MASCO

OAKWOOD

Investment overview

MASCO

Current share price = $63.33

Plan to go long with a time frame of 2-3 years

We estimate a potential upside of 9.4% based of our base DCF

Stop loss recommendation at $50

Company Overview

MASCO

About

Masco Corporation designs, manufactures, and distributes leading branded home-improvement and building products.

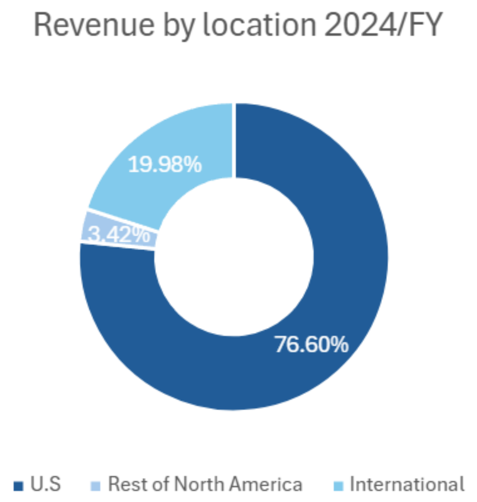
Key brands

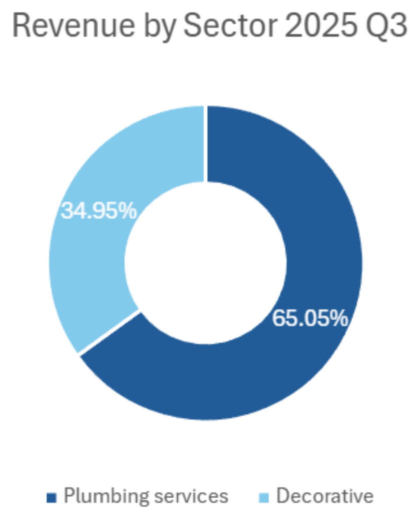
DELTA BEHR

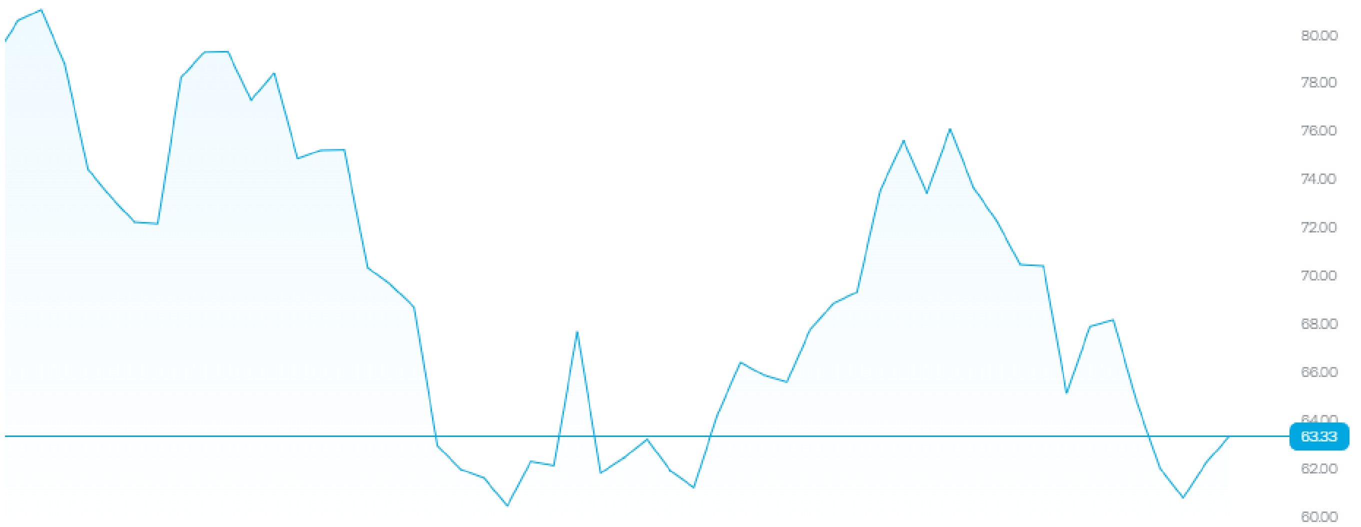
ESG

- Masco has an MSCI ESG rating of BBB.
- Ongoing initiatives and commitments to become more sustainable.

Sales breakdown







Performance and outlook

As a business heavily tied to the home improvement sector, Masco has faced significant macroeconomic headwinds. This pressure has contributed to the stock trading more than 20% below its all-time high over the past year.

Masco has demonstrated notable resilience. Management has strengthened operational efficiency, maintained solid profitability, and reinforced investor confidence through strategic share buybacks.

Masco is well positioned for an eventual recovery in consumer sentiment and housing-related spending. Its strong brands, improved operational discipline, and focus on innovation; supported by an extensive patent portfolio, help the company stay ahead of competitors and sustain long-term growth in the home improvement market.

