

# MAXIMIZING LONG-TERM VALUE IT'S WHAT WE DO

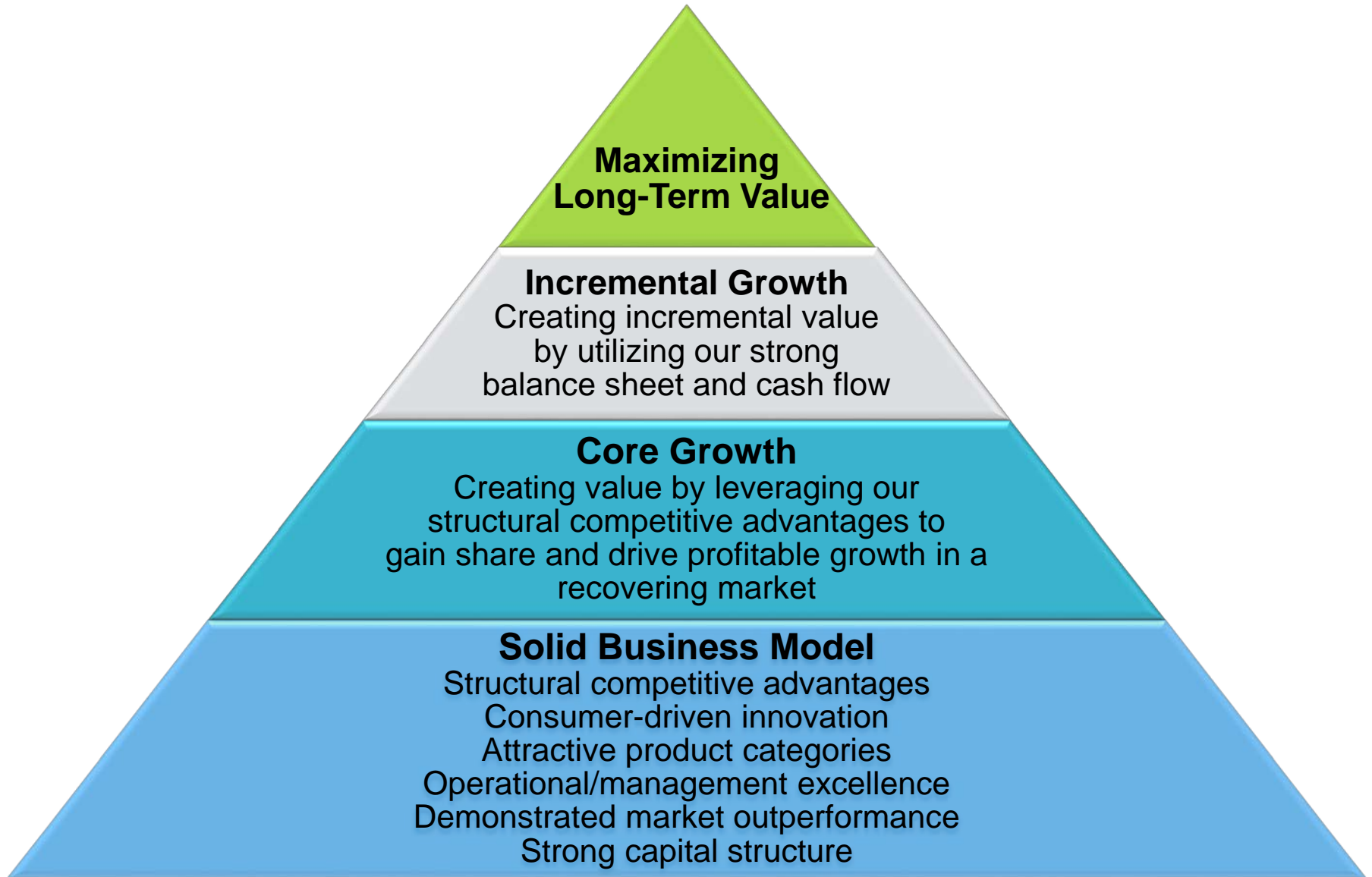


May 2017



Fortune Brands  
A home and security company

# A SOLID FOUNDATION TO MAXIMIZE LONG-TERM SHAREHOLDER VALUE



# POTENTIAL FROM CORE GROWTH

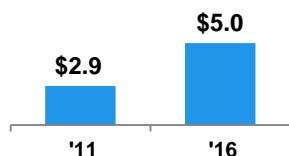
We are focused on creating value by leveraging our structural competitive advantages to drive profitable growth as the U.S. housing market continues in an elongated recovery.

