

# Masonite Investor Presentation

NYSE: DOOR



Fall 2015

 *Masonite*

# Safe Harbor / Non-GAAP Financial Measure



## SAFE HARBOR / FORWARD LOOKING STATEMENT

This investor presentation contains forward-looking information and other forward-looking statements within the meaning of applicable Canadian and/or U.S. securities laws, including our discussion of improvements in the housing market and related markets and the effects of our pricing and other strategies. When used in this Investor Presentation, such forward-looking statements may be identified by the use of such words as “may,” “might,” “could,” “will,” “would,” “should,” “expect,” “believes,” “outlook,” “predict,” “forecast,” “objective,” “remain,” “anticipate,” “estimate,” “potential,” “continue,” “plan,” “project,” “targeting,” or the negative of these terms or other similar terminology.

Forward-looking statements involve significant known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Masonite, or industry results, to be materially different from any future plans, goals, targets, objectives, results, performance or achievements expressed or implied by such forward-looking statements. As a result, such forward-looking statements should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to, our ability to successfully implement our business strategy; general economic, market and business conditions; levels of residential new construction, residential repair, renovation and remodeling and non-residential building construction activity; competition; our ability to manage our operations including integrating our recent acquisitions and companies or assets we acquire in the future; our ability to generate sufficient cash flows to fund our capital expenditure requirements and to meet our debt service obligations, including our obligations under our senior notes and our senior secured asset-backed credit facility; labor relations (i.e., disruptions, strikes or work stoppages), labor costs, and availability of labor; increases in the costs of raw materials or any shortage in supplies; our ability to keep pace with technological developments; the actions by, and the continued success of, certain key customers; our ability to maintain relationships with certain customers; new contractual commitments; our ability to generate the benefits of our restructuring activities; retention of key management personnel; environmental and other government regulations; limitations on operating our business as a result of covenant restrictions under our existing and future indebtedness, including our senior notes and senior secured asset-based credit facility; and other factors publicly disclosed by the company from time to time.

## NON-GAAP FINANCIAL MEASURE

Adjusted EBITDA is a measure used by management to measure operating performance. Beginning in the first quarter of 2015, we revised our calculation of Adjusted EBITDA to separately exclude loss on extinguishment of debt, which would be a component of other expense (income), net, but is separately stated due to its magnitude. The revision to this definition had no impact on our reported Adjusted EBITDA for the three months ended June 28, 2015 or the three and six months ended June 29, 2014. As revised, Adjusted EBITDA is defined as net income (loss) attributable to Masonite plus depreciation, amortization, restructuring costs, loss (gain) on sale of property, plant and equipment, asset impairment, registration and listing fees, interest expense, net, loss from extinguishment of debt, other expense (income), net, income tax expense (benefit), loss (income) from discontinued operations, net of tax, net income attributable to non-controlling interest and share based compensation expense. Adjusted EBITDA is not a measure of financial condition or profitability under GAAP, and should not be considered as an alternative to (i) net income (loss) or net income (loss) attributable to Masonite determined in accordance with GAAP or (ii) operating cash flow determined in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not include certain cash requirements such as interest payments, tax payments and debt service requirements. We believe that the inclusion of Adjusted EBITDA in this presentation is appropriate to provide additional information to investors about our operating performance. Not all companies use identical calculations, and as a result, this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. Moreover, Adjusted EBITDA as presented for financial reporting purposes herein, although similar, is not the same as similar terms in the applicable covenants in our ABL Facility or our senior notes. Adjusted EBITDA, as calculated under our ABL Facility or senior notes would also include, among other things, additional add-backs for amounts related to: cost savings projected by us in good faith to be realized as a result of actions taken or expected to be taken prior to or during the relevant period; fees and expenses in connection with certain plant closures and layoffs; and the amount of any restructuring charges, integration costs or other business optimization expenses or reserve deducted in the relevant period in computing consolidated net income, including any one-time costs incurred in connection with acquisitions. The table in the appendix sets forth a reconciliation of Adjusted EBITDA to net income (loss) attributable to Masonite for the periods indicated.





① Company / Industry Overview

② Financial Review

③ Summary / Q&A



 *Masonite*<sup>®</sup>

# Company / Industry Overview

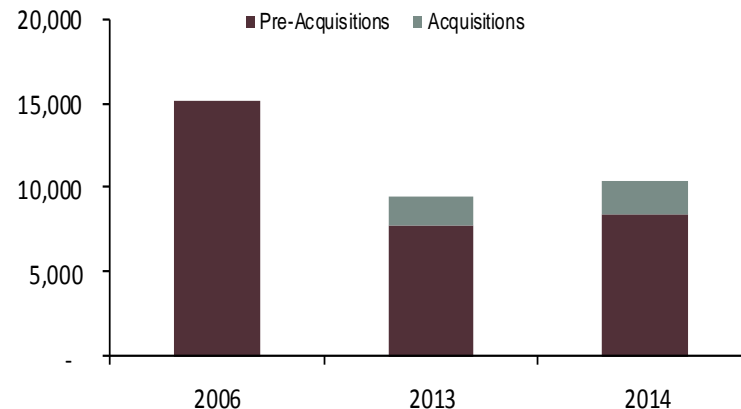
Masonite Is a Leading Building Products Company



