



MASCO

First Quarter 2022
Earnings Presentation

April 27, 2022



Safe Harbor Statement

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 duration of the ongoing COVID-19 pandemic, including its impact on domestic and international economic activity, consumer discretionary spending, our employees and our supply chain, the cost and availability of materials, our dependence on third-party suppliers and service providers, extreme weather events and changes in climate, 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 risks associated with cybersecurity vulnerabilities, threats and attacks. These and other factors are discussed in detail in Item 1A. “Risk Factors” of this 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

1 Summary of Results

Keith Allman

2 Financial/Operations Review

John Sznewajs

3 Q&A

Keith Allman

John Sznewajs

1

Summary of Results

Keith Allman

MASCO



Q1 2022 Review

Long-Term Shareholder Value Creation

- ✓ Delivered strong top line growth of 12%
- ✓ Contained costs as SG&A as a percentage of sales declined 110 basis points
- ✓ Achieved adjusted EPS growth of 7% to \$0.95 per share
- ✓ Repurchased 6.1 million shares for \$364 million; expect to execute \$500 million accelerated share repurchase (ASR) transaction in Q2 2022
- ✓ Updated anticipated full year adjusted EPS to \$4.15-\$4.35 per share from \$4.10-\$4.30 per share



2

Financial / Operations Review

John Sznewajs

MASCO



Achieved Strong Top Line and EPS Growth

Masco Corporation

Quarter Highlights

- Total company sales increased 12%
- Sales increased 14% excluding the net impacts of acquisitions, divestitures and currency
- In local currency, North American sales increased 14%
- In local currency, international sales increased 12%, or 18% excluding divestitures
- Operating profit impacted by inflation and higher variable spend, partially offset by higher net selling prices and incremental volume

(\$ in Millions)	First Quarter 2022
Revenue Y-O-Y Change	\$2,201 12%
Operating Profit* Y-O-Y Change	\$356 (\$10)
Operating Margin* Y-O-Y Change	16.2% (240) bps
Adjusted EPS* Y-O-Y Change	\$0.95 7%

Delivered Growth Across Geographies

Plumbing Products

Quarter Highlights

- Total segment sales increased 9%
- Sales increased 12% excluding the net impacts of currency, acquisitions and divestitures
- In local currency, North American sales increased 10%
- In local currency, international sales increased 12%, or 18% excluding divestitures
- Operating profit impacted by inflation and higher variable spend, partially offset by higher net selling prices and incremental volume

(\$ in Millions)	First Quarter 2022
Revenue Y-O-Y Change	\$1,359 9%
Operating Profit* Y-O-Y Change	\$228 (\$25)
Operating Margin* Y-O-Y Change	16.8% (350) bps

