
# MASCO

## Second Quarter 2022 Earnings Presentation

July 28, 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" 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.


# Agenda

| | | |
|---|---|---|
| **1** | **Summary of Results** | Keith Allman |
| **2** | **Financial/Operations Review** | John Sznewajs |
| **3** | **Q&A** | Keith Allman<br>John Sznewajs |

# 1

# Summary of Results

Keith Allman

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# Q2 2022 Review

## Long-Term Shareholder Value Creation

- Delivered strong top line growth of 8%, or 11% excluding currency
- Contained costs, with SG&A as a percentage of sales declining 90 basis points to 15.3%
- Achieved adjusted EPS of $1.14 per share
- Repurchased 10.4 million shares for $550 million, primarily through the execution of an accelerated share repurchase (ASR) transaction
- Narrowed anticipated full year adjusted EPS to $4.15-$4.25 per share from $4.15-$4.35 per share

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# Financial / Operations Review

John Sznewajs

# Achieved Strong Top Line Growth

Masco Corporation

## Quarter Highlights

- Total company sales increased 8%
- Sales increased 11%, excluding the net impacts of acquisitions, divestitures and currency
- In local currency, North American sales increased 11%
- In local currency, international sales increased 8%, or 11% excluding divestitures
- Operating profit impacted by higher supply chain costs, marketing and currency, partially offset by higher net selling prices and incremental volume

| ($ in Millions) | Second Quarter 2022 |
| --- | --- |
| **Revenue**<br>Y-O-Y Change | **$2,352**<br>8% |
| **Operating Profit***<br>Y-O-Y Change | **$414**<br>($24) |
| **Operating Margin***<br>Y-O-Y Change | **17.6%**<br>(250) bps |
| **Adjusted EPS***<br>Y-O-Y Change | **$1.14**<br>- |




*See Appendix for GAAP reconciliation.

# Delivered Sales Growth Against 53% Comp

Plumbing Products

## Quarter Highlights

- Total segment sales increased 3%
- Sales increased 8% excluding the net impacts of currency, acquisitions and divestitures
- In local currency, North American sales increased 7%
- In local currency, international sales increased 8%, or 11% excluding divestitures
- Operating profit impacted by higher supply chain costs, marketing and currency, partially offset by higher net selling prices

| ($ in Millions) | Second Quarter 2022 |
|---|---|
| **Revenue**<br>Y-O-Y Change | **$1,373**<br>3% |
| **Operating Profit***<br>Y-O-Y Change | **$238**<br>($36) |
| **Operating Margin***<br>Y-O-Y Change | **17.3%**<br>(330) bps |

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* Excludes business rationalization charges for the second quarter of 2021 of $1 million.