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Financial Overview

MASCO

Key Metrics

Market cap = 13.18B

EV = 15.74B

P/E = 16.38

P/FCF = 15.22

EV/EBITDA = 10.93

5YR AVG FCF = 827M

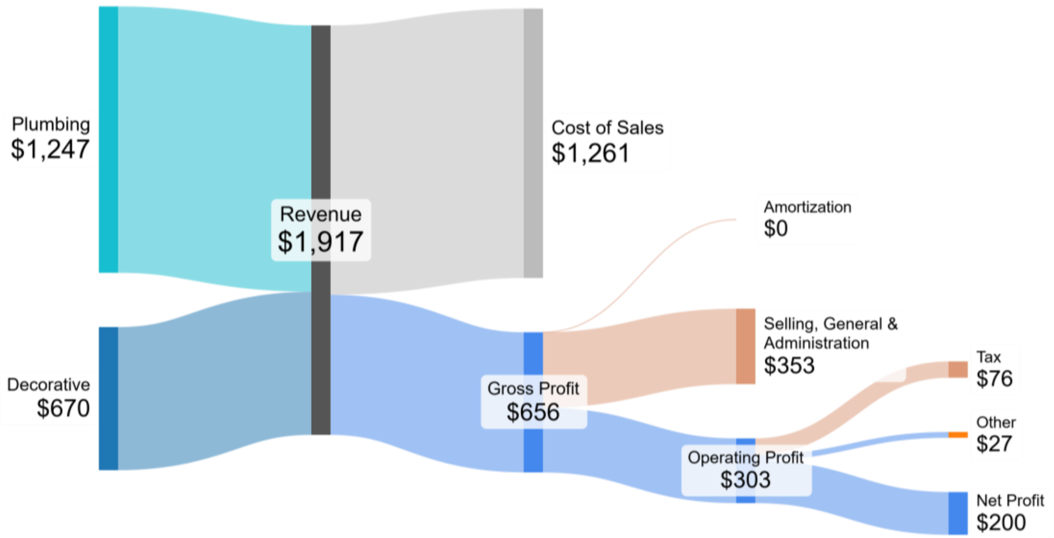
ROIC = 25.90%
+0.58% (TTM)

ROA = 15.59%
+0.4% (TTM)

Gross margin = 35.67%
-0.49% (TTM)

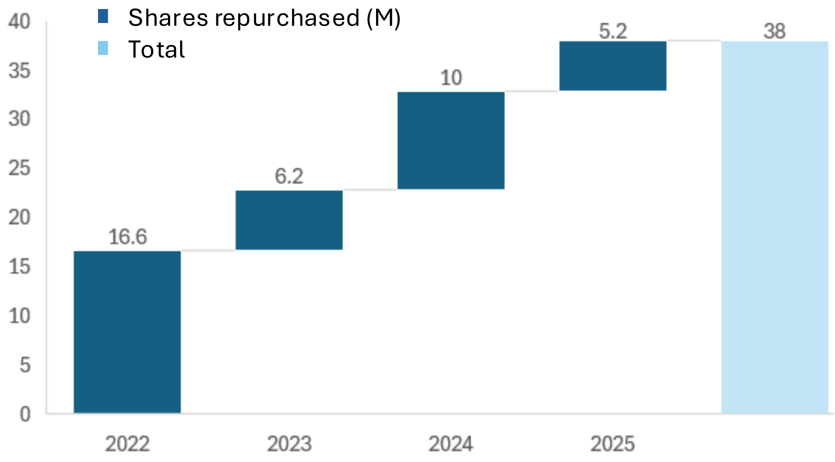
Profit margin = 10.89%
+0.39% (TTM)

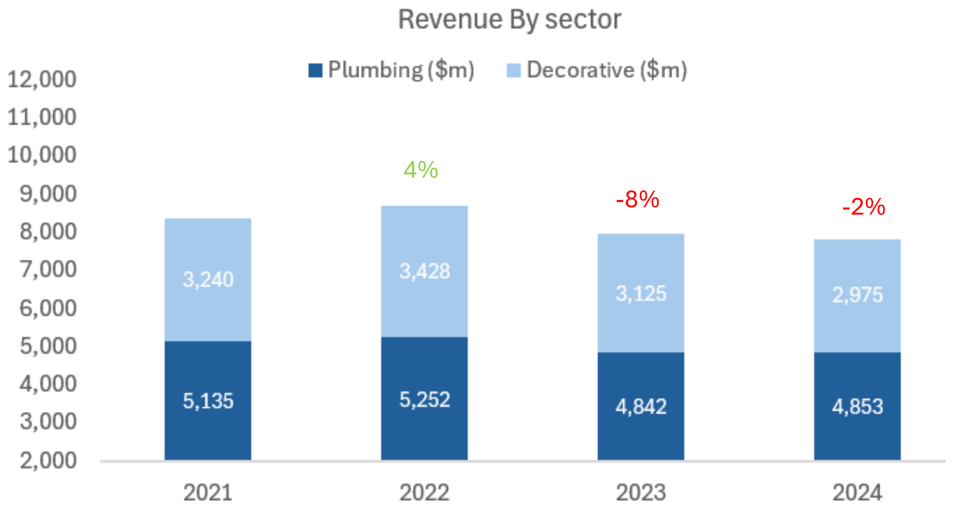
Top and bottom line



Shares outstanding

- $2 billion common stock repurchases for retirement authorized 2022
- $666 million remain under authorization
- Since authorization in 2022 shares outstanding have reduced by 9.8%
- 208 million shares outstanding





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Industry Overview

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Overview

Masco operates within the building products market (More specifically home improvements)