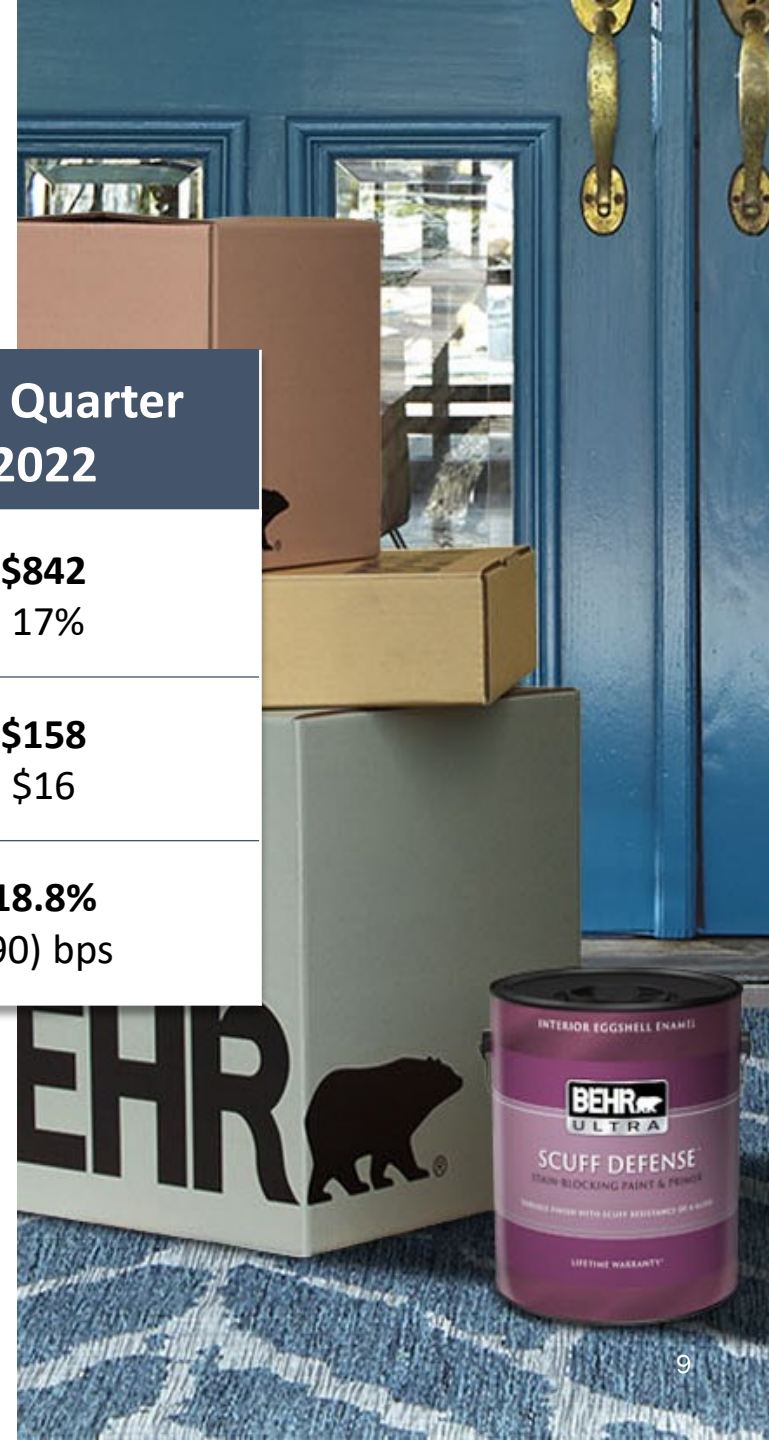
Continued Paint Momentum Drives Growth

Decorative Architectural Products

Quarter Highlights

- Total segment sales increased 17%
- Revenue of paints and other coating products increased over 20%
- DIY paint sales grew low double digits
- PRO paint sales grew over 50%
- Operating profit impacted by higher net selling prices and incremental volume, partially offset by higher commodity costs and variable expenses

(\$ in Millions)	First Quarter 2022
Revenue Y-O-Y Change	\$842 17%
Operating Profit* Y-O-Y Change	\$158 \$16
Operating Margin* Y-O-Y Change	18.8% (90) bps



Strong Balance Sheet

Masco Corporation

Balance Sheet Metrics as of 3/31/2022

Cash and cash investments	\$479M
Revolver availability	<u>\$737M</u>
Total liquidity	\$1,216M
Net leverage ¹	1.7x
Working capital as a % of sales ¹	20.1%



Full Year 2022 Outlook

2022 Adjusted EPS \$4.15 – \$4.35

Business Segment	2022 Forecasted Sales Growth		2022 Forecasted Adjusted Operating Profit Margin
Plumbing Products	Organic:	~5-9%	18.5% - 19.0%
	FX:	~(2%)	
	TOTAL:	~3-7%	
Decorative Architectural Products	Organic:	~10-14%	17.5% - 18.0%
	TOTAL:	~10-14%	
Total Masco	Organic:	~7-11%	17.0% - 17.5%
	FX:	~(1%)	
	TOTAL:	~6-10%	



3

Q&A

Keith Allman

John Sznewajs

MASCO



Appendix



2022 Estimates

Item	Assumption
Rationalization charges	\$9m
Tax rate	25%
General corporate expense	~\$100m
Interest and other expense	~\$110m
Capital expenditures (includes maintenance capex of ~\$100m)	~\$250m
Depreciation and amortization ¹	~\$150m
Unfavorable foreign currency translation impact to sales ²	~\$95m
Share repurchases/acquisitions	~\$900m
Average diluted share count for 2022	~236m
Working capital as a % of net sales	~16.5%
Free cash flow conversion	~85-90%