## 5 YEAR GROWTH

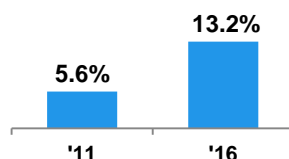
### Demonstrated Success

### 5 Year Growth

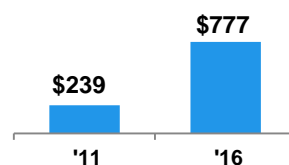
**NET SALES**  
(\$ in Billions)



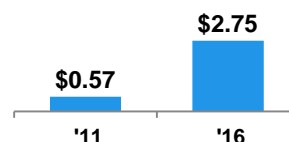
**Operating Margin<sup>1</sup>**



**EBITDA<sup>1</sup>**  
(\$ in Millions)



**EPS<sup>1</sup>**



**72%**

**7.6 pts**

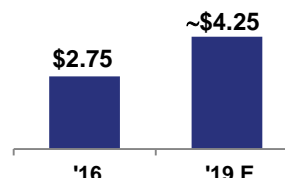
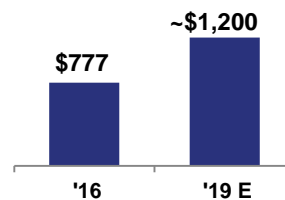
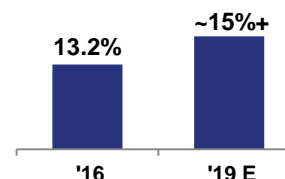
**225%**

**382%**

## 3 YEAR FUTURE GROWTH POTENTIAL

### Continued Performance\*

### 3 Year Growth\*



**~30%**

**~2.0+ pts**

**~54%**

**~55%**

# INCREMENTAL GROWTH

*In addition to organic growth, FBHS intends to continue to maximize shareholder value and drive incremental growth by using cash flow and leveraging the balance sheet.*

(\$M)

## 5 YEAR CAPITAL DEPLOYMENT

### Cash Deployed

Source:	
Cash	1,632
Added Debt	<u>1,021</u>
<b>Total</b>	<b>2,653</b>

### Capital Allocation

Acquisitions	1,361
Share Repurchases	977
Dividend	<u>315</u>
<b>Total</b>	<b>2,653</b>
 Net Debt to EBITDA <sup>1</sup>	 1.5x

## 3 YEAR FUTURE POTENTIAL

### Cash Available to Drive Incremental Value

Source:	
Cash	1,500
Debt	<u>1,200 - 1,800</u>
<b>Total</b>	<b>2,700 - 3,300</b>

### Potential Capital Allocation

Acquisitions & Share Repurchases	~2,300 - 2,900
Dividend	<u>~400</u>
<b>Total</b>	<b>2,700 - 3,300</b>
 Net Debt to EBITDA <sup>1</sup>	 2.0x to 2.5x

<sup>1</sup>Before Charges/Gains on a Continuing Operations Basis.

\*Data 12/31/11 through 12/31/16.

# FBHS PORTFOLIO TODAY

		<u>BRAND LEADERSHIP</u>	<u>COMPETITIVE ADVANTAGES</u>	<u>2016 NET SALES</u>	<u>2016 OPERATING MARGIN<sup>1</sup></u>
<b>CABINETS</b>		<b>#1</b> Kitchen & bath residential cabinet manufacturer in North America	<ul style="list-style-type: none"> <li>• 70%+ in Dealer/In-Stock channels</li> <li>• Dedicated In-Stock Supply Chain</li> <li>• Regional Supply Chain - Dealer</li> <li>• Broad Brand Portfolio</li> <li>• Consumer Driven Innovation</li> </ul>	<b>\$2.4B</b>	<b>10.8%</b>
<b>PLUMBING</b>		<b>#1</b> Faucet brand in North America (Moen)	<ul style="list-style-type: none"> <li>• Exclusive Builder Contracts</li> <li>• Large Installed Base</li> <li>• Broad Distribution with Key Strength in Wholesale</li> <li>• Global Supply Chain</li> <li>• Consumer Driven Innovation</li> </ul>	<b>\$1.5B</b>	<b>21.7%</b>
<b>DOORS</b>		<b>#1</b> Entry door brand in U.S. among building professionals.*	<ul style="list-style-type: none"> <li>• Strong Distribution Network</li> <li>• Growing Retail Presence</li> <li>• Consumer Driven Innovation</li> </ul>	<b>\$0.5B</b>	<b>13.2%</b>
<b>SECURITY</b>		<b>#1</b> Padlock and personal safe brands in North America	<ul style="list-style-type: none"> <li>• Leading Global Brands</li> <li>• Global Supply Chain</li> <li>• Consumer Driven Innovation</li> </ul>	<b>\$0.6B</b>	<b>14.1%</b>