–12.84% industry stock return over the past year

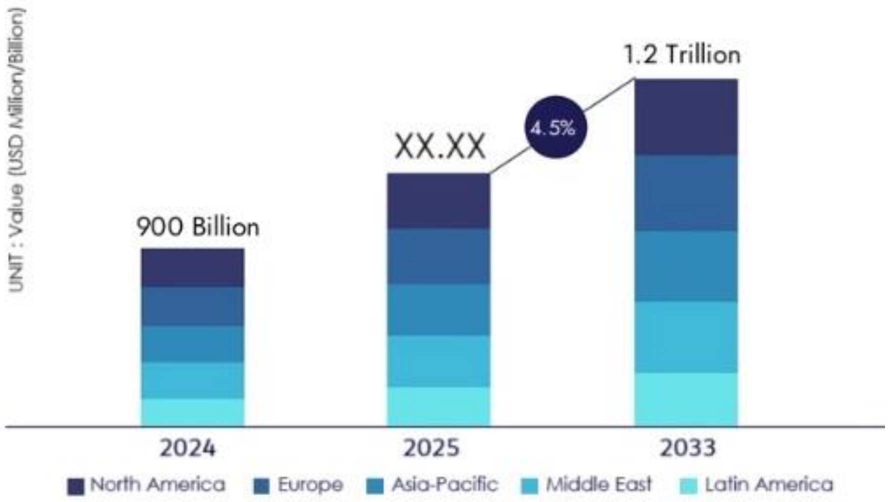
Macroeconomic headwinds (low consumer confidence, tariffs etc) affecting demand and supply across the sector

Products include – Paint, Kitchen appliances, showers, faucets etc

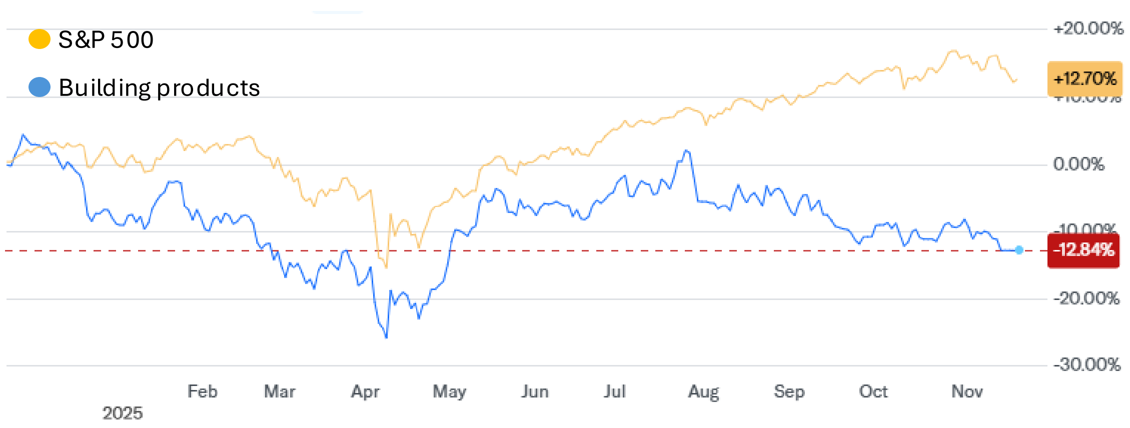
Outlook

Potential future economic tailwinds supports strong growth expectations, with the global home improvement industry predicted to grow at 4.5% CAGR until 2033.

Sector wide selloffs has created an opportunity to buy fundamentally strong companies at discounted valuations. As economic conditions stabilize and consumer sentiment improves, home improvement spending should rebound, positioning leaders like Masco to benefit from renewed revenue growth.



Performance



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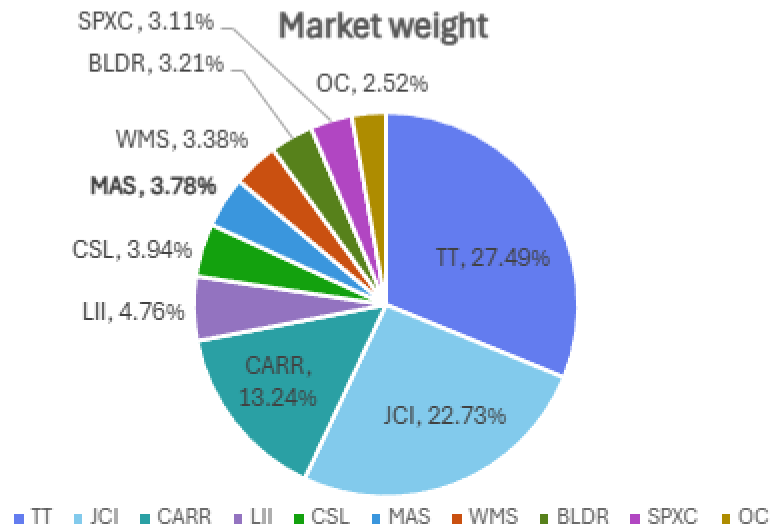
Market positioning



Valuation

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Key Estimates in our DCF

	Bear	Base	Bull
Revenue	7,590B → 8,581B	7,590B → 8,832.5B	7,590B → 9,084B
EBIT	1,270B → 1,540B	1,270B → 1,603B	1,270B → 1,667B
Taxes	282M → 352.10M	282M → 372M	282M → 392.87M
D&A	148M → 169.99M	148M → 185M	148M → 200.32M
CapEx	163M → 215M	163M → 212M	163M → 209M
Change in NWC	-195M → 0.82M	-195M → 0.82M	-195M → 0.82M
Target price	$63.92	$69.31	$78.77
Total return	0.9%	9.4%	24.4%

