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# Masco Corp. (MAS)

Q2 2025 Earnings Call

## CORPORATE PARTICIPANTS

**Robin L. Zondervan**

*Vice President, Investor Relations and FP&A, Masco Corp.*

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

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## OTHER PARTICIPANTS

**John Lovallo**

*Analyst, UBS Securities LLC*

**Stephen Kim**

*Analyst, Evercore ISI*

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

**Michael Rehaut**

*Analyst, JPMorgan Securities LLC*

**Matthew Bouley**

*Analyst, Barclays Capital, Inc.*

**Sam Reid**

*Analyst, Wells Fargo Securities LLC*

**Trevor Allinson**

*Analyst, Wolfe Research LLC*

**Susan Maklari**

*Analyst, Goldman Sachs & Co. LLC*

**Michael Dahl**

*Analyst, RBC Capital Markets*

**Rafe Jadrosich**

*Analyst, BofA Securities, Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen. Welcome to the Masco Corporation second quarter 2025 conference call. My name is Marissa, and I will be your operator for today's call. As a reminder, today's conference call is being recorded for replay purposes. [Operator Instructions] . I will now turn the call over to Robin Zondervan, Vice President, Investor Relations and FP&A. You may begin.

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**Robin L. Zondervan**

*Vice President, Investor Relations and FP&A, Masco Corp.*

Thank you, operator, and good morning, everyone. Welcome to Masco Corporation's 2025 second quarter conference call. With me today are Jon Nudi, President and CEO of Masco, and Rick Westenberg, Masco's Vice President and Chief Financial Officer.

Our second quarter earnings release and the presentation slides are available on our website under Investor Relations. Following our remarks, we will open the call for analyst questions. Please limit yourself to one question with one follow-up. If we can't take your question now, please call me directly at 313-792-5500.

Our statements today will include our views about our future performance, which constitute forward-looking statements. These statements are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. We've described these risks and uncertainties in our risk factors and other disclosures in our form 10-K and our form 10-Q that we filed with the Securities and Exchange

Commission. Our statements will also include non-GAAP financial metrics. Our references to operating profit and earnings per share will be as adjusted unless otherwise noted. We reconcile these adjusted metrics to GAAP in our earnings release and presentation slides, which are available on our website under Investor Relations.

With that, I will now turn the call over to Jon.

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## Jonathon J. Nudi

*President, Chief Executive Officer & Director, Masco Corp.*

Thank you, Robin. Good morning, everyone, and thank you for joining us. I want to start today by expressing my gratitude to all of our employees, customers, suppliers, and investors who have been so welcoming and supportive as I officially started my role as president and CEO of Masco as of the beginning of this month. I am humbled by the opportunity to lead such an outstanding company, and I intend to build on Masco's successful history of creating exceptional value for all of our stakeholders.

During my two years serving on our board of directors, I came to deeply respect and admire this company. I strongly believe in the power of our brands, the strength of our people, and the opportunities ahead. I plan to use my first 100 days to actively engage with internal and external stakeholders to hear their views on Masco, our industry, and further opportunities for our business. I already had the opportunity to kick off my listening tour at the headquarters of Delta Faucet and one of their manufacturing facilities.

I returned from that trip energized by the team's passion, shared sense of ownership, and desire for growth. As I visit our other businesses over the next several weeks, I'm excited to work closely with our entire Masco team to continue to strengthen our portfolio of brands, enhance consumers' lives, drive profitable growth, and deliver meaningful shareholder value.

Now let's turn to our second quarter performance. Please turn to slide 5. As I mentioned, I believe in the power of Masco's brands. During the quarter, our innovative products received several recognitions. Beginning with North America Plumbing, we are very pleased with Delta Faucet's performance and their newest product category of water filtration, and a \$1.2 billion market for under-counter water filtration products.

Delta and Brizo's award winning reverse osmosis systems are the most certified tankless systems based on leading competitors' National Sanitation Foundation certifications. These products are also the first reverse osmosis systems in the industry to earn the WaterSense certification label from the US Environmental Protection Agency.

In our international Plumbing business, hansgrohe continues to demonstrate their leadership in branding and design. This quarter, hansgrohe won four Red Dot Design Awards, including the Best of the Best award for their Raindance Alive showering products. In our Decorative Architectural segment, Behr received the number one rating for interior paint from a leading independent third party rating agency for the 12th year in a row.

This year, we swept the top three spots with our Dynasty, Marquee, and Ultra products. Two of Behr's wood stain products were also rated number one in their respective categories. These top ratings across multiple product categories show the depth and strength of products across our Behr brand. Finally, Behr introduced ChatHUE, an innovative AI tool designed to make choosing the perfect paint color even easier. I'm incredibly proud of the team at Behr for evolving the way we approach color selection, providing our consumers with a more personalized and enhanced experience.

I'll now shift to discuss our second quarter results and outlook for 2025. Please turn to slide 6. We were very pleased with our operating performance in the second quarter, particularly as we navigated a dynamic geopolitical and macroeconomic environment. We have worked diligently to address the impacts from additional tariffs through various mitigating actions, including cost savings initiatives, ongoing changes to our sourcing footprint, and pricing where necessary.

For the quarter, our net sales decreased 2%; however, in local currency, and excluding the Kichler divestiture, sales were in line with the year prior. Gross margins increased 10 basis points to 37.7%. Operating profit grew \$14 million to \$413 million, and operating profit margin increased 100 basis points to 20.1%. Lastly, we delivered earnings per share growth of 8% in the quarter to \$1.30 per share.

Turning to our segments, Plumbing sales increased 4% in local currency. North America Plumbing sales increased 5% in local currency, driven by favorable pricing and volume. Delta Faucet continues to deliver strong performance through consumer driven demand for their innovative products and industry leading brands.

International Plumbing sales increased 1% in local currency as we continue to see stability in many European markets, while other markets such as China remain challenged. Operating profit for the segment was \$276 million, and operating margin increased 110 basis points to 21%.