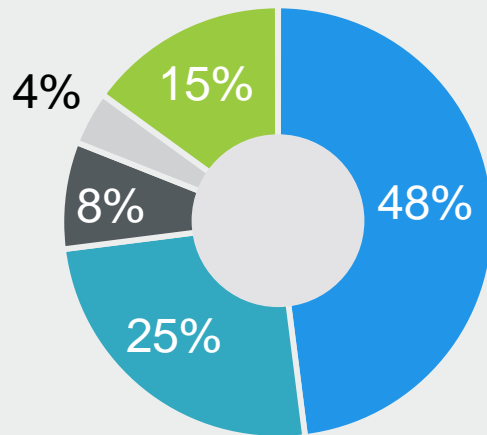
# FBHS PORTFOLIO POTENTIAL

	<u>GROWTH DRIVERS</u>	<u>STRATEGIC FOCUS</u>	<u>THREE YEAR SALES POTENTIAL</u>	<u>THREE YEAR OPERATING MARGIN<sup>1</sup> POTENTIAL</u>
<b>CABINETS</b>	<ul style="list-style-type: none"> <li>Increased dealer sales to over 50% of our total                             <ul style="list-style-type: none"> <li>- Acquired Norcraft</li> </ul> </li> <li>Increased in-stock cabinets &amp; vanities sales to 20-25% of total                             <ul style="list-style-type: none"> <li>- Acquired Woodcrafters</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Drive profitable growth</li> <li>Improve product mix and channel mix to drive margin at all price points</li> </ul>	~\$3B+	~14%+
<b>PLUMBING</b>	<ul style="list-style-type: none"> <li>Formed the Global Plumbing Group to accelerate organic and inorganic growth                             <ul style="list-style-type: none"> <li>- Acquired Rohl and Perrin &amp; Rowe</li> <li>- Acquired Riobel</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Grow sales above market rate while maintaining margin</li> </ul>	~\$2.25B	~20-21%
<b>DOORS</b>	<ul style="list-style-type: none"> <li>Built leading wholesale fabricator network</li> <li>Established growing retail presence in Home Centers</li> </ul>	<ul style="list-style-type: none"> <li>Drive profitable growth</li> <li>Leverage fabricator network to continue to enable price and share gains</li> </ul>	~\$650M	~15%
<b>SECURITY</b>	<ul style="list-style-type: none"> <li>Leveraged premier brands in locks and personal safes                             <ul style="list-style-type: none"> <li>- Acquired Sentry Safe</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Leverage product innovation and brand equity to grow sales</li> </ul>	~\$675M	~15%+

# BROAD CHANNEL & DISTRIBUTION STRENGTH

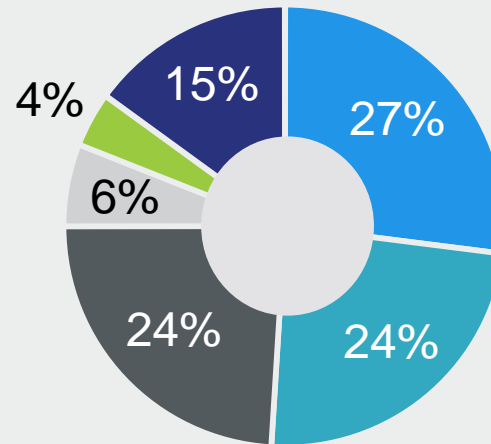
*Our broad channel and distribution strength enables us to drive profitable growth wherever consumers are.*

## TOTAL SALES



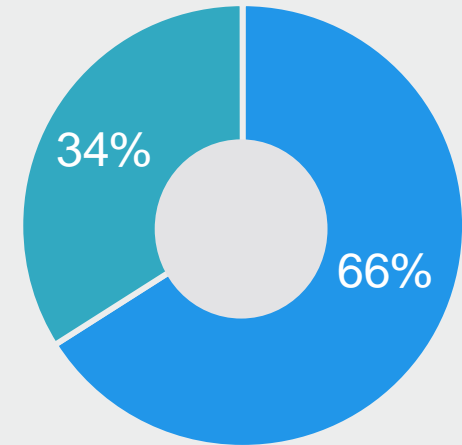
- Repair & Remodel
- New Construction
- U.S. Security
- Commercial
- International
- Builder Direct

## BY CHANNEL\*



- Home Centers
- Wholesale
- Dealers
- Other Retail
- Builder Direct
- International