Capital Allocation Strategy

Balanced Approach to Continue to Drive Shareholder Value

1 Reinvest in the Business

- Capex: 2-2.5% of sales
- Working capital: ~16.5% of sales

2 Maintain investment grade credit rating

- Gross debt to EBITDA below 2.5x

3 Maintain relevant dividend

- Current annual dividend of \$1.12
- Dividend payout ratio of ~30%

4 Deploy excess free cash flow to share repurchase or acquisitions

- Consistently in the market for share repurchase, but opportunistic
- \$764 million remaining on share repurchase authorization of \$2.0 billion
- Select bolt-on acquisitions
- Expect to deploy approximately \$900 million for share repurchases or acquisitions in 2022



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

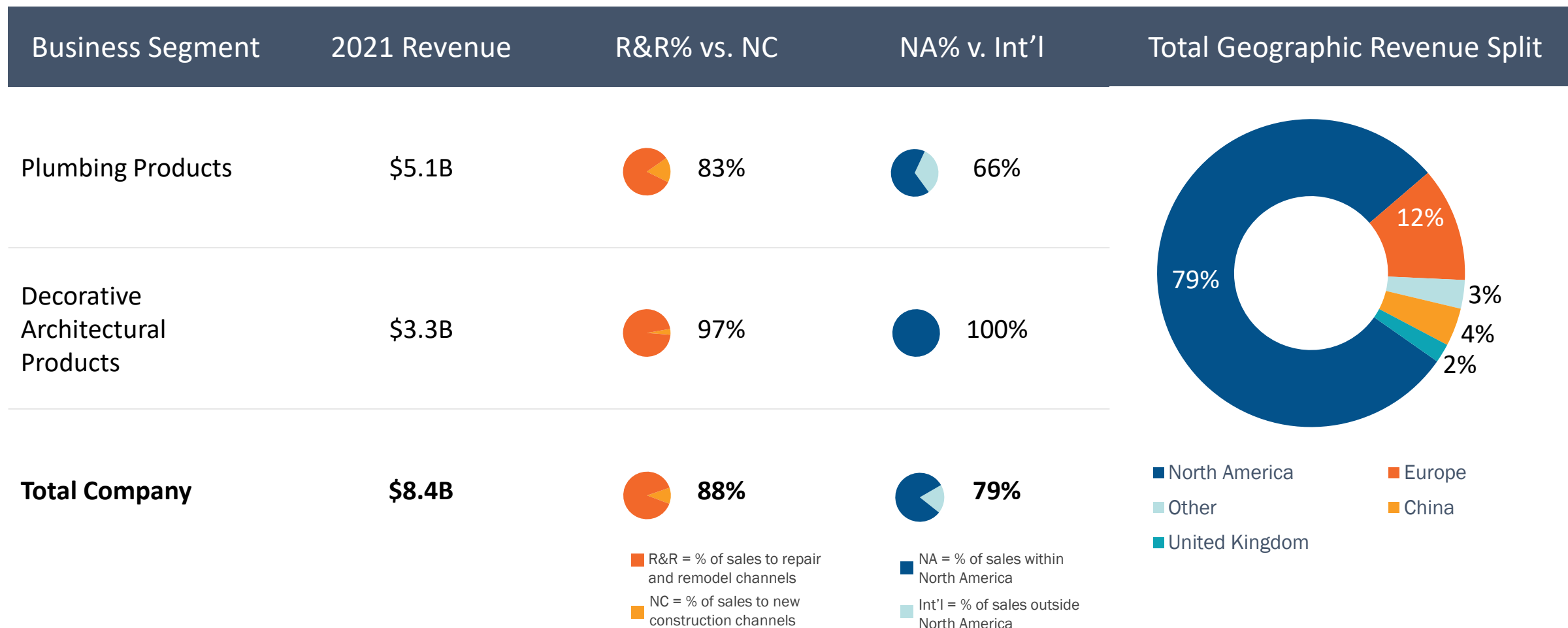
- ~10%

Expected Dividend Schedule

Declaration Date	Record Date	Payable Date
Week of February 7, 2022	Week of February 21, 2022	Week of March 14, 2022
Week of May 9, 2022	Week of May 23, 2022	Week of June 13, 2022
Week of July 25, 2022	Week of August 8, 2022	Week of August 29, 2022
Week of October 24, 2022	Week of November 7, 2022	Week of November 28, 2022

The table reflects our expected dividend schedule through November 2022. Dividend payments are subject to declaration by our Board of Directors, and the dates noted 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.