Turning to our Decorative Architectural segment, sales decreased 12% in the quarter, or 4% excluding our divestiture of Kichler. Overall, paint sales decreased mid-single digits. DIY paint sales decreased high-single digits. Demand for DIY paint remains soft across the industry, driven by low existing home turnover and the dampened macroeconomic environment, and we expect this pressure to continue throughout the remainder of this year.

In PRO paint, sales increased mid-single digits. Our strategic investments in this category and our close partnership with The Home Depot, continue to result in growth with PRO customers. The strength of our Behr brand and the quality of our products resonates with PRO customers, and allows us to capitalize on the sizable growth opportunity in the PRO paint market. Operating profit for this segment was \$157 million, and operating margin was 21.3%.

We are proud of the work of our teams across our business during the first half of the year, as they mobilize quickly to implement various mitigation actions in response to increased tariffs, higher commodity costs, and the macroeconomic uncertainty. Our teams are able to deliver strong financial results through focused execution and responding rapidly to the changing environment.

Now turning our expectations for the full year. While some uncertainty surrounding near-term market conditions persist, we are restoring financial guidance for 2025. Rick will provide more detail into the components of our guidance. However, given the overall macroeconomic environment, we now anticipate the global repair and remodel market to be down low-single digits. We expect to continue to outperform the market. We anticipate our sales to be roughly flat, excluding the impacts of divestiture and currency, with lower volumes largely offset with pricing. Based on our expected operating performance and capital deployment actions, we anticipate adjusted earnings per share for 2025 to be in the range of \$3.90 to \$4.10 per share.

It is important to note that the 2025 estimates we are providing today include the impact from enacted tariffs that are currently in effect net of our various mitigation actions. These estimates do not include impacts from any potential future tariffs or changes in existing tariffs. While some market uncertainty remains for the near term, the

structural factors for repair and remodel activity over the mid to long term are strong, namely the growing age of the housing stock and home equity levels.

Nearly 1.7 million more homes will reach the prime remodeling ages of 20 to 39 years old by 2027. Homeowners are staying in their homes longer and home equity levels are near record highs. We continue to be focused on achieving additional growth, and we are structured to achieve favorable incremental benefits from volume growth due to our available capacity, high levels of productivity, and disciplined cost structures. We believe we are well positioned to grow faster than our competition to evolve and lead, while remaining true to the values that have been foundational throughout our nearly 100-year history.

It is an absolute privilege for me to join such a high performing company, but on iconic brands that are part of people's daily lives, and I'm honored to help write the next chapter.

With that, I'll turn the call over to Rick to go over our second quarter results and our 2025 outlook in more detail. Rick?

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## Richard Westenberg

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

Thank you, Jon, and good morning, everyone. Thank you for joining. As Robin mentioned, my comments today will focus on adjusted performance, excluding the impact of rationalization charges and other one-time items.

Turning to slide 8. Sales in the second quarter decreased 2%, but were in line with the prior year excluding the impacts of our divestiture of Kichler and favorable currency. Our divestiture of Kichler in the third quarter of 2024 decreased sales by 3% year-over-year in the second quarter of 2025, while currency represented a 1% increase in sales. In local currency, North American sales decreased 3% or were in line with the prior year excluding the divestiture impact.

International sales increased 1% in local currency. Gross margin increased 10 basis points in the quarter to 37.7%. SG&A decreased \$27 million, driven by our divestiture and lower employee related expenses. SG&A as a percent of sales improved 90 basis points to 17.6% in the quarter. Operating profit increased 4% to \$413 million in the quarter, and our margin expanded 100 basis points to 20.1%. Operating profit was driven by cost productivity initiatives, favorable SG&A, and a positive price/cost relationship, partially offset by lower volume. Lastly, our EPS increased 8% to \$1.30 per share.

Turning to slide 9. Plumbing sales increased 5% in the second quarter, or 4% excluding the favorable impact of currency, largely driven by pricing, which increased sales by 3%. In local currency, North American Plumbing sales increased 5% in the quarter. This performance was primarily driven by Delta Faucet, which delivered strong growth in both the trade and e-commerce channels. In local currency, international Plumbing sales increased 1%, driven by pricing actions.

Hansgrohe achieved growth in many of its European markets, including its key market of Germany. This was largely offset by softness in other markets, particularly China. Segment operating profit in the second quarter increased 11% to \$276 million, and operating margin expanded 110 basis points to 21%. Operating performance was driven by cost savings initiatives and a favorable price/cost relationship.

Turning to slide 10. Decorative Architectural sales decreased 12% in the second quarter. The divestiture of Kichler reduced sales by 8%. In the quarter, total paint sales decreased mid-single digits due to lower volume. PRO paint sales were up mid-single digits and DIY paint sales decreased high-single digits.

Given the continued softness in the overall DIY market and the unfavorable impact of inventory timing this year versus 2024, as discussed on prior earnings calls, we anticipate our total paint sales for the full year to decrease mid-single digits. We anticipate our full-year DIY paint business to decrease high-single digits. In our PRO paint business, we expect sales to increase mid-single digits for the full year.

Operating profit in the second quarter was \$157 million, impacted by lower volume and an unfavorable price/cost relationship, partially offset by cost savings initiatives. Operating profit margin was 21.3% and was favorably impacted by the divestiture of Kichler.

Turning to slide 11. Our balance sheet remained strong with gross debt to EBITDA at 2x at quarter end. We ended the quarter with \$1.3 billion of liquidity, including cash and availability under our revolving credit facility. Working capital was 20.1% of sales at quarter end. Working capital was impacted by tariff-related dynamics, including higher material costs and pricing, increasing our working capital balances. As a result of these tariff-related impacts, we anticipate that our working capital as a percent of sales will be approximately 17.5% at year end.