## U.S. DOMESTIC HOME PRODUCTS MARKET\*

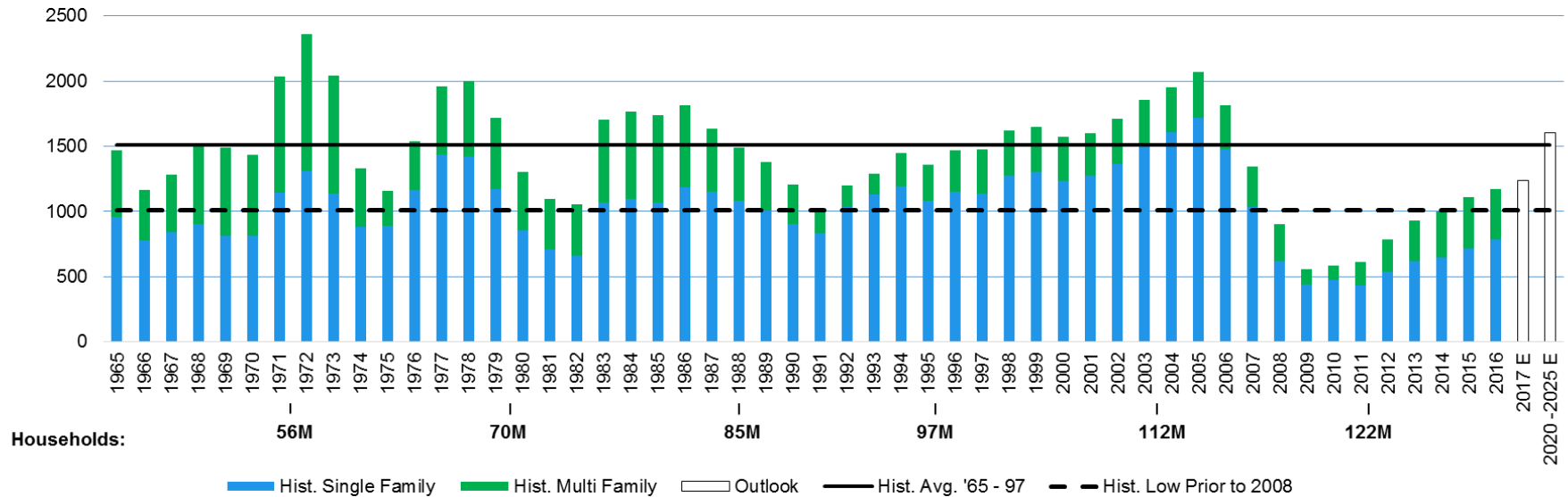


- Repair & Remodel
- New Construction

# NEW CONSTRUCTION MARKET OUTLOOK

*We expect an elongated recovery in the U.S. housing market to return housing starts to a steady state of ~1.5 million and remain at or above that level for several years.*

## NEW CONSTRUCTION STARTS



### DEMAND:

- Favorable demographics suggest new construction demand to be solid over the next several years with Baby Boomers and Millennials contributing to an elongated cycle:
  - Baby Boomers are retaining and even increasing home ownership.
  - Delays in marriage and child bearing are placing upward pressure on future (single family) household formations. Millennials will not reach prime single family demand for another five years.
- Upside to forecast due to aging housing stock.

### SUPPLY:

- Labor and land constraints providing a governor on rate of building; but is gradually improving.



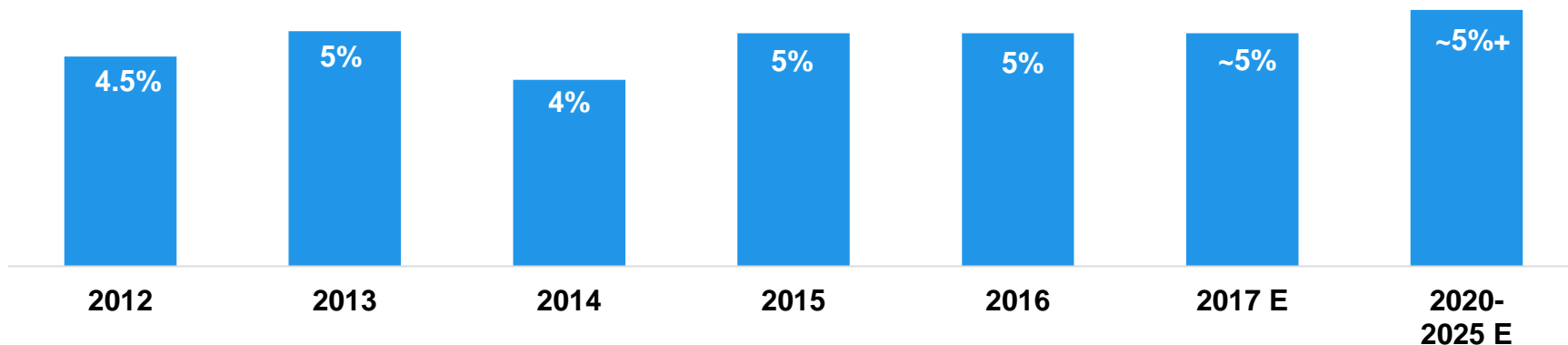
# R&R MARKET OUTLOOK

*In addition to public data, we receive unique insight to current R&R market trends from our leading position in the Kitchen & Bath dealer channel.*