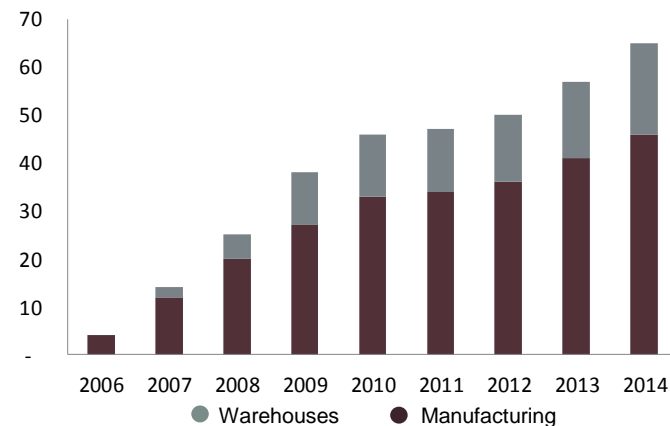
## Company Overview

- Net Sales of \$1.8 billion and approximately 33 million doors sold in 2014.
- Serves more than 7,000 customers in 80 countries.
- One of only two vertically integrated residential molded door manufacturers and the only vertically integrated commercial door manufacturer in North America.
- Established leadership positions in all targeted product categories in North America.
- Lean Sigma efforts and acquisition activity have transformed Masonite into a better positioned, more efficient operating company

## Total Headcount



## Cumulative Global Facility Closures



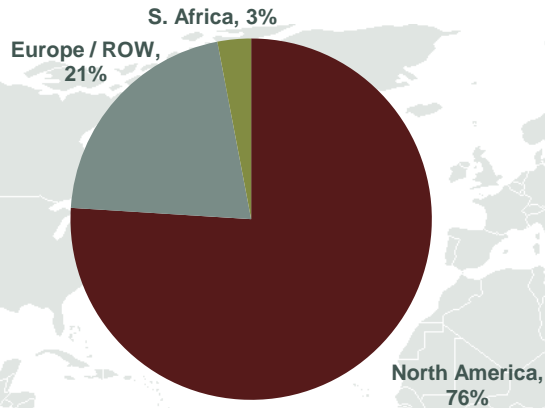
Masonite has transformed itself in recent years

