



Masco Corporation (MAS)

Updated February 12th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$76	5 Year CAGR Estimate:	11.1%	Market Cap:	\$16.4 B
Fair Value Price:	\$82	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	02/21/25
% Fair Value:	92%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date:	03/10/25
Dividend Yield:	1.6%	5 Year Price Target	\$121	Years Of Dividend Growth:	12
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Masco Corporation is a world leader in the design, manufacture, and distribution of a wide variety of home improvement and building products. The company's leading brands include Behr paint, Hotspring spas, Kichler decorative and outdoor lighting, and Delta faucets, bath, and shower fixtures. Masco also sells branded decorative and functional hardware and waterproofing products. The company has two reportable segments, including Plumbing Products and Decorative Architectural Products. Masco's customers include plumbing, heating, and hardware wholesalers as well as hardware stores, home centers, and online retailers.

On February 11th, 2025, Masco announced that it was raising its quarterly dividend 6.9% to \$0.31.

That same day, Masco announced fourth quarter and full year earnings results for the period ending December 31st, 2024. Revenue of \$1.83 billion was down 2.7% from the prior year and was \$10 million below estimates. Adjusted earnings-per-share of \$0.89 compared to \$0.83 in the prior year and was \$0.02 ahead of expectations. For the year, revenue fell 2% to \$7.8 billion while adjusted earnings-per-share of \$4.10 compared to \$3.86 in 2023.

For the quarter, revenue for the Plumbing Products segment decreased 1% to \$1.19 billion while Decorative Architectural Products declined 6% to \$639 million. By regions, North America fell 4%, but international was up 2%. Gross margin was flat at 34.7% while the operating margin increased 280 basis points to 15.9%. The company repurchased 3.3 million shares during the period at an average price of \$81.21.

Masco provided guidance for 2025 as well. The company expects adjusted earnings-per-share of \$4.20 to \$4.45 for the year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.03	\$1.46	\$1.75	\$2.36	\$2.22	\$3.06	\$1.86	\$3.66	\$3.86	\$4.10	\$4.33	\$6.36
DPS	\$0.37	\$0.39	\$0.41	\$0.44	\$0.50	\$0.55	\$0.85	\$1.12	\$1.14	\$1.16	\$1.24	\$1.82
Shares¹	341	330	318	307	288	264	251	232	226	215	215	200

Masco's earnings-per-share have a compound annual growth rate of 16.6% since 2015, but this growth rate has slowed to 7.2% when looking at the last five years. Earnings growth has been somewhat erratic over the last decade, but the company has experienced a sharp rise in its profitability over this period. Given the higher starting base for EPS and the long-term growth rate, we are comfortable projecting earnings-per-share growth of 8% annually through 2025.

The company has aggressively repurchased its own stock over the last decade, retiring 5% of its share count annually from 341 million in 2015 to the current float of 215 million. Future repurchases should aid EPS growth as well.

Masco has increased its dividend for 12 consecutive years, a strong showing given the ups and downs of the company's historical performance. Dividend growth had been robust for much of this period, with the company growing its dividend by 13.5% and 17.7% annually since 2015 and 2020, respectively. However, dividend growth has slowed

¹ In millions of shares.

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substantially in recent years. Prior to the most recent increase, Masco’s last two dividend raises had been for less than 2%.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	27.8	21.5	26	12.3	14.8	12.1	42.9	12.9	16.7	17.7	17.6	19.0
Avg. Yld.	1.3%	1.2%	0.9%	1.5%	1.0%	1.0%	1.0%	1.2%	1.7%	1.6%	1.6%	1.5%

Shares of Masco have fallen \$5, or 6.2%, since our October 29th, 2024 report. As a result, Masco trades at 17.6 times our expected earnings-per-share for 2025. This is slightly below our target P/E of 19. Valuation could add 1.6% to annual returns if the stock were to reach our target multiple by 2030.

Masco has never been a high yielding name, but the current yield is above the long-term average yield of 1.2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

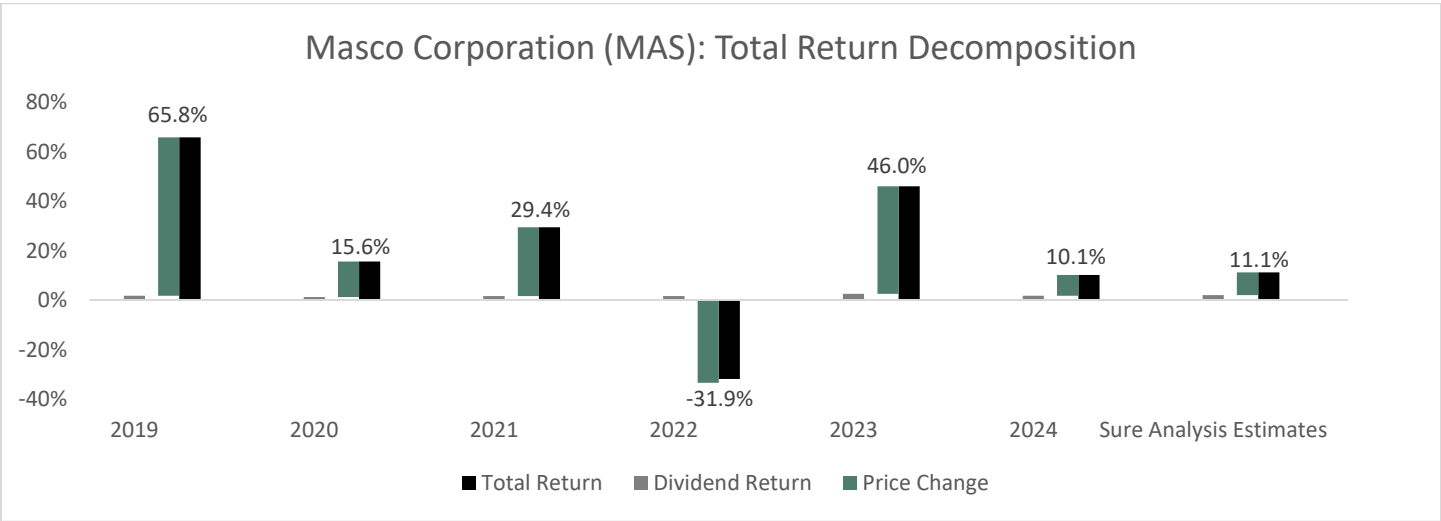
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	36%	27%	23%	19%	23%	18%	46%	31%	28%	28%	29%	29%