Given our strong cash generation, we returned \$167 million to shareholders in the second quarter through dividends and share repurchases, including the repurchase of \$101 million in stock. As it relates to capital allocation, we expect to invest approximately \$175 million through capital expenditures, to pay a dividend of \$1.24 per share, and currently anticipate deploying at least \$450 million toward share repurchases or acquisitions in 2025.

Now let's turn to slide 12 and review our outlook for the full year. The market environment remains volatile and uncertain, particularly related to tariffs. That said, there has been some improved visibility since our Q1 earnings. Based on this visibility, we are reinstating our 2025 guidance. Please note that the guidance being provided today includes the impacts of currently enacted tariffs in effect in July.

We estimate the total annualized cost impact of these incremental tariffs to be approximately \$210 million before mitigation, down from \$675 million as of our Q1 earnings call. Of the \$210 million annualized cost impact, approximately \$140 million relates to the incremental 30% China tariffs, while the remaining \$70 million is driven by the 10% global reciprocal tariffs and the 50% tariff on steel and aluminum.

Of this approximately \$210 million total annual cost, we expect a 2025 in-year impact of approximately \$140 million before mitigation, with the impact largely occurring in the second half of the year.

Our teams continue to actively work to mitigate these additional costs through a combination of levers. These include cost reductions, continued efforts to change our sourcing footprint, and pricing where necessary. We anticipate that these mitigation actions will largely offset the direct cost impacts of the currently enacted tariffs in 2025. It is important to note that our guidance does not attempt to estimate the impact of potential future tariffs, including on copper, or any changes in existing tariffs.

Turning to the overall market, our expectation is that the US and international repair and remodel markets will decrease low-single digits in 2025. For Masco, we expect our sales in 2025 to decrease low-single digits, impacted by the 2024 divestiture of Kichler which will reduce sales by approximately 2% year over year. We anticipate currency will have a favorable impact of approximately 1%, similar to the favorable impact experienced in the second quarter.

Excluding the impacts of divestiture and currency, we anticipate Masco's overall sales to be roughly flat year over year, with lower volumes largely offset with pricing. We will continue to invest in our business for future growth while also maintaining cost discipline. As a result, we expect SG&A as a percent of sales to be in line with 2024. As always, we will take appropriate actions to address our costs as the year develops based on market conditions.

We anticipate total company operating margin to be approximately 17% in 2025, including the impacts of tariffs and lower volume. As we think about our results in the first half of the year versus our expected second half performance, we anticipate there to be some headwinds in the second half, particularly as it relates to tariff cost and commodity inflation. In addition, we experience some favorability in certain cost items in the second quarter such as lower employee-related costs that are not expected to repeat in the second half of the year.

Finally, as a reminder, fourth quarter sales will face a challenging year over year comparison due to the favorable inventory timing impact we experienced in our paint business in the fourth quarter of last year.

In our Plumbing segment, we expect 2025 full-year sales to be up low-single digits. We anticipate the full-year Plumbing margin will be approximately 18.5%. In our Decorative Architectural segment, we expect 2025 sales to decrease low-double digits or mid-single digits excluding the impacts of our divestiture. We anticipate the full-year Decorative Architectural margin to be approximately 18%.

Finally, as Jon mentioned earlier, our 2025 EPS estimate is \$3.90 to \$4.10 per share. This assumes a 211 million average diluted share count for the year and a 24.5% effective tax rate, which is consistent with our 2024 effective tax rate.

With that, I would like to open up the call for questions. Operator?

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. In order to ensure that everyone has a chance to participate, we would like to request that you limit yourself to asking one question and one follow-up question during the Q&A session. [Operator Instructions] Just a moment for you first question. And the first question comes from John Lovallo with UBS. Please go ahead.

**John Lovallo**

*Analyst, UBS Securities LLC*

Q

Good morning, guys. Thanks for taking my questions. This first one is on the expectation to allocate \$450 million to repos and acquisitions. I guess maybe two parts here. One, would you expect any acquisitions to be pretty close to core? In other words, not adding an additional leg. And then more importantly, what does the landscape look like out there, and would you expect the majority of this \$450 million be allocated to share repos this year?

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Hi, John. It's Jon Nudi. Maybe I'll take the first part of the question and I'll let Rick give a little bit more color as well. We feel really good about where we are from a portfolio standpoint. Keith and the management team over the last decade have done a terrific job really being focused on R&R low ticket items, and we really like where we play today. So I would say M&A is going to be bolt-on in nature and we'll stay committed to the strategy that we have in place.

As you know I've been on the board for the last couple years. So myself and the rest of the board have been actively involved in the strategy, and again, I believe in it. Maybe over to Rick for a little bit more detail.

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Yeah. John, with regards to the \$450 million estimate for the year, we've repurchased about 230 million of shares through the first half of the year. And absent any M&A transaction, you'd expect us to deploy the remaining amount to share repurchases.

**John Lovallo**

*Analyst, UBS Securities LLC*

Q

Okay. Yeah, that's really helpful. And then in terms of PRO paint, it's been growing really nicely at sort of mid-single digits each quarter over I think the past five quarters. How are you thinking about the sustainability of this growth as we move through the back half of this year and into next year?

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Hey, John, our PRO paint business has grown nicely. Between 2020 and 2024 it's grown 70% and obviously taken share through that period. We think there's a lot more room to run. As you know, our partner, The Home Depot, is very focused on the PRO. We're very committed to working with them and putting strategies in place to continue to grow into the future. So, we think it can continue to grow at an outsized rate for us as we move into the future.

**John Lovallo**

*Analyst, UBS Securities LLC*

Okay. Thank you guys.

Q

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

Thank you.

A

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

Thanks, John.