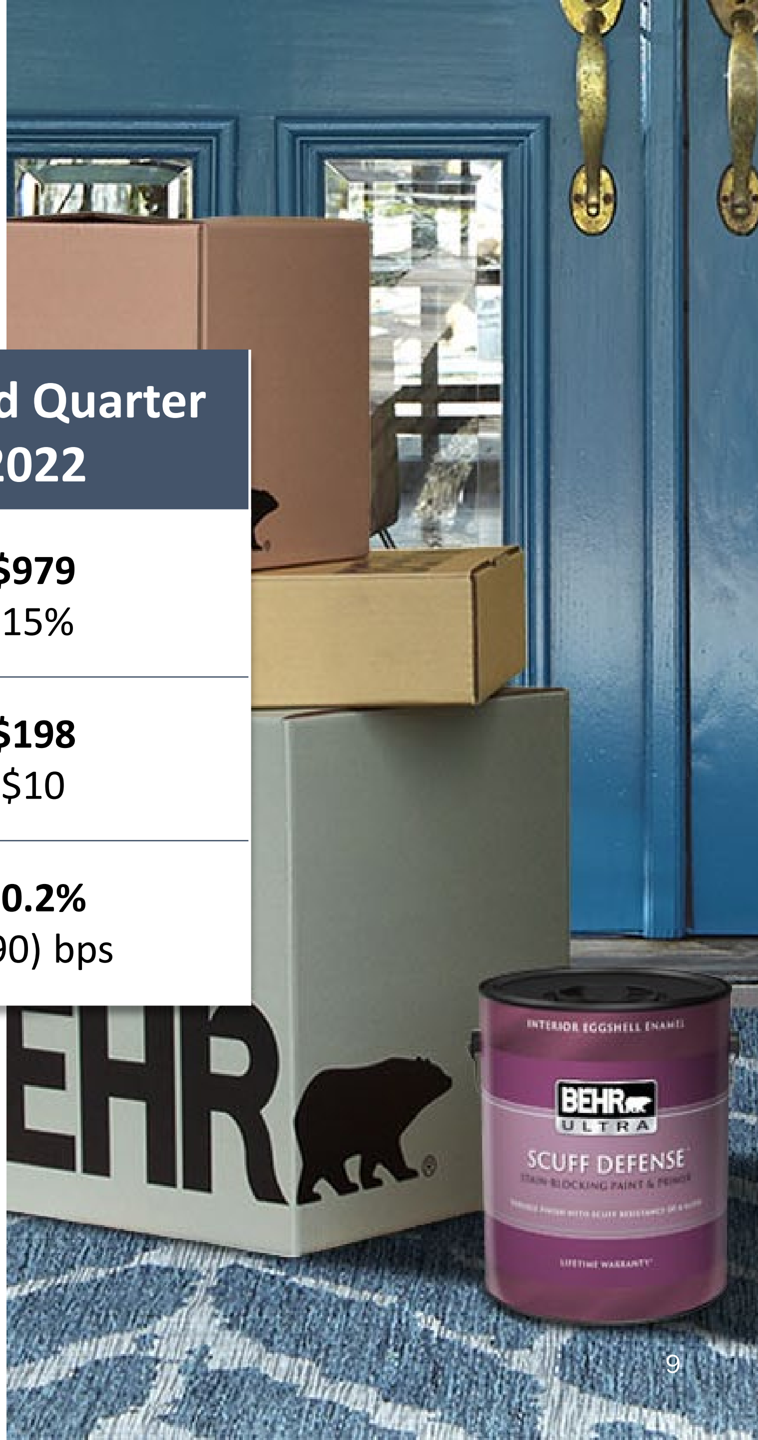
# Double Digit Sales Growth

## Decorative Architectural Products

### Quarter Highlights

- Total segment sales increased 15%
- Revenue of paints and other coating products increased over 20%
- DIY paint sales grew low teens
- PRO paint sales grew approximately 40%
- Operating profit increased due to higher net selling prices and incremental volume, partially offset by higher commodity and supply chain costs and marketing

| ($ in Millions) | Second Quarter 2022 |
|---|---|
| **Revenue**<br>Y-O-Y Change | **$979**<br>15% |
| **Operating Profit***<br>Y-O-Y Change | **$198**<br>$10 |
| **Operating Margin***<br>Y-O-Y Change | **20.2%**<br>(190) bps |

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* Excludes business rationalization charges for the second quarter of 2022 of $6 million.

# Strong Balance Sheet

## Masco Corporation

| Balance Sheet Metrics as of 6/30/2022 | |
|---|---|
| Cash and cash investments | $440M |
| Revolver availability | $1,000M |
| Total liquidity | $1,440M |
| | |
| Net leverage[1] | 1.9x |
| Working capital as a % of sales[1] | 18.9% |

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1. See Appendix for reconciliation.

