

# MASCO

## Masco Corporation (NYSE: MAS)

Caitlin Bianco & Anna Jang

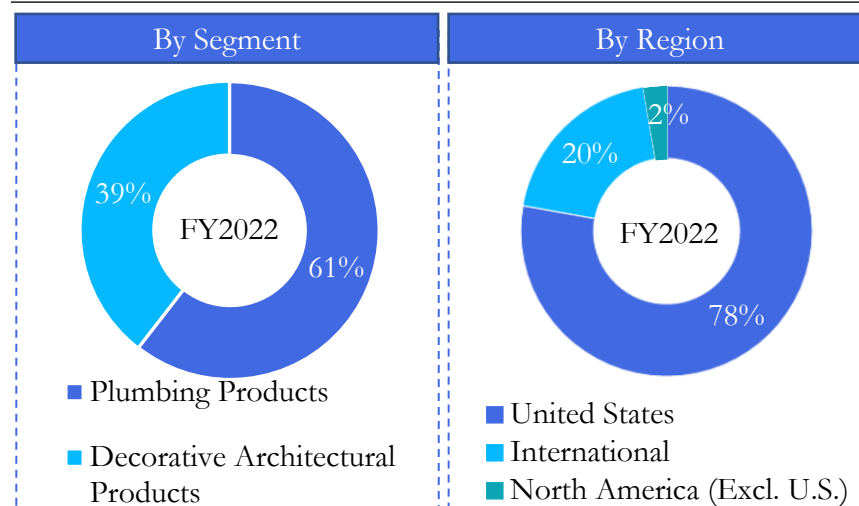
# Masco Corporation Overview

Masco Corporation is a global leader of design, manufacture, and distribution of branded home improvement and building products

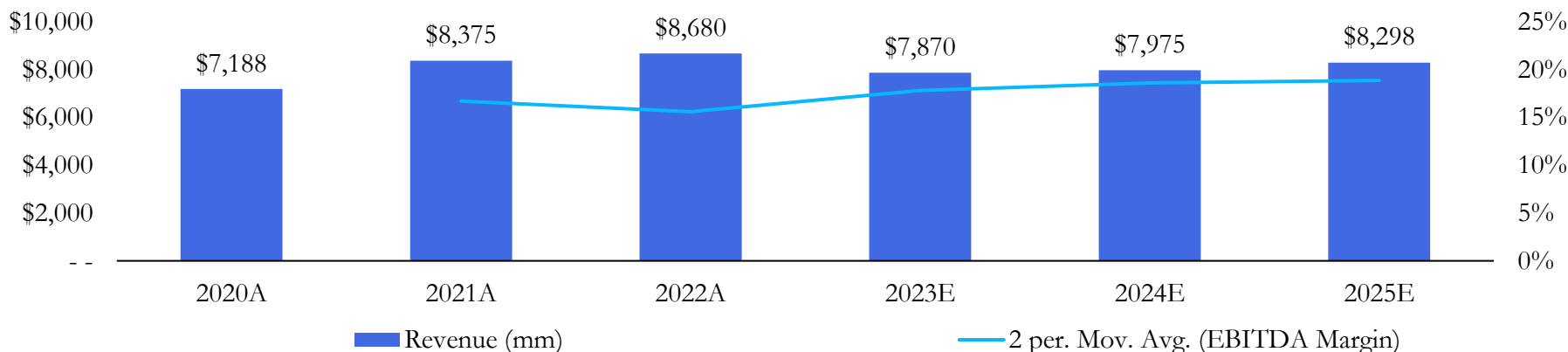
## Company Details

About	Masco is a designer, manufacturer, and distributor of home improvement products and building products
Segments	Masco has a plumbing segment and decorative architectural products segment
Customers	Markets in North America, Europe, and Asia, with primary customers including large retailers such as Home Depot

## Sales Breakdown



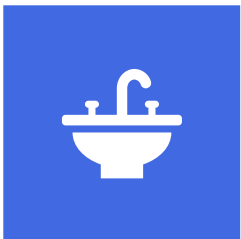
## Revenue & EBITDA Margin (mm)



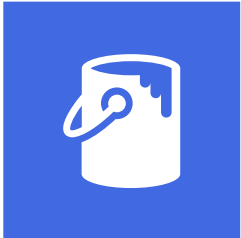
# Segment Breakdown

Masco receives the majority of its revenue from its two main segments: Plumbing Products and Decorative Architectural Products; The segments are complimentary in nature, further increasing the revenue brought into both channels

## Segment Overview



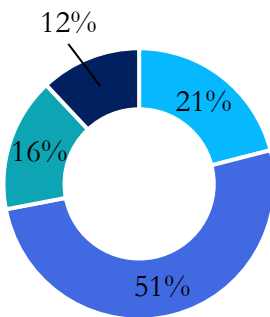
**Plumbing Products:**  
Includes faucets, showerheads, and hand-held showers, bath hardware and accessories, shower bases and accessories, steam shower systems, water handling systems, sinks, toilets, spas, exercise pools and fitness systems



**Decorative Architectural Products:**  
Includes paints, primers, specialty coatings, stains and waterproofing products, as well as paint applicators and accessories (~80% of segment); Lighting, cabinet and door hardware, and functional hardware

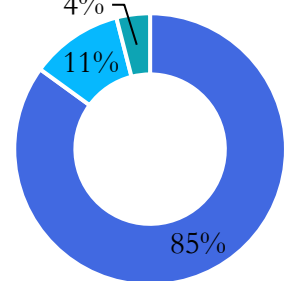
## Channel Mix (Based on 2022 Revenue)

Plumbing Products



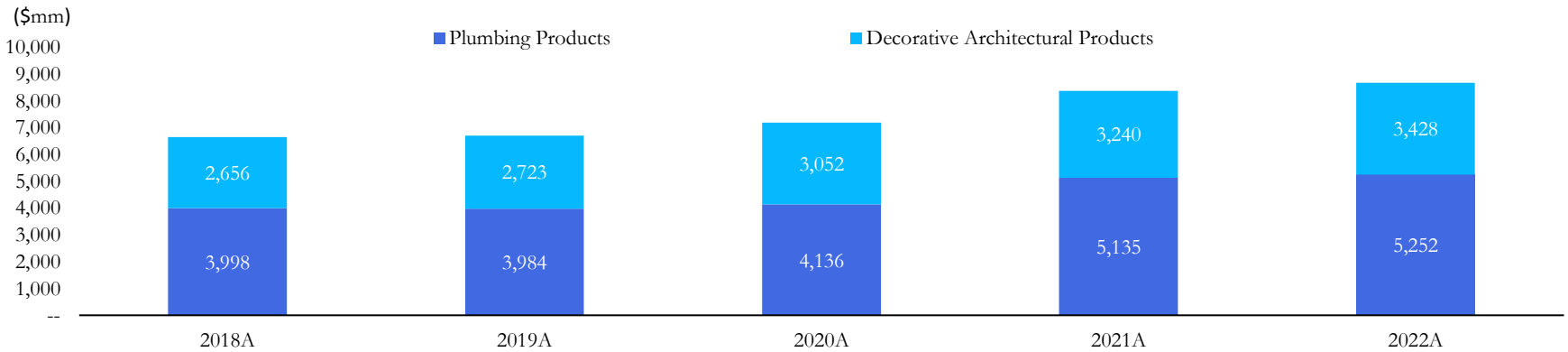
- Retail
- Wholesale/trade
- E-commerce
- Specialty dealers/others