5 YEAR GROWTH

3 YEAR GROWTH POTENTIAL

## REPAIR & REMODEL ANNUAL GROWTH



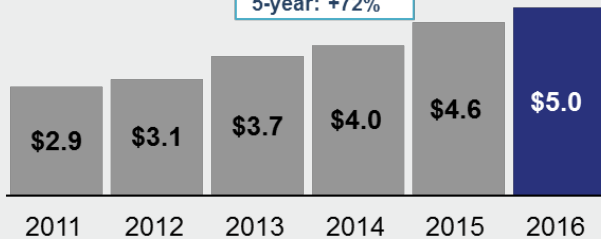
- Pent-up demand has developed
  - From 2007 – 2011 R&R growth was significantly below the long-term historical average, even negative for a period
  - Early in the recovery big-ticket projects lagged even further
  - The median age of homes in the U.S. has increased and is now around 40 years
  - Homes built during 1996-2006 are entering a remodel period
- Consumers' willingness to invest in their homes is driven by:
  - Confidence in the economy/personal finances
  - Employment
  - Home prices
  - Access to credit
- FBHS is well-positioned to capture R&R market growth
  - Two thirds of FBHS home segments' sales are driven by R&R
  - Leading share of the cabinet dealer channel
  - Large embedded base of Moen faucets

# PERFORMANCE SINCE SPIN-OFF

We have significantly grown Net Sales, Operating Income, Earnings Per Share, ROIC, Operating Margin, and Net Income since becoming a publicly traded company in 2011.

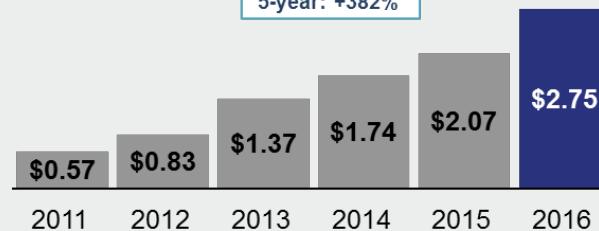
**Total Net Sales**  
(in billions)

**Growth**  
1-year: +9%  
3-year: +35%  
5-year: +72%



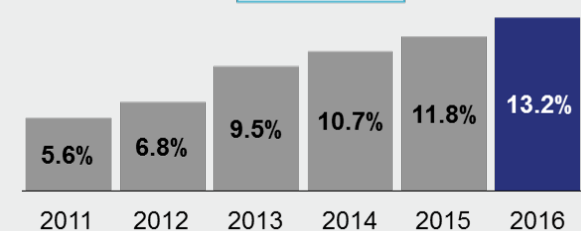
**Earnings Per Share**  
(\$/share)

**Growth**  
1-year: +33%  
3-year: +101%  
5-year: +382%



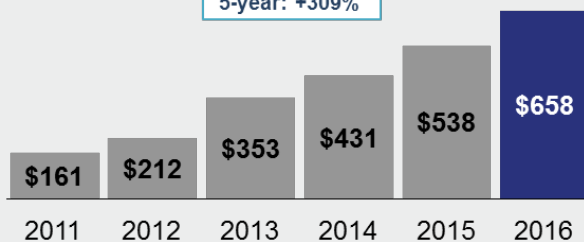
**Operating Margin**  
(OM %)

**Growth**  
1-year: +12%  
3-year: +39%  
5-year: +136%



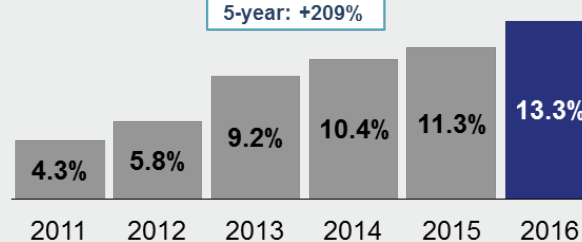
**Operating Income**  
(in millions)

**Growth**  
1-year: +22%  
3-year: +86%  
5-year: +309%



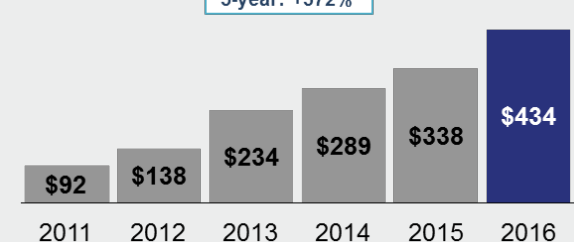
**Return on Invested Capital**  
(ROIC %)