# Full Year 2022 Outlook

## 2022 Adjusted EPS $4.15 – $4.25

| Business Segment | 2022 Forecasted Sales Growth | | 2022 Forecasted Adjusted Operating Profit Margin |
|---|---|---|---|
| **Plumbing Products** | Organic: | ~6-8% | **~18.0%** |
| | FX: | ~(3%) | |
| | **TOTAL:** | **~3-5%** | |
| **Decorative Architectural Products** | Organic: | ~9-11% | **~18.0%** |
| | **TOTAL:** | **~9-11%** | |
| **Total Masco** | Organic: | ~7-9% | **~17.0%** |
| | FX: | ~(2%) | |
| | **TOTAL:** | **~5-7%** | |

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## Q&A

Keith Allman

John Sznewajs

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# Appendix


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# 2022 Estimates

| Item | Assumption |
|---|---|
| Rationalization charges | $9m |
| Tax rate | 25% |
| General corporate expense | ~$100m |
| Interest and other expense[1] | ~$115m |
| Capital expenditures (includes maintenance capex of ~$100m) | ~$250m |
| Depreciation and amortization[2] | ~$145m |
| Unfavorable foreign currency translation impact to sales[3] | ~$175m |
| Share repurchases | ~$914m |
| Average diluted share count for 2022 | ~233m |
| Working capital as a % of net sales | ~16.5% |
| Free cash flow conversion | ~85-90% |

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1. Excludes income from the revaluation of contingent consideration of ~$24m.
2. Plumbing Products segment ~$100m; Decorative Architectural Products segment ~$35m; Non-operating ~$10m.
3. Based on rates as of June 30, 2022.

# Capital Allocation Strategy

## Balanced Approach to Continue to Drive Shareholder Value

| | | |
|---|---|---|
| **1** | **Reinvest in the Business** | • Capex: 2-2.5% of sales<br>• Working capital: ~16.5% of sales |
| **2** | **Maintain investment grade credit rating** | • Target gross debt to EBITDA below 2.5x |
| **3** | **Maintain relevant dividend** | • Current annual dividend of $1.12<br>• Target 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<br>• $214 million remaining on share repurchase authorization of $2.0 billion<br>• Deployed ~$914 million for share repurchases in 2022<br>• Select bolt-on acquisitions |


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*

| Business Segment | 2021 Revenue | R&R% vs. NC | NA% v. Int'l |
|---|---|---|---|
| Plumbing Products | $5.1B | 83% | 66% |
| Decorative Architectural Products | $3.3B | 97% | 100% |
| **Total Company** | **$8.4B** | **88%** | **79%** |

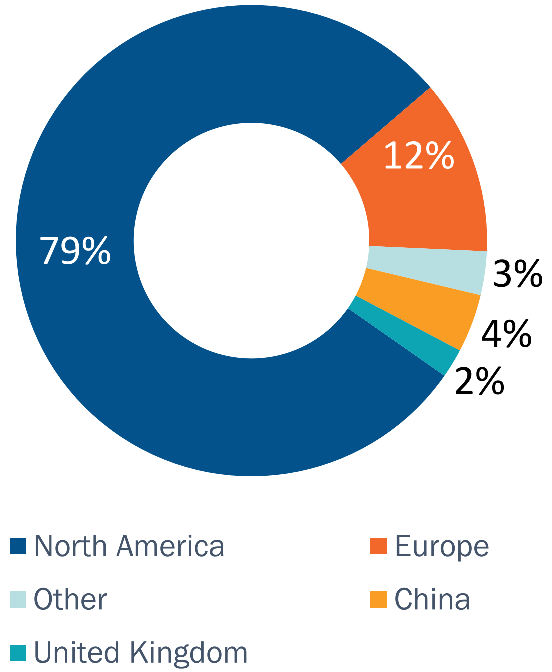
R&R = % of sales to repair and remodel channels

