


MASCO CORPORATION
Fourth Quarter and Full Year 2020 Earnings Presentation

February 9, 2021

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 to a lesser extent, 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 confidence, 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 and diverse 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

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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Demonstrated Strength of Business Model

Driving Shareholder Value

- Delivered strong top line growth in both segments
- Increased adjusted operating profit 20%
- Expanded adjusted operating profit margin 90 bps
- Achieved adjusted EPS growth of 36%
- Repurchased 2.3 million shares for $125 million
- Executed on three bolt-on acquisitions in December which are expected to contribute ~3% to top-line growth in 2021

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Long-Term Shareholder Value Creation

Driving Shareholder Value

- Drove top line growth and gained share in both segments
- Grew adjusted operating profit 18% and expanded operating margin 170 bps
- Deployed ~$1.1 billion in capital between share repurchases, dividends, and acquisitions
- Increased adjusted EPS by 37% to $3.12 per share
- Exceeded 2019 Investor Day adjusted EPS target for 2021 of $2.80-$3.00 per share a full year earlier than planned
- Delivered free cash flow of $1,031 million with a conversion rate of ~118%
- Achieved a return on invested capital from continuing operations of ~42%
- Full year 2021 adjusted EPS guidance of $3.25-$3.45 per share

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Strong Finish to the Year

($ in Millions)	Fourth Quarter 2020	Full Year 2020
Revenue Y-O-Y Change	$1,860 13%	$7,188 7%
Operating Profit* Y-O-Y Change	$309 $52	$1,306 $196
Operating Margin* Y-O-Y Change	16.6% 90 bps	18.2% 170 bps
Adjusted EPS* Y-O-Y Change	$0.75 36%	$3.12 37%

**See Appendix for GAAP reconciliation.*

Quarter Highlights

- Total company sales increased 12% excluding the impact of FX
- In local currency, North American sales increased 13%
- In local currency, international sales increased 8%
- FX favorably impacted sales by $22 million
- Operating margin expansion due to incremental volume, partially offset by increased rebates and program costs and higher variable costs

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Robust Growth and Margin Expansion

($ in Millions)	Fourth Quarter 2020	Full Year 2020
Revenue Y-O-Y Change	$1,172 14%	$4,136 4%
Operating Profit* Y-O-Y Change	$224 $44	$813 $92
Operating Margin* Y-O-Y Change	19.1% 160 bps	19.7% 160 bps

** Excludes business rationalization charges for the fourth quarter and the full year 2020 of $1 million and $7 million, respectively, and for the fourth quarter and the full year 2019 of $2 million and $13 million, respectively.*

Quarter Highlights

- Total segment sales increased 12% excluding the impact of FX
- In local currency, North American sales increased 14% and international sales increased 8%
- FX favorably impacted sales by $21 million
- Operating margin expansion due to incremental volume, partially offset by increased rebates and program costs and higher variable costs

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Strong Revenue Growth Across Segment

($ in Millions)	Fourth Quarter 2020	Full Year 2020
Revenue Y-O-Y Change	$688 12%	$3,052 12%
Operating Profit* Y-O-Y Change	$109 $9	$587 $98
Operating Margin* Y-O-Y Change	15.8% -50 bps	19.2% 120 bps

** Excludes business rationalization charges for the fourth quarter and the full year 2020 of $1 million and $4 million, respectively, and impairment charge for the full year 2019 of $9 million.*

Quarter Highlights

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

Strong Balance Sheet

Balance Sheet Metrics as of 12/31/2020	
Cash and cash investments	$1,326M
Revolver availability	$1,000M
Total liquidity	$2,326M
Net leverage*	1.0x
Working capital as a % of sales*	15.2%
Adjusted free cash flow*	$1,031M

** See Appendix for reconciliation.*

Highlights

- Working capital as a percentage of sales, excluding acquisitions, improved 50 bps compared to prior year
- Repurchased approximately 18.8 million shares for approximately $727 million
- Increased annual dividend by 4% to $0.56 per share
- Credit rating upgraded by Moody's to a Baa2

Full Year 2021 Outlook

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Business Segment	2021 Forecasted Sales Growth	2021 Forecasted Adjusted Operating Profit Margin
Plumbing Products	Organic: ~4-7% Acquisition: ~4% FX: ~3% **TOTAL: ~11-14%**	~18.0%
Decorative Architectural Products	Organic: ~0-5% Acquisition: ~1.5% **TOTAL: ~2-7%**	~19.0%
Total Masco	Organic: ~2-6% Acquisition: ~3% FX: ~2% **TOTAL: ~7-11%**	**~17.0%**

