


MASCO CORPORATION
Third Quarter 2020 Earnings Presentation

October 28, 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

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

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Long-Term Shareholder Value Creation

Driving Shareholder Value

- Delivered strong top and bottom-line growth in both segments
- Focused execution on cost control
- Expanded adjusted operating profit margin by 400 bps
- Achieved adjusted EPS growth of 73%
- Further strengthened balance sheet by successfully refinancing our 2021 debt maturity at historically low rates
- Announced intent to resume share repurchase activity

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Robust Margin Expansion, Sales and EPS Growth

($ in Millions)	Third Quarter 2020
Revenue Y-O-Y Change	$1,983 16%
Operating Profit* Y-O-Y Change	$425 $127
Operating Margin* Y-O-Y Change	21.4% 400 bps
Adjusted EPS* Y-O-Y Change	$1.04 73%

**See Appendix for GAAP reconciliation.*

Quarter Highlights

- Total company sales increased 15% excluding the impact of FX
- In local currency, North American sales increased 16%
- In local currency, international sales increased 9%
- FX favorably impacted sales by $13 million
- Operating margin expansion due to strong volume growth in North American and international plumbing and DIY paint, along with continued cost control

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Exceptional North American and Int’l Performance

($ in Millions)	Third Quarter 2020
Revenue Y-O-Y Change	$1,141 13%
Operating Profit* Y-O-Y Change	$271 $83
Operating Margin* Y-O-Y Change	23.8% 510 bps

**Excludes business rationalization charges for the third quarter 2019 of $9 million.*

Quarter Highlights

- Total segment sales increased 12% excluding the impact of FX
- In local currency, North American sales increased 14% and international sales increased 9%
- FX favorably impacted sales by $13 million
- Operating profit increased due to incremental volume, cost productivity initiatives and a favorable price/cost relationship

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DIY Paint Drove Outstanding Performance

($ in Millions)	Third Quarter 2020
Revenue Y-O-Y Change	$842 19%
Operating Profit* Y-O-Y Change	$180 $46
Operating Margin* Y-O-Y Change	21.4% 250 bps

** Excludes business rationalization charges for the third quarter 2020 of $1 million.*

Quarter Highlights

- Revenue of paints and other coating products grew high teens
- DIY paint sales grew high 20%
- PRO paint sales declined mid-single digits
- Operating profit increased due to incremental volume and continued cost control, partially offset by an unfavorable price/cost relationship

Strong Balance Sheet

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Balance Sheet Metrics as of 9/30/2020	
Cash and cash investments	$1,326M
Revolver availability	$1,000M
Total liquidity	$2,326M
Net leverage*	1.1x
Working capital as a % of sales*	16.4%
Adjusted free cash flow*	$691M

** See Appendix for reconciliation.*

Highlights

- Working capital as a percentage of sales improved 70 bps compared to prior year
- Successfully refinanced 2021 debt maturity at historically low rates
    - Will result in approximately $4 million of annual interest expense savings

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Q&A

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Appendix

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Profit Reconciliations – Third Quarter

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($ in Millions)	Q3 2020	Q3 2019
Net sales	**$1,983**	**$1,716**
Gross profit, as reported	**$752**	**$611**
Rationalization charges	1	5
Gross profit, as adjusted	**$753**	**$616**
Gross margin, as reported	*37.9%*	*35.6%*
Gross margin, as adjusted	*38.0%*	*35.9%*
Selling, general and administrative expenses, as reported	**$328**	**$322**
Rationalization charges	-	4
Selling, general and administrative expenses, as adjusted	**$328**	**$318**
Selling, general and administrative expenses as percent of net sales, as reported	*16.5%*	*18.8%*
Selling, general and administrative expenses as percent of net sales, as adjusted	*16.5%*	*18.5%*
Operating profit, as reported	**$424**	**$289**
Rationalization charges	1	9
Operating profit, as adjusted	**$425**	**$298**
Operating margin, as reported	*21.4%*	*16.8%*
Operating margin, as adjusted	*21.4%*	*17.4%*