A

**Operator:** Your next question comes from Stephen King (sic) [Kim] (00:23:23) with Evercore ISI. Please go ahead.

**Stephen Kim**

*Analyst, Evercore ISI*

Yeah, thanks very much, guys. Appreciate it. Yeah, obviously strong results here, particularly domestically. And I guess in the Plumbing business in particular, I was curious if you felt like there was maybe any pre-buy activity, maybe ahead of some anticipated price increases. I think you said e-commerce was strong. Maybe you could give us a sense for, did you see what you might consider to be some element of pre-buy in some of your channels?

Q

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

Yeah. Good morning, Stephen, it's Rick. So we did see a little bit of pre-buy really on the Plumbing side. It wasn't significant so we didn't call it out in our prepared remarks. But we did see a bit on the Plumbing side as it pertains to getting ahead a little bit of the tariff prices. But I would say from an overall channel inventory standpoint, channel inventories are reasonably healthy really across the Plumbing segment. So for this time of year everything looks pretty normal.

A

**Stephen Kim**

*Analyst, Evercore ISI*

Great. [indiscernible] (00:24:24)

Q

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

And I'd like to say our Delta business is really firing on all cylinders right now. We really like our brand building. We like the innovation that they're putting into the market. We know they're growing share overall and they're growing quite a bit of share when it comes to e-commerce. So really like the performance of our biggest Plumbing business in North America.

A

**Stephen Kim**

*Analyst, Evercore ISI*

Q

Encouraging. Appreciate that. I wanted to switch gears to paint, and particularly DIY. I think you've done a good job of laying out the dynamics between DIY and PRO. So my question is a little bit of a broader one. I'm curious about the handoff from baby boomers to millennials. I think you said in the past that as baby boomers age out of the DIY age bracket that the backfilling by millennials isn't quite sufficient to take up the slack. And so I was wondering if you could expound on that. And in particular, do you have any data or any research which suggests how millennial paint consumption looks compared to baby boomers when they were at a similar age? I'm thinking particularly on a gallons basis. So I was curious if you have any insight into that.

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Yeah, Stephen, this is Jon. We won't get into that specific data right now. We can continue to look and talk about that as we move forward. I think the bigger thing that's affecting DIY right now is really existing home sales, which we know is highly correlated to DIY sales. And if you look at existing home sales, they're down dramatically, certainly during the COVID period. They're down pretty significantly since the pre-COVID period as well. In fact, existing home sales are at a three-decade low right now. So we would say that's the major driver of the softness in DIY.

And as consumer confidence improves, as interest rates get a bit better, we'd expect that to pick up. We continue to look hard at millennials. They're forming households now and their behaviors are certainly different than other generations. At the same time, we are seeing DIY behaviors being exhibited by them, but we'll continue to look at that. We can talk about that as we move into the future as well.

**Stephen Kim**

*Analyst, Evercore ISI*

Q

Okay. Thanks a lot, guys.

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Thank you.

**Operator:** Your next question comes from Anthony Pettinari with Citi. Please go ahead.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Good morning.

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Good morning.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

In Plumbing, given some of the consumer trends that you called out, I'm wondering how the brands are performing between good, better, best. So, Peerless, Delta, Brizo. And then for the full-year sales guidance of up low-single digits, I'm sorry if I missed this, but in terms of price versus volume, what would you expect that would break out as?

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Yes. So, Anthony, this is Jon. I'll take the first part and turn it over to Rick for the second part. We really like the performance of our brands. When we look at what's holding up best, it's really our upper premium and luxury brands that consumer continues to spend and continues to invest in remodeling.

I would say some of our mid-tier brands, we're seeing a bit of trade down, but nothing overly concerning at this point. But our luxury brands and our upper premium is really performing quite strong, quite strongly right now. I'll turn it over to Rick for the second part.

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Yeah, sure, Anthony. With regards to our expectations on sales in the Plumbing segment, so we indicated in our guidance that we would expect plumbing sales to be up low-single digits. The composition of that is really pricing partially offset by lower volumes. So we do expect a bit lower volume as we move through the course of the year, but more than offset by pricing.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Okay. That's helpful. I'll turn it over.

**Operator:** Your next question comes from Michael Rehaut with JPMorgan. Please go ahead.

**Michael Rehaut**

*Analyst, JPMorgan Securities LLC*

Q

Thanks. Good morning, everyone. Thanks for taking my questions. Wanted to first dive in a little bit to demand trends during the second quarter. We've heard so far this earnings season from other companies that there's been some disruption, probably more on the inventory and retail side as opposed to the end user, perhaps. But would love to get a sense across both Plumbing and Decorative, how that progressed throughout the quarter. If there were any kind of unusual movements from a channel perspective or from an end customer perspective.

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Yeah, so Mike, this is Jon. I would say in Plumbing, we didn't see anything all that unusual. Rick mentioned earlier. Again, we've seen with tariffs and pricing, maybe a little bit of pull forward, but nothing too concerning. And again, across our different channels, we have seasonal movements and other things, but nothing was surprise there.

In paint, it's really the dynamic between DIY and PRO. And again, our DIY business is soft. I think that's consistent across the rest of the industry. We believe that we are holding share in DIY. At the same time, PRO is growing nicely for us, and we believe that we absolutely are taking share. We think there's a lot more room to run there. Again, if you look at our overall share levels in PRO, they're much lower than they are in DIY. So again, that's an area that we believe that we can continue to focus on with our retail partner in The Home Depot and continue to get some nice sized gains as we move forward.

**Michael Rehaut**

*Analyst, JPMorgan Securities LLC*



Great. Thanks for that. Secondly, on the mitigation actions against the tariffs, I was wondering if you can give a little more detail there in terms of maybe unpacking how those actions would fall out, if you're thinking about the \$140 million, how that would roughly be offset between, supply chain, cost control, and price, and if it would be evenly matched in 3Q or 4Q or if there'd be a greater hit in 3Q maybe before some of the actions fully come to bear.

And if I could just throw in a small third question, if you're able to quantify the second quarter non-repeating cost benefits that help the margins in 2Q, that'd be helpful as well. Thanks.