# Company / Industry Overview

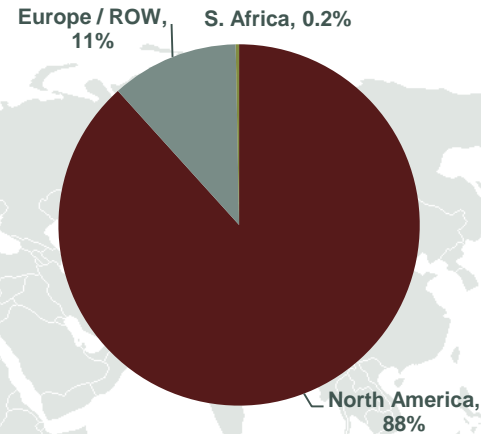
## Breakdown of the Business



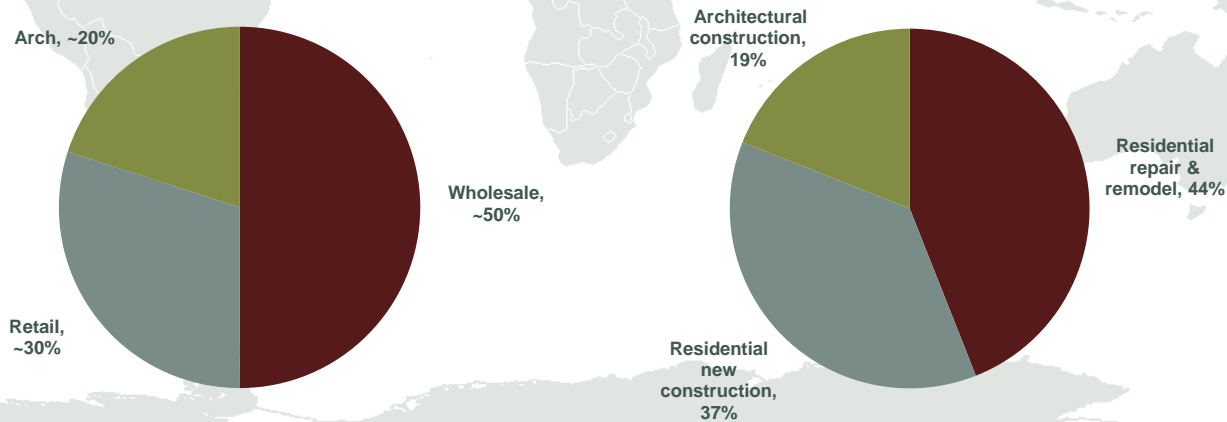
### 2014 Net Sales



### 2014 Adj. EBITDA



### 2014 North American Sales by End Market



Strong presence in the North American building products space

# Company / Industry Overview

## Significant Barriers to Entry



~\$100 - \$150 million per line<sup>^</sup>

Facing  
Plant



~\$9 - \$10 million per  
plant

Pre-Finishing  
Pre-Hanging

Full  
Product  
Line &  
Distribution

Die Plates

~\$80 million investment\*



Slab  
Assembly

~\$20 - \$25 million per plant



Each step of the production process pose unique challenges

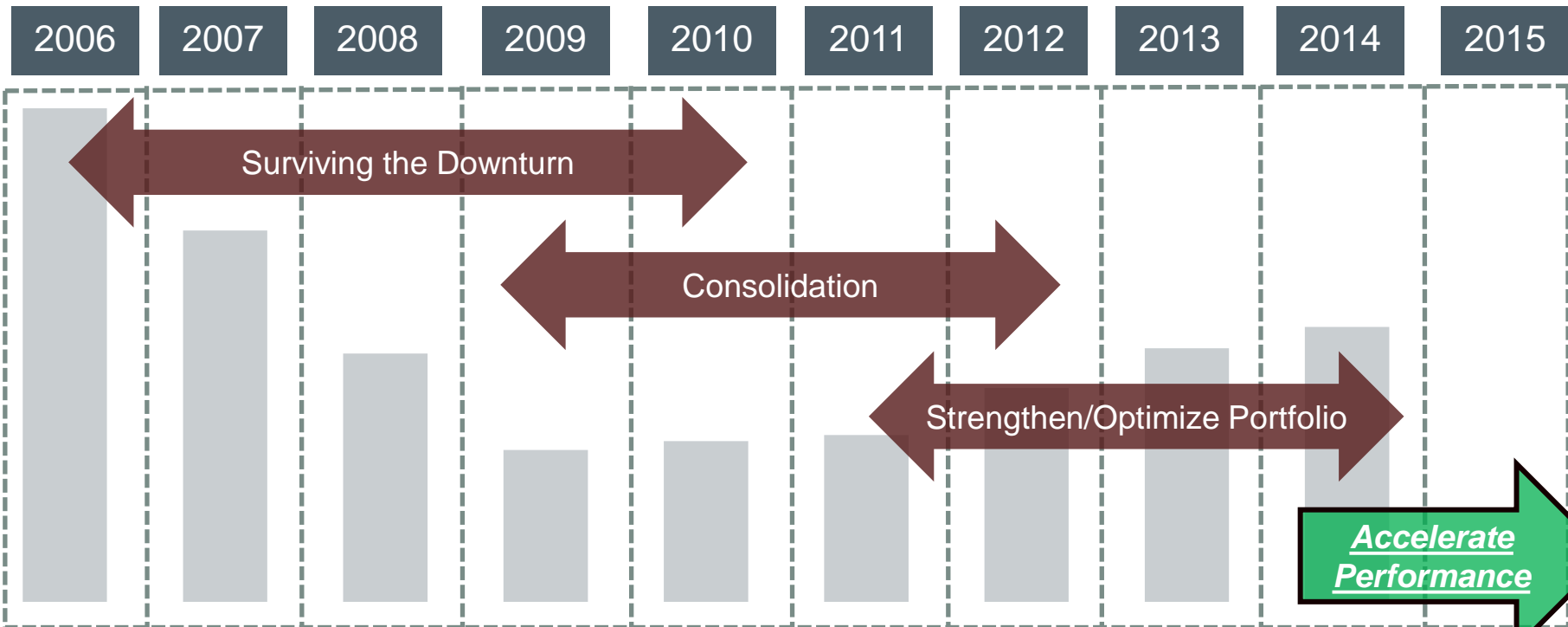
Note: \$ are approximate management estimates.

(<sup>^</sup>) – Masonite's facings facilities have an insured replacement value in excess of \$1 billion

(\*) – Masonite has >1,000 dies with approximate value of \$80 million. Includes interior and exterior molded dies.

# Company / Industry Overview

## Masonite's Strategic Phases



**2006 Blueprint: Opening the Door to Profitable Growth**

**Values:** Integrity, Customer Commitment, Innovation, Teamwork & Accountability, Continuous Improvement, Leadership

**Vision:** We are a Dedicated Team Providing the Highest Value Door Products For Our Customers Across the World

**Mission:** We will be the BEST Provider of Door Products in the Eyes of Our Customers, Employees and Competitors.

**STRATEGIC GOALS**

- BUILD** Business Engagement
- IMPROVE** Customer Satisfaction
- DRIVE** Sales Growth
- EXECUTE** Core Capabilities Strategy
- ACHIEVE** Financial Objectives
- DEVELOP** Talent Capabilities

**Masonite 2009 Blueprint: Opening the Door to Profitable Growth**

**Vision:** We are the BEST provider of Door Products in the eyes of our customers, employees and competitors.

**Mission:** To deliver products, services and design innovations that enhance quality and functionality, ensuring greater value to our customers throughout the world.

**Values:** Integrity, Customer Commitment, Innovation, Teamwork & Accountability, Continuous Improvement, Leadership & Respect

**STRATEGIC GOALS**

- BUILD** Customer & Dealer Relationships
- CREATE** Customer Solutions
- DRIVE** Operational Performance & Efficiency

**2011 Masonite Blueprint**

**Opening the door to profitable growth**

**Values:** Integrity, Customer Commitment, Innovation, Teamwork & Accountability, Continuous Improvement, Leadership & Respect

**Vision:** To deliver products, services and design innovations that enhance quality and functionality, ensuring greater value to our customers throughout the world.