Sensitivity analysis

	WACC					
Shares outstanding	6%	7.000%	8.000%	9.000%	10.000%	11.000%
180	$ 191.50	$ 143.36	$ 113.86	$ 93.96	$ 79.67	$ 68.92
185	$ 186.33	$ 139.49	$ 110.78	$ 91.42	$ 77.51	$ 67.06
190	$ 181.42	$ 135.82	$ 107.86	$ 89.01	$ 75.47	$ 65.30
195	$ 176.77	$ 132.34	$ 105.10	$ 86.73	$ 73.54	$ 63.62
200	$ 172.35	$ 129.03	$ 102.47	$ 84.56	$ 71.70	$ 62.03
205	$ 168.15	$ 125.88	$ 99.97	$ 82.50	$ 69.95	$ 60.52
210	$ 164.15	$ 122.88	$ 97.59	$ 80.54	$ 68.29	$ 59.08
215	$ 160.33	$ 120.03	$ 95.32	$ 78.66	$ 66.70	$ 57.70
220	$ 156.68	$ 117.30	$ 93.15	$ 76.88	$ 65.18	$ 56.39
225	$ 153.20	$ 114.69	$ 91.08	$ 75.17	$ 63.73	$ 55.14
230	$ 149.87	$ 112.20	$ 89.10	$ 73.53	$ 62.35	$ 53.94
235	$ 146.68	$ 109.81	$ 87.21	$ 71.97	$ 61.02	$ 52.79
240	$ 143.63	$ 107.52	$ 85.39	$ 70.47	$ 59.75	$ 51.69

Further Potential

- The above sensitivity table shows the potential upside and benefit of continued share buybacks.
- Currently at 208M shares outstanding with $666M authorized to spend on share buybacks across the coming years
- If Masco continue at the rate, they currently are in terms of share buybacks we estimate shares outstanding to drop from 208M to around 190M by 2028
- Going based off our DCF the sensitivity table suggests a return of $75.47 assuming shares outstanding will reduce to 190M

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Investment thesis – Smart capital allocation driving shareholder value

MASCO

1

Free cash used effectively stock repurchases
- $2 billion authorized for stock repurchase
- Shares outstanding -9.8% since 2022
- Performed aggressively at cheap valuation

2

A growing yet affordable dividend payout
- 1.98% dividend that has grown annually for 12 years
- Payout ratio based on FCF = 30.6%

3

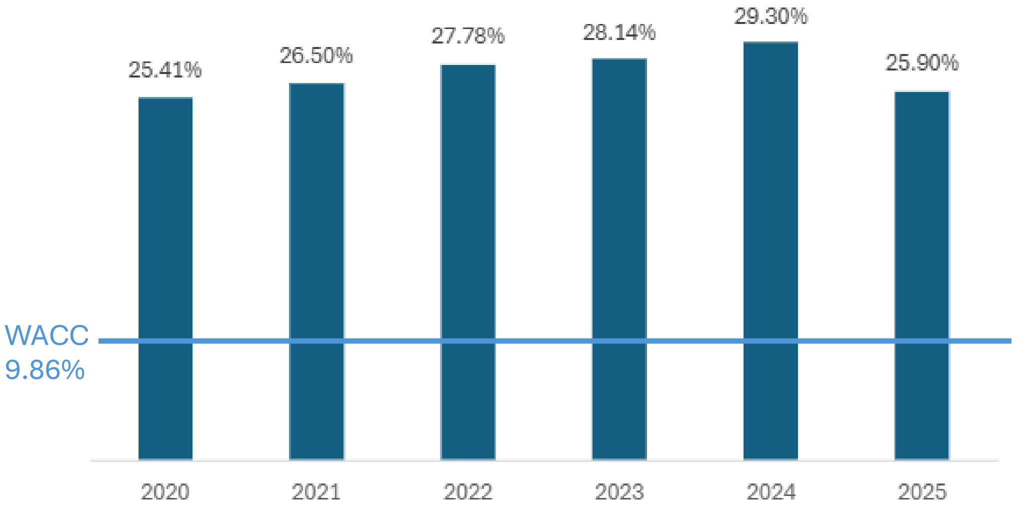
Re-investment through bolt-on acquisitions
- Company value creation and increased market hold
- Aids inorganic growth of 1% - 3%