Masco performed poorly during the 2007 to 2009 period, with the company posting an earnings-per-share loss each year of the Great Recession. It also took the company several years to return to profitability. More recently, Masco performed much better under adverse economic conditions. The company’s earnings-per-share grew 38% in 2020 even in the face of the global pandemic, though results did fall significantly the following year. The company benefits from market leading products that consumers trust. We expect that Masco would suffer declines during the next recession, though it’s likely the weakness would not be as extreme as during the Great Recession given the turmoil of that period. Masco’s dividend can be considered safe, though the slowing growth rate is something to monitor. The company’s payout ratio provides evidence that the dividend is well covered.

Final Thoughts & Recommendation

After fourth quarter earnings results, Masco is expected to offer a total annual return of 11.1% through 2030, up from our prior estimate of 8.8%. Our projected return stems from an 8% earnings growth rate, a starting yield of 1.6%, and a small contribution from multiple expansion. Masco can be a volatile name, but the company’s long-term track record is one of growth. We have raised our five-year price target \$5 to \$121 for Masco and now rate the stock as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	7,142	7,361	6,014	6,654	6,707	7,188	8,375	8,680	7,967	7,828
Gross Profit	2,253	2,462	2,220	2,327	2,371	2,587	2,863	2,713	2,836	2,831
Gross Margin	31.5%	33.4%	36.9%	35.0%	35.4%	36.0%	34.2%	31.3%	35.6%	36.2%
SG&A Exp.	1,339	1,407	1,217	1,264	1,295	1,327	1,843	1,390	1,473	1,468
D&A Exp.	133	134	127	156	159	133	151	145	149	150
Operating Profit	914	1,055	1,003	1,063	1,076	1,260	1,020	1,323	1,363	1,363
Operating Margin	12.8%	14.3%	16.7%	16.0%	16.0%	17.5%	12.2%	15.2%	17.1%	17.4%
Net Profit	355	493	533	734	935	1,224	408	846	908	822
Net Margin	5.0%	6.7%	8.9%	11.0%	13.9%	17.0%	4.9%	9.7%	11.4%	10.5%
Free Cash Flow	652	609	578	813	671	839	802	616	1,170	907
Income Tax	293	296	245	221	230	269	210	288	278	287

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,664	5,137	5,534	5,393	5,027	5,777	5,575	5,187	5,363	5,016
Cash & Equivalents	1,468	990	1,194	552	697	1,326	926	452	634	634
Acc. Receivable	853	917	1,066	990	997	1,138	1,171	1,149	1,090	1,035
Inventories	687	712	784	798	754	876	1,216	1,236	1,022	938
Goodwill & Int.	999	986	1,028	799	768	920	956	887	980	817
Total Liabilities	5,606	5,240	5,351	5,324	5,083	5,356	5,497	5,429	5,247	5,069
Accounts Payable	749	800	824	736	697	893	1,045	877	840	789
Long-Term Debt	3,407	2,997	3,085	2,979	2,773	2,795	2,959	3,151	2,949	2,948
Total Equity	(135)	(298)	(53)	(111)	(235)	195	(179)	(480)	(126)	(280)
LTD/E Ratio	(25.24)	(10.06)	(58.21)	(26.84)	(11.80)	14.33	(16.53)	(6.56)	(23.40)	(10.53)

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.5%	9.1%	10.0%	13.4%	17.9%	22.7%	7.2%	15.7%	17.2%	15.8%
Return on Equity	59.9%		1332.5%	582.5%	14385%	670.7%	163.5%			2609%
ROIC	8.9%	15.5%	17.3%	23.2%	32.4%	41.3%	13.0%	28.5%	30.4%	27.6%
Shares Out.	341	330	318	307	288	264	251	232	226	215
Revenue/Share	20.94	22.31	18.91	21.67	23.29	27.23	33.37	37.41	35.25	35.74
FCF/Share	1.91	1.85	1.82	2.65	2.33	3.18	3.20	2.66	5.18	4.14

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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