Decorative Architectural Products



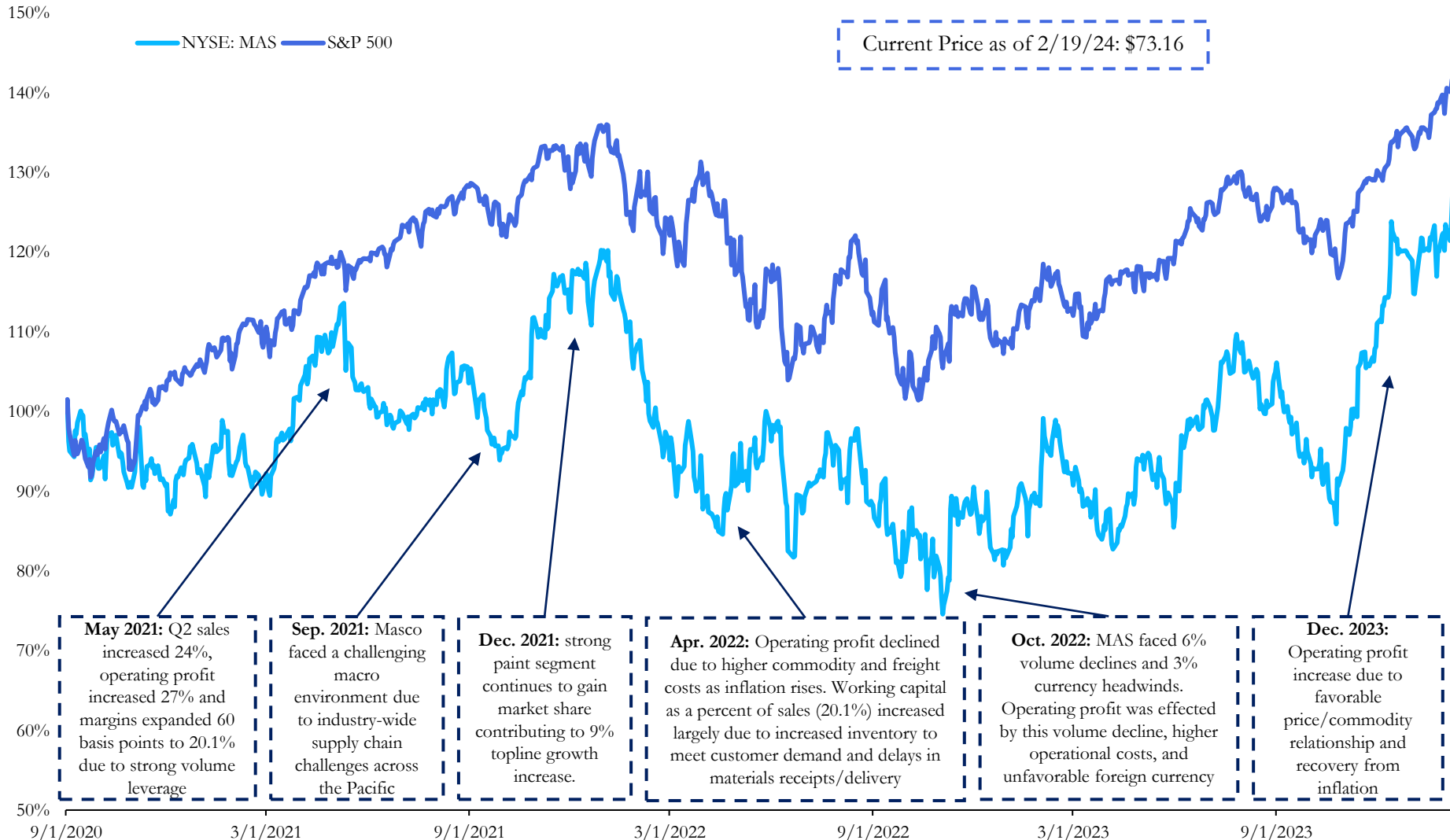
- Retail
- Wholesale Trade
- E-Commerce

## Revenue by Segment

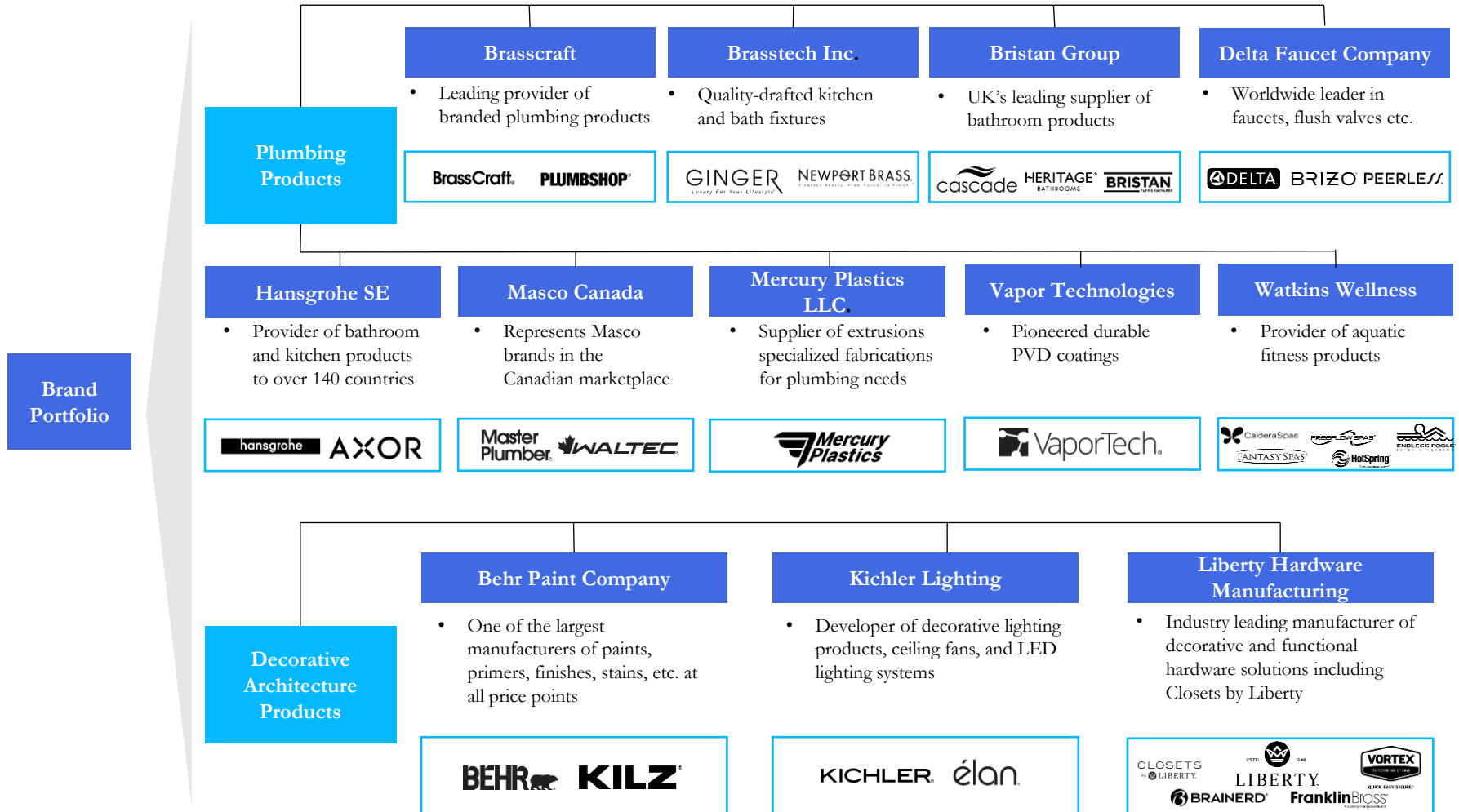


# Annotated Stock Chart

Masco is recovering from industry wide supply chain challenges, inflation, and increased operational costs



Masco's brand portfolio is impressively diversified with leading brands in paint and plumbing



1

Focused product segmentation shifted towards low ticket repair and remodel market proving resilient to any housing cycle activity

2

Reliable capital allocation strategy that allows for consistent value creation through bolt-on acquisitions and share buybacks

3

Strong competitive advantage offered through partnership with The Home Depot, providing consistency and stability in DIY paint relative to the industry

**BUY**

**Price Target: \$87.23**

**Upside: 20.2%**

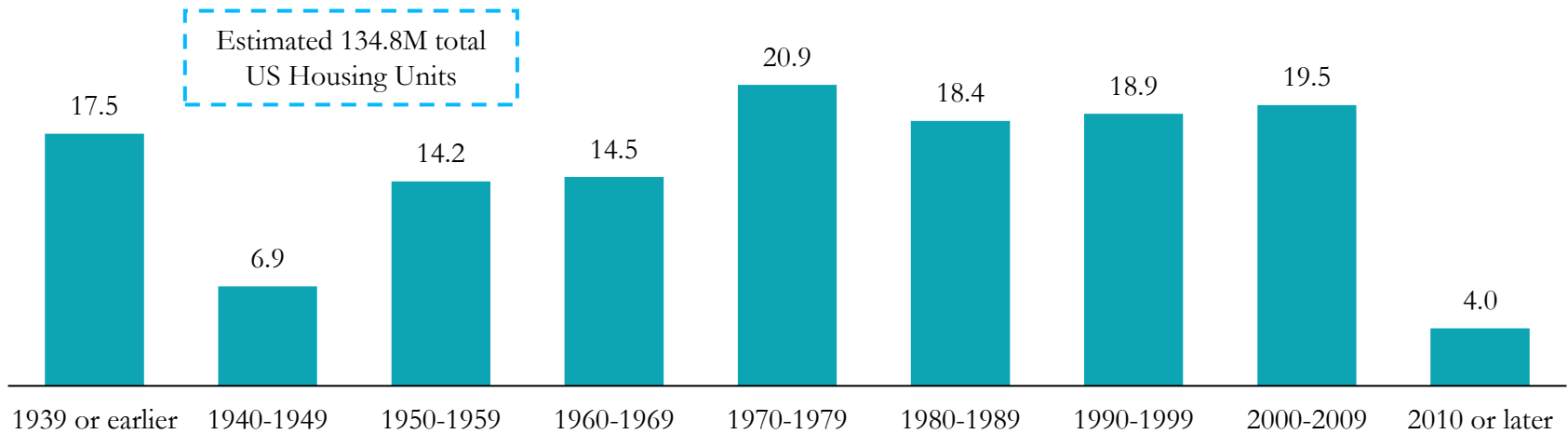
1

Focused product segmentation shifted towards low ticket repair and remodel market proving resilient to any housing cycle activity

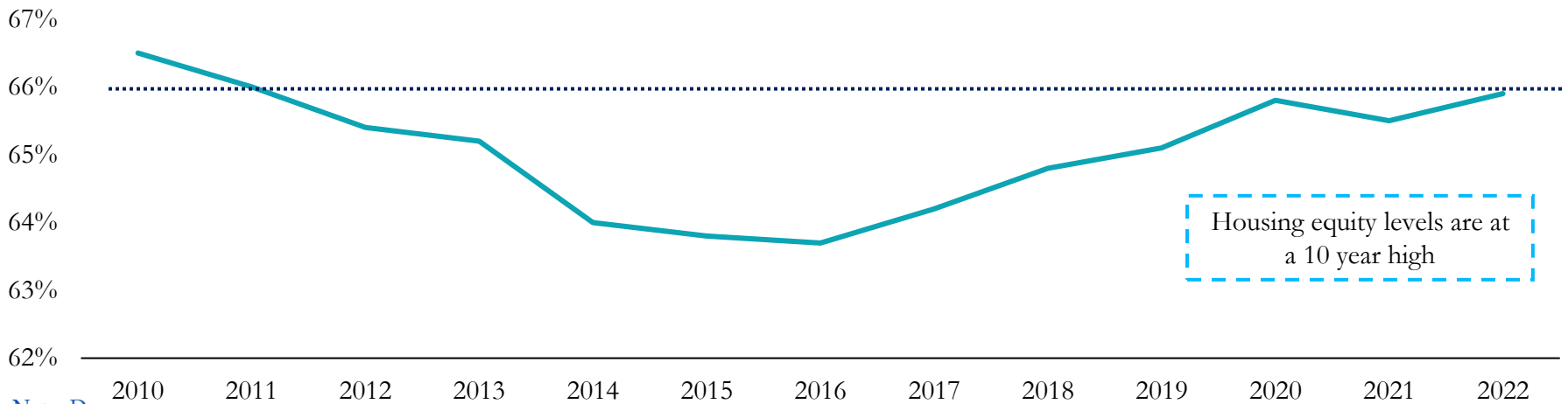
# Living in the Stone Age

Both the aging US housing stock and the increasing housing equity levels in the US will contribute to an increased desire to repair & remodel

