Operating profit, as reported	**$1,116**
Rationalization charges	16
Operating profit, as adjusted	**$1,132**
Depreciation and amortization	132
EBITDA, as adjusted	**$1,264**
Net Debt to EBITDA	1.6X

Credit Agreement Covenant: Net Debt Leverage

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($ in Millions)	March 31, 2020	
Debt	**$**	**2,776**
Net Cash		
Total cash and cash investments	$	767
Less: $25 million (per Credit Agreement)		(25)
Net cash	**$**	**742**
Net Debt:	**$**	**2,034**
EBITDA per Credit Agreement Calculation	**$**	**1,279**
Net Debt / TTM Adjusted EBITDA		**1.6X**

Credit Agreement Covenant: Interest Coverage

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($ in Millions)		Total - TTM March 31, 2020
Adjusted EBITDA Per Credit Agreement:		
Income from continuing operations	**$**	**707**
Add back:		
Interest expense	$	155
Income tax expense		228
Depreciation and amortization		132
Cash rationalization charges		14
Non-cash expenses related to stock-based compensation		37
Other add backs per the terms of our Credit Agreement		13
Total add-backs	**$**	**579**
Less:		
Interest income	$	(6)
Other subtractions per the terms of our Credit Agreement		(1)
Total subtractions	**$**	**(7)**
Adjusted EBITDA per Credit Agreement	**$**	**1,279**
Interest Expense, Net:		
Interest expense	$	155
Less: interest income received on cash or permitted investments		(5)
Interest Expense, Net	**$**	**150**
TTM Adjusted EBITDA/Interest Expense		**8.5X**

2019 Segment Mix*

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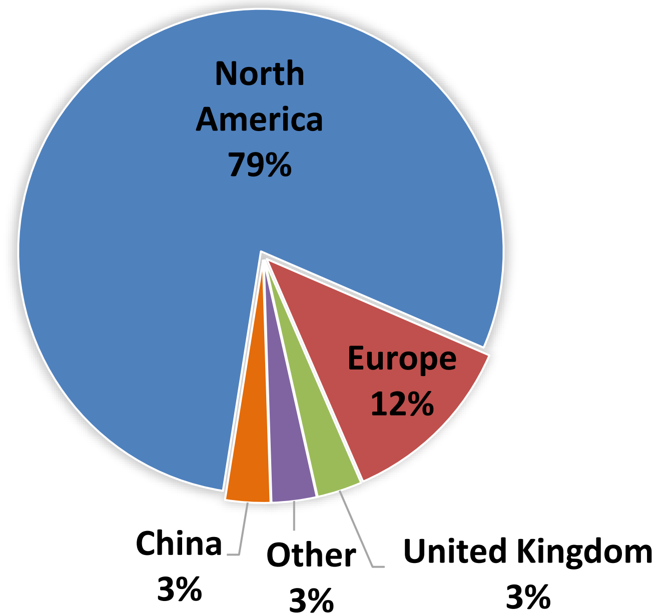
Business Segment	2019 Revenue	R&R% vs. NC	NA% vs. Int'l
Plumbing Products	$4.0B	84%	65%
Decorative Architectural Products	$2.7B	96%	100%
Total Company	$ 6.7B	89%	79%

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

Total Geographic Revenue Split



37% of Total Net Sales were to our largest customer, The Home Depot

* Based on Company estimates

2020 Estimates

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Item	Assumption
Rationalization charges	~$10m
Tax rate	26%
General corporate expense	~$85m
Interest expense	~$140m
Capital expenditures (includes maintenance capex of ~$75m)	~$120m
Depreciation and amortization	~$135m
Unfavorable foreign currency translation impact to sales[1]	~$30m
Share repurchases	~$600m
Average diluted share count for 2020	~266 million
Working capital as a % of net sales	16.0 – 17.0%
Free cash flow conversion	100%

1. Based on rates as of March 31, 2020.

Note: Formal guidance on 2020 and 2021 has been withdrawn.