NC = % of sales to new construction channels

NA = % of sales within North America

Int'l = % of sales outside North America

Total Geographic Revenue Split




*Based on Company estimates

# 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% |

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*Based on Company estimates

# Profit Reconciliations – Second Quarter

| *($ in Millions)* | Q2 2022 | Q2 2021 |
|---|---|---|
| **Net sales** | **$ 2,352** | **$ 2,179** |
| **Gross profit, as reported** | **$ 769** | **$ 791** |
| Rationalization charges | 6 | 1 |
| **Gross profit, as adjusted** | **$ 775** | **$ 792** |
| *Gross margin, as reported* | *32.7%* | *36.3%* |
| *Gross margin, as adjusted* | *33.0%* | *36.3%* |
| **Selling, general and administrative expenses, as reported** | **$ 361** | **$ 354** |
| *Selling, general and administrative expenses as percent of net sales, as reported* | *15.3%* | *16.2%* |
| **Operating profit, as reported** | **$ 408** | **$ 437** |
| Rationalization charges | 6 | 1 |
| **Operating profit, as adjusted** | **$ 414** | **$ 438** |
| *Operating margin, as reported* | *17.3%* | *20.1%* |
| *Operating margin, as adjusted* | *17.6%* | *20.1%* |

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# EPS Reconciliation – Second Quarter

| *(in Millions, Except per Common Share Data)* | | Q2 2022 | | Q2 2021 |
|---|---|---|---|---|
| **Income (loss) before income taxes, as reported** | **$** | **397** | **$** | **(3)** |
| Rationalization charges | | 6 | | 1 |
| Pension costs associated with terminated plans | | - | | 413 |
| Fair value adjustment to contingent earnout obligation **(1)** | | (28) | | - |
| Loss on sale of business **(2)** | | - | | 18 |
| (Gain) on preferred stock redemption | | - | | (14) |
| **Income before income taxes, as adjusted** | **$** | **375** | **$** | **415** |
| Tax at 25% rate | | (94) | | (104) |
| Less: Net income attributable to noncontrolling interest | | 16 | | 21 |
| **Net income, as adjusted** | **$** | **265** | **$** | **290** |
| | | | | |
| **Net income per common share, as adjusted** | **$** | **1.14** | **$** | **1.14** |
| | | | | |
| Average diluted common shared outstanding, as reported | | 233 | | 252 |
| Stock option dilution **(3)** | | - | | 2 |
| Average diluted common shares outstanding, as adjusted | | 233 | | 254 |

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

**(2)** Represents a loss related to the divestiture of Hüppe for the three months ended June 30, 2021.

**(3)** For the three months ended June 30, 2021, 2 million of stock option dilution was included in the average diluted common shares outstanding, as adjusted to reflect what the average diluted common shares outstanding would have been if there was net income, as reported.

# EPS Outlook Reconciliation

| | 2022 | | | |
|---|---|---|---|---|
| | Low End | | High End | |
| **Net income per common share** | $ | **4.19** | $ | **4.29** |
| Rationalization charges | | 0.03 | | 0.03 |
| Fair value adjustment to contingent earnout obligation **(1)** | | (0.08) | | (0.08) |
| (Gain) on sale of business **(2)** | | (0.01) | | (0.01) |
| Allocation to participating securities per share **(3)** | | 0.02 | | 0.02 |
| **Net income per common share, as adjusted** | $ | **4.15** | $ | **4.25** |

**(1)** Represents income 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)* | | June 30, 2022 |
|---|---|---|
| **Debt** | **$** | **3,454** |
| Less: Cash and cash investments | | (440) |
| **Net Debt** | **$** | **3,014** |

| *($ in Millions)* | | TTM June 30, 2022 |
|---|---|---|
| **Operating profit, as reported** | **$** | **1,364** |
| Rationalization charges | | 11 |
| Impairment charge for goodwill | | 45 |
| **Operating profit, as adjusted** | **$** | **1,420** |
| Depreciation and amortization | | 142 |
| **EBITDA, as adjusted** | **$** | **1,562** |
| | | |
| **Net Debt to EBITDA** | | 1.9X |

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# Working Capital as a % of Sales

| *(in Millions)* | | As Reported June 30, 2022 |
|---|---|---|
| Receivables | $ | 1,434 |
| Inventories | | 1,354 |
| Less: Accounts payable | | (1,128) |
| Working Capital | $ | 1,660 |
| **Working capital as a % of sales (last 12 months)** | | **18.9%** |

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