**Mission:** To deliver products, services and design innovations that enhance quality and functionality, ensuring greater value to our customers throughout the world.

**STRATEGIC GOALS:** DEVELOP, DELIGHT, DRIVE, DELIVER

**2013 Masonite Blueprint**

**Opening the door to profitable growth**

**Values:** Integrity, Customer Commitment, Innovation, Teamwork & Accountability, Continuous Improvement, Leadership & Respect

**Vision:** To deliver products, services and design innovations that enhance quality and functionality, ensuring greater value to our customers throughout the world.

**Mission:** To deliver products, services and design innovations that enhance quality and functionality, ensuring greater value to our customers throughout the world.

**STRATEGIC GOALS:** EXCEED, EXCEL, ENHANCE

**2015 MASONITE BLUEPRINT**

**OUR VISION**

**OUR CUSTOMER COMMITMENT**

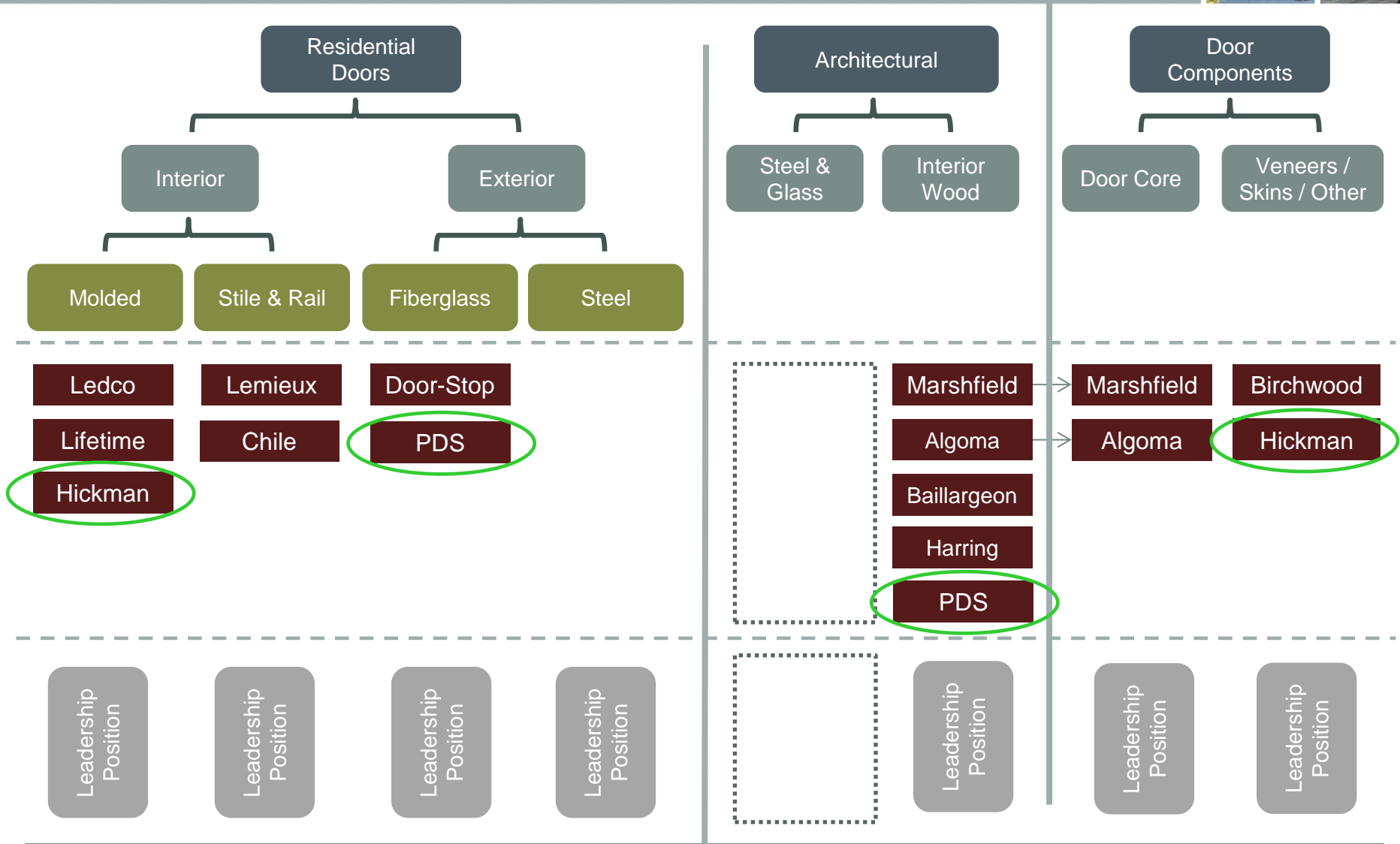
**VALUES**

**STRATEGIC GOALS:** DRIVE, DELIGHT, DRIVE, DELIVER

Maintain focus on core capabilities & operational excellence through all strategic phases

# Company / Industry Overview

Masonite Has Created Leadership Positions in Targeted Product Categories



2010-2015 acquisitions.
  Limited Masonite presence.
  Defined as #1 or #2 (based on internal estimates).
  2015 UK acquisitions