**Growth**  
1-year: +18%  
3-year: +45%  
5-year: +209%



**Net Income**  
(in millions)

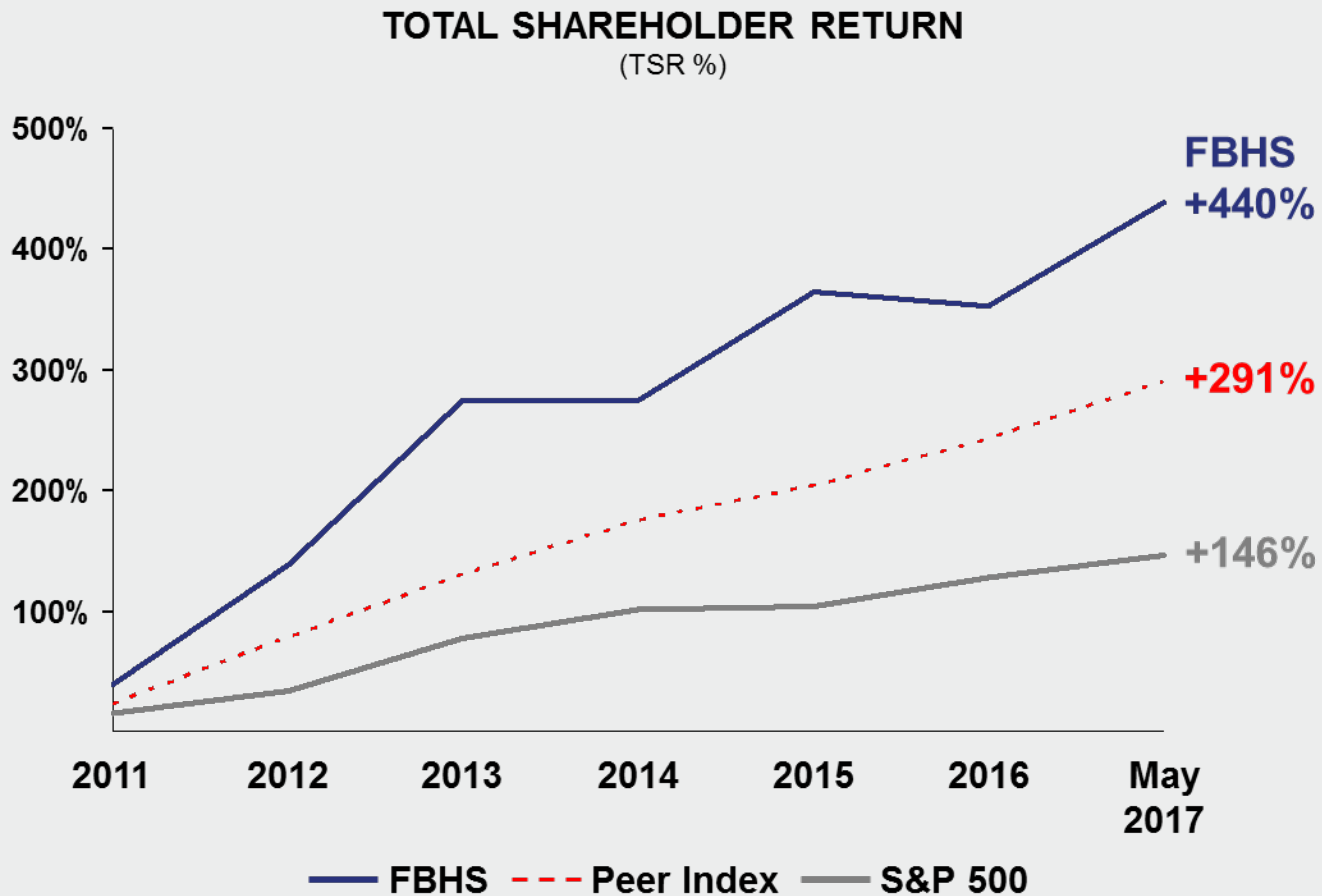
**Growth**  
1-year: +28%  
3-year: +85%  
5-year: +372%



All chart data is from continuing operations and all references to OI, EPS, ROIC, OM and NI are on a before charges/gains basis. The growth percentages represent year-end growth amounts from 2015 to 2016 (1-year), 2013 to 2016 (3-year) and from 2011 to 2016 (5-year). Figures are unaudited.

# TOTAL SHAREHOLDER RETURN

*Our five-year total shareholder return (TSR) has consistently exceeded relevant peer and index performance.*



# DISCLAIMER

This presentation contains certain “forward-looking statements” regarding business strategies, market potential, future financial performance and other matters, including all statements with respect to “Continued Performance,” “Three Year Growth,” “Outlook,” “Future Potential” and “guidance” and statements with words such as “will,” “should,” “could,” “expects,” “potential,” “estimates” or “projected.” Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the current plans and expectations at the time of this presentation. Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those indicated in such statements, including the risks described in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission. Except as required by law, we undertake no obligation to update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, new information or changes to future results over time or otherwise.

This presentation includes financial measures, including EBITDA before charges/gains, Net Debt to EBITDA, operating income before charges/gains, net income, return on invested capital, operating margin before charges/gains, and diluted EPS before charges/gains, that are derived on the basis of methodologies other than in accordance with U.S. generally accepted accounting principles (GAAP). We offer these measures to assist investors in assessing our financial performance and liquidity under GAAP, but investors should not rely on these measures as a substitute for any GAAP measure, including net income or operating income. In addition, these measures may be inconsistent with similarly titled measures presented by other companies. For more information, including reconciliations of these non-GAAP financial measures to the most comparable GAAP measures, please visit the “Investor Center” section of the Company’s website at [www.FBHS.com](http://www.FBHS.com).

# 2017 GUIDANCE

Q1 2017 sales and earnings performance came in a little above our expectation given a difficult comparison to last year, and we increased full year earnings guidance based on the higher Q1 result.