2021 Segment Mix*



2021 Channel Mix*

2021 Channel Mix as a Percentage of Sales			
Channel	Plumbing Products	Decorative Architectural Products	Total Masco
Retail	20%	84%	45%
Wholesale/trade	55%	11%	38%
E-commerce	16%	5%	12%
Specialty dealers/other	9%	0%	5%

Profit Reconciliations – First Quarter

(\$ in Millions)	Q1 2022	Q1 2021
Net sales	\$ 2,201	\$ 1,970
Gross profit, as reported	\$ 704	\$ 700
Rationalization charges	3	1
Gross profit, as adjusted	\$ 707	\$ 701
<i>Gross margin, as reported</i>	32.0%	35.5%
<i>Gross margin, as adjusted</i>	32.1%	35.6%
Selling, general and administrative expenses, as reported	\$ 351	\$ 335
<i>Selling, general and administrative expenses as percent of net sales, as reported</i>	15.9%	17.0%
Operating profit, as reported	\$ 353	\$ 365
Rationalization charges	3	1
Operating profit, as adjusted	\$ 356	\$ 366
<i>Operating margin, as reported</i>	16.0%	18.5%
<i>Operating margin, as adjusted</i>	16.2%	18.6%

EPS Reconciliation – First Quarter

<i>(in Millions, Except per Common Share Data)</i>	Q1 2022	Q1 2021
Income before income taxes, as reported	\$ 327	\$ 157
Rationalization charges	3	1
Pension costs associated with terminated plans	-	9
(Earnings) from equity investments, net	-	(2)
Loss on extinguishment of debt	-	168
Fair value adjustment to contingent earnout obligation (1)	4	-
(Gain) on sale of business (2)	(2)	-
Income before income taxes, as adjusted	\$ 332	\$ 333
Tax at 25% rate	(83)	(83)
Less: Net income attributable to noncontrolling interest	19	20
Net income, as adjusted	\$ 230	\$ 230
Net income per common share, as adjusted	\$ 0.95	\$ 0.89
Average diluted common shared outstanding	241	257

(1) Represents expense from the revaluation of contingent consideration related to a prior acquisition.

(2) Represents a pre-tax post-closing gain related to the finalization of working capital items related to the divestiture of Hüppe.

EPS Outlook Reconciliation

	2022	
	Low End	High End
Net income per common share	\$ 4.12	\$ 4.32
Rationalization charges	0.03	0.03
Fair value adjustment to contingent earnout obligation (1)	0.01	0.01
(Gain) on sale of business (2)	(0.01)	(0.01)
Allocation to participating securities per share (3)	0.00	0.00
Net income per common share, as adjusted	<u>\$ 4.15</u>	<u>\$ 4.35</u>

(1) Represents expense from the revaluation of contingent consideration related to a prior acquisition.

(2) Represents a pre-tax post-closing gain related to the finalization of working capital items related to the divestiture of Hüppe.

(3) Represents the impact of distributed dividends and undistributed earnings to unvested restricted stock awards as well as an allocation to redeemable noncontrolling interest in accordance with the two-class method of calculating earnings per share.

Net Leverage Reconciliation

(\$ in Millions)		March 31, 2022
Debt	\$	3,219
Less: Cash and cash investments		(479)
Net Debt	\$	2,740

(\$ in Millions)		TTM March 31, 2022
Operating profit, as reported	\$	1,393
Rationalization charges		6
Impairment charge for goodwill		45
Operating profit, as adjusted	\$	1,444
Depreciation and amortization		141
EBITDA, as adjusted	\$	1,585
Net Debt to EBITDA		1.7X

Working Capital as a % of Sales

<i>(in Millions)</i>		As Reported March 31, 2022
Receivables	\$	1,502
Inventories		1,340
Less: Accounts payable		(1,114)
Working Capital	\$	1,728
Working capital as a % of sales (last 12 months)		20.1%