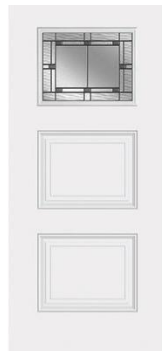


# Company / Industry Overview

Five Focus Areas Designed To Accelerate Growth



- Product Line Leadership
- Electronic Enablement
- Sales and Marketing Excellence
- Automation
- Portfolio Optimization



Goal: Grow share & expand margins beyond macroeconomic recovery



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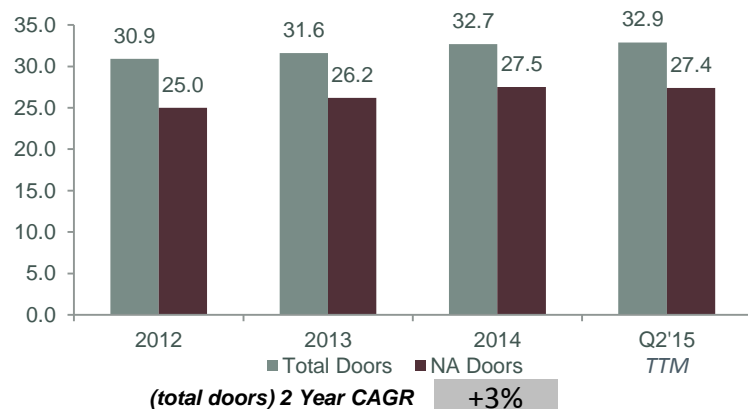
# Financial Review

## Consolidated Financial Information

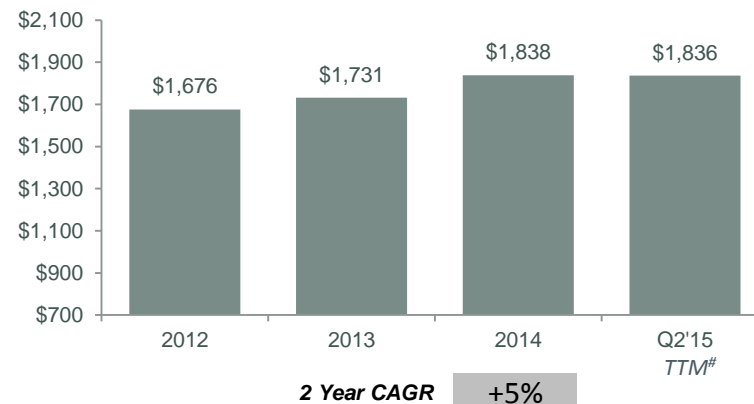


Numbers in millions

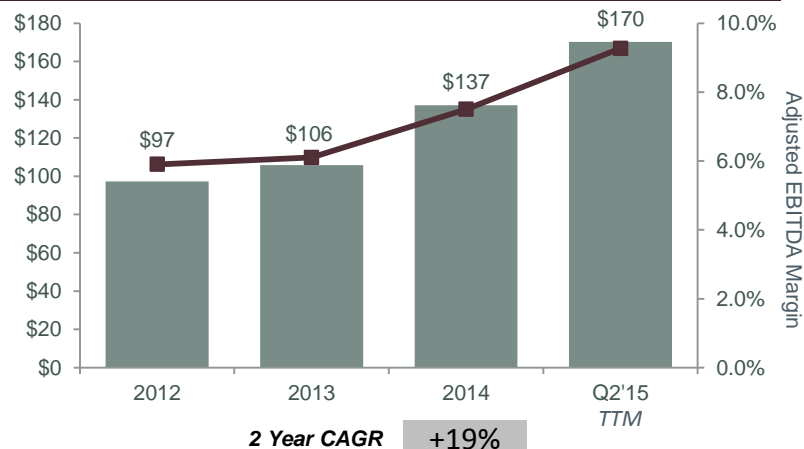
### Door Volume<sup>^</sup>



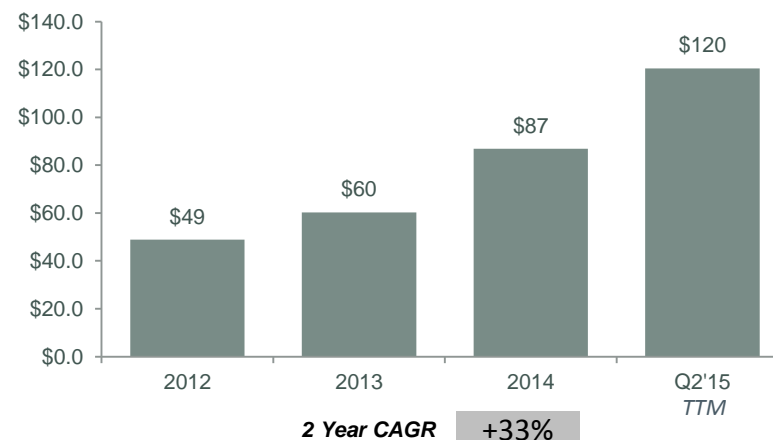
### Net Sales



### Adjusted EBITDA<sup>\*</sup>



### Free Cash Flow<sup>^^</sup>



Improving margins from higher pricing and increased volume

(<sup>^</sup>) – Excludes S. Africa

(<sup>\*</sup>) – See appendix for non-GAAP reconciliations.