	<b>Q1 2017 ACTUAL</b>	<b>FY 2017 GUIDANCE</b>
U.S. Home Products Market Growth	~6%	6 - 7%
Global Market Growth	~5%	5 - 6%
FBHS Net Sales	7%	6 - 8%
EPS <sup>1</sup>	\$0.53	\$3.00 - \$3.12 <i>Prior \$2.95 - \$3.05</i>

# SOLID BUSINESS MODEL

**Structural competitive advantages**

Drives outsized growth, share gains and margin in a recovering market

**Attractive product categories**

Consumer involved in purchase – markets with healthy long-term growth rates

**Consumer driven innovation**

Keeps product lines fresh and on trend – exciting consumers

**Operational excellence**

Creates industry leading performance across the business

**Demonstrated market outperformance**

Consistent share gains across business over 25 years and through multiple cycles

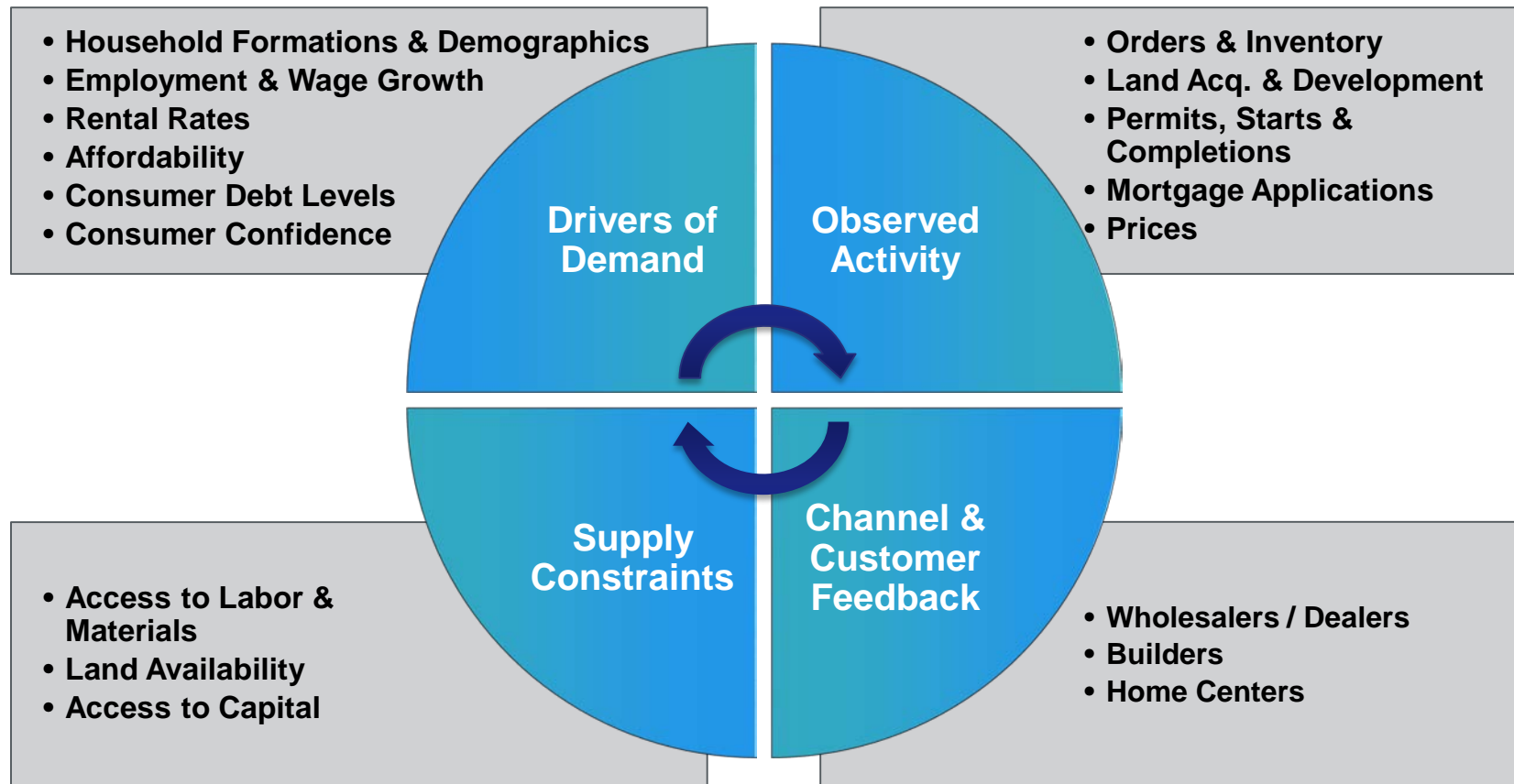
**Strong capital structure**

Low debt leverage and strong cash flow creates flexibility for incremental growth

# MARKET FORECAST

*Our market forecast is not a casual process. The forecast is critical to how we manage and invest in our business and considers multiple factors.*