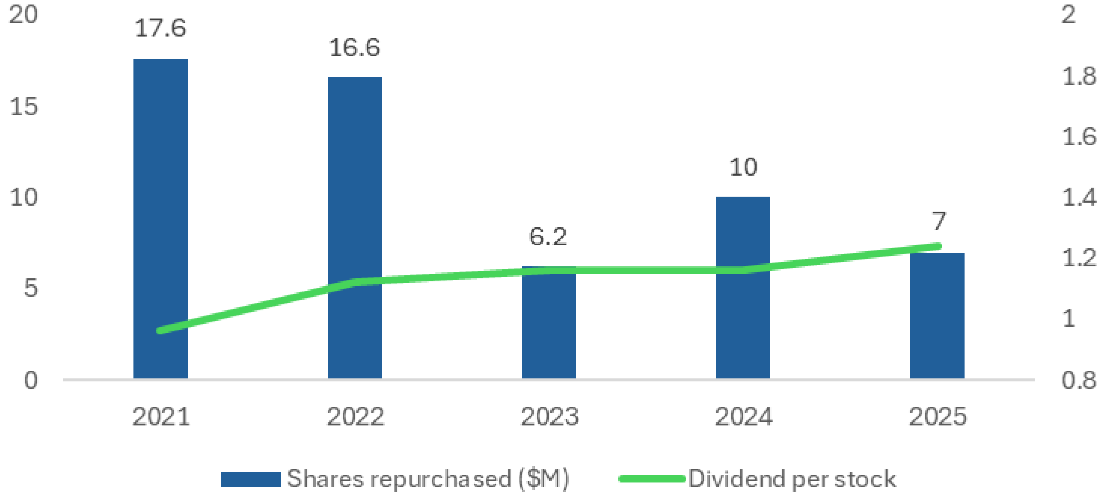
Kräus
- Sink and faucet manufacturer
- Deal size: $153M
- Helped expand the Delta brand in online presence and kitchen market

WHIZZ PROFESSIONAL
- Manufacturer of quality painting tools and accessories
- Deal size: £53M
- Part of Masco's shift to focus on DIY sector now operating under Behr

STEAMIST
- Manufacturer of steam shower systems
- Deal size:$56M
- Integrated into Delta as means of expansion into luxury shower systems

Masco ROIC





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Investment thesis – Streamlining and shifting focus to most profitable sectors

MASCO

1

Divestitures
- streamline product services and cut areas of business that were holding Masco back
- Provide capital to invest back into the company

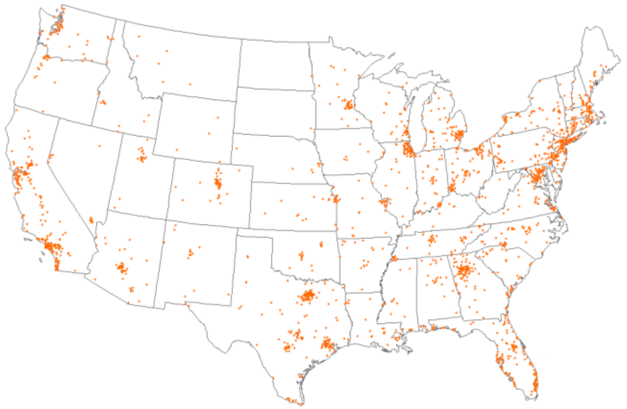
2

Smart Partnerships
- Behr paint exclusive deal with home depot
- Increases already Strong MOAT
- New deal with home depot for Kilz primer
- Supports Masco's aim to focus on DIY products

3

R&D and innovation
- Vitality index of 30%, above 25% target
- Consistent Innovation keeps products industry leading
- Masco Ventures - $50M venture capital to fund innovative new tech

Home depot partnership



- 2347 stores across NA
- 95% of paint sales happen in store
- 13 more opening this year
- Famous marketing campaign in US "colour of the year", Drives brand awareness
- Strong advantage over competitors with home depot being the most popular hardware store in US
- Largest paint retailer (36% of paint sales in US)
- Exclusive partnership with Behr and Kilz

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Divestitures

KICHLER LIGHTING
- $125M deal
- Sold to focus on areas of the company with greater potential
- Used money to drive shareholder value

MASCO CABINETRY
- $950M Deal for all cabinetry businesses
- Low profit margins
- Sale reduced exposure to new construction market to reduce risk cyclical damage

Milgard Windows — Clearly the best.™
- $755M deal
- Lower profits margins
- Sale reduced exposure to new construction market to reduce risk cyclical damage

Results

Increased cash flow	Cash flow gained from divestitures used to buy back shares and pay down $650M worth of debt
Business streamlining	Trimmed down business segments from 5 to 2 and allows Masco to focus on highest profit sectors allowing for more efficient operations

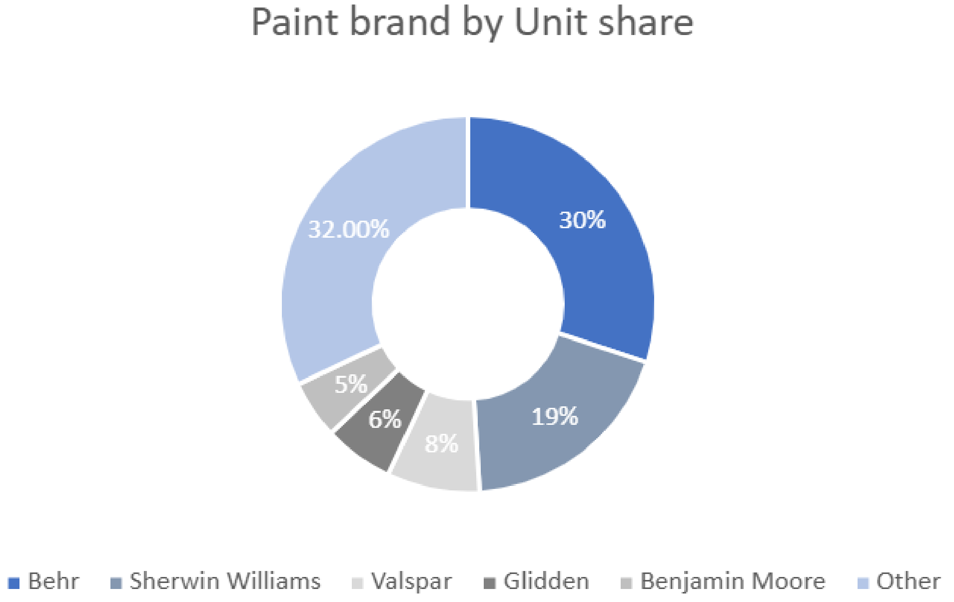
Investment thesis – Industry leading product line providing strong MOAT