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*



Yeah, sure. Mike, it's Rick. I'll answer your third question first, with regards to the cost benefits that we experienced in Q2. So to dimension it, our SG&A costs were down favorably about \$27 million, about half of that related to the divestiture of Kichler. So those costs going away. And then the other half of that, roughly speaking, was favorable cost performance. Some timing, but mostly favorable items that we don't expect to repeat in the second half of the year. So hopefully that dimensions the magnitude of the favorability we saw in cost in Q2.

As it pertains to your second question on the tariff cadence and the mitigation actions, what we've said is with regards, and it's important to note that we are talking about currently enacted tariffs. So not tariffs that may or are expected to go into effect here in August, but tariffs that are in effect here in July. Our in-year impact of those tariffs is approximately \$140 million and largely in the second half of the year.

In terms of our mitigation, we really are pulling on all three levers, and there's many other elements to our mitigation activity. But the three main levers are pricing, cost reductions, and sourcing footprint. Really, the drivers of the mitigation this year are going to be the cost reduction and pricing activities.

As we mentioned before, the resourcing activity that we've been doing, primarily moving imports from China to other markets, is going to be something that we've accelerated, and we continue to build on momentum in that regard. But that's largely going to be a 2026 mitigation impact. But we're not going to get into the dimension or the split between price and cost. Suffice it to say that they're both significant contributors in terms of our mitigation.

I think in terms of cadence, during the course of the year, again, mostly largely in the second half of the year, both in terms of tariff impacts as well as our mitigation activities, I think the one thing to note that we will highlight, it wasn't mentioned in the prepared remarks is, as you may recall – well, first of all, China tariffs, as we all know, are currently sitting at an incremental 30%. But as you recall, for about a month period of time, from about April 10 to May 12, there was incremental tariffs of 145% imposed on imports from China. Although we did manage our import activity during that window of time, we did still import products into the US during that window of time and were impacted by the increased tariffs at 145%.

That really is flowing through our inventory, and that will be an impact that we'll experience in the first half of the second half of the year. So really on a Q3 basis. So that's the one timing element that I would call out.

**Michael Rehaut**

*Analyst, JPMorgan Securities LLC*



Great. Thank you.

**Operator:** Your next question comes from Matthew Bouley with Barclays. Please go ahead.

**Matthew Bouley**

*Analyst, Barclays Capital, Inc.*

Q

Good morning, everyone. Thanks for taking the question. Welcome, Jon, to the call. Questions for you. Obviously you've only been in the seat here for just a few weeks. But curious, as you've delved deeper into the company – obviously you're not new to the company, having been previously on the board. But as you've delved deeper, as you've spoken to the board under the new role, any just high level thoughts on your early priorities? What might you look to tweak from a strategic perspective? And what might be some of the goals and I guess milestones we can look for from you? Thank you.

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Yeah. You're welcome. Absolutely. So, I am spending my first 100 days just really listening and learning. I've been active and getting out with our teams. I was again with our Delta team. I'm heading to Germany next week. I'll be on the West Coast with the Behr and Watkins teams the week after that. Spent time with customers. I really value that. I've met all of our major customers and several of them twice since I was announced, and will continue to focus on that.

And what I see and what I continue to hear is that Masco is an incredibly strong company. And again, I knew that being on the board and coming in with teams that really know our business, know how to innovate. We have strong brands, which is great. And our strategy, I think, is spot on with repair, remodel, and low-ticket items. I think the one thing, and this won't surprise anyone likely, is that we would like to grow a bit faster on a top line standpoint, and to do that profitably.

So that's what I'm really focused on is understanding what are some levers for us to continue to drive strong margins and profit like we have historically, and at the same time accelerate our top line. And some of the opportunities we're talking about internally are leveraging digital a bit more aggressively, and things like e-commerce and digital marketing and even strategic revenue management. But again, it's early days. But just know that that is the area that I will be focused on with the rest of the team to continue to do all the great things that we do here at Masco, but probably do it with a bit more top line, and profitable top line at that.

**Matthew Bouley**

*Analyst, Barclays Capital, Inc.*

Q

Excellent. Great. Well, we'll certainly look forward to the news on that front. Second question, I guess for Rick, you had mentioned that – this is on the tariffs, of course. So you're not including what may change from a tariff perspective in August, perhaps even tomorrow. So, if I'm thinking about Vietnam, perhaps even the copper announcement yesterday. I'm not sure if what you source from a brass components' perspective would or would not be included in that. So would just love to hear your thoughts on as some of these things go into effect, any potential framework, dollar framework you can give us and how you would be thinking about mitigating those new tariffs coming. Thank you.

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Yeah. Sure, Matt. And appreciate the question. Obviously it's a very dynamic environment. Remains uncertain. As you mentioned, there was the proclamation yesterday as it pertains to the 232 tariffs on copper that are effective

August 1. What I would say is we're pretty focused on providing our outlook and guidance based off of tariffs that are in place and enacted, and that's informed us with regards to our guidance that we shared here this morning. As it pertains to dimensioning the future tariffs, whether that's copper, or in the case of other countries, the reciprocal tariffs changing, it's premature for us to really dimension that.

Obviously we've run different scenarios and the like internally. But as it pertains to influencing our outlook, at the end of the day, it really will depend on what the ultimate rates are, the timing of those, and some of the specific regulations.

So with regards to copper, we know the timing and the rate, but we don't know the composition and the HTS code. So it's premature for us to estimate what the impact is for Masco specifically. It does impact our sourcing. It will also have an impact on commodities. As you've seen lately, the commodity costs have been fairly volatile. So at this point, it would be premature for us to share estimates just because we don't have full visibility in terms of the implications and where they may settle.

That said, as we've demonstrated in the past, we'll be transparent with regards to what those impacts are. Once they're known and we provide an updated outlook, we'll update the Street as it pertains to those impacts, again, when we have those known and we provide an updated outlook.