## Number of Housing Units by Decade Built (mm)



## Homeownership Rate in the United States

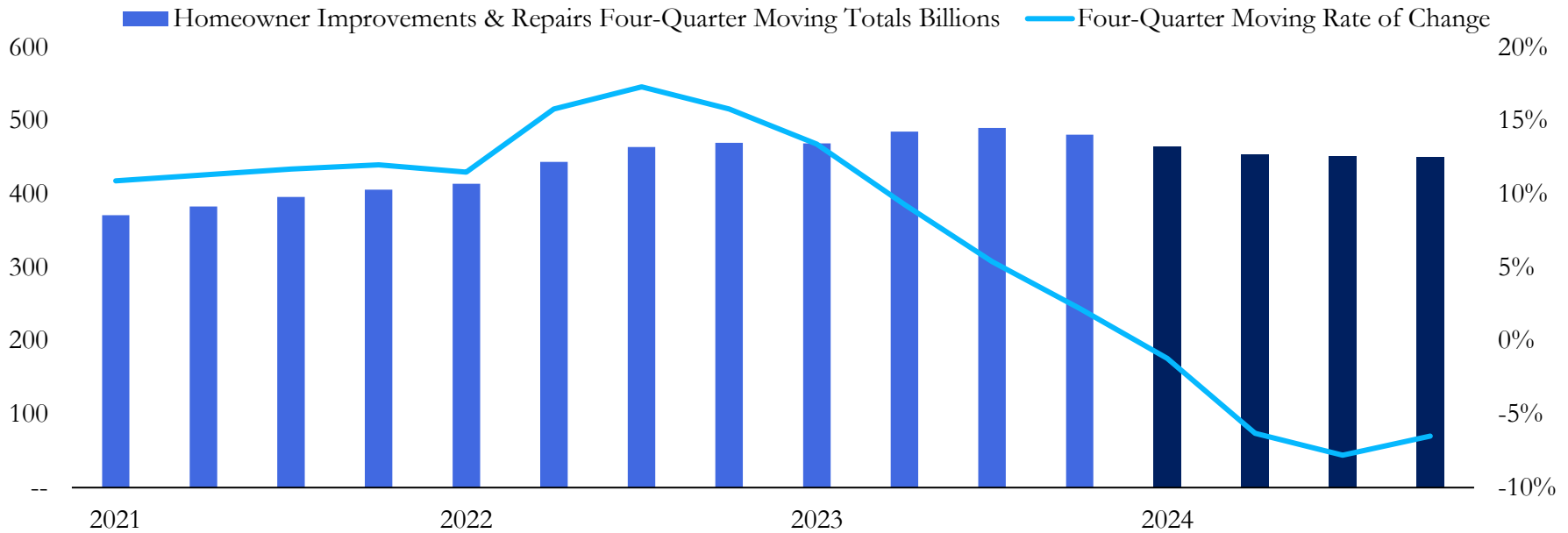




# A “Flattish” Year for Repair & Remodel

The market doesn't believe in a rebound in R&R, but it is clear that it will soon realize thus making now the time to buy Masco

## Leading Indicator of Remodeling Activity (LIRA)



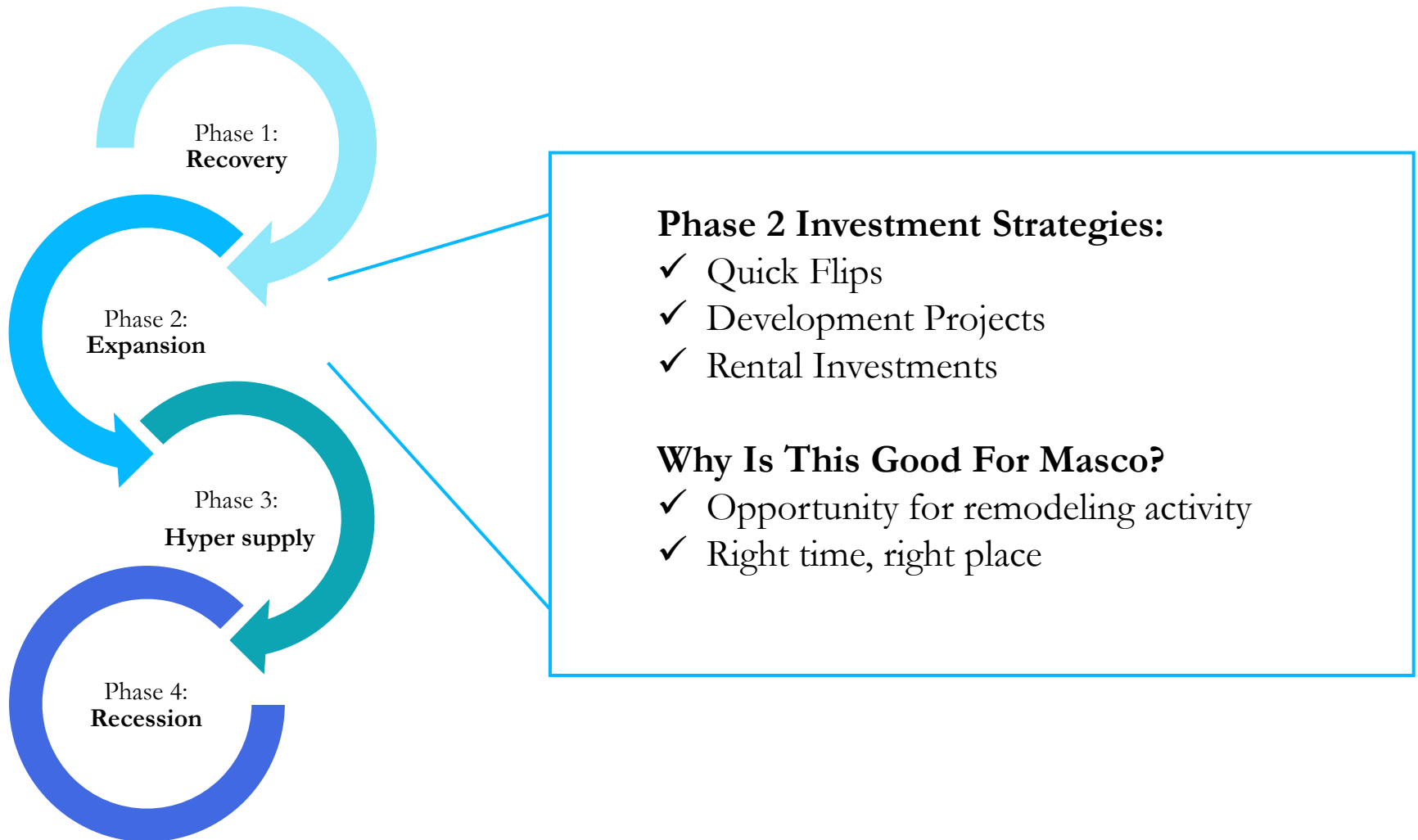
LIRA compares the short-term outlook of home improvement and repair spending to the owner-occupied homes



‘Lock-in Effect’ of low rates depress existing home sales, but increased discretionary projects will fuel remodeling activity

# Value Creation at Any Stage of Housing Cycle

As the housing cycle moves past its lowest point, Masco can capitalize on Expansion phase investment strategies that poise low-ticket projects for opportunistic growth








# Finding A New Niche

Company leaders massively changed Masco's portfolios and offerings through divesting their cabinetry segment and strengthening their plumbing segment with multiple acquisitions

## Major Changes

Divestitures		
2015	2019	2020
Spin-off of TopBuild, now called TruTeam	Milgard Windows and Doors business divested for appx. \$725M	Cabinetry manufacturer divested for appx. \$989M

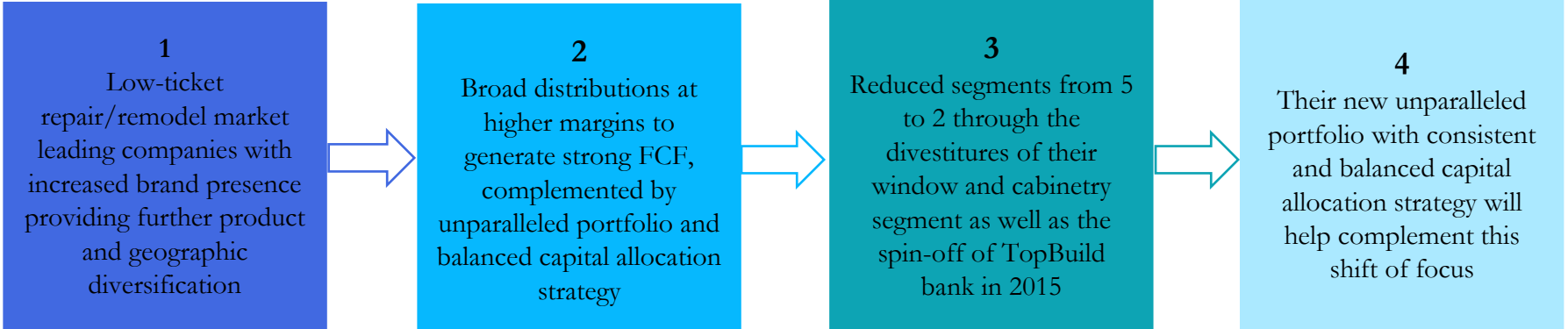
Acquisitions				
				

## Masco's Transformation

## Results

Reduced Cyclicity	Reduced exposure to new home construction and approximately 90% of revenue
Margin Expansion	Portfolio reshaping activity has lead to 650bps of margin expansion
Increased Cash Flows	Their strong cash flow generations from divestitures were used for buybacks of outstanding shares and paying down over \$650M of debt

Complete overhaul of Masco's offerings intended to simplify and focus business portfolio



2

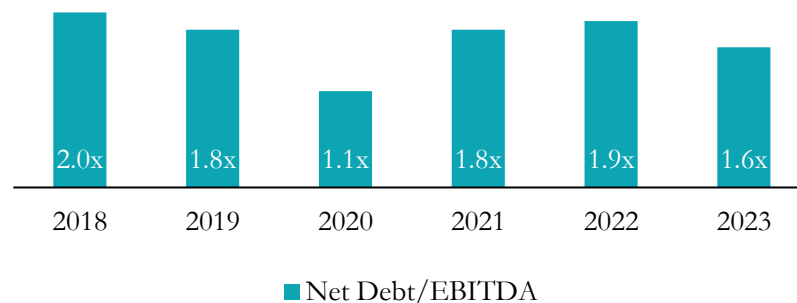
Reliable capital allocation strategy that allows for consistent value creation through bolt-on acquisitions and share buybacks