2021 Adjusted EPS $3.25 - $3.45

Growth Above Market

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Low ticket, repair and remodel products provide growth and stability through an economic cycle

Market leading brands, history of innovation, customer focus

Strong free cash flow and value creating capital allocation

LONG-TERM OUTLOOK:

Average annual sales growth:	Organic: ~3-5% Acquisition: ~1-3%
Operating margin:	Expand margins through cost productivity and volume leverage
Capital deployment:	Share buybacks: ~2-4% EPS growth Dividends: ~1-2% return on top of EPS growth
Average annual EPS growth:	~10%

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Q&A



Appendix

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Balanced Approach to Continue to Drive Shareholder Value

1

Reinvest in the business

- Capex: 2-2.25% of sales
- Working capital: ~16.0% of sales

2

Maintain investment grade credit rating

- Gross debt to EBITDA below 2.5x

3

Maintain relevant dividend

- Dividend payout ratio of ~30%
- Board intends to increase annual dividend to $0.94 per share beginning 2Q 2021

4

Deploy excess free cash flow to share repurchase or acquisitions

- Consistently in the market for share repurchase, but opportunistic
- New share repurchase authorization of $2.0 billion effective February 10, 2021
- Expect to deploy ~$800 million for share repurchases in 2021
- Select bolt-on acquisitions

2021 Estimates

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Item	Assumption
Rationalization charges	~$5m
Tax rate	25%
General corporate expense	~$95m
Interest expense	~$135m
Capital expenditures (includes maintenance capex of ~$75m)	~$150m
Depreciation and amortization[1]	~$155m
Favorable foreign currency translation impact to sales[2]	~$115m
Share repurchases	~$800m
Average diluted share count for 2021	~255m
Working capital as a % of net sales	~16.0%
Free cash flow conversion[3]	~95%

1. Plumbing Products segment ~$110m; Decorative Architectural Products segment ~$40m; Non-operating ~$5m.
2. Based on rates as of December 31, 2020.
3. Excludes terminal contribution to pension plans of ~$140m.

Updated Expected Dividend Schedule

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The following table reflects our expected dividend schedule for the next four quarters. Dividend payments are subject to declaration by our Board of Directors, and the dates below do not constitute a notice of a dividend record date or imply that the Company will declare and pay a dividend for the quarter indicated.

Declaration Date	Record Date	Payable Date
Week of May 10, 2021	Week of May 24, 2021	Week of June 14, 2021
Week of July 26, 2021	Week August 9, 2021	Week of August 30, 2021
Week of October 25, 2021	Week of November 8, 2021	Week of November 29, 2021
Week of February 7, 2022	Week of February 21, 2022	Week of March 14, 2022

2020 Segment Mix*

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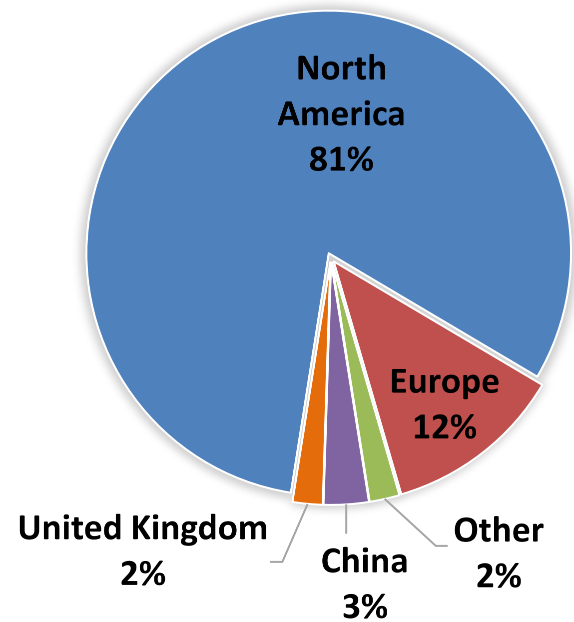
Business Segment	2020 Revenue	R&R% vs. NC	NA% vs. Int'l
Plumbing Products	$4.1B	83%	67%
Decorative Architectural Products	$3.1B	96%	100%
Total Company	**$7.2B**	**89%**	**81%**