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**Matthew Bouley**

*Analyst, Barclays Capital, Inc.*

Q

All right. Understood. Thanks again and good luck guys.

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**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Thanks, Matt.

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**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Thank you.

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**Operator:** Your next question comes from Sam Reid with Wells Fargo. Please go ahead.

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**Sam Reid**

*Analyst, Wells Fargo Securities LLC*

Q

Awesome. Thanks so much. And Jon, also welcome aboard. I believe you took anywhere from, I want to say, a 7% to 9% price in May in Plumbing based on the letter you sent out to some of your customers, if I was reading it correctly. Just wanted to talk through the reception on that price, perhaps by channel. Give us a sense as to what realization on that pricing could look like, especially as we move into the second half.

And then, just digging a little bit deeper, it does sound like Plumbing volumes are going to slow a little bit in the second half, if I'm listening to your commentary correctly. Is that just a function of elasticity or are you embedding something more market specific like a slowdown? If you just want to unpack those dynamics.

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**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Hey Sam, it's Rick. With regards to pricing actions, we're not going to disclose specific pricing actions, certainly not by channel. We provided an outlook as it pertains to pricing impacts on Plumbing segment overall. And we indicated that it was a low-single-digit 3% benefit here in Q2. And we're expecting a mid-single-digit benefit for the full year. And so you can kind of read into that what you can as it pertains to the magnitude of the pricing. And it continues to be something that we continue to look at. And it's really something that we work with our channel partners on in addition to our cost and sourcing mitigation actions.

**Sam Reid**

*Analyst, Wells Fargo Securities LLC*

Q

Yeah, that helps.

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

As it pertains to cadence, yeah, in regards to your second question, Sam, in terms of cadence, I would say that what we're seeing is, as we mentioned before, we did see some pull forward in terms of sales into Q2. Wasn't significant, but that is somewhat impacting our expectations in the second half of the year. And just as a general matter, we're just seeing some headwinds from a macroeconomic perspective that's impacting the overall industry. And so as I mentioned earlier, we're expecting Plumbing volume to be down low-single digits, but to be more than offset by pricing. So our expectation is for the Plumbing segment overall to be up low-single digits for the year.

**Sam Reid**

*Analyst, Wells Fargo Securities LLC*

Q

That's very helpful, Rick. And then you talked about adjustments to strategic sourcing since a lot of this tariff noise started to enter the narrative. And I realize it's early days. But could you contextualize any early wins, perhaps steps you've taken to reorient your footprint to more tariff favorable geographies like Mexico for instance?

And then just to quickly follow up on the commodity piece, can you remind us what the lag typically is between spot and impact to your P&L? Thanks.

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Sure, Sam. So with regards to the – yeah, sorry about that, Sam. So with regards to from a sourcing perspective, as we've articulated in the past, we've really focused on reducing our exposure to China. We've effectively reduced our exposure to China by about 45% since 2018, and that continues to be a focus. Really, we're focused overall in terms of building a resilient and cost-effective supply chain. And so that entails sourcing from multiple countries.

Obviously the tariff environment is dynamic as we've talked about before. And so we want to be dynamic as well and flexible. So in terms of what we've done, we've largely moved some sourcing out of China to other markets, and we'll continue to do that. We expect to accelerate those efforts this year and to have much more of an impact in terms of next year. And the team has done an excellent job just in terms of overall managing the tariff exposure as well as mitigating our cost overall, and we'll continue to do that.

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Maybe just one add, and that's that we have a significant manufacturing presence in the US today. We'll continue to build on that. We have 29 manufacturing facilities, 21 distribution centers. So again, we have a significant footprint in the US as well.

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**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Thanks, Jon. As it pertains to commodity cadence, generally speaking, it's about a two-quarter impact. So you'd expect the inflation, commodity inflation in copper and other raws that we saw in Q2 to really impact us in Q4 on a cadence perspective.

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**Sam Reid**

*Analyst, Wells Fargo Securities LLC*

Q

All helpful color, guys. Thanks so much. I'll pass it on.

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**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Thank you.

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**Operator:** Your next question comes from Trevor Allison (sic) [Allinson] (00:43:13) with Wolfe Research. Please go ahead.

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**Trevor Allinson**

*Analyst, Wolfe Research LLC*

Q

Hi. Good morning. Thank you for taking my questions. And welcome to the call, Jon. Rick, I wanted to follow up on some of the comments you just made in answering that last question, specifically on your China exposure. You've made a lot of progress over the last several years reducing that exposure. How significantly do you expect to reduce it from here moving forward, as you look out over the next 12 to 18 months? And then previously the expectation was China tariff rates going to be 145%. Clearly that's come down a lot since then. Does that change the rapidity in which you are shifting your supply chain or your views on the ultimate end state?

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**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Sure. Sure, Trevor. So with regards to our sourcing footprint out of China, as we've articulated in the past, we've reduced our China exposure by 45% since 2018. And we've articulated and shared in the past that our exposure to China import tariffs is about \$450 million currently. We're not going to quantify in terms of what that end state looks like. Needless to say, we're continuing to focus on reducing the exposure to China.

In terms of the dynamics with tariffs, yes, there's been a volatile dynamic with regards to China tariffs. They increased it all the way up to 145%, which we've mentioned. They are now sitting at an incremental 30%. But keep in mind, that's on top of the initial tariffs from 2018/2019. So the all-in tariff rate for imports from China is roughly 55%. So it still makes economic sense for us to be aggressively looking at diversifying our sourcing footprint.

And just from an overall geopolitical mitigation standpoint, it seems to be the prudent thing to do. So we're going to continue to do that. But our focus is to really develop a resilient and flexible sourcing footprint, not to be overly

exposed to any particular country. And so as we're looking at our various levers, we're looking at diversifying from a country perspective overall from a sourcing standpoint.