Masco's focus to continue maintain its investment grade credit rating and consistent ROIC returns prove they are savvy capital allocators

## Driving Shareholder Value

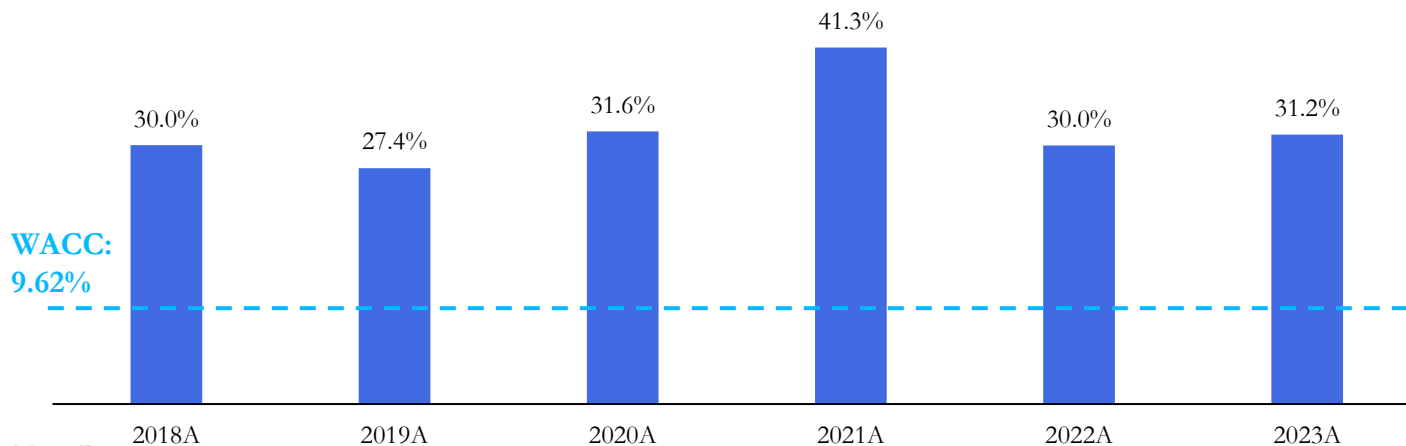
- 1 **Maintain relevant dividend:**
  - Current annual dividend of \$1.14 per share
  - Target dividend payout ratio of appx. 30%
- 2 **Continued use of free cash for share repurchase and acquisitions:**
  - In 2023, Masco \$610M to shareholders in form of dividends and share repurchases
- 3 **Reinvest:**
  - Value creation through select bolt-on acquisitions in plumbing and paint segments

## Maintain Credit Rating



Target gross debt/EBITDA multiple is less than 2.5x in order to help maintain their BBB credit rating

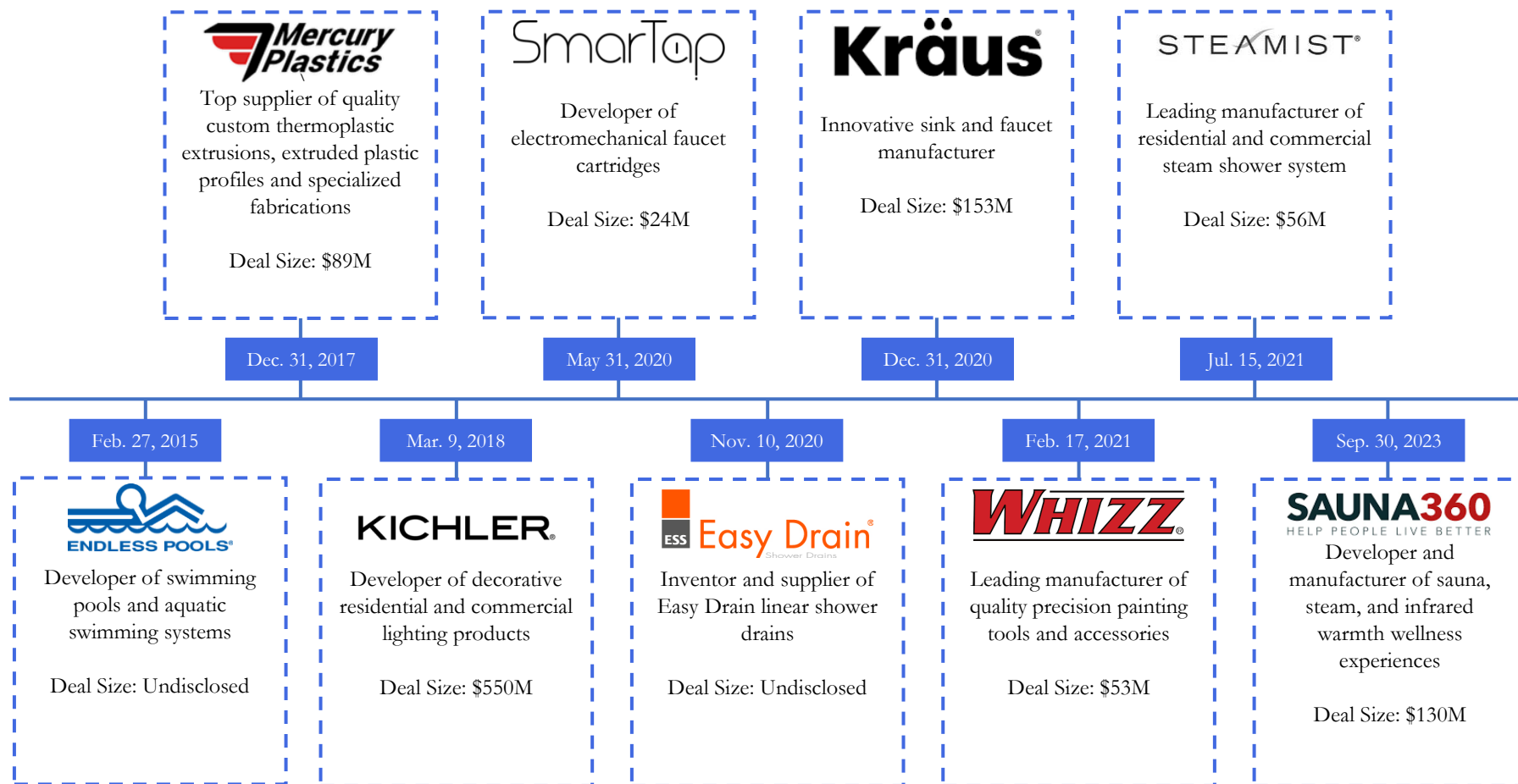
## Masco ROIC



ROIC consistently higher than model output WACC of 9.62% proving all Masco project initiatives bring high returns

# M&A Timeline

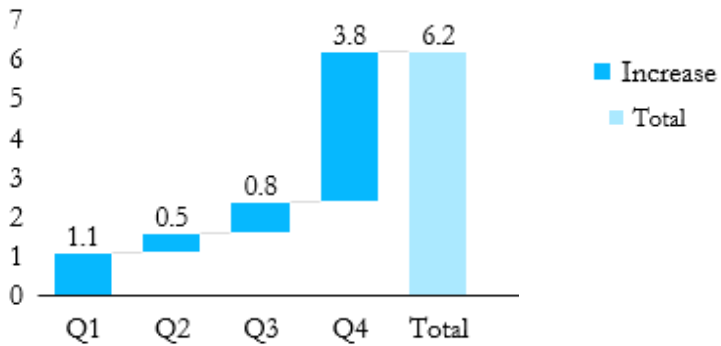
Masco has successfully driven inorganic growth through completely numerous acquisitions of plumbing and paint designers over the years



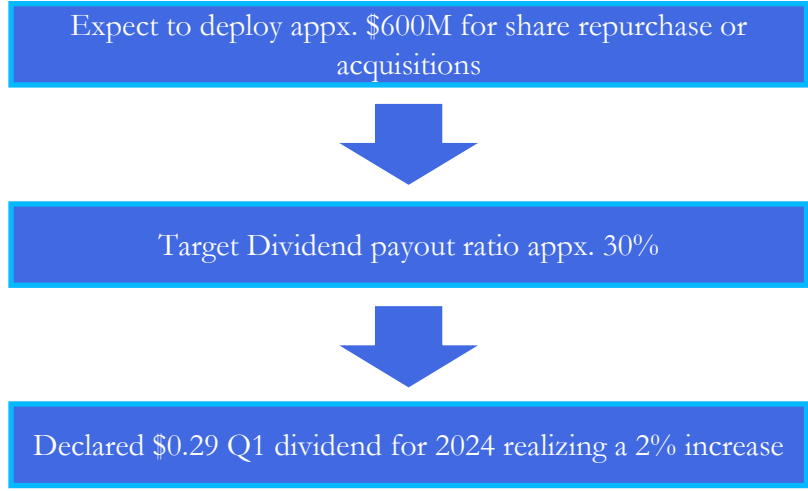
# Share Repurchases Program

Masco plans to continue to monitor the market for acquisition opportunities and share buybacks in order to continue to keep increasing their dividend to shareholders

