



Masco Corporation (MAS)

Updated April 26th, 2025 by Nathan Parsh

Key Metrics

| | | | | | |
|-----------------------------|------|--|------------|----------------------------------|-----------------------|
| Current Price: | \$60 | 5 Year CAGR Estimate: | 12.0% | Market Cap: | \$12.7 B |
| Fair Value Price: | \$67 | 5 Year Growth Estimate: | 8.0% | Ex-Dividend Date: | 05/23/25 ¹ |
| % Fair Value: | 90% | 5 Year Valuation Multiple Estimate: | 2.1% | Dividend Payment Date: | 06/10/25 ² |
| Dividend Yield: | 2.1% | 5 Year Price Target | \$98 | Years Of Dividend Growth: | 12 |
| Dividend Risk Score: | B | Sector: | Industrial | 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.

On April 23rd, 2025, Masco reported first quarter earnings results for the period ending March 31st, 2025. Revenue of \$1.8 billion declined 6% from the prior year, which missed estimates by \$30 million. Adjusted earnings-per-share of \$0.87 compared to \$0.93 in the prior year, but this was \$0.04 below expectations.

For the quarter, revenue for the Plumbing Products segment fell 1% to \$1.19 billion while Decorative Architectural Products declined 16% to \$617 million. By regions, North America decreased 7% while international was flat. Gross margin improved 20 basis points to 35.8% while the operating margin was lower by 60 basis points to 15.9%. The company repurchased 1.8 million shares during the period at an average price of \$72.22.

Masco pulled its previous guidance due to tariffs and macroeconomic uncertainty. We project that the company will earn \$3.50 per share in 2025, down from prior guidance of EPS of \$4.20 to \$4.45.

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 | \$3.50 | \$5.14 |
| 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 |
| Shares³ | 341 | 330 | 318 | 307 | 288 | 264 | 251 | 232 | 226 | 215 | 213 | 200 |

Masco's earnings-per-share have a compound annual growth rate of 16.6% since 2015, but growth has not always been linear. Earnings growth has been somewhat erratic over the last decade, but the company has experienced a sharp rise in its profitability over this period. We are comfortable projecting earnings-per-share growth of 8% annually through 2030.

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 213 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 Estimate ex-dividend date.

² Estimated dividend payment date.

³ 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 | 17.1 | 19.0 |
| Avg. Yld. | 1.3% | 1.2% | 0.9% | 1.5% | 1.0% | 1.0% | 1.0% | 1.2% | 1.7% | 1.6% | 2.1% | 1.9% |

Shares of Masco have fallen \$16, or 21.1%, since our February 12th, 2025 report. As a result, Masco trades at 17.1 times our expected earnings-per-share for 2025. This is slightly below our target P/E of 19. Valuation could add 2.1% 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

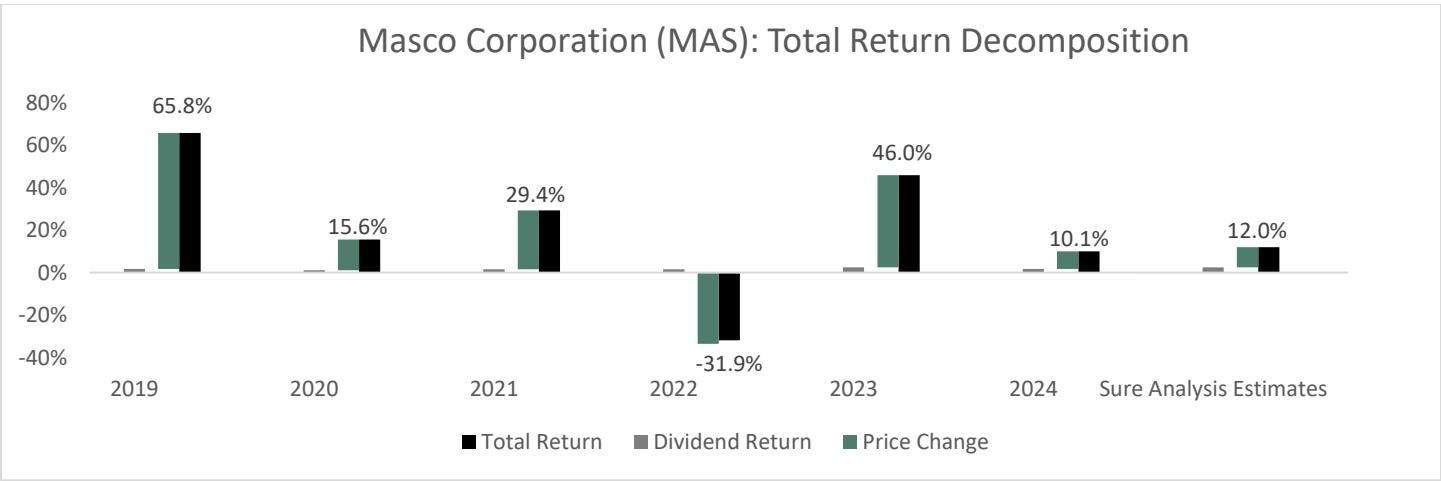
| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 36% | 27% | 23% | 19% | 23% | 18% | 46% | 31% | 28% | 28% | 35% | 35% |

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

Following first quarter earnings results, Masco is expected to offer a total annual return of 12.0% through 2030, up from our prior estimate of 11.1%. Our projected return stems from an 8% earnings growth rate, a starting yield of 2.1%, and a low single-digit contribution from multiple expansion. The ongoing trade war has projected some uncertainty into Masco’s business, which was already volatile at time. That said, the company’s long-term track record is solid. We have lowered our five-year price target \$23 to \$98 for Masco, but we continue to 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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