MASCO

1 **Firm grip on US paint market**
- Behr paint being the leading US brand by unit share (30%)
- 33% Americans buy a paint brand because they have previously owned it and extra 36% because it has a good brand name

2 **Strong kitchen fixture and plumbing market position**
- Delta being the 3rd largest kitchen fixture brand by unit sales (13.8%)
- Delta won good housekeeping annual award for kitchen and bath goods

3 **Reinforced Moat through patents and innovative products**
- 9183 active patents globally



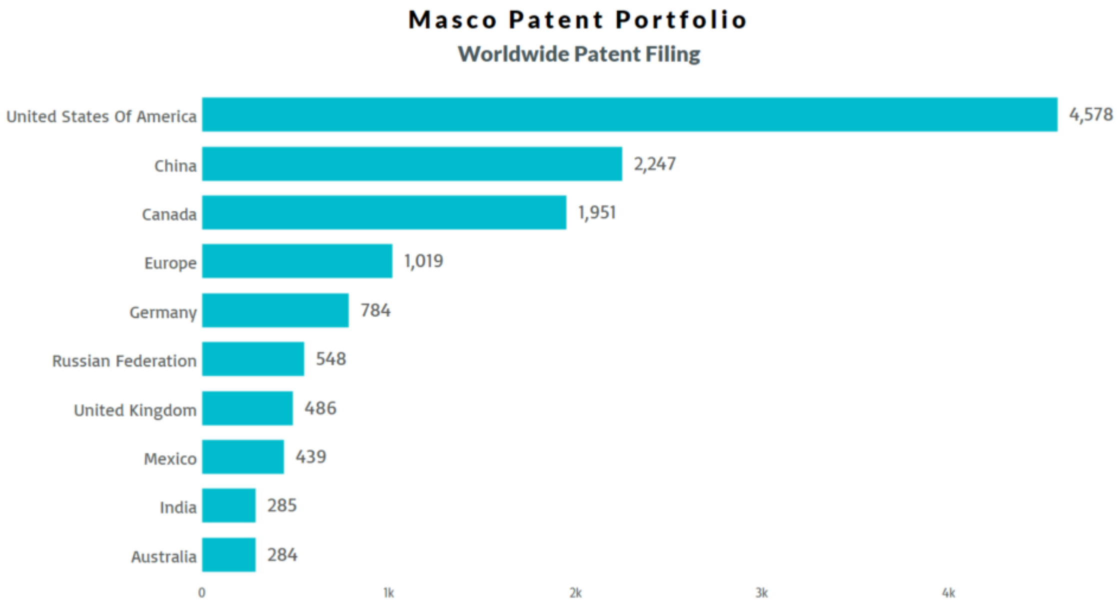
Key market players

DELTA

- Constant product innovation with filter systems, shower heads, smart faucets etc
- Voice controlled faucet
- Built in reverse osmosis faucet filter
- 2 in one shower head
- Awarded outstanding award for customer service
- Number 1 recommended plumbing fixture brand by plumbers

BEHR

- Partnership with google cloud to create AI tool to help consumers pick a colour
- Paints made with 20% plant-based ingredients setting new benchmark for sustainability
- Most visible paint brand with Home depot partnership
- Awarded most trusted paint brand in US
- New product innovation with stain proof, scuff resistant, one-coat coverage paint



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Catalysts and risks

MASCO

Catalysts

- ▲ Aging US housing stock will contribute to increase demand and necessity for R&R
- ▲ Strategic capital allocation with share repurchase scheme continuing combined with growing bottom-line margins
- ▲ Shift of product segmentation to low ticket R&R market through strategic divestitures to help reduce exposure risk to cyclicality or the market
- ▲ Wall street modelling strong growth in S&P 500 with an average projection of 10% for 2026.

Risks

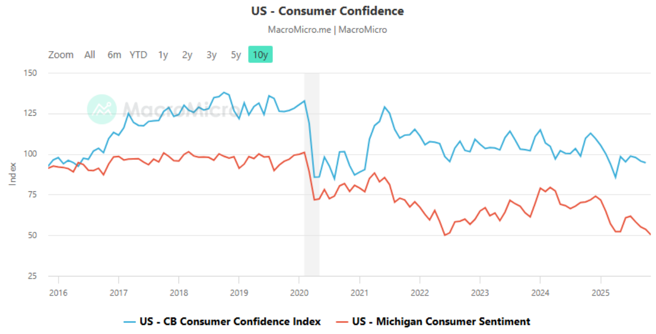
- ▼ Consumer confidence slides to 52.3, representing a drop of 11% from the month prior. This is due to rising inflation, job market concerns and current geopolitical tensions
- ▼ Inflation exceeding 2% targets, currently at 3% affecting margins
- ▼ recent 145% Tariffs on China imports increased costs by $15 million in Q3
- ▼ 50% Copper tariffs directly impacting Delta production costs
- ▼ 2.8% House turnover is lowest rate in 30 years