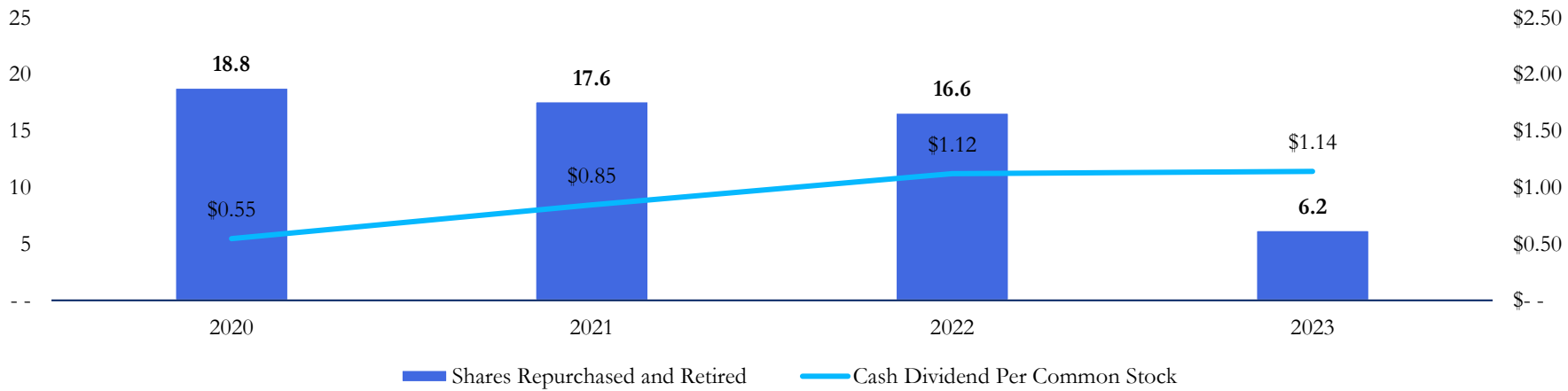
## 2023 Share Repurchases (\$M)



## 2023 Share Repurchases



## Dividend Growth





3

Strong competitive advantage offered through partnership with The Home Depot, providing consistency and stability relative to the industry



# Masco Comps

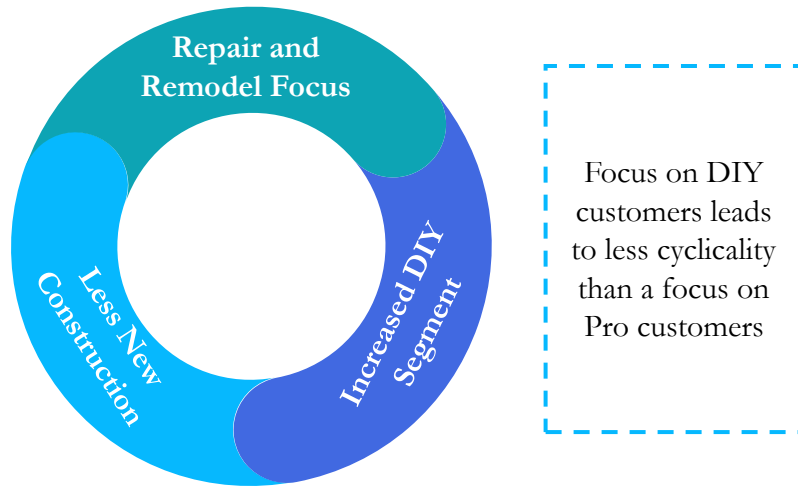
Masco competes in the building products industry where it continues fostering competitive advantage through reliable product segmentation, key partnerships, and a key focus on repair and remodel

	Pro Customers	DIY Customers	Key Partnership	Resilient Product	R&R Focus
<b>MASCO</b>	✓	✓	✓	✓	✓
	✓	✓			✓
<b>FORTUNE BRANDS</b>		✓		✓	
<b>Armstrong</b> WORLD INDUSTRIES	✓				
<b>MOHAWK</b> INDUSTRIES, INC.	✓	✓			
	✓	✓	✓	✓	

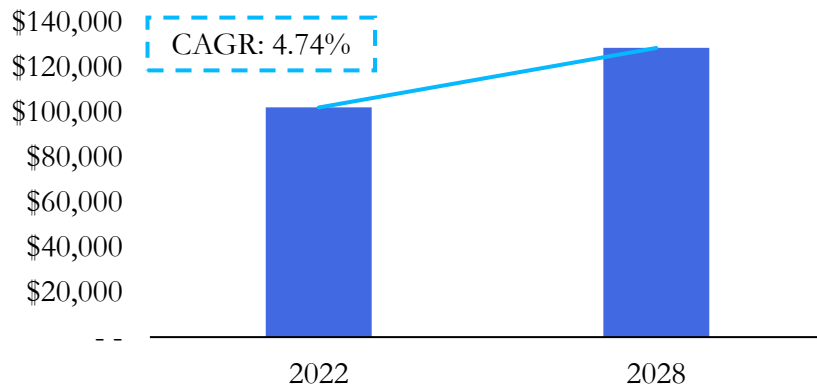
# Do It Yourself

Though Sherwin is a mature and built-out paint and coatings company, Masco beats DIY paint customer market share by far

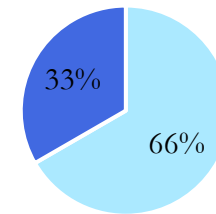
## New Segmentation Strategy = Star Niche



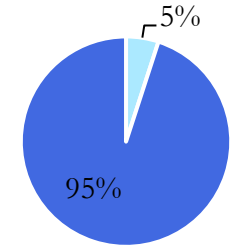
## DIY Home Improvement Outlook



## Behr Paint v. Sherwin Williams



66% of total revenues from DIY paint segment



5% of total revenues from DIY customers

## Key Driver in Home Improvement Market



The DIY home improvement market is forecasted to grow by \$99.25B between 2022-2027



Growing popularity of personalized interior designing, increased convenience (e-commerce delivery options), and growing popularity of ready-to-assemble furniture and fixture

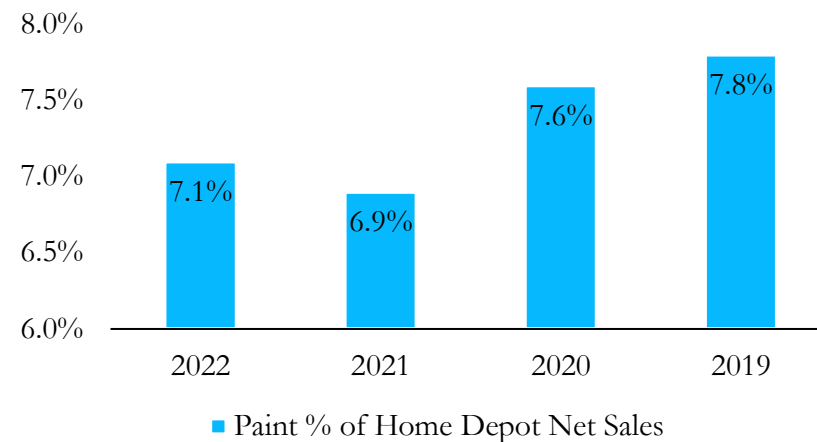
# Doers Getting More Done with Behr

Behr paint's exclusive licensing with The Home Depot makes Masco's presence in DIY paint projects amplified

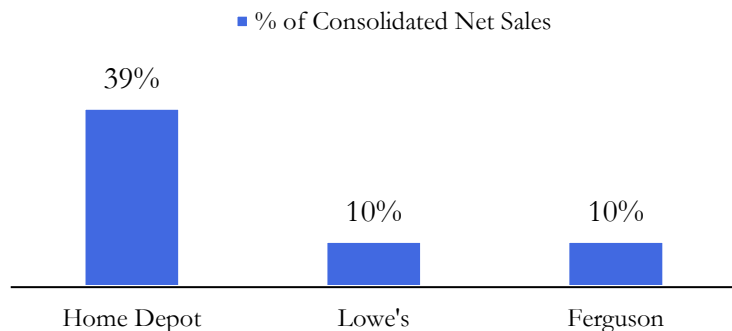
## Betting on Behr

- Home Depot explained their strategy to continue leaning on innovative products that simplify DIY projects for customers such as Behr Dynasty exterior paint
- \$3.1 Billion of Masco's net sales were to Behr
- Behr's Partnership with Home Depot can significantly impact prices of Behr's products

## Home Depot's Paint Segment Importance



## #1 Customer



## Pros of Partnership



Behr Products are introduced to a higher volume of customers due to the larger size of the platform that Home Depot with over 2,300 stores in North America