## Our Market Forecast Inputs



# CAPITAL ALLOCATION

*Efficient cash management provides maximum flexibility to use cash and leverage a strong balance sheet for acquisitions, expansion into new markets and adjacent categories, and return cash to shareholders.*

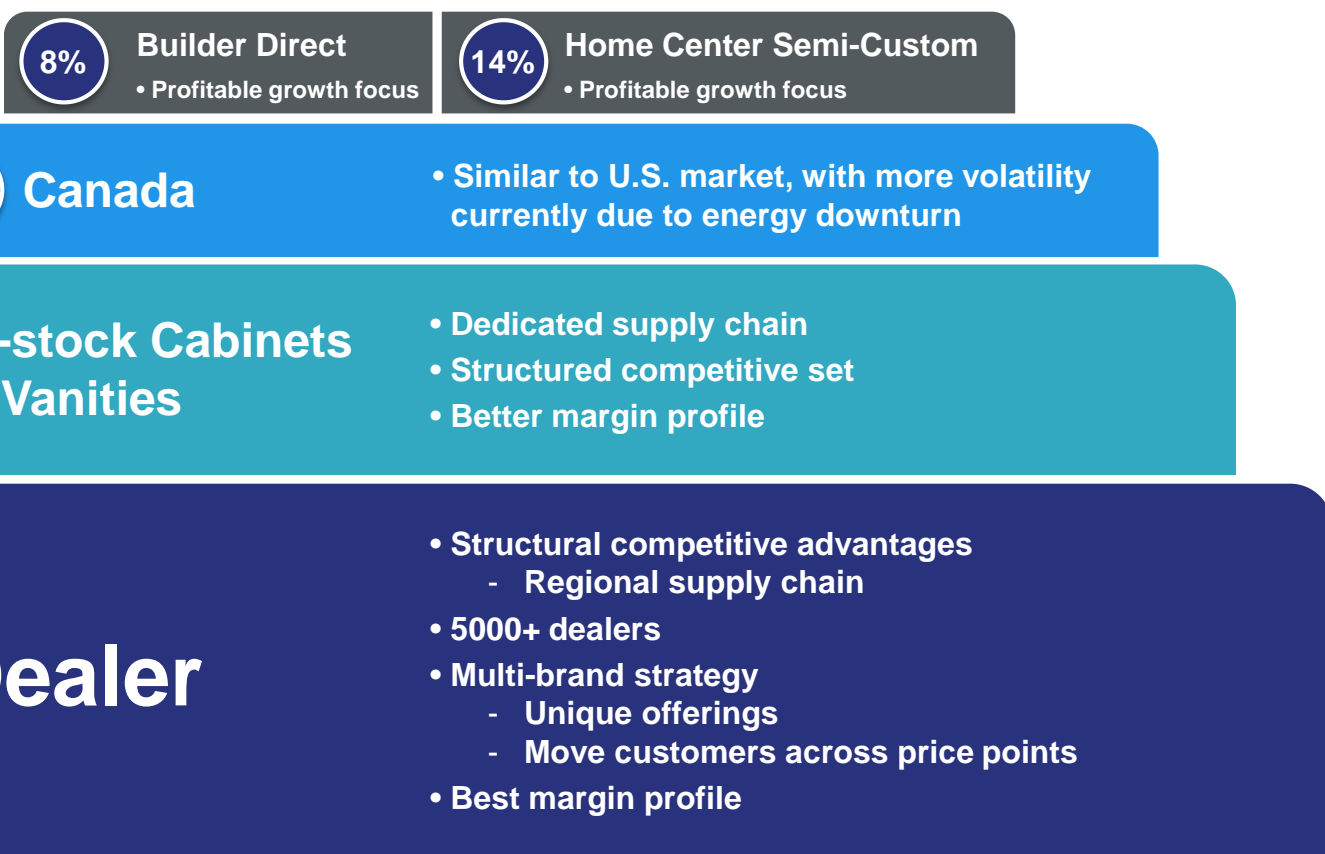
- Invest in current businesses
  - Product development, markets, brands, supply chains, manufacturing capacity
- Accretive acquisitions
  - Expand in current categories or adjacent categories globally
  - Evaluate new, complementary categories
  - Enhanced internal capabilities to execute acquisitions
  - Good companies to be made great, not turnarounds
- Share repurchase
  - Repurchased \$977 million of FBHS shares through 12/31/16
  - Opportunistic and designed to not limit growth prospects
- Dividend reflects Board's confidence in performance and long-term cash flow
  - Potential to increase dividend independent of other uses of cash
  - Less than 30% payout ratio to retain focus on growth



*Our strategy has created a business structure well-positioned to drive profitable growth in key channels.*

## 2016 FBHS Total Cabinet Sales:

# \$2.4B





*The Global Plumbing Group structure gives us the capability to grow sales to \$2.5B by 2020 while maintaining leading margins.*