EPS Reconciliation – Third Quarter

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(in Millions, Except per Common Share Data)	Q3 2020	Q3 2019
Income from continuing operations before income taxes, as reported	**$380**	**$241**
Rationalization charges	1	9
Pension costs associated with expected terminated plans	6	—
(Earnings) from equity investments, net	(1)	(1)
Loss on extinguishment of debt	6	—
Income from continuing operations before income taxes, as adjusted	**$392**	**$249**
Tax at 26% rate	(102)	(65)
Less: Net income attributable to noncontrolling interest	18	12
Income from continuing operations, as adjusted	**$272**	**$172**
Income from continuing operations per common share, as adjusted	**$1.04**	**$0.60**
Average diluted common shares outstanding	261	287

Net Leverage Reconciliation

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($ in Millions)	September 30, 2020
Debt	**$2,792**
Less: Cash and cash investments	(1,326)
Net Debt	**$1,466**

($ in Millions)	TTM as of 9/30/2020
Operating profit, as reported	**$1,243**
Rationalization charges	11
Operating profit, as adjusted	**$1,254**
Depreciation and amortization	131
EBITDA, as adjusted	**$1,385**
Net Debt to EBITDA	1.1X

Working Capital as a % of Sales and Free Cash Flow Reconciliation

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(in Millions)	As of September 30, 2020
Receivables	$1,262
Inventories	811
Less: Accounts payable	(933)
Working Capital	$1,140
Working capital as a % of sales (last 12 months)	16.4%

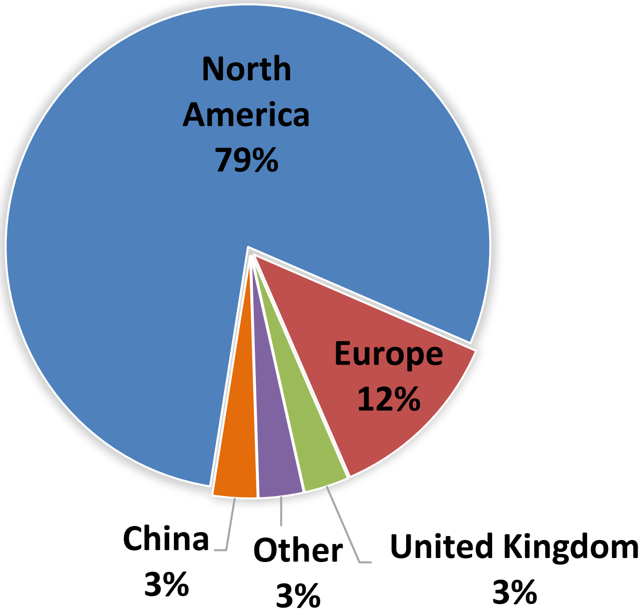
Free Cash Flow Reconciliation (in Millions)	Nine Months Ended September 30, 2020
Net cash from operating activities	**$ 573**
Cash taxes paid on sale of business	192
Net cash from operating activities, adjusted	**$ 765**
Less: Capital expenditures	(72)
Less: Displays	(2)
Free cash flow	**$ 691**

2019 Segment Mix*

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

Q4 2020 Outlook

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Business Segment	Q4 2020 Sales Change	Q4 2020 Adjusted Operating Profit Margin
Plumbing Products	+ ~8-10% *(ex currency)*	~ 19.0%
Decorative Architectural Products	+ ~8-10%	~ 17.0%
Total Masco	**+ ~8-10%** ***(ex currency)***	**~ 17.0%**

2020 Estimates

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Item	Assumption
Rationalization charges	~$10m
Tax rate	26%
General corporate expense	~$90m
Interest expense	~$140m
Capital expenditures (includes maintenance capex of ~$75m)	~$100m
Depreciation and amortization	~$135m
Favorable foreign currency translation impact to sales[1]	~$5m
Share repurchases	~$700m
Average diluted share count for 2020	~266 million
Working capital as a % of net sales	15.5% - 16%
Free cash flow conversion	~100%

1. Based on rates as of September 30, 2020.