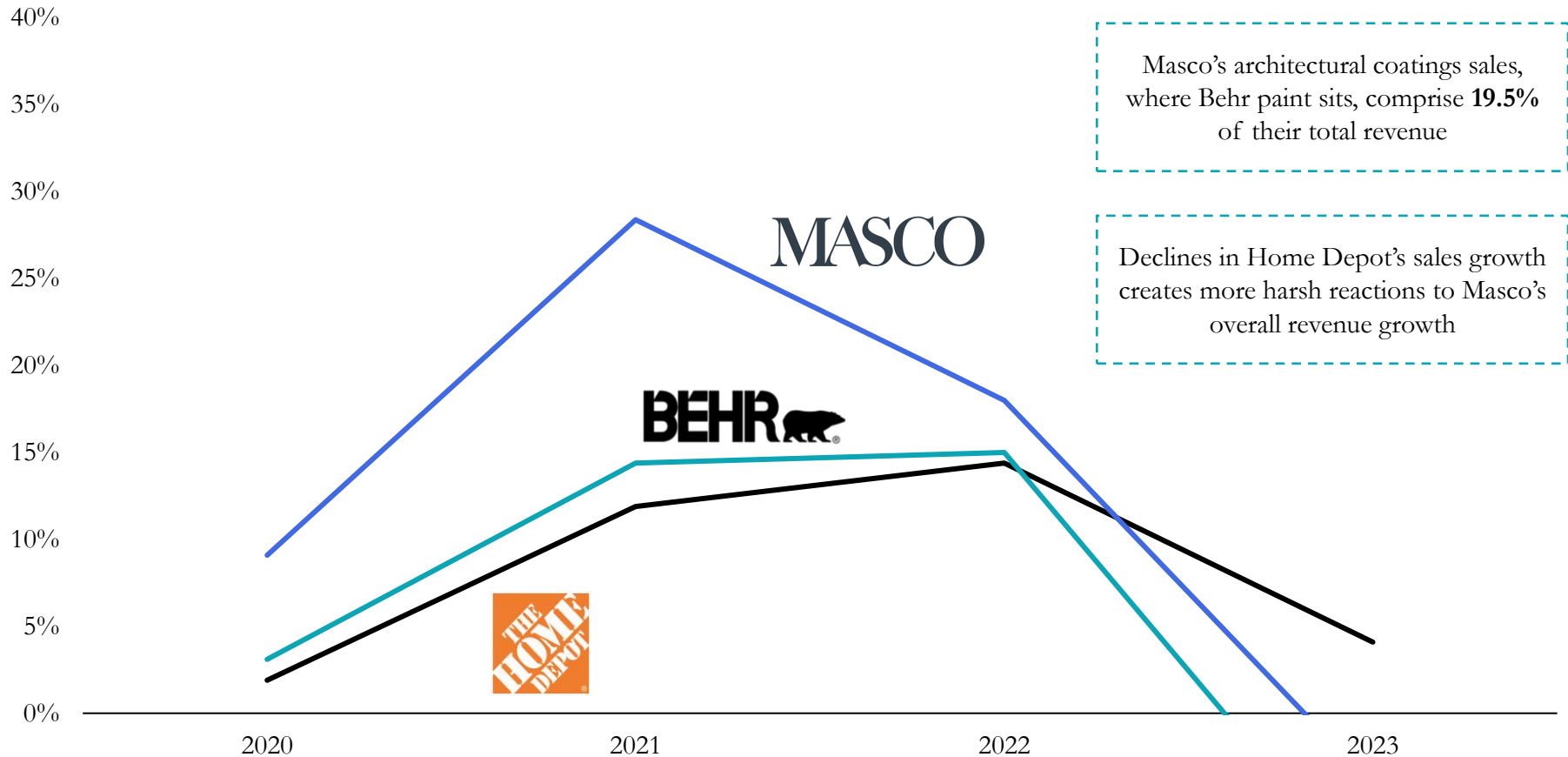


Behr and The Home Depot work together to accelerate advertising efforts such as Color of the Year, furthering their customer recognition

# Home Depot and Masco Sales

Masco's topline trends similarly to Home Depot's proving the partnership's importance to sustain DIY market share

### The Home Depot Revenue vs. Masco Revenue (% Growth YoY)



# Revenue Build Assumptions

*\$ in Millions, Unless Otherwise Noted*

Revenue Build by Business Segment									
	Historical Years				Forecasted Years				
	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>By Geographical Segment</b>									
<b>North America</b>									
Revenue	5,805.0	6,624.0	6,978.0	6,384.0	6511.68	6641.914	6974.009	7462.19	7909.921
% Growth	9.0%	14.1%	5.3%	(8.5%)	2.0%	2.0%	5.0%	7.0%	6.0%
<b>International, particularly Europe</b>									
Revenue	1,383.0	1,751.0	1,702.0	1,583.0	1551.34	1582.367	1645.661	1695.031	1728.932
% Growth	0.3%	26.6%	(2.8%)	(7.0%)	(2.0%)	2.0%	4.0%	3.0%	2.0%
<b>By Product Segment</b>									
<b>Plumbing Products</b>									
Revenue	4,136.0	5,135.0	5,252.0	4,842.0	4,842.0	4,842.0	4,938.8	5,185.8	5,341.4
% Growth	3.8%	24.2%	2.3%	(7.8%)	0.0%	0.0%	2.0%	5.0%	3.0%
<b>Decorative Architectural Products</b>									
Revenue	3,052.0	3,240.0	3,428.0	3,125.0	3,243.8	3,367.0	3,602.7	3,926.9	4,135.1
% Growth	12.1%	6.2%	5.8%	(8.8%)	3.8%	3.8%	7.0%	9.0%	5.3%
<b>Total Revenue</b>									
Total Revenue	7,188.0	8,375.0	8,680.0	7,967.0	8,074.4	8,216.6	8,580.6	9,135.0	9,557.6
% Growth		16.5%	3.6%	(8.2%)	1.3%	1.8%	4.4%	6.5%	4.6%

- 1 Flat outlook in NAM for 2024, Housing equity levels at a 30 year high, and housing starts spiked up to 16.5% signaling an increase in topline expansion for MAS
- 2 Management signs of stabilization in Europe, and positive demand in China
- 3 Average, with flattish topline growth as indicated by management, plumbing products revenue CAGR 6%
- 4 Masco is improving margins in pro paint segment, we expect to see more growth over time, decorative architectural products revenue CAGR 7%

# DCF Base Case

Discounted Cash Flow Analysis						
For Fiscal Year Ending	2024E	2025E	2026E	2027E	2028E	
\$ in Millions, unless otherwise noted						
<b>Total Revenue</b>	<b>8,074.39</b>	<b>8,216.65</b>	<b>8,580.61</b>	<b>9,134.97</b>	<b>9,557.64</b>	
<i>% Growth</i>	<i>1.3%</i>	<i>1.8%</i>	<i>4.4%</i>	<i>6.5%</i>	<i>4.6%</i>	
<b>EBITDA</b>	<b>1,534.13</b>	<b>1,741.93</b>	<b>1,853.41</b>	<b>2,009.69</b>	<b>2,150.47</b>	
<i>% Margin</i>	<i>19.0%</i>	<i>21.2%</i>	<i>21.6%</i>	<i>22.0%</i>	<i>22.5%</i>	
(-) Depreciation & Amortization	109.81	111.75	116.70	124.24	129.98	
<b>EBIT</b>	<b>1,424.32</b>	<b>1,630.18</b>	<b>1,736.71</b>	<b>1,885.46</b>	<b>2,020.49</b>	
<i>% Margin</i>	<i>17.6%</i>	<i>19.8%</i>	<i>20.2%</i>	<i>20.6%</i>	<i>21.1%</i>	
(-) Taxes	(348.10)	(399.39)	(425.50)	(471.36)	(505.12)	
<i>% Effective Tax Rates</i>	<i>24.4%</i>	<i>24.5%</i>	<i>24.5%</i>	<i>25.0%</i>	<i>25.0%</i>	
<b>NOPAT</b>	<b>1,076.22</b>	<b>1,230.79</b>	<b>1,311.22</b>	<b>1,414.09</b>	<b>1,515.36</b>	
(+) D&A Expense	109.81	111.75	116.70	124.24	129.98	
(-) Capital Expenditures	(137.26)	(139.68)	(145.87)	(155.29)	(162.48)	
(-) Change in NWC	(100.37)	8.79	22.48	(34.23)	(26.10)	
<b>UFCF</b>	<b>948.40</b>	<b>1,211.64</b>	<b>1,304.52</b>	<b>1,348.80</b>	<b>1,456.77</b>	
FCF For Discounting	<b>948.40</b>	<b>1,211.64</b>	<b>1,304.52</b>	<b>1,348.80</b>	<b>1,456.77</b>	
<b>WACC</b>	9.6%	9.6%	9.6%	9.6%	9.6%	
Discount Period	0.50	1.50	2.50	3.50	4.50	
Discount Factor	0.96	0.87	0.79	0.73	0.66	
<b>PV of UFCF</b>	<b>905.82</b>	<b>1,055.66</b>	<b>1,036.82</b>	<b>977.91</b>	<b>963.48</b>	
<b>Sum of Cash Flows</b>					<b>4,939.67</b>	

Exit Multiple Method	
Terminal EBITDA	2,150.47
Terminal Multiple	12.0x
<b>Terminal Value</b>	<b>25,805.63</b>
PV of Period Cash Flow	4,939.67
PV of Terminal Value	17,067.32
<b>Total</b>	<b>22,006.99</b>
Period Cash Flow	22.45%
Terminal Cash Flow	77.55%
<b>Total EV</b>	<b>22,006.99</b>
(-) Debt	(2,928.00)
(+) Cash	634.00
<b>Equity Value</b>	<b>19,713.00</b>
SHO	226.00
<b>Share Price</b>	<b>\$87.23</b>
<i>Upside / Downside</i>	<i>20.2%</i>
DCF Inputs	
SHO	226
EV/NTM EBITDA	11.8x
Current Share Price	72.61

## Investment Thesis

1

Focused product segmentation shifted towards low ticket repair and remodel market proving resilient to any housing cycle activity

2

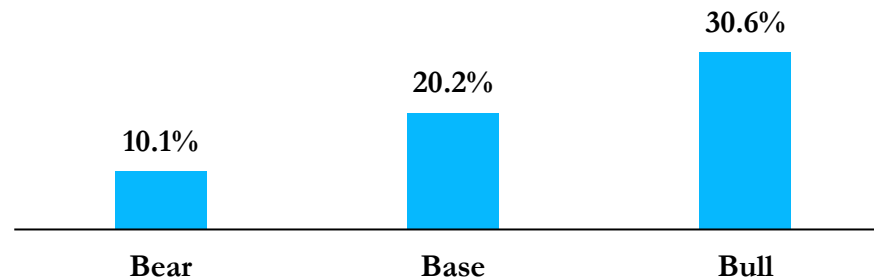
Reliable capital allocation strategy that allows for consistent value creation through bolt-on acquisitions and share buybacks

3

Strong competitive advantage offered through partnership with The Home Depot, providing consistency and stability in DIY paint relative to the industry