(<sup>^^</sup>) – Defined as Adjusted EBITDA less Capex. Capex was \$48, \$46 and \$50 million in 2012, 2013 and 2014, respectively. Q2'15 TTM Capex was \$48 million.

(<sup>#</sup>) Q2'15 TTM net sales negatively impacted by \$61.2mm of foreign exchange headwinds

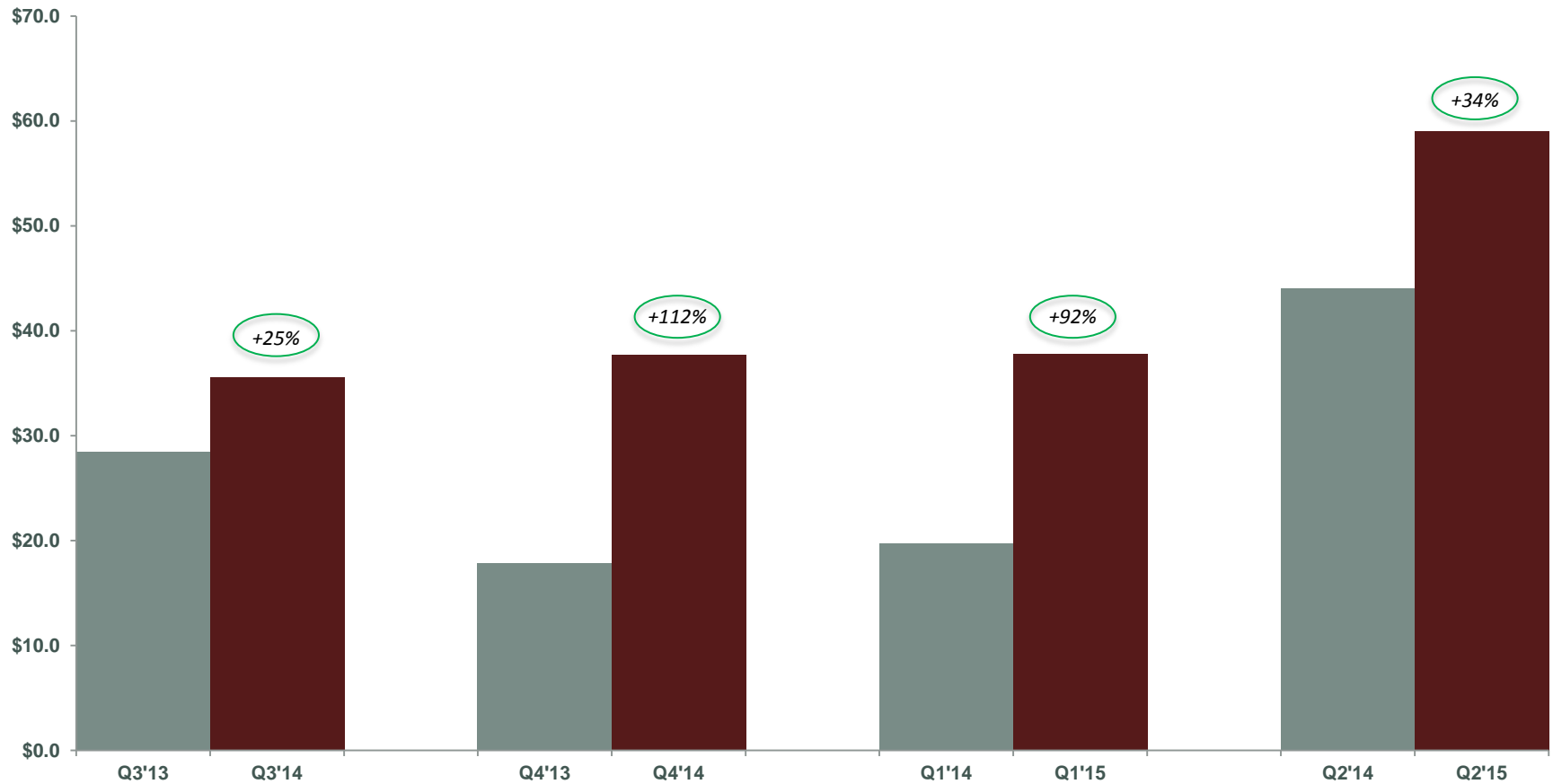
# Financial Review

## Adjusted EBITDA by Quarter



### Adjusted EBITDA Growth by Quarter Shows Strong TTM Adj. EBITDA Improvement

(in millions)



Q2'15 trailing twelve month Adjusted EBITDA increased 55% to \$170 million over Q2'14

(\*) – See appendix for non-GAAP reconciliations.