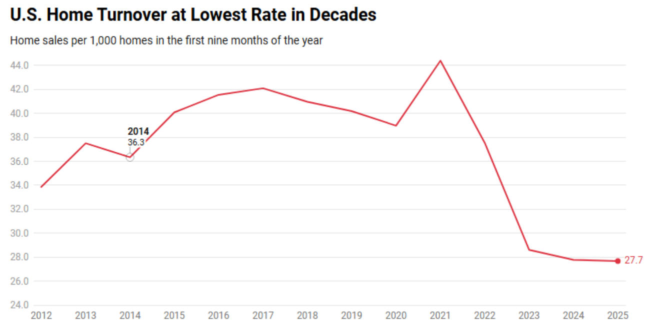
Mitigants

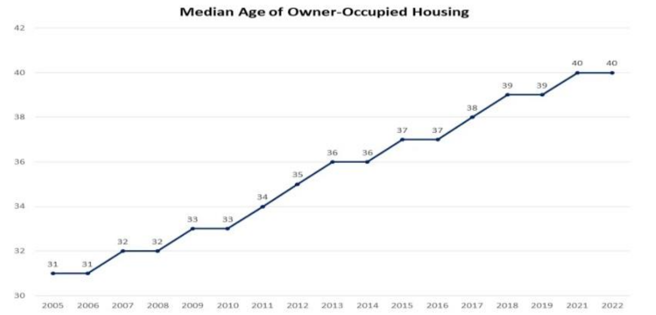
- Reduced exposure to China imports by 45% lowering risk of political tension impacts on the business
- Pricing adjustments to offset increases in costs
- Implemented sourcing changes and cost reductions to offset impacts of tariffs
- Divestiture of profit draining business segments to also help reduce risk exposure to cyclical nature of housing market

ESG

- Water stress exposure – mitigated by products directly addressing water scarcity (e.g. Delta WaterSense faucets)
- Carbon Footprint and energy usage – aims to reduce Scope 1 & 2 emissions by 50% from 2020 to 2030







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Investment conclusion

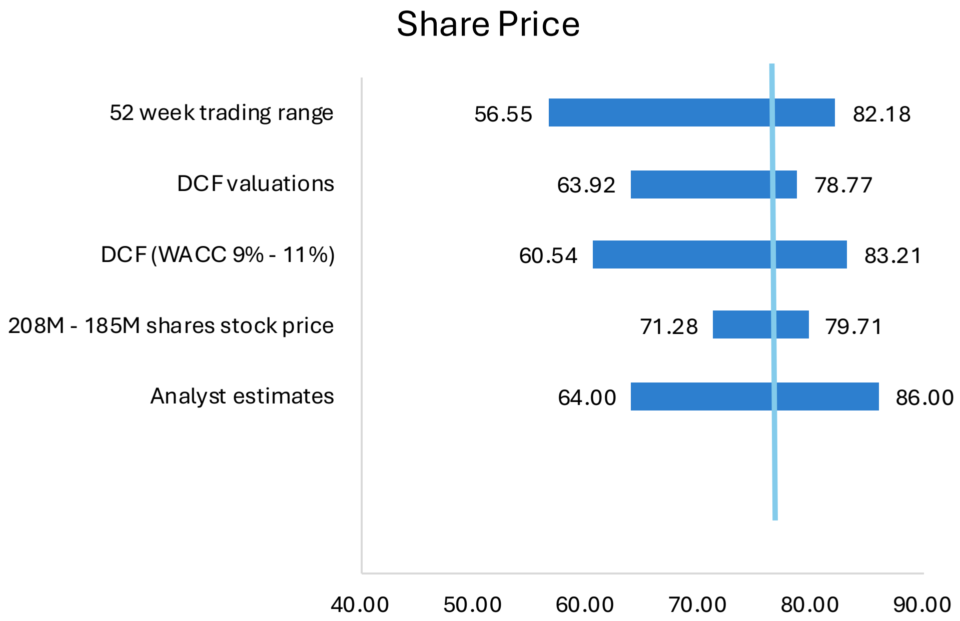
MASCO

Summary

With the current valuation of the stock at $, using our base DCF we estimate and upside of 9.4% to $69.31 before considering any share repurchases.

We recommend to go long with a time frame of 2-3 years to allow consumer sentiment to shift and economic conditions to stabilise

A stop loss recommendation at $50 to allow for more potential movement down due to current economic headwinds and consumer uncertainty.



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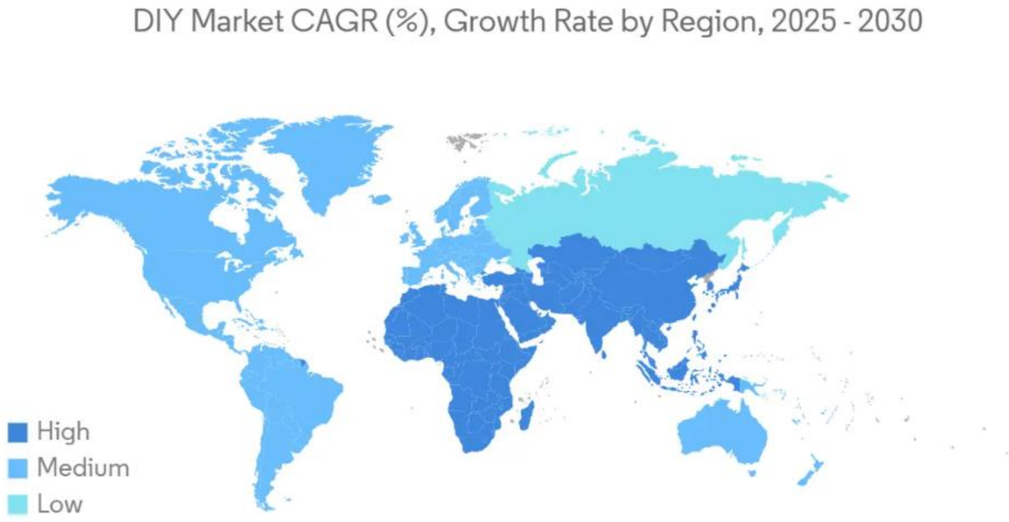
Why?