Q – [0K7MHK-E Trevor Allinson]>: Okay. Makes a lot of sense. And then second question on working capital, 17.5%. Clearly above the 16% historically we peg you guys at. Is that purely just inflation? Or are you also holding, intentionally holding some more inventory with the expectation that perhaps you have higher costs to come in the future? Thanks.

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**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Yeah. Sure, Trevor. It's driven largely by tariffs. What I would say is both regards to material cost inflation as well as the impact on pricing. So material cost impacting the nominal value of our inventory as well as pricing impacting the nominal value of our receivables.

What I didn't mention in the opening comments, but is also a driver is the payment terms with regards to the tariff invoices. They're roughly 30 days, which is shorter than our average payment terms. And so the combination of inflation as well as on our receivables and inventory as well as payment terms on our payables are the main drivers.

We really are focused on lean inventory. We do prudently build inventory, whether it's for tariff mitigation or other activities as we continue to look at resourcing alternatives, etc. So that is a small contributing factor. But the large driver is really the tariff, the direct tariff impacts on our working capital balances.

Q – [0K7MHK-E Trevor Allinson]>: Very helpful. Thank you for all the color and good luck moving forward.

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**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Sure. Thanks, Trevor.

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**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Thanks, Trevor.

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**Operator:** Your next question comes from Susan Maklari with Goldman Sachs. Please go ahead.

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**Susan Maklari**

*Analyst, Goldman Sachs & Co. LLC*

Q

Thank you. Good morning, everyone.

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**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Morning.

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**Susan Maklari**

*Analyst, Goldman Sachs & Co. LLC*

Q

Thinking a bit about the elasticity of demand, you mentioned that you are seeing strength in Plumbing at that upper premium and the luxury price points. I guess, how are you thinking about the state of the consumer today and how that mix is impacting the business, and any thoughts on how that may come together over the upcoming quarters?

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Yeah, so, Susan, confidence was obviously lower than what we'd like to see with consumers today. And obviously, that's putting pressure on everyone's business. Like I said, the upper premium and luxury segment has held in better than some of the other segments as that consumer continues to spend, they continue to remodel. I think for us, we're going to keep playing our game, and that's about building our brands and marketing our brands. That's all of them, whether it's a luxury brand or a brand or a mid-tier brand like Delta. That's the biggest brand, plumbing brand in the US and continues to perform well.

And then innovation; consumers are still looking for innovation. They're still looking for unique benefits. So we're doubling down on that. And in fact, if you look at our vitality index, it's at a 25% rate, meaning that 25% of all of our sales are coming from products introduced in the last three years. And that's up pretty dramatically over the last several years. So we'll continue to play our game, we think for the long term. All the fundamentals are looking quite bright in terms of the housing stock, the age of the housing stock. Interest rates, we think when they start heading a bit lower will really unlock some things as well.

So I think that we will see some choppiness over the near-term here. We're going to keep playing our game and keep serving our consumers, and then be really well set up for when the market gets back to historical growth rates, whenever that might be.

**Susan Maklari**

*Analyst, Goldman Sachs & Co. LLC*

Q

Okay. That's helpful color. And turning to the cost side, aside from the tariffs, can you talk about where you are in terms of the lean initiatives and the cost saving efforts that you've been focused on in the last couple of years, and how you're thinking about where the most opportunity lies to see further improvement?

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Sure, Sue. Good morning. It's Rick. So as you've heard us talk about in the past, and you're pretty well familiar with, we really leverage our Masco Operating System that has allowed us to drive efficiencies, productivities, and ultimately cost reductions really through our enterprise. And it's been a really important driver and contributor to our margin expansion over the last couple of years, even despite a challenging environment. And we're continuing to leverage the Masco Operating System. So there's really no change in terms of our approach in terms of really continuous improvement and cost reduction.

We're seeing that really from a supply chain, logistics, manufacturing efficiencies, productivity, et cetera. And we're going to continue to do that. I think in the near term, what you'll see more of, and it did grow itself a bit in Q2 is with regards to further austerity, just given the current climate we're faced with, with regards to tariff and commodity inflation. We're taking a little bit more significant actions with regards to things such as hiring, travel, discretionary spend.

But important to note that we're really protecting investments in our key growth areas to make sure that we're really well positioned to continue to outperform the market, as well as to leverage the growth opportunities when the R&R market does return to growth here in the foreseeable future.

**Susan Maklari**

*Analyst, Goldman Sachs & Co. LLC*

Okay. Thank you, both, and good luck with the quarter.

Q

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

Great.

A

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

Thanks, Susan.

A

**Operator:** Your next question comes from Phil Ng with Jefferies. Please go ahead.

Q

Hey. Good morning. It's [ph] Maggie (00:50:37) on for Phil. I wanted to go back to some of your commentary around pricing. Obviously it's been a really dynamic backdrop with tariffs. And some of your price increases were announced when tariffs were at a much higher rate. So just how are you thinking about adjusting those increases in response to changing tariff policy and versus holding onto the initial headline increase? Are you getting more pushback as tariffs get negotiated down? And then how the future tariff policy implications may play into that pricing strategy.

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

Hi, [ph] Maggie (00:51:26). It's Jon. I guess maybe I'd start by saying, just a reminder that pricing is just one of the mitigation levers that we're pulling. And it really starts with the footprint moves that we've been taking for quite some time, really looking at costs, both within our walls as well as negotiating with suppliers to make sure that we're getting the best costs that we can. And then finally, disciplined pricing. And really that's the last lever that we pull.

A

As you mentioned, we did take some pricing earlier this year. And I can tell you, and we're not going to get into channel specifics or customer specifics, but generally we've been able to stick handle that pricing with our customers. It's a dynamic environment, as you mentioned. We'll continue to be cognizant of what's happening in the world around us. We want to make sure that we are protecting our margins, but at the same time that we're continuing to hold and grow share. And I think that's the balancing act. But at this point, I feel really good about the disciplined fashion in which we've taken pricing. I think our teams are thinking about it the right way. They've got a lot of experience over the years in doing this. And again, I think we'll continue to monitor the environment, stay agile, and continue to pull all those levers as needed as we move forward.