# Financial Review

## Strong Balance Sheet

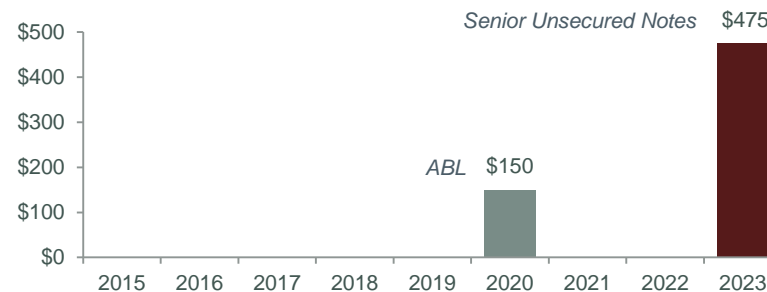


### Liquidity at June 28, 2015 (millions of USD)

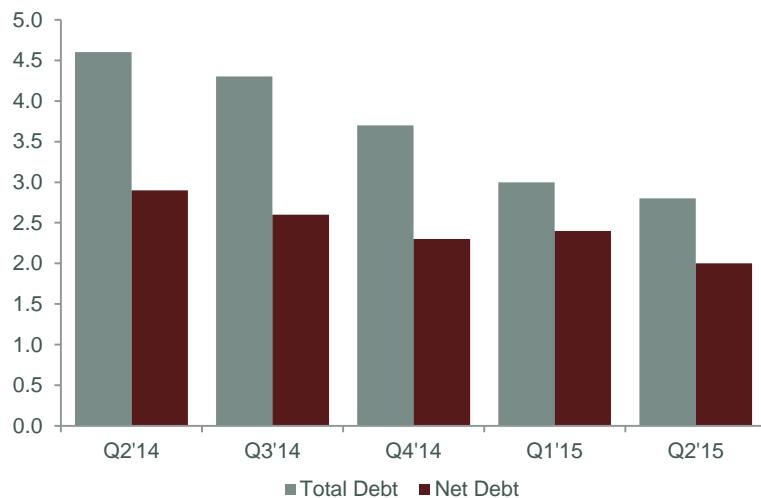
<b>Unrestricted Cash</b>	<b>\$136.3</b>
Total Available Liquidity	\$278.3
<b>TTM Adj. EBITDA<sup>^</sup></b>	<b>\$170.2</b>
TTM Interest Expense	\$39.5
Total Debt	\$468.2
Net Debt	\$331.9

### Debt Maturities

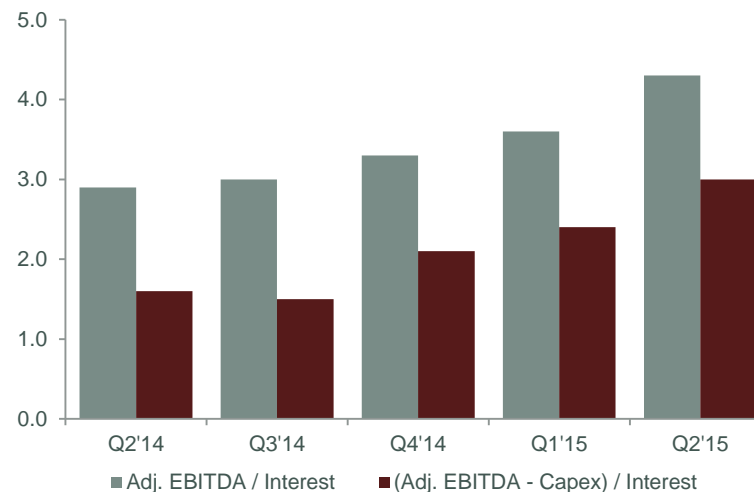
(\$ in millions)



### Leverage Ratios



### Coverage Ratios



Strong company performance & successful acquisitions have improved financial ratios

(<sup>^</sup>) – See appendix for non-GAAP reconciliations.



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# Summary

## Masonite's Balanced Growth Strategy Is Working



### Business Highlights

- **Higher North American Average Unit Price**
  - ✓ Nine consecutive quarters of AUP growth
- **Portfolio Optimization**
  - ✓ 15 acquisitions since 2010
  - ✓ Seven dispositions/market exits since 2010
  - ✓ Q3'2015 – disposed of France business and acquired two UK companies
- **Strong Financial Results**
  - ✓ Q2'15 TTM Adj. EBITDA increased 55% to \$170MM
  - ✓ Q2'15 TTM Adj. EBTIDA margin increased 310 bps
  - ✓ Increased free cash flow 33% annually from 2012 - 2014

### Balanced Growth Strategy is Working

- **Fundamentals Continue to Improve**
  - ✓ Housing market remains strong
  - ✓ Higher average unit prices improves product mix
- **Investing in Five Key Focus Areas**
  - ✓ Product Line Leadership
  - ✓ Sales & Marketing Excellence
  - ✓ Electronic Enablement
  - ✓ Automation
  - ✓ Portfolio Optimization
- **Expect Another Strong Year in 2015**
  - ✓ Adj. EBITDA growth expected to increase 30-35% versus 2014
  - ✓ Balancing growth and investment