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



* Based on Company estimates

2020 Channel Mix*

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2020 Channel Mix as a Percentage of Sales			
Channel	**Plumbing Products**	**Decorative Architectural Products**	**Total Masco**
Retail	24%	85%	50%
Wholesale/trade	56%	11%	36%
E-commerce	12%	4%	9%
Specialty dealers/other	8%	0%	5%

* Based on Company estimates

Profit Reconciliations – Fourth Quarter

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($ in Millions)	Q4 2020	Q4 2019
Net sales	**$ 1,860**	**$ 1,639**
Gross profit, as reported	**$ 660**	**$ 565**
Rationalization charges	2	2
Gross profit, as adjusted	**$ 662**	**$ 567**
Gross margin, as reported	*35.5%*	*34.5%*
Gross margin, as adjusted	*35.6%*	*34.6%*
Selling, general and administrative expenses, as reported	**$ 353**	**$ 310**
Selling, general and administrative expenses as percent of net sales, as reported	*19.0%*	*18.9%*
Operating profit, as reported	**$ 307**	**$ 255**
Rationalization charges	2	2
Operating profit, as adjusted	**$ 309**	**$ 257**
Operating margin, as reported	*16.5%*	*15.6%*
Operating margin, as adjusted	*16.6%*	*15.7%*

Profit Reconciliations – Full Year

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($ in Millions)	2020	2019
Net sales	**$ 7,188**	**$ 6,707**
Gross profit, as reported	**$ 2,587**	**$ 2,371**
Rationalization charges	9	9
Gross profit, as adjusted	**$ 2,596**	**$ 2,380**
Gross margin, as reported	*36.0%*	*35.4%*
Gross margin, as adjusted	*36.1%*	*35.5%*
Selling, general and administrative expenses, as reported	**$ 1,292**	**$ 1,274**
Rationalization charges	2	4
Selling, general and administrative expenses, as adjusted	**$ 1,290**	**$ 1,270**
Selling, general and administrative expenses as percent of net sales, as reported	*18.0%*	*19.0%*
Selling, general and administrative expenses as percent of net sales, as adjusted	*17.9%*	*18.9%*
Operating profit, as reported	**$ 1,295**	**$ 1,088**
Rationalization charges	11	13
Impairment charge for other intangible assets	—	9
Operating profit, as adjusted	**$ 1,306**	**$ 1,110**
Operating margin, as reported	*18.0%*	*16.2%*
Operating margin, as adjusted	*18.2%*	*16.5%*

EPS Reconciliation – Fourth Quarter

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(in Millions, Except per Common Share Data)	Q4 2020	Q4 2019
Income from continuing operations before income taxes, as reported	**$ 275**	**$ 217**
Rationalization charges	2	2
Pension costs associated with expected terminated plans	6	—
Income related to an escrow settlement	(9)	—
Currency translation loss on liquidation of dormant entities	9	—
(Earnings) from equity investments, net	(2)	—
Income from continuing operations before income taxes, as adjusted	**$ 281**	**$ 219**
Tax at 25% rate	(70)	(55)
Less: Net income attributable to noncontrolling interest	16	10
Income from continuing operations, as adjusted	**$ 195**	**$ 154**
Income from continuing operations per common share, as adjusted	**$ 0.75**	**$ 0.55**
Average diluted common shares outstanding	261	282

EPS Reconciliation – Full Year

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(in Millions, Except per Common Share Data)	2020	2019
Income from continuing operations before income taxes, as reported	**$ 1,131**	**$ 914**
Rationalization charges	11	13
Impairment charge for other intangible assets	—	9
Pension costs associated with expected terminated plans	23	—
Income related to an escrow settlement	(9)	—
Currency translation loss on liquidation of dormant entities	9	—
(Earnings) from equity investments, net	(3)	(1)
Loss on extinguishment of debt	6	—
Income from continuing operations before income taxes, as adjusted	**$ 1,168**	**$ 935**
Tax at 25% rate	(292)	(234)
Less: Net income attributable to noncontrolling interest	52	45
Income from continuing operations, as adjusted	**$ 824**	**$ 656**
Income from continuing operations per common share, as adjusted	**$ 3.12**	**$ 2.28**
Average diluted common shares outstanding	264	288