**Price Target:**  
**\$87.23**  
**Upside: 20.2%**

### Risk & Return



# Appendix

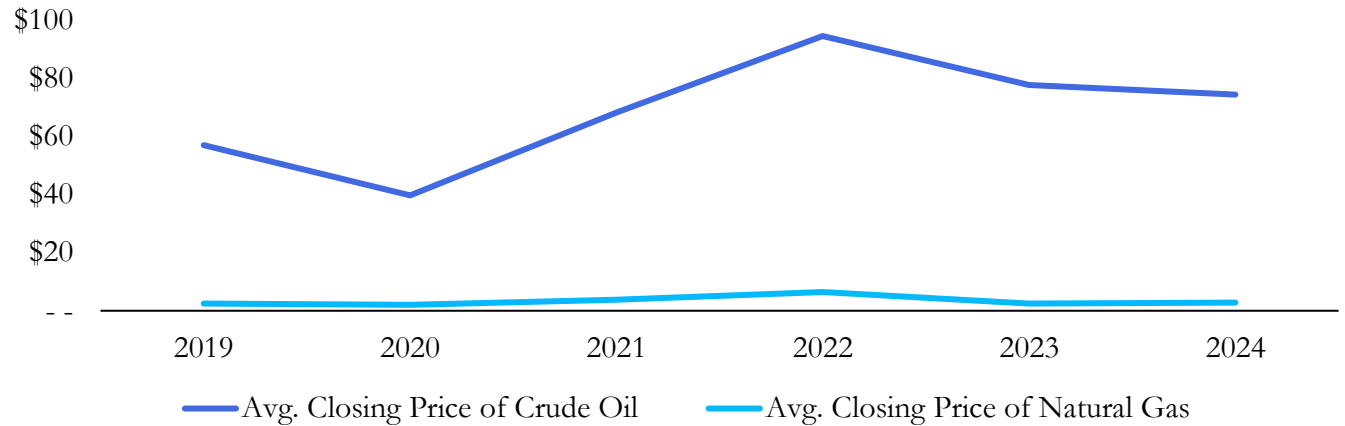


# Raw Material Costs

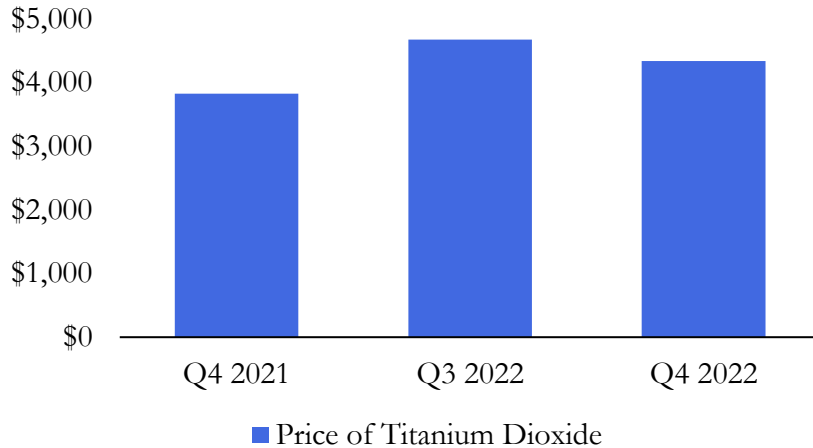
Prices of raw materials used in Masco's production can provide insight into the future prices of finished goods

## Historical Cost of Crude Oil and Natural Gas

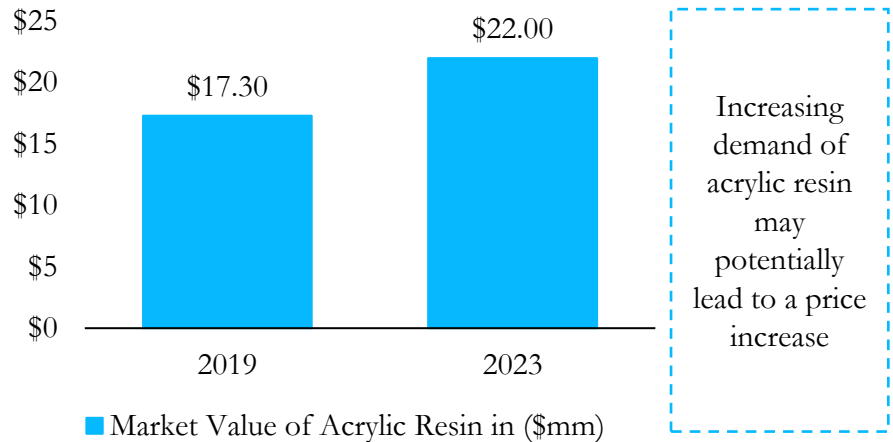
The prices of crude oil and natural gas have a direct impact on the cost of manufacturing products in Masco's architectural design segment



## Costs of Titanium Dioxide



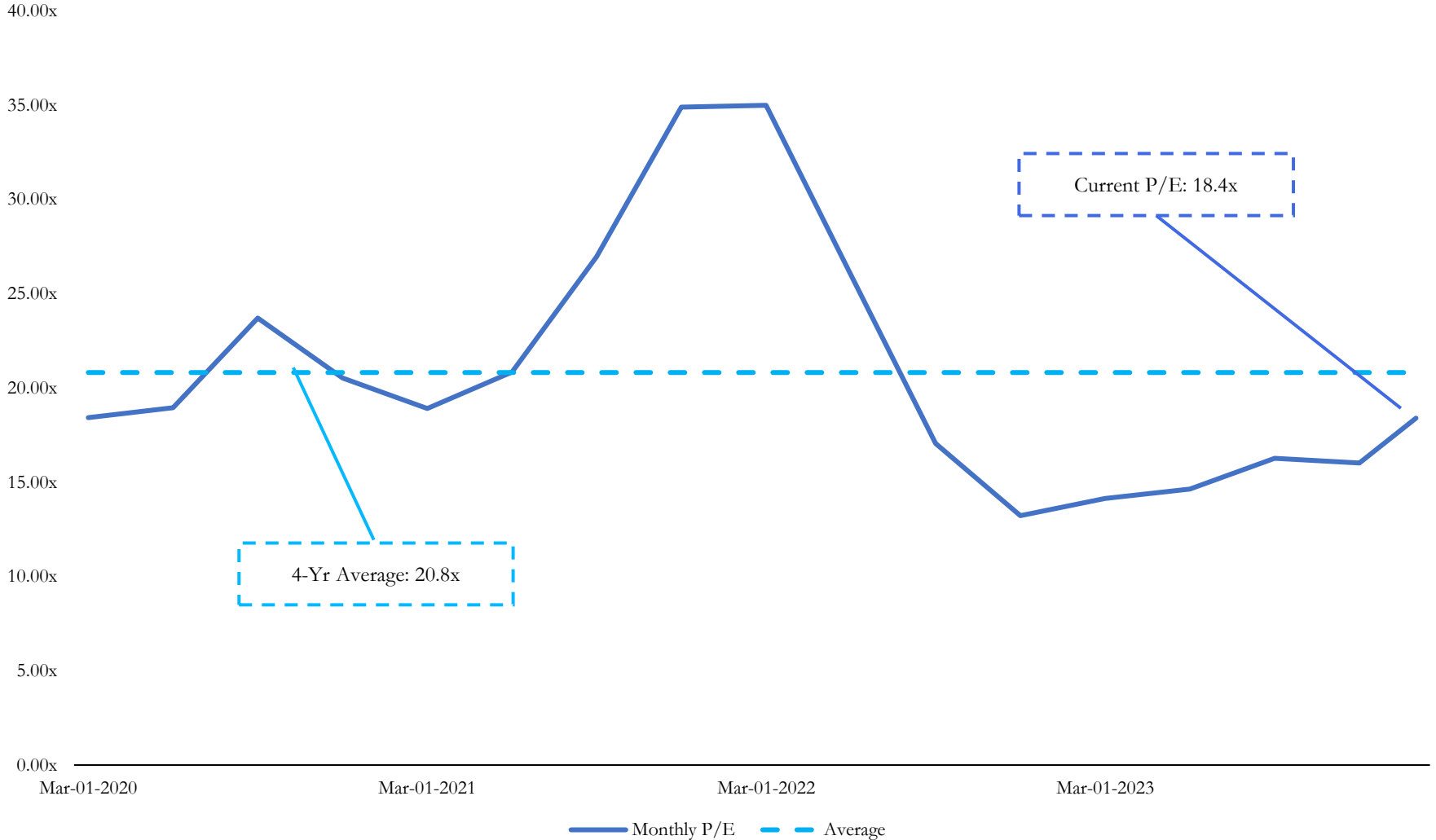
## Rising Demand of Acrylic Resin



Increasing demand of acrylic resin may potentially lead to a price increase

# P/E Multiple Trends

Sources: Capital IQ



# Share Price Sensitivity

Share Price Sensitivity - Exit Multiple Method

		Exit Multiple								
		6.0x	7.0x	8.0x	9.0x	10.0x	11.0x	12.0x	13.0x	14.0x
WACC	7.6%	\$53.77	\$60.61	\$67.44	\$74.28	\$81.12	\$87.95	\$94.79	\$101.63	\$108.46
	8.1%	\$52.65	\$59.35	\$66.05	\$72.74	\$79.44	\$86.13	\$92.83	\$99.52	\$106.22
	8.6%	\$51.57	\$58.12	\$64.68	\$71.24	\$77.80	\$84.36	\$90.91	\$97.47	\$104.03
	9.1%	\$50.50	\$56.93	\$63.35	\$69.78	\$76.20	\$82.62	\$89.05	\$95.47	\$101.90
	9.6%	\$49.47	\$55.76	\$62.05	\$68.35	<b>\$74.64</b>	\$80.93	\$87.23	\$93.52	\$99.81
	10.1%	\$48.45	\$54.62	\$60.78	\$66.95	\$73.12	\$79.28	\$85.45	\$91.61	\$97.78
	10.6%	\$47.46	\$53.51	\$59.55	\$65.59	\$71.63	\$77.67	\$83.71	\$89.75	\$95.79
	11.1%	\$46.50	\$52.42	\$58.34	\$64.26	\$70.18	\$76.10	\$82.02	\$87.94	\$93.86
	11.6%	\$45.55	\$51.35	\$57.16	\$62.96	\$68.76	\$74.56	\$80.36	\$86.16	\$91.97