## Questions & Answers







## Appendix



# Reconciliation of adjusted EBITDA to net income (loss) attributable to Masonite



	Three Months Ended		Six Months Ended		Twelve Months Ended				
	June 28, 2015	June 29, 2014	June 28, 2015	June 29, 2014	June 28, 2015	March 29, 2015	December 28, 2014	September 28, 2014	June 29, 2014
(In thousands)									
Adjusted EBITDA	\$ 59,057	\$ 44,050	\$ 96,845	\$ 63,768	\$ 170,164	\$ 155,157	\$ 137,087	\$ 117,172	\$ 110,007
Less (plus):									
Depreciation	14,410	14,536	29,716	29,982	60,356	60,482	60,622	60,222	59,885
Amortization	4,975	5,593	9,986	11,284	20,424	21,042	21,722	20,348	19,736
Share based compensation expense	3,106	2,797	5,485	5,080	10,010	9,701	9,605	9,335	8,921
Loss (gain) on disposal of property, plant and equipment	350	1,036	294	2,123	1,987	2,673	3,816	2,394	(614)
Registration and listing fees	—	—	—	—	—	—	—	423	2,421
Restructuring costs	988	560	3,344	1,281	13,200	12,772	11,137	17,357	8,709
Asset impairment	—	—	—	—	18,202	18,202	18,202	—	—
Interest expense (income), net	6,787	10,594	18,540	20,587	39,478	43,285	41,525	39,476	37,359
Loss on extinguishment of debt	—	—	28,046	—	28,046	28,046	—	—	—
Other expense (income), net	(635)	1,306	(1,819)	1,487	(3,893)	(1,952)	(587)	4,175	4,324
Income tax expense (benefit)	15,013	1,379	18,277	1,398	21,412	7,778	4,533	(10,259)	(18,535)
Loss (income) from discontinued operations, net of tax	240	170	469	312	787	717	630	838	776
Net income (loss) attributable to non-controlling interest	381	499	2,117	1,240	4,099	4,217	3,222	1,425	2,005
Net income (loss) attributable to Masonite	\$ 13,442	\$ 5,580	\$ (17,610)	\$ (11,006)	\$ (43,944)	\$ (51,806)	\$ (37,340)	\$ (28,562)	\$ (14,980)

	Three Months Ended																	
	June 28, 2015	March 29, 2015	December 28, 2014	September 28, 2014	June 29, 2014	March 30, 2014	December 29, 2013	September 29, 2013	June 30, 2013	March 31, 2013	December 30, 2012	September 30, 2012	July 1, 2012	April 1, 2012	January 1, 2012	October 2, 2011	July 3, 2011	April 3, 2011
(In thousands)																		
Adjusted EBITDA	\$ 59,057	\$ 37,788	\$ 37,722	\$ 35,597	\$ 44,050	\$ 19,718	\$ 17,807	\$ 28,432	\$ 33,461	\$ 26,177	\$ 25,617	\$ 24,985	\$ 26,940	\$ 19,719	\$ 22,281	\$ 20,682	\$ 20,455	\$ 18,576
Less (plus):																		
Depreciation	14,410	15,306	14,798	15,842	14,536	15,446	14,398	15,505	15,651	16,526	15,862	15,859	15,686	15,941	14,958	16,015	15,048	14,763
Amortization	4,975	5,011	5,549	4,889	5,593	5,691	4,175	4,277	4,336	4,270	4,006	4,356	3,559	3,155	3,000	2,931	2,383	2,255
Share based compensation expense	3,106	2,379	2,270	2,255	2,797	2,283	2,000	1,841	2,081	1,830	1,912	1,786	1,264	1,555	1,255	1,373	1,304	1,956
Loss (gain) on disposal of property, plant and equipment	350	(56)	1,457	236	1,036	1,087	35	(2,772)	852	110	2,041	200	399	84	1,174	1,230	1,196	54
Registration and listing fees	—	—	—	—	—	—	423	1,998	—	—	—	—	—	—	—	—	—	—
Restructuring costs	988	2,356	(57)	9,913	560	721	6,163	1,265	1,762	1,440	6,380	3,829	681	541	806	2,451	413	1,446
Asset impairment	—	—	18,202	—	—	—	—	—	1,904	—	1,350	—	—	—	—	—	1,770	746
Interest expense (income), net	6,787	11,753	10,491	10,447	10,594	9,993	8,442	8,330	8,208	8,250	8,381	7,969	8,451	6,653	6,091	6,367	5,467	143
Loss on extinguishment of debt	—	28,046	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other expense (income), net	(635)	(1,184)	(1,670)	(404)	1,306	181	3,092	(255)	(363)	(158)	(669)	80	1,259	(142)	280	914	114	(197)
Income tax expense (benefit)	15,013	3,264	1,131	2,004	1,379	19	(13,661)	(6,272)	(408)	(1,036)	(7,027)	(141)	(1,181)	(5,016)	(4,805)	(7,768)	(6,094)	(2,893)
Loss (income) from discontinued operations, net of tax	240	229	194	124	170	142	402	62	44	90	40	50	26	(1,596)	55	91	27	130
Net income (loss) attributable to non-controlling interest	381	1,736	1,724	258	499	741	(73)	838	605	680	792	913	685	533	245	789	335	710
Net income (loss) attributable to Masonite	\$ 13,442	\$ (31,052)	\$ (16,367)	\$ (9,967)	\$ 5,580	\$ (16,586)	\$ (7,589)	\$ 3,615	\$ (1,211)	\$ (5,825)	\$ (7,451)	\$ (9,916)	\$ (3,889)	\$ (1,989)	\$ (778)	\$ (3,711)	\$ (1,508)	\$ (537)