Q

Great. Thanks so much for the color. I'll turn it over.

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

Thank you.

A

**Operator:** Your next question comes from Mike Dahl with RBC Capital Markets. Please go ahead.

**Michael Dahl**

*Analyst, RBC Capital Markets*

Hi. Thanks for taking my questions. Maybe just one last cleanup on tariffs. When you talk about largely offsetting the \$140 million of in-year costs, is that dollar for dollar or does that include offsetting the \$140 million plus your normal margin?

Q

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

Yeah, Mike. It's Rick. So when we talk about largely offsetting, it's really on a nominal basis. So that's what we're endeavoring to do. Ultimately we do focus on margins, and we look to drive margin improvement over time. But as it pertains to our mitigation actions in 2025, in terms of currently enacted tariffs, we're talking on a dollar-for-dollar basis.

A

**Michael Dahl**

*Analyst, RBC Capital Markets*

Okay. Got it. Second question, just the comments about e-comm outperformance. Jon, I think you made a – start of the Q&A or some of your comments, I think that's been something that's kind of inconsistent across the peers. And if we look at one of your large distributors, I think the e-comm results have been under some pressure for most of the last year and a half or so. So I guess maybe just a question on what you think is driving the strength for you against what still seems to be a choppy broader backdrop there.

Q

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

Yeah, Mike. It is Jon. So again, week four, so I'm probably not as versed as I will be the next time we talk at the end of Q3. What I can tell you, like I mentioned, I spent quite a bit of time with our Delta team and they're our largest plumbing business. And I've been really, really impressed with their e-commerce capabilities, and really the talent that they've built to drive our business there. So I think over time, Delta has been a leader in e-commerce, and I think they continue to outpace the competition. So clearly, e-commerce is going to continue to grow. It continues to evolve and change as well.

A

If you think about, search for many years drove e-commerce. Now we've got AI coming in, which requires different capabilities. But staying ahead of the curve here I think is going to be really important. I think the team has done a great job to date, and with my background, I'll be spending a lot of time to make sure that we continue to evolve, we continue to lead in the e-commerce space.

**Michael Dahl**

*Analyst, RBC Capital Markets*

Okay, great. Thank you.

Q

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

Thank you.

A

**Operator:** The final question comes from Rafe Jadrosich, please go ahead, with Bank of America. Thank you.

**Rafe Jadrosich**

*Analyst, BofA Securities, Inc.*

Hi. Good morning. Thanks for taking my question.

Q

**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

Morning.

A

**Rafe Jadrosich**

*Analyst, BofA Securities, Inc.*

On the \$70 million of non-China exposure or impact from tariffs, can you just give some more color on like what the exposure there is by country? Understand that we still don't know how those tariffs are going to shake out. But if you could just give a little bit more color on what is actually included in that.

Q

**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

Morning, Rafe. It's Rick. So the only exposure dimensionality that we're really providing at this point in time is our exposure to China, the \$450 million that we've mentioned previously. We're not providing our exposure by country. Obviously it's a very dynamic environment, not only in terms of the tariff rates, but also our sourcing footprint, which is changing over time as we've talked about before as we build a more diversified and resilient sourcing footprint.

A

So the approach that we've taken is to be very transparent and clear as it pertains to the impact on tariffs. And so that's what we've done here is provide that \$70 million as part of the overall \$210 million annualized impact, with regards to the impact, with regards to not only reciprocal tariffs, but steel and aluminum. So at this point we're not going to provide incremental exposure detail. But we will continue to provide the impacts not only on this call, but going forward, if and as things change.

**Rafe Jadrosich**

*Analyst, BofA Securities, Inc.*

Okay. Understood. And then, if I look at the Plumbing organic growth, I think it's the strongest quarter you've put up since 2022. And understand there's some pull forward there, but doesn't seem like it's the majority of it. And you're expecting some slowdown off that in the second half. But what did you see in terms of what you saw in terms of sell through in the second quarter? And like what drove the improvement? Because even with the pull

Q

forward, it does seem like there has been an uptick here. Is there anything specific to call out? And then your trend versus the industry in the second quarter.

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**Richard Westenberg**

*Vice President, Chief Financial Officer & Treasurer, Masco Corp.*

A

Sure, Rafe. So, with regards – we're not going to speak to specific trends. We're very pleased with the performance of our Plumbing business, particularly here in North America. As you mentioned, or as we mentioned, we did have some pull forward effect, but the underlying business was very strong, and it was both from a volume and price perspective. And so in terms of underlying demand, we continue to monitor the situation closely. The macroeconomic environment continues to be volatile and we track it.

And as we've articulated, we do expect overall R&R, both here in North America as well as globally, to be down low-single digits. And we do expect to outperform the market. So, I think from an overall performance perspective, we're performing very strongly across all of our channels. But particularly the e-commerce and trade channels have been particularly strong for us, and we're continuing to make investments in those channels to continue to outperform the market and position ourselves for success over the middle and long term.

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**Rafe Jadrosich**

*Analyst, BofA Securities, Inc.*

Q

Great. Thank you.

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**Jonathon J. Nudi**

*President, Chief Executive Officer & Director, Masco Corp.*

A

Thanks, Rafe.

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**Operator:** That concludes the Q&A portion of today's call. I would now like to turn it back over to Robin Zondervan.

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**Robin L. Zondervan**

*Vice President, Investor Relations and FP&A, Masco Corp.*

We'd like to thank all of you for joining us this morning and for your interest in Masco. That concludes today's call. Have a wonderful day.

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**Operator:** Ladies and gentlemen, this concludes today's conference call. Thank you so much for your participation. You may now disconnect.

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