Return on Invested Capital and Free Cash Flow Reconciliation

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Return on Invested Capital Reconciliation ($ Millions)		December 31, 2020
Income from continuing operations, as adjusted		**$ 824**
Average invested capital:		
Average shareholders' equity	$ 183	
Average debt	2,784	
Less: Average cash and cash investments	(1,012)	
		$ 1,955
Return on invested capital		**42%**

Free Cash Flow Reconciliation (in Millions)	Year Ended December 31, 2020
Net cash from operating activities	**$ 953**
Cash taxes paid on sale of business	192
Net cash from operating activities, adjusted	**1,145**
Less: Capital expenditures	(114)
Free cash flow	**$ 1,031**
Income from continuing operations before income taxes, as adjusted	**$ 1,168**
Tax at 25% rate	(292)
Income from continuing operations, as adjusted (including noncontrolling interest)	**$ 876**
Free cash flow conversion rate	**118%**

EPS Outlook Reconciliation and Working Capital as a % of Sales

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	2021 Low End	2021 High End
Income from continuing operations per common share	**$ 1.80**	**$ 2.00**
Rationalization charges	0.01	0.01
Pension costs associated with expected terminated plans (1)	1.42	1.42
Allocation to participating securities per share (2)	0.02	0.02
Income from continuing operations per common share, as adjusted	**$ 3.25**	**$ 3.45**

(1) Represents costs associated with our qualified defined-benefit domestic pension plans that are expected to be terminated in 2021.

(2) 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.

(in Millions)	As Reported December 31, 2020	As Adjusted (1) December 31, 2020
Receivables	$ 1,138	$ 1,119
Inventories	876	847
Less: Accounts payable	(893)	(875)
Working Capital	$ 1,121	$ 1,091
Working capital as a % of sales (last 12 months)	**15.6%**	**15.2%**

(1) Excluding acquisitions made in the fourth quarter of 2020.

Net Leverage Reconciliation

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($ in Millions)		December 31, 2020
Debt	**$**	**2,795**
Less: Cash and cash investments		(1,326)
Net Debt	**$**	**1,469**

($ in Millions)		Year Ended December 31, 2020
Operating profit, as reported	**$**	**1,295**
Rationalization charges		11
Operating profit, as adjusted	**$**	**1,306**
Depreciation and amortization		132
EBITDA, as adjusted	**$**	**1,438**
Net Debt to EBITDA		1.0X

EPS Reconciliation by Quarter – 2020 & 2019

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(in Millions, Except per Common Share Data)	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Income from continuing operations before income taxes, as reported	**$ 275**	**$ 380**	**$ 302**	**$ 174**
Rationalization charges	2	1	5	3
Pension costs associated with expected terminated plans	6	6	5	6
Income related to an escrow settlement	(9)	—	—	—
Currency translation loss on liquidation of dormant entities	9	—	—	—
(Earnings) from equity investments, net	(2)	(1)	—	—
Loss on extinguishment of debt	—	6	—	—
Income from continuing operations before income taxes, as adjusted	**$ 281**	**$ 392**	**$ 312**	**$ 183**
Tax at 25% rate	(70)	(98)	(78)	(46)
Less: Net income attributable to noncontrolling interest	16	18	10	8
Income from continuing operations, as adjusted	**$ 195**	**$ 276**	**$ 224**	**$ 129**
Income from continuing operations per common share, as adjusted	**$ 0.75**	**$ 1.06**	**$ 0.85**	**$ 0.47**
Average diluted common shares outstanding	261	261	263	274

(in Millions, Except per Common Share Data)	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Income from continuing operations before income taxes, as reported	**$ 217**	**$ 241**	**$ 303**	**$ 153**
Rationalization charges	2	9	2	—
Impairment charge for other intangible assets	—	—	—	9
(Earnings) from equity investments, net	—	(1)	—	—
Income from continuing operations before income taxes, as adjusted	**$ 219**	**$ 249**	**$ 305**	**$ 162**
Tax at 25% rate	(55)	(62)	(76)	(41)
Less: Net income attributable to noncontrolling interest	10	12	12	11
Income from continuing operations, as adjusted	**$ 154**	**$ 175**	**$ 217**	**$ 110**
Income from continuing operations per common share, as adjusted	**$ 0.55**	**$ 0.61**	**$ 0.75**	**$ 0.37**
Average diluted common shares outstanding	282	287	290	294