# DCF- Bull

Discounted Cash Flow Analysis					
For Fiscal Year Ending	2024E	2025E	2026E	2027E	2028E
\$ in Millions, unless otherwise noted					
<b>Total Revenue</b>	<b>8,114.22</b>	<b>8,297.75</b>	<b>8,706.77</b>	<b>9,312.79</b>	<b>9,790.22</b>
<i>% Growth</i>	<i>1.8%</i>	<i>2.3%</i>	<i>4.9%</i>	<i>7.0%</i>	<i>5.1%</i>
<b>EBITDA</b>	<b>1,622.84</b>	<b>1,842.10</b>	<b>1,967.73</b>	<b>2,141.94</b>	<b>2,300.70</b>
<i>% Margin</i>	<i>20.0%</i>	<i>22.2%</i>	<i>22.6%</i>	<i>23.0%</i>	<i>23.5%</i>
(-) Depreciation & Amortization	77.90	79.66	83.58	89.40	93.99
<b>EBIT</b>	<b>1,544.95</b>	<b>1,762.44</b>	<b>1,884.15</b>	<b>2,052.54</b>	<b>2,206.71</b>
<i>% Margin</i>	<i>19.0%</i>	<i>21.2%</i>	<i>21.6%</i>	<i>22.0%</i>	<i>22.5%</i>
(-) Taxes	(369.86)	(422.99)	(452.19)	(502.87)	(540.65)
<i>% Effective Tax Rates</i>	<i>23.9%</i>	<i>24.0%</i>	<i>24.0%</i>	<i>24.5%</i>	<i>24.5%</i>
<b>NOPAT</b>	<b>1,175.09</b>	<b>1,339.46</b>	<b>1,431.95</b>	<b>1,549.67</b>	<b>1,666.07</b>
(+) D&A Expense	77.90	79.66	83.58	89.40	93.99
(-) Capital Expenditures	(97.37)	(99.57)	(104.48)	(111.75)	(117.48)
(-) Change in NWC	(97.91)	11.33	25.26	(37.42)	(29.48)
<b>UFCF</b>	<b>1,057.70</b>	<b>1,330.87</b>	<b>1,436.31</b>	<b>1,489.89</b>	<b>1,613.09</b>
FCF For Discounting	<b>1,057.70</b>	<b>1,330.87</b>	<b>1,436.31</b>	<b>1,489.89</b>	<b>1,613.09</b>
<b>WACC</b>	9.6%	9.6%	9.6%	9.6%	9.6%
Discount Period	0.50	1.50	2.50	3.50	4.50
Discount Factor	0.96	0.87	0.79	0.73	0.66
<b>PV of UFCF</b>	<b>1,010.22</b>	<b>1,159.54</b>	<b>1,141.56</b>	<b>1,080.20</b>	<b>1,066.86</b>
<b>Sum of Cash Flows</b>	<b>5,458.39</b>				

Exit Multiple Method	
Terminal EBITDA	2,300.70
Terminal Multiple	12.0x
<b>Terminal Value</b>	<b>27,608.41</b>
PV of Period Cash Flow	5,458.39
PV of Terminal Value	18,259.64
<b>Total</b>	<b>23,718.03</b>
Period Cash Flow	23.01%
Terminal Cash Flow	76.99%

<b>Total EV</b>	23,718.03
(-) Debt	(2,928.00)
(+) Cash	634.0
<b>Equity Value</b>	<b>21,424.0</b>
SHO	226.0
<b>Share Price</b>	<b>\$94.80</b>
<i>Upside / Downside</i>	<i>30.6%</i>

DCF Inputs	
SHO	226
EV/NTM EBITDA	11.8x
Current Share Price	72.61

# DCF- Bear

Discounted Cash Flow Analysis					
For Fiscal Year Ending	2024E	2025E	2026E	2027E	2028E
\$ in Millions, unless otherwise noted					
<b>Total Revenue</b>	8,034.55	8,135.94	8,455.67	8,959.72	9,329.51
<i>% Growth</i>	0.8%	1.3%	3.9%	6.0%	4.1%
<b>EBITDA</b>	1,446.22	1,643.46	1,741.87	1,881.54	2,005.84
<i>% Margin</i>	18.0%	20.2%	20.6%	21.0%	21.5%
(-) Depreciation & Amortization	141.41	143.19	148.82	157.69	164.20
<b>EBIT</b>	1,304.81	1,500.27	1,593.05	1,723.85	1,841.64
<i>% Margin</i>	16.2%	18.4%	18.8%	19.2%	19.7%
(-) Taxes	(325.42)	(375.07)	(398.26)	(439.58)	(469.62)
<i>% Effective Tax Rates</i>	24.9%	25.0%	25.0%	25.5%	25.5%
<b>NOPAT</b>	979.39	1,125.20	1,194.79	1,284.27	1,372.03
(+) D&A Expense	141.41	143.19	148.82	157.69	164.20
(-) Capital Expenditures	(176.76)	(178.99)	(186.02)	(197.11)	(205.25)
(-) Change in NWC	(102.83)	6.26	19.74	(31.13)	(22.84)
<b>UFCF</b>	841.21	1,095.66	1,177.33	1,213.72	1,308.14
FCF For Discounting	841.21	1,095.66	1,177.33	1,213.72	1,308.14
<b>WACC</b>	9.6%	9.6%	9.6%	9.6%	9.6%
Discount Period	0.50	1.50	2.50	3.50	4.50
Discount Factor	0.96	0.87	0.79	0.73	0.66
<b>PV of UFCF</b>	803.44	954.61	935.72	879.97	865.18
<b>Sum of Cash Flows</b>	4,438.93				

Exit Multiple Method	
Terminal EBITDA	2,005.84
Terminal Multiple	12.0x
<b>Terminal Value</b>	<b>24,070.13</b>
PV of Period Cash Flow	4,438.93
PV of Terminal Value	15,919.49
<b>Total</b>	<b>20,358.42</b>
Period Cash Flow	21.80%
Terminal Cash Flow	78.20%

<b>Total EV</b>	20,358.42
(-) Debt	(2,928.00)
(+) Cash	634.0
<b>Equity Value</b>	<b>18,064.4</b>
SHO	226.0
<b>Share Price</b>	<b>\$79.93</b>
<i>Upside / Downside</i>	<i>10.1%</i>

DCF Inputs	
SHO	226
EV/NTM EBITDA	11.8x
Current Share Price	72.61

# Worst Case

Discounted Cash Flow Analysis					
For Fiscal Year Ending	2024E	2025E	2026E	2027E	2028E
\$ in Millions, unless otherwise noted					
<b>Total Revenue</b>	<b>8,074.39</b>	<b>8,216.65</b>	<b>8,580.61</b>	<b>9,134.97</b>	<b>9,557.64</b>
<i>% Growth</i>	<i>1.3%</i>	<i>1.8%</i>	<i>4.4%</i>	<i>6.5%</i>	<i>4.6%</i>
<b>EBITDA</b>	<b>1,534.13</b>	<b>1,561.16</b>	<b>1,630.32</b>	<b>1,735.65</b>	<b>1,815.95</b>
<i>% Margin</i>	<i>19.0%</i>	<i>19.0%</i>	<i>19.0%</i>	<i>19.0%</i>	<i>19.0%</i>
(-) Depreciation & Amortization	109.81	111.75	116.70	124.24	129.98
<b>EBIT</b>	<b>1,424.32</b>	<b>1,449.42</b>	<b>1,513.62</b>	<b>1,611.41</b>	<b>1,685.97</b>
<i>% Margin</i>	<i>17.6%</i>	<i>17.6%</i>	<i>17.6%</i>	<i>17.6%</i>	<i>17.6%</i>
(-) Taxes	(348.10)	(355.11)	(370.84)	(402.85)	(421.49)
<i>% Effective Tax Rates</i>	<i>24.4%</i>	<i>24.5%</i>	<i>24.5%</i>	<i>25.0%</i>	<i>25.0%</i>
<b>NOPAT</b>	<b>1,076.22</b>	<b>1,094.31</b>	<b>1,142.78</b>	<b>1,208.56</b>	<b>1,264.48</b>
(+) D&A Expense	109.81	111.75	116.70	124.24	129.98
(-) Capital Expenditures	(137.26)	(139.68)	(145.87)	(155.29)	(162.48)
(-) Change in NWC	(100.37)	8.79	22.48	(34.23)	(26.10)
<b>UFCF</b>	<b>948.40</b>	<b>1,075.16</b>	<b>1,136.08</b>	<b>1,143.26</b>	<b>1,205.88</b>
FCF For Discounting	948.40	1,075.16	1,136.08	1,143.26	1,205.88
<b>WACC</b>	9.6%	9.6%	9.6%	9.6%	9.6%
Discount Period	0.50	1.50	2.50	3.50	4.50
Discount Factor	0.96	0.87	0.79	0.73	0.66
<b>PV of UFCF</b>	<b>905.82</b>	<b>936.75</b>	<b>902.94</b>	<b>828.89</b>	<b>797.54</b>
<b>Sum of Cash Flows</b>	<b>4,371.94</b>				

Exit Multiple Method	
Terminal EBITDA	1,815.95
Terminal Multiple	11.0x
<b>Terminal Value</b>	<b>19,975.47</b>
PV of Period Cash Flow	4,371.94
PV of Terminal Value	13,211.37
<b>Total</b>	<b>17,583.31</b>
Period Cash Flow	24.86%
Terminal Cash Flow	75.14%
<b>Total EV</b>	<b>17,583.31</b>
(-) Debt	(2,928.00)
(+) Cash	634.0
<b>Equity Value</b>	<b>15,289.3</b>
SHO	226.0
<b>Share Price</b>	<b>\$67.65</b>
<i>Upside / Downside</i>	<i>-6.8%</i>

Share Price Sensitivity - Exit Multiple Method										
		Exit Multiple								
		6.0x	7.0x	8.0x	9.0x	10.0x	11.0x	12.0x	13.0x	14.0x
WACC	7.6%	\$53.77	\$60.61	\$67.44	\$74.28	\$81.12	\$87.95	\$94.79	\$101.63	\$108.46
	8.1%	\$52.65	\$59.35	\$66.05	\$72.74	\$79.44	\$86.13	\$92.83	\$99.52	\$106.22
	8.6%	\$51.57	\$58.12	\$64.68	\$71.24	\$77.80	\$84.36	\$90.91	\$97.47	\$104.03
	9.1%	\$50.50	\$56.93	\$63.35	\$69.78	\$76.20	\$82.62	\$89.05	\$95.47	\$101.90
	9.6%	\$49.47	\$55.76	\$62.05	\$68.35	\$74.64	\$80.93	\$87.23	\$93.52	\$99.81
	10.1%	\$48.45	\$54.62	\$60.78	\$66.95	\$73.12	\$79.28	\$85.45	\$91.61	\$97.78
	10.6%	\$47.46	\$53.51	\$59.55	\$65.59	\$71.63	\$77.67	\$83.71	\$89.75	\$95.79
	11.1%	\$46.50	\$52.42	\$58.34	\$64.26	\$70.18	\$76.10	\$82.02	\$87.94	\$93.86
	11.6%	\$45.55	\$51.35	\$57.16	\$62.96	\$68.76	\$74.56	\$80.36	\$86.16	\$91.97

DCF Inputs	
SHO	226
EV/NTM EBITDA	11.8x
Current Share Price	72.61