- Masco has a strong set of fundamentals
- Smart management who have allocated capital effectively
- Successfully reduced exposure to cyclical risk mitigating the falling stock price
- Prosperous future projections for the sector
- Commitment on returning shareholder value
- High levels of innovation with industry leading products
- Strategic partnerships

Appendix

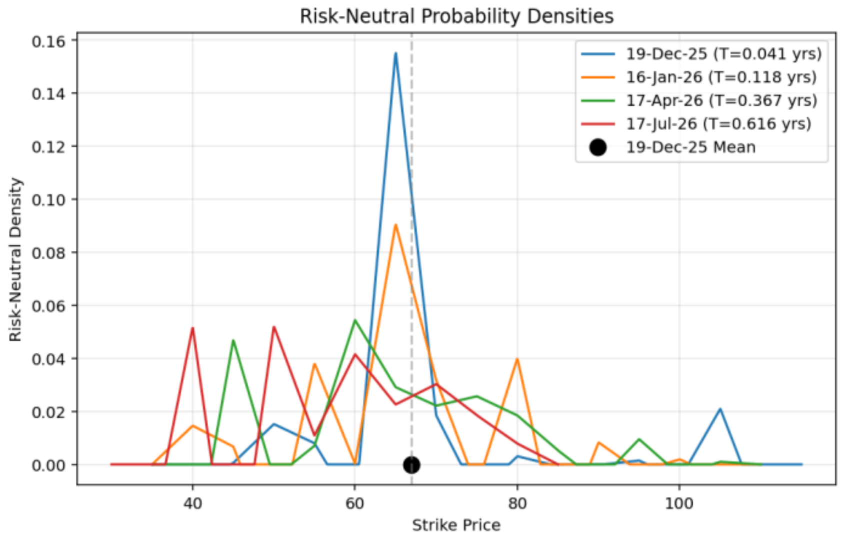
MASCO

WACC -	
Debt	2,953
% Debt	18.6%
Cost of Debt	3.2%
Tax Rate	24.2%
Equity Value	12,930
% Equity	81.4%
Cost of Equity	11.7%
Risk Free Rate	4.1%
Beta	1.27
Market Risk Premium	6.0%
Debt + Equity	15,883
WACC	**9.97%**

EXIT MULTIPLE APPROACH BASE	
PV FCF'S	3358.38
Terminal year EBITDA	1789
comps-derived exit multiple	10
Terminal value in YR 3	17890
PV of terminal value	13453.6
enterprise value	16812
CASH	660.48
DEBT	2952.78
Equity value	14519.7
Shares outstanding	208
Share price	**69.8062**

EXIT MULTIPLE APPROACH BULL	
PV of stage 1 FCF'S	3,664
Terminal year EBITDA	1837
comps-derived exit multiple	12
Terminal value in YR 3	22044
PV of terminal value	16577.49
enterprise value	20241.5
CASH	660.48
DEBT	2952.78
Equity value	17949.2
Shares outstanding	208
Share price	**86.29423**

EXIT MULTIPLE APPROACH BEAR	
PV of stage 1 FCF'S	3,184
Terminal year EBITDA	1741
comps-derived exit multiple	8
Terminal value in YR 3	13928
PV of terminal value	10474.11
enterprise value	13658.48
CASH	660.48
DEBT	2952.78
Equity value	11366.18
Shares outstanding	208
Share price	**54.6451**



Risk-Neutral Probability Density for MAS from Breeden-Litzenburger Partial Differential Equation. Uses option data acquired from Bloomberg terminal.

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Appendix - Comparable company analysis

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Data of 2025 TTM	Market Cap in ($M)	Revenue ($M per share)	Diluted EPS	EV/ Revenue	EV/ EBITDA	OP Margin%	ROA%	ROE%	ROIC%
LII	16,314.8	5,345.3	23.69	3.30	15.77	21.34	19.30%	92.25%	11.24%
BLDR	11,116.7	15,653.1	5.27	1.02	9.91	5.80	5.76%	13.56%	8.49%
FBIN	5,663.3	4,489.7	2.67	1.84	11.64	17.86	5.76%	13.72%	8.27%
OC	8,634.2	10,801.0	-0.86	1.30	12.70	18.07	8.18%	-1.60%	-1.32%
MAS	13,123.1	7,590.0	3.91	2.07	12.70	18.07	15.33%	-	25.9%

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Appendix

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Masco Corporation (MAS): A Bull Case Theory

2023 & 2024 Paint Market Share Insights: Top Brands & Retailers [Infographic]

Masco Patents Key Insights & Stats - Insights;Gate

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